Mitsui O.S.K. Lines

ANNUAL REPORT 2005

Year ended March 31, 2005

Five Solutions for Issues Critical to Further Growth

MOL Group
Corporate Principles

1. As a multi-modal transport group, we will actively seize opportunities that contribute to global economic growth and development by meeting and responding to our customers' needs and to this new era.
2. We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards.
3. We will promote and protect our environment by maintaining strict, safe operation and navigation standards.

CONTENTS

Forward-Looking Statements

This annual report contains forward-looking statements concerning MOL's future plans, strategies and performance. These statements represent assumptions and beliefs based on information currently available and are not historical facts. Furthermore, forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to, economic conditions, worldwide competition in the shipping industry, customer demand, foreign currency exchange rates, price of bunker, tax laws and other regulations. MOL therefore cautions readers that actual results may differ materially from these predictions.

FINANCIAL HIGHLIGHTS

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

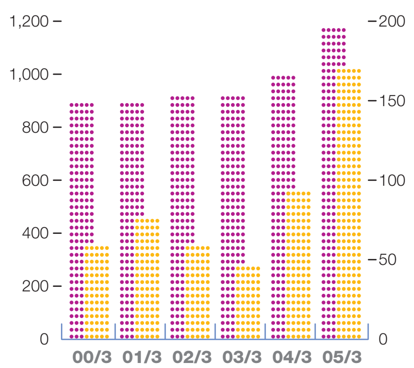
	Millions of yen						Thousands of U.S. dollars
	2005	2004	2003	2002	2001	2000	**2005**
FOR THE YEAR:							
Shipping and other revenues	**¥1,173,332**	¥ 997,260	¥ 910,288	¥ 903,943	¥ 887,867	¥ 881,807	**$10,925,896**
Vessel depreciation	**43,841**	48,547	54,211	62,238	64,851	55,112	**408,241**
Other expenses	**873,308**	776,355	733,329	699,269	667,661	690,936	**8,132,116**
Amortization of consolidation difference	**–**	535	446	588	663	583	**–**
Other sales, general and administrative expenses	**84,388**	79,697	76,946	82,075	76,453	73,856	**785,809**
Operating income	**171,795**	92,126	45,356	59,773	78,239	61,320	**1,599,730**
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**11,764**	6,613	3,387	4,426	3,681	1,403	**109,544**
Income before income taxes and minority interests	**155,057**	89,776	25,114	24,851	20,860	15,314	**1,443,868**
Income taxes, current	**(52,587)**	(35,346)	(10,872)	(6,101)	(19,473)	(6,427)	**(489,682)**
Income taxes, deferred	**(1,205)**	2,152	1,435	(6,633)	7,709	(529)	**(11,221)**
Minority interests	**(3,004)**	(1,191)	(967)	(1,572)	1,847	(33)	**(27,973)**
Net income	**98,261**	55,391	14,710	10,545	10,943	8,325	**914,992**
AT YEAR-END:							
Current assets	**299,835**	299,544	289,645	251,388	255,774	239,860	**2,792,020**
Current liabilities	**429,695**	398,091	423,838	375,032	399,996	412,717	**4,001,257**
Vessels, property and equipment, at cost	**665,320**	477,621	569,234	619,645	691,307	756,623	**6,195,363**
Total assets	**1,232,252**	1,000,206	1,046,612	1,079,090	1,140,400	1,196,474	**11,474,551**
Long-term debt	**340,598**	311,021	395,589	475,696	540,159	598,999	**3,171,599**
Shareholders' equity	**298,258**	221,535	164,790	166,970	144,355	151,992	**2,777,335**
Retained earnings	**182,143**	101,991	56,469	47,818	43,433	43,199	**1,696,089**
AMOUNTS PER SHARE OF COMMON STOCK:	Yen						U.S. dollars
Net income	**¥ 81.99**	¥ 46.14	¥ 12.16	¥ 8.76	¥ 9.01	¥ 6.77	**$0.763**
Shareholders' equity	**249.53**	185.06	137.44	138.78	119.88	123.63	**2.324**
Cash dividends	**16.00**	11.00	5.00	5.00	5.00	4.00	**0.149**

(Translation of foreign currencies)
The Japanese yen amounts for 2005 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. $1.00, solely for the convenience of readers. (The convenience translations should not be constructed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.)

(Amounts per share of common stock)
Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No.4, "Implementation Guidance for Accounting for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

REVENUES AND OPERATING INCOME

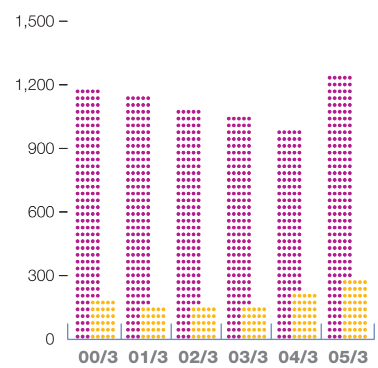
(¥ billions)



● Revenues (left scale)
● Operating income (right scale)

TOTAL ASSETS AND SHAREHOLDERS' EQUITY

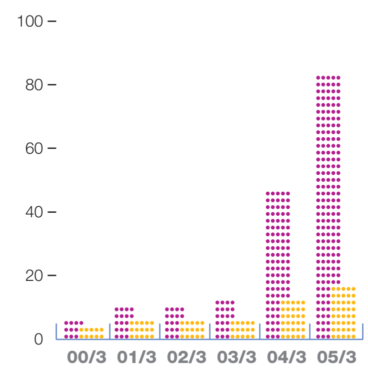
(¥ billions)



● Total assets
● Shareholders' equity

NET INCOME AND CASH DIVIDENDS PER SHARE

(¥)



● Net income per share
● Cash dividends per share

TO OUR SHAREHOLDERS

ANOTHER RECORD-SETTING PERFORMANCE

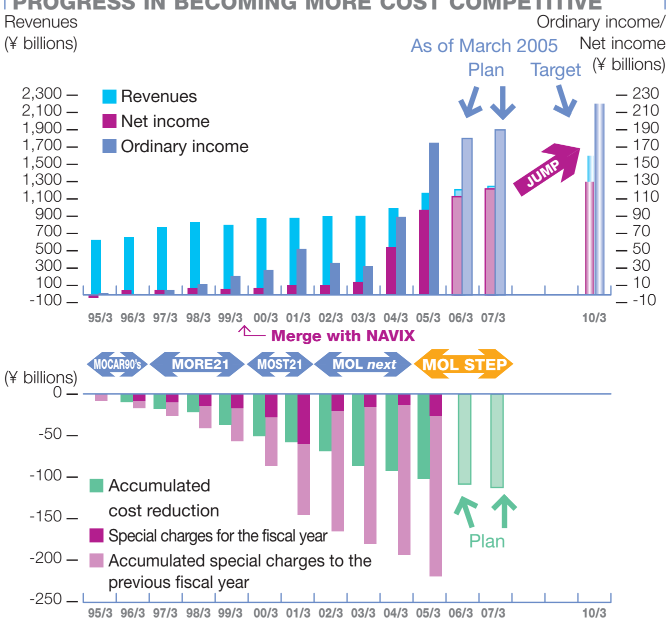
Progress in the transformation of MOL into a highly profitable corporate group continued at a remarkable pace during the past fiscal year. Consolidated net income was up 77.4% to ¥98,261 million as revenues increased 17.7% to ¥1,173,332 million. Only two years ago, our net income was ¥14,710 million. Due to this stellar performance, we surpassed our earnings target for the final year of MOL STEP in this three-year management plan's first year. And we rewarded shareholders by raising the annual dividend from ¥11 to ¥16, in line with a policy of maintaining a payout ratio of about 20%. Our performance shows that, despite its reputation as a mature business, shipping is a growth industry.

Strong demand for ocean transport in all categories was a major reason for our performance. But events set in motion back in 1994—with the aim of becoming one of the world's premier corporate groups in every respect, especially profitability—have been instrumental to our growth, too.

A DECADE-LONG PROCESS

The list of actions—and achievements—is long. Thanks to a constant cost-reduction campaign that started more than a decade ago, our annual cost structure has been streamlined by more than ¥100 billion. In the past fiscal year alone, we lowered annual expenses by ¥9.5 billion, well above our target of ¥6.5 billion. To improve asset productivity, we recorded in excess of ¥200 billion in special charges to restructure our fleet and group companies. Cash flows from operating activities and asset sales were used to slash debt by almost half between April 1998 and 2005.

MOL GROUP MEDIUM-TERM MANAGEMENT PLANS AND PROGRESS IN BECOMING MORE COST COMPETITIVE



With restructuring expenses behind us and interest expenses much lower, non-operating items no longer hold back earnings. Perhaps most significantly, this transformation was combined with a realignment of our fleet based on accurate foresight in long-term trends in ocean transport. Among the most important initiatives were our 1999 merger with Navix Line and an increase in our focus on shipping sectors associated with energy and natural resources. MOL was thus ideally positioned to capitalize on the robust market conditions of the past two years or so.

ON A STEADY COURSE FOR GROWTH

We remain dedicated to growth. For the fiscal year ending in March 2007, the final year of MOL STEP, we have established even higher goals based on a revised plan called MOL STEP Review. We now plan to raise consolidated revenues to ¥1,250 billion and operating income to ¥186 billion. If we reach this goal, net income per share will be more than ¥100 in the March 2007 fiscal year. For the following three-year period, which ends in March 2010, we have established the goal of increasing revenues and operating income by another 28% and 16%, respectively. While forecasts inherently include uncertainties, we want to emphasize that our forecasts are based on a large share of highly predictable income streams. Much of this is from ships that have already been ordered and have long-term charter contracts arranged. Overall, about half of our projected earnings come from sources that are either already locked-in by long-term contracts or highly stable for other reasons.

Between March 2004 and 2007, the MOL fleet will increase from 645 to 750 vessels. This includes 145 new vessels. Our plan is to expand the fleet to 900 vessels by March 2010 by adding 142 new vessels during the following three years. The six-year total of 287 new vessels is well above the initially planned 243, because demand for ships that operate under medium- and long-term contracts was greater than we had expected. During this growth we will hold the share of vessels transporting energy and natural resources steady at just over 70% of our fleet, in terms of number of ships.

Naturally, large investments will be required for the portion of these new ships that MOL will own. But we expect to fund these investments with consistently high cash flows from strong earnings and substantial depreciation. Even after these investments, we expect that sufficient cash will remain to continue reducing debt. In the fiscal year ending in March 2006, for instance, we expect operating cash flows of ¥163 billion, capital expenditures of ¥64 billion and a debt reduction of ¥74 billion.

GREATER STRUCTURAL STRENGTH IN GLOBAL DEMAND

The scale of these investments naturally raises questions about demand growth. We believe the long-term outlook for ocean transport demand is highly favorable. There is no doubt that the ocean transport market has entered a new phase. In many categories, notably LNG and refined product tankers and iron ore bulkships, there is virtually no danger that strong market conditions will spark excessive growth in supply, as has occurred repeatedly in the past. The reason is that demand is being fueled by structural, long-term trends while the ability to increase supply is limited.

Today’s borderless global economy is enabling companies to shift manufacturing to the most cost-efficient locations worldwide. That means more exports of manufactured goods, and more imports of raw materials by nations that serve as manufacturing centers. At the same time, booming consumer spending in China and other countries joining the ranks of industrialized nations is adding to the demand for energy and other resources. China’s iron ore imports, for example, rose from 111 million tons in 2002 to 208 million tons in 2004. The difference of about 100 million tons is equivalent to the annual capacity of almost 100 Capesize bulkers. Moreover, nations that import energy and natural resources are increasingly relying on more distant suppliers, further raising demand for ships. The investments we are now making are targeted specifically at enabling MOL to continue to capitalize on long-term trends, just as we have so successfully in recent years.

A DIVERSE, MULTINATIONAL CORPORATE GROUP

Our organizational structure is another important contributor to our strong performance. Excluding ship crews, approximately 40% of the MOL Group workforce is outside Japan. Containership operations are run almost entirely outside Japan. About 95% of the crews on our ships are non-Japanese. The recent expansion of a large crew training center in the Philippines further improves our ability to maintain a reliable supply of highly trained personnel. In Japan, our board of directors includes prominent individuals from outside the company. And at the head office, we are hiring mid-career professionals to add people with a variety of backgrounds. We are confident that this commitment to diversity, which gives us a highly talented workforce, will continue to play an important part in our future success.

Information is one more invaluable benefit of this large and diverse organization. No other shipping group in the world is better at gathering and analyzing information, a skill that we believe is more important than any other to succeeding in today’s difficult global markets.

In closing, we want to reiterate that MOL and our markets are dramatically different compared with just four or five years ago. We have a fleet structured for growth and profitability. We have a much sounder financial position. And we expect demand to remain solid for many more years. Last year these attributes underpinned a record-setting performance. Our priority now is to keep MOL advancing “steady as she goes” toward sustained growth.

June 23, 2005

Kunio Suzuki
Chairman

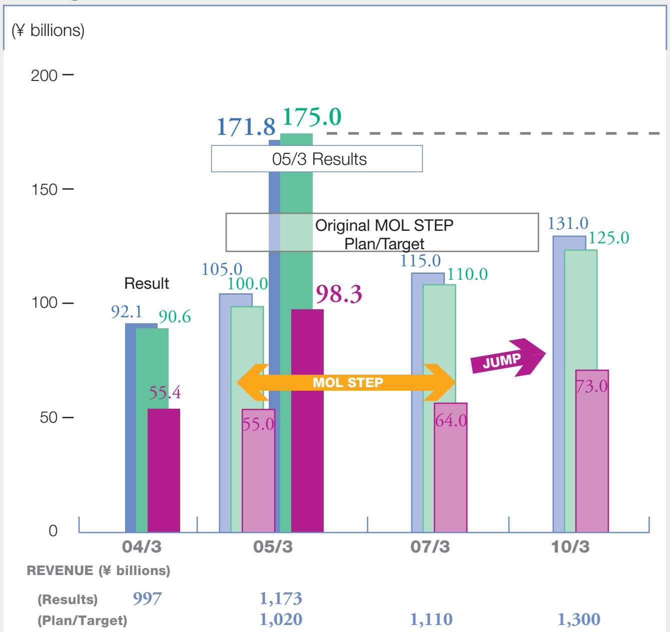
Akimitsu Ashida
President

MOL STEP REVIEW

Five Issues Critical to Further Growth

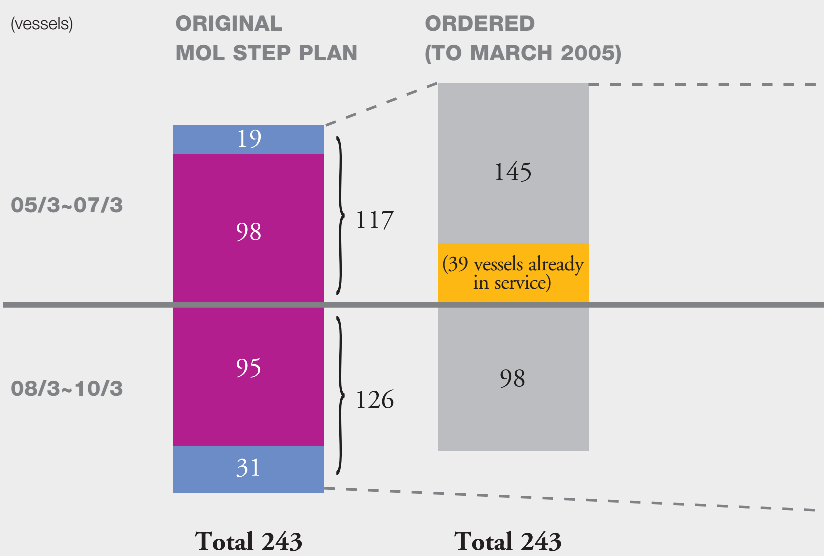
MOL's performance during the first year of **MOL STEP** was remarkable. Earnings and other performance metrics surpassed targets for the final year of this plan, in many instances by a wide margin.

Original MOL STEP Plan

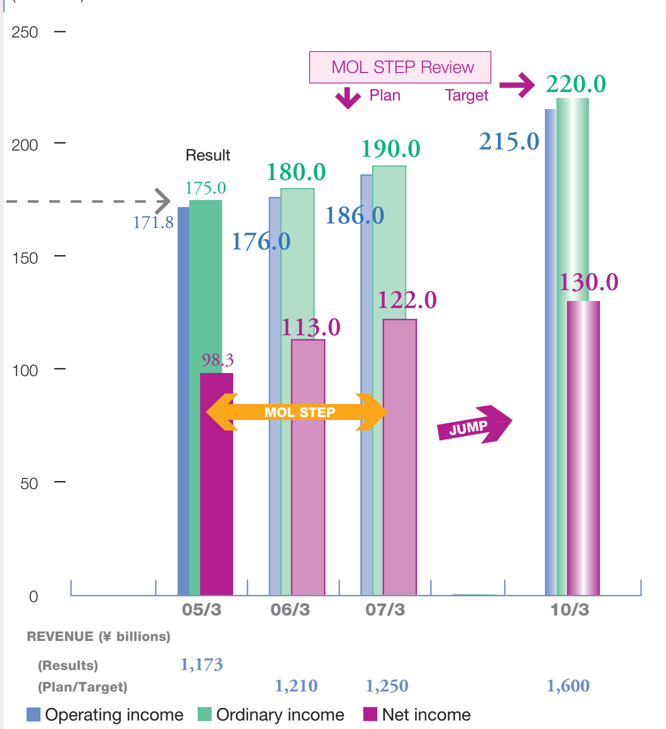


	04/3	05/3		07/3	10/3
AV. EXCHANGE RATE (¥/$)	113.84	110 (original)	107.75 (result)	110 (assumption)	110 (assumption)
AV. BUNKER PRICE ($/MT)	178	150 (original)	193 (result)	150 (assumption)	150 (assumption)

Plan for Fleet Expansion

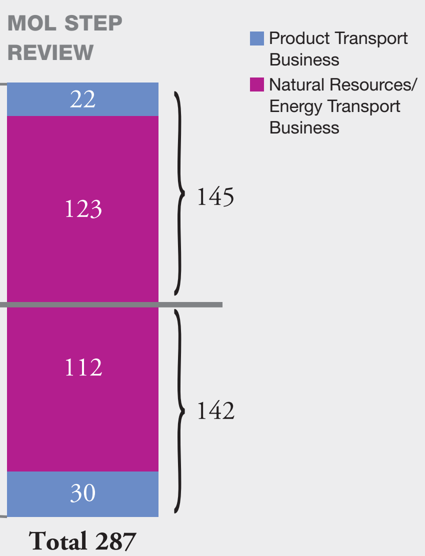


MOL STEP Review



	05/3	06/3	07/3	10/3
AV. EXCHANGE RATE (¥/$)	107.75 (result)	105 (assumption)	100 (assumption)	100 (assumption)
AV. BUNKER PRICE ($/MT)	193 (result)	250 (assumption)	200 (assumption)	200 (assumption)

We are well positioned for greater achievements in the years ahead. Demonstrating our confidence is the upgrade of **MOL STEP** to **MOL STEP Review**.



At the same time, we are aware that our recent growth **highlights a number of pressing issues.**

LOOKING BEYOND MARKET CYCLES

Issue 1

In the past fiscal year, all MOL shipping sectors benefited from strong market conditions. When conditions are good, however, many market observers believe that a downturn is imminent. In fact, the dry bulk and tanker markets have been highly volatile during the past few years, and there are fears of a sharp downturn in container freight rates due to oversupply. Favorable market dynamics therefore underscore the need to position operations to benefit from longer-term trends by looking beyond short-term fluctuations.

Today, a fundamental shift is occurring in the global shipping industry. The primary cause is the addition of about one-third of the world's population to the global trade community during the 1990s. Many years of economic growth in emerging economies is now generating immense demand for natural resources as these nations build sound social infrastructures. At the same time, the globalization of markets is prompting companies to shift production activities to the optimal locations from a worldwide view. These trends in global logistics are not limited to China, but are in fact bringing about momentous changes on a global scale.

This new economic paradigm is generating consistently strong demand for ocean transport. In the past, strong demand and high rates typically triggered a boom in shipbuilding. Overcapacity then forced companies to slash rates to capture market share. But the situation is different today. Solid growth in demand is being accompanied by an increasingly limited supply of ships. A rush to add capacity in all shipping categories has produced an unprecedented backlog at shipyards. In most cases, companies placing orders now must wait until 2009 or 2010 for delivery. Never before has the shipping market been influenced to this degree by supply constraints.

In the energy category, there is strong demand worldwide for VLCCs, notably to support rising imports by the U.S., China and India. Again, limited shipbuilding capacity is keeping the supply tight. In addition, single-hull VLCCs, which account for about 170 of the approximately 450 vessels now operating, must be scrapped in the 2010 to 2015 time frame. Projected strong growth for LNG in Asia, the U.S., Europe and elsewhere will also stretch supply capacity.

In the dry bulk category, China's 2004 iron ore imports were 60 million tons more than in 2003. This growth alone created demand equivalent to more than the capacity of all new Capesize bulkers delivered worldwide during 2004. In 2005, iron ore imports by China are expected to rise by another 40 to 50 million tons.

Ocean transport of cargo in terms of ton-miles is growing even faster than the absolute volume of cargo. Many countries are having to procure energy and resources from more distant sources. For example, China is raising imports of iron ore from Brazil, which is 3.5 times farther than Australia, because Australian mines are sending a large share of their output to users in Japan and other countries. Furthermore, China requires ores with a higher iron component to compensate for domestic ores with low content. China also needs low-sulfur crude oil from western Africa. This causes demand for more VLCCs than would be needed for imports from the Middle East. One VLCC can make nine voyages per year between China and the Middle East, but only six to Angola. There are many other examples of rising ton-miles, such as rising Japanese imports of U.S. coal to replace declining imports from China.

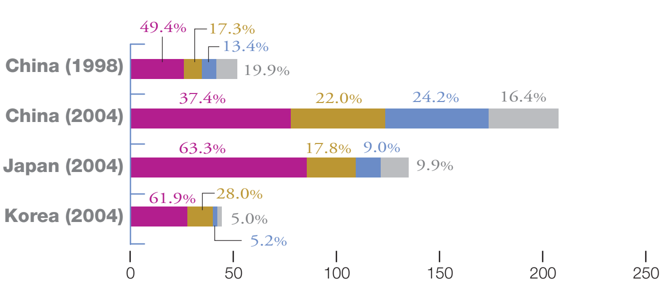
The container logistics sector, backed by the accelerating outsourcing of production, is seeing strong growth in demand along with limitations imposed by harbor facilities, rail transportation and other infrastructure components. TSA(*) estimates that delays at U.S. West Coast ports will reduce containership capacity by as much as 2 to 3%. Companies are introducing 8,000TEU vessels, but round trips require more time because of longer loading and unloading times. Although the world's containership operators have plans to add substantial capacity, projected growth in cargo is expected to be sufficient to keep supply in balance with demand.

MOL is well positioned to capitalize on opportunities spawned by these robust market conditions. We had the foresight to order a large number of vessels several years ago. Our access to information based on long-term customer relationships and operation of the world's largest cargo fleet is instrumental to the ability to envision fundamental market trends. These strengths enable MOL to place orders for delivery even four or five years ahead, a decision shipping companies that are smaller or operate in spot markets often cannot make. All this means that we can look beyond market cycles to achieve growth over the long term.

(*) TSA= The Transpacific Stabilization Agreement, a research and discussion forum of 13 major ocean container shipping lines that carry cargo from Asia to the U.S.

IRON ORE SOURCE-WISE IMPORT RATIO

(million tons)

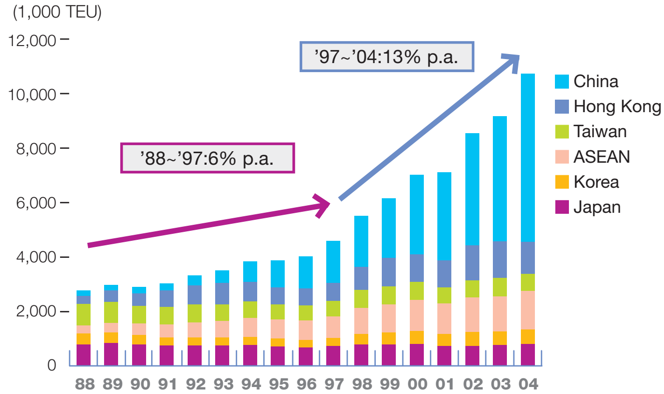


Source: Tex Report

Shanghai-Dampier: 3,100 miles (Australia)	Shanghai-Tubarao: 11,000 miles (Brazil)	Shanghai-Goa: 3,600 miles (India)

ASIA/NORTH AMERICA EXPORTER-WISE CARGO MOVEMENTS

(1,000 TEU)



Source: Piers/JoC, etc.

DIVERSIFYING
RISKS AND OPPORTUNITIES

MOL operates in a single industry: ocean transportation. That means risks are concentrated. Although the outlook is for solid demand to continue, our operations, due to this concentration, remain susceptible to economic and market trends. MOL needs an operating framework that can better withstand market volatility while further raising emphasis on targeting growth opportunities.

Issue 2

Even as we report record results, we continue to work on structuring a business portfolio and fleet that minimize risks while maximizing opportunities.

MOL has a business portfolio that is well balanced in terms of market exposure and long-term stability. Containerships account for about one-third of total revenues. This is a business susceptible to market conditions, but with excellent growth prospects. Bulkships, a much more stable source of earnings thanks to medium- and long-term contracts, represented about half of total revenues and accounted for two-thirds of pretax earnings in the past fiscal year. Many years of investments and business portfolio realignments were required to assemble this well-balanced structure. One of our most notable actions in this regard was the 1999 merger with Navix Line, which had a large fleet of tankers and dry bulkers.

Balance is also maintained within our bulkship portfolio.

Of MOL's fleet of about 80 Capesize bulk carriers, 40 are operated for creditworthy customers under contracts that average almost 10 years. This provides MOL with its core earnings. Based on market conditions and the outlook, MOL operates its remaining iron ore carriers on COA (Contract of Affreightment), which average about 3 years, or at spot rates. Core earnings are central to MOL's ability to conduct these market-linked operations that maximize earnings when rates are strong as in the past fiscal year.

In the tanker category, 80% to 90% of our VLCCs are operated under long-term contracts, leaving only four or five vessels for the spot market. Product tankers, on the other hand, operate almost entirely on spot rates. Demand for these tankers is rising as limited refining capacity causes countries like the U.S. and China to import more refined products. Therefore, product transport sometimes increases even when crude oil volume decreases. Growth in this fleet will present MOL with a new means of diversifying risk, one that differs from the balance among the use of long contracts, COA and spot rates.

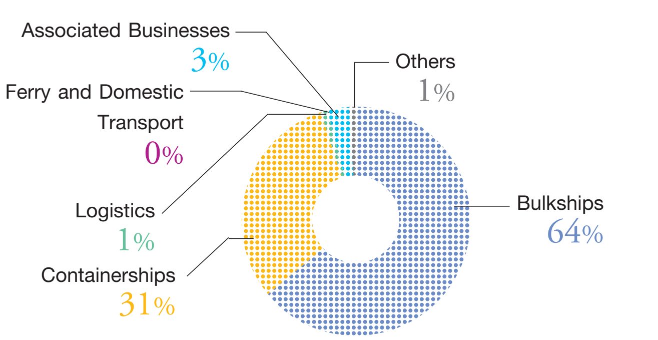
MOL took a step in diversifying operations in October 2004 with the acquisition of a controlling interest in Daibiru Corporation. This company generates a reliable stream of earnings from the leasing of office and residential buildings. Long an equity-method affiliate of MOL, Daibiru has been positioned to contribute more directly to earnings. However, this acquisition in no way signifies a shift from the MOL Group's basic strategy of concentrating resources on growing sectors of the marine transportation business.

Due to this business portfolio strategy, about half of consolidated pretax earnings in the March 2006 fiscal year will come from revenues locked in by medium- and long-term contracts and stable businesses not vulnerable to market fluctuations. In fact, projected stable earnings in the fiscal year ending in March 2006 will significantly exceed the average of total annual pretax earnings during MOL *next*, the three-year management plan prior to MOL STEP. We do not foresee a significant change in stable earnings between now and the year ending in March 2010. This differentiates MOL from many other shipping companies, and even ourselves in the past, and gives MOL an even sounder base for raising market-linked earnings.

Diversification of risk extends to fleet ownership composition, too. Excluding vessels chartered under short-term contracts, MOL directly owns about 35% of its fleet. The remaining 65% of the fleet is chartered or leased. Most of these contracts cover periods of 5 to 15 years to hold down rates and keep payments stable. To further diversify risk, we spread out the timing of vessel orders and the length of contract periods and, in some cases, have provisions for contract extensions.

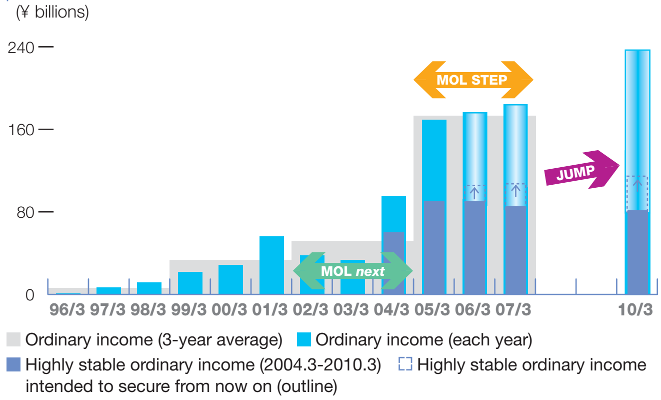
Preparing for a possible downturn in the shipping market is another element of dealing with potential risks. Each shipping division has contingency plans for reducing its fleet if necessary. For example, we plan to increase our fleet of Capesize bulk carriers to 110 by about 2009. However, this fleet can be cut to about 60 vessels if warranted by market conditions. These contingency plans ensure that we can grow along with demand for ocean transportation while holding the associated risks within acceptable limits.

05/3 ORDINARY INCOME BY SEGMENT



(See pages 16-17 for revenue breakdown by segment)

ACCUMULATION OF HIGHLY STABLE PROFITS



Regarded as highly stable income = A part of Bulkships' income; income of Associated Businesses.

Not regarded as highly stable income = Incomes of Containership, Logistics, Ferry & Domestic Transport and Others; a part of Bulkships' income.

DEALING WITH RISING COSTS AND CURRENCY FLUCTUATIONS

Issue 3

Shipping companies currently face significant challenges in terms of cost structure. Higher oil prices are pushing up the cost of bunker. The rising cost of materials is making ships more expensive to build. Limited harbor infrastructures are raising operating costs. Revenues and expenses are also susceptible to foreign exchange rate movements. But MOL is shielding earnings from these risks in a number of ways.

Today, shipping companies face many challenges that affect operating expenses. Among the greatest are the much higher cost of building ships and long waiting periods due to enormous backlogs at the world's shipyards.

MOL, however, had the foresight to order many ships before the sharp upturn in prices that began late in 2003. During the three-year period ending in March 2007, we will take delivery of 145 vessels, all constructed at a highly competitive cost. During the following three years, which end in March 2010, 142 vessels are scheduled for delivery. About one-third were ordered prior to the upturn in prices; one-third have prices that will not fully reflect today's higher price of steel and other materials; and only one-third, or about 15% of the 287 vessels to be delivered between April 2004 and March 2010, is exposed to the current high prices. For this remaining one-third, MOL typically places firm orders to shipbuilders only after signing long-term contracts with customers based on the high prices.

At the same time, where necessary to replace existing vessels and expand the fleet, MOL places orders for vessels even where long-term contracts do not exist. Despite these actions, no significant increase in the overall cost of MOL's core fleet is projected over the next several years due to the large number of low-cost vessels recently delivered and now being constructed. Moreover, as was noted earlier, about 65% of MOL's fleet is chartered or leased, most for long terms. This reduces the impact on earnings of fluctuations in the ship chartering market.

A lean cost structure is a fundamental reason for MOL's resiliency to rising expenses. Most significant were initiatives taken over a series of management plans that began in 1994. Since then, MOL has recorded ¥200 billion in expenses, mainly to dispose of unprofitable vessels and reorganize group companies, and achieved cost savings of more than ¥100 billion. This process made MOL much more cost competitive, strengthening profitability and the balance sheet.

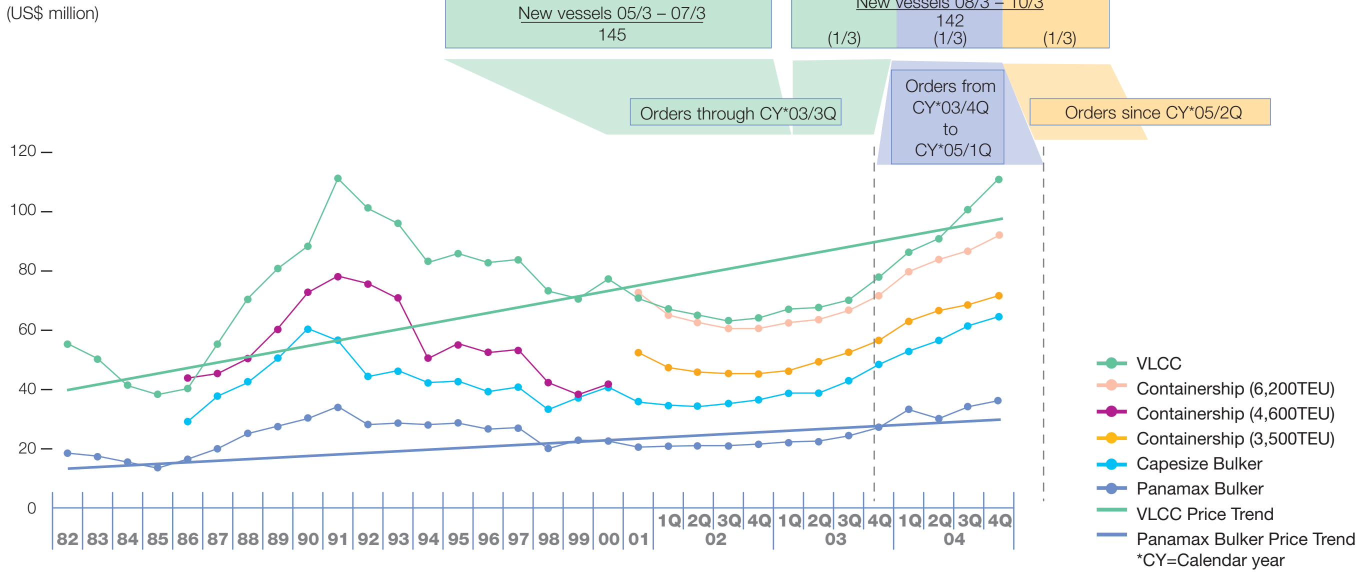
Lowering foreign exchange sensitivity was another core goal of the management plans. MOL has raised the share of U.S. dollar-denominated expenses, mainly by using more non-Japanese seafarers and decentralizing the organizational structure for containership operations. As a result, a one-yen appreciation relative to the dollar lowers pretax earnings by only ¥2.5 billion even following last year's big increase in earnings.

Another challenge in terms of expenses is rate increases at container logistics firms such as terminal operators and railway companies, which are becoming bottlenecks in the transport of containers. MOL's approach is to determine if an increase is justified from the viewpoint of alleviating the bottlenecks and preserving quality of our services. If we accept part of a proposed increase, we try to pass the cost on to customers through freight rate increases or recover it through cost reductions.

Although the much higher cost of bunker poses a serious challenge, MOL is increasing efficiency of ship operations and establishing hedges to limit the impact. As about a half of bunker price fluctuation risk is hedged through contracts with customers, the impact of a US$1 per metric ton rise in the cost of bunker on pretax earnings is limited to ¥300 million. When entering into long-term contracts, we generally try to include terms to shield ourselves from various fluctuating costs. A bunker adjustment factor included in most dry bulker contracts and certain other categories is one example. Another example is inflation clauses in most contracts for LNG carriers, which have periods of 20 years or more.

To reduce the impact of higher interest rates on expenses, MOL's policy is to use fixed-rate loans and other instruments to procure funds for ship purchases and other needs. As of March 2005, fixed-rate instruments accounted for about 70% of interest-bearing liabilities. As a result, an increase of one percentage point in market rates would lower pretax earnings by only ¥1 to 2 billion.

MOL STEP REVIEW: FLEET EXPANSION PLAN
TIMES OF ORDERS AND SHIP PRICES



Source: Clarkson World Shipping Monitor

KEEPING A COMPETITIVE EDGE
ON A LEVEL PLAYING FIELD

Operating largely identical tankers, bulk carriers and other vessels, the world's shipping companies are basically competing on a level playing field. Marine transport services are often difficult to distinguish from one company to another. That means MOL must work particularly hard on measures aimed at maximizing the benefits of strong market conditions. Most important is structuring operations to withstand challenges from competitors while preserving an adequate profit margin.

Issue 4

While each sector has its own strength, scale is the foundation of long-term competitiveness by which MOL sets itself apart. No company in the world operates a fleet with more capacity than MOL. With this scale, MOL has unparalleled access to information along with extensive customer relationships. Scale also allows us to target growing sectors of the ocean shipping market and maintain a cost-competitive fleet. Another advantage of scale is the ability to pursue high returns from short-term and spot markets, while earning stable income from long-term contracts.

From a shorter term perspective, having a fleet with the scale to meet customer needs is particularly valuable during the current period of limited supply. The cost of ships is another key element of MOL's competitive edge. This is especially true for natural resources and energy transport because the cost of a ship represents two-thirds of total operating expenses in these categories. MOL has significant advantages in this regard, as is explained on page 11.

In the dry bulk category, MOL has the world's largest fleet of vessels that transport iron ore and coking coal, which accounts for the highest share of dry bulk cargo. This scale allows MOL to acquire information from many sources. Another advantage of scale is extensive customer relationships. Demonstrating the depth of these relationships is the fact that long-term contracts have been already secured for about two-thirds of the Capesize bulkers in order. More significantly, these contracts include seven ultra-large ore carriers in the 230,000/320,000-ton class. These vessels illustrate MOL's ability to ascertain customer needs and then order vessels that accurately fulfill those requirements, a pivotal competitive edge. Even more flexibility is provided by a management framework in which MOL executives are given considerable authority, thus speeding decision-making and raising market responsiveness.

Many other strengths distinguish MOL's dry bulk operations. For smaller bulkships, MOL is using the stable volume of steel product exports from Japan to establish global coverage that focuses resources on strategic market sectors. Operation of specialized vessels for steaming coal and wood chips, based on close ties with customers, further sets MOL apart from its competitors.

In the tanker sector, one key strength is the use of three regional bases for managing VLCC and other tanker operations. One advantage is greater safety, the highest priority of MOL and its customers. Another is the ability to assemble a truly global fleet. With these strengths, MOL decided to begin globalizing tanker operations in the early 1990s.

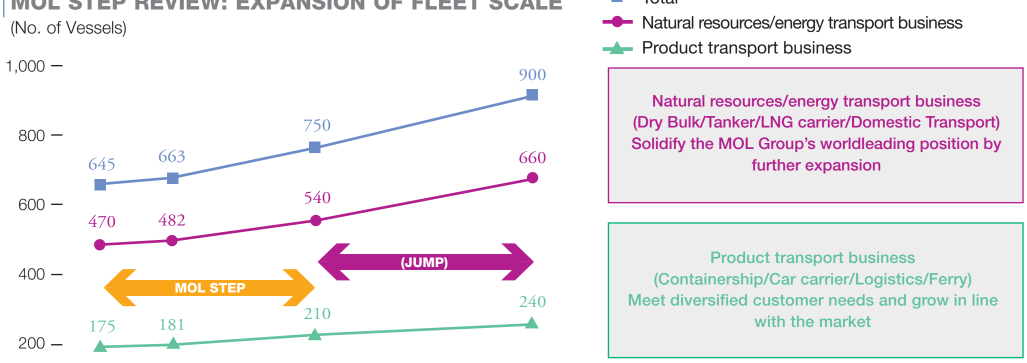
A diverse tanker fleet further differentiates MOL. In addition to VLCCs and other crude oil tankers, the fleet includes specialized carriers for LPG and methanol that all operate under long-term contracts. There is also a large number of petroleum product carriers. By using short-term and spot contracts, these vessels provide significant potential for reaping the benefits of market upturns. By operating such a diverse fleet of tankers, MOL gains access to information from many sources concerning the types of vessels that will be most in demand. Fleet diversity is especially valuable by offering an overwhelming advantage in participating in joint ventures. This strength is important today due to the large number of energy-related joint venture proposals, including for LNG carriers, from energy producing countries, importing nations and various companies. Scale also gives MOL the ability to place orders for new vessels with the proper timing relative to fluctuations in shipbuilding prices and the market outlook.

As competition heats up in the LNG transport sector, MOL's expertise and international network have never been more valuable. Expertise extends from the determination of specifications and supervision of shipbuilding through the operation of carriers.

In containership operations, MOL has decentralized its organization to cut costs and move decisions closer to customers. A sophisticated IT infrastructure both enhances customer services and boosts profits through cargo yield management and other functions. Larger containerships along with bottlenecks at harbors are spotlighting the importance of skill in container stowage and ship operating technology, both areas where MOL excels. Customers also appreciate MOL's ability to offer logistics services from a market-in perspective.

Car carriers are another area of strength at MOL. Backed by a large, modern fleet, skill in vessel deployment, and safe and efficient vehicle loading, MOL has been a trusted partner of many auto manufacturers worldwide for many years.

MOL STEP REVIEW: EXPANSION OF FLEET SCALE



Including LNG carriers owned by joint venture companies which are not consolidated subsidiaries and other types of vessels operated by our subsidiaries accounted for by the equity method in which MOL has a 50% share.

RANKING OF WORLD'S MAJOR CARRIERS

(See pages 24-25 "MOL IN THE INDUSTRY")

MAXIMIZING
CORPORATE VALUE

Issue 5

MOL is now capable of consistently producing earnings and cash flows that are much higher than only a few years ago. This presents the challenge of devising the most effective means of allocating these funds. While MOL is dedicated to seeing that all stakeholders benefit from these funds, the ultimate goal is increasing corporate value, particularly in the form of shareholder value.

Cash flows have long been a key component of value generation at MOL. For this purpose, debt reduction is a major use of cash flows. Since peaking in April 1999 at ¥985 billion following the Navix Line merger, MOL's debt has fallen by a total of ¥471 billion. A large share of the aggregate operating cash flows of ¥618 billion was used to fund these reductions. This has played a big part in raising corporate value and providing a sound base for the steep upturn in earnings in the past two fiscal years.

MOL STEP, the current medium-term plan, is designed to set the stage for another period of growth beginning in 2007. MOL STEP is also intended to be a time to complete preparations for gaining recognition of MOL as one of the world's best managed, most respected organizations in any industry. With this in mind, MOL is aiming for more improvements in financial soundness. Central to this drive will be a further reduction in debt while increasing equity. The initial goal is to achieve a ratio of 4:4:2 for equity, debt and other liabilities by March 2007, the end of MOL STEP.

Another equally important use of cash is capital expenditure, mostly to purchase vessels. During the three years of MOL STEP, these expenditures are to total ¥250 billion. Shipping is a growth industry. By using its information gathering and analysis expertise, MOL correctly foresaw especially strong growth in the current decade. This enabled MOL to place orders for many new vessels before its competitors did. As these vessels are completed, MOL is assembling the most competitive fleet in its history in terms of cost and quality of services. As many opportunities still exist, MOL views capital expenditure as an extremely effective way to use cash flows for maximizing shareholder value.

A third primary use of cash flows is actions that directly increase returns for shareholders. MOL has established the clear guideline of distributing approximately 20% of consolidated net income to shareholders in the form of dividends. In fact, the dividend, which was ¥4 or ¥5 per share for six years through March 2003, rose to ¥11 in the March 2004 fiscal year and ¥16 in the past fiscal year. This was 20% of the net income per share of ¥82. Over the next few years, we plan to maintain a 20% payout ratio as we continue to make substantial capital expenditures while strengthening the balance sheet. In the future, the payout ratio may be raised based on cash flows and the demand for internal funds at that time.

FOCUSED ON FIVE ISSUES

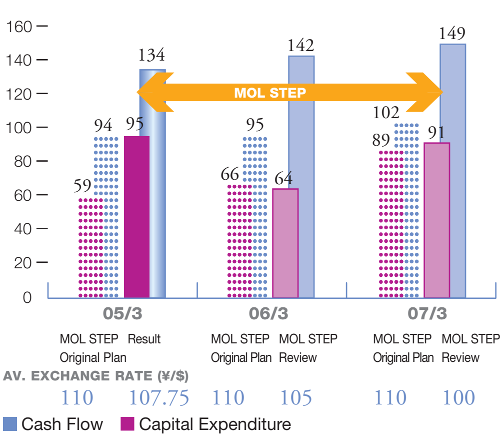
Even as MOL reports record revenues and earnings, shipping still tends to be dismissed as a cyclical industry. This perception, however, does not give consideration to two facts. First, shipping is cyclical, but there is an unmistakable pattern of long-term growth. Second, MOL is always studying the best ways to sustain and maximize profits in an industry defined by these two characteristics. Our solutions are strengthening long-term relationships with customers, diversifying risks and opportunities, reinforcing cost competitiveness and solidifying financial strength.

We have long-term relationships with customers worldwide and a fleet covering almost every market segment. That allows us to build core earnings while using these resources to mold information into accurate forecasts. As a result, we can make fleet investments in the right fields at right times. This gives us a solid base of earnings and a highly competitive fleet, strengths that make it possible to take on more risk to earn greater rewards. At the same time, we are diversifying risk exposure, relentlessly streamlining our cost structure and strengthening the balance sheet to withstand challenges posed by market fluctuations.

Above all, MOL's responses to the five issues in this section demonstrate that the company has built a foundation capable of supporting sustained growth. The recent jump in earnings to new heights is not merely a temporary upturn backed by favorable market conditions. Rather, this performance should be viewed as proof of a lasting, long-term transformation in MOL's business structure that will propel growth many years into the future.

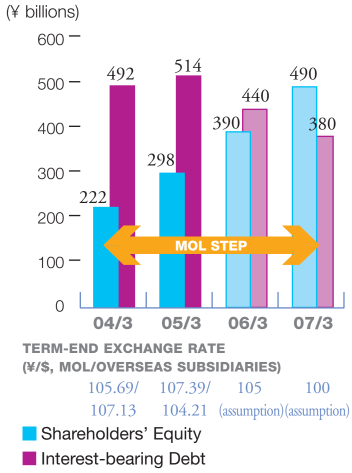
CASH FLOW/CAPITAL EXPENDITURE

(¥ billions) *Cash Flow = Net income + Depreciation – Dividend



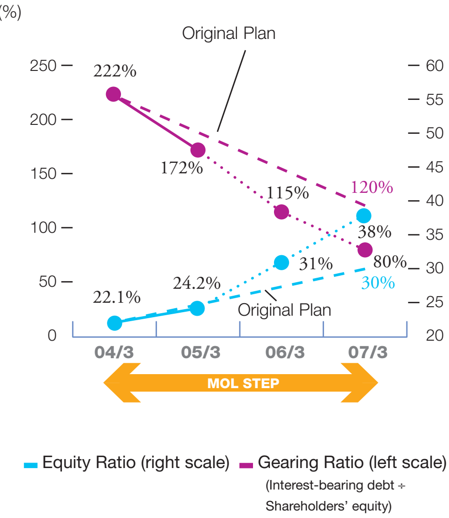
SHAREHOLDERS' EQUITY/ INTEREST-BEARING DEBT

(¥ billions)



GEARING RATIO/EQUITY RATIO

(%)



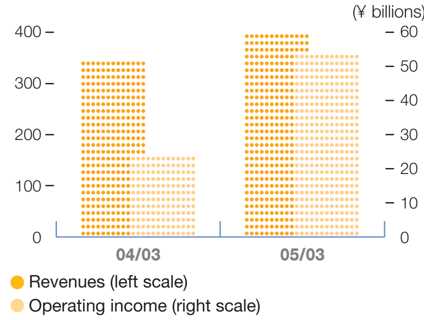
MOL AT A GLANCE

The following is a summary of MOL's business activities based on the business segments that have been newly adopted beginning in the fiscal year that ended in March 2005. (Data based on the new segments are not available for the fiscal year that ended in March 2003).

Performance

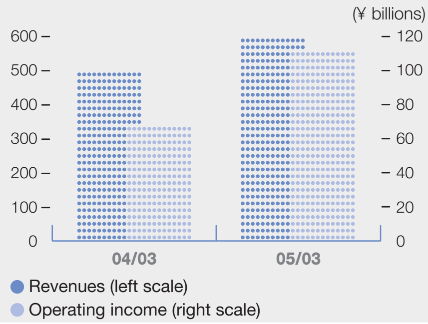
Containerships





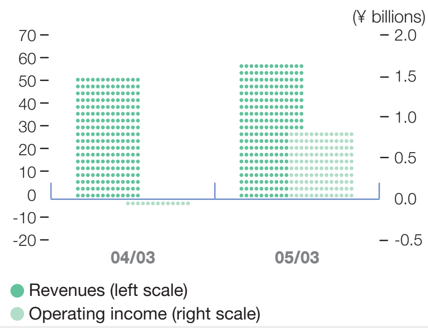
Bulkships





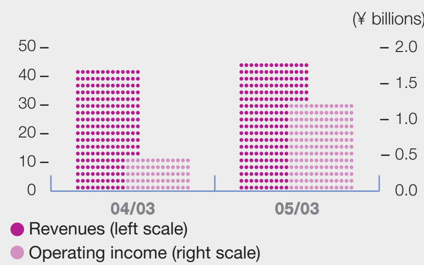
Logistics



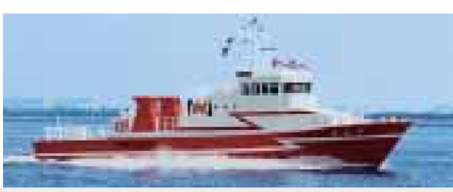


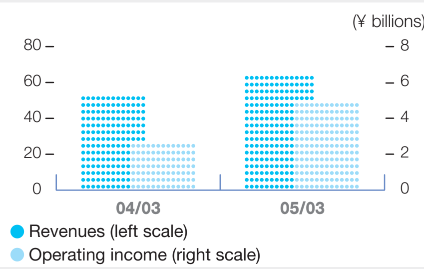
Ferry and Domestic Transport



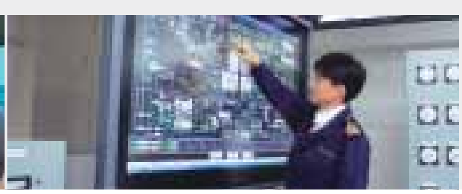
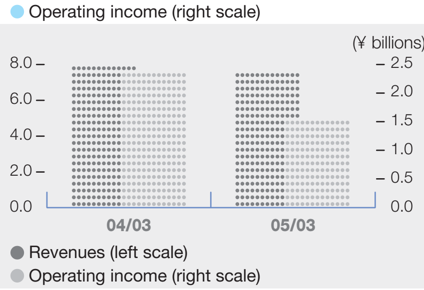


Associated Businesses





Others

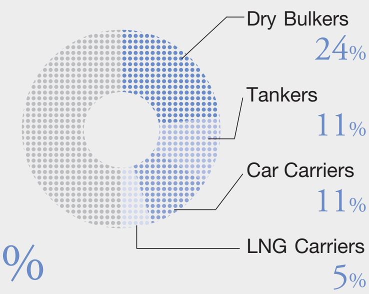
Please see page 34 for sales and operating income figures.

Sales Breakdown by Segments

MOL has a fleet of 78 containerships serving customers in the Americas, Europe, Asia and on other major trade routes. MOL, APL and Hyundai Merchant Marine make up The New World Alliance (TNWA), which encompasses 92 containerships, placing it at the forefront of the global containership industry. Backed by a state-of-the-art information system, further upgrades to its fleet, and relentless cost-cutting measures, the MOL Group has significantly raised operating efficiency while enhancing its presence in markets worldwide. This segment also includes container terminal operations in Japan, the U.S. and Thailand.

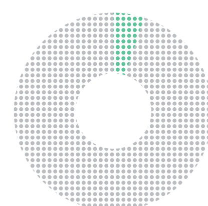
34%

MOL operates 273 **dry bulkers**, the world's largest fleet of vessels carrying iron ore, coking and steaming coal, wood chips, grain and other types of dry bulk. In **car carriers**, MOL has a 73-vessel core fleet and offers services of the highest quality, maintaining extremely close ties with customers. In the energy transport field, where MOL covers all market sectors, the company has a fleet of 137 **tankers** that carry crude oil, products, chemicals and LPG. MOL is also the world leader in **LNG carriers**, participating in projects with a total of 47 vessels. This segment is characterized by a high portion of locked-in revenue from long- and medium-term contracts.



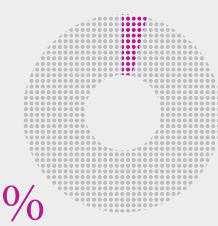
51%

The June 2003 upgrading of the Logistics Office to the Logistics Business Division created a centralized head office unit to formulate and execute strategies for logistics operations for the entire MOL Group. The goal is to enable the group to capture the greatest possible synergies across MOL's business segments. To achieve this, we are adopting a "market-in" approach and have been making strategic investments in China. In a move that significantly enlarges the MOL logistics infrastructure, a strategic alliance was formed in May 2005 with Kintetsu World Express, Inc.



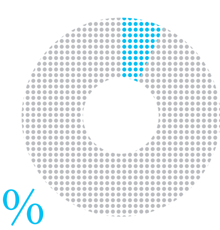
5%

With an extensive domestic service network, this business offers a variety of high-grade transportation services. MOL is reinforcing operations with initiatives such as a 30 knot high-speed cargo ferry, the launch of a roll-on, roll-off (RORO) joint service with another transportation company, and the conversion of Kansai Kisen Kaisha into an equity-method affiliate. In addition, MOL services are attracting much attention as a model for the Japanese government's modal shift policy, which is aimed at protecting the environment.



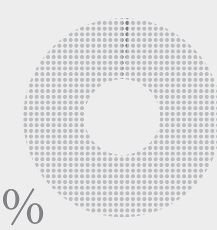
4%

The main operations in this segment are a tugboat service with one of the largest fleets in Japan and a real estate business. During the past fiscal year, Daibiru Corporation, an owner and lessor of office and residential buildings, became a consolidated subsidiary of MOL. Other businesses include marine consulting, marine engineering, temporary staffing, trading and many other activities, most of which target business opportunities by focusing on fields related to ocean transport. A cruise ship business that includes the *Nippon Maru* is also part of this segment.



6%

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



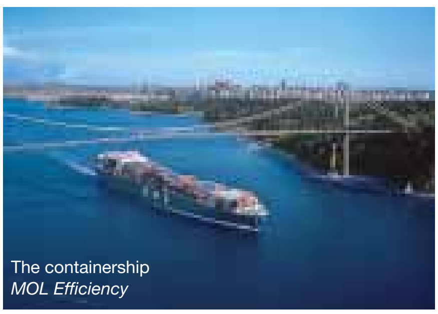
1%

OVERVIEW OF OPERATIONS

—Results of the First Year of MOL STEP and Tasks of MOL STEP Review

Containerships

Masakazu Yakushiji
Senior Managing Executive Officer



The containership
MOL Efficiency

POSITIONED TO BENEFIT FROM RISING DEMAND IN ALL MAJOR TRADES

During the first year of MOL STEP, containership operations posted earnings that were well above the target set by MOL STEP. There were a number of factors. Cargo volume was consistently high on core east-west trades linking Asia with North America and Europe. Particularly noteworthy was a sharp rise in demand on north-south trades, such as Asia-Brazil, that significantly improved profitability. Another factor was market acceptance of an average increase of 8% in freight rates. Also contributing to growth in revenues was the first full fiscal-year contribution of eight high-speed Panamax containerships that joined the MOL fleet during the prior fiscal year and the start of new services. In all, MOL's containership capacity rose by 14% during the fiscal year. At the same time, effective sales activities produced 17% growth in cargo volume, raising capacity utilization by 2 percentage points. Earnings from containership operations also benefited from cost-cutting initiatives.

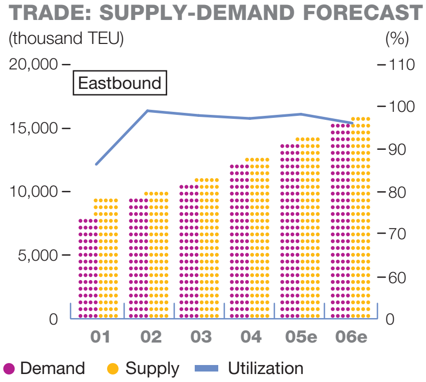
Containership operations are now establishing new, more ambitious goals, having achieved the targets of MOL STEP ahead of plan. The highest priority is to maintain and enhance the current level of profitability. Challenges are posed by rising costs, due to factors ranging from higher fuel costs to shore-side costs such as railway freight in the U.S. On the positive side, supply and demand are projected to remain balanced over the next several years even as the world's containership operators raise capacity at a double-digit pace. Trade volume on east-west trades, which rose about 15% in 2004, is expected to rise by about 12 to 14% over the next several years. Importantly, growth in shipments from China and elsewhere in Asia shows no signs of weakening. Companies in Europe and North America are expected to continue to rely on this region as a manufacturing base. Population growth in the U.S. along with expansion of the EU zone point to continued growth in demand for these inexpensive imports over the long term.

In May 2005, A.P. Moller-Maersk announced its decision to acquire P&O Nedlloyd, a development that symbolizes the current trend of growth in the scale of containership operations. This acquisition is expected to create even higher barriers to entry in the containership market. In response, MOL will continue to make timely investments in its fleet, while using alliances to enhance the scale and quality of its services. Four large containerships will be delivered during the March 2006 fiscal year, followed by two in the following year and six more in the March 2008 fiscal year. Four of these last eight ships will be 8,100 TEU vessels.

While the outlook is generally positive, a number of uncertainties remain. Most significant are the possibilities of rising competition as global capacity rises and of cargo growth falling short of forecasts. But with a cost-competitive fleet of owned vessels, which is largely unaffected by the current hike in charterage rates, and a relentless cost-cutting program spanning more than a decade, MOL is positioned to withstand such challenges. MOL now ranks among the world's most cost-competitive containership operators. Solidifying this position is cargo yield management. Many shipping companies have recently begun to focus on this subject, but MOL has made yield management central to its operations for well over two decades. The recent worldwide coverage of organizations by the StarNet data management system took yield management, including balancing round-trip cargo volumes, to an even higher level.

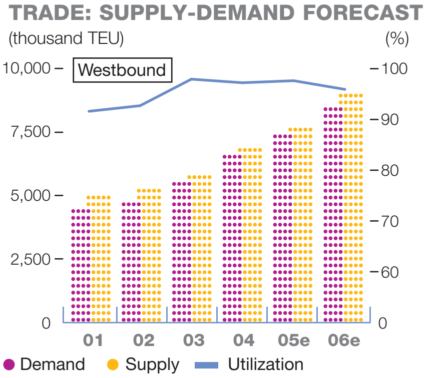
Furthermore, while benefiting from growth in established trades, MOL is deploying vessels and taking other steps to capture rising demand in high-potential markets. For example, MOL has a major presence in Brazil. Elsewhere, MOL is enhancing its services in India, the Middle East and other growing markets. This focus on growth driven by additional capacity, a lower cost structure and yield management will continue to distinguish MOL in the highly competitive containership marketplace.

ASIA-NORTH AMERICA CONTAINER TRADE: SUPPLY-DEMAND FORECAST



Source: MOL estimate

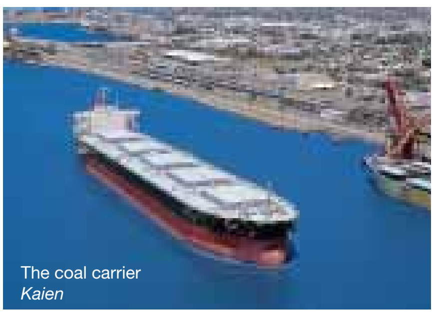
ASIA-NORTH EUROPE CONTAINER TRADE: SUPPLY-DEMAND FORECAST



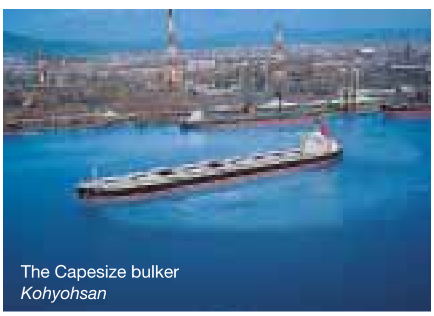
Source: MOL estimate

Bulkships

Dry Bulkers
Saburo Koide
Senior Managing Executive Officer



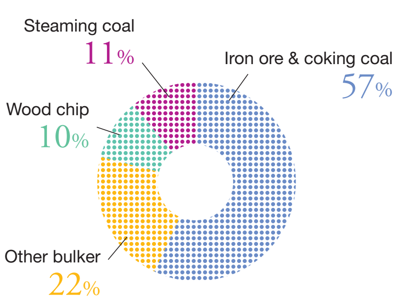
The coal carrier
Kaien



The Capesize bulker
Kohyohsan

The heavy lifter
Poseidon Triumph

NON-CONSOLIDATED REVENUES BREAKDOWN



Dry Bulkers

POSITIONED FOR MAXIMUM BENEFITS AMID CONSISTENTLY SOLID DEMAND

Higher freight rates driven by rising demand and a tight supply of vessels underpinned an extremely strong performance by dry bulkers in the past fiscal year, the first of MOL STEP. However, this accomplishment reflected much more than favorable market conditions. For many years, MOL has been restructuring its dry bulker fleet to become more competitive and profitable. A combination of investments in new vessels and the elimination of costly vessels gave MOL a highly cost-competitive fleet that took advantage of the enormous demand for dry bulkers throughout the past fiscal year. MOL also concentrated vessels on growing market sectors offering the best opportunities to differentiate services from those of competitors. Also noteworthy is the rising contribution of group companies. Gearbulk Holding Ltd., Mitsui O.S.K. Kinkai Ltd. and Daiichi Chuo Kisen Kaisha generated record results in the past fiscal year.

MOL's sizable iron ore and coking coal carrier operations are a key aspect of its strong market position. Rising consumption by China led to a surge in demand for ocean transport of these materials. MOL was able to expand its fleet during the past year with ideal timing because of orders placed several years ago. The core Capesize bulker fleet rose from 70 to 80 vessels. Higher capacity was used to meet the demand for long-term charters as well as to enter into medium-term COA at favorable rates. The larger fleet also enabled MOL to eliminate unprofitable sailings by no longer using expensive spot-chartered vessels.

Demand for bulkers for iron ore and coking coal is expected to remain solid, a situation that is likely to continue until at least the end of the decade. This is due in part to the fact that world's shipyards are operating at full capacity, making them unable to accept new orders for bulkers for at least four years. Having had the foresight to place orders for bulkers well in advance, MOL is positioned to benefit from this market expansion. Between 2004 and 2008, about 50 iron ore and coking bulkers will join the MOL fleet. Long-term contracts have been signed for more than 80% of these vessels. As the fleet grows, MOL will be holding the share of vessels operating on COA and spot rates steady, sustaining prudent exposure to market rates. This will be achieved by using new vessels, vessels that have completed long-term contracts and, when market conditions warrant, newly chartered bulkers.

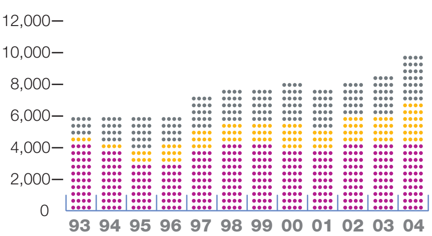
For Panamax, Handy and other bulkers, market conditions are always challenging because of the large number of operators. In response, MOL in 2004 completed the process of assembling a cost-competitive bulker fleet and replaced many COA with agreements at better terms. These actions position the Panamax and Handy fleet to be a reliable source of earnings. MOL does not plan to simply pursue market share. To achieve prudent growth, MOL is focusing resources on carefully chosen businesses. One is combining the stable volume of steel product exports from Japan with COA cargo destined to Japan to carry cargo on outbound and inbound voyages. Plans in this category also include transporting steel materials from China, industrial plants to the Middle East, and targeting other growing market sectors requiring specialized skills.

Almost all of MOL's steaming coal and wood chip carriers operate under long-term charters. Making this possible are relationships of mutual trust that span decades. This gives MOL a highly advantageous position in these two markets. MOL is prepared to meet China's increasing demand for imported wood chips, an opportunity that MOL identified some time ago.

As the world's largest operator of dry bulkers, MOL will be a major beneficiary of the favorable market conditions foreseen for the remainder of the decade. Backed by a competitive fleet, close customer relationships and a wealth of information, the dry bulker operations of MOL are on the verge of becoming the company's largest contributor to earnings.

Car Carriers
Setsuyasu Hagiwara
Managing Executive Officer

WORLD CAR CARRIER TRADE
(thousand vehicles)



ex Japan ex Korea Others
(MOL internal calculation: excluding CKD)

Car Carriers

ADDITION OF LARGE VESSELS RAISES OPERATING EFFICIENCY AND CUSTOMER SERVICE

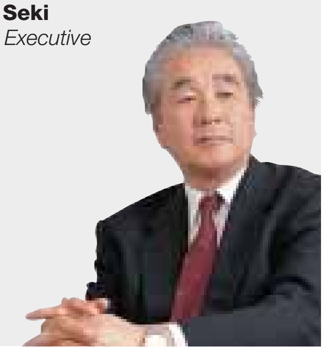
MOL has ranked among the world's largest ocean transporters of vehicles for decades. This solid market position has proved particularly valuable in the past few years as the world's automakers increase the volume of cars they ship, often leading to a shortage in car carrier capacity.

Deliveries of large, sophisticated car carriers that began in 2003 have helped MOL to retain its prominent position in the car carrier market. MOL took delivery of four of these car carriers, which hold 6,400 vehicles, during the past fiscal year. In all, 28 car carriers will be delivered between 2003 and 2009. In addition to their size, the ships feature more speed and greater fuel efficiency, which reduces the environmental impact.

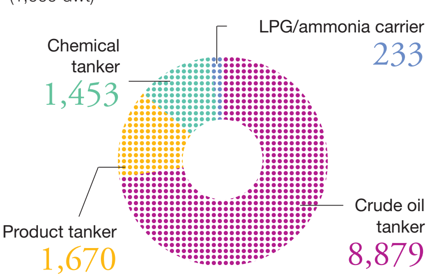
Quality is the central theme concerning future goals. MOL is determined to further enhance its reputation as a source of services that are fast, on time, safe and clean. By leveraging this reputation, MOL plans to target opportunities worldwide, especially in expanding markets in Asia, South America and Africa. MOL has a growing presence in South and Central America, where many vehicles are shipped from Brazil and Argentina to other countries in this region. In Asia, Thailand's rising automobile exports present another opportunity. Following the establishment in 1998 of a company to transport cars by truck in Thailand, MOL formed a company for the same purpose in China in August 2004 to lay the groundwork for growth in exports by sea. Nevertheless, the focus of car carrier operations will remain on Japan and South Korea, which together account for about 70% of global automobile exports by ship.

The outlook for car carriers is generally favorable. Furthermore, MOL will benefit from the continuing emphasis shippers place on the quality of vessels and services. Through the timely procurement of ships, a strategic focus on attractive markets and a commitment to retaining long-term relationships with customers, MOL plans to continue the steady expansion of its car carrier operations.

Tankers
Masashi Seki
Managing Executive Officer



COMPOSITION OF TANKERS
(1,000 dwt)



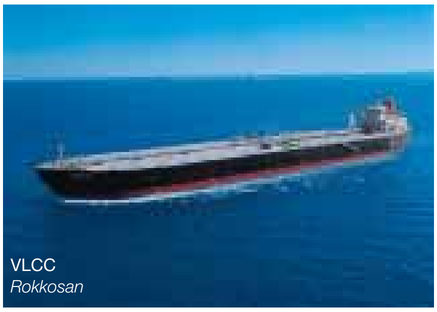
Tankers

BALANCED GROWTH IN CRUDE OIL AND PETROLEUM PRODUCTS TRANSPORT

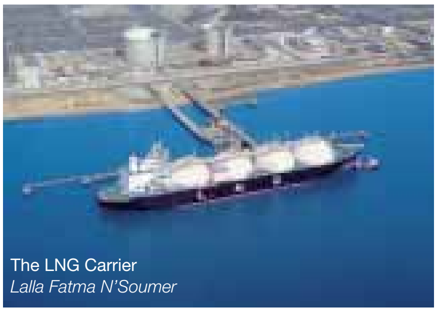
A combination of strong spot rates and MOL's success at assembling a tanker fleet structured for high returns propelled earnings from tankers to well above the level projected for the first year of MOL STEP. Central to the year's high earnings was MOL's fleet of VLCCs and other crude oil tankers that maintains an appropriate balance between long-term charters and vessels operating on spot rates. Product tankers, almost all of which operate at spot rates are another key strength of MOL, and an important source of earnings. Including a pool partner that is an MOL affiliate, MOL has a fleet of more than 31 product tankers, most of which carry naphtha, kerosene and gasoline.

Growth prospects are excellent in the product tanker market. Exports of petroleum products are rising as oil refiners shift production to the lowest-cost locations worldwide, the same trend that is fueling demand for containerships and car carriers. MOL has two key advantages. First, consistent earnings from the VLCC, methanol and LPG carrier fleet provide a foundation for targeting product tanker opportunities, a market where rates and earnings are often volatile. Second, MOL has access to an immense pool of information through its large customer base, which includes many long-term relationships. This was instrumental to MOL's ability to accurately foresee the current upturn in demand for product tankers. As a result, MOL will take delivery of 19 of these tankers, all at a competitive cost, between 2005 and 2008.

Following a highly successful first year of MOL STEP, tanker operations are aiming for higher goals. Orders have been placed for almost all the VLCCs and other tankers MOL will require over the next few years. For example, MOL took delivery of two VLCCs in the



VLCC
Rokkosan



The LNG Carrier
Lalla Fatma N'Soumer

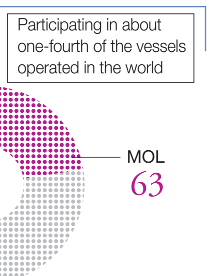
past fiscal year and will add seven VLCCs during the next two fiscal years. These vessels present outstanding opportunities to capture more long-term contracts with prominent customers in Japan and overseas. However, even as MOL increases its VLCC fleet, the supply of these tankers is likely to remain insufficient relative to demand, especially for double-hull VLCCs. Holding down supply are limited VLCC capacity at shipyards and impending restrictions on the use of single-hull VLCCs. Demand is so strong that the initially planned 2010 deadline for banning the use of single-hull VLCCs has been extended to 2015 under certain conditions. Overall, there is unlikely to be any easing in the tight supply of VLCCs until at least the start of the next decade.

One important trend in the tanker market is the growing interest among oil exporting and importing nations in developing their own tanker fleets. MOL's extensive relationships in the industry and its operation of a full line of tankers make the company an ideal partner for joint ventures. During 2004, joint venture contracts were signed with partners in China and the UAE.

MOL is making substantial investments in training personnel to operate and manage its tankers. MOL is determined to see expansion accompanied by even more advances in the overall quality of activities, particularly with regard to safety. This dedication to safety is earning MOL an excellent reputation among customers amid the widespread increase in public interest in corporate social responsibility.

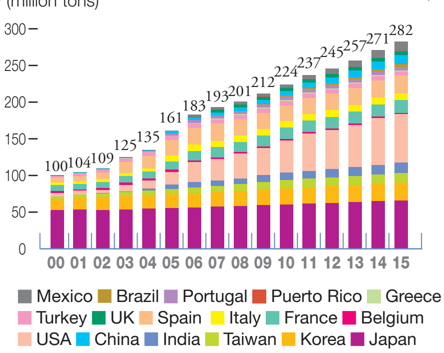
LNG Carriers
Yoichi Aoki
Managing Executive Officer

MOL'S LNG FLEET
(Vessels)



World LNG Fleet: 280 vessels including the ones to be delivered by 2009
(as of March 2005)

LNG SUPPLY-DEMAND FORECAST
(million tons)



LNG Carriers

NO END IN SIGHT TO STEADY EXPANSION OF LNG DEMAND

During the past fiscal year, MOL preserved its solid position of leadership in the LNG carrier market, taking delivery of five carriers and signing contracts for participation in seven new carriers. The global market for LNG transportation continues to grow. The number of LNG carriers operating worldwide has increased from about 130 in 2001 to 174 at the end of 2004. Based on orders already placed, this will rise to about 280 by the end of 2009, a figure likely to be even higher due to additional orders for LNG carriers.

Competition for new contracts is intense. But distinguishing MOL is an unsurpassed level of experience in the operation and management of LNG carriers. Experience is also critical in meeting the rising demand from LNG producers for joint ownership and operating agreements. The enormous volume of expertise MOL can share makes the company a highly attractive business partner. Illustrating this strength is a joint venture with the Sultanate of Oman that began in 2002. The joint venture is currently operating two LNG carriers, a fleet that is eventually to rise to six. Another example is a joint venture with Sonatrach, an Algerian state-owned hydrocarbon company. One LNG carrier is operating and two more will be added.

Orders for almost all LNG carriers to be delivered between now and 2008 have been placed, and long-term contracts for these carriers signed. Current new business development activities therefore target LNG carriers that will enter service in 2009 and 2010. As of March 2005, MOL operated or participated in 47 LNG carriers, about one-fourth of all LNG carriers in the world. By 2008, there will be at least 60% more of these carriers operating. Since MOL is certain to retain its current market share, this growth will make LNG carrier operations an even greater contributor to consolidated earnings.

Japan and South Korea presently purchase well over half of the world's LNG. In the coming years, however, the U.S. and Europe will account for much of the growth in demand. MOL is closely monitoring trends in these markets and targeting opportunities involving long-term contracts as well as short-term needs of LNG consumers. With the world's largest fleet of LNG carriers, a number of which will become available in a few years for the spot market as well as short- and medium-term contracts, MOL has the flexibility to benefit from the increasing breadth of opportunities in LNG transportation.

Logistics

Masakazu Yakushiji
Senior Managing Executive Officer


MOL Logistics truck in Hong Kong

ALLIANCE WITH KINTETSU WORLD EXPRESS INC. DRIVES FORWARD MOL'S LOGISTICS STRATEGY

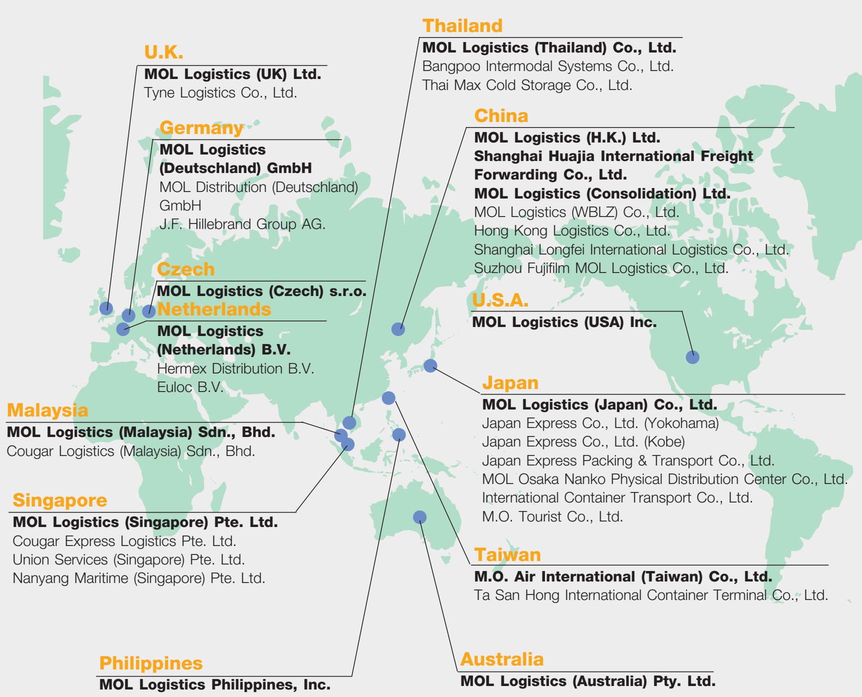
Logistics moved into the black in the first year of MOL STEP. This accomplishment is the result of realignment initiatives taken in earlier years, and would have happened in the previous year without the negative impacts of SARS and the war in Iraq. Even more noteworthy in the year ended March 2005 were forward-looking initiatives to position logistics as a key business unit to execute MOL's strategy of being a leading global shipping company. This goal was established when the Logistics Office was upgraded to the Logistics Business Division in 2003.

Most significant is the ongoing shift in logistics operations from a "product-out" approach of selling ready-made assets to a "market-in" stance, whereby MOL works with customers to create the services they want. Illustrating this approach is MOL's ocean consolidation business (OCB), which is also known as "buyer's consolidation," a rapidly growing business that mostly serves major retailers in Europe and North America. Their outsourcing of production to suppliers in China and elsewhere in Asia is contributing to a sharp increase in container cargo movement. In response, MOL is reinforcing this business with MOL Logistics (Consolidation) Ltd. in Hong Kong as the center of operations. OCB allows these retailers to reduce shipping costs by consolidating small quantities of various goods at container freight stations in countries of origin. At the heart of the OCB is the Starlink cargo management system, which has functions that provide a "glass pipeline" for the merchandise of customers. Recognizing these advantages, a number of companies, including two major U.S. sporting goods manufacturers, selected MOL as its consolidator for merchandise produced in Asia.

New directions of growth in the strategic Chinese market are another aspect of the ongoing enhancement in MOL's logistics capabilities. One significant development is participation in a bonded logistic zone project in Shanghai, which was announced in April 2004. At the Shanghai park, newly formed subsidiary MOL Logistics (WBLZ) Co., Ltd. began handling cargo in July 2004. The right to allow cargo owners to receive documents for VAT refunds a few days after bringing cargo into the zone, rather than after loading cargo on ships as is customary, is attracting strong interest from customers in MOL's logistics services in China.

In a move that at once drives forward this logistics framework, a strategic alliance was formed in May 2005 with Kintetsu World Express, Inc. (KWE). The world's eighth largest air forwarder, KWE in combination with MOL Logistics enables MOL to offer its customers one-stop shopping for competitive sea and air freight services. KWE has a reputation for its cutting-edge logistics network in China, with 87 offices in 31 cities and approximately 500 trucks serving all areas of the country. Through this alliance, MOL will be able to significantly enlarge its logistics infrastructure and add services that will be highly valued by customers that use its ocean transport services. The originator of alliances in containerships, MOL is now using a clear strategy and proven methodology to take its logistics services to the next stage.

MOL GROUP LOGISTICS NETWORK



Ferry and Domestic Transport

Takehiko Yamamoto
Executive Officer

CO_2 UNIT-EMISSIONS BY MODE OF TRANSPORTATION
(Unit: g-C/ton-km)

Large tankers	1
Large containerships	3
Trains	6
Domestic cargo ships	11
Trucks	49
Small trucks	226
Airplanes	398

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

PROGRESS TOWARD ESTABLISHING A PROFITABLE OPERATING STRUCTURE

Interest in ferry transportation as a means of shipping cargo is growing in Japan due to the February 2005 enactment of the Kyoto Protocol. Ferries are well suited to facilitating a "modal shift" in which domestic cargo is shipped by sea rather than by truck, thus helping protect the environment by reducing emissions. Backed by this trend, ferry operations continued to improve during the first year of MOL STEP. Most noteworthy was the performance of Shosen Mitsui Ferry Co., Ltd., which met its operating targets in the past fiscal year despite a large number of typhoons and much higher fuel costs. Another important development was the addition of ferry operator Kansai Kisen Kaisha to the MOL Group as an equity-method affiliate. With the support of the MOL Group, especially joint marketing and ship management with group member The Diamond Ferry Co., Ltd., Kansai Kisen reported its first non-consolidated profit in well over a decade.

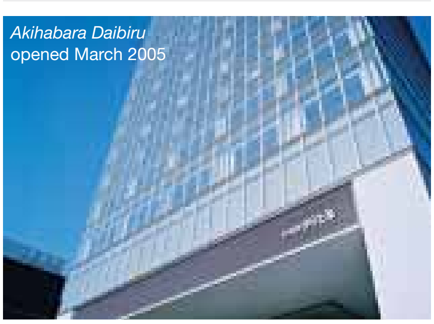
Progress continued in raising volume in both domestic and international services. The two high-speed, roll-on, roll-off (RORO) ferries between Tokyo and Kyushu, operated through a tie-up with Nippon Express Co., Ltd., attracted growing interest from shippers by offering a reliable daily service. The "Shanghai Super Express" ferry, which links Fukuoka (Japan) and Shanghai, is now in its third year of operations. This service continues to attract new customers by promoting its unique cost-competitive format that has a speed between conventional ships and air freight.

For the remainder of MOL STEP, the streamlining and integration of ferry operations is to continue. Most visible will be the establishment of unified brands: Shosen Mitsui for ferry services in eastern Japan and Sunflower for most services in the west. Potential benefits are great. For example, even prior to the brand unification, Kansai Kisen and Diamond Ferry used their combined ability to offer more frequent service to capture a contract in 2004 from a large auto maker to carry auto parts to its Kyushu factory. With a sound operating framework in place, ferry operations are positioned to make a greater contribution to consolidated earnings in the final two years of MOL STEP.

MOL Naiko, Ltd., which transports cement, steel products, coal, salt and other materials within Japan, has been posting steady improvements in operating results since its 2003 establishment. Steel products were mainly responsible for growth in cargo volume in the past fiscal year. Market conditions for domestic shipping remain healthy. Backed by sound demand, MOL Naiko and other domestic bulk carriers raised freight rates in May 2005, the first increase in 14 years.

Associated Businesses

Takehiko Yamamoto
Executive Officer



Akihabara Daibiru
opened March 2005

DAIBIRU ADDS NEW GROWTH VECTOR TO MOL GROUP

In associated businesses, the first year of MOL STEP was highlighted by MOL's increase of its equity stake in Daibiru Corporation from 27% to 51%. An owner and lessor of office and residential buildings in Tokyo and Osaka, Daibiru was established in 1923 by one of the predecessors of MOL. This move firmly positioned Daibiru as the nucleus of the MOL Group's real estate businesses. Further solidifying this position was the February 2005 announcement of plans to transfer to Daibiru some MOL and MOL Group real estate holdings, including the MOL head office building in Tokyo's Toranomon district. Consolidation of this company adds a highly stable source of earnings to the MOL Group. Steady, long-term growth is also foreseen. In March 2005, Daibiru completed an office building in Tokyo's Akihabara district and plans to reconstruct one of its Osaka office buildings in 2008.

Tugboat operations continue to generate consistent earnings. To benefit from growth opportunities outside Japan, MOL made investments in tugboat operations at Hong Kong and Fangchenggan in China.

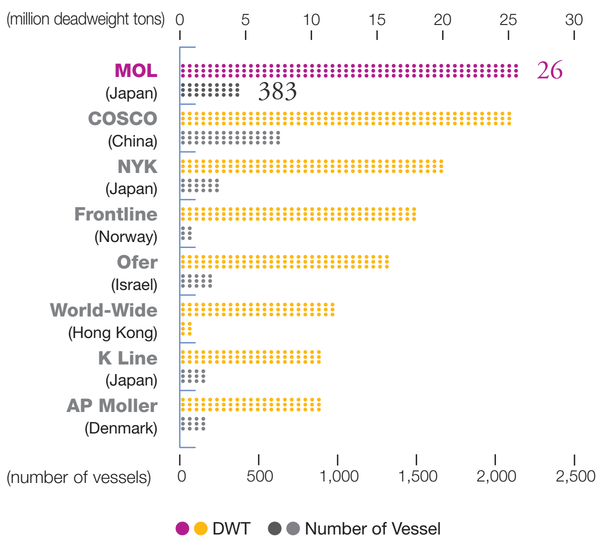
MOL IN THE INDUSTRY

MOL operates a large and balanced oceangoing fleet.

In terms of its total fleet size and presence in individual market categories, MOL ranks among the world's largest shipping companies.

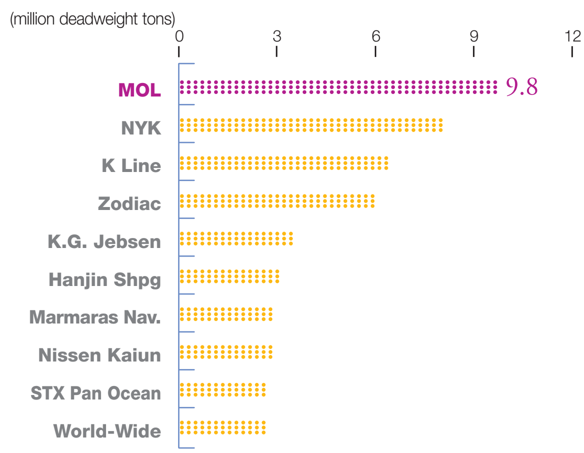
WORLD'S MAJOR CARRIERS (ALL VESSEL TYPES)

*Consolidated; chartered vessels excluded



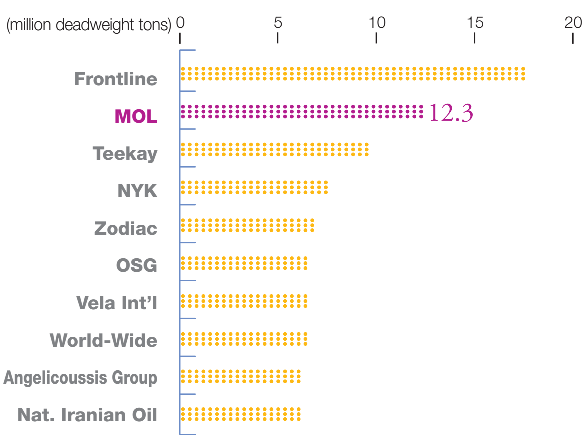
Source: Lloyds Register Fairplay, Clarkson
As of January 2005

BULK CARRIERS



Source: Clarkson Bulkcarrier Register 2004
As of January 2005

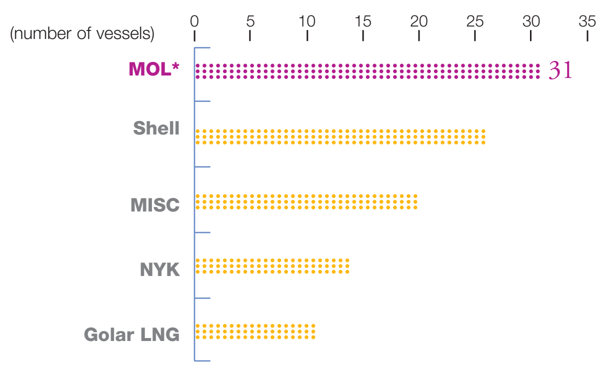
TANKERS



Source: Clarkson Tanker Register 2005
As of January 2005

LNG CARRIERS

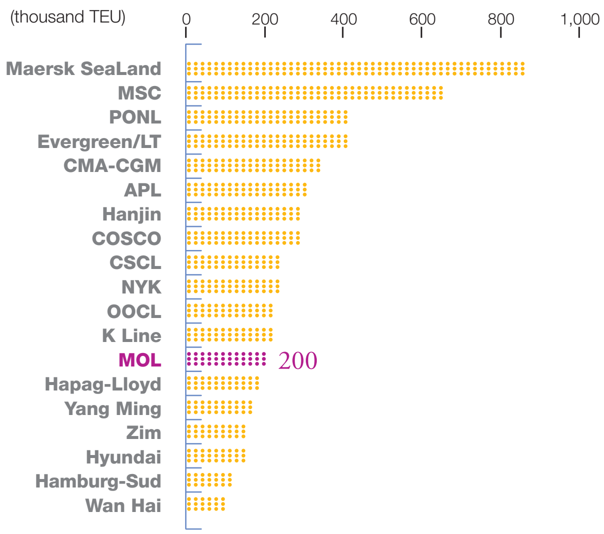
Fleet under management or majority of ownership



Source: Barry Rogliano Salles, etc.
As of April 2005

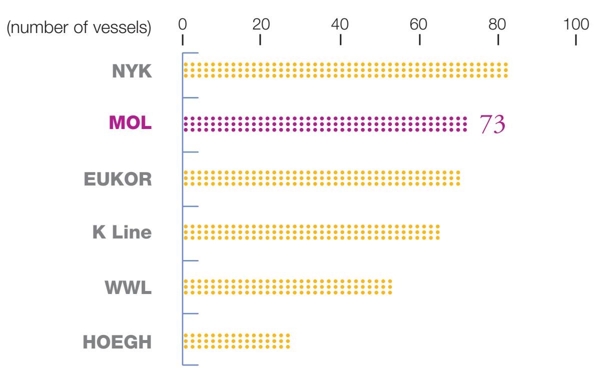
* Participation in the projects operating 63 vessels of the total about 280 in the world including the ones to be delivered by the early of 2009.

CONTAINERSHIPS



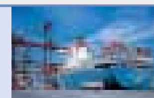
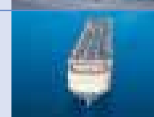
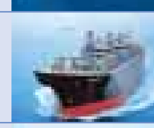
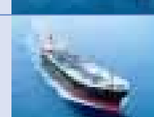
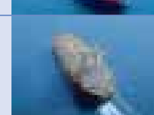
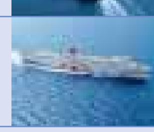
Source: MDS Transmodal "Containership Databank," April 2005
As of April 2005

CAR CARRIERS



Source: MOL internal calculation based on HESNES's December 2004 data, etc.
As of April 2005

MOL FLEET COMPOSITION (CONSOLIDATED)

Fleet	Containerships		78 vessels (3,251)
	Car Carriers		84 (1,232)
	Bulk Carriers		237 (20,661)
	Wood Chip Carriers		36 (1,663)
	Crude Oil Tankers		36 (8,879)
	Chemical/ Products Tankers		94 (3,123)
	LPG Carriers		7 (233)
	LNG Carriers		34 (2,287)
	Others (Ferries and Others)		40 (158)
	Total		646 vessels (41,487)

Figures in parentheses show 1,000 deadweight tons.
Spot chartered vessels included.

As of March 31, 2005

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

MOL GLOBAL SERVICES

- Local Offices
- Main Calling Ports


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

CORPORATE GOVERNANCE

MOL'S PHILOSOPHY, MANAGEMENT REFORMS AND ACHIEVEMENTS

The MOL Group established the MOL Group Corporate Principles in March 2001. One of the pledges in our Corporate Principles states, "We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards."

In order to realize the ideals set forth in the principles, MOL reformed its corporate governance structure, instituting management reforms that brought external directors to the board, separated management and executive functions, and that set standards for accountability, risk management and compliance. These reforms were implemented as follows:

1997	Outside auditors increased from one to two out of a total of four auditors
1998	George Hayashi (former APL chairman) invited to join the Board of Directors. (Became Director and Vice President in 1999, following revision of the Shipping Act)
2000	Management organization reform 1. Introduced a system of executive officers 2. Abolished the Managing Directors Committee and established an Executive Committee (reduced the membership from 21 to 10) 3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12) 4. Elected two external directors 5. Established the Corporate Visionary Meeting Established the IR Office Started holding the Annual General Shareholders meeting on a day relatively free of other shareholders meetings
2001	Established the MOL Group Corporate Principles Added one more external director, increasing the number of external directors to three Established Compliance Policy and a Compliance Committee
2002	Second stage of management reforms 1. The Board of Directors was reorganized to carry out three important functions: (1) deliberation on issues requiring approval by the directors; (2) receipt of reports on business operations; and (3) deliberation on corporate strategy and vision. 2. Review and consolidation of issues submitted to the Board of Directors 3. Expanded jurisdiction of the Executive Committee regarding execution of business activities

In 2002, the second stage of the process took place. The goals were to bolster the role of the Board of Directors with regard to formulation of fundamental management policies and oversight of risk management; and to transfer considerably more authority for the execution of business operations from the Board of Directors to the Executive Committee. This action brings greater clarity and definition to the separation of strategic decision making and executive functions, and speeds decision making at the business execution level.

The chart on the next page shows the structure of our corporate governance organization.

At MOL we believe that the essence of corporate governance lies not in its structure or organization, but on whether or not it functions effectively. In our case, the corporate governance structure described above functions as follows:

1. Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The 11 directors, including external directors, thoroughly evaluate and discuss the pros and cons of the projects and make decisions on their feasibility from many perspectives. Transferring the authority to implement projects within the scope of the basic policy to executive officers supervised by the president speeds decision making on individual projects. The separation of the management and execution functions was one important contribution to allowing the MOL Group to build up a fleet of the right type of vessels at the right time.
2. Another important responsibility of the Board of Directors is deliberation on corporate strategy and vision. As a rule, every time the board meets, an issue related to management strategy or long-term corporate vision, or an issue common to overall management, is selected as a subject for frank discussion in which the external directors and auditors also participate. This approach makes the board a dynamic and effective body.
3. The Board of Directors has 11 members. These include three independent external directors. Two of the four auditors, who are required to attend board meetings to supervise its operations in accordance with the Commercial Code of Japan, are external auditors with no potential conflict of interest with the company. At a time when the auditing systems of corporations are taking on added importance, it goes without saying that the independence of auditors from management and policy execution is assured. Our corporate auditors work closely with the Internal Audit Office and independent public accountants to assure effective corporate governance. They also work on strengthening corporate governance and compliance throughout the group.

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

ACCOUNTABILITY

MOL believes that timely, full and fair disclosure of corporate and financial information is an important aspect of corporate governance. In addition to being accountable to shareholders and investors by providing information, the company makes every effort possible to reflect their opinions in management.

The distinguishing feature of our investor relations activities is that the president takes the lead in their implementation. In fiscal 2004 the president participated in the company's presentations of quarterly results and held meetings with domestic and foreign investors. This reflects his conviction that it is the chief executive officer's responsibility to explain future corporate strategies to investors. The company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TD-net, the company posts them to its web site with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the web site. This information is e-mailed on the same day to foreign investors registered with the company.

Recognizing the value of these activities, the Japan Investor Relations Association (JIRA) awarded the company the "Excellent IR Company Award" for fiscal 2004. The Corporate Disclosure Study Group of the

Securities Analysts Association of Japan awarded MOL the Excellence in Corporate Disclosure Award for the transportation sector in fiscal 2004.

DIRECTOR COMPENSATION

The Board of Directors, including the external directors, determines compensation for the directors. Compensation paid to directors in fiscal 2004 is shown in the table below.

The company has granted stock options to all directors, executive officers, general managers of divisions and branch offices and managers in similar positions, as well as to presidents of consolidated subsidiaries, to motivate them to carry out operations for the benefit of shareholders.

RISK MANAGEMENT AND COMPLIANCE

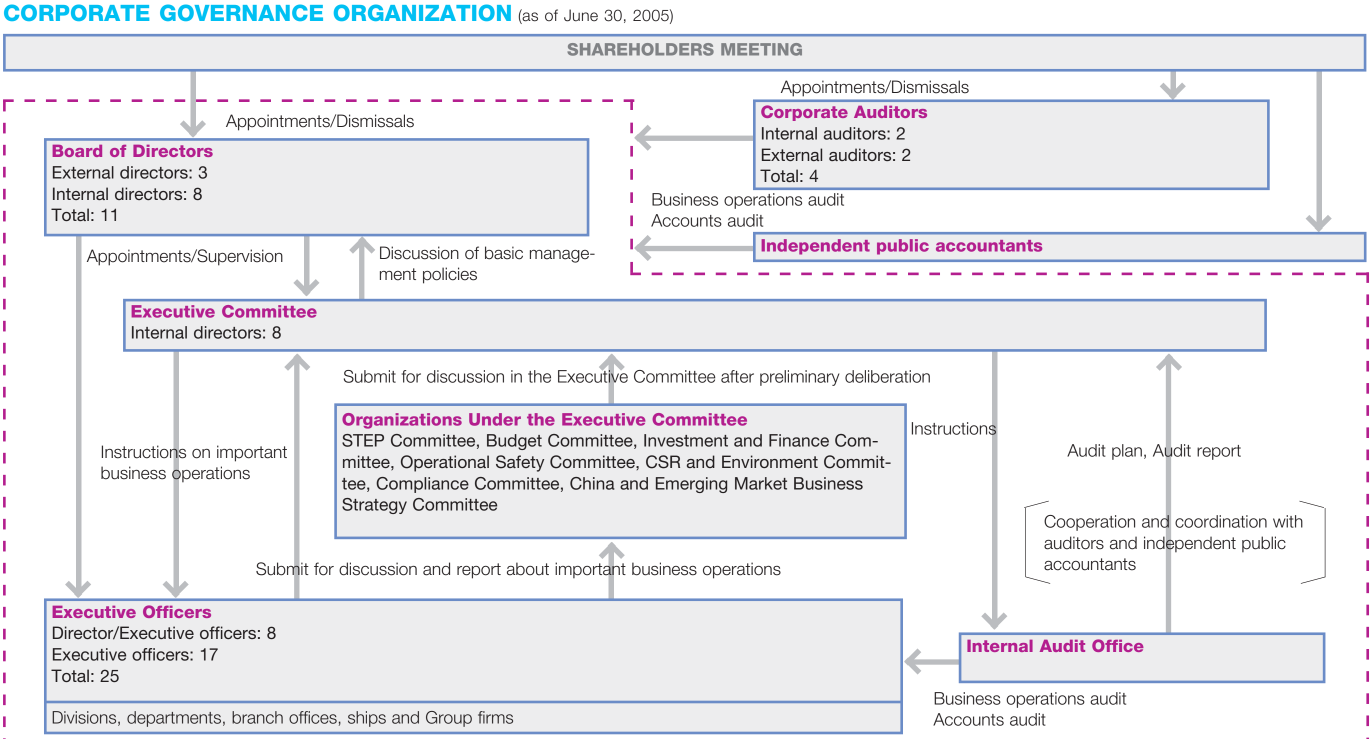
The most significant potential risk facing the company is an accident occurring in the operation of its vessels. To hedge this risk, the company has established an Operational Safety Committee headed by the president. The committee defines basic policies and measures to thoroughly assure the safety of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

As explained elsewhere, the company is aware of the crucial role that compliance plays in living up to its broad corporate social responsibilities, and that compliance with the letter of the law is at the core of this role.

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

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2004 is shown in the table below.

CORPORATE GOVERNANCE ORGANIZATION (as of June 30, 2005)



COMPENSATION FOR DIRECTORS

	(¥ millions)	(Thousands of U.S.$)
Compensation for internal directors	¥359	$3,343
Compensation for external directors	26	242
Compensation for internal corporate auditors	41	382
Compensation for external corporate auditors	12	112
Total	¥440	$4,097

COMPENSATION FOR INDEPENDENT PUBLIC ACCOUNTANTS

	(¥ millions)	(Thousands of U.S.$)
Compensation for auditing services	¥39	$363
Compensation for auditing-related services	5	47
Compensation for other services	–	–
Total	¥44	$410

CORPORATE SOCIAL RESPONSIBILITY (CSR)

MOL'S APPROACH TO CSR

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

The MOL Group provides an indispensable service to society through its operation of a fleet of oceangoing ships. We have been able to grow steadily over the last 120 years because, from the very beginning, we have consistently followed business policies compatible with contemporary standards of CSR, thus earning the support of stakeholders, including clients, shareholders, business partners and communities. MOL has drawn up Group Corporate Principles, and the group now addresses such issues as corporate governance, compliance and environmental protection.

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

The CSR and Environment Office reviewed the MOL Group's operations from a CSR perspective. The committee then initiated a number of steps, including measures to promote strict adherence to MOL's Rules of Conduct, a set of rules regulating the conduct of Group employees from the standpoint of all stakeholders. The office also recommended two priority areas: promotion of social service activities, an area in which the MOL Group has had a relatively low profile; and an active approach to global environmental protection measures.

RULES OF CONDUCT

All executives and employees are required to base their activities on the following standards.

1. Observe laws and regulations while at all times exercising due caution as a good administrator
2. Respect human rights and refuse to permit discrimination and harassment
3. Protect confidential information and respect intellectual property rights
4. Clearly separate official and personal conduct, avoid conflicts of interest
5. Oppose antisocial activities
6. Fulfill of social obligations
7. Ensure safe operations and protect the environment
8. Build relationships with clients and contractors that conform to laws, regulations and social standards
9. Provide guidance and supervision by individuals in management positions
10. Report improper behavior, provide advice and deal with individuals who violate rules

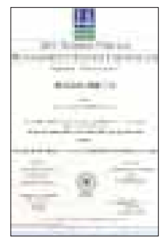
In March 2005, the MOL Group's participation in the United Nations Global Compact Initiative was acknowledged and accepted by the United Nations. The Global Compact was initiated by United Nations Secretary-General Kofi Annan and was ratified in July 2000. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption.

The MOL Group's participation demonstrates its determination to work toward integrating the values of the Global Compact, which is consistent with the Rules of Conduct, into its operations.

ENVIRONMENTAL PROTECTION

ENVIRONMENTAL MANAGEMENT SYSTEM

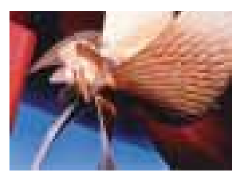
MOL expanded the Environmental Management System, MOL EMS 21, from on-shore operations to all vessels in operation in January 2003, when we received certification under the ISO 14001 international standard for environmental management (excluding vessels with charters of one year or less). Our certification was expanded in September 2003 to include Mitsui O.S.K. Passenger Line, Ltd. and the *Nippon Maru*, and further extended in January 2004 to Shosen Mitsui Ferry Co., Ltd. and the ferries that it operates.



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

ENVIRONMENTAL TECHNOLOGY

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



PBCF: PBCF efficiently recovers energy loss in the vortex generated behind a ship's propeller. This is an MOL proprietary technology that uses the same number of fins attached to the rear end of the propeller shaft. The PBCF system provides a 4% to 5% energy saving and reduces emissions of CO_2, NOx, and SOx. Since developing it in 1987, we have installed PBCF in over 900 vessels.

State-of-the-art Pure Car Carrier *Utopia Ace* wins Lloyd's List "Ship of the Year Award 2005": In February 2005, MOL's pure car carrier *Utopia Ace* won the Lloyd's List "Ship of the Year Award 2005," an extremely prestigious award for new vessels. The award recognized the carrier's design for environmental protection. Under the water line, the ship features a hyper-slim energy-saving design that reduces water resistance. The ship also has an aerodynamically rounded profile to reduce wind resistance. Its double-hulled fuel tank reduces the risk of spills in case of a grounding or collision.

PROTECTION OF THE MARINE ENVIRONMENT

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

MOL strictly adheres to all marine pollution treaties, including the International Convention for Prevention of Pollution from Ships, as well as applicable laws and regulations around the world. The company has stringent internal rules to prevent oil discharges and to ensure the proper disposal of lubricating oil and bilge water (which includes oil and other pollutants).

Other measures in place to reduce environmental loads include use of environmentally responsible anti-fouling paint and proper management of ballast water. As of the end of March 2005, 80% of the Company's tankers were of the double-hull type.


Double-hull structure

PREVENTION OF AIR POLLUTION

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

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

SOCIAL SERVICE ACTIVITIES

From early on, MOL has been actively involved in social service programs. These, programs include monitoring surface water temperatures, beach cleanups and cooperation with educational institutions worldwide.

Aid to Victims of Earthquake/Tsunami Off Sumatra

One major initiative by the CSR and Environment Office, following its June 2004 establishment, was transportation of aid supplies to countries hit by the powerful earthquake off Sumatra on December 26, 2004 and the devastating tsunami (seismic wave) that followed. The company tapped its global container service network to carry aid supplies at no charge from Japan and around the world to Colombo, Belawan and Chennai. The volume of cargo entrusted to MOL from NPOs, businesses and individuals for transport to the affected areas totaled an estimated 200TEU. We also transported special-purpose vehicles, such as large bulldozers and large dump trucks used for reconstruction work, in our pure car carriers. In addition, the MOL Group donated approximately ¥20 million for relief effort through a number of governmental relief agencies around the world.

THIRD-PARTY OPINIONS

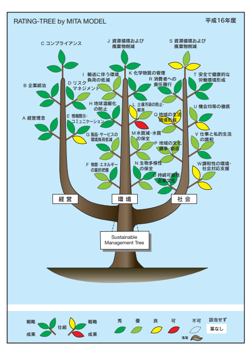
MOL SELECTED FOR DOW JONES SUSTAINABILITY INDEXES (DJSI) (SEPTEMBER 2004)

In September 2003, MOL was selected for inclusion in DJSI, a designation reserved for companies capable of sustaining growth over the long term while maintaining excellence in environmental, social and investor relations programs. In September 2004, MOL was selected for continuing inclusion in the index.

MOL BECOMES A COMPONENT ISSUE IN FTSE4GOOD GLOBAL INDEX (SEPTEMBER 2004)

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

MOL RECOGNIZED AS "GREEN TOP RUNNER" (FEBRUARY 2005)



In February 2005, the corporate rating unit of the Sustainable Management Forum, a non-profit organization, selected MOL as a Green Top Runner for the third year in a row. This honor recognizes a company's ability to operate in a responsible manner in three key aspects: society, management and the environment.

Environmental and Social Report 2005
MOL's approach to CSR and environmental issues is discussed in detail in our Environmental and Social Report.
URL: http://www.mol.co.jp/report.shtml

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

(As of June 23, 2005)

BOARD OF DIRECTORS

Kunio Suzuki
Representative Director, Chairman

Tokinao Hojo
Representative Director

Akimitsu Ashida
Representative Director

Hiroyuki Sato
Representative Director

Masao Sagara
Director

Hidehiro Harada
Director

CORPORATE AUDITORS

Kazuo Otaki
Corporate Auditor

Munehisa Kusunoki
Corporate Auditor

Kyoichi Sato
Corporate Auditor
(Attorney at Law, City-Yuwa Partners)

Kensuke Hotta
Corporate Auditor
(Chairman, Morgan Stanley Japan Limited)

EXECUTIVE OFFICERS

Kunio Suzuki
Chairman Executive Officer

Tokinao Hojo
Deputy Chairman Executive Officer

Akimitsu Ashida
President Executive Officer

Hiroyuki Sato
Deputy President Executive Officer
(Assistant to President)

Masao Sagara
Senior Managing Executive Officer
(Dedicated Bulk Carrier Division,
Bulk Carrier Division)

Saburo Koide
Senior Managing Executive Officer
(Technical Division,
Coal and Iron Ore Carrier Division,
Research Co-operation Office)

Hidehiro Harada
Senior Managing Executive Officer
(Corporate Planning Division,
Public Relations Office,
Marine Management Division)

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

Saburo Koide
Director

Toshifumi Kato
Director

Takeo Shiina
Director
(Senior Advisor, IBM Japan, Ltd.)

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

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

Toshifumi Kato
Managing Executive Officer
(Finance and Accounting Division, Internal Audit Office, Secretaries Office, Information Systems Office)

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

Setsuyasu Hagiwara
Managing Executive Officer
(Car Carrier Division)

Masashi Seki
Managing Executive Officer
(Tanker Division)

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

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

Yoichi Aoki
Managing Executive Officer
(LNG Carrier Division)

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

Toshitaka Shishido
Executive Officer
(Car Carrier Division)

Nobuo Nishijima
Executive Officer
(Human Resources Division, General Affairs Division)

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

Koichi Muto
Executive Officer
(General Manager of Corporate Planning Division)

Tsukasa Nishikawa
Executive Officer
(Technical Division)

Hiroshi Tanaka
Executive Officer
(Dedicated Bulk Carrier Division)

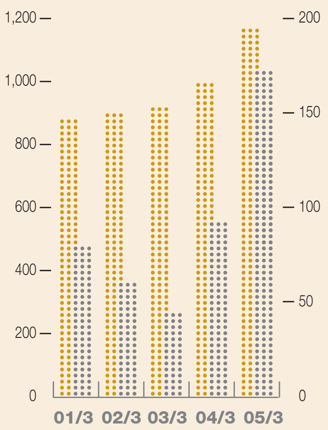
Takehiko Yamamoto
Executive Officer
(Group Business Division, Kansai Area)

Kazuhiro Sato
Executive Officer
(General Manager of LNG Carrier Division)

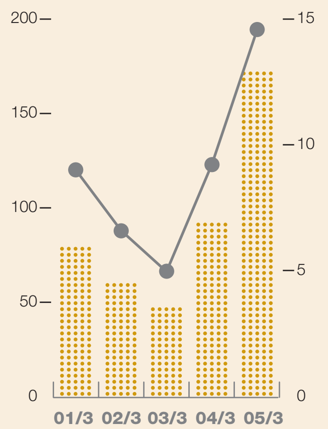
Noboru Kitazawa
Executive Officer
(General Manager of Liner Division)

FINANCIAL SECTION
MANAGEMENT'S DISCUSSION AND ANALYSIS

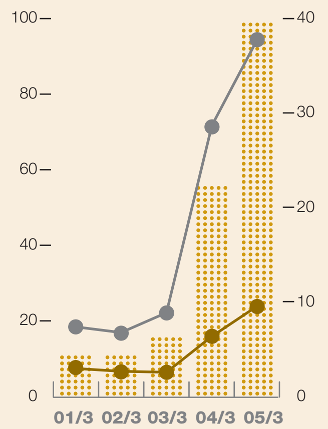
REVENUES AND OPERATING INCOME
(¥ billions)



OPERATING INCOME AND OPERATING MARGIN
(¥ billions) (%)



NET INCOME, ROA AND ROE
(¥ billions) (%)



OPERATING ENVIRONMENT

The global economy was generally healthy during fiscal 2004, which ended in March 2005, particularly in the United States and China. Backed by exports, Japan's economy was stable throughout the year. The price of crude oil rose steadily throughout the past year, driven mainly by higher demand as the global economy recovered, instability in the Middle East, Nigeria and other oil-producing regions, and speculative buying. The price of bunker was 8% higher than in fiscal 2004, raising costs. The 6% appreciation of the yen against the U.S. dollar exerted further downward pressure on earnings.

These negative factors were outweighed by positive trends such as high cargo volumes on major trades and strength in freight rates. Operating results also benefited from numerous actions taken by the MOL Group, notably well-timed additions to the fleet and an ongoing cost-reduction program.

RESULTS OF OPERATIONS

REVENUES

Revenues increased ¥176.1 billion, or 17.7%, to ¥1,173.3 billion. Overseas shipping, which is made up of the containerships and bulkships segments, was the major contributor to this growth. Primary components of the growth were a recovery in freight rates, favorable market conditions, growth in cargo volume because of the addition of new vessels to the fleet and other factors, and an increase in vessels operating on medium- and long-term contracts. Benefits of these items were greater than the negative effect of ¥36.5 billion on revenues from the yen's appreciation. In addition, in the associated businesses segment, the consolidation of Daibiru Corporation beginning in October 2004, following a tender offer that gave MOL a majority interest, contributed ¥10.9 billion to revenues.

OPERATING INCOME

Operating income increased ¥79.7 billion, or 86.5%, to ¥171.8 billion. This was 14.6% of revenues, 5.4 points higher than one year earlier. One reason for the higher earnings was growth in revenues as cargo volumes increased and freight rates rebounded. Other contributors were higher ship operating efficiency as large vessels entered service. The yen's strength and higher cost of bunker lowered operating income, but their negative effects were limited to ¥6.7 billion and ¥4.5 billion, respectively.

OTHER INCOME (EXPENSES)

Net other income (expenses) increased ¥14.4 billion from a net expense of ¥2.4 billion to a net expense of ¥16.7 billion. One component was a loss of ¥19.1 billion on the sale of the MOL Tokyo head office building to Daibiru. There was also a redemption loss on bond defeasance. Growth in these and other expenses was greater than items that increased income, such as a ¥5.1 billion improvement in equity in earnings of unconsolidated subsidiaries and affiliated companies, mainly from Gearbulk, a company in which MOL has a 40% equity stake, and a ¥2.4 billion decline in interest expense, mainly due to actions to reduce debt at the parent company and ship owning companies. Asset impairment accounting cannot be applied to the Tokyo head office building because the building is used collectively by many MOL business units. However, because this building was sold during fiscal 2004, almost all unrealized losses on consolidated vessels, property and equipment have been eliminated prior to the application of asset impairment accounting in fiscal 2005.

NET INCOME

Income before income taxes and minority interests increased ¥65.3 billion, or 72.7%, from ¥89.8 billion to ¥155.1 billion. After deducting current and deferred income taxes, net income was ¥98.3 billion. This was ¥42.9 billion, or 77.4%, higher than the prior year's net income of ¥55.4 billion, reaching an all-time high for the second consecutive year. Net income was 8.4% of revenues, 2.8 points higher 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)	2004.3	2005.3	% increase/ decrease
Containerships	¥344.9	¥399.1	15.7%
	23.4	54.2	131.4
Bulkships	494.6	596.6	20.6
	66.7	112.5	68.6
Logistics	53.0	58.0	9.4
	-0.1	0.8	–
Ferry & Domestic Transport	42.1	45.4	7.7
	0.5	1.3	141.5

(unit: ¥ billions)	2004.3	2005.3	% increase/ decrease
Associated Businesses	54.6	66.6	22.1
	2.7	5.1	90.4
Others	8.0	7.6	-5.4
	2.4	1.5	-35.0

Containerships: Segment revenues and earnings increased because of high cargo volumes on all trades and higher freight rates. Other contributors to this segment's strong performance were investments, such as for building new ships, to improve services and raise capacity in response to growth in the containership market.
Bulkships: All business categories in this segment posted higher earnings, reflecting growth in cargo volumes, favorable market conditions and well-timed additions to the fleet. In dry bulkers, earnings were backed by stable income from long-term contracts, mainly for transporting iron ore, coking coal, steaming coal and wood chips, along with strength in the spot market for dry bulkers. MOL used these positive trends to expand into new markets. In car carriers, MOL raised efficiency by entering into service large vessels as the volume of finished vehicles transported by sea remained high. In tankers, earnings reflected the combination of steady income from long-term contracts for crude oil, methanol and LPG tankers and the benefit of strong demand for crude oil and product tankers. In LNG carriers, the earnings target was met for the fiscal year as these carriers, all of which have long-term contracts, operated as planned.
Logistics: Earnings were higher than one year earlier as the volume of cargo handled increased, mainly exports shipped by air to Asian markets.
Ferry & Domestic Transport: Earnings in this segment were severely impacted by a large number of typhoons and much higher fuel prices. Nevertheless, earnings were about the same as one year earlier because of high cargo volume on Osaka-Kobe/Kyushu routes and the Tokyo-Hakata RORO service operated by Shosen Mitsui Ferry Co., Ltd. Also contributing to this performance were streamlining and cost-cutting programs conducted in recent years.
Associated Businesses: This segment mainly represents the real estate, cruiseship, tugboat, and trading businesses. Earnings as a whole rose year on year. In the real estate business, earnings were much higher than one year earlier because of the consolidation of Daibiru beginning in October 2004. In the cruiseship business, profits improved because of steps to operate ships more efficiently and strengthen sales activities. The tugboat business also performed well. The trading business, however, saw earnings fall as fuel-related earnings fell because of the higher cost of bunker.
Others: Revenues in this segment mainly represent administrative activities such as ship operation, ship management, ship leasing and financial services. Earnings were lower than one year earlier. This was mostly due to lower earnings at the ship manning company, due to a decline in the number of vessels handled, lower earnings on fuel futures trading, the reclassification to other segments of certain affiliated companies, and consolidated accounting adjustments.

LIQUIDITY AND CAPITAL RESOURCES

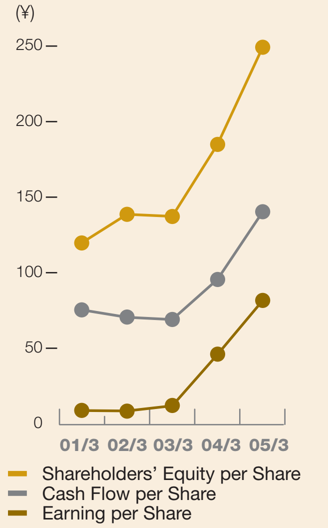
During MOL STEP, the current medium-term management plan, MOL is planning to make substantial capital expenditures. At the same time, a portion of operating cash flows will be used to reduce debt to build a sounder financial position. The large increase in net income in the past fiscal year provided sufficient operating cash flows to fund capital expenditures that exceeded the plan for the year. Accordingly, as in past years, a portion of cash flows was allocated to debt reduction to make further progress in strengthening the balance sheet.

In the fiscal year ending in March 2006 as well, MOL has the means to act with flexibility and speed to meet the demand for funds for working capital and capital expenditures. Liquidity is provided by cash flows backed by strong earnings along with credit lines at a large number of public- and private-sector financial institutions in Japan and overseas. In addition, MOL has established a ¥20.0 billion credit facility with Japanese financial institutions to provide supplementary liquidity in an emergency. In capital markets, MOL issues euro medium-term notes (EMTN) and commercial paper. MOL's commercial paper is rated A+ by Japan Credit Rating Agency, Ltd. (JCR) and its EMTN is rated a-1 by Rating and Investment Information, Inc. (R&I). These ratings allow MOL to procure funds in capital markets with ease.

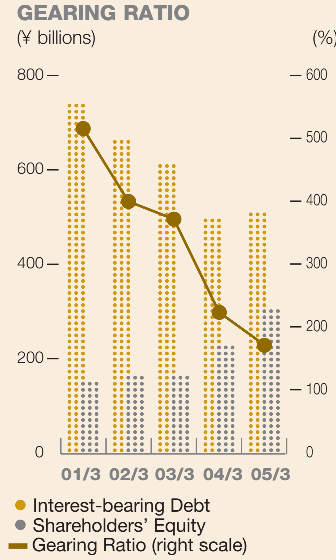
In June 2004, Moody's Investors Service and Standard & Poor's each upgraded MOL's credit rating by two notches, with the Moody's rating rising from Baa1 to Baa2 and the S&P rating rising from BB+ to BBB. During the 12-month period that ended in June 2005, JCR raised its rating from A- to A and JCR raised its rating from A to A+. These actions reflect the greater scale and stability of the MOL Group's earnings, improvements in its competitive edge, and progress in using these strengths to build a stronger financial position.

The MOL Group employs a number of procurement methods to procure the funds required for its business activities in order to maintain the stability of funding activities and hold down costs. Currently, most fund procurement activities are conducted by MOL and finance companies in Europe. MOL, including

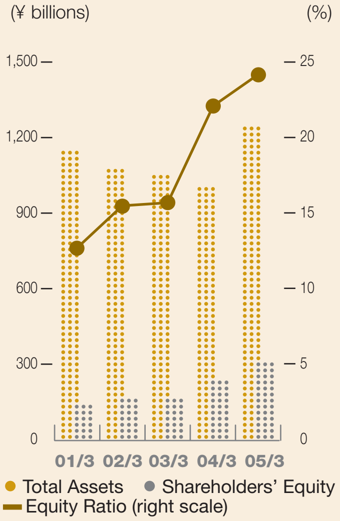
EARNINGS PER SHARE, SHAREHOLDERS' EQUITY PER SHARE AND CASH FLOW PER SHARE



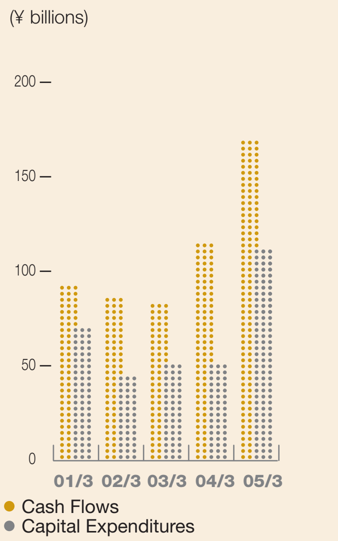
INTEREST-BEARING DEBT, SHAREHOLDERS' EQUITY AND GEARING RATIO



TOTAL ASSETS, SHAREHOLDERS' EQUITY AND EQUITY RATIO



CASH FLOWS AND CAPITAL EXPENDITURES



flag-of-convenience ship owning companies, and European finance companies account for almost 70% of consolidated interest-bearing debt, which amounted to ¥514.1 billion as of March 31, 2005. For group companies in Japan, MOL began using a cash management service in fiscal 2000 to use internal liquidity more efficiently.

COMPARISON OF FINANCIAL POSITION AT MARCH 31, 2005 AND 2004

ASSETS

As of March 31, 2005, total assets were ¥1,232.3 billion, ¥232.0 billion higher than one year earlier. Most of this increase was due to an increase in land and buildings because of the consolidation of Daibiru. In all, Daibiru increased consolidated assets by ¥199.8 billion. Current assets were about the same as one year earlier. There was an increase of ¥16.8 billion in trade receivables and deferred and prepaid expenses and a decrease of ¥13.6 billion in other current assets. The consolidation of Daibiru was mainly responsible for the ¥187.7 billion increase in vessels, property and equipment, at cost. Investments and other assets increased ¥44.1 billion, mainly because of growth in investment securities in equity-method affiliates and in long-term loan receivable to LNG carrier companies.

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities increased ¥102.8 billion to ¥874.3 billion. Most of the increase reflected higher debt because of the consolidation of Daibiru. As of March 31, 2005, debt totaled ¥514.1 billion, including ¥94.0 billion of debt at Daibiru. Excluding the debt of this subsidiary, consolidated debt was ¥420.1 billion, ¥71.6 billion less than one year earlier. The increase of ¥24.2 billion in other non-current liabilities consists mainly of lease security deposits at Daibiru. Furthermore, Daibiru was responsible for ¥50.7 billion of the ¥52.5 billion increase in minority interests to ¥59.7 billion.

Shareholders' equity increased ¥76.7 billion to ¥298.3 billion because of growth in retained earnings from the higher new income. The equity ratio as of March 31, 2005 was 24.2%, 2.1 points higher than one year earlier.

CASH FLOWS

Net cash provided by operating activities increased ¥53.3 billion to ¥167.9 billion. The largest component of the increase was the ¥65.3 billion growth in income before income taxes and minority interests.

Net cash used in investing activities was ¥87.7 billion compared with ¥0.4 billion in net cash provided in the previous fiscal year. There was an increase of ¥61.4 billion to ¥111.9 billion in payments for vessels and other tangible and intangible fixed assets, and ¥17.9 billion was used for the purchase of additional shares of Daibiru Corporation.

Net cash used in financing activities was ¥79.6 billion, ¥31.2 billion less than in the previous fiscal year. This main reason was that the increase in proceeds from long-term loans and bonds exceeded the increase in repayments of long-term loans and redemptions of bonds by ¥16.6 billion.

The net result of the above items was an increase of ¥0.5 billion in cash and cash equivalents to ¥45.8 billion at the end of the fiscal year.

CAPITAL EXPENDITURES

Capital expenditures increased to ¥111.9 billion, mainly for the acquisition of vessels. This was well above the prior fiscal year's capital expenditures of ¥50.5 billion as MOL moved aggressively to expand its fleet. 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 9 of the notes to the consolidated financial statements on page 51 for information on leases. Excluding vessels that are to be sold on completion and thus removed from the balance sheet, the above capital expenditures of ¥111.9 billion decline to an effective ¥95.1 billion.

OFF-BALANCE-SHEET TRANSACTIONS, CONTRACTUAL LIABILITIES AND CONTINGENT LIABILITIES

Guarantees extended to joint venture companies that own LNG carriers represent the majority of the group's contingent liabilities as guarantor or co-guarantor of indebtedness of related and other companies.

The group's contractual liabilities consist mainly of long-term and short-term loans, bonds, commercial paper, and leases for vessels and equipments. Please refer to Notes 5, 6 and 9 of the notes to the consolidated financial statements for more information on contractual and contingent liabilities.

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. As is described in the section titled "Five Issues Critical to Further Growth" on pages 4 to 15 of this annual report, the MOL Group is taking many actions with respect to the above items with the aim of reducing 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 approximately ¥2.5 billion based on fiscal 2005 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 almost five million tons of bunker each year. Approximately half 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 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, 2005, yen-denominated and U.S. dollar-denominated interest-bearing liabilities totaled ¥514.1 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

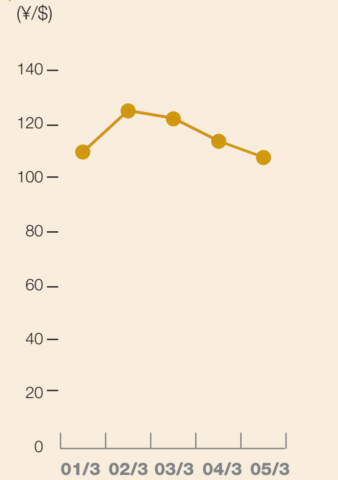
With a fleet of more than 600 vessels in constant operation around the world, there is a risk of a marine accident. To prevent accidents, MOL, based on its Corporate Principle of "protecting the marine and global environment through safe navigation," has established its own safety management system, 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 2005

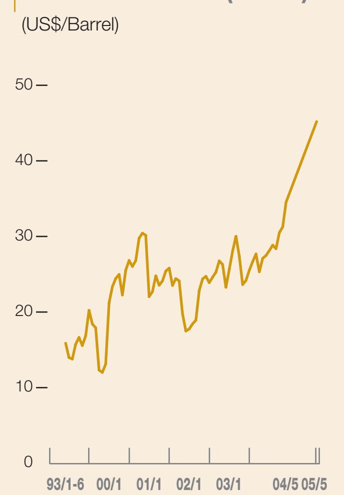
In fiscal 2004, the first year of MOL STEP, consolidated earnings were far above the goals that had been established by MOL STEP. Due to this performance, a plan called MOL STEP Review was established in May 2005 that incorporates new goals reflecting the current MOL Group fleet and recent trends in the ocean transport market. Based on MOL STEP Review, fiscal 2005 consolidated operating income is to be ¥176.0 billion, ¥66.0 billion higher than the original MOL STEP goal. This figure is based on an exchange rate of ¥105 to the U.S. dollar and a bunker price of US$250/MT. In fiscal 2006, consolidated operating income is to be ¥186.0 billion, ¥71.0 billion higher than the original MOL STEP goal. This figure is based on an exchange rate of ¥100 to the U.S. dollar and a bunker price of US$200/MT.

In fiscal 2005, there are concerns about the effect of higher land transportation expenses and other items on containership earnings. However, bulkship earnings are expected to be solid due to strong demand, mainly in the dry bulk sector, and the contributions of new vessels. Associated businesses earnings will benefit from the first full-year contribution of Daibiru following its October 2004 consolidation.

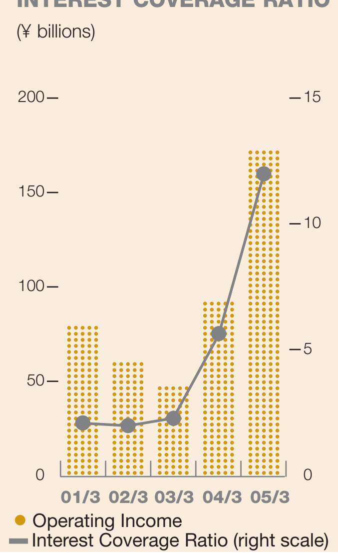
AVERAGE EXCHANGE RATE



CRUDE OIL PRICE (DUBAI)



OPERATING INCOME AND INTEREST COVERAGE RATIO



CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	¥ **45,757**	¥ 45,263	$ **426,082**
Marketable securities (Note 3)	**63**	4,460	**587**
Trade receivables	**136,291**	119,476	**1,269,122**
Allowance for doubtful accounts	**(1,204)**	(2,097)	**(11,211)**
Fuel and supplies	**15,170**	12,778	**141,261**
Deferred and prepaid expenses	**55,533**	58,435	**517,115**
Deferred tax assets (Notes 2 (14) and 11)	**7,279**	6,691	**67,781**
Other current assets	**40,946**	54,538	**381,283**
Total current assets	**299,835**	299,544	**2,792,020**
Vessels, property and equipment, at cost (Note 5)**:**			
Vessels	**869,640**	861,902	**8,097,961**
Buildings and structures	**180,846**	65,438	**1,684,012**
Equipment, mainly containers	**52,392**	48,632	**487,867**
Land	**178,239**	60,150	**1,659,735**
Vessels and other property under construction	**52,382**	34,475	**487,773**
	1,333,499	1,070,597	**12,417,348**
Accumulated depreciation	**(668,179)**	(592,976)	**(6,221,985)**
	665,320	477,621	**6,195,363**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**103,600**	72,876	**964,708**
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 3)	**65,536**	73,630	**610,262**
Long-term loan receivable	**21,953**	12,012	**204,423**
Consolidation difference	**–**	2,471	**–**
Intangible assets	**9,098**	8,171	**84,719**
Deferred tax assets (Notes 2 (14) and 11)	**2,366**	1,592	**22,032**
Other assets	**64,544**	52,289	**601,024**
	267,097	223,041	**2,487,168**
	¥1,232,252	¥1,000,206	**$11,474,551**

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Short-term bank loans	¥ 65,933	¥ 68,032	$ 613,959
Short-term bonds	5,536	7,966	51,550
Commercial paper	34,000	29,000	316,603
Total short-term debt (Note 5)	105,469	104,998	982,112
Long-term bank loans due within one year	62,339	71,618	580,492
Bonds due within one year	5,726	4,057	53,320
Total long-term debt due within one year (Note 5)	68,065	75,675	633,812
Trade payables	111,504	86,634	1,038,309
Advances received	63,178	59,640	588,304
Accrued income taxes	36,835	30,305	343,002
Deferred tax liabilities (Notes 2 (14) and 11)	1,023	393	9,526
Other current liabilities	43,621	40,446	406,192
Total current liabilities	429,695	398,091	4,001,257
Long-term bank loans due after one year	276,034	270,756	2,570,388
Bonds due after one year	64,564	40,265	601,211
Total long-term debt due after one year (Note 5)	340,598	311,021	3,171,599
Employees' severance and retirement benefits (Note 12)	13,524	13,913	125,934
Directors' and corporate auditors' retirement benefits	2,181	1,521	20,309
Consolidation difference	1,709	–	15,914
Deferred tax liabilities (Notes 2 (14) and 11)	30,968	15,587	288,369
Other non-current liabilities	55,605	31,371	517,786
Minority interests	59,714	7,167	556,048
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	604,479
Capital surplus	43,887	43,935	408,669
Retained earnings	182,143	101,991	1,696,089
	290,945	210,841	2,709,237
Revaluation reserve for land, net of tax	2,267	2,267	21,110
Unrealized holding gains on available-for-sale securities, net of tax (Note 2 (5))	25,898	25,435	241,158
Foreign currency translation adjustments	(17,137)	(14,475)	(159,577)
Treasury stock, at cost (Note 2 (17))	(3,715)	(2,533)	(34,593)
Total shareholders' equity	298,258	221,535	2,777,335
	¥1,232,252	¥1,000,206	$11,474,551

CONSOLIDATED STATEMENTS OF INCOME

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Shipping and other revenues (Note 10)	**¥1,173,332**	¥997,260	**$10,925,896**
Shipping and other expenses (Note 10):			
Vessel depreciation	**43,841**	48,547	**408,241**
Other expenses	**873,308**	776,355	**8,132,116**
	917,149	824,902	**8,540,357**
	256,183	172,358	**2,385,539**
Sales, general and administrative expenses:			
Amortization of consolidation difference (Note 2 (1))	**–**	535	**–**
Other sales, general and administrative expenses	**84,388**	79,697	**785,809**
Operating income	**171,795**	92,126	**1,599,730**
Other income (expenses):			
Interest and dividend income	**2,925**	2,996	**27,237**
Interest expense	**(14,562)**	(16,930)	**(135,599)**
Amortization of consolidation difference (Note 2 (1))	**44**	0	**410**
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**11,764**	6,613	**109,544**
Others, net (Note 8)	**(16,909)**	4,971	**(157,454)**
	(16,738)	(2,350)	**(155,862)**
Income before income taxes and minority interests	**155,057**	89,776	**1,443,868**
Income taxes (Notes 2 (14) and 11):			
Current	**(52,587)**	(35,346)	**(489,682)**
Deferred	**(1,205)**	2,152	**(11,221)**
Minority interests	**(3,004)**	(1,191)	**(27,973)**
Net income	**¥ 98,261**	¥ 55,391	**$ 914,992**

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	**¥81.99**	¥46.14	**$0.763**
Diluted net income	**81.90**	46.00	**0.763**
Cash dividends applicable to the year	**16.00**	11.00	**0.149**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2005 and 2004

	Shares of common stock (Thousands)	Millions of yen						
		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
Balance at March 31, 2003	1,205,410	¥64,915	¥43,887	¥ 56,469	¥2,231	¥ 7,036	¥ (8,055)	¥(1,693)
Due to change in consolidated subsidiaries	–	–	–	293	–	–	–	–
Due to change in affiliated companies accounted for by the equity method	–	–	–	764	–	–	–	–
Net income	–	–	–	55,391	–	–	–	–
Revaluation reserve for land, net of tax	–	–	–	–	36	–	–	–
Unrealized holding gains on available-for-sale securities, net of tax	–	–	–	–	–	18,399	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(6,420)	–
Treasury stock	–	–	–	–	–	–	–	(840)
Gains on disposal of treasury stock	–	–	48	–	–	–	–	–
Dividends paid	–	–	–	(10,802)	–	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(124)	–	–	–	–
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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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)**

	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
Balance at March 31, 2004	**$604,479**	**$409,116**	**$ 949,725**	**$21,110**	**$236,847**	**$(134,789)**	**$(23,587)**
Due to change in consolidated subsidiaries	**–**	**–**	**(670)**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(4,227)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**914,992**	**–**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**4,311**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**(24,788)**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(11,006)**
Loss on disposal of treasury stock	**–**	**(447)**	**(456)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(161,915)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(1,360)**	**–**	**–**	**–**	**–**
Balance at March 31, 2005	**$604,479**	**$408,669**	**$1,696,089**	**$21,110**	**$241,158**	**$(159,577)**	**$(34,593)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui O.S.K. Lines, Ltd. March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 155,057**	¥ 89,776	**$1,443,868**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	**52,969**	55,334	**493,240**
Equity in earnings of affiliated companies, net	**(11,764)**	(6,613)	**(109,545)**
Loss on write-down of investment securities	**115**	401	**1,071**
Loss on write-down of securities issued by subsidiaries and affiliates	**78**	397	**726**
Various provisions (reversals)	**(785)**	215	**(7,310)**
Interest and dividend income	**(2,925)**	(2,996)	**(27,237)**
Interest expense	**14,562**	16,930	**135,599**
Loss (Gain) on sale of marketable securities	**2**	(19)	**19**
Gain on sale of investment securities	**(1,611)**	(767)	**(15,001)**
Loss on sale of securities issued by subsidiaries and affiliates	**516**	441	**4,805**
Loss (Gain) on sale and disposal of tangible fixed assets	**16,165**	(1,473)	**150,526**
Exchange gain	**(97)**	(2,029)	**(903)**
Changes in operating assets and liabilities:			
Trade receivables	**(16,700)**	(1,401)	**(155,508)**
Fuel and supplies	**(2,418)**	953	**(22,516)**
Trade payables	**24,961**	(697)	**232,433**
Other, net	**(4,954)**	(6,533)	**(46,131)**
Sub total	**223,171**	141,919	**2,078,136**
Cash received for interest and dividend	**5,039**	4,915	**46,922**
Cash paid for interest	**(14,256)**	(18,612)	**(132,750)**
Cash paid for corporate income tax, resident tax, and enterprise tax	**(46,057)**	(13,631)	**(428,876)**
Net cash provided by (used in) operating activities	**167,897**	114,591	**1,563,432**
Cash flows from investing activities:			
Purchase of marketable securities	**(2,435)**	(1,603)	**(22,674)**
Purchase of investment securities	**(15,473)**	(3,287)	**(144,082)**
Proceeds from sale of marketable securities	**2,093**	3,385	**19,490**
Proceeds from sale of investment securities	**3,531**	5,724	**32,880**
Payments for purchase of subsidiaries' securities due to change in consolidated subsidiaries	**(17,905)**	–	**(166,729)**
Payments for vessels and other tangible and intangible fixed assets	**(111,906)**	(50,549)	**(1,042,052)**
Proceeds from sale of vessels and other tangible and intangible fixed assets	**34,771**	52,249	**323,782**
Disbursements for loans	**(14,120)**	(5,048)	**(131,483)**
Collections of loans receivable	**4,887**	1,915	**45,507**
Net increase (decrease) in short-term loans receivable	**23,930**	(6,088)	**222,833**
Other	**4,960**	3,656	**46,187**
Net cash provided by (used in) investing activities	**(87,667)**	354	**(816,341)**
Cash flows from financing activities:			
Net decrease in short-term loans	**(2,467)**	(22,365)	**(22,972)**
Net increase (decrease) in commercial paper	**2,000**	(4,000)	**18,624**
Proceeds from long-term loans	**49,593**	22,864	**461,803**
Repayments of long-term loans	**(98,045)**	(89,217)	**(912,981)**
Proceeds from issuance of bonds	**24,160**	7,488	**224,974**
Redemption of bonds	**(34,038)**	(16,081)	**(316,957)**
Cash dividends paid by the company	**(17,241)**	(10,802)	**(160,546)**
Purchase of treasury stock	**(599)**	(867)	**(5,578)**
Sales of treasury stock	**522**	–	**4,861**
Cash dividends paid to minority interest	**(796)**	(1,237)	**(7,412)**
Other	**(2,708)**	3,357	**(25,217)**
Net cash provided by (used in) financing activities	**(79,619)**	(110,860)	**(741,401)**
Effect of exchange rate changes on cash and cash equivalents	**(147)**	(2,329)	**(1,369)**
Net increase in cash and cash equivalents	**464**	1,756	**4,321**
Cash and cash equivalents at beginning of year	**45,263**	43,057	**421,482**
Net cash increase from new consolidation/de-consolidation of subsidiaries	**30**	450	**279**
Cash and cash equivalents at end of year	**¥ 45,757**	¥ 45,263	**$ 426,082**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2005 and 2004

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, 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.

In the year ended March 31, 2005, the Company did not adopt early 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 Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted effective April 1, 2005. Management of the Company believes that adoption of this new accounting standard will have no significant effect on the Company's consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 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 281 subsidiaries for the year ended March 31, 2005 (286 subsidiaries for the year ended March 31, 2004). 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, 2005 and 2004, and 39 affiliated companies for the year ended March 31, 2005 and 37 for the year ended March 31, 2004. Investments in other subsidiaries (110 in the year ended March 31, 2005 and 108 in the preceding year) and affiliated companies (82 and 81 in the respective years) were stated at costs 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 and sales, general and administrative expenses" 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 of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) SHIPPING REVENUES AND RELATED EXPENSES

Shipping 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 (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "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 (hereafter, "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 a 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. 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 a 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 AND EQUIPMENT

Depreciation of vessels and buildings is computed mainly by the straight-line method. Depreciation of other property and equipment is computed mainly by the declining-balance method. Estimated useful lives are mainly as follows.

Vessels	13 – 20 years
Containers	7 years

(8) AMORTIZATION OF BOND ISSUE EXPENSE

Bond issue expense is charged to income as incurred.

(9) 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.

(10) 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.

(11) 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, 2005 and 2004 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, is 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 increased by ¥591 million, respectively, in comparison with the result under the previous method of accounting.

(12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

The Company and its consolidated subsidiaries recognize 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 been terminated as of the balance sheet date.

(CHANGE IN ACCOUNTING METHOD)

Previously, the Company recognized the expenses of retirement benefits for directors and corporate auditors when those benefits were paid. Considering the current accounting practices in Japan, the Company changed its accounting policy to recognize liabilities for directors' and corporate auditors' retirement benefits based on the Company's internal regulations regarding the payment of retirement benefits to directors and corporate auditors. In addition, this change will reflect better the financial position of the Company with the allocation on an accrual basis of retirement benefit expenses throughout the terms of directors and corporate auditors.

As a result of this change, operating income for the year ended March 31, 2004 increased by ¥308 million and income before income taxes and minority interests for the year ended March 31, 2004 decreased by ¥599 million, in comparison with the results under the previous method of accounting.

(13) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

Finance leases which do not transfer ownership to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

(14) INCOME TAXES

The Company and its subsidiaries recognize 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 statement 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.

(15) 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 2005 column represent the amount payable to shareholders as of March 31, 2005.

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guideline (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guideline No. 4, "Implementation Guideline for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The effect on earnings per share of the adoption of this new accounting standard is immaterial.

(16) 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 Company and its consolidated subsidiaries defer 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 contact was executed.

The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments:	Hedged items:
Loans payable in foreign currencies	Foreign currency transactions
Forward foreign exchange contracts	Foreign currency 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.

(17) TREASURY STOCK AND REDUCTION OF STATUTORY RESERVES

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reduction of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reduction of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002). Due to this change, profit or loss from disposal of treasury stock which were previously charged to income or expense are accounted for as a capital transaction.

The effect on net income of the adoption of this new accounting standard is immaterial.

(18) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2005 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 value of securities with available fair values as of March 31, 2005 and 2004:

(a) Held-to-maturity debt securities:

Securities with available fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Book value	**¥2,043**	¥–	**$19,024**
Fair value	**2,114**	–	**19,685**
Difference	**71**	–	**661**

Securities with available fair values not exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Book value	**¥4**	¥9	**$37**
Fair value	**4**	9	**37**
Difference	**–**	–	**–**

(b) Available-for-sale securities:

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

	Millions of yen		
Type	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**

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	**$255,601**	**$738,467**	**$482,866**
Bonds	**93**	**93**	**0**
Others	**–**	**–**	**–**
Total	**$255,694**	**$738,560**	**$482,866**

Securities with book values exceeding acquisition costs at March 31, 2004

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥20,985	¥56,456	¥35,471
Bonds	10	10	0
Others	64	99	35
Total	¥21,059	¥56,565	¥35,506

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)**

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	**$34,826**	**$30,049**	**$(4,777)**
Bonds	**–**	**–**	**–**
Others	**43,272**	**43,263**	**(9)**
Total	**$78,098**	**$73,312**	**$(4,786)**

Securities with book values not exceeding acquisition costs at March 31, 2004

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥2,192	¥1,977	¥(215)
Bonds	–	–	–
Others	194	184	(10)
Total	¥2,386	¥2,161	¥(225)

B. The following tables summarize book values of securities with no available fair value as of March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Available-for-sale securities:			
Type	Book value		Book value
Unlisted equity securities	**¥14,168**	¥13,370	**$131,930**
Unlisted foreign bonds	**–**	4,416	**–**
Others	**262**	814	**2,440**
Total	**¥14,430**	¥18,600	**$134,370**

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

For the year ended March 31, 2005:

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

For the year ended March 31, 2004:

	Millions of yen				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Securities:					
Governmental bonds	¥10	¥5	–	–	¥15
Corporate bonds	4	–	–	–	4
Total	¥14	¥5	–	–	¥19

For the year ended March 31, 2005:

	Thousands of U.S. dollars				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Securities:					
Governmental bonds	**$223**	**$ –**	**$93**	**–**	**$ 316**
Corporate bonds	**–**	**18,838**	**–**	**–**	**18,838**
Total	**$223**	**$18,838**	**$93**	**–**	**$19,154**

D. There were no held-to-maturity debt securities sold in the years ended March 31, 2005 and 2004.

E. Total sales of available-for-sale securities sold in the years ended March 31, 2005 and 2004 and the related gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Proceeds from sales	**¥4,901**	¥4,855	**$45,637**
Gross realized gains	**1,617**	920	**15,057**
Gross realized losses	**6**	152	**56**

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, 2005 and 2004, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	**¥1,435**	¥329	**$13,363**
Unrealized gain	**73**	13	**680**

The following table summarizes the outstanding contract amounts and unrealized 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
	2005	2004	**2005**
Currency swaps			
Receive Yen, pay U.S. dollar:			
Contracts outstanding	**¥15,800**	¥28,590	**$147,127**
Unrealized gain	**1,594**	1,497	**14,843**
Receive Yen, pay Euro:			
Contracts outstanding	**¥ 500**	–	**$ 4,656**
Unrealized loss	**(15)**	–	**(140)**
Receive U.S. dollar, pay Yen:			
Contracts outstanding	**–**	¥ 700	**–**
Unrealized loss	**–**	(16)	**–**

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
(2) Interest related			
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥3,671**	¥2,584	**$34,184**
Unrealized loss	**(198)**	(372)	**(1,844)**
Receive fixed, pay floating			
Contracts outstanding	**¥3,718**	¥1,712	**$34,621**
Unrealized gain	**191**	342	**1,779**

The following table summarizes the outstanding contract amounts and unrealized 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
	2005	2004	**2005**
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥ 2,087**	¥ 847	**$ 19,434**
Unrealized loss	**(108)**	(61)	**(1,006)**
Receive fixed, pay floating			
Contracts outstanding	**¥ 821**	¥1,900	**$ 7,645**
Unrealized loss	**(9)**	(12)	**(84)**
Receive floating, pay floating			
Contracts outstanding	**¥11,337**	–	**$105,568**
Unrealized gain	**5**	–	**47**

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 ¥105,469 million ($982,112 thousand) and ¥104,998 million at March 31, 2005 and 2004, respectively, was 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, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Bonds:			
3.025% yen bonds due 2006	**¥ –**	¥ 10,000	**$ –**
3.075% yen bonds due 2007	**–**	10,000	**–**
1.740% yen bonds due 2007	**15,000**	–	**139,678**
1.190% yen bonds due 2009	**10,000**	–	**93,118**
3.250% yen bonds due 2009	**–**	10,000	**–**
Floating rate yen notes due 2008	**1,000**	1,000	**9,312**
Floating/fixed rate Euro medium term notes due 2005-2009	**19,289**	13,321	**179,616**
1.760% yen bonds due 2014	**10,000**	–	**93,119**
1.590% yen bonds due 2015	**15,000**	–	**139,678**
Secured loans from:			
Japan Development Bank due through 2016 at interest rates of 0.60% to 5.65%	**69,692**	70,783	**648,962**
Other financial institutions due through 2020 at interest rates of 0.25% to 6.45%	**112,757**	160,468	**1,049,977**
Unsecured loans from:			
Other financial institutions due through 2017 at interest rates of 0.06% to 8.71%	**155,925**	111,124	**1,451,951**
	408,663	386,696	**3,805,411**
Amount due within one year	**68,065**	75,675	**633,812**
	¥340,598	¥311,021	**$3,171,599**

At March 31, 2005, the aggregate annual maturity of long-term debt was as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	**¥ 68,065**	**$ 633,811**
2007	**67,256**	**626,278**
2008	**87,902**	**818,531**
2009	**44,367**	**413,139**
2010	**44,841**	**417,553**
2011 and thereafter	**96,232**	**896,099**
	¥408,663	**$3,805,411**

At March 31, 2005, 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
Vessels	**¥238,774**	**$2,223,429**
Buildings and structures	**6,491**	**60,443**
Land	**5,226**	**48,664**
Investment securities	**29,213**	**272,027**
Others	**1,657**	**15,430**
	¥281,361	**$2,619,993**

Secured debt	Millions of yen	Thousands of U.S. dollars
Short-term debt	**¥ 230**	**$ 2,142**
Long-term debt due within one year	**38,426**	**357,817**
Long-term debt	**144,023**	**1,341,121**
	¥182,679	**$1,701,080**

6. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2005, 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 ¥139,107 million ($1,295,344 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, 2005 include amounts representing the year-end cash dividends and directors' and corporate auditors' bonuses approved at the shareholders' meeting held on June 23, 2005. 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. OTHER INCOME (EXPENSES): OTHERS, NET – BREAKDOWN

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Others, net:			
Gain (loss) on sale of marketable securities	**¥ (2)**	¥ 19	**$ (19)**
Exchange gain, net	**1,950**	2,095	**18,158**
Gain on sale of vessels, investment securities and others	**5,797**	10,821	**53,981**
Loss on sale and disposal of vessels, investment securities and others	**(20,866)**	(7,024)	**(194,301)**
Loss arising from dissolution of subsidiaries and affiliated companies	**(26)**	(36)	**(242)**
Loss on write-down of securities and other investments	**(193)**	(798)	**(1,797)**
Provision for doubtful accounts	**(183)**	(1,605)	**(1,704)**
Special retirement	**(922)**	(1,018)	**(8,586)**
Loss on redemption of bonds	**(2,192)**	–	**(20,412)**
Provision for loss on the liquidation and integration of subsidiaries	**–**	(141)	**–**
Sundries	**(272)**	2,658	**(2,532)**
Total	**¥(16,909)**	¥ 4,971	**$(157,454)**

9. 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, 2005 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen			
	Vessels	Property and equipment	Other	Total
Acquisition cost	**¥2,746**	**¥47,944**	**¥315**	**¥51,005**
Accumulated depreciation	**1,477**	**30,862**	**222**	**32,561**
Net book value	**¥1,269**	**¥17,082**	**¥ 93**	**¥18,444**

	Thousands of U.S. dollars			
	Vessels	Property and equipment	Other	Total
Acquisition cost	**$25,570**	**$446,448**	**$2,933**	**$474,951**
Accumulated depreciation	**13,754**	**287,382**	**2,067**	**303,203**
Net book value	**$11,816**	**$159,066**	**$ 866**	**$171,748**

(2) Future lease payments inclusive of interest at March 31, 2005

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	**¥ 4,281**	**$ 39,864**
Amount due after one year	**21,005**	**195,595**
Total	**¥25,286**	**$235,459**

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease payments	**¥5,877**	¥4,514	**$54,726**
Depreciation equivalent	**5,577**	3,813	**51,932**
Interest equivalent	**538**	476	**5,010**

(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.

(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES AT MARCH 31, 2005:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	**¥ 40,978**	**$ 381,581**
Amount due after one year	**262,686**	**2,446,094**
Total	**¥303,664**	**$2,827,675**

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, 2005 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost	**¥57**	**¥578**	**¥635**
Accumulated depreciation	**49**	**516**	**565**
Net book value	**¥ 8**	**¥ 62**	**¥ 70**

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	**$531**	**$5,382**	**$5,913**
Accumulated depreciation	**456**	**4,805**	**5,261**
Net book value	**$ 75**	**$ 577**	**$ 652**

(2) Future lease income inclusive of interest at March 31, 2005

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	**¥ 99**	**$ 922**
Amount due after one year	**19**	**177**
Total	**¥118**	**$1,099**

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease income	**¥53**	¥110	**$494**
Depreciation	**21**	59	**196**
Interest equivalent	**5**	13	**47**

(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, 2005:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	**¥ 1,998**	**$ 18,605**
Amount due after one year	**24,613**	**229,193**
Total	**¥26,611**	**$247,798**

10. SEGMENT INFORMATION

(A) BUSINESS SEGMENT INFORMATION:

	Millions of yen							
For the year ended March 31, 2005:	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 (loss)	**¥ 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**

For the year ended March 31, 2005:	Thousands of U.S. dollars							
	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . .	**$3,716,743**	**$5,555,806**	**$540,274**	**$422,302**	**$ 620,318**	**$ 70,453**	**$ –**	**$10,925,896**
(2) Inter-segment revenues . . .	**11,407**	**7,924**	**13,456**	**–**	**148,738**	**75,855**	**(257,380)**	**–**
Total revenues	**3,728,150**	**5,563,730**	**553,730**	**422,302**	**769,056**	**146,308**	**(257,380)**	**10,925,896**
2. Operating expenses	**3,223,261**	**4,516,435**	**545,917**	**410,318**	**721,287**	**132,014**	**(223,066)**	**9,326,166**
Operating income (loss) . .	**$ 504,889**	**$1,047,295**	**$ 7,813**	**$ 11,984**	**$ 47,769**	**$ 14,294**	**$ (34,314)**	**$ 1,599,730**
3. Assets, depreciation and capital expenditures:								
(1) Assets	**$1,476,404**	**$5,141,577**	**$407,552**	**$418,614**	**$2,758,460**	**$2,423,373**	**$(1,151,429)**	**$11,474,551**
(2) Depreciation	**50,731**	**341,242**	**11,640**	**27,330**	**34,752**	**26,986**	**559**	**493,240**
(3) Capital expenditures	**176,013**	**662,911**	**8,949**	**6,788**	**153,664**	**33,727**	**–**	**1,042,052**

(Change in accounting method)
As mentioned in Note 2 (11) 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 ¥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.

For the year ended March 31, 2004:	Millions of yen						
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . .	¥823,477	¥31,368	¥45,359	¥46,060	¥ 50,996	¥ –	¥ 997,260
(2) Inter-segment revenues	6,730	4,068	39,331	921	21,125	(72,175)	–
Total revenues	830,207	35,436	84,690	46,981	72,121	(72,175)	997,260
2. Operating expenses	747,122	34,179	79,338	46,759	69,231	(71,495)	905,134
Operating income (loss)	¥ 83,085	¥ 1,257	¥ 5,352	¥ 222	¥ 2,890	¥ (680)	¥ 92,126
3. Assets, depreciation and capital expenditures:							
(1) Assets	¥856,792	¥33,454	¥57,975	¥25,476	¥191,088	¥(164,579)	¥1,000,206
(2) Depreciation	48,182	1,884	2,984	562	1,722	0	55,334
(3) Capital expenditures	40,964	3,566	2,262	1,378	2,379	–	50,549

(Change in accounting method)
As mentioned in Note 2 (12) Directors' and corporate auditors' retirement benefits, the Company previously recognized the expenses of retirement benefits for directors and corporate auditors when those benefits were paid. Considering the current accounting practices in Japan, effective April 1, 2003, the Company changed its accounting policy to recognize liabilities for directors' and corporate auditors' retirement benefits based on the Company's internal regulations regarding the payment of retirement benefits to directors and corporate auditors. As a result of this change, operating expenses decreased by ¥308 million and operating income increased by ¥308 million for Elimination for 2004 in comparison with the results under the previous method of accounting. The effect of this new accounting method over the other segments is immaterial.

(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 & Domestic transport, 5. Associated business, 6. Others).

The following tables show business segment information for the year ended March 31, 2004 using the new segmentation method applied to the year ended March 31, 2005.

	Millions of yen							
For the year ended March 31, 2004:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥344,901	¥494,628	¥53,034	¥42,122	¥54,573	¥ 8,002	¥ –	¥ 997,260
(2) Inter-segment revenues	507	1,088	1,431	–	14,861	10,434	(28,321)	–
Total revenues	345,408	495,716	54,465	42,122	69,434	18,436	(28,321)	997,260
2. Operating expenses	321,974	429,028	54,609	41,589	66,739	16,076	(24,881)	905,134
Operating income (loss)	¥ 23,434	¥ 66,688	¥ (144)	¥ 533	¥ 2,695	¥ 2,360	¥ (3,440)	¥ 92,126
3. Assets, depreciation and capital expenditures:								
(1) Assets	¥144,329	¥521,380	¥42,617	¥45,958	¥97,249	¥216,141	¥(67,468)	¥1,000,206
(2) Depreciation	6,248	40,417	1,051	2,891	1,825	2,953	(51)	55,334
(3) Capital expenditures	1,862	36,727	1,658	2,917	3,205	4,180	–	50,549

	Thousands of U.S. dollars							
For the year ended March 31, 2004:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$3,211,668	$4,605,904	$493,845	$392,234	$508,176	$ 74,513	$ –	$9,286,340
(2) Inter-segment revenues	4,721	10,131	13,325	–	138,383	97,160	(263,720)	–
Total revenues	3,216,389	4,616,035	507,170	392,234	646,559	171,673	(263,720)	9,286,340
2. Operating expenses	2,998,175	3,995,046	508,511	387,271	621,464	149,697	(231,688)	8,428,476
Operating income (loss)	$ 218,214	$ 620,989	$ (1,341)	$ 4,963	$ 25,095	$ 21,976	$ (32,032)	$ 857,864
3. Assets, depreciation and capital expenditures:								
(1) Assets	$1,343,971	$4,855,014	$396,843	$427,954	$905,568	$2,012,673	$(628,251)	$9,313,772
(2) Depreciation	58,180	376,357	9,787	26,921	16,994	27,498	(475)	515,262
(3) Capital expenditures	17,339	341,996	15,439	27,163	29,844	38,924	–	470,705

(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, 2005:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Millions of yen						
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**

For the year ended March 31, 2005:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Thousands of U.S. dollars						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**$10,381,106**	**$359,773**	**$ 81,590**	**$102,849**	**$ 578**	**$ –**	**$10,925,896**
(2) Inter-segment revenues	**33,327**	**107,291**	**60,080**	**91,890**	**14,154**	**(306,742)**	**–**
Total revenues	**10,414,433**	**467,064**	**141,670**	**194,739**	**14,732**	**(306,742)**	**10,925,896**
2. Operating expenses	**8,883,090**	**391,880**	**125,235**	**181,805**	**15,169**	**(271,013)**	**9,326,166**
Operating income (loss)	**$ 1,531,343**	**$ 75,184**	**$ 16,435**	**$ 12,934**	**$ (437)**	**$ (35,729)**	**$ 1,599,730**
3. Assets	**$10,715,253**	**$309,694**	**$984,756**	**$112,431**	**$14,173**	**$(661,756)**	**$11,474,551**

(Change in accounting method)
As mentioned in Note 2 (11) 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 ¥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.

For the year ended March 31, 2004:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥940,671	¥37,270	¥ 8,875	¥10,370	¥ 74	¥ –	¥ 997,260
(2) Inter-segment revenues	1,001	7,576	4,936	13,308	1,519	(28,340)	–
Total revenues	941,672	44,846	13,811	23,678	1,593	(28,340)	997,260
2. Operating expenses	855,888	39,972	12,831	22,495	1,525	(27,577)	905,134
Operating income (loss)	¥ 85,784	¥ 4,874	¥ 980	¥ 1,183	¥ 68	¥ (763)	¥ 92,126
3. Assets	¥933,747	¥29,399	¥88,992	¥12,567	¥1,660	¥(66,159)	¥1,000,206

(Change in accounting method)
As mentioned in Note 2 (12) Directors' and corporate auditors' retirement benefits, the Company previously recognized the expenses of retirement benefits for directors and corporate auditors when those benefits were paid. Considering the current accounting practices in Japan, effective April 1, 2003, the Company changed its accounting policy to recognize liabilities for directors' and corporate auditors' retirement benefits based on the Company's internal regulations regarding the payment of retirement benefits to directors and corporate auditors. As a result of this change, operating expenses decreased by ¥308 million and operating income increased by ¥308 million for Elimination for 2004 in comparison with the results under the previous method of accounting. The effect of this new accounting method over the other segments is immaterial.

(C) INTERNATIONAL BUSINESS INFORMATION:

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

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, 2005:	North America	Europe	Asia	Others	Total
	Thousands of U.S. dollars				
1. International revenue	**$2,595,661**	**$1,534,361**	**$2,524,350**	**$3,229,425**	**$ 9,883,797**
2. Consolidated revenue	**–**	**–**	**–**	**–**	**$10,925,896**
3. Ratio of international revenue to consolidated revenue	**23.8%**	**14.0%**	**23.1%**	**29.6%**	**90.5%**

For the year ended March 31, 2004:	North America	Europe	Asia	Others	Total
	Millions of yen				
1. International revenue	¥261,238	¥141,015	¥217,647	¥269,278	¥889,178
2. Consolidated revenue	–	–	–	–	¥997,260
3. Ratio of international revenue to consolidated revenue	26.2%	14.2%	21.8%	27.0%	89.2%

11. 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 37.5% for the years ended March 31, 2005 and 2004.

(A) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Excess bad debt expenses	**¥ 2,658**	¥ 2,726	**$ 24,751**
Excess reserve for bonuses expenses	**1,954**	1,672	**18,195**
Excess retirement benefits expenses	**6,191**	5,184	**57,650**
Excess retirement allowances for officers	**976**	593	**9,088**
Write-down of securities and other investments	**1,709**	1,903	**15,914**
Operating loss carried forward	**903**	1,006	**8,409**
Accrued business tax and business place tax	**5,096**	498	**47,453**
Unrealized gain on sale of fixed assets	**998**	407	**9,293**
Others	**720**	73	**6,705**
Total deferred tax assets	**21,205**	14,062	**197,458**
Valuation allowance	**(6,571)**	(1,365)	**(61,188)**
Net deferred tax assets	**14,634**	12,697	**136,270**
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(902)**	(983)	**(8,399)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(1,368)**	(2,212)	**(12,739)**
Unrealized holding gains on available-for-sale securities	**(19,362)**	(12,392)	**(180,296)**
Gain on securities contributed to employee retirement benefit trust	**(4,368)**	(4,368)	**(40,674)**
Revaluation reserve for land	**(10,827)**	–	**(100,819)**
Others	**(153)**	(439)	**(1,425)**
Total deferred tax liabilities	**(36,980)**	(20,394)	**(344,352)**
Net deferred tax liabilities	**¥(22,346)**	¥ (7,697)	**$(208,082)**

(B) Significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes 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 Company's effective tax rate for financial statement purposes for the year ended March 31, 2004 is not disclosed as it is immaterial.

12. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ 65,083**	¥ 63,347	**$ 606,043**
Unrecognized actuarial differences	**(2,496)**	(5,003)	**(23,242)**
Prepaid pension expenses	**11,812**	11,402	**109,992**
Less fair value of pension assets	**(60,875)**	(55,833)	**(566,859)**
Liability for severance and retirement benefits	**¥ 13,524**	¥ 13,913	**$ 125,934**

Included in the consolidated statements of income for the years ended March 31, 2005 and 2004 are severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service costs—benefits earned during the year	**¥3,223**	¥3,326	**$30,012**
Interest cost on projected benefit obligation	**943**	946	**8,781**
Expected return on plan assets	**(31)**	(26)	**(289)**
Amortization of actuarial differences	**766**	1,541	**7,133**
	¥4,901	¥5,787	**$45,637**

The discount rate for the years ended March 31, 2005 and 2004 used by the Company is 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2005 and 2004 is 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 income statements using the straight-line method primarily over 10 years commencing with the following period.

13. SUBSEQUENT EVENTS

On June 23, 2005, the shareholders of the Company approved (1) payment of year-end cash dividends to shareholders of record as of March 31, 2005 of ¥8.5 ($0.079) per share or a total of ¥10,161 million ($94,616 thousand) and (2) bonuses to directors of ¥162 million ($1,509 thousand).

14. STOCK-BASED COMPENSATION PLANS

The Company has a stock option plan. On June 27, 2001, the shareholders of the Company approved the issuance of stock options to the directors and the executive officers of the Company in accordance with Article 210-2 of the Code, which was subsequently revised in 2002. 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 41,000 shares of common stock of the Company as of March 31, 2005, and 10,000 shares of common stock of the Company as of May 31, 2005. The stock options are exercisable from June 28, 2003 to June 30, 2005.

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 Article 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 623,000 shares of common stock of the Company as of March 31, 2005, and 576,000 shares of common stock of the Company as of May 31, 2005. 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 affiliates in accordance with Article 280-20 and Article 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 1,580,000 shares of common stock of the Company as of March 31, 2005, and 1,580,000 shares of common stock of the Company as of May 31, 2005. 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 affiliates in accordance with Article 280-20 and Article 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, 2005, and 1,570,000 shares of common stock of the Company as of May 31, 2005. 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 affiliates in accordance with Article 280-20 and Article 280-21 of the Code. 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 2,100,000 shares of common stock of the Company. The stock options are exercisable from June 20, 2006 to June 23, 2015 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 subsidiaries as of March 31, 2005 and 2004, 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, 2005 and 2004, 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:
As discussed in Note 2 (11) to the consolidated financial statements, effective from the year ended March 31, 2005, the Company applied the revised accounting standard for retirement benefits.
As discussed in Note 10 (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.
As discussed in Note 2 (12) to the consolidated financial statements, effective April 1, 2003, the Company changed its accounting policy for directors' and corporate auditors' retirement benefits from expensing them when payments are made to accruing an amount required in accordance with the internal regulations if all directors and corporate auditors had retired as of the balance sheet date.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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 23, 2005

THE MOL GROUP

Mitsui O.S.K. Lines, Ltd. As of March 31, 2005

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

			Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
Containerships	■	International Container Terminal Co., Ltd.	Japan	100.00	¥700,000
	■	Kyushu Shipping Co., Ltd.	Japan	100.00	¥10,000
	■	Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A$1,000
	■	Mitsui O.S.K. Lines (Austria) GmbH	Austria	100.00	€36
	■	Mitsui O.S.K. Lines (Japan), Ltd.	Japan	100.00	¥90,000
	■	Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S$200
	■	Mitsui O.S.K. Lines (Singapore) Pte Ltd.	Singapore	100.00	S$5,000
	■	MOL (America) Inc.	U.S.A.	100.00	US$6
	■	MOL (Asia) Ltd.	Hong Kong	100.00	HK$40,000
	■	MOL (Brasil) Ltda.	Brazil	100.00	R$1,677
	■	MOL (Chile) Ltda.	Chile	100.00	US$100
	■	MOL (Europe) B.V.	Netherlands	100.00	€454
	■	MOL (Europe) GmbH	Germany	100.00	€256
	■	MOL (Europe) Ltd.	U.K.	100.00	£1,500
	■	MOL (Panama) Inc.	Panama	100.00	US$100
	■	MOL De Mexico, S.A. de C.V.	Mexico	100.00	US$100
	■	MOL South Africa (Proprietary) Limited	South Africa	100.00	R3,000
	■	Shipowner companies (12 companies) in Panama, Liberia, Hong Kong, and Singapore			
	■	Shosen Koun Co., Ltd.	Japan	79.99	¥300,000
	■	Star-Net America, Inc.	U.S.A.	98.33	US$3,000
	■	Trans Pacific Container Service Corp.	U.S.A.	100.00	US$3,000
	●	MOL (West Africa) Ltd.	U.K.	51.00	£140
	▲	Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000
	▲	Shanghai Kakyakusen Kaisha, Ltd.	Japan	31.98	¥100,000
	▲	Utoc Corporation	Japan	32.85	¥1,455,300
Bulkships	■	BGT Ltd.	Liberia	100.00	US$5
	■	BIL Investments Ltd.	U.K.	100.00	£21
	■	BLNG Inc.	U.S.A.	75.00	US$1
	■	Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
	■	M.O. LNG Transport Co., Ltd.	Japan	100.00	¥40,000
	■	MCGC International Ltd.	Bahamas	80.10	US$1
	■	Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte Ltd.	Singapore	100.00	S$2,350
	■	Mitsui O.S.K. Bulk Shipping (USA) Inc.	U.S.A.	100.00	US$200
	■	Mitsui O.S.K. Kinkai, Ltd.	Japan	99.04	¥660,000
	■	MOL-NIC Transport Ltd.	Liberia	75.00	US$13,061
	■	Shipowner/Chartering companies (143 companies) in Panama, Liberia, Singapore, Hong Kong, Cyprus and Malta			
	■	Tokyo Marine Asia Pte Ltd.	Singapore	100.00	S$500
	■	Tokyo Marine Co., Ltd.	Japan	71.74	¥617,500
	■	Unix Line Pte Ltd.	Singapore	100.00	S$500
	■	Others (2 companies)			
	●	Greenfield Holding Company, Limited	Cayman islands	100.00	US$55,000
	▲	Act Maritime Co., Ltd.	Japan	49.00	¥90,000
	▲	Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US$20,743
	▲	Arun LNG Transport, Inc.	Japan	35.00	¥400,000
	▲	Asahi Tanker Co., Ltd.	Japan	24.75	¥600,045
	▲	Badak LNG Transport, Inc.	Japan	25.00	¥400,000
	▲	Bright Shipping Company Inc.	Panama	50.00	US$10
	▲	Daiichi Chuo Kisen Kaisha	Japan	26.25	¥13,258,410
	▲	Gearbulk Holding Ltd.	Bermuda	40.00	US$260,000
	▲	M.S. Tanker Shipping Ltd.	Hong Kong	50.00	HK$2,000
	▲	Nissan Motor Car Carrier Co., Ltd.	Japan	40.00	¥640,000
	▲	South Eastern Oil (S) Pte Ltd.	Singapore	50.00	S$500
	▲	Shipowner/Chartering companies (14 companies) in Liberia, Panama, Bahamas, Malta, Norway, and Cayman Islands			
Logistics	■	AMT Freight, Inc.	U.S.A.	100.00	US$9,490
	■	Bangpoo Intermodal Systems Co., Ltd.	Thailand	67.98	BT130,000
	■	Euloc B.V.	Netherlands	100.00	€3,630
	■	Hermex Distribution B.V.	Netherlands	100.00	€227
	■	Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK$58,600
	■	International Container Transport Co., Ltd.	Japan	48.00	¥100,000
	■	Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥99,960
	■	Japan Express Co., Ltd. (Yokohama)	Japan	96.99	¥236,000
	■	Japan Express Packing & Transport Co., Ltd.	Japan	100.00	¥60,000
	■	M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000
	■	MOL Distribution (Deutschland) GmbH	Germany	100.00	€26
	■	MOL Logistics (Europe) B.V.	Netherlands	100.00	€414
	■	MOL Logistics (H.K.) Ltd.	Hong Kong	100.00	HK$3,200
	■	MOL Logistics (Japan) Co., Ltd.	Japan	58.13	¥756,250
	■	MOL Logistics (Netherlands) B.V.	Netherlands	100.00	€2,275
	■	MOL Logistics (Singapore) Pte Ltd.	Singapore	100.00	S$700
	■	MOL Logistics (UK) Ltd.	U.K.	100.00	£400
	■	MOL Logistics (USA) Inc.	U.S.A.	100.00	US$7,314
	■	MOL Logistics Administration B.V.	Netherlands	100.00	€16
	■	MOL Osaka Nanko Physical Distribution Center Co., Ltd.	Japan	100.00	¥10,000
	▲	Cougar Holdings Pte Ltd.	Singapore	35.00	S$9,330
	▲	J.F. Hillebrand Group AG	Germany	50.00	€5,000
	▲	Shanghai Longfei International Logistics Co., Ltd.	China	22.05	US$1,240
	▲	Tyne Logistics Co., Ltd.	U.K.	49.00	£40
	▲	Union Services (Singapore) Pte Ltd.	Singapore	24.00	S$500

			Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)
Ferry & Domestic Transport	■	Blue Highway Express K.K.	Japan	100.00	¥54,600
	■	Blue Highway Express Kyushu Co., Ltd.	Japan	70.00	¥50,000
	■	Blue Highway Line Nishinihon Corporation	Japan	100.00	¥100,000
	■	Blue Highway Service K.K.	Japan	100.00	¥30,000
	■	Diamond Line K.K.	Japan	100.00	¥20,000
	■	Kyushu Kyuko Ferry Co., Ltd.	Japan	92.00	¥840,000
	■	Miyako Shoji Co., Ltd.	Japan	100.00	¥10,000
	■	MOL Naiko, Ltd.	Japan	99.00	¥650,000
	■	Sea-Road Express Corp.	Japan	100.00	¥320,000
	■	Searox Kitaichi Co., Ltd.	Japan	100.00	¥20,000
	■	Shipowner company (1 company) in Panama			
	■	Shosen Mitsui Ferry Co., Ltd.	Japan	100.00	¥600,000
	■	The Diamond Ferry Co., Ltd.	Japan	93.80	¥900,000
	▲	Kansai Kisen Kaisha	Japan	37.38	¥1,368,989
	▲	Meimon Taiyo Ferry Co., Ltd.	Japan	37.14	¥880,000
Associated Business	■	Daibiru Corporation	Japan	51.29	¥12,227,847
	■	Dojima Estate Corporation	Japan	100.00	¥200,000
	■	Esca Corporation	Japan	100.00	¥25,000
	■	Green Kaiji Kaisha, Ltd.	Japan	66.67	¥95,400
	■	Green Shipping, Ltd.	Japan	100.00	¥172,000
	■	Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
	■	Hu-Tec Service Co., Ltd.	Japan	100.00	¥20,000
	■	Japan Hydrographic Charts & Publications Co., Ltd.	Japan	54.62	¥32,000
	■	Kansai Building Maintenance Co., Ltd.	Japan	80.00	¥14,400
	■	Kitanihon Soko Koun Co., Ltd.	Japan	95.41	¥179,544
	■	Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000
	■	Kusakabe Marine Engineering Co., Ltd.	Japan	80.63	¥200,000
	■	M.O. Marine Construction Co., Ltd.	Japan	100.00	¥95,000
	■	M.O. Marine Consulting, Ltd.	Japan	100.00	¥100,000
	■	Mitsui O.S.K. Career Support, Ltd.	Japan	100.00	¥100,000
	■	Mitsui O.S.K. Kosan Co., Ltd.	Japan	90.00	¥395,000
	■	Mitsui O.S.K. Passenger Line, Ltd.	Japan	84.07	¥8,100,000
	■	Mitsui O.S.K. Techno-Trade, Ltd.	Japan	100.00	¥490,000
	■	MO Engineering Co., Ltd.	Japan	100.00	¥20,000
	■	Nihon Tug-Boat Co., Ltd.	Japan	69.53	¥134,203
	■	Osaka All Service Corporation	Japan	100.00	¥17,000
	■	Santo Tatemono Service	Japan	100.00	¥10,000
	■	Sanwa Marine Ltd.	Japan	100.00	¥475,000
	■	Shipowner company (1 company) in Panama			
	■	Ube Port Service Co., Ltd.	Japan	93.10	¥14,950
	▲	Nippon Charter Cruise, Ltd.	Japan	50.00	¥290,000
	▲	Shinyo Kaiun Corporation	Japan	36.00	¥100,000
	▲	South China Towing Co., Ltd.	Hong Kong	25.00	HK$12,400
Others	■	Euromol B.V.	Netherlands	100.00	US$8,861
	■	International Energy Transport Co., Ltd.	Japan	61.45	¥1,224,000
	■	International Marine Transport Co., Ltd.	Japan	83.99	¥100,000
	■	International Transportation Inc.	U.S.A.	100.00	US$24,563
	■	Linkman Holdings Inc.	Liberia	100.00	US$3
	■	M.O. Cableship Ltd.	Japan	100.00	¥10,000
	■	M.O. Reinsurance S.A.	Luxembourg	100.00	US$5,376
	■	M.O. Ship Management Co., Ltd.	Japan	100.00	¥50,000
	■	M.O. Ship Tech Inc.	Japan	100.00	¥50,000
	■	Mitsui Kinkai Kisen Co., Ltd.	Japan	79.94	¥350,000
	■	Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	US$402
	■	Mitsui O.S.K. Finance PLC	U.K.	100.00	US$6,568
	■	Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€17,244
	■	Mitsui O.S.K. Manning Service S.A.	Panama	100.00	US$135
	■	MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
	■	MOL Adjustment, Ltd.	Japan	100.00	¥10,000
	■	MOL FG, Inc.	U.S.A.	100.00	US$20
	■	MOL Information Systems, Ltd.	Japan	100.00	¥100,000
	■	MOL SI, Inc.	U.S.A.	100.00	US$100
	■	Orange P.R. Ltd.	Japan	100.00	¥10,000
	■	Others (4 companies)			
	■	Shipowner/Chartering companies (9 companies) in Panama and Liberia			
	▲	Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000

* MOL includes MOL and its subsidiaries

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HEAD OFFICE

1-1, Toranomon 2-chome, Minato-ku,
Tokyo 105-8688, Japan
P.O. Box 5, Shiba, Tokyo
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Branch Offices
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Fax: 81-3-3587-7730

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Nagoya:	Tel: 81-52-564-7000	Fax: 81-52-564-7047
Osaka:	Tel: 81-6-6446-6501	Fax: 81-6-6446-6513
Kobe:	Tel: 81-78-304-1100	Fax: 81-78-304-1104
Hakata:	Tel: 81-92-482-1402	Fax: 81-92-482-1405

NORTH AMERICA

MOL (America) Inc.
Head Office (Concord): Tel: 1-925-688-2600
Fax: 1-925-688-2670
Main Branch Offices

Atlanta:	Tel: 1-404-763-0111	Fax: 1-404-763-5667
Chicago:	Tel: 1-630-592-7300	Fax: 1-630-592-7402
Long Beach:	Tel: 1-562-983-6200	Fax: 1-562-983-6292
New Jersey:	Tel: 1-732-512-5200	Fax: 1-732-512-5272
San Francisco:	Tel: 1-415-836-3500	Fax: 1-415-836-3533
Seattle:	Tel: 1-206-444-6900	Fax: 1-206-444-6903

Mitsui O.S.K. Bulk Shipping (USA) Inc.

Head Office (New Jersey):	Tel: 1-201-395-5800	Fax: 1-201-395-5820
Houston:	Tel: 1-713-297-9127	Fax: 1-713-297-9128
Long Beach:	Tel: 1-562-983-6276	Fax: 1-562-983-6290

MOL Logistics (USA) Inc.

Head Office (New York):	Tel: 1-516-621-5180	Fax: 1-516-626-6092
Los Angeles:	Tel: 1-310-970-0790	Fax: 1-310-970-0791

CENTRAL AND SOUTH AMERICA

MOL (Brasil) Ltda.
Head Office (Sao Paulo): Tel: 55-11-3145-3955 Fax: 55-11-3145-3945
MOL (Chile) Ltda.
Head Office (Santiago): Tel: 56-2-630-1950 Fax: 56-2-695-1289
Corporativo MOL de Mexico S.A. de C.V.
Head Office (Mexico City): Tel: 52-555-687-9979 Fax: 52-555-687-6556
MOL (Panama) Inc.
Panama: Tel: 507-269-8234 Fax: 507-269-8315
Mitsui O.S.K. Bulk Shipping (USA) Inc.
Sao Paulo: Tel: 55-11-3145-3980 Fax: 55-11-3145-3946

EUROPE

MOL (Europe) B.V.
Head Office (Rotterdam): Tel: 31-10-201-3200 Fax: 31-10-201-3109
MOL (Europe) GmbH
Head Office (Hamburg): Tel: 49-40-356110 Fax: 49-40-352506
Mitsui O.S.K. Lines (Austria) GmbH
Head Office (Vienna): Tel: 43-1-877-6971 Fax: 43-1-876-4725
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MOL (Europe) S.A.S.
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MOL (Europe) N.V.
Head Office (Antwerp): Tel: 32-3-202-4860 Fax: 32-3-202-4870
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Vladivostok: Tel: 7-4232-215721 Fax: 7-4232-215720

Mitsui O.S.K. Bulk Shipping (Europe) Ltd.

Head Office (London):	Tel: 44-20-7265-7676	Fax: 44-20-7265-7698
Brussels:	Tel: 32-2-305-4240	Fax: 32-2-305-4241
Hamburg:	Tel: 49-40-3764-4512	Fax: 49-40-3764-4500

MOL Logistics (Deutschland) GmbH
Head Office (Frankfurt): Tel: 49-6105-406102 Fax: 49-6105-406968
MOL Logistics (Netherlands) B.V.
Head Office (Rotterdam): Tel: 31-13-537-3373 Fax: 31-13-537-3575
MOL Logistics (U.K.) Ltd.
Head Office (London): Tel: 44-1895-459700 Fax: 44-1895-449600

AFRICA

MOL SA Pty Ltd.
Head Office (Cape Town): Tel: 27-21-402-8900 Fax: 27-21-421-1806
Mitsui O.S.K. Lines (Nigeria) Ltd.
Lagos: Tel: 234-1-587-1900 Fax: 234-1-587-4771
MOL (Ghana) Ltd.
Tema: Tel: 233-22-212084 Fax: 233-22-210807

MIDDLE EAST

Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.
Doha: Tel: 974-4-836548 Fax: 974-4-836563
Dubai: Tel: 971-4-3933132 Fax: 971-4-3935401
Mitsui O.S.K. Lines Ltd.
Muscat: Tel: 968-603320 Fax: 968-602931
MOL (Europe) Ltd.
Beirut: Tel: 961-1-567251 Fax: 961-1-567250

OCEANIA

Mitsui O.S.K. Lines (Australia) Pty. Ltd.
Head Office (Sydney): Tel: 61-2-9320-1600 Fax: 61-2-9320-1601
Mitsui O.S.K. Lines (New Zealand) Ltd.
Auckland: Tel: 64-9-3005821 Fax: 64-9-3091439
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte., Ltd.
Melbourne: Tel: 61-3-8614-1061 Fax: 61-3-8614-1060

ASIA

MOL (Asia) Ltd.

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

Mitsui O.S.K. Lines (India) Private Limited
Head Office (Mumbai): Tel: 91-22-5694-6300 Fax: 91-22-5694-6301
Mitsui O.S.K. Lines Lanka (Private) Ltd.
Head Office (Colombo): Tel: 94-11-2304949 Fax: 94-11-2304730
MOL (Singapore) Pte., Ltd.
Head Office (Singapore): Tel: 65-6225-2811 Fax: 65-6225-6096
Mitsui O.S.K. Lines (Malaysia) Sdn., Bhd.
Head Office (Kuala Lumpur): Tel: 60-3-7957-9666 Fax: 60-3-7958-6763
P.T. Mitsui O.S.K. Lines Indonesia
Head Office (Jakarta): Tel: 62-21-521-1740 Fax: 62-21-521-1741
Mitsui O.S.K. Lines (Thailand) Co., Ltd.
Head Office (Bangkok): Tel: 66-2-234-6252 Fax: 66-2-237-1552
Mitsui O.S.K. Lines Philippines, Inc.
Head Office (Manila): Tel: 63-2-888-6531 Fax: 63-2-757-5679
MOL (China) Co., Ltd.

Head Office (Shanghai):	Tel: 86-21-5306-0088	Fax: 86-21-6384-6267
Beijing:	Tel: 86-10-8529-9121	Fax: 86-10-8529-9126
Tianjin:	Tel: 86-22-2339-8349	Fax: 86-22-2311-4470
Shenzhen:	Tel: 86-755-2598-2200	Fax: 86-755-2598-2210

MOL (Taiwan) Co., Ltd.
Head Office (Taipei): Tel: 886-2-2537-8000 Fax: 886-2-2523-2417
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.

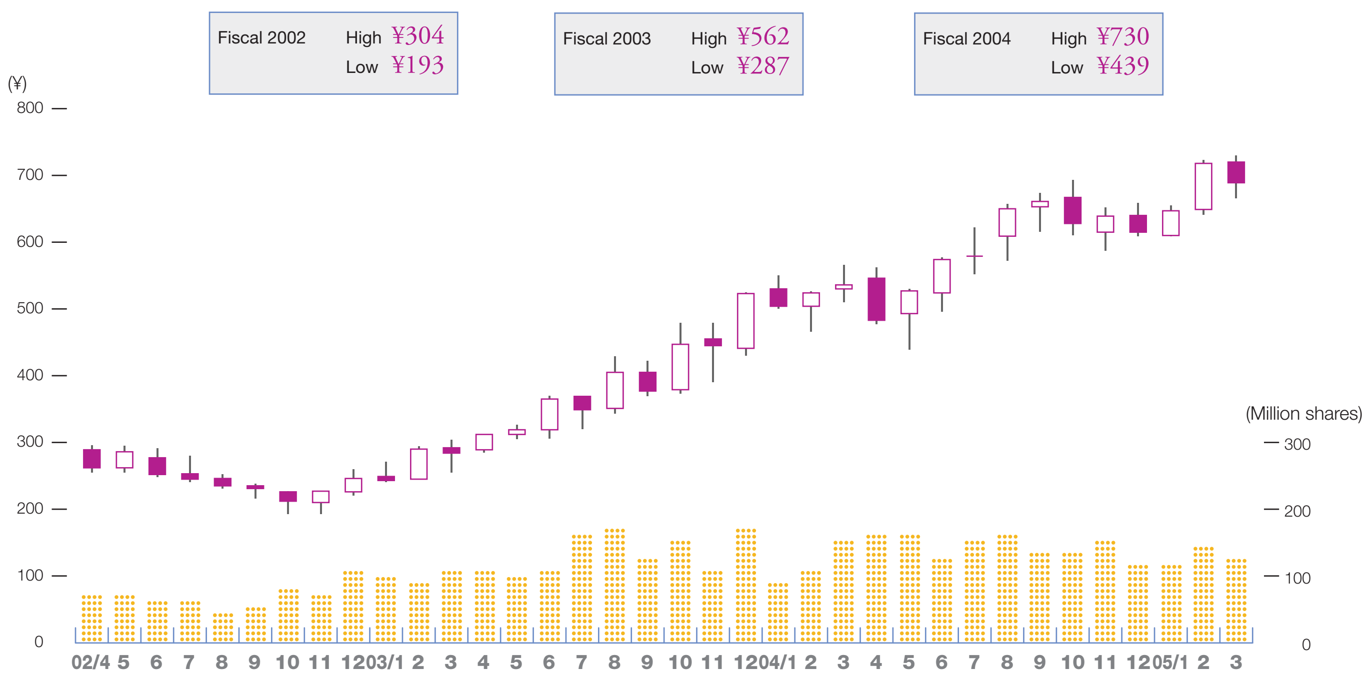
Head Office (Singapore):	Tel: 65-323-1303	Fax: 65-323-1305
Bangkok:	Tel: 66-2-634-0807	Fax: 66-2-634-0806
Kuala Lumpur:	Tel: 60-3-7954-8349	Fax: 60-3-7958-5246
Seoul:	Tel: 82-2-5672718	Fax: 82-2-5672719

SHAREHOLDER INFORMATION

CAPITAL:	¥64,915,351,028
HEAD OFFICE:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
NUMBER OF MOL EMPLOYEES:	897
NUMBER OF MOL GROUP EMPLOYEES: (The parent company and consolidated subsidiaries)	7,385
TOTAL NUMBER OF SHARES AUTHORIZED:	3,154,000,000
NUMBER OF SHARES ISSUED:	1,205,410,445
NUMBER OF SHAREHOLDERS:	117,133
SHARES LISTED IN:	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Frankfurt
SHARE TRANSFER AGENT:	UFJ Trust Bank Limited 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
COMMUNICATIONS MATERIALS:	Annual Report (English/Japanese) News Releases (English/Japanese) Website (English/Japanese) Quarterly Newsletter Open Sea (English/Website) Monthly Newsletter Unabara (Japanese) Environmental and Social Report (English/Japanese)

As of March 31, 2005

STOCK PRICE RANGE (TOKYO STOCK EXCHANGE) AND VOLUME OF STOCK TRADE



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Mitsui O.S.K. Lines

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