

The logo for Mitsui O.S.K. Lines (MOL) consists of the letters 'M', 'O', and 'L' in a bold, white, sans-serif font, each contained within a separate white square. These three squares are arranged horizontally and are set against a solid blue rectangular background.

Mitsui O.S.K. Lines

The MOL ADVANCE

# Challenge

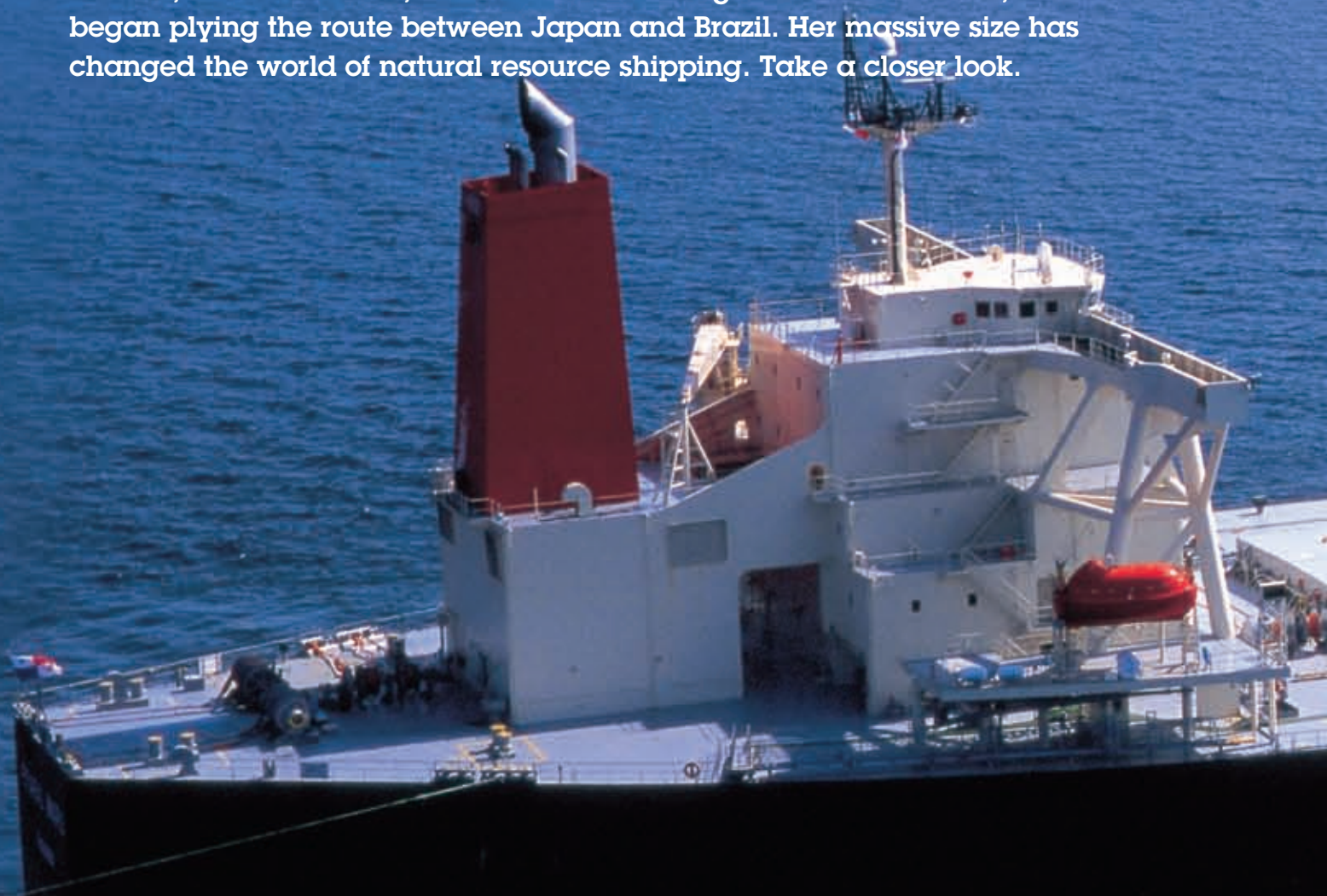
Annual Report 2008

Year ended March 31, 2008

BRASIL

# BRASIL MARU by the Numbers

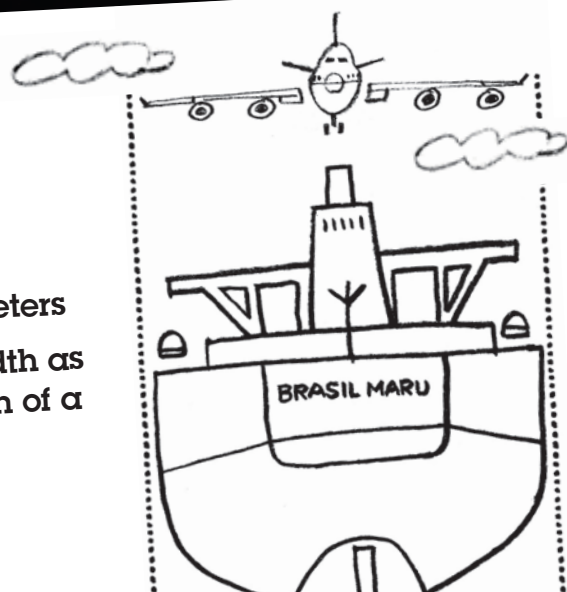
In 2007, the *Brasil Maru*, one of the world's largest iron ore carriers, began plying the route between Japan and Brazil. Her massive size has changed the world of natural resource shipping. Take a closer look.



Width:

**60** meters

The same width as  
the wing span of a  
jumbo jet.



Carrying capacity:

**320,000** dwt

This carrier can carry enough iron ore to make the steel required for 20 30-story buildings.



Length:

**340** meters

Imagine the Eiffel Tower (324 meters high) or the Tokyo Tower (333 meters high) is laid on its side.

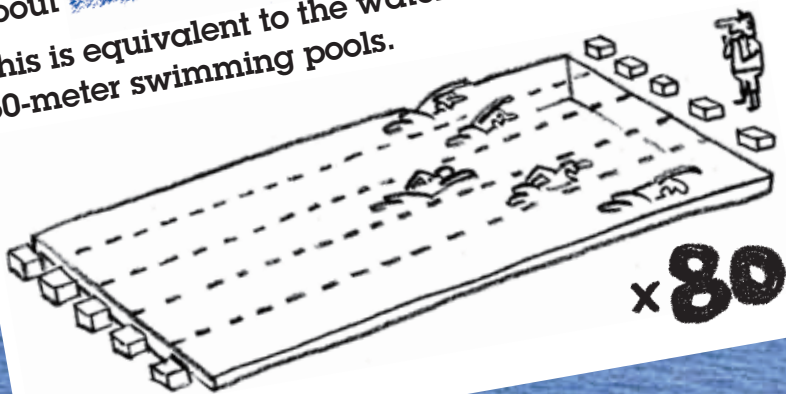


The ship's hold measures

**200,000**

cubic meters

about  
This is equivalent to the water from about 80  
50-meter swimming pools.

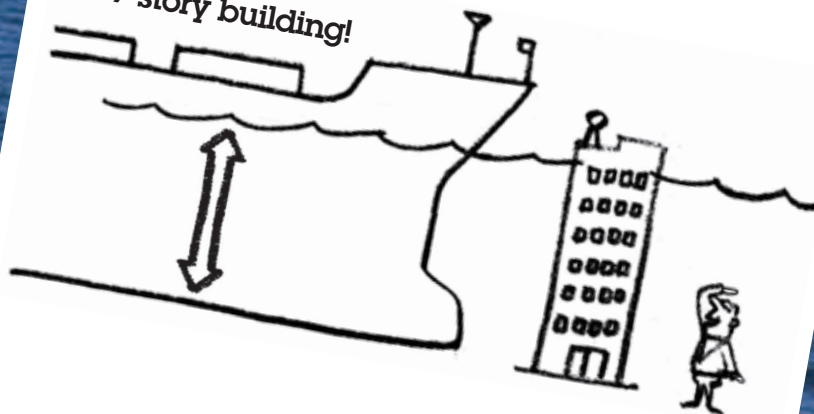


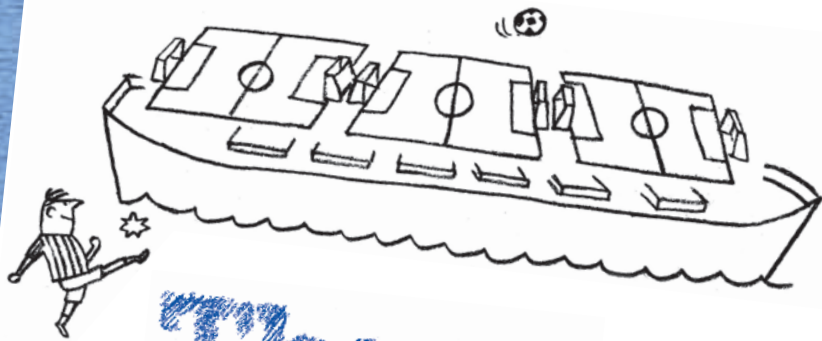
Draft:

**21.13**

meters

Equivalent to  
a 6-7-story building!





# Three

official soccer fields (each 105m by 68m)  
would fit on *Brasil Maru's* deck.



## BRASIL MARU

# Five by 2009

4 very large iron ore carriers (VLOCs), sister ships to the *Brasil Maru*, will join MOL's fleet by the end of fiscal 2009. Ships support the lives of people across the globe, carrying natural resources, the lifeblood of economies. In the next section, you will learn the background to the *Brasil Maru's* conception and the world stage where she will perform.

MOL + NIPPON STEEL CORPORATION + MITSUI ENGINEERING & SHIPBUILDING CO., LTD.

# Market Analysis

The maiden voyage of the *Brasil Maru* had to wait six years from the time MOL first received inquiries about how to maximize the merits of deep-water port facilities. MOL needed to evaluate methods of transporting iron ore from Brazil to the Far East, conduct various studies and analyses of customer needs, and then discuss them with shipbuilders. Ultimately, we came up with the idea of “shuttle transportation”—a revolutionary idea in resource transportation.

## Shuttle transport by a gigantic vessel to address expanding resource shipment demand

In 2002, China was accelerating production of crude steel to keep pace with its double-digit economic growth. We predicted that China would increase imports of high-quality iron ore from Australia and Brazil, which account for more than 70% of global iron ore production, and began a project to develop a new large-sized bulkship. Market research gradually convinced us that a considerable share of the demand in the Far East would have to be met by transporting ore halfway around the world, i.e., from Brazil. What customers needed was an ultra-large bulk cargo vessel that could deliver iron ore over these distances at a competitive cost. Accordingly, MOL began to study the maximum capacity of port facilities and to compare various vessel operating patterns.

Generally speaking, we use a globe-circling route (in a “figure-8”) to deliver iron ore from Brazil to the Far East,

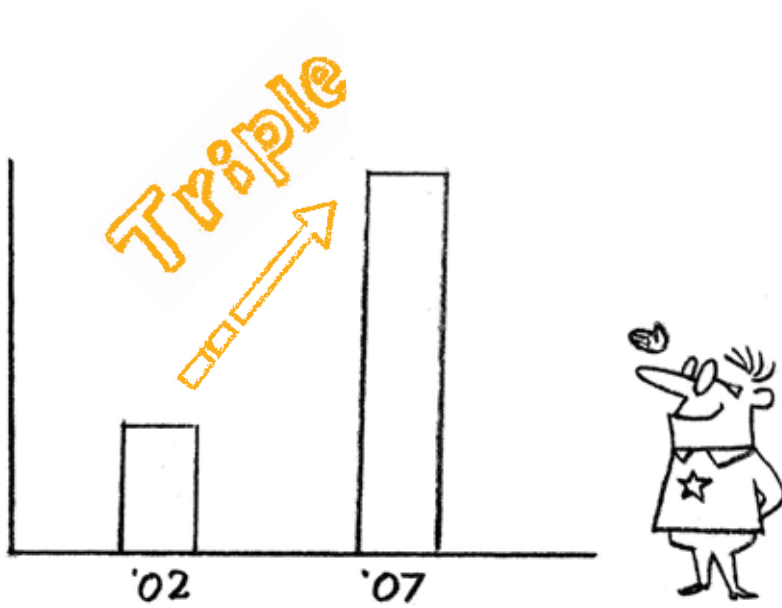
in order to minimize the distance of empty navigation. After discharging cargo in the Far East, a ship moves to Australia. It loads iron ore and coking coal in Australia and carries the cargo to Europe, then makes an empty voyage again, from Europe to Brazil. The ship loads iron ore there and completes its global journey back to the Far East. However, the largest ship that can be used with this pattern has only a 200,000 DWT capacity because of the shallow ports in Australia. This makes the transport cost per ton from Brazil relatively higher than that from Australia, which is disadvantageous for customers.

We, therefore, abandoned the figure-8 routing, and adopted a plan to use a direct shuttle service from Brazil to the Far East, which can optimize the advantages of deep-water ports. MOL asked shipbuilders to design a vessel that could make full use of the available water depth at ports in Brazil and Japan. Eventually, they came up with a design blueprint for a 320,000 DWT carrier, a Very Large Iron Ore Carrier (VLOC), to respond to customer needs.



**TOSHIAKI TANAKA**  
General Manager  
Coal and Iron Ore Carrier Group (c)  
Coal and Iron Ore Carrier Div.  
Mitsui O.S.K. Lines

The *Brasil Maru* can transport roughly twice the volume of iron ore that a standard 170,000 DWT Capesize bulker can carry, thus reducing transport costs to a competitive level. Furthermore, she reduces the fuel costs per ton of iron ore transported by 20%. An added benefit is that total SOx and NOx emissions during transport are reduced by 20%. In the coming years, she will thus help to reduce the environmental impact of shipping operations.



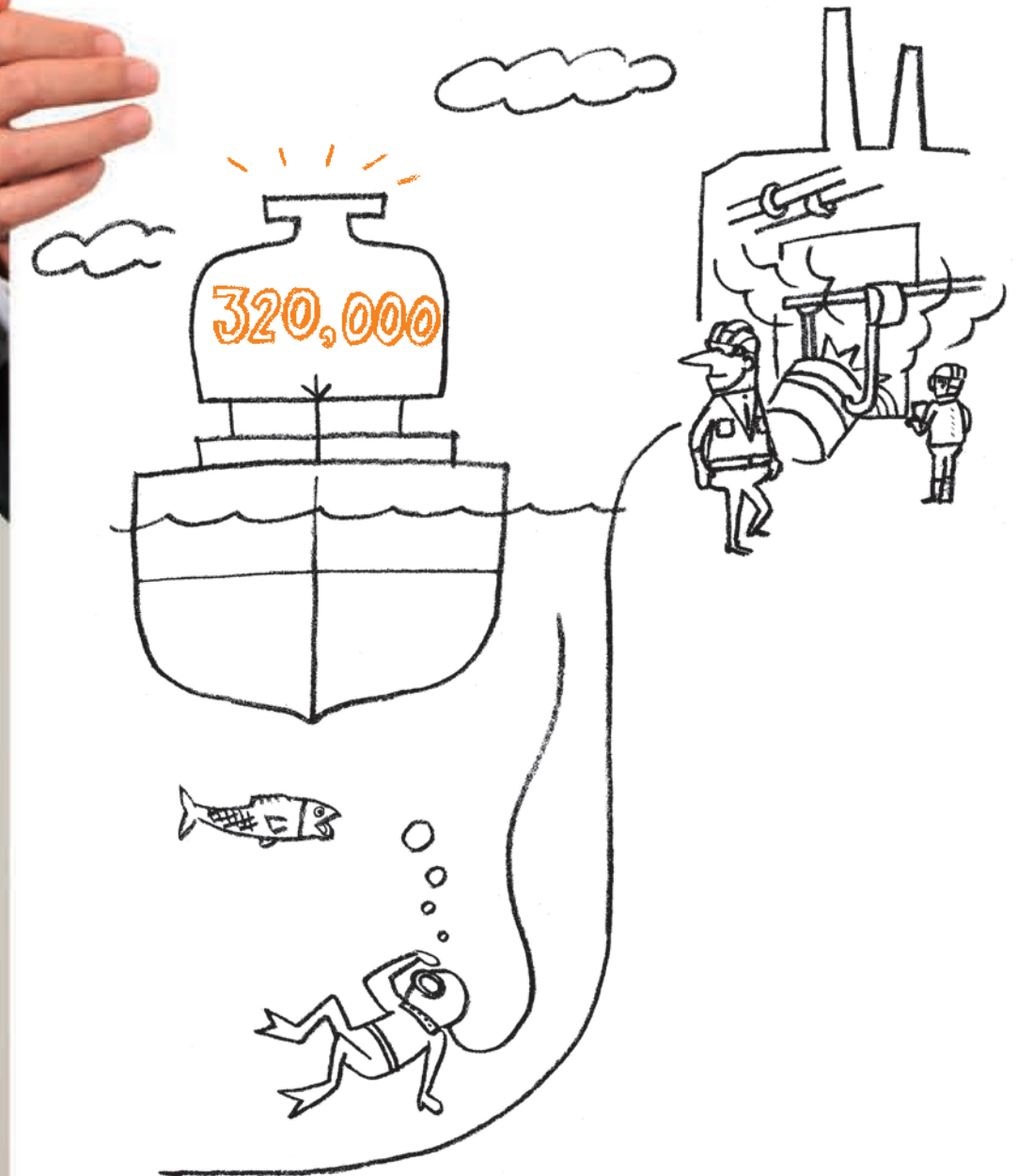
Crude Steel in China



**KOJI TAKEI**

Manager  
Raw Materials Transportation Dept.  
Raw Materials Div.-II  
Nippon Steel Corporation

From around 2002, it was predicted that Japanese steelmakers would import a rising volume of iron ore from Brazil, a typical example of a faraway country which supplies raw materials to Japan. However, as transport distances increase, so does the cost of transporting materials. Therefore, we realized a necessity to restructure our transportation framework. At the time, everyone involved with transportation, including members of the steel works, hoped for a gigantic ship that would fully utilize the capacity and water depth of the Oita Works' port facilities and enable the efficient transportation of raw materials. It was quite an impressive collaboration for us to realize that, by sharing our aspiration with MOL.





### Pushing the envelope of efficiency in raw materials transportation

As global demand for steel increases, steelmakers are trying to earn the loyalty of customers worldwide by providing products that are competitive in terms of both quality and cost. To do this, they need a steady supply of raw materials, at a reasonable cost. Today, not only are the prices of coking coal and iron ore rising; so are the costs of transporting these materials. Steelmakers' competitiveness hinges to a large extent on their skill in procuring raw materials, leading them to seek huge vessels to transport iron ore to their facilities.

The discharging berth at Nippon Steel's Oita Works has a water depth of 24 meters, which leaves an average of 7 meters spare draft when a fully loaded, standard 170,000 DWT Capesize bulker arrives. We realized that if we had a larger ship, built to the maximum

dimensions that ports in Brazil and at the Oita Works can accommodate, we could obtain a larger volume of raw materials at a competitive transportation cost.

The *Brasil Maru* answers these needs. Making an average of 4.2-4.3 round-trip voyages a year between Brazil and Japan, she can carry 1.3-1.4 million tons of iron ore to the works. This means that the *Brasil Maru* will supply around 10% of the iron ore needed every year by the Oita Works.

To ensure a stable supply of iron ore to its facilities, Nippon Steel has chartered her from MOL under a 22.5-year contract. This long-term contract provides us with a large and steady supply of raw materials at a competitive cost. Now that the *Brasil Maru* has become the lynchpin of Nippon Steel's resources transportation, we look forward to the summer of 2008, when her sister ship will set sail.

MOL + NIPPON STEEL CORPORATION + MITSUI ENGINEERING & SHIPBUILDING CO., LTD.

# Customer Relationships

**With global steel production soaring, steelmakers worldwide face the challenge of obtaining a steady supply of large quantities of iron ore and coking coal at competitive prices. One example of an effective solution is the *Brasil Maru*, a massive iron ore carrier that was built to make the most of the advantages of the Oita Works of Nippon Steel Corporation.**



MOL + NIPPON STEEL CORPORATION + MITSUI ENGINEERING & SHIPBUILDING CO., LTD.

# Partnerships

**It took almost 18 months from the time MOL first approached us with the idea of building one of the world's biggest iron ore carriers until final agreement, which is an extraordinary amount of time in this industry, but highlights the technical and other challenges we faced. I want to thank our engineers and designers for their hard and dedicated efforts, which have ushered in a new era in super-sized bulk transport.**

## **Joint efforts to design an ideal hull allow *Brasil Maru* to carry heavy iron ore**

Our client carefully measured and studied the specifications of both the loading and discharging ports before deciding on the basic structural details. Then we started the initial design. A variety of sizes and designs were considered to determine how to best maximize capacity within the rules and dimensions of those ports. We collaborated with MOL to settle on the optimal ship design, after numerous tests from various angles.

A VLOC (Very Large Iron Ore Carrier) is similar to a VLCC (Very Large Crude Oil Carrier) in shape. There is one key difference, however. With VLCCs, the pressure both inside and outside the hull is roughly balanced out when crude oil is loaded. But as iron ore has a far greater mass than crude oil, the underbelly of the central cargo hold of an iron ore carrier must bear a strong downward force. Therefore, an iron ore carrier needs to have side tanks to create enough buoyancy to offset this downward force and achieve a balance between upward and

downward forces. An iron ore carrier is thus exposed to greater weight forces than VLCCs.

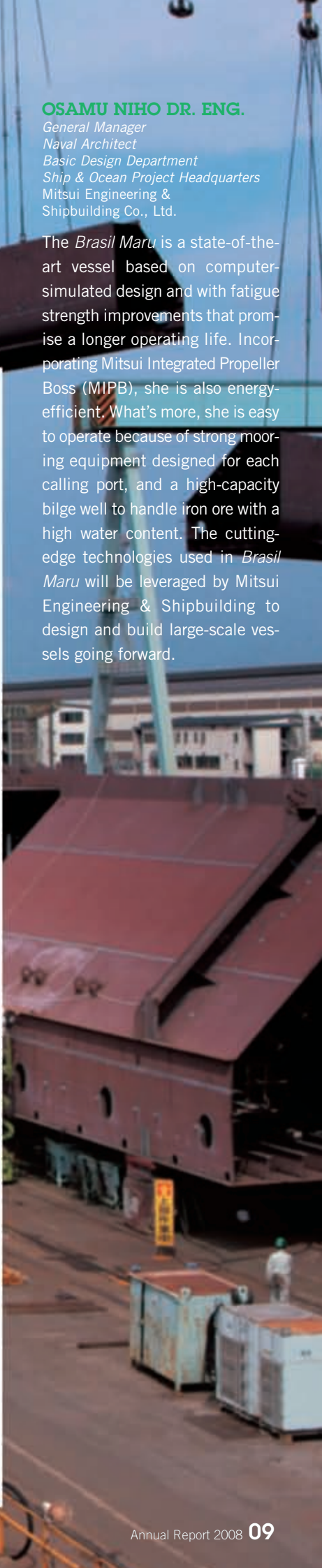
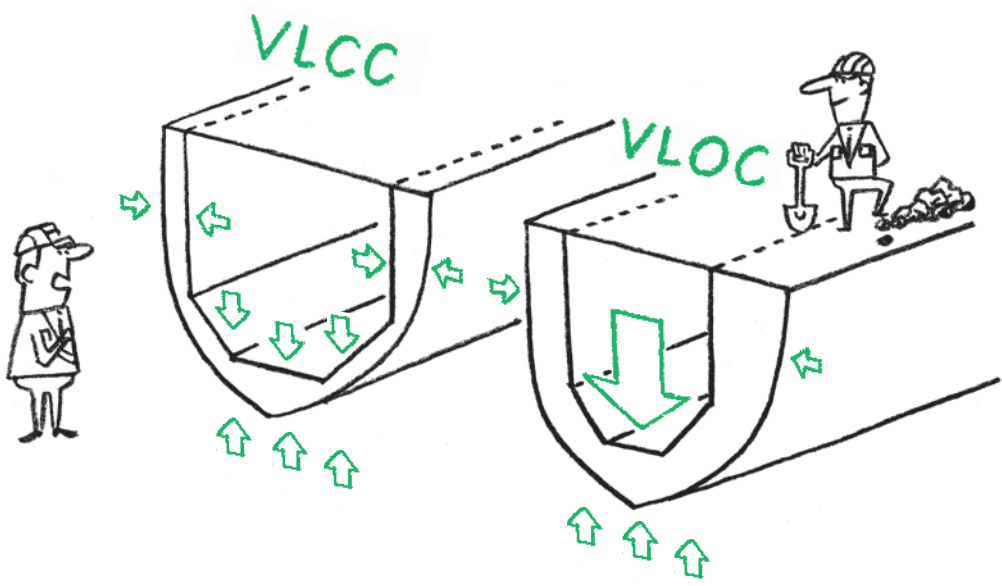
We used the latest analytical techniques not only to satisfy the structural requirements above, but for fatigue strength analysis, to ensure the ship's structural reliability and to add necessary reinforcements. Nippon Steel also actively cooperated in providing the ship with the best technology possible. To ensure that the *Brasil Maru* can operate safely over many years under the most extreme of temperatures and marine conditions, all of the ship welds were subjected to Nippon Steel's ultrasonic impact treatment (UIT), a new technology that can help to more than double the service life of structural joints.

Considering the ship's massive size, we used the latest technology for computer simulations of the fluid dynamics of the hull to design a ship that could sail well straight ahead but could be maneuvered well, too, thereby ensuring safe operations.



**OSAMU NIHO DR. ENG.**  
General Manager  
Naval Architect  
Basic Design Department  
Ship & Ocean Project Headquarters  
Mitsui Engineering &  
Shipbuilding Co., Ltd.

The *Brasil Maru* is a state-of-the-art vessel based on computer-simulated design and with fatigue strength improvements that promise a longer operating life. Incorporating Mitsui Integrated Propeller Boss (MIPB), she is also energy-efficient. What's more, she is easy to operate because of strong mooring equipment designed for each calling port, and a high-capacity bilge well to handle iron ore with a high water content. The cutting-edge technologies used in *Brasil Maru* will be leveraged by Mitsui Engineering & Shipbuilding to design and build large-scale vessels going forward.

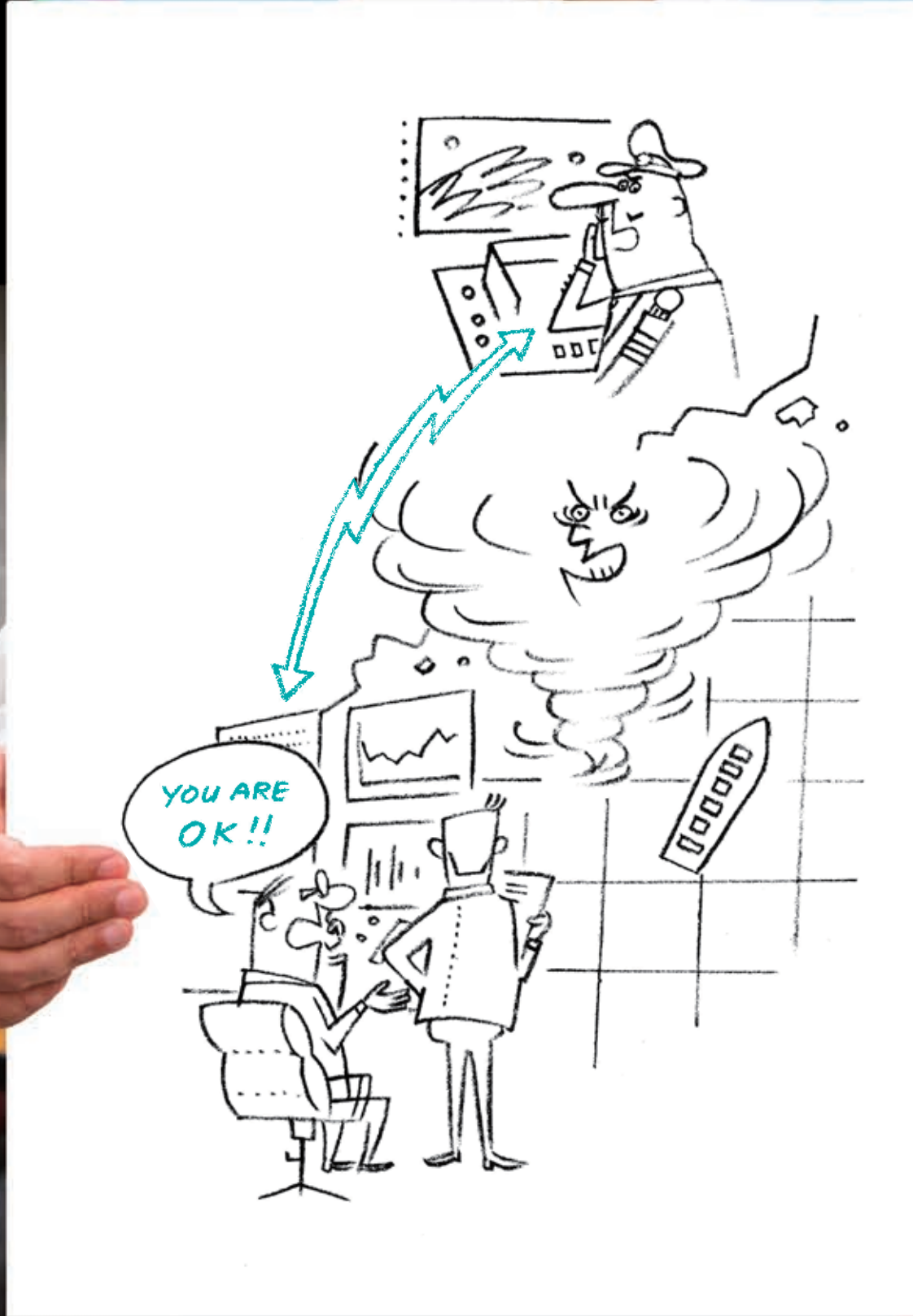


**MASAHIKO HIBINO**

Head of SOSC  
Mitsui O.S.K. Lines

Imagine you receive an SOS message saying "our engines have suddenly stopped during a violent rainstorm, and we're drifting helplessly!" On-duty staff at SOSC must mobilize all the information, knowledge, and experience they have to instantly draw a mental picture of the ship's predicament, and then help the ship's captain ameliorate the danger. Our mission is to give maximum possible support to a captain whose ship is in trouble.

We looked at airline operational safety centers in setting up SOSC. Ships and airplanes are **different**, but monitoring and support technologies are basically the same for both. At SOSC, shifts of our dedicated workforce overlap by around 30 minutes, allowing the first shift to pass on comprehensive and accurate information to the next one. Emergency back-up offices in the Kanto region are also ready to spring into action in the event that an earthquake or other natural disaster paralyzes SOSC operations.





### SOSC: A “Control Tower” Watching Ships Sailing 24/7

SOSC has operated round-the-clock since its February 2007 establishment. Dedicated full-time staff with captain and navigational officer qualifications are on watch 24 hours/7 days, keeping a careful eye on real-time movements of MOL’s 900-strong fleet. Six large monitors display weather forecasts for the world’s oceans and about 1,000 harbors, as well as information about all risks each ship faces.

When danger appears imminent, the center immediately sends a warning to the ship in question, as well as to the land-based operations chief and ship management company. During the *Brasil Maru*’s maiden voyage to Brazil, SOSC provided the ship’s captain with information to avoid a cyclone in the Indian Ocean.

Unusual weather unlike anything previously seen is increasingly common. For instance, global warming is resulting in strong wind gusts and low pressure systems that develop extremely quickly. The world is also beset by international conflicts and related terrorism, while the risk of piracy remains high. Accordingly, it is more important than ever before that ships have access to exhaustive information and objective support.

Safe operations depend largely on good judgment by a ship’s captain. The captain of a large vessel like the *Brasil Maru* carries tremendous responsibility and must be on guard at all times, which can lead to physical and mental exhaustion. SOSC provides captains with wide-ranging support to ensure they never feel alone. This support includes reporting pertinent information from land to enable captains to make cool and calm decisions.

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# Operations

**Nothing is more important to MOL as a shipping services provider than operational safety. With the oceans becoming increasingly dangerous due to unusual weather, international conflicts, and piracy, MOL has set up a Safety Operation Supporting Center (SOSC) that constantly monitors the world’s oceans to help ensure safe operations for the *Brasil Maru* and the other 900 or so ships in MOL’s fleet.**



MOL + NIPPON STEEL CORPORATION + MITSUI ENGINEERING & SHIPBUILDING CO., LTD.

# Promising Outlook

**The 320,000-ton *Brasil Maru* is a massive cargo ship built through detailed discussions with a customer, shipbuilder and operator. The vessel has been chartered under a 22.5-year contract which will see her sailing almost nonstop between Japan and Brazil, on virtually the opposite side of the globe. It may very well go down in history as the ship that defines a new era in resources transportation.**

## **Aiming to Provide More Competitive Transportation Services**

The *Brasil Maru* responded to the needs of the customer who is eager to improve transport efficiency by using larger ships. MOL conducted repeated discussions with the shipbuilder, even from the design phase. The result is a vessel that will be able to provide a steady supply of resources, and with various support from land-based staffs, will make some 100 round-trip voyages between Japan and Brazil between now and 2030.

This is just the first step, however. By 2009, MOL intends to provide a total of 5 similar very large iron ore carriers. We have already concluded charter contracts for these vessels with several major steelmakers. Our charter contracts for dry bulkers break down into three categories by length: long-term contracts (over 5 years); medium-term contracts (over 1 year to 5 years); and short-term contracts (spot and up to 1 year). Generally speaking, the ratio is 4:3:3, and we plan to maintain this

ratio. This will ensure a good balance between stable profits from medium- and long-term contracts, and market-sensitive profits. In this way, MOL will try to balance risk and return, while maximizing profits over the long term.

We will continue expanding our fleet over the next 6 years, increasing the number of Capesize iron ore and coking coal carriers from 95 at fiscal 2007 year-end to 135 at fiscal 2013 year-end. MOL's dry bulkers also transport other materials ranging from steaming coal and wood chips to grain and steel products. Our dry bulker fleet is expected to increase from 364 at fiscal 2007 year-end to 400 in 2 years.

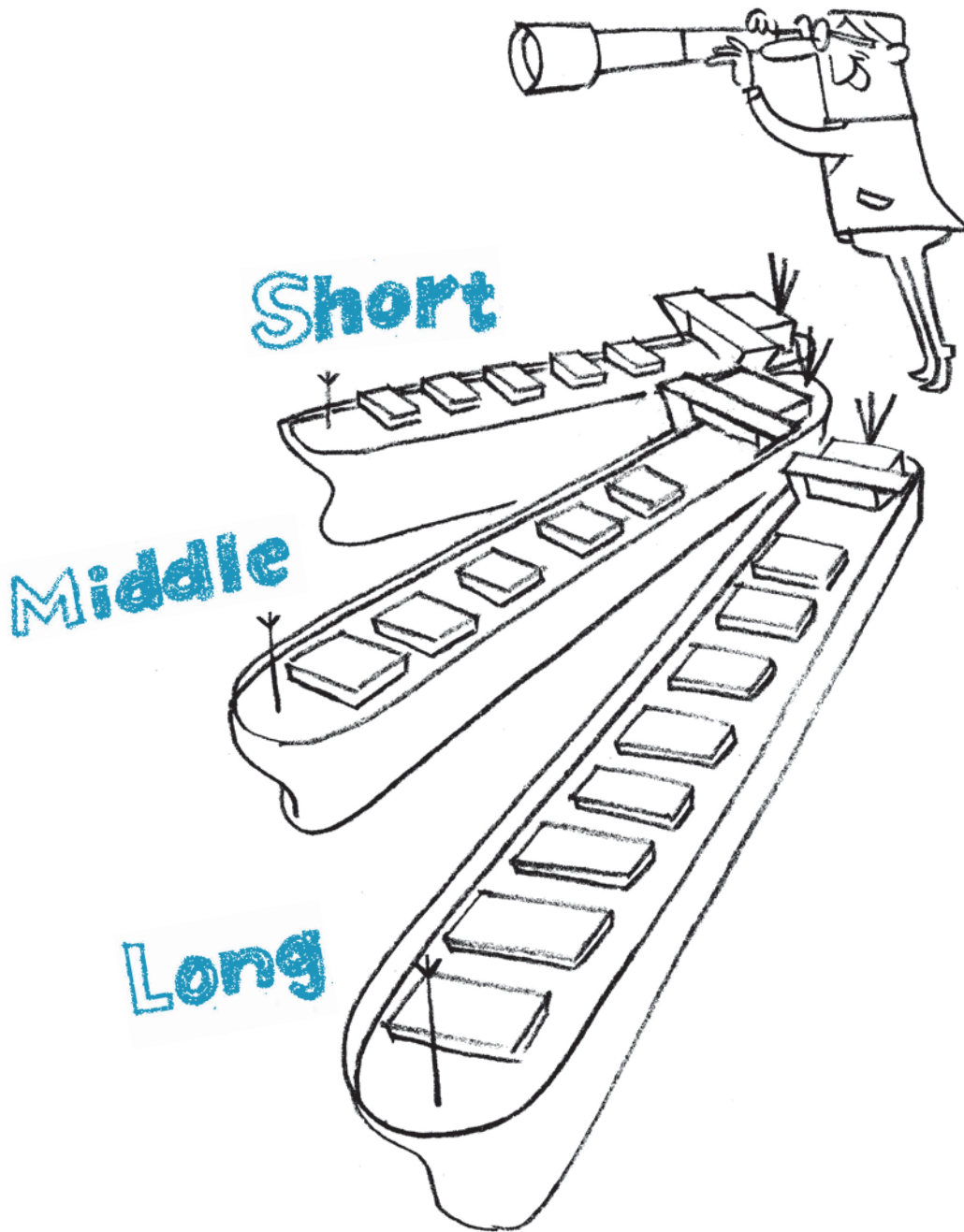
MOL expands its fleet to keep pace with surging demand, controls market risk by managing our portfolio by contract length, and maintains steady profit growth. MOL is sparing no pains to establish itself as a global leader and a role model for global shipping excellence.



**AKIMITSU ASHIDA**

President  
Mitsui O.S.K. Lines

On June 18, 2008, The Japan Society of Naval Architects and Ocean Engineers awarded Ship of The Year 2007 to the *Brasil Maru*. This top award is bestowed on the Japanese-built vessel that is the most outstanding of all applicants in terms of its technologies, appearance, and social impact. The Society recognized that the *Brasil Maru* had overcome the major issue of reducing costs in transporting iron ore, which will have a huge influence on steel production, and boasts enhanced strength against fatigue in a large vessel thanks to the use of ultrasonic impact treatment (UIT) on the ship's welds.



## 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.

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### 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	
	2008	2007	2006	2005	2004	2003	2008	
<b>For the year:</b>								
Shipping and other revenues	<b>¥1,945,697</b>	¥1,568,435	¥1,366,725	¥1,173,332	¥ 997,260	¥ 910,288	<b>\$19,420,072</b>	
Shipping and other expenses	<b>1,544,109</b>	1,300,038	1,101,459	917,149	824,902	787,540	<b>15,411,808</b>	
Selling, general and administrative expenses	<b>110,303</b>	100,324	92,273	84,388	80,232	77,392	<b>1,100,938</b>	
Operating income	<b>291,285</b>	168,073	172,993	171,795	92,126	45,356	<b>2,907,326</b>	
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	<b>18,199</b>	16,171	16,817	11,764	6,613	3,387	<b>181,645</b>	
Income before income taxes and minority interests	<b>318,202</b>	197,854	188,290	155,057	89,776	25,114	<b>3,175,986</b>	
Income taxes, current	<b>(115,183)</b>	(63,042)	(61,200)	(52,587)	(35,346)	(10,872)	<b>(1,149,646)</b>	
Income taxes, deferred	<b>(5,694)</b>	(7,468)	(7,570)	(1,205)	2,152	1,435	<b>(56,832)</b>	
Minority interests	<b>(7,004)</b>	(6,404)	(5,788)	(3,004)	(1,191)	(967)	<b>(69,907)</b>	
Net income	<b>190,321</b>	120,940	113,732	98,261	55,391	14,710	<b>1,899,601</b>	
<b>At year-end:</b>								
Current assets	<b>506,078</b>	405,474	340,355	299,835	299,544	289,645	<b>5,051,183</b>	
Current liabilities	<b>528,390</b>	482,810	433,023	429,695	398,091	423,838	<b>5,273,880</b>	
Net vessels, property, plant and equipment	<b>1,047,825</b>	847,660	769,902	665,320	477,621	569,234	<b>10,458,379</b>	
Total assets	<b>1,900,551</b>	1,639,940	1,470,824	1,232,252	1,000,206	1,046,612	<b>18,969,468</b>	
Long-term debt due after one year	<b>459,280</b>	398,534	399,617	340,598	311,021	395,589	<b>4,584,090</b>	
Net assets/Shareholders' equity	<b>751,652</b>	620,989	424,461	298,258	221,535	164,790	<b>7,502,266</b>	
Retained earnings	<b>536,096</b>	375,443	275,689	182,143	101,991	56,469	<b>5,350,793</b>	
<b>Amounts per share of common stock:</b>								
		Yen					U.S. dollars	
Net income	<b>¥159.14</b>	¥101.20	¥ 94.98	¥ 81.99	¥ 46.14	¥ 12.16	<b>\$1.588</b>	
Net assets/Shareholders' equity	<b>568.96</b>	460.78	354.95	249.53	185.06	137.44	<b>5.679</b>	
Cash dividends applicable to the year	<b>31.00</b>	20.00	18.00	16.00	11.00	5.00	<b>0.309</b>	

(Translation of foreign currencies)

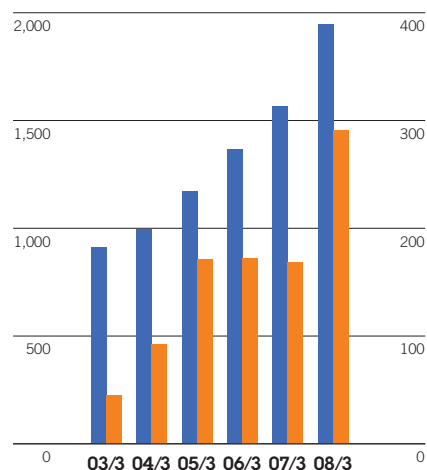
The Japanese yen amounts for 2008 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2008, which was ¥100.19 to U.S. \$1.00, solely for the convenience of readers. (The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.)

(Presentation of net assets in the balance sheet)

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for presentation of net assets in the balance sheet ("Accounting Standard for Presentation of Net Assets in the Balance Sheet" issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet ("the Financial Accounting Standard Implementation Guidance No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005). Net assets is comprised of shareholders' equity as defined up to the year ended March 31, 2006, minority interests, share subscription rights and unrealized gains (losses) on hedging derivatives, net of tax.

## Revenues and Operating Income

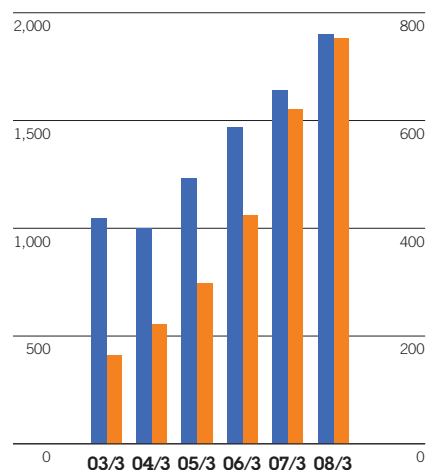
(¥ billions)



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

## Total Assets and Net Assets/Shareholders' Equity

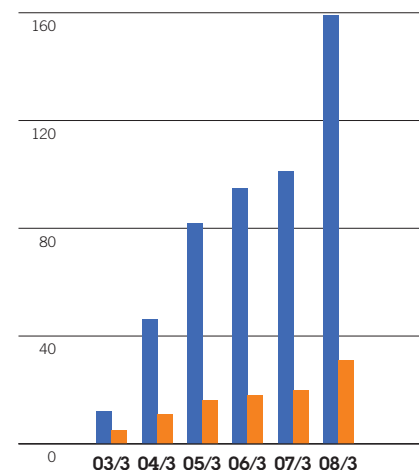
(¥ billions)



■ Total assets (left scale)  
■ Net assets/Shareholders' equity (right scale)

## Net Income and Cash Dividends per Share

(¥)



■ Net income per share  
■ Cash dividends per share

## To Our Shareholders

In fiscal 2007, we posted net income of ¥190.3 billion, far surpassing our first-year target for MOL ADVANCE, our current midterm management plan initiated last year. This was our sixth successive year of higher bottom-line earnings. A paradigm shift in the global economy is today driving rapid growth in the marine transport sector. As a leading presence in this dynamic industry, we are determined to grow our earnings even more and share our achievements with the owners of this company.

Kunio Suzuki *Chairman*

Akimitsu Ashida *President*



## Enhanced Earnings Power and Financial Strength

On top of our record-breaking net income, ordinary income, one of our key earnings indicators, also soared to a new high of ¥302.2 billion. We couldn't have made a better start to our midterm management plan.

The gearing ratio was another historic milestone for our company. It was only 0.88 as of March 31, 2008. MOL invests vast sums of money in its fleet, so achieving a gearing ratio\* under 1.0 is a long-cherished goal of ours. And shareholders' equity\*\* exceeded ¥680.0 billion, this too showing just how far we have come as a global corporation; we now have the sort of capital that befits an industry leader.

The past few years have seen us deliver some impressive performances. One of the single biggest reasons for this is that we have skillfully navigated the changing undercurrents of the global shipping industry, especially in dry bulkers. MOL was quick to read structural shifts in the marine transport industry and we anticipated customers' future needs. We executed our strategy with no hesitation after weighing up the risks and opportunities. The benefits of those actions can now be seen in our earnings.

So, our calculated management approach has translated into significant earnings, which in turn has given us a robust balance sheet. With this strength has also come considerable confidence that we can sustain growth moving forward. Marine transport demand worldwide is surging and with our industry-leading operating base, we are determined to continue active business development in various domains. This should generate even greater returns for our shareholders.

\* "Gearing ratio" = Interest-bearing Debt / Shareholders' Equity

\*\* "Shareholders' equity" comprises the total of owners' equity and accumulated gains from valuation and translation adjustments.

## Overcoming Headwinds, Challenging Ourselves More

We don't expect to see any basic change in the brisk demand for shipping services. However, not everything is plain sailing. In the fourth quarter of fiscal 2007, we began to see some headwinds building. One is soaring fuel prices. Another is the yen's appreciation. The price of fuel remains above US\$500/MT, which has added several tens of billions of yen to our costs. In addition to this strong headwind, a shortage of seafarers and rising lubricating oil prices and repair expenses are now also pressuring marine transporter earnings.

Nonetheless, we see this as just one of the hurdles we must overcome in our growth drive. It is already within our ability to continue delivering the level of earnings we did in fiscal 2007, even under difficult conditions. We are determined to grow MOL by accurately capturing customer needs and actively taking on risk with excellent control of our business portfolio. We will also continue to take up the challenge of bolstering seafarer, dry dock and other resources through our own actions so that they don't hamper MOL's growth.

The current multi-polar growth in the global economy is heralding a new era for the marine transport business. Emboldened by this belief, management will bring MOL's full capabilities to bear in satisfying customers' growing and diversifying needs. That, we believe, is the key to also fulfilling the expectations of our shareholders.

June 24, 2008



Kunio Suzuki — *Chairman*



Akimitsu Ashida — *President*

Interview With the President

**MOL ADVANCE**

# Challenge

In fiscal 2007, MOL continued to set records. Our earnings grew 60% year on year to an all-time high. Dry bulkers turned in an unprecedented performance. But not everything went our way during the past year. Soaring bunker costs and an appreciating yen were among some of the challenges we faced. In this section, MOL's president responds to questions about how the company plans to sustain its current high level of earnings in this operating environment.



Akimitsu Ashida  
*President*

## Aggressive Management Spurs Dramatic Growth in Fiscal 2007

**Q:**

You have set bottom-line records six years running, and fiscal 2007 net income was up around 60%, far more than expected. To what do you attribute this success?

**A:**

There was basically no change in fiscal 2007 in structural factors from the previous fiscal year, as demand for marine transport rose and ships remained in short supply. However, the market environment was marked by many negatives. For instance, bunker oil prices skyrocketed, while the U.S. economy suffered at the hands of the subprime loan problem.

Regardless, we were able to post record earnings, thanks to a successful business strategy. Some people have the impression that a surge in the dry bulker market was the reason for our record-breaking performance. That is true, but so too is the fact that we harnessed expanding demand for transporting natural resources. That we performed as well as we did in the face of escalating bunker prices, the higher yen and lackluster results in containers is meaningful. For me, it underscores the continued strength of our earnings ability from MOL STEP (FY2004–2006) to MOL ADVANCE (FY2007–2009). It proves we were right in concentrating business resources on growth sectors of the marine transport industry. This gave quite a boost to our overall performance.

### MOL Group Midterm Management Plan

## MOL ADVANCE

Mitsui O.S.K. Lines' Action and Direction at the Vanguard of Creating Excellence

Long-Term Vision: To make the MOL Group an excellent and resilient organization that leads the world shipping industry

### Main Theme: "Growth with enhanced quality"

—Ensuring safe operation is the highest priority, while achieving sustainable growth and enhancing quality.

#### Overall Strategies



# Q:

**MOL's ordinary income of ¥302.2 billion was due to various factors, some expected and some not. Can you tell us more?**

# A:

First of all, let me explain that MOL divides earnings into “highly stable profits” and “market-sensitive profits.” Our goal is to generate a high level of earnings by augmenting steady growth in “highly stable profits” with “market-sensitive profits.” In fiscal 2006, we achieved our goal of growing “highly stable profits” to account for 50% of our ordinary income. In fiscal 2007, we lifted these profits further to ¥108.0 billion. Most of this came from middle- and long-term contracts, which are quintessential highly stable profits.

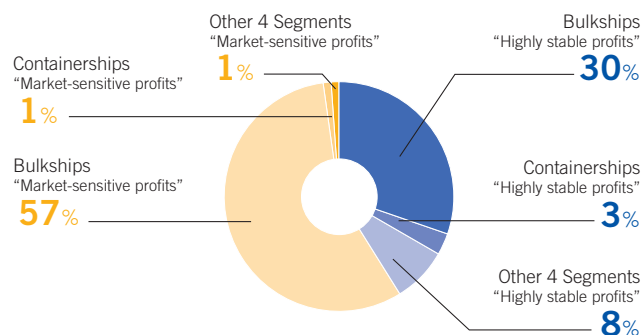
“Market-sensitive profits” are impacted by unexpected factors. We initially expected these profits to account for about ¥80.0 billion in ordinary income, but the total ended up at ¥194.2 billion. This extra did not come to us by luck, but because we were able to put ships, primarily dry bulkers, into service in a timely fashion with an eye to the spot market. We were able to strategically allocate our ships between short-term contracts and medium-term contracts, as we have the world’s largest fleet, both in terms of volume and diversity, to respond to market dynamics.

### Highly Stable Profits and Market-sensitive Profits (FY2008)

The blue color components show “highly stable profits” (the projected profits from long-term contracts and other highly stable sources of profits)

FY2008 Consolidated Ordinary Income (Forecast at beginning of FY)

Total	300 bil. yen
Highly stable profits	123 bil. yen



## Maintaining Earnings Momentum in Choppy Seas

**Q:**

Some say that the business environment will get tougher in fiscal 2008. Why do you think you can sustain ordinary income of ¥300.0 billion despite this?

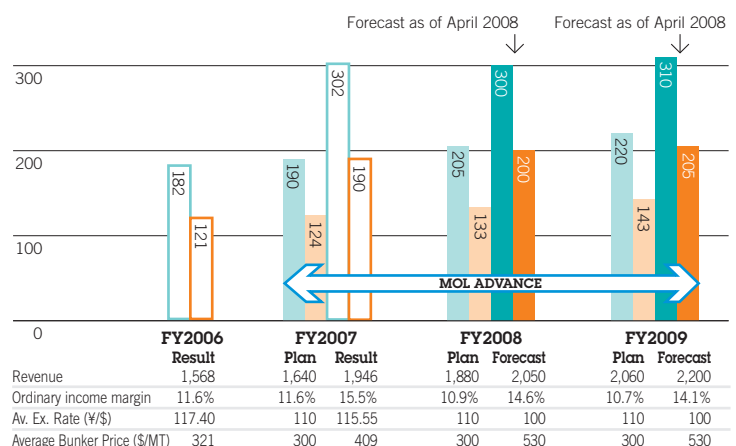
**A:**

We expect to encounter head winds, and strong ones at that: in nautical terms, strong winds and high waves are likely, with a small craft advisory likely. For instance, we expect the average bunker oil price to rise 30% year over year from US\$409 to US\$530, and we now anticipate a yen-dollar rate of ¥100/US\$, down from ¥115.55/US\$ the previous year. These things alone will reduce expected ordinary income by about one-third, or ¥95.0 billion. However, we are confident that ordinary income will again total at least ¥300.0 billion in fiscal 2008. For one, we will add 84 vessels to the fleet in fiscal 2008 (24 dry bulkers, 24 tankers, 14 LNG carriers, 13 car carriers, and 9 containerships). In addition, lower-profit medium-term contracts for bulkers are up for renewal at higher rates, and we expect a rise in containership profits thanks in part to freight charge revisions. Finally, we plan relentless cost cutting. We will leverage MOL's strengths to achieve a challenging target even under difficult circumstances. Fiscal 2008 should see a clear division between strong shipping companies and the others.

### Overall Profit Plan

(¥ billions)

Sensitivity p.a.(FY 2008)	
Consolidated ordinary income basis	
Exchange rate: ±3.8bil./¥1(Max)	
Bunker price: ±0.3bil./\$1(Max)	
□	Ordinary income
■	Net income



Plans: As of March 2007

**Q:**

**Some say the marine transport business is cyclical, making it difficult to sustain high profits. What would you say to this?**

**A:** MOL operates many different kinds of ships, including iron ore and coal carriers, general bulk carriers, woodchip carriers, crude oil tankers, product and chemical tankers, LPG and LNG carriers, car carriers, and containerships. Each of these areas is subject to different environments.

Over the past five years, dry bulk and tanker market rates have been highly volatile. However, the market rates in these two sectors are not correlated. What's more, containership market rates show no relationship to either dry bulkers or tankers. For instance, although dry bulk market rates were sluggish in 2005, containership market rates were high; the reverse was true in 2007. In other words, you should not base your opinion of the overall marine transport market on prices in a few sectors. This is a common mistake among many shipping industry watchers.

There are no indices that describe the overall condition of the marine transport market, so people tend to assume prices in certain sectors apply to the market as a whole. At MOL, we operate many different kinds of ships under very different sector environments, covering pretty much the entire marine transport business. This comprehensiveness is unique to major Japanese shipping companies, something foreign investors may not understand.

MOL has a diverse business portfolio, and the MOL Group's growth strategy is based on its varied fleet and large volume of ships. This enables MOL's overall business performance to be shielded from negative changes in individual markets. By controlling overall risk and investing heavily in ships for sectors expected to see growth, we should be able to sustain expansion.

**Q:**

**Marine transport only appears to be a growth industry due to the current tight supply of ships, doesn't it?**

**A:** Everyone says that. They want to make the business seem mature and unappealing. When someone raises questions like this, I say they are "missing the forest for the trees," as they fail to see the paradigm shift the industry has undergone. Usually, a company that posts constant increases in earnings is called a "growth company." So, it wouldn't seem fair that we are not seen in this light despite nine and six years of successive revenue and net income growth, respectively.

I think this is an opportune time to revisit the paradigm shift in the industry. The global economy is undergoing multi-polar growth, resulting in large economic blocs in places like Europe, China, and South America. This has yielded significant growth for marine transport. Much of the focus is



on exports of natural resources and energy from resource-rich countries to China. However, economic growth in these resource-rich countries as well as China is driving movement of food and consumer goods as well; moreover, countries are sourcing things from farther and farther away and from more locations. One only need look at ever-increasing ton-miles for evidence of this, with ton-miles having risen 6.3% annually over the past 5 years. In the past, all that mattered was the U.S. economy, but now one must look at the world picture. Affected by past experiences, many marine transport companies have not increased their fleets to keep up with this rapid market expansion. This is why you see tight supply-demand nowadays.

**Q:**

**MOL plans to increase the number of bulkships it operates from 693 at March 31, 2008 to 950 at the end of fiscal 2012, an increase of 37%. This is rather ambitious. Where does your confidence come from?**

**A:**

The paradigm shift I just noted. Movement of crude oil, iron ore, and other commodities is expected to steadily increase over the next 5 to 10 years. Given this, it makes perfect sense to expand our fleet. Some are concerned that a large volume of new ships will come on the market in 2010, pushing market rates down considerably—the so-called “2010 problem”—but we are not worried. Although there may be some impact from the “2010 problem,” we think it will be short-lived due to strong demand. Marine transport is our core business, and we make capital spending decisions based in part on information about seaborne trade gathered from our front-line sales and operations. We also make sure we understand customer trends precisely by building long-term stable relationships with customers. In this way, we are different from speculators, who do not actually operate ships and don’t have any customers. Speculators rely only on forecasts of rising ship prices and market rates provided by consulting firms.

**Fleet Expansion Plan**

	Fleet scale at the end of Mar. 2008 (Actual)	Ships to join MOL Fleet (FY2008–2009)	Fleet scale at the end of Mar. 2010 (Plan)	Ships to join MOL Fleet (FY2010–2012)	Fleet scale at the end of Mar. 2013 (Target)
Bulkships	693	138	800	158	950
Containerships	130	18	150	34	190
Others	51	1	50	3	60
Total	874	157	1,000	195	1,200

Note: Number of vessels at the end of fiscal years includes spot-chartered ships and those owned by joint ventures.

**Q:**

**The level of containership earnings suffers in comparison to the extremely strong bulker business. Fiscal 2008 and thereafter is crucial in this context. Regardless, you are planning to increase your containership fleet from 130 ships at the end of March 2008 to 190 ships at the end of March 2013, a 46% increase. Is this an attempt to take advantage of scale?**

**A:**

The containership business was profitable in fiscal 2007, but we were disappointed with earnings given the amount of business resources invested. In the past, we thought increasing scale would lead to greater profits, but a look at our global peers has changed our minds about the scale-profits relationship. That is, even some mid-sized containership companies like ourselves have been able to post large profits. As in bulkers, where we look to turn shifting market conditions into business opportunities, in the containership business we want to fashion an organization structure that allows us to dynamically take on risk as justified. The keys to growing profits will be how swiftly we can implement necessary steps such as altering routes according to market trends, careful yield management, extensive research on global factors that push up costs, comprehensive information gathering, and effective cost reductions. MOL increases the size of its fleet to stay abreast of increasing container cargo demand. Having a fleet of 190 ships without such a strategy would be foolhardy indeed.

## **Tackling the Challenge of Raising Corporate Value**

**Q:**

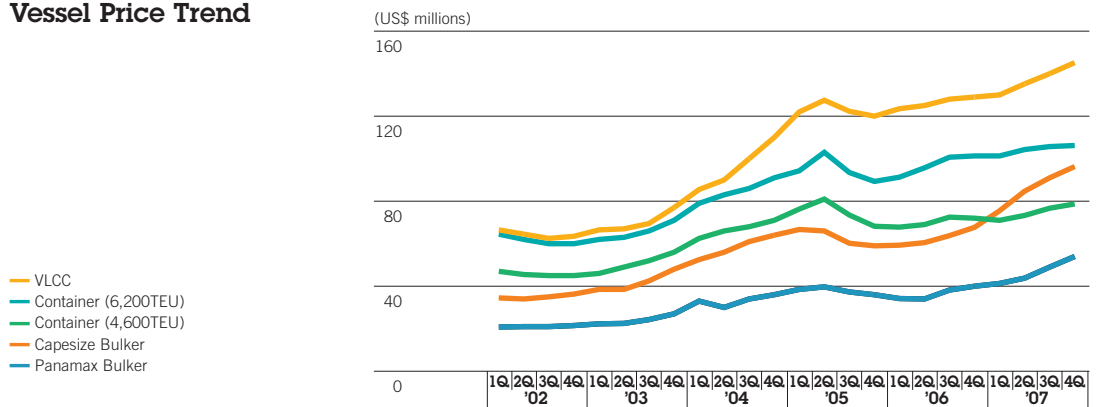
**You have increasingly been stressing customer satisfaction in recent years. What exactly do you mean by customer satisfaction?**

**A:**

The global economy is undergoing multi-polar growth, which has led to a paradigm shift in marine transport. I think a marine transport company of our size has a duty to help sustain multi-polar global economic growth.

An excellent marine transport company understands the needs of its customers well, and provides them with the optimal ships exactly when they need them. During fiscal 2007, I can say that MOL came very close to this ideal. The *Brasil Maru*, which was completed last December, was quite literally a joint product with a key customer, down to ship type, size, and contract details.

## Vessel Price Trend



There is currently a shortage of ships. It will take four to five years for ship owners to take delivery of ships that are ordered now, making it difficult to supply customers with ships in a timely manner if we wait until we have a long-term contract before placing an order. Accordingly, we are aggressively working to anticipate customer needs and order ships before we have contracts in place. This is not just a question of getting the timing right, but also of anticipating the type of port facilities and waterways that will be used and what kinds of new cargo may emerge; that is, who will want what kind of ships in the future. For instance, 7 VLGCs (“Very Large Gas Carriers” for LPG transportation) due for delivery between 2009 and 2010 were ordered before we had a shipping contract in hand. We placed the order because we saw LPG as an important energy source in the future and one where transportation needs would soar accordingly.

**Q:**

**You are looking to maintain ordinary income of ¥300.0 billion, but won't ROE fall significantly as you increase shareholders' equity?**

**A:**

Let me begin by saying that MOL's ROE is not low from a global standpoint. In fiscal 2007, our ROE was 30.9%. Some people have pointed out that MOL's ROE will decline as we continue to amass profits, assuming there is no change to our capital structure policy. However, we must have enough capital to take on the risks necessary for implementing our two-pronged strategy: 1) generating momentum in marine transport earnings via a balance between “highly stable profits” and “market-sensitive profits” and 2) creating a business model that enables us to achieve ordinary income of ¥300 billion at cruising speed. To use a maritime term, if a ship's freeboard\* is too low, then even small waves can cause it to capsize. Think of shareholders' equity as reserve buoyancy. We want to sustain an absolute shareholders' equity of ¥1 trillion, as we are taking more aggressive steps to grow our marine transport business, with its attendant risks, including appreciation of the yen and rising bunker prices. We see a solid shareholders' equity as a springboard to future growth.

We are also focused on ROA. Our ROA reached 10.8% in fiscal 2007. Maintaining high asset efficiency and business profitability will enable us to be flexible about capital procurement as we work to increase corporate value.

\*The distance from the waterline to the uppermost deck of a ship, measured amidships at the side of the hull; this indicates reserve buoyancy.



**Many Japanese companies introduced anti-takeover measures again this year. Please tell us about MOL's stance on this matter.**



At this time, we have no plans to introduce any anti-takeover measures. Instead, we plan to increase corporate value via sound management, proactive capital investment, healthy shareholder returns, and proactive IR activities. We will work to ensure ROE is in line with shareholder expectations, while also keeping our financial position solid. While maintaining an appropriate dividend payout ratio, we plan to continue using free cash flows to expand our fleet to generate even more earnings. Doing so should help boost shareholder returns down the road.

Since the beginning of this year, major European and U.S. investors have been recommending corporate governance reforms at Japanese companies. However, MOL has been taking steps to improve its governance for some time now. For example, MOL's Board of Directors is composed of 11 members, 3 of whom are outside directors. All outside directors have a high degree of independence and backgrounds that enable them to make judgments from a shareholder's perspective. Our outside directors attend nearly all Board of Directors' meetings, and they are unafraid to say whatever is on their minds. I am confident that our Board has a high degree of independence.



**Finally, I understand that you are aiming for a market capitalization of ¥3 trillion. Please tell us more about this.**



Right now our market capitalization is ¥1.6 trillion, and while I am pleased people think we can more or less double it, that may be asking too much. Market capitalization is a combination of current profits and future estimates, and while we can manage our own profits, we have to leave estimates up to the capital markets. Still, I cannot understand why our forward P/E ratio (8.8 times as of June 23, 2008) is so low. We can keep explaining that our ability to generate cash is now much better, as we have done in the past, but it seems a lot of investors fixate only on short-term earnings momentum and are concerned only with risks; this must be why our P/E ratio remains low. During the three years of MOL ADVANCE, we expect to produce ordinary income of at least ¥300 billion each year, so shouldn't our Company have a higher valuation? Should investors agree, maybe ¥3 trillion isn't out of the question after all.

# Fostering Professional Seamanship



In April 2008, the *Spirit of MOL* received the Safety at Sea International Award 2008. Inaugurated last year by Lloyd's Register – Fairplay Ltd., this award is sponsored by Safety at Sea International Magazine, a magazine dedicated to marine safety. The *Spirit of MOL* picked up its award in the training division, one of the four divisions of this award program; the other three are equipment, systems and management/operations. MOL won kudos for its effective and intensive investment in seafarer training as well as its impressive results in fostering seamanship by giving training on cultural understanding—an essential quality for seafarers—to cadets from around the world.



## **Spirit of MOL – an Unprecedented Initiative**

As vessels get bigger and more numerous, the incidence and scale of marine accidents is growing worldwide as well. To ensure safe operations, the primary goal of MOL ADVANCE, we have upgraded our safety-related framework and earmarked ¥35 billion for safety-related measures. Prevention of accidents, however, depends largely on the seamanship, knowledge, experience, and judgment of seafarers who have to make on-the-spot decisions as potential risks arise. Therefore, we understand the importance of creating top-flight seafarers in order to provide first-class shipping services. Accordingly, we are making every endeavor to enhance our seafarer education and training system. As part of these efforts, we purchased a dedicated training vessel and named her the “*Spirit of MOL*.” We began training cadets from around the world on this vessel in July 2007, at which point MOL became the first private shipping company in the world to independently own and operate such a training vessel.

## **MOL's Seafarer Training System – Ensuring Quality and Quantity**

As we expand our fleet, we plan to increase our seafarers from approximately 12,000 in March 2008 to roughly 13,500 in March 2010 at the end of MOL ADVANCE. There is concern that seafarer supply will not keep up with the increase in ships, so securing a large number of seafarers who meet our strict standards will be one of the keys to maintaining safe operations going forward. The *Spirit of MOL* will play a strategic role in making this happen.

To acquire an internationally accredited seafarer certification, one must meet the minimum requirements spelled out in STCW (The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers). Alternatively, one must have experience as a seafarer for a specified period of time more than that stipulated in STCW, which differs by country. The educational facilities in many countries don't



have the training ships that Japan has, so students at or graduates of maritime academies rely on private shipping companies for opportunities to gain the experience necessary to acquire seafarer certification. MOL has long offered graduates of maritime academies around the world the onboard training they need; in addition, MOL has taken these cadets on as full-fledged seafarers after they are certified. Up until now, MOL's education and training programs have thus focused on on-the-job training to give budding seafarers practical experience.



But with demand for seafarers increasing rapidly, we are extending our focus to intensive “off-the-job training” on the *Spirit of MOL* training vessel. Approximately 10 of our training center professionals on this ship offer a detailed curriculum of safety and basic training over a 4- to 6-month period. This kind of intensive training not only gives cadets the necessary techniques and knowledge, but also allows them to learn the proper mindset and customs of professional seafarers. By giving up to 180 young cadets from around the world the chance to share various experiences together on the *Spirit of MOL*, we help them to better understand other cultures while also gaining a sense of pride in and belonging to the MOL seafarer community. These cadets subsequently spend the rest of their apprenticeship getting on-the-job training on one of our ships, enabling them to gain valuable knowledge and understanding of how different ships operate. By combining time on the *Spirit of MOL* with on-the-job training, MOL is able to produce seafarers that not only know the basics, but also know how to apply them.

MOL is also working on land to ensure a continuous supply of top-quality seafarers. For instance, MOL operates seven training centers worldwide, located in Japan, the Philippines, India, Montenegro, Croatia, Indonesia, and Russia. In addition, the Company develops cadet training programs and scholarship systems in cooperation with maritime universities in nations that produce most of the world's seafarers.

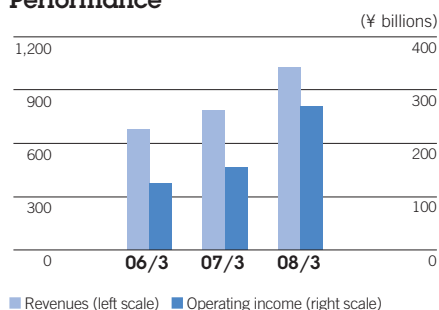
# MOL at a Glance

## Bulkships

(Dry Bulkers, Tankers, LNG Carriers and Car Carriers)



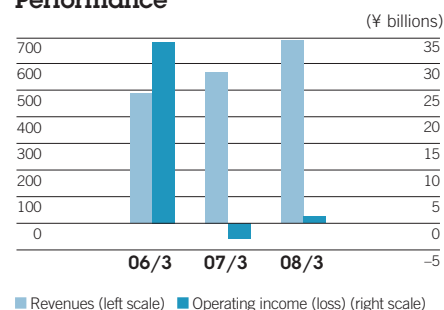
### Performance



## Containerships



### Performance



### Business Description

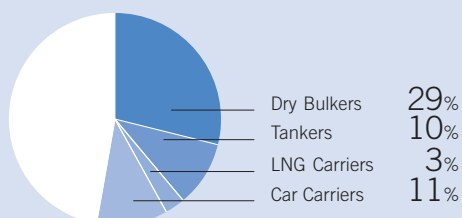
MOL operates a world-class fleet of dry bulkers, tankers, LNG carriers and car carriers, including the world's largest fleet of dry bulkers, with 364 ships. Many of these are specialized vessels built specifically to suit a type of cargo; 139 (97 Capesize and 42 Panamax) supply iron ore and coal to the steel industry, 35 are specialized steaming coal carriers, 46 supply wood chips to the paper industry, and 9 are heavy lifters. Another 135 are general cargo bulkers which transport all manner of bulk cargoes, ranging from grain to industrial goods. They serve a dry bulk shipping market that is growing at a pace of 4-5% per year.

MOL's fleet of 166 tankers is diversified to carry a wide range of liquefied products—41 are crude oil tankers, 43 are product tankers, 27 carry LPG and methanol, and 55 carry chemicals. MOL also has 60 LNG tankers, many assigned to specific projects, giving it the world's number-one share of this market. MOL operates a world-class fleet of 103 car carriers which offer high-quality service to transport finished vehicles to market. MOL has earned a reputation for reliability from its customers.

### Business Description

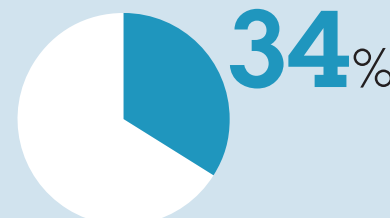
MOL operates a very diverse fleet of 130 containerships, both large and small, in all regions of the world. In addition to the key east-west routes linking Asia to North America and Asia to Europe, MOL also serves north-south or intra-Asia routes, providing a balanced network that covers the entire globe and serves the transport needs of global clients. This segment also includes MOL's container terminal operations in Japan, the U.S., and Thailand.

### Sales Breakdown by Segments



53%

### Sales Breakdown by Segments



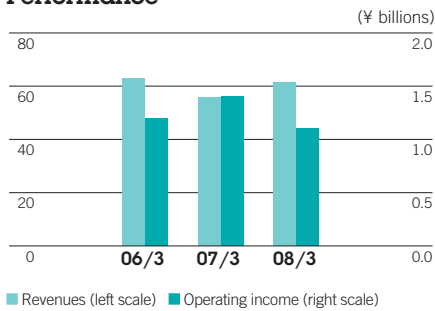
34%

\* Fiscal 2007 results. Please see page 75 for sales and operating income figures.

## Logistics



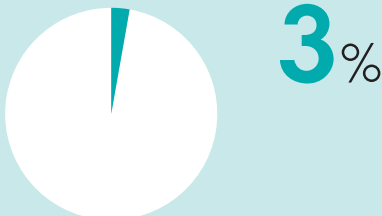
### Performance



### Business Description

The main objective of MOL's logistics business is to maximize synergies with other MOL divisions. MOL has adopted a "market-in" approach to ensure that it can offer services that exactly match the needs of customers. The highly regarded MOL brand helps this segment achieve steady growth. A capital tie-up and business alliance with Kintetsu World Express, Inc., allows both companies to offer a one-stop service to customers that require both sea and air freight services. MOL is also working aggressively to develop an ocean consolidation business (OCB) which can provide procurement and distribution services for various consumer products.

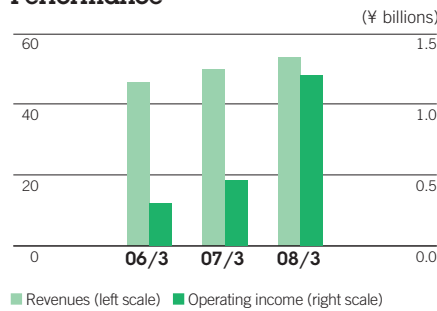
### Sales Breakdown by Segments



## Ferry & Domestic Transport



### Performance



### Business Description

MOL has established an extensive service network which offers diversified and high-quality transportation services throughout Japan. As part of its efforts to address environmental concerns, the government is promoting a "modal shift" in transport, which emphasizes ferry transportation over trucking. The MOL Group serves as a model for this policy, with the most extensive domestic network of ferries and an aggressive program to tap latent demand for cargo shipping. This segment also includes domestic transport of bulk cargoes such as coal, steel and salt.

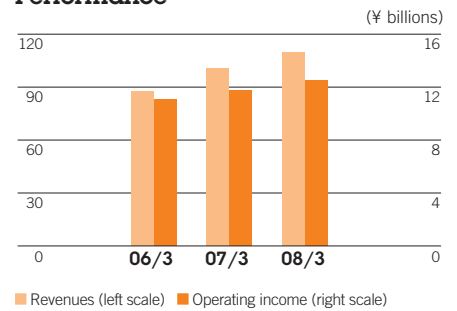
### Sales Breakdown by Segments



## Associated Businesses



### Performance



### Business Description

This segment is centered on the office and residential building leasing operations of Daibiru Corporation, as well as one of Japan's largest tugboat operations. Other activities include marine consulting, maritime engineering, trading, and temporary staffing, most of which have some relationship to MOL's core ocean transportation business. The segment also covers the cruise ship operations of the *Nippon Maru* and other cruise liners.

### Sales Breakdown by Segments

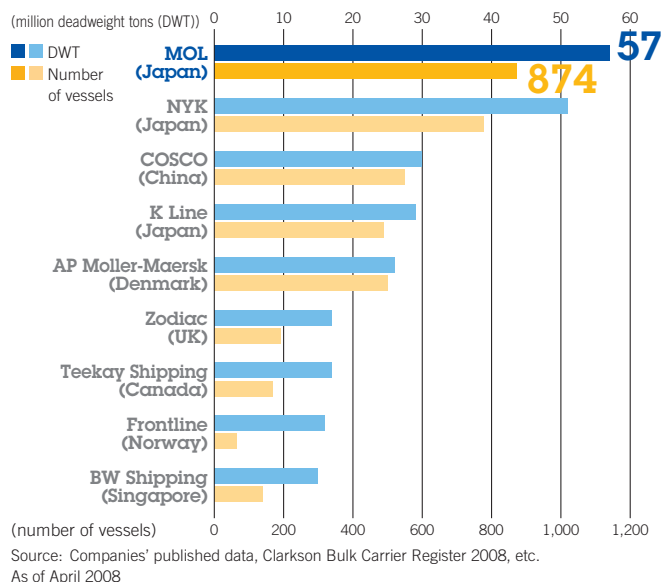


# MOL in the Industry

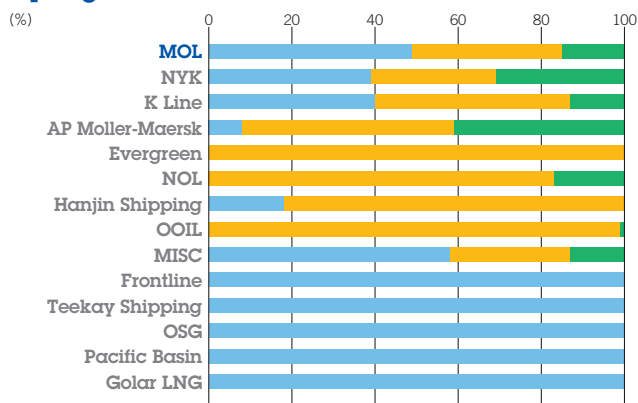
MOL operates a large and balanced oceangoing fleet.

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

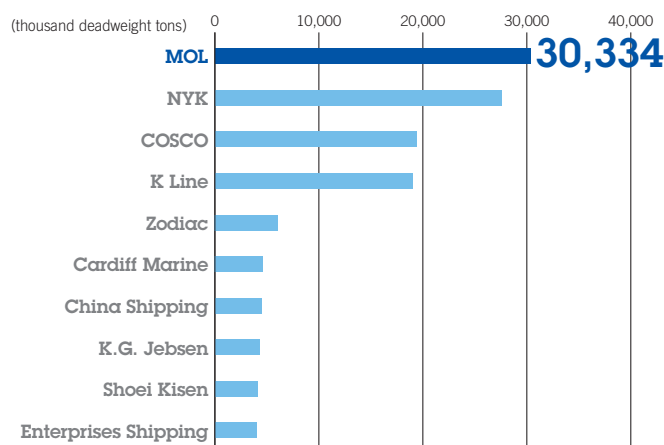
## World Major Carriers' Fleets (All Vessel Types)



## World Major Carriers' Revenue Portfolio by Segments



## Dry Bulkers



■ Bulkships ■ Containerships ■ Other businesses  
 (Containerships include container terminals/agency businesses.)  
 Source: MOL calculation based on each company's financial statements (2007.1-12).

## MOL Fleet Composition FY2007

Notes:  
 1. Figures are as of March 31, 2008; numbers in parentheses are as of March 31, 2007. Including spot-chartered ships and those owned by joint ventures.  
 2. The figures in the graphs above for the five different types of vessel do not match MOL Fleet Composition data due to discrepancies between the calculation methods of external organizations and MOL, and other reasons.

### Dry bulkers



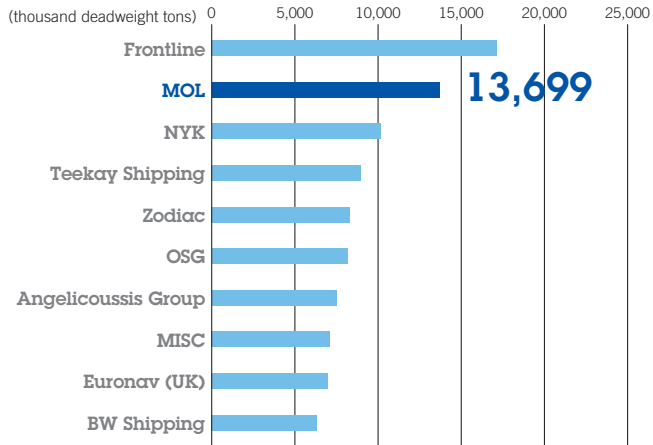
### Tankers



	Bulk carriers	Wood chip carriers	Heavy lifters	Crude oil tankers	Chemical/Product tankers
Vessels	309 (289)	46 (38)	9 (9)	41 (40)	115 (115)
Thousand deadweight tons	27,997 (26,239)	2,199 (1,780)	138 (138)	10,981 (10,796)	4,054 (3,988)



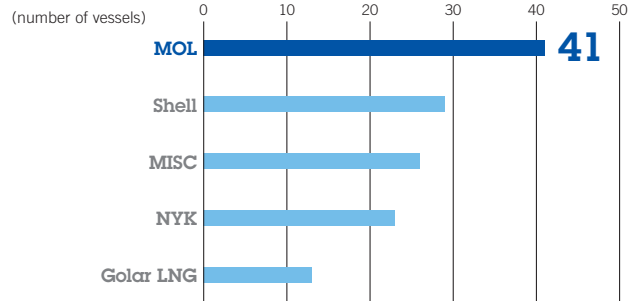
## Tankers



Source: Clarkson Tanker Register 2008  
As of January 2008

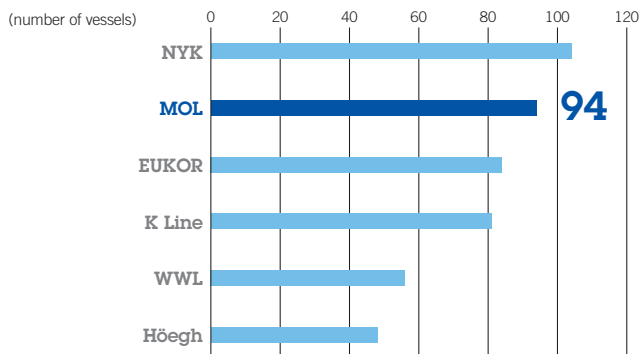
## LNG Carriers

Fleet under management or majority of ownership



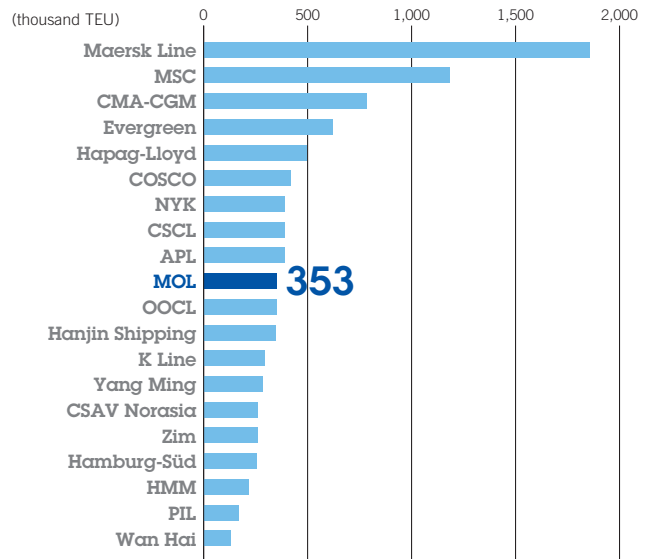
Source: MOL  
As of April 2008

## Car Carriers



Source: MOL internal calculation  
As of April 2008

## Containerships by TEU Capacity



Source: MDS Transmodal "Containership Databank," April 2008  
As of April 2008

### LNG carriers

### Car carriers

### Containerships

### Others (Ferries and Others)

LPG carriers



**10** (7)



**60** (58)



**103** (94)



**130** (109)



**51** (44)

Total

**874** (803)

**439** (287)

**4,193** (4,129)

**1,574** (1,425)

**5,503** (4,376)

**187** (170)

**57,265** (53,329)

# Overview of Operations

## Bulkships Dry Bulkers

Saburo Koide  
Executive Vice President



### Big Rise in Profits Across the Board

In fiscal 2007, our dry bulker fleet recorded a historic level of success. Ordinary income from the four shipping divisions which primarily conduct bulkship operations—Dry Bulkers, Tankers, LNG Carriers and Car Carriers—soared by more than ¥100 billion, from ¥163.5 billion in fiscal 2006 to ¥277.5 billion in fiscal 2007. This was largely a reflection of earnings generated by our dry bulker fleet, which is one of the world's largest. Around 2002, MOL took note of the fact that demand for transporting natural resources was starting to rise, and it began a concerted effort to expand its fleet and left its rivals behind. In fiscal 2007, MOL reaped the fruits of those early efforts.

MOL operates some 360 dry bulkers, which are broken down into a number of sub-categories based on their size and purpose—including Capesize bulkers, Panamax bulkers, Handymax bulkers, Small Handy-size bulkers, wood chip carriers, heavy lifters, and short-range bulkers. In fiscal 2007, the most successful business segment involved the transport of iron ore and coking coal, raw materials for steel production.

### Iron Ore and Coking Coal Transportation

Since the turn of the century, a surge in demand for steel, particularly from emerging economies such as China, has triggered a rapid increase in the seaborne trade of steel raw materials (iron ore and coking coal) each

year. This is particularly true for China, where most of the domestic iron ore is of a relatively low grade and, thus, is not suitable for the production of high-grade steel. Therefore, China has been increasing imports of high-grade iron ore (with more than 60% purity) more rapidly than the pace of its domestic crude steel production. In 2004, China imported roughly 200 million tons of iron ore, but by 2007 the figure had nearly doubled, to 380 million tons. Although Australia is still China's main supplier of iron ore, Brazil has now overtaken India as the second-largest supplier, and imports from Brazil are rising at a pace of some 20 million tons per year. Since the distance between Brazil and China

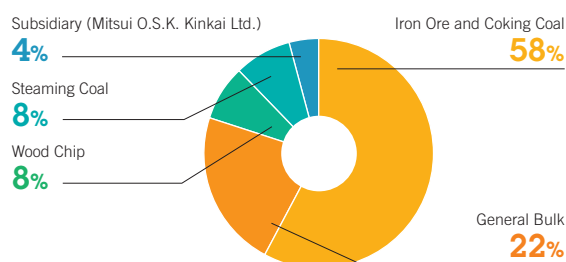
is about three times farther than between Australia and China, this has boosted the total ton-miles even faster than trade volume.

With transport demand rising, the total handling capacity of major ports on Australia's east coast is becoming increasingly tight, and this has pushed up the market rates for dry bulk shipping. The largest dry bulkers used mainly to transport steel raw materials—Capesize bulkers—commanded an average market rate of US\$53,000 per day in fiscal 2006, but that rate had risen to US\$125,000 per day in fiscal 2007. Meanwhile, MOL has been expanding its fleet for transporting steel raw materials, adding 12 new ships (10 Capesize and 2 Panamax) during fiscal 2007. This expanded the total fleet to around 130 vessels (about 100 Capesize and 30 Panamax)—making it the world's largest fleet of steel raw material carriers. MOL maintains a ratio of about 4:3:3 between ships operated under long-term contracts, those under medium-term contracts and those on a spot (short-term) basis. The leading steelmakers in Japan, South Korea and China, as well as raw materials majors in Australia and Brazil, are MOL's main clients. This distribution of contract length and clientele allowed MOL to benefit from the increased profitability of high spot market rates and also ensured stable earnings from medium- and long-term contracts, which MOL was able to re-negotiate at favorable rates.



The Capesize bulker  
*London Courage*

### Consolidated Revenues Breakdown (Results in FY2007)





Masafumi Yasuoka  
Senior Managing Executive Officer

### Other Dry Bulk Transportation

MOL's other dry bulk operations include the use of Panamax, Handymax and Small Handysize bulkers to transport a wide range of items, including steaming coal, grain, steel products, cement, fertilizer, and bauxite. While about 40% of our Panamax bulkers are put into service for the transportation of steaming coal destined to Japanese electricity companies under long-term contracts, other bulkers are operated mainly on a spot basis. Dry bulk cargoes are enjoying steadily rising demand as the world economy expands and diversifies. As a result, each individual category of dry bulk, from Panamax on down, benefited from record-high market rates in fiscal 2007, supporting our strong overall performance.

On top of the above, wood chip carriers, which are originally designed to transport forestry products such as wood chips and pulp to Japanese papermakers are producing unexpected profits after fulfilling their original contracts, as they are now also being used to transport soybean meal (SBM)



The wood chip carrier  
Pro Grace

to Europe; demand for SBM for animal feed has soared in recent years as a substitute for bone meal feed, which has been banned there due to the BSE problem.

### Future Developments and Key Issues

#### Iron Ore and Coking Coal Transportation

The strength of MOL's iron ore and coking coal shipping business lies in having the

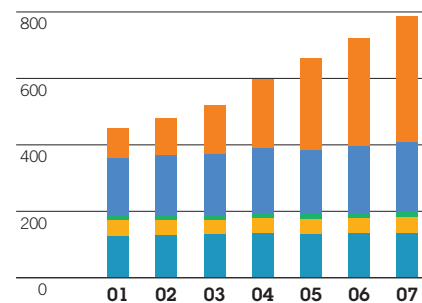
world's strongest portfolio of larger dry bulkers both in terms of volume and diversity. Comprising high-quality, cost-competitive, and younger vessels, the portfolio can precisely meet the varying transportation needs of clients. MOL plans to further strengthen this portfolio by adding 53 newly-built, large-scale bulkers by early 2014, increasing its fleet of iron ore and coking coal carriers to 160 vessels.

Some marine transport industry observers are concerned that the completion of a large number of Capesize bulkers in 2010 will weaken the market dramatically. However, looking at the supply of engine components and steel plates for shipbuilding, not to mention the fund-raising capacity of some of the potential buyers, it seems more likely that a substantial portion of such shipbuilding orders will either be cancelled, or their completion will be delayed.

#### Import Area-wise World Iron Ore Seaborne Trade

(million tons)

China  
Others  
Taiwan  
Korea  
Japan  
Source: Clarkson



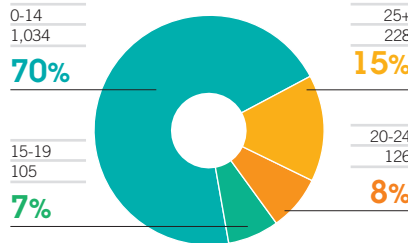
The coal carrier  
Kaien

## World Dry Bulkers Age Profile (As of March 2008)

### Capesize (100,000 dwt- 772 ships)



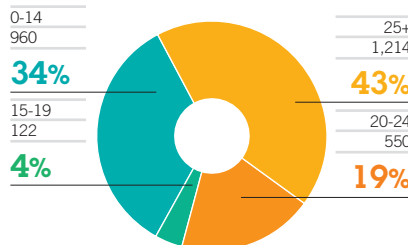
### Panamax (60-99,000 dwt 1,493 ships)



### Handymax (40-59,000 dwt 1,606 ships)



### Small Handysize (10-39,000 dwt 2,846 ships)



Source: Clarkson

In addition, many of the major materials suppliers have indicated that they will not allow ships aged more than 25 years to call into their loading ports, highlighting a global trend to mothball older ships due to the concerns about the environment. About 20% of the some 770 existing global Capesize bulkers are more than 20 years old, and sooner or later they will have to be retired from service. Therefore, although the market may experience a mild correction by 2010, it is hard to see it returning to the condition it was in prior to the 2003 "paradigm shift." The soaring import demand from newly industrialized countries for steel

raw materials should ensure that the market for large bulk marine transport remains relatively firm for the foreseeable future.

### Other Dry Bulk Transportation

As regards the transportation of other dry bulk cargoes, MOL anticipates continuing growth in demand for natural resources and raw materials, and is planning to bolster its fleet gradually. Although the U.S. and Europe are experiencing the continued effects of the subprime loan crisis, we think that this will have a limited impact on economic growth in the "BRICs" and "NEXT 11" countries. The underlying strength of demand

for dry bulk shipping stems from the fact that the resources and materials being transported support the very foundation of national economies.

Meanwhile, rising oil prices are stimulating demand for steaming coal, for use in power generation. China, in particular, has such a strong demand for energy that in 2007 the country decreased its exports of coal. As a result, neighboring countries such as Japan now need to import coal from countries much farther away. This is likely to push up the total ton-miles of steaming coal shipments for marine transport companies.

MOL is striving to remain at the vanguard of progress in the dry bulk sector. The company has a successful formula; namely, always analyze future market trends, take actions ahead of rivals to collect information, and make the most appropriate decision based on that data to adjust its fleet portfolio to the needs of customers. To this end, the company is working to develop and maintain a high-quality fleet that can properly address demand.



The coal carrier Mizunagi Maru

### Fleet Expansion Plan Iron Ore and Coking Coal Carriers

Launching period April 2008 to early 2014

	Type (1,000 dwt)	No. of vessels	Uses/special features
Iron ore and coking coal carriers	Capesize	300	Ore carriers provide efficient transportation on long-distance routes. Used for long-term contracts. Large-scale Capesize bulkers mainly for long-term contracts. Standard-type Capesize bulkers for various uses. Strong demand in the spot market. "Mini-Capesize" bulkers can call in at smaller discharging ports in Japan. Standard-type Over-Panamax vessels for various uses.
		250	
		230	
		200	
		170	
		110	
Over-Panamax	80	2	
	Total	53	

## Bulkships Tankers

Tsuneo Watanabe  
Managing Executive Officer



### Product and Chemical Tankers Remain Strong

The year under review was challenging for MOL's tankers business. Although earnings contributions from product and chemical tankers were healthy in fiscal 2007, demand for crude oil tankers was somewhat weaker than in the previous fiscal year. Meanwhile, the introduction of measures to improve operating safety increased ship management costs, making it difficult to avoid a year-on-year decline in income in tanker operations.

While the supply-demand balance in the market for crude oil tankers will be determined largely by the pace of the transition to double-hulled vessels, an oil spill caused by a single-hulled VLCC unrelated to MOL in South Korea in November 2007 has accelerated the move away from single-hulled tankers by customers. This is likely to strengthen market conditions for crude oil tankers in 2008. MOL will sell off its last remaining single-hulled tankers by the end of 2008, meaning its entire crude oil tanker fleet of 43 vessels will be double-hulled two years ahead of the deadline stipulated by international agreements.

Product tankers carry a variety of petroleum-based products, including naphtha. In recent years, oil-producing countries in the Middle East have been building refineries domestically, and therefore there has been an increase in the transport of refined products over the long route from the Middle East to North America. Meanwhile, global diversification of petrochemicals facilities has led to an increase in marine transport volume of these

products as well. MOL has done its best to anticipate these changes in trade patterns. Over the past few years, the company has been working to expand its fleet in this business sector, and now operates 43 product tankers and 55 chemical tankers.

### Future Developments and Key Issues

The IEA estimates that oil demand in 2008 will increase by 2% year on year. MOL's past experience suggests that demand for crude oil transportation usually rises at a pace that exceeds growth in total demand, and that demand for the transport of petroleum products and petrochemicals tends to grow at an even faster pace. Oil and the products derived from it have become the very foundation of our modern lifestyles, and this fact



The VLCC  
Grand Sea

provides a solid underlying base for demand growth. Therefore, MOL is expanding its fleet of 166 oil tankers, with plans to have 250 ships in operation by 2013.

Regarding the new ships that will be added to the fleet, some were ordered when ship prices were relatively low. Therefore, our tanker fleet becomes more cost competitive as it grows. With this fleet, MOL will be able to respond even more flexibly to customer needs and changes in the business environment. In this way, the company aims to win customer approval, and ensure that when they think of tanker transport, they will think of MOL first. This will allow us to reap the fruits of new business developments at the earliest possible date.

We expect LPG tankers to be another growing sector. Based on the expectation that LPG demand will grow more in the near future both in terms of energy resources and as a petrochemical feedstock, MOL has ordered 7 new Very Large Gas Carriers (VLGCs) due for delivery in 2009–2010. We expect this advance investment to pay “dividends” in due course.

However, while the expansion of our fleet is a key issue, the one thing that MOL wants to increase most is operating safety. Safe shipping is the very foundation of MOL's oil tanker operations. In addition to implementing the MOL Safety Standard, which is one of the highest in the shipping industry, the company has set even stricter criteria for its tanker fleet. This allows the company to respond to the high standards of safety required by major oil companies and other customers.

### Consolidated Revenues Breakdown (Results in FY2007)

Chemical (Tokyo Marine Co., Ltd.)

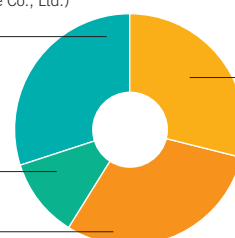
30%

Crude Oil  
29%

Methanol/LPG

11%

Product  
30%



## Bulkships LNG Carriers

Yoichi Aoki  
Senior Managing Executive Officer



### Stable Profits, but LNG Project Delays

Since MOL commenced operation of its first LNG tanker in 1983, the company has steadily expanded its LNG business. Today, MOL has the largest LNG transport business in the world.

The LNG transport business is based to a large extent on long-term contracts, and as a result we enjoy a high degree of certainty in our medium-term planning. We play a key role in MOL's strategy for achieving stable growth.

During fiscal 2007, we continued to bolster our LNG carrier fleet, with 2 new

carriers entering service. We plan to increase our 60-strong fleet to 80 carriers to maintain our current world market share of around one-quarter since we estimate there will be around 350 LNG carriers worldwide by the end of MOL ADVANCE.

Recently, there have been delays reaching final investment decisions on new greenfield projects; those projects originally designed to start in 2009–2011 are now expected to begin in 2012 or 2013. This is partly because of escalating materials and construction costs, and environmental concerns as well as political uncertainties in LNG exporting countries. But still, we

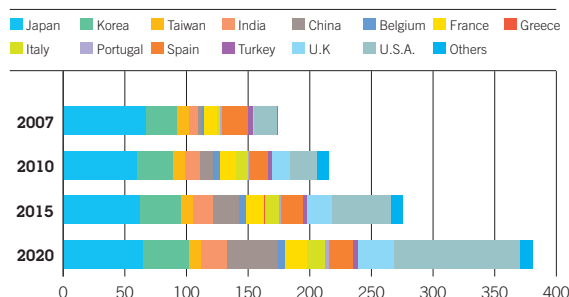
see no sign of a slowdown in long-term demand, and anticipate higher demand worldwide given LNG's environmental advantages.



The LNG carrier  
*Energy Progress*

### LNG Demand Forecast

(million tons)



Source: The Institute of Energy Economics, Japan, etc.

### Future Developments and Key Issues

In the bidding process for new contracts, there has been a renewed emphasis not only on price, but also on quality of service, especially in ship management. We now have ship management bases in Japan, the U.K., Oman, Indonesia, Algeria and the U.S. Each base shares the latest information periodically with the view to upgrading quality. Securing seafarers for LNG vessels is also crucial to ensuring quality, because the operation of LNG ships requires high-grade skills. We have thus poured our efforts into educating seafarers in our training facilities in the Philippines, Indonesia, India and the Netherlands.

There is ongoing technological progress in the LNG market, highlighted by "Onboard Regasification" or "Floating Storage Regasification Units (FSRU)" in the open ocean, for environmental reasons. Several countries, such as the U.S. and the U.K., have begun receiving natural gas in this way near densely populated cities as it is cost competitive and a quick alternative to onshore terminals. In March 2007, MOL and Höegh LNG signed long-term contracts with SUEZ LNG Trading for two shuttle & regasification vessels (SRVs) that are scheduled to start delivering LNG to a terminal located offshore Boston, in the U.S. state of Massachusetts from around November 2009. Another technological development is the "Floating LNG (FLNG)" to produce LNG on board at loading ports. We will strive to contribute to such new developments.

The LNG market is gradually changing. As we take steps to meet the various demands for LNG ahead, we will endeavor to drive growth by offering high-quality, value-added services, and in this way stay ahead of the pack in the LNG shipping industry.

## Bulkships Car Carriers

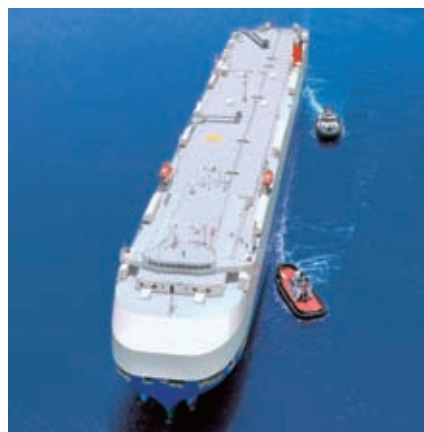
Toshitaka Shishido  
Managing Executive Officer



### Supply-demand Tightening Due to Huge Demand Increase

Global exports of completed vehicles totaled more than 13.5 million units last year, a new record and a rise of 12.5% year on year. In fact, exports have surged since 2000, thanks to a paradigm shift in the auto shipping industry. For instance, Japanese cars are in high demand due to their fuel efficiency, and more nations now export cars. At the same time, the Middle East, Africa, South America, and Russia are importing more cars. As one of the world's premier operators of car carriers, MOL is well positioned to continue benefiting from export growth.

The biggest issue we face right now is tight supply-demand. Car carriers are specialized ships, so it takes time to build them, making it difficult to stay in step with a sudden change in demand. In addition, MOL has cooperated in a variety of ways to meet our customers' urgent demand for ship space, in areas like land transport and using other



The car carrier  
Sanderling Ace

kinds of carriers to transport vehicles, but this has come at a significant cost. We think new rules should be developed to address pressing issues via joint efforts between shipping companies and automakers.

To offset the short supply of vessels and strengthen our competitiveness, we plan to add 13 and 11 new vessels in fiscal 2008 and fiscal 2009, respectively. Simultaneously, we will exclude old ones from our fleet, thereby further enhancing the safety of our operations. There is concern in the industry that a large number of car carriers will come into operation going forward, but given high raw material prices and issues with production capacity at shipmakers this seems unlikely to happen.

### Future Developments and Key Issues

Car exports are spreading to every part of the world. So, we plan to raise our fleet of car carriers from approximately 100 at present to 120 during MOL ADVANCE. In the past, most of our car carriers originated their journeys from Japan, but now 18 of our 100-strong fleet do not call in at Japanese

ports at all. Complex routes are increasing, too, even prompting us to add 2 carriers that can withstand Baltic Sea ice, for example.

We have worked hard over the years on adding new customers along with expanding our fleet; in fact, we now engage in business with almost all automakers that export vehicles. This has consequently enabled us to reduce customer- and region-related risks.

Over the long term, we need to adjust our operations to respond to the increasingly high-level and complex services our customers will require. MOL currently has 20 specialists who gather information and manage carrier operations at frontlines in key global areas outside Japan. In addition to long-standing offices in the USA, Europe, and Southeast Asia, we have established offices in India, China, and South America. Targeting business from Russia, we have also initiated a Baltic Sea service. MOL now operates everywhere automobiles are exported.

Seeking the best solutions all the time, we will keep on working to enhance our professional services in terms of both quality and quantity.

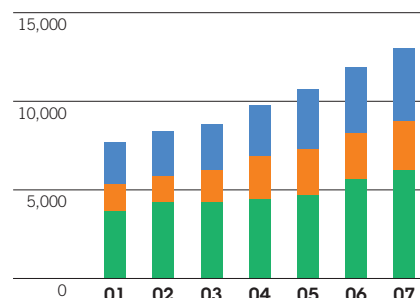


The car carrier  
Wisteria Ace

### World Car Carrier Trade

(thousand units)

■ Others  
■ Export from Korea  
■ Export from Japan  
(MOL internal calculation: excluding CKD)



## Containerships

Masakazu Yakushiji  
Executive Vice President



### Volume Expanding but Costs Rising

Operations went largely as expected this year, but an unprecedented rise in fuel oil prices hurt earnings. We had assumed an average bunker oil cost of \$330/MT, but the bunker price rose as high as \$409/MT, meaning fuel costs were about ¥16 billion higher than expected. But still, by making hardworking efforts to cut costs and raise freight rates, primarily on Asia-Europe routes, we managed to post ordinary income of ¥7 billion, while we had initially expected ¥10 billion in ordinary income.

The containership industry saw an 11% rise in shipments worldwide during the period under review, but our shipments rose by 13% to 3.2 million TEU as a result of our aggressive fleet expansion and development of new shipping routes.

There was little growth in trade volume along Asia-North America routes (a 1.4% increase), our biggest market, and freight rates remained steady on those routes. Because it is common in this trade to negotiate freight rates once a year in early spring and the bunker surcharge system had only a limited effect, we struggled to absorb sharp increases in fuel prices after summer and the corresponding increase in inland transport costs. These were the main reasons that earnings fell short of our initial target. As freight rates on North America routes are negotiated once per year and the bunker surcharge system only minimally offsets higher fuel prices here, MOL and other operators

were unable to stay on top of the steep rise in fuel prices throughout the year.

Asia-Europe routes drove an overall increase in demand. Trade volume on these routes rose 20% year on year, and we managed to offset the rise in fuel prices via a rise in freight rates. Freight negotiations for Asia-Europe routes take place quarterly, meaning that our bunker surcharge system was able to offset the effects of fuel price rises more effectively than on North America routes.

Asia-South America routes remain strong, too, as trade continues to expand. However, trade volume on the Europe-South Africa and inter-Asia routes rose only slightly, contrary to our expectations.

### Fleet Expansion, and Route & Regional Development

MOL is continuing to upgrade its fleet. In fiscal 2007, we launched 11 new large-scale containerships: 4 in the 8,100 TEU class, 3 in the 6,500 TEU class, and 4 in the 4,800 TEU class. We expect these larger vessels to yield a unit cost reduction, along with higher cargo volumes.

MOL has also moved aggressively into new regions. For instance, we started an Asia-Eastern Mediterranean service (November 2007), added 3 new routes to the Middle East (April 2008), and also added a new route to North America from Asia via the Suez Canal (June 2007).

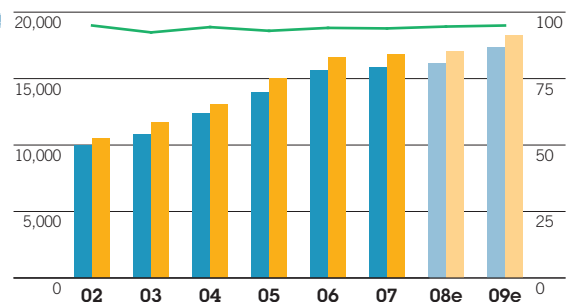
Last year, we did little route consolidation, but we expect to do more in the coming years. In addition, the new vessels we have ordered are priced advantageously, which puts us in a better position than others to reduce unit costs going forward.

In our terminal business, we have begun construction of an MOL terminal in Jacksonville, Florida, which is scheduled to begin operations at the beginning of 2009. In addition, a consortium we participate in has

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

(left scale: thousand TEU, right scale: %)

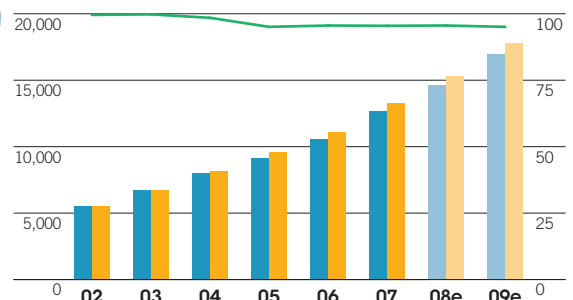
■ Demand  
■ Supply  
— Utilization (right scale)  
Source: MOL estimate



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

(left scale: thousand TEU, right scale: %)

■ Demand  
■ Supply  
— Utilization (right scale)  
Source: MOL estimate





been chosen as a terminal operator in Rotterdam; this terminal is scheduled to begin operations in 2013.

## Future Developments and Key Issues

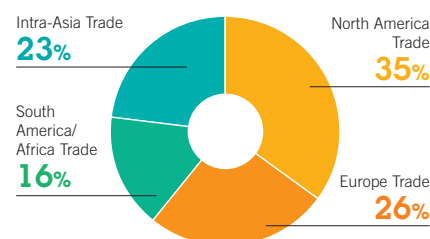
We expect seaborne trade volume in containers to continue growing by 10% a year and we are therefore planning to substantially improve profits. We need to outperform competitors in this highly competitive but growing business segment, and overcome issues such as steeply rising fuel costs to improve profitability.

One way we plan to outperform the industry is by maintaining an optimal demand-supply balance at all times, that is, by adjusting our supply volume swiftly in response to burgeoning demand growth. We must also gather new information in a timely manner and act on it faster and without hesitation, having full belief in our forecasts and prospects. We will re-allocate our fleet capacity to optimally match cargo demand in each trade so that we focus our resources more effectively on routes with greater prospects. We will also pursue the optimal combination of calling ports to reduce cargo expenses.

In order to cope with skyrocketing fuel prices, we will do our best to increase the coverage ratio of the bunker surcharge to absorb the surging fuel cost. Also, we will reduce fuel consumption by slow steaming.

Implementing these strategies, we aim to improve profitability and to enhance our competitiveness as a company that aspires to be ranked among the top global container operators.

## MOL Containerships' Capacity by Trades (Results in FY2007)



The containership  
*MOL Creation*

## Logistics

Masakazu Yakushiji  
*Executive Vice President*

### Recording Steady Growth

At MOL, we see logistics as an integral part of our comprehensive customer services, and something that generates synergies with our core marine transport business.

At the same time, MOL's logistics operations have posted steadily increasing profits since fiscal 2004; in fiscal 2007, ended March 2008, they recorded ordinary income of ¥2.2 billion.

One area that we are expanding is our ocean consolidation business, or OCB (also called buyer's consolidation). OCB has been of great benefit in terms of forecasting container cargo movements, as it can quickly amass customer information. Also, our OCB business is able to choose, within limits stipulated by the customer, the marine transport company it works with, which enables the efficient use of MOL ships. As

a result of these things, our logistics operations continue to grow. In fiscal 2006, the business handled 50,000 TEU, but this rose to nearly 70,000 TEU in fiscal 2007.

One of the main drivers of that growth in fiscal 2007 was an additional OCB contract with IKEA. We first signed a contract with IKEA in 2006 departing from north China. The additional OCB contract, departing from Shanghai, China, from July 2007, should approximately double annual handling units for IKEA. Our OCB customers are increasing. A new customer in fiscal 2007 was Shoe Carnival, a major U.S. shoe retailer which chose MOL to be its consolidator in

China and Hong Kong. It recognized the services MOL Consolidation Service Limited (Hong Kong) has provided them in Asia, as well as our containership services and the various services such as customs clearance provided by our strategic business partner Kintetsu World Express, Inc. Providing Shoe Carnival with comprehensive cargo information via MOL Consolidation Service's STARLINK system has helped make Shoe Carnival's logistics more efficient.



MOL Logistics Group's warehouses in Europe



STARLINK is a transfer inventory management system that provides customers with real-time cargo information at the SKU (stock keeping unit) level over the whole logistical process, from product order to shipping. This system can also be linked with customers' warehouse management systems, and it enables customers to view cargo information via the Internet.

Finally, we should note that we are expanding our proprietary network in China while also increasing the number of branch offices we have there.

## Future Developments and Key Issues

Right now our OCB business has about 30 customers. We are aiming to increase cargo volume handled to 100,000 TEU as quickly as possible. Meanwhile, the next step for our OCB business is expanding its presence in Vietnam and India. We see the rapid increase in container shipping to and from these areas as a significant business opportunity.

Our strategy for the logistics business has focused on determining customer needs and providing the optimal solutions for each customer, minimizing the assets we own. This strategy didn't tie us to facilities we established, making our solution proposals more creative, and thus we have been able to maximize customer satisfaction. We plan to continue this strategy.

We will maintain our focus on providing high-quality services to our customers at competitive prices.

## Ferry and Domestic Transport

Takehiko Yamamoto  
Managing Executive Officer



### Profitability Firmly in Place

The ferry cargo business remains on a solid footing. Thanks to the Japanese government's modal shift policy favoring environmentally friendly modes of transport, demand for ferry cargo space has risen during the past few years, resulting in weekday space utilization of about 100%. In addition, late-night operation of so-called casual ferry services, which we introduced in the Tokyo metropolitan area/Hokkaido route in 2007,

has received full support from major customers. MOL also made efficiency gains by integrating MOL Group ferry companies. Although high fuel costs drove profits down, the business posted ordinary income of ¥500 million. The bunker surcharge helps recoup some of the rise in costs, but due to the time lag before the surcharge takes effect, we could not defray the entire cost increase this year.

Moreover, MOL Naiko, Ltd., which handles domestic transport of such cargo as coal, heavy oil, steel, and salt, saw profits surge in fiscal 2007, due primarily to strong demand. We will continue to expand MOL Naiko's business fields by leveraging synergies with our international shipping operations as has been the case in the past several years. In addition, the Shanghai Super Express, which connects Hakata with Shanghai in only 28 hours, turned profitable for the first time owing to a favorable reception from customers. This service is based on the concept of "sea price & air transit," or SPAT, which aims to stake out the middle ground between airlines and container shipping. There are currently two round-trip voyages a week, but we expect to increase this going forward.

## Future Developments and Key Issues

Although we have achieved almost 100% utilization rates for cargo space, utilization rates for passenger space on our ferries are not always high. The exception is peak seasons like summer holidays. We, therefore, see good potential for increasing our revenues without incurring additional navigation costs.

To capture this potential, we are continuing to enhance onboard service quality and yield management skills, which

we believe will attract more passengers and boost demand. As part of this drive, we put two new boats on our Inland Sea route that feature improved interior designs and upgraded food services. These boats also offer barrier-free access and cabins where passengers can bring pets. We expect more passengers to support these enhanced services.

As the Japanese population ages, we expect the ferry passenger market to see stable growth, bringing with it more business opportunities.



Sunflower Gold commissioning ceremony

## Associated Businesses

Takehiko Yamamoto  
Managing Executive Officer

### Strong Office Building Business

Daibiru Corporation, which owns 18 buildings in Tokyo and Osaka, accounts for about 70% of the ordinary income from associated businesses. Sales in fiscal 2007 totaled ¥32 billion, while ordinary income was ¥9 billion. This business produces stable profits that are not impacted by currency or fuel oil price fluctuations. As such, it helps boost consolidated earnings.

A major development during the year under review was the integration of MOL's real estate management businesses, which had been divided among MOL Group companies. This integration should result in improved efficiency and customer service.

As regards port-related services, MOL is one of the top domestic tugboat operators, and also has stakes in tugboat companies in Hong Kong and mainland China.

Based on expectations for high growth in Asia for tugboat operations, we plan continued expansion.

Reflecting skyrocketing fuel prices, sales of PBCF (see page 50), which help improve fuel efficiency, remained as brisk as in the past few years. This boosted the income of wholly owned subsidiary Mitsui O.S.K. Techno-Trade, Ltd., which sells ship parts and related goods.

## Future Developments and Key Issues

Performance by office buildings in major metropolitan areas should remain strong in the interim. To take maximum advantage of the fact that all of Daibiru's real estate

holdings are in prime areas, we plan to rebuild some of Daibiru's properties, further strengthening our position in the market.

The number of cruise ship passengers has risen significantly in recent years, due to the aging of the Japanese population. As a result, we decided to overhaul the *Nippon Maru*, making it even more luxurious; the overhaul will be completed by the spring of 2010. Specifically, we plan to add more cabins, restaurants, and lounges in an effort to increase passenger satisfaction; we also plan to add spa facilities. By making the popular *Nippon Maru* even more appealing, MOL will boost its brand image in the cruise ship market and increase awareness of MOL's success in B to C fields.



Computer graphic of renovated *Nippon Maru*



- Local Offices
- Main Calling Ports



# Board of Directors, Corporate Auditors and Executive Officers

(As of June 24, 2008)

## Board of Directors



Kunio Suzuki  
*Representative Director, Chairman*



Akimitsu Ashida  
*Representative Director*



Saburo Koide  
*Representative Director*



Hidehiro Harada  
*Representative Director*



Masakazu Yakushiji  
*Representative Director*



Kenichi Yonetani  
*Director*

## Corporate Auditors

Munehisa Kusunoki  
*Corporate Auditor*

Kazumasa Mizoshita  
*Corporate Auditor*

Kensuke Hotta  
*Corporate Auditor*  
(Chairman, Hotta Partners Inc.)

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

## Executive Officers

Akimitsu Ashida  
*President Executive Officer*

Saburo Koide  
*Executive Vice President Executive Officer*  
(Assistant to President, [mainly in business divisions])

Hidehiro Harada  
*Executive Vice President Executive Officer*  
(Assistant to President, [mainly in administrative divisions])

Masakazu Yakushiji  
*Executive Vice President Executive Officer*  
(Assistant to President, [mainly in Liner Division], Logistics Business Division)

Kenichi Yonetani  
*Senior Managing Executive Officer*  
(General Affairs Division, Finance Division, Accounting Division, Investor Relations Office)

Yoichi Aoki  
*Senior Managing Executive Officer*  
(Technical Division, LNG Carrier Division, Human Resources Division)

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

Koichi Muto  
*Senior Managing Executive Officer*  
(Secretaries Office, Corporate Planning Division, Internal Audit Office, Public Relations Office, Information Systems Office)

Toshitaka Shishido  
*Managing Executive Officer*  
(Car Carrier Division)

Hiroshi Tanaka  
*Managing Executive Officer*  
(Dedicated Bulk Carrier Division)



Yoichi Aoki  
Director



Koichi Muto  
Director



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



Yoko Ishikura  
Director  
(Professor at Hitotsubashi University Graduate School)



Takeshi Komura  
Director  
(Executive Advisor of Tokio Marine & Nichido Fire Insurance Co., Ltd.)

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

Kazuhiro Sato  
Managing Executive Officer  
(LNG Carrier Division)

Noboru Kitazawa  
Managing Executive Officer  
(President/CEO of MOL (America) Inc.)

Soichi Hiratsuka  
Managing Executive Officer  
(Human Resources Division, Marine Safety Division, MOL Ship Management Co., Ltd., MOL Tankship Management Ltd., MO LNG Transport Co., Ltd.)

Tsuneo Watanabe  
Managing Executive Officer  
(Tanker Division)

Tetsuya Minato  
Executive Officer  
(Liner Marketing, President of Mitsui O.S.K. Lines (Japan), Ltd.)

Shugo Aoto  
Executive Officer  
(Finance Division, Accounting Division)

Kenji Yokota  
Executive Officer  
(Technical Division)

Kuniaki Motohashi  
Executive Officer  
(Research Office, Global Marketing)

Takashi Kurauchi  
Executive Officer  
(Car Carrier Division)

Makoto Yamaguchi  
Executive Officer  
(Bulk Carrier Division, Dry Bulk Carrier Supervising Office)

Kenichi Nagata  
Executive Officer  
(General Manager of Coal and Iron Ore Carrier Division)

Junichiro Ikeda  
Executive Officer  
(Liner Division)

Kazunori Nakai  
Executive Officer  
(General Manager of Tanker Division)

Masahiro Tanabe  
Executive Officer  
(Managing Director, MOL (Europe) B.V.)

Shizuo Takahashi  
Executive Officer  
(General Manager of Corporate Planning Division)

Masaaki Nemoto  
Executive Officer  
(Safety Marine Division, MOL Tankship Management Ltd., MO LNG Transport Co., Ltd.)

## 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 onto the board, separated management and executive functions, and set standards for accountability, risk management and compliance. These reforms were implemented as follows:

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

Actions in Recent Years	
June 2006	In response to the enforcement of the Financial Instruments and Exchange Law, the Internal Control Planning Office was established in the Corporate Planning Division. In fiscal 2007, this office enhanced internal control systems for the purpose of ensuring the accuracy of financial reporting, in accordance with that law.
<b>Number of Meetings of Governance Bodies in Fiscal 2007</b> The number of meetings during the fiscal year of the Board of Directors, Executive Committee and their sub-committees is shown in the Corporate Governance Organization chart on the opposite page.	

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

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

1. Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation

stage. The 11 directors, including external directors, thoroughly evaluate and discuss the pros and cons of the projects and make decisions on their feasibility from many perspectives. Transferring the authority to implement projects within the scope of the basic policy to executive officers supervised by the president speeds decision making on individual projects. The separation of the management and execution functions was one important contribution to allowing the MOL Group to build up a fleet of the right type of vessels at the right time.

2. Another important responsibility of the Board of Directors is deliberation on corporate strategy and vision. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management.

These discussions provide an opportunity for lively debates that include the external directors and corporate auditors, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.

3. The Board of Directors has 11 members, including three external directors who are completely independent and have no conflict of interest with MOL. There are four corporate auditors, who are responsible for performing statutory auditing functions, including two individuals who are completely independent and have no conflict of interest with MOL. At a time when the auditing systems of corporations are taking on added importance, it goes without saying that the independence of auditors from management and policy execution is assured. Our corporate auditors work closely with the Internal Audit Office and independent public accountants to assure effective corporate governance. They also work on strengthening corporate governance and compliance throughout the group.

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

\*72 companies as of August 2007.

## 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 2007, the president participated in the company's presentations of quarterly results and attended meetings with domestic and foreign investors. This reflects his conviction that it is the chief executive officer's responsibility to explain future corporate strategies to investors. The company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TD-net, the company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed on the same day to foreign investors registered with the company.



These types of activities have been highly evaluated, and in fiscal 2005, MOL received the Special IR Prime Business Award from the Japan Investor Relations Association (JIRA), which is presented to companies that have received the IR Prime Business Award three times. Also, in the Nikkei Annual Report Awards, which are judged by institutional investors, MOL's annual report has been highly evaluated for its aggressive disclosure, winning the top prize once and the excellence prize three times.

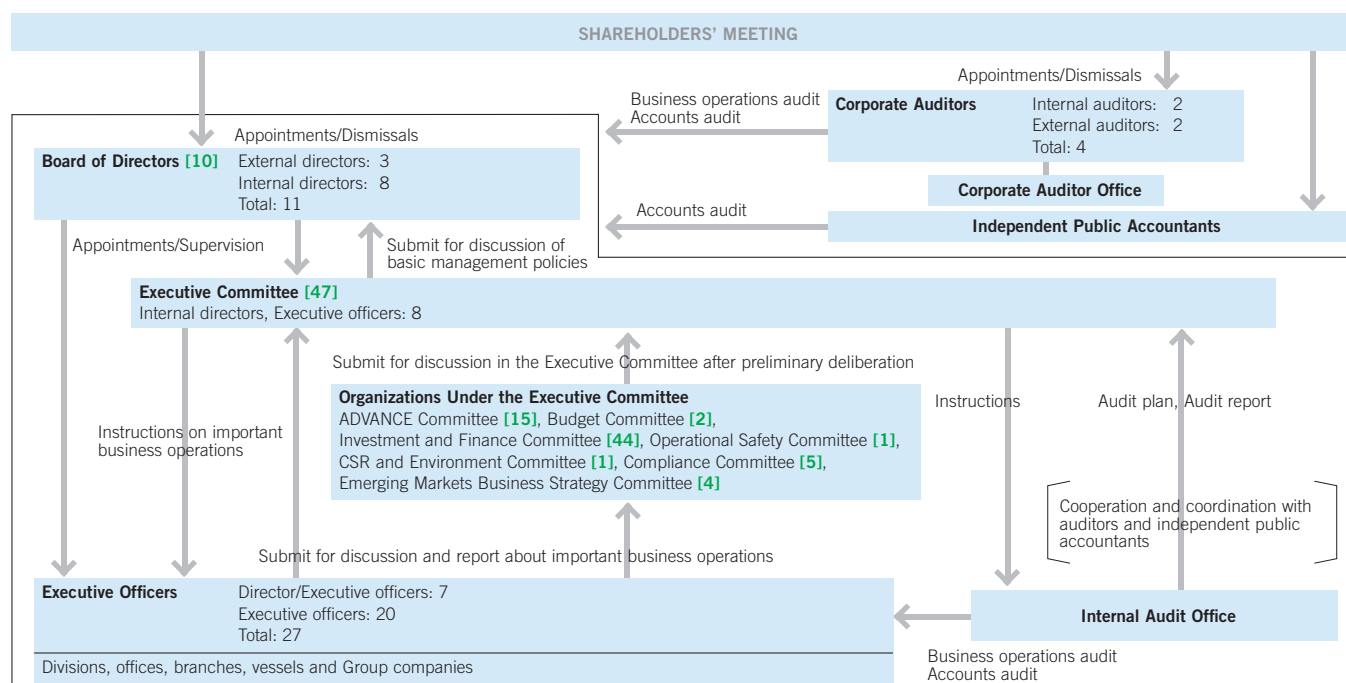
The responsibility to provide information is not limited to management and financial issues. Accordingly, in regard to the four major marine accidents that occurred in fiscal 2006, MOL disclosed the situation directly after each incident, providing a total of 18 press releases for the four accidents. These accidents were highly regrettable, and MOL believes that it has a responsibility to disclose the situation to everyone who is directly or indirectly affected. While we will continue to do our utmost to prevent accidents, we will also maintain a policy of disclosing information, even if it is negative.

## Director Compensation

The Board of Directors, including the external directors, determines compensation for the directors. Compensation paid to directors in fiscal 2007 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

## Corporate Governance Organization (as of June 24, 2008)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2007.

## Compensation for Directors

	(¥ millions)	(Thousands of U.S.\$)
Compensation for internal directors	¥845	\$8,434
Compensation for external directors	61	609
Compensation for internal corporate auditors	67	669
Compensation for external corporate auditors	15	150
Total	¥988	\$9,861

similar positions, as well as to presidents of consolidated subsidiaries, to motivate them to carry out operations for the benefit of shareholders.

## Compliance

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 deputy president, and formulating the Compliance Policy 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 2007 is shown in the table below.

## Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.\$)
Compensation for auditing services	¥68	\$676
Compensation for auditing-related services	8	77
Compensation for other services*	51	511
Total	¥127	\$1,264

\*Related to establishment of internal control system for the purpose of financial reporting

## A Message from an Outside Corporate Auditor —Foreseeing Risks Ten Years Ahead

Kensuke Hotta  
*Corporate Auditor*



I have been an MOL external corporate auditor since 2003, at which time I was chairman of the Japan arm of a major foreign-owned securities company. What I saw at my first Board of Directors meeting impressed me—MOL directors not only sought the candid opinions of outside directors and corporate auditors, but they took those opinions seriously. It was clear the Board wanted to bring in an outside perspective. This to me is the most advanced sort of corporate governance.

One of the most important roles of outside directors and corporate auditors is to reflect the opinions of shareholders and other stakeholders in management. And corporate governance is there to keep management responsibility clear by ensuring proper management appointments and dismissals. It is vital that management remains transparent, and that companies can properly account for their management to all stakeholders. On these points, I think MOL's corporate governance is functioning very well.

MOL is a leader in the marine transport industry, but in 2007 it launched a new midterm management plan MOL ADVANCE, embarking on a journey for growth to become a leading global corporation. Under this plan, MOL is investing an amount equivalent to shareholders' equity in building its fleet of ships. Accordingly, MOL must recognize all the risks it faces every day and be prepared to deal properly with the unexpected. I have therefore asked management to draw up various risk scenarios for 10 years down the road.

One of the key issues MOL ADVANCE must address is its global workforce. MOL has a pool of extremely talented individuals, but while it generates the majority of its earnings from overseas businesses and many foreigners work in its subsidiaries, there is no foreigner in an executive position in the head office. With the share of overseas earnings only expected to increase going forward, a more global viewpoint and insight will be required. I think MOL must add a foreigner to its management team to incorporate a perspective that is different to Japanese executives. Another important point is safe operation. MOL has learned from marine accidents two years ago and is concentrating more than ever on safety. However, there is a need for repeated training exercises that impress upon all senior executives and employees the fact that safety is one of MOL's biggest risks.

Japanese-style thinking is also important as MOL seeks to expand globally. In Japan, the basic business philosophy has long been that everyone—the buyer, the seller, and the rest of society—should benefit. Rather than focusing on short-term profits, business activities should be rooted in society because a company only exists as part of the workings of society. In my view, it is imperative to increase shareholder value over the long term by creating a de facto global standard that originates from Japan, one that mixes Japanese values with the Anglo-Saxon approach to capitalism. I'm convinced that repeated efforts in this regard will earn the understanding and support of a large number of shareholders and other investors.

# Corporate Social Responsibility (CSR)

## MOL's Approach to CSR

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

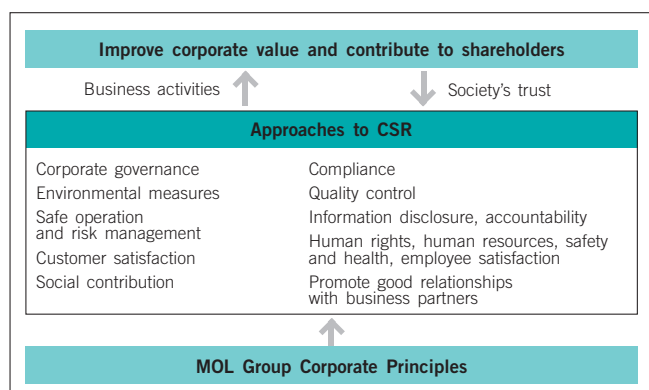
The MOL Group provides an indispensable service to society through its operation of a fleet of oceangoing ships. We have been able to grow steadily over the last 124 years because, from the very beginning, we have consistently followed business policies compatible with contemporary standards of CSR, 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 acts as the CSR and Environment Committee's secretariat and promotes CSR initiatives throughout the MOL Group.

The CSR and Environment Office positions CSR activities as shown in the diagram below and works to achieve targets it sets for each item each fiscal year.

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



## Rules of Conduct

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

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

In March 2005, the MOL Group's participation in the United Nations Global Compact initiative was acknowledged and accepted by the United Nations. The Global Compact was initiated in 1999 by United Nations Secretary-General Kofi Annan and was ratified in July 2000. The Global Compact asks companies to embrace, support and enact,



within their sphere of influence, a set of 10 core values in the areas of human rights, labor standards, the environment, and anticorruption.

By participating in the Global Compact, which is consistent with the Rules of Conduct, the MOL Group has declared its commitment to working toward the realization of the Global Compact's core values.

## Environmental Protection

### Environmental Management System and Certifications

**ISO 14001:** MOL expanded the scope of its Environmental Management System, MOL EMS 21, from onshore operations to all vessels in the fleet (excluding charters of one year or less) and in January 2003 received ISO 14001 international certification for environmental management. Furthermore, Mitsui O.S.K. Passenger Line, Ltd., MOL Ferry Co., Ltd.,

Kusakabe Marine Engineering Co., Ltd., MOL Logistics (Japan) Co., Ltd., and three other MOL Group members have received ISO 14001 certification based on MOL EMS 21 or their own environmental management systems.

**Green management:** MOL Group companies in Japan are working hard on complying with the “green management” environmental certification system promoted by the Japanese Ministry of Land, Infrastructure and Transport. In August 2005, Kyushu Kyuko Ferry Co., Ltd.\* became the first domestic shipping company in Japan to earn this certification. Thus far, 14 MOL Group companies have been certified.

\*Merged with MOL Ferry Co., Ltd. in June 2007



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

## Environmental Technology

MOL Group is developing technologies that will contribute to environmental protection and energy conservation and will serve as global warming countermeasures. 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<sub>2</sub>, NO<sub>x</sub>, and SO<sub>x</sub>. As of the end of April 2008, we had received 1,400 orders (cumulative) for the use of this technology since the PBCF system was developed in 1987.



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

these features, the *Euphony Ace* is attracting much attention as a next-generation eco-ship.

**Ferry Sunflower Gold:** Operated by The Diamond Ferry Co., Ltd., an MOL Group company, the *Sunflower Gold* picked up the Outstanding Ferry Technology Award at the ShipPax Award 2008, which is sponsored by ShipPax Information of Sweden. The award recognized efforts to reduce greenhouse gas emissions through the bold adoption of a single screw hullform. This award was created in 1999 and is bestowed on vessels boasting outstanding technologies and designs from newly delivered ferries, RORO and cruise vessels worldwide.



The ferry Sunflower Gold



## 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 2008, 94% of MOL's tankers had double hulls.



Double-hull structure

## Prevention of Air Pollution and Global Warming

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.

**Solar power generation system at Ohi Container Terminal:** In March 2007, MOL and MOL Group company International Container Terminal Co., Ltd. (TICT) started operation of a solar power generation system at the Ohi Container Terminal in Tokyo Port. The system includes 1,200 solar panels that have been installed on the roofs of the gatehouse and container washing facility. With a generation capacity of 200 kilowatts, it is the largest private-sector solar power generation system in the Tokyo metropolitan area. The system's annual output is enough to supply about 60 typical households.



## Social Service Activities

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

**Transport of relief supplies:** MOL provides financial aid to the United Nations High Commissioner for Refugees (UNHCR) for the purchase of emergency supplies. In addition, MOL has provided free transport of such relief supplies between China and Dubai, U.A.E. The UNHCR, which is the United Nations' refugee agency, was established to provide protection and support to refugees who have lost the protection of their own countries due to war or oppression. As an ocean shipping company that has a worldwide transport network, MOL will continue to act in accordance with humanitarian principles by supporting the UNHCR through the provision of free transportation and other means.

**Kids' Cruise:** Following a similar event in the previous year, in March 2008 MOL invited 153 pairs of parents and children—a total of 306



people—to enjoy a cruise on the *Nippon Maru* at no charge. The cruise was planned and conducted by MOL employees who volunteered their time. During the cruise, the ship became a floating classroom to teach children about the sea, ships and the marine transportation business, as well as about environmental issues from the standpoint of ships and the seas.

## Third-party Opinions

### MOL Selected for Continuing Inclusion in Dow Jones Sustainability Indexes (DJSI)

Since 2003, MOL has been included in the 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 2007, MOL was selected for continuing inclusion in the DJSI.



### MOL Selected for Continuing Inclusion in the FTSE4Good Global Index

FTSE is a global index company owned by *The Financial Times* and the London Stock Exchange. Since 2003, FTSE has included MOL in one of its major indices, the FTSE4Good Global Index, which is a socially responsible investment index. In June, 2008, MOL was selected for continuing inclusion in the index.



### MOL Selected for Continuing Inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI)

The MS-SRI, Japan's first socially responsible investment index, is based on the stock prices of 150 of Japan's listed companies that have been selected by Morningstar Japan K.K. for superior social responsibility. MOL has been included in the MS-SRI since 2003. In September 2007, MOL was selected for continuing inclusion in the index.



MOL's approach to CSR and environmental issues is discussed in detail in our *Environmental and Social Report*.  
URL: <http://www.mol.co.jp/csr-e/index.shtml>

## Financial Section

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  - 63** Notes to Consolidated Financial Statements
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# Management's Discussion and Analysis



Kenichi Yonetani  
Senior Managing Executive Officer

## Financial Issues and Strategy

As is the case in many other industries experiencing global expansion, a marine transport company must navigate a multitude of risk factors, riding the waves of both long- and short-term business cyclical trends, some big and some small. The company must carefully time efforts to build its fleet, to maintain a strategic and effective business operation. Naturally, in order to meet these challenges it is essential to have a solid financial base.

In fiscal 2007, MOL embarked on its current midterm management plan, "MOL ADVANCE", aimed at achieving sustained profit growth. One of the key themes of this plan is to "sustain growth in both quantity and quality." From a financial standpoint, this entails improving the gearing ratio (interest-bearing debt/shareholders' equity), by controlling the increase in interest-bearing debt as a result of aggressive capital expenditures while steadily expanding shareholders' equity.\*

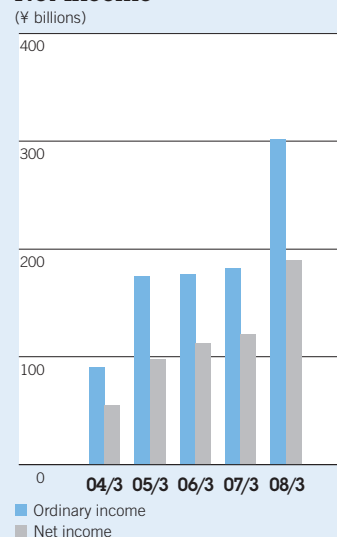
In order to accelerate growth in its global operations, the company will seek to leverage the strong fundraising capabilities of the entire MOL Group, while naturally doing its best to manage funds efficiently. In addition, it is extremely important for the company to address tax planning issues on a global basis to respond to the demands of an increasingly borderless market and maintain its international competitiveness in the highly integrated global market in which it operates.

\* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated gains from valuation and translation adjustments.

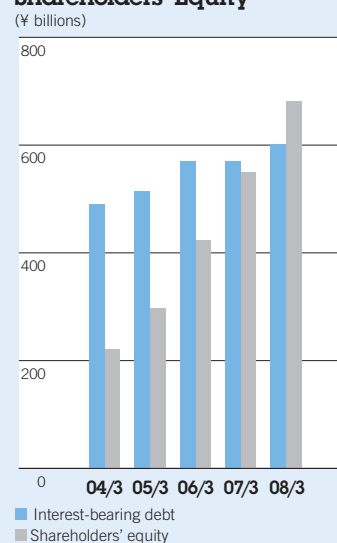
## Fund-Raising and Capital Investment

The original target in "MOL ADVANCE" called for the company to add 196 vessels over the 3-year period from fiscal 2007 through fiscal 2009, at a cost equivalent to around ¥1.1 trillion. However, expected burgeoning demand for ships prompted the company to add 22 ships to its fleet plan over the past year, raising the total as March 31, 2008 to 218 vessels, or a combined value of ¥1.3 trillion. Of these, roughly 40% will be owned by either the parent company or one of its overseas subsidiaries, and carried as assets on the balance sheet under the category "vessels." The other 60% will be chartered under long-term contracts with the vessel owners, and thus will not appear on the balance sheet. Capital expenditures include new ship construction costs, which are roughly equivalent to 40% of total fleet addition costs, as well as the cost of purchasing used vessels (including some vessels purchased under options in the lease agreements), and investments in fixed assets other than ships. These capital expenditures are expected to total ¥717.0 billion over 3 years, which falls within the range of projected operating cash flow for fiscal 2007–09 (¥725.0 billion).\* Therefore, the company should be able to continue investing aggressively in new ships while controlling the increase in interest-bearing debt.

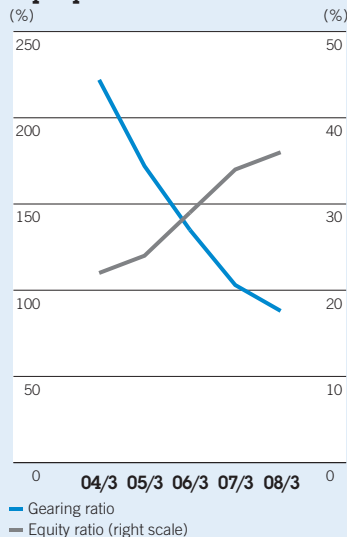
### Ordinary Income, Net Income



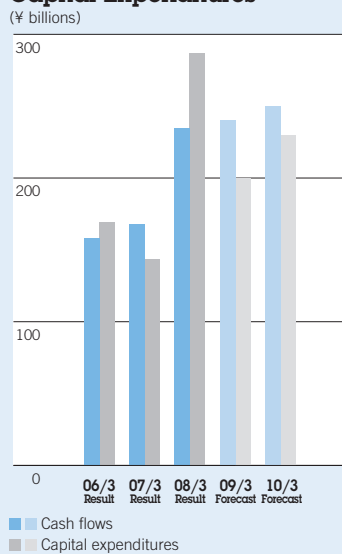
### Interest-bearing Debt and Shareholders' Equity



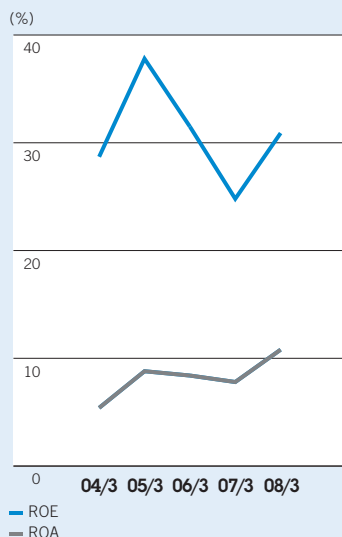
## Gearing Ratio and Equity Ratio



## Cash Flows and Capital Expenditures



## ROA and ROE



Looking at capital expenditure activities for fiscal 2007 alone, the company added 58 new vessels to its fleet and also brought forward purchases of used vessels for a total cost of ¥287.0 billion, which slightly increased interest-bearing debt to ¥601.2 billion. However, due to a healthy increase in total shareholders' equity, the gearing ratio improved from 103% at the end of fiscal 2006 to just 88%. This allowed MOL to fulfill a goal of its "MOL ADVANCE" plan—reducing the gearing ratio to less than 100%—in the very first year of the plan.

In fiscal 2008, operating cash flow is expected to be roughly the same as in fiscal 2007, and the company also plans to use its cash to fund some of the construction of new vessels and the refinancing of existing vessels. This should enable it to continue minimizing any increase in interest-bearing debt. Regarding external fund procurement, even though the sub-prime loan crisis has greatly changed financial market conditions, MOL maintains close and expanding relationships with many lenders. These provide the company with a variety of options for obtaining the capital needed to maintain its international competitiveness. Adverse factors such as the strong yen and rising bunker prices are expected to continue. However, the company expects to maintain a steady consolidated ordinary income of over ¥300.0 billion in fiscal 2008 and beyond. The abundant cash flow from this should allow the company to reduce the gearing ratio to less than 60% in fiscal 2009.

\* Cash flow=Net income+Depreciation-Dividend

## Confirming Progress in Financial Strategy

FY2009 Targets	FY2007 Results	Status
Improve the equity ratio to over 40%	36%	Exceeded fiscal 2007 target (35%) due to the accumulation of retained earnings.
Improve gearing ratio to less than 100%	88%	Though the company has invested aggressively in new ships, as planned, free cash flows have kept the increase in interest-bearing debt below projected levels. The fiscal 2007 result outperformed the target of 105%.
Improve ROA to over 7%	10.8%	Maintaining ROA at a high level.

## Shareholders' Equity

Shareholders' equity has risen as a result of higher-than-expected net income, which elevated consolidated retained earnings. MOL now expects to increase shareholders' equity to ¥1.0 trillion by the end of fiscal 2009, far surpassing our original target of ¥860.0 billion. Assuming that we reach this goal, the company will also attain an equity ratio of 45%, far above the goal of more than 40%. On the other hand, the company carries lease-related liabilities which do not appear on the balance sheet (roughly ¥250.0 billion in future lease payments at March 31, 2008). Therefore, we still consider it necessary to improve the gearing ratio further to lift the equity ratio substantially above target, so the company will keep its consolidated dividend payout ratio at 20% for the time being.

Last year, when the share price was rising, holders of MOL's convertible bonds (euro yen zero-coupon CBs issued in March 2006 and due in 2011; total issuance amount: ¥50.0 billion) for the first time began converting the CBs to common stock. Roughly ¥0.9 billion worth of these bonds were converted, and more are likely to be exchanged for common shares as the maturity date approaches. This would help to increase shareholders' equity.



Our general roadmap calls for increasing shareholders' equity. This will cause a gradual decline in ROE, which is currently at a very high level, but we view this as a necessary step to support longer-term growth. In fiscal 2007, however, strong earnings raised ROE to 31%, versus our initial target of 25%. The company will make a concerted effort to keep ROE at relatively high levels.

## Credit Ratings

Credit ratings are an important focal point of MOL's financial strategy, since stronger ratings will further enhance the company's ability to procure capital on competitive terms. In fiscal 2007, we successfully achieved the target of boosting the company's rating with some overseas rating agencies to A Category, and its domestic credit rating to AA Category. Hereafter, the company will work to convince those credit rating agencies that have not yet upgraded our rating to that level to do so, and we will take steps to improve ratings further in the future, by bolstering shareholders' equity to further strengthen the company's financial position.

### Credit Ratings

R&I	AA-
JCR	AA-
Moody's	A3
Standard & Poor's	BBB+

## Cash Management

Since fiscal 2000, the MOL Group has implemented a "Cash Management System" (CMS) to promote the more effective use of available funds by Group companies. In fiscal 2007, these efforts helped the company reduce loans from outside sources by ¥13.0 billion, thereby reducing total interest expenses by over ¥100 million. In the future, the company will seek to further improve global cash management by taking steps to use funds more efficiently in each overseas region.

Naturally, as the scale of the company's operations expands, so could the level of risk related to outstanding receivables. To minimize this risk, the company will seek to collect outstanding receivables as quickly as possible, and further strengthen cash management for the Group as a whole.

## Global Tax Planning

The "tonnage tax" system is a standardized tax system that is utilized in the global marine transport industry. During fiscal 2008, Japan intends to make the necessary changes to its own tax system, allowing companies to apply the tonnage tax system in fiscal 2009. MOL plans to aggressively introduce this system in its own operations. However, since this system will apply only to Japanese-flagged vessels, the benefits that the new system should generate, in terms of reducing corporate taxes, will be quite limited relative to the benefits for ships from overseas countries, which have typically used tonnage tax systems.

On the other hand, the introduction of global tax planning will create an environment in which MOL can compete on a level playing field with marine transport companies in other countries, in terms of the tax burden. From that perspective, it will be very beneficial to adopt this system. Today, as it works to expand its overseas bases, the company will seek to make effective use of the marine transport-related tax structures of various countries, particularly in Asia and Europe.

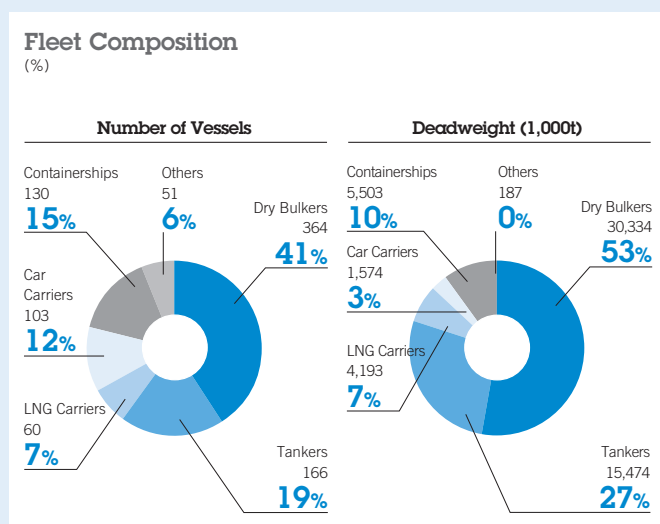
## Risk Management

### Fluctuations of Cargo Volume, Fleet Supply, and Freight Rates

A global shipping business must adopt a similar approach to investment fund managers in managing the various risks it faces. It is essential to carefully appraise the investment risk of each business and develop a portfolio of operations that generate maximum return. In the marine transport business, there are a multitude of factors that are subject to change, such as changes in the trade structure, demand for freight space, and market conditions, and the company that responds to these factors most skillfully can expect the best performance. With this in mind, MOL has adopted a strategy of “diversifying operations to reduce risk” and “raising highly stable profits,” in order to maximize returns and sustain profit growth.

#### Diversifying operations to reduce risk

MOL has advocated a “full-line marine transport group” operating a fleet of 874 vessels of various types and sizes to transport a host of different cargo. One could even go so far as to say that there are as many markets as there are kinds of ships. Each of these markets experiences all sorts of fluctuations, some of which are closely related and some of which are not. Since the company maintains a vast breadth and scale of operations, however, these fluctuations tend to balance out such that the impact on total consolidated earnings is comparatively modest.



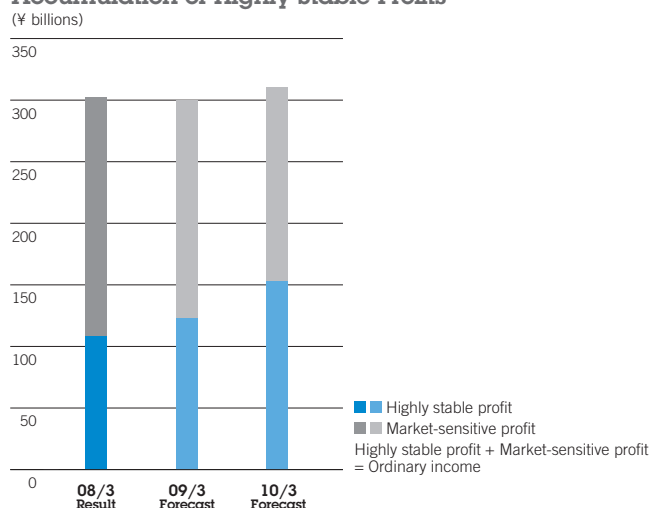
#### Raising highly stable profits through the use of medium- and long-term contracts and other means

MOL understands that market fluctuations represent an opportunity as well as a risk, and the company responds to temporarily favorable market conditions by seeking short-term contracts that will allow the company to

maximize profits. At the same time, the company pursues medium- and long-term contracts that allow us to develop long-standing relationships of trust with customers, and ensure a stable future cash flow that will help reduce the risk that market fluctuations could have on our results.

The company is taking a long-term approach to expanding operations in sectors that are relatively immune to changes in the external environment, and therefore generally produce stable profits. In this way, we aim to increase what we call highly stable profits. Based on conditions at the end of March 2008, we are forecasting highly stable profits to reach ¥123.0 billion in fiscal 2008 and ¥153.0 billion in fiscal 2009.

#### Accumulation of Highly Stable Profits



#### Exchange Rate Fluctuations

In the international marine transport business, freight fees are usually denominated in U.S. dollars. Therefore, the vast majority of revenue is generated on a dollar basis. Since dollar-denominated revenue exceeds dollar-denominated expenses, when the yen strengthens on foreign exchange markets—particularly against the US dollar—this can have a negative impact on Group earnings. Based on recent earnings trends, the impact on consolidated ordinary income is, at a maximum, about ¥3.8 billion per year for each ¥1-per-dollar change in the yen/U.S. dollar exchange rate.

#### 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 tries to hedge against this risk by procuring funds through fixed-rate loans and using interest-rate swaps at times when the market interest rate is declining, in order to lock in its interest rates. As of March 31, 2008, yen-denominated and U.S. dollar denominated interest-bearing

liabilities totaled ¥601.2 billion, and approximately 80% of that loan principal is locked in at a fixed interest rate. 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.

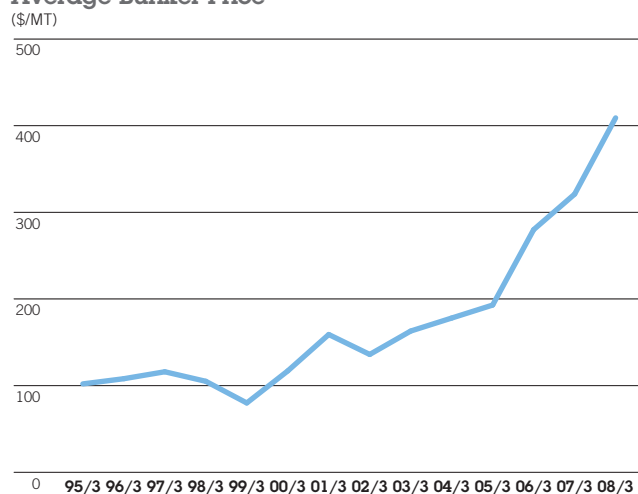
## Bunker Price Fluctuations

The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of nearly 900 vessels, whose annual fuel consumption amounts to nearly 7 million tons of bunker. The company is able to pass on about 60% of the risk created by bunker fluctuations to customers. Therefore, an increase of US\$1 per metric ton in the average annual price of bunker would lower earnings by a maximum of approximately ¥300 million.

Comparing the fuel efficiency of different types of vessels, the speedier container ships with high-horsepower engines consume a far greater volume of fuel, per vessel, than other types of ships. We estimate that these ships account for around 70% of the company's total exposure to bunker price fluctuations. In other words, a US\$1 increase in the price of bunker can have a maximum impact of around ¥200 million on earnings in the container ship division. Therefore, whenever possible, the company tries to gain the customer's understanding and impose a fuel surcharge on container ship operations in order to ensure that earnings in this business remain stable.

The International Maritime Organization has been considering possible measures to address the problem of sulfur oxide and nitrogen oxide emissions generated by ships. Generally, these regulations would take the form of restrictions on the sulfur content of bunker used by ships, or restrictions on the type of electrical generators and shipboard engines that vessels use, in order to reduce nitrogen oxide emissions. Although the details have not yet been clarified, new restrictions are due to be phased in over the period from 2010 to 2025. This is certain to increase fuel costs compared with the cost under present regulations. The company intends to take steps over time to pass on these higher costs via freight rates increases and higher charter fees.

## Average Bunker Price



## Other Cost Increases

In addition to bunker prices, there are a multitude of other costs related to ship maintenance and operation which have an impact on earnings. For example, the current increase in demand for ships has contributed to an increase in the cost of hiring officers and crews, periodic ship inspection and maintenance costs, lubricating oil, and a variety of other expenses.

## Vessel Operations

Since MOL operates a fleet of nearly 900 ships, it is impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and new organizations to support safe operations.

The company's midterm management plan, "MOL ADVANCE," includes comprehensive measures to promote safe operation, in line with its theme of pursuing "growth with enhanced quality." In spring 2007, MOL conducted a thorough revision of its organizational structure, and it plans to invest ¥35.0 billion over the 3-year period from fiscal 2007 to fiscal 2009 with the aim of achieving world-leading transport quality.

### Sensitivity of Ordinary Income to Exchange Rate/Interest Rate/Bunker Price Fluctuations

	Sensitivity p.a.
Exchange Rate (¥/US\$)	A ¥1 appreciation reduces ordinary income by up to ¥3.8 billion
Interest Rate (%)	A 1 point rise reduces ordinary income by 1 to 2 billion yen
Bunker Price (US\$/MT)	A US\$1/MT increase reduces ordinary income by up to ¥0.3 billion

### Details of Measures to Reinforce Safe Operation

	Three-year Total Investment (including capital investment)	(¥ billions)
Intangible Factors	<b>Organizational Restructuring</b> (Improvement of ship management structure, establishment of Safety Operation Supporting Center, etc.)	<b>¥13.0</b>
Facilities and Equipment	<b>Recruiting and Training Seafarers</b> <b>Previewing and Implementing Safety Standard Specifications</b> <b>Ensure Thoroughness of Ship Maintenance Policies, etc.</b>	<b>¥22.0</b>
Total investment		<b>¥35.0</b>

# Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Current assets:</b>			
Cash and cash equivalents . . . . .	¥ 61,716	¥ 51,383	\$ 615,990
Marketable securities (Note 3) . . . . .	42	87	419
Trade receivables . . . . .	244,535	197,262	2,440,713
Allowance for doubtful accounts . . . . .	(324)	(1,782)	(3,234)
Fuel and supplies . . . . .	46,650	28,438	465,615
Deferred and prepaid expenses . . . . .	71,527	59,022	713,914
Deferred tax assets (Notes 2 (14) and 11) . . . . .	5,018	6,191	50,085
Other current assets . . . . .	76,914	64,873	767,681
Total current assets . . . . .	506,078	405,474	5,051,183
<b>Vessels, property, plant and equipment (Note 5):</b>			
Vessels . . . . .	1,192,491	1,037,938	11,902,296
Buildings and structures . . . . .	203,665	201,597	2,032,788
Equipment, mainly containers . . . . .	66,433	69,078	663,070
Land . . . . .	180,589	180,459	1,802,465
Vessels and other property under construction . . . . .	162,197	126,637	1,618,894
	1,805,375	1,615,709	18,019,513
Accumulated depreciation . . . . .	(757,550)	(768,049)	(7,561,134)
Net vessels, property, plant and equipment . . . . .	1,047,825	847,660	10,458,379
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5) . . . . .	130,863	175,403	1,306,148
Investments in and advances to unconsolidated subsidiaries and affiliated companies . . . . .	100,717	92,589	1,005,260
Long-term loans receivable . . . . .	29,652	31,492	295,958
Goodwill (Note 2 (1)) . . . . .	7,167	9,836	71,534
Other intangible fixed assets . . . . .	9,669	9,482	96,507
Deferred tax assets (Notes 2 (14) and 11) . . . . .	2,819	2,707	28,137
Other assets . . . . .	65,761	65,297	656,362
Total investments and other assets . . . . .	346,648	386,806	3,459,906
	¥1,900,551	¥1,639,940	\$18,969,468

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Current liabilities:</b>			
Short-term bank loans . . . . .	¥ 21,549	¥ 73,123	\$ 215,081
Short-term bonds . . . . .	20,125	4,112	200,868
Commercial paper . . . . .	10,000	12,000	99,811
Total short-term debt (Note 5) . . . . .	51,674	89,235	515,760
Long-term bank loans due within one year . . . . .	64,766	74,689	646,432
Bonds due within one year . . . . .	8,981	6,960	89,639
Total long-term debt due within one year (Note 5) . . . . .	73,747	81,649	736,071
Trade payables . . . . .	180,282	151,193	1,799,401
Advances received . . . . .	85,951	67,570	857,880
Accrued income taxes . . . . .	82,215	38,390	820,591
Deferred tax liabilities (Notes 2 (14) and 11) . . . . .	1,009	2,320	10,071
Other current liabilities . . . . .	53,512	52,453	534,106
Total current liabilities . . . . .	528,390	482,810	5,273,880
Long-term bank loans due after one year . . . . .	321,374	273,044	3,207,645
Bonds due after one year . . . . .	137,906	125,490	1,376,445
<b>Total long-term debt due after one year (Note 5) . . . . .</b>	<b>459,280</b>	<b>398,534</b>	<b>4,584,090</b>
<b>Employees' severance and retirement benefits (Note 12) . . . . .</b>	<b>14,469</b>	<b>14,937</b>	<b>144,416</b>
<b>Directors' and corporate auditors' retirement benefits . . . . .</b>	<b>2,161</b>	<b>2,373</b>	<b>21,569</b>
<b>Reserve for periodic drydocking . . . . .</b>	<b>15,457</b>	<b>1,132</b>	<b>154,277</b>
<b>Deferred tax liabilities (Notes 2 (14) and 11) . . . . .</b>	<b>66,403</b>	<b>78,731</b>	<b>662,771</b>
<b>Other non-current liabilities . . . . .</b>	<b>62,739</b>	<b>40,434</b>	<b>626,199</b>
<b>Commitments and contingent liabilities (Note 6)</b>			
<b>Net assets (Note 7):</b>			
<b>Owners' equity</b>			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,206,195,642 shares . . . . .	65,350	64,915	652,261
Capital surplus . . . . .	44,449	43,887	443,647
Retained earnings . . . . .	536,096	375,443	5,350,793
Treasury stock, at cost . . . . .	(4,589)	(4,154)	(45,803)
Total owners' equity . . . . .	641,306	480,091	6,400,898
<b>Accumulated gains (losses) from valuation and translation adjustments</b>			
Unrealized holding gains on			
available-for-sale securities, net of tax (Note 2 (5)) . . . . .	31,647	57,771	315,870
Unrealized gains on hedging derivatives, net of tax . . . . .	12,052	15,898	120,291
Foreign currency translation adjustments . . . . .	(4,228)	(2,996)	(42,200)
Total accumulated gains (losses) from valuation and translation adjustments . . . . .	39,471	70,673	393,961
<b>Share subscription rights . . . . .</b>	<b>968</b>	<b>366</b>	<b>9,662</b>
<b>Minority interests . . . . .</b>	<b>69,907</b>	<b>69,859</b>	<b>697,744</b>
Total net assets . . . . .	751,652	620,989	7,502,266
	¥1,900,551	¥1,639,940	\$18,969,468

# Consolidated Statements of Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Shipping and other revenues</b> (Note 10) . . . . .	<b>¥1,945,697</b>	¥1,568,435	<b>\$19,420,072</b>
<b>Shipping and other expenses</b> (Note 10) . . . . .	<b>1,544,109</b>	1,300,038	<b>15,411,808</b>
<b>Gross operating income</b> . . . . .	<b>401,588</b>	268,397	<b>4,008,264</b>
<b>Selling, general and administrative expenses</b> (Note 10) . . . . .	<b>110,303</b>	100,324	<b>1,100,938</b>
<b>Operating income</b> (Note 10) . . . . .	<b>291,285</b>	168,073	<b>2,907,326</b>
Other income (expenses):			
Interest and dividend income. . . . .	<b>8,781</b>	7,628	<b>87,643</b>
Interest expense . . . . .	<b>(18,065)</b>	(18,276)	<b>(180,307)</b>
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net . . . . .	<b>18,199</b>	16,171	<b>181,645</b>
Others, net (Note 8). . . . .	<b>18,002</b>	24,258	<b>179,679</b>
	<b>26,917</b>	29,781	<b>268,660</b>
<b>Income before income taxes and minority interests</b> . . . . .	<b>318,202</b>	197,854	<b>3,175,986</b>
<b>Income taxes</b> (Notes 2 (14) and 11):			
Current . . . . .	<b>(115,183)</b>	(63,042)	<b>(1,149,646)</b>
Deferred . . . . .	<b>(5,694)</b>	(7,468)	<b>(56,832)</b>
Minority interests. . . . .	<b>(7,004)</b>	(6,404)	<b>(69,907)</b>
<b>Net income</b> . . . . .	<b>¥ 190,321</b>	¥ 120,940	<b>\$ 1,899,601</b>
		Yen	U.S. dollars (Note 1)
<b>Amounts per share of common stock</b> (Note 2 (15)):			
Net income. . . . .	<b>¥159.14</b>	¥101.20	<b>\$1.588</b>
Diluted net income. . . . .	<b>153.18</b>	97.41	<b>1.529</b>
Cash dividends applicable to the year. . . . .	<b>31.00</b>	20.00	<b>0.309</b>

See accompanying notes.

# Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2008 and 2007

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests
Shareholders' equity at March 31, 2006 as previously reported	¥64,915	¥43,887	¥275,689	¥(4,048)	¥48,731	¥ -	¥(4,713)	¥ -	¥ -
Reclassification due to adoption of new accounting standards for presentation of net assets in the balance sheet at April 1, 2006	-	-	-	-	-	-	-	-	68,344
Net assets at April 1, 2006	¥64,915	¥43,887	¥275,689	¥(4,048)	¥48,731	¥ -	¥(4,713)	¥ -	¥68,344
Due to change in consolidated subsidiaries	-	-	(352)	-	-	-	-	-	-
Due to change in affiliated companies accounted for by the equity method	-	-	783	-	-	-	-	-	-
Due to change in accounting period of consolidated subsidiaries	-	-	(65)	-	-	-	-	-	-
Due to merger of affiliated companies accounted for by the equity method	-	-	240	-	-	-	-	-	-
Net income	-	-	120,940	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	(853)	-	-	-	-	-
Disposal of treasury stock	-	-	(37)	747	-	-	-	-	-
Dividends paid	-	-	(21,520)	-	-	-	-	-	-
Bonuses to directors and corporate auditors	-	-	(235)	-	-	-	-	-	-
Net changes during the year	-	-	-	-	9,040	15,898	1,717	366	1,515
<b>Balance at March 31, 2007</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥375,443</b>	<b>¥(4,154)</b>	<b>¥57,771</b>	<b>¥15,898</b>	<b>¥(2,996)</b>	<b>¥366</b>	<b>¥69,859</b>
Issuance of stock (Exercise of share subscription rights)	435	435	-	-	-	-	-	-	-
Due to change in consolidated subsidiaries	-	-	260	-	-	-	-	-	-
Due to change in affiliated companies accounted for by the equity method	-	-	(14)	-	-	-	-	-	-
Net income	-	-	190,321	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	(1,140)	-	-	-	-	-
Disposal of treasury stock	-	127	-	705	-	-	-	-	-
Dividends paid	-	-	(29,914)	-	-	-	-	-	-
Net changes during the year	-	-	-	-	(26,124)	(3,846)	(1,232)	602	48
<b>Balance at March 31, 2008</b>	<b>¥65,350</b>	<b>¥44,449</b>	<b>¥536,096</b>	<b>¥(4,589)</b>	<b>¥31,647</b>	<b>¥12,052</b>	<b>¥(4,228)</b>	<b>¥968</b>	<b>¥69,907</b>

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized gains on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests
Balance at March 31, 2007	\$647,919	\$438,038	\$3,747,310	\$(41,461)	\$576,614	\$ 158,679	\$(29,903)	\$3,653	\$697,265
Issuance of stock (Exercise of share subscription rights)	4,342	4,342	-	-	-	-	-	-	-
Due to change in consolidated subsidiaries	-	-	2,595	-	-	-	-	-	-
Due to change in affiliated companies accounted for by the equity method	-	-	(140)	-	-	-	-	-	-
Net income	-	-	1,899,601	-	-	-	-	-	-
Purchases of treasury stock	-	-	-	(11,379)	-	-	-	-	-
Disposal of treasury stock	-	1,267	-	7,037	-	-	-	-	-
Dividends paid	-	-	(298,573)	-	-	-	-	-	-
Net changes during the year	-	-	-	-	(260,744)	(38,388)	(12,297)	6,009	479
<b>Balance at March 31, 2008</b>	<b>\$652,261</b>	<b>\$443,647</b>	<b>\$5,350,793</b>	<b>\$(45,803)</b>	<b>\$315,870</b>	<b>\$ 120,291</b>	<b>\$(42,200)</b>	<b>\$9,662</b>	<b>\$697,744</b>

See accompanying notes.

# Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 318,202	¥ 197,854	\$ 3,175,986
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	74,481	68,581	743,398
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	(18,199)	(16,171)	(181,645)
Loss on write-down of investment securities	2,956	6	29,504
Loss on write-down of securities issued by subsidiaries and affiliated companies	176	204	1,757
Various provisions (reversals)	11,488	(147)	114,662
Interest and dividend income	(8,781)	(7,628)	(87,643)
Interest expense	18,065	18,276	180,307
Gain on sale of investment securities	(3,509)	(851)	(35,023)
Loss (Gain) on sale of securities issued by subsidiaries and affiliated companies	10	(5,157)	100
Gain on sale and disposal of vessels, property, plant and equipment	(17,440)	(13,393)	(174,069)
Exchange loss, net	4,508	2,013	44,995
Changes in operating assets and liabilities:			
Trade receivables	(46,126)	(23,434)	(460,385)
Fuel and supplies	(18,279)	(2,497)	(182,444)
Trade payables	28,053	22,175	279,997
Others, net	11,932	(21,917)	119,093
Sub total	357,537	217,914	3,568,590
Cash received for interest and dividend	14,996	14,098	149,676
Cash paid for interest	(17,784)	(19,099)	(177,503)
Cash paid for corporate income tax, resident tax and enterprise tax	(71,390)	(56,495)	(712,547)
Net cash provided by operating activities	283,359	156,418	2,828,216
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities	–	(10,288)	–
Purchase of investment securities	(13,727)	(9,358)	(137,010)
Proceeds from sale of marketable securities	32	10,305	319
Proceeds from sale of investment securities	5,895	8,889	58,838
Payments for purchase of vessels and other tangible and intangible fixed assets	(286,983)	(152,180)	(2,864,388)
Proceeds from sale of vessels and other tangible and intangible fixed assets	43,069	25,160	429,873
Disbursements for loans receivable	(10,932)	(6,778)	(109,113)
Collections of loans receivable	8,567	3,964	85,508
Net increase in short-term loans receivable	(3,716)	(9,569)	(37,089)
Others, net	(2,274)	3,806	(22,696)
Net cash used in investing activities	(260,069)	(136,049)	(2,595,758)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term bonds	15,614	(13,186)	155,844
Net increase (decrease) in short-term bank loans	(52,395)	5,502	(522,956)
Net decrease in commercial paper	(2,000)	(5,000)	(19,962)
Proceeds from long-term bank loans	131,645	64,041	1,313,953
Repayments of long-term bank loans	(86,779)	(60,126)	(866,144)
Proceeds from issuance of bonds	29,270	31,039	292,145
Redemption of bonds	(13,271)	(26,887)	(132,458)
Cash dividends paid by the Company	(29,898)	(21,498)	(298,413)
Purchase of treasury stock	(1,140)	(852)	(11,378)
Sale of treasury stock	746	735	7,446
Cash dividends paid to minority interests	(2,905)	(2,693)	(28,995)
Others, net	(617)	(218)	(6,160)
Net cash used in financing activities	(11,730)	(29,143)	(117,078)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,289)</b>	<b>(1,058)</b>	<b>(22,846)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,271</b>	<b>(9,832)</b>	<b>92,534</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>51,383</b>	<b>60,267</b>	<b>512,856</b>
<b>Net cash increase from new consolidation/de-consolidation of subsidiaries</b>	<b>1,062</b>	<b>948</b>	<b>10,600</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 61,716</b>	<b>¥ 51,383</b>	<b>\$ 615,990</b>

See accompanying notes.



# Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2008 and 2007

## 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 Financial Instruments and Exchange Law (formerly Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (together “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) 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 Financial Instruments and Exchange Law (formerly Securities and Exchange Law). Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.19 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 267 consolidated subsidiaries for the year ended March 31, 2008 (264 consolidated subsidiaries for the year ended March 31, 2007). 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 1 unconsolidated subsidiary and 54 affiliated companies for the year ended March 31, 2008, and 1 unconsolidated subsidiary and 53 affiliated companies for the year ended March 31, 2007. Investments in other subsidiaries (115 for the year ended March 31, 2008 and 129 for the year ended March 31, 2007) and affiliated companies (89 and 88 for the respective years) were stated at cost since the Company's equity in net income and retained earnings in such companies were not material.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The difference of acquisition cost over net assets acquired is shown as goodwill and amortized over 5 to 14 years.

Amortization of goodwill is included in “Other income” of the consolidated statements of income.

### (2) TRANSLATION OF FOREIGN CURRENCY

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries keeping their books in Japanese yen are translated into Japanese yen either at a monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into yen at the exchange rate prevailing at the balance sheet date.

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 owners' 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 net assets section of the consolidated balance sheets.

### (3) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### (4) FREIGHT REVENUES AND RELATED EXPENSES

#### 1. Containerships

Freight revenues and the related voyage expenses are recognized by the multiple transportation progress method.

#### 2. Vessels other than containerships

Freight revenues and the related voyage expenses are recognized mainly by the completed-voyage method. Payments received for uncompleted voyages are included in “Advances received” and the related voyage expenses are included in “Deferred and prepaid expenses” in the consolidated 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 with no available fair market value are stated at amortized cost, net of the amount considered not collectible. 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. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as separate component of net assets. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net assets value with a corresponding charge in the income statement in the event net assets value declines significantly. In these cases, such fair market value or the net assets value will be the carrying amount of the securities at the beginning of the next year.

## **(6) FUEL AND SUPPLIES**

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

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

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

*(Change in accounting method)*

The Company and its domestic subsidiaries changed the accounting method for depreciation of vessels, property, plant and equipment acquired on and after April 1, 2007, due to the revision of Japanese Corporate Tax Law. The effect on the consolidated financial statements of the change is not material.

## **(8) AMORTIZATION OF BOND ISSUE EXPENSE AND STOCK ISSUE EXPENSE**

Bond issue expense and stock issue expense are 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 which amounted to ¥3,552 million (\$35,423 thousand) for the year ended March 31, 2008.

## **(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, 2008 and 2007 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 the statements of income using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

## (12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

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

Effective from the shareholders' meeting of the Company, held on June 23, 2005, the Company abolished the retirement benefits plan for directors and corporate auditors. Accordingly, the Company recognizes liabilities for retirement benefit for directors and corporate auditors till the completion of the shareholders' meeting on June 23, 2005, which will be paid upon their retirement.

## (13) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

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

## (14) INCOME TAXES

The Company and its domestic 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 statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

## (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 and conversion of the convertible bonds at the beginning of the year or at the date of issuance.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

## (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 hedging instruments and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedging instruments and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

### Hedging instruments:

Loans payable in foreign currencies  
Forward foreign exchange contracts  
Currency option contracts  
Currency swap contracts  
Interest rate swap contracts  
Crude oil swap contracts  
Commodities futures  
Freight futures

### Hedged items:

Foreign currency future transactions  
Foreign currency future transactions  
Foreign currency future transactions  
Foreign currency loans payable  
Interest on loans and bonds payable  
Fuel oil  
Fuel oil  
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) STATEMENT OF CHANGES IN NET ASSETS**

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for statement of changes in net assets (“Accounting Standard for Statement of Changes in Net Assets” issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (“the Financial Accounting Standard Implementation Guidance No. 9” issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, “the New Accounting Standards”).

## **(18) RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the 2008 presentation. These changes had no impact on previously reported results of operations or cash flows or net assets.

## **(19) CHANGES IN ACCOUNTING METHOD**

### **1. Presentation of net assets in the balance sheet**

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for presentation of net assets in the balance sheet (“Accounting Standard for Presentation of Net Assets in the Balance Sheet” issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (“the Financial Accounting Standard Implementation Guidance No. 8” issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, “the Additional New Accounting Standards”).

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the Additional New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders’ equity sections.

Under the Additional New Accounting Standards, the following items are presented differently at March 31, 2007 compared to March 31, 2006. The net assets section includes unrealized gains (losses) on hedging derivatives, net of tax. Under the previous presentation rules, unrealized gains (losses) on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Share subscription rights and minority interests are included in the net assets section at March 31, 2007. Under the previous presentation rules, companies were required to present share subscription rights and minority interests in the liabilities section and between the non-current liabilities and the shareholders’ equity sections, respectively.

The adoption of the Additional New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the Additional New Accounting Standards had not been adopted at March 31, 2007, the shareholders’ equity amounting to ¥534,866 million would have been presented.

### **2. Share-based payments**

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for share-based payments (“Accounting Standard for Share-based Payment” issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for share-based payment (“the Financial Accounting Standard Implementation Guidance No. 11” issued by the Accounting Standards Board of Japan on May 31, 2006). As a result of the adoption of these standards, operating income and income before income taxes and minority interests decreased by ¥366 million for the year ended March 31, 2007. The effect of the adoption in segment information is disclosed in Note 10.

### **3. Bonuses to directors and corporate auditors**

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for bonuses to directors and corporate auditors (“Accounting Standard for Directors’ Bonus” issued by the Accounting Standards Board of Japan on November 29, 2005). As a result of the adoption of this standard, operating income and income before income taxes and minority interests decreased by ¥306 million for the year ended March 31, 2007. The effect of the adoption in segment information is disclosed in Note 10.

### **4. Reserve for periodic drydocking**

Effective April 1, 2007, reserve for periodic drydocking of vessels was appropriated for the Company’s ship-owning subsidiaries, in addition to the subsidiaries that had already been appropriating the reserve. The change is attributable to expected fleet expansion in future pursuant to the Company’s midterm management plan and to surge in repair costs related to the periodical survey required by the authorities. As a result of the change, operating income decreased by ¥3,358 million (\$33,516 thousand) and income before income taxes and minority interests decreased by ¥14,151 million (\$141,242 thousand), in comparison with the results under the previous method of accounting. The effect of the change in segment information is disclosed in Note 10.

### 3. Securities

A The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2008 and 2007:

(a) Held-to-maturity debt securities:

Securities with available fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Book value . . . . .	¥2,005	¥2,011	\$20,012
Fair value . . . . .	2,008	2,035	20,042
Difference . . . . .	3	24	30

Securities with available fair values not exceeding book values

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Book value . . . . .	¥-	¥-	\$-
Fair value . . . . .	-	-	-
Difference . . . . .	-	-	-

(b) Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2008

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities . . . . .	¥37,655	¥104,187	¥66,532
Bonds . . . . .	15	16	1
Others . . . . .	591	600	9
Total . . . . .	¥38,261	¥104,803	¥66,542

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities . . . . .	\$375,836	\$1,039,894	\$664,058
Bonds . . . . .	150	160	10
Others . . . . .	5,899	5,989	90
Total . . . . .	\$381,885	\$1,046,043	\$664,158

Securities with book values exceeding acquisition costs at March 31, 2007

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities . . . . .	¥40,238	¥152,561	¥112,323
Bonds . . . . .	5	5	0
Others . . . . .	494	498	4
Total . . . . .	¥40,737	¥153,064	¥112,327

Securities with book values not exceeding acquisition costs at March 31, 2008

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities . . . . .	¥12,549	¥10,826	¥(1,723)
Bonds . . . . .	-	-	-
Others . . . . .	3,234	2,305	(929)
Total . . . . .	¥15,783	¥13,131	¥(2,652)

Type	Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference
Equity securities . . . . .	\$125,252	\$108,055	\$(17,197)
Bonds . . . . .	-	-	-
Others . . . . .	32,279	23,006	(9,273)
Total . . . . .	\$157,531	\$131,061	\$(26,470)

Securities with book values not exceeding acquisition costs at March 31, 2007

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities . . . . .	¥5,344	¥4,762	¥(582)
Bonds . . . . .	10	10	(0)
Others . . . . .	4,548	4,502	(46)
Total . . . . .	¥9,902	¥9,274	¥(628)

B The following tables summarize book values of securities with no available fair value at March 31, 2008 and 2007:

Type	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
	Book value		Book value
Unlisted equity securities . . . . .	¥10,862	¥10,984	\$108,414
Others . . . . .	105	157	1,048
Total . . . . .	¥10,967	¥11,141	\$109,462

C Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:  
For the year ended March 31, 2008:

Type	Millions of yen				Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Governmental bonds . . . . .	¥-	¥ -	¥16	¥-	¥ 16
Corporate bonds . . . . .	-	2,000	-	-	2,000
Others . . . . .	-	-	-	-	-
Total . . . . .	¥-	¥2,000	¥16	¥-	¥2,016

Type	Thousands of U.S. dollars (Note 1)				Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Governmental bonds . . . . .	\$-	\$ -	\$160	\$-	\$ 160
Corporate bonds . . . . .	-	19,962	-	-	19,962
Others . . . . .	-	-	-	-	-
Total . . . . .	\$-	\$19,962	\$160	\$-	\$20,122

For the year ended March 31, 2007:

Type	Millions of yen				Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Governmental bonds . . . . .	¥ -	¥ -	¥15	¥-	¥ 15
Corporate bonds . . . . .	-	2,000	-	-	2,000
Others . . . . .	32	-	-	-	32
Total . . . . .	¥32	¥2,000	¥15	¥-	¥2,047

D There were no held-to-maturity debt securities sold in the years ended March 31, 2008 and 2007.

E Total sales of available-for-sale securities sold in the years ended March 31, 2008 and 2007 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Proceeds from sales . . . . .	¥4,922	¥1,202	\$49,127
Gross realized gains . . . . .	3,529	868	35,223
Gross realized losses . . . . .	20	17	200

## 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, 2008 and 2007, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>(1) Currency related:</b>			
Forward currency exchange contracts:			
Sell (U.S. dollar):			
Contracts outstanding . . . . .	¥915	¥7,968	\$9,133
Unrealized gains (losses) . . . . .	35	(149)	349

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Currency swaps:			
Receive Yen, pay U.S. dollar:			
Contracts outstanding . . . . .	¥49,500	¥35,500	\$494,061
Unrealized gains (losses) . . . . .	1,603	(2,186)	16,000
Receive Yen, pay Euro:			
Contracts outstanding . . . . .	¥ 500	¥ 500	\$ 4,991
Unrealized losses . . . . .	(115)	(90)	(1,148)
Receive Euro, pay U.S. dollar:			
Contracts outstanding . . . . .	¥ 7,233	¥ 6,652	\$ 72,193
Unrealized gains (losses) . . . . .	472	(10)	4,711
Receive Euro, pay Yen:			
Contracts outstanding . . . . .	¥ -	¥ 2,348	\$ -
Unrealized gains . . . . .	-	22	-

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>(2) Interest related</b>			
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding . . . . .	¥77,187	¥38,717	\$770,406
Unrealized losses . . . . .	(1,552)	(195)	(15,491)
Receive fixed, pay floating			
Contracts outstanding . . . . .	¥ -	¥ 1,403	\$ -
Unrealized gains . . . . .	-	25	-

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding . . . . .	¥22,262	¥19,932	\$222,198
Unrealized losses . . . . .	(1,100)	(287)	(10,979)
Receive fixed, pay floating			
Contracts outstanding . . . . .	¥13,771	¥16,591	\$137,449
Unrealized gains (losses) . . . . .	17	(69)	170
Receive floating, pay floating			
Contracts outstanding . . . . .	¥12,632	¥13,029	\$126,080
Unrealized gains . . . . .	13	20	130

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 ¥51,674 million (\$515,760 thousand ) and ¥89,235 million at March 31, 2008 and 2007 respectively, were principally unsecured. The interest rates on short-term debt were mainly set on a floating rate basis.

### (2) LONG-TERM DEBT

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Bonds:</b>			
1.190% yen bonds due 2009 . . . . .	¥ 10,000	¥ 10,000	\$ 99,810
Floating rate yen notes due 2008 . . . . .	–	1,000	–
Floating/fixed rate Euro medium term notes due 2009-2015 . . . . .	44,758	28,450	446,731
0.000% yen bonds due 2011 . . . . .	49,130	50,000	490,368
1.480% yen bonds due 2011 . . . . .	1,000	1,000	9,981
1.460% yen bonds due 2011 . . . . .	2,000	2,000	19,962
1.760% yen bonds due 2014 . . . . .	10,000	10,000	99,810
1.590% yen bonds due 2015 . . . . .	15,000	15,000	149,716
2.070% yen bonds due 2016 . . . . .	15,000	15,000	149,716
<b>Secured loans from:</b>			
Japan Development Bank due through 2019 at interest rates of 0.94% to 8.50% . . . . .	80,778	85,393	806,248
Other financial institutions due through 2021 at interest rates of 0.50% to 5.82% . . . . .	50,276	73,755	501,807
<b>Unsecured loans from:</b>			
Other financial institutions due through 2022 at interest rates of 0.98% to 7.78% . . . . .	255,085	188,585	2,546,012
	<b>533,027</b>	480,183	<b>5,320,161</b>
Amount due within one year . . . . .	73,747	81,649	736,071
	<b>¥459,280</b>	¥398,534	<b>\$4,584,090</b>

At March 31, 2008, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2009 . . . . .	¥ 73,747	\$ 736,071
2010 . . . . .	79,020	788,701
2011 . . . . .	95,894	957,121
2012 . . . . .	35,491	354,237
2013 . . . . .	46,869	467,801
2014 and thereafter . . . . .	202,006	2,016,230
	<b>¥533,027</b>	<b>\$5,320,161</b>



### (3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2008, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen	Thousands of U.S. dollars (Note 1)
Vessels . . . . .	¥205,086	\$2,046,971
Buildings and structures . . . . .	5,836	58,249
Land . . . . .	4,392	43,837
Investment securities . . . . .	51,323	512,257
Others . . . . .	46	459
	¥266,683	\$2,661,773

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Short-term debt . . . . .	¥ –	\$ –
Long-term debt due within one year . . . . .	28,018	279,649
Long-term debt due after one year . . . . .	103,035	1,028,396
	¥131,053	\$1,308,045

## 6. Commitments and Contingent Liabilities

At March 31, 2008, 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 ¥99,331 million (\$991,426 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. Net Assets

As described in Note 2 (19) 1, net assets comprises four sections, which are the owners' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in-capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in-capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the board of directors.

Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in-capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in-capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 24, 2008, the shareholders approved cash dividends amounting to ¥20,354 million (\$203,154 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the shareholders.

## (A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2008 and 2007 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at March 31, 2006	1,205,410	10,259
Net increase during the year	–	1,204
Net decrease during the year	–	(1,348)
Balance at March 31, 2007	1,205,410	10,115
Net increase during the year	785	696
Net decrease during the year	–	(1,142)
Balance at March 31, 2008	1,206,195	9,669

## (B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Stock options	¥968	¥366	\$9,662
Total	¥968	¥366	\$9,662

## (C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 21, 2007	¥13,156	\$131,311
Approved at the board of directors held on October 30, 2007	16,758	167,262
Total	¥29,914	\$298,573

(2) Dividends included in the retained earnings at March 31, 2008 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 24, 2008	¥20,354	\$203,154
Total	¥20,354	\$203,154

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Others, net:</b>			
Gain on sale of marketable securities	¥ 0	¥ 0	\$ 0
Exchange gain (loss), net	(5,612)	1,656	(56,014)
Amortization of goodwill	1,306	1,296	13,035
Gain on sale of vessels, investment securities and others	23,014	19,918	229,704
Loss on sale and disposal of vessels, investment securities and others	(2,097)	(501)	(20,930)
Loss arising from dissolution of subsidiaries and affiliated companies	(64)	(197)	(639)
Loss on write-down of investment securities and others	(3,131)	(210)	(31,251)
Provision for doubtful accounts	(800)	(172)	(7,985)
Special retirement	(79)	(325)	(789)
Loss arising from marine incident	–	(2,213)	–
Reserve for periodic drydocking accumulated in past fiscal years	(10,847)	–	(108,264)
Sundries, net	16,312	5,006	162,812
Total	¥ 18,002	¥24,258	\$ 179,679

## 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, 2008 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost . . . . .	¥46,704	¥817	¥47,521
Accumulated depreciation . . . . .	31,693	549	32,242
Net book value . . . . .	¥15,011	¥268	¥15,279

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Others	Total
Acquisition cost . . . . .	\$466,154	\$8,155	\$474,309
Accumulated depreciation . . . . .	316,329	5,480	321,809
Net book value . . . . .	\$149,825	\$2,675	\$152,500

- (2) Future lease payments at March 31, 2008

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Amount due within one year . . . . .	¥ 4,220
Amount due after one year . . . . .	17,470	174,369
Total . . . . .	¥21,690	\$216,489

- (3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Lease payments . . . . .	¥5,541	¥6,462	\$55,305
Depreciation equivalent . . . . .	6,196	8,054	61,842
Interest equivalent . . . . .	500	652	4,991

- (4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

- (5) Calculation of interest equivalent

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

- (6) Impairment loss

There was no impairment loss on finance lease accounted for as operating leases.

#### (B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES AT MARCH 31, 2008:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Amount due within one year . . . . .	¥ 38,451
Amount due after one year . . . . .	190,845	1,904,831
Total . . . . .	¥229,296	\$2,288,612

**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, 2008 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen	
	Equipment, mainly containers	Total
Acquisition cost . . . . .	¥107	¥107
Accumulated depreciation . . . . .	100	100
Net book value . . . . .	¥ 7	¥ 7

	Thousands of U.S. dollars (Note 1)	
	Equipment, mainly containers	Total
Acquisition cost . . . . .	\$1,068	\$1,068
Accumulated depreciation . . . . .	998	998
Net book value . . . . .	\$ 70	\$ 70

(2) Future lease income at March 31, 2008

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Amount due within one year . . . . .	¥22
Amount due after one year . . . . .	—	—
Total . . . . .	¥22	\$220

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Lease income . . . . .	¥22	¥34	\$220
Depreciation . . . . .	11	19	110
Interest equivalent . . . . .	1	2	10

(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, 2008:**

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Amount due within one year . . . . .	¥ 6,510
Amount due after one year . . . . .	31,672	316,119
Total . . . . .	¥38,182	\$381,096

## 10. Segment Information

### (A) BUSINESS SEGMENT INFORMATION:

		Millions of yen						
For the year ended March 31, 2008:	Bulk-ships	Container-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
<b>1. Revenues:</b>								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . .	¥1,024,797	¥686,829	¥61,236	¥53,100	¥108,860	¥ 10,875	¥ -	¥1,945,697
(2) Inter-segment revenues . . .	2,444	1,752	1,505	139	20,198	12,182	(38,220)	-
Total revenues . . . . .	1,027,241	688,581	62,741	53,239	129,058	23,057	(38,220)	1,945,697
<b>2. Operating expenses</b> . . . . .								
Operating income . . . . .	¥ 268,679	¥ 1,314	¥ 1,133	¥ 1,215	¥ 12,366	¥ 7,603	¥ (1,025)	¥ 291,285
<b>3. Assets, Depreciation and Capital expenditures:</b>								
(1) Assets . . . . .	¥ 989,607	¥352,856	¥55,961	¥50,686	¥290,992	¥412,947	¥(252,498)	¥1,900,551
(2) Depreciation . . . . .	46,828	13,523	1,537	3,366	6,226	2,776	225	74,481
(3) Capital expenditures . . . . .	198,810	80,485	716	10,452	9,736	3,402	(27)	303,574

		Thousands of U.S. dollars (Note 1)						
For the year ended March 31, 2008:	Bulk-ships	Container-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
<b>1. Revenues:</b>								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . .	\$10,228,535	\$6,855,265	\$611,199	\$529,993	\$1,086,536	\$ 108,544	\$ -	\$19,420,072
(2) Inter-segment revenues . . .	24,394	17,487	15,021	1,387	201,597	121,589	(381,475)	-
Total revenues . . . . .	10,252,929	6,872,752	626,220	531,380	1,288,133	230,133	(381,475)	19,420,072
<b>2. Operating expenses</b> . . . . .								
Operating income . . . . .	\$ 2,681,695	\$ 13,115	\$ 11,309	\$ 12,127	\$ 123,425	\$ 75,886	\$ (10,231)	\$ 2,907,326
<b>3. Assets, Depreciation and Capital expenditures:</b>								
(1) Assets . . . . .	\$ 9,877,303	\$3,521,868	\$558,549	\$505,899	\$2,904,402	\$4,121,639	\$(2,520,192)	\$18,969,468
(2) Depreciation . . . . .	467,392	134,974	15,341	33,596	62,142	27,707	2,246	743,398
(3) Capital expenditures . . . . .	1,984,330	803,324	7,146	104,322	97,175	33,955	(269)	3,029,983

(Change in accounting method)

As mentioned in Note 2 (19) 4., effective April 1, 2007, reserve for periodic drydocking of vessels was appropriated for the Company's ship-owning subsidiaries, in addition to the subsidiaries that had already been appropriating the reserve. As a result of the change, in comparison with the previous accounting method, operating expenses increased by ¥2,846 million (\$28,406 thousand) for Bulkships, ¥488 million (\$4,871 thousand) for Containerships, and ¥23 million (\$230 thousand) for Ferry & Domestic transport. Operating income for respective segments decreased accordingly.

Millions of yen								
For the year ended March 31, 2007:	Bulk-ships	Container-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
<b>1. Revenues:</b>								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . .	¥787,039	¥568,590	¥55,570	¥49,849	¥ 99,670	¥ 7,717	¥ -	¥1,568,435
(2) Inter-segment revenues . . .	2,194	2,430	1,514	144	20,294	11,353	(37,929)	-
Total revenues . . . . .	789,233	571,020	57,084	49,993	119,964	19,070	(37,929)	1,568,435
<b>2. Operating expenses</b> . . . . .								
Operating income (loss) . . .	¥153,981	¥ (2,954)	¥ 1,427	¥ 461	¥ 11,660	¥ 5,387	¥ (1,889)	¥ 168,073
<b>3. Assets, Depreciation and Capital expenditures:</b>								
(1) Assets . . . . .	¥817,317	¥271,485	¥56,715	¥50,050	¥300,113	¥360,500	¥(216,240)	¥1,639,940
(2) Depreciation . . . . .	41,707	11,821	1,469	3,578	6,416	3,320	270	68,581
(3) Capital expenditures . . . . .	109,857	30,328	909	4,387	8,285	111	-	153,877

(Change in accounting method)

- As mentioned in Note 2 (19) 2. Share-based payments, effective from the year ended March 31, 2007, the Company adopted the new accounting standard for share-based payments ("Accounting Standard for Share-based Payment" issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for share-based payment ("the Financial Accounting Standard Implementation Guidance No. 11" issued by the Accounting Standards Board of Japan on May 31, 2006). As a result of the adoption of these standards, operating income (loss) decreased by ¥216 million for Bulkships, ¥125 million for Containerships, ¥9 million for Logistics, ¥5 million for Ferry & Domestic transport, ¥10 million for Associated business and ¥2 million for Others.
- As mentioned in Note 2 (19) 3. Bonuses to directors and corporate auditors, effective from the year ended March 31, 2007, the Company adopted the new accounting standard for bonuses to directors and corporate auditors ("Accounting Standard for Directors' Bonus" issued by the Accounting Standards Board of Japan on November 29, 2005). As a result of the adoption of this standard, operating income (loss) decreased by ¥139 million for Bulkships, ¥100 million for Containerships, ¥5 million for Logistics, ¥3 million for Ferry & Domestic transport, ¥59 million for Associated business and ¥1 million for Others.

## (B) GEOGRAPHICAL SEGMENT INFORMATION:

Each segment covers the following countries or regions;

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

Millions of yen							
For the year ended March 31, 2008:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues:</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	¥1,866,521	¥40,392	¥ 15,592	¥23,001	¥ 191	¥ -	¥1,945,697
(2) Inter-segment revenues . . . . .	5,631	18,037	13,844	10,030	3,949	(51,491)	-
Total revenues . . . . .	1,872,152	58,429	29,436	33,031	4,140	(51,491)	1,945,697
<b>2. Operating expenses</b> . . . . .							
Operating income . . . . .	¥ 274,020	¥13,069	¥ 5,692	¥ 1,484	¥ 69	¥ (3,049)	¥ 291,285
<b>3. Assets</b> . . . . .							
	¥1,775,035	¥55,332	¥157,599	¥40,646	¥28,735	¥(156,796)	¥1,900,551

Thousands of U.S. dollars (Note 1)							
For the year ended March 31, 2008:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues:</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	\$18,629,814	\$403,154	\$ 155,624	\$229,574	\$ 1,906	\$ -	\$19,420,072
(2) Inter-segment revenues . . . . .	56,203	180,028	138,178	100,110	39,415	(513,934)	-
Total revenues . . . . .	18,686,017	583,182	293,802	329,684	41,321	(513,934)	19,420,072
<b>2. Operating expenses</b> . . . . .	15,951,014	452,740	236,990	314,872	40,632	(483,502)	16,512,746
Operating income . . . . .	\$ 2,735,003	\$130,442	\$ 56,812	\$ 14,812	\$ 689	\$ (30,432)	\$ 2,907,326
<b>3. Assets.</b> . . . . .	\$17,716,688	\$552,271	\$1,573,001	\$405,689	\$286,805	\$(1,564,986)	\$18,969,468

(Change in accounting method)

As mentioned in Note 2 (19) 4., effective April 1, 2007, reserve for periodic drydocking of vessels was appropriated for the Company's ship-owning subsidiaries, in addition to the subsidiaries that had already been appropriating the reserve. As a result of the change, in comparison with the previous accounting method, operating expenses for Japan increased by ¥3,358 million (\$33,516 thousand) and operating income for Japan decreased accordingly. There is no effect related to the change over segments other than Japan.

Millions of yen							
For the year ended March 31, 2007:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues:</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	¥1,490,370	¥45,011	¥ 16,877	¥16,074	¥ 103	¥ -	¥1,568,435
(2) Inter-segment revenues . . . . .	5,716	16,922	8,057	8,664	2,469	(41,828)	-
Total revenues . . . . .	1,496,086	61,933	24,934	24,738	2,572	(41,828)	1,568,435
<b>2. Operating expenses</b> . . . . .	1,342,716	50,590	20,026	23,091	2,469	(38,530)	1,400,362
Operating income . . . . .	¥ 153,370	¥11,343	¥ 4,908	¥ 1,647	¥ 103	¥ (3,298)	¥ 168,073
<b>3. Assets</b> . . . . .	¥1,576,913	¥37,369	¥120,225	¥19,831	¥4,833	¥(119,231)	¥1,639,940

(Change in accounting method)

1. As mentioned in Note 2 (19) 2. Share-based payments, effective from the year ended March 31, 2007, the Company adopted the new accounting standard for share-based payments ("Accounting Standard for Share-based Payment" issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for share-based payment ("the Financial Accounting Standard Implementation Guidance No. 11" issued by the Accounting Standards Board of Japan on May 31, 2006). As a result of the adoption of these standards, operating income decreased by ¥366 million for Japan.

2. As mentioned in Note 2 (19) 3. Bonuses to directors and corporate auditors, effective from the year ended March 31, 2007, the Company adopted the new accounting standard for bonuses to directors and corporate auditors ("Accounting Standard for Directors' Bonus" issued by the Accounting Standards Board of Japan on November 29, 2005). As a result of the adoption of this standard, operating income decreased by ¥306 million for Japan.

### (C) INTERNATIONAL BUSINESS INFORMATION:

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

Geographical areas belonging to the segments are as follows:

North America:	U.S.A. and Canada
Europe:	U.K., the Netherlands and other European countries
Asia:	The Middle and Near East, China and other Asian countries
Central and South America:	Brazil, Chile and other Central and South American countries
Oceania:	Australia and other Oceanian countries
Others:	Africa and other countries

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

(Change in geographical segment)

Effective from the year ended March 31, 2008, Central and South America and Oceania, which were previously included in Others, have been shown in order to disclose International business information more appropriately and effectively. International revenues for Central and South America and for Oceania for previous fiscal year were ¥124,197 million (\$1,239,615 thousand) and ¥206,455 million (\$2,060,635 thousand) respectively, which accounted for 7.9% and 13.2% respectively of consolidated revenues.

Millions of yen							
For the year ended March 31, 2008:	North America	Europe	Asia	Central & South America	Oceania	Others	Total
1. International revenues . . . . .	¥424,032	¥317,668	¥373,041	¥221,417	¥297,076	¥113,760	¥1,746,994
2. Consolidated revenues . . . . .	-	-	-	-	-	-	¥1,945,697
3. Ratio of international revenues to consolidated revenues . . . . .	21.8%	16.3%	19.2%	11.4%	15.3%	5.8%	89.8%

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2008:	North America	Europe	Asia	Central & South America	Oceania	Others	Total
1. International revenues . . . . .	\$4,232,279	\$3,170,656	\$3,723,336	\$2,209,971	\$2,965,126	\$1,135,442	\$17,436,810
2. Consolidated revenues . . . . .	-	-	-	-	-	-	\$19,420,072
3. Ratio of international revenues to consolidated revenues . . . . .	21.8%	16.3%	19.2%	11.4%	15.3%	5.8%	89.8%

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, 2007:	Millions of yen				
	North America	Europe	Asia	Others	Total
1. International revenues . . . . .	¥353,183	¥287,006	¥345,429	¥402,861	¥1,388,479
2. Consolidated revenues . . . . .	-	-	-	-	¥1,568,435
3. Ratio of international revenues to consolidated revenues . . . . .	22.5%	18.3%	22.0%	25.7%	88.5%

## 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 37.25% for the years ended March 31, 2008 and 2007.

(A) Significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Deferred tax assets:</b>			
Excess bad debt expenses . . . . .	¥ 119	¥ 1,606	\$ 1,188
Reserve for bonuses expenses . . . . .	2,198	1,989	21,938
Retirement benefits expenses . . . . .	5,009	5,380	49,995
Retirement allowances for directors . . . . .	858	1,034	8,564
Write-down of securities and other investments . . . . .	2,927	2,268	29,214
Accrued business tax and business place tax . . . . .	2,068	881	20,641
Operating loss carried forward . . . . .	3,816	4,339	38,088
Unrealized gain on sale of fixed assets . . . . .	1,863	1,297	18,595
Impairment loss . . . . .	896	1,004	8,943
Others . . . . .	1,945	2,000	19,413
Total deferred tax assets . . . . .	21,699	21,798	216,579
Valuation allowance . . . . .	(7,457)	(7,083)	(74,429)
Net deferred tax assets . . . . .	14,242	14,715	142,150
<b>Deferred tax liabilities:</b>			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties . . . . .	(2,085)	(2,355)	(20,810)
Reserve deductible for tax purposes when appropriated for special depreciation . . . . .	(768)	(271)	(7,665)
Unrealized holding gains on available-for-sale securities . . . . .	(24,125)	(42,143)	(240,792)
Gain on securities contributed to employee retirement benefit trust . . . . .	(4,339)	(4,339)	(43,308)
Revaluation reserve . . . . .	(12,194)	(12,172)	(121,709)
Retained earnings of consolidated subsidiaries . . . . .	(16,665)	(12,166)	(166,334)
Unrealized gains on hedging derivatives . . . . .	(12,885)	(12,464)	(128,606)
Others . . . . .	(756)	(959)	(7,546)
Total deferred tax liabilities . . . . .	(73,817)	(86,869)	(736,770)
Net deferred tax liabilities . . . . .	¥(59,575)	¥(72,154)	\$(594,620)



(B) Significant differences between the statutory tax rate and the effective tax rate for the financial statement purpose for the years ended March 31, 2008 and 2007 were as follows:

The differences between the statutory tax rate and the effective tax rate for the financial statement purpose for the years ended March 31, 2008 and 2007 are not disclosed as they are immaterial.

## 12. Employees' Severance and Retirement Benefits

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Projected benefit obligation. . . . .	¥ 63,929	¥ 64,749	\$ 638,078
Unrecognized actuarial differences. . . . .	4,066	20,979	40,583
Prepaid pension expenses. . . . .	17,168	14,397	171,354
Less fair value of pension assets. . . . .	(70,694)	(85,188)	(705,599)
Employees' severance and retirement benefits . . . . .	¥ 14,469	¥ 14,937	\$ 144,416

Included in the consolidated statements of income for the years ended March 31, 2008 and 2007 were severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Service costs—benefits earned during the year. . . . .	¥ 3,923	¥ 3,096	\$ 39,156
Interest cost on projected benefit obligation. . . . .	918	949	9,163
Expected return on plan assets. . . . .	(1,533)	(1,405)	(15,301)
Amortization of actuarial differences . . . . .	(1,686)	(1,084)	(16,829)
	¥ 1,622	¥ 1,556	\$ 16,189

The discount rate for the years ended March 31, 2008 and 2007 used by the Company is 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2008 and 2007 is 2.0%.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the statements of income using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

## 13. Stock Options

### (A) EXPENSED AMOUNT

Expensed amount on stock options for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Selling, general and administrative expenses. . . . .	¥601	¥366	\$5,999
Total . . . . .	¥601	¥366	\$5,999

### (B) TERMS AND CONDITIONS

The following table summarizes terms and conditions of stock options for the years when they were granted:

	2002	2003	2004	2005	2006	2007
Number of grantees	Directors: 13 Executive officers: 19 Employees: 52	Directors: 11 Executive officers: 16 Employees: 37 Presidents of the Company's domestic consolidated sub- sidiaries: 34	Directors: 11 Executive officers: 16 Employees: 32 Presidents of the Company's domestic consolidated sub- sidiaries: 34	Directors: 11 Executive officers: 17 Employees: 38 Presidents of the Company's domestic consolidated sub- sidiaries: 34	Directors: 11 Executive officers: 17 Employees: 34 Presidents of the Company's domestic consolidated sub- sidiaries: 37	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated sub- sidiaries: 36

	2002	2003	2004	2005	2006	2007
Number of stock options	Common stock 1,560,000	Common stock 1,590,000	Common stock 1,570,000	Common stock 1,650,000	Common stock 1,670,000	Common stock 1,710,000
Grant date	September 11, 2002	August 8, 2003	August 5, 2004	August 5, 2005	August 11, 2006	August 10, 2007
Vesting conditions	No provisions	No provisions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 26, 2004 to June 25, 2012	From June 20, 2004 to June 25, 2013	From June 20, 2005 to June 24, 2014	From June 20, 2006 to June 23, 2015	From June 20, 2007 to June 22, 2016	From June 20, 2008 to June 21, 2017

### (C) CHANGES IN NUMBER AND UNIT PRICES

The following tables summarize changes in number and unit prices of stock options for the years when they were granted:

#### (1) Changes in number of stock options

Non-vested stock options	2002	2003	2004	2005	2006	2007
Balance at March 31, 2007. . . . .	-	-	-	-	-	-
Options granted during the year . .	-	-	-	-	-	1,710,000
Options expired during the year . .	-	-	-	-	-	-
Options vested during the year . . .	-	-	-	-	-	1,710,000
Balance at March 31, 2008. . . . .	-	-	-	-	-	-

Vested stock options	2002	2003	2004	2005	2006	2007
Balance at March 31, 2007. . . . .	50,000	132,000	776,000	1,650,000	1,670,000	-
Options vested during the year . . .	-	-	-	-	-	1,710,000
Options exercised during the year . .	10,000	88,000	391,000	570,000	-	-
Options expired during the year . . .	-	-	-	-	-	-
Balance at March 31, 2008. . . . .	40,000	44,000	385,000	1,080,000	1,670,000	1,710,000

#### (2) Unit prices of stock options

	2002	2003	2004	2005	2006	2007
Exercise price . . . . .	¥ 264	¥ 377	¥ 644	¥ 762	¥841	¥1,962
Average market price of share at exercise . .	¥1,782	¥1,508	¥1,496	¥1,609	-	-
Fair value per stock option at grant date. . .	-	-	-	-	¥219	¥ 352

### (D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

The Company utilized the Black Scholes Model for calculating fair value per stock option. Key figures of the calculation were as follows:

	2007
Stock price volatility . . . . .	32.0%
Expected remaining term of the option . . . . .	5 years and 10 months
Expected dividends. . . . .	¥20 per share
Risk-free interest rate . . . . .	1.48%

## 14. Material Non-cash Transactions

(A) Amount of lease assets and lease obligations recognized for the year ended March 31, 2008 was ¥17,123 million (\$170,905 thousand).

(B) Exercise of share subscription rights

	Thousands of U.S. dollars (Note 1)	
	Millions of yen	2008
Increase in common stock by the exercise . . . . .	¥435	\$4,342
Increase in capital surplus by the exercise . . . . .	435	4,342
Decrease in bonds with share subscription rights by the exercise . . . . .	¥870	\$8,684

# Independent Auditors' Report



## 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. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, the related consolidated statements of income, changes in net assets 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 consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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

- (1) As discussed in Note 2 (19) 1 to the consolidated financial statements, effective from the year ended March 31, 2007, the Company adopted the new accounting standard for presentation of net assets in the balance sheet.
- (2) As discussed in Note 2 (19) 4 to the consolidated financial statements, effective April 1, 2007, reserve for periodic drydocking of vessels was appropriated for the Company's ship-owning subsidiaries, in addition to the subsidiaries that had already been appropriating the reserve.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 24, 2008

# The MOL Group

Mitsui O.S.K. Lines, Ltd. As of March 31, 2008

- 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)
<b>Bulkships</b>			
■ BGT Ltd.	Liberia	100.00	US\$5
■ BIL Investments Ltd.	U.K.	100.00	£21
■ BLNG Inc.	U.S.A.	75.00	US\$1
■ Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
■ El Sol Shipping Ltd. S.A.	Panama	100.00	US\$10
■ MO LNG Transport Co., Ltd.	Japan	100.00	¥40,000
■ MCGC International Ltd.	Bahamas	80.10	US\$1
■ Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte Ltd.	Singapore	100.00	S\$2,350
■ Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	US\$402
■ Mitsui O.S.K. Bulk Shipping (USA) Inc.	U.S.A.	100.00	US\$200
■ Mitsui O.S.K. Kinkai, Ltd.	Japan	100.00	¥660,000
■ MOL-NIC Transport Ltd.	Liberia	75.00	US\$13,061
■ MOL Tankship Management Ltd.	Japan	100.00	¥100,000
■ Phoenix Tankers Pte. Ltd.	Singapore	100.00	S\$158,630
■ Shipowner/Chartering companies (125 companies) in Panama, Cayman Islands, Liberia, Singapore, Hong Kong, Cyprus and Malta			
■ Tokyo Marine Asia Pte., Ltd.	Singapore	100.00	S\$500
■ Tokyo Marine Co., Ltd.	Japan	87.13	¥2,000,000
■ Unix Line Pte Ltd.	Singapore	100.00	S\$500
■ Others (3 companies)			
▲ Act Maritime Co., Ltd.	Japan	49.00	¥90,000
▲ Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US\$20,743
▲ Asahi Tanker Co., Ltd.	Japan	24.75	¥600,045
▲ Badak LNG Transport, Inc.	Japan	25.00	¥80,000
▲ Bright Shipping Company Inc.	Panama	50.00	US\$10
▲ Daiichi Chuo Kisen Kaisha	Japan	26.37	¥13,258,410
▲ Gearbulk Holding Ltd.	Bermuda	40.00	US\$75,000
▲ M.S.Tanker Shipping Ltd.	Hong Kong	50.00	HK\$2,000
▲ Nissan Motor Car Carrier Co., Ltd.	Japan	40.00	¥640,000
▲ Shipowner/Chartering companies (26 companies) in Liberia, Panama, Bahamas, Malta, Norway and Cayman Islands			

## Containerships

■ Chiba Utoc Corporation	Japan	100.00	¥90,000
■ International Container Terminal Co., Ltd.	Japan	100.00	¥700,000
■ Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A\$1,000
■ Mitsui O.S.K. Lines (Austria) GmbH	Austria	100.00	€ 36
■ Mitsui O.S.K. Lines (Japan), Ltd.	Japan	100.00	¥100,000
■ Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S\$200
■ MOL (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 (Brazil) Ltda.	Brazil	100.00	R\$1,677
■ MOL (Chile) Ltda.	Chile	100.00	US\$100
■ MOL (China) Co., Ltd.	China	100.00	US\$1,960
■ MOL (Europe) B.V.	Netherlands	100.00	€ 456
■ MOL (Europe) GmbH	Germany	100.00	€ 256
■ MOL (Europe) Ltd.	U.K.	100.00	£1,500
■ MOL (Panama) Inc.	Panama	100.00	US\$100
■ MOL De Mexico, S.A. de C.V.	Mexico	100.00	US\$92
■ MOL Information Technology America Inc.	U.S.A.	100.00	US\$3,000
■ MOL South Africa (Proprietary) Limited	South Africa	100.00	R3,000
■ Shipowner companies (12 companies) in Panama, Liberia and Hong Kong			
■ Shosen Koun Co., Ltd.	Japan	79.98	¥300,000
■ Trapac, Inc.	U.S.A.	100.00	US\$3,000
■ Utoc Corporation	Japan	51.41	¥1,455,300
■ Utoc Engineering Pte. Ltd.	Singapore	100.00	S\$500
■ Utoc Stevedoring Corporation	Japan	100.00	¥50,000
■ Utoc Trucking Services Corporation**	Japan	100.00	¥50,000
● 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

## Logistics

■ 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	51.00	¥100,000
■ Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥99,960
■ Japan Express Co., Ltd. (Yokohama)	Japan	100.00	¥236,000
■ Japan Express Packing & Transport Co., Ltd.	Japan	100.00	¥60,000
■ M.O. Air International (Taiwan) Co., Ltd.	Taiwan	100.00	NT\$7,500
■ MOL Consolidation Service Limited	Hong Kong	100.00	HK\$1,000
■ MOL Consolidation Service Limited (China)	China	100.00	RMB8,000
■ MOL Distribution (Deutschland) GmbH	Germany	100.00	€ 26
■ MOL Logistics (Europe) B.V.	Netherlands	100.00	€ 414
■ MOL Logistics (H.K.) Ltd.	Hong Kong	100.00	HK\$3,676
■ MOL Logistics Holding (Europe) B.V.	Netherlands	100.00	€ 18
■ MOL Logistics (Japan) Co., Ltd.	Japan	59.74	¥756,250
■ MOL Logistics (Netherlands) B.V.	Netherlands	100.00	€ 3,049

		Registered Office	MOL's Voting Rights (%)*	Paid-in Capital (Thousands)		
<b>Logistics</b>	■	MOL Logistics (Singapore) Pte. Ltd.	Singapore	100.00	S\$700	
	■	MOL Logistics (Thailand) Co., Ltd.	Thailand	49.50	BT20,000	
	■	MOL Logistics (UK) Ltd.	U.K.	100.00	£400	
	■	MOL Logistics (USA) Inc.	U.S.A.	100.00	US\$9,814	
	■	MOL Logistics Administration B.V.	Netherlands	100.00	€ 16	
	■	MOL Osaka Nanko Physical Distribution Center Co., Ltd.	Japan	100.00	¥10,000	
	■	Shanghai Huajia International Freight Forwarding Co., Ltd.	China	75.00	US\$1,720	
	■	Other company (1 company)				
	▲	J.F. Hillebrand Group Ag	Germany	30.00	€ 5,000	
	▲	Shanghai Longfei international Logistics Co., Ltd.	China	22.05	US\$1,240	
	<b>Ferry &amp; Domestic Transport</b>	■	Blue Highway Express K.K.	Japan	100.00	¥54,600
■		Blue Highway Express Kyushu Co., Ltd.	Japan	70.00	¥50,000	
■		Blue Highway Service K.K.	Japan	100.00	¥30,000	
■		Diamond Line K.K.	Japan	100.00	¥20,000	
■		Miyako Shoji Co., Ltd.	Japan	100.00	¥10,000	
■		MOL Naikou, Ltd.	Japan	99.00	¥650,000	
■		Sea-Road Express Corp.	Japan	100.00	¥320,000	
■		Searox Kitaichi Co., Ltd.	Japan	100.00	¥20,000	
■		Shipowner company (1 company) in Panama				
■		MOL Ferry Co., Ltd.	Japan	100.00	¥1,440,000	
■		The Diamond Ferry Co., Ltd.	Japan	98.70	¥1,000,000	
▲		Kansai Kisen Kaisha	Japan	37.37	¥1,368,989	
▲		Meimon Taiyo Ferry Co., Ltd.	Japan	38.57	¥880,000	
▲		Shinyo Kaiun Corporation	Japan	36.00	¥100,000	
▲	Others (8 companies)					
<b>Associated Business</b>	■	Daibiru Corporation	Japan	51.07	¥12,227,847	
	■	Esca Corporation	Japan	100.00	¥25,000	
	■	Green Kaiji Kaisha, Ltd.	Japan	100.00	¥95,400	
	■	Green Shipping, Ltd.	Japan	100.00	¥172,000	
	■	Hokuso Kohatsu K.K.	Japan	100.00	¥50,000	
	■	Hu-Tec Service Co., Ltd.	Japan	100.00	¥20,000	
	■	Ikuta & Marine Co., Ltd.	Japan	77.36	¥26,500	
	■	Japan Hydrographic Charts & Publications Co., Ltd.	Japan	54.62	¥32,000	
	■	Kansai Building Maintenance Co., Ltd.	Japan	100.00	¥14,400	
	■	Kitanihon Tug-boat Co., Ltd.	Japan	62.00	¥50,000	
	■	Kobe Towing Co., Ltd.	Japan	100.00	¥50,000	
	■	Kusakabe Maritime Engineering Co., Ltd.	Japan	80.63	¥200,000	
	■	Mitsui O.S.K. Career Support, Ltd.	Japan	100.00	¥100,000	
	■	Mitsui O.S.K. Kosan Co., Ltd.	Japan	100.00	¥300,000	
	■	Mitsui O.S.K. Passenger Line, Ltd.	Japan	100.00	¥100,000	
	■	Mitsui O.S.K. Techno-Trade, Ltd.	Japan	100.00	¥490,000	
	■	M.O. Engineering Co., Ltd.	Japan	100.00	¥20,000	
	■	MOL Kaiji Co., Ltd.	Japan	100.00	¥95,000	
	■	M.O. Marine Consulting, Ltd.	Japan	100.00	¥100,000	
	■	M.O. Tourist Co., Ltd.	Japan	100.00	¥250,000	
	■	Nihon Tug-Boat Co., Ltd.	Japan	69.53	¥134,203	
	■	Daibiru Facility Management Ltd.	Japan	100.00	¥17,000	
	■	Santo Tatemono Service Co., Ltd.	Japan	100.00	¥10,000	
	■	Sanwa Marine Ltd.	Japan	100.00	¥475,000	
	■	Chartering company (1 company) in Panama				
	■	Ube Port Service Co., Ltd.	Japan	95.29	¥14,950	
	▲	Nippon Charter Cruise, Ltd.	Japan	50.00	¥290,000	
	▲	South China Towing Co., Ltd.	Hong Kong	25.00	HK\$12,400	
	<b>Others</b>	■	Euromol B.V.	Netherlands	100.00	US\$8,861
		■	International Marine Transport Co., Ltd.	Japan	99.49	¥100,000
		■	International Transportation Inc.	U.S.A.	100.00	US\$24,563
		■	Linkman Holdings Inc.	Liberia	100.00	US\$3
■		M.O. Cables Ltd.	Japan	100.00	¥10,000	
■		M.O. Reinsurance S.A.	Luxembourg	100.00	US\$5,376	
■		M.O. Ship Tech Inc.	Japan	100.00	¥50,000	
■		Mitsui Kinkai Kisen Co., Ltd.	Japan	80.12	¥350,000	
■		Mitsui O.S.K. Finance PLC	U.K.	100.00	US\$6,568	
■		Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	€ 17,245	
■		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 Ship Management Co., Ltd.	Japan	100.00	¥50,000	
■		MOL SI, Inc.	U.S.A.	100.00	US\$100	
■		Orange P.R. Ltd.	Japan	100.00	¥10,000	
■		Shipowner/Chartering companies (5 companies) in Panama				
▲		Minaminippon Shipbuilding Co., Ltd.	Japan	24.00	¥200,000	
▲		Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000	

\* MOL includes MOL and its subsidiaries

\*\* The corporate name has changed to Utoc Logistics Corporation in April 1, 2008.

# Worldwide Offices

## HEAD OFFICE

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

## JAPAN

### Mitsui O.S.K. Lines (Japan) Ltd.

Head Office (Tokyo): Tel: 81-3-3587-7684  
Fax: 81-3-3587-7730  
Yokohama: Tel: 81-45-212-7710 Fax: 81-45-212-7735  
Nagoya: Tel: 81-52-564-7000 Fax: 81-52-564-7047  
Osaka: Tel: 81-6-6446-6501 Fax: 81-6-6446-6513  
Kobe: Tel: 81-78-304-1100 Fax: 81-78-304-1104  
Kyushu: Tel: 81-92-262-0701 Fax: 81-92-262-0720

## NORTH AMERICA

### MOL (America) Inc.

Head Office (Concord): Tel: 1-925-688-2600  
Fax: 1-925-688-2670

#### Main Branch Offices

Atlanta: Tel: 1-678-855-7700 Fax: 1-678-855-7747  
Chicago: Tel: 1-630-592-7300 Fax: 1-630-592-7402  
Long Beach: Tel: 1-562-983-6200 Fax: 1-562-983-6295  
New Jersey: Tel: 1-732-512-5200 Fax: 1-732-512-5272  
San Francisco: Tel: 1-415-836-3500 Fax: 1-415-836-3533  
Seattle: Tel: 1-206-444-6900 Fax: 1-206-444-6903

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

Head Office (New Jersey): Tel: 1-201-395-5800 Fax: 1-201-395-5820  
Houston: Tel: 1-832-615-6470 Fax: 1-832-615-6480  
Long Beach: Tel: 1-562-983-6276 Fax: 1-562-983-6290

### MOL Logistics (USA) Inc.

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

## CENTRAL AND SOUTH AMERICA

### MOL (Brasil) Ltda.

Head Office (Sao Paulo): Tel: 55-11-3145-3955 Fax: 55-11-3145-3945

### MOL (Chile) Ltda.

Head Office (Santiago): Tel: 56-2-630-1950 Fax: 56-2-231-5622

### Corporativo MOL de Mexico S.A. de C.V.

Head Office (Mexico City): Tel: 52-55-5010-5200 Fax: 52-55-5010-5220

### MOL (Panama) Inc.

Head Office (Panama): Tel: 507-300-3200 Fax: 507-300-3212

### 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: 31-10-201-3108 Fax: 31-10-503-1090  
Le Havre: Tel: 33-2-32-74-24-00 Fax: 33-2-35-41-14-41  
Antwerp: Tel: 32-3-545-39-39 Fax: 32-3-545-39-20

### MOL (Europe) GmbH

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

### Mitsui O.S.K. Lines (Austria) GmbH

Head Office (Vienna): Tel: 43-1-877-6971 Fax: 43-1-876-4725

### MOL (Europe) Ltd.

Head Office (Southampton): Tel: 44-2380-714500 Fax: 44-2380-714733

### MOL Italia s.r.l.

Head Office (Genoa): Tel: 39-010-2901721 Fax: 39-010-5960450  
Milan: Tel: 39-02-8068151 Fax: 39-02-8900986

### Mitsui O.S.K. Lines Ltd.

Moscow: Tel: 7-495-258-1424 Fax: 7-495-258-1426  
Vladivostok: Tel: 7-4232-215721 Fax: 7-4232-215720

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

Head Office (London): Tel: 44-20-7265-7500 Fax: 44-20-7265-7699  
Brussels: Tel: 32-2-305-4240 Fax: 32-2-305-4241  
Hamburg: Tel: 49-40-360-9740 Fax: 49-40-360-97450

### MOL Logistics (Deutschland) GmbH

Head Office (Frankfurt): Tel: 49-6105-406102 Fax: 49-6105-406968

### MOL Logistics (Netherlands) B.V.

Head Office (Rotterdam): Tel: 31-10-299-6220 Fax: 31-10-299-6226

### MOL Logistics (U.K.) Ltd.

Head Office (London): Tel: 44-1895-459700 Fax: 44-1895-449600

## AFRICA

### MOL South Africa Pty Ltd.

Head Office (Cape Town): Tel: 27-21-441-2200 Fax: 27-21-419-1040

### 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. Lines Ltd. Middle East Headquarters

Dubai: Tel: 971-4-3938793 Fax: 971-4-3938794

### MOL (UAE) L.L.C.

Head Office (Dubai): Tel: 971-4-3393132 Fax: 971-4-3395401

### Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.

Doha: Tel: 974-4-836548 Fax: 974-4-836563  
Muscat: Tel: 968-2440-0950 Fax: 968-2440-0953

### 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: 64-9-3005820 Fax: 64-9-3091439

### Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte., Ltd.

Melbourne: Tel: 61-3-9691-3222 Fax: 61-3-9691-3223

## ASIA

### MOL (Asia) Ltd.

Head Office (Hong Kong): Tel: 852-2823-6800 Fax: 852-2529-9989  
Seoul: Tel: 82-2-538-1034 Fax: 82-2-566-6591

### Mitsui O.S.K. Lines (India) Private Limited

Head Office (Mumbai): Tel: 91-22-6694-6300 Fax: 91-22-6694-6301

### Mitsui O.S.K. Lines Lanka (Private) Ltd.

Head Office (Colombo): Tel: 94-11-2304721 Fax: 94-11-2304730

### MOL (Singapore) Pte., Ltd.

Head Office (Singapore): Tel: 65-6225-2811 Fax: 65-6225-6096

### Mitsui O.S.K. Lines (Malaysia) Sdn., Bhd.

Head Office (Kuala Lumpur): Tel: 60-3-7957-9666 Fax: 60-3-7958-6763

### P.T. Mitsui O.S.K. Lines Indonesia

Head Office (Jakarta): Tel: 62-21-521-1740 Fax: 62-21-521-1741

### Mitsui O.S.K. Lines (Thailand) Co., Ltd.

Head Office (Bangkok): Tel: 66-2-234-6252 Fax: 66-2-237-1552

### Mitsui O.S.K. Lines Philippines, Inc.

Head Office (Manila): Tel: 632-888-6531 Fax: 632-884-1766

### Mitsui O.S.K. Lines (Vietnam) Co., Ltd.

Head Office (Ho Chi Minh): Tel: 84-8-8219219 Fax: 84-8-8219317

### Mitsui O.S.K. Lines (Cambodia) Co., Ltd.

Head Office (Phnom Penh): Tel: 855-23-223-036 Fax: 855-23-223-040

### Mitsui O.S.K. Lines Pakistan (Pvt.) Ltd.

Head Office (Karachi): Tel: 9221-5205397 Fax: 9221-5202559

### MOL (China) Co., Ltd.

Head Office (Shanghai): Tel: 86-21-2320-6000 Fax: 86-21-2320-6331  
Beijing: Tel: 86-10-8529-9121 Fax: 86-10-8529-9126  
Tianjin: Tel: 86-22-8331-1331 Fax: 86-22-8331-1318  
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.

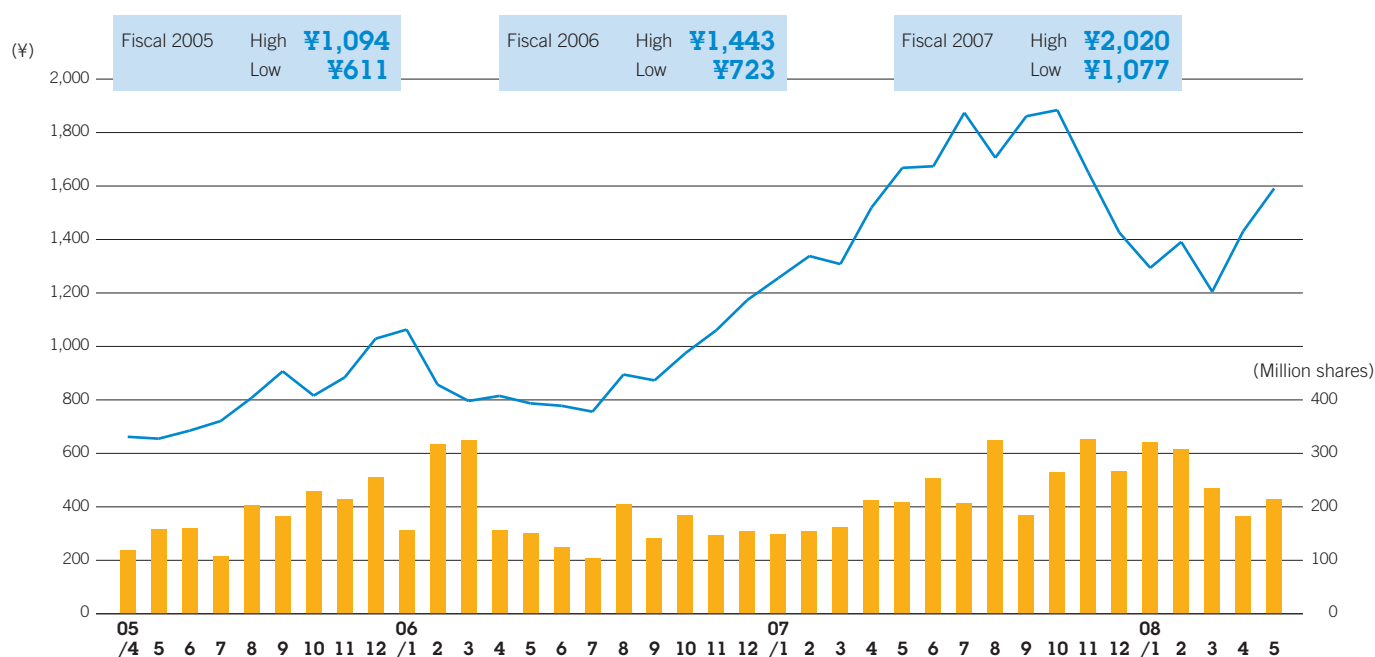
Head Office (Singapore): Tel: 65-323-1303 Fax: 65-323-1305  
Bangkok: Tel: 66-2-634-0807 Fax: 66-2-634-0806  
Kuala Lumpur: Tel: 60-3-7954-8349 Fax: 60-3-7958-5246  
Seoul: Tel: 82-2-5672718 Fax: 82-2-5672719

# Shareholder Information

<b>Capital:</b>	¥65,350,351,028
<b>Head office:</b>	1-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8688, Japan
<b>Number of MOL employees:</b>	892
<b>Number of MOL Group employees:</b> (The parent company and consolidated subsidiaries)	9,626
<b>Total number of shares authorized:</b>	3,154,000,000
<b>Number of shares issued:</b>	1,206,195,642
<b>Number of shareholders:</b>	102,316
<b>Shares listed in:</b>	Tokyo, Osaka, Nagoya, Fukuoka
<b>Share transfer agent:</b>	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
<b>Communications materials:</b>	Annual Report (English/Japanese) Investor Guidebook (English/Japanese) Market Information (English/Japanese) News Releases (English/Japanese) Web Site (English/Japanese) Quarterly Newsletter <i>Open Sea</i> (English/Web Site) Monthly Newsletter <i>Unabara</i> (Japanese) Environmental and Social Report (English/Japanese)

As of March 31, 2008

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



For further information, please contact:

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URL: <http://www.mol.co.jp/>

