

Business Performance
in
FY2006-3rd Quarter

Mitsui O.S.K. Lines, Ltd.

February 2007

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[Supplement]

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Highlights of FY2006 3Q Results and Full-Year Outlook

- **Increased consecutive quarter-to-quarter profits since 1st quarter.**
 - ⇒ Resumed increase in both earnings and profits compared to the same period (three months) of the previous year, for the first time since five quarters ago.
 - Revenue: +¥22.5 billion (+6%)
 - Ordinary income: +¥7.9 billion (+19%)
 - Net income: ¥11.6 billion (+41%) *
 - * Recorded ¥9.2 billion special profit (net) during this quarter.
- **Comparison of 1-3 quarters 2006 and 1-3 quarters 2005:**
Increased earnings, decreased profits
 - * Effects of skyrocketing bunker prices > depreciation of yen
 - * Declining profits in containership business > Increasing profits in bulkship businesses (lower freight rates, increased costs, etc.) (effect of fleet expansion, etc.)
- **Progressing favorably as outlook in November 2006.**
 - ⇒ Full-year outlook:
 - Ordinary income: Maintain ¥175.0 billion
(Sustaining high level of profit over ¥170 billion for three consecutive years)
 - Net income: ¥118.0 billion
(+¥6 billion compared to announcement in Nov.'06. All-time high for the fifth consecutive year.)
- **No change in year-end dividend plan = ¥9 per share (¥18 of annual payment including interim dividend)**

FY2006 3rd Quarter Results

(billion yen)		FY2006				FY2005				Increase/decrease	
		1Q Result	2Q Result	3Q Result	Apr.-Dec.	1Q Result	2Q Result	3Q Result	Apr.-Dec.		
Revenue	Consolidated	371	389	402	1,162	308	328	380	1,016	+146	+14%
	Non-Consolidated	293	306	320	918	244	258	310	811	+107	+13%
Operating income	Consolidated	32	41	47	120	46	49	42	138	△17	△13%
	Non-Consolidated	20	28	33	81	36	37	30	103	△22	△22%
Ordinary income	Consolidated	35	43	50	129	49	49	42	141	△12	△9%
	Non-Consolidated	25	28	41	94	36	35	31	102	△9	△8%
Net income	Consolidated	23	25	40	88	31	31	28	90	△2	△3%
	Non-Consolidated	16	18	25	59	22	22	19	63	△4	△6%

Average exchange rate	¥115.46/\$	¥116.20/\$	¥118.11/\$	¥116.59/\$	¥106.79/\$	¥110.43/\$	¥115.32/\$	¥110.85/\$	+¥5.74/\$
Average bunker price	\$338/MT	\$340/MT	\$307/MT	\$328/MT	\$238/MT	\$266/MT	\$290/MT	\$267/MT	+\$61/MT
							Ordinary income		△4.3 bil. ¥

↑
 (Ex. Rate) +12.6 bil. ¥ x 3/4
 (Bunker) △18.3 bil. ¥ x 3/4

(For reference)

FY2006 Exchange rate sensitivity/year:	±2.20 bil. ¥/1¥	(Max)
FY2006 Bunker price sensitivity/year:	±0.30 bil. ¥/1\$	(Max)
(Consolidated Ordinary Income Basis)		

Results Comparison FY2006-3Q vs FY2005-3Q

Major factors affected Revenue & Ordinary income

● Revenue

(Non-Consolidated; billion yen)

Weaker yen	+¥47.4 bil.	(+43.1)
Fluctuation of cargo volume/freight rates	+¥64.4 bil.	(+53.9)
Others	+¥33.8 bil.	(+10.3)
(Total)	+ ¥145.6 bil.	(+107.3)

● Ordinary income

(Non-Consolidated; billion yen)

Weaker yen	+¥9.5 bil.	(+8.6)	<small>(FY06-3Q ¥116.59/\$; +¥5.74/\$)</small>
Higher bunker	△¥13.7 bil.	(△9.1)	<small>(FY06-3Q\$328/MT; +\$61/MT)</small>
Fluctuation of cargo volume/freight rates	△¥24.4 bil.	(△29.7)	
Cost Reduction	+10.2 bil.	(+8.9)	
Equity in earnings of affiliated companies	△¥1.9 bil.	(0)	
Others (incl. Elimination)	+¥8.2 bil.	(+12.8)	
(Balance)	△¥12.1 bil.	(△8.5)	

FY2006 Forecast

(billion yen)		FY2006							FY2005 Result	Increase/ decrease
		1H Result	2H		Yearly forecast	FY2006 Forecast as of 11/9/06	Increase/ decrease			
			3Q Result	4Q Forecast				Forecast		
Revenue	Consolidated	760	402	408	810	1,570	1,585	△ 15	1,367	+203
	Non-Consolidated	598	320	322	642	1,240	1,260	△ 20	1,093	+147
Operating income	Consolidated	73	47	46	93	166	166	+0	173	△ 7
	Non-Consolidated	47	33	34	68	115	115	+0	128	△ 13
Ordinary income	Consolidated	78	50	46	97	175	175	+0	177	△ 2
	Non-Consolidated	53	41	34	75	128	128	+0	132	△ 4
Net income	Consolidated	48	40	30	70	118	112	+6	114	+4
	Non-Consolidated	34	25	21	46	80	80	+0	79	+1

Average exchange rate	¥115.83/\$	¥118.11/\$	¥118.00/\$	¥118.06/\$	¥116.94/\$	¥114.42/\$	+¥2.52/\$	¥112.29/\$	+¥4.65/\$
Average bunker price	\$339/MT	\$307/MT	\$300/MT	\$304/MT	\$321/MT	\$320/MT	+\$1/MT	\$280/MT	+\$41/MT
						Ordinary income	+5.2 bil. ¥		△2.1 bil. ¥
						(Ex. Rate)	+5.5 bil. ¥		+10.2 bil. ¥
						(Bunker)	△0.3 bil. ¥		△12.3 bil. ¥

(For reference)

FY2006 Exchange rate sensitivity/year: ±2.20 bil. ¥/1¥ (Max)

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

(Consolidated Ordinary Income Basis)

Highlights of Consolidated Segment Information

[All figures reflect ordinary income.]

- **Containerships:** Made a mild recovery of profits after bottoming out in 1st quarter, and remained in surplus although profits decreased, compared to same period of FY2005.
 - * Compared to same period of FY2005: -¥37.3 billion (nine months), -¥5 billion (three months)
 - * Full-year outlook: +¥1 billion compared to outlook as of Nov.'06, -¥34.5 billion compared to FY2005
 - * Overall conditions by route:
 - [Europe] Ships are fully loaded outbound to Europe even in winter thanks to active trade volume. Freight rates successfully recovered in January on the heels of improvements July and October '06. On the other hand, expanding imbalance of in and outbound trade volume and appreciating Euro are elements for concerns.
 - [North America] Trade volume firm even after peak season (slowing compared to assumption).
 - [South America/Africa] Trade volume strong even after peak season.
- **Bulkships:** Brisk volume thanks to diversified ship types and launch of newly built vessels, with increased profits compared to same period of FY2005. Remained at same level as outlook in Nov. (Effects of higher and lower markets of dry bulker and tanker canceled each other.)
 - * Compared to same period of FY2005: +¥16 billion (nine months), +¥8.4 billion (three months)
 - * Full-year outlook: Same outlook as of Nov., +¥21.7 billion compared to same period of FY2005
 - * Overall condition by division: – [All comparisons to same period of FY2005 are based on nine months.]
 - [Car Carriers]**
Met active trade volume by launching new vessels.
=> Increased profits compared to same period of FY2005. Full year profits will increase, too. 6

[Dry bulkers]

- | | <u>Comparison to assumption in Nov.</u> | <u>Comparison to same period of FY2005</u> | |
|--------------|---|--|---|
| - Market: | | | |
| 3Q (3 mos) | Almost same as projection | Up | } ← { Active Chinese iron ore imports, etc. |
| 1-3Q (9 mos) | | Almost same level | |
| 4Q | Upward revision | Up | |
- Launch of new vessels and redelivery of expensive chartered vessels
 - Stable earnings from long-term contracts
- = Increased profits compared to same period of FY2005. Full year will show large increase in profits.

[Tankers]

- | | <u>Comparison to assumption in Nov.</u> | <u>Comparison to same period of FY2005</u> | |
|--------------|---|--|-------------------------------|
| - Market: | | | |
| 3Q (3 mos) | Almost same as projection | Down | ← Unusually warm winter, etc. |
| 1-3Q (9 mos) | | VLCCs up, product tankers down | |
| 4Q | Downward revision | Down | |
- Launch of new vessels, favorable market for chemical product tankers
 - Stable earnings from long-term contracts
- = Increased profits compared to same period of FY2005. Full year is expected to show decreased profits.

[LNG carriers]

- = Increased profits compared to same period of FY2005. Full year will also show increased profits.

➤ Other four businesses: No major changes from interim period.

- * Compared to same period of FY2005: +¥0.2 billion (nine months), +0 (three months)
- * Full-year outlook: Compared to outlook as of Nov.: - ¥0.9 billion, compared to FY2005: - ¥0.8 billion

Consolidated Segment Information FY2006 3rd Quarter Results

(billion yen)		FY2006				FY2005				Increase/decrease	
		1Q Result	2Q Result	3Q Result	Apr.-Dec.	1Q Result	2Q Result	3Q Result	Apr.-Dec.		
Containerships	Revenue	133	145	147	424	104	114	149	367	+57	+16%
	Ordinary income	△ 2	1	2	1	12	20	7	38	△ 37	-98%
Bulkships	Revenue	186	189	203	578	155	162	179	496	+82	+16%
	Ordinary income	32	39	44	115	35	28	36	99	+16	+16%
Logistics	Revenue	14	14	15	42	15	15	18	47	△ 5	-10%
	Ordinary income	0	0	1	2	0	0	1	1	+0	+9%
Ferry& domestic transport	Revenue	12	14	11	37	12	13	12	36	+1	+2%
	Ordinary income	△ 0	1	0	0	△ 0	1	△ 0	0	△ 0	-12%
Associated businesses	Revenue	25	25	25	75	21	23	21	65	+10	+15%
	Ordinary income	3	3	4	10	3	3	3	10	+0	+1%
Others	Revenue	2	2	2	6	1	2	2	5	+1	+18%
	Ordinary income	1	1	0	2	1	△ 0	1	2	+0	+3%
Elimination	Revenue	-	-	-	-	-	-	-	-	-	-
	Ordinary income	1	△ 2	△ 0	△ 1	△ 2	△ 3	△ 5	△ 10	+9	
Consolidated	Revenue	371	389	402	1,162	308	328	380	1,016	+146	+14%
	Ordinary income	35	43	50	129	49	49	42	141	△ 12	-9%

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

Consolidated Segment Forecast FY2006 Forecast

(billion yen)		FY2006							FY2005 Result	Increase/ decrease
		1H Result	2H		Yearly forecast	FY2006 Forecast as of 11/9/06	Increase/ decrease			
			3Q Result	4Q Forecast				Forecast		
Containerships	Revenue	278	147	146	292	570	570	+0	488	+82
	Ordinary income	△ 1	2	2	4	3	2	+1	37	△ 34
Bulkships	Revenue	375	203	204	407	782	800	△ 18	676	+106
	Ordinary income	71	44	42	86	157	157	+0	135	+22
Logistics	Revenue	27	15	15	30	57	56	+1	64	△ 7
	Ordinary income	1	1	0	1	2	2	+0	2	△ 0
Ferry & domestic transport	Revenue	26	11	13	24	50	51	△ 1	47	+3
	Ordinary income	0	0	△ 0	△ 0	0	0	△ 0	△ 0	+0
Associated businesses	Revenue	50	25	27	52	102	102	+0	87	+15
	Ordinary income	6	4	2	6	12	12	+0	13	△ 0
Others	Revenue	4	2	3	5	9	6	+3	4	+5
	Ordinary income	2	0	0	0	2	3	△ 1	3	△ 1
Elimination	Revenue	-	-	-	-	-	-	-	-	-
	Ordinary income	△ 0	△ 0	△ 1	△ 1	△ 1	△ 1	△ 0	△ 13	+12
Consolidated	Revenue	760	402	408	810	1,570	1,585	△ 15	1,367	+203
	Ordinary income	78	50	46	97	175	175	+0	177	△ 2

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

[Supplement]

Major Containership Trades Utilization Forecast

(unit: 1000TEU)

Asia-North America Trade (TPS)

			Outbound (E/B)						Inbound (W/B)													
			Capacity			Lifting			Utilization			Capacity			Lifting			Utilization				
FY2006	2nd	4Q																				
	half	3Q	134			116			86%			135			72			53%				
	1st	2Q	150			142			95%			147			67			46%				
	half	1Q	284	134			263	89%			92%	133			280	67			134	50%		
FY2005	2nd	4Q	126			112			89%			124			59			47%				
	half	3Q	138			115			83%			140			57			41%				
	1st	2Q	142			132			93%			139			55			40%				
	half	1Q	271	129			473	89%			91%	129			268	59			114	46%		

Asia-Europe Trade

			Outbound (W/B)						Inbound (E/B)													
			Capacity			Lifting			Utilization			Capacity			Lifting			Utilization				
FY2006	2nd	4Q																				
	half	3Q	100			99			100%			100			56			56%				
	1st	2Q	117			113			97%			108			56			52%				
	half	1Q	217	100			207	94%			95%	96			203	57			113	59%		
FY2005	2nd	4Q	89			84			94%			89			58			65%				
	half	3Q	96			86			90%			88			59			67%				
	1st	2Q	84			80			96%			84			58			69%				
	half	1Q	169	85			333	97%			96%	85			169	59			117	69%		

All Trades (Round Voyage)

			Capacity			Lifting			Utilization		
FY2006	2nd	4Q									
	half	3Q	957			710			74%		
	1st	2Q	1,018			757			74%		
	half	1Q	1,914	896			1,422	74%			
FY2005	2nd	4Q	817			601			74%		
	half	3Q	841			601			72%		
	1st	2Q	760			587			77%		
	half	1Q	1,485	726			2,351	77%			

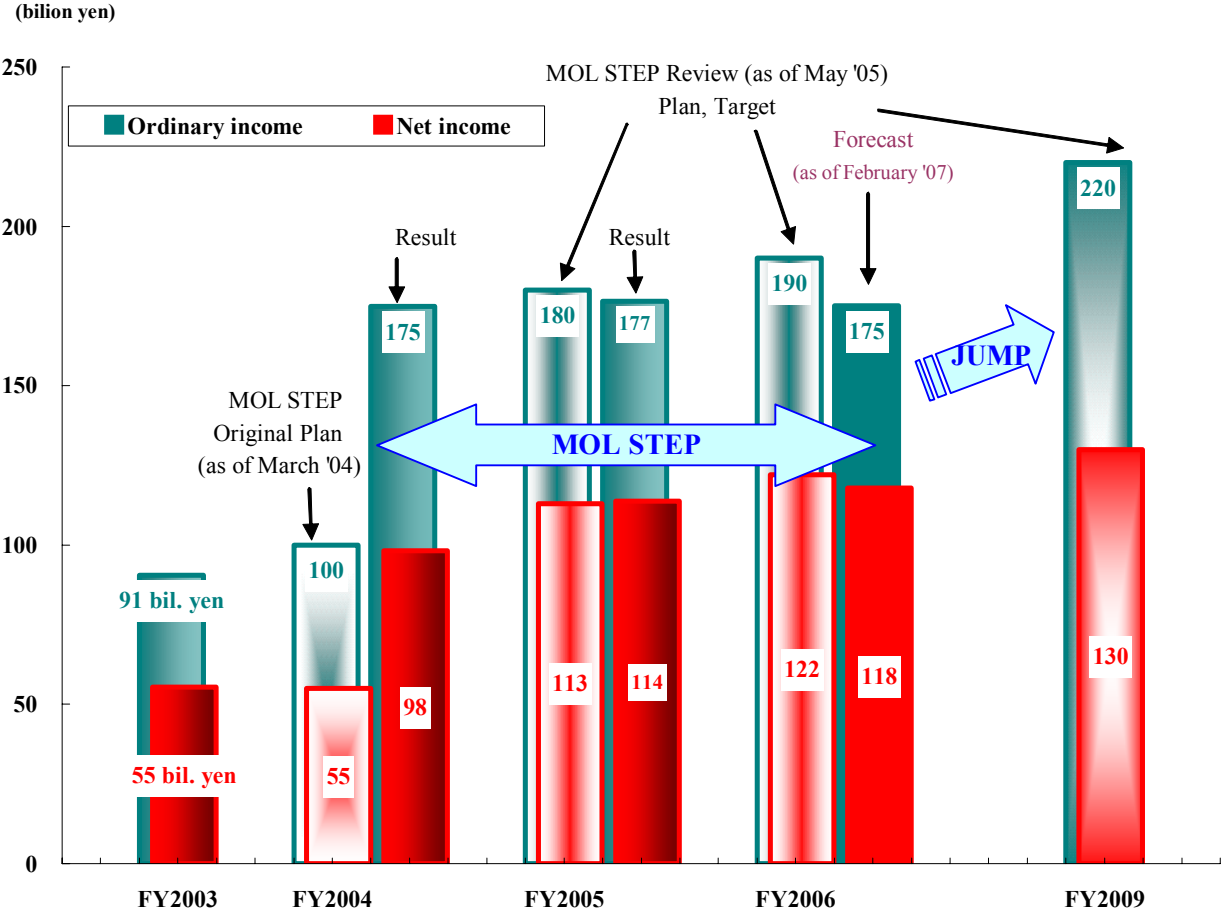
FY2004-FY2005-1H : Voyage completion method. (excluding Wayport cargo)

From FY2005-2H : Combined transport status method. (including Wayport cargo)

Car Carriers Loading Results

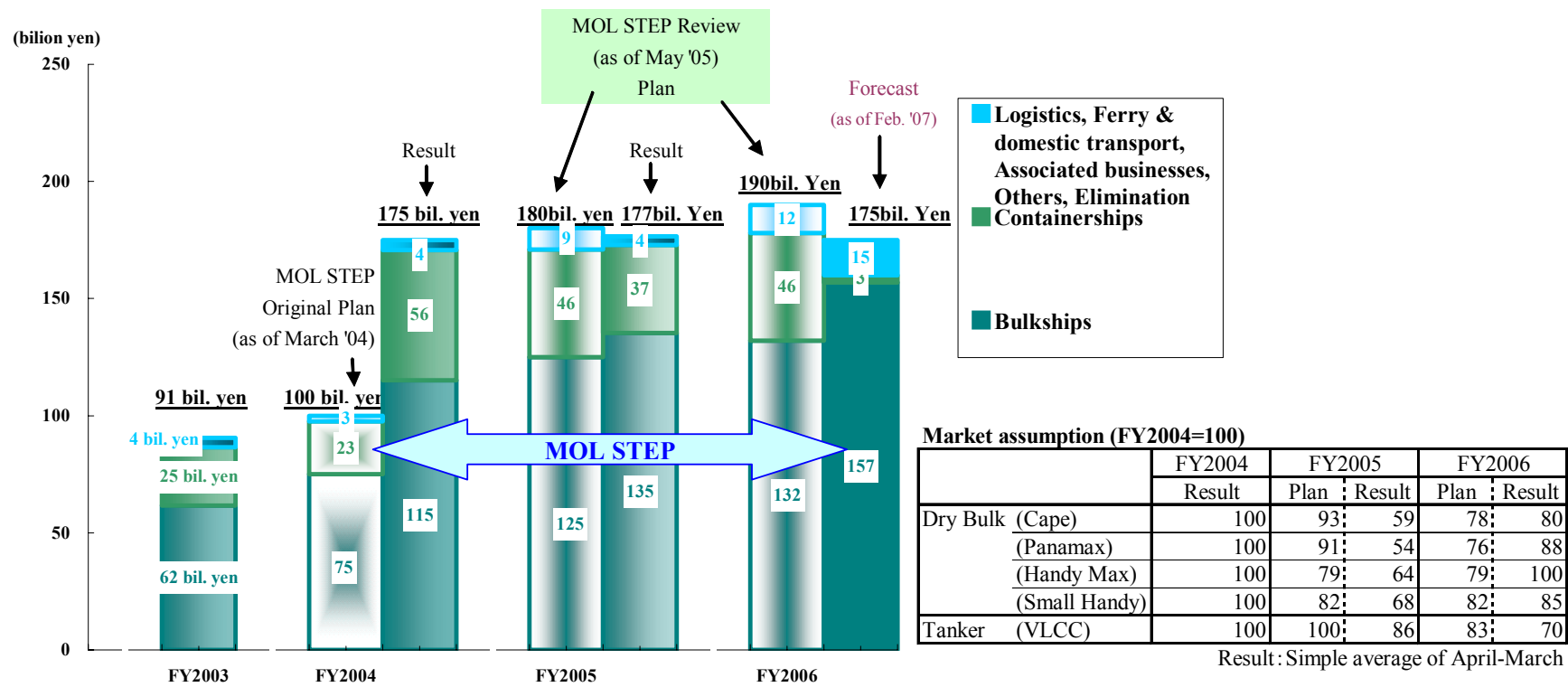
(Voyage Completion basis; including voyage charter)	FY2006						(1000 units)
			1st Half Result(A)	<i>2nd Half Forecast (B)</i>		(A)+(B)	FY2005
	1Q	2Q		3Q			
Total	677	614	1,291	692	1,367	2,658	2,275

“MOL STEP Review” Profit Goals



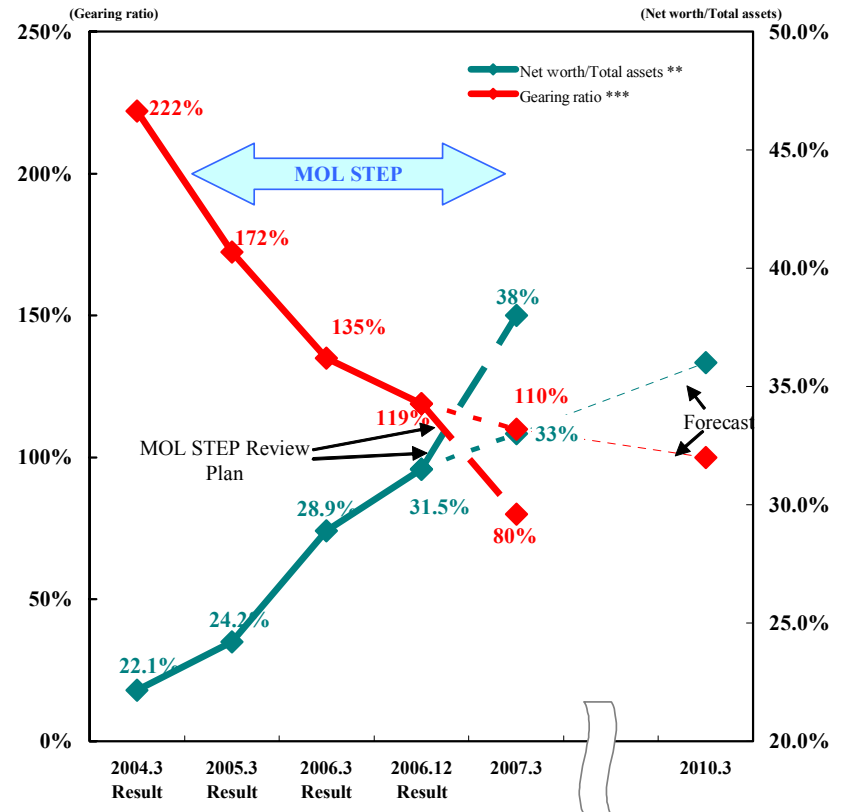
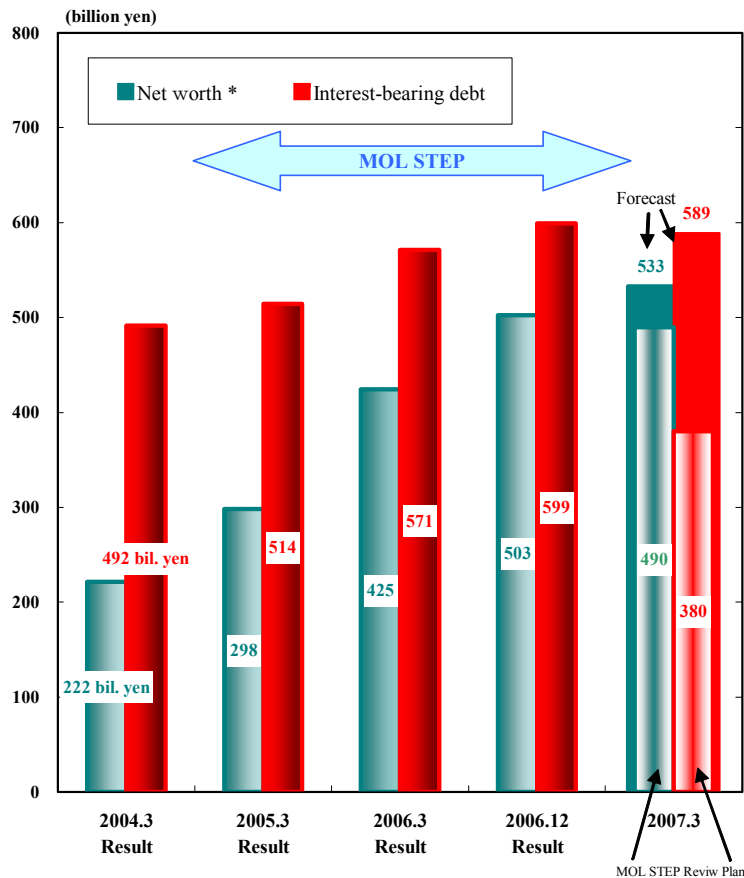
Av. exchange rate(¥/\$)	113.84	110(original)	107.75(result)	105(plan)	112.29(result)	100	116.94(assumption)	100(assumption)
Av. bunker price(\$/MT)	178	150(original)	193(result)	250(plan)	280(result)	200	321(assumption)	200(assumption)
Operating Income(bil. Yen)	92	105(original)	172(result)	176(plan)	173(result)	186(plan)	166(forecast)	215(target)

Ordinary Incomes by Segments



Av. exchange rate(¥/\$) 113.84 110(original)/ 107.75(result) 105(plan)/ 112.29(result) 100/ 116.94(assumption)
 Av. bunker price(\$/MT) 178 150(original)/ 193(result) 250(plan)/ 280(result) 200/ 321(assumption)

“MOL STEP Review” Financial Goals



Term-end exchange rate 105.69/ 107.13 107.39/ 104.21 117.47/ 118.07 119.11/ 117.90 118(assumption)
 (¥/\$, MOL /Overseas subsidiaries)

* to FY2005 : Shareholder's equity
 from FY2006 : Net worth = Owners' equity+Valuation and translation adjustments

** to FY2005 : Shareholder's equity÷Total assets, from FY2006 : Net worth÷Total assets

*** to FY2005 : Interest bearing debt÷Shareholder's equity,
 from FY2006 : Interest bearing debt÷Net worth