

**Business Performance**  
**in**  
**FY2006-1<sup>st</sup> Half**

*Mitsui O.S.K. Lines, Ltd.*

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# Contents

Outline of FY2006 1 <sup>st</sup> Half Results	2
FY2006 1 <sup>st</sup> Half Results	4
Consolidated Segment Information	5
Results Comparison FY2006-1H vs FY2005-1H	6
Key Points of FY2006 Full-year Forecast	7
FY2006 Forecast	8
Consolidated Segment Forecast	9

## [Supplement]

Major Containership Trades Utilization Forecast	11
Car Carrier Loading Results	12
“MOL STEP Review” Profit Goals	13
Ordinary Incomes by Segments	14
“MOL STEP Review” Fleet Expansion Plan	15
Cash Flow & Capital Expenditure	16
“MOL STEP Review” Financial Goals	17
Cost Reduction Plan	18

## Outline of FY2006 1st Half Results

### ➤ Summary

- Depreciation of yen (+ ¥7.22/\$) < Skyrocketing bunker price (+ \$87/MT)
- Increased profits in bulkship business (← Expanding fleet addresses robust trade /"highly stable profits" support high level income.)
  - < Decreased profits in containership business (← Lower freight rates/ higher costs)
- ⇒ ▪ Increase in earnings and decrease in profits from same period of FY2005
- Maintain high level of profits (second-best performance ever)
- Improve profits above forecast at the first quarter (mainly bulkship business)

### ➤ By segment

**Containerships:** A large decrease in profits from the same period of FY2005. Slightly lower than forecast at the first quarter.

- Freight rate:

North America route = Service contract negotiation in May concluded with lower average rate.

Europe and South America/Africa routes = Rates bottomed out in negotiations in April/June, and July/August respectively and recovered. However, they did not match rates in the same period of FY2005.

- Trade volume: A large increase from the same period of the previous year. Maintained high utilization.
- Costs: Increase in inland transport costs, etc.

**Bulkships:** An increase in profits from the same period of FY2005. Higher than forecast at the first quarter.

[Car carriers]

A large increase of cargo volume compared to the same period of FY2005

=> Increase in profits

[Dry bulkers]

Advantageous contracts of the previous term ended. The market during first few months was flagging.

↔ Expanded fleet and lowered costs by launching newly built vessels. The market during later months improved.

=> Smaller decrease in profits than forecast at the first quarter.

[Tankers]

Expanded fleet by launching newly built vessels.

Market = Both crude oil tankers and product tankers were firm, remaining at higher levels than the same period of FY2005. }

=> Larger increase in profit than forecast at the first quarter.

[LNG Carriers]

More operation efficiency => increase in profits

**Other 4 Segments:** A slight increase in profits from the same period of FY2005. Almost the same as the forecast at the first quarter.

➤ **Dividend**

Pay ¥9 per share of interim dividend.

# FY2006 1<sup>st</sup> Half Results

(billion yen)		FY2006			FY2005 1H Result	Increase/ decrease	1H Forecast as of 8/3/06	Increase/ decrease
		1Q Result	2Q Result	1H Result				
Revenue	Consolidated	371	389	760	636	+123	740	+20
	Non-Consolidated	293	306	598	501	+97	585	+13
Operating income	Consolidated	32	41	73	95	△22	69	+4
	Non-Consolidated	20	28	47	73	△25	45	+2
Ordinary income	Consolidated	35	43	78	98	△20	74	+4
	Non-Consolidated	25	28	53	71	△18	51	+2
Net income	Consolidated	23	25	48	62	△14	46	+2
	Non-Consolidated	16	18	34	44	△10	32	+2

Average exchange rate	¥115.46/\$	¥116.20/\$	¥115.83/\$	¥108.61/\$	+¥7.22/\$	¥112.73/\$	+¥3.10/\$
Average bunker price	\$338/MT	\$340/MT	\$339/MT	\$252/MT	+\$87/MT	\$339/MT	+\$0/MT

**Ordinary income**    **△5.1 bil. ¥**    **Ordinary income**    **+3.4 bil. ¥**



(Ex. Rate)	+15.9 bil. ¥ x 1/2	(Ex. Rate)	+6.8 bil. ¥ x 1/2
(Bunker)	△26.1 bil. ¥ x 1/2	(Bunker)	+0.0 bil. ¥ x 1/2

(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)		

## Consolidated Segment Information

(billion yen)		FY2006			FY2005 1H Result	Increase/ decrease	<i>1H Forecast as of 8/3/06</i>	<i>Increase/ decrease</i>
		1Q Result	2Q Result	1H Result				
<b>Containerships</b>	Revenue	133	145	278	218	+60	280	△2
	Ordinary income	△ 2	1	△ 1	31	△32	0	△1
<b>Bulkships</b>	Revenue	186	189	375	317	+58	355	+20
	Ordinary income	32	39	71	63	+8	64	+7
<b>Logistics</b>	Revenue	14	14	27	30	△2	28	△1
	Ordinary income	0	0	1	1	+0	1	+0
<b>Ferry &amp; domestic transport</b>	Revenue	12	14	26	25	+1	26	△0
	Ordinary income	△ 0	1	0	0	△0	1	△0
<b>Associated businesses</b>	Revenue	25	25	50	44	+6	49	+2
	Ordinary income	3	3	6	6	+0	6	+0
<b>Others</b>	Revenue	2	2	4	3	+1	3	+1
	Ordinary income	1	1	2	1	+1	1	+0
<b>Elimination</b>	Revenue	-	-	-	-	-	-	-
	Ordinary income	1	△ 2	0	△ 5	+4	1	△1
<b>Consolidated</b>	Revenue	371	389	760	636	+123	740	+20
	Ordinary income	35	43	78	98	△20	74	+4

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

## Results Comparison FY2006-1H vs FY2005-1H

### Major factors affected Revenue & Ordinary income

#### ● Revenue

(Non-Consolidated; billion yen)

<b>Weaker yen</b>	<b>+¥43.3 bil.</b>	<b>(+36.1)</b>	
Fluctuation of cargo volume/freight rates, etc.	+¥57.8 bil.	(+53.8)	
<b>Others</b>	<b>+¥22.1 bil.</b>	<b>(+7.1)</b>	
<b>(Total)</b>	<b>+¥123.1 bil.</b>	<b>(+97.0)</b>	

#### ● Ordinary income

(Non-Consolidated; billion yen)

<b>Weaker yen</b>	<b>+¥7.9 bil.</b>	<b>(+7.2)</b>	<small>(FY06-1H ¥115.83/\$; +¥7.22/\$)</small>
<b>Higher bunker</b>	<b>△¥13.1 bil.</b>	<b>(△8.7)</b>	<small>(FY06-1H \$339/MT; +\$87/MT)</small>
Fluctuation of cargo volume/freight rates, etc.	△¥24.4 bil.	(△29.1)	
<b>Cost Reduction</b>	<b>+7.2 bil.</b>	<b>(+6.3)</b>	
Equity in earnings of affiliated companies	△¥2.5 bil.	(0)	
<b>Others (incl. Elimination)</b>	<b>+¥4.8 bil.</b>	<b>(+6.2)</b>	
<b>(Balance)</b>	<b>△¥20.0 bil.</b>	<b>(△18.0)</b>	

## Key Points of FY2006 Full-year Outlook

### ➤ Upward revision of full-year outlook

	Estimate (May)	1stQtr(Aug)	Interim results*(Nov)	cf. FY2005results
Ordinary income	¥160 billion →	¥155 billion →	¥175 billion	¥176.5 billion
Net income	¥105 billion →	¥100 billion →	¥112 billion	¥113.7 billion

\* Assumption (2nd half): Bunker price US\$300/MT (cf. \$340/MT at 1st quarter)  
 Exchange rate ¥113/\$ (cf. ¥110/\$ at 1st quarter)

### ➤ By segment (Figures=Ordinary profits)

**Containerships:** Decreased profits compared to FY2005. +¥2 billion compared to forecast in the first half.

← \* Lower bunker price

\* Continue efforts on freight rate recovery (Europe in Oct./Jan.) and cost reduction

**Bulkships:** Increase in profits compared to FY2005. +¥20 billion compared to forecast at the first half.

← [Car carriers] Continue favorable cargo traffic

[Dry bulkers] Fleet expansion, well-balanced contract portfolio

→ Enjoy favorable market, while accumulating stable profits

[Tankers] Strong during the first half (Expecting firm tone during the second half as well, but some taking into account effects of the current flagging market)

### ➤ Dividend

Plan to pay ¥18 per share (interim: ¥9, year end: ¥9), as announced in May/August



# FY2006 Forecast

(billion yen)		FY2006		Yearly forecast	FY2005 Result	Increase/ decrease	<i>FY2006 Forecast as of 8/3/06</i>	<i>Increase/ decrease</i>
		1H Result	2H Forecast					
<b>Revenue</b>	Consolidated	<b>760</b>	<b>825</b>	<b>1,585</b>	<b>1,367</b>	<b>+218</b>	<b>1,480</b>	<b>+105</b>
	Non-Consolidated	<b>598</b>	<b>662</b>	<b>1,260</b>	<b>1,093</b>	<b>+167</b>	<b>1,170</b>	<b>+90</b>
<b>Operating income</b>	Consolidated	<b>73</b>	<b>93</b>	<b>166</b>	<b>173</b>	<b>△7</b>	<b>146</b>	<b>+20</b>
	Non-Consolidated	<b>47</b>	<b>68</b>	<b>115</b>	<b>128</b>	<b>△13</b>	<b>100</b>	<b>+15</b>
<b>Ordinary income</b>	Consolidated	<b>78</b>	<b>97</b>	<b>175</b>	<b>177</b>	<b>△2</b>	<b>155</b>	<b>+20</b>
	Non-Consolidated	<b>53</b>	<b>75</b>	<b>128</b>	<b>132</b>	<b>△4</b>	<b>113</b>	<b>+15</b>
<b>Net income</b>	Consolidated	<b>48</b>	<b>64</b>	<b>112</b>	<b>114</b>	<b>△2</b>	<b>100</b>	<b>+12</b>
	Non-Consolidated	<b>34</b>	<b>46</b>	<b>80</b>	<b>79</b>	<b>+1</b>	<b>70</b>	<b>+10</b>

Average exchange rate	¥115.83/\$	¥113.00/\$	¥114.42/\$	¥112.29/\$	+¥2.12/\$	¥111.37/\$	+¥3.05/\$
Average bunker price	¥339.00/\$	\$300/MT	\$320/MT	\$280/MT	+\$40/MT	\$340/MT	△\$20/MT
					<b>Ordinary income</b> <b>△7.2 bil. ¥</b>	<b>Ordinary income</b> <b>+12.7 bil. ¥</b>	
					↑	↑	
				(Ex. Rate)	+4.7 bil. ¥	(Ex. Rate)	+6.7 bil. ¥
				(Bunker)	△11.9 bil. ¥	(Bunker)	+6.0 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)		

## Consolidated Segment Forecast

(billion yen)		FY2006		Yearly forecast	FY2005 Result	Increase/ decrease	<i>FY2006 Forecast as of 8/3/06</i>	<i>Increase/ decrease</i>
		1H Result	2H Forecast					
<b>Containerships</b>	Revenue	278	292	570	488	+82	540	+30
	Ordinary income	△1	3	2	37	△35	0	+2
<b>Bulkships</b>	Revenue	375	425	800	676	+124	730	+70
	Ordinary income	71	86	157	135	+22	137	+20
<b>Logistics</b>	Revenue	27	29	56	64	△8	58	△2
	Ordinary income	1	1	2	2	△0	2	+0
<b>Ferry &amp; domestic transport</b>	Revenue	26	25	51	47	+4	51	+0
	Ordinary income	0	0	0	△0	+0	0	+0
<b>Associated businesses</b>	Revenue	50	52	102	87	+15	97	+6
	Ordinary income	6	6	12	13	△0	12	+0
<b>Others</b>	Revenue	4	2	6	4	+2	5	+2
	Ordinary income	2	1	3	3	+0	3	+0
<b>Elimination</b>	Revenue	-	-	-	-	-	-	-
	Ordinary income	△0	△1	△1	△13	+12	1	△2
<b>Consolidated</b>	Revenue	760	825	1,585	1,367	+218	1,480	+105
	Ordinary income	79	97	175	177	△2	155	+20

\* "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	
<b>FY2006</b>	2nd	4Q												
	half	3Q												
	1st	2Q	150	284	142	263	95%	92%	147	280	67	134	46%	48%
	half	1Q	134		120		89%	92%	133		67		50%	48%
<b>FY2005</b>	2nd	4Q	126	264	112	226	89%	86%	124	264	59	116	47%	44%
	half	3Q	138		115		83%	89%	140		57		41%	43%
		1st	142	534	132	473	93%		139	531	55	229	40%	
		2Q	271		247		91%		268		55		42%	
		half	1Q	129		115		89%	129		59		46%	

## Asia-Europe Trade

			Outbound (W/B)						Inbound (E/B)					
			Capacity		Lifting		Utilization		Capacity		Lifting		Utilization	
<b>FY2006</b>	2nd	4Q												
	half	3Q												
	1st	2Q	117	217	113	207	97%	95%	108	203	56	113	52%	56%
	half	1Q	100		94		94%	95%	96		57		59%	56%
<b>FY2005</b>	2nd	4Q	89	185	84	170	94%	92%	89	177	58	116	65%	66%
	half	3Q	96		86		90%	94%	88		59		67%	67%
		1st	84	354	80	333	96%		84	346	58	233	69%	
		2Q	169		163		96%		169		58		69%	
		half	1Q	85		82		97%	85		59		69%	

## All Trades (Round Voyage)

			Capacity		Lifting		Utilization	
<b>FY2006</b>	2nd	4Q						
	half	3Q						
	1st	2Q	1,018	1,914	757	1,422	74%	74%
	half	896		665		74%		
<b>FY2005</b>	2nd	4Q	817	1,658	601	1,202	74%	73%
	half	3Q	841		601		72%	75%
		1st	760	3,143	587	2,351	77%	
		2Q	1,485		1,149		77%	
		half	726		561		77%	

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

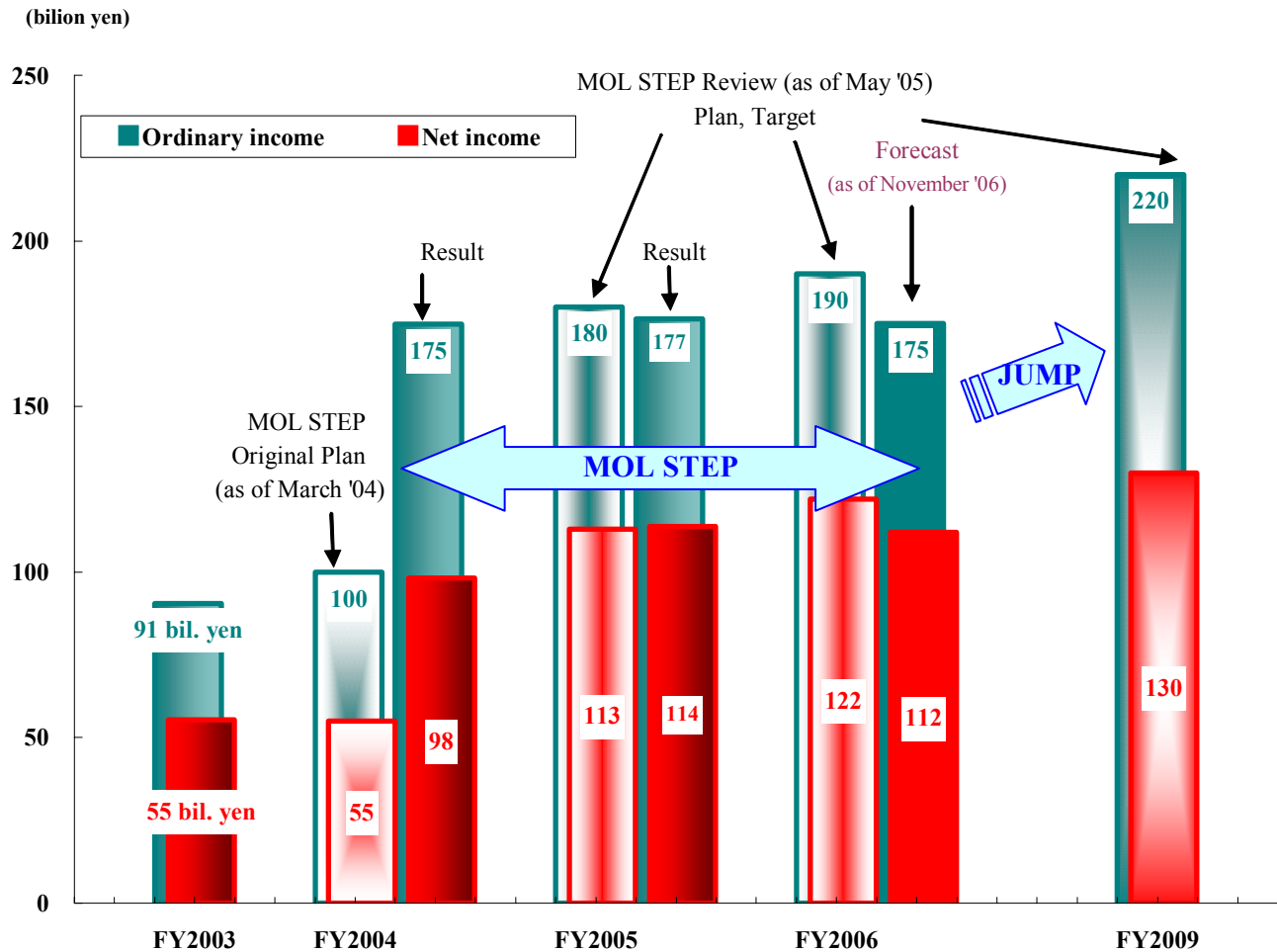
From FY2005-2H : Combined transport status method. (including Wayport cargo)

## Car Carriers Loading Results

(Voyage Completion basis; including voyage charter)	FY2006					FY2005
			1st Half	<i>2nd Half</i>	<i>(A)+(B)</i>	FY2005
	1Q	2Q	Forecast (A)	<i>Forecast (B)</i>		
<b>Total</b>	<b>677</b>	<b>614</b>	<b>1,291</b>	<b><i>1,319</i></b>	<b><i>2,610</i></b>	<b>2,275</b>

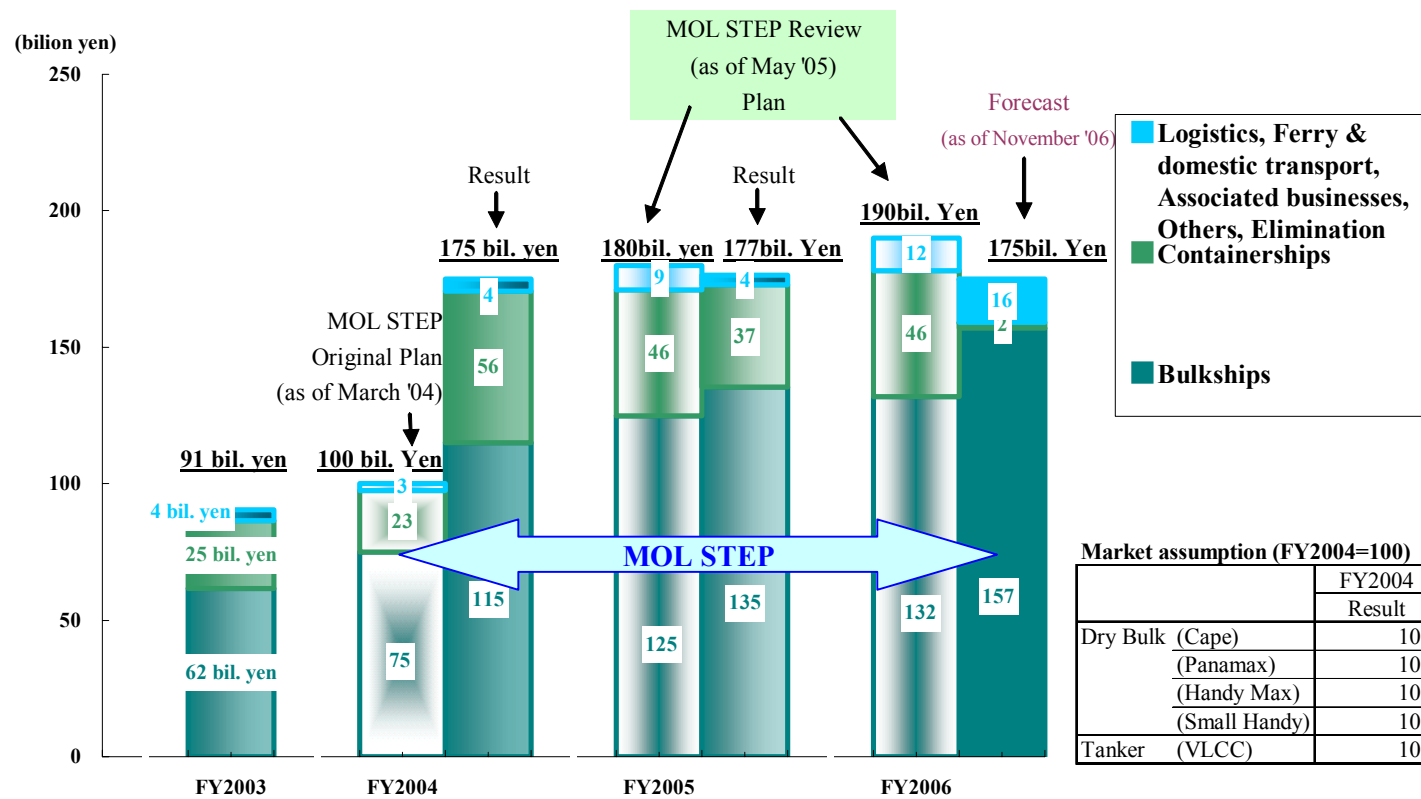
(1000 units)

# “MOL STEP Review” Profit Goals



Av. exchange rate(¥/\$)	113.84	110(original)	107.75(result)	105(plan)	112.29(result)	100	114.42(assumption)	100(assumption)
Av. bunker price(\$/MT)	178	150(original)	193(result)	250(plan)	280(result)	200	320(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/ 114.42(assumption)  
 Av. bunker price(\$/MT)    178    150(original)/ 193(result)    250(plan)/ 280(result)    200/ 320(assumption)

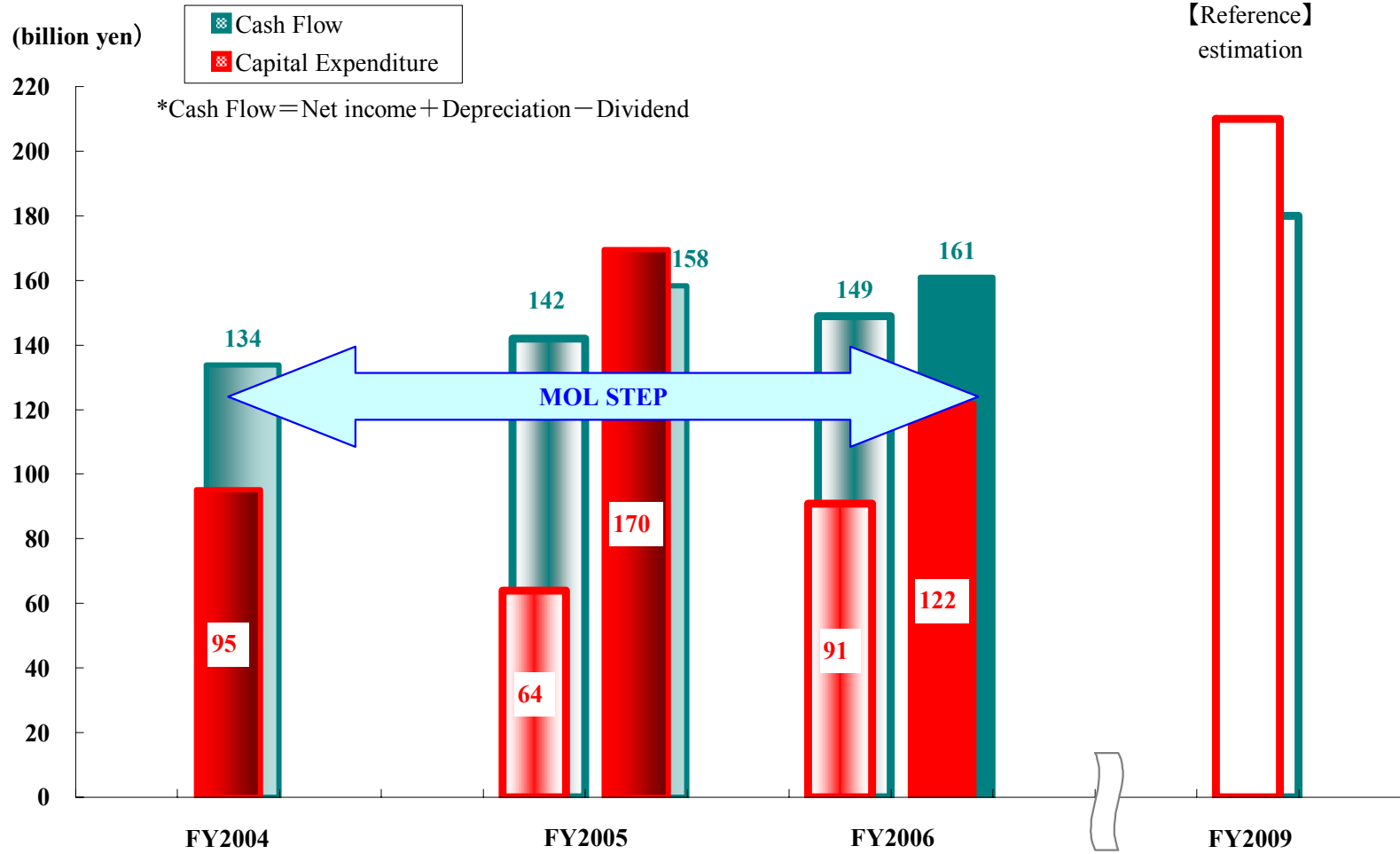
## “MOL STEP Review” Fleet Expansion Plan

		MOL STEP (FY04 to FY06)				(FY07-FY09)			
		March 2004	New vessels FY04-06	March 2005	March 2006	Sep. 2006	March 2007 (plan)	New vessels FY07-09	March 2010 (plan)
		Natural resources and energy transport (dry bulkers, tankers, LNG carriers)	Fleet	470	→	482	524	558	540
New vessels Plan			123					112	
	Ordered		123					111	
Product transport (containerships, car carriers)	Fleet	175	→	181	204	210	210	→	240
	New vessels Plan		22					30	
	Ordered		22					37	
Total	Fleet	645	→	663	728	768	750	→	900
	New vessels Plan		145					142	
	Ordered		145					148	

Note: 1) Spot chartered vessels included. 2) LNG carriers owned by MOL affiliates companies other than consolidated firms, and other vessels operated by equity-method affiliates in which MOL owns 50% of the shares are included.



# Cash Flows & Capital Expenditure



Av. exchange rate (¥/\$) 107.75

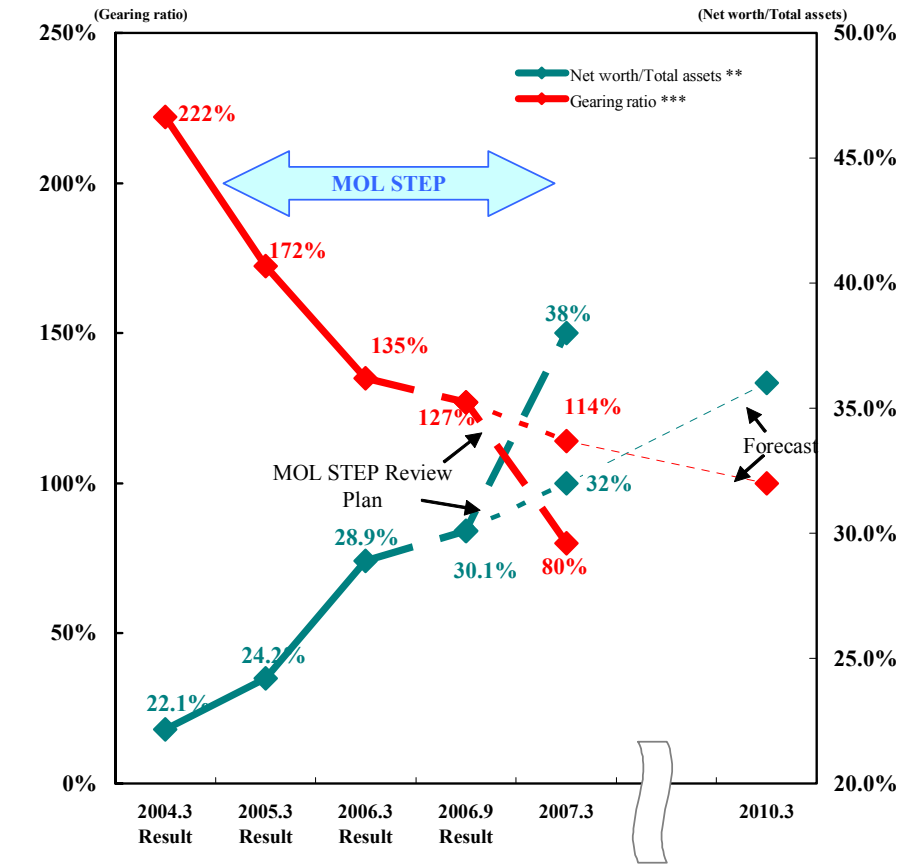
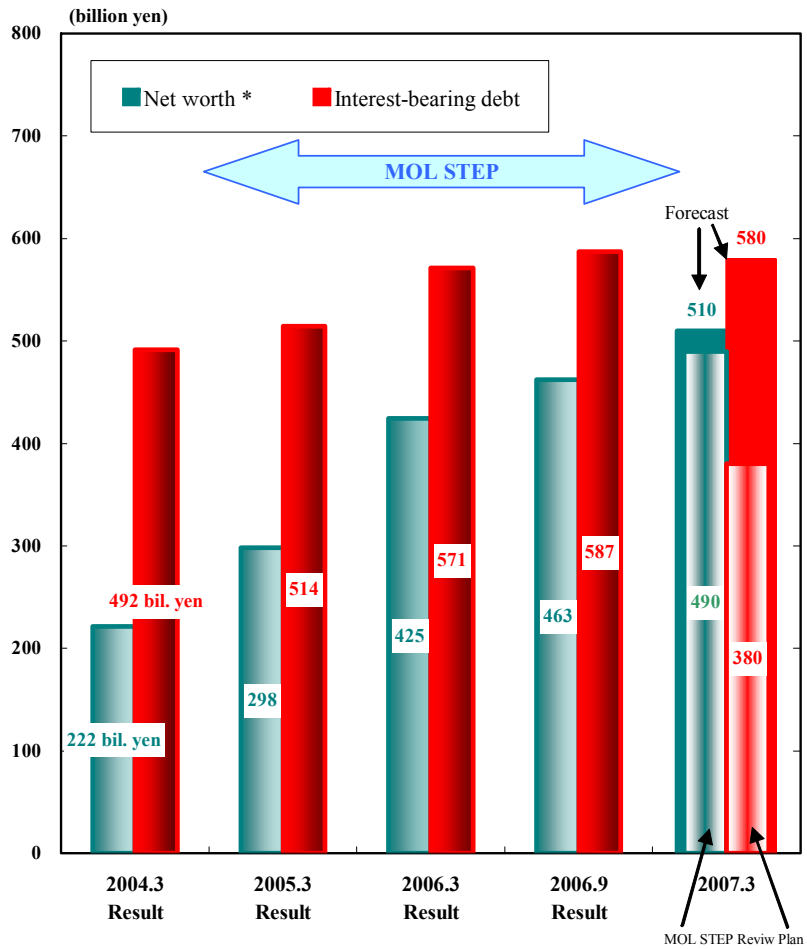
105 112.29

100 114.42

100(assumption)

Bunker price (\$/MT) 200(assumption)

# “MOL STEP Review” Financial Goals



Term-end exchange rate 105.69/ 107.13 107.39/ 104.21 117.47/ 118.07 117.90/ 115.24 113(assumption)  
 (¥/\$, MOL /Overseas subsidiaries)  
 \* to FY2005 : Shareholder's equity, from FY2006 : Net worth = Total net assets - Minority interests

\*\* 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

## Cost Reduction Plan

		(billion yen)			
		FY2004 (Result)	FY2005 (Result)	FY2006 (Plan)	Total
<b>Sales Division</b>		<b>5.5</b>	<b>4.5</b>	<b>8.0</b>	<b>18.0</b>
	(Voyage expenses, Container expenses, etc.)	(4.0)	(2.0)	(2.0)	(8.0)
<b>Administration Division</b>		<b>4.0</b>	<b>4.0</b>	<b>6.0</b>	<b>14.0</b>
	(Administration expenses, Interest payments, etc.)	(2.5)	(4.0)	(2.5)	(9.0)
<b>Total</b>		<b>9.5</b>	<b>8.5</b>	<b>14.0</b>	<b>32.0</b>
		(6.5)	(6.0)	(4.5)	(17.0)
	MOL (Non-Consolidated)	<b>8.0</b>	<b>6.5</b>	<b>12.0</b>	<b>26.5</b>
		(5.5)	(5.5)	(4.0)	(15.0)
	Group Companies	<b>1.5</b>	<b>2.0</b>	<b>2.0</b>	<b>5.5</b>
		(1.0)	(0.5)	(0.5)	(2.0)

( ) : MOL STEP PLAN (FY2004) or MOL STEP Review Plan (FY2005/06, Total)