

Business Performance
in
FY2005-1st Quarter

Mitsui O.S.K. Lines, Ltd.
August 2005

Contents

Highlights of FY2005 1 st Quarter Results	2
FY2005 1 st Quarter Results	4
Results Comparison FY2005-1Q vs FY2004-1Q	5
Outline of FY2005 Forecast	6
FY2005 Forecast	7
FY2005 Consolidated Segment Forecast	8

[Supplement]

[Ref.] Containerization International “Freight Rates Indicators”	11
Containerships Average Freight Rate / Lifting	12
Major Containership Trades Utilization Forecast	13
Car Carrier Loading Results	14
MOL STEP Review “Profit Goals”	15
MOL STEP Review “Financial Goals”	16

Highlights of FY2005 1st Quarter Results

- **Both revenue and profit increased compared to 1st quarter of FY2004, in spite of skyrocketing bunker prices, etc. (*)**

Revenue +11%

Ordinary income +40%

Net income +37%

→ **Favorable start for increase in revenue and profit for 3 consecutive years**

(*) Bunker price : + US\$62/MT, exchange rate: - ¥2.96/US\$ (compared to 1Q of FY2004), reducing profit by ¥6.5 billion

- **By segment (Increase /decrease in profit from 1Q of FY2004)**

Containerships: Covered increased costs by increased loading volume (+11%) and increased freight rate (+7%) → Ensured increase in profit

Bulkships: Expanded fleet, well-balanced expansion of mid- and long-term /spot contracts → strong increase in profit

**[Car Carriers] Rising bunker prices offset steady loading volume
→ slight decrease in profit**

[Dry Bulkers]

- **Market : Almost the same level as 1Q of FY2004**
- **Launched new bulkers, increased mid- and long-term contracts, won favorable contracts**
→ **great increase in profit**

[Tankers]

- **Market : Crude oil tankers = slightly decrease from 1Q of FY2004; product tankers = firm market**
- **Effect of fleet /business expansion } → increase in profit**

[LNG Carriers] Stable earnings through long-term contracts

Associated Businesses: Effect of Daibiru Corporation becoming a consolidated subsidiary in Oct. 2004 = ¥2.6 billion → increase in profit

Logistics, Ferry and Domestic Transport: Covered rising bunker prices by rationalization and aggressive sales efforts

- **Adopted an accounting for the impairment of assets**
→ **appropriated special loss of ¥1.2 billion**

FY2005 1st Quarter Results

(billion yen)

		1Q Result		Increase/ decrease
		FY2005	FY2004	
Revenue	Consolidated	308	277	+31
	Non-Consolidated	244	223	+20
Operating income	Consolidated	46	34	+12
	Non-Consolidated	36	29	+7
Ordinary income	Consolidated	49	35	+14
	Non-Consolidated	36	29	+7
Net income	Consolidated	31	23	+8
	Non-Consolidated	22	19	+4

Average exchange rate ¥106.79/\$ ¥109.75/\$ △¥2.96/\$

Average bunker price \$238/MT \$176/MT +\$62/MT

Ordinary income **△6.5 bil. ¥**

↑
 $\left\{ \begin{array}{l} \triangle 7.4 \text{ bil. } \text{¥} \times 1/4 \text{ (Ex. Rate)} \\ \triangle 18.6 \text{ bil. } \text{¥} \times 1/4 \text{ (Bunker)} \end{array} \right.$

(For reference)

FY2005 Exchange rate sensitivity/year	±2.50 bil. ¥/1¥
FY2005 Bunker price sensitivity/year	±0.30 bil. ¥/1\$
(Consolidated Ordinary Income Basis)	

(billion yen)

		1Q Result		Increase/ decrease
		FY2005	FY2004	
Containerships	Revenue	104	90	+14
	Ordinary income	12	10	+2
Bulkships	Revenue	155	146	+9
	Ordinary income	35	25	+10
Logistics	Revenue	15	14	+0
	Ordinary income	0	0	+0
Ferry & domestic transport	Revenue	12	11	+1
	Ordinary income	△ 0	△ 0	△ 0
Associated businesses	Revenue	21	14	+8
	Ordinary income	3	1	+2
Others	Revenue	1	2	△ 1
	Ordinary income	1	1	△ 0
Elimination	Revenue	-	-	-
	Ordinary income	△ 2	△ 1	△ 1
Consolidated	Revenue	308	277	+31
	Ordinary income	49	35	+14

Revenues from customers, unconsolidated subsidiaries and affiliated companies.

Results Comparison FY2005-1Q vs FY2004-1Q

Major factors affected Revenue & Ordinary income

● Revenue

(Non-Consolidated; billion yen)

Stronger yen	Δ¥6.7 bil.	(Δ5.9)
Increases of cargo volume/freight rates	+¥25.8 bil.	(+20.9)
Others	+¥12.1 bil.	(+54)
(Total)	+ ¥31.2 bil.	(+20.3)

● Ordinary income

(Non-Consolidated; billion yen)

Stronger yen	Δ¥1.9 bil.	(Δ1.7)	
Higher bunker	Δ¥4.7 bil.	(Δ3.1)	<small>(FY05-1Q ¥106.79/\$; +¥2.96/\$)</small>
Increases of cargo volume/freight rates	+¥18.3 bil.	(+14.5)	<small>(FY05-1Q \$238/MT; +\$62/MT)</small>
Cost Reduction	+1.6 bil.	(+1.4)	
Equity in earnings of affiliated companies	+¥2.3 bil.	(0)	
Decrease of interest payment	+0.3 bil.	(+0.6)	
Others (incl. Elimination)	Δ¥1.8 bil.	(Δ4.3)	
(Balance)	+¥14.1 bil.	(+7.4)	

Outline of FY2005 Forecast

- **Upward revision of forecast of FY2005 ending March 31, 2006**
 - Ordinary income : ¥180 billion → ¥184 billion (+ ¥4 billion)**
 - Net income : ¥113 billion → ¥115 billion (+ ¥2 billion)**
 - Assumption (2nd -4th quarters) : Bunker price US\$270/MT, exchange rate ¥110/US\$ billion**

- **Containerships: Ordinary income +¥7 bil. (1st half +¥2 bil. /2nd half +¥5 bil.)**
 - ← **Favorable cargo trade, rising freight rates, and revision in accounting standard (from voyage completion method to combined transport status method)**

- Bulkships: Ordinary income -¥3.5 bil. (1st half +¥2.5 bil. /2nd half -¥6 bil.)**
 - ← { **Reviewed assumptions for dry bulker market**
Highly stable profits from mid- /long-term contracts, etc.
underpinning the earnings

- **Dividend : ¥18 per share (interim dividend ¥9, year-end ¥9) is planned (as announced on May 12)**

FY2005 Forecast

FY2005		1st Half			1H Forecast as of 5/12/05 (b)	(a)-(b)	2nd Half Forecast	(billion yen)		
		1Q Result	2Q Forecast	Forecast (a)				FY2005 Forecast (c)	FY2005 Forecast as of 5/12/05 (d)	(c)-(d)
Revenue	Consolidated	308	307	615	600	+15	655	1,270	1,210	+60
	Non-Consolidated	244	247	490	480	+10	530	1,020	970	+50
Operating income	Consolidated	46	44	90	85	+5	90	180	176	+4
	Non-Consolidated	36	32	68	64	+4	71	139	135	+4
Ordinary income	Consolidated	49	44	93	88	+5	91	184	180	+4
	Non-Consolidated	36	34	70	66	+4	76	146	142	+4
Net income	Consolidated	31	26	57	54	+3	58	115	113	+2
	Non-Consolidated	22	21	43	41	+2	46	89	87	+2

Average exchange rate ¥106.79/\$ ¥110.00/\$ ¥108.40/\$ ¥105.00/\$ +¥3.40/\$ ¥110.00/\$ ¥109.20/\$ ¥105.00/\$ +¥4.20/\$
 Average bunker price \$238/MT \$270/MT \$254/MT \$250/MT +\$4/MT \$270/MT \$262/MT \$250/MT +\$12/MT

Ordinary income +3.7 bil. ¥

Ordinary income +6.9 bil. ¥

(For reference)

FY2005 Exchange rate sensitivity/year	±2.50 bil. ¥/1¥
FY2005 Bunker price sensitivity/year	±0.30 bil. ¥/1\$

(Consolidated Ordinary Income Basis)

+8.5 bil. ¥ x 1/2 (Ex. Rate)
 △1.2 bil. ¥ x 1/2 (Bunker)

+10.5 bil. ¥ (Ex. Rate)
 △3.6 bil. ¥ (Bunker)

cf.

FY2004		1st Half			2nd Half Result	FY2004 Result
		1Q Result	2Q Result	Result		
Revenue	Consolidated	277	287	564	610	1,173
	Non-Consolidated	223	231	454	489	943
Operating income	Consolidated	34	39	73	99	172
	Non-Consolidated	29	31	60	82	142
Ordinary income	Consolidated	35	39	74	101	175
	Non-Consolidated	29	31	60	86	146
Net income	Consolidated	23	24	47	51	98
	Non-Consolidated	19	19	38	39	77

Average exchange rate ¥109.75/\$ ¥109.41/\$ ¥109.58/\$ ¥105.92/\$ ¥107.75/\$
 Average bunker price \$176/MT \$190/MT \$183/MT \$203/MT \$193/MT

Exchange rate +¥1.45/\$
 Bunker price +\$69/MT
 Ordinary income △17.1 bil. ¥

+3.6 bil. ¥ (Ex. Rate)
 △20.7 bil. ¥ (Bunker)

FY2005 Consolidated Segment Forecast

(billion yen)

	FY2005	1st Half			1H Forecast as of 5/12/05 (b)	(a)-(b)	2nd Half Forecast	FY2005 Forecast (C)	FY2005 Forecast as of 5/12/05(d)	(c)-(d)
		1Q Result	2Q Forecast	Forecast (a)						
Containerships	Revenue	104	106	210	205	+5	245	455	415	+40
	Ordinary income	12	14	26	24	+2	28	53	46	+7
Bulkships	Revenue	155	155	310	305	+5	315	625	610	+15
	Ordinary income	35	28	63	60	+3	59	122	125	△4
Logistics	Revenue	15	14	29	28	+1	33	62	61	+1
	Ordinary income	0	0	1	1	+0	1	2	2	+0
Ferry& domestic transport	Revenue	12	12	24	22	+2	22	46	44	+2
	Ordinary income	△ 0	1	1	0	+0	0	1	1	+0
Associated businesses	Revenue	21	19	40	38	+2	38	78	76	+2
	Ordinary income	3	3	6	6	+0	5	11	11	+0
Others	Revenue	1	1	3	2	+1	2	5	4	+1
	Ordinary income	1	0	1	1	+1	1	2	1	+1
Elimination	Revenue	-	-	-	-	-	-	-	-	-
	Ordinary income	△ 2	△ 1	△ 3	△ 3	△ 0	△ 3	△ 5	△ 5	△ 0
Consolidated	Revenue	308	307	615	600	+15	655	1,270	1,210	+60
	Ordinary income	49	44	93	88	+5	91	184	180	+4

Revenues from customers, unconsolidated subsidiaries and affiliated companies.

cf.

(billion yen)

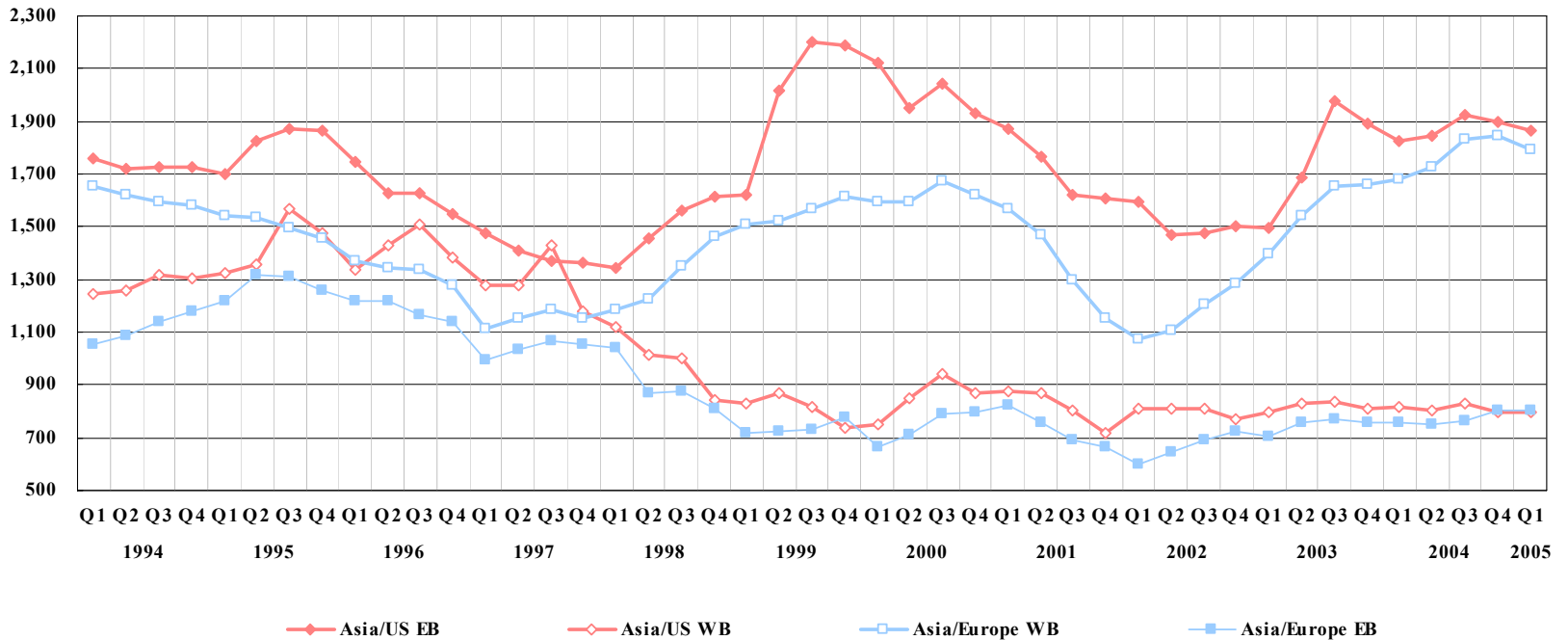
	FY2004	1st Half			2nd Half Result	FY2004 Result
		1Q Result	2Q Result	Result		
Containerships	Revenue	90	102	193	207	399
	Ordinary income	10	15	24	31	56
Bulkships	Revenue	146	142	288	308	597
	Ordinary income	25	24	49	66	115
Logistics	Revenue	14	15	29	29	58
	Ordinary income	0	0	0	1	1
Ferry & domestic transport	Revenue	11	12	23	23	45
	Ordinary income	△ 0	1	1	△ 1	0
Associated businesses	Revenue	14	13	27	40	67
	Ordinary income	1	0	1	4	5
Others	Revenue	2	2	4	4	8
	Ordinary income	1	0	1	1	2
Elimination	Revenue	-	-	-	-	-
	Ordinary income	△ 1	△ 1	△ 2	△ 2	△ 4
Consolidated	Revenue	277	287	564	610	1,173
	Ordinary income	35	39	74	101	175

Revenues from customers, unconsolidated subsidiaries and affiliated companies.

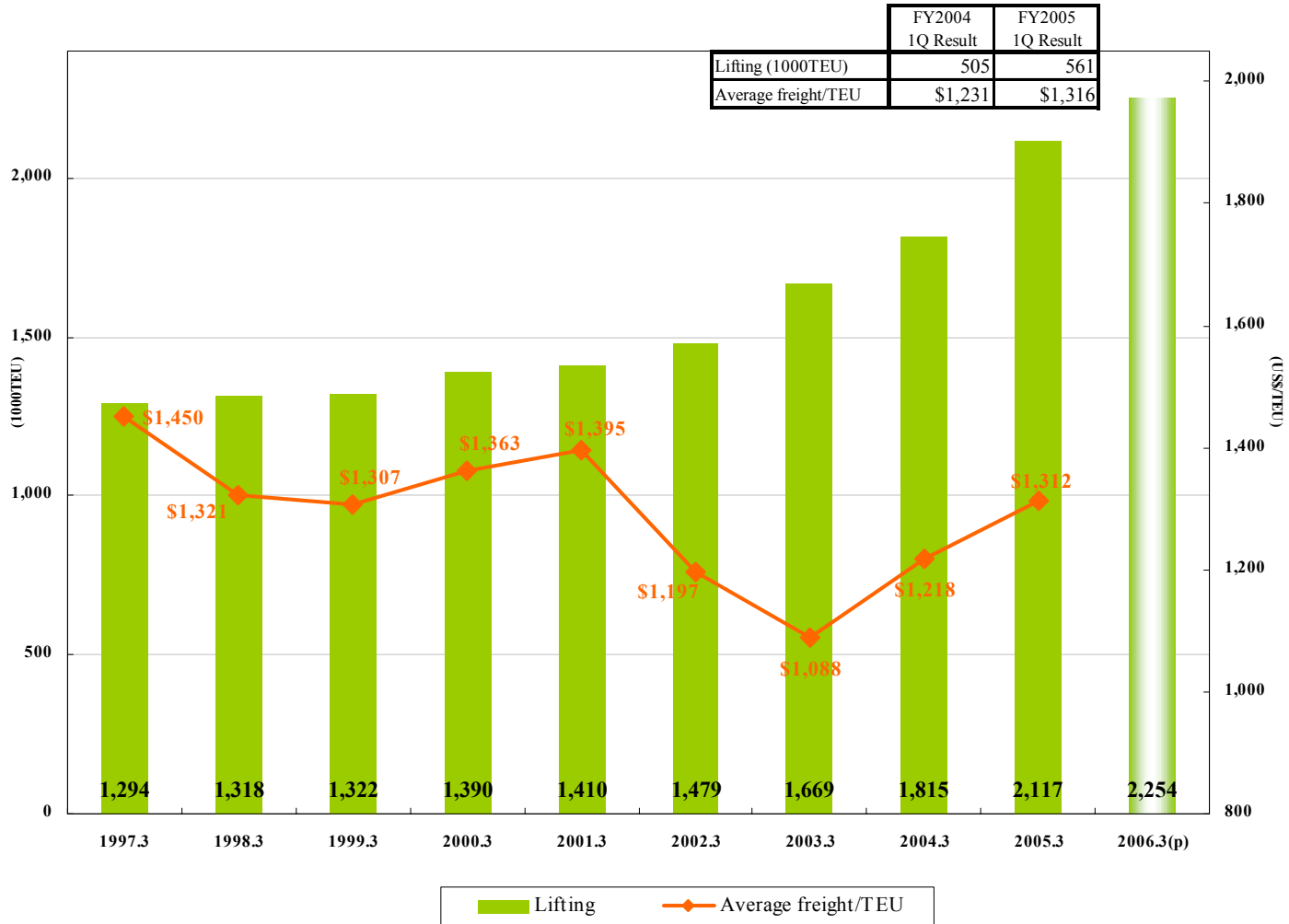
[Supplement]

[Ref.] Containerization International “Freight Rates Indicators”

US\$/TEU



Containerships Average Freight / Lifting



Major Containership Trades Utilization Forecast

(unit: 1000TEU)

Asia-North America Trade (TPS)

		Outbound (E/B)						Inbound (W/B)					
		Capacity		Lifting		Utilization		Capacity		Lifting		Utilization	
FY2005	2nd 4Q												
	half 3Q												
	1st 2Q												
	half 1Q												
FY2004	2nd 4Q	129		115		89%		129		59		46%	
	half 3Q	135	257	107	236	95%	92%	120	256	52	102	43%	40%
	1st 2Q	130		129	458	92%	92%	136		50	205	37%	41%
	half 1Q	112	243	120	222	92%	91%	130	498	46	103	36%	42%
	half 1Q	112		102		90%		112	242	57	103	50%	42%

Asia-Europe Trade

		Outbound (W/B)						Inbound (E/B)					
		Capacity		Lifting		Utilization		Capacity		Lifting		Utilization	
FY2005	2nd 4Q												
	half 3Q												
	1st 2Q												
	half 1Q												
FY2004	2nd 4Q	85		82		97%		85		59		69%	
	half 3Q	87	173	82	161	95%	93%	87	173	56	112	64%	65%
	1st 2Q	86		79	316	92%	96%	86		56	229	65%	69%
	half 1Q	81	158	79	155	97%	98%	81	158	57	117	71%	74%
	half 1Q	77		76		99%		77		60		78%	

All Trades (Round Voyage)

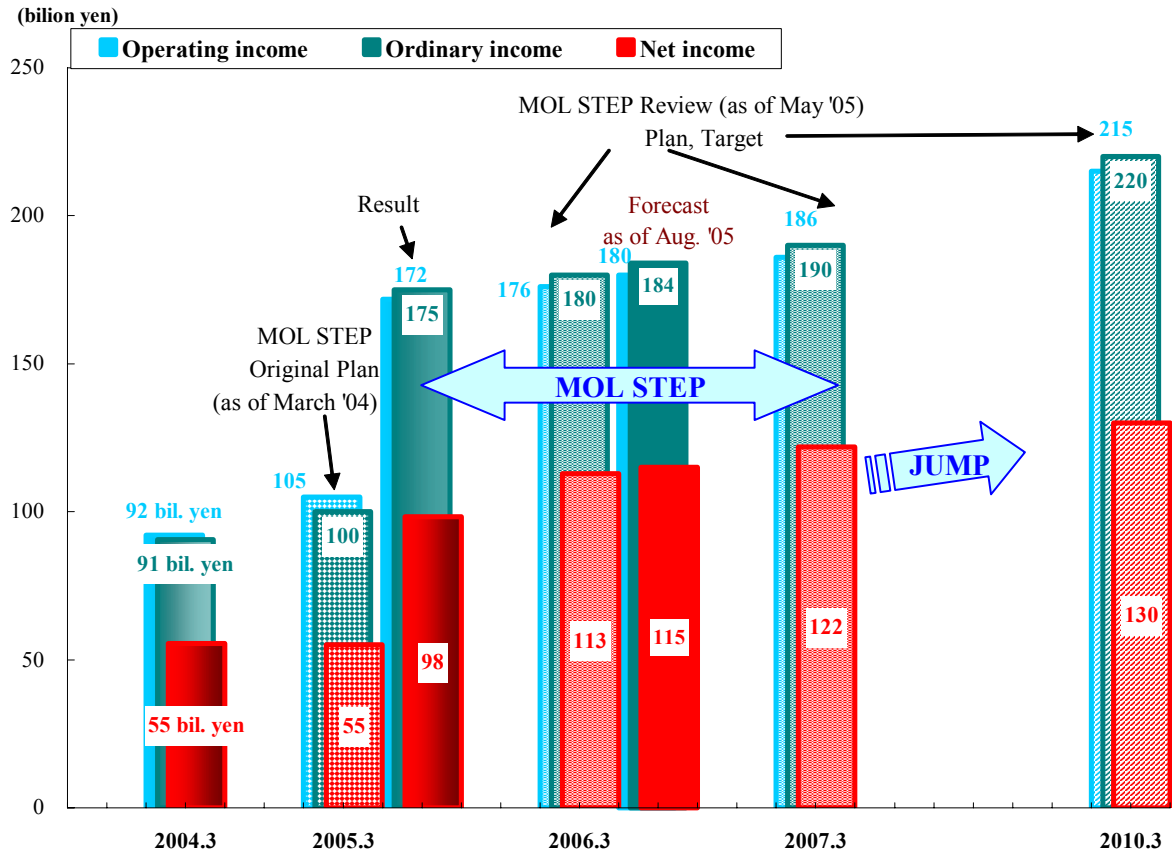
		Capacity		Lifting		Utilization	
FY2005	2nd 4Q						
	half 3Q						
	1st 2Q						
	half 1Q						
FY2004	2nd 4Q	728		561		77%	
	half 3Q	685	1,406	523	1,082	76%	77%
	1st 2Q	722		559	2,117	77%	78%
	half 1Q	685	1,321	530	1,035	77%	78%
	half 1Q	635		505		80%	

Car Carriers Loading Results

(Voyage Completion basis; including voyage charter)	FY2005					FY2004
			<i>1st Half</i>	<i>2nd Half</i>	<i>(A)+(B)</i>	
	1Q	<i>2Q</i>	<i>Forecast (A)</i>	<i>Forecast (B)</i>		
Total	521	552	1,073	1,112	2,185	2,116

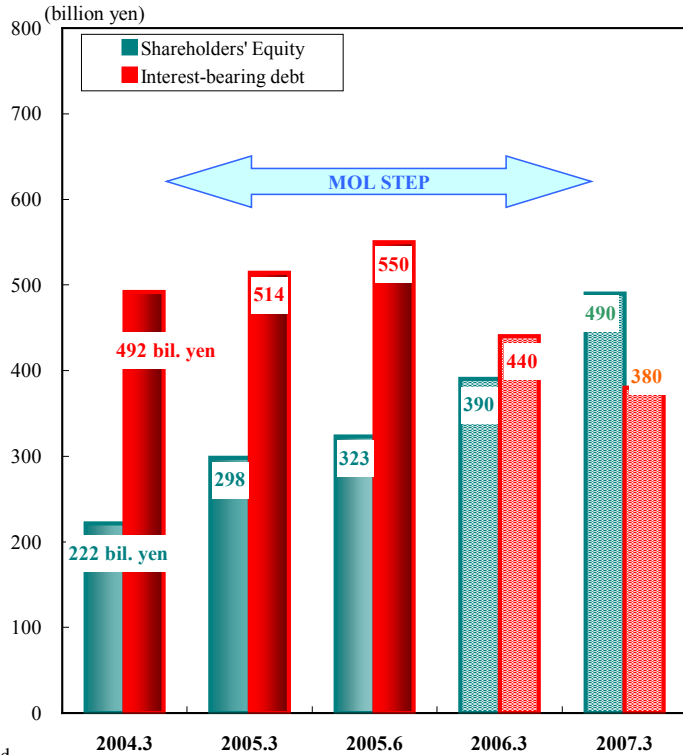
(1000 units)

“MOL STEP Review” Profit Goals



Av. exchange rate(¥/\$)	113.84	110(original)	107.75(result)	105	109.20(assumption)	100(assumption)	100(assumption)
Av. bunker price(\$/MT)	178	150(original)	193(result)	250	262(assumption)	200(assumption)	200(assumption)

“MOL STEP Review” Financial Goals



Term-end exchange rate 105.69/107.13 107.39/104.21 110.62/107.39 105(assumption) 100(assumption)
 (¥/\$, MOL./Overseas subsidiaries)

