

Mitsui O.S.K. Lines' New Expansion Target

“MOL next” Review

on

the Final Year (FY2003)

&

“MOL STEP” (FY2004-2006)

Mitsui O.S.K. Lines' Strategy towards Excellent and Powerful Group

Mitsui O.S.K. Lines, Ltd.

May 2004

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Outline of FY2003 Results

- **Achieved MOL next goals with record-breaking profits.**

Operating income ¥92 bil. (¥78 bil.; FY2000)

Ordinary income ¥91 bil. (¥53 bil.; FY2000)

Net income ¥55 bil. (¥15 bil.; FY2002)

- **Despite a strong yen and higher bunker price; the drive for profitability, cost cutting and favourable shipping markets led to unprecedented financial performance.**

- **Rate recovery of containerships boosted profits.**

(Up ¥30bil. from FY2002 non-consolidated operating loss)

- **Dividend per share increased to ¥11 (cf. ¥5 in FY2002)**

(interim ¥4 + FY-end ¥7 incl. commemorative for 120th anniversary ¥1)

- **Bigger profit contribution from consolidated affiliates.**

(Up ¥6bil. from FY2002 ordinary income.)

FY2003 Results

		FY2003			FY2002	Increase /decreas
		Result	1H Result	2H Result	Result	
Revenue	Consolidated	997	483	514	910	+87
	Non-Consolidated	792	379	413	699	+93
Operating income	Consolidated	92	38	54	45	+47
	Non-Consolidated	74	30	44	29	+46
Ordinary income	Consolidated	91	36	54	33	+57
	Non-Consolidated	79	30	50	28	+51
Net income	Consolidated	55	21	35	15	+41
	Non-Consolidated	41	15	26	8	+32

Average exchange rate ¥113.84/\$ ¥118.65/\$ ¥109.03/\$ ¥122.29/\$ ¥8.45/\$
 Average bunker price \$178/MT \$178/MT \$178/MT ¥163.00/\$ +\$15/MT

Ordinary income 13.8 bil. ¥



9.3 bil. ¥ (Ex. Rate)

4.5 bil. ¥ (Bunker)

(For reference 2) (billion yen)

FY2003 Forecast as of:			
'04/4/23	'04/2/12	'03/11/12	'03/5/16
995	970	970	960
790	760	760	750
91	83	82	75
74	67	65	57
89	81	77	68
79	72	67	58
52	46	42	38
40	36	33	30

¥113.84/\$ ¥113.38/\$ ¥114.33/\$ ¥115.00/\$
 \$178/MT \$180/MT \$174/MT \$150/MT

(For reference 1)

Exchange rate sensitivity/year	±1.10 bil. ¥/1¥
Bunker price sensitivity/year	±0.30 bil. ¥/1\$
(Consolidated Ordinary Income Basis)	

Consolidated Segment Results

(billion yen)

2004.3 Result (A)	Overseas shipping	Ferry/Domestic shipping	Shipping agent & Harbor/terminal operations	Cargo forwarding & Warehousing	Others	Elimination	Consolidated
Revenue	830	35	85	47	72	72	997
Operating income	83	1	5	0	3	1	92

(billion yen)

2003.3 Result (B)	Overseas shipping	Ferry/Domestic shipping	Shipping agent & Harbor/terminal operations	Cargo forwarding & Warehousing	Others	Elimination	Consolidated
Revenue	743	33	79	48	75	68	910
Operating income	37	1	2	0	4	1	45

(billion yen)

Increase/decrease (A) - (B)	Overseas shipping	Ferry/Domestic shipping	Shipping agent & Harbor/terminal operations	Cargo forwarding & Warehousing	Others	Elimination	Consolidated
Revenue	+87	+2	+6	1	3	4	+87
Operating income	+46	+1	+3	+0	1	2	+47

Results Comparison FY2003 vs FY2002

Major factors affected Revenue & Operating income

Revenue

(Non-Consolidated; billion yen)

Stronger yen	¥50.7 bil.	(42.3)
Cargo movements*	+ ¥137.5 bil.	(+ 131.0)
Others	+ ¥0.1 bil.	(+ 4.2)
(Total)	+ 86.9 bil.	(+ 92.9)

Operating income

(Non-Consolidated; billion yen)

Stronger yen	¥9.3 bil.	(8.5) (FY2003 ¥113.84; +¥8.45)
Higher bunker	¥4.5 bil.	(3.0) (FY2003 \$178; +\$15/MT)
Market fluctuation*	+ ¥59.8 bil.	(+53.5)
Cost reduction	+ ¥7.5 bil.	(+6.2)
Others	¥6.8 bil.	(2.5)
(Balance)	+ ¥46.7 bil.	(+ 45.7)

*: “Cargo movements” and “Market fluctuation” include the drive for revenue and profits.

Non-Consolidated Revenue/Operating Income Results by Division

[Revenue Breakdown]

(billion yen)

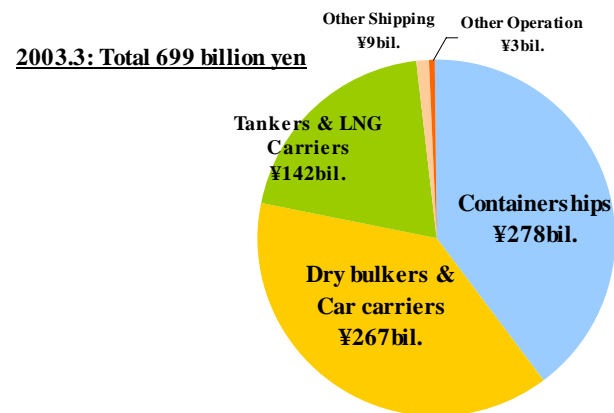
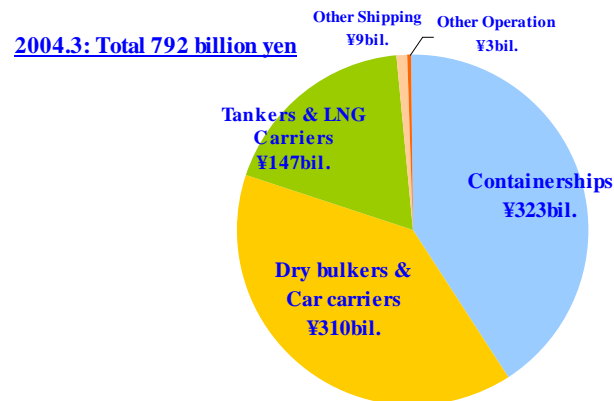
2004.3 Result (A)	Containerships	Dry bulkers, Car Carriers, Tankers & LNG Carriers etc.	Total
Revenue	323	468	792
Operating income	20	54	74

(billion yen)

2003.3 Result (B)	Containerships	Dry bulkers, Car Carriers, Tankers & LNG Carriers etc.	Total
Revenue	278	421	699
Operating income	10	38	29

(billion yen)

Increase/decrease (A) - (B)	Containerships	Dry bulkers, Car Carriers, Tankers & LNG Carriers etc.	Total
Revenue	+45	+48	+93
Operating income	+30	+16	+46



FY2004 Forecast Highlights

- **Ordinary income to exceed ¥100bil, and revenue ¥1tril., breaking all previous records.**
- **Higher profits in every segment; Dry Bulkers and Containerships to be major profit boosters.**

FY2004 Forecast

(billion yen)

		FY2004	FY2003	Increase/decrease	
Revenue	Consolidated	1,050	997	+53	+5.3%
	Non-Consolidated	830	792	+38	+4.8%
Operating income	Consolidated	115	92	+23	+24.8%
	Non-Consolidated	93	74	+19	+25.2%
Ordinary income	Consolidated	110	91	+19	+21.5%
	Non-Consolidated	94	79	+15	+18.6%
Net income	Consolidated	62	55	+7	+11.9%
	Non-Consolidated	53	41	+12	+30.5%
Average exchange rate		¥110.00/\$	¥113.84/\$	¥3.84/\$	
Average bunker price		\$180/MT	\$178/MT	+\$2/MT	

Ordinary income 5.6 bil. ¥

↑
5.0 bil. ¥ (Ex. Rate)
0.6 bil. ¥ (Bunker)

(billion yen)

		FY2004-1H	FY2003-1H	Increase/decrease	
Revenue	Consolidated	530	483	+47	+9.8%
	Non-Consolidated	420	379	+41	+10.8%
Operating income	Consolidated	52	38	+14	+35.5%
	Non-Consolidated	41	30	+11	+35.6%
Ordinary income	Consolidated	51	36	+15	+40.8%
	Non-Consolidated	41	30	+11	+38.7%
Net income	Consolidated	29	21	+8	+40.6%
	Non-Consolidated	22	15	+7	+47.9%
Average exchange rate		¥110.00/\$	¥118.65/\$	¥8.65/\$	
Average bunker price		\$180/MT	\$178/MT	+\$2/MT	

Ordinary income 5.9 bil. ¥

↑
11.2 bil. ¥ x 1/2 (Ex. Rate)
0.6 bil. ¥ x 1/2 (Bunker)

(For reference)

Exchange rate sensitivity/year	±1.30 bil. ¥/1¥
Bunker price sensitivity/year	±0.30 bil. ¥/1\$
(Consolidated Ordinary Income Basis)	

Consolidated Segment Revenue/Ordinary Income Forecast

(billion yen)

FY2004	Containerships	Bulkships	Logistics	Ferry & Domestic Transport	Associated Business	Others	Total
Revenue	370	520	55	42	55	8	1,050
Ordinary income	30	78	1	1	3	3	110

(billion yen)

FY2004-1H	Containerships	Bulkships	Logistics	Ferry & Domestic Transport	Associated Business	Others	Total
Revenue	185	265	27	22	27	4	530
Ordinary income	14	35	0	1	1	1	51

(billion yen)

FY2004-2H	Containerships	Bulkships	Logistics	Ferry & Domestic Transport	Associated Business	Others	Total
Revenue	185	255	28	20	28	4	520
Ordinary income	16	43	1	0	2	2	59

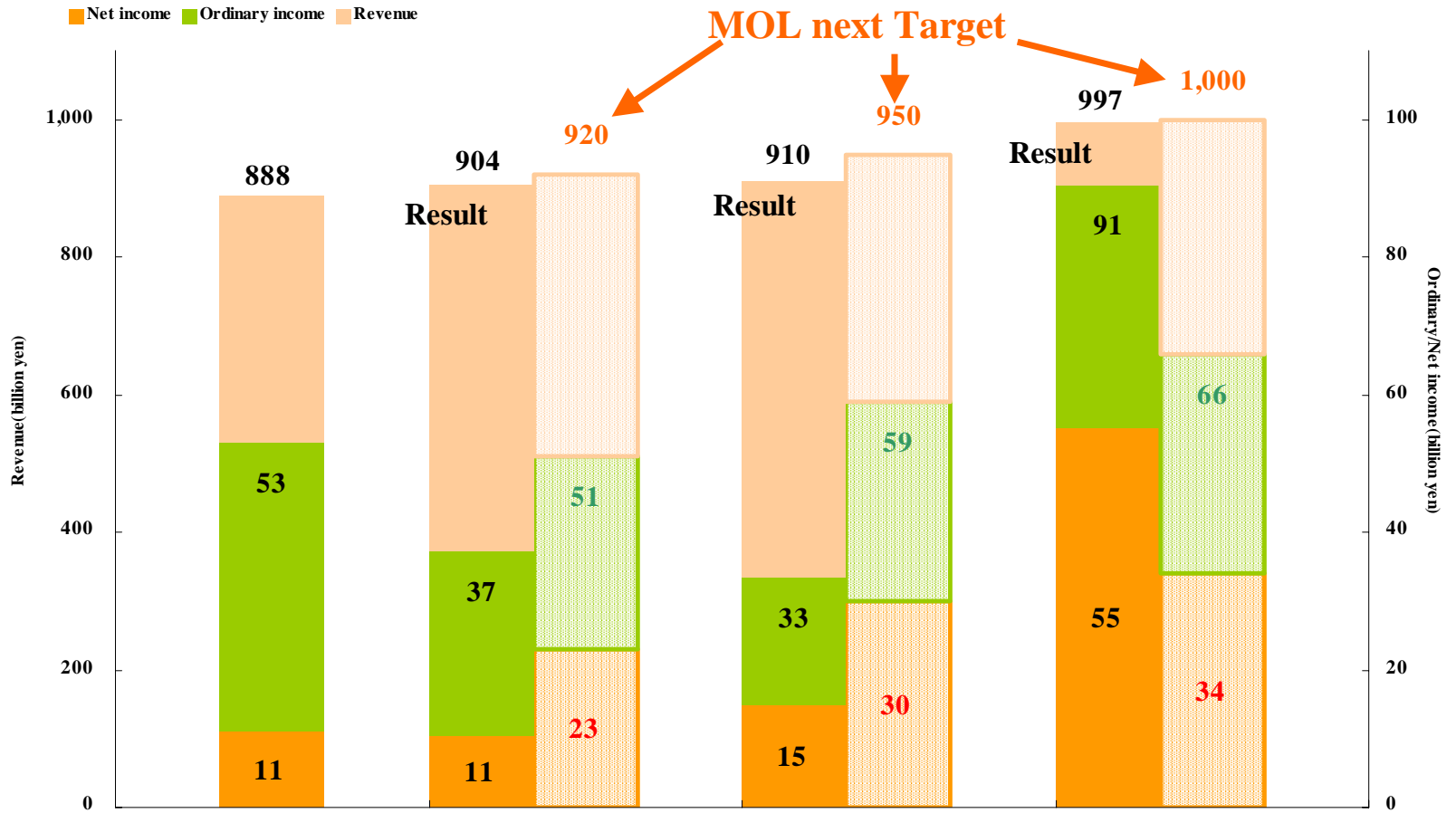
[For reference] Non-Consolidated Containerships (=Liner) Revenue/Ordinary income

(billion yen)

	FY2004		
	Yearly	1st Half	2nd Half
Revenue	350	174	176
Operating income	26	12	14
Ordinary income	26	12	14

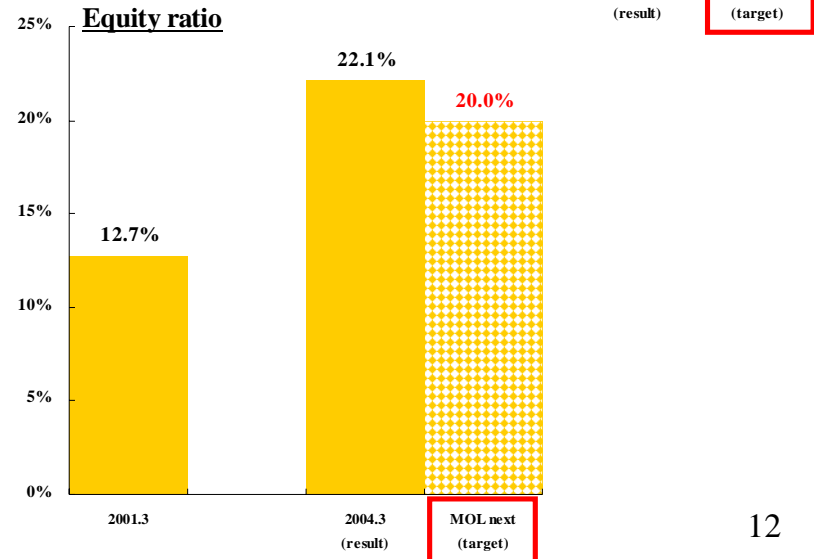
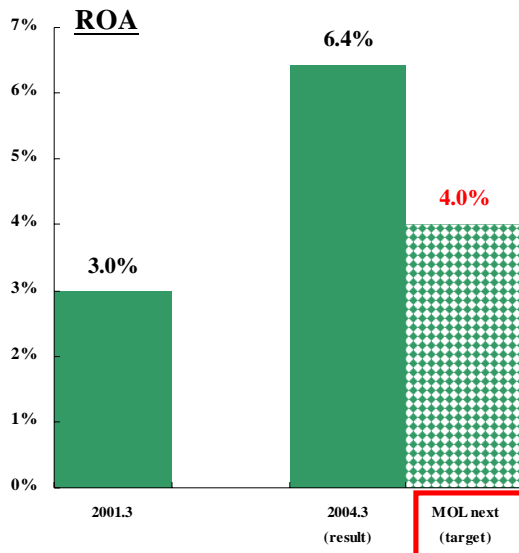
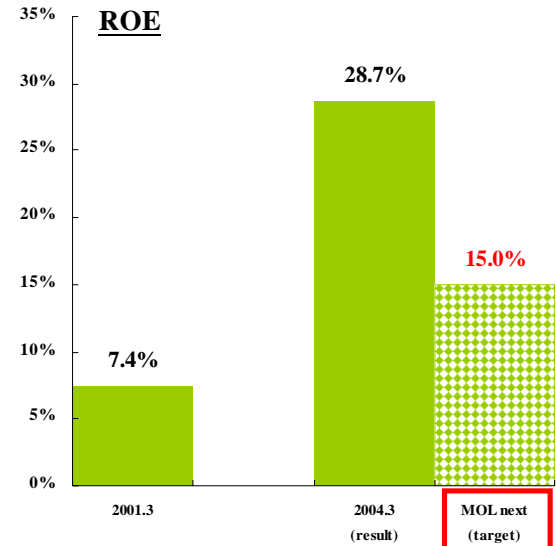
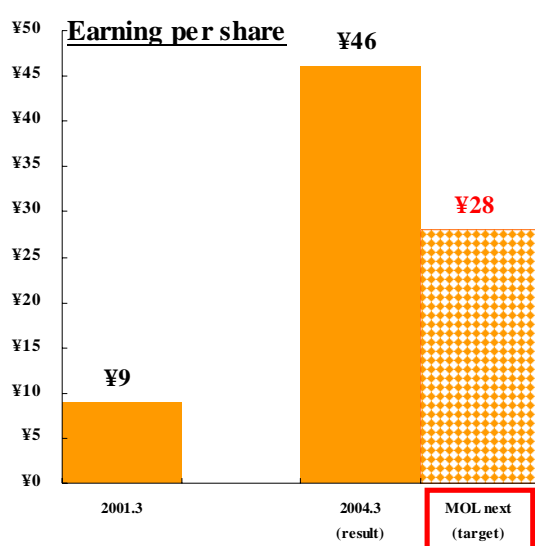
[Supplement]

Consolidated MOL next Review



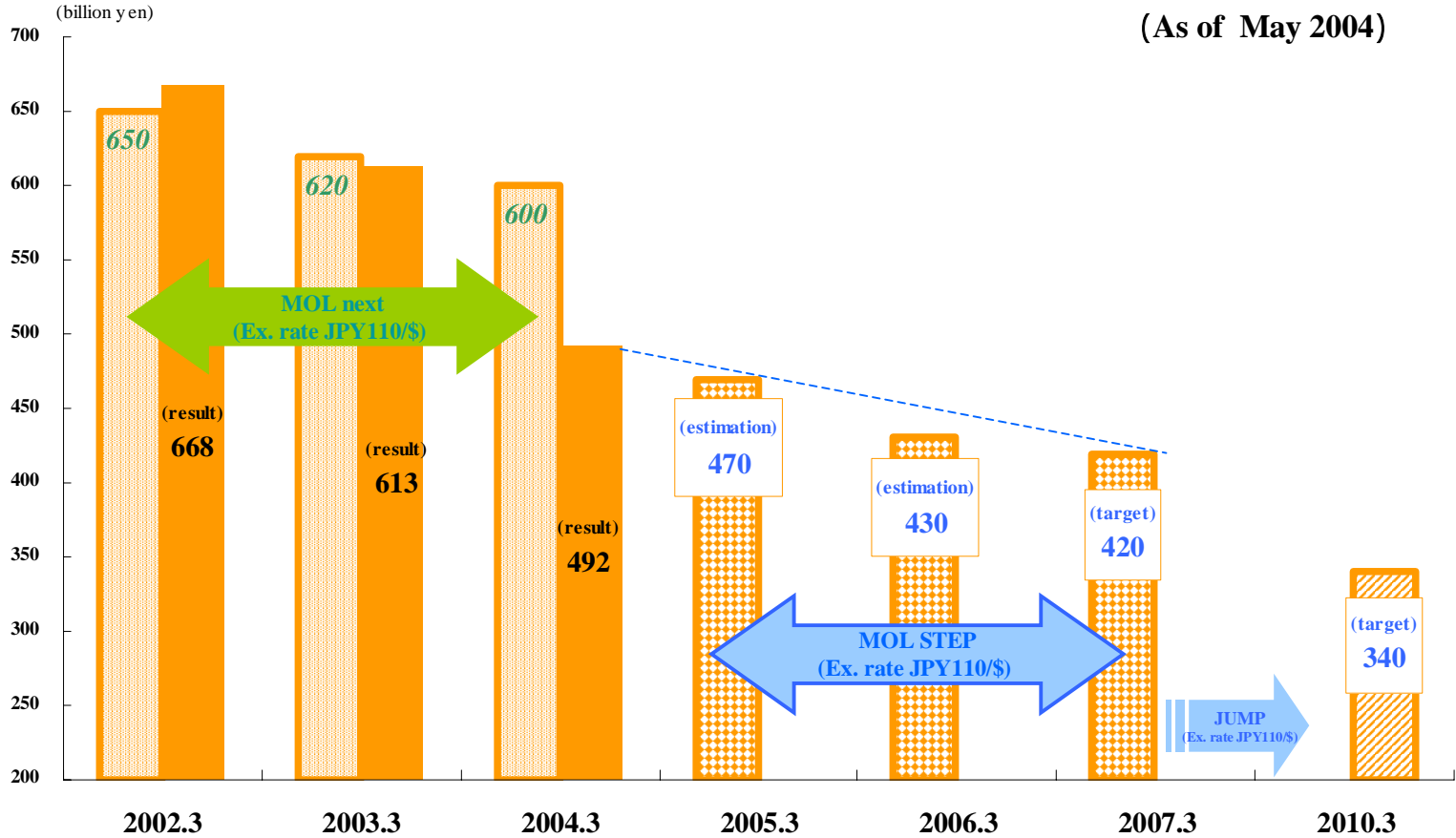
	2001.3 (FY2000)	2002.3 (FY2001)	2003.3 (FY2002)	2004.3 (FY2003)
Average exchange rate	¥109.71/\$	¥125.11/\$	¥122.29/\$	¥113.84/\$
Average bunker price	\$159/MT	\$136/MT	\$163/MT	\$178/MT
		¥115/\$	¥110/\$	¥110/\$
		\$140/MT	\$120/MT	\$120/MT

Consolidated Management/Financial Index



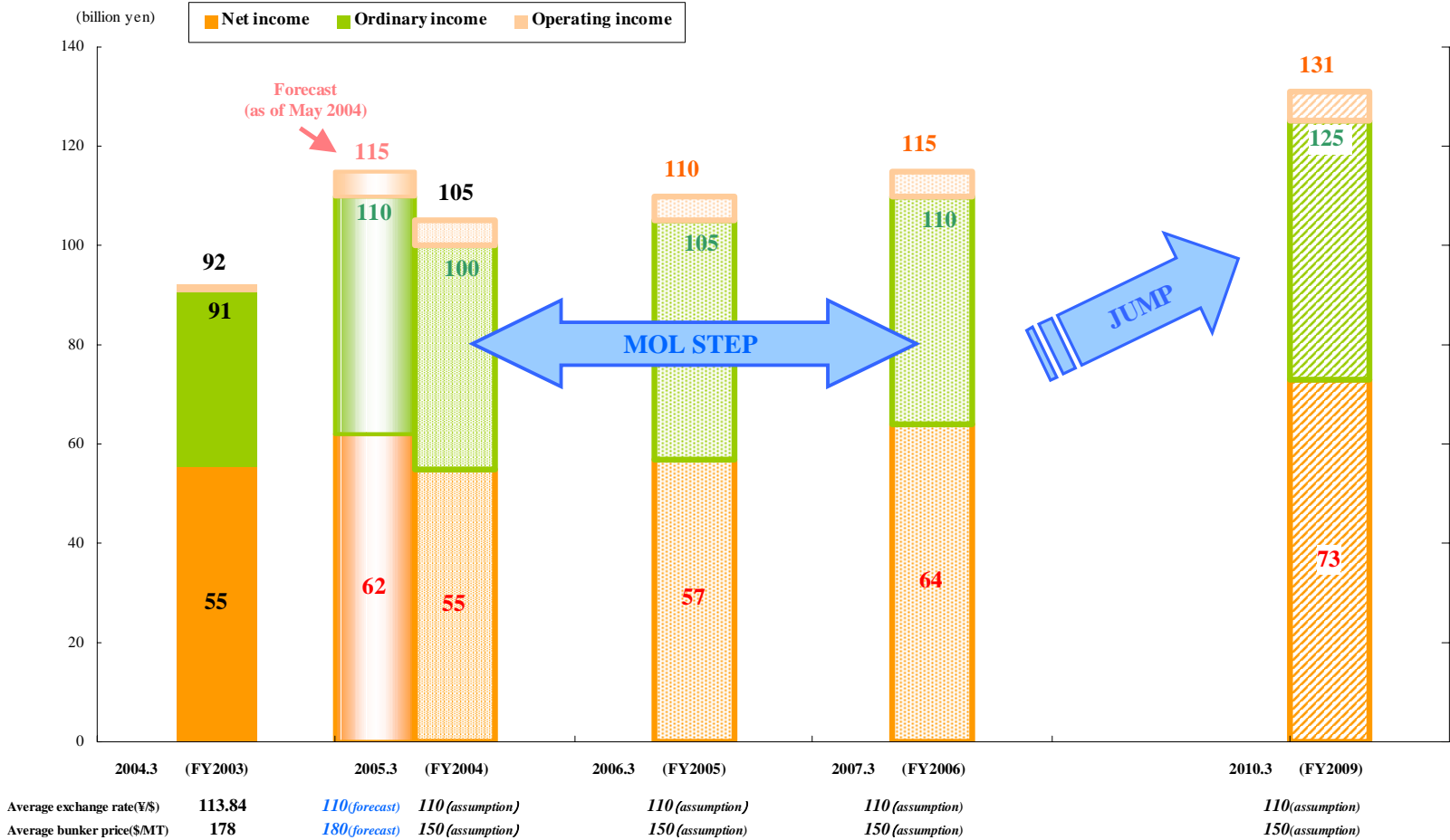
Consolidated Interest-bearing Debt

(As of May 2004)

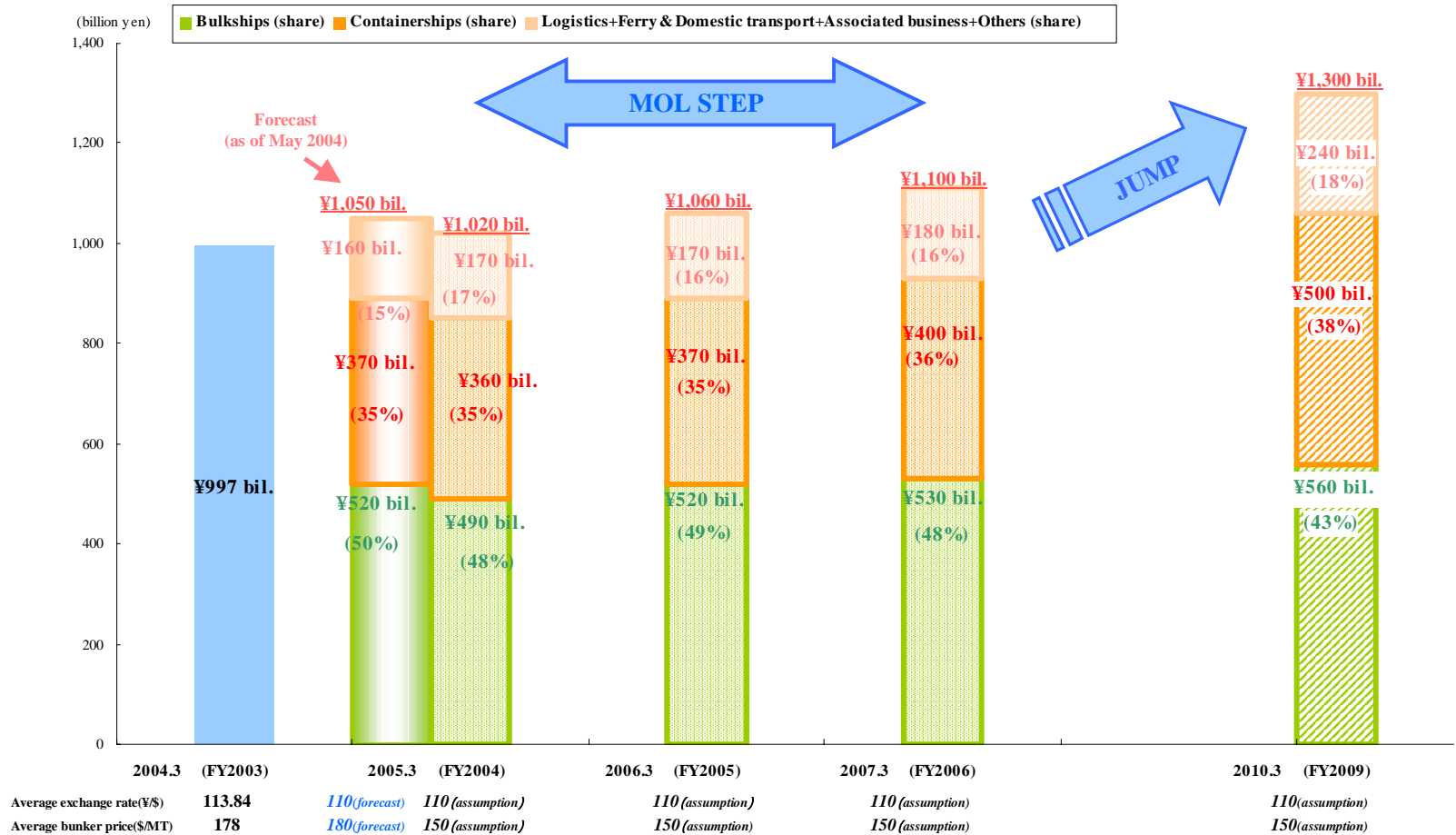


Term-end exchange rate 133.25/131.95 120.20/119.90 105.69/107.13
 (¥/\$, MOL/Overseas subsidiaries)

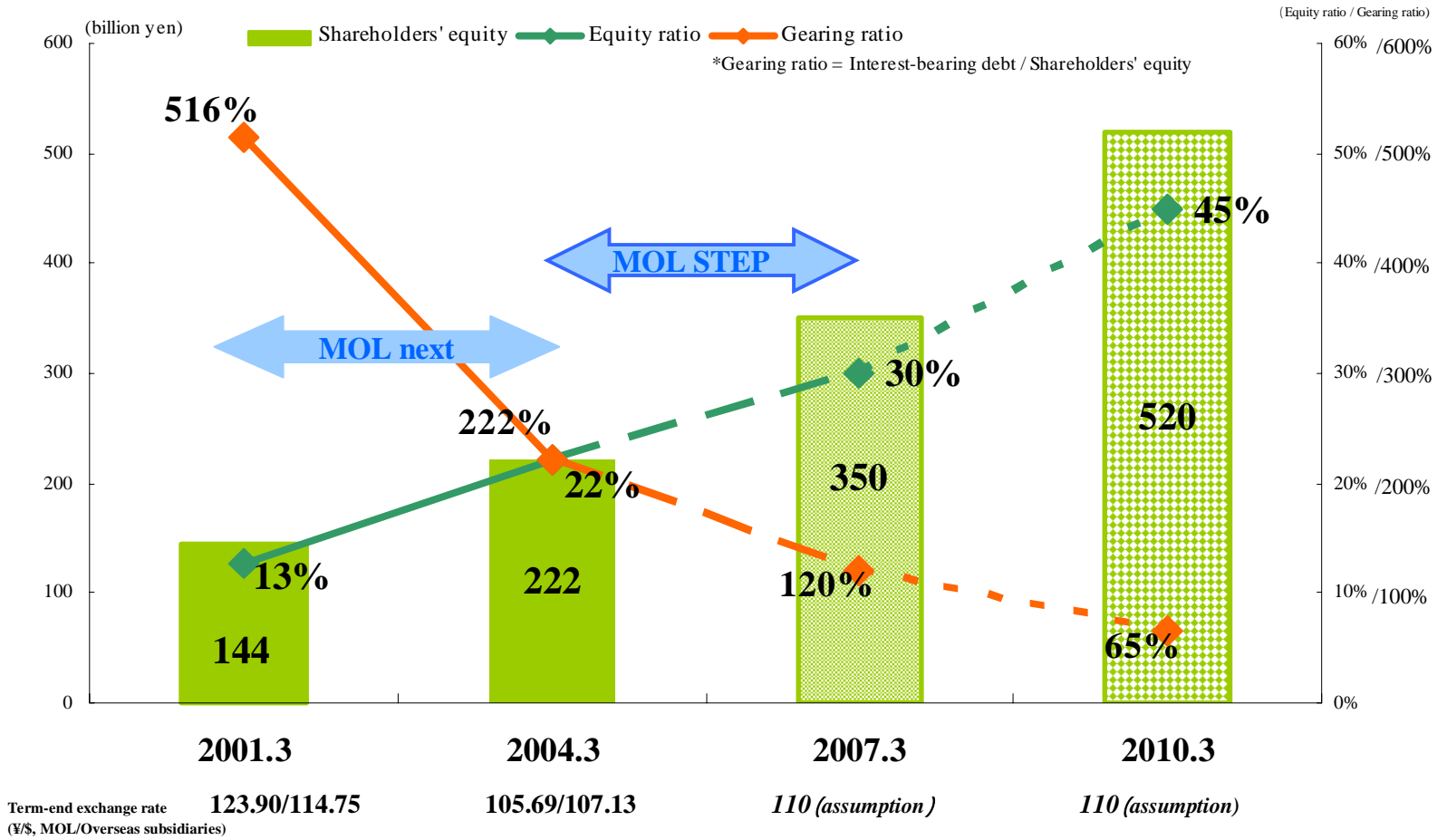
Consolidated MOL STEP P/L Plan



Consolidated MOL STEP Revenue Target by Segment



Consolidated MOL STEP Financial Target

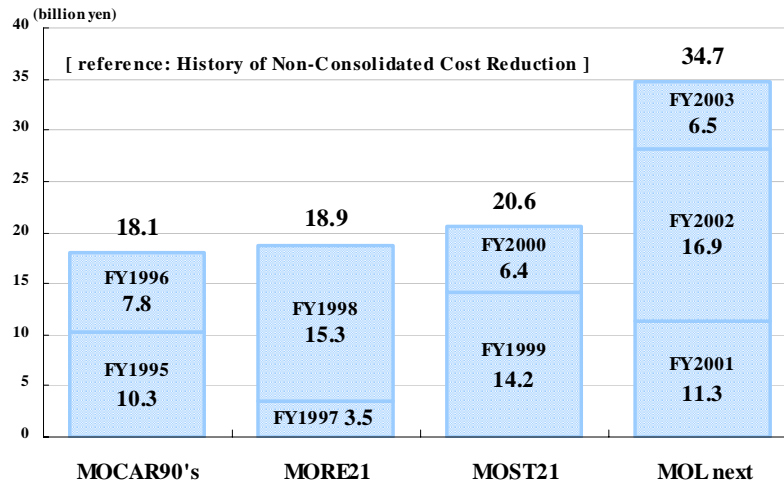
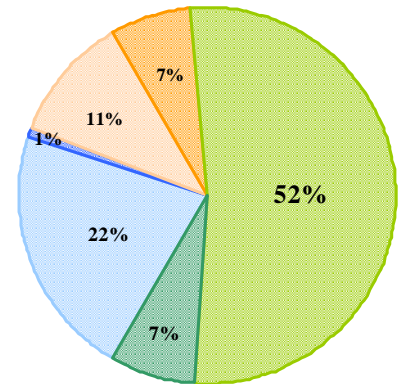


Consolidated Cost Reduction Plan

(billion yen)

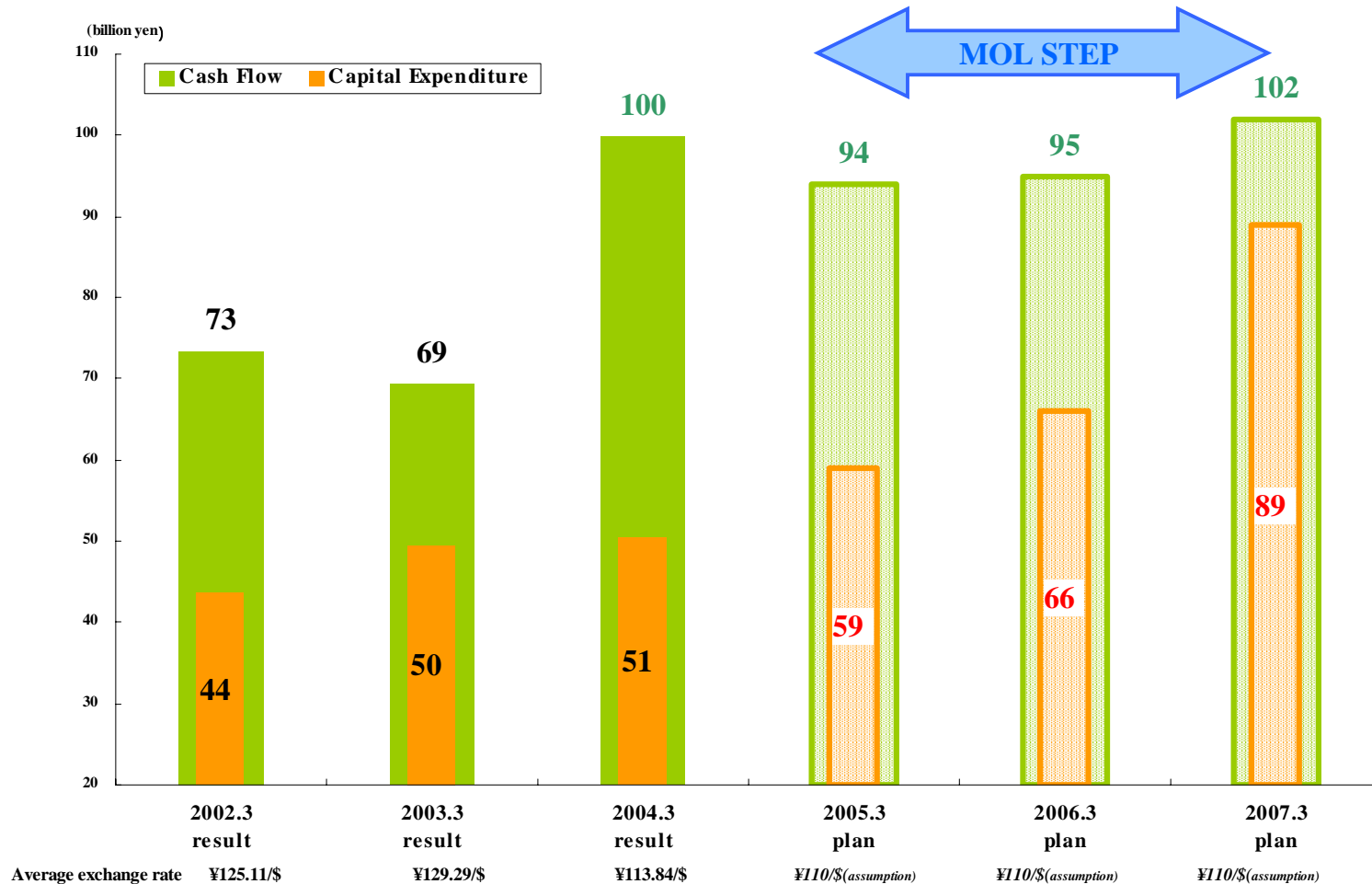
	2005.3	2006.3	2007.3	Total
Sales Division (Voyage expenses, Cargo/container expenses, etc.)	4.0	3.5	3.5	11.0
Administration Division (Vessel expenses, Administration expenses, Interest payments, etc.)	2.5	3.0	3.5	9.0
Total	6.5	6.5	7.0	20.0
MOL (Non-Consolidated)	5.5	6.0	6.0	17.5
Group Companies	2.0	1.5	2.0	5.5
Contribution to MOL	1.0	1.0	1.0	3.0

[reference: Breakdown of MO CAR90's-MOL next
Cost Reduction Total 92.3 bil. yen]

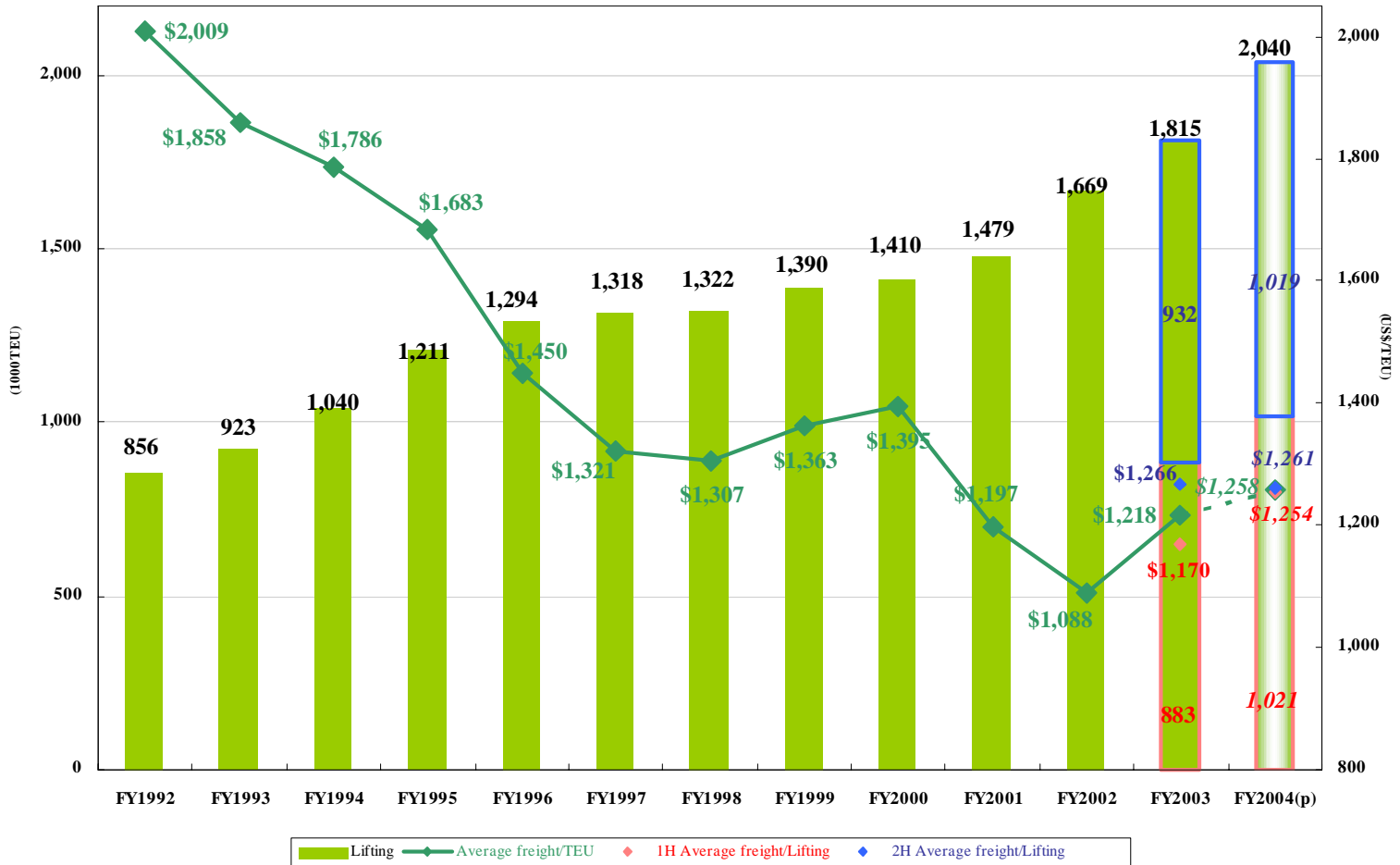


Sales Division	
■	Liner Division
■	Other Sales Division
Administration Division	
■	Vessel expenses
■	Administration expenses
■	General & administrative expenses
■	Non-operating expenses (decrease of interest payments etc.)

Consolidated Capital Expenditure & Cash Flows



Containerships Average Freight Rate / Lifting



Major Containership Trades Utilization Forecast

(unit: 1000TEU)

Asia-North America Trade (TPS) * FY2002 2nd half/FY2003 2nd half: Capacity has been adjusted by Winter Program.

		Outbound (E/B)						Inbound (W/B)					
		Capacity		Lifting		Utilization		Capacity		Lifting		Utilization	
FY2004	2nd half	286	528	222	445	78%	84%	286	526	119	239	42%	45%
	1st half	242		222		92%		240		119		50%	
FY2003	2nd 4Q	112	234	90	193	81%	82%	109	233	62	118	56%	51%
	half 3Q	123		103		84%		123		56		46%	
	1st 2Q	115	211	96	183	83%	86%	115	210	46	94	39%	45%
	half 1Q	96		87		91%		95		49		51%	
FY2002	2nd 4Q	94	185	79	165	84%	89%	96	185	50	87	52%	47%
	half 3Q	91		86		95%		89		37		42%	
	1st 2Q	100	179	93	166	93%	93%	100	175	51	189	51%	52%
	half 1Q	79		73		93%		75		51		67%	

Asia-Europe Trade

		Outbound (W/B)						Inbound (E/B)					
		Capacity		Lifting		Utilization		Capacity		Lifting		Utilization	
FY2004	2nd half	155	311	148	296	95%	95%	155	311	116	237	75%	76%
	1st half	156		148		95%		156		120		77%	
FY2003	2nd 4Q	77	154	71	143	92%	93%	76	152	57	113	75%	74%
	half 3Q	77		72		94%		77		56		73%	
	1st 2Q	76	144	73	137	96%	95%	76	144	43	95	56%	66%
	half 1Q	68		64		95%		68		52		77%	
FY2002	2nd 4Q	65	134	64	135	99%	101%	65	134	48	101	73%	75%
	half 3Q	70		71		102%		70		53		77%	
	1st 2Q	67	130	65	129	97%	99%	67	130	51	104	76%	80%
	half 1Q	63		64		101%		63		53		83%	

All Trades (Round Voyage)

		Capacity		Lifting		Utilization	
		FY2004	2nd half	1,406	2,723	1,019	2,040
1st half	1,317			1,021		78%	
FY2003	2nd 4Q	586	1,226	451	932	77%	76%
	half 3Q	640		481		75%	
	1st 2Q	623	1,171	445	883	71%	75%
	half 1Q	548		439		80%	
FY2002	2nd 4Q	541	1,090	412	841	76%	77%
	half 3Q	549		429		78%	
	1st 2Q	560	1,139	431	828	77%	78%
	half 1Q	478		393		82%	

Car Carriers Loading Results

(1000 units)

(Voyage Completion basis; including voyage charter)	FY2004-1H	FY2003			FY2002	Increase/ decrease (A)-(B)
	Forecast	1H	2H	Yearly result (A)	Yearly result (B)	
Far East/Souteast Asia North America	237	233	226	459	555	96
Far East/Souteast Asia Europe	170	173	173	346	271	+75
Far East/Souteast Asia Other Asia	237	222	259	481	430	+51
Cross Trades/Import	330	321	328	649	583	+65
Total	973	949	985	1,935	1,839	+96
ex Korea (last port sailing basis)	-	33	30	63	42	+21