



*Proclaiming the Launch of the New MOL*

## The Company

One of the world's largest shipping companies, Mitsui O.S.K. Lines (MOL) operates on almost all of the world's major shipping lanes. Through subsidiaries and affiliates, MOL extends services in many related fields of logistics. Over the years, MOL has earned a global reputation for excellence in safety and reliability. On April 1, 1999, the company underwent a major transformation upon its merger with Navix Line, a diversified shipping company. The merger gives MOL a fleet of 509 cargo vessels with a total of 33.6 million dwt. This fleet ranks MOL among the world leaders in most major shipping categories: containerships, VLCCs, LNG carriers, chemical tankers, bulkers and specialized carriers. The merger follows a series of steps taken during the past several years to restructure MOL's operations. Together, these actions position MOL to offer the highest level of services while achieving competitive returns for investors. The new MOL has been launched. The people of this new organization look forward to leveraging a larger, more powerful base to extend total logistics services around the world.

## Consolidated Financial Highlights

For the years ended March 31

	Millions of yen			Millions of U.S. dollars
	1999	1998	1997	1999
<b>For the year:</b>				
Shipping and other revenues .....	¥ 809,161	¥ 834,879	¥ 777,896	\$6,712
Operating income .....	53,537	46,976	38,545	444
Net income .....	7,010	8,423	6,072	58
<b>At year end:</b>				
Vessels, property and equipment, at cost .....	¥ 753,347	¥ 818,579	¥ 718,194	\$6,249
Long-term debt due after one year .....	670,363	772,428	735,101	5,561
Shareholders' equity .....	140,490	137,692	129,175	1,165
Total assets .....	1,174,640	1,286,576	1,190,871	9,744
<b>Amounts per share of common stock</b> <b>(yen and U.S. dollars):</b>				
Net income .....	¥ 6.33	¥ 7.61	¥ 5.49	\$0.053
Diluted net income .....	—	7.59	5.48	—
Cash dividends .....	4.00	4.00	—	0.033

Note: U.S. dollar figures reflect an exchange rate of ¥120.55=\$1, the prevailing rate as of March 31, 1999.

## Total operating fleet:

	1999		1998		1997
	Consolidated	(Non-consolidated)	Consolidated	(Non-consolidated)	(Non-consolidated)
Vessels .....	446	(363)	436	(352)	(350)
Owned .....	234	(38)	241	(39)	(39)
Chartered .....	212	(325)	195	(313)	(311)
Deadweight tons (millions) .....	22.57	(21.26)	22.29	(20.08)	(19.92)



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**On the cover:**

Launched in October 1992, the car carrier *Planet Ace*, shown here in Sydney, Australia, serves trade routes around the world. The vessel often calls on ports on Africa's west coast and in Australia, New Zealand and North America. Designed to accommodate high vehicles like recreational vehicles and pickup trucks, *Planet Ace* can also carry heavy construction equipment. The vessel has a length of 188 meters and a capacity of 3,241 vehicles.

## To Our Shareholders

The past fiscal year was undoubtedly one of the most eventful in the history of MOL, a company that traces its roots back more than a century. The merger with Navix Line Ltd., effective April 1, 1999, makes us one of the world's largest shipping companies. More important, the new MOL is highly competitive on a global scale and positioned to meet even higher expectations from our customers and shareholders.

This was also the year when we began to see substantial benefits from the dramatic measures we have taken in recent years to realign our operations. Difficult market conditions, however, held back the improvements in financial results. Consolidated shipping and other revenues decreased 3.1% to ¥809,161 million (US\$6,712 million). Despite the small decline in revenues, profitability improved due to cost containment efforts along with a good performance in car carriers and a much smaller loss in liners, notably in the transpacific trades. As a result, operating income rose 14.0% to ¥53,537 million (US\$444 million). Net income was down 16.8% to ¥7,010 million (US\$58 million), mostly because of a decrease in profits from sales of ships and devaluations of investment securities to bolster our financial strength.

### *Our Creative Redesigning Project Enters a New Phase*

In September 1994, three months after I was named president, MOL embarked on MOL's Creative and Aggressive Redesigning (MOCAR) Project. In that fiscal year, which ended in March 1995, MOL recorded a consolidated net loss of ¥4,424 million. Nothing less than a revolution was needed to ensure our survival. We began with a management plan called MOCAR, 90s. We attacked costs, formed international partnerships, and increased investments in energy and other promising sectors.

This was followed in July 1997 by a three-year plan called MORE21, which stands for Mitsui O.S.K. Lines' Redesigning for 21st Century. Here, the objective was to become more competitive and more profitable in terms of global standards. We wanted to build a base for success in the next century. We are pleased to report that the goals have been reached in the first two years of this plan. Our cost-cutting programs were more effective than we had predicted, and we were also aided by an unexpectedly weak yen and lower fuel costs. We shared our achievements with shareholders by restoring cash dividend payments in June 1998.

The successful completion of MORE21 inspired us to begin the third step of our creative redesign in July 1999—Mitsui O.S.K. Lines' Strategy Towards 21st Century, or MOST21. Significantly, the start of this new plan coincided with the launch of the new MOL, which incorporates the operations of Navix Line. The main goal is more improvements in the performance of the entire MOL Group. Two of the many targets in this plan are of particular interest to investors. In the year ending in March 2002, we will aim for a consolidated ROE of 10 percent. Another target is a net reduction in interest-bearing debt of ¥150 billion during the first two years of this plan.

We want to stress that this latest phase in the realignment of MOL is fundamentally different from the first two. Until now, we have concentrated on getting operations of the MOL Group back on an even keel. Through investments, acquisitions, reorganizations and other means, we built up a competitive fleet and cost structure. With MOST21, we will place even more



Chairman Noriaki Hori (left) and President Masaharu Ikuta

***MOL is a company ready for the  
challenges of a new century.***

*In March 1999, we completed one year ahead of schedule the second phase of an ambitious restructuring program I initiated in 1994. The following month, MOL merged with Navix and set course toward the goals of the third phase of this program. In terms of our fleet, our organization and our attitudes, we now have a sound base to raise revenues and earnings.*



emphasis on systematically implementing this drive throughout the MOL Group. We will remain focused on allocating resources where they will be most productive on a group-wide scale. Our goal is to establish a number of core operations where the MOL Group can prevail in the global shipping market in terms of cost and quality of services. The Navix merger is critical to this, as it gives us leading positions in several strategic markets. So our success in turning MOL around in recent years, dramatic as it was, should be viewed as only a prelude to realization of the full potential of the MOL Group.

### *The Navix Merger*

This brings us to the most significant event of the past year, our decision to merge with Navix Line. A wave of mega-mergers has swept across many industries in recent years. On the face of it, the MOL-Navix merger may appear to be merely an effort to raise competitiveness through corporate aggrandizement. However, we want to make clear that scale was not our main priority. Naturally, the New MOL will be larger. But our real aim is optimizing returns on invested capital. The merger further epitomizes our belief that, in today's age of borderless markets and intense competition, only companies with the vision and courage to constantly evolve will survive and grow. We want to welcome everyone from Navix to the MOL Group. Investors have tended to look first at the ships and monetary ramifications of this merger. The large number of highly capable and experienced individuals at Navix, especially in the bulk carrier and tanker businesses, represent an equally valuable asset to our organization.

### *Common Misperceptions about MOL*

In answering questions from the investment community, we sometimes feel that there are mistaken perceptions about the operations of this company. We would like to take this opportunity to address a few issues here.

**LINER PROFITABILITY**—We have done much in the past five years to restore profitability to liners, especially on transpacific trades. Cost-cutting efforts and a decentralized organization have been critical. The New World Alliance, now in its second year, is yielding enormous benefits, too. Most of all, this collaboration allows us to share the assets of our partners, thus reaping advantages that would otherwise have required large investments. We followed this up with a series of freight rate hikes starting in the spring of 1998. While time is needed to determine where actual container rates will stabilize, we are confident that the days of oversupply and enormous losses are behind us. In fact, our liner operations improved significantly in the year to March 1999. We believe that liners may post a profit as soon as the year ending in March 2000, one year ahead of schedule.

**SUSCEPTIBILITY TO MARKET RATES**—There are concerns that cyclical downturns in bulker, tanker and other markets might hurt our performance. The greatly increased size of the bulker fleet following the Navix merger has apparently heightened these concerns. MOL is not highly exposed, however. A large share of our bulkers and tankers operate on long-term charter contracts, generally with such creditworthy clients as utilities, oil companies and steel mills. In general, only a small share of these ships is fully exposed to market rates. Furthermore, downturns in market rates generally tend to be cyclical in nature. In terms of the world scale,

tanker spot rates had returned to 62 in June 1999 after bottoming out at 31.5 in April 1999. And the upcoming large-scale scrapping of VLCCs reaching the critical age of 25 years makes the long-term outlook favorable for tanker rates. Grain rates between the U.S. Gulf and Japan have recovered from US\$13 in December 1998 to US\$20 in June 1999.

**INTEREST-BEARING DEBT**—Our balance sheet is often cited as one of MOL's weakest points. Consolidated debt climbed as we made investments to expand and upgrade the fleet. Long-term debt, including the current portion, increased from ¥684 billion in March 1994 to ¥796 billion in March 1999. What many observers fail to note, though, is that much of this debt was used to finance ships that are operated on long-term charter contracts. Our profit margins are virtually guaranteed, making this debt quite different from other types of borrowings. A productive ship built at a good price is always an excellent, competitive asset. Nevertheless, we have committed ourselves to cutting debt during the current MOST21 plan as one way to enhance value for shareholders.

#### *Structured for Success*

MOL is a different company from what it was five years ago. In 1994, the company took on the challenge of realigning its business portfolio, a difficult task due to the long-term nature of assets. Now, this process is largely complete. Our fleet is much more concentrated on strategic market sectors, notably energy. Our income statement shows a consistent profit. And the outlook is for more growth in earnings.

This year, we are taking another important step by starting to create "virtual companies" within our organization. The liner business was the first to take this step. We want each business area to be able to operate in an independent, self-reliant manner. The virtual company concept will make employees more aware of the need to use assets so as to maximize returns. Liners, bulkers and other business groups will be given more autonomy. On our books, we will manage each company as an internal self-contained entity with increased responsibility for generating good returns. Virtual companies and the elements of MOST21 are all designed to achieve the company's top priority: creating more value for shareholders. With our redesigning campaign, which is in its fifth year, now geared to reaping higher profits from past efforts, we anticipate greater accomplishments for the MOL Group.



Noriaki Hori  
Chairman



Masaharu Ikuta  
President

June 29, 1999

***Proclaiming the Launch of the New MOL***





# 1994

(¥ millions)

Shipping and other revenues	¥ 608,641
Operating income	14,742
Net income (loss)	(5,980)
Vessels, property and equipment, at cost	514,082
Long-term debt due after one year	545,168
Shareholders' equity	133,997
Total assets	1,037,585

*How MOL Has Evolved*  *Through the 1990s*

# 1999

(¥ millions)

Shipping and other revenues	¥ 809,161
Operating income	53,537
Net income	7,010
Vessels, property and equipment, at cost	753,347
Long-term debt due after one year	670,363
Shareholders' equity	140,490
Total assets	1,174,640

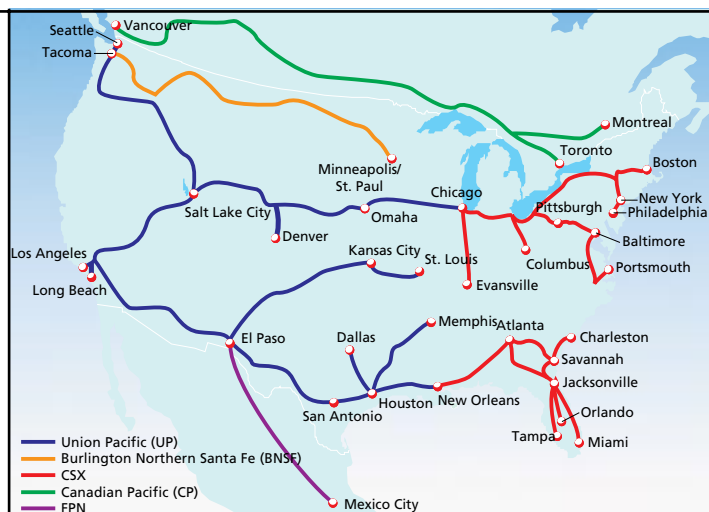
**Liner Operations >>** No sphere of MOL's operations has seen more changes than liners in recent years, especially on transpacific trades. But in the year to March 1999, the profitability of liner operations improved dramatically, indicating that the end of losses may be at hand. Even the transpacific routes may move into the black in the year to March 2000, allowing MOL to achieve this goal one year ahead of its plan.

A major reason for the turnaround was The New World Alliance, formed by MOL, NOL/APL of Singapore and HMM of South Korea in the fall of 1997. By sharing their approximately 100 containerships and other resources, the three partners have realized big cost savings. At the same time, MOL worked on raising the share of more profitable cargo, a process called cargo betterment. Another asset for MOL's liner business is its flat management organization. Global operations are built around five highly autonomous regional management centers, enabling MOL to get closer to its customers.

Significantly, the transformation was driven mainly by gains in productivity and cost cuts. Rate hikes have only had a tangible effect during the past year or so. Nevertheless, establishing a proper rate structure is central to MOL's plans for restoring the long-term health of its liner business. Most critical are rates on the Asia-to-North America trade. Rates between Asia and Europe are also improving steadily as MOL works on attaining a more appropriate level.

As operations finally become self-supporting, the status of the liner business within the group is changing. Increasingly, this division is being allowed to evolve into a separate virtual company within MOL. As a virtual company, the liner division must evaluate its performance on a consolidated basis by including such subsidiaries as shipowners, container terminal operators, a feeder carrier, an inland transporter and shipping agents. All of these subsidiaries support the services of the liner business and depend heavily on the liner division for their revenues. A one-year trial period to allow the division to adapt to the new arrangement began in April 1999, and a mission statement has been formulated to clearly enunciate the new management posture and the renewed emphasis on raising profitability.

**Double-Stack Train Network**



MOL maintains strong relationships with major freight railway companies to provide liner customers with efficient and reliable transportation to North American inland destinations.



## ***Liner Operations Positioned for Consistent Profitability***

Liner results in the most recent year were better than expected. The most important factor was a fundamental shift in how we conduct liner operations. Basically, we have a tighter focus on profitability. We also reaped the benefits of The New World Alliance, cutting costs and enhancing services through mutual access to vessels and other facilities of the three alliance members.

HIROYUKI SATO  
*Senior Managing Director*







## ***MOL and Navix Line Merge Why is This Good News for Customers and Investors***

The merger of MOL and Navix was about much more than size. Our goal was to achieve the best scale and composition of assets to optimize returns on capital and prospects for long-term growth in revenues and earnings. Navix brought valuable assets in terms of vessels and long-standing ties to blue-chip customers. Equally valuable are the many talented people who are now part of the MOL team, including ship officers and crew.


















SUSUMU KIKUMA  
Senior Managing Director



**The Merger of MOL and Navix Line >>** The merger of MOL and Navix Line in April 1999 created one of the world's largest shipping companies. With Navix on board, MOL's fleet has grown to about 500 vessels. A shipping company with particular expertise in the fields of tankers and bulkers, Navix is the result of the 1989 merger of Yamashita-Shinnihon Steamship and Japan Line. Extensive energy and iron ore transport activities give Navix a large and diverse customer base.

The merger strengthens MOL's hand in two particular fields: bulk carriers and tankers. In the bulk carrier category, Navix added 114 vessels to MOL's fleet in the Cape-size, Panamax, handymax and wood chip sectors. As is the case with MOL, a large percentage of these Navix bulkers are on long-term charter contracts. Meanwhile, the merger increases MOL's VLCC tanker fleet by 12, the product and chemical tanker fleet by 5 and the LPG tanker fleet by 6; again, almost all vessels operate under long-term contracts. Reflecting the widely respected Navix name, the new MOL's bulker and tanker operations are being undertaken under the "MOL-Navix Group" banner. The timing is excellent: energy and other raw materials importers are expected to be key shipping clients for many years to come. These businesses have already been strategic growth sectors for MOL for many years. With Navix, MOL is now dominant in the import to Japan of such raw materials as crude oil, coal, iron ore and wood chips.

Cost savings will be significant. Administration will be streamlined through elimination of overlapping functions and benefits of scale will flow from larger orders for goods and services. The advantages extend from bunker and dry-dock services to insurance. Finally, there will be savings from the more efficient use of ships and personnel made possible by a larger fleet and more diversified customer base. Total cost reductions are anticipated to eventually rise to ¥10 billion annually within two to three years. Even in the first year, savings will easily offset the expected merger-related expenses of about ¥1.5 billion.

Fleet	Navix Line		MOL		Navix Line		MOL	
	Containerships	1 (8,002)	69 (2,257,815)		Chemical/Product Tankers	5 (299,552)	29 (1,217,472)	
								
	Bulk Carriers	101 (7,954,703)	114 (8,996,689)		LNG Carriers	6 (409,366)	18 (1,258,701)	
								
	Chip Carriers	13 (558,291)	21 (971,312)		LPG Carriers	6 (70,736)	2 (96,826)	
								
	Car Carriers	0	76 (1,055,701)		Others	2 (42,575)	11 (183,679)	
								
	Crude Oil Tankers	18 (3,394,433)	23 (5,230,331)		Total	152 (12,737,658)	363 (21,268,526)	
								

Figures in parentheses show deadweight tons (dwt).

As of March 31, 1999



**Tankers and Gas Carriers >>** Energy has been a focal point of MOL's transformation of recent years. The company has steadily increased investments in VLCCs, LNG and other energy-related vessels. At the same time, MOL has rapidly stepped up its presence in the transport of methanol and other refined petroleum products.

This can be seen most clearly in the expansion of MOL's tanker fleet from March 1994 to April 1999. VLCCs have increased from 11 to 29; LNG carriers from 10 to 18; product carriers from 8 to 15; and chemical and methanol carriers from 7 to 19. Almost all of these ships operate on long-term charter contracts, providing a stable revenue stream and considerable protection from swings in market rates. Furthermore, MOL's expanded presence in VLCCs since the merger provides a much firmer basis for addressing the risks, and reaping the potentially great rewards, of operating a carefully considered number of spot-market vessels in this field.

Long-term demand dynamics bode well for the energy sector. While a significant number of new ships are scheduled for completion in 1999 and 2000, more than one-third of the world's VLCC fleet will reach the critical age of 25 years over the next few years. This is expected to lead to large-scale scrapping, since safety regulations generally make it impractical to operate vessels beyond this age. And VLCCs cannot be easily upgraded due to the cost and the likelihood that these ships will be barred from the Arabian Gulf. As one of the world's largest owners and operators of VLCCs, MOL is positioned to be a major beneficiary of the projected decline in VLCC supply.

The outlook is good in other strategic markets, too. Global LNG shipping tonnage has grown steadily during the past decade, and demand for this clean-burning fuel is certain to climb in the future. A long-term contract signed in January 1999 to transport LNG to India illustrates the immense potential. No company has more experience than MOL in this market, which demands the highest standards of safety and technical expertise. Developing more business with overseas customers will remain a central priority as MOL leverages its leading position to add to its LNG fleet.

		<i>Avg. Age</i>	<i>Double Hulled</i>	<i>No. of Vessels</i>
<b>Comparison of VLCC Fleets</b>	MOL .....	5.8	24%	17
	Company A .....	6.8	8%	26
	Company B .....	11.7	19%	16
	Company C .....	19.5	13%	23
	Worldwide .....	13.7	17%	431



## ***Tankers and Gas Carriers Targeting Market Sectors Offering the Greatest Potential***

Energy has been a central theme of MOL's restructuring throughout the 1990s. As energy sources are vital to economies worldwide, MOL regards this as a highly attractive and reliable market. Today, MOL ranks among the world's largest operators of VLCCs and is number-one in the operation of LNG carriers. Almost all of the company's energy-related vessels, from petroleum to LNG, operate on long-term charter contracts that shield results from fluctuations in market rates.

**TO KINAO HOJO**  
*Senior Managing Director*

**HIROHIKO TANAKA**  
*Managing Director*







## ***Financial Soundness A Long-Term View to Bolstering the Balance Sheet***

Large investments to expand and update its fleet forced MOL to take on a substantial volume of additional debt. Now that the peak of vessel acquisitions has passed, MOL is turning its attention to reducing debt to an appropriate level. The company is currently implementing a program aimed at cutting debt by ¥150 billion during the period from March 1999 to March 2001. Accompanying debt reductions will be the continuation of measures to improve profitability and increase cash flows, thus generating more resources to repay borrowings.

**HIROYUKI NAKAGAWA**  
*Managing Director*

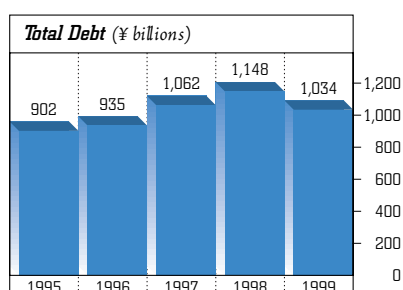


**Financial Soundness** >> The reorientation of MOL's fleet toward strategic market sectors has required substantial investments. During the past five years, MOL has built 77 new vessels. As only some were replacements, the net result was a large increase in total assets and debt. However, it should be remembered that these same investments were key to the attainment of many financial goals, including the restoration of the dividend.

With the desired framework now largely in place, MOL's financial strategy is now being focused on downsizing the balance sheet. The MOST21 plan sets forth the goal of reducing debt, including that of the former Navix, by ¥150 billion over the period from March 1999 to March 2001. This will cut consolidated debt from about ¥1 trillion to ¥840 billion.

A number of measures will be taken to cut debt. The sale of ships will generate estimated proceeds of more than ¥60 billion during the two years to March 2001. Sales of securities and real estate are projected to yield about ¥40 billion during the same period. By using chartered vessels in lieu of owned vessels, the need to make investments in vessels will be reduced to a level that will allow free cash flow to total ¥50 billion over the two-year period. Consolidated capital expenditures peaked at ¥152.5 billion in the year to March 31, 1998 and will decline to less than ¥60 billion in the year to March 31, 2000. At the same time, depreciation and earnings are expected to rise.

Due to the capital-intensive nature of the shipping business, MOL's debt will always remain several times higher than equity. The company regards this situation as acceptable for the purposes of maximization of returns on equity and overall profitability. Furthermore, much of this debt is funding vessels that generate good returns based on long-term contracts. In all, approximately 53 percent of consolidated long-term debt is related to ships operating on long-term contracts. Much of the additional debt in the coming years will be used to finance the construction of VLCCs and LNG carriers. All of these vessels will generate returns well in excess of the cost of debt over a period of many years.



		<i>Millions of yen</i>	
		1998	1999
<b>Composition of Capital Expenditures</b>	Overseas shipping .....	¥139,820	¥58,229
	Ferry/domestic shipping .....	8,746	3,130
	Shipping agent and harbor/terminal operation .....	2,387	2,269
	Cargo forwarding and warehousing .....	588	1,079
	Others .....	910	865
	Total .....	¥152,451	¥65,572





## MOL at a Glance

### » Overview of Results

OVERSEAS SHIPPING	<div><p>Revenues (¥ billions)</p><table><tr><th>Year</th><th>Revenues (¥ billions)</th></tr><tr><td>1998</td><td>635.0</td></tr><tr><td>1999</td><td>634.5</td></tr></table></div> <p>Revenues were ¥634.5 billion, down slightly from ¥635.0 billion in the prior fiscal year, but segment operating income rose 22.7% to ¥51.2 billion. The improvement in profitability was chiefly the result of higher earnings in the car carrier sector and a better performance in the liner business, particularly on the transpacific routes. VLCC, LNG and other energy-related operations turned in generally favorable results. However, segment revenues and earnings were adversely affected by weakness in the bulk carrier market due to a global decline in demand for raw materials and energy resources, notably in Asia. This segment also includes the operations of three cruise ships in Japan and on a variety of international cruises.</p>	Year	Revenues (¥ billions)	1998	635.0	1999	634.5
Year	Revenues (¥ billions)						
1998	635.0						
1999	634.5						
FERRY/DOMESTIC SHIPPING	<div><p>Revenues (¥ billions)</p><table><tr><th>Year</th><th>Revenues (¥ billions)</th></tr><tr><td>1998</td><td>38.9</td></tr><tr><td>1999</td><td>35.5</td></tr></table></div> <p>Revenues decreased 8.8% to ¥35.5 billion and the segment recorded operating income of ¥0.2 billion, compared with a loss of ¥1.1 billion in the prior fiscal year. This segment primarily represents MOL's ferry operations in Japan. The cessation of unprofitable operations and lower passenger and cargo volumes caused by Japan's prolonged recession held back revenues. On the other hand, drastic measures to build a solid operating base made possible a return to profitability.</p>	Year	Revenues (¥ billions)	1998	38.9	1999	35.5
Year	Revenues (¥ billions)						
1998	38.9						
1999	35.5						
SHIPPING AGENT AND HARBOR/TERMINAL OPERATION	<div><p>Revenues (¥ billions)</p><table><tr><th>Year</th><th>Revenues (¥ billions)</th></tr><tr><td>1998</td><td>32.7</td></tr><tr><td>1999</td><td>30.9</td></tr></table></div> <p>Revenues declined 5.7% to ¥30.9 billion and operating income was ¥1.6 billion, about the same as one year earlier. Lower revenues were caused by the effect of the yen's strength on overseas sales. Cost-containment efforts kept earnings stable despite rising pressure on margins.</p>	Year	Revenues (¥ billions)	1998	32.7	1999	30.9
Year	Revenues (¥ billions)						
1998	32.7						
1999	30.9						
CARGO FORWARDING AND WAREHOUSING	<div><p>Revenues (¥ billions)</p><table><tr><th>Year</th><th>Revenues (¥ billions)</th></tr><tr><td>1998</td><td>79.2</td></tr><tr><td>1999</td><td>69.3</td></tr></table></div> <p>Revenues were down 12.5% to ¥69.3 billion and the segment posted a small operating loss following the prior year's ¥1.1 billion profit. This retreat was mostly due to lower air cargo volumes and a reduction in overseas revenues when translated into a stronger yen.</p>	Year	Revenues (¥ billions)	1998	79.2	1999	69.3
Year	Revenues (¥ billions)						
1998	79.2						
1999	69.3						
OTHERS	<div><p>Revenues (¥ billions)</p><table><tr><th>Year</th><th>Revenues (¥ billions)</th></tr><tr><td>1998</td><td>49.0</td></tr><tr><td>1999</td><td>39.0</td></tr></table></div> <p>Revenues fell 20.5% to ¥39.0 billion and operating income was down 23.7% to ¥4.6 billion. The primary activities in this segment are office rental and real estate, finance and insurance, engineering, construction, trading and computer software services. The major reasons for these declines were a drop in construction orders in Japan and the termination of operations at Mitsui Line Kouyu K.K., which was engaged in petrol trading.</p>	Year	Revenues (¥ billions)	1998	49.0	1999	39.0
Year	Revenues (¥ billions)						
1998	49.0						
1999	39.0						

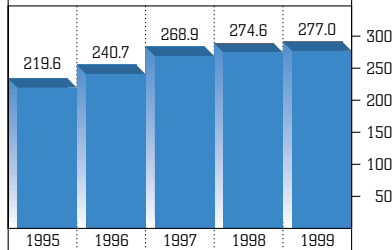


## » Shipping Profiles

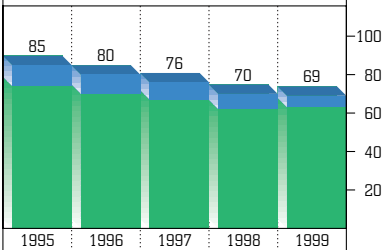
LINERS	<p>One of the world's largest containership operators, MOL operates a global network that serves almost all of the world's primary trade routes. A large share of revenues is generated from services linking Asian ports with North America and Europe. As of April 1999, the company was operating 64 containerships. The total number of container slots carried in the year to March 1999 was 1,323,400 TEUs. To reduce costs and optimize services for customers, MOL and two other global liner operators formed The New World Alliance in the fall of 1997. MOL's comprehensive measures to return liner operations to profitability, coupled with the benefits of TNWA membership, give the company a liner infrastructure that is among the most competitive in the world. <b>see page 18</b></p>	
BULKERS AND CAR CARRIERS	<p>The bulker sector mainly represents iron ore carriers (Cape-size, 100,000 to 200,000 dwt), coal carriers (about 70,000 dwt), wood chip carriers (40,000 to 47,000 dwt), and general-purpose bulkers in Panamax (about 70,000 dwt) and handy (20,000 to 50,000 dwt) sizes used mainly to transport cement, lumber and wheat. Following the April 1999 merger with Navix Line, MOL operates 249 bulkers, an increase of more than 100 vessels from one year earlier. Well over half of these bulkers operate under long-term contracts to utilities and manufacturers, and mainly transport iron ore, steaming coal and wood chips. In the car carrier sector, several recent additions give MOL one of the world's most modern car carrier fleets, including vessels designed to hold high vehicles like RVs. <b>see page 20</b></p>	
TANKERS AND GAS CARRIERS	<p>MOL ranks among the world leaders in the transport of crude oil and LNG, two markets with excellent long-term outlooks. In VLCCs, the Navix Line merger raised fleet strength from 17 to 29 vessels. In the LNG sector, MOL is taking advantage of its more than 15 years of experience serving customers in Japan to garner long-term contracts with clients outside Japan. Steady growth in the methanol fleet is another important contributor. Through subsidiary Tokyo Marine, MOL is Japan's largest carrier of chemical products. <b>see page 21</b></p>	
FERRIES AND CRUISE SHIPS	<p>MOL is Japan's largest ferry operator, serving long-distance routes on most major domestic sea lanes. Weak demand, new bridges (Naruto, Akashi and Kurushima Strait) spanning Japan's Inland Sea and an adverse economy have combined to make the operating environment extremely difficult. MOL has responded with decisive steps to reorganize operations and slash costs. The result was a small profit in the past fiscal year. MOL operates three cruise ships and offers a variety of domestic and international cruises. <b>see page 24</b></p>	

## Review of Operations

**Non-Consolidated Liner Revenues**  
(¥ billions)



**Non-Consolidated Liner Operating Fleet** (vessels)



■ Owned  
■ Chartered and others

### LINERS

#### Overview

The past fiscal year was an historic turning point for MOL's liner operations. Countless initiatives in the past years to return to profitability finally began to coalesce. Key efforts have included the decentralization of operations, extensive cost cutting and the formation of alliances with powerful partners. Overall, the year's results, although still in the red on the critical transpacific trades, were much better than initial targets. Improvement has been most apparent on service between Asia and North America. Nevertheless, the imbalance of demand persists. Cargo from North America has consistently remained at only about half the volume coming from Asia. Asian exports continued to expand rapidly due to the low value of Asian currencies. In all, container traffic from eastern Asia to North America was up by almost 20% in calendar 1998 versus 1997, much larger than growth in capacity. The profitable European trades continued to perform well, although weakening European economies slowed growth in exports from Asia. Results for Africa, and Australia and New Zealand were also good. In South America, Brazil's economic difficulties severely impacted export volume.

The year's improved results were achieved even though rates were only slightly higher on average. Behind this performance was a relentless focus on profitability. Every component of cost has been carefully scrutinized. Care was exercised to take on a larger share of high-margin cargo. The network of subsidiaries and offices has been aligned for maximum efficiency and customer service. The New World Alliance, which entered its second year in January 1999, is producing increasing benefits in terms of cost and service.

With the liner business now almost back to profitability, operations are advancing to the next stage: higher returns. During the current fiscal year, the liner business will continue its drive to cut costs and boost productivity. There are three core elements of this drive. First is integrating all liner-related companies and subsidiaries into a single virtual liner company. Second is upgrading MOL's status by thinking globally but acting locally. Third is providing services that maximize customer satisfaction. Coupled with planned increases in selected rates, these actions are expected to lead to more improvements in earnings, especially on the transpacific trade.

The containership *Alligator Wisdom*The containership *Maas*The containership *La Loire*

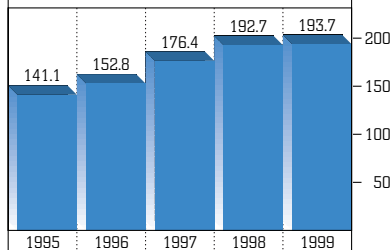
### Highlights of the Year

- Most headquarters functions for liner operations are now conducted at overseas subsidiaries in Hong Kong, California, London, Sydney and São Paulo. MOL has thus completed a “five-key region” system to handle the management of liner routes, including pricing, marketing and stowage planning. Going one step farther, MOL (America) in California has total responsibility for profit and loss on all North American liner trades. The head office in Tokyo is responsible for overall profitability and medium- and long-term planning. In all, this organization brings MOL closer to customers and speeds decision-making.
- MOL (Japan) Co., Ltd. was established in April 1999 to speed decision-making by consolidating responsibility for all liner agency operations in Japan. This includes sales, customer service and administration of local agents, and port and inland transportation, among other tasks. This step largely completes MOL’s drive to establish a localized and largely autonomous global liner organization. As part of this same drive, liner agent subsidiaries began operating in Mexico in September 1998 and South Africa in January 1999.

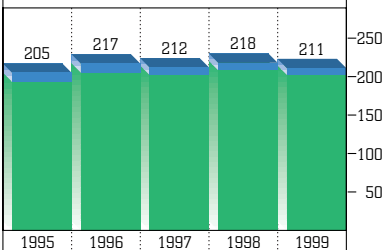
- In May 1999, MOL increased container rates on Asia-to-North American routes, the world’s largest single container shipping market, by between 45% and 60%. This increase follows last year’s much smaller rate hike, which was the first on these routes in almost three years. The move reflects the strong demand for containers from Asia.
- The New World Alliance completed its first year of full-scale operations in April 1999. Enhancements in service and profitability during the first year exceeded expectations. By pooling vessels, terminals and other facilities, the partners achieved immense cost savings while offering highly competitive services. At the heart of the alliance are weekly sailings linking key ports in Asia with those in North America and Europe.
- MOL has upgraded liner services between Japan and the east coast of South America by replacing the 1,700-TEU (twenty foot equivalent units) vessels now in service with five new 1,965-TEU ships. The first of the new ships, the *Parana Challenger*, left Kobe in February 1999. The remaining four ships were all in service by the end of May 1999.

## Review of Operations

**Non-Consolidated Bulker and Car Carrier Revenues (¥ billions)**



**Non-Consolidated Bulker and Car Carrier Operating Fleet (vessels)**



■ Owned  
■ Chartered and others

### BULKERS AND CAR CARRIERS

#### Overview

Vessels carrying bulk cargo are divided between specialized carriers, which are on long-term charter contracts, and tramps, many of which operate on spot rates. In the past fiscal year, a strong performance by car carriers lifted this sector to another year of higher revenues. Growth was tempered, however, by the impact of weak Asian economies on demand for raw materials like iron ore, non-ferrous metal ores and lumber. Global dry bulk cargo transport volume in 1998 fell by 3%.

The MOL-Navix merger resulted in a much larger fleet of Panamax and handysize bulkers, placing MOL in a better position to operate these vessels with greater efficiency. To improve efficiency even more, plans call for reducing the handysize bulker fleet, where the merger created excess capacity. MOL plans to lower the number of directly owned bulkers and the share of long-term time charter vessels, too. These moves will help maintain the flexibility in expenses needed to adapt to the inevitable fluctuations in market rates.

Car carriers rode the crest of record volume in global car shipments. Vehicles from Japan shipped in 1998 rose to more than 4 million units, well over half of the total global market and far above the level of about 3 million units of 1996. As a result, a shortage of car carriers persisted throughout the fiscal year.

Having taken delivery of two new car carriers in 1997 and three in 1998, MOL was a major beneficiary of this situation. The new vessels were built to replace older ones, thus raising capacity, boosting efficiency and enhancing MOL's ability to handle large vehicles like RVs and construction machinery. The older vessels are remaining in service for the time being due to strong market conditions. The fiscal year to March 2000 will be the first entire fiscal year in which these recent investments make a full contribution, thus pointing to even better results. In 1999 and beyond, MOL will be concentrating on opening up new markets for the car carrier trade. One example is a 1998 agreement to transport cars made in Thailand to Australia and New Zealand, a project that is progressing on schedule. MOL also plans to expand car carrier operations in the Americas, mainly by transporting cars made in North America, including Mexico, to other parts of the hemisphere.

#### Highlights of the Year

> The *Cosmos Ace*, a pure car and truck carrier, was delivered in October 1998. About 80% of the vessel's space has extra headroom to accommodate high vehicles. Two movable decks allow loading large trucks and construction machinery. This is the last vessel in an ambitious program to upgrade MOL's car carrier fleet, following the launch of four similar ships in 1997 and 1998.

The Panamax bulk carrier *Co-op Phoenix*The wood chip carrier *Grandis*The VLCC *Atlantic Prosperity*

- > In October 1998, MOL signed a two and a half year contract with U.S. forest products giant Weyerhaeuser Co., its first-ever with a Japanese shipping company, for the transport of 250,000 tons of wood chips annually from the U.S. East Coast to Vancouver, British Columbia. Shipments began in October 1998. This transaction moves MOL closer to its goal of establishing a global presence in wood chip carriers.
- > MOL affiliate Gearbulk Holding Ltd., the world's number-one operator of open-hatch ships, purchased Canadian Transport Co. in September 1998. The addition of the world's fifth-largest open-hatch operator gives Gearbulk a fleet of 60 vessels and a powerful operating base in Canada, the world's largest exporter of forest products.
- > Deregulation in Japan is opening the way to independent power providers, and more demand for coal. In February 1999, MOL signed a contract with Nakayama Nagoya Kyodo Hatsuden Co., Ltd., an IPP based near Nagoya, Japan and controlled by a large steel maker. This is the first long-term coal shipment agreement involving a Japanese IPP. Under this agreement, MOL will supply the plant with 400,000 tons of coal annually over a period of about 15 years using existing Panamax bulkers.
- > The 77,000 dwt coal carrier *Energy Angel* was launched in September 1998. This is the last in a

series of three coal carriers delivered to MOL in recent years. Unlike the others, however, *Energy Angel* has seven holds to allow handling coal for coke and cement producers as well as steaming coal for electric power plants.

- > MOL has established Auto Carrier (Thailand) Co., Ltd. to handle overland transport of export-bound motor vehicles in Thailand. The company began operating in November 1998, transporting vehicles for Auto Alliance (Thailand) Co., Ltd. The outlook is good: Foreign auto makers in Thailand are planning to produce more vehicles for export.

## **TANKERS AND GAS CARRIERS**

### **Overview**

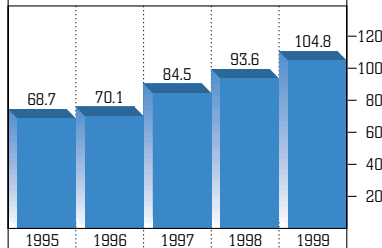
Falling oil prices combined with economic turmoil in many parts of the world created a difficult climate for MOL's tankers and gas carriers. The Gulf-Japan rate, a closely watched VLCC index, started the fiscal year in the 70s but then plunged to about 50 in the summer of 1998. After staging a recovery, falling demand for oil due to rising prices and seasonal factors brought the index down to under 40 by April 1999.

Mindful of the volatility of the tanker market, MOL has consistently pursued a policy of building vessels only for long-term charter contracts. During the past year, this strategy shielded tanker performance

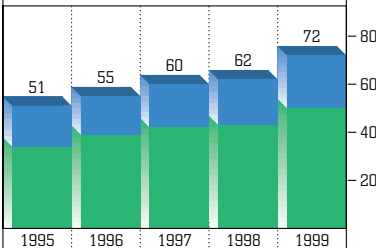


## Review of Operations

**Non-Consolidated Tanker and Gas Carrier Revenues (¥ billions)**



**Non-Consolidated Tanker and Gas Carrier Operating Fleet (vessels)**



■ Owned  
■ Chartered and others

in larger part from falling rates. Although an expected rise in VLCC scrapping points to tighter capacity in the next decade, MOL will pursue a strategy of investing with caution while keeping a close eye on the market. MOL has no interest in speculation. To maintain a competitive, up-to-date VLCC fleet, the company took delivery of two VLCCs between March 1996 and March 1999. As of January 1999, the average age of MOL's VLCCs was just under six years, far below the global average of 13.7 years. About one-fourth of these ships are double-hulled, again well above the global average. This fleet, along with an experienced and highly competent pool of tanker officers and crew members, give MOL a critical advantage as interest among customers in safety continues to grow.

Investments in LNG carriers continue. This is a market that offers highly reliable revenue and profit streams over long periods. Furthermore, the LNG market is on a long-term upswing. MOL is currently participating in more than 10 large LNG projects. In the Qatar-Japan LNG Project, the eighth of an eventual 10 LNG carriers, all under co-ownership with two other Japanese shipping companies, was delivered in June 1999. MOL operates four of these ships. Since the first shipment in January 1997, this undertaking has progressed as planned, largely fulfilling the goals of all parties involved. MOL has a 75% equity interest in the BGT Project, which uses a fleet of eight vessels to transport LNG from Indonesia to Japan. The transportation contract is

to be extended to 2010 for six of these carriers. Favorable market dynamics give MOL many attractive options for deploying the remaining two carriers. MOL is also transporting LNG from two other locations in Indonesia to Japan, from Australia to Japan, and from Indonesia to Taiwan.

Many more opportunities for growth in LNG exist. MOL continues to aggressively pursue new business in Japan and elsewhere. Navix opens up still more new pathways. For instance, the addition of Navix's equity in the North West-Australian Project makes MOL the top shareholder in this project. Navix's experience in energy transportation is certain to play a big part in the future growth of this business at MOL as well.

### Highlights of the Year

- > In April 1999, Tokyo Marine took over the operations of Tokyo Chemical Tanker, thus consolidating these two MOL chemical tanker subsidiaries. Tokyo Marine is a specialist in deepwater routes between Asia and North America and Europe, while Tokyo Chemical Tanker concentrates on service between Japan and other ports in eastern Asia. Tokyo Marine will thus become an operator of 41 ships, the largest of any Japanese chemical shipping company.
- > In January 1999, MOL signed an agreement with Enron International of the U.S. to transport LNG from the Middle East to a new power

The methanol carrier *Maracas Bay*The liquefied natural gas carrier *Al Wakrah*The product tanker *Vermilion Express*

plant on India's west coast south of Mumbai. This was the first-ever LNG transport contract to India. Enron International, Shipping Corporation of India and MOL will jointly form a company that will order and own the LNG carrier, which MOL will operate. The vessel's time charter contract will extend from 2001 to 2021 and entail the transport of 2.1 million tons annually.

- > The sixth Qatar-Japan LNG Project vessel, *Al Wakrah*, was completed in December 1998. This is the third MOL-operated LNG carrier in this project.
- > In January 1999, MOL took delivery of the product tanker *Vermilion Express*. The 106,131 dwt ship is MOL's eighth owned product tanker and is engaged in the transport of naphtha from the Middle East to Japan. MOL operates a total of 15 product tankers and six chemical carriers, one of the largest product and chemical tanker fleets in the world.
- > In September 1998, MOL's methanol carrier fleet grew to 13 with the launch of *Maracas Bay*, a 30,957 dwt vessel that will ply the Caribbean-U.S.-Europe trade. The vessel operates under a long-term charter contract with Methanol IV Co., which is based in Trinidad and Tobago. Over the next few years, MOL plans to add five more methanol carriers, including an Aframax size vessel in the 105,000 dwt range.

- > MOL was selected by U.S.-based AMPCO Marketing L.L.C. for a 15-year charter contract to transport methanol from a plant to be completed early in 2001 in Equatorial Guinea. MOL will operate two new 45,000 dwt methanol carriers, which are now on order to a shipbuilder. The methanol will be shipped mainly to customers on the U.S. Gulf Coast and in Europe. MOL's owned methanol carrier fleet now totals 14 ships, including one that was owned by Navix. Since three more are on order, the two AMPCO ships will raise MOL's methanol carrier fleet to 19.
- > A large-scale oil spill response drill and training session was held in Houston, Texas in December 1998. MOL holds these events on a regular basis at different locations worldwide. This drill simulated an accident that resulted in the release of about 5,000 barrels of crude oil into the Gulf of Mexico. The previous drill took place in London in March 1998.

## Review of Operations


The ferry *Sunflower Tomakomai*

The cruise ship *Nippon Maru*

The cruise ship *Fuji Maru*

### FERRIES AND CRUISE SHIPS

MOL operates an extensive ferry network in Japan through four subsidiaries. Unfortunately, Japan's persistent economic weakness has hurt demand for ferry transportation, much of which comes from trucks and cargo. Actions of the past several years have focused on cutting costs while attracting a broader range of cargo to increase revenues. A radical streamlining campaign was completed in the 1997-98 timeframe. Service was terminated on chronically unprofitable routes. On routes where demand is solid, MOL invested in new ships featuring amenities to improve comfort for passengers. One ferry, the *Sunflower Tsukuba*, entered service in January 1998 and runs between a port north of Tokyo and Hokkaido. Market response during its first year has been positive. With past cost-cutting actions yielding substantial benefits, MOL plans to generate a profit on ferry operations in the year to March 2000, the first since 1994.

The MOL Group operates three cruise ships. The revenues in this sector are derived from leisure cruises and charter cruises for seminars and other events, often from the public sector. MOL conducts a variety of leisure cruises in and around Japan, often timed with seasonal events like festivals. In 1999 and 2000, MOL will be concentrating on cutting costs in cruise ships and increasing the share of revenues from leisure cruises rather than charter cruises in an effort to return this business to profitability.

### Highlights of the Year

- The 21,903 gt *Nippon Maru* completed its first cruise that circumnavigated the globe on July 20, 1998. The 90-day cruise covered about 60,000 kilometers and 24 ports and carried a full complement of approximately 300 passengers. Many special events took place. In Buenos Aires, *Nippon Maru* was the first Japanese cruise ship to call in 25 years. A party was held on board to mark the 100th year of friendship between Japan and Argentina. *Nippon Maru* left Tokyo on April 20, 1999 on its second around the world cruise, a 92-day voyage, visiting 22 ports in 18 countries. A 100-day global cruise is planned for March 2000.
- Introducing modern ferries is one way in which MOL is working on increasing demand for ferry services in Japan. In the fall of 1999, a high-speed ferry will enter service between Tokyo and Hokkaido. With a cruising speed of 30 knots, travel time will be cut to 20 hours, 10 hours less than at present. Rates remain the same despite the improvement in speed and equipment. The new 12,200 gt ferry *Sunflower Tomakomai* holds about 200 trucks and 46 automobiles. This investment is also an element of a Japanese government program to reduce CO<sub>2</sub> emissions by carrying long-distance trucks on ships.



Wassing's new head office



Wassing B.V.



AMT Freight, Inc.

### **NON-SHIPPING OPERATIONS**

Operations outside the shipping field generally represent logistics in the form of shipping agents, forwarders and warehousing. MOL has an extensive network of logistics bases to complement its shipping services. Able to extend comprehensive support to clients, MOL can manage shipments of raw materials as well as finished products for manufacturers. As more companies seek ways to become more competitive while cutting costs, demand for these sophisticated logistics services are likely to expand.

MOL is integrating logistics companies overseas and in Japan to bring more services under a single organization. In Japan, Japan Express merged with Ohi Physical Distribution Center and is scheduled to merge with the logistics division of Tokyo International Container Terminal in October. In Singapore, MOL is proceeding with the Greater Cougar Concept, merging in July 1999 two Cougar subsidiaries to create a more powerful base for growth.

Looking ahead, the most pressing issue is restoring profitability in Asia, particularly in Thailand and Malaysia. MOL is working with local partners to restructure operations where necessary and will raise its ownership to a majority position in some joint ventures where warranted. On a global scale, the start of MOST21 signifies a period of reexamining the role of logistics. As in the past year, actions

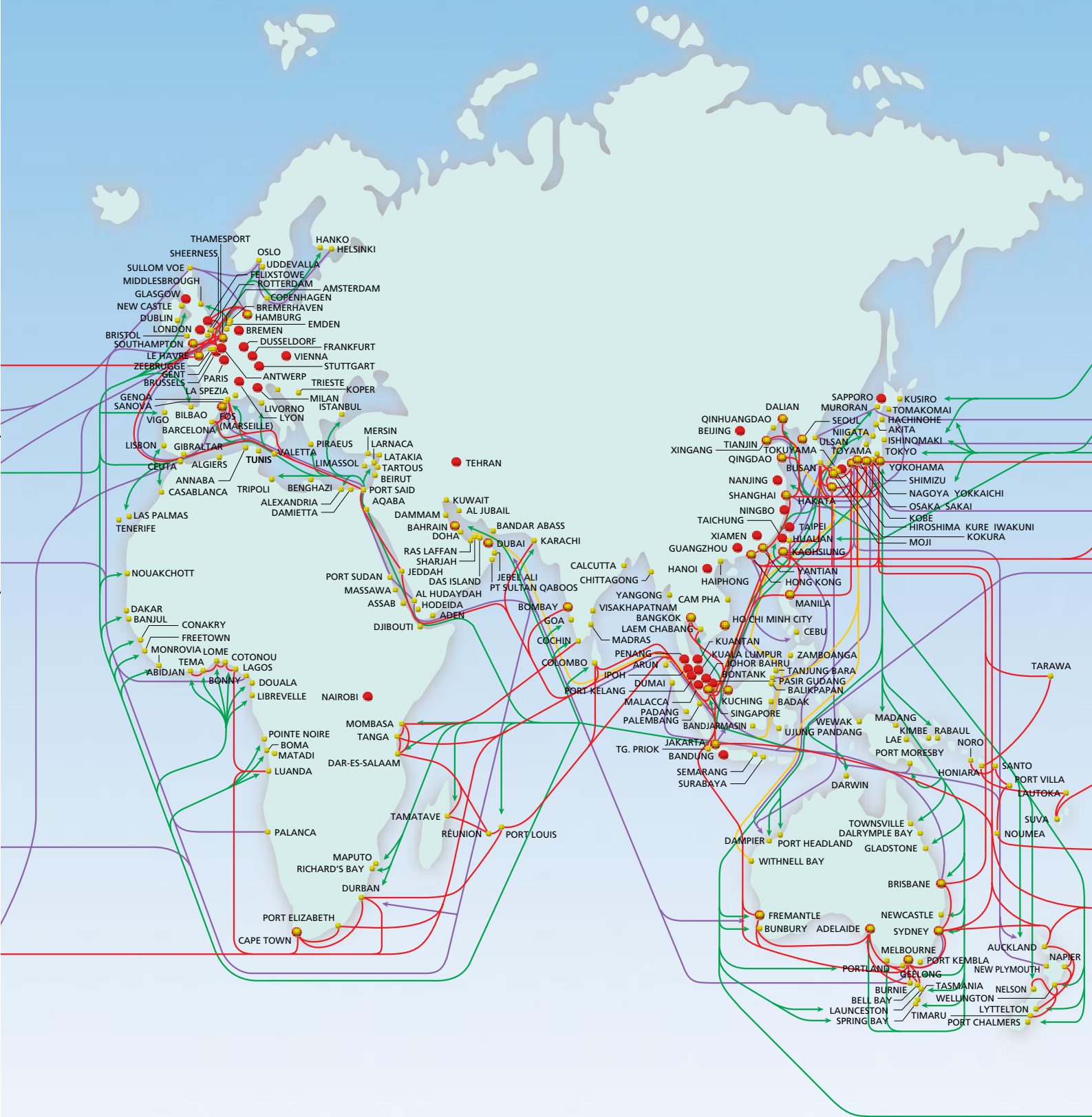
will continue to improve profitability and extend the best possible support for MOL's liner business.

#### **Highlights of the Year**

- The second new warehouse of Bangpoo Intermodal Systems Co., Ltd. (BISCO) began operations in February 1998 in Bangkok. An intermodal logistics base, the new facility boasts an open cargo area of 10,000 square meters, warehouse space of 10,125 square meters and status as one of the first General Bonded Warehouses in Thailand. With sophisticated materials handling systems, the new base offers excellent safety, cleanliness and efficiency.
- Wassing, which joined the MOL Group in 1990 in the Netherlands, completed a 6,000 square meter expansion of its warehouse in October 1998. This better facilitates the extension of comprehensive services for customers, including inspections, labeling and other peripheral services.
- Cougar Express and Cougar Logistics merged their operations in July 1999 to form Cougar Express Logistics Pte. Ltd. The merger gives the MOL Group a single, stronger base and the financial resources necessary to become still more competitive in and around Singapore.

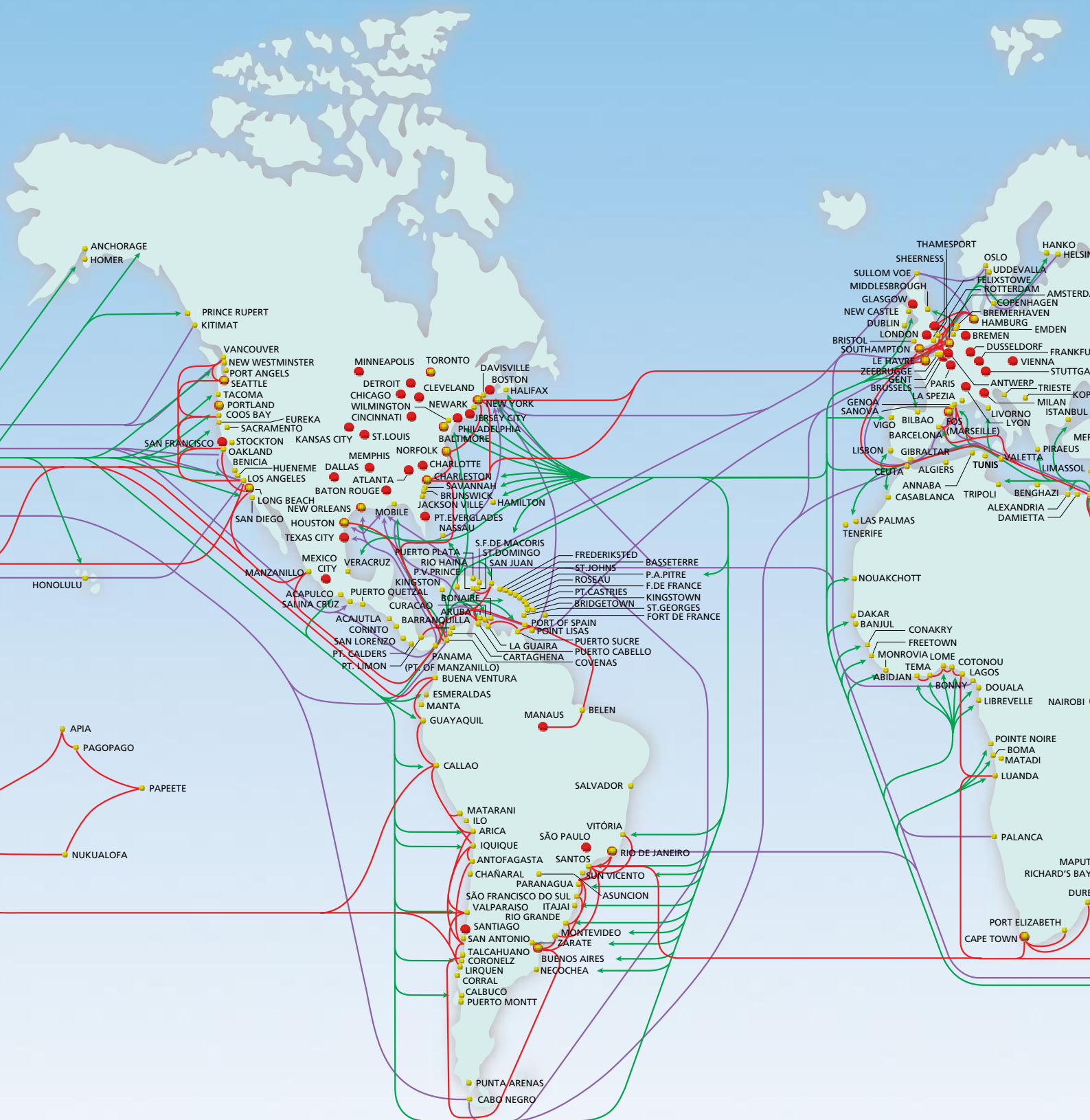


# Mitsui O.S.K. Lines Global Services



- Container Service Routes & Conventional Liner Service Routes
- Bulker and Car Carrier Service Routes
- Tanker Service Routes
- LNG Service Routes
- Local Offices
- Main Calling Ports





## Board of Directors and Auditors

Chairman of the Board	Managing Directors	Directors
Noriaki Hori	Tadakuni Hirose Secretaries Office, Personnel Division	Yoshihiro Ishizawa Ports and Terminals Office, Logistics Office, Assistant to Director of Liner Division
<b>President</b>		
Masaharu Ikuta	Kenji Machino Human Resources Development Office, Marine Division, Ship Management Division	Hideki Sano Assistant to Director of Associated Business Division
<b>Executive Vice Presidents</b>		
Kunio Suzuki Assistant to the President	Akimitsu Ashida Internal Auditor, Corporate Planning Division, Publicity Office, Research Co-operation Office, Information Systems Office, Ship Management Division	Shinichi Takemoto General Manager, Personnel Division
Shinichiro Yamashita Assistant to the President		Masao Sagara Assistant to Director of Wood Chip and Industrial Plant Carriers Division, Assistant to Director of Bulk Carrier Co-ordination Office
Kazuo Sato Assistant to the President, Kansai Area	Kazuki Mori Marketing (Liner Cargo), Logistics Office, [President/CEO, Mitsui O.S.K. Lines (Japan) Ltd.]	Chikanobu Nomura Assistant to Director of Coal and Iron Ore Carrier Division
Joji (George) Hayashi Assistant to the President, [Chairman/President/CEO, Mitsui O.S.K. Lines (America) Inc., Chairman, Mitsui O.S.K. Lines (Europe) Ltd. ]	Shigeru Suzuki Bulk Carrier Division, Bulk Carrier Co-ordination Office	Kentaro Hino Assistant to Director of Corporate Planning Division, Assistant to Director of Personnel Division, Assistant to Director of Ship Management Division, Assistant to Director of Associated Business Division
<b>Senior Managing Directors</b>		
Seiji Nakamura Finance and Accounting Division, Logistics Office, Associated Business Division	Hirohiko Tanaka Tanker Division (A), Tanker Division (B)	Makoto Taniguchi Ship Management Division, Technical Division
Susumu Kikuma Bulk Carrier Division, Bulk Carrier Co-ordination Office, Coal and Iron Ore Carrier Division, Wood Chip and Industrial Plant Carriers Division	Tsuneo Kawahara Car Carrier Division	Hiroshi Takahashi Human Resources Development Office, Assistant to Director of Marine Division, Assistant to Director of Ship Management Division
Tokinao Hojo Tanker Division (A), Tanker Division (B), Steaming Coal Carrier Division, LNG Carrier Division (A), LNG Carrier Division (B)	Hiroyuki Nakagawa General Affairs Division, Finance and Accounting Division	Yoshinori Hama General Manager, Marine Division
Hiroyuki Sato Liner Division		Yutaka Okamoto Assistant to Director of Car Carrier Division
		<b>Corporate Auditors</b>
		Takeshi Yamamoto
		Yuzuru Miyatsu
		Nobuyoshi Tateishi
		Kyoichi Sato

(As of June 29, 1999)

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## Management's Discussion and Analysis

### Introduction

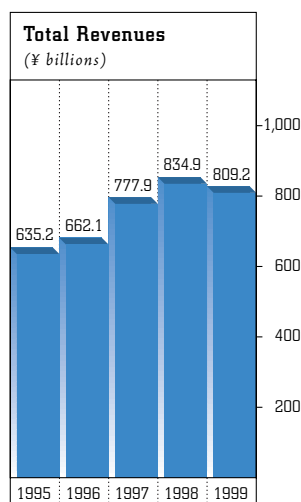
The term "the company" refers to the parent company, while the term "the companies" refers to the company and its 224 consolidated subsidiaries and affiliates around the world. These include 196 consolidated subsidiaries, 1 equity method subsidiary and 27 equity method affiliates. During the year, 17 subsidiaries, 2 of which had been accounted for by the equity method, were newly consolidated, and 7 consolidated subsidiaries were excluded. The increase in consolidated subsidiaries is mostly the result of the consolidation of new ship holding companies and shipping agents. Nine of the new consolidated subsidiaries are newly established ship holding companies. The "MOL Group" refers to all MOL subsidiaries and affiliates, including companies whose results are not reflected in the consolidated statements. As the merger with Navix Line, Ltd. was effective as of April 1, 1999, the results and financial position of this company are not reflected in any way in the past year's financial statements or this discussion. All figures in U.S. dollars shown in this report are translated from yen at the rate of ¥120.55/US\$1.00, the TTM rate prevailing on March 31, 1999 in Tokyo. The results of subsidiaries whose books are kept in a currency other than yen are translated from the original currency to yen at the rate prevailing on the last day of each subsidiary's fiscal year, excluding shareholders' equity. Most such subsidiaries have records that are kept in U.S. dollars and a fiscal year that ends on December 31. The TTM rate was ¥130.10/US\$1.00 on December 31, 1997 and ¥115.70/US\$1.00 on December 31, 1998.

### Overview

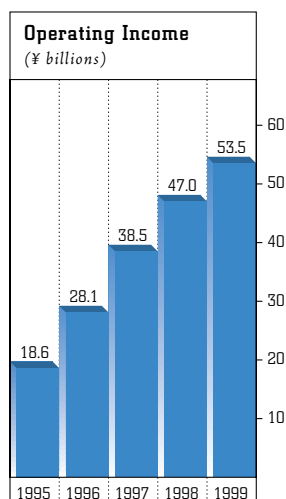
The MOL Group is a comprehensive sea, land and air transportation services organization based in Japan and operating worldwide. The companies generate revenues primarily from the operation of a fleet of liners, bulkers, car carriers and tankers. Consolidated business results are organized into five segments for reporting purposes: overseas shipping, ferry/domestic shipping, shipping agent and harbor/terminal operation, cargo forwarding and warehousing, and others.

### Revenues and Operating Income

In fiscal 1998, the year ended March 31, 1999, shipping and other revenues amounted to ¥809,161 million (US\$6,712 million), a decrease of 3.1%, or ¥25,718 million. In liners, revenues increased, chiefly on Asia-North America routes. The success of efforts to raise productivity offset challenges posed by a difficult operating environment. In particular, the difference in container demand widened as Asian exports grew while imports dropped. In bulkers, revenues fell as weak demand for raw materials in Japan and elsewhere in Asia led to a drop in freight and charter rates. The fall was particularly severe in the second half of the fiscal year. In specialized carriers, revenues increased due to a strong performance by car carriers. In tankers, weak global demand for petroleum caused tanker rates to decline, but the companies were able to increase revenues as most tankers operate on long-term charters and new LNG carriers joined the fleet.







Shipping and other expenses decreased 4.2%, or ¥29,964 million, to ¥683,042 million (US\$5,666 million) and declined from 85.4% to 84.4% of shipping and other revenues. The lower expenses were mainly the result of cost containment programs, improved productivity in ship and container operations and, to a lesser extent, lower fuel prices. General and administrative expenses were down 3.1%, or ¥2,315 million, to ¥72,582 million (US\$602 million). This was mainly the result of cost containment programs at all business locations. As a result, operating income increased 14.0%, or ¥6,561 million, to ¥53,537 million (US\$444 million). The operating margin improved from 5.6% to 6.6%. These gains are a direct result of various initiatives the companies have implemented since 1994 under the MOL's Creative and Aggressive Redesigning, 90s campaign to establish a profitable operating base.

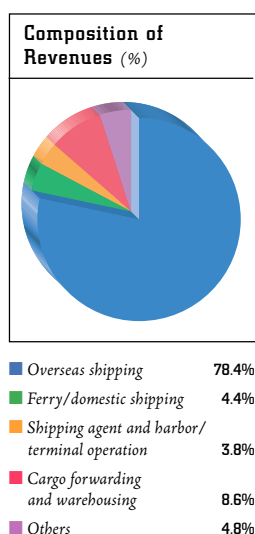
### Foreign Exchange Movements

In fiscal 1998, the major portion of shipping and other revenues were denominated in foreign currencies, mainly the U.S. dollar. As a result, the companies' sales and earnings are susceptible to movements in foreign exchange rates, chiefly the yen-U.S. dollar rate. In fiscal 1998, the average exchange rate was ¥129.72=US\$1 compared with ¥122.73 in fiscal 1997. The yen's depreciation is estimated to have had a positive effect on shipping and other revenues.

### Results by Segment

**OVERSEAS SHIPPING**—This segment represents the international shipping services of the companies and the operations of cruise ships. Included are results of the company and 121 subsidiaries. These companies are mainly involved in transportation by owned or chartered ships, chartering ships to others, and ship management. The major subsidiaries involved in transportation and chartering are BGT, Ltd., M.O. Seaways, Ltd. and Tokyo Marine Co., Ltd. In the ship management and manning sector, the major subsidiaries are International Marine Transport Co., Ltd., Mitsui Kinkai Kisen Co., Ltd. and M.O. Ship Management Co., Ltd. Cruise ships are operated by Mitsui O.S.K. Passenger Line, Ltd.

In fiscal 1998, segment revenues were ¥634,528 million (US\$5,264 million), down only ¥480 million from fiscal 1997, and represented 78.4% of total shipping and other revenues. Operating income was up 22.7%, or ¥9,479 million, to ¥51,170 million (US\$424 million) and the operating margin rose from 6.6% to 8.1%. The higher earnings were mostly attributable to high cargo volumes in car carriers and improvements in liners, especially on Asia-North America routes, resulting from measures to upgrade sales activities and use containerships more productively. Gains in these sectors were somewhat offset by weakness in bulkers because of weak demand for raw materials in Japan and other parts of Asia. The decline in sales was attributable to eliminations resulting from the consolidation of a subsidiary. This subsidiary had no impact on income and was consolidated for the first time in the past fiscal year.



The major equity method affiliates Daiichi Chuo Kisen Kaisha and Gearbulk Holding Ltd. are engaged in transportation and charters.

**FERRY/DOMESTIC SHIPPING**—Ferry and tugboat operations are conducted by 6 subsidiaries. Most companies operate along the east (Pacific Ocean) coast of Japan and in Japan's Seto Inland Sea. Major consolidated subsidiaries are Blue Highway Line Corporation, The Diamond Ferry Co., Ltd. and Ehime-Hanshin Ferry Co., Ltd. Tugboat operations represent consolidated subsidiaries Kyushu Tugboat Co., Ltd. and Nihon Tug-Boat Co., Ltd.

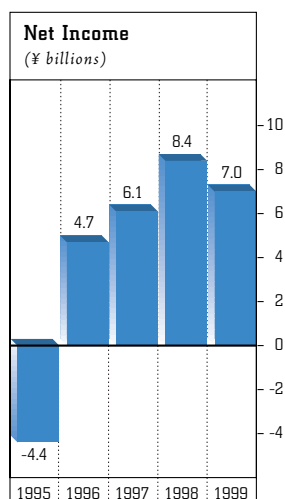
Segment revenues in fiscal 1998 decreased 8.8%, or ¥3,424 million, to ¥35,505 million (US\$295 million), which was 4.4% of total revenues. The segment posted operating income of ¥160 million (US\$1 million) following a loss of ¥1,148 million in fiscal 1997. Sales were down because of lower passenger and cargo volumes as Japan's economic downturn continued. The termination of operations at Muroto Kisen K.K. also contributed to the lower revenues. However, operations returned to profitability as companies withdrew from unprofitable routes, made big cuts in operating expenses and benefited from lower fuel costs.

Equity method affiliates Kyushu Kyuko Ferry Co., Ltd. and Meimon Taiyo Ferry Co., Ltd. offer ferry services, too.

**SHIPPING AGENT AND HARBOR/TERMINAL OPERATION**—Revenues in this segment mostly represent agency services, transportation at harbors, customs clearance and packaging. There are 24 subsidiaries. Major shipping agents serving the MOL Group include consolidated subsidiaries Mitsui O.S.K. Lines (America) Inc. and Mitsui O.S.K. Lines (Europe) Ltd. In harbor operation and customs clearance, the primary consolidated subsidiaries are Trans Pacific Container Service Corp., International Container Terminal Co., Ltd., The Shosen Koun Co., Ltd., Japan Express Co., Ltd. (Kobe) and Japan Express Co., Ltd. (Yokohama).

Segment revenues decreased 5.7%, or ¥1,858 million, to ¥30,862 million (US\$256 million), accounting for 3.8% of total revenues. Operating income was down 2.8%, or ¥46 million, to ¥1,619 million (US\$13 million) and the operating margin rose from 5.1% to 5.2%. The decline in revenues was mostly the result of the effect of the yen's strength on translations of overseas revenues. However, the decrease in operating income was less as the companies implemented programs to streamline operations and cut costs.

Major equity method affiliates Uto Corporation and International Container Transport Co., Ltd. are both involved in harbor operation and customs clearance.



**CARGO FORWARDING AND WAREHOUSING**—There are 20 subsidiaries in this segment, which offers a diversified line of warehousing and related logistics services. Major consolidated subsidiaries in cargo forwarding are M.O. Air System, Inc., MOL Intermodal Inc., Cougar Logistics (Singapore) Pte Ltd., M.O. Logistics Netherlands B.V. and Hong Kong Logistics Co., Ltd. AMT Freight, Inc. is an owner of warehouses.

Segment revenues were down by 12.5%, or ¥9,900 million, to ¥69,289 million (US\$575 million), which was 8.6% of total revenues. The segment recorded an operating loss of ¥16 million (US\$0.1 million) following fiscal 1997's operating income of ¥1,078 million. Aggressive steps were taken to conduct effective sales efforts and cut costs. The benefits of these actions were outweighed by lower air cargo volumes due to poor economic conditions in Asia and a reduction in yen translations of overseas sales.

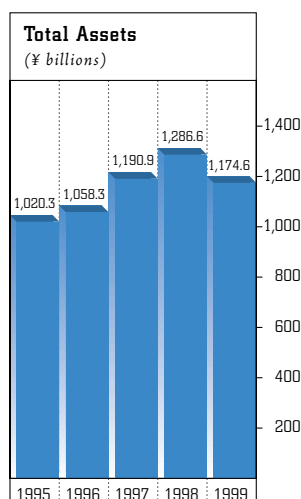
**OTHERS**—Revenues in this segment are derived from real estate, machinery maintenance, financial services, trading, construction, computer information systems service and other activities. There are a total of 25 consolidated subsidiaries. In addition, the company directly conducts an office rental business. Among consolidated subsidiaries, Mitsui O.S.K. Kogyo Kaisha is involved in the purchase and sale of fuel, machinery and other supplies for ships and Kusakabe Maritime Engineering Co., Ltd. is a construction company. Overseas, consolidated subsidiary Euromol B.V. and other financial services subsidiaries assist in the procurement of funds for the MOL Group.

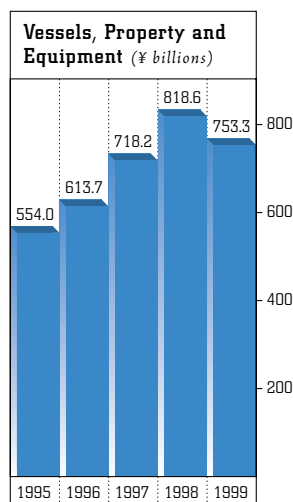
Segment revenues fell 20.5%, or ¥10,056 million, to ¥38,977 million (US\$323 million), which was 4.8% of total revenues. Operating income was down 23.7%, or ¥1,422 million, to ¥4,574 million (US\$38 million), resulting in an operating margin of 11.7% compared with 12.2% in fiscal 1997. The lower revenues and earnings primarily reflected lower construction orders in Japan and the exclusion of Mitsui Line Kouyu K.K. from consolidation upon its dissolution.

Daibiru Corporation, which owns and rents office space, is a large equity method affiliate.

#### **Other Income (Expense) and Net Income**

Other income (expense) resulted in a net expense of ¥38,199 million (US\$317 million) compared with a net expense of ¥28,912 in fiscal 1997. Interest expense decreased 5.8% to ¥40,071 million (US\$332 million). Interest-bearing liabilities as of March 31, 1999 amounted to ¥857,121 million (US\$7,110 million), ¥85,959 million less than the March 31, 1998 balance of ¥943,080 million. Others, net includes a net loss of ¥4,005 million on sales of securities compared with a net gain of ¥12,146 million in fiscal 1997; a securities valuation loss of ¥3,301 million compared with ¥7,853 million in the previous fiscal year; and a net gain of ¥5,140 million on sales and disposal of vessels and other fixed assets compared with a gain of ¥6,466 million in fiscal 1997. Equity in earnings of affiliates increased by ¥653 million to ¥4,127 million (US\$34 million). This item was shown on the income statement after the tax provision in prior fiscal years.





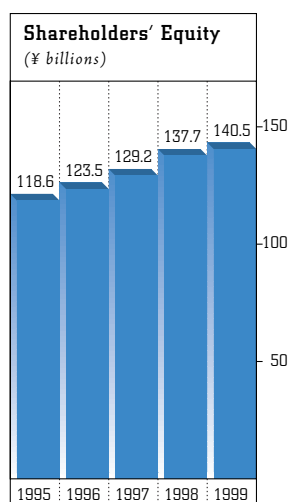
As a result, income before income taxes decreased by ¥2,726 million to ¥15,338 million (US\$127 million). The provision for income taxes decreased by ¥21 million. Due to these factors, net income decreased by 16.8%, or ¥1,413 million, to ¥7,010 million (US\$58 million) and net income per share was ¥6.33 (US\$0.05). Cash dividends applicable to the year were ¥4.00 (US\$0.03), the entire amount payable at the end of June 1999 to shareholders of record on March 31, 1999. The return on equity, based on the simple average of current and previous year-ends, decreased from 6.3% to 5.0%.

### Financial Position

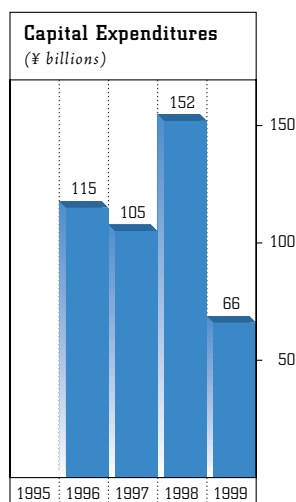
As of March 31, 1999, total assets amounted to ¥1,174,640 million (US\$9,744 million), ¥111,936 million less than one year earlier. This was mainly attributable to measures taken during the year to raise returns on investments and reduce interest-bearing liabilities. Current assets declined by ¥45,093 million to ¥230,996 million (US\$1,916 million) and decreased from 21.5% to 19.7% of total assets. All elements of current assets were lower than one year earlier. The largest declines were in trade receivables, which was down 12.3% to ¥82,966 million (US\$688 million) because of the appreciation of the yen at the end of the fiscal year compared with the end of the prior fiscal year, and in marketable securities, which fell 32.8% to ¥30,560 million (US\$254 million) because of lower holdings by the company and Euromol, a financial subsidiary.

Vessels, property and equipment, at cost, decreased by ¥65,232 million to ¥753,347 million (US\$6,249 million). Vessels, which is the largest component, were down by ¥50,843 million to ¥601,096 million (US\$4,986 million) due to depreciation, sales of vessels and the appreciation of the yen. During the fiscal year, the number of vessels operated by the companies increased by 10 to 446, and the number of vessels owned by the companies decreased by 7 to 234. Investments and other assets were down ¥6,984 million to ¥182,629 million (US\$1,515 million). The largest component of the decline was a ¥7,554 million decrease in investments in and advances to unconsolidated subsidiaries and affiliated companies to ¥65,149 million (US\$540 million) because of the consolidation of two subsidiaries that had been accounted for by the equity method and a reduction in loans to affiliated companies.

Current liabilities declined 3.6%, or ¥12,715 million to ¥337,417 million (US\$2,799 million) but rose from 27.2% to 28.7% of total assets. Trade payables were down by 14.7%, or ¥12,395 million, to ¥72,011 million (US\$597 million) because of the appreciation of the yen. Additionally, short-term debt decreased by 32.3%, or ¥29,216 million, to ¥61,353 million (US\$509 million).







Note: Consolidated capital expenditures are not available before fiscal 1996.

Non-current liabilities decreased 13.0%, or ¥103,288 million, to ¥689,949 million (US\$5,723 million) and went from 61.7% to 58.7% of total assets. Long-term debt due after one year, was down by ¥102,065 million to ¥670,363 million (US\$5,561 million). Borrowings were down by ¥72,380 million to ¥575,417 million (US\$4,773 million) and bonds were down by ¥29,685 million to ¥94,946 million (US\$788 million).

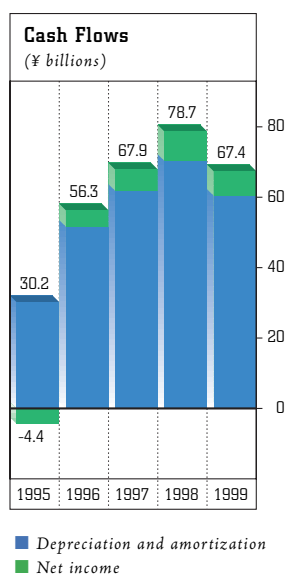
Shareholders' equity increased 2.0%, or ¥2,798 million to ¥140,490 million (US\$1,165 million) because of higher retained earnings. The equity ratio rose from 10.7% to 12.0% and equity per share increased by ¥2.53 to ¥126.81.

### Capital Expenditures

In fiscal 1998, capital expenditures of the companies were ¥65,572 million (US\$544 million), ¥86,879 million less than in fiscal 1997. At the company, four owned vessels were sold and three LNG carriers were added to the fleet. This resulted in 38 vessels having a total of 3,246 thousand tons owned by the company at the end of the fiscal year, an increase of 136 thousand tons. As of March 31, 1999, the company was operating 363 vessels with a total of 21,261 thousand tons. This represents net increases of 11 vessels and 305 thousand tons during fiscal 1998. In addition to the three LNG carriers, the rise in tonnage was mostly due to Cape-size bulkers and coal carriers.

### Cash Flows

Cash and cash equivalents decreased by ¥6,025 million to ¥43,244 million (US\$359 million). Net cash provided by operating activities decreased by ¥10,092 million to ¥71,483 million (US\$593 million). Net cash used in investing activities declined by ¥51,518 million to ¥33,148 million (US\$275 million). Capital expenditures in fiscal 1998, mainly for the purchase of vessels, were substantially lower, and proceeds from sale of securities and other investments as well as from sale of vessels were as high as in the prior fiscal year. This is the result of the company's decision to generate cash through the sale of securities and other assets that do not have a direct relationship to the shipping business or that do not have returns justifying their retention. Cash and cash equivalents were sufficient to make up the difference between operating cash flows and capital expenditures. Due to the decrease in capital expenditures and other cash requirements, the company was able to achieve a net reduction in debt. The result was that financing activities used net cash of ¥42,302 million (US\$351 million).



**Merger With Navix**

Effective April 1, 1999, MOL merged with Navix Line, Ltd. The operating results and assets of Navix are not reflected in financial statements in this annual report, which covers the period through March 31, 1999. A summary of the operating results for the fiscal years ended March 31, 1998 and 1999 and balance sheet data at March 31, 1999 for Navix are presented below.

**NON-CONSOLIDATED STATEMENTS OF INCOME**

Years ended March 31	Millions of yen	
	1999	1998
Operating revenues . . . . .	¥124,686	¥137,997
Operating expenses . . . . .	123,794	134,293
Operating income . . . . .	891	3,703

**NON-CONSOLIDATED BALANCE SHEET**

March 31	Millions of yen
	1999
Current assets . . . . .	¥23,141
Vessels, property and equipment, at cost . . . . .	29,169
Investments and other assets . . . . .	22,391
Total assets . . . . .	74,701
Current liabilities . . . . .	50,696
Long-term debt . . . . .	14,027
Other non-current liabilities . . . . .	3,768
Total liabilities . . . . .	68,491
Net assets . . . . .	6,210

Note: Balance sheet figures show assets, liabilities and net assets based on market values, the basis upon which the merger was implemented. As such, these figures differ from the figures used by Navix for reporting purposes.

Upon the April 1, 1999 merger, MOL issued 121,493,299 shares of common stock, the result of an exchange of 0.29 MOL share for each share of Navix. This increased the number of MOL shares issued and outstanding by 11.0% to 1,229,410,445 shares and reduced equity per share to ¥115.55 from the pre-merger ¥122.61.

**Year 2000 Compliance**

MOL has a global program structured to achieve Year 2000 compliance at the parent company, all MOL Group members and companies that do business with the group. To oversee these activities, the Year 2000 Monitoring Group was established in September 1998. This group has three sections responsible for information systems, vessel operations and facilities such as container terminals. The Year 2000 Monitoring Group is also responsible for monitoring of company-wide Year 2000 compliance, keeping management up to date and providing individual divisions and group members with instructions on steps that must be taken. The MOL Group had completed the necessary compliancy measures as of June 1999 but continues to perform testing, contingency planning and training to ensure the safe operation of its vessels. Total expenditures related to Year 2000 compliance measures are estimated to total ¥640 million.

**Six-Year Summary**

Mitsui O.S.K. Lines Years ended March 31

	Millions of yen					
	1999	1998	1997	1996	1995	1994
<b>For the year:</b>						
Shipping and other revenues .....	¥ 809,161	¥ 834,879	¥ 777,896	¥ 662,046	¥ 635,284	¥ 608,641
Vessel depreciation .....	52,637	62,370	53,597	44,384	39,988	37,131
Other expenses .....	630,405	650,636	610,419	515,069	502,201	487,994
Amortization of consolidation adjusting account .....	563	513	60	144	208	388
Other general and administrative expenses ...	72,019	74,384	75,275	74,320	74,306	68,774
Operating income .....	53,537	46,976	38,545	28,129	18,581	14,354
Equity in earnings of unconsolidated subsidiaries and affiliated companies .....	4,127	3,474	5,024	4,024	4,504	2,081
Income (loss) before income taxes .....	15,338	18,064	9,030	6,468	(2,815)	(5,368)
Income taxes .....	(8,362)	(8,383)	(3,128)	(2,167)	(1,718)	(801)
Minority interests .....	34	(1,258)	170	385	109	189
Net income (loss) .....	7,010	8,423	6,072	4,686	(4,424)	(5,980)
<b>At year end:</b>						
Current assets .....	230,996	276,089	250,148	211,361	233,102	247,964
Current liabilities .....	337,417	350,132	301,269	279,444	286,304	335,354
Vessels, property and equipment, at cost .....	753,347	818,579	718,194	613,672	553,976	514,082
Total assets .....	1,174,640	1,286,576	1,190,871	1,058,326	1,020,273	1,037,585
Long-term debt .....	670,363	772,428	735,101	632,778	591,485	545,168
Shareholders' equity .....	140,490	137,692	129,175	123,514	118,555	133,997
Retained earnings .....	37,900	35,102	20,269	14,610	10,164	25,660
<b>Amounts per share of common stock (yen):</b>						
Net income .....	6.33	7.61	5.49	4.27	(4.03)	(5.50)
Shareholders' equity .....	126.81	124.28	116.69	112.45	108.09	123.28
Cash dividends .....	4.00	4.00	—	—	—	—

**Consolidated Balance Sheets**

Mitsui O.S.K. Lines March 31, 1999 and 1998

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 43,244	¥ 49,269	\$ 358,723
Marketable securities (Notes 3, 4 and 5) .....	30,560	45,464	253,505
Trade receivables .....	82,966	94,612	688,228
Allowance for doubtful accounts .....	(410)	(1,341)	(3,401)
Fuel and supplies .....	8,565	9,459	71,049
Deferred and prepaid expenses .....	27,018	30,128	224,123
Other current assets .....	39,053	48,498	323,957
Total current assets .....	230,996	276,089	1,916,184
<b>Vessels, property and equipment, at cost (Note 5):</b>			
Vessels .....	1,059,315	1,097,380	8,787,350
Buildings and structures .....	62,701	63,467	520,124
Equipment, mainly containers .....	47,988	52,941	398,076
Land .....	65,724	70,917	545,201
Vessels and other property under construction .....	37,802	43,834	313,579
	1,273,530	1,328,539	10,564,330
Accumulated depreciation .....	(520,183)	(509,960)	(4,315,081)
	753,347	818,579	6,249,249
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5) .....	83,876	82,303	695,778
Investments in and advances to unconsolidated subsidiaries and affiliated companies .....	65,149	72,703	540,431
Consolidation adjusting account .....	5,254	5,704	43,584
Other assets .....	28,350	28,903	235,172
	182,629	189,613	1,514,965
Translation adjustments .....	7,668	2,295	63,609
	¥1,174,640	¥1,286,576	\$ 9,744,007

See accompanying notes.



LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
<b>Current liabilities:</b>			
Short-term debt (Note 5) .....	¥ 61,353	¥ 90,569	\$ 508,942
Long-term debt due within one year (Note 5) .....	125,405	80,083	1,040,274
Trade payables .....	72,011	84,406	597,354
Advances received .....	42,864	43,856	355,570
Accrued income taxes .....	5,331	7,466	44,222
Other current liabilities .....	30,453	43,752	252,618
Total current liabilities .....	337,417	350,132	2,798,980
 Long-term debt due after one year (Note 5) .....	 670,363	 772,428	 5,560,871
Employees' retirement benefits .....	8,977	9,575	74,467
Other non-current liabilities .....	10,609	11,234	88,005
Minority interests .....	6,784	5,515	56,275
 <b>Commitment and contingent liabilities (Note 6)</b>			
 <b>Shareholders' equity (Note 7):</b>			
Common stock, par value ¥50 per share			
Authorized—3,178,000,000 shares			
Issued:			
1999—1,107,917,146 shares			
1998—1,107,917,146 shares .....	58,841	58,841	488,105
Additional paid-in capital .....	43,751	43,751	362,928
Retained earnings .....	37,900	35,102	314,393
	140,492	137,694	1,165,426
Treasury stock, at cost .....	(2)	(2)	(17)
Total shareholders' equity .....	140,490	137,692	1,165,409
	¥1,174,640	¥1,286,576	\$9,744,007

**Consolidated Statements of Income**

Mitsui O.S.K. Lines Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
<b>Shipping and other revenues</b> (Note 11) .....	<b>¥809,161</b>	<b>¥834,879</b>	<b>\$6,712,244</b>
Shipping and other expenses (Note 11):			
Vessel depreciation .....	52,637	62,370	436,640
Other expenses .....	630,405	650,636	5,229,407
	683,042	713,006	5,666,047
	126,119	121,873	1,046,197
General and administrative expenses:			
Amortization of consolidation adjusting account (Note 2. (15)) .....	563	513	4,670
Other General and administrative expenses .....	72,019	74,384	597,421
<b>Operating income</b> .....	<b>53,537</b>	<b>46,976</b>	<b>444,106</b>
Other income (expenses):			
Interest and dividend income .....	4,015	5,483	33,306
Interest expense .....	(40,071)	(42,519)	(332,401)
Equity in earnings of unconsolidated subsidiaries and affiliated companies (Note 8) .....	4,127	3,474	34,235
Others, net (Note 9) .....	(6,270)	4,650	(52,013)
	(38,199)	(28,912)	(316,873)
Income before income taxes .....	15,338	18,064	127,233
Income taxes .....	(8,362)	(8,383)	(69,365)
	6,976	9,681	57,868
Minority interests .....	34	(1,258)	282
<b>Net income</b> .....	<b>¥ 7,010</b>	<b>¥ 8,423</b>	<b>\$ 58,150</b>

<b>Amounts per share of common stock:</b>	Yen		U.S. dollars (Note 1)
Net income .....	¥6.33	¥7.61	\$0.053
Diluted net income .....	—	7.59	—
Cash dividends applicable to the year .....	4.00	4.00	0.033

See accompanying notes.

**Consolidated Statements of Shareholders' Equity**

Mitsui O.S.K. Lines Years ended March 31, 1999 and 1998

	Shares of Common Stock (Thousands)	Millions of yen		
		Common Stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1997 .....	1,107,006	¥58,737	¥43,648	¥26,793
Due to change in consolidated subsidiaries .....				(99)
Due to change in affiliated companies accounted for by the equity method .....				9
Net income .....				8,423
Bonuses to directors and statutory auditors .....				(24)
Shares issued upon conversion of convertible bonds ...	911	104	103	
<b>Balance at March 31, 1998 .....</b>	<b>1,107,917</b>	<b>58,841</b>	<b>43,751</b>	<b>35,102</b>
Due to change in consolidated subsidiaries .....				290
Due to change in affiliated companies accounted for by the equity method .....				(19)
Net income .....				7,010
Dividends paid .....				(4,431)
Bonuses to directors and statutory auditors .....				(52)
<b>Balance at March 31, 1999 .....</b>	<b>1,107,917</b>	<b>¥58,841</b>	<b>¥43,751</b>	<b>¥37,900</b>

	Thousands of U.S. dollars (Note 1)		
	Common Stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1998 .....	\$488,105	\$362,928	\$291,182
Due to change in consolidated subsidiaries .....			2,407
Due to change in affiliated companies accounted for by the equity method .....			(158)
Net income .....			58,150
Dividends paid .....			(36,757)
Bonuses to directors and statutory auditors .....			(431)
<b>Balance at March 31, 1999 .....</b>	<b>\$488,105</b>	<b>\$362,928</b>	<b>\$314,393</b>

See accompanying notes.

**Consolidated Statements of Cash Flows**

Mitsui O.S.K. Lines Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
<b>Cash flows from operating activities:</b>			
Net income .....	¥ 7,010	¥ 8,423	\$ 58,150
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	60,387	70,294	500,929
Loss on write-offs of securities and other investments .....	3,301	7,853	27,383
Loss on liquidation of affiliates .....	384	1,030	3,185
Gain on sale of vessels, property and equipment .....	(5,140)	(6,465)	(42,638)
Loss (gain) on sale of securities .....	4,005	(12,146)	33,223
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net .....	(4,127)	(3,474)	(34,235)
Provision (reversal) of allowance for doubtful accounts .....	21	2,023	174
Changes in operating assets and liabilities:			
Trade receivables .....	9,741	(3,703)	80,805
Fuel and supplies .....	726	284	6,022
Trade payables .....	(10,465)	7,938	(86,810)
Accrued income taxes .....	(2,158)	4,517	(17,901)
Others, net .....	7,798	5,001	64,687
Net cash provided by operating activities .....	71,483	81,575	592,974
<b>Cash flows from investing activities:</b>			
Proceeds from sale of vessels, property and equipment .....	33,173	30,067	275,180
Payments for vessels, property and equipment .....	(65,572)	(152,451)	(543,940)
Proceeds from sale of securities and other investments .....	40,049	40,930	332,219
Purchase of securities and other investments .....	(31,192)	(20,398)	(258,747)
Collections of loans receivable .....	27,960	19,640	231,937
Disbursements for loans .....	(36,046)	(14,517)	(299,013)
Net cash proceeds from new consolidation of unconsolidated subsidiaries .....	744	5,177	6,172
Others .....	(2,264)	6,886	(18,781)
Net cash used in investing activities .....	(33,148)	(84,666)	(274,973)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term debt .....	22,025	(4,235)	182,704
Proceeds from long-term debt and issuance of bonds .....	84,165	90,976	698,175
Deposits for securities on lending .....	(15,000)	15,000	(124,430)
Repayments of long-term debt .....	(119,786)	(71,488)	(993,661)
Repayments of bonds .....	(9,275)	(19,346)	(76,939)
Cash dividends paid .....	(4,431)	—	(36,757)
Net cash provided by (used in) financing activities .....	(42,302)	10,907	(350,908)
<b>Effect of exchange rate changes on cash and cash equivalents ...</b>	<b>(2,058)</b>	<b>237</b>	<b>(17,072)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(6,025)</b>	<b>8,053</b>	<b>(49,979)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>49,269</b>	<b>41,216</b>	<b>408,702</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 43,244</b>	<b>¥ 49,269</b>	<b>\$ 358,723</b>

**Supplemental disclosures of cash flow information:**

Cash paid during the year for:

Interest .....	¥ 43,703	¥ 45,490	\$ 362,530
Income taxes .....	8,830	3,711	73,248

Non-cash investing and financing activities:

Conversion of convertible bonds into common stock .....	—	207	—
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See accompanying notes.



## Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines Years ended March 31, 1999 and 1998

### 1. Basis of presenting financial statements

Mitsui O.S.K. Lines, Ltd. (The Company), its Japanese subsidiaries and some non-Japanese subsidiaries, maintain their records and prepare their financial statements in Japanese yen in accordance with accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The other non-Japanese subsidiaries' financial statements are prepared in conformity with accounting principles generally accepted in their respective countries.

The consolidated financial statements have been translated into English from the consolidated financial statements that are prepared in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the Ministry of Finance of Japan.

In preparing the consolidated financial statements, certain modifications and reclassifications have been made to facilitate understanding by readers outside Japan. Statements of shareholders' equity and cash flows were drawn up additionally.

The financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 1999, which was ¥120.55 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.

Certain reclassifications have been made in the 1998 financial statements to conform to the presentation for 1999.

### 2. Summary of significant accounting policies

#### (1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and 196 subsidiaries for the year ended March 31, 1999 (186 subsidiaries for the year ended March 31, 1998). All significant inter-company transactions and accounts have been eliminated.

Investments in 1 and 2 unconsolidated subsidiaries for the years ended March 31, 1999 and 1998, and 27 and 19 affiliated companies for the years ended March 31, 1999 and 1998, respectively, were accounted for by the equity method. "An affiliated company" hereof means a company in which the Company holds a share of 20% or more but not more than 50%. Investments in other subsidiaries (105 in the year ended March 31, 1999 and 115 in the preceding year) and affiliated companies (102 and 115 in the respective years) were stated at cost since equity in net income and earnings in such companies were not material.

#### (2) Translation of foreign currency

Revenue and expenses 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 transaction. Current monetary assets and liabilities denominated in currencies other than Japanese yen are translated into yen prevailing at the exchange rate at the balance sheet date.

Non-current assets and liabilities are translated at the historical exchange rate, except for long-term debt covered with forward exchange contracts, which is translated at the forward contract rates. Gain or loss arising from the difference between the forward contract rate and the historical rate recognized in relation to long-term debt is booked in the balance sheets and amortized over the remaining period of the debt.

The other subsidiaries keeping their books in a currency other than Japanese yen translate their revenue and expenses and assets and liabilities in foreign currencies into the bookkeeping currency in accordance with accounting principles generally accepted in their respective countries.

All the items in financial statements of subsidiaries, which are stated in other currencies than Japanese yen, were translated into Japanese yen at the year-end exchange rate, except for shareholders' equity, which is translated at the historical rates. Translation differences arising from the application of more than one exchange rate are presented as translation adjustments in the consolidated balance sheets.

#### (3) Cash and cash equivalents

Deposits in banks with a maturity of three months or less are considered to be cash equivalents.

**(4) Shipping revenues and related expenses**

Shipping revenues and the related voyage expenses are mainly recognized by the completed-voyage method. Revenues from uncompleted voyages are included in "Advances received" and the related voyage expenses are included in "Deferred and prepaid expenses" in the balance sheets.

**(5) Marketable securities and investment securities**

Marketable securities and investment securities are stated at cost determined by the moving average method. In cases where the market value or net asset value of an investment falls below 50% of the book value and is reasonably expected to remain so in the foreseeable future, the investment is written down to market or net asset value.

**(6) Fuel and supplies**

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

**(7) Depreciation of vessels, property and equipment**

Depreciation of vessels and buildings is computed mainly by the straight-line method. Depreciation of other property and equipment is computed by the declining-balance method. Estimated useful lives are as follows:

Vessels ..... 13–20 years

Containers ..... 7 years

Effective from April 1, 1998, in accordance with changes in the Corporation Tax Law of Japan, the Companies mainly shortened the estimated useful lives of buildings, excluding building fixtures. The effect of this change was to decrease operating income and income before income taxes by ¥132 million. The impact on each segment due to this change is described in Note 11. Segment information.

**(8) Amortization of bond issue expense**

Bond issue expense is charged to income as incurred.

**(9) Interest capitalization**

In the cases where a vessel's construction period is substantially long and the amount of interest accruing during such a period is significantly large, such interest expenses are capitalized as a part of the acquisition cost.

**(10) Allowance for doubtful accounts**

The Company and its domestic subsidiaries provide for doubtful accounts principally at an estimated amount of probable bad debt plus the amount deductible under Japanese tax regulations. Foreign subsidiaries provide for doubtful accounts at an estimated amount of probable bad debt.

Pursuant to the change in the Corporation Tax Law effective from the year ended March 31, 1999, the companies changed the method of calculating the allowance for doubtful accounts from the method using the formula provided by the previous Corporation Tax Law to the method applying a percentage based on collection experience to receivables. The change resulted in a decrease in income before income taxes of ¥36 million. The impact on each segment due to this change is described in Note 11. Segment information.

**(11) Employees' retirement benefits**

The Company has tax-qualified pension plans for employees of shore and sea services. Employees of sea service who retire prior to a certain age are also entitled to a lump-sum payment. The Company sets up an unfunded reserve for these lump-sum payments for 40% of the amount required if all eligible employees voluntarily retired as of the balance sheet date. Some subsidiaries have tax-qualified pension plans which cover all or a part of the retirement benefits and some of the other subsidiaries have established reserves for lump-sum payments for retirement benefits.

**(12) Accounting for certain lease transactions**

Finance leases which do not transfer ownership to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

**(13) Income taxes**

Income taxes are recorded based on taxable income. Deferred income taxes arising from temporary differences for accounting and tax purposes are not provided.

Income taxes consist of corporation taxes, inhabitant taxes and enterprise taxes.

The aggregation of the three tax rates in Japan should yield an effective rate of 46%. However the effect of temporary differences for accounting and tax purposes have made the resultant tax rate different from 46%.

**(14) 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.

Diluted net income per share is computed based on the weighted average number of shares of common stock and contingent issuances of common stock from convertible bonds.

Cash dividends per share shown in the 1999 column represent the amount payable to the shareholders as of March 31 1999.

**(15) Consolidation adjusting account**

The consolidation adjusting account is amortized through 5 to 14 years.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, amortization of consolidation adjusting account is included in general and administrative expenses. Prior year amounts, which were presented between income taxes and net income, have been reclassified to conform to the 1999 presentation.

**(16) Reclassifications**

Certain prior year amounts have been reclassified to conform to 1999 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

**3. Market value information for securities (the Company only)**

At March 31, 1999 and 1998, book value, market value and unrealized gains of the Company's quoted securities were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
<b>Current assets:</b>			
Book value . . . . .	¥ 20,585	¥ 26,170	\$170,760
Market value . . . . .	33,811	49,986	280,474
Unrealized gains . . . . .	13,226	23,816	109,714
<b>Investments and other assets:</b>			
Book value . . . . .	61,114	63,192	506,960
Market value . . . . .	111,838	110,479	927,728
Unrealized gains . . . . .	50,724	47,287	420,768
Total unrealized gains . . . . .	¥ 63,950	¥ 71,103	\$530,482

**4. Derivative transactions (the Company only)**

The Company enters into derivative transactions and forward currency exchange contracts mainly to hedge the Company's exposure to interest rate increases and currency exchange rate fluctuations in accordance with the policy of the management of the Company.

The outstanding contract amounts and unrealized gains or losses of financial derivatives of the Company at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
<b>(1) Currency related</b>			
Forward currency exchange contracts:			
Sell (U.S. dollar):			
Contracts outstanding . . . . .	¥ 8,437	¥5,147	\$69,990
Unrealized gain (loss) . . . . .	(4)	(1)	(37)
Buy (U.S. dollar, Canadian dollar, Singapore dollar, Australian dollar):			
Contracts outstanding . . . . .	¥10,351	¥9,349	\$85,864
Unrealized gain (loss) . . . . .	569	992	4,722

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Currency swaps:			
Receive Yen, pay U.S. dollar:			
Contracts outstanding .....	¥ 1,005	¥ 1,005	\$ 8,335
Unrealized gain (loss) .....	(95)	(201)	(788)
Receive H.K. dollar, pay Yen:			
Contracts outstanding .....	¥ 5,000	¥ 5,000	\$ 41,477
Unrealized gain (loss) .....	(951)	(1,482)	(7,888)
<b>(2) Interest related</b>			
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding .....	¥108,008	¥91,102	\$895,959
Unrealized gain (loss) .....	(6,839)	(4,665)	(56,728)
Receive fixed, pay floating			
Contracts outstanding .....	¥ 59,009	¥62,852	\$489,499
Unrealized gain (loss) .....	1,968	2,176	16,327
Receive floating, pay floating			
Contracts outstanding .....	¥ 1,000	¥ 1,000	\$ 8,295
Unrealized gain (loss) .....	4	4	34
Interest rate caps:			
Buy			
Contracts outstanding .....	¥ 11,911	¥25,352	\$ 98,805
Unrealized gain (loss) .....	2	4	15
<b>(3) Commodity related</b>			
Commodity futures:			
Bunker oil			
Buy:			
Contracts outstanding .....	¥ N/A	¥ 507	\$ N/A
Unrealized gain (loss) .....	N/A	51	N/A
Commodity swaps:			
Bunker oil			
Receive floating, pay fixed:			
Contracts outstanding .....	¥ 47	¥ 118	\$ 387
Unrealized gain (loss) .....	12	(4)	96

Market values of currency swaps, interest rate swaps, interest rate caps, commodity futures and commodity swaps at the end of the fiscal year were those estimated by the financial institutions or trading houses which were counterparties of the relevant transactions.

5. Short-term debt  
and long-term debt

(1) Short-term debt

Short-term debt at March 31, 1999 (¥61,353 million: US\$ 508,942 thousand) and 1998 (¥90,569 million) were principally unsecured.

The interest rates on short-term debt were set on a floating rate basis.

(2) Long-term debt

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
<b>Bonds:</b>			
6.000% yen bonds due 1999 .....	¥ 15,000	¥ 15,000	\$ 124,430
3.900% yen bonds due 2000 .....	29,900	30,000	248,030
1.450% yen bonds due 2001 .....	5,000	—	41,477
1.750% yen bonds due 2002 .....	1,000	—	8,295
2.350% yen bonds due 2002 .....	10,000	10,000	82,953
2.750% yen bonds due 2004 .....	10,000	10,000	82,953
3.025% yen bonds due 2006 .....	10,000	10,000	82,953
3.075% yen bonds due 2007 .....	10,000	10,000	82,953
3.250% yen bonds due 2009 .....	10,000	10,000	82,953
5.200% S\$ bonds due 1999 .....	56	—	463
5.200% S\$ bonds due 2000 .....	56	—	463
Floating rate yen notes due 2002 .....	1,000	—	8,295
Floating/fixed rate yen notes due 2004 .....	1,000	1,000	8,295
Nikkei-linked bonds due 1999 .....	7,580	8,603	62,875
U.S. Treasury-linked bonds due 2000 .....	4,002	4,543	33,201
Floating/fixed rate Euro medium term notes due 1996-2004 ...	13,787	25,268	114,369
<b>Secured loans from:</b>			
Japan Development Bank due through 2015 at interest rates of 1.20% to 8.50% .....	77,431	93,518	642,315
Other financial institutions due through 2023 at interest rates of 0.75% to 7.70% .....	114,576	141,845	950,440
<b>Unsecured loans from:</b>			
Financial institutions due through 2033 at interest rates of 0.47% to 19.56% .....	475,380	482,734	3,943,432
	795,768	852,511	6,601,145
<b>Amount due within one year .....</b>	<b>125,405</b>	<b>80,083</b>	<b>1,040,274</b>
	<b>¥670,363</b>	<b>¥772,428</b>	<b>\$5,560,871</b>

At March 31, 1999, the aggregate annual maturities of long-term debt were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
1999 .....	¥125,405	\$1,040,274
2000 .....	127,790	1,060,061
2001 .....	96,278	798,654
2002 .....	95,417	791,516
2003 .....	70,978	588,786
2004 and thereafter .....	279,900	2,321,854
	¥795,768	\$6,601,145

Secured loans are secured by mortgages on marketable and investment securities and properties such as vessels.



- 6. Commitment and contingent liabilities** At March 31, 1999, the Company and consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors for indebtedness of related and other companies in the aggregate amount of ¥144,337 million (\$1,197,321 thousand).

As to BGT project, it is operated by the 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. Shareholders' equity** The Commercial Law of Japan (the "Law") requires a company to incorporate into capital stock the entire amount paid by its shareholders in exchange for newly issued shares, provided that in the case of issues at prices higher than the face value, an amount not exceeding the greater of half of the paid-in amount or the face value may be incorporated into the capital reserve (additional paid-in capital) but not into capital stock.

The Law also stipulates that a company shall set aside each year an amount as the legal reserve until the aggregated amount reaches 25% of the capital stock account. The amount to be set aside each year may not be smaller than 10% of the sum of cash dividends paid and bonuses to members of the board of directors and statutory auditors. The legal reserve is not available for dividends but may be used to reduce a deficit by resolution of shareholders' meeting or may be capitalized by resolution of Board of Directors.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, legal reserve is included in retained earnings. Previously it was presented as a separate component of the stockholders' equity. The accompanying consolidated financial statements for the years ended March 31, 1997 and 1998 have been reclassified to conform to the 1999 presentation.

- 8. Equity in earnings of unconsolidated subsidiaries and affiliated companies** In accordance with the new disclosure requirements effective from the year ended March 31, 1999, equity in earnings of unconsolidated subsidiaries and affiliated companies is included in non-operating income (expenses). Prior year amounts, which were presented between income taxes and net income, have been reclassified to conform to the 1999 presentation.

<b>9. Other income (expenses): others, net – Breakdown</b>	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Gain on sale of marketable securities	¥ (710)	¥ 2,866	\$ (5,890)
Exchange gain (loss) . . . . .	(2,356)	(1,698)	(19,544)
Gain on sale of vessels, investment securities and others . . . . .	8,310	16,111	68,934
Grant arising from reducing business of subsidiaries . . . . .	1,284	–	10,651
Insurance income . . . . .	341	–	2,829
Loss on sale and disposal of vessels, investment securities and others . . . . .	(6,465)	(366)	(53,629)
Loss on cancellation of chartered vessels . . . . .	(718)	–	(5,956)
Amortization of past service costs of pension plan . . . . .	(1,925)	(2,401)	(15,969)
Loss arising from dissolution of a subsidiary and an affiliated company . . . . .	(384)	(1,030)	(3,185)
Loss on write-offs of securities and other investments . . . . .	(3,301)	(7,853)	(27,383)
Loss on write-offs of fixed assets . . . . .	(215)	–	(1,785)
Provision for doubtful accounts . . . . .	(851)	(1,070)	(7,059)
Special retirement . . . . .	(1,622)	(581)	(13,455)
Sundries . . . . .	2,342	672	19,428
<b>Total . . . . .</b>	<b>¥ (6,270)</b>	<b>¥ 4,650</b>	<b>\$ (52,013)</b>

## 10. 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, 1999 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost .....	¥49,409	¥823	¥50,232
Accumulated depreciation .....	36,872	401	37,273
Net book value .....	¥12,537	¥422	¥12,959

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost .....	\$409,863	\$6,827	\$416,690
Accumulated depreciation .....	305,865	3,326	309,191
Net book value .....	\$103,998	\$3,501	\$107,499

- (2) Future lease payment inclusive of interest at March 31, 1999

	Millions of yen	Thousands of U.S. dollars
Amount due within one year .....	¥ 6,304	\$ 52,294
Amount due after one year .....	18,504	153,500
Total .....	¥24,808	\$205,794

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

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Lease payments for the years ended March 31 ...	¥8,215	¥9,967	\$68,145
Depreciation equivalent .....	5,266	—	43,687
Interest equivalent .....	1,657	—	13,748

- (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 balance of total lease payments and acquisition costs equivalent was regarded as amounts representing interest payable equivalent and was allocated to each period using the interest method.

## (B) Future lease payments under operating leases at March 31, 1999

	Millions of yen	Thousands of U.S. dollars
Amount due within one year .....	¥ 7,940	\$ 65,865
Amount due after one year .....	30,652	254,267
Total .....	¥38,592	\$320,132

**As lessor:****(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, 1999 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost .....	¥161	¥0	¥161
Accumulated depreciation .....	93	0	93
Net book value .....	¥ 68	¥0	¥ 68

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost .....	\$1,335	\$0	\$1,335
Accumulated depreciation .....	771	0	771
Net book value .....	\$ 564	\$0	\$ 564

- (2) Future lease income inclusive of interest at March 31, 1999

	Millions of yen	Thousands of U.S. dollars
Amount due within one year .....	¥ 33	\$277
Amount due after one year .....	76	630
Total .....	¥109	\$907

- (3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Lease income for the years ended March 31 . . .	¥40	¥35	\$332
Depreciation .....	25	—	207
Interest equivalent .....	13	—	108

- (4) Calculation of interest equivalent

The balance between total lease income and acquisition costs equivalent were regarded as amounts representing interest receivable equivalent and were allocated to each period using the interest method.

**(B) Future lease income under operating leases at March 31, 1999**

	Millions of yen	Thousands of U.S. dollars
Amount due within one year .....	¥217	\$1,798
Amount due after one year .....	152	1,266
Total .....	¥369	\$3,064

## 11. Segment information

## (A) Business segment information

	Millions of yen						
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
For the year ended March 31, 1999:							
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies ..	¥ 634,528	¥35,505	¥30,862	¥69,289	¥ 38,977	¥ -	¥ 809,161
(2) Inter-segment revenues .....	4,590	2,850	47,271	1,204	13,761	(69,676)	-
Total revenues .....	639,118	38,355	78,133	70,493	52,738	(69,676)	809,161
<b>2. Operating expenses</b> .....	587,948	38,195	76,514	70,509	48,164	(65,706)	755,624
Operating income .....	¥ 51,170	¥ 160	¥ 1,619	¥ (16)	¥4,574	¥ (3,970)	¥ 53,537
<b>3. Assets, depreciation and capital expenditures:</b>							
(1) Assets .....	¥1,007,983	¥59,105	¥34,312	¥20,687	¥190,522	¥(137,969)	¥1,174,640
(2) Depreciation .....	52,378	4,027	1,611	773	1,598	-	60,387
(3) Capital expenditures .....	58,229	3,130	2,269	1,079	865	-	65,572

	Millions of yen						
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
For the year ended March 31, 1998:							
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies ..	¥ 635,008	¥38,929	¥32,720	¥79,189	¥ 49,033	¥ -	¥ 834,879
(2) Inter-segment revenues .....	6,762	2,776	51,864	1,275	14,582	(77,259)	-
Total revenues .....	641,770	41,705	84,584	80,464	63,615	(77,259)	834,879
<b>2. Operating expenses</b> .....	600,079	42,853	82,919	79,386	57,619	(74,953)	787,903
Operating income .....	¥ 41,691	¥(1,148)	¥ 1,665	¥ 1,078	¥ 5,996	¥ (2,306)	¥ 46,976
<b>3. Assets, depreciation and capital expenditures:</b>							
(1) Assets .....	¥1,065,550	¥60,762	¥33,977	¥23,021	¥222,071	¥(118,805)	¥1,286,576
(2) Depreciation .....	60,697	3,939	1,545	787	875	-	67,843
(3) Capital expenditures .....	139,820	8,746	2,387	588	910	-	152,451

For the year ended March 31, 1999:	Thousands of U.S. dollars						
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . .	\$ 5,263,608	\$ 294,525	\$ 256,011	\$ 574,774	\$ 323,326	\$ –	\$ 6,712,244
(2) Inter-segment revenues . . . . .	38,075	23,642	392,128	9,988	114,151	(577,984)	–
Total revenues . . . . .	5,301,683	318,167	648,139	584,762	437,477	(577,984)	6,712,244
<b>2. Operating expenses . . . . .</b>	4,877,213	316,839	634,709	584,894	399,535	(545,052)	6,268,138
Operating income . . . . .	\$ 424,470	\$ 1,328	\$ 13,430	\$ (132)	\$ 37,942	\$ (32,932)	\$ 444,106
<b>3. Assets, depreciation and capital expenditures:</b>							
(1) Assets . . . . .	\$ 8,361,535	\$ 490,294	\$ 284,629	\$ 171,605	\$ 1,580,440	\$ (1,144,496)	\$ 9,744,007
(2) Depreciation . . . . .	434,492	33,405	13,364	6,412	13,256	–	500,929
(3) Capital expenditures . . . . .	483,028	25,964	18,822	8,951	7,175	–	543,940

(Notes)

Change of significant accounting policies as from March 31, 1999

1) Amortization of consolidation adjusting account

See Note 2. (15).

2) Allowance for doubtful accounts

As described in Note 2, Summary of significant accounting policies (10), the method of providing the allowance for doubtful accounts has been changed mainly to the method applying percentage based on collection experience to receivables. As a result of this change, operating expenses increased by ¥35 million (US\$290 thousand) in Overseas shipping segment. On the contrary, in Ferry/domestic shipping segment, operating expense decreased by ¥25 million (US\$207 thousand). Consequently, in Overseas shipping segment, operating income decreased by ¥35 million (US\$290 thousand) and in Ferry/domestic shipping segment, operating income increased by ¥25million (US\$207 thousand). The impact against other segments is immaterial.

3) Shortening estimated useful lives of buildings (except building fixtures)

As described in Note 2, Summary of significant accounting policies (7), the Companies mainly shortened the estimated useful lives of buildings, excluding building fixtures. As a result of this change, operating expenses increased by ¥118 million (US\$979 thousand) in Overseas shipping segment, by ¥2 million (US\$17 thousand) in Ferry/domestic shipping segment, by ¥10 million (US\$83 thousand) in Shipping agent and harbor/terminal operation segment and by ¥2 million (US\$17 thousand) in Cargo forwarding and warehousing segment. Consequently, operating income decreased by the same amounts in each aforementioned segment.

The impact against Others segment is immaterial.

**(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, South-West Asia, South-East Asia and East Asia

Others: Central and South America, Africa, Australia and other countries

Revenues of a segment are revenues, wherever they may be earned, of companies registered in countries in each respective geographical 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 belonging to Japan in this segment information for convenience's sake.

Expenses of a segment are expenses, wherever they may be incurred, incurred to earn revenues at companies registered in countries in the (geographical) segment.

Assets of a segment are assets possessed by companies registered in countries in the (geographical) segment, except for assets including ships of FOC companies, which are treated as Japanese companies.



For the year ended March 31, 1999:	Millions of yen						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies ..	¥ 750,293	¥ 42,388	¥ 11,247	¥ 5,087	¥ 146	¥ -	¥ 809,161
(2) Inter-segment revenues .....	2,736	23,163	5,547	12,469	398	(44,313)	-
Total revenues .....	753,029	65,551	16,794	17,556	544	(44,313)	809,161
<b>2. Operating expenses</b> .....	698,195	63,662	16,324	17,302	536	(40,395)	755,624
Operating income .....	¥ 54,834	¥ 1,889	¥ 470	¥ 254	¥ 8	¥ (3,918)	¥ 53,537
<b>3. Assets</b> .....	¥1,135,441	¥ 10,635	¥ 80,449	¥ 7,797	¥ 675	¥ (60,357)	¥1,174,640

For the year ended March 31, 1998:	Millions of yen						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies ..	¥ 760,794	¥ 52,929	¥ 12,838	¥ 8,318	¥ -	¥ -	¥ 834,879
(2) Inter-segment revenues .....	3,339	25,734	4,651	13,924	-	(47,648)	-
Total revenues .....	764,133	78,663	17,489	22,242	-	(47,648)	834,879
<b>2. Operating expenses</b> .....	719,725	74,454	16,884	21,638	-	(44,798)	787,903
Operating income .....	¥ 44,408	¥ 4,209	¥ 605	¥ 604	¥ -	¥ (2,850)	¥ 46,976
<b>3. Assets</b> .....	¥1,231,618	¥ 14,225	¥ 99,576	¥ 6,441	¥ -	¥ (65,284)	¥1,286,576

For the year ended March 31, 1999:	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies ..	\$6,223,915	\$351,623	\$ 93,297	\$ 42,198	\$1,211	\$ -	\$6,712,244
(2) Inter-segment revenues .....	22,696	192,144	46,014	103,434	3,302	(367,590)	-
Total revenues .....	6,246,611	543,767	139,311	145,632	4,513	(367,590)	6,712,244
<b>2. Operating expenses</b> .....	5,791,746	528,096	135,413	143,526	4,446	(335,089)	6,268,138
Operating income .....	\$ 454,865	\$ 15,671	\$ 3,898	\$ 2,106	\$ 67	\$ (32,501)	\$ 444,106
<b>3. Assets</b> .....	\$9,418,838	\$ 88,221	\$667,350	\$ 64,679	\$5,599	\$(500,680)	\$9,744,007

(Notes)

Change of significant accounting policies as from March 31, 1999

1) Amortization of consolidation adjusting account

See Note 2. (15).

2) Allowance for doubtful accounts

As described in Note 2, Summary of significant accounting policies (10), the method of providing the allowance for doubtful accounts has been changed mainly to the method applying a percentage based on collection experience to receivable. As a result of this change, operating expenses increased by ¥10 million (US\$83 thousand) in Japan segment. Consequently, operating income of this segment decreased by same amounts.

3) Shortening estimated useful lives of buildings (except building fixtures)

As described in Note 2, Summary of significant accounting policies (7), the Companies mainly shortened the estimated useful lives of buildings, excluding building fixtures. As a result of this change, operating expenses increased by ¥132 million (US\$1,095 thousand) in Japan segment. Consequently, operating income of this segment decreased by the same amounts.

\*) Except Note 1), there was no impact in other segments.

**12. Subsequent event** After completing due formalities associated with the resolution at the extraordinary shareholders' meeting held on January 29, 1999, the Company officially merged with Navix Line, Ltd. with effect from April 1, 1999.

The Company went through all the necessary legal procedures to have the merger registered on the same day. The continuing corporation is named "Mitsui O.S.K. Lines, Ltd." Principal assets, liabilities and net assets inherited from Navix Line, Ltd. are as follows:

	Millions of yen	Thousands of U.S. dollars
<b>ASSETS</b>		
<b>Current assets</b> .....	<b>¥23,141</b>	<b>\$191,962</b>
<b>Vessels, property and equipment, at cost:</b>		
Vessels. ....	22,331	185,243
Other property and equipment .....	6,838	56,723
	29,169	241,966
<b>Investments and other assets</b> .....	22,391	185,740
	<u>¥74,701</u>	<u>\$619,668</u>
	Millions of yen	Thousands of U.S. dollars
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Short-term debt. ....	¥42,016	\$348,536
Other current liabilities .....	8,680	72,003
	50,696	420,539
<b>Non-current liabilities:</b>		
Long-term debt. ....	¥14,027	\$116,358
Other non-current liabilities .....	3,768	31,257
	17,795	147,615
	<u>¥68,491</u>	<u>\$568,154</u>
	Millions of yen	Thousands of U.S. dollars
<b>NET ASSETS</b>		
<b>Net assets</b> .....	<b>¥6,210</b>	<b>\$51,514</b>

As a result, the company's common stock and capital surplus increased by ¥6,074 million and ¥135 million respectively. (The figures above are rounded to the nearest million yen.) The company issued 121,493,299 shares of common stock with face value of ¥50 per share at the merger.

**Report of Independent Public Accountants****ASAHI & Co**

ARTHUR ANDERSEN

A Member Firm of  
Andersen Worldwide SC

To the Shareholders and the 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. (a Japanese corporation) and subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Mitsui O.S.K. Lines, Ltd. and subsidiaries as of March 31, 1999 and 1998, 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 applied on a consistent basis.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

*Asahi & Co.*

Tokyo, Japan

June 29, 1999

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

# The MOL Group

■ Consolidated Subsidiaries

● Subsidiaries Accounted for by the Equity Method

▲ Affiliated Companies Accounted for by the Equity Method

(As of March 31, 1999)

			Registered Office	MOL's Ownership (%)*	Paid-in Capital (Thousand)
<b>OVERSEAS SHIPPING</b>	SHIP OPERATION/ CHARTERING	■ BGT related 11 companies			
		■ International Marine Transport Co., Ltd.	Japan	58.55	¥500,000
		■ M.O. Seaways, Ltd.	Japan	98.83	¥660,000
		■ MCGC International Ltd.	Bahamas	80.10	US\$1
		■ Mitsui Kinkai Kisen Co., Ltd.	Japan	61.85	¥350,000
		■ Shipowner companies (100 companies) in Panama, Liberia, Hong Kong, Singapore, Bahamas, Grand Cayman			
		■ Tokyo Chemical Tanker Co., Ltd.	Japan	100.00	¥200,000
		■ Tokyo Marine Co., Ltd.	Japan	72.92	¥619,050
		▲ Act Maritime Co., Ltd.	Japan	49.00	¥90,000
		▲ Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US\$3
		▲ Asahi Tanker Co., Ltd.	Japan	24.75	¥400,272
		▲ Bandak LNG Transport, Inc.	Japan	25.00	¥400,000
		▲ Beio Maritime Transport S.A.	Panama	50.00	US\$2
		▲ Daiichi Chuo Kisen Kaisha	Japan	20.97	¥13,258,410
		▲ Gearbulk Holding Ltd.	Bermuda	40.00	US\$260,000
		▲ International Energy Transport Co., Ltd.	Japan	45.18	¥1,224,000
		▲ Liquimarine Gandria Chartering Co., Ltd.	Grand Cayman	50.00	US\$10,000
		▲ Liquimarine Gandria Shipping A/S	Norway	50.00	NKR100
		▲ Methane Carriers Ltd.	Bahamas	50.00	US\$500
		▲ Monc Liberia, Inc.	Liberia	50.00	US\$3
		▲ Oriental Phoenix S.A.	Panama	50.00	US\$2
		▲ Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000
		▲ Silent Breeze Maritime Ltd.	Liberia	49.75	US\$4,544
		▲ United Car Transport S.A.	Panama	49.00	US\$602
	SHIP MANAGEMENT AND MANNING	■ M.O. Cables Ship Ltd.	Japan	100.00	¥10,000
		■ M.O. Ship Management Co., Ltd.	Japan	100.00	¥50,000
		■ Mitsui O.S.K. Manning Service S.A.	Panama	100.00	US\$135
		▲ Arun LNG Transport, Inc	Japan	24.06	¥400,000
	CRUISING	■ Mitsui O.S.K. Passenger Line, Ltd.	Japan	64.57	¥1,400,000
<b>FERRY/DOMESTIC SHIPPING</b>	FERRY/DOMESTIC SHIPPING	■ Blue Highway Line Corporation	Japan	50.22	¥1,410,000
		■ Ehime-Hanshin Ferry Co., Ltd.	Japan	100.00	¥300,000
		■ Muroto Kisen K.K.	Japan	99.84	¥300,000
		■ The Diamond Ferry Co., Ltd.	Japan	65.29	¥900,000
		▲ Kyodo Kisen Kaisha, Ltd.	Japan	39.00	¥500,000
		▲ Kyushu Kyuko Ferry Co., Ltd.	Japan	47.00	¥840,000
		▲ Meimon Taiyo Ferry Co., Ltd.	Japan	32.81	¥880,000
	TUGBOAT OPERATION	■ Nihon Tug-Boat Co., Ltd.	Japan	68.18	¥120,000
		■ Kyushu Tugboat Co., Ltd.	Japan	92.22	¥90,000
<b>SHIPPING AGENT AND HARBOR/TERMINAL OPERATION</b>	SHIPPING AGENT	■ Chugoku Shipping Agencies Ltd.	Japan	80.00	¥10,000
		■ Mitsui O.S.K. Bulk Shipping (U.S.A.), Inc.	U.S.A.	100.00	US\$200
		■ 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	£250
		■ Mitsui O.S.K. Lines (America) Inc.	U.S.A.	100.00	US\$6
		■ Mitsui O.S.K. Lines (Austria) GmbH	Austria	100.00	AS500
		■ Mitsui O.S.K. Lines (Deutschland) GmbH	Germany	95.00	DM500
		■ Mitsui O.S.K. Lines (Europe) Ltd.	U.K.	100.00	£1,500
		■ Mitsui O.S.K. Lines (Asia) Ltd.	Hong Kong	100.00	HK\$40,000
		■ Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S\$200
		■ Mitsui O.S.K. Lines Agencia Maritima Ltda.	Brazil	70.00	R\$150
		■ Mitsui O.S.K. Lines Agencies (Kobe), Ltd.	Japan	100.00	¥10,000
		■ Mitsui O.S.K. Lines Agencies (Yokohama), Ltd.	Japan	100.00	¥10,000
		■ Mitsui O.S.K. Lines De Mexico S.A. De C.V.	Mexico	100.00	US\$100
		■ Mitsui O.S.K. Lines – South America Ltda.	Brazil	100.00	R\$1,572
		● Tokai Shipping Co., Ltd.	Japan	100.00	¥10,000
		▲ Mitsui O.S.K. Lines (Singapore) Pte Ltd.	Singapore	50.00	S\$5,000
		▲ Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000

			Registered Office	MOL's Ownership (%)*	Paid-in Capital (Thousand)
HARBOR OPERATION AND CUSTOMS CLEARANCE		■ International Container Terminal Co., Ltd.	Japan	99.29	¥700,000
		■ Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥102,000
		■ Japan Express Co., Ltd. (Yokohama)	Japan	93.98	¥236,000
		■ Japan Express Konpou K.K.	Japan	100.00	¥10,000
		■ Kitanihon Soko Koun Co., Ltd.	Japan	95.41	¥179,544
		■ The Shosen Koun Co., Ltd.	Japan	78.32	¥300,000
		■ Tomakomai Hokusou Koun Kaisha, Ltd.	Japan	90.00	¥60,000
		■ Trans Pacific Container Service Corp.	U.S.A.	100.00	US\$3,000
		■ Tyne Logistics Co., Ltd.	U.K.	100.00	£40
		▲ International Container Transport Co., Ltd.	Japan	48.00	¥100,000
		▲ Seitetsu Unyu Co., Ltd.	Japan	20.00	¥2,000,000
		▲ Utoc Corporation	Japan	22.31	¥1,455,300
<b>CARGO FORWARDING AND WAREHOUSING</b>	CARGO FORWARDING	■ AMT Freight, Inc.	U.S.A.	100.00	US\$5,990
		■ Blue Highway Express K.K.	Japan	100.00	¥218,400
		■ Diamond Line K.K.	Japan	100.00	¥20,000
		■ Kitanihon Kosan K.K.	Japan	100.00	¥320,000
		■ M.O. Air System, Inc.	Japan	52.00	¥756,250
		■ M.O. Air International (H.K.) Ltd.	Hong Kong	100.00	HK\$3,200
		■ M.O. Air International (Singapore) Pte Ltd.	Singapore	51.00	S\$700
		■ M.O. Air International (UK) Ltd.	U.K.	100.00	£400
		■ M.O. Air International, Inc.	U.S.A.	100.00	US\$2,750
		■ Mitsui O.S.K. Express International B.V.	Netherlands	100.00	DGL700
		■ MOL Intermodal Inc.	U.S.A.	100.00	US\$0.04
		▲ J.F. Hillebrand GmbH	Germany	50.00	DM1,000
	WAREHOUSING AND LOGISTICS SERVICE	■ AMT Freight GmbH Spedition	Germany	100.00	DM50
		■ Cougar Logistics (Singapore) Pte Ltd.	Singapore	52.50	S\$3,600
		■ Euloc B.V.	Netherlands	100.00	DGL8,000
		■ Hermex Distribution B.V.	Netherlands	100.00	DGL500
		■ Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK\$58,600
		■ J. Wassing Administratie-En Expeditiekantoor B.V.	Netherlands	100.00	DGL35
		■ M.O. Logistics Netherlands B.V.	Netherlands	100.00	DGL909
<b>OTHERS</b>	OFFICE RENTAL AND REAL ESTATE	■ Santo Tatemono Service	Japan	100.00	¥10,000
		■ Shokusan Kogyo, Ltd.	Japan	100.00	¥10,000
		■ Shosen Mitsui Kosan Co., Ltd.	Japan	89.87	¥395,000
		▲ Daibiru Corporation	Japan	27.06	¥12,227,847
	FINANCE AND INSURANCE	■ BIL Investments Ltd.	U.K.	100.00	£21
		■ Euromol B.V.	Netherlands	100.00	DGL18,600
		■ International Transportation Inc.	U.S.A.	100.00	US\$0.1
		■ Linkman Holdings Inc.	Liberia	100.00	US\$3
		■ Mitsui O.S.K. Finance PLC	U.K.	100.00	US\$6,568
		■ Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	DGL38,000
		■ Mitsui O.S.K. LNG Transport (Bermuda) Ltd.	Bermuda	100.00	US\$12
		■ MOL FG, Inc.	U.S.A.	100.00	US\$20
		■ MOL SI, Inc.	U.S.A.	100.00	US\$100
		■ MOL-NIC Transport Ltd.	Liberia	75.00	US\$13,061
		■ White Night Investment Ltd.	Liberia	100.00	US\$5,000
		■ M.O. Reinsurance S.A.	Luxembourg	100.00	US\$5,376
	OTHERS	■ Blue Highway Service	Japan	100.00	¥30,000
		■ Combined Data Resource, Inc.	U.S.A.	98.33	US\$3,000
		■ Japan Express Unyu K.K.	Japan	100.00	¥50,000
		■ Kitaichi Truck K.K.	Japan	100.00	¥20,000
		■ Kusakabe Maritime Engineering Co., Ltd.	Japan	80.00	¥200,000
		■ M.O. Ship Tech Inc.	Japan	100.00	¥50,000
		■ Mitsui O.S.K. Kogyo Kaisha, Ltd.	Japan	80.10	¥540,000
		■ MOL Information Systems, Ltd.	Japan	100.00	¥100,000
		■ Nippon Engineering & Machineries Co., Ltd.	Japan	100.00	¥60,000
		■ Shosen Mitsui Kaiji Co., Ltd.	Japan	100.00	¥95,000

\* MOL includes MOL and its subsidiaries.



## Shareholder Information

As of March 31, 1999

Capital:	¥58,840,686,078
Head office:	1-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	1,548
Number of MOL Group employees:	16,500
Total number of shares authorized:	3,178,000,000
Number of shares issued:	1,107,917,146
Number of shareholders:	96,833
Shares listed in:	Tokyo, Osaka, Nagoya, Kyoto, Hiroshima, Fukuoka, Niigata, Sapporo, Frankfurt
Share transfer agent:	The Toyo Trust & Banking Co., Ltd. 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-1653, Japan
Communications materials:	Annual report (English) News releases (English) Quarterly newsletter <i>Open Sea</i> (English) Monthly newsletter <i>Unabara</i> (Japanese)
For further information, please contact:	Publicity Office Mitsui O.S.K. Lines 1-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8688, Japan  Telephone: 81-3-3587-7015 Facsimile: 81-3-3587-7705 Telex: J22266 AAB MOLINE E-mail: pblmo@tyo.mol.co.jp

## Worldwide Offices

### Head Office

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 Branch Offices  
 Sapporo, Yokohama, Nagoya, Osaka, Kobe, Hiroshima, Moji, Kyushu

### Japan

mitsui O.S.K. Lines (Japan) Ltd.  
 Head Office (Tokyo): Tel: 81-3-3587-7684 Fax: 81-3-3587-7730  
 Keihin: Tel: 81-45-212-7714 Fax: 81-45-212-7734  
 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

### North America

mitsui O.S.K. Lines (America) Inc.  
 Head Office (Concord): Tel: 1-925-688-2600 Fax: 1-925-688-2670  
 Main Branch Offices  
 Atlanta: Tel: 1-404-763-0111 Fax: 1-404-763-5667  
 Chicago: Tel: 1-312-683-7300 Fax: 1-312-683-7402  
 Long Beach: Tel: 1-562-983-6200 Fax: 1-562-983-6295  
 New Jersey: Tel: 1-201-200-5200 Fax: 1-201-434-2682  
 San Francisco: Tel: 1-415-836-3500 Fax: 1-415-836-3533  
 Seattle: Tel: 1-206-444-6900 Fax: 1-206-444-6903  
 Toronto: Tel: 1-905-629-5907 Fax: 1-905-629-4870  
 mitsui O.S.K. Bulk Shipping (U.S.A.) Inc.  
 Head Office (New Jersey): Tel: 1-201-200-5295 Fax: 1-201-200-5297

### Central and South America

mitsui O.S.K. Lines-South America Ltda.  
 Head Office (Sao Paulo): Tel: 55-11-253-8111 Fax: 55-11-289-7028  
 Buenos Aires: Tel: 54-11-4313-4336 Fax: 54-11-4313-4336  
 Santiago: Tel: 56-2-630-1950 Fax: 56-2-630-1953  
 mitsui O.S.K. Lines de Mexico S.A. de C.V.  
 Head Office (Mexico): Tel: 52-5-255-4505 Fax: 52-5-255-4685  
 mitsui O.S.K. Bulk Shipping (U.S.A.) Inc.  
 Sao Paulo: Tel: 55-11-253-4799 Fax: 55-11-287-5379

### Europe

mitsui O.S.K. Lines (Europe) Ltd.  
 Head Office (London): Tel: 44-171-265-7500 Fax: 44-171-265-7560  
 Milan: Tel: 39-02-8068-151 Fax: 39-02-8900-986  
 mitsui O.S.K. Lines (Deutschland) 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  
 mitsui O.S.K. Lines (Nederland) B.V.  
 Head Office (Rotterdam): Tel: 31-10-2013200 Fax: 31-10-4047634  
 mitsui O.S.K. Lines (France) SA  
 Head Office (Le Havre): Tel: 33-2-32-74-24-00 Fax: 33-2-32-74-24-39  
 mitsui O.S.K. Lines (Belgium) NV  
 Head Office (Antwerp): Tel: 32-3-202-4860 Fax: 32-3-202-4870  
 mitsui O.S.K. Bulk Shipping (Europe) Ltd.  
 Head Office (London): Tel: 44-171-265-7676 Fax: 44-171-265-7698  
 Brussels: Tel: 32-2-245-3764 Fax: 32-2-216-2088

### Africa

mitsui O.S.K. Lines (South Africa) Pty. Ltd.  
 Head Office (Cape Town): Tel: 27-21-402-8900 Fax: 27-21-421-1806

### Middle East

mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.  
 Dubai: Tel: 971-4-521809 Fax: 971-4-525401  
 mitsui O.S.K. Lines (Europe) Ltd.  
 Beirut: Tel: 961-1-562383 Fax: 961-1-448685

### 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. Bulk Shipping (Asia, Oceania) Pte., Ltd.  
 Melbourne: Tel: 61-3-9279-0261 Fax: 61-3-9279-0260

### Asia

mitsui O.S.K. Lines (Asia) Ltd.  
 Head Office (Hong Kong): Tel: 852-2823-6800 Fax: 852-2865-0906  
 Ho Chi Minh: Tel: 84-8-8219-115 Fax: 84-8-8219-118  
 New Delhi: Tel: 91-11-371-0851 Fax: 91-11-371-0853  
 Seoul: Tel: 82-2-538-1034 Fax: 82-2-566-6591  
 mitsui O.S.K. Lines (SEA) Pte. Ltd.  
 Head Office (Singapore): Tel: 65-224-6355 Fax: 65-223-9557  
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 mitsui O.S.K. Lines (Taiwan) Shipping Agency Ltd.  
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 mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.  
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