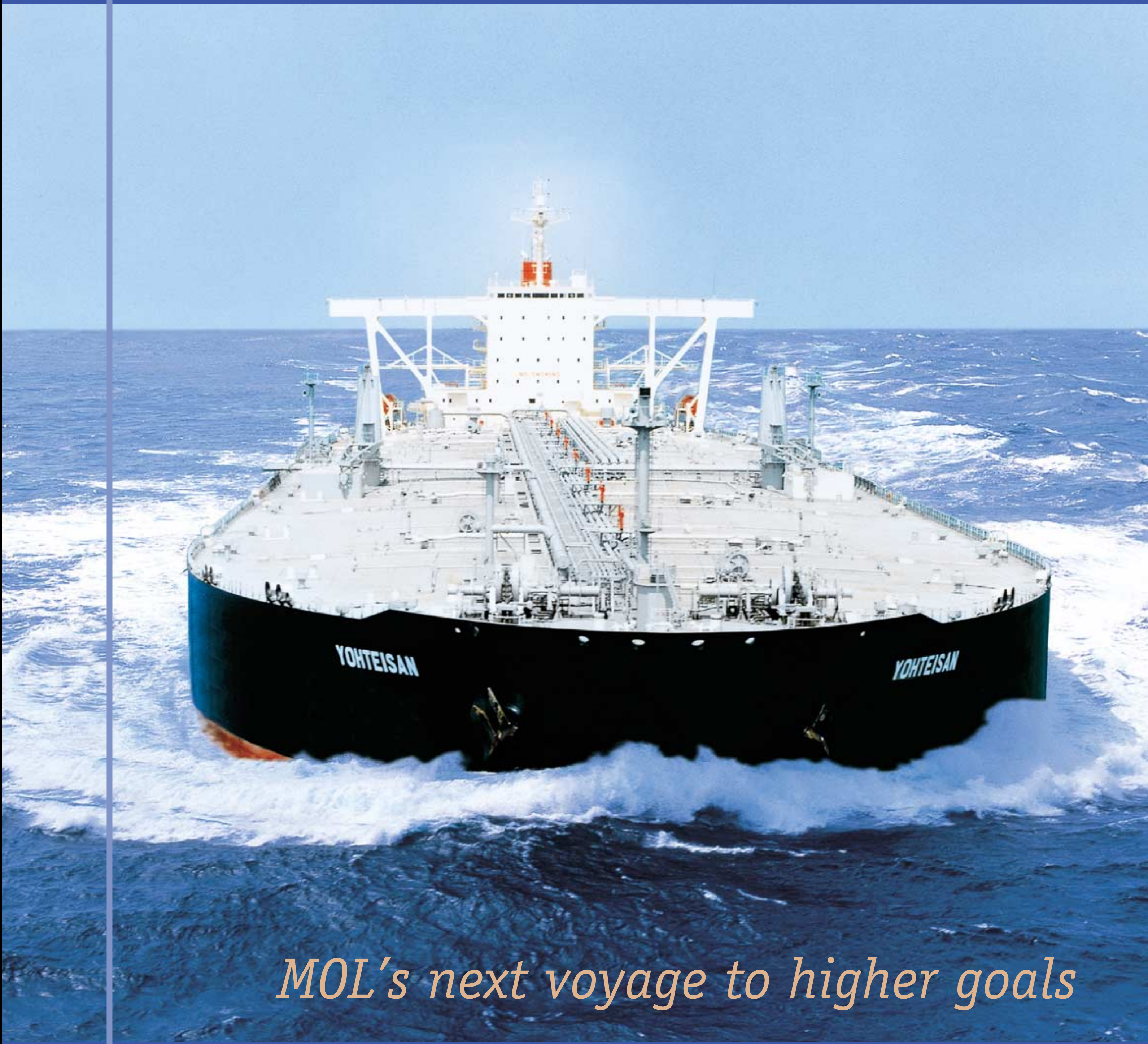
Mitsui O.S.K. Lines Annual Report 2001

Mitsui O.S.K. Lines



MOL's next voyage to higher goals

Annual Report 2001

Year ended March 31, 2001

Lifting Earnings to

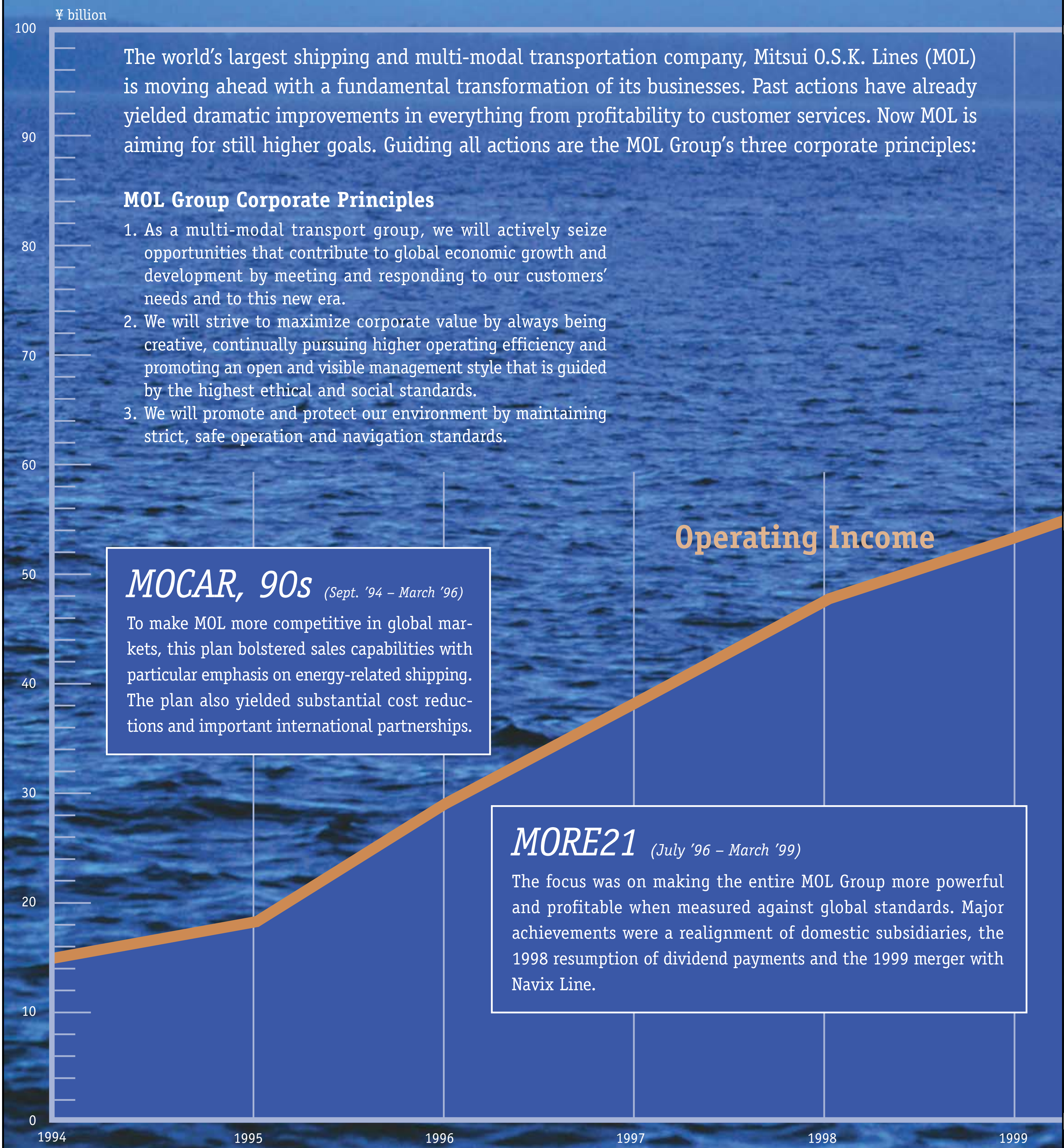
With each management plan, MOL has achieved

The world's largest shipping and multi-modal transportation company, Mitsui O.S.K. Lines (MOL) is moving ahead with a fundamental transformation of its businesses. Past actions have already yielded dramatic improvements in everything from profitability to customer services. Now MOL is aiming for still higher goals. Guiding all actions are the MOL Group's three corporate principles:

MOL Group Corporate Principles

1. As a multi-modal transport group, we will actively seize opportunities that contribute to global economic growth and development by meeting and responding to our customers' needs and to this new era.
2. We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards.
3. We will promote and protect our environment by maintaining strict, safe operation and navigation standards.

Operating Income



MOCAR, 90s *(Sept. '94 – March '96)*

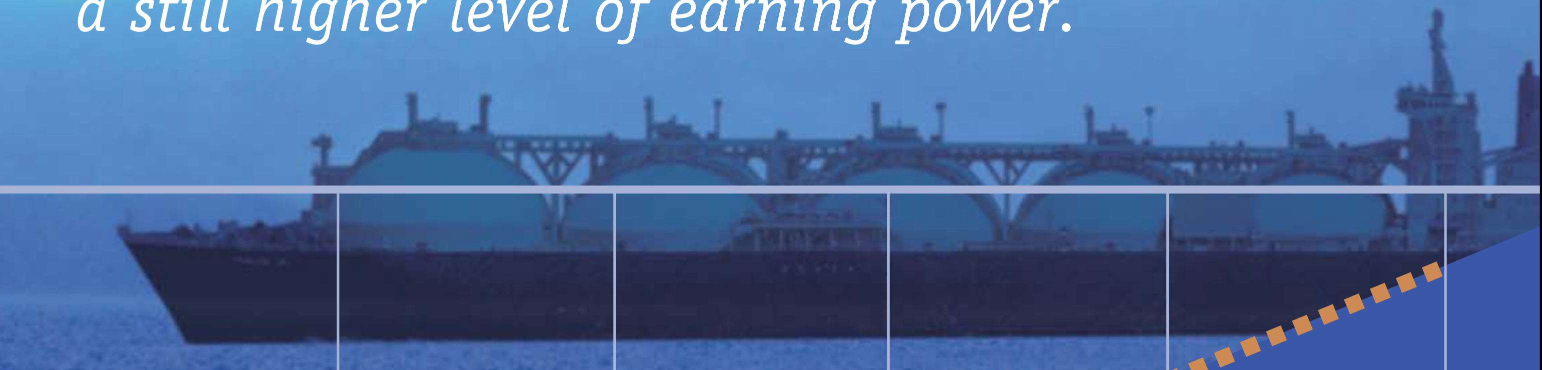
To make MOL more competitive in global markets, this plan bolstered sales capabilities with particular emphasis on energy-related shipping. The plan also yielded substantial cost reductions and important international partnerships.

MORE21 *(July '96 – March '99)*

The focus was on making the entire MOL Group more powerful and profitable when measured against global standards. Major achievements were a realignment of domestic subsidiaries, the 1998 resumption of dividend payments and the 1999 merger with Navix Line.

a Higher Plane

a still higher level of earning power.



MOL next (April '01 – March '04)

Having completed the groundwork for a more powerful and profitable MOL Group, MOL is now embarking on a plan that places growth front and center. MOL next, "next" being short for "new expansion target," contains goals for revenues and earnings along with concrete steps to reach these numbers (see pages 6-7).

MOST21 (April '99 – March '01)

This plan allocated resources within the group to become still more competitive globally and bolster the operations of each MOL Group member in Japan and overseas. Maximizing benefits of the Navix Line merger, increasing shareholder value, reducing interest-bearing debt and strengthening MOL's financial structure were other central themes.

Merger with Navix Lines (April '99)

Contents

MOL next

2000 2001 2002 2003 2004

Consolidated Financial Highlights

For the years ended March 31

	Millions of yen			Millions of U.S. dollars (Note)
	2001	2000	1999	**2001**
For the year:				
Shipping and other revenues	**¥ 887,867**	¥ 881,807	¥ 809,161	**$7,166**
Operating income	**78,239**	61,320	53,537	**631**
Net income	**10,943**	8,325	7,010	**88**
At year end:				
Vessels, property and equipment, at cost	**¥ 691,307**	¥ 756,623	¥ 753,347	**5,580**
Long-term debt due after one year	**540,159**	598,999	670,363	**4,360**
Shareholders' equity	**144,355**	151,992	140,490	**1,165**
Total assets	**1,140,400**	1,196,474	1,174,640	**9,204**
Amounts per share of common stock (yen and U.S. dollars):				
Net income	**¥ 9.01**	¥ 6.77	¥ 6.33	**$0.073**
Diluted net income	**–**	–	–	**–**
Cash dividends	**5.00**	4.00	4.00	**0.040**

Note: U.S. dollar figures reflect an exchange rate of ¥123.90=$1, the prevailing rate as of March 31, 2001.

Total operating fleet:

	2001	2000	1999
	Consolidated (Non-consolidated)	Consolidated (Non-consolidated)	Consolidated (Non-consolidated)
Vessels	**604 (487)**	621 (493)	446 (363)
Owned	**220 (41)**	269 (43)	234 (38)
Chartered	**384 (446)**	352 (450)	212 (325)
Deadweight tons (millions)	**36.40 (33.14)**	35.44 (33.18)	22.57 (21.26)

Credit Ratings:

	2001	2000	
JCR	**A–**	A–	
R&I	**A–**	A–	
Moody's	**Ba1**	Ba1	
(Outlook:	**positive**	negative → stable (in Oct. 1999) stable → positive (in March 2000))	
S&P	**BB+pi**	BBpi	(pi: public information)

(In November 2000, rating was modified with "+" sign)

To Our Shareholders

In fiscal 2000, the year ended March 31, 2001, Mitsui O.S.K. Lines (MOL) performed satisfactorily by any measure. What investors should focus on most of all, though, is the significance of the year's events within the context of the transformation of the company, the so-called "creative and aggressive redesigning project," that began in 1994. We have come a long way. MOL is a much larger, more cost competitive and more profitable company.

To guide MOL at the dawn of a new century, we have formulated a new set of MOL Group corporate principles and launched a new medium-term management plan called MOL next. Both actions reflect our conviction that ocean shipping will continue to grow as an infrastructure vital to the growth of the global economy. In line with this belief, we want to become much more than the world's leading shipping company. Our goal is to become one of the world's best managed and most respected companies in any industry.

Record Revenues and Earnings

Consolidated revenues rose 0.7% to ¥887,867 million (US$7,166 million) and operating income was up 27.6% to ¥78,239 million (US$631 million). Net income increased 31.5% to ¥10,943 million (US$88 million), but was still short of MOL's all-time high. Strong growth in net income was achieved despite a number of one-time expenses related to steps to bolster our operating base and financial stability. One was our decision to cover a shortfall in pension liabilities that resulted from the adoption of a new accounting standard. We also restructured ferry operations and disposed of unprofitable vessels. Cash dividends applicable to the year rose from ¥4 to ¥5. We intend to raise dividends whenever appropriate in line with further increases in net income.

Much of last year's improvement was driven by three of our businesses: liners, bulkers and tankers. Our liner operations have been posting solid gains in profitability since 1999. Exhaustive cost cutting and productivity enhancement programs were major contributors. Other factors were rate increases and relatively high volumes of cargo moving from Asia to North America and Europe. In bulkers and specialized carriers, key factors were higher charter rates, more profitable contracts and steps to cut costs and raise efficiency. Tanker operations were supported mainly by moves to create a more profitable portfolio of charter contracts and by consistently high spot charter rates for much of the year.

We also faced challenges: a substantial increase in the cost of bunker; the yen's strength relative to fiscal 2000; and a lower volume of automobile shipments from Japan. At the parent company, the increase in the cost of bunker alone negatively affected earnings by ¥8.4 billion. Our ability to increase earnings substantially in fiscal 2000, therefore, clearly points to the magnitude of the progress we have made in cutting costs and raising productivity.

Interesting-Bearing Debt Reductions On Schedule

A final highlight of the year is the balance sheet. Interest-bearing debt was reduced by ¥89 billion in fiscal 2000. During the past two years, we have achieved a net reduction in interest-bearing debt of ¥240 billion. More reductions are planned. During the next three years, our goal is to bring down this debt by an additional ¥150 billion, to ¥600 billion. At the same time, we will make the investments needed to meet our growth targets. MOL is fully capable of bringing down debt while increasing and upgrading its fleet through direct ownership, charters and leases. Thus our commitment to lowering debt does not mean that we are sacrificing opportunities to expand. Sustaining profitable growth remains our number one priority.

MOL next – Growth and Expansion

In March 2001, we met the goals of MOST21, a three-year plan started in April 1999, one year ahead of schedule. To build on this momentum, we have embarked on the next step, which is appropriately named MOL next (see pages 6-7). In essence, this three-year plan is structured to build a foundation for MOL based on a vision of where we want to be five or ten years from now. The plan also signals a fundamental shift in our

Chairman Masaharu Ikuta *(left) and President* Kunio Suzuki

strategic direction to an expansionary mode. In fact, the word "next" actually stands for "new expansion target." The numerical goals may appear ambitious. On the contrary, these figures are based on reliable and conservative projections that include continued cost reductions of ¥15 billion and a number of potentially negative factors during the three-year period ending in March 2004.

All components of the MOL Group will pursue our new expansion target. Here, we would like to discuss a few businesses that will play particularly significant roles. In containership operations, we now rank well above the industry average in terms of cost competitiveness. Forming alliances with others major shipping companies has led to dramatic gains in efficiency and cost reductions. We have also slashed expenses by targeting everything from administrative operations to the type of cargo we seek. And more savings are certain. At the same time, we are growing. MOL will take delivery of 16 new and competitive containerships between 2001 and 2003.

In energy-related vessels, the benefits of our April 1999 merger with Navix Line continue to increase. Costs are falling as we use tankers and bulkers more efficiently and extend services of an even higher quality to a larger customer base. During MOL next, we foresee strong growth in earnings. Our tanker fleet, which has a high share of double-hulled vessels, is well positioned to expand in tandem with crude oil imports worldwide. Rising demand for steaming coal in Japan and other regions bodes well for bulkers. Our position as the world's largest operator of Capesize bulkers, LNG carriers and methanol carriers gives us an unparalleled edge here. The outlook for LNG is especially bright as interest in this clean, environmentally friendly gas grows.

Cross-trades will play a key role in meeting our goals. In iron ore, for example, the volume of imports by Japan is likely to remain flat or decline somewhat. The same is true for car carriers, where only limited growth is foreseen in the volume of exports from Japan. In both instances, we will be leveraging our position as a global leader in both market sectors to make inroads in other regions. Our deeply rooted global operating and service infrastructure makes us competitive almost anywhere in the world. Overall, we have good reason to believe that our growth targets can be met.

Other MOL next Themes

The MOL next plan extends well beyond numbers. We will also be making further qualitative improvements in how the MOL Group is managed and serves customers. Among the central themes are the following:

Corporate governance—We have refined our executive officer system, which separates the roles of managing our businesses from policy-making, the domain of directors. Executive officers have been given more autonomy so that critical decisions can be reached quickly. For MOL next, executive officers were completely responsible for formulating a strategy and concrete targets for their respective divisions, covering this management plan's three-year time frame. To promote meaningful debates, the number of directors has been reduced from 28 in April 1999 to 12. To add a broader perspective to board deliberations, one outside director was elected at the June 2001 shareholders' meeting, raising to four the number of outside directors. This gives MOL an even more powerful foundation for corporate governance.

Information technology—We have made great strides in using data management and networking systems to boost internal efficiency and serve customers. A central theme now is applying IT, mainly in the form of our Starnet system, to our operations worldwide. Another theme is implementing STEP (Strategic E-Project) to upgrade our accounting and management systems. We are also seeking opportunities to launch IT-based businesses, such as e-marketplaces.

Globalization of human resources—MOL is already one of the most global companies in Japan in terms of our staff. We will be renewing efforts to tap the full potential of our workforce.

The environment—Under MOL next, we are reaffirming our commitment to the highest standards in environmental protection. Exemplifying this stance are uncompromising safety standards for navigation, investments in double-hulled tankers and efforts to eliminate tin-based paint from all our vessels by 2005.

A Good Start

Looking back, we can take pride in our accomplishments. Most significantly we have returned several important shipping sectors solidly to profitability. At the same time, we have cut costs by reaping benefits from the April 1999 Navix Line merger and by examining every aspect of operations. Reflecting these accomplishments, since April 2001 our stock price has outperformed Tokyo's Nikkei Average by a wide margin. Nevertheless, all these accomplishments represent nothing more than preparations for the future. We have completed the "beginning of the beginning." Only now can we start to build a foundation for MOL in the years to come. We will be tackling the challenge of making MOL more customer-driven, profitable and growth-oriented. Judging from achievements of recent years, our stakeholders have much to look forward to.

Masaharu Ikuta
Chairman

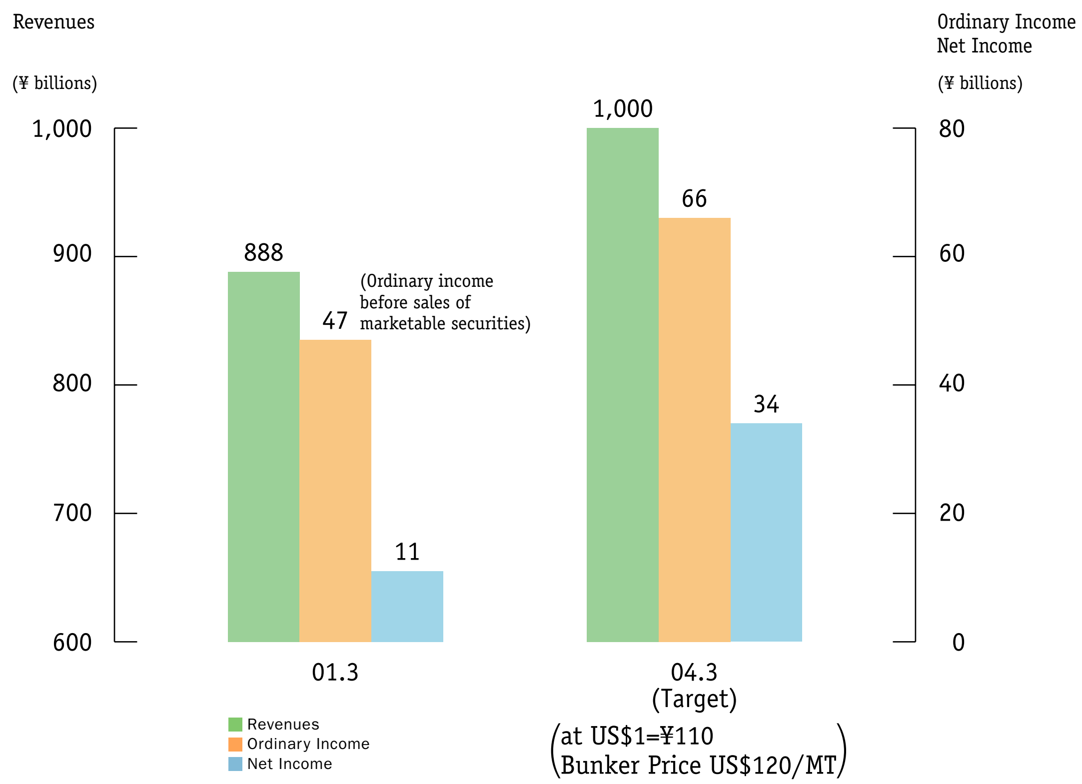
Kunio Suzuki
President

June 27, 2001

Inside ***MOL next***

to make MOL group excellent and resilient in the world shipping industry

Revenues and Income Targets (Consolidated)



	March 2001	March 2004
Earnings per Share:	¥9.0	¥28.0
ROE:	7.4%	15.0%
Equity Ratio:	12.7%	20.0%
Interest-Bearing Debt:	¥745 billion	¥600 billion

MOL next

Growth and expansion

Invest corporate resources in the fields where we forecast strong future growth — mainly in the liner and energy transportation business — to increase business scale and profits.

Expansion of non Japanese trade

Expand business world-wide, especially through active involvement in non-Japanese trade, such as Intra-Asia, Trans-Atlantic service.

New business

Pursue new business opportunities — particularly in shipping and related activities, where we can most effectively utilize our know-how and resources.

Improvement of competitive edge

Provide first-class service quality, whilst maintaining a leading edge in cost competitiveness.

Promoting IT strategies

Improve customer service assistance and increase management responsiveness.

Group business–Selection and concentration

Assure continued growth by focusing on selected business segments and effective use of management resources.

Group–Comparative excellence

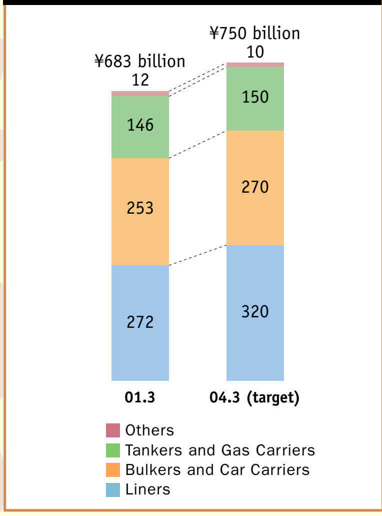
Maintain global excellence in both cost competitiveness and service quality, to improve profitability

Improvement of group financial structure

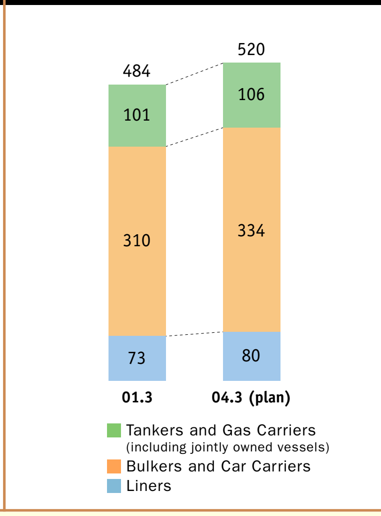
Strengthen financial structure by reducing interest-bearing debts, and by focusing more on cash flow management. Enhance cash management functions, and expand to a global base.

Growth & Expansion

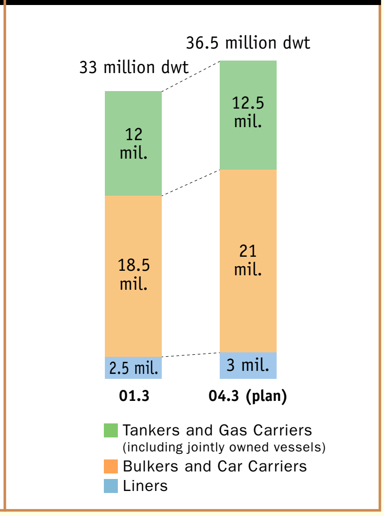
Non-Consolidated Revenues



Number of Vessels

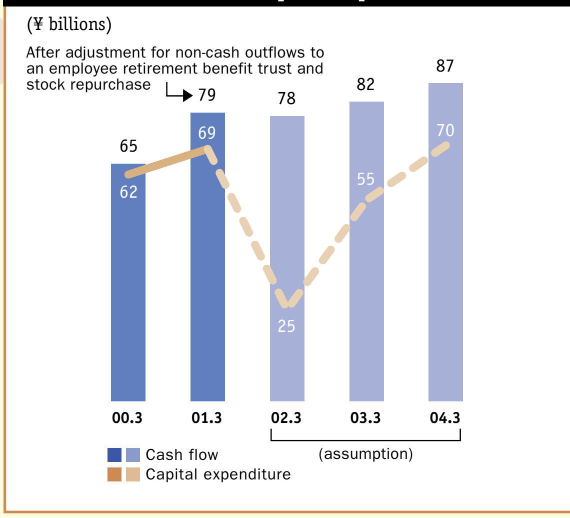


Deadweight Tons

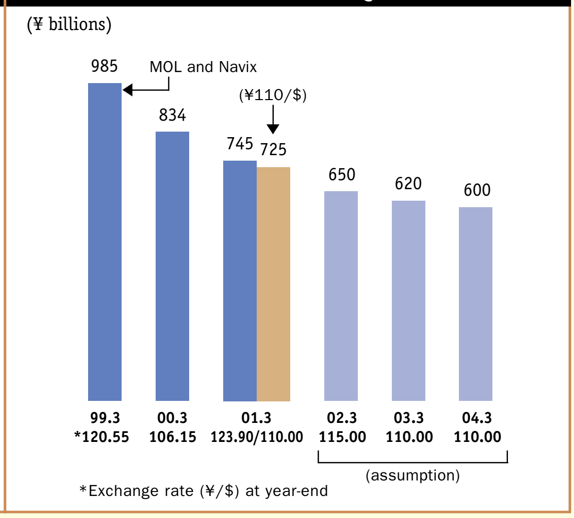


Enhancement of Financial Strength

Cash Flows vs Capital Expenditures



Debt Reduction Program



MOL at a Glance

Liners

Profile

Directly and through alliance partners, MOL is a major participant in the global container transportation market. The company itself operates a fleet of 73 containerships. The New World Alliance, whose members are MOL, APL Co. Pte. Ltd. and Hyundai Merchant Marine Co., Ltd. (HMM), covers services on the transpacific, Asia-Europe, transatlantic and Mediterranean trade. Liner operations are localized to a high degree. All day-to-day operations, including high-level management decisions, are conducted by the three Regional Headquarters in the U.S., Hong Kong and U.K. A culture steeped in dedication to customer service, and to eliminating unnecessary expenses wherever possible, positions MOL's liner operations among the most competitive in the world.

Results

Earnings rose only slightly, as no significant container capacity was added during the period. Liner operations performed well as advances in cost cutting offset much of the impact of higher fuel costs. A strong U.S. economy for much of the year kept export cargo volumes from Asia high. European trade was also strong. Rate restorations also contributed to the year's strong performance, especially in the Asia-Europe trade. As in recent years, MOL had to deal with an imbalance in demand for containers on the transpacific trade, but various countermeasures have reduced the impact.

Bulkers and Car Carriers

Profile

Bulkers are used primarily to transport iron ore, coking coal and steaming coal. Wood chips and grain transport are two other significant sources of demand for these ships. MOL operates a fleet of 240 bulkers including Capesize, Panamax, handymax and small handy vessels. With 60 vessels, MOL ranks first in the world in the Capesize market. This scale gives the company a diversified base of customers and cargo that reduces the effects of market fluctuations. Marine automobile transportation is a market that demands specialized skills in handling vehicles and meeting customers' requirements. MOL operates 70 car carriers, including time chartered vessels. About half are PCTCs (pure car and truck carriers), which are designed for maximum loading efficiency and are able to accommodate tall vehicles such as SUVs (sport utility vehicles) and construction equipment.

Results

Bulkers generally fall into two categories depending on the length of charter contracts. Iron ore, coal carriers and wood chip carriers operating on long-term charters generated higher earnings. As market rates remained relatively high during fiscal 2000, Capesize and Panamax operating without long-term charters also enjoyed good results. Other bulkers, however, continued to post losses, especially among smaller-sized vessels where competition is most intense. Wood chip carriers achieved record results as high paper demand in Japan allowed these vessels to operate largely at full capacity throughout the year. Car carrier results reflected a decline in vehicle exports from Japan and South Korea, but a number of cross-trade markets were strong.

MOL next

Tankers and Gas Carriers

Profile

MOL ranks first in several very large and still-growing categories of the energy market: VLCCs, LNG carriers and methanol carriers. MOL also ranks among the world's largest operators of vessels that carry refined products such as kerosene and various chemicals. Safety is paramount. Through the years, MOL has earned a reputation as one of the world's safest and most reliable operators of tankers and gas carriers. Medium and long-term contracts form the basis for growth; MOL carefully limits its exposure to changes in market rates.

Fleet: 29 VLCCs (including 11 double-hulled); 8 other crude oil carriers; 19 methanol carriers; 15 product carriers; 7 LPG carriers; 20 LNG carriers and an interest in 19 projects.

Results

All categories of energy-related vessels turned in strong performances in fiscal 2000. Tanker results were strengthened by better market rates as a strong U.S. economy and a rebound in Asian economies increased crude oil demand. Refined product carriers benefited from the same market forces. Additions to the fleet also contributed to growth, mainly VLCCs, methanol carriers and LNG carriers. In LNG carriers, new contracts signed to serve clients in India, the U.S. and Qatar continued to heighten MOL's stature in this market. Growth in LNG carrier operations increases this important and reliable source of long-term revenues.

Logistics, Associated Business, Ferries and Cruise Ships

Profile

Operations outside the field of shipping mainly represent activities directly related to MOL's shipping activities such as terminals, shipping agent services and other operations to support the liner business. The procurement of fuel and other supplies for ships, tugboat operations, financial services, insurance, air forwarding and other services related to shipping and logistics account for most of the remainder of this sector. In ferries, MOL serves domestic routes in Japan through four subsidiaries with a total fleet of 19 vessels. Most serve long-distance routes, such as those linking the Tokyo area with Hokkaido and the Hanshin area with Kyushu.

Results

There was a major improvement in operating income in the container terminal business, as cargo volumes rose along with liner traffic. The domestic distribution division continued to restructure to become more competitive. In cargo forwarding and warehousing, overseas logistics continued to undergo a realignment. The air freight business reduced costs but was impacted by the slowdown of U.S. economy. Poor economic conditions in Japan, soft demand and high costs continued to keep ferry and cruise ship operations in the red. MOL is seeing growing benefits from restructuring steps taken in recent years.

The containership *MOL Mozel*

The containership *MOL Advantage*

Overview

Following its return to profitability in fiscal 1999, liner operations in fiscal 2000 posted higher earnings despite a substantial increase in fuel costs. Making this possible were further advances in cost reductions, a more streamlined organization, generally favorable market conditions for much of the year, and steps to give frontline managers greater autonomy. Exports from Asia to North America remained strong. In European trade, there was a rapid recovery in demand for container space in both directions. Alliances again played a central role in the strength of MOL's liner operations. TNWA, which includes MOL, APL and HMM, and ties with such partners as Yang Ming, Maersk-Sealand (MSL) and Evergreen (EMC), greatly extend MOL's coverage without requiring substantial investments. Furthermore, economies of scale help hold down the cost of bunker oil, terminal charges, insurance and other items.

As in recent years, much progress was made in raising productivity and cutting costs. Nothing was overlooked. MOL is taking advantage of low interest rates and taking other steps to reduce the capital cost of its containers. Larger, more efficient containerships are joining the fleet. Sales staff are concentrating their marketing efforts to optimize cargo profitability wherever possible. Even land transportation expenses, for both trucks and railways, are falling. Perhaps most significantly, operations were reorganized in April 2000, to form an autonomous "virtual liner company" made up of three regional operating units. This structure is better able to take advantage of the high degree of localization, whereby most activities, including regional top management, is located outside Japan. Overall, these steps have made MOL one of the world's most cost-competitive liner companies.

MOL will continue to improve its virtual liner company structure and bolster alliances. Work is advancing toward completion of the Starnet information management system. In 2002, liner staff in all major markets will be able to view the same data simultaneously. This will lead to more gains in efficiency and profitability. Facilitating the sharing of resources, alliances are crucial to becoming more competitive in the liner market. In 2000, TNWA entered into an agreement with Maersk-Sealand to cooperate in the Atlantic trade. In 2001, TNWA signed an agreement with Taiwan's Evergreen.

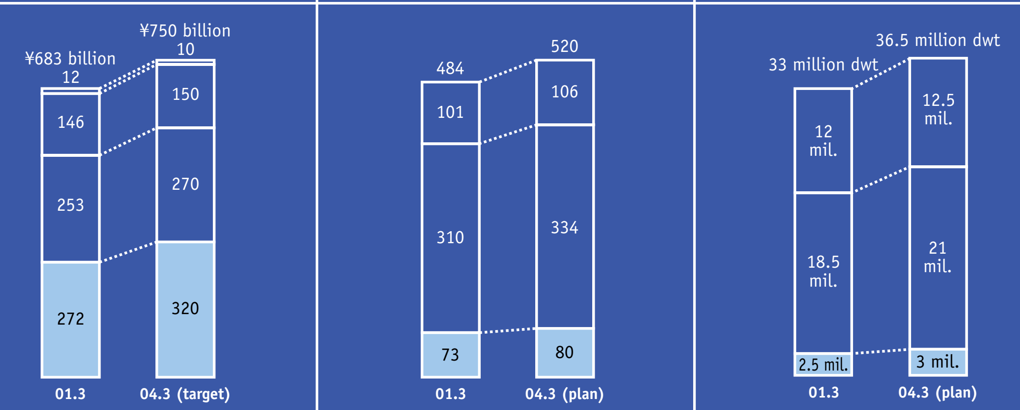
MOL next

With the return to profitability complete, MOL's liner operations are now turning to their next objective: profitable growth. Having restored confidence in the outlook for the liner business, MOL placed orders for 16 containerships well before MOL next was conceived. Two 5,500-TEU type vessels were delivered in March and June 2001, and a third will join the fleet in August. All three serve the Asia-Europe trade. The five 6,000-TEU type vessels will be delivered in 2002 and eight 4,500-TEUs will join the fleet in 2003. These 13 vessels will be deployed on the Asia-North America trade. The result will be an increase of about 40% in container capacity over these three years. Also, the deployment of new ships will lead to improvement in key Intra-Asia trade and North-South trade serving South America, Africa, and Oceania. As global demand for container capacity is rising steadily, MOL believes that the new ships can be used effectively to help meet its corporate goals for sales, earnings and ROE.

Clouding the outlook for the containership market is the considerable number of new vessels scheduled for completion worldwide over the next few years. MOL's relatively low cost structure gives it a crucial advantage. Strategic alliances and a proven reputation for excellence in customer services also give MOL a competitive edge. Making the company even more competitive will be the reassignment of smaller ships to new routes as the 16 new vessels are completed. This will give MOL true global coverage. In all, liner operations are now positioned to withstand competitive forces and expand in step with the world container shipping market.

Growth & Expansion

Non-Consolidated Revenues | Number of Vessels | Deadweight Tons

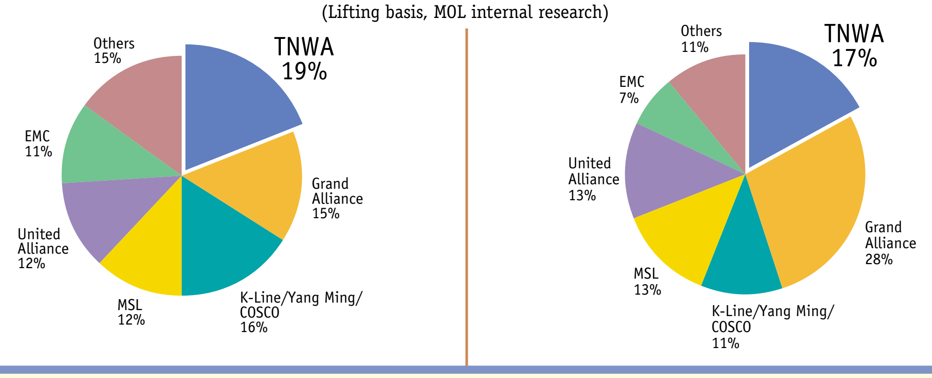


MOL in the Market

Alliance Wise Market Share in 2000

Transpacific (Asia to North America) | Asia to Europe

(Lifting basis, MOL internal research)



(TNWA: **MOL**, APL, HMM)
(Grand Alliance: NYK, P&O Nedlloyd, Hapag-Lloyd, OOCL)
(United Alliance: Hanjin, Senetor, Cho Yang, UASC)

Bulkers and Car Carriers

The Capesize bulker *Mona Linden*

The coal carrier *Energia Centaurus*

The pure car and truck carrier *Bravery Ace*

Overview

MOL operates a diverse range of bulkers and specialized carriers. The fleet consists of iron ore and coking coal carriers (Capesize, about 100,000 to 200,000 dwt), steaming coal carriers (about 70,000 to 90,000 dwt), wood chip carriers (about 40,000 to 50,000 dwt) and general-purpose bulkers in Panamax (about 70,000 dwt), handymax (about 45,000 to 50,000 dwt) and small handy (about 18,000 to 35,000 dwt) sizes.

In bulkers, results of our business operations improved in all categories. The iron ore and coking coal sector, a significant element of bulker operations, performed well. Benefits of cost-cutting actions in the prior year are appearing. Furthermore, MOL continued to capture new business in the wake of the Navix merger, which greatly increased the scale of iron ore and coking coal operations. Another positive factor was higher freight rates, as growth in steel output raised imports of iron ore and coking coal in Japan, China and Europe. Growth potential is limited in Japan, a market where MOL accounts for a large share of the iron ore trade with Japanese steel companies. To increase volumes, MOL is targeting non-Japanese trade such as those from Brazil to the Far East, and from Australia to China, Taiwan and Europe.

Steaming coal carriers had a good year following a period when MOL streamlined its fleet and personnel in response to difficult market conditions in 1998 and 1999. Cost savings from the Navix merger grew as well. A strong market for steaming coal, leading to higher Panamax charter rates, added to the benefits of these streamlining steps. Demand is rising, in Japan and elsewhere, from electric utilities as well as from chemical and other manufacturers that generate their own power.

Additionally, MOL continues to increase the number of long-term charter contracts with clients outside Japan. All these trends bode well for MOL's large fleet of Capesize and Panamax bulkers. In smaller bulkers, most of which operate on short-term charter contracts, results were favorable in fiscal 2000 as charter rates rose. MOL's superior balance of cargo, mainly iron ore, coking coal, steaming coal and grain, also contributed to this result.

Wood chip carriers posted another year of growth as MOL's fleet increased. These vessels are constructed exclusively to operate under long-term charters. In fiscal 2000, MOL continued to solidify its lead in the global wood chip shipping market by increasing services for non-Japanese clients. A contract was signed with Gunns Forest Products of Australia to supply chips to Asia, mainly Japan, and ties were strengthened with Asian chip companies. Imports of chips to Japan are expected to decline somewhat as the use of recycled paper grows. In response, MOL is making its wood chip services more competitive. Two new vessels replaced older wood chip carriers in March and May 2001, offering greater capacity and highly efficient self-loading systems.

Lower automobile exports from Japan caused MOL's car carrier results to decline. There was a downturn in activity from the second half of 2000 onward in the Japan-to-Europe trade. Cost containment programs cushioned the effect of the lower demand to some extent. As Japan's car exports are not likely to increase, MOL is targeting other markets for growth. Two attractive cross-trade markets—and areas where MOL is already experienced—are Europe-to-U.S. and Asia-to-Europe.

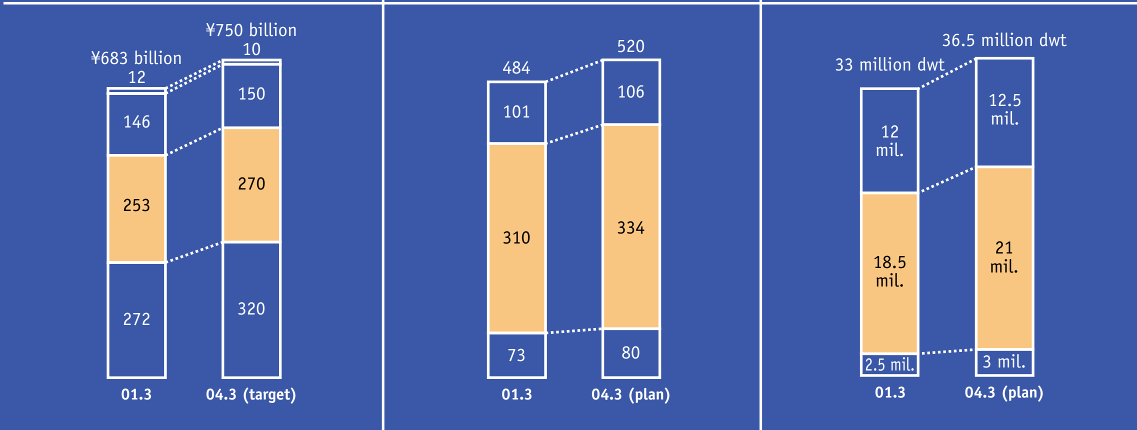
MOL next

Coal is one of the growth targets of MOL next. MOL foresees rising demand for steaming coal in Japan and other countries. In Japan, MOL will be seeking more long-term contracts with utilities and other power generators. Outside Japan, still more opportunities exist in Southeast Asia and India. Countries other than Japan, especially China, will account for a growing share of iron ore and coking coal operations as well. MOL plans to raise the share of non-Japanese business in this sector to about 30%. With the cost of building bulkers now relatively low just as demand for new, high-quality vessels among customers is climbing due to environmental and safety issues, MOL will be making carefully planned additions to its fleet. Concerns about supply-demand dynamics are rising, though, as about 110 Panamax bulkers are scheduled to be completed in 2001. MOL will use its leading market position and broad customer relationships to sustain profitable growth as these vessels enter service. Limiting exposure to spot rates will remain a central policy as MOL's bulker fleet grows. Regarding bulkers operating on short-term charters, priority will be placed on returning this sector to profitability by 2002.

In car carriers, MOL will be stepping up emphasis on developing the cross-trade market. The goal is to raise this sector to more than one-third of total car shipments during MOL next, as MOL's total auto volume remains flat, in line with aggregate global vehicle shipments. One move in this direction was the February 2001 commencement of service linking Europe, North and South America, and South Africa. Investments will continue to keep MOL's car carrier fleet among the most modern and competitive in the world.

Growth & Expansion

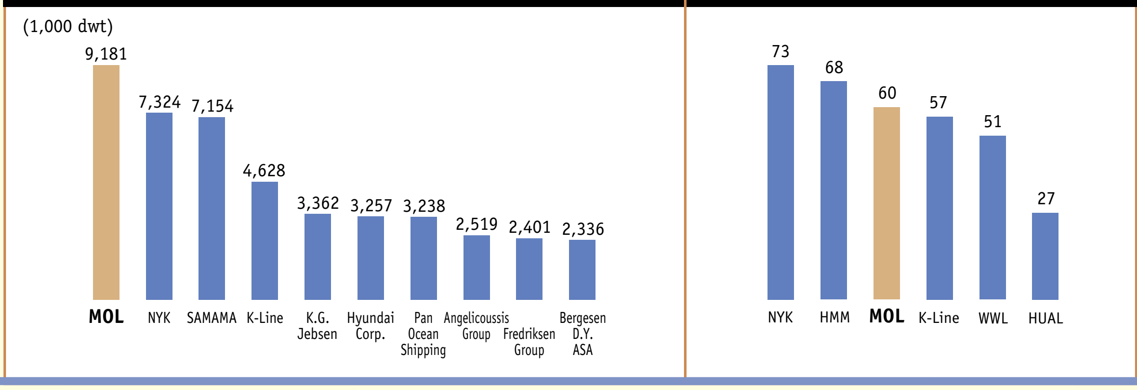
Non-Consolidated Revenues | Number of Vessels | Deadweight Tons



MOL in the Market

Fleet Owners

Bulk Carriers <Deadweight Tons> | Car Carriers <Number of Vessels>



(Source: Clarkson Research Studies, Spring 2001)

(Source: Fearnleys "World Pure Car Carrier Fleet, July 2001")

Tankers and Gas Carriers


The VLCC *Ryuohsan*


The methanol carrier *Millennium Explorer*


The LNG carrier *Al Bidda*

Overview

Energy-related shipping represents one of MOL's greatest strengths and most reliable sources of revenues and earnings. During fiscal 2000, these strengths were magnified by generally favorable conditions in the markets for tankers carrying crude oil and refined products. VLCC charter rates reached heights never before seen in a crisis-free period. Rates for product tankers also remained high for much of the year. In line with its policy of avoiding undue speculation, most of MOL's tankers operate on medium to long-term charters. However, MOL maintains a prudent number of vessels that operate on short-term charters to capitalize on favorable spot rates. MOL also took advantage of the strong market to enter into new medium and long-term charter contracts.

Additions to both the VLCC and product carrier fleets increased the share of double-hulled vessels in service. During fiscal 2000, six new double-hulled VLCCs joined the MOL fleet. Following delivery of five more over the next two years, these vessels will account for more than half of the company's VLCC fleet. By 2010, we plan for all of MOL's VLCCs to be double-hulled.

Refined product carriers are built to transport methanol, LPG, kerosene and naphtha. All require the highest levels of expertise in ship management and operation. Methanol is especially difficult to transport due to exacting requirements for purity. With 19 methanol carriers, MOL operates more than two-thirds of the total number of these vessels in the world. Operating mainly on long-term contracts, product carriers were again a significant source of earnings in fiscal 2000. One highlight was MOL's first contract to operate an ammonia carrier, a first for any Japanese shipping company, opening the way to growth in a new and attractive market sector.

LNG carriers are among the most dependable sources of long-term earnings of any type of vessel. Able to operate for well over two decades, these sophisticated vessels are constructed exclusively to serve a specific LNG project. Operating or owning an interest in 47 of about 170 LNG carriers (including those under construction) in the world—more than any other shipping company—MOL is firmly positioned as the premier name in this market. Demand is rising steadily with global consumption of LNG, increasing by 13% in 2000. Furthermore, as Japan, Taiwan and South Korea account for well over half of LNG consumption worldwide, there is much potential for future growth in other areas of the world. In 2000, MOL entered into a contract to transport LNG to a client in India. This makes MOL a participant in two long-term LNG transportation projects: one with Enron Corp. for Dabhol Power Co. India, and a second for India's Petronet Project.

MOL will continue to aggressively pursue new LNG contracts in the U.S., Europe, India, China and other areas of the world. This strategy has already borne fruit. In July 2001, MOL announced joint-venture participation with Exmar, a Belgian shipping company, in a long-term charter contract with El Paso Corp., U. S. A., for additional LNG carriers, bringing to four the total number of vessels for this company. Deliveries will commence in 2004. The same month, MOL, Mitsui & Co., Ltd., other major Japanese shipping companies and Qatar Shipping Co. signed a long-term charter contract for a new LNG carrier that will be operated by MOL and transport LNG for Qatar Gas Co., Ltd.

MOL next

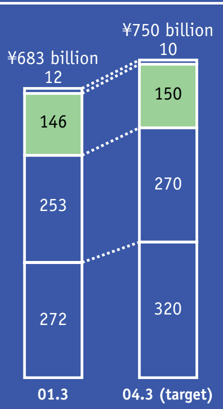
Growth in tanker, gas carrier and other energy-related shipping is a key element in reaching the goals of MOL next. As in the past, MOL will expand by concentrating on medium and long-term contracts to ensure stability. The aim is to build a structure that can generate higher sales and earnings while minimizing exposure to market fluctuations. Japan will remain the primary market, but future growth will come from contracts to meet the energy needs of foreign clients. In fiscal 2000 alone, long-term VLCC charter contracts were signed with five new clients in Europe and Asia. Five double-hulled VLCCs will be added to MOL's fleet during the three-year period covered by MOL next.

In LNG carriers, MOL will continue to build on its position as the world's preeminent operator in this specialized field. Particular emphasis will be placed on supplying LNG to clients outside Japan.

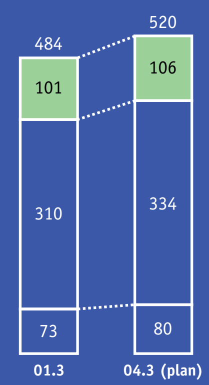
For refined products, MOL is targeting all market sectors. A solid reputation for reliability and safety gives MOL a significant advantage. Methanol and LPG are two especially attractive areas. Concurrently, MOL will be targeting new market sectors such as ammonia carriers.

Growth & Expansion

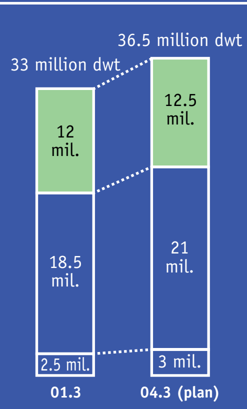
Non-Consolidated Revenues



Number of Vessels

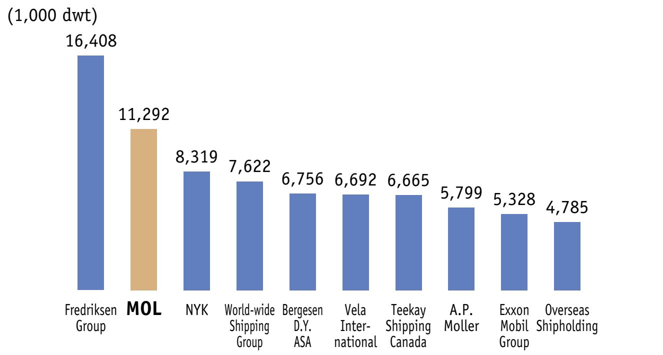


Deadweight Tons

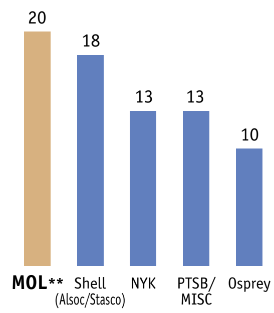


MOL in the Market

Tankers <Deadweight Tons>



LNG Carriers <Number of Vessels*>



(Source: Clarkson Research Studies Spring 2001)

* Fleet under management or majority ownership
** Participation in projects operating 47 vessels (including planned vessels) in total
(Source: MOL, based on data from Barry Rogliano Salles and others)

The cruise ship *Nippon Maru*

MOL Logistics (Netherlands) B.V. head office

Overview

Realignment remained the central theme of MOL's activities covered by this diverse category. It primarily took the form of merging similar group companies to eliminate redundancies. During fiscal 2000, 16 subsidiaries were integrated and otherwise reorganized to leave only six companies. In fiscal 1999, 18 group companies were reorganized to form six companies. MOL took advantage of this process to establish a more unified identity for customers by creating more companies bearing the MOL name. For logistics services in Europe, Wassing B.V. and M.O. Express International B.V. were merged in October 2000 to form MOL Logistics (Netherlands) B.V. In addition, M.O. Air System in the U.K. and Germany were renamed MOL Logistics (UK) and MOL Logistics (Deutschland), respectively. In the U.S., AMT Freight, Inc. and M.O. Air International, Inc. were combined to form MOL Logistics (USA). Overall, these moves give MOL a more powerful operating base backed by a more unified, valuable and visible brand.

Opportunities for growth in logistics are immense. Companies in many fields are in need of ways to cut costs and enhance efficiency. Addressing these needs demands a complete package of assistance extending from warehouses through actual transportation services. This is why MOL is positioning logistics as much more than merely forwarding or warehousing. The objective is to become a single source of comprehensive services under the unified MOL brand.

In ferry and cruise ship operations, operations have been realigned and downsized during the past few years to return to profitability. Although much progress has been made, results were again disappointing in fiscal 2000 due largely to Japan's lackluster economy. High fuel costs also hurt results. In fiscal 2000, an alliance was formed between group member, The Diamond Ferry, and Kansai Kisen to share resources. In addition, two other ferry companies were liquidated and the remaining operations reorganized as Shosen Mitsui Ferry. Realignments and cost-cutting programs are also taking place in the cruise ship sector to build a profitable operating base.

MOL next

The steps required to streamline the structure of the MOL Group's associated business operations are mostly complete. Under MOL next, more emphasis will be placed on operating group companies as divisions within an integrated organization, rather than as separate companies. Integration will reach a higher plane, particularly in logistics, as MOL forms a virtual logistics holding company (VLHC). Stronger ties will be formed with the virtual liner company (VLC) to offer clients a unified source of logistics solutions. Eventually, the virtual logistics holding company and virtual liner company may become one. Resources will also be allocated to other activities with growth potential. Three examples are employment services to share knowledge, information and experience, building management and maintenance services, and trading activities. In the ferry sector, MOL's strategy is to concentrate resources exclusively on areas where the company is strongest. Japan's largest long-distance ferry operator, MOL serves a number of routes that offer much potential. At the same time, MOL will withdraw from routes where demand is persistently soft. The Japanese government's elimination of regulations on ferry routes will make this process much easier. Overall, MOL believes that long-term prospects for the ferry industry remain favorable.

Leverage the MOL Brand

Group business ▶

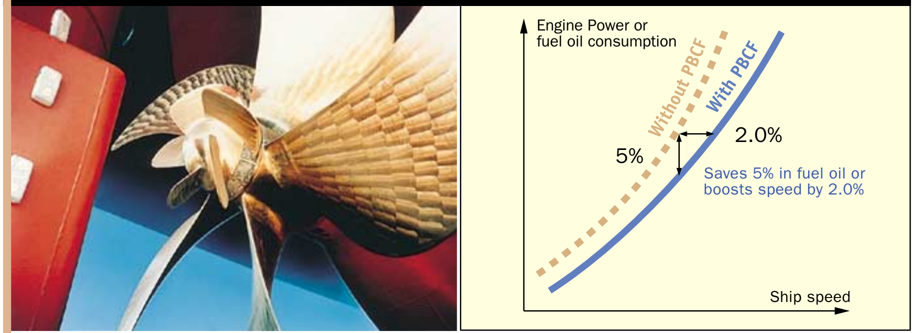
Selection and concentration

Assure continued growth by focusing on selected business segments and effective use of management resources.

Comparative excellence

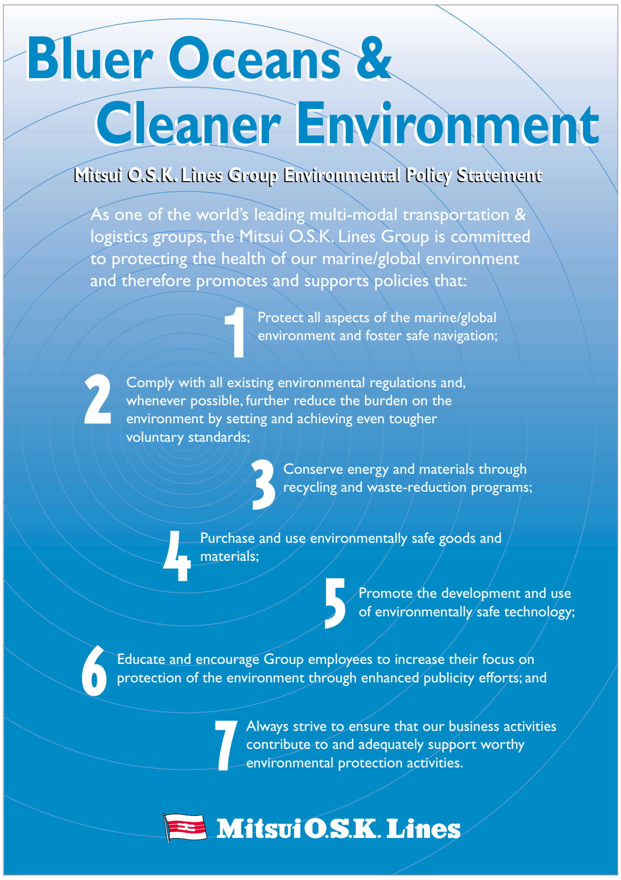
Maintain global excellence in both cost competitiveness and service quality, to improve profitability.

MOL and the Environment



MOL's patented Propeller Boss Cap Fins (PBCF) improve fuel efficiency and speed, helping conserve energy and reduce CO_2 emissions.

MOL has many opportunities to contribute to environmental preservation and protection in its operations around the world. The company's responsibilities are particularly great in that most of its operations involve the world's oceans, which cover about 70% of the earth's surface. To set forth clear guidelines, the MOL Group formulated an environmental policy statement in 2000 that provides a fundamental concept for protecting the marine and global environments. The focus is on ensuring that business operations are in step with environmental issues. Every division of MOL takes into account environmental considerations in all activities, ranging from navigation to purchasing practices for everything from stationery to ship equipment. The Environment Committee spearheads these activities. Disclosure is also part of MOL's environmental stance. MOL issued its first Environmental Report in 2000 in English and Japanese and will issue its second edition in September in 2001.



At MOL, the number-one environmental priority is safe navigation. Overseeing all issues involving this critical issue is the Operational Safety Committee, which reports directly to MOL's Executive Committee. Programs are implemented at every level of the organization to instill an awareness of the importance of safety. Particular emphasis is placed on crew training to give people the highest levels of skills. This is achieved through various means, including the use of sophisticated computer simulations. Tanker and LNG carrier operations receive the most attention. In addition to regular training throughout the year, MOL annually conducts an emergency response drill to ensure preparedness for an accident resulting in an oil spill. The 2000 drill took place in Singapore in October and involved four parties: MOL, the crew of a VLCC, a ship management company and the local oil spill accident response team. To reduce the possibility of spills even more, MOL will replace all its remaining single-hulled VLCCs with double-hulled vessels by 2010.

Certification is viewed as an important means of benchmarking the company's activities. In April 2001, MOL established its own Environmental Management System: MOL EMS 21. Just as with ISO14001 standards, the new system is based on the "plan-do-check-action" continuous improvement cycle. Under this system, the company has set forth five central goals for fiscal 2001.

1. Protect the marine environment by using tin-free anti-fouling paints, studying ways to manage ballast water effectively and employing other means to limit the environmental impact of vessels.
2. Prevent air pollution by reducing refrigerated containers using CFC by 30%, achieve a year-on-year reduction of 1% in CO_2 emissions per unit load, and reduce emissions of nitrous and sulfur oxides per unit load.
3. Conserve energy and reduce the volume of waste by sorting trash, reducing paper use and lowering electricity consumption.
4. Cooperate in marine research through such steps as helping monitor sea surface temperatures, CO_2 levels and other indicators of environmental change.
5. Further improve training programs and participate in external training courses.

MOL and Information Technology

Electronic Chart Display and Information on board

BUNKERPLAZA.COM.

Information technology (IT) plays three roles at MOL.

First is making internal procedures more efficient and reliable. For safer, more efficient navigation, MOL is installing an Electronic Chart Display and Information System on all its crude oil tankers. Charts stored on CD-ROMs are linked with the Global Positioning System, radar and other aids to show the vessel's position in relation to other ships. This virtually eliminates the possibility of human error.

A second role is interweaving IT into core business operations to improve services. Most important here is Starnet, an information management system for the liner business. Starnet links all three liner area operation centers—U.K., U.S. and Hong Kong—with regional operation centers worldwide. A major milestone was reached in July 2000 when MOL Japan, which handles all liner business in Japan, adopted this system, thereby completing coverage of Asia. The objective is to create a unified platform for MOL people in liner business around the world to view fundamental operating data such as bookings, documentation and equipment control on a real-time basis. Another example of how IT is applied to core businesses is a home page created specifically to facilitate the sharing of information within the MOL Group. Since January 2001, this site has been providing information on sales campaigns, training activities, environmental programs, employee benefits and other goings-on at group companies. New functions are to be added. MOL envisions this site as a comprehensive "business-to-employee" medium to disseminate information on the company's operations, policies and plans.

The third role is using IT to launch new business ventures. In October 2000, MOL opened a bunker purchasing site called BUNKERPLAZA.COM. Registered companies, initially limited to MOL Group members, can use the site to purchase bunker in Internet-based auctions. While buyers are limited to registered companies, any bunker supplier is welcome to participate in the auctions. In another development, MOL's container business participated with eight other leading ocean carriers in the establishment of Global Transportation Network, a transportation e-commerce solution business. Operations began in April 2001. Supported by Tradiant, a Silicon Valley tech company, the service greatly simplifies the procedures needed for importers and exporters worldwide to transport cargo by container. This platform is both open and absolutely secure. Significant savings are foreseen in terms of cost and time.

How IT Improves Customer Services and Management Systems at MOL

Customer services	Better provision of information, more effective sales activities	• More Web services for customers • Joint portal sites with overseas liner operators • Launch of Starnet global network for liner operations
	Safety and the environment	• Ship positioning and monitoring system • Sophisticated ship-shore communications system • Collision prevention system, bridge simulators, other technology for safety
	Cost containment	• Internet procurement of bunker and other ship supplies • Internet markets for ship charters and container space • Analysis of ship operations to boost efficiency
Management systems	Access to accurate and timely information	• STEP (Strategic E-Project), a project to rebuild core accounting and management systems • Customer management system • Enlarged intranet to share information within the MOL Group

Mitsui O.S.K. Lines Global Services


ANCHORAGE
HOMER
PRINCE RUPERT
KITIMAT
VANCOUVER
NEW WESTMINSTER
PORT ANGELS
SEATTLE
TACOMA
PORTLAND
COOS BAY
EUREKA
SACRAMENTO
CONCORD
SAN FRANCISCO
STOCKTON
OAKLAND
BENICIA
HUENEME
LOS ANGELES
LONG BEACH
SAN DIEGO
MINNEAPOLIS
TORONTO
THREE RIVER
DAVISVILLE
BOSTON
SHEET HARBOR
HALIFAX
DETROIT
CHICAGO
CLEVELAND
WILMINGTON
NEWARK
NEW YORK
CINCINNATI
JERSEY CITY
PHILADELPHIA
KANSAS CITY
ST.LOUIS
BALTIMORE
NORFOLK
MEMPHIS
MOREHEAD CITY
DALLAS
ATLANTA
CHARLESTON
CHARLOTTE
SAVANNAH
CONVENT
LAKE CHARLES
BRUNSWICK
HAMILTON
FREEPORT
NEW ORLEANS
MOBILE
PT.EVERGLADES
HOUSTON
JACKSON VILLE
NASSAU
HONOLULU
MONTERREY
ALTAMIRA
CEDROS ISLAND
MEXICO CITY
VERACRUZ
MANZANILLO
ACAPULCO
SALINA CRUZ
PUERTO QUETZAL
ACAJUTLA
CORINTO
SAN LORENZO
PT. CALDERS
PT. LIMON
COCO SOLO
BALBAO
PUERTO PLATA
RIO HAINA
P.V.PRINCE
KINGSTON
S.F.DE MACORIS
ST.DOMINGO
SAN JUAN
BONAIRE
CURACAO
ARUBA
SANTA MARTA
BARRANQUILLA
FREDERIKSTED
ST.JOHNS
ROSEAU
PT.CASTRIES
BRIDGETOWN
PHILIPSBURG
BASSETERRE
P.A.PITRE
F.DE FRANCE
KINGSTOWN
ST.GEORGES
FORT DE FRANCE
PORT OF SPAIN
POINT LISAS
PUERTO SUCRE
GUANTA
LA GUAIRA
PUERTO CABELLO
CARTAGHENA
COVENAS
PANAMA
(PT. OF MANZANILLO)
BUENA VENTURA
ESMERALDAS
MANTA
GUAYAQUIL
MACAPA
BELEM
MANAUS
PONTA DA MADEIRA
APIA
PAGOPAGO
PAPEETE
NUKUALOFA
CALLAO
SALVADOR
MATARANI
ILO
ARICA
IQUIQUE
ANTOFAGASTA
CHAÑARAL
TUBARAO
PRAIA MOLE
VITÓRIA
SAO PAULO
RIO DE JANEIRO
SEPTIVA TERMINAL
SANTOS
SUN VICENTO
PARANAGUA
ASUNCION
SÃO FRANCISCO DO SUL
ITAJAI
VALPARAISO
RIO GRANDE
SANTIAGO
MONTEVIDEO
SAN ANTONIO
ZARATE
TALCAHUANO
CORONEL
BUENOS AIRES
LIRQUEN
NECOCHEA
CORRAL
CALBUCO
PUERTO MONTT
PUNTA ARENAS
CABO NEGRO
THAMESPORT
SHEERNESS
OSLO
HANKO
SULLOM VOE
UDDEVALLA
FELIXSTOWE
MIDDLESBROUGH
ROTTERDAM
GLASGOW
COPENHAGEN
NEW CASTLE
BREMERHAVEN
LIVERPOOL
DUBLIN
HAMBURG
ILFORD
LONDON
EMDEN
BRISTOL
BREMEN
SOUTHAMPTON
DUSSELDORF
CHERBOURG
LE HAVRE
VIENNA
ZEEBRUGGE
GENT
PARIS
ANTWERP
BRUSSELS
LA SPEZIA
TRIESTE
GENOA
SANOVA
MILANO
LIVORNO
ISTANBUL
BILBAO
FOS
LYON
VIGO
(MARSEILLE)
BARCELONA
LISBON
GIBRALTAR
PIRAEUS
HUELVA
VALETTA
CEUTA
ALGIERS
TUNIS
ANNABA
CASABLANCA
TRIPOLI
BENGHAZI
ALEXANDRIA
DAMIETTA
LAS PALMAS
TENERIFE
NOUAKCHOTT
DAKAR
BANJUL
CONAKRY
FREETOWN
MONROVIA
LOME
COTONOU
TEMA
LAGOS
SAN PEDRO
ABIDJAN
BONNY
TAKORADI
DOUALA
LIBREVELLE
POINTE NOIRE
BOMA
MATADI
LUANDA
PALANCA
WALVIS BAY
JOHANNESBURG
SALDANHA BAY
PORT ELIZABETH
CAPE TOWN

Board of Directors, Auditors and Executive Officers

Board of Directors

Masaharu Ikuta
Chairman of the Board

Kunio Suzuki
President

Kazuo Sato
Deputy President

Seiji Nakamura
Deputy President

Joji (George) Hayashi
Deputy President

Tokinao Hojo
Senior Managing Director

Hiroyuki Sato
Senior Managing Director

Akimitsu Ashida
Senior Managing Director

Kentaro Hino
Managing Director

Takeo Shiina
Director (Outside Director)
IBM Japan, Ltd., Senior Advisor

Toshihiko Fukui
Director (Outside Director)
Former Senior Deputy Governor of The Bank of Japan

Yukiharu Kodama
Director (Outside Director)
Former Administrative Vice-Minister of International Trade and Industry

Corporate Auditors

Takuo Yamada

Kazuo Iwamoto

Nobuyoshi Tateishi

Kyoichi Sato

Executive Officers

Chairman of the Board
Chairman Executive Officer
Masaharu Ikuta

President
President Executive Officer
Kunio Suzuki

Deputy President
Deputy President Executive Officer
Kazuo Sato
Assistant to the President (mainly in non-Liner divisions)
Kansai area

Deputy President
Deputy President Executive Officer
Seiji Nakamura
Assistant to the President (mainly in administrative divisions)
IR Office, Associated Business Division

Deputy President
Deputy President Executive Officer
Joji (George) Hayashi
Assistant to the President (mainly in Liner divisions)

Senior Managing Director
Senior Managing Executive Officer
Tokinao Hojo
Coal and Iron Ore Carrier Division,
Bulk Carrier Division,
Bulk Carrier Co-ordination Office,
Wood Chip Carrier Division,
Tanker Divisions (A) and (B),
LNG Carrier Divisions (A) and (B),
Steaming Coal Carrier Division

Senior Managing Director
Senior Managing Executive Officer
Hiroyuki Sato
Liner Division, Logistics Office

Senior Managing Executive Officer
Kenji Machino
Human Resources Development Office,
Marine Division,
Ship Management Division,
LNG Ship Management Division

Senior Managing Director
Senior Managing Executive Officer
Akimitsu Ashida
Corporate Planning Division,
Secretaries Office, Public Relations Office,
Information Systems Office,
Ship Management Division,
Internal Auditor, IT Strategies

Managing Executive Officer
Kazuki Mori
Liner Marketing, Ports and Terminals Department,
President of Mitsui O.S.K. Lines (Japan) Ltd.

Managing Executive Officer
Shinichi Takemoto
Personnel Division, Tanker Divisions (A) and (B)

Managing Executive Officer
Masao Sagara
Bulk Carrier Division, Bulk Carrier Co-ordination Office, Wood Chip Carrier Division

Managing Executive Officer
Chikanobu Nomura
Research Co-operation Office,
Coal and Iron Ore Carrier Division

Managing Director
Managing Executive Officer
Kentaro Hino
Finance and Accounting Division, General Affairs Division

Managing Executive Officer
Yutaka Okamoto
Car Carrier Division

Executive Officer
Yoshikazu Takahashi
General Manager of Steaming Coal Carrier Division

Executive Officer
Takao Yamamoto
General Manager of Tanker Division (B)

Executive Officer
Makoto Iwata
LNG Carrier Divisions (A) and (B)

Executive Officer
Tsutomu Iizuka
General Manager of Associated Business Division

Executive Officer
Hidehiro Harada
Chief Executive of Mitsui O.S.K. Lines (Europe) Ltd.

Executive Officer
Kazuaki Konishi
General Manager of Finance and Accounting Division

Executive Officer
Saburo Koide
General Manager of Coal and Iron Ore Carrier Division

Executive Officer
Masakazu Yakushiji
General Manager of Corporate Planning Division

Executive Officer
Tomonobu Hada
Environment matters, Technical Division, Ship Management Division, LNG Ship Management Division

Executive Officer
Kenji Yamagami
General Manager of Bulk Carrier Division

Executive Officer
Makoto Kuroishi
Managing Director of Mitsui O.S.K. Lines (Japan) Ltd.

Executive Officer
Hideyuki Sadamatsu
Managing Director of Mitsui O.S.K. Lines (Asia) Ltd.

Executive Officer
Toshiki Saito
General Manager of Logistics Office

Executive Officer
Toshifumi Kato
Liner Division

(As of June 27, 2001)

Six-Year Summary

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

	Millions of yen					
	2001	2000	1999	1998	1997	1996
For the year:						
Shipping and other revenues	**¥ 887,867**	¥ 881,807	¥ 809,161	¥ 834,879	¥ 777,896	¥ 662,046
Vessel depreciation	**64,851**	55,112	52,637	62,370	53,597	44,384
Other expenses	**667,661**	690,936	630,405	650,636	610,419	515,069
Amortization of consolidation difference	**663**	583	563	513	60	144
Other general and administrative expenses	**76,453**	73,856	72,019	74,384	75,275	74,320
Operating income	**78,239**	61,320	53,537	46,976	38,545	28,129
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**3,681**	1,403	4,127	3,474	5,024	4,024
Income before income taxes	**20,860**	15,314	15,338	18,064	9,030	6,468
Income taxes	**(19,473)**	(6,427)	(8,362)	(8,383)	(3,128)	(2,167)
Deferred income taxes	**7,709**	(529)	–	–	–	–
Minority interests	**1,847**	(33)	34	(1,258)	170	385
Net income	**10,943**	8,325	7,010	8,423	6,072	4,686
At year end:						
Current assets	**255,774**	239,860	230,996	276,089	250,148	211,361
Current liabilities	**399,996**	412,717	337,417	350,132	301,269	279,444
Vessels, property and equipment, at cost	**691,307**	756,623	753,347	818,579	718,194	613,672
Total assets	**1,140,400**	1,196,474	1,174,640	1,286,576	1,190,871	1,058,326
Long-term debt	**540,159**	598,999	670,363	772,428	735,101	632,778
Shareholders' equity	**144,355**	151,992	140,490	137,692	129,175	123,514
Retained earnings	**43,433**	43,199	37,900	35,102	20,269	14,610
Amounts per share of common stock (yen):						
Net income	**9.01**	6.77	6.33	7.61	5.49	4.27
Shareholders' equity	**119.88**	123.63	126.81	124.28	116.69	112.45
Cash dividends	**5.00**	4.00	4.00	4.00	–	–

Consolidation and Business Segments

In addition to Mitsui O.S.K. Lines, Ltd. (the "parent company"), consolidated financial statements include 295 subsidiaries and 36 equity-method affiliates. In fiscal 1999, there were 291 consolidated companies and 38 equity-method affiliates. Group companies represent approximately 23.1% of shipping and other revenues ("revenues"). For fiscal 2000, which ended on March 31, 2001, consolidated revenues of ¥887,867 million (US$7,166 million) exceeded parent company revenues of ¥683,167 million (US$5,514 million), by ¥204,700 million.

There are five business segments for financial reporting purposes. Overseas shipping includes almost all cargo shipping operations as well as certain cruise ship operations. There are three categories of companies in this segment: ship operation companies, companies that own ships for charter to ship operating companies, and ship management companies that provide manning, ship maintenance and other ship management services. In fiscal 2000, this segment accounted for 80% of consolidated revenues. Ferry/domestic shipping includes ferry operations, all of which are within Japan, other domestic shipping services and tugboat operations. Shipping agent and harbor/terminal operation includes the operations of the MOL Group's 20 shipping agents and 12 companies involved in harbor transportation, terminal operations and customs clearance. Most operations in this segment are linked to the liner business. Cargo forwarding and warehousing includes forwarding services for sea, land and air shipments for MOL containers and other types of cargo. Warehousing and logistics extends a full line of support, including record-keeping, sorting and land transportation arrangements, for clients. The others segment mainly consists of real estate, finance and insurance, and a variety of activities required to support shipping and other core businesses.

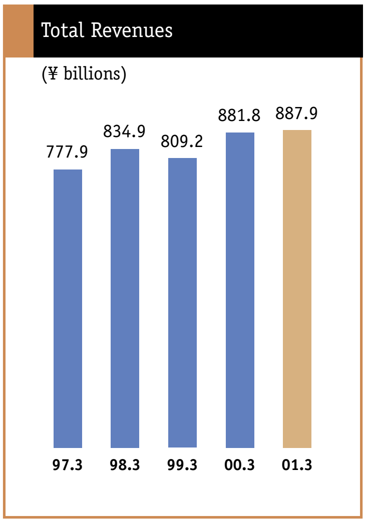
Foreign Currency Translations

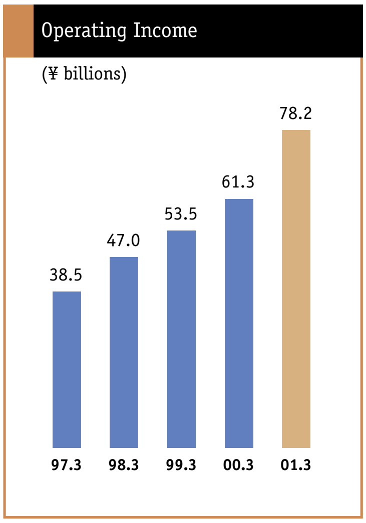
As approximately three-fourths of revenues and a somewhat smaller share of expenses, mainly fuel and operating expenses at overseas offices and terminals, are denominated in foreign currencies, primarily the U.S. dollar, revenues and earnings are susceptible to fluctuations in the value of the Japanese yen. In this publication, Japanese yen figures are translated into U.S. dollars solely for the convenience of the reader at the rate of ¥123.90/US$1.00, the TTM rate as of March 31, 2001. Subsidiaries whose books are kept in a currency other than yen translate their figures, except shareholders' equity, into yen at the rate prevailing on the last day of each subsidiary's fiscal year. Most of these subsidiaries base their records on U.S. dollars and have a fiscal year that ends on December 31. The TTM was ¥114.75/US$1.00 on December 31, 2000 and ¥102.40/US$1.00 on December 31, 1999.

Revenues and Operating Income

In fiscal 2000, shipping and other revenues increased 0.7% to ¥887,867 million (US$7,166 million). This was mainly attributable to growth in revenues in the overseas shipping segment. Contributing factors were much higher charter rates in several key markets, notably tankers and Panamax bulkers, higher container volumes and the addition of a number of energy-related and specialized carriers operating on long-term charters.

Shipping and other expenses decreased 1.8% to ¥732,512 million (US$5,912 million). There was a significant increase in the price of bunker oil from an average of US$117/MT in fiscal 1999 to US$159/MT in fiscal 2000. The average cost in fiscal 1998 was only US$80/MT. Higher fuel costs affected parent company operating income by approximately ¥8.4 billion. Offsetting this growth were cost reductions achieved through a





variety of initiatives. Examples include merging subsidiaries, streamlining operations wherever possible, moving more operations out of Japan and focusing more resources on profitable operations. General and administrative expenses increased 3.6% to ¥77,116 million (US$622 million) as the contribution of cost containment programs was outweighed by the effect of the yen's weakness on yen translations of overseas expenses and higher expenses at overseas sub-agents. As a result, operating income increased from ¥61,320 million to ¥78,239 million (US$631 million), rising to 8.8% of revenues compared with 7.0% in fiscal 1999.

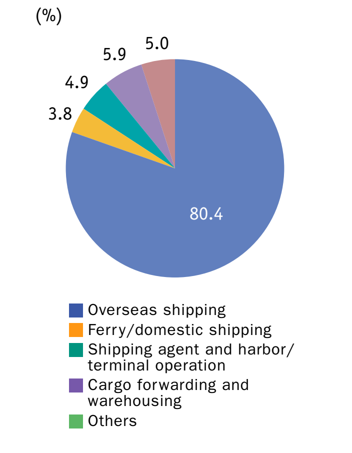
Overview by Segment

Overseas Shipping

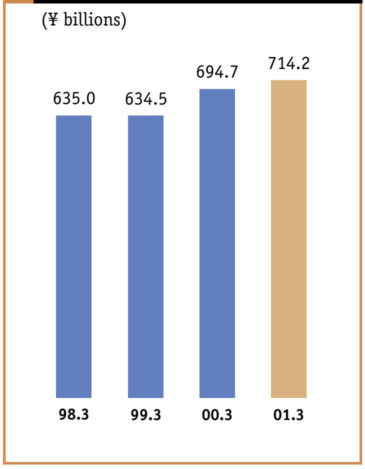
Revenues increased 2.8% to ¥714,153 million (US$5,764 million) and operating income rose 27.4% to ¥74,018 million (US$597 million). Strong performances by liners, bulkers and tankers were the major reasons for this growth. MOL continued to cut costs by taking advantage of its regional management structure for liners in which largely autonomous organizations oversee operations in Asia, North America and Europe. Efforts for aggressive cargo inducement and maximum container utilization also continued to contribute to the growth in earnings. In bulkers and specialized carriers, MOL was able to take advantage of strength in charter and freight rates during fiscal 2000 to enter into more profitable contracts. Actions to cut costs and operate vessels more efficiently were other positive factors. In tankers and gas carriers, MOL continued to invest in vessels to create a more profitable and competitive fleet. Results were also bolstered by high rates for VLCCs and other tankers for much of the year, allowing MOL to enter into new medium to long-term contracts and extend existing contracts at more favorable rates. Cruise ship operations posted another loss as the benefits of a downsizing of the fleet to two vessels were offset by persistent weakness in Japan's consumer spending.

This segment includes the parent company, 208 consolidated subsidiaries and 22 equity method affiliates. The primary activities are transportation by owned and chartered ships, chartering ships to others, and ship management. In transportation and chartering, the major subsidiaries are BGT, Ltd., M.O. Seaways, Ltd. and Tokyo Marine Co., Ltd. In ship management and manning, the major subsidiary is M.O. Ship Management Co., Ltd. This segment also includes cruise ships operated by Mitsui O.S.K. Passenger Line, Ltd.

Composition of Revenues in Fiscal 2000



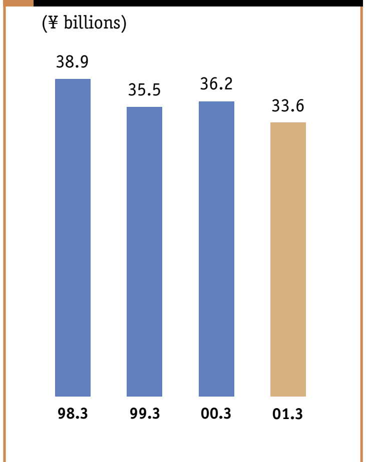
Overseas Shipping Revenues



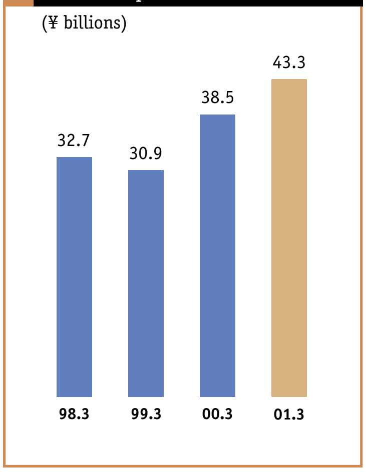
Ferry/Domestic Shipping

Revenues decreased 7.1% to ¥33,629 million (US$271 million) and there was an operating loss of ¥61 million (US$0.5 million). In fiscal 1999, operating income was ¥442 million (US$4 million). The impact of Japan's soft economy combined with intense competition and higher fuel costs to prevent this segment from reporting a profit. However, the performance of tugboat operations improved following a merger and other steps to reduce general and administrative expenses. In ferries, both passenger numbers and cargo volumes declined as fuel prices soared. MOL decided to liquidate two major ferry subsidiaries (Blue Highway Line Corporation and Blue Highway Line Nishinihon Corp.) and realign its ferry group operations. For this purpose, MOL established a new ferry company, Shosen Mitsui Ferry Co., Ltd. as a core ferry company in fiscal 2000. In this segment, there are eight consolidated subsidiaries, all of which operate in Japan. Five are ferry companies and three are tugboat companies. There are three equity method affiliates.

Ferry/Domestic Shipping Revenues



Shipping Agent and Harbor/ Terminal Operation Revenues



Shipping Agent and Harbor/Terminal Operation

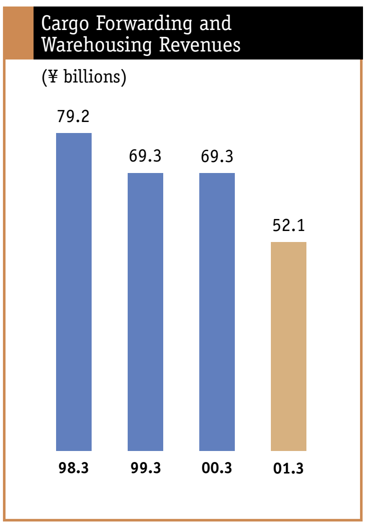
Revenues increased 12.3% to ¥43,276 million (US$349 million) and operating income improved from ¥1,924 million to ¥3,322 million (US$27 million). The most significant cause of this growth was higher volumes in the container terminal business due to an upturn in liner traffic. In Japan, the restructuring of personnel and other actions offset challenges posed by the stagnant Japanese economy and intense competition. Mergers conducted in fiscal 1999 among MOL's harbor/terminal operation companies were another important reason for the higher earnings.

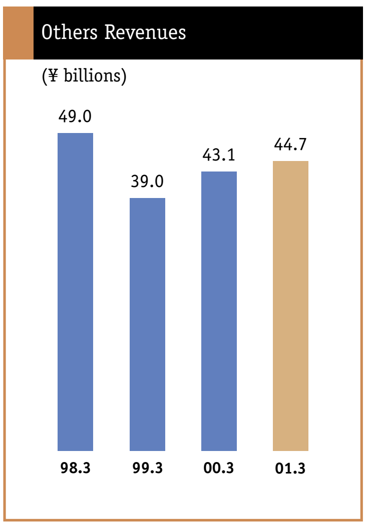
In this segment, there are 27 consolidated subsidiaries and five equity method affiliates involved in agency services, transportation at harbors, customs clearance and packaging. Mitsui O.S.K. Lines (America) Inc., Mitsui O.S.K. Lines (Europe) Ltd., and Mitsui O.S.K. Lines (Asia) Ltd. are the three core shipping agents which function as regional headquarters for the liner business. Trans Pacific Container Service Corp., International Container Terminal Co., Ltd., Shosen Koun Co., Ltd., Japan Express Co., Ltd. (Kobe) and Japan Express Co., Ltd. (Yokohama) are the primary providers of harbor/terminal operation and customs clearance services.

Cargo Forwarding and Warehousing

Revenues decreased 24.8% to ¥52,093 million (US$420 million) and operating income was down 5.0% to ¥646 million (US$5 million). Overseas logistics operations were bolstered during the year by the July 2000 reorganization to form MOL Logistics (USA). Air freight revenues were hurt by the slowdown of the U.S. economy in the fiscal year's second half.

There are 18 consolidated subsidiaries and three equity method affiliates in this segment operating in Japan and around the world. Cargo forwarding revenues are mainly generated by MOL Logistics (USA) Inc., M.O. Air System, Inc., MOL Logistic (Netherlands) B.V. and Hong Kong Logistics Co., Ltd., all of which provide warehousing and logistics services.





Others

Revenues increased 3.8% to ¥44,716 million (US$361 million) and operating income was ¥2,910 million (US$23 million). The April 2000 formation of Mitsui O.S.K. Techno-Trade provided an integrated base for trading activities, a major component of this segment's revenues. In the construction sector, Kusakabe Maritime Engineering's results improved considerably as the second phase of the construction of Kansai International Airport began.

This segment represents 34 consolidated subsidiaries and three equity method affiliates. Among the most important are real estate, machinery maintenance, financial services, trading, construction and computer information systems services.

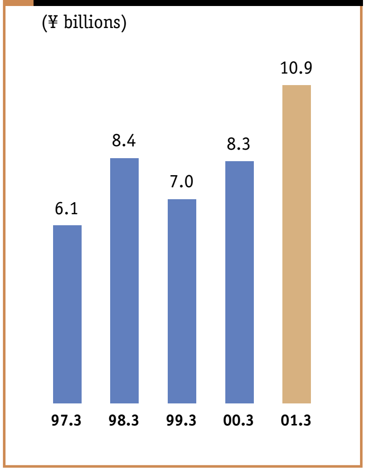
Other Income (Expense)

Net financial expenses—Interest expense, net of interest and dividend income, increased slightly from ¥34,646 million to ¥35,916 million (US$290 million). Low interest rates in Japan brought down interest income despite growth in cash and cash equivalents. Interest expense rose slightly despite a net reduction in interest-bearing debt of ¥89,012 million during fiscal 2000 as the yen's depreciation raised yen translations of overseas interest payments.

Equity-method earnings—Equity-method earnings increased from ¥1,403 million to ¥3,681 million (US$30 million). This was mainly attributable to higher earnings at bulk-carrier companies.

Others, net—Details of this item are listed in Note 8 on page 47. Most significant is a ¥17,308 million loss on sale and disposal of vessels, investment securities and others. Most of this figure represents losses on sales of vessels, mainly bulkers, semi-container ships and tankers, acquired when shipbuilding costs were high. Selling vessels to recognize these losses lowers the cost basis for shipping operations, helping make MOL more competitive and profitable. Loss on write-offs of securities and other investments of ¥4,711 million mainly represents the reductions in the carrying value of investments in poorly performing subsidiaries and affiliated companies. Largely offsetting these losses was an aggregate gain of ¥20,982 million from the sale of vessels and securities. MOL also posted a net transition obligation of ¥23,809 million due to the adoption of a new accounting standard for retirement benefit liabilities and a gain of ¥11,648 million on the contribution of securities to a

Net Income



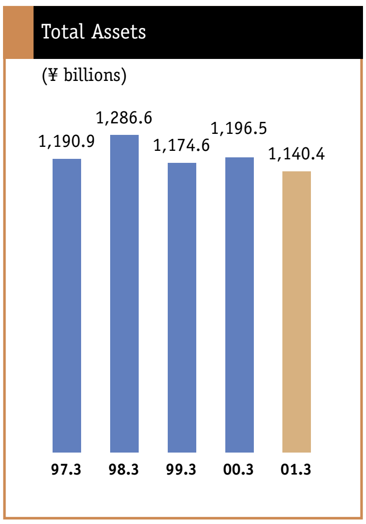
trust to cover unfunded liabilities. Provision for loss on the liquidation and integration of subsidiaries of ¥5,735 million mainly represents the establishment of a restructuring reserve for two ferry companies, Blue Highway Line Corporation and Blue Highway Line Nishinihon Corp.

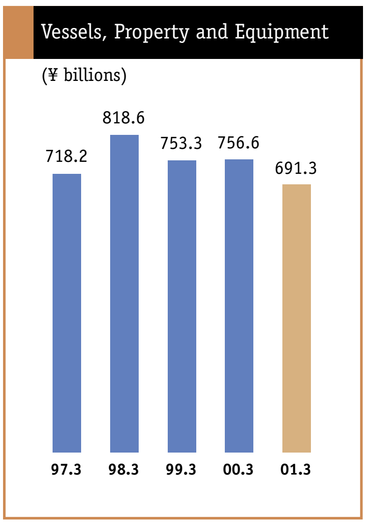
Net Income

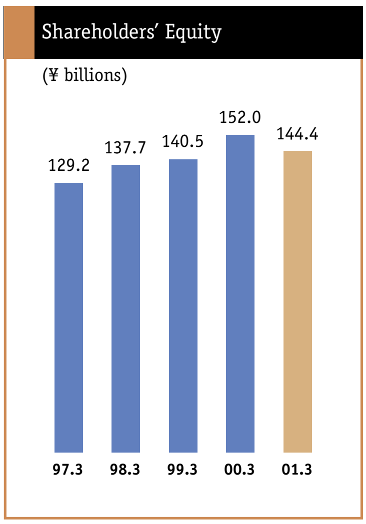
Income before income taxes increased 36.2% to ¥20,860 million (US$168 million). The current portion of income taxes rose to ¥19,473 million (US$157 million) and there was a reversal of deferred taxes of ¥7,709 million. Net income improved by 31.4% to ¥10,943 million (US$88 million) and net income per share rose from ¥6.77 to ¥9.01. Cash dividends applicable to the year were raised ¥4.00 to ¥5.00, the entire amount paid at the end of June 2001 to shareholders of record on March 31, 2001. The return on average equity was 7.4%.

Financial Position

Changes in the balance sheet during fiscal 2000 demonstrate the progress being made in utilizing assets more productively while reducing debt. Despite the slightly higher revenues and much higher earnings, total assets declined ¥56,074 million to ¥1,140,400 million (US$9,204 million) as of March 31, 2001. Almost all of this decrease was the result of declines in vessels and vessels under construction. This was attributable to sales of selected vessels, mainly those with a relatively high cost basis, and the effective use of charters and leases where appropriate to reduce the number of directly owned vessels in MOL's fleet. The decline in land was due to the sale of non-strategic assets such as idle truck terminals and housing and other facilities for employees. Current assets increased by ¥15,914 million to ¥255,774 million, mainly the result of growth in cash and cash equivalents and deferred tax assets. In investments and other assets, investment securities declined as the company sold non-strategic holdings and cross-holdings to streamline the balance sheet and generate gains to offset part of restructuring and other one-time expenses posted during fiscal 2000. The increase in other assets is attributable







to the inclusion of unrealized gains on financial instruments due to the adoption of a new accounting method for hedges. Unrealized losses are included in other non-current liabilities.

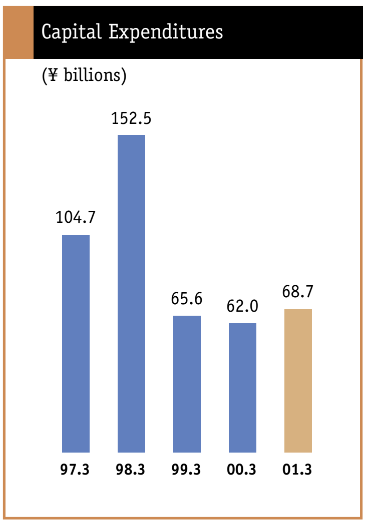
In current liabilities, there were large declines in short-term debt and the current portion of long-term debt as MOL's debt reduction program advances. Offsetting these declines was an increase in other current liabilities, mainly due to the Blue Highway Line's restructuring reserve. In long-term liabilities, debt declined but there were increases in retirement benefit liabilities due to the adoption of a new accounting standard and in other non-current liabilities due to the new hedging accounting standard. Shareholders' equity was ¥144,355 million (US$1,165 million) as MOL used ¥5,304 million to repurchase and retire 24 million shares of common stock during fiscal 2000. This is part of a total repurchase authorization of 120 million shares approved by shareholders on June 27, 2000.

Debt Reduction Target

In April 2001, MOL began a three-year management plan called MOL next. One of its central goals is to achieve a net reduction of ¥150 billion in interest-bearing debt during the three-year period ending in March 2004. During the two-year period through March 2001, MOL achieved a net reduction of ¥245 billion in interest-bearing debt, a target that had been set for March 2002. The new target of ¥150 billion is based on a constant exchange rate of ¥110/US$1.00. MOL plans to generate the funds required for these debt reductions primarily from projected growth in operating cash flows and limits on capital expenditures. Sales of vessels and real estate are also expected to generate a portion of funds used for debt reductions.

Capital Expenditures

On a cash basis, capital expenditures were ¥68,698 million (US$554 million) compared with ¥61,980 million one year earlier. This growth reflects MOL's policy of making the strategic investments needed to meet its expansion goals and become more competitive. New shipbuildings accounted for almost all of



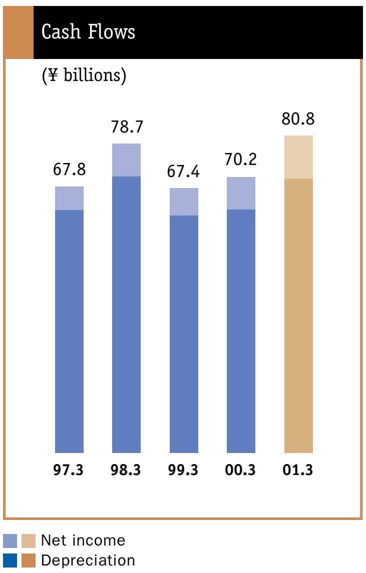
these expenditures. MOL is investing in large containerships, double-hulled VLCCs and other areas to bolster and expand its operations. In fiscal 2000, two bulk carriers, three double-hulled VLCCs and three LNG carriers were added to the MOL's fleet.

Cash Flows

Net cash provided by operating activities, net of interest, dividends and taxes, rose by ¥14,443 million to ¥91,020 million (US$735 million). Most of this improvement is attributable to growth in net income before tax and depreciation and amortization. Net cash provided by investing activities increased from ¥19,335 million to ¥47,215 million (US$381 million). Although there was an increase in payments for vessels and other tangible fixed assets, there was a much larger increase in proceeds from sale of vessels and other tangible fixed assets as MOL continued to restructure its fleet for maximum efficiency and profitability. Net cash used in financing activities increased ¥24,697 million to ¥129,910 million (US$1,049 million) as MOL continued to use free cash flow and proceeds from sales of vessels and securities for repayments of long-term debt. The company also used cash to repurchase and retire common stock, the first repurchasing program in its history. The result of these activities was a net increase of ¥9,618 million in cash and cash equivalents to ¥55,290 million (US$446 million).

Environmental Issues

Safe navigation and protecting the marine and global environments are among the top priorities of MOL in conducting its businesses. To set forth guidelines for programs in this regard, MOL formulated a set of environmental principles in 2000 and began issuing an Environmental Report. In April 2001, MOL adopted a rigorous internal environmental management system called MOL EMS 21. With this new system, MOL will continue to take a broad range of actions to ensure that MOL remains an organization that is kind to Earth and its oceans.



Consolidated Balance Sheets

Mitsui O.S.K. Lines March 31, 2001 and 2000

ASSETS	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current assets:			
Cash and cash equivalents	¥ **55,290**	¥ 45,713	$ **446,247**
Marketable securities (Note 3)	**9,074**	12,666	**73,236**
Trade receivables	**102,995**	101,408	**831,275**
Allowance for doubtful accounts	**(1,246)**	(515)	**(10,056)**
Fuel and supplies	**11,550**	12,381	**93,220**
Deferred and prepaid expenses	**41,162**	35,447	**332,220**
Deferred tax assets (current) (Notes 2 (14) and 11)	**6,307**	1,644	**50,904**
Other current assets	**30,642**	31,116	**247,312**
Total current assets	**255,774**	239,860	**2,064,358**
Vessels, property and equipment, at cost (Note 5):			
Vessels	**1,069,607**	1,103,448	**8,632,825**
Buildings and structures	**69,524**	67,567	**561,130**
Equipment, mainly containers	**49,432**	49,991	**398,967**
Land	**66,879**	69,520	**539,782**
Vessels and other property under construction	**30,157**	36,065	**243,398**
	1,285,599	1,326,591	**10,376,102**
Accumulated depreciation	**(594,292)**	(569,968)	**(4,796,545)**
	691,307	756,623	**5,579,557**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**59,013**	78,620	**476,295**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**60,863**	61,126	**491,227**
Long-term money in trust	**1,762**	1,762	**14,221**
Consolidation difference	**4,262**	4,198	**34,399**
Deferred tax assets (non-current) (Notes 2 (14) and 11)	**5,215**	3,257	**42,090**
Other assets	**62,204**	41,095	**502,050**
	193,319	190,058	**1,560,282**
Translation adjustments	**–**	9,933	**–**
	¥1,140,400	¥1,196,474	**$ 9,204,197**

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
Current liabilities:			
Short-term debt (Note 5)	**¥ 100,073**	¥ 98,181	**$ 807,692**
Long-term debt due within one year (Note 5)	**102,233**	134,194	**825,125**
Trade payables	**91,794**	93,000	**740,872**
Advances received	**51,751**	51,901	**417,684**
Accrued income taxes	**14,675**	3,045	**118,442**
Deferred tax liabilities (current) (Notes 2 (14) and 11)	**387**	199	**3,123**
Other current liabilities	**39,083**	32,197	**315,440**
Total current liabilities	**399,996**	412,717	**3,228,378**
Long-term debt due after one year (Note 5)	**540,159**	598,999	**4,359,637**
Employees' severance and retirement benefits	**18,718**	11,986	**151,073**
Deferred tax liabilities (non-current) (Notes 2 (14) and 11)	**3,031**	4,343	**24,463**
Other non-current liabilities	**26,781**	8,516	**216,150**
Minority interests	**7,360**	7,921	**59,403**
Commitments and contingent liabilities (Note 6)			
Shareholders' equity (Note 7):			
Common stock, par value ¥50 per share			
Authorized:			
2001—3,154,000,000 shares			
2000—3,178,000,000 shares			
Issued:			
2001—1,205,410,445 shares			
2000—1,229,410,445 shares	**64,915**	64,915	**523,931**
Additional paid-in capital	**43,887**	43,887	**354,213**
Retained earnings	**43,433**	43,199	**350,548**
	152,235	152,001	**1,228,692**
Translation adjustments	**(7,595)**	–	**(61,299)**
Treasury stock, at cost	**(285)**	(9)	**(2,300)**
Total shareholders' equity	**144,355**	151,992	**1,165,093**
	¥1,140,400	¥1,196,474	**$9,204,197**

Consolidated Statements of Income

Mitsui O.S.K. Lines   Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
Shipping and other revenues (Note 10)	**¥887,867**	¥881,807	**$7,165,997**
Shipping and other expenses (Note 10):			
Vessel depreciation	**64,851**	55,112	**523,414**
Other expenses	**667,661**	690,936	**5,388,709**
	732,512	746,048	**5,912,123**
	155,355	135,759	**1,253,874**
General and administrative expenses:			
Amortization of consolidation difference (Note 2 (1))	**663**	583	**5,351**
Other general and administrative expenses	**76,453**	73,856	**617,054**
Operating income	**78,239**	61,320	**631,469**
Other income (expenses):			
Interest and dividend income	**3,550**	4,439	**28,652**
Interest expense	**(39,466)**	(39,085)	**(318,531)**
Equity in earnings of affiliated companies	**3,681**	1,403	**29,709**
Others, net (Note 8)	**(25,144)**	(12,763)	**(202,938)**
	(57,379)	(46,006)	**(463,108)**
Income before income taxes	**20,860**	15,314	**168,361**
Income taxes (Notes 2 (14) and 11):			
Current	**(19,473)**	(6,427)	**(157,167)**
Deferred	**7,709**	(529)	**62,220**
Minority interests	**1,847**	(33)	**14,907**
Net income	**¥ 10,943**	¥ 8,325	**$ 88,321**

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	**¥9.01**	¥6.77	**$0.073**
Diluted net income	–	–	–
Cash dividends applicable to the year	**¥5.00**	¥4.00	**$0.040**

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui O.S.K. Lines Years ended March 31, 2001 and 2000

	Shares of Common stock (Thousands)	Millions of yen				
		Common Stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	1,107,917	¥58,841	¥43,751	¥37,900	–	–
Shares issued due to merger with Navix Line, Ltd.	121,493	6,074	136	–	–	–
Balance at April 1, 1999	1,229,410	¥64,915	¥43,887	¥37,900	–	–
Cumulative effect of adopting deferred tax accounting	–	–	–	986	–	–
Due to merger with Navix Line, Ltd.	–	–	–	947	–	–
Due to change in consolidated subsidiaries	–	–	–	(1,206)	–	–
Due to change in affiliated companies accounted for by the equity method	–	–	–	808	–	–
Net income	–	–	–	8,325	–	–
Dividends paid	–	–	–	(4,432)	–	–
Bonuses to directors and corporate auditors	–	–	–	(129)	–	–
Balance at March 31, 2000	**1,229,410**	**¥64,915**	**¥43,887**	**¥43,199**	–	–
Due to change in consolidated subsidiaries	–	–	–	**(228)**	–	–
Due to change in affiliated companies accounted for by the equity method	–	–	–	**(123)**	–	–
Retirement of stock	**(24,000)**	–	–	**(5,304)**	–	–
Net income	–	–	–	**10,943**	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	**¥(7,595)**	–
Treasury stock	–	–	–	–	–	**¥(285)**
Dividends paid	–	–	–	**(4,918)**	–	–
Bonuses to directors and corporate auditors	–	–	–	**(136)**	–	–
Balance at March 31, 2001	**1,205,410**	**¥64,915**	**¥43,887**	**¥43,433**	**¥(7,595)**	**¥(285)**

	Thousands of U.S. dollars (Note 1)				
	Common Stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2000	**$523,931**	**$354,213**	**$348,660**	–	–
Due to change in consolidated subsidiaries	–	–	**(1,840)**	–	–
Due to change in affiliated companies accounted for by the equity method	–	–	**(993)**	–	–
Retirement of stock	–	–	**(42,809)**	–	–
Net income	–	–	**88,321**	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	**$(61,299)**	–
Treasury stock	–	–	–	–	**$(2,300)**
Dividends paid	–	–	**(39,693)**	–	–
Bonuses to directors and corporate auditors	–	–	**(1,098)**	–	–
Balance at March 31, 2001	**$523,931**	**$354,213**	**$350,548**	**$(61,299)**	**$(2,300)**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	**2001**
Cash flows from operating activities:			
Net income before tax	**¥ 20,860**	¥ 15,314	**$ 168,361**
Adjustments to reconcile net income before tax to net cash provided by operating activities:			
Depreciation and amortization	**69,825**	61,862	**563,559**
Equity in earnings of affiliated companies, net	**(3,681)**	(1,403)	**(29,709)**
Profit on evaluate of marketable securities	**(24)**	–	**(194)**
Loss on write-offs of investment securities	**1,612**	1,391	**13,010**
Loss on write-offs of subsidiaries' and affiliates' securities	**3,060**	–	**24,697**
Various provisions (reversals)	**12,772**	(3,362)	**103,083**
Interest and dividend receivable	**(3,550)**	(4,439)	**(28,652)**
Interest payable	**39,466**	39,085	**318,531**
Gain on sale of marketable securities	**(6,281)**	(3,254)	**(50,694)**
Gain (loss) on sale of investment securities	**(1,649)**	921	**(13,309)**
Loss on sale of subsidiaries' and affiliates' securities	**573**	412	**4,625**
Loss (gain) on sale and disposal of tangible fixed assets	**2,468**	(1,733)	**19,919**
Exchange loss	**2,258**	4,026	**18,224**
Changes in operating assets and liabilities:			
Trade receivables	**(1,589)**	(13,322)	**(12,824)**
Fuel and supplies	**830**	(2,402)	**6,699**
Trade payables	**(1,206)**	16,261	**(9,733)**
Other, net	**(2,859)**	2,443	**(23,075)**
Sub total	**132,885**	111,800	**1,072,518**
Cash on interest and dividend received	**3,618**	7,445	**29,201**
Cash on interest paid	**(37,640)**	(33,925)	**(303,793)**
Cash on corporate income tax,resident tax,and enterprise tax paid	**(7,843)**	(8,743)	**(63,301)**
Net cash provided by operating activities	**91,020**	76,577	**734,625**
Cash flows from investing activities:			
Purchase of marketable securities	**(27,156)**	(20,081)	**(219,177)**
Purchase of investment securities	**(2,495)**	(14,230)	**(20,137)**
Proceeds from sale of marketable securities	**36,536**	37,741	**294,883**
Proceeds from sale of investment securities	**9,454**	19,455	**76,303**
Payments for vessels and other tangible fixed assets	**(66,469)**	(60,484)	**(536,473)**
Proceeds from sale of vessels and other tangible fixed assets	**100,264**	74,636	**809,233**
Disbursements for loans	**(5,946)**	(30,286)	**(47,990)**
Collections of loans receivable	**4,943**	16,705	**39,895**
Other	**(1,916)**	(4,121)	**(15,464)**
Net cash provided by investing activities	**47,215**	19,335	**381,073**
Cash flows from financing activities:			
Net increase (decrease) in short-term loan	**(18,054)**	1,282	**(145,714)**
Proceeds from long-term loan	**68,868**	94,884	**555,835**
Repayments of long-term loan	**(146,659)**	(182,661)	**(1,183,688)**
Proceeds from issuance of bonds	**17,616**	5,660	**142,179**
Repayments of bonds	**(44,222)**	(19,449)	**(356,917)**
Cash dividends paid by the company	**(4,918)**	(4,431)	**(39,693)**
Purchase of treasury stock	**(5,554)**	–	**(44,826)**
Cash dividends paid to minority interest	**(192)**	(204)	**(1,550)**
Other	**3,205**	(294)	**25,867**
Net cash used in financing activities	**(129,910)**	(105,213)	**(1,048,507)**
Effect of exchange rate changes on cash and cash equivalents	**1,293**	(3,588)	**10,436**
Net increase (decrease) in cash and cash equivalents	**9,618**	(12,889)	**77,627**
Cash and cash equivalents at beginning of year	**45,713**	43,244	**368,951**
Cash and cash equivalents increase by merger	–	13,097	–
Net cash increase (decrease) from new consolidation/ de-consolidation of subsidiaries	**(41)**	2,261	**(331)**
Cash and cash equivalents at end of year	**¥ 55,290**	¥ 45,713	**$ 446,247**

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines   Years ended March 31, 2001 and 2000

1. Basis of presenting financial statements

Mitsui O.S.K. Lines, Ltd. (the Company) and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are translations of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2001, which was ¥123.90 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.

2. Summary of significant accounting policies

(1) Principles of consolidation

Effective from the year ended March 31, 2000, all companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

The consolidated financial statements include the accounts of the Company and 295 subsidiaries for the year ended March 31, 2001 (291 subsidiaries for the year ended March 31, 2000). All significant inter-company transactions and accounts have been eliminated.

Also, effective from the year ended March 31, 2000, investments in affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method. 36 and 38 affiliated companies for the years ended March 31, 2001 and 2000, respectively, were accounted for by the equity method. Investments in other subsidiaries (114 in the year ended March 31, 2001 and 127 in the preceding year) and affiliated companies (101 and 110 in the respective years) were stated at costs since the Company's equity in net income and retained earnings in such companies were not material.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of acquisition cost over net assets acquired is shown as the consolidation difference and amortized over 5 to 14 years.

Amortization of the consolidation difference is included in general and administrative expenses.

(2) Translation of foreign currency

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

Prior to April 1, 2000, non-current receivables and payables denominated in currencies other than Japanese yen were translated at the historical exchange rate, except for long-term debt covered with forward exchange contracts, which is translated at the forward contract rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, non-current receivables and payables denominated in currencies other than Japanese yen are also translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for long-term debt covered with forward exchange contracts, which is translated at the forward contract rates. The 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.

Subsidiaries keeping their books in a currency other than Japanese yen translate the revenues and expenses and assets and liabilities in foreign currencies into the currency used for financial reporting in accordance with accounting principles generally accepted in their respective countries.

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

As a result of adopting the Revised Accounting Standard, income before income taxes increased by ¥340 million ($2,744 thousand).

Also, due to the adoption of the Revised Accounting Standard, the Company and its domestic subsidiaries report translation adjustments in the shareholders' equity and minority interest. The prior year's amount, which is included in assets, has not been reclassified.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) Shipping revenues and related expenses

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

(5) Securities

Prior to April 1, 2000, securities of the Company and its consolidated subsidiaries were stated at moving-average cost.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities")

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities are stated at moving-average costs at March 31, 2001, after which those with fair market values are required be stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, will be reported as a separate component of shareholders' equity. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

As a result of adopting the new accounting standard for financial instruments, income before income taxes decreased by ¥825 million ($6,659 thousand). Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, trading securities as well as held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at April 1, 2000, securities in current assets decreased by ¥889 million ($7,175 thousand) and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

(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

(8) Amortization of bond issue expense

Bond issue expense is charged to income as incurred.

(9) Interest capitalization

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

(10) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an account sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of the Company's collection losses.

(11) Employees' severance and retirement benefits

At March 31, 2000, the Company had tax-qualified pension plans for employees engaged in shore and sea services. Employees engaged in sea service who retire prior to a certain age were also entitled to a lump-sum payment. The Company set up an unfunded reserve for these lump-sum payments equal to 40% of the amount required if all eligible employees voluntarily terminated their employment as of the balance sheet date. Some subsidiaries had tax-qualified pension plans which cover all or a part of the retirement benefits and some other subsidiaries had established reserves for a lump-sum payment for retirement benefits.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actually calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits recorded as of August 3, 2000 (the "net transition obligation") amounted to ¥23,809 million ($192,163 thousand), of which ¥11,648 million ($94,011 thousand) was recognized as an expense as a result of the contribution of investment securities worth ¥16,212 million ($130,847 thousand) to the employee retirement benefit trust in August 2000. The remaining net transition obligation amounting to ¥12,161 million ($98,152 thousand) was also recognized as an expense in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

As a result of the adoption of the New Accounting Standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥16,573 million ($133,761 thousand), income before income taxes decreased by ¥16,573 million ($133,761 thousand) compared with what would have been recorded under the previous accounting standard. (The gain on securities contributed to employee retirement benefit trust amounting to ¥11,648 million ($94,011 thousand) is not included in the amount affected by the adoption of the New Accounting Standard.)

(12) Airline commissions

Airline commissions for export cargo in the air cargo forwarding business operated by M.O. Air System, Inc., a consolidated subsidiary of the Company, were previously accounted for as shipping and other operating revenues. However, beginning with this fiscal year, airline commissions were deducted from shipping and other operating expenses. This change reduced revenues by ¥19,736 million ($159,290 thousand), and also reduced expenses by the same amount.

(13) 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.

(14) Income taxes

The Company and its subsidiaries recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences. (See Note 11)

(15) 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 2001 column represent the amount payable to shareholders as of March 31, 2001.

(16) Derivatives and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedging and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contact was executed.

The following summarizes hedging derivative financial instruments used by the Company and its consolidated subsidiaries and items hedged:

Hedging instruments:	Hedged items:
Loans in foreign currencies	Foreign currency transactions
Forward foreign exchange contracts	Foreign currency transactions
Currency swap contracts	Foreign currency loans payable
Interest rate swap contracts	Interest on loans and bonds payable

The derivative transactions are executed and managed by the Company in accordance with the established policies in order to hedge the Group's exposure to interest rate increases and currency exchange fluctuations.

The Company evaluates hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the cumulative changes in cash flows from or the changes in fair value of hedging instruments.

(17) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2001 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Securities

A. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
(a) Trading securities:		
Book value	¥3,202	$25,843
Amount of net unrealized gains or losses included in the income statement	23	186
(b) Held-to-maturity debt securities:		
There were no securities with available fair values exceeding book values.		

Securities with available fair values not exceeding book values

	Millions of yen	Thousands of U.S. dollars
Book value	¥35	$282
Fair value	35	282
Difference	0	0

B. The following tables summarize book values of securities with no available fair value as of March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
(a) Available-for-sale securities:		
Type	Book value	Book value
Non-listed equity securities	¥13,853	$111,808
Non-listed foreign equity securities	1,500	12,106
Others	1,500	12,106
Total	¥16,853	$136,020

C. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Securities:					
Government bonds	¥ –	¥ 15	¥ –	–	¥ 15
Corporate bonds	–	–	–	–	–
Others	30	337	550	–	917
Others:					
Mutual fund	–	45	90	–	135
Total	¥30	¥397	¥640	–	¥1,067

	Thousands of U.S. dollars				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Securities:					
Government bonds	$ –	$ 121	$ –	–	$ 121
Corporate bonds	–	–	–	–	–
Others	242	2,720	4,439	–	7,401
Others:					
Mutual fund	–	363	726	–	1,089
Total	$242	$3,204	$5,165	–	$8,611

D. There were no held-to-maturity debt securities sold in the year ended March 31, 2001.

E. Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥12,867 million ($103,850 thousand) and the related gains and losses amounted to ¥2,115 million ($17,070 thousand) and ¥242 million ($1,953 thousand), respectively.

F. In August, 2000, the Company contributed, receiving no cash, certain investment securities to its employee retirement benefit trust. The market value of the contributed securities at the time of contribution was ¥16,212 million ($130,847 thousand). Upon contribution of these securities, a "gain on securities contributed to employee retirement benefit trust" amounting to ¥11,648 million ($94,011 thousand) was recognized.

4. Derivative transactions

The Group enters into derivative transactions and forward currency exchange contracts mainly to hedge the Group's exposure to interest rate increases and currency exchange rate fluctuations, in accordance with the guidance determined by the management of the company.

(A) Consolidated information

The outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2000 were as follows. The outstanding contract amounts or unrealized gains or losses of financial derivatives of the Group at March 31, 2001 are not listed below, as the Group applied hedge accounting to all derivative transactions for the year ended March 31, 2001.

	Millions of yen
	2000
(1) Currency related	
Forward currency exchange contracts:	
Sell (U.S. dollar):	
Contracts outstanding	¥17,974
Unrealized gain	1,315
Buy (U.S. dollar, Canadian dollar, Singapore dollar):	
Contracts outstanding	¥47,850
Unrealized loss	(4,766)
Currency swaps:	
Receive Yen, pay U.S. dollars:	
Contracts outstanding	¥79,346
Unrealized loss	(6,782)
Receive U.S. dollars, pay Yen:	
Contracts outstanding	¥11,763
Unrealized gain	2,394

	Millions of yen
	2000
(2) Interest related	
Interest rate swaps:	
Receive floating, pay fixed:	
Contracts outstanding	¥421,150
Unrealized loss	(7,532)
Receive fixed, pay floating:	
Contracts outstanding	¥ 61,677
Unrealized gain	1,363
Receive floating, pay floating:	
Contracts outstanding	¥ 1,000
Unrealized gain	3
Interest rate caps:	
Buy:	
Contracts outstanding	¥ 12,006
Unrealized gain (loss)	0

(Notes to the statements for the year ended March 31, 2000)

1. *In calculating market values in Japanese yen at the end of the fiscal year, forward exchange rates, prevailing at the end of the year, for the same values of the respective contracts are used.*
2. *Since forward exchange contracts for the Singapore dollar are against the U.S. dollar, Japanese yen values of those contracts are calculated using U.S. dollar/yen forward rates for the same value dates, which were prevailing on the respective contract dates.*
3. *Forward exchange contracts arranged for assets or liabilities denominated in foreign currencies were excluded from this table of derivatives disclosure because amounts of such assets or liabilities are virtually fixed in Japanese yen and recognized on the balance sheet in Japanese yen amounts.*
4. *Market values of currency swaps and interest swaps at the end of the fiscal year are calculated using prices of the contracts at the end of the year quoted by the financial institutions or trading houses with which the relevant transactions were closed.*
5. *The parentheses in the column of interest cap transactions show the amount of cap fees capitalized on the balance sheet and not amortized at the end of the year.*
6. *The contract values of the derivatives do not necessarily represent the magnitude of market risk or credit risk of those derivatives contracts.*

(B) The Company only

The outstanding contract amounts and unrealized gains or losses of financial derivatives of the Company at March 31, 2000 were as follows. The outstanding contract amounts or unrealized gains or losses of financial derivatives of the Company at March 31, 2001 are not listed below, as the Company applied hedge accounting to all derivative transactions for the year ended March 31, 2001.

	Millions of yen
	2000
(1) Currency related	
Forward currency exchange contracts:	
Sell (U.S. dollars):	
Contracts outstanding	¥11,286
Unrealized loss	(33)
Buy (U.S. dollars, Canadian dollars, Singapore dollars):	
Contracts outstanding	¥ 5,392
Unrealized loss	(46)
Currency swaps:	
Receive Yen, pay U.S. dollars:	
Contracts outstanding	¥ 1,005
Unrealized gain	7
Receive H.K. dollars, pay Yen:	
Contracts outstanding	¥ N/A
Unrealized gain (loss)	N/A

	Millions of yen
	2000
(2) Interest related	
Interest swaps:	
Receive floating, pay fixed:	
Contracts outstanding	¥114,115
Unrealized loss	(1,413)
Receive fixed, pay floating:	
Contracts outstanding	¥ 39,565
Unrealized gain	1,143
Receive floating, pay floating:	
Contracts outstanding	¥ 1,000
Unrealized gain	3
Interest caps:	
Buy:	
Contracts outstanding	¥ 5,000
Unrealized gain (loss)	0

	Millions of yen
	2000
(3) Commodity related	
Commodity swaps:	
Bunker oil	
Receive floating, pay fixed:	
Contracts outstanding	N/A
Unrealized gain (loss)	N/A

Market values of currency swaps, interest swaps, interest 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, 2001 (¥100,073 million: US$807,692 thousand) and 2000 (¥98,181 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, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Bonds:			
3.900% yen bonds due 2000	¥ –	¥ 29,900	$ –
1.450% yen bonds due 2001	**5,000**	5,000	**40,355**
1.750% yen bonds due 2002	**1,000**	1,000	**8,071**
2.350% yen bonds due 2002	**10,000**	10,000	**80,710**
2.750% yen bonds due 2004	**10,000**	10,000	**80,710**
3.025% yen bonds due 2006	**10,000**	10,000	**80,710**
3.075% yen bonds due 2007	**10,000**	10,000	**80,710**
3.250% yen bonds due 2009	**10,000**	10,000	**80,710**
5.200% S$ bonds due 2000	–	49	–
Floating rate yen notes due 2002	**1,000**	1,000	**8,071**
Floating/fixed rate yen notes due 2004	**1,000**	1,000	**8,071**
U.S. Treasury-linked bonds due 2000	–	3,567	–
Floating/fixed rate Euro medium term notes due 1999–2009	**15,061**	17,122	**121,558**
Secured loans from:			
Japan Development Bank due through 2015 at interest rates of 1.20% to 8.50%	**108,569**	86,886	**876,263**
Other financial institutions due through 2033 at interest rates of 0.51% to 10.00%	**375,505**	436,164	**3,030,712**
Unsecured loans from:			
Japan Development Bank due through 2001 at interest rates of 0.06% to 0.08%	–	1,035	–
Other financial institutions due through 2011 at interest rates of 0.63% to 9.00%	**85,257**	100,470	**688,111**
	642,392	733,193	**5,184,762**
Amount due within one year	**102,233**	134,194	**825,125**
	¥540,159	¥598,999	**$4,359,637**

At March 31, 2001, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥102,233	$ 825,125
2003	107,478	867,458
2004	70,146	566,150
2005	89,732	724,229
2006	57,206	461,711
2007 and thereafter	215,597	1,740,089
	¥642,392	$5,184,762

At March 31, 2001, the following assets were pledged as collateral for short-term debt and long-term debt.

	Millions of yen	Thousands of U.S. dollars
Vessels	¥489,682	$3,952,235
Buildings and structures	13,909	112,260
Land	8,962	72,333
Investment securities	20,942	169,023
Vessels and other property under construction	15,051	121,477
	¥548,546	$4,427,328

Secured loans	Millions of yen	Thousands of U.S. dollars
Short-term debt	¥ 1,982	$ 15,997
Long-term debt due within one year	69,419	560,282
Long-term debt	414,656	3,346,699
	¥484,075	$3,906,981

6. Commitments and contingent liabilities

At March 31, 2001, the Company and its consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of ¥136,775 million ($1,103,914 thousand).

The BGT project is operated by 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

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

Under the Code, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the reserve equals to 25% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. The legal reserve is included in the retained earnings.

Year-end dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable (See Note 13). The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code. In addition, semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

The ordinary General Meeting of Shareholders held on June 27, 2000, authorized Mitsui O.S.K. Lines, in accordance with the Japanese regulations, to acquire and retire up to a total not exceeding 120 million outstanding shares of its common stock with its profit, on and after June 28, 2000, whenever deemed necessary by the Board of Directors in view of general economic conditions, Mitsui O.S.K. Lines's business performance and financial condition and other factors. At March 31, 2001, 24 million outstanding shares of its common stock had been acquired under this authorization.

8. Other income (expenses): others, net - Breakdown

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Others, net:			
Gain on sale of marketable securities	**¥ 6,281**	¥ 3,254	**$ 50,694**
Exchange losses, net	**(2,258)**	(4,296)	**(18,224)**
Gain on sale of vessels, investment securities and others	**14,701**	12,013	**118,652**
Gain (Loss) on cancellation of vessel charters	**(1,456)**	811	**(11,751)**
Loss on sale and disposal of vessels, investment securities and others	**(17,308)**	(11,614)	**(139,693)**
Amortization of past service costs of pension plan	**–**	(5,502)	**–**
Loss arising from dissolution of subsidiaries and affiliated companies	**(128)**	(3,700)	**(1,033)**
Loss on write-offs of securities and other investments	**(4,711)**	(1,392)	**(38,023)**
Temporary expenses accompanied by merger with Navix Line, Ltd	**–**	(804)	**–**
Loss on write-offs of fixed assets	**–**	(598)	**–**
Provision for doubtful accounts	**(139)**	(621)	**(1,122)**
Special retirement	**(1,511)**	(1,565)	**(12,195)**
Gain on securities contributed to employee retirement benefit trust	**11,648**	–	**94,011**
Amortization of net transition obligation	**(23,809)**	–	**(192,163)**
Provision for loss on the liquidation and integration of subsidiaries	**(5,735)**	–	**(46,287)**
Sundries	**(719)**	1,251	**(5,804)**
Total	**¥(25,144)**	¥(12,763)	**$(202,938)**

9. 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, 2001 of finance leases that do not transfer ownership to the lessee is as follows :

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost	¥40,246	¥1,166	¥41,412
Accumulated depreciation	32,847	837	33,684
Net book value	¥ 7,399	¥ 329	¥ 7,728

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	$324,826	$9,411	$334,237
Accumulated depreciation	265,109	6,755	271,864
Net book value	$ 59,717	$2,656	$ 62,373

(2) Future lease payments inclusive of interest at March 31, 2001

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 4,699	$ 37,926
Amount due after one year	11,233	90,662
Total	¥15,932	$128,588

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Lease payments for the years ended March 31	**¥6,701**	¥7,786	**$54,084**
Depreciation equivalent	**3,995**	5,145	**32,244**
Interest equivalent	**579**	1,356	**4,673**

(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 between total lease payments and acquisition cost equivalents were regarded as amounts representing interest payable equivalents and were allocated to each period using the interest method.

(B) Future lease payments under operating leases at March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 4,886	$ 39,435
Amount due after one year	24,413	197,038
Total	¥29,299	$236,473

As lessor:

(A) Information on finance leases accounted for as operating leases:

(1) A summary of acquisition cost, accumulated depreciation and net book value at March 31, 2001 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost	¥588	¥537	¥1,125
Accumulated depreciation	378	278	656
Net book value	¥210	¥259	¥ 469

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	$4,746	$4,334	$9,080
Accumulated depreciation	3,051	2,244	5,295
Net book value	$1,695	$2,090	$3,785

(2) Future lease income inclusive of interest at March 31, 2001

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥181	$1,461
Amount due after one year	492	3,971
Total	¥673	$5,432

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Lease income for the year ended March 31	**¥217**	¥ 87	**$1,751**
Depreciation	**266**	115	**2,147**
Interest equivalent	**21**	15	**169**

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

(B) Future lease income under operating leases at March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥124	$1,001
Amount due after one year	484	3,906
Total	¥608	$4,907

10. Segment information

(A) Business segment information:

For the year ended March 31, 2001:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**¥714,153**	**¥33,629**	**¥43,276**	**¥52,093**	**¥ 44,716**	**¥ –**	**¥ 887,867**
(2) Inter-segment revenues	**6,705**	**3,160**	**37,100**	**753**	**18,826**	**(66,544)**	**–**
Total revenues	**720,858**	**36,789**	**80,376**	**52,846**	**63,542**	**(66,544)**	**887,867**
2. Operating expenses	**646,840**	**36,850**	**77,054**	**52,200**	**60,632**	**(63,948)**	**809,628**
Operating income (loss)	**¥ 74,018**	**¥ (61)**	**¥ 3,322**	**¥ 646**	**¥ 2,910**	**¥ (2,596)**	**¥ 78,239**
3. Assets, depreciation and capital expenditures:							
(1) Assets	**¥946,033**	**¥53,308**	**¥51,509**	**¥27,932**	**¥185,106**	**¥(123,488)**	**¥1,140,400**
(2) Depreciation	**61,281**	**3,728**	**2,350**	**653**	**1,813**	**–**	**69,825**
(3) Capital expenditures	**61,723**	**811**	**4,589**	**850**	**725**	**–**	**68,698**

For the year ended March 31, 2000:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 694,728	¥36,211	¥38,530	¥69,253	¥ 43,085	¥ –	¥ 881,807
(2) Inter-segment revenues	3,957	1,982	47,340	707	15,386	(69,372)	–
Total revenues	698,685	38,193	85,870	69,960	58,471	(69,372)	881,807
2. Operating expenses	640,608	37,751	83,946	69,280	55,612	(66,710)	820,487
Operating income	¥ 58,077	¥ 442	¥ 1,924	¥ 680	¥ 2,859	¥ (2,662)	¥ 61,320
3. Assets, depreciation and capital expenditures:							
(1) Assets	¥1,018,577	¥56,570	¥41,975	¥20,637	¥182,150	¥(123,435)	¥1,196,474
(2) Depreciation	53,647	3,933	1,831	705	1,748	–	61,864
(3) Capital expenditures	49,739	4,867	3,043	867	3,464	–	61,980

For the year ended March 31, 2001:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Thousands of U.S. dollars						
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$5,763,947	$271,420	$349,282	$420,444	$ 360,904	$ –	$7,165,997
(2) Inter-segment revenues	54,116	25,504	299,435	6,077	151,945	(537,077)	–
Total revenues	5,818,063	296,924	648,717	426,521	512,849	(537,077)	7,165,997
2. Operating expenses	5,220,662	297,417	621,905	421,308	489,362	(516,126)	6,534,528
Operating income (loss)	$ 597,401	$ (493)	$ 26,812	$ 5,213	$ 23,487	$ (20,951)	$ 631,469
3. Assets, depreciation and capital expenditures:							
(1) Assets	$7,635,456	$430,250	$415,730	$225,440	$1,493,995	$(996,675)	$9,204,197
(2) Depreciation	494,600	30,089	18,967	5,270	14,633	–	563,559
(3) Capital expenditures	498,168	6,546	37,038	6,860	5,851	–	554,463

As explained in Note 2 (12), effective April 1, 2000, a consolidated subsidiary adopted a new accounting policy for airline commissions.

The effect of this change on segment information was to decrease revenue from customers in cargo forwarding and warehousing by ¥19,736 million ($159,290 thousand) and decrease operating expenses by the same amount.

(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, 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 the 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 registered in Japan in this segment information for convenience.

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

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

For the year ended March 31, 2001:	Millions of yen Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**¥ 828,939**	**¥43,845**	**¥ 6,349**	**¥ 8,649**	**¥ 85**	**¥ –**	**¥ 887,867**
(2) Inter-segment revenues	**1,211**	**8,721**	**2,510**	**13,854**	**1,048**	**(27,344)**	**–**
Total revenues	**830,150**	**52,566**	**8,859**	**22,503**	**1,133**	**(27,344)**	**887,867**
2. Operating expenses	**754,042**	**50,601**	**8,552**	**21,824**	**1,207**	**(26,598)**	**809,628**
Operating income (loss)	**¥ 76,108**	**¥ 1,965**	**¥ 307**	**¥ 679**	**¥ (74)**	**¥ (746)**	**¥ 78,239**
3. Assets	**¥1,082,416**	**¥28,391**	**¥80,798**	**¥13,488**	**¥1,722**	**¥(66,415)**	**¥1,140,400**

For the year ended March 31, 2000:	Millions of yen Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 826,165	¥42,175	¥ 7,163	¥ 6,185	¥ 119	¥ –	¥ 881,807
(2) Inter-segment revenues	1,042	19,209	4,423	10,641	888	(36,203)	–
Total revenues	827,207	61,384	11,586	16,826	1,007	(36,203)	881,807
2. Operating expenses	767,122	58,225	11,233	16,044	1,048	(33,185)	820,487
Operating income (loss)	¥ 60,085	¥ 3,159	¥ 353	¥ 782	¥ (41)	¥ (3,018)	¥ 61,320
3. Assets	¥1,158,281	¥20,184	¥61,265	¥10,759	¥1,541	¥(55,556)	¥1,196,474

For the year ended March 31, 2001:	Thousands of U.S. dollars Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**$6,690,388**	**$353,874**	**$ 51,243**	**$ 69,806**	**$ 686**	**$ –**	**$7,165,997**
(2) Inter-segment revenues	**9,774**	**70,388**	**20,258**	**111,816**	**8,458**	**(220,694)**	**–**
Total revenues	**6,700,162**	**424,262**	**71,501**	**181,622**	**9,144**	**(220,694)**	**7,165,997**
2. Operating expenses	**6,085,892**	**408,402**	**69,023**	**176,142**	**9,742**	**(214,673)**	**6,534,528**
Operating income (loss)	**$ 614,270**	**$ 15,860**	**$ 2,478**	**$ 5,480**	**$ (598)**	**$ (6,021)**	**$ 631,469**
3. Assets	**$8,736,207**	**$229,144**	**$652,123**	**$108,862**	**$13,898**	**$(536,037)**	**$9,204,197**

As explained in Note 2 (12), effective April 1, 2000, a consolidated subsidiary adopted a new accounting policy for airline commissions.

The effect of this change on segment information was to decrease revenue from customers in Japan by ¥19,736 million ($159,290 thousand) and decrease operating expenses by the same amount.

(C) International business information:

For the year ended March 31, 2001:	North America	Europe	Asia	Others	Total
	Millions of yen				
1. International revenue	**¥216,646**	**¥123,853**	**¥171,732**	**¥239,977**	**¥752,208**
2. Consolidated revenue	**–**	**–**	**–**	**–**	**¥887,867**
3. Ratio of international revenue to consolidated revenue	**24.4%**	**13.9%**	**19.3%**	**27.0%**	**84.7%**

Segmentation is made from the perspective of geographical closeness and identity.
Geographical areas belonging to the segments are as follows:

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

Revenues from international business mainly consist of ocean-going vessel and voyage revenues.

For the year ended March 31, 2000:	North America	Europe	Asia	Others	Total
	Millions of yen				
1. International revenue	¥207,947	¥113,716	¥165,735	¥237,434	¥724,832
2. Consolidated revenue	–	–	–	–	¥881,807
3. Ratio of international revenue to consolidated revenue	23.6%	12.9%	18.8%	26.9%	82.2%

For the year ended March 31, 2001:	North America	Europe	Asia	Others	Total
	Thousands of U.S. dollars				
1. International revenue	**$1,748,555**	**$999,621**	**$1,386,053**	**$1,936,860**	**$6,071,089**
2. Consolidated revenue	**–**	**–**	**–**	**–**	**$7,165,997**
3. Ratio of international revenue to consolidated revenue	**24.4%**	**13.9%**	**19.3%**	**27.0%**	**84.7%**

11. Income taxes

The company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 38% for the years ended March 31, 2001 and 2000.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2001 and 2000.

	2001	2000
Statutory tax rate	**38.0%**	38.0%
Non-taxable entertainment expenses	**11.1**	5.7
Non-taxable dividend income	**(4.7)**	(7.5)
Valuation allowance	**6.7**	8.6
Others	**5.3**	0.6
Effective tax rate	**56.4%**	45.4%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Excess bad debt expenses	**¥ 558**	¥ 353	**$ 4,504**
Excess reserve for bonuses expenses	**777**	558	**6,271**
Excess retirement benefits expenses	**3,056**	2,073	**24,665**
Excess retirement allowances for officers	**464**	231	**3,745**
Write-offs of securities and other investments	**3,124**	414	**25,214**
Deficit carried forward	**2,247**	1,784	**18,136**
Amortization of past service expenses of pension plan	**–**	456	
Accrued business tax and business place tax	**482**	-	**3,890**
Excess provision for loss on loan guarantee	**3,453**	-	**27,869**
Unrealized gain on sale of fixed assets	**1,261**	1,068	**10,178**
Others	**2,483**	1,684	**20,040**
Total deferred tax assets	**17,905**	8,621	**144,512**
Valuation allowance	**(3,026)**	(1,621)	**(24,423)**
Net deferred tax assets	**14,879**	7,000	**120,089**
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(1,107)**	(1,052)	**(8,935)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(5,660)**	(5,585)	**(45,682)**
Others	**(8)**	(4)	**(65)**
Total deferred tax liabilities	**(6,775)**	(6,641)	**(54,682)**
Net deferred tax assets	**¥ 8,104**	¥ 359	**$ 65,407**

12. Employees' severance and pension benefits

As explained in Note 2. Summary of significant accounting policies, effective April 1, 2000, the Company and its consolidated subsidiaries adopted the New Accounting Standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2001 consists of the following:

	Millions of yen
Projected benefit obligation	¥ 64,083
Unrecognized actuarial differences	419
Prepaid pension expenses	6,399
Less fair value of pension assets	(52,183)
Liability for severance and retirement benefits	¥ 18,718

Included in the consolidated statement of income for the year ended March 31, 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen
Service costs – benefits earned during the year	¥ 4,732
Interest cost on projected benefit obligation	1,320
Expected return on plan assets	(631)
Amortization of net transition obligation	23,809
Severance and retirement benefit expenses	¥ 29,230

The discount rate and the rate of expected return on plan assets used by the Company are 3.0%. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement using the straight-line method primarily over 10 years commencing with the following period.

13. Subsequent events

On June 27, 2001, the shareholders approved (1) payment of a year-end cash dividend to shareholders of record as of March 31, 2001 of ¥5 ($0.040) per share or a total of ¥6,022 million ($48,604 thousand) and (2) bonuses to directors and corporate auditors of ¥60 million ($484 thousand).

Report of Independent Public Accountants

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, 2001 and 2000, 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, 2001 and 2000, 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 during the periods, except as noted in the following paragraph.

As explained in Notes 2 (2), 2 (5), 2 (11) and 2 (16), in the year ended March 31, 2001, Mitsui O.S.K. Lines, Ltd. and subsidiaries prospectively adopted new Japanese accounting standards for financial instruments, employees' severance and retirement benefits and foreign currency translation.

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 27, 2001

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

Mitsui O.S.K. Lines As of March 31, 2001

■ Consolidated Subsidiaries
▲ Affiliated Companies Accounted for by the Equity Method

				Registered Office	MOL's Ownership (%)*	Paid-in Capital (Thousands)
Overseas Shipping	Ship Operation/ Chartering	■	BGT related 11 companies			
		■	International Energy Transport Co., Ltd.	Japan	46.66	¥1,224,000
		■	International Marine Transport Co., Ltd.	Japan	58.61	¥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	64.86	¥350,000
		■	Navix Kinkai, Ltd.	Japan	96.05	¥650,000
		■	Shipowner companies (178 companies) in Panama, Liberia, Hong Kong, Singapore, Bahamas, Grand Cayman			
		■	Tokyo Marine Co., Ltd.	Japan	71.74	¥617,500
		▲	Act Maritime Co., Ltd.	Japan	49.00	¥90,000
		▲	Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	S$29,662
		▲	Asahi Tanker Co., Ltd.	Japan	24.75	¥400,272
		▲	Badak LNG Transport, Inc.	Japan	25.00	¥400,000
		▲	Belo Maritime Transport S.A.	Panama	50.00	US$2
		▲	Daiichi Chuo Kisen Kaisha	Japan	20.97	¥13,258,410
		▲	Faship Maritime Carriers Inc.	Panama	50.00	US$1,200
		▲	Gearbulk Holding Ltd.	Bermuda	40.00	US$260,000
		▲	Global Alliance B.V.	Netherlands	25.00	US$5,000
		▲	Golden Sea Carrier Inc.	Liberia	50.00	US$2,420
		▲	Interasia Lines, Ltd.	Japan	43.75	¥400,000
		▲	Jasmin Shipping (Tokyo) Corporation	Japan	50.00	¥10,000
		▲	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
		▲	Nissan Motor Car Carrier Co., Ltd.	Japan	40.00	¥640,000
		▲	Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000
		▲	Powercoal Navigation Corp.	Panama	50.00	¥1,995,000
		▲	Shanghai Ferry Co., Ltd.	Japan	31.98	¥2,389,950
		▲	United Car Transport Corporation, S.A.	Panama	49.00	US$602
	Ship Management and Manning	■	Energy Maritime Service S.A.	Panama	100.00	US$1
		■	Et Marine Consultant S.A.	Panama	100.00	US$2
		■	Fresh Marine Consultant S.A.	Panama	100.00	US$2
		■	International Tanker Service S.A.	Panama	100.00	US$1
		■	Kobe Energy Service Co., Ltd.	Japan	100.00	¥10,000
		■	M.O. Cableship 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
		■	Tankship Venture S.A.	Panama	100.00	US$2
		■	Other 2 companies			
		▲	Arun LNG Transport, Inc	Japan	35.00	¥400,000
	Cruising	■	Mitsui O.S.K. Passenger Line, Ltd.	Japan	59.27	¥2,200,000
Ferry/Domestic Shipping	Ferry/Domestic Shipping	■	Blue Highway Line Corporation	Japan	50.22	¥1,410,000
		■	Blue Highway Line Nishinihon Corp.	Japan	100.00	¥1,183,000
		■	Ehime·Hanshin Ferry Co., Ltd.	Japan	100.00	¥300,000
		■	Shosen Mitsui Ferry Co., Ltd.	Japan	100.00	¥600,000
		■	The Diamond Ferry Co., Ltd.	Japan	88.43	¥900,000
		▲	Kyodo Kisen Kaisha, Ltd.	Japan	39.00	¥10,000
		▲	Kyushu Kyuko Ferry Co., Ltd.	Japan	47.00	¥840,000
		▲	Meimon Taiyo Ferry Co., Ltd.	Japan	34.68	¥880,000
	Tugboat Operation	■	Green Kaiji Kaisha, Ltd.	Japan	66.67	¥95,400
		■	Nihon Tug-Boat Co., Ltd.	Japan	69.53	¥134,203
		■	Ube Port Service Co., Ltd.	Japan	54.18	¥14,950
Shipping Agent and Harbor/ Terminal Operation	Shipping Agent	■	Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
		■	Green Shipping, Ltd.	Japan	100.00	¥160,000
		■	Kyushu Shipping Co., Ltd.	Japan	100.00	¥10,000
		■	Mitsui O.S.K. Bulk Shipping (USA) 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 (Asia) Ltd.	Hong Kong	100.00	HK$40,000
		■	Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A$1,000
		■	Mitsui O.S.K. Lines (Austria) GmbH	Austria	100.00	AS500
		■	Mitsui O.S.K. Lines (Deutschland) GmbH	Germany	100.00	DM500
		■	Mitsui O.S.K. Lines (Europe) Ltd.	U.K.	100.00	£1,500
		■	Mitsui O.S.K. Lines (Japan), Ltd.	Japan	100.00	¥395,500
		■	Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S$200
		■	Mitsui O.S.K. Lines (South Africa) (Pty), Ltd.	South Africa	100.00	R3,000
		■	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$1,677
		■	Sanwa Marine Ltd.	Japan	100.00	¥475,000
		▲	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 (Thousands)
	Harbor Operation and Customs Clearance	■	International Container Terminal Co., Ltd.	Japan	100.00	¥700,000
		■	International Container Transport Co., Ltd.	Japan	48.00	¥100,000
		■	Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥102,000
		■	Japan Express Co., Ltd. (Yokohama)	Japan	96.99	¥236,000
		■	Kitanihon Soko Koun Co., Ltd.	Japan	95.41	¥179,544
		■	Shosen Koun Co., Ltd.	Japan	79.99	¥300,000
		■	Trans Pacific Container Service Corp.	U.S.A	100.00	US$3,000
		■	Tyne Logistics Co., Ltd.	U.K.	51.00	£40
		■	Yokohama Marine Terminal Co., Ltd.	Japan	60.00	¥100,000
		▲	Seitetsu Unyu Co., Ltd.	Japan	20.00	¥2,000,000
		▲	Shinyo Kaiun Corporation	Japan	36.00	¥100,000
		▲	Utoc Corporation	Japan	22.48	¥1,455,300
Cargo Forwarding and Warehousing	Cargo Forwarding	■	AMT Freight, Inc.	U.S.A.	100.00	US$5,990
		■	Bangpoo Intermodal Systems Co., Ltd.	Thailand	67.98	BT130,000
		■	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	53.02	¥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
		■	MOL Logistics (UK) Ltd.	U.K.	100.00	£400
		■	MOL Logistics (USA) Inc.	U.S.A.	100.00	US$4,314
		▲	J.F. Hillebrand Group GmbH	Germany	50.00	DM1,000
		▲	Sanshin Co., Ltd.	Japan	42.86	¥10,000
	Warehousing and Logistics Service	■	AMT Freight GmbH Spedition	Germany	100.00	DM50
		■	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
		■	MOL Logistics Administration B.V.	Netherlands	100.00	DGL35
		■	MOL Logistics (Europe) B.V.	Netherlands	100.00	DGL909
		■	MOL Logistics (Netherlands) B.V.	Netherlands	100.00	DGL5,000
		■	Wassing UK Ltd.	U.K.	100.00	£10
		▲	Cougar Holdings Pte Ltd.	Singapore	47.11	S$9,330
Others	Office Rental and Real Estate	■	Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
		■	Hu-Tech Service Co., Ltd.	Japan	100.00	¥20,000
		■	Santo Tatemono Service	Japan	100.00	¥10,000
		■	Mitsui O.S.K. Kosan Co., Ltd.	Japan	89.87	¥395,000
		▲	Daibiru Corporation	Japan	27.07	¥12,227,847
	Finance and Insurance	■	BIL Investments Ltd.	U.K.	100.00	£21
		■	Citrus Navigation Corp.	Panama	100.00	¥1,027,500
		■	Euromol B.V.	Netherlands	100.00	DGL18,600
		■	Greenfield Holding Company, Limited	Grand Cayman	60.00	US$24,184
		■	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
		■	M.O. Reinsurance S.A.	Luxembourg	100.00	US$5,376
		■	Redfield Holding Company, Limited	Grand Cayman	100.00	US$1
		■	White Night Investment Ltd.	Liberia	100.00	US$5,000
	Others	■	Blue Highway Service	Japan	100.00	¥30,000
		■	Combined Data Resource, Inc.	U.S.A.	98.33	US$3,000
		■	Japan Express Packing & Transport Co., Ltd.	Japan	100.00	¥60,000
		■	Japan Hydrographic Charts & Publications Co., Ltd.	Japan	54.31	¥32,000
		■	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. Techno-Trade, Ltd.	Japan	100.00	¥690,000
		■	MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
		■	MOL Adjustment, Ltd.	Japan	100.00	¥10,000
		■	MOL Information Systems, Ltd.	Japan	100.00	¥100,000
		■	MOL Management Service, Ltd.	Japan	100.00	¥25,000
		■	Orange P.R. Ltd.	Japan	100.00	¥10,000
		■	Pro Staff Service Co., Ltd.	Japan	100.00	¥10,000
		■	M.O. Marine Construction, Ltd.	Japan	100.00	¥95,000
		▲	Green Engineering Co., Ltd.	Japan	50.00	¥49,000
		▲	South Eastern Oil (S) Pte. Ltd.	Singapore	50.00	S$500

*MOL includes MOL and its subsidiaries

Worldwide Offices

Head Office
1-1, Toranomon 2-chome, Minato-ku,
Tokyo 105-8688, Japan
P.O. Box 5, Shiba, Tokyo
Tel: 81-3-3587-6224 Fax: 81-3-3587-7734
Cable Address: THEMOLINE TOKYO
International Telex: Call No. J22266
Branch Offices
Sapporo, Yokohama, Nagoya, Osaka, Kobe, Hiroshima, Kyushu

Japan
Mitsui O.S.K. Lines (Japan) Ltd.
Head Office (Tokyo): Tel: 81-3-3587-7684
Fax: 81-3-3587-7730
Yokohama: Tel: 81-45-212-7710 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: 1-630-592-7300 Fax: 1-630-592-7402
Long Beach: Tel: 1-562-983-6200 Fax: 1-562-983-6295
New Jersey: Tel: 1-732-512-5200 Fax: 1-732-512-5385
San Francisco: Tel: 1-415-836-3500 Fax: 1-415-836-3533
Seattle: Tel: 1-206-444-6900 Fax: 1-206-444-6903
Mitsui O.S.K. Bulk Shipping (USA) Inc.
Head Office (New Jersey): Tel: 1-201-395-5800
Fax: 1-201-395-5820

Central and South America
Mitsui O.S.K. Lines-South America Ltda.
Head Office (Sao Paulo): Tel: 55-11-3145-3955
Fax: 55-11-3145-3943
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 City): Tel: 52-52-55-4505
Fax: 52-52-55-4685
Mitsui O.S.K. Bulk Shipping (USA) Inc.
Sao Paulo: Tel: 55-11-3145-3980 Fax: 55-11-3145-3946

Europe
Mitsui O.S.K. Lines (Europe) Ltd.
Head Office (London): Tel: 44-20-7265-7500
Fax: 44-20-7265-7560
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 (Europe) B.V.
Head Office (Rotterdam): Tel: 31-10-201-3200
Fax: 31-10-404-7634
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) N.V.
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: 44-20-7265-7676
Fax: 44-20-7265-7698
Brussels: Tel: 32-2-305-4240 Fax: 32-2-305-4241

Africa
Mitsui O.S.K. Lines (South Africa) (PTY), Ltd.
Head Office (Cape Town): Tel: 27-21-402-8900
Fax: 27-21-421-1806
Mitsui O.S.K. Lines (West Africa) Ltd.
Tema: Tel: 233-22-212084 Fax: 233-22-210807

Middle East
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.
Doha: Tel: 974-4-836548 Fax: 974-4-836563
Dubai: Tel: 971-4-3933132 Fax: 971-4-3935401
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: 84-8-821-9115 Fax: 84-8-821-9118
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
Mitsui O.S.K. Lines (Singapore) Pte., Ltd.
Head Office (Singapore): Tel: 65-225-2811
Fax: 65-225-6096
Mitsui O.S.K. Lines (Malaysia) Sdn., Bhd.
Head Office (Kuala Lumpur): Tel: 60-3-7957-9666
Fax: 60-3-7958-6763
P.T. Mitsui O.S.K. Lines Indonesia
Head Office (Jakarta): Tel: 62-21-521-1740
Fax: 62-21-521-1741
Mitsui O.S.K. Lines (Thailand) Co., Ltd.
Head Office (Bangkok): Tel: 66-2-234-6252
Fax: 66-2-237-1552
Mitsui O.S.K. Lines (Philippines), Inc.
Head Office (Manila): Tel: 63-2-528-1101
Fax: 63-2-528-0267
Mitsui O.S.K. Lines (China) Co., Ltd.
Head Office (Shanghai): Tel: 86-21-5306-0088
Fax: 86-21-6384-6267
Beijing: Tel: 86-10-8529-9121 Fax: 86-10-8529-9126
Tianjin: Tel: 86-22-2339-8349 Fax: 86-22-2311-4470
Mitsui O.S.K. Lines (Taiwan) Shipping Agency Ltd.
Head Office (Taipei): Tel: 886-2-2537-8000
Fax: 886-2-2523-2417
Mitsui O.S.K. Bulk Shipping (Asia, Oceania) Pte. Ltd.
Head Office (Singapore): Tel: 65-323-1303
Fax: 65-323-1305
Bangkok: Tel: 66-2-634-0807 Fax: 66-2-634-0806
Kuala Lumpur: Tel: 60-3-7954-8349 Fax: 60-3-7958-5246

Shareholder Information

Capital:	¥64,915,351,028
Head Office:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	1,095
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	7,406
Total number of shares authorized:	3,154,000,000
Number of shares issued:	1,205,410,445
Number of shareholders:	147,936
Shares listed in:	Tokyo, Osaka, Nagoya, Fukuoka, 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 Release (English/Japanese) Home Page (English/Japanese) Quarterly Newsletter Open Sea (English) Monthly Newsletter Unabara (Japanese) Annual Environmental Report (English/Japanese)
For further information, please contact:	Investor Relations Office Mitsui O.S.K. Lines 1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan Telephone: +81-3-3587-6224 Facsimile: +81-3-3587-7734 e-mail: iromo@mail.mol.co.jp Home Page: http://www.mol.co.jp

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Mitsui O.S.K. Lines Annual Report 2001

Mitsui O.S.K. Lines

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