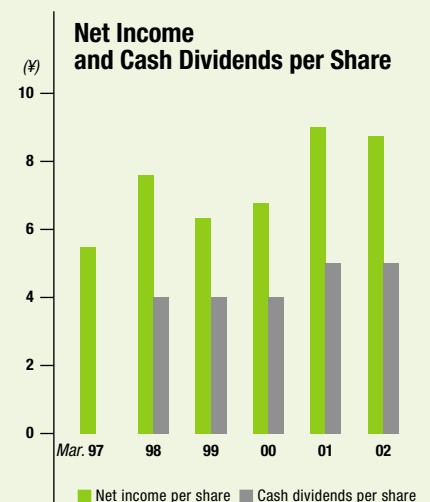
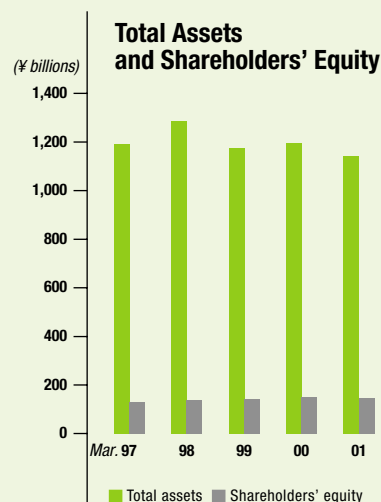
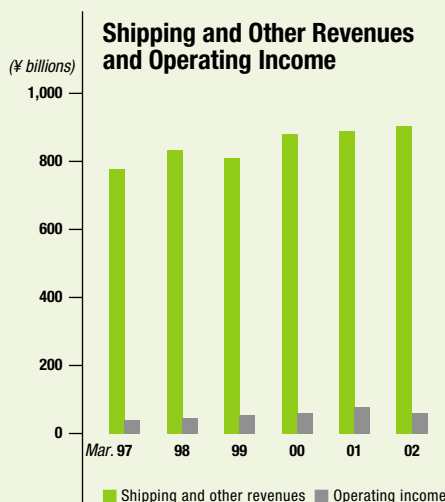


# SIX-YEAR SUMMARY

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

Millions of yen

	2002	2001	2000	1999	1998	1997
<b>For the year:</b>						
Shipping and other revenues	¥ 903,943	¥ 887,867	¥ 881,807	¥ 809,161	¥ 834,879	¥ 777,896
Vessel depreciation	62,238	64,851	55,112	52,637	62,370	53,597
Other expenses	699,269	667,661	690,936	630,405	650,636	610,419
Amortization of consolidation difference	588	663	583	563	513	60
Other general and administrative expenses	82,075	76,453	73,856	72,019	74,384	75,275
Operating income	59,773	78,239	61,320	53,537	46,976	38,545
<b>Equity in earnings of unconsolidated subsidiaries and affiliated companies</b>						
Income before income taxes	4,426	3,681	1,403	4,127	3,474	5,024
Income taxes, current	24,851	20,860	15,314	15,338	18,064	9,030
Income taxes, deferred	(6,101)	(19,473)	(6,427)	(8,362)	(8,383)	(3,128)
Minority interests	(6,633)	7,709	(529)	–	–	–
Net income	(1,572)	1,847	(33)	34	(1,258)	170
Net income	10,545	10,943	8,325	7,010	8,423	6,072
<b>At year-end:</b>						
Current assets	251,388	255,774	239,860	230,996	276,089	250,148
Current liabilities	375,032	399,996	412,717	337,417	350,132	301,269
Vessels, property and equipment, at cost	619,645	691,307	756,623	753,347	818,579	718,194
Total assets	1,079,090	1,140,400	1,196,474	1,174,640	1,286,576	1,190,871
Long-term debt	475,696	540,159	598,999	670,363	772,428	735,101
Shareholders' equity	166,970	144,355	151,992	140,490	137,692	129,175
Retained earnings	47,818	43,433	43,199	37,900	35,102	20,269
<b>Amounts per share of common stock (yen):</b>						
Net income	8.76	9.01	6.77	6.33	7.61	5.49
Shareholders' equity	138.78	119.88	123.63	126.81	124.28	116.69
Cash dividends	5.00	5.00	4.00	4.00	4.00	–



# CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 39,738	¥ 55,290	\$ 298,221
Marketable securities (Note 3) .....	5,366	9,074	40,270
Trade receivables .....	97,660	102,995	732,908
Allowance for doubtful accounts .....	(2,079)	(1,246)	(15,602)
Fuel and supplies .....	11,488	11,550	86,214
Deferred and prepaid expenses .....	45,532	41,162	341,704
Deferred tax assets (current) (Notes 2 (13) and 11) .....	3,101	6,307	23,272
Other current assets .....	50,582	30,642	379,602
<b>Total current assets .....</b>	<b>251,388</b>	<b>255,774</b>	<b>1,886,589</b>
<b>Vessels, property and equipment, at cost (Note 5):</b>			
Vessels .....	1,032,226	1,069,607	7,746,537
Buildings and structures .....	70,454	69,524	528,735
Equipment, mainly containers .....	44,853	49,432	336,608
Land .....	60,907	66,879	457,088
Vessels and other property under construction .....	20,065	30,157	150,582
	1,228,505	1,285,599	9,219,550
Accumulated depreciation .....	(608,860)	(594,292)	(4,569,306)
	619,645	691,307	4,650,244
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5) .....	67,110	59,013	503,640
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 3) .....	70,435	60,863	528,593
Long-term money in trust .....	1,784	1,762	13,388
Consolidation difference .....	2,569	4,262	19,280
Intangible assets .....	5,902	10,827	44,293
Deferred tax assets (non-current) (Notes 2 (13) and 11) .....	4,364	5,215	32,750
Other assets .....	55,893	51,377	419,460
	208,057	193,319	1,561,404
	¥1,079,090	¥1,140,400	\$ 8,098,237

See accompanying notes.

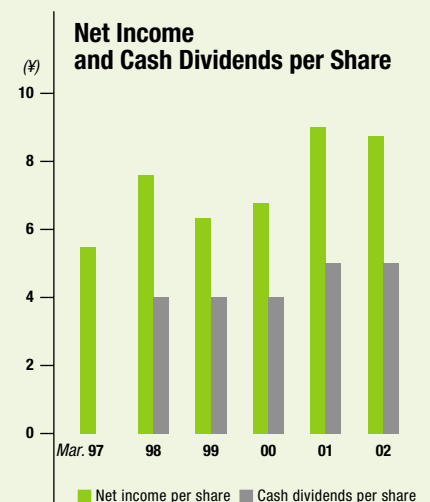
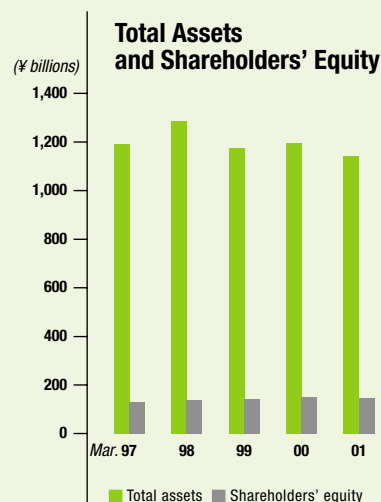
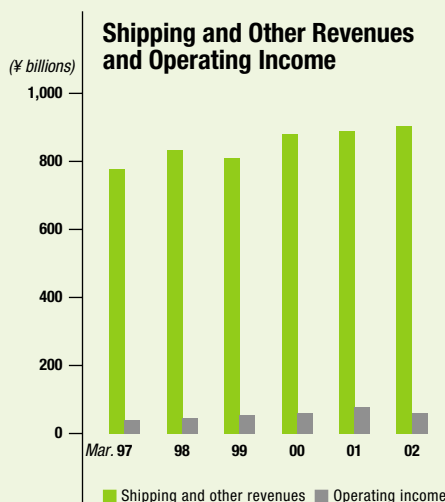
LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current liabilities:</b>			
Short-term bank loans	¥ 80,925	¥ 80,127	\$ 607,317
Short-term bonds	8,581	9,946	64,398
Commercial paper	23,000	10,000	172,608
<b>Total short-term debt (Note 5)</b>	<b>112,506</b>	<b>100,073</b>	<b>844,323</b>
Long-term bank loans due within one year	62,815	90,393	471,407
Bonds due within one year	16,702	11,840	125,343
<b>Total long-term debt due within one year (Note 5)</b>	<b>79,517</b>	<b>102,233</b>	<b>596,750</b>
Trade payables	88,519	91,794	664,308
Advances received	53,829	51,751	403,970
Accrued income taxes	1,940	14,675	14,559
Deferred tax liabilities (current) (Notes 2 (13) and 11)	208	387	1,561
Other current liabilities	38,513	39,083	289,028
<b>Total current liabilities</b>	<b>375,032</b>	<b>399,996</b>	<b>2,814,499</b>
Long-term bank loans after one year	421,623	478,938	3,164,150
Bonds after one year	54,073	61,221	405,801
<b>Total long-term debt due after one year (Note 5)</b>	<b>475,696</b>	<b>540,159</b>	<b>3,569,951</b>
Employees' severance and retirement benefits (Note 12)	16,093	18,718	120,773
Deferred tax liabilities (non-current) (Notes 2 (13) and 11)	11,512	3,031	86,394
Other non-current liabilities	30,292	26,781	227,332
Minority interests	3,495	7,360	26,229
<b>Commitments and contingent liabilities (Note 6)</b>			
<b>Shareholders' equity (Note 7):</b>			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,205,410,445 shares	64,915	64,915	487,167
Additional paid-in capital	43,887	43,887	329,358
Retained earnings	47,818	43,433	358,860
	156,620	152,235	1,175,385
Revaluation reserve for land, net of tax (Note 2 (16))	2,173	–	16,308
Unrealized holding gains on available-for-sale securities, net of tax (Note 2 (5))	11,424	–	85,734
Translation adjustments	(2,609)	(7,595)	(19,580)
Treasury stock, at cost	(638)	(285)	(4,788)
<b>Total shareholders' equity</b>	<b>166,970</b>	<b>144,355</b>	<b>1,253,059</b>
	<b>¥1,079,090</b>	<b>¥1,140,400</b>	<b>\$8,098,237</b>

# SIX-YEAR SUMMARY

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

Millions of yen

	2002	2001	2000	1999	1998	1997
<b>For the year:</b>						
Shipping and other revenues	¥ 903,943	¥ 887,867	¥ 881,807	¥ 809,161	¥ 834,879	¥ 777,896
Vessel depreciation	62,238	64,851	55,112	52,637	62,370	53,597
Other expenses	699,269	667,661	690,936	630,405	650,636	610,419
Amortization of consolidation difference	588	663	583	563	513	60
Other general and administrative expenses	82,075	76,453	73,856	72,019	74,384	75,275
Operating income	59,773	78,239	61,320	53,537	46,976	38,545
<b>Equity in earnings of unconsolidated subsidiaries and affiliated companies</b>						
Income before income taxes	4,426	3,681	1,403	4,127	3,474	5,024
Income taxes, current	24,851	20,860	15,314	15,338	18,064	9,030
Income taxes, deferred	(6,101)	(19,473)	(6,427)	(8,362)	(8,383)	(3,128)
Minority interests	(6,633)	7,709	(529)	–	–	–
Net income	(1,572)	1,847	(33)	34	(1,258)	170
Net income	10,545	10,943	8,325	7,010	8,423	6,072
<b>At year-end:</b>						
Current assets	251,388	255,774	239,860	230,996	276,089	250,148
Current liabilities	375,032	399,996	412,717	337,417	350,132	301,269
Vessels, property and equipment, at cost	619,645	691,307	756,623	753,347	818,579	718,194
Total assets	1,079,090	1,140,400	1,196,474	1,174,640	1,286,576	1,190,871
Long-term debt	475,696	540,159	598,999	670,363	772,428	735,101
Shareholders' equity	166,970	144,355	151,992	140,490	137,692	129,175
Retained earnings	47,818	43,433	43,199	37,900	35,102	20,269
<b>Amounts per share of common stock (yen):</b>						
Net income	8.76	9.01	6.77	6.33	7.61	5.49
Shareholders' equity	138.78	119.88	123.63	126.81	124.28	116.69
Cash dividends	5.00	5.00	4.00	4.00	4.00	–



# CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 39,738	¥ 55,290	\$ 298,221
Marketable securities (Note 3) .....	5,366	9,074	40,270
Trade receivables .....	97,660	102,995	732,908
Allowance for doubtful accounts .....	(2,079)	(1,246)	(15,602)
Fuel and supplies .....	11,488	11,550	86,214
Deferred and prepaid expenses .....	45,532	41,162	341,704
Deferred tax assets (current) (Notes 2 (13) and 11) .....	3,101	6,307	23,272
Other current assets .....	50,582	30,642	379,602
<b>Total current assets .....</b>	<b>251,388</b>	<b>255,774</b>	<b>1,886,589</b>
<b>Vessels, property and equipment, at cost (Note 5):</b>			
Vessels .....	1,032,226	1,069,607	7,746,537
Buildings and structures .....	70,454	69,524	528,735
Equipment, mainly containers .....	44,853	49,432	336,608
Land .....	60,907	66,879	457,088
Vessels and other property under construction .....	20,065	30,157	150,582
	1,228,505	1,285,599	9,219,550
Accumulated depreciation .....	(608,860)	(594,292)	(4,569,306)
	619,645	691,307	4,650,244
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5) .....	67,110	59,013	503,640
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 3) .....	70,435	60,863	528,593
Long-term money in trust .....	1,784	1,762	13,388
Consolidation difference .....	2,569	4,262	19,280
Intangible assets .....	5,902	10,827	44,293
Deferred tax assets (non-current) (Notes 2 (13) and 11) .....	4,364	5,215	32,750
Other assets .....	55,893	51,377	419,460
	208,057	193,319	1,561,404
	¥1,079,090	¥1,140,400	\$ 8,098,237

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current liabilities:</b>			
Short-term bank loans	¥ 80,925	¥ 80,127	\$ 607,317
Short-term bonds	8,581	9,946	64,398
Commercial paper	23,000	10,000	172,608
<b>Total short-term debt (Note 5)</b>	<b>112,506</b>	<b>100,073</b>	<b>844,323</b>
Long-term bank loans due within one year	62,815	90,393	471,407
Bonds due within one year	16,702	11,840	125,343
<b>Total long-term debt due within one year (Note 5)</b>	<b>79,517</b>	<b>102,233</b>	<b>596,750</b>
Trade payables	88,519	91,794	664,308
Advances received	53,829	51,751	403,970
Accrued income taxes	1,940	14,675	14,559
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Other current liabilities	38,513	39,083	289,028
<b>Total current liabilities</b>	<b>375,032</b>	<b>399,996</b>	<b>2,814,499</b>
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Bonds after one year	54,073	61,221	405,801
<b>Total long-term debt due after one year (Note 5)</b>	<b>475,696</b>	<b>540,159</b>	<b>3,569,951</b>
Employees' severance and retirement benefits (Note 12)	16,093	18,718	120,773
Deferred tax liabilities (non-current) (Notes 2 (13) and 11)	11,512	3,031	86,394
Other non-current liabilities	30,292	26,781	227,332
Minority interests	3,495	7,360	26,229
<b>Commitments and contingent liabilities (Note 6)</b>			
<b>Shareholders' equity (Note 7):</b>			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,205,410,445 shares	64,915	64,915	487,167
Additional paid-in capital	43,887	43,887	329,358
Retained earnings	47,818	43,433	358,860
	156,620	152,235	1,175,385
Revaluation reserve for land, net of tax (Note 2 (16))	2,173	–	16,308
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Translation adjustments	(2,609)	(7,595)	(19,580)
Treasury stock, at cost	(638)	(285)	(4,788)
<b>Total shareholders' equity</b>	<b>166,970</b>	<b>144,355</b>	<b>1,253,059</b>
	<b>¥1,079,090</b>	<b>¥1,140,400</b>	<b>\$8,098,237</b>

# CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 39,738	¥ 55,290	\$ 298,221
Marketable securities (Note 3) .....	5,366	9,074	40,270
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Other assets .....	55,893	51,377	419,460
	<b>208,057</b>	<b>193,319</b>	<b>1,561,404</b>
	<b>¥1,079,090</b>	<b>¥1,140,400</b>	<b>\$ 8,098,237</b>

See accompanying notes.

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<b>Shareholders' equity (Note 7):</b>			
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<b>Total shareholders' equity</b>	<b>166,970</b>	<b>144,355</b>	<b>1,253,059</b>
	<b>¥1,079,090</b>	<b>¥1,140,400</b>	<b>\$8,098,237</b>



# CONSOLIDATED STATEMENTS OF INCOME

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Shipping and other revenues (Note 10)</b> .....	<b>¥903,943</b>	<b>¥887,867</b>	<b>\$6,783,812</b>
<b>Shipping and other expenses (Note 10):</b>			
Vessel depreciation .....	62,238	64,851	467,077
Other expenses .....	699,269	667,661	5,247,797
	<b>761,507</b>	<b>732,512</b>	<b>5,714,874</b>
	<b>142,436</b>	<b>155,355</b>	<b>1,068,938</b>
<b>General and administrative expenses:</b>			
Amortization of consolidation difference (Note 2 (1)) .....	588	663	4,413
Other general and administrative expenses .....	82,075	76,453	615,947
<b>Operating income</b> .....	<b>59,773</b>	<b>78,239</b>	<b>448,578</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	3,372	3,550	25,306
Interest expense .....	(32,105)	(39,466)	(240,938)
Equity in earnings of affiliated companies .....	4,426	3,681	33,216
Others, net (Note 8) .....	(10,615)	(25,144)	(79,662)
	<b>(34,922)</b>	<b>(57,379)</b>	<b>(262,078)</b>
<b>Income before income taxes</b> .....	<b>24,851</b>	<b>20,860</b>	<b>186,500</b>
<b>Income taxes (Notes 2 (13) and 11):</b>			
Current .....	(6,101)	(19,473)	(45,786)
Deferred .....	(6,633)	7,709	(49,779)
<b>Minority interests</b> .....	<b>(1,572)</b>	<b>1,847</b>	<b>(11,797)</b>
<b>Net income</b> .....	<b>¥ 10,545</b>	<b>¥ 10,943</b>	<b>\$ 79,138</b>

	Yen		U.S. dollars (Note 1)
<b>Amounts per share of common stock:</b>			
<b>Net income</b> .....	<b>¥8.76</b>	<b>¥9.01</b>	<b>\$0.066</b>
<b>Diluted net income</b> .....	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash dividends applicable to the year</b> .....	<b>¥5.00</b>	<b>¥5.00</b>	<b>\$0.038</b>

See accompanying notes.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen							
	Shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 2000</b>	<b>1,229,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥43,199</b>	—	—	—	—
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)	—	—	—	—
<b>Balance at March 31, 2001</b>	<b>1,205,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥43,433</b>	—	—	<b>¥(7,595)</b>	<b>¥(285)</b>
Due to change in consolidated subsidiaries	—	—	—	(11)	—	—	—	—
Due to change in affiliated companies accounted for by the equity method	—	—	—	(22)	—	—	—	—
Net income	—	—	—	10,545	—	—	—	—
Revaluation reserve for land, net of tax	—	—	—	—	¥2,173	—	—	—
Unrealized holding gains on available-for-sale securities, net of tax	—	—	—	—	—	¥11,424	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	4,986	—
Treasury stock	—	—	—	—	—	—	—	(353)
Dividends paid	—	—	—	(6,022)	—	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(105)	—	—	—	—
<b>Balance at March 31, 2002</b>	<b>1,205,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥47,818</b>	<b>¥2,173</b>	<b>¥11,424</b>	<b>¥(2,609)</b>	<b>¥(638)</b>

	Thousands of U.S. dollars (Note 1)							
	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock	
<b>Balance at March 31, 2001</b>	<b>\$487,167</b>	<b>\$329,358</b>	<b>\$325,951</b>	—	—	<b>\$(56,998)</b>	<b>\$(2,139)</b>	
Due to change in consolidated subsidiaries	—	—	(83)	—	—	—	—	
Due to change in affiliated companies accounted for by the equity method	—	—	(165)	—	—	—	—	
Net income	—	—	79,138	—	—	—	—	
Revaluation reserve for land, net of tax	—	—	—	\$16,308	—	—	—	
Unrealized holding gains on available-for-sale securities, net of tax	—	—	—	—	\$85,734	—	—	
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	37,418	—	
Treasury stock	—	—	—	—	—	—	(2,649)	
Dividends paid	—	—	(45,193)	—	—	—	—	
Bonuses to directors and corporate auditors	—	—	(788)	—	—	—	—	
<b>Balance at March 31, 2002</b>	<b>\$487,167</b>	<b>\$329,358</b>	<b>\$358,860</b>	<b>\$16,308</b>	<b>\$85,734</b>	<b>\$(19,580)</b>	<b>\$(4,788)</b>	

See accompanying notes.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Net income before tax	¥ 24,851	¥ 20,860	\$ 186,500
Adjustments to reconcile net income before tax to net cash provided by operating activities:			
Depreciation and amortization	68,826	69,825	516,518
Equity in earnings of affiliated companies, net	(4,426)	(3,681)	(33,216)
Loss (Profit) from changes in fair market value of marketable securities	19	(24)	143
Loss on write-down of investment securities	883	1,612	6,627
Loss on write-down of securities issued by subsidiaries and affiliates	233	3,060	1,749
Various provisions (reversals)	(4,149)	12,772	(31,137)
Interest and dividend income	(3,372)	(3,550)	(25,306)
Interest expense	32,105	39,466	240,938
Gain on sale of marketable securities	(24)	(6,281)	(180)
Loss (Gain) on sale of investment securities	5,322	(1,649)	39,940
Loss (Gain) on sale of securities issued by subsidiaries and affiliates	(600)	573	(4,502)
Loss on sale and disposal of tangible fixed assets	137	2,468	1,028
Exchange loss (gain)	(1,657)	2,258	(12,435)
Changes in operating assets and liabilities:			
Trade receivables	4,667	(1,589)	35,024
Fuel and supplies	81	830	607
Trade payables	(1,378)	(1,206)	(10,342)
Other, net	11,375	(2,859)	85,365
Sub total	132,893	132,885	997,321
Cash received for interest and dividend	6,734	3,618	50,537
Cash paid for interest	(33,581)	(37,640)	(252,015)
Cash paid for corporate income tax, resident tax, and enterprise tax	(21,030)	(7,843)	(157,824)
Net cash provided by operating activities	85,016	91,020	638,019
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities	(1,375)	(27,156)	(10,319)
Purchase of investment securities	(10,928)	(2,495)	(82,011)
Proceeds from sale of marketable securities	5,777	36,536	43,355
Proceeds from sale of investment securities	9,890	9,454	74,221
Payments for vessels and other tangible fixed assets	(42,014)	(66,469)	(315,302)
Proceeds from sale of vessels and other tangible fixed assets	79,380	100,264	595,722
Disbursements for loans	(11,414)	(5,946)	(85,659)
Collections of loans receivable	6,241	4,943	46,837
Other	(6,707)	(1,916)	(50,334)
Net cash provided by investing activities	28,850	47,215	216,510
<b>Cash flows from financing activities:</b>			
Net decrease in short-term loans	(3,013)	(18,054)	(22,612)
Net increase in commercial paper	13,000	10,000	97,561
Proceeds from long-term loans	56,357	68,868	422,942
Repayments of long-term loans	(184,841)	(146,659)	(1,387,174)
Proceeds from issuance of bonds	8,788	17,616	65,951
Redemption of bonds	(13,792)	(44,222)	(103,505)
Cash dividends paid by the company	(6,022)	(4,918)	(45,193)
Purchase of treasury stock	(362)	(5,554)	(2,717)
Cash dividends paid to minority interest	(27)	(192)	(203)
Other	(2,100)	(6,795)	(15,759)
Net cash used in financing activities	(132,012)	(129,910)	(990,709)
Effect of exchange rate changes on cash and cash equivalents	2,717	1,293	20,390
Net increase (decrease) in cash and cash equivalents	(15,429)	9,618	(115,790)
Cash and cash equivalents at beginning of year	55,290	45,713	414,934
Net cash decrease from new consolidation/de-consolidation of subsidiaries	(123)	(41)	(923)
<b>Cash and cash equivalents at end of year</b>	<b>¥ 39,738</b>	<b>¥ 55,290</b>	<b>\$ 298,221</b>

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

## 1. Basis of presenting financial statements

Mitsui O.S.K. Lines, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). 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. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translation 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, 2002, which was ¥133.25 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

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 286 subsidiaries for the year ended March 31, 2002 (295 subsidiaries for the year ended March 31, 2001). All significant inter-company transactions and accounts have been eliminated.

Investments in affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method. 37 and 36 affiliated companies for the years ended March 31, 2002 and 2001, respectively, were accounted for by the equity method. Investments in other subsidiaries (116 in the year ended March 31, 2002 and 114 in the preceding year) and affiliated companies (93 and 101 in the respective years) were stated at cost 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. 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, 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.

### **(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**

Securities are classified into (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, or (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. At March 31, 2001, available-for-sale securities were stated at moving-average costs. Effective April 1, 2001, in conformity to the new Japanese accounting standard for financial instruments, available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are 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 standards for market valuation for available-for-sale securities, investment securities, other assets, deferred tax assets, deferred tax liabilities, and minority interests amounting to ¥17,943 million (\$134,657 thousand), ¥33 million (\$248 thousand), ¥23 million (\$173 thousand), ¥6,345 million (\$47,618 thousand), and ¥230 million (\$1,726 thousand), respectively, are included in the consolidated balance sheets at March 31, 2002. Also, ¥11,424 million (\$85,734 thousand) of net unrealized holding gains on available-for-sale securities are included as a separate component of shareholders' equity, at March 31, 2002.

### **(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 mainly 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 amount 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**

The Company has tax-qualified pension plans for employees engaged in shore and sea services. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment. Some subsidiaries have tax-qualified pension plans which cover all or a part of the retirement benefits and some other subsidiaries have established reserves for a lump-sum payment for retirement benefits.

Under the new accounting standards for employees' severance and retirement benefits adopted on April 1, 2000, liabilities and expenses for employees' 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, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

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 employees' severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥23,809 million, of which ¥11,648 million was recognized as an expense as a result of the contribution of investment securities worth ¥16,212 million to the employee retirement benefit trust in August 2000. The remaining net transition obligation amounting to ¥12,161 million 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.

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

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

**(13) Income taxes**

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).

**(14) Amounts per share of common stock**

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

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

Cash dividends per share shown in the 2002 column represent the amount payable to shareholders as of March 31, 2002.

**(15) Derivatives and hedge accounting**

Companies are required 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.

# CONSOLIDATED STATEMENTS OF INCOME

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Shipping and other revenues (Note 10)</b> .....	<b>¥903,943</b>	<b>¥887,867</b>	<b>\$6,783,812</b>
<b>Shipping and other expenses (Note 10):</b>			
Vessel depreciation .....	62,238	64,851	467,077
Other expenses .....	699,269	667,661	5,247,797
	<b>761,507</b>	<b>732,512</b>	<b>5,714,874</b>
	<b>142,436</b>	<b>155,355</b>	<b>1,068,938</b>
<b>General and administrative expenses:</b>			
Amortization of consolidation difference (Note 2 (1)) .....	588	663	4,413
Other general and administrative expenses .....	82,075	76,453	615,947
<b>Operating income</b> .....	<b>59,773</b>	<b>78,239</b>	<b>448,578</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	3,372	3,550	25,306
Interest expense .....	(32,105)	(39,466)	(240,938)
Equity in earnings of affiliated companies .....	4,426	3,681	33,216
Others, net (Note 8) .....	(10,615)	(25,144)	(79,662)
	<b>(34,922)</b>	<b>(57,379)</b>	<b>(262,078)</b>
<b>Income before income taxes</b> .....	<b>24,851</b>	<b>20,860</b>	<b>186,500</b>
<b>Income taxes (Notes 2 (13) and 11):</b>			
Current .....	(6,101)	(19,473)	(45,786)
Deferred .....	(6,633)	7,709	(49,779)
<b>Minority interests</b> .....	<b>(1,572)</b>	<b>1,847</b>	<b>(11,797)</b>
<b>Net income</b> .....	<b>¥ 10,545</b>	<b>¥ 10,943</b>	<b>\$ 79,138</b>

	Yen		U.S. dollars (Note 1)
	2002	2001	2002
<b>Amounts per share of common stock:</b>			
<b>Net income</b> .....	<b>¥8.76</b>	<b>¥9.01</b>	<b>\$0.066</b>
<b>Diluted net income</b> .....	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash dividends applicable to the year</b> .....	<b>¥5.00</b>	<b>¥5.00</b>	<b>\$0.038</b>

See accompanying notes.

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen							
	Shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 2000</b> .....	<b>1,229,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥43,199</b>	-	-	-	-
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)	-	-	-	-
<b>Balance at March 31, 2001</b> .....	<b>1,205,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥43,433</b>	-	-	<b>¥(7,595)</b>	<b>¥(285)</b>
Due to change in consolidated subsidiaries .....	-	-	-	(11)	-	-	-	-
Due to change in affiliated companies accounted for by the equity method .....	-	-	-	(22)	-	-	-	-
Net income .....	-	-	-	10,545	-	-	-	-
Revaluation reserve for land, net of tax .....	-	-	-	-	¥2,173	-	-	-
Unrealized holding gains on available-for-sale securities, net of tax .....	-	-	-	-	-	¥11,424	-	-
Adjustments from translation of foreign currency financial statements .....	-	-	-	-	-	-	4,986	-
Treasury stock .....	-	-	-	-	-	-	-	(353)
Dividends paid .....	-	-	-	(6,022)	-	-	-	-
Bonuses to directors and corporate auditors .....	-	-	-	(105)	-	-	-	-
<b>Balance at March 31, 2002</b> .....	<b>1,205,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥47,818</b>	<b>¥2,173</b>	<b>¥11,424</b>	<b>¥(2,609)</b>	<b>¥(638)</b>

	Thousands of U.S. dollars (Note 1)							
	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock	
<b>Balance at March 31, 2001</b> .....	<b>\$487,167</b>	<b>\$329,358</b>	<b>\$325,951</b>	-	-	<b>\$(56,998)</b>	<b>\$(2,139)</b>	
Due to change in consolidated subsidiaries .....	-	-	(83)	-	-	-	-	
Due to change in affiliated companies accounted for by the equity method .....	-	-	(165)	-	-	-	-	
Net income .....	-	-	79,138	-	-	-	-	
Revaluation reserve for land, net of tax .....	-	-	-	\$16,308	-	-	-	
Unrealized holding gains on available-for-sale securities, net of tax .....	-	-	-	-	\$85,734	-	-	
Adjustments from translation of foreign currency financial statements .....	-	-	-	-	-	37,418	-	
Treasury stock .....	-	-	-	-	-	-	(2,649)	
Dividends paid .....	-	-	(45,193)	-	-	-	-	
Bonuses to directors and corporate auditors .....	-	-	(788)	-	-	-	-	
<b>Balance at March 31, 2002</b> .....	<b>\$487,167</b>	<b>\$329,358</b>	<b>\$358,860</b>	<b>\$16,308</b>	<b>\$85,734</b>	<b>\$(19,580)</b>	<b>\$(4,788)</b>	

See accompanying notes.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Net income before tax	¥ 24,851	¥ 20,860	\$ 186,500
Adjustments to reconcile net income before tax to net cash provided by operating activities:			
Depreciation and amortization	68,826	69,825	516,518
Equity in earnings of affiliated companies, net	(4,426)	(3,681)	(33,216)
Loss (Profit) from changes in fair market value of marketable securities	19	(24)	143
Loss on write-down of investment securities	883	1,612	6,627
Loss on write-down of securities issued by subsidiaries and affiliates	233	3,060	1,749
Various provisions (reversals)	(4,149)	12,772	(31,137)
Interest and dividend income	(3,372)	(3,550)	(25,306)
Interest expense	32,105	39,466	240,938
Gain on sale of marketable securities	(24)	(6,281)	(180)
Loss (Gain) on sale of investment securities	5,322	(1,649)	39,940
Loss (Gain) on sale of securities issued by subsidiaries and affiliates	(600)	573	(4,502)
Loss on sale and disposal of tangible fixed assets	137	2,468	1,028
Exchange loss (gain)	(1,657)	2,258	(12,435)
Changes in operating assets and liabilities:			
Trade receivables	4,667	(1,589)	35,024
Fuel and supplies	81	830	607
Trade payables	(1,378)	(1,206)	(10,342)
Other, net	11,375	(2,859)	85,365
Sub total	132,893	132,885	997,321
Cash received for interest and dividend	6,734	3,618	50,537
Cash paid for interest	(33,581)	(37,640)	(252,015)
Cash paid for corporate income tax, resident tax, and enterprise tax	(21,030)	(7,843)	(157,824)
Net cash provided by operating activities	85,016	91,020	638,019
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities	(1,375)	(27,156)	(10,319)
Purchase of investment securities	(10,928)	(2,495)	(82,011)
Proceeds from sale of marketable securities	5,777	36,536	43,355
Proceeds from sale of investment securities	9,890	9,454	74,221
Payments for vessels and other tangible fixed assets	(42,014)	(66,469)	(315,302)
Proceeds from sale of vessels and other tangible fixed assets	79,380	100,264	595,722
Disbursements for loans	(11,414)	(5,946)	(85,659)
Collections of loans receivable	6,241	4,943	46,837
Other	(6,707)	(1,916)	(50,334)
Net cash provided by investing activities	28,850	47,215	216,510
<b>Cash flows from financing activities:</b>			
Net decrease in short-term loans	(3,013)	(18,054)	(22,612)
Net increase in commercial paper	13,000	10,000	97,561
Proceeds from long-term loans	56,357	68,868	422,942
Repayments of long-term loans	(184,841)	(146,659)	(1,387,174)
Proceeds from issuance of bonds	8,788	17,616	65,951
Redemption of bonds	(13,792)	(44,222)	(103,505)
Cash dividends paid by the company	(6,022)	(4,918)	(45,193)
Purchase of treasury stock	(362)	(5,554)	(2,717)
Cash dividends paid to minority interest	(27)	(192)	(203)
Other	(2,100)	(6,795)	(15,759)
Net cash used in financing activities	(132,012)	(129,910)	(990,709)
Effect of exchange rate changes on cash and cash equivalents	2,717	1,293	20,390
Net increase (decrease) in cash and cash equivalents	(15,429)	9,618	(115,790)
Cash and cash equivalents at beginning of year	55,290	45,713	414,934
Net cash decrease from new consolidation/de-consolidation of subsidiaries	(123)	(41)	(923)
<b>Cash and cash equivalents at end of year</b>	<b>¥ 39,738</b>	<b>¥ 55,290</b>	<b>\$ 298,221</b>

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

## 1. Basis of presenting financial statements

Mitsui O.S.K. Lines, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). 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. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translation 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, 2002, which was ¥133.25 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

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 286 subsidiaries for the year ended March 31, 2002 (295 subsidiaries for the year ended March 31, 2001). All significant inter-company transactions and accounts have been eliminated.

Investments in affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method. 37 and 36 affiliated companies for the years ended March 31, 2002 and 2001, respectively, were accounted for by the equity method. Investments in other subsidiaries (116 in the year ended March 31, 2002 and 114 in the preceding year) and affiliated companies (93 and 101 in the respective years) were stated at cost 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. 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, 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.

### **(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**

Securities are classified into (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, or (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. At March 31, 2001, available-for-sale securities were stated at moving-average costs. Effective April 1, 2001, in conformity to the new Japanese accounting standard for financial instruments, available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are 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 standards for market valuation for available-for-sale securities, investment securities, other assets, deferred tax assets, deferred tax liabilities, and minority interests amounting to ¥17,943 million (\$134,657 thousand), ¥33 million (\$248 thousand), ¥23 million (\$173 thousand), ¥6,345 million (\$47,618 thousand), and ¥230 million (\$1,726 thousand), respectively, are included in the consolidated balance sheets at March 31, 2002. Also, ¥11,424 million (\$85,734 thousand) of net unrealized holding gains on available-for-sale securities are included as a separate component of shareholders' equity, at March 31, 2002.

### **(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 mainly 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 amount 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**

The Company has tax-qualified pension plans for employees engaged in shore and sea services. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment. Some subsidiaries have tax-qualified pension plans which cover all or a part of the retirement benefits and some other subsidiaries have established reserves for a lump-sum payment for retirement benefits.

Under the new accounting standards for employees' severance and retirement benefits adopted on April 1, 2000, liabilities and expenses for employees' 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, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

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 employees' severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥23,809 million, of which ¥11,648 million was recognized as an expense as a result of the contribution of investment securities worth ¥16,212 million to the employee retirement benefit trust in August 2000. The remaining net transition obligation amounting to ¥12,161 million 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.

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

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

**(13) Income taxes**

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).

**(14) Amounts per share of common stock**

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

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

Cash dividends per share shown in the 2002 column represent the amount payable to shareholders as of March 31, 2002.

**(15) Derivatives and hedge accounting**

Companies are required 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.

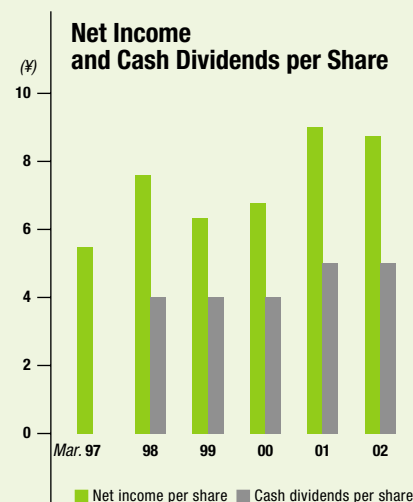
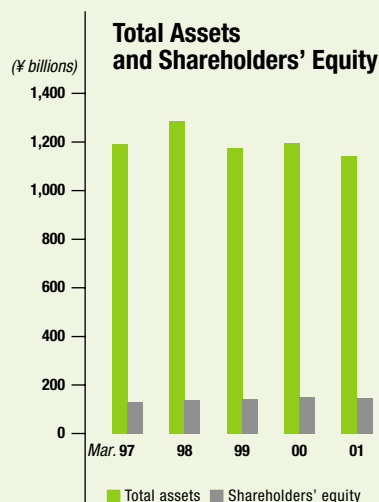
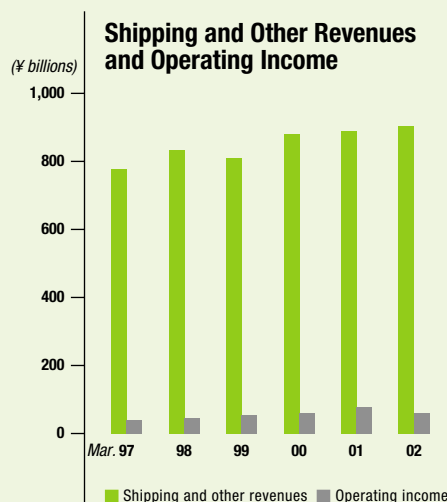
If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are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

# SIX-YEAR SUMMARY

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

Millions of yen

	2002	2001	2000	1999	1998	1997
<b>For the year:</b>						
Shipping and other revenues	¥ 903,943	¥ 887,867	¥ 881,807	¥ 809,161	¥ 834,879	¥ 777,896
Vessel depreciation	62,238	64,851	55,112	52,637	62,370	53,597
Other expenses	699,269	667,661	690,936	630,405	650,636	610,419
Amortization of consolidation difference	588	663	583	563	513	60
Other general and administrative expenses	82,075	76,453	73,856	72,019	74,384	75,275
Operating income	59,773	78,239	61,320	53,537	46,976	38,545
<b>Equity in earnings of unconsolidated subsidiaries and affiliated companies</b>						
Income before income taxes	4,426	3,681	1,403	4,127	3,474	5,024
Income taxes, current	24,851	20,860	15,314	15,338	18,064	9,030
Income taxes, deferred	(6,101)	(19,473)	(6,427)	(8,362)	(8,383)	(3,128)
Minority interests	(6,633)	7,709	(529)	–	–	–
Net income	(1,572)	1,847	(33)	34	(1,258)	170
Net income	10,545	10,943	8,325	7,010	8,423	6,072
<b>At year-end:</b>						
Current assets	251,388	255,774	239,860	230,996	276,089	250,148
Current liabilities	375,032	399,996	412,717	337,417	350,132	301,269
Vessels, property and equipment, at cost	619,645	691,307	756,623	753,347	818,579	718,194
Total assets	1,079,090	1,140,400	1,196,474	1,174,640	1,286,576	1,190,871
Long-term debt	475,696	540,159	598,999	670,363	772,428	735,101
Shareholders' equity	166,970	144,355	151,992	140,490	137,692	129,175
Retained earnings	47,818	43,433	43,199	37,900	35,102	20,269
<b>Amounts per share of common stock (yen):</b>						
Net income	8.76	9.01	6.77	6.33	7.61	5.49
Shareholders' equity	138.78	119.88	123.63	126.81	124.28	116.69
Cash dividends	5.00	5.00	4.00	4.00	4.00	–



# CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 39,738	¥ 55,290	\$ 298,221
Marketable securities (Note 3) .....	5,366	9,074	40,270
Trade receivables .....	97,660	102,995	732,908
Allowance for doubtful accounts .....	(2,079)	(1,246)	(15,602)
Fuel and supplies .....	11,488	11,550	86,214
Deferred and prepaid expenses .....	45,532	41,162	341,704
Deferred tax assets (current) (Notes 2 (13) and 11) .....	3,101	6,307	23,272
Other current assets .....	50,582	30,642	379,602
<b>Total current assets .....</b>	<b>251,388</b>	<b>255,774</b>	<b>1,886,589</b>
<b>Vessels, property and equipment, at cost (Note 5):</b>			
Vessels .....	1,032,226	1,069,607	7,746,537
Buildings and structures .....	70,454	69,524	528,735
Equipment, mainly containers .....	44,853	49,432	336,608
Land .....	60,907	66,879	457,088
Vessels and other property under construction .....	20,065	30,157	150,582
	1,228,505	1,285,599	9,219,550
Accumulated depreciation .....	(608,860)	(594,292)	(4,569,306)
	619,645	691,307	4,650,244
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5) .....	67,110	59,013	503,640
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 3) .....	70,435	60,863	528,593
Long-term money in trust .....	1,784	1,762	13,388
Consolidation difference .....	2,569	4,262	19,280
Intangible assets .....	5,902	10,827	44,293
Deferred tax assets (non-current) (Notes 2 (13) and 11) .....	4,364	5,215	32,750
Other assets .....	55,893	51,377	419,460
	208,057	193,319	1,561,404
	¥1,079,090	¥1,140,400	\$ 8,098,237

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current liabilities:</b>			
Short-term bank loans	¥ 80,925	¥ 80,127	\$ 607,317
Short-term bonds	8,581	9,946	64,398
Commercial paper	23,000	10,000	172,608
<b>Total short-term debt (Note 5)</b>	<b>112,506</b>	<b>100,073</b>	<b>844,323</b>
Long-term bank loans due within one year	62,815	90,393	471,407
Bonds due within one year	16,702	11,840	125,343
<b>Total long-term debt due within one year (Note 5)</b>	<b>79,517</b>	<b>102,233</b>	<b>596,750</b>
Trade payables	88,519	91,794	664,308
Advances received	53,829	51,751	403,970
Accrued income taxes	1,940	14,675	14,559
Deferred tax liabilities (current) (Notes 2 (13) and 11)	208	387	1,561
Other current liabilities	38,513	39,083	289,028
<b>Total current liabilities</b>	<b>375,032</b>	<b>399,996</b>	<b>2,814,499</b>
Long-term bank loans after one year	421,623	478,938	3,164,150
Bonds after one year	54,073	61,221	405,801
<b>Total long-term debt due after one year (Note 5)</b>	<b>475,696</b>	<b>540,159</b>	<b>3,569,951</b>
Employees' severance and retirement benefits (Note 12)	16,093	18,718	120,773
Deferred tax liabilities (non-current) (Notes 2 (13) and 11)	11,512	3,031	86,394
Other non-current liabilities	30,292	26,781	227,332
Minority interests	3,495	7,360	26,229
<b>Commitments and contingent liabilities (Note 6)</b>			
<b>Shareholders' equity (Note 7):</b>			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,205,410,445 shares	64,915	64,915	487,167
Additional paid-in capital	43,887	43,887	329,358
Retained earnings	47,818	43,433	358,860
	156,620	152,235	1,175,385
Revaluation reserve for land, net of tax (Note 2 (16))	2,173	–	16,308
Unrealized holding gains on available-for-sale securities, net of tax (Note 2 (5))	11,424	–	85,734
Translation adjustments	(2,609)	(7,595)	(19,580)
Treasury stock, at cost	(638)	(285)	(4,788)
<b>Total shareholders' equity</b>	<b>166,970</b>	<b>144,355</b>	<b>1,253,059</b>
	<b>¥1,079,090</b>	<b>¥1,140,400</b>	<b>\$8,098,237</b>

# CONSOLIDATED STATEMENTS OF INCOME

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Shipping and other revenues (Note 10)</b> .....	<b>¥903,943</b>	<b>¥887,867</b>	<b>\$6,783,812</b>
<b>Shipping and other expenses (Note 10):</b>			
Vessel depreciation .....	62,238	64,851	467,077
Other expenses .....	699,269	667,661	5,247,797
	<b>761,507</b>	<b>732,512</b>	<b>5,714,874</b>
	<b>142,436</b>	<b>155,355</b>	<b>1,068,938</b>
<b>General and administrative expenses:</b>			
Amortization of consolidation difference (Note 2 (1)) .....	588	663	4,413
Other general and administrative expenses .....	82,075	76,453	615,947
<b>Operating income</b> .....	<b>59,773</b>	<b>78,239</b>	<b>448,578</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	3,372	3,550	25,306
Interest expense .....	(32,105)	(39,466)	(240,938)
Equity in earnings of affiliated companies .....	4,426	3,681	33,216
Others, net (Note 8) .....	(10,615)	(25,144)	(79,662)
	<b>(34,922)</b>	<b>(57,379)</b>	<b>(262,078)</b>
<b>Income before income taxes</b> .....	<b>24,851</b>	<b>20,860</b>	<b>186,500</b>
<b>Income taxes (Notes 2 (13) and 11):</b>			
Current .....	(6,101)	(19,473)	(45,786)
Deferred .....	(6,633)	7,709	(49,779)
<b>Minority interests</b> .....	<b>(1,572)</b>	<b>1,847</b>	<b>(11,797)</b>
<b>Net income</b> .....	<b>¥ 10,545</b>	<b>¥ 10,943</b>	<b>\$ 79,138</b>

	Yen		U.S. dollars (Note 1)
	2002	2001	2002
<b>Amounts per share of common stock:</b>			
<b>Net income</b> .....	<b>¥8.76</b>	<b>¥9.01</b>	<b>\$0.066</b>
<b>Diluted net income</b> .....	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash dividends applicable to the year</b> .....	<b>¥5.00</b>	<b>¥5.00</b>	<b>\$0.038</b>

See accompanying notes.



# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen							
	Shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 2000</b>	<b>1,229,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥43,199</b>	-	-	-	-
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)	-	-	-	-
<b>Balance at March 31, 2001</b>	<b>1,205,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥43,433</b>	-	-	<b>¥(7,595)</b>	<b>¥(285)</b>
Due to change in consolidated subsidiaries	-	-	-	(11)	-	-	-	-
Due to change in affiliated companies accounted for by the equity method	-	-	-	(22)	-	-	-	-
Net income	-	-	-	10,545	-	-	-	-
Revaluation reserve for land, net of tax	-	-	-	-	¥2,173	-	-	-
Unrealized holding gains on available-for-sale securities, net of tax	-	-	-	-	-	¥11,424	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	4,986	-
Treasury stock	-	-	-	-	-	-	-	(353)
Dividends paid	-	-	-	(6,022)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(105)	-	-	-	-
<b>Balance at March 31, 2002</b>	<b>1,205,410</b>	<b>¥64,915</b>	<b>¥43,887</b>	<b>¥47,818</b>	<b>¥2,173</b>	<b>¥11,424</b>	<b>¥(2,609)</b>	<b>¥(638)</b>

	Thousands of U.S. dollars (Note 1)							
	Common stock	Additional paid-in capital	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock	
<b>Balance at March 31, 2001</b>	<b>\$487,167</b>	<b>\$329,358</b>	<b>\$325,951</b>	-	-	<b>\$(56,998)</b>	<b>\$(2,139)</b>	
Due to change in consolidated subsidiaries	-	-	(83)	-	-	-	-	
Due to change in affiliated companies accounted for by the equity method	-	-	(165)	-	-	-	-	
Net income	-	-	79,138	-	-	-	-	
Revaluation reserve for land, net of tax	-	-	-	\$16,308	-	-	-	
Unrealized holding gains on available-for-sale securities, net of tax	-	-	-	-	\$85,734	-	-	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	37,418	-	
Treasury stock	-	-	-	-	-	-	(2,649)	
Dividends paid	-	-	(45,193)	-	-	-	-	
Bonuses to directors and corporate auditors	-	-	(788)	-	-	-	-	
<b>Balance at March 31, 2002</b>	<b>\$487,167</b>	<b>\$329,358</b>	<b>\$358,860</b>	<b>\$16,308</b>	<b>\$85,734</b>	<b>\$(19,580)</b>	<b>\$(4,788)</b>	

See accompanying notes.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Net income before tax .....	¥ 24,851	¥ 20,860	\$ 186,500
Adjustments to reconcile net income before tax to net cash provided by operating activities:			
Depreciation and amortization .....	68,826	69,825	516,518
Equity in earnings of affiliated companies, net .....	(4,426)	(3,681)	(33,216)
Loss (Profit) from changes in fair market value of marketable securities .....	19	(24)	143
Loss on write-down of investment securities .....	883	1,612	6,627
Loss on write-down of securities issued by subsidiaries and affiliates .....	233	3,060	1,749
Various provisions (reversals) .....	(4,149)	12,772	(31,137)
Interest and dividend income .....	(3,372)	(3,550)	(25,306)
Interest expense .....	32,105	39,466	240,938
Gain on sale of marketable securities .....	(24)	(6,281)	(180)
Loss (Gain) on sale of investment securities .....	5,322	(1,649)	39,940
Loss (Gain) on sale of securities issued by subsidiaries and affiliates .....	(600)	573	(4,502)
Loss on sale and disposal of tangible fixed assets .....	137	2,468	1,028
Exchange loss (gain) .....	(1,657)	2,258	(12,435)
Changes in operating assets and liabilities:			
Trade receivables .....	4,667	(1,589)	35,024
Fuel and supplies .....	81	830	607
Trade payables .....	(1,378)	(1,206)	(10,342)
Other, net .....	11,375	(2,859)	85,365
<b>Sub total .....</b>	<b>132,893</b>	<b>132,885</b>	<b>997,321</b>
Cash received for interest and dividend .....	6,734	3,618	50,537
Cash paid for interest .....	(33,581)	(37,640)	(252,015)
Cash paid for corporate income tax, resident tax, and enterprise tax .....	(21,030)	(7,843)	(157,824)
<b>Net cash provided by operating activities .....</b>	<b>85,016</b>	<b>91,020</b>	<b>638,019</b>
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities .....	(1,375)	(27,156)	(10,319)
Purchase of investment securities .....	(10,928)	(2,495)	(82,011)
Proceeds from sale of marketable securities .....	5,777	36,536	43,355
Proceeds from sale of investment securities .....	9,890	9,454	74,221
Payments for vessels and other tangible fixed assets .....	(42,014)	(66,469)	(315,302)
Proceeds from sale of vessels and other tangible fixed assets .....	79,380	100,264	595,722
Disbursements for loans .....	(11,414)	(5,946)	(85,659)
Collections of loans receivable .....	6,241	4,943	46,837
Other .....	(6,707)	(1,916)	(50,334)
<b>Net cash provided by investing activities .....</b>	<b>28,850</b>	<b>47,215</b>	<b>216,510</b>
<b>Cash flows from financing activities:</b>			
Net decrease in short-term loans .....	(3,013)	(18,054)	(22,612)
Net increase in commercial paper .....	13,000	10,000	97,561
Proceeds from long-term loans .....	56,357	68,868	422,942
Repayments of long-term loans .....	(184,841)	(146,659)	(1,387,174)
Proceeds from issuance of bonds .....	8,788	17,616	65,951
Redemption of bonds .....	(13,792)	(44,222)	(103,505)
Cash dividends paid by the company .....	(6,022)	(4,918)	(45,193)
Purchase of treasury stock .....	(362)	(5,554)	(2,717)
Cash dividends paid to minority interest .....	(27)	(192)	(203)
Other .....	(2,100)	(6,795)	(15,759)
<b>Net cash used in financing activities .....</b>	<b>(132,012)</b>	<b>(129,910)</b>	<b>(990,709)</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>2,717</b>	<b>1,293</b>	<b>20,390</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(15,429)</b>	<b>9,618</b>	<b>(115,790)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>55,290</b>	<b>45,713</b>	<b>414,934</b>
<b>Net cash decrease from new consolidation/de-consolidation of subsidiaries ..</b>	<b>(123)</b>	<b>(41)</b>	<b>(923)</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 39,738</b>	<b>¥ 55,290</b>	<b>\$ 298,221</b>

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2002 and 2001

## 1. Basis of presenting financial statements

Mitsui O.S.K. Lines, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). 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. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translation 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, 2002, which was ¥133.25 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

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 286 subsidiaries for the year ended March 31, 2002 (295 subsidiaries for the year ended March 31, 2001). All significant inter-company transactions and accounts have been eliminated.

Investments in affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method. 37 and 36 affiliated companies for the years ended March 31, 2002 and 2001, respectively, were accounted for by the equity method. Investments in other subsidiaries (116 in the year ended March 31, 2002 and 114 in the preceding year) and affiliated companies (93 and 101 in the respective years) were stated at cost 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. 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, 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.

### **(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**

Securities are classified into (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, or (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. At March 31, 2001, available-for-sale securities were stated at moving-average costs. Effective April 1, 2001, in conformity to the new Japanese accounting standard for financial instruments, available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are 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 standards for market valuation for available-for-sale securities, investment securities, other assets, deferred tax assets, deferred tax liabilities, and minority interests amounting to ¥17,943 million (\$134,657 thousand), ¥33 million (\$248 thousand), ¥23 million (\$173 thousand), ¥6,345 million (\$47,618 thousand), and ¥230 million (\$1,726 thousand), respectively, are included in the consolidated balance sheets at March 31, 2002. Also, ¥11,424 million (\$85,734 thousand) of net unrealized holding gains on available-for-sale securities are included as a separate component of shareholders' equity, at March 31, 2002.

### **(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 mainly 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 amount 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**

The Company has tax-qualified pension plans for employees engaged in shore and sea services. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment. Some subsidiaries have tax-qualified pension plans which cover all or a part of the retirement benefits and some other subsidiaries have established reserves for a lump-sum payment for retirement benefits.

Under the new accounting standards for employees' severance and retirement benefits adopted on April 1, 2000, liabilities and expenses for employees' 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, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

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 employees' severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥23,809 million, of which ¥11,648 million was recognized as an expense as a result of the contribution of investment securities worth ¥16,212 million to the employee retirement benefit trust in August 2000. The remaining net transition obligation amounting to ¥12,161 million 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.

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

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

**(13) Income taxes**

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).

**(14) Amounts per share of common stock**

Net income per share of common stock is computed based upon the weighted-average number of shares outstanding during the year.

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

Cash dividends per share shown in the 2002 column represent the amount payable to shareholders as of March 31, 2002.

**(15) Derivatives and hedge accounting**

Companies are required 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 contract 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.

#### **(16) Revaluation reserve for land, net of tax**

Pursuant to Article 2, Paragraphs 3 and 5 of the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (effective March 31, 1998) ("Law") and related revision of the Law on March 31, 2001, Daibiru Corporation, an affiliated company accounted for by the equity method, revalued land used for business. Due to revaluation of land, the revaluation difference, net of applicable income taxes of ¥2,173 million (\$16,308 thousand), which corresponds to the Company's equity, is accounted for as revaluation reserve for land, net of tax in shareholders' equity. Also, investments in and advances to unconsolidated subsidiaries and affiliated companies increased by the same amount.

#### **(17) Reclassifications**

Certain prior year amounts have been reclassified to conform to the 2002 presentation. These changes had no impact on previously reported results of operations or cash flows 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, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>(a) Trading securities:</b>			
Book value .....	¥ 4	¥3,202	\$ 30
Amount of net unrealized gains or losses included in the income statement .....	(19)	23	(143)

**(b) Held-to-maturity debt securities:**

There were no securities with available fair values exceeding book values as of March 31, 2002 and 2001.

Securities with available fair values not exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Book value .....	¥40	¥35	\$300
Fair value .....	40	35	300
Difference .....	0	0	0

**(c) Available-for-sale securities:**

Securities with book values exceeding acquisition costs at March 31, 2002

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities .....	¥19,285	¥40,893	¥21,608
Bonds .....	313	321	8
Others .....	115	137	22
<b>Total .....</b>	<b>¥19,713</b>	<b>¥41,351</b>	<b>¥21,638</b>

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities .....	\$144,728	\$306,889	\$162,161
Bonds .....	2,349	2,409	60
Others .....	863	1,028	165
<b>Total .....</b>	<b>\$147,940</b>	<b>\$310,326</b>	<b>\$162,386</b>

Securities with book values not exceeding acquisition costs at March 31, 2002

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities .....	¥14,900	¥ 9,680	¥(5,220)
Bonds .....	3,161	3,160	(1)
Others .....	2,790	2,790	-
<b>Total .....</b>	<b>¥20,851</b>	<b>¥15,630</b>	<b>¥(5,221)</b>

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities .....	\$111,820	\$ 72,646	\$(39,174)
Bonds .....	23,722	23,715	(7)
Others .....	20,938	20,938	0
<b>Total .....</b>	<b>\$156,480</b>	<b>\$117,299</b>	<b>\$(39,181)</b>

B. The following tables summarize book values of securities with no available fair value as of March 31, 2002 and 2001:

Type	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>(a) Held-to-maturity debt securities:</b>			
Type	Book value		Book value
Others .....	¥ 127	–	\$ 953
<b>(b) Available-for-sale securities:</b>			
Type	Book value		Book value
Non-listed equity securities .....	¥12,418	¥13,853	\$ 93,193
Non-listed foreign equity securities .....	1,002	1,500	7,520
Others .....	1,904	1,500	14,289
<b>Total .....</b>	<b>¥15,324</b>	<b>¥16,853</b>	<b>\$115,002</b>

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

For the year ended March 31, 2002:

Type	Millions of yen				Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
<b>Securities:</b>					
Government bonds .....	¥ 1	–	–	–	¥ 1
Corporate bonds .....	126	¥217	–	–	343
Others .....	26	–	–	–	26
<b>Others:</b>					
Mutual fund .....	1	61	¥73	–	135
<b>Total .....</b>	<b>¥154</b>	<b>¥278</b>	<b>¥73</b>	<b>–</b>	<b>¥505</b>

For the year ended March 31, 2001:

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

For the year ended March 31, 2002:

Type	Thousands of U.S. dollars				Total
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
<b>Securities:</b>					
Government bonds .....	\$ 8	–	–	–	\$ 8
Corporate bonds .....	946	\$1,629	–	–	2,575
Others .....	195	–	–	–	195
<b>Others:</b>					
Mutual fund .....	8	458	\$548	–	1,014
<b>Total .....</b>	<b>\$1,157</b>	<b>\$2,087</b>	<b>\$548</b>	<b>–</b>	<b>\$3,792</b>

D. There were no held-to-maturity debt securities sold in the years ended March 31, 2002 and 2001.



E. Total sales of available-for-sale securities sold in the years ended March 31, 2002 and 2001 and the related gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Proceeds from sales .....	¥12,683	¥12,867	\$95,182
Gross realized gains .....	620	2,115	4,653
Gross realized losses .....	5,946	242	44,623

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.

Upon contribution of these securities, a "gain on securities contributed to employee retirement benefit trust" amounting to ¥11,648 million 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.

The following tables summarize the outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2002, for which hedge accounting has not been applied.

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

	Millions of yen	Thousands of U.S. dollars
<b>(1) Currency related</b>		
<b>Forward currency exchange contracts</b>		
<b>Sell (U.S. dollar):</b>		
Contracts outstanding .....	¥1,331	\$9,989
Unrealized loss .....	(122)	(916)
	Millions of yen	Thousands of U.S. dollars
<b>(2) Interest related</b>		
<b>Interest rate swaps:</b>		
<b>Receive floating, pay fixed</b>		
Contracts outstanding .....	¥7,482	\$56,150
Unrealized loss .....	(274)	(2,056)
<b>Receive fixed, pay floating</b>		
Contracts outstanding .....	¥7,423	\$55,707
Unrealized gain .....	263	1,974

Notes: 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. Market values of 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. Short-term debt and long-term debt

### (1) Short-term debt

Short-term debt at March 31, 2002 (¥112,506 million: \$844,323 thousand) and 2001 (¥100,073 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, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Bonds:</b>			
1.450% yen bonds due 2001 .....	–	¥ 5,000	–
1.750% yen bonds due 2002 .....	¥ 1,000	1,000	\$ 7,505
2.350% yen bonds due 2002 .....	10,000	10,000	75,047
2.750% yen bonds due 2004 .....	10,000	10,000	75,047
3.025% yen bonds due 2006 .....	10,000	10,000	75,047
3.075% yen bonds due 2007 .....	10,000	10,000	75,047
3.250% yen bonds due 2009 .....	10,000	10,000	75,047
Floating rate yen notes due 2002 .....	1,000	1,000	7,505
Floating/fixed rate yen notes due 2001 .....	–	1,000	–
Floating/fixed rate Euro medium term notes due 2001–2009 .....	18,775	15,061	140,900
<b>Secured loans from:</b>			
Japan Development Bank due through 2015 at interest rates of 1.20% to 8.50% .....	95,909	108,569	719,767
Other financial institutions due through 2033 at interest rates of 0.28% to 8.05% .....	291,317	375,505	2,186,243
<b>Unsecured loans from:</b>			
Japan Development Bank due through 2015 at interest rate of 1.25% .....	2,200	–	16,510
Other financial institutions due through 2009 at interest rates of 0.23% to 7.78% .....	95,012	85,257	713,036
	555,213	642,392	4,166,701
<b>Amount due within one year .....</b>	<b>79,517</b>	<b>102,233</b>	<b>596,750</b>
	<b>¥475,696</b>	<b>¥540,159</b>	<b>\$3,569,951</b>

At March 31, 2002, the aggregate annual maturity of long-term debt were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2003 .....	¥ 79,517	\$ 596,750
2004 .....	102,583	769,854
2005 .....	86,320	647,805
2006 .....	66,167	496,563
2007 .....	85,087	638,552
2008 and thereafter .....	135,539	1,017,178
	¥555,213	\$4,166,702

At March 31, 2002, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen	Thousands of U.S. dollars
<b>Vessels .....</b>	<b>¥395,523</b>	<b>\$2,968,278</b>
<b>Buildings and structures .....</b>	<b>10,320</b>	<b>77,448</b>
<b>Land .....</b>	<b>7,793</b>	<b>58,484</b>
<b>Investment securities .....</b>	<b>56,157</b>	<b>421,441</b>
	<b>¥469,793</b>	<b>\$3,525,651</b>

Secured debt	Millions of yen	Thousands of U.S. dollars
<b>Short-term debt .....</b>	<b>¥ 3,236</b>	<b>\$ 24,285</b>
<b>Long-term debt due within one year .....</b>	<b>45,720</b>	<b>343,114</b>
<b>Long-term debt .....</b>	<b>341,506</b>	<b>2,562,897</b>
	<b>¥390,462</b>	<b>\$2,930,296</b>

## 6. Commitments and contingent liabilities

At March 31, 2002, 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 ¥128,623 million (\$965,276 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.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. The legal reserve is included in the retained earnings in the accompanying consolidated financial statements.

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 of the Company held on June 25, 2002, approved that (a) the Company may acquire up to 20 million outstanding shares of its common stock up to the aggregate purchase price of ¥6,000 million (\$45,028 thousand) and (b) the Company may grant up to 1,700 thousand share subscription rights of its common stock to directors and key employees in accordance with the Code.

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Others, net:</b>			
Gain on sale of marketable securities .....	¥ 24	¥ 6,281	\$ 180
Exchange gain (loss), net .....	764	(2,258)	5,734
Gain on sale of vessels, investment securities and others .....	6,369	14,701	47,797
Loss on cancellation of vessel charters .....	(353)	(1,456)	(2,649)
Loss on sale and disposal of vessels, investment securities and others .....	(11,229)	(17,308)	(84,270)
Loss arising from dissolution of subsidiaries and affiliated companies .....	(88)	(128)	(660)
Loss on write-down of securities and other investments .....	(1,116)	(4,711)	(8,375)
Provision for doubtful accounts .....	(1,095)	(139)	(8,218)
Special retirement .....	(960)	(1,511)	(7,205)
Gain on securities contributed to employee retirement benefit trust .....	–	11,648	–
Amortization of net transition obligation .....	–	(23,809)	–
Provision for loss on the liquidation and integration of subsidiaries .....	(920)	(5,735)	(6,904)
Loss on withdrawal from resort business .....	(1,485)	–	(11,145)
Sundries .....	(526)	(719)	(3,947)
<b>Total .....</b>	<b>¥(10,615)</b>	<b>¥(25,144)</b>	<b>\$(79,662)</b>

## 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, 2002 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen			
	Vessels	Property and equipment	Other	Total
Acquisition cost . . . . .	¥2,746	¥38,224	¥562	¥41,532
Accumulated depreciation . . . . .	931	27,491	377	28,799
Net book value . . . . .	¥1,815	¥10,733	¥185	¥12,733

	Thousands of U.S. dollars			
	Vessels	Property and equipment	Other	Total
Acquisition cost . . . . .	\$20,608	\$286,859	\$4,218	\$311,685
Accumulated depreciation . . . . .	6,987	206,311	2,829	216,127
Net book value . . . . .	\$13,621	\$ 80,548	\$1,389	\$ 95,558

(2) Future lease payments inclusive of interest at March 31, 2002

	Millions of yen	Thousands of U.S. dollars
Amount due within one year . . . . .	¥ 4,365	\$ 32,758
Amount due after one year . . . . .	15,386	115,467
Total . . . . .	¥19,751	\$148,225

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Lease payments . . . . .	¥5,948	¥6,701	\$44,638
Depreciation equivalent . . . . .	3,939	3,995	29,561
Interest equivalent . . . . .	711	579	5,336

(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, 2002:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year . . . . .	¥ 33,265	\$ 249,644
Amount due after one year . . . . .	228,325	1,713,508
Total . . . . .	¥261,590	\$1,963,152

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, 2002 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost .....	¥117	¥492	¥609
Accumulated depreciation .....	63	334	397
Net book value .....	¥ 54	¥158	¥212

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost .....	\$878	\$3,692	\$4,570
Accumulated depreciation .....	473	2,507	2,980
Net book value .....	\$405	\$1,185	\$1,590

(2) Future lease income inclusive of interest at March 31, 2002

	Millions of yen	Thousands of U.S. dollars
Amount due within one year .....	¥102	\$ 765
Amount due after one year .....	263	1,974
Total .....	¥365	\$2,739

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Lease income .....	¥117	¥217	\$878
Depreciation .....	117	266	878
Interest equivalent .....	13	21	98

(4) Calculation of interest equivalent

The balances 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, 2002:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year .....	¥116	\$ 871
Amount due after one year .....	260	1,951
Total .....	¥376	\$2,822

## 10. Segment information

### (A) Business segment information:

For the year ended March 31, 2002:	Millions of yen						Consolidated
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	¥737,987	¥29,787	¥41,315	¥44,562	¥ 50,292	¥ -	¥ 903,943
(2) Inter-segment revenues . . . . .	6,797	2,927	37,970	597	19,083	(67,374)	-
<b>Total revenues . . . . .</b>	<b>744,784</b>	<b>32,714</b>	<b>79,285</b>	<b>45,159</b>	<b>69,375</b>	<b>(67,374)</b>	<b>903,943</b>
<b>2. Operating expenses . . . . .</b>	<b>686,111</b>	<b>33,716</b>	<b>78,080</b>	<b>45,496</b>	<b>66,760</b>	<b>(65,993)</b>	<b>844,170</b>
<b>Operating income (loss) . . . . .</b>	<b>¥ 58,673</b>	<b>¥ (1,002)</b>	<b>¥ 1,205</b>	<b>¥ (337)</b>	<b>¥ 2,615</b>	<b>¥ (1,381)</b>	<b>¥ 59,773</b>
<b>3. Assets, Depreciation and Capital expenditures:</b>							
(1) Assets . . . . .	¥900,631	¥33,147	¥53,810	¥24,490	¥182,624	¥(115,612)	¥1,079,090
(2) Depreciation . . . . .	60,818	2,940	2,660	728	1,680	-	68,826
(3) Capital expenditures . . . . .	28,817	5,922	6,720	1,713	569	-	43,741

For the year ended March 31, 2001:	Millions of yen						Consolidated
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	
<b>1. Revenues</b>							
(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)	-
<b>Total revenues . . . . .</b>	<b>720,858</b>	<b>36,789</b>	<b>80,376</b>	<b>52,846</b>	<b>63,542</b>	<b>(66,544)</b>	<b>887,867</b>
<b>2. Operating expenses . . . . .</b>	<b>646,840</b>	<b>36,850</b>	<b>77,054</b>	<b>52,200</b>	<b>60,632</b>	<b>(63,948)</b>	<b>809,628</b>
<b>Operating income (loss) . . . . .</b>	<b>¥ 74,018</b>	<b>¥ (61)</b>	<b>¥ 3,322</b>	<b>¥ 646</b>	<b>¥ 2,910</b>	<b>¥ (2,596)</b>	<b>¥ 78,239</b>
<b>3. Assets, Depreciation and Capital expenditures:</b>							
(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

Thousands of U.S. dollars							
For the year ended March 31, 2002:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	\$5,538,364	\$223,542	\$310,056	\$334,424	\$ 377,426	\$ –	\$6,783,812
(2) Inter-segment revenues . . . . .	51,009	21,966	284,953	4,480	143,213	(505,621)	–
<b>Total revenues . . . . .</b>	<b>5,589,373</b>	<b>245,508</b>	<b>595,009</b>	<b>338,904</b>	<b>520,639</b>	<b>(505,621)</b>	<b>6,783,812</b>
<b>2. Operating expenses . . . . .</b>	<b>5,149,051</b>	<b>253,028</b>	<b>585,966</b>	<b>341,433</b>	<b>501,013</b>	<b>(495,257)</b>	<b>6,335,234</b>
<b>Operating income (loss) . . . . .</b>	<b>\$ 440,322</b>	<b>\$ (7,520)</b>	<b>\$ 9,043</b>	<b>\$ (2,529)</b>	<b>\$ 19,626</b>	<b>\$ (10,364)</b>	<b>\$ 448,578</b>
<b>3. Assets, Depreciation and Capital expenditures:</b>							
(1) Assets . . . . .	\$6,758,957	\$248,758	\$403,827	\$183,790	\$1,370,537	\$(867,632)	\$8,098,237
(2) Depreciation . . . . .	456,420	22,064	19,963	5,463	12,608	–	516,518
(3) Capital expenditures . . . . .	216,263	44,443	50,431	12,856	4,270	–	328,263

(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.

Millions of yen							
For the year ended March 31, 2002:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	¥ 839,623	¥44,974	¥ 8,496	¥10,780	¥ 70	¥ –	¥ 903,943
(2) Inter-segment revenues . . . . .	1,177	7,695	2,352	14,723	1,053	(27,000)	–
<b>Total revenues . . . . .</b>	<b>840,800</b>	<b>52,669</b>	<b>10,848</b>	<b>25,503</b>	<b>1,123</b>	<b>(27,000)</b>	<b>903,943</b>
<b>2. Operating expenses . . . . .</b>	<b>785,456</b>	<b>48,253</b>	<b>10,681</b>	<b>24,886</b>	<b>1,232</b>	<b>(26,338)</b>	<b>844,170</b>
<b>Operating income (loss) . . . . .</b>	<b>¥ 55,344</b>	<b>¥ 4,416</b>	<b>¥ 167</b>	<b>¥ 617</b>	<b>¥ (109)</b>	<b>¥ (662)</b>	<b>¥ 59,773</b>
<b>3. Assets . . . . .</b>	<b>¥1,003,252</b>	<b>¥34,933</b>	<b>¥98,527</b>	<b>¥15,123</b>	<b>¥1,533</b>	<b>¥(74,278)</b>	<b>¥1,079,090</b>

For the year ended March 31, 2001:	Millions of yen						Consolidated
	Japan	North America	Europe	Asia	Others	Elimination	
<b>1. Revenues</b>							
(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)	–
<b>Total revenues . . . . .</b>	<b>830,150</b>	<b>52,566</b>	<b>8,859</b>	<b>22,503</b>	<b>1,133</b>	<b>(27,344)</b>	<b>887,867</b>
<b>2. Operating expenses . . . . .</b>	<b>754,042</b>	<b>50,601</b>	<b>8,552</b>	<b>21,824</b>	<b>1,207</b>	<b>(26,598)</b>	<b>809,628</b>
<b>Operating income (loss) . . . . .</b>	<b>¥ 76,108</b>	<b>¥ 1,965</b>	<b>¥ 307</b>	<b>¥ 679</b>	<b>¥ (74)</b>	<b>¥ (746)</b>	<b>¥ 78,239</b>
<b>3. Assets . . . . .</b>	<b>¥1,082,416</b>	<b>¥28,391</b>	<b>¥80,798</b>	<b>¥13,488</b>	<b>¥1,722</b>	<b>¥(66,415)</b>	<b>¥1,140,400</b>

For the year ended March 31, 2002:	Thousands of U.S. dollars						Consolidated
	Japan	North America	Europe	Asia	Others	Elimination	
<b>1. Revenues</b>							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . . . .	\$6,301,111	\$337,516	\$ 63,759	\$ 80,901	\$ 525	\$ –	\$6,783,812
(2) Inter-segment revenues . . . . .	8,833	57,749	17,651	110,492	7,902	(202,627)	–
<b>Total revenues . . . . .</b>	<b>6,309,944</b>	<b>395,265</b>	<b>81,410</b>	<b>191,393</b>	<b>8,427</b>	<b>(202,627)</b>	<b>6,783,812</b>
<b>2. Operating expenses . . . . .</b>	<b>5,894,604</b>	<b>362,124</b>	<b>80,157</b>	<b>186,762</b>	<b>9,246</b>	<b>(197,659)</b>	<b>6,335,234</b>
<b>Operating income (loss) . . . . .</b>	<b>\$ 415,340</b>	<b>\$ 33,141</b>	<b>\$ 1,253</b>	<b>\$ 4,631</b>	<b>\$ (819)</b>	<b>\$ (4,968)</b>	<b>\$ 448,578</b>
<b>3. Assets . . . . .</b>	<b>\$7,529,096</b>	<b>\$262,161</b>	<b>\$739,415</b>	<b>\$113,493</b>	<b>\$11,505</b>	<b>\$(557,433)</b>	<b>\$8,098,237</b>

(C) International business information:

For the year ended March 31, 2002:	Millions of yen				Total
	North America	Europe	Asia	Others	
1. International revenue . . . . .	¥230,423	¥113,734	¥201,933	¥219,986	¥766,076
2. Consolidated revenue . . . . .	–	–	–	–	¥903,943
3. Ratio of international revenue to consolidated revenue . . . . .	25.5%	12.6%	22.3%	24.3%	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, 2001:	Millions of yen				Total
	North America	Europe	Asia	Others	
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%

For the year ended March 31, 2002:	Thousands of U.S. dollars				Total
	North America	Europe	Asia	Others	
1. International revenue . . . . .	\$1,729,253	\$853,538	\$1,515,445	\$1,650,927	\$5,749,163
2. Consolidated revenue . . . . .	–	–	–	–	\$6,783,812
3. Ratio of international revenue to consolidated revenue . . . . .	25.5%	12.6%	22.3%	24.3%	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, 2002 and 2001.

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 years ended March 31, 2002 and 2001.

	2002	2001
Statutory tax rate .....	38.0%	38.0%
Non-taxable entertainment expenses .....	10.3	11.1
Non-taxable dividend income .....	(4.2)	(4.7)
Valuation allowance .....	(1.5)	6.7
Amortization of the consolidation difference .....	2.4	-
Others .....	6.2	5.3
<b>Effective tax rate .....</b>	<b>51.2%</b>	<b>56.4%</b>

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows :

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Deferred tax assets:</b>			
Excess bad debt expenses .....	¥ 900	¥ 558	\$ 6,754
Excess reserve for bonuses expenses .....	1,119	777	8,398
Excess retirement benefits expenses .....	5,796	3,056	43,497
Excess retirement allowances for officers .....	274	464	2,056
Write-down of securities and other investments .....	1,029	3,124	7,722
Operating loss carried forward .....	2,207	2,247	16,563
Accrued business tax and business place tax .....	45	482	338
Excess provision for loss on loan guarantee .....	-	3,453	-
Loss on withdrawal from resort business .....	564	-	4,233
Unrealized gain on sale of fixed assets .....	449	1,261	3,370
Others .....	3,080	2,483	23,114
<b>Total deferred tax assets .....</b>	<b>15,463</b>	<b>17,905</b>	<b>116,045</b>
Valuation allowance .....	(2,663)	(3,026)	(19,985)
<b>Net deferred tax assets .....</b>	<b>12,800</b>	<b>14,879</b>	<b>96,060</b>
<b>Deferred tax liabilities:</b>			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties .....	(1,041)	(1,107)	(7,812)
Reserve deductible for tax purposes when appropriated for special depreciation .....	(4,428)	(5,660)	(33,231)
Unrealized holding gains on available-for-sale securities .....	(6,345)	-	(47,618)
Gain on securities contributed to employee retirement benefit trust .....	(4,426)	-	(33,216)
Others .....	(815)	(8)	(6,116)
<b>Total deferred tax liabilities .....</b>	<b>(17,055)</b>	<b>(6,775)</b>	<b>(127,993)</b>
<b>Net deferred tax assets (liabilities) .....</b>	<b>¥ (4,255)</b>	<b>¥ 8,104</b>	<b>\$ (31,933)</b>

## 12. Employees' severance and pension benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2002 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Projected benefit obligation .....	¥ 63,643	¥ 64,083	\$ 477,621
Unrecognized actuarial differences .....	(3,826)	419	(28,713)
Prepaid pension expenses .....	9,324	6,399	69,974
Less fair value of pension assets .....	(53,048)	(52,183)	(398,109)
<b>Liability for severance and retirement benefits .....</b>	<b>¥ 16,093</b>	<b>¥ 18,718</b>	<b>\$ 120,773</b>

Included in the consolidated statement of income for the years ended March 31, 2002 and 2001 are severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service costs – benefits earned during the year .....	¥3,543	¥ 4,732	\$26,589
Interest cost on projected benefit obligation .....	1,346	1,320	10,101
Expected return on plan assets .....	(819)	(631)	(6,146)
Amortization of net transition obligation .....	–	23,809	–
Amortization of actuarial differences .....	16	–	120
<b>Severance and retirement benefit expenses .....</b>	<b>¥4,086</b>	<b>¥29,230</b>	<b>\$30,664</b>

The discount rate and the rate of expected return on plan assets for the years ended March 31, 2002 and 2001 used by the Company are 2.5% and 3.0%, respectively.

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 the income statement using the straight-line method primarily over 10 years commencing with the following period.

## 13. Subsequent events

On June 25, 2002, the shareholders of the Company approved (1) payment of year-end cash dividends to shareholders of record as of March 31, 2002 of ¥5 (\$0.038) per share or a total of ¥6,016 million (\$45,148 thousand) and (2) bonuses to directors and corporate auditors of ¥60 million (\$450 thousand).

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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To the Stockholders 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, 2002 and 2001, 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, 2002 and 2001, 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 (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2 (5), in the year ended March 31, 2002, Mitsui O.S.K. Lines, Ltd. and subsidiaries prospectively adopted new Japanese accounting standards for market valuation for available-for-sale securities with fair market values.

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 25, 2002