Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2003 and 2002

ASSETS	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 1) 2003
Current assets:			
Cash and cash equivalents	¥ 43,057	¥ 39,738	$ 358,211
Marketable securities (Note 3)	4,961	5,366	41,273
Trade receivables	118,887	97,660	989,076
Allowance for doubtful accounts	(2,474)	(2,079)	(20,582)
Fuel and supplies	13,829	11,488	115,050
Deferred and prepaid expenses	49,993	45,532	415,915
Deferred tax assets (Notes 2 (13) and 11)	4,692	3,101	39,035
Other current assets	56,700	50,582	471,714
Total current assets	289,645	251,388	2,409,692
Vessels, property and equipment, at cost (Note 5):			
Vessels	977,981	1,032,226	8,136,281
Buildings and structures	67,172	70,454	558,835
Equipment, mainly containers	47,999	44,853	399,326
Land	60,811	60,907	505,915
Vessels and other property under construction	39,020	20,065	324,626
	1,192,983	1,228,505	9,924,983
Accumulated depreciation	(623,749)	(608,860)	(5,189,259)
	569,234	619,645	4,735,724
Investments and other assets:			
Investment securities (Notes 3 and 5)	49,565	67,110	412,355
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 3)	71,019	70,435	590,840
Long-term money in trust	1,268	1,784	10,549
Consolidation differences	2,563	2,569	21,323
Intangible assets	6,369	5,902	52,987
Deferred tax assets (Notes 2 (13) and 11)	3,992	4,364	33,211
Other assets	52,957	55,893	440,574
	187,733	208,057	1,561,839
	¥1,046,612	¥1,079,090	$ 8,707,255

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 1) 2003
Current liabilities:			
Short-term bank loans	¥ 96,179	¥ 80,925	$ 800,158
Short-term bonds	6,885	8,581	57,280
Commercial paper	33,000	23,000	274,542
Total short-term debt (Note 5)	136,064	112,506	1,131,980
Long-term bank loans due within one year	65,365	62,815	543,802
Bonds due within one year	15,628	16,702	130,017
Total long-term debt due within one year (Note 5)	80,993	79,517	673,819
Trade payables	88,297	88,519	734,584
Advances received	51,644	53,829	429,651
Accrued income taxes	8,590	1,940	71,464
Deferred tax liabilities (Notes 2 (13) and 11)	321	208	2,670
Other current liabilities	57,929	38,513	481,938
Total current liabilities	423,838	375,032	3,526,106
Long-term bank loans due after one year	358,714	421,623	2,984,310
Bonds due after one year	36,875	54,073	306,780
Total long-term debt due after one year (Note 5)	395,589	475,696	3,291,090
Employees' severance and retirement benefits (Note 12)	15,030	16,093	125,042
Deferred tax liabilities (Notes 2 (13) and 11)	9,227	11,512	76,764
Other non-current liabilities	30,446	30,292	253,295
Minority interests	7,692	3,495	63,993
Commitments and contingent liabilities (Note 6)			
Shareholders' equity (Note 7):			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,205,410,445 shares	64,915	64,915	540,058
Capital surplus	43,887	43,887	365,116
Retained earnings	56,469	47,818	469,792
	165,271	156,620	1,374,966
Revaluation reserve for land, net of tax	2,231	2,173	18,561
Unrealized holding gains on available-for-sale securities, net of tax (Note 2 (5))	7,036	11,424	58,536
Foreign currency translation adjustments	(8,055)	(2,609)	(67,013)
Treasury stock, at cost (Note 2 (16))	(1,693)	(638)	(14,085)
Total shareholders' equity	164,790	166,970	1,370,965
	¥1,046,612	¥1,079,090	$8,707,255

Consolidated Statements of Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Shipping and other revenues (Note 10)	¥910,288	¥903,943	$7,573,111
Shipping and other expenses (Note 10):			
Vessel depreciation	54,211	62,238	451,006
Other expenses	733,329	699,269	6,100,907
	787,540	761,507	6,551,913
	122,748	142,436	1,021,198
General and administrative expenses:			
Amortization of consolidation differences (Note 2 (1))	446	588	3,710
Other general and administrative expenses	76,946	82,075	640,150
Operating income	45,356	59,773	377,338
Other income (expenses):			
Interest and dividend income	2,840	3,372	23,627
Interest expense	(21,103)	(32,105)	(175,566)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	3,387	4,426	28,178
Others, net (Note 8)	(5,366)	(10,615)	(44,642)
	(20,242)	(34,922)	(168,403)
Income before income taxes and minority interests	25,114	24,851	208,935
Income taxes (Notes 2 (13) and 11):			
Current	(10,872)	(6,101)	(90,449)
Deferred	1,435	(6,633)	11,938
Minority interests	(967)	(1,572)	(8,045)
Net income	¥ 14,710	¥ 10,545	$ 122,379

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	¥12.16	¥8.76	$0.101
Diluted net income	¥12.15	–	$0.101
Cash dividends applicable to the year	¥ 5.00	¥5.00	$0.042

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2003 and 2002

		Millions of yen						
	Shares of common stock (Thousands)	Common stock	Capital surplus	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
Balance at March 31, 2001	1,205,410	¥64,915	¥43,887	¥43,433	–	–	¥(7,595)	¥ (285)
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)	–	–	–	–
Balance at March 31, 2002	**1,205,410**	**¥64,915**	**¥43,887**	**¥47,818**	**¥2,173**	**¥11,424**	**¥(2,609)**	**¥ (638)**
Due to change in consolidated subsidiaries	**–**	**–**	**–**	**116**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**–**	**(30)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**–**	**14,710**	**–**	**–**	**–**	**–**
Revaluation reserve for land, net of tax	**–**	**–**	**–**	**–**	**58**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**–**	**(4,388)**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**(5,446)**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,055)**
Gains on disposal of treasury stock	**–**	**–**	**0**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(6,017)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**–**	**(128)**	**–**	**–**	**–**	**–**
Balance at March 31, 2003	**1,205,410**	**¥64,915**	**¥43,887**	**¥56,469**	**¥2,231**	**¥ 7,036**	**¥(8,055)**	**¥(1,693)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	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
Balance at March 31, 2002	**$540,058**	**$365,116**	**$397,820**	**$18,078**	**$ 95,042**	**$(21,705)**	**$ (5,308)**
Due to change in consolidated subsidiaries	**–**	**–**	**965**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(249)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**122,379**	**–**	**–**	**–**	**–**
Revaluation reserve for land, net of tax	**–**	**–**	**–**	**483**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**(36,506)**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**(45,308)**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(8,777)**
Gains on disposal of treasury stock	**–**	**0**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(50,058)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(1,065)**	**–**	**–**	**–**	**–**
Balance at March 31, 2003	**$540,058**	**$365,116**	**$469,792**	**$18,561**	**$ 58,536**	**$(67,013)**	**$(14,085)**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 25,114	¥ 24,851	$ 208,935
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	60,711	68,826	505,083
Equity in earnings of affiliated companies, net	(3,387)	(4,426)	(28,178)
Loss from changes in fair market value of marketable securities	–	19	–
Loss on write-down of investment securities	6,124	883	50,948
Loss on write-down of securities issued by subsidiaries and affiliates	170	233	1,414
Reversal of provisions	(1,807)	(4,149)	(15,033)
Interest and dividend income	(2,840)	(3,372)	(23,627)
Interest expense	21,103	32,105	175,566
Loss (Gain) on sale of marketable securities	3	(24)	25
Loss on sale of investment securities	1,474	5,322	12,263
Gain on sale of securities issued by subsidiaries and affiliates	(65)	(600)	(541)
Loss (Gain) on sale and disposal of tangible fixed assets	(3,436)	137	(28,586)
Exchange loss (gain)	1,113	(1,657)	9,260
Changes in operating assets and liabilities:			
Trade receivables	(21,662)	4,667	(180,216)
Fuel and supplies	(2,437)	81	(20,275)
Trade payables	678	(1,378)	5,641
Other, net	24,870	11,375	206,905
Sub total	105,726	132,893	879,584
Cash received for interest and dividend	4,262	6,734	35,458
Cash paid for interest	(22,874)	(33,581)	(190,300)
Cash paid for corporate income tax, resident tax, and enterprise tax	(4,239)	(21,030)	(35,266)
Net cash provided by operating activities	82,875	85,016	689,476
Cash flows from investing activities:			
Purchase of marketable securities	(2,715)	(1,375)	(22,587)
Purchase of investment securities	(4,649)	(10,928)	(38,677)
Proceeds from sale of marketable securities	1,408	5,777	11,714
Proceeds from sale of investment securities	3,640	9,890	30,283
Payments for acquisition of vessels and other tangible fixed assets	(47,005)	(42,014)	(391,057)
Proceeds from sale of vessels and other tangible fixed assets	19,494	79,380	162,179
Disbursements for loans	(1,046)	(11,414)	(8,702)
Collections of loans receivable	8,955	6,241	74,501
Other	(28,795)	(6,707)	(239,559)
Net cash provided by (used in) investing activities	(50,713)	28,850	(421,905)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	14,892	(3,013)	123,893
Net increase in commercial paper	10,000	13,000	83,195
Proceeds from long-term loans	59,325	56,357	493,552
Repayments of long-term loans	(88,984)	(184,841)	(740,300)
Proceeds from issuance of bonds	606	8,788	5,042
Redemption of bonds	(17,928)	(13,792)	(149,151)
Cash dividends paid by the company	(6,017)	(6,022)	(50,058)
Purchase of treasury stock	(641)	(362)	(5,333)
Cash dividends paid to minority interest	(471)	(27)	(3,918)
Other	1,953	(2,100)	16,248
Net cash used in financing activities	(27,265)	(132,012)	(226,830)
Effect of exchange rate changes on cash and cash equivalents	(1,691)	2,717	(14,069)
Net increase (decrease) in cash and cash equivalents	3,206	(15,429)	26,672
Cash and cash equivalents at beginning of year	39,738	55,290	330,599
Net cash increase (decrease) from new consolidation/ de-consolidation of subsidiaries	113	(123)	940
Cash and cash equivalents at end of year	¥ 43,057	¥ 39,738	$ 358,211

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2003 and 2002

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 (the "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 translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to U.S. $1.00. The convenience translations should not be construed as a representation 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 283 subsidiaries for the year ended March 31, 2003 (286 subsidiaries for the year ended March 31, 2002). All significant inter-company transactions and accounts have been eliminated.

Significant investments in unconsolidated subsidiaries and affiliated companies (20% to 50% owned and certain others 15% to 20% owned) are accounted for by the equity method. Three unconsolidated subsidiaries for the year ended March 31, 2003, and 36 and 37 affiliated companies for the years ended March 2003 and 2002, respectively, were accounted for by the equity method. Investments in other subsidiaries (117 in the year ended March 31, 2003 and 116 in the preceding year) and affiliated companies (86 and 93 in the respective years) were stated at costs since the Company's equity in net income and retained earnings in such companies were not material.

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

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

Amortization of the consolidation differences 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 currency 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 included 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. 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 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.

(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 mainly 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 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, 2003 and 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in the consolidated statements of income using the straight-line method over a period not exceeding the average of the estimated remaining service lives (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 of each of the Company and its consolidated subsidiaries, with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(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.

Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year or at the date of issuance with an applicable adjustment for related interest expense.

Cash dividends per share shown in the 2003 column represent the amount payable to shareholders as of March 31, 2003.

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The effect on earnings per share of the adoption of the new accounting standard was not material.

(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.

The derivative transactions are executed and managed by the Company's Finance and Accounting Division in accordance with the established policies in order to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and currency exchange fluctuations.

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
Commodities futures	Fuel oil
Freight futures	Freight

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 corresponding changes in the hedging derivative instruments.

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.

(16) Treasury stock and statutory reserves

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reduction of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002). As a result of adopting the new accounting standard, gains or losses from disposal of treasury stock, which were previously charged to income or expense, are accounted for as a capital transaction.

The effect on net income of the adoption of the new accounting standard was not material.

(17) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2003 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 the fair value of securities with available fair values as of March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
(a) Trading securities:			
Book value	–	¥ 4	–
Amount of net unrealized gains or losses included in the income statement	–	(19)	–

(b) Held-to-maturity debt securities:

There were no securities with available fair values exceeding book values as of March 31, 2003 and 2002.

Securities with available fair values not exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Book value	¥39	¥40	$324
Fair value	39	40	324
Difference	–	–	–

(c) Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2003

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥12,832	¥26,335	¥13,503
Debt securities			
Governmental bonds	10	10	–
Corporate bonds	21	22	1
Others	199	200	1
Total	¥13,062	¥26,567	¥13,505

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	$106,756	$219,094	$112,338
Debt securities			
Governmental bonds	83	83	–
Corporate bonds	175	183	8
Others	1,655	1,663	8
Total	$108,669	$221,023	$112,354

Securities with book values not exceeding acquisition costs at March 31, 2003

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥12,464	¥9,736	¥(2,728)
Debt securities	–	–	–
Others	107	106	(1)
Total	¥12,571	¥9,842	¥(2,729)

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	$103,694	$80,998	$(22,696)
Debt securities	–	–	–
Others	890	882	(8)
Total	$104,584	$81,880	$(22,704)

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
Debt securities			
Governmental bonds	10	10	–
Corporate bonds	–	–	–
Others	303	311	8
Others	115	137	22
Total.	¥19,713	¥41,351	¥21,638

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)
Debt securities			
Governmental bonds	–	–	–
Corporate bonds	5	4	(1)
Others	3,156	3,156	–
Others	2,790	2,790	–
Total.	¥20,851	¥15,630	¥(5,221)

B. The following tables summarize book values of securities with no available fair value as of March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
(a) Held-to-maturity debt securities:			
Type	Book value		Book value
Others	–	¥127	–

(b) Available-for-sale securities:

Type	Book value		Book value
Non-listed equity securities	¥13,076	¥12,418	$108,785
Non-listed foreign equity securities	4,721	1,002	39,276
Others	278	1,904	2,313
Total	¥18,075	¥15,324	$150,374

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

For the year ended March 31, 2003:

Type	Millions of yen				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Governmental bonds	–	¥15	–	–	¥ 15
Corporate bonds	–	46	–	–	46
Others	¥200	–	–	–	200
Others:					
Mutual fund	–	–	–	–	–
Total	¥200	¥61	–	–	¥261

For the year ended March 31, 2002:

Type	Millions of yen				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Governmental bonds	¥ 1	–	–	–	¥ 1
Corporate bonds	126	¥217	–	–	343
Others	26	–	–	–	26
Others:					
Mutual fund	1	61	¥73	–	135
Total	¥154	¥278	¥73	–	¥505

For the year ended March 31, 2003:

Type	Thousands of U.S. dollars				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Debt securities:					
Governmental bonds	–	$125	–	–	$ 125
Corporate bonds	–	383	–	–	383
Others	$1,664	–	–	–	1,664
Others:					
Mutual fund	–	–	–	–	–
Total	$1,664	$508	–	–	$2,172

D. There were no held-to-maturity debt securities sold in the years ended March 31, 2003 and 2002.

E. Total sales of available-for-sale securities sold in the years ended March 31, 2003 and 2002 and the related gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Proceeds from sales	¥3,519	¥12,683	$29,276
Gross realized gains	615	620	5,116
Gross realized losses	2,089	5,946	17,379

4. Derivative transactions

The Group enters into derivative transactions mainly to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and currency exchange 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 related to currency and interest of the Group at March 31, 2003 and 2002, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
(1) Currency related			
Forward currency exchange contracts:			
Sell (U.S. dollar)			
Contracts outstanding	¥ 1,196	¥1,331	$ 9,950
Unrealized loss	(3)	(122)	(25)

The following table summarizes the outstanding contract amounts and unrealized losses of currency swaps of overseas consolidated subsidiaries in the countries where companies are not required either to state derivative financial instruments at fair value, or apply hedge accounting.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Currency swaps:			
Receive Yen, pay U.S. dollar			
Contracts outstanding	¥25,890	–	$215,391
Unrealized loss	(1,208)	–	(10,050)
Receive U.S. dollar, pay Yen			
Contracts outstanding	¥ 100	–	$ 832
Unrealized loss	(9)	–	(75)

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
(2) Interest related			
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	¥7,617	¥7,482	$63,369
Unrealized loss	(485)	(280)	(4,035)
Receive fixed, pay floating			
Contracts outstanding	¥7,181	¥7,423	$59,742
Unrealized gain	427	263	3,552

The following table summarizes the outstanding contract amounts and unrealized losses of interest rate swaps of overseas consolidated subsidiaries in the countries where companies are not required either to state derivative financial instruments at fair value, or apply hedge accounting.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	¥2,931	–	$24,384
Unrealized loss	(106)	–	(882)
Receive fixed, pay floating			
Contracts outstanding	¥4,600	–	$38,270
Unrealized gain	(1)	–	(8)

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.

5. Short-term debt and long-term debt

(1) Short-term debt

Short-term debt at March 31, 2003 (¥136,064 million: $1,131,980 thousand) and 2002 (¥112,506 million) was principally unsecured. The interest rates on short-term debt were set mainly on a floating rate basis.

(2) Long-term debt

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Bonds:			
1.750% yen bonds due in 2002	–	¥ 1,000	–
2.350% yen bonds due in 2002	–	10,000	–
2.750% yen bonds due in 2004	¥ 10,000	10,000	$ 83,195
3.025% yen bonds due in 2006	10,000	10,000	83,195
3.075% yen bonds due in 2007	10,000	10,000	83,195
3.250% yen bonds due in 2009	10,000	10,000	83,195
Floating rate yen notes due in 2002	–	1,000	–
Floating/fixed rate Euro medium-term notes due in 2002-2009	12,503	18,775	104,017
Secured loans from:			
Japan Development Bank due through 2016 at interest rates of 0.95% to 8.50%	82,703	95,909	688,045
Other financial institutions due through 2025 at interest rates of 0.27% to 6.80%	218,437	291,317	1,817,280
Unsecured loans from:			
Japan Development Bank due through 2002 at interest rate of 1.25%	–	2,200	–
Other financial institutions due through 2033 at interest rates of 0.22% to 7.78%	122,939	95,012	1,022,787
	476,582	555,213	3,964,909
Amount due within one year	80,993	79,517	673,819
	¥395,589	¥475,696	$3,291,090

At March 31, 2003, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 80,993	$ 673,819
2005	93,075	774,334
2006	83,474	694,459
2007	71,196	592,313
2008	53,178	442,413
2009 and thereafter	94,666	787,571
	¥476,582	$3,964,909

At March 31, 2003, 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
Vessels	¥334,364	$2,781,730
Buildings and structures	7,970	66,306
Land	6,804	56,606
Investment securities	51,070	424,875
Others	434	3,611
	¥400,642	$3,333,128

Secured debt	Millions of yen	Thousands of U.S. dollars
Short-term debt	¥ 1,596	$ 13,278
Long-term debt due within one year	52,379	435,766
Long-term debt	248,762	2,069,567
	¥302,737	$2,518,611

6. Commitments and contingent liabilities

At March 31, 2003, 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 ¥121,393 million ($1,009,925 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 carriers are held in several subsidiaries of the Company, which have their own creditors.

7. Shareholders' equity

Under the Code, at least 50% of the issue price of new shares 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 which is included in capital surplus.

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 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, 2003, 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 ($49,917 thousand) and (b) the Company may grant up to 2,100 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
	2003	2002	2003
Others, net:			
Gain (loss) on sale of marketable securities	¥ (3)	¥ 24	$ (25)
Exchange gains (losses), net	2,080	764	17,304
Gain on sale of vessels, investment securities and others	4,797	6,369	39,908
Loss on cancellation of vessel charters	(421)	(353)	(3,502)
Loss on sale and disposal of vessels, investment securities and others	(2,771)	(11,229)	(23,053)
Loss arising from dissolution of subsidiaries and affiliated companies	(164)	(88)	(1,364)
Loss on write-down of securities and other investments	(6,294)	(1,116)	(52,363)
Provision for doubtful accounts	(545)	(1,095)	(4,534)
Special retirement benefit	(1,864)	(960)	(15,507)
Provision for loss on the liquidation and integration of subsidiaries	–	(920)	–
Loss on withdrawal from resort business	–	(1,485)	–
Sundries	(181)	(526)	(1,506)
Total	¥(5,366)	¥(10,615)	$(44,642)

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, 2003 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	¥32,552	¥453	¥35,751
Accumulated depreciation	1,114	23,828	330	25,272
Net book value	¥1,632	¥ 8,724	¥123	¥10,479

	Thousands of U.S. dollars			
	Vessels	Property and equipment	Other	Total
Acquisition cost	$22,845	$270,815	$3,769	$297,429
Accumulated depreciation	9,268	198,236	2,745	210,249
Net book value	$13,577	$ 72,579	$1,024	$ 87,180

(2) Future lease payments inclusive of interest at March 31, 2003

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 3,895	$ 32,404
Amount due after one year	13,143	109,343
Total	¥17,038	$141,747

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease payments	¥4,913	¥5,948	$40,874
Depreciation equivalent	3,897	3,939	32,421
Interest equivalent	607	711	5,050

(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, 2003:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 31,069	$ 258,478
Amount due after one year	223,547	1,859,792
Total	¥254,616	$2,118,270

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, 2003 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	88	402	490
Net book value	¥ 29	¥ 90	¥119

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	$973	$4,093	$5,066
Accumulated depreciation	732	3,344	4,076
Net book value	$241	$ 749	$ 990

(2) Future lease income inclusive of interest at March 31, 2003

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 96	$ 799
Amount due after one year	166	1,381
Total	¥262	$2,180

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Lease income	¥119	¥117	$990
Depreciation	93	117	774
Interest equivalent	17	13	141

(4) Calculation of interest equivalent

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

(B) Future lease income under operating leases at March 31, 2003:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 78	$ 649
Amount due after one year	170	1,414
Total	¥248	$2,063

10. Segment information

(A) Business segment information:

For the year ended March 31, 2003:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥736,171	¥29,135	¥41,520	¥47,319	¥ 56,143	¥ –	¥ 910,288
(2) Inter-segment revenues	6,800	4,320	37,335	1,061	18,678	(68,194)	–
Total revenues	742,971	33,455	78,855	48,380	74,821	(68,194)	910,288
2. Operating expenses	705,514	32,807	76,549	48,434	70,842	(69,214)	864,932
Operating income (loss)	¥ 37,457	¥ 648	¥ 2,306	¥ (54)	¥ 3,979	¥ 1,020	¥ 45,356
3. Assets, Depreciation and Capital expenditures:							
(1) Assets	¥870,673	¥30,652	¥53,375	¥26,660	¥186,661	¥(121,409)	¥1,046,612
(2) Depreciation	53,672	1,908	2,860	616	1,655	–	60,711
(3) Capital expenditures	42,733	1,290	3,934	481	1,056	–	49,494

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
	Millions of yen						
1. Revenues							
(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)	–
Total revenues	744,784	32,714	79,285	45,159	69,375	(67,374)	903,943
2. Operating expenses	686,111	33,716	78,080	45,496	66,760	(65,993)	844,170
Operating income (loss)	¥ 58,673	¥ (1,002)	¥ 1,205	¥ (337)	¥ 2,615	¥ (1,381)	¥ 59,773
3. Assets, Depreciation and Capital expenditures:							
(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, 2003:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Thousands of U.S. dollars						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$6,124,550	$242,388	$345,424	$393,669	$ 467,080	$ –	$7,573,111
(2) Inter-segment revenues	56,573	35,940	310,607	8,827	155,391	(567,338)	–
Total revenues	6,181,123	278,328	656,031	402,496	622,471	(567,338)	7,573,111
2. Operating expenses	5,869,501	272,937	636,847	402,945	589,367	(575,824)	7,195,773
Operating income (loss)	$ 311,622	$ 5,391	$ 19,184	$ (449)	$ 33,104	$ 8,486	$ 377,338
3. Assets, Depreciation and Capital expenditures:							
(1) Assets	$7,243,536	$255,008	$444,052	$221,797	$1,552,920	$(1,010,058)	$8,707,255
(2) Depreciation	446,522	15,873	23,794	5,125	13,769	–	505,083
(3) Capital expenditures	355,516	10,732	32,729	4,002	8,785	–	411,764

(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, Southwest Asia, Southeast 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, 2003:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥851,026	¥39,747	¥ 8,150	¥11,331	¥ 34	¥ –	¥ 910,288
(2) Inter-segment revenues	2,881	6,925	2,633	13,379	1,172	(26,990)	–
Total revenues	853,907	46,672	10,783	24,710	1,206	(26,990)	910,288
2. Operating expenses	812,144	43,202	10,339	24,124	1,270	(26,147)	864,932
Operating income (loss)	¥ 41,763	¥ 3,470	¥ 444	¥ 586	¥ (64)	¥ (843)	¥ 45,356
3. Assets	¥971,131	¥33,620	¥95,103	¥13,486	¥1,243	¥(67,971)	¥1,046,612

	Millions of yen						
For the year ended March 31, 2002:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(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)	–
Total revenues	840,800	52,669	10,848	25,503	1,123	(27,000)	903,943
2. Operating expenses	785,456	48,253	10,681	24,886	1,232	(26,338)	844,170
Operating income (loss)	¥ 55,344	¥ 4,416	¥ 167	¥ 617	¥ (109)	¥ (662)	¥ 59,773
3. Assets	¥1,003,252	¥34,933	¥98,527	¥15,123	¥1,533	¥(74,278)	¥1,079,090

	Thousands of U.S. dollars						
For the year ended March 31, 2003:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$7,080,083	$330,674	$ 67,803	$ 94,268	$ 283	$ –	$7,573,111
(2) Inter-segment revenues	23,969	57,612	21,905	111,306	9,750	(224,542)	–
Total revenues	7,104,052	388,286	89,708	205,574	10,033	(224,542)	7,573,111
2. Operating expenses	6,756,606	359,417	86,015	200,699	10,566	(217,530)	7,195,773
Operating income (loss)	$ 347,446	$ 28,869	$ 3,693	$ 4,875	$ (533)	$ (7,012)	$ 377,338
3. Assets	$8,079,293	$279,701	$791,206	$112,196	$10,341	$(565,482)	$8,707,255

(C) International business information:

For the year ended March 31, 2003:	Millions of yen North America	Europe	Asia	Others	Total
1. International revenue	¥230,970	¥117,057	¥192,984	¥225,812	¥766,823
2. Consolidated revenue	–	–	–	–	¥910,288
3. Ratio of international revenue to consolidated revenue	25.4%	12.9%	21.2%	24.8%	84.2%

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, Southwest Asia, Southeast 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, 2002:	Millions of yen North America	Europe	Asia	Others	Total
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%

For the year ended March 31, 2003:	Thousands of U.S. dollars North America	Europe	Asia	Others	Total
1. International revenue	$1,921,547	$973,852	$1,605,524	$1,878,636	$6,379,559
2. Consolidated revenue	–	–	–	–	$7,573,111
3. Ratio of international revenue to consolidated revenue	25.4%	12.9%	21.2%	24.8%	84.2%

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, 2003 and 2002.

The following table summarizes the significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2002. The reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2003 is not shown because the difference between the statutory tax rate and the effective tax rate after application of deferred tax accounting was less than 5%.

The effective tax rate used for calculation of deferred taxes assets and liabilities was 38% for the year ended March 31, 2002. Effective for the year commencing on April 1, 2004 or later, according to the revised local tax law, income tax law rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred taxes assets and liabilities, the Company and consolidated domestic subsidiaries used the effective tax rates of 38% and 37.5% for current items and non-current items, respectively, for the year ended March 31, 2003. As the result of the change in the effective tax rates, deferred taxes liabilities, net of deferred tax assets, decreased by ¥70 million ($582 thousand) and income taxes-deferred increased ¥6 million ($50 thousand), and also investment securities, unrealized holding gains on available-for-sale securities, net of tax, and revaluation reserve for land, net of tax, increased ¥68 million ($566 thousand), ¥74 million ($616 thousand), and ¥58 million ($482 thousand), respectively, compared with what would have been recorded under the previous local tax law.

	2002
Statutory tax rate	38.0%
Non-taxable entertainment expenses	10.3
Non-taxable dividend income	(4.2)
Valuation allowance	(1.5)
Amortization of the consolidation difference	2.4
Others	6.2
Effective tax rate	51.2%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Excess bad debt expenses	¥ 2,237	¥ 900	$ 18,611
Excess reserve for bonuses expenses	1,365	1,119	11,356
Excess retirement benefits expenses	4,615	5,796	38,394
Excess retirement allowances for officers	292	274	2,429
Write-down of securities and other investments	2,373	1,029	19,742
Operating loss carried forward	806	2,207	6,706
Accrued business tax and business place tax	305	45	2,538
Loss on withdrawal from resort business	–	564	–
Unrealized gain on sale of fixed assets	542	449	4,509
Others	602	3,080	5,008
Total deferred tax assets	13,137	15,463	109,293
Valuation allowance	(541)	(2,663)	(4,501)
Net deferred tax assets	12,596	12,800	104,792
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	(952)	(1,041)	(7,920)
Reserve deductible for tax purposes when appropriated for special depreciation	(3,366)	(4,428)	(28,003)
Unrealized holding gains on available-for-sale securities	(4,040)	(6,345)	(33,611)
Gain on securities contributed to employee retirement benefit trust	(4,367)	(4,426)	(36,331)
Others	(735)	(815)	(6,115)
Total deferred tax liabilities	(13,460)	(17,055)	(111,980)
Net deferred tax assets (liabilities)	¥ (864)	¥ (4,255)	$ (7,188)

12. Employees' severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2003 and 2002 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Projected benefit obligation	¥ 63,501	¥ 63,643	$ 528,294
Unrecognized actuarial differences	(14,196)	(3,826)	(118,103)
Prepaid pension expenses	11,424	9,324	95,042
Less fair value of pension assets	(45,699)	(53,048)	(380,191)
Liability for severance and retirement benefits	¥ 15,030	¥ 16,093	$ 125,042

Included in the consolidated statement of income for the years ended March 31, 2003 and 2002 are severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service costs – benefits earned during the year	¥4,001	¥3,543	$33,286
Interest cost on projected benefit obligation	1,147	1,346	9,543
Expected return on plan assets	(745)	(819)	(6,198)
Amortization of actuarial differences	363	16	3,020
	¥4,766	¥4,086	$39,651

The discount rate for the years ended March 31, 2003 and 2002 used by the Company are 2.0% and 2.5%, respectively. Also, the rate of expected return on plan assets for the years ended March 31, 2003 and 2002 are 0% and 2.5%, 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 income statement using the straight-line method primarily over 10 years commencing with the following period.

13. Subsequent events

On June 25, 2003, the shareholders of the Company approved (1) payment of year-end cash dividends to shareholders of record as of March 31, 2003 of ¥5 ($0.042) per share or a total of ¥6,004 million ($49,950 thousand) and (2) bonuses to directors and corporate auditors of ¥60 million ($499 thousand).

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of Mitsui O.S.K. Lines, Ltd.:

We have audited the accompanying consolidated balance sheets of Mitsui O.S.K. Lines, Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui O.S.K. Lines, Ltd. and subsidiaries as of March 31, 2003 and 2002, 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 as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into U.S. dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into U.S. dollars on the basis set forth in Note 1 to the consolidated financial statements.

Asahi & Co.

Tokyo, Japan

June 25, 2003