Financial Section

Contents

Management’s Discussion and Analysis

STRENGTHENING THE FINANCIAL BASE (IMPROVING THE GEARING RATIO)

On March 31, 2010, at a press conference to introduce the company’s new midterm management plan, “GEAR UP! MOL,” then president-elect Koichi Muto commented: “In the past, safe operations and a healthy financial base have formed the foundation of MOL’s business, but in the future, these factors will be the very key to our continuing competitiveness.” This statement reflects the importance that financial activities will have under the new midterm plan. However, before discussing future objectives, it is helpful to understand MOL’s progress to achieve the financial objectives set under the preceding mid plan, “MOL ADVANCE,” which covered the period from fiscal 2007 to 2009.

Shareholders’ Equity/Interest-Bearing Debt/Gearing Ratio

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Shareholders’ equity (¥ billions)	679.3	623.7	659.5
Interest-bearing debt (¥ billions)	601.2	702.6	775.1
Gearing ratio (%)	88	113	118

Under the “MOL ADVANCE” management plan, the company set out to strengthen its financial base so that it would be able to support long-term sustainable growth. The top priority in MOL’s financial strategy has been to maintain a gearing ratio (interest-bearing debt/shareholders’ equity) of no more than 100%. As of March 31, 2008, MOL met this target, with a gearing ratio of 88%. However, the collapse of Lehman Brothers in the following fiscal year, and the unprecedented slump in global cargo volume that followed, caused MOL’s operating cash flow to deteriorate in the latter half of fiscal 2008. As of the end of fiscal 2009, the gearing ratio stood at 118%, though considering liquidity on hand, the net gearing ratio was 105%.

Following the Lehman Shock, many listed domestic and overseas marine transport companies increased capital by public offering in order to raise the funds they needed, diluting their share prices. MOL, meanwhile, refused to take the easy way out, and instead did its best to make do with funds it had on hand, or raised funds by selling off assets. All of the company’s fundraising during this period was achieved at low cost, either through the issuance of straight bonds or by borrowing from banks.

MOL Straight Bond Issuance Since December 2008

	Date of Issue	Years	Interest Rate	Total Amount of Issue	Outstanding
Straight bonds No. 10	2008.12.19	5	1.428%	¥15.0 billion	¥15.0 billion
Straight bonds No. 11	2009.5.27	5	1.278%	¥30.0 billion	¥30.0 billion
Straight bonds No. 12	2009.5.27	10	1.999%	¥20.0 billion	¥20.0 billion
Straight bonds No. 13	2009.12.17	7	1.106%	¥20.0 billion	¥20.0 billion

MOL managed to address the once-in-a-century credit crisis entirely through bond issuance and bank loans, without resorting to any increase in capital. Several factors played a part in this achievement:

(1) The strong shareholders’ equity accumulated by the company from earnings over many years allowed MOL to maintain strong credit ratings even as the credit ratings of many industry rivals were being downgraded. The company maintains an AA– rating with R&I and a Moody’s rating of A3—the highest ratings of any company in the global marine transport industry.

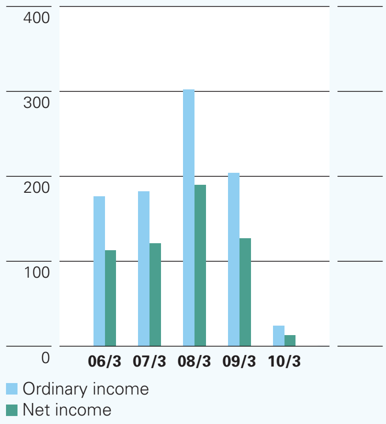
(2) Since financial markets in Japan have remained comparatively steady relative to those in the U.S. and Europe, and since MOL maintains strong relationships with Japanese financial institutions, the company did not face any difficulties in obtaining funds.

(3) Earnings have returned to the black since the July-September 2009 quarter, and the company strongly anticipates an earnings rebound in fiscal 2010.

MOL was able to raise funds at the most appropriate time by monitoring financial markets carefully, refraining from establishing unnecessary commitment lines to meet the obligations of ship construction contracts that are currently in progress. However, liquidity on hand at the end of fiscal 2009 was relatively high, compared with historical levels, at ¥85.9 billion (based on the balance of cash and cash equivalents on the consolidated cash flow statement as of March 31, 2010).

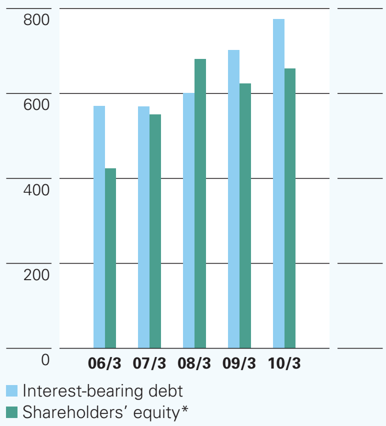
ORDINARY INCOME AND NET INCOME

(¥ billions)



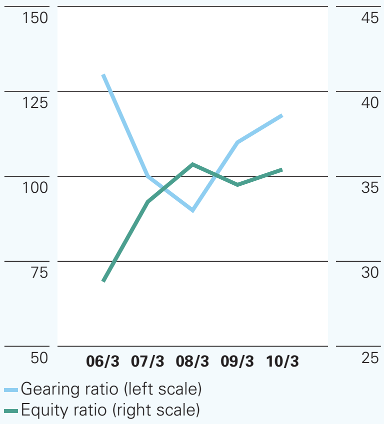
INTEREST-BEARING DEBT AND SHAREHOLDERS’ EQUITY

(¥ billions)

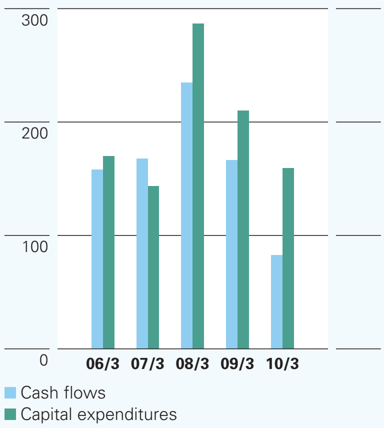


* “Shareholders’ equity” in this section comprises the total of owners’ equity and accumulated gains from valuation and translation adjustments.

GEARING RATIO AND EQUITY RATIO

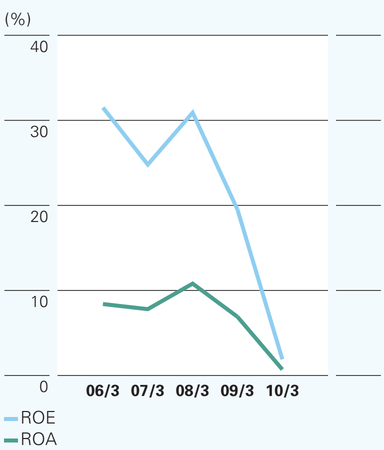


CASH FLOWS AND CAPITAL EXPENDITURES



*Cash flows=Net income+Depreciation–Dividend

ROA AND ROE



The aforementioned background information provides context for the financial objectives laid out in the “GEAR UP! MOL” midterm management plan covering the period from fiscal 2010 to fiscal 2012. We will now discuss those targets in greater detail.

Targets for Shareholders’ Equity/Interest-Bearing Debt/Gearing Ratio (As of April 27, 2010)

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Shareholders’ equity (¥ billions)	710.0	770.0	860.0
Interest-bearing debt (¥ billions)	830.0	870.0	790.0
Gearing ratio (%)	117	113	92

During the period covered by the “GEAR UP! MOL” plan, we expect earnings mainly in the company’s core containership business to recover greatly, rapidly improving the operating cash flow. However, this probably will not be enough to cover the full capital outflow from investment activities, related to ships that have already been ordered and will be delivered during the period. Therefore, free cash flow is expected to be negative during fiscal 2010 and 2011, and any improvement in the gearing ratio will probably be minor. However, for ships to be completed and delivered after fiscal 2012, the company is restraining new ship orders, and will monitor market conditions and the status of major shipyards to determine the most appropriate time to place new orders. Therefore, the cash outflow from investing activities should decline substantially in fiscal 2012, pushing the gearing ratio well below 100% by the end of March 2013. Although a gearing ratio of 100% has been an ongoing target of MOL’s financial policies, during the current midterm management plan, it will become increasingly critical. As the new CEO, Mr. Muto declared, this will now be viewed more as a “financial rule.” MOL’s financial strategy is based on many considerations, such as the following:

(1) In March 2010, MOL was awarded a large-scale LNG transport contract (a long-term contract to provide six ships for ExxonMobil). This was the first time in several years that such a project had been negotiated, and the client limited its negotiations to just two companies which boasted extremely strong financial positions (MOL and one overseas competitor). This is an example of what we expect to be a growing trend—customers who are negotiating medium- and long-term contracts are likely to be increasingly selective, and place more weight than ever on a marine transport company’s financial soundness.

(2) At the end of fiscal 2009, MOL was one of just 91 listed companies in Japan with a shareholders’ equity of ¥500 billion or more. Among those companies, MOL ranked 57th in terms of its gearing ratio (118%). This ranking, as well as a comparison with overseas marine transport companies, suggests that there is still room for improvement in the company’s financial health.

On the other hand, gearing ratios are not the only basis for comparison with overseas marine transport companies. Compared with leading overseas marine transport companies, MOL has far more diversified operations, with a broad portfolio of ships that help to minimize risk. Furthermore, MOL has strong business relationships with Japanese banks, which relatively speaking, face fewer bad debt problems than overseas counterparts. From this standpoint, MOL surpasses most overseas marine transport companies in financial strength and fundraising capacity.

(3) Although the shipping industry can look forward to future growth, it is also an industry that faces cyclical effects. Periods when shipping demand is weak, also tend to be advantageous times to invest in new ships (since order prices for new ships tend to decline). Therefore, a company with a strong financial base, which can raise funds more easily than rivals even in times of market weakness, will enjoy a competitive edge and superior earnings power when the market recovers.

In order to improve the gearing ratio, the first step naturally is to improve the operating cash flow. In addition, MOL can take steps to reduce the outflow from investment activities, by selling off fixed assets, selling marketable securities, and adjusting the makeup of their fleet using off-balance-sheet schemes more. In terms of financing activities, the MOL Group pursues cash management strategies that aim to maximize capital efficiency. Although the company is currently experiencing a temporary increase in liquidity on hand, it is closely monitoring financial markets and choosing the most appropriate time to repay interest-bearing debt. As MOL seeks to improve its financial strength, it also intends to maintain the consolidated dividend payout ratio at the existing target level of 20%.

By pursuing the aforementioned financial strategies to improve its financial position, MOL expects to maintain or even improve its high credit ratings. This strong financial position is a key factor in making the company more competitive: it allows MOL to make advantageous capital investments as well as win large and beneficial transport contracts, which in turn should improve operating cash flow and ensure that the company can continue to further enhance corporate value.

Credit Ratings (As of June 1, 2010)

JCR	AA–
R&I	AA–
Moody's	A3

RESPONSE TO IFRS

At present, various local and international authorities and institutions are discussing the practical steps that will need to be taken in order to introduce new International Financial Reporting Standards (IFRS) over the next few years. Where Japanese shipping companies are concerned, the new standards will mainly affect the balance sheet treatment of operating leases, and the need to value all assets at market value, in order to express "comprehensive income." However, MOL already discloses operating leases as "future lease payments" (¥288.1 billion as of March 31, 2010). Although the market-value treatment of assets might have an influence on the book presentation of profit, it will have no impact on operating cash flow. Since MOL has adopted a financial management strategy that emphasizes cash flows, the introduction of IFRS will have little impact on the company's management stance. MOL will continue to focus on cash flows. Regarding the disposal of investment securities, which is an effective means of minimizing fluctuations in "comprehensive income," MOL will continue to do this from the standpoint of managing investing cash flows.

Efforts to bring Japan's accounting standards for employee retirement benefits into line with IFRS are also due to be introduced in fiscal 2011. The full value of any underfunded portion of projected retirement benefit obligations would have to be shown on the balance sheet as a liability. However, as of the end of fiscal 2009, the MOL Group had pension assets largely commensurate with projected benefit obligations. Furthermore, Mitsui O.S.K. Lines, Ltd.—the Group's main operating unit—has moved to a defined benefit pension plan and lowered the assumed rate of interest from 4% to 2% in May 2010. This reduction in the assumed rate of interest will allow the pension fund to shift the focus of management assets to bonds which pay comparatively stable returns, and therefore should limit the risk of seriously underfunded liabilities in the future.

GLOBAL TAX PLANNING

Global operations in the marine transport industry already utilize the "tonnage tax" system as the standard for taxation, but this system was introduced in Japan as well from fiscal 2009, and adopted by MOL. In fiscal 2009, the system was applied to only 49 vessels, but in the future it will be steadily extended to cover more ships. However, the system currently applies only to Japanese-flagged vessels. The company continues to urge the government to adopt a more flexible system that will be more in line with the systems applied in various other countries.

It is becoming increasingly important to utilize a global tax planning strategy to compete on an equal basis in terms of the relative tax burden with overseas marine transport companies, particularly in Europe and Asia, that are already benefiting from such a flexible system of tax rates per tonne. As MOL expands its international operations, the company intends to take advantage of the marine transport-related tax structures of various countries, particularly in Europe and Asia.

Risk Management

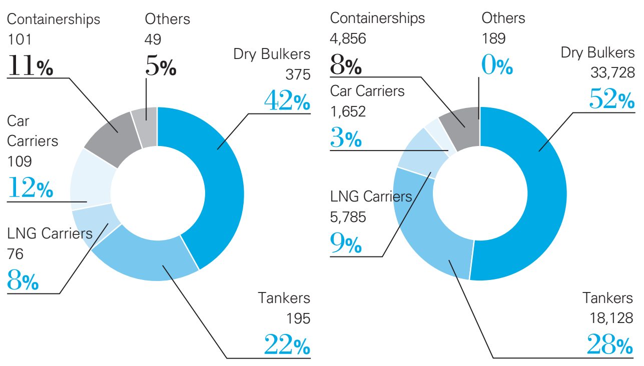
FLUCTUATIONS OF CARGO VOLUME, FLEET SUPPLY AND FREIGHT RATES

The global shipping business, like many other industries, is greatly affected by trends in the global economic cycle, and is thus subject to both macroeconomic risk, as well as business risk associated with trends in specific industries. There are a multitude of factors that are subject to change, such as fluctuations in the economies of individual countries, changes in the trade structure, demand for freight space, and market conditions, and cargo volumes, among other factors. A marine transport company needs to respond to these changes quickly and accurately in order to achieve the best performance. With this in mind, MOL has adopted a strategy of "diversifying operations to reduce risk" and "raising highly stable profits" by aligning its fleet to match international marine transport demand in the transport of both raw materials and finished goods. In this way, we strive to maximize returns and sustain profit growth.

Diversifying Operations to Reduce Risk

MOL operates a "full-line marine transport group." As of the end of March 2010, our fleet consisted of 905 vessels ranging from dry bulkers and tankers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Supply and demand trends fluctuate for each type of ship and each type of cargo. While there are some factors that are closely related, and affect all of these segments in the same way, there are also many factors which affect demand in each sector differently, so the impact in one sector offsets the impact in another in many cases. By maintaining a diverse, well-balanced assortment of ships, MOL can take advantage of this relationship to minimize risk and maximize return.

FLEET COMPOSITION (As of March 31, 2010)

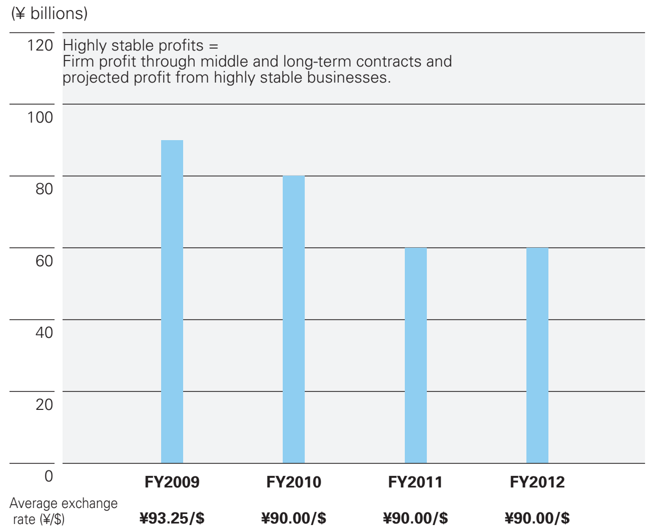


Raising Highly Stable Profits Through the Use of Medium- and Long-Term Contracts and Other Means

The company pursues medium- and long-term contracts that allow it to develop long-standing relationships of trust with customers, and ensure a stable future cash flow that will help reduce the risk that market fluctuations could have on its results.

International marine transportation is recovering from the sudden drop in global demand that followed the collapse of Lehman Brothers. However, MOL's businesses are largely shielded from changes in the external environment, providing a stable source of profit. From a long-term perspective, the company aims to expand these stable sources of profit and thereby create an even steadier earnings structure. To achieve this objective, one of the options we will look closely at as a matter of priority is M&As in growing sectors which enjoy a relatively stable cash flow.

ACCUMULATION OF HIGHLY STABLE PROFITS



EXCHANGE RATE FLUCTUATIONS

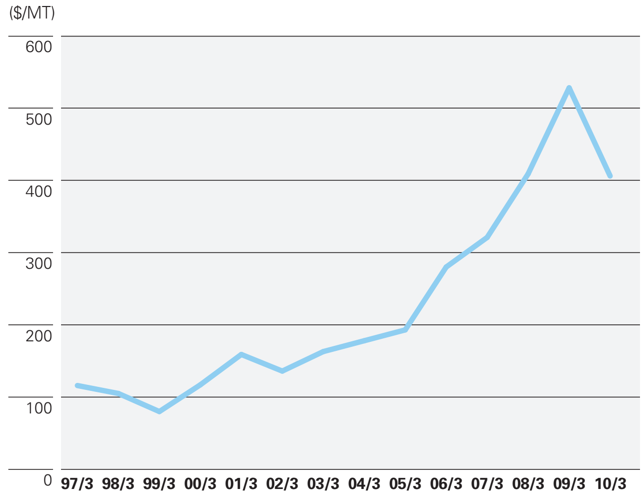
Apart from some Japanese clients, with whom MOL has concluded transport contracts on a yen-denominated basis, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Since U.S. dollar-denominated revenue exceeds U.S. dollar-denominated expenses, when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2010, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥2.0 billion on consolidated ordinary income.

As for changes in the value of the euro, MOL's euro-denominated income and expenditures are roughly equivalent, as are euro-denominated receivables and payables. Therefore, changes in the euro-yen exchange rate have a limited impact on consolidated earnings.

INTEREST RATE FLUCTUATIONS

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2010, interest-bearing debt totaled ¥775.1 billion, and between 60% and 70% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by just over ¥3.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the Lehman Brothers collapse, the company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

AVERAGE BUNKER PRICE



BUNKER PRICE FLUCTUATIONS

The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 900 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The company is able to pass on about 70% of the risk to customers. Therefore, an increase of US$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.2 billion.

The International Maritime Organization has been considering possible measures to address the problem of sulfur oxide and nitrogen oxide emissions generated by ships. Generally, these regulations would take the form of restrictions on the sulfur content of bunker used by ships, or restrictions on the type of electrical generators and shipboard engines that vessels use, in order to reduce nitrogen oxide emissions. Although the details have not yet been clarified, new restrictions are due to be phased in over the period from 2010 to 2025. This is certain to increase fuel costs compared with the cost under present regulations. The company intends to take steps over time to pass on these higher costs via freight rate increases and higher charter fees.

Sensitivity of Earnings to Exchange Rate/Interest Rate/ Bunker Price Fluctuations

Exchange Rate (¥/$)	A ¥1 appreciation reduces ordinary income by approximately ¥2.0 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by just over ¥3.0 billion
Bunker Price (US$/MT)	A US$1/MT increase reduces ordinary income by approximately ¥0.2 billion

VESSEL OPERATIONS

MOL operates a fleet of approximately 900 ships, and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and new organizations to support safe operations.

Under the company's new midterm management plan, "GEAR UP! MOL," which was launched in April 2010, enhancing safe operations is one of three major strategies. The plan calls on the company to quantify safety and realize "4 zeros*," enhance the capability to perceive danger which breaks the link in a chain of errors and make use of advanced IT. MOL plans to invest ¥24.0 billion over 3 years in these and other areas, with the overriding goal of becoming the world leader in safe operation.

*Prevent marine incidents, oil pollution, fatal accidents, and cargo damage

Budget for Safe Operation Measures (Three Years): Major Items

Breakdown		(¥ billions)
Operational	Operation of Safety Operation Supporting Center	¥10.5
	Securing and educating/ training seafarers	
Fleet	Safety standard specifications	¥11.0
Development of IT for ship management		¥ 2.0

11-year Summary

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

	2010	2009	2008	2007
For the year:				
Shipping and other revenues	**¥1,347,965**	¥1,865,802	¥1,945,697	¥1,568,435
Shipping and other expenses	**1,228,479**	1,564,486	1,544,109	1,300,038
Selling, general and administrative expenses	**98,547**	104,105	110,303	100,324
Operating income	**20,939**	197,211	291,285	168,073
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**5,363**	16,000	18,199	16,171
Income before income taxes and minority interests	**27,776**	197,732	318,202	197,854
Income taxes, current	**(8,078)**	(65,074)	(115,183)	(63,042)
Income taxes, deferred	**(3,764)**	(638)	(5,694)	(7,468)
Minority interests	**(3,212)**	(5,032)	(7,004)	(6,404)
Net income	**12,722**	126,988	190,321	120,940
At year-end:				
Current assets	**352,030**	428,598	506,078	405,474
Current liabilities	**355,185**	440,910	528,390	482,810
Net vessels, property and equipment	**1,209,176**	1,106,746	1,047,825	847,660
Total assets	**1,861,312**	1,807,080	1,900,551	1,639,940
Long-term debt due after one year	**594,711**	499,193	459,280	398,534
Net assets/Shareholders' equity	**735,702**	695,022	751,652	620,989
Retained earnings	**616,736**	623,626	536,096	375,443

Amounts per share of common stock:

	2010	2009	2008	2007
Net income	**¥ 10.63**	¥106.13	¥159.14	¥101.20
Net assets/Shareholders' equity	**551.70**	521.23	567.74	459.55
Cash dividends applicable to the year	**3.00**	31.00	31.00	20.00

(Translation of foreign currencies)
The Japanese yen amounts for 2010 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to U.S. $1.00, solely for the convenience of readers. (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.)

(Amounts per share of common stock)
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 for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

(Presentation of net assets in the balance sheet)
Effective from the year ended March 31, 2007, the Company adopted the new accounting standard for presentation of net assets in the balance sheet ("Accounting Standard for Presentation of Net Assets in the Balance Sheet" issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet ("the Financial Accounting Standard Implementation Guidance No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005). Net assets is comprised of shareholders' equity as defined up to the year ended March 31, 2006, minority interests, share subscription rights and unrealized gains (losses) on hedging derivatives, net of tax.

	Millions of yen						Thousands of U.S. dollars
2006	2005	2004	2003	2002	2001	2000	**2010**
¥1,366,725	¥1,173,332	¥ 997,260	¥ 910,288	¥ 903,943	¥ 887,867	¥ 881,807	**$14,488,016**
1,101,459	917,149	824,902	787,540	761,507	732,512	746,048	**13,203,773**
92,273	84,388	80,232	77,392	82,663	77,116	74,439	**1,059,190**
172,993	171,795	92,126	45,356	59,773	78,239	61,320	**225,053**
16,817	11,764	6,613	3,387	4,426	3,681	1,403	**57,642**
188,290	155,057	89,776	25,114	24,851	20,860	15,314	**298,538**
(61,200)	(52,587)	(35,346)	(10,872)	(6,101)	(19,473)	(6,427)	**(86,822)**
(7,570)	(1,205)	2,152	1,435	(6,633)	7,709	(529)	**(40,456)**
(5,788)	(3,004)	(1,191)	(967)	(1,572)	1,847	(33)	**(34,523)**
113,732	98,261	55,391	14,710	10,545	10,943	8,325	**136,737**
340,355	299,835	299,544	289,645	251,388	255,774	239,860	**3,783,641**
433,023	429,695	398,091	423,838	375,032	399,996	412,717	**3,817,552**
769,902	665,320	477,621	569,234	619,645	691,307	756,623	**12,996,303**
1,470,824	1,232,252	1,000,206	1,046,612	1,079,090	1,140,400	1,196,474	**20,005,503**
399,617	340,598	311,021	395,589	475,696	540,159	598,999	**6,391,993**
424,461	298,258	221,535	164,790	166,970	144,355	151,992	**7,907,373**
275,689	182,143	101,991	56,469	47,818	43,433	43,199	**6,628,719**

	Yen						U.S. dollars
¥ 94.98	¥ 81.99	¥ 46.14	¥ 12.16	¥ 8.76	¥ 9.01	¥ 6.77	**$0.114**
354.01	248.40	185.06	137.44	138.78	119.88	123.63	**5.930**
18.00	16.00	11.00	5.00	5.00	5.00	4.00	**0.032**

Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current assets:			
Cash and cash equivalents (Note 3)	¥ 85,894	¥ 83,195	$ 923,194
Marketable securities (Notes 3 and 4)	482	14	5,181
Trade receivables (Note 3)	117,484	186,625	1,262,726
Allowance for doubtful accounts	(366)	(204)	(3,934)
Inventories (Note 5)	38,532	28,151	414,144
Deferred and prepaid expenses	52,539	57,585	564,693
Deferred tax assets (Note 14)	5,460	5,128	58,684
Other current assets	52,005	68,104	558,953
Total current assets	352,030	428,598	3,783,641
Vessels, property and equipment (Notes 7 and 12):			
Vessels	1,209,637	1,184,544	13,001,258
Buildings and structures	262,395	247,738	2,820,239
Equipment, mainly containers	67,851	69,735	729,266
Land	185,054	180,238	1,988,972
Vessels and other property under construction	206,431	165,820	2,218,734
	1,931,368	1,848,075	20,758,469
Accumulated depreciation	(722,192)	(741,329)	(7,762,166)
Net vessels, property and equipment	1,209,176	1,106,746	12,996,303
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	112,621	88,720	1,210,458
Investments in and advances to unconsolidated subsidiaries and affiliated companies	99,052	92,605	1,064,617
Long-term loans receivable (Note 3)	28,165	39,923	302,719
Goodwill	–	4,784	–
Other intangible fixed assets	9,079	9,501	97,582
Deferred tax assets (Note 14)	5,510	5,755	59,222
Other assets	45,679	30,448	490,961
Total investments and other assets	300,106	271,736	3,225,559
Total assets	¥1,861,312	¥1,807,080	$20,005,503

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Short-term loans	¥ 46,494	¥ 84,394	$ 499,720
Short-term bonds	1,210	2,677	13,005
Commercial paper	8,500	20,500	91,359
Total short-term debt (Notes 3 and 7)	56,204	107,571	604,084
Long-term bank loans due within one year	52,900	58,410	568,572
Bonds due within one year	54,789	20,599	588,876
Total long-term debt due within one year (Notes 3 and 7)	107,689	79,009	1,157,448
Trade payables (Note 3)	114,353	167,472	1,229,074
Advances received	23,033	19,378	247,560
Accrued income taxes	3,720	8,011	39,983
Deferred tax liabilities (Note 14)	205	416	2,203
Other current liabilities	49,981	59,053	537,200
Total current liabilities	355,185	440,910	3,817,552
Long-term bank loans due after one year	441,285	366,522	4,742,960
Bonds due after one year	153,426	132,671	1,649,033
Total long-term debt due after one year (Notes 3 and 7)	594,711	499,193	6,391,993
Employees' severance and retirement benefits (Note 15)	15,052	14,627	161,780
Directors' and corporate auditors' retirement benefits	2,045	2,242	21,980
Reserve for periodic drydocking	18,709	16,091	201,085
Deferred tax liabilities (Note 14)	47,192	31,565	507,223
Other non-current liabilities	92,716	107,430	996,517
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Owners' equity			
Common stock;			
Authorized–3,154,000,000 shares			
Issued–1,206,286,115 shares	65,400	65,400	702,923
Capital surplus	44,522	44,544	478,525
Retained earnings	616,736	623,626	6,628,719
Treasury stock, at cost	(7,126)	(6,439)	(76,590)
Total owners' equity	719,532	727,131	7,733,577
Accumulated gains (losses) from valuation and translation adjustments			
Unrealized holding gains on available-for-sale securities, net of tax	20,999	6,166	225,699
Unrealized losses on hedging derivatives, net of tax	(45,454)	(71,460)	(488,543)
Foreign currency translation adjustments	(35,570)	(38,123)	(382,309)
Total accumulated gains (losses) from valuation and translation adjustments	(60,025)	(103,417)	(645,153)
Share subscription rights	1,524	1,307	16,380
Minority interests	74,671	70,001	802,569
Total net assets	735,702	695,022	7,907,373
Total liabilities and total net assets	¥1,861,312	¥1,807,080	$20,005,503

Consolidated Statements of Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Shipping and other revenues (Note 13)	¥1,347,965	¥1,865,802	$14,488,016
Shipping and other expenses (Note 13)	1,228,479	1,564,486	13,203,773
Gross operating income	119,486	301,316	1,284,243
Selling, general and administrative expenses (Note 13)	98,547	104,105	1,059,190
Operating income (Note 13)	20,939	197,211	225,053
Other income (expenses):			
Interest and dividend income	4,316	7,960	46,389
Interest expense	(14,176)	(13,929)	(152,365)
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	5,363	16,000	57,642
Others, net (Note 10)	11,334	(9,510)	121,819
	6,837	521	73,485
Income before income taxes and minority interests	27,776	197,732	298,538
Income taxes (Note 14):			
Current	(8,078)	(65,074)	(86,822)
Deferred	(3,764)	(638)	(40,456)
Minority interests	(3,212)	(5,032)	(34,523)
Net income	¥ 12,722	¥ 126,988	$ 136,737

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	¥10.63	¥106.13	$0.114
Diluted net income	10.25	102.29	0.110
Cash dividends applicable to the year	3.00	31.00	0.032

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2010 and 2009

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2008	¥65,350	¥44,449	¥536,096	¥(6,051)	¥ 31,647	¥ 12,052	¥ (4,228)	¥ 968	¥71,369	¥ 751,652
Issuance of stock (Exercise of share subscription rights)	50	50	–	–	–	–	–	–	–	100
Due to change in consolidated subsidiaries	–	–	(99)	–	–	–	–	–	–	(99)
Due to change in affiliated companies accounted for by the equity method	–	–	(2)	–	–	–	–	–	–	(2)
Due to change in accounting period of consolidated subsidiaries	–	–	(446)	–	–	–	–	–	–	(446)
Net income	–	–	126,988	–	–	–	–	–	–	126,988
Purchases of treasury stock	–	–	–	(1,119)	–	–	–	–	–	(1,119)
Disposal of treasury stock	–	45	–	731	–	–	–	–	–	776
Dividends paid	–	–	(38,911)	–	–	–	–	–	–	(38,911)
Net changes during the year	–	–	–	–	(25,481)	(83,512)	(33,895)	339	(1,368)	(143,917)
Balance at March 31, 2009	¥65,400	¥44,544	¥623,626	¥(6,439)	¥ 6,166	¥(71,460)	¥(38,123)	¥1,307	¥70,001	¥ 695,022
Due to change in consolidated subsidiaries	**–**	**–**	**(813)**	**–**	**–**	**–**	**–**	**–**	**–**	**(813)**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(29)**	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**
Due to change in currencies of consolidated subsidiaries	**–**	**–**	**(254)**	**–**	**–**	**–**	**–**	**–**	**–**	**(254)**
Due to change in accounting period of consolidated subsidiaries	**–**	**–**	**43**	**–**	**–**	**–**	**–**	**–**	**–**	**43**
Net income	**–**	**–**	**12,722**	**–**	**–**	**–**	**–**	**–**	**–**	**12,722**
Purchases of treasury stock	**–**	**–**	**–**	**(785)**	**–**	**–**	**–**	**–**	**–**	**(785)**
Disposal of treasury stock	**–**	**(22)**	**–**	**98**	**–**	**–**	**–**	**–**	**–**	**76**
Dividends paid	**–**	**–**	**(18,559)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,559)**
Net changes during the year	**–**	**–**	**–**	**–**	**14,833**	**26,006**	**2,553**	**217**	**4,670**	**48,279**
Balance at March 31, 2010	**¥65,400**	**¥44,522**	**¥616,736**	**¥(7,126)**	**¥ 20,999**	**¥(45,454)**	**¥(35,570)**	**¥1,524**	**¥74,671**	**¥ 735,702**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2009	$702,923	$478,762	$6,702,773	$(69,207)	$ 66,273	$(768,057)	$(409,748)	$14,048	$752,375	$7,470,142
Due to change in consolidated subsidiaries	**–**	**–**	**(8,738)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,738)**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(312)**	**–**	**–**	**–**	**–**	**–**	**–**	**(312)**
Due to change in currencies of consolidated subsidiaries	**–**	**–**	**(2,730)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,730)**
Due to change in accounting period of consolidated subsidiaries	**–**	**–**	**462**	**–**	**–**	**–**	**–**	**–**	**–**	**462**
Net income	**–**	**–**	**136,737**	**–**	**–**	**–**	**–**	**–**	**–**	**136,737**
Purchases of treasury stock	**–**	**–**	**–**	**(8,437)**	**–**	**–**	**–**	**–**	**–**	**(8,437)**
Disposal of treasury stock	**–**	**(237)**	**–**	**1,054**	**–**	**–**	**–**	**–**	**–**	**817**
Dividends paid	**–**	**–**	**(199,473)**	**–**	**–**	**–**	**–**	**–**	**–**	**(199,473)**
Net changes during the year	**–**	**–**	**–**	**–**	**159,426**	**279,514**	**27,439**	**2,332**	**50,194**	**518,905**
Balance at March 31, 2010	**$702,923**	**$478,525**	**$6,628,719**	**$(76,590)**	**$225,699**	**$(488,543)**	**$(382,309)**	**$16,380**	**$802,569**	**$7,907,373**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 27,776	¥ 197,732	$ 298,538
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	88,366	78,156	949,764
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	(5,363)	(16,000)	(57,642)
Loss on write-down of investment securities	133	3,208	1,429
Loss on write-down of securities issued by subsidiaries and affiliated companies	107	39	1,150
Various provisions (reversals)	(353)	1,160	(3,794)
Interest and dividend income	(4,316)	(7,960)	(46,389)
Interest expense	14,176	13,929	152,365
Gain on sale of investment securities	(2,894)	(18)	(31,105)
Gain on sale and disposal of vessels, property and equipment	(6,182)	(11,560)	(66,445)
Exchange loss (gain), net	(3,425)	931	(36,812)
Changes in operating assets and liabilities:			
Trade receivables	20,115	19,239	216,197
Inventories	(9,589)	17,938	(103,063)
Trade payables	(2,656)	(5,172)	(28,547)
Others, net	(2,150)	(35,304)	(23,108)
Sub total	113,745	256,318	1,222,538
Cash received for interest and dividend	10,516	15,438	113,027
Cash paid for interest	(14,552)	(13,795)	(156,406)
Cash paid for corporate income tax, resident tax and enterprise tax	(16,281)	(138,976)	(174,989)
Net cash provided by operating activities	93,428	118,985	1,004,170
Cash flows from investing activities:			
Purchase of investment securities	(3,210)	(13,840)	(34,501)
Proceeds from sale of investment securities	3,821	6,647	41,068
Payments for purchase of vessels and other tangible and intangible fixed assets	(212,120)	(209,882)	(2,279,880)
Proceeds from sale of vessels and other tangible and intangible fixed assets	72,310	34,421	777,193
Payments for purchase of subsidiaries' securities due to change in consolidated subsidiaries	(49)	–	(527)
Disbursements for loans receivable	(10,559)	(18,656)	(113,489)
Collections of loans receivable	1,605	4,242	17,251
Net increase (decrease) in short-term loans receivable	16,337	5,744	175,591
Others, net	(1,619)	1,301	(17,401)
Net cash used in investing activities	(133,484)	(190,023)	(1,434,695)
Cash flows from financing activities:			
Net increase (decrease) in short-term bonds	(1,903)	(15,469)	(20,454)
Net increase (decrease) in short-term loans	(38,308)	64,417	(411,737)
Net increase (decrease) in commercial paper	(12,000)	10,500	(128,977)
Proceeds from long-term bank loans	131,293	142,445	1,411,146
Repayments of long-term bank loans	(67,926)	(73,705)	(730,073)
Proceeds from issuance of bonds	88,450	32,036	950,666
Redemption of bonds	(34,549)	(17,257)	(371,335)
Cash dividends paid by the Company	(18,574)	(38,881)	(199,635)
Purchase of treasury stock	(785)	(1,119)	(8,437)
Sale of treasury stock	76	776	817
Cash dividends paid to minority interests	(2,156)	(2,434)	(23,173)
Others, net	(1,390)	(443)	(14,939)
Net cash provided by financing activities	42,228	100,866	453,869
Effect of exchange rate changes on cash and cash equivalents	459	(8,486)	4,933
Net increase in cash and cash equivalents	2,631	21,342	28,277
Cash and cash equivalents at beginning of year	83,195	61,716	894,185
Net cash increase from new consolidation/de-consolidation of subsidiaries	3	151	32
Net cash increase in cash from merger of subsidiaries	104	–	1,118
Decrease in cash and cash equivalents due to change in accounting periods for consolidated subsidiaries	(39)	(14)	(418)
Cash and cash equivalents at end of year	¥ 85,894	¥ 83,195	$ 923,194

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (together "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are made revisions according to ASBJ PITF No. 18. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (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 Financial Instruments and Exchange Law and the amendment report hereto. 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 outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 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 274 subsidiaries for the year ended March 31, 2010 (265 subsidiaries for the year ended March 31, 2009). All significant inter-company transactions and accounts have been eliminated.

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. Companies accounted for using the equity method include 1 unconsolidated subsidiary and 56 affiliated companies for the year ended March 31, 2010, and 1 unconsolidated subsidiary and 63 affiliated companies for the year ended March 31, 2009. Investments in other subsidiaries (111 for the year ended March 31, 2010 and 110 for the year ended March 31, 2009) and affiliated companies (84 and 85 for the respective years) were stated at cost since total revenues, total assets and 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 treated as goodwill and negative goodwill and amortized over 5 to 14 years.

Amortization of goodwill is included in "Other income" of the consolidated statements of income.

(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.

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 owners' equity which is translated at historical rates. Translation differences arising from the application of more than one exchange rate are presented as foreign currency translation adjustments in the net assets section of 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 not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) FREIGHT REVENUES AND RELATED EXPENSES

1. Containerships

Freight revenues and the related voyage expenses are recognized by the multiple transportation progress method.

2. Vessels other than containerships

Freight revenues and the related voyage expenses are recognized mainly by the completed-voyage method.

(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. 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, net of the amount considered not collectible. 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. 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 net assets. 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 not on the equity method, 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 assets value with a corresponding charge in the income statement in the event net assets value declines significantly. In these cases, such fair market value or the net assets value will be the carrying amount of the securities at the beginning of the next year.

(6) INVENTORIES

Inventories are stated principally at cost determined by the moving-average method (with regard to the book value of inventories on the balance sheet, by writing the inventories down based on their decrease in profitability of assets).

(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.

Depreciation of finance lease that transfer ownership to lessees is computed mainly by the identical to depreciation method applied to self-owned noncurrent assets. Depreciation of finance lease that do not transfer ownership to lessees is computed mainly by straight-line method on the assumption that the lease term is the useful life and an estimated residual is zero. With regard to finance lease that do not transfer ownership for which the starting date for the lease transaction is prior to March 31, 2008, they will continue to be accounted for by a method corresponding to that used for ordinary operating lease contracts.

(8) AMORTIZATION OF BOND ISSUE EXPENSE AND STOCK ISSUE EXPENSE

Bond issue expense and stock issue expense are 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 which amounted to ¥1,767 million ($18,992 thousand) for the year ended March 31, 2010 and ¥2,788 million for the year ended March 31, 2009.

(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, liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries (the "Group") provided allowance for employees' severance and retirement benefits at March 31, 2010 and 2009 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 statements of income using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

(12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

The Company and its domestic subsidiaries recognize liabilities for retirement benefits for directors and corporate auditors at an amount required in accordance with the internal regulations had all directors and corporate auditors terminated as of the balance sheet date.

Effective from the shareholders' meeting of the Company, held on June 23, 2005, the Company abolished the retirement benefits plan for directors and corporate auditors. Accordingly, the Company recognizes liabilities for retirement benefit for directors and corporate auditors till the completion of the shareholders' meeting on June 23, 2005, which will be paid upon their retirement.

(13) INCOME TAXES

The Group recognizes 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 statements 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.

(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 exercise of the outstanding stock options and conversion of the convertible bonds at the beginning of the year or at the date of issuance.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(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 hedging instruments and meet certain hedging criteria, the Group defers 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.

If interest rate swap contracts are used as hedging instruments 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 ("special treatment").

If foreign exchange forward contracts are used as hedging instruments and meet certain hedging criteria, hedged foreign currency assets and liabilities are translated at the rate of these contracts ("allocation method").

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging instruments:	Hedged items:
Loans payable in foreign currencies	Foreign currency future transactions
Forward foreign exchange contracts	Foreign currency future transactions
Currency option contracts	Foreign currency future transactions
Currency swap contracts	Foreign currency loans payable
Interest rate swap contracts	Interest on loans and bonds payable
Crude oil swap contracts	Fuel oil
Commodities futures	Fuel oil
Freight futures	Freight

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, fuel oil increases, freight decreases, and foreign currency exchange rate risk.

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) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2010 presentation. These changes had no impact on previously reported results of operations or cash flows or net assets.

(17) CHANGES IN ACCOUNTING METHOD

1. Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective from the year ended March 31, 2009, the Company adopted the new practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements (ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," issued by the Accounting Standards Board of Japan on May 17, 2006).

The effect on profit and loss is immaterial.

2. Lease transactions

Finance leases that do not transfer ownership to lessees were previously accounted for in the same manner as operating leases. Effective from the year ended March 31, 2009, the Company adopted the new accounting standards for Lease Transactions (ASBJ Statement No. 13,"the Accounting Standards for Lease Transactions," revised by the Accounting Standards Board of Japan on March 30, 2007) and the guidance on accounting standards for lease transaction (ASBJ Guidance No. 16, "Implementation Guidance on the Accounting Standards for Lease Transactions," revised by the Accounting Standards Board of Japan on March 30, 2007) and are following accounting procedures for ordinary sales transactions.

With regard to finance lease that do not transfer ownership to lessees for which the starting date for the lease transaction is prior to March 31, 2008, they will continue to be accounted for in the same manner as operating leases.

The effect on profit and loss is immaterial.

3. Freight revenues for incomplete voyages

Previously, the freight revenues for incomplete voyages at the end of the year (deferred under percentage of total voyage days method for containerships) was recognized as advances received under the completed-voyage method (the multiple transportation progress method for containerships), while uncollected freight was recognized as trade receivables at the time of completion of operations. Effective April 1, 2008, the accounting method of the freight revenues for incomplete voyages was changed to deduct them from both trade receivables and advances received.

The reasons for the change are this method is becoming the majority in industry and a freight management system corresponding to this method was designed. In light of such circumstances, a new calculation method has been determined to ensure the comparability with other companies and to disclose the financial position more appropriately and so was adopted as from this financial period.

As a result of the change, trade receivables and advances received decreased by ¥30,973 million, respectively, in comparison with the result under the previous method of accounting. The effect of the change in segment information is disclosed in Note 13.

4. Presentation of trade receivables and trade payables related to the transaction of the mutual container space financing on the vessel

In containerships, the Company offers service linking Asia to North America and Europe as east-west routes allying with APL CO. PTE LTD. and HYUNDAI MERCHANT MARINE CO., LTD. This comprehensive cooperative relationship is called "THE NEW WORLD ALLIANCE" (TNWA).

TNWA enter into the transaction financing, at a cost, container space on the own operating vessels and other carrier's operating vessels mutually on the basis of certain conditions. In the transaction, trade receivables and trade payables related to the container space lease for certain period is eliminated and settled by the contractor.

Previously, in the transaction, the Company presented the trade receivables related to the container space leasing fee on the own operating vessels and the trade payables related to the container space hiring fee on the other carrier's operating vessel respectively in the balance sheet. However, it takes a long time to achieve the mutual agreement for container space leasing rate per vessel and voyage as the market price of bunker which is a content of container space leasing rate is greatly fluctuated linking to the recent widely fluctuated price of crude oil. As a result of that, a large balance of trade receivables and trade payables related to this transaction exists. In light of such circumstances, it was decided that the consolidated financial position could be presented more appropriately due to the presentation of netted off amount of trade receivables and trade payables to each contractor and container space lease management system was designed and the management for each contractor became more easily, effective April 1, 2009, the presenting method of trade receivables and trade payables related to the transaction of the mutual container space financing on the vessel was changed to present the netted off amount of each contractor.

As a result of the change, trade receivables in current assets and trade payables in current liabilities decreased by ¥56,072 million ($602,666 thousand), respectively, in comparison with the result under the previous method of presenting. The effect of the change in segment information is disclosed in Note 13.

3. FINANCIAL INSTRUMENTS

(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

I. Policies for using financial instruments

We raise capital investment funds to acquire vessels and other fixed assets primarily through bank loans and corporate bonds. In addition, we secure short-term operating funds through commercial papers and bank loans. Furthermore, we have established commitment line with Japanese banks in preparation for supplementing liquidity in emergency situations.

Derivatives are utilized to hedge risks as discussed below and are executed within the scope of real requirements. Our policy is not to use derivatives for speculative purposes.

II. Details of financial instruments/Risk and its management

Trade receivables are exposed to the credit risks of customers. We strive to mitigate such risks in accordance with internal regulations. Besides, trade receivables denominated in foreign currencies are exposed to the foreign currency exchange rate risk. We avoid the risk mainly by, in principle, utilizing forward exchange contracts which cover the net position (The difference between trade receivables and trade payables dominated in foreign currencies).

Investment securities are mainly stocks of companies with which we have business relationships. These investment securities are exposed to the price fluctuation risk. We identify the market value of listed stocks on a quarterly basis.

Trade payables are due within a year.

Short-term loans and commercial papers are primarily used for raising short-term operating funds, while long-term loans and bonds are mainly for capital investments. Although several items with variable interest rates are exposed to the interest rate risk, a certain portion of such variable interest rates is fixed with the use of interest rate swaps.

Long-term loans and bonds dominated in foreign currencies are exposed to the foreign currency exchange rate risk, a part of which is avoided by using currency swaps.

Our major derivative transactions and hedged risks are as follows.

* Forward foreign exchange contracts/Currency swap contracts
: To cover exchange volatility of foreign-currency-denominated trade receivables, trade payables, long-term loans, and corporate bonds.
* Interest rate swap contracts
: To avoid interest rate risk arising out of interest payment of long-term loans and corporate bonds.
* Crude oil swap contracts and Commodities futures
: To hedge fluctuation of fuel oil price.

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Notes 2 (15) to the consolidated financial statements. Derivative transactions are executed and managed in accordance with our internal regulations and dealt only with highly rated financial institutions to mitigate credit risks. On the other hand, as trade payables, loan payables, bonds, and commercial papers are exposed to the risk of financing for repayment, we manage the risk by planning cash management program monthly, having established commitment line with several financial institutions, and adjusting funding period (balancing short-term/long-term combination), in consideration of market circumstances.

III. Supplemental information on fair value

Fair value of financial instruments that are actively traded in organized financial markets is determined by market value.

For those where there are no active markets, it is determined by reasonable estimation. Reasonably estimated value might vary depending on condition of calculation as several variation factors are included in the calculation. On the other hand, derivative transactions mentioned in following (2) do not indicate the market risk of such derivatives.

(2) FAIR VALUES OF FINANCIAL INSTRUMENTS

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2010 are the following;

	Millions of yen		
	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	¥ 85,894	¥ 85,894	¥ –
Trade receivables	117,484	117,484	–
Marketable securities			
Available-for-sale securities	482	482	–
Short-term loans receivable	1,834	1,834	–
Investment securities			
Available-for-sale securities	102,175	102,175	–
Long-term loans receivable (*1)	29,060		
Allowance for doubtful accounts (*2)	(185)		
	28,875	32,227	3,352
Total	¥336,744	¥340,096	¥ 3,352
Liabilities			
Trade payables	¥114,353	¥114,353	¥ –
Short-term bonds	1,210	1,210	–
Short-term loans	46,494	46,494	–
Commercial paper	8,500	8,500	–
Bonds (*3)	208,215	210,961	2,746
Long-term bank loans (*4)	494,185	495,588	1,403
Total	¥872,957	¥877,106	¥ 4,149
Derivative financial instruments (*5)	¥ (37,475)	¥ (39,516)	¥(2,041)

	Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	$ 923,194	$ 923,194	$ –
Trade receivables	1,262,726	1,262,726	–
Marketable securities			
Available-for-sale securities	5,181	5,181	–
Short-term loans receivable	19,712	19,712	–
Investment securities			
Available-for-sale securities	1,098,184	1,098,184	–
Long-term loans receivable (*1)	312,339		
Allowance for doubtful accounts (*2)	(1,989)		
	310,350	346,378	36,028
Total	$3,619,347	$3,655,375	$ 36,028
Liabilities			
Trade payables	$1,229,074	$1,229,074	$ –
Short-term bonds	13,005	13,005	–
Short-term loans	499,720	499,720	–
Commercial paper	91,359	91,359	–
Bonds (*3)	2,237,909	2,267,424	29,515
Long-term bank loans (*4)	5,311,532	5,326,612	15,080
Total	$9,382,599	$9,427,194	$ 44,595
Derivative financial instruments (*5)	$ (402,784)	$ (424,721)	$(21,937)

*1 The book value of long-term loans receivable includes current portion amounting to ¥895 million ($9,620 thousand).
*2 Allowance identified for long-term loans receivable is deducted.
*3 The book value of bonds includes current portion amounting to ¥54,789 million ($588,876 thousand).
*4 The book value of long-term bank loans includes current portion amounting to ¥52,900 million ($568,572 thousand).
*5 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

The following is a description of the valuation methodologies used for the assets and liabilities measured at the fair value.

Cash and cash equivalents, Trade receivables and Short-term loans receivable

Since these assets are settled in a short term and their fair value is almost equal to the book value, the fair value is evaluated at the book value.

Marketable securities and Investment securities

The fair value of stocks is evaluated at market prices at stock exchange as of the end of the fiscal year and the fair value of bonds is evaluated at market prices at stock exchange or provided by financial institutions as of the end of the fiscal years.

Long-term loans receivable

The fair value of long-term loans receivable with variable interests rate is evaluated at the book value because the interest rate reflects the market rate in a short term and their fair value is almost equal to the book value, unless the creditworthiness of the borrower has changed significantly since the loan origination. The fair value of long-term loans receivable with fixed interest rates, for each category of loans based on types of loans, and maturity length, is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar borrowing were newly made.

Trade payables, Short-term bonds, Short-term loans and Commercial paper

Since these assets are settled in a short term and their fair value is almost equal to the book value, the fair value is evaluated at the book value.

Bonds

The fair value of corporate bonds with market price is evaluated based on their market price. The fair value of variable interest rates corporate bonds without market price is evaluated at the book value because the interest rate reflects the market rate in a short term and there has been no significant change in the creditworthiness of us before and after the issue.

The fair value of fixed interest rates corporate bonds without market price is evaluated by discounting the total amount of principal and interest using the rate adjusted for the creditworthiness of us and the remaining term. The fair value of corporate bonds qualifying for allocation method of interest and currency swap is evaluated at the book value because such bonds were deemed as the variable interest rates corporate bonds and the interest rate reflects the market rate in a short term.

Long-term bank loans

The fair value of long-term bank loans with variable interest rates is evaluated at the book value because the interest rate reflects the market rate in a short term and there has been no significant change in the creditworthiness of us before and after such bank loans were made. The fair value of long-term bank loans with fixed interest rates is evaluated by discounting the total amount of principal and interest using the rate which would apply if similar bank loans were newly made. The fair value of long-term bank loans qualifying for allocation method of interest and currency swap is evaluated at the book value because such bank loans were deemed as the variable interest rates bank loans and the interest rate reflects the market rate in a short term.

Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

The following table summarizes financial instruments whose fair value is extremely difficult to estimate.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Book value	Book value
	2010	2010
Unlisted stocks	¥ 7,226	$ 77,666
Unlisted foreign securities	3,200	34,394
Others	20	214
Total	¥10,446	$112,274

The above items are not included in the amount presented under the line "Investments securities—Available-for-sale securities" in the table summarizing fair value of financial instruments, because the fair value is extremely difficult to estimate as they have no quoted market price and the future cash flow cannot be estimated.

At March 31, 2010, the aggregate annual maturity of monetary claims and held-to-maturity securities was as follow;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 85,894	¥ –	¥ –	¥ –
Trade receivables	117,484	–	–	–
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	–	–	–	3,200
Available-for-sale securities (Governmental bonds/Corporate bonds)	–	10	5	–
Long-term loans receivables	895	12,257	4,714	11,194
Total	¥204,273	¥12,267	¥4,719	¥14,394

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	$ 923,194	$ –	$ –	$ –
Trade receivables	1,262,726	–	–	–
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	–	–	–	34,394
Available-for-sale securities (Governmental bonds/Corporate bonds)	–	107	54	–
Long-term loans receivables	9,620	131,739	50,666	120,314
Total	$2,195,540	$131,846	$50,720	$154,708

<Additional Information>

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008).

Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as noted above.

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2010 and 2009.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2010

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥29,605	¥79,091	¥49,486
Bonds	215	222	7
Others	1	1	0
Total	¥29,821	¥79,314	¥49,493

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	$318,196	$850,075	$531,879
Bonds	2,311	2,386	75
Others	11	11	0
Total	$320,518	$852,472	$531,954

Securities with book values exceeding acquisition costs at March 31, 2009

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥26,343	¥58,306	¥31,963
Bonds	15	16	1
Others	1	1	0
Total	¥26,359	¥58,323	¥31,964

Securities with book values not exceeding acquisition costs at March 31, 2010

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥25,961**	**¥22,861**	**¥(3,100)**
Bonds	**–**	**–**	**–**
Others	**482**	**482**	**–**
Total	**¥26,443**	**¥23,343**	**¥(3,100)**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	**$279,031**	**$245,712**	**$(33,319)**
Bonds	**–**	**–**	**–**
Others	**5,181**	**5,181**	**–**
Total	**$284,212**	**$250,893**	**$(33,319)**

Securities with book values not exceeding acquisition costs at March 31, 2009

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥29,595	¥19,306	¥(10,289)
Bonds	–	–	–
Others	963	292	(671)
Total	¥30,558	¥19,598	¥(10,960)

B. The following tables summarize book values of securities with no available fair value at March 31, 2009:

	Millions of yen
	2009
Type	Book value
Unlisted equity securities	¥ 7,495
Unlisted foreign bonds	3,200
Others	118
Total	¥10,813

With regard to book values of financial instruments whose fair value is extremely difficult to estimate at March 31, 2010, see Note 3 (2) to the consolidated financial statements.

C. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:
For the year ended March 31, 2009:

	Millions of yen				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Governmental bonds	¥ –	¥ –	¥ 16	¥ –	¥ 16
Corporate bonds	–	–	–	–	–
Others	–	–	3,200	–	3,200
Total	¥ –	¥ –	¥3,216	¥ –	¥3,216

With regard to the aggregate annual maturity of held-to-maturity securities at March 31, 2010, see Note 3 (2) to the consolidated financial statements.

D. There were no held-to-maturity debt securities sold in the years ended March 31, 2010 and 2009.

E. Total sales of available-for-sale securities sold in the years ended March 31, 2010 and 2009 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Proceeds from sales	¥3,846	¥4,603	$41,337
Gross realized gains	2,939	22	31,589
Gross realized losses	45	4	484

5. INVENTORIES

Inventories as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Fuel and supplies	¥37,515	¥26,855	$403,214
Others	1,017	1,296	10,930
Total	¥38,532	¥28,151	$414,144

6. DERIVATIVE TRANSACTIONS

The Group enters into derivative transactions 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.

I. HEDGE ACCOUNTING NOT APPLIED

The following tables summarize the outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2010 and 2009, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
(1) Currency related			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥8,182	¥327	$87,941
Unrealized gains (losses)	(2)	54	(21)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥58,331	¥71,455	$626,945
Unrealized losses	(3,203)	(5,214)	(34,426)
Receive fixed, pay floating			
Contracts outstanding	¥ 3,161	¥ 7,500	$ 33,975
Unrealized gains	20	38	215

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.

II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2010, for which hedge accounting has been applied.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2010	2010
(1) Deferral hedge accounting		
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions		
Sell (U.S. dollar):		
Contracts outstanding	¥ 48,998	$ 526,634
Fair values	(694)	(7,459)
Buy (U.S. dollar):		
Contracts outstanding	¥769,842	$8,274,312
Fair values	(25,742)	(276,677)
Buy (Euro):		
Contracts outstanding	¥ 5	$ 54
Fair values	0	0
Buy (Australian dollar):		
Contracts outstanding	¥ 11	$ 118
Fair values	1	11
b. Interest rate swaps to hedge the risk for the long-term bank loans and charterages		
Receive floating, pay fixed		
Contracts outstanding	¥222,056	$2,386,672
Fair values	(8,612)	(92,562)
Receive fixed, pay floating		
Contracts outstanding	¥ 22,503	$ 241,864
Fair values	373	4,009
c. Commodities futures to hedge the risk for the fuel oil		
Contracts outstanding	¥ 14,348	$ 154,213
Fair values	384	4,127

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2010	2010
(2) Special treatment		
Interest rate swaps to hedge the risk for the long-term bank loans		
Receive floating, pay fixed		
Contracts outstanding	¥24,464	$262,941
Fair values	(2,042)	(21,948)

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2010	2010
(3) Allocation method		
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans		
Contracts outstanding	¥30,323	$325,914
Fair values	–	–

Notes: 1. Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.
2. Currency swaps which are applied allocation method are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.

7. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

Short-term debt amounting to ¥56,204 million ($604,084 thousand) and ¥107,571 million at March 31, 2010 and 2009, respectively, were unsecured. The interest rates on short-term debt were mainly set on a floating rate basis.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Bonds:			
1.190% yen bond due 2009	¥ –	¥ 10,000	$ –
1.240% yen bond due 2009	–	5,000	–
1.220% yen bond due 2009	–	4,500	–
Floating/fixed rate Euro medium term notes due 2010–2013	21,185	26,740	227,698
0.000% yen convertible bond due 2011	49,030	49,030	526,978
1.480% yen bond due 2011	1,000	1,000	10,748
1.460% yen bond due 2011	2,000	2,000	21,496
1.428% yen bond due 2013	15,000	15,000	161,221
1.760% yen bonds due 2014	10,000	10,000	107,481
1.278% yen bonds due 2014	30,000	–	322,442
1.590% yen bonds due 2015	15,000	15,000	161,221
2.070% yen bonds due 2016	15,000	15,000	161,221
1.106% yen bonds due 2016	20,000	–	214,961
1.999% yen bonds due 2019	20,000	–	214,961
1.670% yen bonds due 2019	10,000	–	107,481
Secured loans from:			
Japan Development Bank due through 2021 at interest rates of 0.34% to 4.70%	79,618	79,916	855,739
Other financial institutions due through 2021 at interest rates of 0.45% to 3.50%	34,814	27,989	374,183
Unsecured loans from:			
Other financial institutions due through 2023 at interest rates of 0.27% to 6.48%	379,753	317,027	4,081,610
	702,400	578,202	7,549,441
Amount due within one year	107,689	79,009	1,157,448
	¥594,711	¥499,193	$6,391,993

At March 31, 2010, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	¥107,689	$1,157,448
2012	136,684	1,469,089
2013	68,289	733,975
2014	87,856	944,282
2015	89,710	964,209
2016 and thereafter	212,172	2,280,438
	¥702,400	$7,549,441

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2010, 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 (Note 1)
Vessels	¥177,848	$1,911,522
Buildings and structures	2,619	28,149
Land	1,040	11,178
Investment securities	61,830	664,553
Others	362	3,891
	¥243,699	$2,619,293

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Short-term debt	¥ 139	$ 1,494
Long-term debt due within one year	20,245	217,595
Long-term debt due after one year	77,641	834,490
	¥98,025	$1,053,579

8. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2010, 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 ¥99,923 million ($1,073,979 thousand).

9. NET ASSETS

Net assets comprises four sections, which are the owners' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests.

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10%of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, appropriations (legal earnings reserve and additional paid-in-capital could be used to eliminate or reduce a deficit or could be capitalized) generally require a resolution of the shareholders' meeting.

(A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2010 and 2009 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at March 31, 2008	1,206,195	9,669
Increase during the year	91	856
Decrease during the year	–	(868)
Balance at March 31, 2009	1,206,286	9,657
Increase during the year	–	1,361
Decrease during the year	–	(140)
Balance at March 31, 2010	1,206,286	10,878

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Stock options	¥1,524	¥1,307	$16,380
Total	¥1,524	¥1,307	$16,380

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 23, 2009	**¥18,559**	**$199,473**
Total	**¥18,559**	**$199,473**

(2) Dividends included in the retained earnings at March 31, 2010 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 22, 2010	**¥3,588**	**$38,564**
Total	**¥3,588**	**$38,564**

10. OTHER INCOME (EXPENSES): OTHERS, NET—BREAKDOWN

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Others, net:			
Exchange gain (loss), net	**¥ 3,354**	¥ (4,611)	**$ 36,049**
Amortization of goodwill	**542**	1,392	**5,825**
Gain on sale of vessels, investment securities and others	**18,505**	12,306	**198,894**
Loss on sale and disposal of vessels, investment securities and others	**(9,429)**	(727)	**(101,344)**
Loss arising from dissolution of subsidiaries and affiliated companies	**(324)**	(121)	**(3,482)**
Loss on write-down of investment securities and others	**(240)**	(3,246)	**(2,579)**
Provision for doubtful accounts	**(95)**	(334)	**(1,021)**
Special retirement	**(123)**	(111)	**(1,322)**
Cancellation fee for chartered ships, net	**(3,953)**	(14,552)	**(42,487)**
Sundries, net	**3,097**	494	**33,286**
Total	**¥11,334**	¥ (9,510)	**$ 121,819**

11. 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, 2010 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost	**¥38,959**	**¥331**	**¥39,290**
Accumulated depreciation	**32,018**	**289**	**32,307**
Net book value	**¥ 6,941**	**¥ 42**	**¥ 6,983**

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Others	Total
Acquisition cost	**$418,734**	**$3,557**	**$422,291**
Accumulated depreciation	**344,132**	**3,106**	**347,238**
Net book value	**$ 74,602**	**$ 451**	**$ 75,053**

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2009 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost	¥43,405	¥376	¥43,781
Accumulated depreciation	32,951	245	33,196
Net book value	¥10,454	¥131	¥10,585

(2) Future lease payments at March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Amount due within one year	**¥ 3,499**	¥ 4,088	**$ 37,607**
Amount due after one year	**8,861**	13,073	**95,239**
Total	**¥12,360**	¥17,161	**$132,846**

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Lease payments	**¥3,734**	¥4,556	**$40,134**
Depreciation equivalent	**3,412**	4,659	**36,672**
Interest equivalent	**256**	364	**2,753**

(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 excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(6) Impairment loss

There was no impairment loss on finance lease accounted for as operating leases.

(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2010 AND 2009:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Amount due within one year	**¥ 36,669**	¥ 36,708	**$ 394,123**
Amount due after one year	**251,410**	166,755	**2,702,169**
Total	**¥288,079**	¥203,463	**$3,096,292**

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, 2010 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen	
	Equipment, mainly containers	Total
Acquisition cost	**¥ –**	**¥ –**
Accumulated depreciation	**–**	**–**
Net book value	**¥ –**	**¥ –**

	Thousands of U.S. dollars (Note 1)	
	Equipment, mainly containers	Total
Acquisition cost	**$ –**	**$ –**
Accumulated depreciation	**–**	**–**
Net book value	**$ –**	**$ –**

A summary of acquisition cost, accumulated depreciation and net book value at March 31, 2009 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen	
	Equipment, mainly containers	Total
Acquisition cost	¥ –	¥ –
Accumulated depreciation	–	–
Net book value	¥ –	¥ –

(2) Future lease income at March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Amount due within one year	**¥ –**	¥ –	**$ –**
Amount due after one year	**–**	–	**–**
Total	**¥ –**	¥ –	**$ –**

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Lease income	**¥ –**	¥22	**$ –**
Depreciation	**–**	7	**–**
Interest equivalent	**–**	0	**–**

(4) Calculation of interest equivalent

The excess of total lease income over acquisition costs equivalent is regarded as amounts representing interest receivable equivalents and is allocated to each period using the interest method.

(B) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2010 AND 2009:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Amount due within one year	**¥ 9,963**	¥ 6,586	**$107,083**
Amount due after one year	**43,739**	29,949	**470,110**
Total	**¥53,702**	¥36,535	**$577,193**

12. RENTAL PROPERTIES

The Company and certain of its consolidated subsidiaries own real estate for office lease (including lands) in Tokyo, Osaka and other areas.

Information about the book value and the fair value of such rental properties is as follows:

	Millions of yen
	2010
Book value	¥233,474
Fair value	327,556

	Thousands of U.S. dollars (Note 1)
	2010
Book value	$2,509,394
Fair value	3,520,593

Notes: 1. The book value was calculated as the amount equivalent to the cost for acquisition deducting accumulated depreciation and impairment losses.
2. The fair value is mainly based upon the amount appraised by outside independent real estate appraisers.

In addition, information about rental revenue and expense from rental properties is as follows:

	Millions of yen
	2010
Rental revenue	¥25,401
Rental expense	14,432
Difference	10,969

	Thousands of U.S. dollars (Note 1)
	2010
Rental revenue	$273,012
Rental expense	155,116
Difference	117,896

Notes: Rental revenue is mainly recorded as "shipping and other revenues" and rental expense (depreciation expense, repairs and maintenance fee, utilities, personnel cost, tax and public charge, etc.) is mainly recorded as "shipping and other expenses."

(Additional information)

Effective from the fiscal year ended March 31, 2010, the Company adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20 issued on November 28, 2008) and the "Guidance on Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008) for the years ending on or after March 31, 2010. Pursuant to the new requirements, information about rental properties on the consolidated financial statements at March 31, 2010 is as noted above.

13. SEGMENT INFORMATION

(A) BUSINESS SEGMENT INFORMATION:

For the year ended March 31, 2010:	Millions of yen Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 721,726	¥466,379	¥50,815	¥ 99,795	¥ 9,250	¥ –	¥1,347,965
(2) Inter-segment revenues	1,548	1,623	260	14,875	8,513	(26,819)	–
Total revenues	723,274	468,002	51,075	114,670	17,763	(26,819)	1,347,965
2. Operating expenses	654,060	526,690	53,426	104,991	15,145	(27,286)	1,327,026
Operating income (loss)	¥ 69,214	¥ (58,688)	¥ (2,351)	¥ 9,679	¥ 2,618	¥ 467	¥ 20,939
3. Assets, Depreciation and Capital expenditures:							
(1) Assets	¥1,008,724	¥357,412	¥42,721	¥315,924	¥376,317	¥(239,786)	¥1,861,312
(2) Depreciation	54,612	17,778	5,231	8,640	1,921	184	88,366
(3) Capital expenditures	146,950	30,592	1,132	24,375	1,180	(38)	204,191

For the year ended March 31, 2010:	Thousands of U.S. dollars (Note 1) Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$ 7,757,158	$5,012,672	$546,163	$1,072,603	$ 99,420	$ –	$14,488,016
(2) Inter-segment revenues	16,638	17,444	2,794	159,878	91,498	(288,252)	–
Total revenues	7,773,796	5,030,116	548,957	1,232,481	190,918	(288,252)	14,488,016
2. Operating expenses	7,029,880	5,660,898	574,226	1,128,450	162,780	(293,271)	14,262,963
Operating income (loss)	$ 743,916	$ (630,782)	$ (25,269)	$ 104,031	$ 28,138	$ 5,019	$ 225,053
3. Assets, Depreciation and Capital expenditures:							
(1) Assets	$10,841,831	$3,841,488	$459,168	$3,395,572	$4,044,680	$(2,577,236)	$20,005,503
(2) Depreciation	586,973	191,079	56,223	92,863	20,647	1,979	949,764
(3) Capital expenditures	1,579,428	328,805	12,167	261,984	12,683	(408)	2,194,659

(Change in accounting method)
As mentioned in Note 2 (17) 4, effective April 1, 2009, the accounting method of trade receivables and trade payables related to the transaction of the mutual container space financing on the vessel was changed to present the netted off amount of each contractor.

As a result of the change, in comparison with the previous accounting method, trade receivables in current assets and trade payables in current liabilities decreased by ¥56,072 million ($602,666 thousand) for Containerships.

There is no effect related to the change over segments other than Containerships.

(Change of business segment)
Due to the change of organization, which Logistics division was integrated into Liner division, the number of business segment is changed from six to five including Logistics into Containerships from April 1, 2009.

Meanwhile, the business segment information FY2008 based on the above new definition is mentioned as below.

For the year ended March 31, 2009:	Millions of yen Bulkships	Container-ships	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 998,543	¥685,849	¥54,534	¥117,149	¥ 9,727	¥ –	¥1,865,802
(2) Inter-segment revenues	3,111	1,755	231	19,875	14,463	(39,435)	–
Total revenues	1,001,654	687,604	54,765	137,024	24,190	(39,435)	1,865,802
2. Operating expenses	796,171	711,221	54,868	125,173	19,517	(38,359)	1,668,591
Operating income (loss)	¥ 205,483	¥ (23,617)	¥ (103)	¥ 11,851	¥ 4,673	¥ (1,076)	¥ 197,211
3. Assets, Depreciation and Capital expenditures:							
(1) Assets	¥ 910,659	¥405,374	¥42,665	¥299,192	¥376,655	¥(227,465)	¥1,807,080
(2) Depreciation	48,949	16,654	3,948	6,191	2,157	257	78,156
(3) Capital expenditures	154,275	37,526	1,083	26,729	3,563	32	223,208

For the year ended March 31, 2009:	Bulkships	Container-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
	Millions of yen							
1. Revenues:								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 998,543	¥639,695	¥56,270	¥54,534	¥107,033	¥ 9,727	¥ –	¥1,865,802
(2) Inter-segment revenues	3,111	1,607	1,355	231	19,608	14,463	(40,375)	–
Total revenues	1,001,654	641,302	57,625	54,765	126,641	24,190	(40,375)	1,865,802
2. Operating expenses	796,171	664,645	57,816	54,868	114,878	19,517	(39,304)	1,668,591
Operating income (loss)	¥ 205,483	¥ (23,343)	¥ (191)	¥ (103)	¥ 11,763	¥ 4,673	¥ (1,071)	¥ 197,211
3. Assets, Depreciation and Capital expenditures:								
(1) Assets	¥ 910,659	¥362,537	¥47,054	¥42,665	¥293,066	¥376,655	¥(225,556)	¥1,807,080
(2) Depreciation	48,949	15,399	1,413	3,948	6,033	2,157	257	78,156
(3) Capital expenditures	154,275	36,640	971	1,083	26,643	3,563	33	223,208

(Change in accounting method)
As mentioned in Note 2 (17) 3, effective April 1, 2008, the accounting method of the freight revenues for incomplete voyages was changed to deduct them from both trade receivables and advances received. As a result of the change, in comparison with the previous accounting method, assets decreased by ¥24,448 million for Bulkships, ¥6,525 million for Containerships.

There is no effect related to the change over segments other than Bulkships and Containerships.

(B) GEOGRAPHICAL SEGMENT INFORMATION:

Each segment covers the following countries or regions;

North America: U.S.A. and Canada
Europe: U.K., Netherlands and other European countries
Asia: The Middle and Near East, China and other Asian countries
Others: Central and South America, Africa, and Oceanian countries

Revenues of a segment are revenues, wherever they may be earned, of companies registered in countries in the segment except for revenues earned by companies registered in such countries as Panama and Liberia (FOC companies) solely for the purpose of owning ships under charter to the Company and/or its subsidiaries in Japan. The FOC companies are deemed to be companies registered in Japan in this segment information for convenience.

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

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

For the year ended March 31, 2010:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥1,279,630	¥26,604	¥16,899	¥24,674	¥ 158	¥ –	¥1,347,965
(2) Inter-segment revenues	7,392	15,854	9,185	7,146	1,894	(41,471)	–
Total revenues	1,287,022	42,458	26,084	31,820	2,052	(41,471)	1,347,965
2. Operating expenses	1,274,024	34,990	23,587	32,176	2,007	(39,758)	1,327,026
Operating income (loss)	¥ 12,998	¥ 7,468	¥ 2,497	¥ (356)	¥ 45	¥ (1,713)	¥ 20,939
3. Assets	¥1,774,895	¥49,975	¥96,249	¥49,336	¥2,509	¥(111,652)	¥1,861,312

For the year ended March 31, 2010:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Thousands of U.S. dollars (Note 1)						
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$13,753,547	$285,941	$ 181,632	$265,198	$ 1,698	$ –	$14,488,016
(2) Inter-segment revenues	79,450	170,400	98,721	76,805	20,357	(445,733)	–
Total revenues	13,832,997	456,341	280,353	342,003	22,055	(445,733)	14,488,016
2. Operating expenses	13,693,294	376,074	253,516	345,829	21,571	(427,321)	14,262,963
Operating income (loss)	$ 139,703	$ 80,267	$ 26,837	$ (3,826)	$ 484	$ (18,412)	$ 225,053
3. Assets	$19,076,687	$537,135	$1,034,491	$530,267	$26,967	$(1,200,044)	$20,005,503

(Change in accounting method)
As mentioned in Note 2 (17) 4, effective April 1, 2009, the accounting method of trade receivables and trade payables related to the transaction of the mutual container space financing on the vessel was changed to present the netted off amount of each contractor.
As a result of the change, in comparison with the previous accounting method, trade receivable in current assets and trade payable in current liabilities decreased by ¥56,072 million ($602,666 thousand) for Japan.
There is no effect related to the change over segments other than Japan.

	Millions of yen						
For the year ended March 31, 2009:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues:							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥1,796,589	¥28,413	¥ 13,809	¥26,920	¥ 71	¥ –	¥1,865,802
(2) Inter-segment revenues	5,984	15,868	11,218	10,120	4,599	(47,789)	–
Total revenues	1,802,573	44,281	25,027	37,040	4,670	(47,789)	1,865,802
2. Operating expenses	1,616,452	37,539	21,466	33,948	4,599	(45,413)	1,668,591
Operating income	¥ 186,121	¥ 6,742	¥ 3,561	¥ 3,092	¥ 71	¥ (2,376)	¥ 197,211
3. Assets	¥1,712,392	¥47,343	¥115,896	¥35,380	¥54,955	¥(158,886)	¥1,807,080

(Change in accounting method)
As mentioned in Note 2 (17) 3., effective April 1, 2008, the accounting method of the freight revenues for incomplete voyages was changed to deduct them from both trade receivables and advances received. As a result of the change, in comparison with the previous accounting method, assets decreased by ¥30,973 million for Japan.
There is no effect related to the change over segments other than Japan.

(C) INTERNATIONAL BUSINESS INFORMATION:

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., Netherlands and other European countries
Asia : The Middle and Near East, China and other Asian countries
Central and South America : Brazil, Chile and other Central and South American countries
Oceania : Australia and other Oceanian countries
Others : Africa and other countries

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

	Millions of yen						
For the year ended March 31, 2010:	North America	Europe	Asia	Central & South America	Oceania	Others	Total
1. International revenues	**¥243,479**	**¥196,373**	**¥293,160**	**¥146,623**	**¥228,292**	**¥85,436**	**¥1,193,363**
2. Consolidated revenues	**–**	**–**	**–**	**–**	**–**	**–**	**¥1,347,965**
3. Ratio of international revenues to consolidated revenues	**18.1%**	**14.6%**	**21.7%**	**10.9%**	**16.9%**	**6.3%**	**88.5%**

	Thousands of U.S. dollars (Note 1)						
For the year ended March 31, 2010:	North America	Europe	Asia	Central & South America	Oceania	Others	Total
1. International revenues	**$2,616,928**	**$2,110,630**	**$3,150,903**	**$1,575,914**	**$2,453,697**	**$918,272**	**$12,826,344**
2. Consolidated revenues	**–**	**–**	**–**	**–**	**–**	**–**	**$14,488,016**
3. Ratio of international revenues to consolidated revenues	**18.1%**	**14.6%**	**21.7%**	**10.9%**	**16.9%**	**6.3%**	**88.5%**

	Millions of yen						
For the year ended March 31, 2009:	North America	Europe	Asia	Central & South America	Oceania	Others	Total
1. International revenues	¥381,427	¥288,015	¥365,110	¥216,351	¥300,458	¥125,637	¥1,676,998
2. Consolidated revenues	–	–	–	–	–	–	¥1,865,802
3. Ratio of international revenues to consolidated revenues	20.4%	15.4%	19.6%	11.6%	16.1%	6.7%	89.9%

14. 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 37.25% for the years ended March 31, 2010 and 2009.

(A) Significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Deferred tax assets:			
Excess bad debt expenses	**¥ 877**	¥ 1,027	**$ 9,426**
Reserve for bonuses expenses	**1,742**	1,947	**18,723**
Retirement benefits expenses	**4,725**	3,883	**50,785**
Retirement allowances for directors	**826**	775	**8,878**
Write-down of securities and other investments	**1,444**	3,771	**15,520**
Accrued business tax and business place tax	**227**	399	**2,440**
Operating loss carried forward	**4,319**	1,304	**46,421**
Unrealized gain on sale of fixed assets	**2,083**	1,863	**22,388**
Impairment loss	**1,165**	843	**12,521**
Unrealized losses on hedging derivatives	**8,226**	9,384	**88,414**
Others	**2,964**	2,849	**31,857**
Total deferred tax assets	**28,598**	28,045	**307,373**
Valuation allowance	**(9,300)**	(6,005)	**(99,957)**
Net deferred tax assets	**19,298**	22,040	**207,416**
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(2,035)**	(2,087)	**(21,872)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(2,076)**	(1,717)	**(22,313)**
Unrealized holding gains on available-for-sale securities	**(17,434)**	(8,327)	**(187,382)**
Gain on securities contributed to employee retirement benefit trust	**(4,339)**	(4,339)	**(46,636)**
Revaluation reserve	**(14,229)**	(11,858)	**(152,934)**
Retained earnings of consolidated subsidiaries	**(15,138)**	(14,125)	**(162,704)**
Others	**(474)**	(685)	**(5,095)**
Total deferred tax liabilities	**(55,725)**	(43,138)	**(598,936)**
Net deferred tax liabilities	**¥(36,427)**	¥(21,098)	**$(391,520)**

(B) Significant difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2010 and 2009 were as follows:

	2010	2009
Statutory tax rate	**37.3 %**	37.3 %
Non-deductible expenses	**1.8 %**	0.7 %
Tax exempt revenues	**(9.2)%**	(2.0)%
Effect on tonnage tax system	**(5.7)%**	–
Effect on elimination of dividend income	**24.6 %**	–
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(6.0)%**	–
Decrease in deferred tax liabilities resulting from enactment of income tax regulations	**–**	(2.5)%
Others	**(0.2)%**	(0.3)%
Effective tax rate	**42.6 %**	33.2 %

15. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Projected benefit obligation	**¥ 64,132**	¥ 62,668	**$ 689,294**
Unrecognized actuarial differences	**(2,471)**	(13,041)	**(26,558)**
Prepaid pension expenses	**17,339**	18,434	**186,361**
Less fair value of pension assets	**(63,948)**	(53,434)	**(687,317)**
Employees' severance and retirement benefits	**¥ 15,052**	¥ 14,627	**$ 161,780**

Included in the consolidated statements of income for the years ended March 31, 2010 and 2009 were severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Service costs—benefits earned during the year	**¥3,062**	¥ 4,472	**$ 32,911**
Interest cost on projected benefit obligation	**907**	912	**9,748**
Expected return on plan assets	**(931)**	(1,242)	**(10,006)**
Amortization of actuarial differences	**1,501**	(144)	**16,133**
Others*	**607**	514	**6,524**
Employees' severance and retirement benefits expenses	**¥5,146**	¥ 4,512	**$ 55,310**

* "Others" represents expenses related to the defined contribution pension plan of consolidated subsidiaries.

The discount rate for the years ended March 31, 2010 and 2009 used by the Company is 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2010 and 2009 is mainly 2.0%.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

16. STOCK OPTIONS

(A) EXPENSED AMOUNT

Expensed amount on stock options for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Selling, general and administrative expenses	**¥223**	¥381	**$2,397**
Total	**¥223**	¥381	**$2,397**

(B) TERMS AND CONDITIONS

The following table summarizes terms and conditions of stock options for the years when they were granted:

	2002	2003	2004	2005
Number of grantees	Directors: 13 Executive officers: 19 Employees: 52	Directors: 11 Executive officers: 16 Employees: 37 Presidents of the Company's domestic consolidated subsidiaries: 34	Directors: 11 Executive officers: 16 Employees: 32 Presidents of the Company's domestic consolidated subsidiaries: 34	Directors: 11 Executive officers: 17 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 34
Number of stock options	Common stock 1,560,000	Common stock 1,590,000	Common stock 1,570,000	Common stock 1,650,000
Grant date	September 11, 2002	August 8, 2003	August 5, 2004	August 5, 2005
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 26, 2004 to June 25, 2012	From June 20, 2004 to June 25, 2013	From June 20, 2005 to June 24, 2014	From June 20, 2006 to June 23, 2015

	2006	2007	2008	2009
Number of grantees	Directors: 11 Executive officers: 17 Employees: 34 Presidents of the Company's domestic consolidated subsidiaries: 37	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 38 Presidents of the Company's domestic consolidated subsidiaries: 36	Directors: 11 Executive officers: 20 Employees: 33 Presidents of the Company's domestic consolidated subsidiaries: 35
Number of stock options	Common stock 1,670,000	Common stock 1,710,000	Common stock 1,760,000	Common stock 1,640,000
Grant date	August 11, 2006	August 10, 2007	August 8, 2008	August 14, 2009
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 20, 2007 to June 22, 2016	From June 20, 2008 to June 21, 2017	From July 25, 2009 to June 24, 2018	From July 31, 2011 to June 22, 2019

(C) CHANGES IN NUMBER AND UNIT PRICES

The following tables summarize changes in number and unit prices of stock options for the years when they were granted:

(1) Changes in number of stock options

Non-vested stock options	2002	2003	2004	2005	2006	2007	2008	2009
Balance at March 31, 2009	–	–	–	–	–	–	–	–
Options granted during the year	–	–	–	–	–	–	–	1,640,000
Options expired during the year	–	–	–	–	–	–	–	–
Options vested during the year	–	–	–	–	–	–	–	1,640,000
Balance at March 31, 2010	–	–	–	–	–	–	–	–

Vested stock options	2002	2003	2004	2005	2006	2007	2008	2009
Balance at March 31, 2009	20,000	24,000	296,000	888,000	1,473,000	1,710,000	1,760,000	–
Options vested during the year	–	–	–	–	–	–	–	1,640,000
Options exercised during the year	–	10,000	–	–	–	–	–	–
Options expired during the year	–	–	–	–	10,000	10,000	–	–
Balance at March 31, 2010	20,000	14,000	296,000	888,000	1,463,000	1,700,000	1,760,000	1,640,000

(2) Unit prices of stock options exercised during the year

	2002	2003	2004	2005	2006	2007	2008	2009
Exercise price	¥264	¥377	¥644	¥762	¥841	¥1,962	¥1,569	¥639
Average market price of share at exercise	–	¥582	–	–	–	–	–	–
Fair value per stock option at grant date	–	–	–	–	¥219	¥ 352	¥ 217	¥136

(D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

The Company utilized the Black Scholes Model for calculating fair value per stock option. Key figures of the calculation were as follows:

	2009
Stock price volatility	44.0%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥31 per share
Risk-free interest rate	0.89%

17. MATERIAL NON-CASH TRANSACTIONS

(A) Amount of lease assets and lease obligations recognized for the years ended March 31, 2010 and 2009 were ¥769 million ($8,265 thousand) and ¥4,211 million, respectively.

(B) Exercise of share subscription rights

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Increase in common stock by the exercise	**¥ –**	¥ 50	**$ –**
Increase in capital surplus by the exercise	**–**	50	**–**
Decrease in bonds with share subscription rights by the exercise	**¥ –**	¥100	**$ –**

18. SUBSEQUENT EVENTS

CORRECTION FOR CORPORATE TAXES

As a result of the tax inquiry by the Tokyo Regional Taxation Bureau (“the Bureau”), on June 9, 2010, the Company was informed to be subject to a correction for corporate taxes stemming from container handling charges between the Company and a container terminal subsidiary in the United States. The correction relates to fiscal year 2002 (ended March 2003) through fiscal year 2009 (ended March 2010), and the Company is scheduled to receive the notice of the correction for corporate taxes.

The amount of taxable income subject to the correction is expected to be about ¥10.5 billion ($113 million).

The additional tax due including local and other taxes is expected to be about ¥5.3 billion ($57 million).

The Company will pay these additional taxes after the Company officially receives the notice. However, the Company intends to file formal opposition to seek to overturn the entire correction to the Bureau because the Company has paid appropriate taxes following the taxation regulations.

KPMG

Independent Auditors' Report

To the Shareholders and 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. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets 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 independently 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 statement 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 consolidated subsidiaries as of March 31, 2010 and 2009, 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.

Without qualifying our opinion, we draw attention to the followings:

(1) As discussed in Note 2 (17) 3 to the consolidated financial statements, effective April 1, 2008, the accounting method of the freight revenues for incomplete voyages was changed to deduct them from both trade receivables and advances received.
(2) As discussed in Note 2 (17) 4 to the consolidated financial statements, effective April 1, 2009, the presenting method of trade receivables and trade payables related to the transaction of the mutual container space financing on the vessel was changed to present the netted off amount of each contractor.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
July 23, 2010