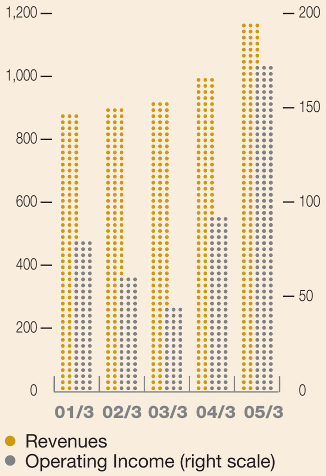
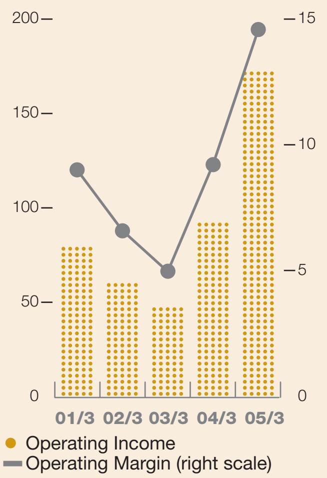
FINANCIAL SECTION
MANAGEMENT'S DISCUSSION AND ANALYSIS

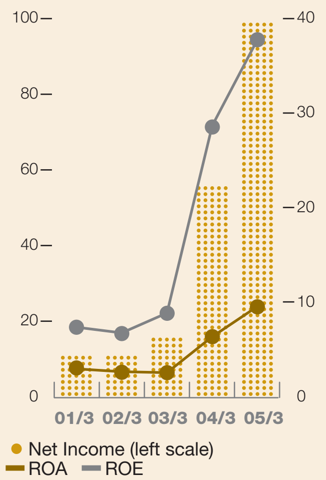
REVENUES AND OPERATING INCOME
(¥ billions)



OPERATING INCOME AND OPERATING MARGIN
(¥ billions) (%)



NET INCOME, ROA AND ROE
(¥ billions) (%)



OPERATING ENVIRONMENT

The global economy was generally healthy during fiscal 2004, which ended in March 2005, particularly in the United States and China. Backed by exports, Japan's economy was stable throughout the year. The price of crude oil rose steadily throughout the past year, driven mainly by higher demand as the global economy recovered, instability in the Middle East, Nigeria and other oil-producing regions, and speculative buying. The price of bunker was 8% higher than in fiscal 2004, raising costs. The 6% appreciation of the yen against the U.S. dollar exerted further downward pressure on earnings.

These negative factors were outweighed by positive trends such as high cargo volumes on major trades and strength in freight rates. Operating results also benefited from numerous actions taken by the MOL Group, notably well-timed additions to the fleet and an ongoing cost-reduction program.

RESULTS OF OPERATIONS

REVENUES

Revenues increased ¥176.1 billion, or 17.7%, to ¥1,173.3 billion. Overseas shipping, which is made up of the containerships and bulkships segments, was the major contributor to this growth. Primary components of the growth were a recovery in freight rates, favorable market conditions, growth in cargo volume because of the addition of new vessels to the fleet and other factors, and an increase in vessels operating on medium- and long-term contracts. Benefits of these items were greater than the negative effect of ¥36.5 billion on revenues from the yen's appreciation. In addition, in the associated businesses segment, the consolidation of Daibiru Corporation beginning in October 2004, following a tender offer that gave MOL a majority interest, contributed ¥10.9 billion to revenues.

OPERATING INCOME

Operating income increased ¥79.7 billion, or 86.5%, to ¥171.8 billion. This was 14.6% of revenues, 5.4 points higher than one year earlier. One reason for the higher earnings was growth in revenues as cargo volumes increased and freight rates rebounded. Other contributors were higher ship operating efficiency as large vessels entered service. The yen's strength and higher cost of bunker lowered operating income, but their negative effects were limited to ¥6.7 billion and ¥4.5 billion, respectively.

OTHER INCOME (EXPENSES)

Net other income (expenses) increased ¥14.4 billion from a net expense of ¥2.4 billion to a net expense of ¥16.7 billion. One component was a loss of ¥19.1 billion on the sale of the MOL Tokyo head office building to Daibiru. There was also a redemption loss on bond defeasance. Growth in these and other expenses was greater than items that increased income, such as a ¥5.1 billion improvement in equity in earnings of unconsolidated subsidiaries and affiliated companies, mainly from Gearbulk, a company in which MOL has a 40% equity stake, and a ¥2.4 billion decline in interest expense, mainly due to actions to reduce debt at the parent company and ship owning companies. Asset impairment accounting cannot be applied to the Tokyo head office building because the building is used collectively by many MOL business units. However, because this building was sold during fiscal 2004, almost all unrealized losses on consolidated vessels, property and equipment have been eliminated prior to the application of asset impairment accounting in fiscal 2005.

NET INCOME

Income before income taxes and minority interests increased ¥65.3 billion, or 72.7%, from ¥89.8 billion to ¥155.1 billion. After deducting current and deferred income taxes, net income was ¥98.3 billion. This was ¥42.9 billion, or 77.4%, higher than the prior year's net income of ¥55.4 billion, reaching an all-time high for the second consecutive year. Net income was 8.4% of revenues, 2.8 points higher than one year earlier.

OPERATING RESULTS BY SEGMENT

The upper row for each segment is revenues from customers, unconsolidated subsidiaries and affiliated companies and the bottom row is operating income.

(unit: ¥ billions)	2004.3	2005.3	% increase/ decrease
Containerships	¥344.9	¥399.1	15.7%
	23.4	54.2	131.4
Bulkships	494.6	596.6	20.6
	66.7	112.5	68.6
Logistics	53.0	58.0	9.4
	-0.1	0.8	–
Ferry & Domestic Transport	42.1	45.4	7.7
	0.5	1.3	141.5

(unit: ¥ billions)	2004.3	2005.3	% increase/ decrease
Associated Businesses	54.6	66.6	22.1
	2.7	5.1	90.4
Others	8.0	7.6	-5.4
	2.4	1.5	-35.0

Containerships: Segment revenues and earnings increased because of high cargo volumes on all trades and higher freight rates. Other contributors to this segment's strong performance were investments, such as for building new ships, to improve services and raise capacity in response to growth in the containership market.
Bulkships: All business categories in this segment posted higher earnings, reflecting growth in cargo volumes, favorable market conditions and well-timed additions to the fleet. In dry bulkers, earnings were backed by stable income from long-term contracts, mainly for transporting iron ore, coking coal, steaming coal and wood chips, along with strength in the spot market for dry bulkers. MOL used these positive trends to expand into new markets. In car carriers, MOL raised efficiency by entering into service large vessels as the volume of finished vehicles transported by sea remained high. In tankers, earnings reflected the combination of steady income from long-term contracts for crude oil, methanol and LPG tankers and the benefit of strong demand for crude oil and product tankers. In LNG carriers, the earnings target was met for the fiscal year as these carriers, all of which have long-term contracts, operated as planned.
Logistics: Earnings were higher than one year earlier as the volume of cargo handled increased, mainly exports shipped by air to Asian markets.
Ferry & Domestic Transport: Earnings in this segment were severely impacted by a large number of typhoons and much higher fuel prices. Nevertheless, earnings were about the same as one year earlier because of high cargo volume on Osaka-Kobe/Kyushu routes and the Tokyo-Hakata RORO service operated by Shosen Mitsui Ferry Co., Ltd. Also contributing to this performance were streamlining and cost-cutting programs conducted in recent years.
Associated Businesses: This segment mainly represents the real estate, cruiseship, tugboat, and trading businesses. Earnings as a whole rose year on year. In the real estate business, earnings were much higher than one year earlier because of the consolidation of Daibiru beginning in October 2004. In the cruiseship business, profits improved because of steps to operate ships more efficiently and strengthen sales activities. The tugboat business also performed well. The trading business, however, saw earnings fall as fuel-related earnings fell because of the higher cost of bunker.
Others: Revenues in this segment mainly represent administrative activities such as ship operation, ship management, ship leasing and financial services. Earnings were lower than one year earlier. This was mostly due to lower earnings at the ship manning company, due to a decline in the number of vessels handled, lower earnings on fuel futures trading, the reclassification to other segments of certain affiliated companies, and consolidated accounting adjustments.

LIQUIDITY AND CAPITAL RESOURCES

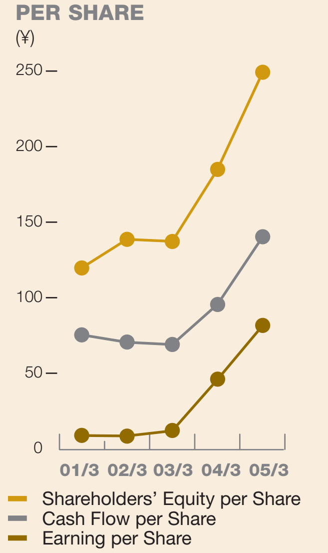
During MOL STEP, the current medium-term management plan, MOL is planning to make substantial capital expenditures. At the same time, a portion of operating cash flows will be used to reduce debt to build a sounder financial position. The large increase in net income in the past fiscal year provided sufficient operating cash flows to fund capital expenditures that exceeded the plan for the year. Accordingly, as in past years, a portion of cash flows was allocated to debt reduction to make further progress in strengthening the balance sheet.

In the fiscal year ending in March 2006 as well, MOL has the means to act with flexibility and speed to meet the demand for funds for working capital and capital expenditures. Liquidity is provided by cash flows backed by strong earnings along with credit lines at a large number of public- and private-sector financial institutions in Japan and overseas. In addition, MOL has established a ¥20.0 billion credit facility with Japanese financial institutions to provide supplementary liquidity in an emergency. In capital markets, MOL issues euro medium-term notes (EMTN) and commercial paper. MOL's commercial paper is rated A+ by Japan Credit Rating Agency, Ltd. (JCR) and its EMTN is rated a-1 by Rating and Investment Information, Inc. (R&I). These ratings allow MOL to procure funds in capital markets with ease.

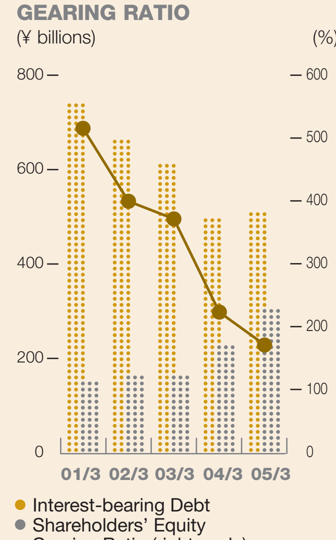
In June 2004, Moody's Investors Service and Standard & Poor's each upgraded MOL's credit rating by two notches, with the Moody's rating rising from Baa1 to Baa2 and the S&P rating rising from BB+ to BBB. During the 12-month period that ended in June 2005, JCR raised its rating from A- to A and JCR raised its rating from A to A+. These actions reflect the greater scale and stability of the MOL Group's earnings, improvements in its competitive edge, and progress in using these strengths to build a stronger financial position.

The MOL Group employs a number of procurement methods to procure the funds required for its business activities in order to maintain the stability of funding activities and hold down costs. Currently, most fund procurement activities are conducted by MOL and finance companies in Europe. MOL, including

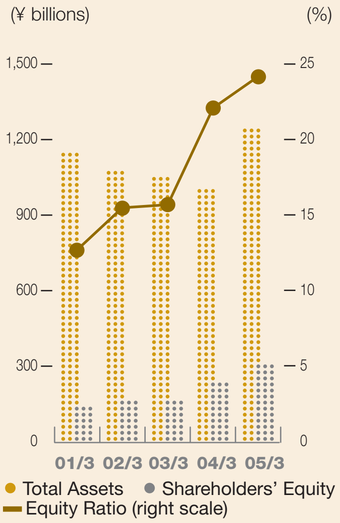
EARNINGS PER SHARE, SHAREHOLDERS' EQUITY PER SHARE AND CASH FLOW PER SHARE



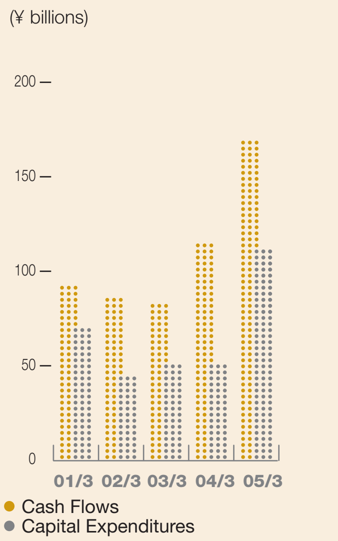
INTEREST-BEARING DEBT, SHAREHOLDERS' EQUITY AND GEARING RATIO



TOTAL ASSETS, SHAREHOLDERS' EQUITY AND EQUITY RATIO



CASH FLOWS AND CAPITAL EXPENDITURES



flag-of-convenience ship owning companies, and European finance companies account for almost 70% of consolidated interest-bearing debt, which amounted to ¥514.1 billion as of March 31, 2005. For group companies in Japan, MOL began using a cash management service in fiscal 2000 to use internal liquidity more efficiently.

COMPARISON OF FINANCIAL POSITION AT MARCH 31, 2005 AND 2004

ASSETS

As of March 31, 2005, total assets were ¥1,232.3 billion, ¥232.0 billion higher than one year earlier. Most of this increase was due to an increase in land and buildings because of the consolidation of Daibiru. In all, Daibiru increased consolidated assets by ¥199.8 billion. Current assets were about the same as one year earlier. There was an increase of ¥16.8 billion in trade receivables and deferred and prepaid expenses and a decrease of ¥13.6 billion in other current assets. The consolidation of Daibiru was mainly responsible for the ¥187.7 billion increase in vessels, property and equipment, at cost. Investments and other assets increased ¥44.1 billion, mainly because of growth in investment securities in equity-method affiliates and in long-term loan receivable to LNG carrier companies.

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities increased ¥102.8 billion to ¥874.3 billion. Most of the increase reflected higher debt because of the consolidation of Daibiru. As of March 31, 2005, debt totaled ¥514.1 billion, including ¥94.0 billion of debt at Daibiru. Excluding the debt of this subsidiary, consolidated debt was ¥420.1 billion, ¥71.6 billion less than one year earlier. The increase of ¥24.2 billion in other non-current liabilities consists mainly of lease security deposits at Daibiru. Furthermore, Daibiru was responsible for ¥50.7 billion of the ¥52.5 billion increase in minority interests to ¥59.7 billion.

Shareholders' equity increased ¥76.7 billion to ¥298.3 billion because of growth in retained earnings from the higher new income. The equity ratio as of March 31, 2005 was 24.2%, 2.1 points higher than one year earlier.

CASH FLOWS

Net cash provided by operating activities increased ¥53.3 billion to ¥167.9 billion. The largest component of the increase was the ¥65.3 billion growth in income before income taxes and minority interests.

Net cash used in investing activities was ¥87.7 billion compared with ¥0.4 billion in net cash provided in the previous fiscal year. There was an increase of ¥61.4 billion to ¥111.9 billion in payments for vessels and other tangible and intangible fixed assets, and ¥17.9 billion was used for the purchase of additional shares of Daibiru Corporation.

Net cash used in financing activities was ¥79.6 billion, ¥31.2 billion less than in the previous fiscal year. This main reason was that the increase in proceeds from long-term loans and bonds exceeded the increase in repayments of long-term loans and redemptions of bonds by ¥16.6 billion.

The net result of the above items was an increase of ¥0.5 billion in cash and cash equivalents to ¥45.8 billion at the end of the fiscal year.

CAPITAL EXPENDITURES

Capital expenditures increased to ¥111.9 billion, mainly for the acquisition of vessels. This was well above the prior fiscal year's capital expenditures of ¥50.5 billion as MOL moved aggressively to expand its fleet. Investments in vessels appear on the balance sheet as vessels, long-term loan receivable, and investments in and advances to unconsolidated subsidiaries and affiliated companies. Investments in new vessels also include long-term charters, leases and other arrangements that do not appear on the balance sheet. Please refer to Note 9 of the notes to the consolidated financial statements on page 51 for information on leases. Excluding vessels that are to be sold on completion and thus removed from the balance sheet, the above capital expenditures of ¥111.9 billion decline to an effective ¥95.1 billion.

OFF-BALANCE-SHEET TRANSACTIONS, CONTRACTUAL LIABILITIES AND CONTINGENT LIABILITIES

Guarantees extended to joint venture companies that own LNG carriers represent the majority of the group's contingent liabilities as guarantor or co-guarantor of indebtedness of related and other companies.

The group's contractual liabilities consist mainly of long-term and short-term loans, bonds, commercial paper, and leases for vessels and equipments. Please refer to Notes 5, 6 and 9 of the notes to the consolidated financial statements for more information on contractual and contingent liabilities.

RISK MANAGEMENT

In overseas shipping, the MOL Group's core business, the group is exposed to a variety of risks due to the nature of this business. The group manages these risks by using its own risk management framework and methodology.

FREIGHT RATE AND CARGO VOLUME FLUCTUATIONS

In overseas shipping, the MOL Group's main business, there are constant fluctuations in international cargo volumes, the competitive environment, supply-demand dynamics for ships, and many other items. Negative trends in the ocean transport market and cargo volumes have an impact on the group's operating results. As is described in the section titled "Five Issues Critical to Further Growth" on pages 4 to 15 of this annual report, the MOL Group is taking many actions with respect to the above items with the aim of reducing exposure to risks associated with changes in freight rates and cargo volumes.

EXCHANGE RATE FLUCTUATIONS

U.S. dollar-based overseas shipping revenue accounts for a large share of consolidated revenues. A large share of expenses as well is denominated in U.S. dollars and other foreign currencies. Since foreign currency revenues are greater than foreign currency expenses, an appreciation of the yen, especially relative to the U.S. dollar, has a detrimental effect on consolidated earnings. Accordingly, the group is working on increasing the share of U.S. dollar-denominated expenses while establishing currency hedges and taking other actions to minimize the negative effect of fluctuations in the value of the U.S. dollar. The group estimates that a change of one yen in the U.S. dollar-yen exchange rate raises or lowers consolidated ordinary income by approximately ¥2.5 billion based on fiscal 2005 operations.

BUNKER PRICE FLUCTUATIONS

Procurement of fuel to operate vessels is vital to MOL's operations. Since the market price of bunker is generally linked to the price of crude oil, any increase in the price of crude oil can have a detrimental effect on earnings. All vessels operated by the group consume almost five million tons of bunker each year. Approximately half of the risk involving price fluctuations is assumed by customers, charterers and other external parties. Therefore, an increase of US$1 per metric ton in the average annual price of bunker would lower consolidated ordinary income by approximately ¥0.3 billion. Furthermore, the group uses fuel hedge transactions to even out and reduce the cost of procuring bunker.

INTEREST RATE FLUCTUATIONS

MOL depends mainly on funds procured from external sources to meet working capital and capital expenditure requirements. Funds procured at variable interest rates may be affected by interest rate fluctuations. Consequently, MOL is limiting exposure to interest rate risk by procuring funds through fixed-rate loans and using interest rate swaps. As of March 31, 2005, yen-denominated and U.S. dollar-denominated interest-bearing liabilities totaled ¥514.1 billion, and approximately 70% of this amount had fixed interest rates for the principal amount. As a result, an increase of one percentage point in interest rates would impact annual consolidated ordinary income by between ¥1 billion and ¥2 billion.

VESSEL OPERATIONS

With a fleet of more than 600 vessels in constant operation around the world, there is a risk of a marine accident. To prevent accidents, MOL, based on its Corporate Principle of "protecting the marine and global environment through safe navigation," has established its own safety management system, operates a comprehensive crew education and training system, and takes other steps to ensure safety. Furthermore, the group has adequate insurance coverage to prevent a material impact on operating results in the unlikely event that a collision, sinking, fire or other marine accident involving an MOL-operated vessel causes damages at MOL and a third party.

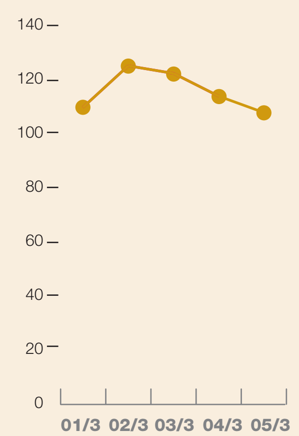
OUTLOOK FOR FISCAL 2005

In fiscal 2004, the first year of MOL STEP, consolidated earnings were far above the goals that had been established by MOL STEP. Due to this performance, a plan called MOL STEP Review was established in May 2005 that incorporates new goals reflecting the current MOL Group fleet and recent trends in the ocean transport market. Based on MOL STEP Review, fiscal 2005 consolidated operating income is to be ¥176.0 billion, ¥66.0 billion higher than the original MOL STEP goal. This figure is based on an exchange rate of ¥105 to the U.S. dollar and a bunker price of US$250/MT. In fiscal 2006, consolidated operating income is to be ¥186.0 billion, ¥71.0 billion higher than the original MOL STEP goal. This figure is based on an exchange rate of ¥100 to the U.S. dollar and a bunker price of US$200/MT.

In fiscal 2005, there are concerns about the effect of higher land transportation expenses and other items on containership earnings. However, bulkship earnings are expected to be solid due to strong demand, mainly in the dry bulk sector, and the contributions of new vessels. Associated businesses earnings will benefit from the first full-year contribution of Daibiru following its October 2004 consolidation.

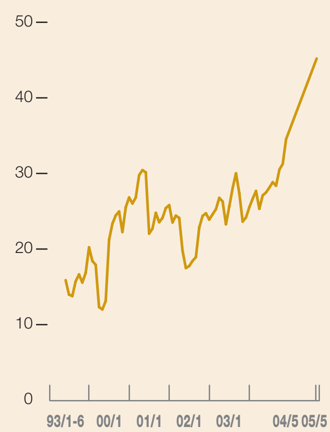
AVERAGE EXCHANGE RATE

(¥/$)



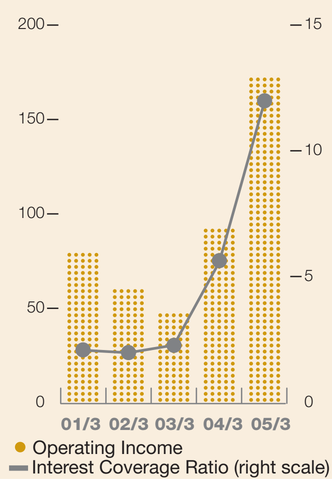
CRUDE OIL PRICE (DUBAI)

(US$/Barrel)



OPERATING INCOME AND INTEREST COVERAGE RATIO

(¥ billions)



CONSOLIDATED BALANCE SHEETS

Mitsui O.S.K. Lines, Ltd. March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	**¥ 45,757**	¥ 45,263	**$ 426,082**
Marketable securities (Note 3)	**63**	4,460	**587**
Trade receivables	**136,291**	119,476	**1,269,122**
Allowance for doubtful accounts	**(1,204)**	(2,097)	**(11,211)**
Fuel and supplies	**15,170**	12,778	**141,261**
Deferred and prepaid expenses	**55,533**	58,435	**517,115**
Deferred tax assets (Notes 2 (14) and 11)	**7,279**	6,691	**67,781**
Other current assets	**40,946**	54,538	**381,283**
Total current assets	**299,835**	299,544	**2,792,020**
Vessels, property and equipment, at cost (Note 5):			
Vessels	**869,640**	861,902	**8,097,961**
Buildings and structures	**180,846**	65,438	**1,684,012**
Equipment, mainly containers	**52,392**	48,632	**487,867**
Land	**178,239**	60,150	**1,659,735**
Vessels and other property under construction	**52,382**	34,475	**487,773**
	1,333,499	1,070,597	**12,417,348**
Accumulated depreciation	**(668,179)**	(592,976)	**(6,221,985)**
	665,320	477,621	**6,195,363**
Investments and other assets:			
Investment securities (Notes 3 and 5)	**103,600**	72,876	**964,708**
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 3)	**65,536**	73,630	**610,262**
Long-term loan receivable	**21,953**	12,012	**204,423**
Consolidation difference	**–**	2,471	**–**
Intangible assets	**9,098**	8,171	**84,719**
Deferred tax assets (Notes 2 (14) and 11)	**2,366**	1,592	**22,032**
Other assets	**64,544**	52,289	**601,024**
	267,097	223,041	**2,487,168**
	¥1,232,252	¥1,000,206	**$11,474,551**

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Short-term bank loans	**¥ 65,933**	¥ 68,032	**$ 613,959**
Short-term bonds	**5,536**	7,966	**51,550**
Commercial paper	**34,000**	29,000	**316,603**
Total short-term debt (Note 5)	**105,469**	104,998	**982,112**
Long-term bank loans due within one year	**62,339**	71,618	**580,492**
Bonds due within one year	**5,726**	4,057	**53,320**
Total long-term debt due within one year (Note 5)	**68,065**	75,675	**633,812**
Trade payables	**111,504**	86,634	**1,038,309**
Advances received	**63,178**	59,640	**588,304**
Accrued income taxes	**36,835**	30,305	**343,002**
Deferred tax liabilities (Notes 2 (14) and 11)	**1,023**	393	**9,526**
Other current liabilities	**43,621**	40,446	**406,192**
Total current liabilities	**429,695**	398,091	**4,001,257**
Long-term bank loans due after one year	**276,034**	270,756	**2,570,388**
Bonds due after one year	**64,564**	40,265	**601,211**
Total long-term debt due after one year (Note 5)	**340,598**	311,021	**3,171,599**
Employees' severance and retirement benefits (Note 12)	**13,524**	13,913	**125,934**
Directors' and corporate auditors' retirement benefits	**2,181**	1,521	**20,309**
Consolidation difference	**1,709**	–	**15,914**
Deferred tax liabilities (Notes 2 (14) and 11)	**30,968**	15,587	**288,369**
Other non-current liabilities	**55,605**	31,371	**517,786**
Minority interests	**59,714**	7,167	**556,048**
Commitments and contingent liabilities (Note 6)			
Shareholders' equity (Note 7):			
Common stock;			
Authorized – 3,154,000,000 shares			
Issued – 1,205,410,445 shares	**64,915**	64,915	**604,479**
Capital surplus	**43,887**	43,935	**408,669**
Retained earnings	**182,143**	101,991	**1,696,089**
	290,945	210,841	**2,709,237**
Revaluation reserve for land, net of tax	**2,267**	2,267	**21,110**
Unrealized holding gains on available-for-sale securities, net of tax (Note 2 (5))	**25,898**	25,435	**241,158**
Foreign currency translation adjustments	**(17,137)**	(14,475)	**(159,577)**
Treasury stock, at cost (Note 2 (17))	**(3,715)**	(2,533)	**(34,593)**
Total shareholders' equity	**298,258**	221,535	**2,777,335**
	¥1,232,252	¥1,000,206	**$11,474,551**

CONSOLIDATED STATEMENTS OF INCOME

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Shipping and other revenues (Note 10)	**¥1,173,332**	¥997,260	**$10,925,896**
Shipping and other expenses (Note 10):			
Vessel depreciation	**43,841**	48,547	**408,241**
Other expenses	**873,308**	776,355	**8,132,116**
	917,149	824,902	**8,540,357**
	256,183	172,358	**2,385,539**
Sales, general and administrative expenses:			
Amortization of consolidation difference (Note 2 (1))	**–**	535	**–**
Other sales, general and administrative expenses	**84,388**	79,697	**785,809**
Operating income	**171,795**	92,126	**1,599,730**
Other income (expenses):			
Interest and dividend income	**2,925**	2,996	**27,237**
Interest expense	**(14,562)**	(16,930)	**(135,599)**
Amortization of consolidation difference (Note 2 (1))	**44**	0	**410**
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**11,764**	6,613	**109,544**
Others, net (Note 8)	**(16,909)**	4,971	**(157,454)**
	(16,738)	(2,350)	**(155,862)**
Income before income taxes and minority interests	**155,057**	89,776	**1,443,868**
Income taxes (Notes 2 (14) and 11):			
Current	**(52,587)**	(35,346)	**(489,682)**
Deferred	**(1,205)**	2,152	**(11,221)**
Minority interests	**(3,004)**	(1,191)	**(27,973)**
Net income	**¥ 98,261**	¥ 55,391	**$ 914,992**

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	**¥81.99**	¥46.14	**$0.763**
Diluted net income	**81.90**	46.00	**0.763**
Cash dividends applicable to the year	**16.00**	11.00	**0.149**

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2005 and 2004

		Millions of yen						
	Shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	1,205,410	¥64,915	¥43,887	¥ 56,469	¥2,231	¥ 7,036	¥ (8,055)	¥(1,693)
Due to change in consolidated subsidiaries	–	–	–	293	–	–	–	–
Due to change in affiliated companies accounted for by the equity method	–	–	–	764	–	–	–	–
Net income	–	–	–	55,391	–	–	–	–
Revaluation reserve for land, net of tax	–	–	–	–	36	–	–	–
Unrealized holding gains on available-for-sale securities, net of tax	–	–	–	–	–	18,399	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(6,420)	–
Treasury stock	–	–	–	–	–	–	–	(840)
Gains on disposal of treasury stock	–	–	48	–	–	–	–	–
Dividends paid	–	–	–	(10,802)	–	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(124)	–	–	–	–
Balance at March 31, 2004	**1,205,410**	**¥64,915**	**¥43,935**	**¥101,991**	**¥2,267**	**¥25,435**	**¥(14,475)**	**¥(2,533)**
Due to change in consolidated subsidiaries	**–**	**–**	**–**	**(72)**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**–**	**(454)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**–**	**98,261**	**–**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**–**	**463**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**(2,662)**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,182)**
Loss on disposal of treasury stock	**–**	**–**	**(48)**	**(49)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(17,388)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**–**	**(146)**	**–**	**–**	**–**	**–**
Balance at March 31, 2005	**1,205,410**	**¥64,915**	**¥43,887**	**¥182,143**	**¥2,267**	**¥25,898**	**¥(17,137)**	**¥(3,715)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Revaluation reserve for land, net of tax	Unrealized holding gains on available-for-sale securities, net of tax	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	**$604,479**	**$409,116**	**$ 949,725**	**$21,110**	**$236,847**	**$(134,789)**	**$(23,587)**
Due to change in consolidated subsidiaries	**–**	**–**	**(670)**	**–**	**–**	**–**	**–**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(4,227)**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**914,992**	**–**	**–**	**–**	**–**
Unrealized holding gains on available-for-sale securities, net of tax	**–**	**–**	**–**	**–**	**4,311**	**–**	**–**
Adjustments from translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**–**	**(24,788)**	**–**
Treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(11,006)**
Loss on disposal of treasury stock	**–**	**(447)**	**(456)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(161,915)**	**–**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(1,360)**	**–**	**–**	**–**	**–**
Balance at March 31, 2005	**$604,479**	**$408,669**	**$1,696,089**	**$21,110**	**$241,158**	**$(159,577)**	**$(34,593)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsui O.S.K. Lines, Ltd. March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	**2005**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 155,057**	¥ 89,776	**$1,443,868**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	**52,969**	55,334	**493,240**
Equity in earnings of affiliated companies, net	**(11,764)**	(6,613)	**(109,545)**
Loss on write-down of investment securities	**115**	401	**1,071**
Loss on write-down of securities issued by subsidiaries and affiliates	**78**	397	**726**
Various provisions (reversals)	**(785)**	215	**(7,310)**
Interest and dividend income	**(2,925)**	(2,996)	**(27,237)**
Interest expense	**14,562**	16,930	**135,599**
Loss (Gain) on sale of marketable securities	**2**	(19)	**19**
Gain on sale of investment securities	**(1,611)**	(767)	**(15,001)**
Loss on sale of securities issued by subsidiaries and affiliates	**516**	441	**4,805**
Loss (Gain) on sale and disposal of tangible fixed assets	**16,165**	(1,473)	**150,526**
Exchange gain	**(97)**	(2,029)	**(903)**
Changes in operating assets and liabilities:			
Trade receivables	**(16,700)**	(1,401)	**(155,508)**
Fuel and supplies	**(2,418)**	953	**(22,516)**
Trade payables	**24,961**	(697)	**232,433**
Other, net	**(4,954)**	(6,533)	**(46,131)**
Sub total	**223,171**	141,919	**2,078,136**
Cash received for interest and dividend	**5,039**	4,915	**46,922**
Cash paid for interest	**(14,256)**	(18,612)	**(132,750)**
Cash paid for corporate income tax, resident tax, and enterprise tax	**(46,057)**	(13,631)	**(428,876)**
Net cash provided by (used in) operating activities	**167,897**	114,591	**1,563,432**
Cash flows from investing activities:			
Purchase of marketable securities	**(2,435)**	(1,603)	**(22,674)**
Purchase of investment securities	**(15,473)**	(3,287)	**(144,082)**
Proceeds from sale of marketable securities	**2,093**	3,385	**19,490**
Proceeds from sale of investment securities	**3,531**	5,724	**32,880**
Payments for purchase of subsidiaries' securities due to change in consolidated subsidiaries	**(17,905)**	–	**(166,729)**
Payments for vessels and other tangible and intangible fixed assets	**(111,906)**	(50,549)	**(1,042,052)**
Proceeds from sale of vessels and other tangible and intangible fixed assets	**34,771**	52,249	**323,782**
Disbursements for loans	**(14,120)**	(5,048)	**(131,483)**
Collections of loans receivable	**4,887**	1,915	**45,507**
Net increase (decrease) in short-term loans receivable	**23,930**	(6,088)	**222,833**
Other	**4,960**	3,656	**46,187**
Net cash provided by (used in) investing activities	**(87,667)**	354	**(816,341)**
Cash flows from financing activities:			
Net decrease in short-term loans	**(2,467)**	(22,365)	**(22,972)**
Net increase (decrease) in commercial paper	**2,000**	(4,000)	**18,624**
Proceeds from long-term loans	**49,593**	22,864	**461,803**
Repayments of long-term loans	**(98,045)**	(89,217)	**(912,981)**
Proceeds from issuance of bonds	**24,160**	7,488	**224,974**
Redemption of bonds	**(34,038)**	(16,081)	**(316,957)**
Cash dividends paid by the company	**(17,241)**	(10,802)	**(160,546)**
Purchase of treasury stock	**(599)**	(867)	**(5,578)**
Sales of treasury stock	**522**	–	**4,861**
Cash dividends paid to minority interest	**(796)**	(1,237)	**(7,412)**
Other	**(2,708)**	3,357	**(25,217)**
Net cash provided by (used in) financing activities	**(79,619)**	(110,860)	**(741,401)**
Effect of exchange rate changes on cash and cash equivalents	**(147)**	(2,329)	**(1,369)**
Net increase in cash and cash equivalents	**464**	1,756	**4,321**
Cash and cash equivalents at beginning of year	**45,263**	43,057	**421,482**
Net cash increase from new consolidation/de-consolidation of subsidiaries	**30**	450	**279**
Cash and cash equivalents at end of year	**¥ 45,757**	¥ 45,263	**$ 426,082**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2005 and 2004

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of 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 Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

In the year ended March 31, 2005, the Company did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted effective April 1, 2005. Management of the Company believes that adoption of this new accounting standard will have no significant effect on the Company's consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 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 281 subsidiaries for the year ended March 31, 2005 (286 subsidiaries for the year ended March 31, 2004). 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 two unconsolidated subsidiaries for the years ended March 31, 2005 and 2004, and 39 affiliated companies for the year ended March 31, 2005 and 37 for the year ended March 31, 2004. Investments in other subsidiaries (110 in the year ended March 31, 2005 and 108 in the preceding year) and affiliated companies (82 and 81 in the respective years) were stated at costs since the Company's equity in net income and retained earnings in such companies were not material.

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

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

Amortization of the consolidation difference is included in "other income and sales, general and administrative expenses" 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, except for long-term debt covered with forward exchange contracts, which is translated at the forward contract rates. The gain or loss arising from the difference between the forward contract rate and the historical rate recognized in relation to long-term debt is booked in the balance sheets and amortized over the remaining period of the debt.

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

All the items in financial statements of subsidiaries, which are stated in currencies other than Japanese yen, were translated into Japanese yen at the year-end exchange rate, except for shareholders' equity which is translated at historical rates. Translation differences arising from the application of more than one exchange rate are presented as foreign currency translation adjustments in the shareholders' equity 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 of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) SHIPPING REVENUES AND RELATED EXPENSES

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

(5) SECURITIES

Securities are classified into (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with fair market values are stated at fair market values, and the corresponding unrealized holding gains or losses, net of applicable income taxes, are reported as a separate component of shareholders' equity. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

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

(6) FUEL AND SUPPLIES

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

(7) DEPRECIATION OF VESSELS, PROPERTY AND EQUIPMENT

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

Vessels	13 – 20 years
Containers	7 years

(8) AMORTIZATION OF BOND ISSUE EXPENSE

Bond issue expense is charged to income as incurred.

(9) INTEREST CAPITALIZATION

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

(10) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

(11) EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

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

Under the accounting standards for employees' severance and retirement benefits adopted on April 1, 2000, liabilities and expenses for employees' severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries (the "Group") provided allowance for employees' severance and retirement benefits at March 31, 2005 and 2004 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 expenses using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period.

(CHANGE IN ACCOUNTING METHOD)

With regard to the employees' severance and retirement benefits of the Company, the Company's consolidated financial statements for the year ended March 31, 2005, is prepared based on Accounting Standard Board Statement No. 3, "Partial Revision of Accounting Standard for

Retirement Benefits" and Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits", issued by the Accounting Standard Board of Japan on March 16, 2005, because the accounting standard and the implementation guidance may be adopted from the consolidated financial statements for the year ended March 31, 2005.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥591 million, respectively, in comparison with the result under the previous method of accounting.

(12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

The Company and its consolidated 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 been terminated as of the balance sheet date.

(CHANGE IN ACCOUNTING METHOD)

Previously, the Company recognized the expenses of retirement benefits for directors and corporate auditors when those benefits were paid. Considering the current accounting practices in Japan, the Company changed its accounting policy to recognize liabilities for directors' and corporate auditors' retirement benefits based on the Company's internal regulations regarding the payment of retirement benefits to directors and corporate auditors. In addition, this change will reflect better the financial position of the Company with the allocation on an accrual basis of retirement benefit expenses throughout the terms of directors and corporate auditors.

As a result of this change, operating income for the year ended March 31, 2004 increased by ¥308 million and income before income taxes and minority interests for the year ended March 31, 2004 decreased by ¥599 million, in comparison with the results under the previous method of accounting.

(13) ACCOUNTING FOR CERTAIN LEASE TRANSACTIONS

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

(14) INCOME TAXES

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

(15) AMOUNTS PER SHARE OF COMMON STOCK

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

Fully diluted net income per share of common stock assumes exercise of the outstanding stock options at the beginning of the year or at the date of issuance.

Cash dividends per share shown in the 2005 column represent the amount payable to shareholders as of March 31, 2005.

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

The effect on earnings per share of the adoption of this new accounting standard is immaterial.

(16) DERIVATIVES AND HEDGE ACCOUNTING

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

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

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

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

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

The 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 currency exchange rate fluctuations.

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

(17) TREASURY STOCK AND REDUCTION OF STATUTORY RESERVES

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

The effect on net income of the adoption of this new accounting standard is immaterial.

(18) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2005 presentation. These changes had no impact on previously reported results of operations or cash flows or shareholders' equity.

3. SECURITIES

A. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2005 and 2004:

(a) Held-to-maturity debt securities:
Securities with available fair values exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Book value	**¥2,043**	¥–	**$19,024**
Fair value	**2,114**	–	**19,685**
Difference	**71**	–	**661**

Securities with available fair values not exceeding book values

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Book value	**¥4**	¥9	**$37**
Fair value	**4**	9	**37**
Difference	**–**	–	**–**

(b) Available-for-sale securities:
Securities with book values exceeding acquisition costs at March 31, 2005

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥27,449**	**¥79,304**	**¥51,855**
Bonds	**10**	**10**	**0**
Others	**–**	**–**	**–**
Total	**¥27,459**	**¥79,314**	**¥51,855**

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	**$255,601**	**$738,467**	**$482,866**
Bonds	**93**	**93**	**0**
Others	**–**	**–**	**–**
Total	**$255,694**	**$738,560**	**$482,866**

Securities with book values exceeding acquisition costs at March 31, 2004

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥20,985	¥56,456	¥35,471
Bonds	10	10	0
Others	64	99	35
Total	¥21,059	¥56,565	¥35,506

Securities with book values not exceeding acquisition costs at March 31, 2005

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	**¥3,740**	**¥3,227**	**¥(513)**
Bonds	**–**	**–**	**–**
Others	**4,647**	**4,646**	**(1)**
Total	**¥8,387**	**¥7,873**	**¥(514)**

Type	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Equity securities	**$34,826**	**$30,049**	**$(4,777)**
Bonds	**–**	**–**	**–**
Others	**43,272**	**43,263**	**(9)**
Total	**$78,098**	**$73,312**	**$(4,786)**

Securities with book values not exceeding acquisition costs at March 31, 2004

Type	Millions of yen		
	Acquisition cost	Book value	Difference
Equity securities	¥2,192	¥1,977	¥(215)
Bonds	–	–	–
Others	194	184	(10)
Total	¥2,386	¥2,161	¥(225)

B. The following tables summarize book values of securities with no available fair value as of March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Available-for-sale securities:			
Type	Book value		Book value
Unlisted equity securities	**¥14,168**	¥13,370	**$131,930**
Unlisted foreign bonds	**–**	4,416	**–**
Others	**262**	814	**2,440**
Total	**¥14,430**	¥18,600	**$134,370**

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

For the year ended March 31, 2005:

Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
	Millions of yen				
Securities:					
Governmental bonds	**¥24**	**¥ –**	**¥10**	**–**	**¥ 34**
Corporate bonds	**–**	**2,023**	**–**	**–**	**2,023**
Total	**¥24**	**¥2,023**	**¥10**	**–**	**¥2,057**

For the year ended March 31, 2004:

Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
	Millions of yen				
Securities:					
Governmental bonds	¥10	¥5	–	–	¥15
Corporate bonds	4	–	–	–	4
Total	¥14	¥5	–	–	¥19

For the year ended March 31, 2005:

Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
	Thousands of U.S. dollars				
Securities:					
Governmental bonds	**$223**	**$ –**	**$93**	**–**	**$ 316**
Corporate bonds	**–**	**18,838**	**–**	**–**	**18,838**
Total	**$223**	**$18,838**	**$93**	**–**	**$19,154**

D. There were no held-to-maturity debt securities sold in the years ended March 31, 2005 and 2004.

E. Total sales of available-for-sale securities sold in the years ended March 31, 2005 and 2004 and the related gains and losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Proceeds from sales	**¥4,901**	¥4,855	**$45,637**
Gross realized gains	**1,617**	920	**15,057**
Gross realized losses	**6**	152	**56**

4. 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.

The following tables summarize the outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2005 and 2004, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	**¥1,435**	¥329	**$13,363**
Unrealized gain	**73**	13	**680**

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Currency swaps			
Receive Yen, pay U.S. dollar:			
Contracts outstanding	**¥15,800**	¥28,590	**$147,127**
Unrealized gain	**1,594**	1,497	**14,843**
Receive Yen, pay Euro:			
Contracts outstanding	**¥ 500**	–	**$ 4,656**
Unrealized loss	**(15)**	–	**(140)**
Receive U.S. dollar, pay Yen:			
Contracts outstanding	**–**	¥ 700	**–**
Unrealized loss	**–**	(16)	**–**

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
(2) Interest related			
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥3,671**	¥2,584	**$34,184**
Unrealized loss	**(198)**	(372)	**(1,844)**
Receive fixed, pay floating			
Contracts outstanding	**¥3,718**	¥1,712	**$34,621**
Unrealized gain	**191**	342	**1,779**

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Interest rate swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥ 2,087**	¥ 847	**$ 19,434**
Unrealized loss	**(108)**	(61)	**(1,006)**
Receive fixed, pay floating			
Contracts outstanding	**¥ 821**	¥1,900	**$ 7,645**
Unrealized loss	**(9)**	(12)	**(84)**
Receive floating, pay floating			
Contracts outstanding	**¥11,337**	–	**$105,568**
Unrealized gain	**5**	–	**47**

Notes: 1. In calculating market values in Japanese yen at the end of the fiscal year, forward exchange rates, prevailing at the end of the year, for the same values of the respective contracts are used.
2. Market values of interest swaps at the end of the fiscal year are calculated using prices of the contracts at the end of the year quoted by the financial institutions or trading houses with which the relevant transactions were closed.

5. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

Short-term debt amounting to ¥105,469 million ($982,112 thousand) and ¥104,998 million at March 31, 2005 and 2004, respectively, was principally 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, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Bonds:			
3.025% yen bonds due 2006	**¥ –**	¥ 10,000	**$ –**
3.075% yen bonds due 2007	**–**	10,000	**–**
1.740% yen bonds due 2007	**15,000**	–	**139,678**
1.190% yen bonds due 2009	**10,000**	–	**93,118**
3.250% yen bonds due 2009	**–**	10,000	**–**
Floating rate yen notes due 2008	**1,000**	1,000	**9,312**
Floating/fixed rate Euro medium term notes due 2005-2009	**19,289**	13,321	**179,616**
1.760% yen bonds due 2014	**10,000**	–	**93,119**
1.590% yen bonds due 2015	**15,000**	–	**139,678**
Secured loans from:			
Japan Development Bank due through 2016 at interest rates of 0.60% to 5.65%	**69,692**	70,783	**648,962**
Other financial institutions due through 2020 at interest rates of 0.25% to 6.45%	**112,757**	160,468	**1,049,977**
Unsecured loans from:			
Other financial institutions due through 2017 at interest rates of 0.06% to 8.71%	**155,925**	111,124	**1,451,951**
	408,663	386,696	**3,805,411**
Amount due within one year	**68,065**	75,675	**633,812**
	¥340,598	¥311,021	**$3,171,599**

At March 31, 2005, the aggregate annual maturity of long-term debt was as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	**¥ 68,065**	**$ 633,811**
2007	**67,256**	**626,278**
2008	**87,902**	**818,531**
2009	**44,367**	**413,139**
2010	**44,841**	**417,553**
2011 and thereafter	**96,232**	**896,099**
	¥408,663	**$3,805,411**

At March 31, 2005, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen	Thousands of U.S. dollars
Vessels	**¥238,774**	**$2,223,429**
Buildings and structures	**6,491**	**60,443**
Land	**5,226**	**48,664**
Investment securities	**29,213**	**272,027**
Others	**1,657**	**15,430**
	¥281,361	**$2,619,993**

Secured debt	Millions of yen	Thousands of U.S. dollars
Short-term debt	**¥ 230**	**$ 2,142**
Long-term debt due within one year	**38,426**	**357,817**
Long-term debt	**144,023**	**1,341,121**
	¥182,679	**$1,701,080**

6. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2005, 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 ¥139,107 million ($1,295,344 thousand).

The BGT project is operated by subsidiaries, which have their own corporate bodies, legally independent of the Company. The assets of the BGT eight LNG carrier transportation project are held in several subsidiaries of the Company, which have their own creditors.

7. SHAREHOLDERS' EQUITY

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

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

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after the shareholders' approval has been obtained. Retained earnings at March 31, 2005 include amounts representing the year-end cash dividends and directors' and corporate auditors' bonuses approved at the shareholders' meeting held on June 23, 2005. The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code. In addition, semi-annual interim dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

8. OTHER INCOME (EXPENSES): OTHERS, NET – BREAKDOWN

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Others, net:			
Gain (loss) on sale of marketable securities	**¥ (2)**	¥ 19	**$ (19)**
Exchange gain, net	**1,950**	2,095	**18,158**
Gain on sale of vessels, investment securities and others	**5,797**	10,821	**53,981**
Loss on sale and disposal of vessels, investment securities and others	**(20,866)**	(7,024)	**(194,301)**
Loss arising from dissolution of subsidiaries and affiliated companies	**(26)**	(36)	**(242)**
Loss on write-down of securities and other investments	**(193)**	(798)	**(1,797)**
Provision for doubtful accounts	**(183)**	(1,605)	**(1,704)**
Special retirement	**(922)**	(1,018)	**(8,586)**
Loss on redemption of bonds	**(2,192)**	–	**(20,412)**
Provision for loss on the liquidation and integration of subsidiaries	**–**	(141)	**–**
Sundries	**(272)**	2,658	**(2,532)**
Total	**¥(16,909)**	¥ 4,971	**$(157,454)**

9. LEASES

AS LESSEE:

(A) INFORMATION ON FINANCE LEASES ACCOUNTED FOR AS OPERATING LEASES:

(1) A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2005 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen			
	Vessels	Property and equipment	Other	Total
Acquisition cost	**¥2,746**	**¥47,944**	**¥315**	**¥51,005**
Accumulated depreciation	**1,477**	**30,862**	**222**	**32,561**
Net book value	**¥1,269**	**¥17,082**	**¥ 93**	**¥18,444**

	Thousands of U.S. dollars			
	Vessels	Property and equipment	Other	Total
Acquisition cost	**$25,570**	**$446,448**	**$2,933**	**$474,951**
Accumulated depreciation	**13,754**	**287,382**	**2,067**	**303,203**
Net book value	**$11,816**	**$159,066**	**$ 866**	**$171,748**

(2) Future lease payments inclusive of interest at March 31, 2005

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	**¥ 4,281**	**$ 39,864**
Amount due after one year	**21,005**	**195,595**
Total	**¥25,286**	**$235,459**

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease payments	**¥5,877**	¥4,514	**$54,726**
Depreciation equivalent	**5,577**	3,813	**51,932**
Interest equivalent	**538**	476	**5,010**

(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.

(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES AT MARCH 31, 2005:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	**¥ 40,978**	**$ 381,581**
Amount due after one year	**262,686**	**2,446,094**
Total	**¥303,664**	**$2,827,675**

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, 2005 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost	**¥57**	**¥578**	**¥635**
Accumulated depreciation	**49**	**516**	**565**
Net book value	**¥ 8**	**¥ 62**	**¥ 70**

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	**$531**	**$5,382**	**$5,913**
Accumulated depreciation	**456**	**4,805**	**5,261**
Net book value	**$ 75**	**$ 577**	**$ 652**

(2) Future lease income inclusive of interest at March 31, 2005

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 99	$ 922
Amount due after one year	19	177
Total	¥118	$1,099

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease income	¥53	¥110	$494
Depreciation	21	59	196
Interest equivalent	5	13	47

(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 AT MARCH 31, 2005:

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 1,998	$ 18,605
Amount due after one year	24,613	229,193
Total	¥26,611	$247,798

10. SEGMENT INFORMATION

(A) BUSINESS SEGMENT INFORMATION:

	Millions of yen							
For the year ended March 31, 2005:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥399,141	¥596,638	¥58,020	¥45,351	¥ 66,616	¥ 7,566	¥ –	¥1,173,332
(2) Inter-segment revenues	1,225	851	1,445	–	15,973	8,146	(27,640)	–
Total revenues	400,366	597,489	59,465	45,351	82,589	15,712	(27,640)	1,173,332
2. Operating expenses	346,146	485,020	58,626	44,064	77,459	14,177	(23,955)	1,001,537
Operating income (loss)	¥ 54,220	¥112,469	¥ 839	¥ 1,287	¥ 5,130	¥ 1,535	¥ (3,685)	¥ 171,795
3. Assets, depreciation and capital expenditures:								
(1) Assets	¥158,551	¥552,154	¥43,767	¥44,955	¥296,231	¥260,246	¥(123,652)	¥1,232,252
(2) Depreciation	5,448	36,646	1,250	2,935	3,732	2,898	60	52,969
(3) Capital expenditures	18,902	71,190	961	729	16,502	3,622	–	111,906

For the year ended March 31, 2005:	Thousands of U.S. dollars Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . .	**$3,716,743**	**$5,555,806**	**$540,274**	**$422,302**	**$ 620,318**	**$ 70,453**	**$ –**	**$10,925,896**
(2) Inter-segment revenues . . .	**11,407**	**7,924**	**13,456**	**–**	**148,738**	**75,855**	**(257,380)**	**–**
Total revenues	**3,728,150**	**5,563,730**	**553,730**	**422,302**	**769,056**	**146,308**	**(257,380)**	**10,925,896**
2. Operating expenses	**3,223,261**	**4,516,435**	**545,917**	**410,318**	**721,287**	**132,014**	**(223,066)**	**9,326,166**
Operating income (loss) . .	**$ 504,889**	**$1,047,295**	**$ 7,813**	**$ 11,984**	**$ 47,769**	**$ 14,294**	**$ (34,314)**	**$ 1,599,730**
3. Assets, depreciation and capital expenditures:								
(1) Assets	**$1,476,404**	**$5,141,577**	**$407,552**	**$418,614**	**$2,758,460**	**$2,423,373**	**$(1,151,429)**	**$11,474,551**
(2) Depreciation	**50,731**	**341,242**	**11,640**	**27,330**	**34,752**	**26,986**	**559**	**493,240**
(3) Capital expenditures	**176,013**	**662,911**	**8,949**	**6,788**	**153,664**	**33,727**	**–**	**1,042,052**

(Change in accounting method)
As mentioned in Note 2 (11) Employees' severance and retirement benefits, the Company's consolidated financial statements for the year ended March 31, 2005, are prepared based on Accounting Standard Statements No. 3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits" issued by the Accounting Standard Board of Japan on March 16, 2005. As a result of this change, operating income increased ¥180 million in Containerships, ¥339 million in Bulkships, ¥15 million in Logistics, ¥6 million in Ferry & Domestic transport, ¥17 million in Associated business, and ¥34 million in Others , in comparison with the results under the previous method of accounting.

For the year ended March 31, 2004:	Millions of yen Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/ terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . .	¥823,477	¥31,368	¥45,359	¥46,060	¥ 50,996	¥ –	¥ 997,260
(2) Inter-segment revenues	6,730	4,068	39,331	921	21,125	(72,175)	–
Total revenues	830,207	35,436	84,690	46,981	72,121	(72,175)	997,260
2. Operating expenses	747,122	34,179	79,338	46,759	69,231	(71,495)	905,134
Operating income (loss)	¥ 83,085	¥ 1,257	¥ 5,352	¥ 222	¥ 2,890	¥ (680)	¥ 92,126
3. Assets, depreciation and capital expenditures:							
(1) Assets	¥856,792	¥33,454	¥57,975	¥25,476	¥191,088	¥(164,579)	¥1,000,206
(2) Depreciation	48,182	1,884	2,984	562	1,722	0	55,334
(3) Capital expenditures	40,964	3,566	2,262	1,378	2,379	–	50,549

(Change in accounting method)
As mentioned in Note 2 (12) Directors' and corporate auditors' retirement benefits, the Company previously recognized the expenses of retirement benefits for directors and corporate auditors when those benefits were paid. Considering the current accounting practices in Japan, effective April 1, 2003, the Company changed its accounting policy to recognize liabilities for directors' and corporate auditors' retirement benefits based on the Company's internal regulations regarding the payment of retirement benefits to directors and corporate auditors. As a result of this change, operating expenses decreased by ¥308 million and operating income increased by ¥308 million for Elimination for 2004 in comparison with the results under the previous method of accounting. The effect of this new accounting method over the other segments is immaterial.

(Note)
On April 1, 2004, the Group made changes in the policy for the segmentation of the business segments in order to provide better perspective on the Company's consolidated managerial P/L of each business segment, using the opportunity that our new Mid-Term Management Plan, "MOL STEP", became effective. The Group reorganized the former reporting segments (1. Overseas shipping, 2. Ferry/domestic shipping, 3. Shipping agent and harbor/terminal operation, 4. Cargo forwarding and warehousing, 5. Others) into new segments (1. Containerships, 2. Bulkships, 3. Logistics, 4. Ferry & Domestic transport, 5. Associated business, 6. Others).

The following tables show business segment information for the year ended March 31, 2004 using the new segmentation method applied to the year ended March 31, 2005.

	Millions of yen							
For the year ended March 31, 2004:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥344,901	¥494,628	¥53,034	¥42,122	¥54,573	¥ 8,002	¥ –	¥ 997,260
(2) Inter-segment revenues	507	1,088	1,431	–	14,861	10,434	(28,321)	–
Total revenues	345,408	495,716	54,465	42,122	69,434	18,436	(28,321)	997,260
2. Operating expenses	321,974	429,028	54,609	41,589	66,739	16,076	(24,881)	905,134
Operating income (loss)	¥ 23,434	¥ 66,688	¥ (144)	¥ 533	¥ 2,695	¥ 2,360	¥ (3,440)	¥ 92,126
3. Assets, depreciation and capital expenditures:								
(1) Assets	¥144,329	¥521,380	¥42,617	¥45,958	¥97,249	¥216,141	¥(67,468)	¥1,000,206
(2) Depreciation	6,248	40,417	1,051	2,891	1,825	2,953	(51)	55,334
(3) Capital expenditures	1,862	36,727	1,658	2,917	3,205	4,180	–	50,549

	Thousands of U.S. dollars							
For the year ended March 31, 2004:	Container-ships	Bulk-ships	Logistics	Ferry & Domestic transport	Associated business	Others	Elimination	Consolidated
1. Revenues								
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$3,211,668	$4,605,904	$493,845	$392,234	$508,176	$ 74,513	$ –	$9,286,340
(2) Inter-segment revenues	4,721	10,131	13,325	–	138,383	97,160	(263,720)	–
Total revenues	3,216,389	4,616,035	507,170	392,234	646,559	171,673	(263,720)	9,286,340
2. Operating expenses	2,998,175	3,995,046	508,511	387,271	621,464	149,697	(231,688)	8,428,476
Operating income (loss)	$ 218,214	$ 620,989	$ (1,341)	$ 4,963	$ 25,095	$ 21,976	$ (32,032)	$ 857,864
3. Assets, depreciation and capital expenditures:								
(1) Assets	$1,343,971	$4,855,014	$396,843	$427,954	$905,568	$2,012,673	$(628,251)	$9,313,772
(2) Depreciation	58,180	376,357	9,787	26,921	16,994	27,498	(475)	515,262
(3) Capital expenditures	17,339	341,996	15,439	27,163	29,844	38,924	–	470,705

(B) GEOGRAPHICAL SEGMENT INFORMATION:

Each segment covers the following countries or regions;

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

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

Expenses of a segment are expenses wherever they may be incurred to earn revenues at companies registered in countries in the segment. Assets of a segment are assets possessed by companies registered in countries in the segment, except for assets including ships of FOC companies which are treated as Japanese companies.

For the year ended March 31, 2005:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**¥1,114,827**	**¥38,636**	**¥ 8,762**	**¥11,045**	**¥ 62**	**¥ –**	**¥1,173,332**
(2) Inter-segment revenues	**3,579**	**11,522**	**6,452**	**9,868**	**1,520**	**(32,941)**	**–**
Total revenues	**1,118,406**	**50,158**	**15,214**	**20,913**	**1,582**	**(32,941)**	**1,173,332**
2. Operating expenses	**953,955**	**42,084**	**13,449**	**19,524**	**1,629**	**(29,104)**	**1,001,537**
Operating income (loss)	**¥ 164,451**	**¥ 8,074**	**¥ 1,765**	**¥ 1,389**	**¥ (47)**	**¥ (3,837)**	**¥ 171,795**
3. Assets	**¥1,150,711**	**¥33,258**	**¥105,753**	**¥12,074**	**¥1,522**	**¥(71,066)**	**¥1,232,252**

For the year ended March 31, 2005:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Thousands of U.S. dollars						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**$10,381,106**	**$359,773**	**$ 81,590**	**$102,849**	**$ 578**	**$ –**	**$10,925,896**
(2) Inter-segment revenues	**33,327**	**107,291**	**60,080**	**91,890**	**14,154**	**(306,742)**	**–**
Total revenues	**10,414,433**	**467,064**	**141,670**	**194,739**	**14,732**	**(306,742)**	**10,925,896**
2. Operating expenses	**8,883,090**	**391,880**	**125,235**	**181,805**	**15,169**	**(271,013)**	**9,326,166**
Operating income (loss)	**$ 1,531,343**	**$ 75,184**	**$ 16,435**	**$ 12,934**	**$ (437)**	**$ (35,729)**	**$ 1,599,730**
3. Assets	**$10,715,253**	**$309,694**	**$984,756**	**$112,431**	**$14,173**	**$(661,756)**	**$11,474,551**

(Change in accounting method)
As mentioned in Note 2 (11) Employees' severance and retirement benefits, the Company's consolidated financial statements for the year ended March 31, 2005, are prepared based on Accounting Standard Statements No. 3, "Partial Revision of Accounting Standard for Retirement Benefits" and Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits" issued by the Accounting Standard Board of Japan on March 16, 2005. As a result of this change, operating income increased ¥591 million for Japan for 2005 in comparison with the results under the previous method of accounting. There are no effects on the other segments.

For the year ended March 31, 2004:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥940,671	¥37,270	¥ 8,875	¥10,370	¥ 74	¥ –	¥ 997,260
(2) Inter-segment revenues	1,001	7,576	4,936	13,308	1,519	(28,340)	–
Total revenues	941,672	44,846	13,811	23,678	1,593	(28,340)	997,260
2. Operating expenses	855,888	39,972	12,831	22,495	1,525	(27,577)	905,134
Operating income (loss)	¥ 85,784	¥ 4,874	¥ 980	¥ 1,183	¥ 68	¥ (763)	¥ 92,126
3. Assets	¥933,747	¥29,399	¥88,992	¥12,567	¥1,660	¥(66,159)	¥1,000,206

(Change in accounting method)
As mentioned in Note 2 (12) Directors' and corporate auditors' retirement benefits, the Company previously recognized the expenses of retirement benefits for directors and corporate auditors when those benefits were paid. Considering the current accounting practices in Japan, effective April 1, 2003, the Company changed its accounting policy to recognize liabilities for directors' and corporate auditors' retirement benefits based on the Company's internal regulations regarding the payment of retirement benefits to directors and corporate auditors. As a result of this change, operating expenses decreased by ¥308 million and operating income increased by ¥308 million for Elimination for 2004 in comparison with the results under the previous method of accounting. The effect of this new accounting method over the other segments is immaterial.

(C) INTERNATIONAL BUSINESS INFORMATION:

For the year ended March 31, 2005:	North America	Europe	Asia	Others	Total
	Millions of yen				
1. International revenue	**¥278,748**	**¥164,775**	**¥271,090**	**¥346,808**	**¥1,061,421**
2. Consolidated revenue	**–**	**–**	**–**	**–**	**¥1,173,332**
3. Ratio of international revenue to consolidated revenue	**23.8%**	**14.0%**	**23.1%**	**29.6%**	**90.5%**

Segmentation is made from the perspective of geographical closeness and identity.

Geographical areas belonging to the segments are as follows:

North America: U.S.A. and Canada

Europe: U.K., the Netherlands and other European countries

Asia: The Middle and Near East, South-West Asia, South-East Asia, East Asia

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

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

For the year ended March 31, 2005:	Thousands of U.S. dollars				
	North America	Europe	Asia	Others	Total
1. International revenue	**$2,595,661**	**$1,534,361**	**$2,524,350**	**$3,229,425**	**$ 9,883,797**
2. Consolidated revenue	**–**	**–**	**–**	**–**	**$10,925,896**
3. Ratio of international revenue to consolidated revenue	**23.8%**	**14.0%**	**23.1%**	**29.6%**	**90.5%**

For the year ended March 31, 2004:	Millions of yen				
	North America	Europe	Asia	Others	Total
1. International revenue	¥261,238	¥141,015	¥217,647	¥269,278	¥889,178
2. Consolidated revenue	–	–	–	–	¥997,260
3. Ratio of international revenue to consolidated revenue	26.2%	14.2%	21.8%	27.0%	89.2%

11. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 37.5% for the years ended March 31, 2005 and 2004.

(A) Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Excess bad debt expenses	**¥ 2,658**	¥ 2,726	**$ 24,751**
Excess reserve for bonuses expenses	**1,954**	1,672	**18,195**
Excess retirement benefits expenses	**6,191**	5,184	**57,650**
Excess retirement allowances for officers	**976**	593	**9,088**
Write-down of securities and other investments	**1,709**	1,903	**15,914**
Operating loss carried forward	**903**	1,006	**8,409**
Accrued business tax and business place tax	**5,096**	498	**47,453**
Unrealized gain on sale of fixed assets	**998**	407	**9,293**
Others	**720**	73	**6,705**
Total deferred tax assets	**21,205**	14,062	**197,458**
Valuation allowance	**(6,571)**	(1,365)	**(61,188)**
Net deferred tax assets	**14,634**	12,697	**136,270**
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(902)**	(983)	**(8,399)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(1,368)**	(2,212)	**(12,739)**
Unrealized holding gains on available-for-sale securities	**(19,362)**	(12,392)	**(180,296)**
Gain on securities contributed to employee retirement benefit trust	**(4,368)**	(4,368)	**(40,674)**
Revaluation reserve for land	**(10,827)**	–	**(100,819)**
Others	**(153)**	(439)	**(1,425)**
Total deferred tax liabilities	**(36,980)**	(20,394)	**(344,352)**
Net deferred tax liabilities	**¥(22,346)**	¥ (7,697)	**$(208,082)**

(B) Significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2005 was as follows:

	2005
Statutory tax rate	**37.5 %**
Non-deductible expenses	**0.5 %**
Tax exempt revenues	**(1.4)%**
Decrease in valuation allowance	**(1.1)%**
Others	**(0.8)%**
Effective tax rate	**34.7 %**

The difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2004 is not disclosed as it is immaterial.

12. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥ 65,083**	¥ 63,347	**$ 606,043**
Unrecognized actuarial differences	**(2,496)**	(5,003)	**(23,242)**
Prepaid pension expenses	**11,812**	11,402	**109,992**
Less fair value of pension assets	**(60,875)**	(55,833)	**(566,859)**
Liability for severance and retirement benefits	**¥ 13,524**	¥ 13,913	**$ 125,934**

Included in the consolidated statements of income for the years ended March 31, 2005 and 2004 are severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service costs—benefits earned during the year	**¥3,223**	¥3,326	**$30,012**
Interest cost on projected benefit obligation	**943**	946	**8,781**
Expected return on plan assets	**(31)**	(26)	**(289)**
Amortization of actuarial differences	**766**	1,541	**7,133**
	¥4,901	¥5,787	**$45,637**

The discount rate for the years ended March 31, 2005 and 2004 used by the Company is 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2005 and 2004 is 0%.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in the income statements using the straight-line method primarily over 10 years commencing with the following period.

13. SUBSEQUENT EVENTS

On June 23, 2005, the shareholders of the Company approved (1) payment of year-end cash dividends to shareholders of record as of March 31, 2005 of ¥8.5 ($0.079) per share or a total of ¥10,161 million ($94,616 thousand) and (2) bonuses to directors of ¥162 million ($1,509 thousand).

14. STOCK-BASED COMPENSATION PLANS

The Company has a stock option plan. On June 27, 2001, the shareholders of the Company approved the issuance of stock options to the directors and the executive officers of the Company in accordance with Article 210-2 of the Code, which was subsequently revised in 2002. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 41,000 shares of common stock of the Company as of March 31, 2005, and 10,000 shares of common stock of the Company as of May 31, 2005. The stock options are exercisable from June 28, 2003 to June 30, 2005.

On June 25, 2002, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers, and the managing officers of the Company in accordance with Article 280-20 and Article 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 623,000 shares of common stock of the Company as of March 31, 2005, and 576,000 shares of common stock of the Company as of May 31, 2005. The stock options are exercisable from June 26, 2004 to June 25, 2012.

On June 25, 2003, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers, and the managing officers of the Company and the presidents of the Company's affiliates in accordance with Article 280-20 and Article 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 1,580,000 shares of common stock of the Company as of March 31, 2005, and 1,580,000 shares of common stock of the Company as of May 31, 2005. The stock options are exercisable from June 20, 2004 to June 25, 2013.

On June 24, 2004, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers, and the managing officers of the Company and the presidents of the Company's affiliates in accordance with Article 280-20 and Article 280-21 of the Code. The number of shares to be newly issued or transferred from treasury stock on the exercise of stock options issued pursuant to the aforesaid shareholders' approval was 1,570,000 shares of common stock of the Company as of March 31, 2005, and 1,570,000 shares of common stock of the Company as of May 31, 2005. The stock options are exercisable from June 20, 2005 to June 24, 2014.

On June 23, 2005, the shareholders of the Company approved the issuance of stock options to the directors, the executive officers, and the managing officers of the Company and the presidents of the Company's affiliates in accordance with Article 280-20 and Article 280-21 of the Code. Under this approval, the maximum number of shares to be newly issued or transferred from treasury stocks on the exercise of the stock options is 2,100,000 shares of common stock of the Company. The stock options are exercisable from June 20, 2006 to June 23, 2015 by the approval of the Company's board of directors.

INDEPENDENT AUDITORS' REPORT

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. (a Japanese corporation) and subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to 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 subsidiaries as of March 31, 2005 and 2004, 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:
As discussed in Note 2 (11) to the consolidated financial statements, effective from the year ended March 31, 2005, the Company applied the revised accounting standard for retirement benefits.
As discussed in Note 10 (A) to the consolidated financial statements, effective April 1, 2004, the Company changed its accounting policy for the segmentation of the Company's business segments.
As discussed in Note 2 (12) to the consolidated financial statements, effective April 1, 2003, the Company changed its accounting policy for directors' and corporate auditors' retirement benefits from expensing them when payments are made to accruing an amount required in accordance with the internal regulations if all directors and corporate auditors had retired as of the balance sheet date.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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 & Co.

Tokyo, Japan
June 23, 2005