Financial Section

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Management's Discussion and Analysis

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Managing Executive Officer

FINANCIAL STRENGTH TO ASSUME GREATER PROMINENCE

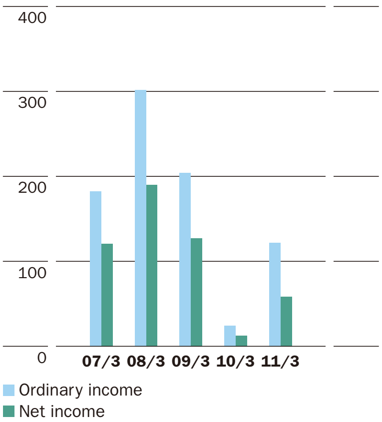
MOL's management strategy, simply put, is to (1) focus on marine transport, (2) pursue the optimal portfolio in terms of vessel type, transportation contract period, vessel procurement timeframe, and customer and sales regions in marine transport, and (3) generate a stable maximum return while minimizing risk based on a comprehensive marine transport portfolio created in this way.

In accordance with this strategy, MOL manages one of the world's largest comprehensive marine transport portfolios, boasting more than 900 vessels. In terms of vessel procurement, around 40% of the over 900 vessels are owned by MOL, while the remaining 60% is chartered from external shipowners. With respect to MOL-owned vessels, the company maintains a policy of procuring the necessary vessels at the best time from a long-term perspective. A stable and robust financial position enables MOL not only to carry out investment in a timely manner but also to raise funds on advantageous terms, which links to the fleet's competitiveness. Regarding chartered ships, the company's creditworthiness allows the company to charter ships at a reduced cost.

The company's financial position has long been a basic element serving as a foundation for business alongside safe operations. Today, amid escalating change in the marine transport business environment and greater scrutiny by customers when selecting their marine transport service provider, both financial position and safe operations are deciding factors in earning the trust of customers. When MOL President Koichi Muto publicly announced MOL's current midterm management plan, "GEAR UP! MOL," in March 2010, he stated that "safe operations and a healthy financial base will in the future be the very key to our continuing competitiveness." This is taking on ever more profound meaning.

ORDINARY INCOME AND NET INCOME

(¥ billions)



FINANCIAL CONDITION AND GEARING RATIO

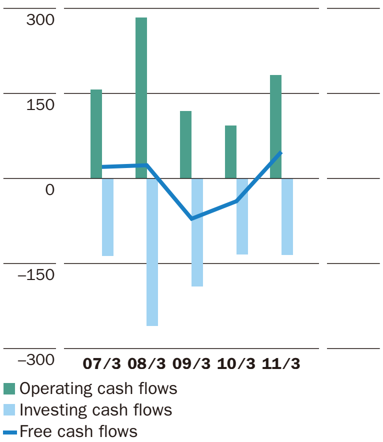
With finance having a greater role in the context of MOL's management strategy, maintaining and enhancing the company's financial condition will be increasingly important. MOL has long placed emphasis on the gearing ratio (interest-bearing debt/shareholders' equity) as a key indicator for measuring financial stability. MOL's goal is to keep the gearing ratio to under 100%.

MOL's gearing ratio worsened to 118% at the end of March 2010 due to the impact of the global financial crisis. However, it improved to 110% at the end of March 2011. In fiscal 2010, MOL's operating cash flow increased by ¥88.3 billion year on year on the back of a stronger performance. In addition to providing funds for investing activities, the increased operating cash flow allowed the company to reduce interest-bearing debt by ¥50.9 billion, inclusive of the redemption of ¥49.0 billion* of euro yen zero-coupon convertible bonds issued in March 2006.

* The total issue amount of the euro yen zero-coupon convertible bonds was ¥50.0 billion. Of this amount, ¥1.0 billion was converted into shares, while ¥49.0 billion was redeemed.

CASH FLOWS

(¥ billions)



(¥ billions)	FY2009 Result	FY2010 Result	GEAR UP! MOL FY2011 Forecast	GEAR UP! MOL FY2012 Plan
Operating Cash Flows...①	93.4	181.8	110.0	240.0
Investing Cash Flows...②	(133.5)	(134.8)	(210.0)	(160.0)
Free Cash Flows ①+②	(40.1)	47.0	(100.0)	80.0

	FY2009 Result	FY2010 Result	GEAR UP! MOL FY2011 Forecast	GEAR UP! MOL FY2012 Plan
Shareholders' Equity (¥ billions)	659.5	660.8	690.0	780.0
Interest-Bearing Debt (¥ billions)	775.1	724.3	840.0	780.0
Gearing Ratio	118%	110%	122%	100%

Leveraging the company's strong balance sheet, in fiscal 2009 MOL signed long-term charters of LNG vessels with an ExxonMobil affiliate and its venture partners. Then in 2010 MOL signed a 25-year contract for the transportation of iron ore with resource major Vale International SA. Furthermore, in fiscal 2010, MOL took approximately ¥25.0 billion in extraordinary losses for vessel dispositions and charter cancellations as part of measures to address the high cost of some ships. However, MOL expects this action to lead to improved earnings from fiscal 2011 onward. MOL's better financial position than other companies enabled it to take these forthright steps ahead of its rivals.

In fiscal 2011, MOL is projecting interest-bearing debt to increase and the gearing ratio to worsen as it maintains a high level of capital investment and based on lower expected earnings amid a lackluster marine transport market. However, from fiscal 2012 onward, the company expects both free cash flows and the gearing ratio to improve, due to lower capital investment as it plans to take delivery of vessels at a slower pace.

Looking ahead, the company plans to continue its unstinting efforts to lower the gearing ratio to at least 100%, an ongoing financial management goal, which it believes will enable MOL to maintain its current credit rating of A3 with Moody's; the best credit rating in the marine transport industry.

Credit Ratings (As of June 3, 2011)

	Credit Ratings
JCR	AA– (stable)
R&I	A+ (stable)
Moody's	A3 (stable)

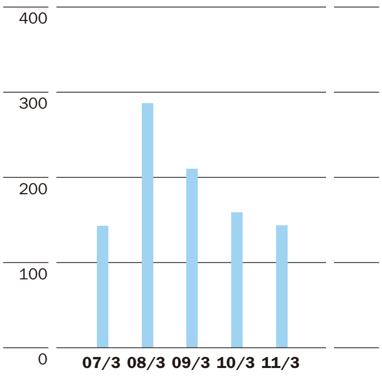
EXPERTISE IN FUND PROCUREMENT

A strong balance sheet is wasted if you don't have the skill to take full advantage of it to raise low-cost funds on advantageous terms. Furthermore, expertise in fundraising can affect a company's financial health over the long term. On these points, MOL has amassed industry-leading knowhow through experience over many years raising funds through various methods and forms, mainly to acquire vessels. This expertise in fundraising is an "asset" of the company.

With regard to corporate bonds, in December 2008, after the onset of the global financial crisis when liquidity was in short supply in the market, MOL issued ¥15.0 billion in domestic straight bonds for the first time in approximately 12 years. Thereafter, through December 2009, MOL raised a total ¥85.0 billion in funds at low interest rates. A year and a half later, in June 2011, MOL issued ¥30.0 billion in domestic straight bonds (¥10.0 billion in 5-year bonds, and ¥20.0 billion in 10-year bonds), in order to provide funds for capital

CAPITAL EXPENDITURE*

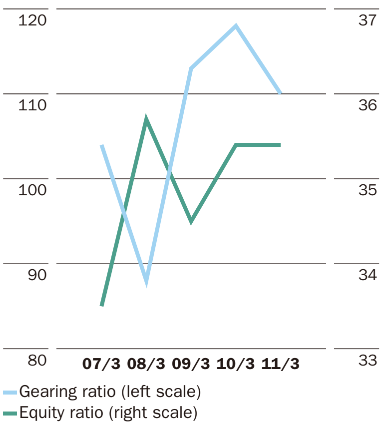
(¥ billions)



*Capital expenditure is the actual amount, calculated by deducting proceeds from the sale of vessels when delivered from "tangible/intangible fixed assets increased" contained in the annual securities report.

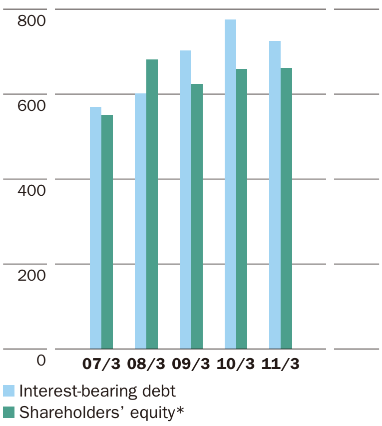
GEARING RATIO AND EQUITY RATIO

(%)



INTEREST-BEARING DEBT AND SHAREHOLDERS' EQUITY

(¥ billions)



*"Shareholders' equity" in this section comprises the total of owners' equity and accumulated other comprehensive income (loss).

investment. Fortunate that the bond market was strong after a lull, MOL succeeded in raising funds on extremely advantageous terms—an interest rate of 1.361% for 10-year bonds.

MOL Straight Bond Issuance

	Date of Issue	Years	Interest Rate	Total Amount of Issue	Outstanding
Straight bonds No. 10	2008.12.19	5	1.428%	¥15.0 billion	¥15.0 billion
Straight bonds No. 11	2009.5.27	5	1.278%	¥30.0 billion	¥30.0 billion
Straight bonds No. 12	2009.5.27	10	1.999%	¥20.0 billion	¥20.0 billion
Straight bonds No. 13	2009.12.17	7	1.106%	¥20.0 billion	¥20.0 billion
Straight bonds No. 14	2011.6.21	5	0.573%	¥10.0 billion	¥10.0 billion
Straight bonds No. 15	2011.6.21	10	1.361%	¥20.0 billion	¥20.0 billion

In addition to domestic straight bonds and commercial paper, since 1992 MOL has constantly issued euro medium-term notes through an overseas finance subsidiary. As of March 31, 2011, MOL had outstanding issuances of US$187 million from an issuance limit of US$1.0 billion.

In terms of borrowing from financial institutions, MOL has constantly tried new ways of raising funds without relying solely on conventional bank loans. Since the 1980s, for example, we have taken advantage of leveraged leases, which use some investor funds. In the first half of the 1990s, MOL was the lead borrower in Japan's first foreign currency-denominated large funding product through Japan Development Bank, the predecessor of Development Bank of Japan. Then in the latter half of the 1990s, MOL used operating leases to acquire vessels. In the meantime, at the beginning of 1990, MOL conducted an interest-rate swap, which was rare for a corporation at the time, to hedge the risk of rising interest rates.

Since the beginning of the 2000s, MOL has engaged in a number of tax lease arrangements using tax regimes in European countries. At the same time, using Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI), MOL has procured funds devoid of political risk of resource nations. And for building ships in South Korea, MOL used Korea Trade Insurance Corporation to create a scheme enabling the procurement of funds at low interest rates. Through these approaches, MOL has enhanced its competitiveness in fund procurement activities. In another new initiative, in 2006 MOL was involved in a project finance scheme* as the lead company in a ship-owning joint venture to finance 8 LNG vessels with a total of US$1.6 billion, the largest vessel finance arrangement at the time. And MOL is proceeding with fundraising for the LNG transportation project with ExxonMobil that it won in fiscal 2009. MOL believes that its wealth of fundraising expertise will serve it well in obtaining project finance, mainly from The Export-Import Bank of China.

*A method of raising funds based on projected cash flows from a project and using the ship as collateral, without the necessity for MOL to guarantee the obligation. This type of financial arrangement does not affect the company's fundraising capability.

In this way, whether in corporate bonds or bank loans, MOL has expertise in raising funds. Considering the recent low interest-rate environment around the world, MOL intends to continuously make vessel investments, primarily using externally raised funds, even if the gearing ratio worsens temporarily.

CASH MANAGEMENT

Alongside fundraising, cash management is important from the standpoint of maintaining and improving the balance sheet. In fiscal 2010, MOL managed cash flows with an awareness of capital efficiency, including reducing the liquidity ratio, due to improved financial markets. In Japan, MOL switched the cash management center from an affiliate to headquarters, while overseas MOL refined a system for constantly monitoring from headquarters local subsidiaries in Europe and agency accounts and introduced an automatic remittance system called auto sweep. In fiscal 2011, MOL intends to extend the same system as in Europe to the Americas to enhance global cash flow management, thereby putting in place a framework for managing funds more strictly and in closer detail. Moving forward, MOL is determined to ensure even greater capital efficiency as it manages its financial position with an eye on financial ratios.

RESPONSE TO IFRS

At present in Japan, there is much discussion about the merits of making the International Financial Reporting Standards (IFRS) mandatory for all publicly listed companies' consolidated financial statements.

Assuming mandatory adoption is imposed, a preparatory period of between five to seven years is likely from the point the decision is made until mandatory application. There is also discussion about changing the scope of application from all publicly listed companies to some publicly listed companies, and reviewing the across-the-board application method. MOL will continue to make preparations for converting to IFRS, while closely watching developments in this regard.

Aside from debate surrounding mandatory adoption, the convergence of IFRS and Japanese accounting standards is proceeding. Soon companies may be required to bring operating leases on the balance sheet and show the full value of any underfunded portion of projected retirement benefit obligations on the balance sheet as a liability under Japanese accounting standards.

While MOL doesn't presently recognize operating leases on the balance sheet, it already discloses operating leases as "future lease payments." And as of the end of fiscal 2010, MOL Group pension assets were largely commensurate with projected benefit obligations. Furthermore, Mitsui O.S.K. Lines, Ltd.—the Group's main operating unit—has moved to a defined benefit pension plan and lowered the assumed rate of interest to 2% in May 2010. This reduction in the assumed rate of interest will allow the pension fund to shift the focus of management assets to bonds which pay comparatively stable returns, and therefore should limit the risk of seriously underfunded liabilities in the future.

Also, a change in accounting standards would have no impact on MOL's operating cash flow. Since MOL has adopted a financial management strategy that emphasizes cash flows up to now, even as accounting standard convergence proceeds, and even if companies are obliged to apply IFRS, there will be no change in MOL's management stance. MOL will continue to focus on cash flows.

GLOBAL TAX PLANNING

The "tonnage tax" system is a standardized tax system that is utilized in the global marine transport industry. Japanese companies were able to apply the system from fiscal 2009, which MOL has duly done. In fiscal 2010, 34 vessels were subject to tonnage tax, and MOL plans to gradually increase that number. However, the system applies only to Japanese-flagged vessels, meaning there are restrictions. MOL will continue to urge the Japanese government to create a more flexible system similar to foreign countries.

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

Risk Management

FLUCTUATIONS OF CARGO VOLUME, FLEET SUPPLY AND FREIGHT RATES

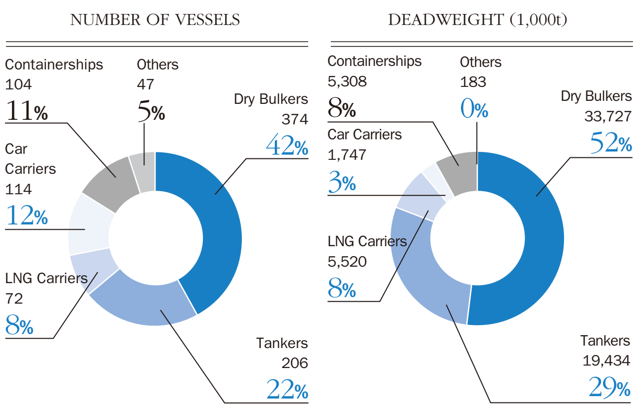
The global shipping business, like many other industries, is greatly affected by trends in the global economic cycle, and is thus subject to both macroeconomic risk, as well as business risk associated with trends in specific industries. There are a multitude of factors that are subject to change, such as fluctuations in the economies of individual countries, changes in the trade structure, demand for freight space, and market conditions, and cargo volumes. Achieving the best performance hinges on coolly analyzing information so as to continually increase the probability, even if only a little, of generating even higher earnings. With this in mind, MOL has adopted a strategy of "diversifying operations to reduce risk" and "raising highly stable profits" by aligning its fleet to match international marine transport demand in the transport of both raw materials and finished goods. In this way, we strive to maximize returns and sustain profit growth.

DIVERSIFYING OPERATIONS TO REDUCE RISK

MOL operates a "full-line marine transport group." As of the end of March 2011, our fleet consisted of 917 vessels ranging from dry bulkers and tankers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Supply and demand trends fluctuate for each type of ship and each type of cargo. While there are some factors that are closely related, and affect all of these segments in the same way, there are also many factors which affect demand in each sector differently, so the impact in one sector offsets the impact in another in many cases. By maintaining a diverse, well-balanced assortment of ships, MOL can take advantage of this relationship to minimize risk and maximize return.

FLEET COMPOSITION (As of March 31, 2011)

(%)



RAISING HIGHLY STABLE PROFITS THROUGH THE USE OF MEDIUM- AND LONG-TERM CONTRACTS AND OTHER MEANS

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

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

EXCHANGE RATE FLUCTUATIONS

Apart from some Japanese clients, with whom MOL has concluded transport contracts on a yen-denominated basis, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Since U.S. dollar-denominated revenue exceeds U.S. dollar-denominated expenses, when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2011, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥2.0 billion on consolidated ordinary income.

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

INTEREST RATE FLUCTUATIONS

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2011, interest-bearing debt totaled ¥724.3 billion, and between 50% and 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by approximately ¥3.5 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the Lehman Brothers collapse, the company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

BUNKER PRICE FLUCTUATIONS

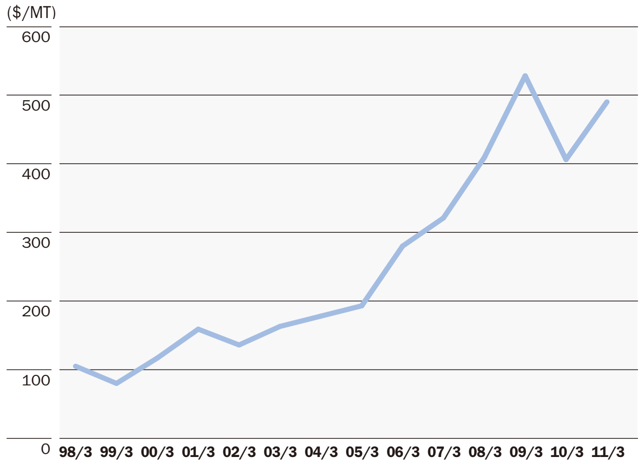
The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 900 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The company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

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

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

Exchange Rate (¥/$)	A ¥1 appreciation reduces ordinary income by approximately ¥2.0 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥3.5 billion
Bunker Price (US$/MT)	A US$1/MT increase reduces ordinary income by approximately ¥0.2 billion

AVERAGE BUNKER PRICE



VESSEL OPERATIONS

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

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

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

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

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

NATURAL DISASTER RISK

An earthquake or other natural disaster, or outbreak of an infectious disease (hereinafter "disaster or such like") could affect MOL-operated vessels, offices and facilities, as well as employees, hampering business operations.

MOL puts the highest priority on ensuring the safety of its vessels and company personnel in the event of a disaster or such like, and has formulated a business continuity plan, documenting specific procedures to be followed to enable it to continue providing its core marine transport services and quickly restore operations. Furthermore, through disaster-preparedness drills at head office and outside of the company and other measures, MOL has a high level of readiness to implement its business continuity plan. Nevertheless, in the event of a disaster or such like in which MOL cannot completely avoid damage, the company's business performance may be affected.

11-year Summary

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

	2011	2010	2009	2008
For the year:				
Shipping and other revenues	**¥1,543,661**	¥1,347,965	¥1,865,802	¥1,945,697
Shipping and other expenses	**1,328,960**	1,228,479	1,564,486	1,544,109
Selling, general and administrative expenses	**91,300**	98,547	104,105	110,303
Operating income	**123,401**	20,939	197,211	291,285
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**8,174**	5,363	16,000	18,199
Ordinary income	**121,622**	24,235	204,511	302,219
Income before income taxes and minority interests	**95,367**	27,776	197,732	318,202
Income taxes, current	**(36,431)**	(8,078)	(65,074)	(115,183)
Income taxes, deferred	**2,797**	(3,764)	(638)	(5,694)
Minority interests	**(3,456)**	(3,212)	(5,032)	(7,004)
Net income	**58,277**	12,722	126,988	190,321
At year-end:				
Current assets	**344,444**	352,030	428,598	506,078
Current liabilities	**374,269**	355,185	440,910	528,390
Net vessels, property and equipment	**1,257,823**	1,209,176	1,106,746	1,047,825
Total assets	**1,868,741**	1,861,312	1,807,080	1,900,551
Long-term debt due after one year	**559,541**	594,711	499,193	459,280
Net assets/Shareholders' equity	**740,247**	735,702	695,022	751,652
Retained earnings	**664,645**	616,736	623,626	536,096

Amounts per share of common stock:

	2011	2010	2009	2008
Net income	**¥ 48.75**	¥ 10.63	¥106.13	¥159.14
Net assets/Shareholders' equity	**552.83**	551.70	521.23	567.74
Cash dividends applicable to the year	**10.00**	3.00	31.00	31.00

(Translation of foreign currencies)
The Japanese yen amounts for 2011 have been translated into U.S. dollars using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S.$1.00, solely for the convenience of readers. (The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.)

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

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

(Ordinary income)
Ordinary income is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.)

Millions of yen							Thousands of U.S. dollars
2007	2006	2005	2004	2003	2002	2001	**2011**
¥1,568,435	¥1,366,725	¥1,173,332	¥997,260	¥910,288	¥903,943	¥887,867	**$18,564,775**
1,300,038	1,101,459	917,149	824,902	787,540	761,507	732,512	**15,982,682**
100,324	92,273	84,388	80,232	77,392	82,663	77,116	**1,098,016**
168,073	172,993	171,795	92,126	45,356	59,773	78,239	**1,484,077**
16,171	16,817	11,764	6,613	3,387	4,426	3,681	**98,304**
182,488	176,503	174,979	90,556	33,405	37,381	53,020	**1,462,682**
197,854	188,290	155,057	89,776	25,114	24,851	20,860	**1,146,927**
(63,042)	(61,200)	(52,587)	(35,346)	(10,872)	(6,101)	(19,473)	**(438,136)**
(7,468)	(7,570)	(1,205)	2,152	1,435	(6,633)	7,709	**33,638**
(6,404)	(5,788)	(3,004)	(1,191)	(967)	(1,572)	1,847	**(41,563)**
120,940	113,732	98,261	55,391	14,710	10,545	10,943	**700,866**
405,474	340,355	299,835	299,544	289,645	251,388	255,774	**4,142,441**
482,810	433,023	429,695	398,091	423,838	375,032	399,996	**4,501,130**
847,660	769,902	665,320	477,621	569,234	619,645	691,307	**15,127,156**
1,639,940	1,470,824	1,232,252	1,000,206	1,046,612	1,079,090	1,140,400	**22,474,336**
398,534	399,617	340,598	311,021	395,589	475,696	540,159	**6,729,296**
620,989	424,461	298,258	221,535	164,790	166,970	144,355	**8,902,550**
375,443	275,689	182,143	101,991	56,469	47,818	43,433	**7,993,325**
Yen							U.S. dollars
¥101.20	¥ 94.98	¥ 81.99	¥ 46.14	¥ 12.16	¥ 8.76	¥ 9.01	**$0.586**
459.55	354.01	248.40	185.06	137.44	138.78	119.88	**6.649**
20.00	18.00	16.00	11.00	5.00	5.00	5.00	**0.120**

Consolidated Balance Sheets

Mitsui O.S.K. Lines, Ltd. March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 65,477**	¥ 85,894	**$ 787,456**
Marketable securities (Notes 3 and 4)	**29**	482	**349**
Trade receivables (Note 3)	**128,209**	117,484	**1,541,900**
Allowance for doubtful accounts	**(592)**	(366)	**(7,120)**
Inventories (Note 5)	**46,548**	38,532	**559,808**
Deferred and prepaid expenses	**51,172**	52,539	**615,418**
Deferred tax assets (Note 15)	**5,753**	5,460	**69,188**
Other current assets	**47,848**	52,005	**575,442**
Total current assets	**344,444**	352,030	**4,142,441**
Vessels, property and equipment (Notes 7 and 13)**:**			
Vessels	**1,291,685**	1,209,637	**15,534,396**
Buildings and structures	**251,390**	262,395	**3,023,331**
Equipment, mainly containers	**62,241**	67,851	**748,538**
Land	**216,104**	185,054	**2,598,966**
Vessels and other property under construction	**150,115**	206,431	**1,805,352**
	1,971,535	1,931,368	**23,710,583**
Accumulated depreciation	**(713,712)**	(722,192)	**(8,583,427)**
Net vessels, property and equipment	**1,257,823**	1,209,176	**15,127,156**
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	**101,055**	112,621	**1,215,334**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**91,779**	99,052	**1,103,776**
Long-term loans receivable (Note 3)	**18,199**	28,165	**218,870**
Intangible fixed assets	**9,187**	9,079	**110,487**
Deferred tax assets (Note 15)	**7,117**	5,510	**85,592**
Other assets	**39,137**	45,679	**470,680**
Total investments and other assets	**266,474**	300,106	**3,204,739**
Total assets	**¥1,868,741**	¥1,861,312	**$22,474,336**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term loans	¥ 41,966	¥ 46,494	$ 504,703
Short-term bonds	961	1,210	11,557
Commercial paper	21,500	8,500	258,569
Total short-term debt (Notes 3 and 7)	64,427	56,204	774,829
Long-term bank loans due within one year	69,755	52,900	838,905
Bonds due within one year	9,281	54,789	111,618
Total long-term debt due within one year (Notes 3 and 7)	79,036	107,689	950,523
Trade payables (Note 3)	130,752	114,353	1,572,483
Advances received	20,282	23,033	243,921
Accrued income taxes	27,410	3,720	329,645
Deferred tax liabilities (Note 15)	93	205	1,118
Other current liabilities	52,269	49,981	628,611
Total current liabilities	374,269	355,185	4,501,130
Long-term bank loans due after one year	399,383	441,285	4,803,163
Bonds due after one year	160,158	153,426	1,926,133
Total long-term debt due after one year (Notes 3 and 7)	559,541	594,711	6,729,296
Employees' severance and retirement benefits (Note 16)	14,311	15,052	172,111
Directors' and corporate auditors' retirement benefits	2,028	2,045	24,390
Reserve for periodic drydocking	16,908	18,709	203,343
Deferred tax liabilities (Note 15)	19,441	47,192	233,806
Other non-current liabilities	141,996	92,716	1,707,710
Commitments and contingent liabilities (Note 8)			
Net assets (Note 9):			
Owners' equity			
Common stock;			
Authorized–3,154,000,000 shares			
Issued–1,206,286,115 shares	65,400	65,400	786,530
Capital surplus	44,516	44,522	535,370
Retained earnings	664,645	616,736	7,993,325
Treasury stock, at cost	(7,181)	(7,126)	(86,362)
Total owners' equity	767,380	719,532	9,228,863
Accumulated other comprehensive income (loss)			
Unrealized holding gains on available-for-sale securities, net of tax	14,489	20,999	174,251
Unrealized losses on hedging derivatives, net of tax	(68,355)	(45,454)	(822,068)
Foreign currency translation adjustments	(52,719)	(35,570)	(634,023)
Total accumulated other comprehensive income (loss)	(106,585)	(60,025)	(1,281,840)
Share subscription rights	1,871	1,524	22,502
Minority interests	77,581	74,671	933,025
Total net assets	740,247	735,702	8,902,550
Total liabilities and total net assets	¥1,868,741	¥1,861,312	$22,474,336

Consolidated Statements of Income

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Shipping and other revenues (Note 14)	¥1,543,661	¥1,347,965	$18,564,775
Shipping and other expenses	1,328,960	1,228,479	15,982,682
Gross operating income	214,701	119,486	2,582,093
Selling, general and administrative expenses	91,300	98,547	1,098,016
Operating income	123,401	20,939	1,484,077
Other income (expenses):			
Interest and dividend income	5,507	4,316	66,230
Interest expense	(11,372)	(14,176)	(136,765)
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	8,174	5,363	98,304
Others, net (Notes 10 and 11)	(30,343)	11,334	(364,919)
	(28,034)	6,837	(337,150)
Income before income taxes and minority interests	95,367	27,776	1,146,927
Income taxes (Note 15):			
Current	(36,431)	(8,078)	(438,136)
Deferred	2,797	(3,764)	33,638
Income before minority interests	61,733	15,934	742,429
Minority interests	(3,456)	(3,212)	(41,563)
Net income	¥ 58,277	¥ 12,722	$ 700,866

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income	¥48.75	¥10.63	$0.586
Diluted net income	47.02	10.25	0.565
Cash dividends applicable to the year	10.00	3.00	0.120

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2011 and 2010

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2009	¥65,400	¥44,544	¥623,626	¥(6,439)	¥ 6,166	¥(71,460)	¥(38,123)	¥1,307	¥70,001	¥695,022
Due to change in consolidated subsidiaries	–	–	(813)	–	–	–	–	–	–	(813)
Due to change in affiliated companies accounted for by the equity method	–	–	(29)	–	–	–	–	–	–	(29)
Due to change in currencies of consolidated subsidiaries	–	–	(254)	–	–	–	–	–	–	(254)
Due to change in accounting period of consolidated subsidiaries	–	–	43	–	–	–	–	–	–	43
Net income	–	–	12,722	–	–	–	–	–	–	12,722
Purchases of treasury stock	–	–	–	(785)	–	–	–	–	–	(785)
Disposal of treasury stock	–	(22)	–	98	–	–	–	–	–	76
Dividends paid	–	–	(18,559)	–	–	–	–	–	–	(18,559)
Net changes during the year	–	–	–	–	14,833	26,006	2,553	217	4,670	48,279
Balance at March 31, 2010	¥65,400	¥44,522	¥616,736	¥(7,126)	¥20,999	¥(45,454)	¥(35,570)	¥1,524	¥74,671	¥735,702
Due to change in consolidated subsidiaries	**–**	**–**	**(693)**	**–**	**–**	**–**	**–**	**–**	**–**	**(693)**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(365)**	**–**	**–**	**–**	**–**	**–**	**–**	**(365)**
Due to change in currencies of consolidated subsidiaries	**–**	**–**	**259**	**–**	**–**	**–**	**–**	**–**	**–**	**259**
Net income	**–**	**–**	**58,277**	**–**	**–**	**–**	**–**	**–**	**–**	**58,277**
Purchases of treasury stock	**–**	**–**	**–**	**(88)**	**–**	**–**	**–**	**–**	**–**	**(88)**
Disposal of treasury stock	**–**	**(6)**	**–**	**33**	**–**	**–**	**–**	**–**	**–**	**27**
Dividends paid	**–**	**–**	**(9,569)**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,569)**
Net changes during the year	**–**	**–**	**–**	**–**	**(6,510)**	**(22,901)**	**(17,149)**	**347**	**2,910**	**(43,303)**
Balance at March 31, 2011	**¥65,400**	**¥44,516**	**¥664,645**	**¥(7,181)**	**¥14,489**	**¥(68,355)**	**¥(52,719)**	**¥1,871**	**¥77,581**	**¥740,247**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized holding gains on available-for-sale securities, net of tax	Unrealized losses on hedging derivatives, net of tax	Foreign currency translation adjustments	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2010	$786,530	$535,442	$7,417,150	$(85,701)	$252,544	$(546,651)	$(427,781)	$18,328	$898,028	$8,847,889
Due to change in consolidated subsidiaries	**–**	**–**	**(8,334)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,334)**
Due to change in affiliated companies accounted for by the equity method	**–**	**–**	**(4,390)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,390)**
Due to change in currencies of consolidated subsidiaries	**–**	**–**	**3,115**	**–**	**–**	**–**	**–**	**–**	**–**	**3,115**
Net income	**–**	**–**	**700,866**	**–**	**–**	**–**	**–**	**–**	**–**	**700,866**
Purchases of treasury stock	**–**	**–**	**–**	**(1,058)**	**–**	**–**	**–**	**–**	**–**	**(1,058)**
Disposal of treasury stock	**–**	**(72)**	**–**	**397**	**–**	**–**	**–**	**–**	**–**	**325**
Dividends paid	**–**	**–**	**(115,082)**	**–**	**–**	**–**	**–**	**–**	**–**	**(115,082)**
Net changes during the year	**–**	**–**	**–**	**–**	**(78,293)**	**(275,417)**	**(206,242)**	**4,174**	**34,997**	**(520,781)**
Balance at March 31, 2011	**$786,530**	**$535,370**	**$7,993,325**	**$(86,362)**	**$174,251**	**$(822,068)**	**$(634,023)**	**$22,502**	**$933,025**	**$8,902,550**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 95,367	¥ 27,776	$ 1,146,927
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation and amortization	77,446	88,366	931,401
Impairment loss	10,239	504	123,139
Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	(8,174)	(5,363)	(98,304)
Loss on write-down of investment securities	500	133	6,013
Loss on write-down of securities issued by subsidiaries and affiliated companies	273	107	3,283
Various provisions (reversals)	(1,227)	(353)	(14,756)
Interest and dividend income	(5,507)	(4,316)	(66,230)
Interest expense	11,372	14,176	136,765
Gain on sale of investment securities	(1,017)	(2,894)	(12,231)
Gain on sale and disposal of vessels, property and equipment	(24)	(6,182)	(289)
Exchange loss (gain), net	1,689	(3,425)	20,313
Changes in operating assets and liabilities:			
Trade receivables	(13,756)	20,115	(165,436)
Inventories	(8,451)	(9,589)	(101,636)
Trade payables	18,860	(2,656)	226,819
Others, net	22,075	(2,654)	265,485
Sub total	199,665	113,745	2,401,263
Cash received for interest and dividend	8,332	10,516	100,204
Cash paid for interest	(11,202)	(14,552)	(134,720)
Cash paid for corporate income tax, resident tax and enterprise tax	(15,040)	(16,281)	(180,878)
Net cash provided by operating activities	181,755	93,428	2,185,869
Cash flows from investing activities:			
Purchase of investment securities	(4,568)	(3,210)	(54,937)
Proceeds from sale of investment securities	4,846	3,821	58,280
Payments for purchase of vessels and other tangible and intangible fixed assets	(217,361)	(212,120)	(2,614,083)
Proceeds from sale of vessels and other tangible and intangible fixed assets	82,752	72,310	995,213
Payments for purchase of subsidiaries' securities due to change in consolidated subsidiaries	–	(49)	–
Disbursements for loans receivable	(4,394)	(10,559)	(52,844)
Collections of loans receivable	2,391	1,605	28,755
Net increase (decrease) in short-term loans receivable	49	16,337	589
Others, net	1,500	(1,619)	18,041
Net cash used in investing activities	(134,785)	(133,484)	(1,620,986)
Cash flows from financing activities:			
Net increase (decrease) in short-term bonds	154	(1,903)	1,852
Net increase (decrease) in short-term loans	(3,284)	(38,308)	(39,495)
Net increase (decrease) in commercial paper	13,000	(12,000)	156,344
Proceeds from long-term bank loans	68,899	131,293	828,611
Repayments of long-term bank loans	(94,287)	(67,926)	(1,133,939)
Proceeds from issuance of bonds	20,000	88,450	240,529
Redemption of bonds	(56,534)	(34,549)	(679,904)
Cash dividends paid by the Company	(9,618)	(18,574)	(115,670)
Purchase of treasury stock	(89)	(785)	(1,070)
Sale of treasury stock	27	76	325
Cash dividends paid to minority interests	(1,140)	(2,156)	(13,710)
Others, net	(887)	(1,390)	(10,668)
Net cash provided by (used in) financing activities	(63,759)	42,228	(766,795)
Effect of exchange rate changes on cash and cash equivalents	(3,699)	459	(44,486)
Net increase (decrease) in cash and cash equivalents	(20,488)	2,631	(246,398)
Cash and cash equivalents at beginning of year	85,894	83,195	1,033,001
Net cash increase from new consolidation/de-consolidation of subsidiaries	71	3	853
Net cash increase in cash from merger of subsidiaries	–	104	–
Decrease in cash and cash equivalents due to change in accounting periods for consolidated subsidiaries	–	(39)	–
Cash and cash equivalents at end of year	¥ 65,477	¥ 85,894	$ 787,456

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines, Ltd. Years ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accounts of overseas subsidiaries are made revisions according to ASBJ PITF No. 18. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of Mitsui O.S.K. Lines, Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law and the amendment report hereto. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, and the consolidated statement of comprehensive income (loss) are not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 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 320 subsidiaries for the year ended March 31, 2011 (274 subsidiaries for the year ended March 31, 2010). 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 60 affiliated companies for the year ended March 31, 2011, and 1 unconsolidated subsidiary and 56 affiliated companies for the year ended March 31, 2010. Investments in other subsidiaries (119 for the year ended March 31, 2011 and 111 for the year ended March 31, 2010) and affiliated companies (76 and 84 for the respective years) were stated at cost since total revenues, total assets and the Company's equity in net income and retained earnings in such companies were not material.

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

The difference between acquisition cost and net assets acquired is treated as goodwill and negative goodwill and is amortized over 5 to 14 years.

Net amortized amount is included in "Selling, general and administrative expenses" or "Other income" of the consolidated statements of income.

Meanwhile, the negative goodwill incurred after April 1, 2010 is recognized as "Other income" at the time of occurrence in accordance with the revised Japanese GAAP.

(2) TRANSLATION OF FOREIGN CURRENCY

Revenues earned and expenses incurred in currencies other than Japanese yen of the Company and its subsidiaries keeping their books in Japanese yen are translated into Japanese yen either at a monthly exchange rate or at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than Japanese yen are translated into yen at the exchange rate prevailing at the balance sheet date.

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

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

(3) CASH AND CASH EQUIVALENTS

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

(4) FREIGHT REVENUES AND RELATED EXPENSES

1. Containerships

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

2. Vessels other than containerships

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

(5) SECURITIES

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

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

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

(6) INVENTORIES

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

(7) DEPRECIATION OF VESSELS, PROPERTY AND EQUIPMENT

Depreciation of vessels and buildings is computed mainly by the straight-line method. Depreciation of other property and equipment is computed mainly by the declining-balance method.

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

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

Bond issue expense and stock issue expense are charged to income as incurred.

(9) INTEREST CAPITALIZATION

In cases where a vessel’s construction period is long and the amount of interest accruing during this period is significant, such interest expenses are capitalized as a part of the acquisition cost which amounted to ¥2,210 million ($26,578 thousand) for the year ended March 31, 2011 and ¥1,767 million for the year ended March 31, 2010.

(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 reviewed the pension plans for employees engaged in shore and sea services and adopts the defined benefit pension plans. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment.

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

The Company and its consolidated subsidiaries (the “Group”) provided allowance for employees’ severance and retirement benefits at March 31, 2011 and 2010 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Actuarial gains and losses are recognized in the statements of income using the straight-line method over the average of the estimated remaining service lives of mainly 10 years commencing with the following period. Past service liability is chiefly accounted for as expenses in lump-sum at the time of occurrence.

(12) DIRECTORS' AND CORPORATE AUDITORS' RETIREMENT BENEFITS

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

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

(13) INCOME TAXES

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

(14) AMOUNTS PER SHARE OF COMMON STOCK

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

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

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

(15) DERIVATIVES AND HEDGE ACCOUNTING

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

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

If interest rate swap contracts are used as hedging instruments and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed ("special treatment").

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

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

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

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

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

(16) RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 2011 presentation. These changes had no impact on previously reported results of operations or cash flows or net assets.

(17) CHANGES IN ACCOUNTING METHOD

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

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

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

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

As a result of the change, trade receivables in current assets and trade payables in current liabilities decreased by ¥56,072 million, respectively, in comparison with the result under the previous method of presenting.

2. Application of accounting standard for asset retirement obligations

Effective from the year ended March 31, 2011, the Company adopts the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

The effect on profit and loss is immaterial.

3. Application of accounting standards for business combinations

Effective from the year ended March 31, 2011, the Company adopts the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, December 26, 2008), Accounting Standard for Business Divestitures (ASBJ Statement No. 7, December 26, 2008), Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, December 26, 2008), and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008).

(18) ADDITIONAL INFORMATION

1. The Company reviewed the projected useful life of LNG carriers, given that over 20 years have passed since LNG carriers became part of the Company's fleet and adequate data on the use of LNG carriers have become available. Based on this review, the Company found that LNG carriers can be expected to have a longer period of useful life than the number of years conventionally recognized. Therefore, effective April 1, 2010, the Company adopts 20 years as the period of useful life of LNG carriers based on actual usage.

As a result, operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2011, increased by ¥5,500 million ($66,146 thousand) respectively compared with the results under the previous estimate.

2. Utoc Corporation and International Container Terminal Co., Ltd., subsidiaries of the Company, merged as of April 1, 2011 with Utoc Corporation as the surviving company. This was based on the resolution at the meeting of the Board of Directors of each company held respectively on December 10, 2010 and followed approval obtained at the extraordinary meeting of shareholders of each company held respectively on February 18, 2011.

(1) Name and business description of companies subject to business combination

Surviving company: Utoc Corporation (business: harbor and transport business and other activities)

Absorbed company: International Container Terminal Co., Ltd. (business: harbor and transport business and other activities)

(2) Date of business combination (effective date)

April 1, 2011

(3) Legal form of business combination

Merger in which Utoc Corporation is the surviving company

(4) Name of company after business combination

Utoc Corporation

(5) Outline of transaction including its purpose

The merger was conducted between Utoc Corporation, which is engaged in a wide range of business activities including plant construction, warehousing and logistics in addition to harbor and transport business, and International Container Terminal Co., Ltd., which has made achievements as a high-quality container terminal operator. This merger thus promotes effective use of management resources and expanded service menus in pursuing aggressive business activities not only in the harbor and transport business but also in the logistics and plant businesses. By so doing, the Company will work to enhance the service quality that is well recognized by customers in various sectors in an aim to grow, expand and maximize corporate value.

The transaction underlying the business combination entails allotment of 1.04 shares of common stock of Utoc Corporation for every 1 share of common stock of International Container Terminal Co., Ltd.

3. FINANCIAL INSTRUMENTS

(1) QUALITATIVE INFORMATION ON FINANCIAL INSTRUMENTS

I. Policies for using financial instruments

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

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

II. Details of financial instruments / Risk and its management

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

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

Trade payables are due within a year.

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

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

Our major derivative transactions and hedged risks are as follows.

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

With regard to the detail of hedge accounting (hedging instruments, hedged items, the way of evaluating hedge effectiveness), see Notes 2 (15) to the consolidated financial statements.

Derivative transactions are executed and managed in accordance with our internal regulations and dealt only with highly rated financial institutions to mitigate credit risks.

On the other hand, as trade payables, loan payables, bonds, and commercial papers are exposed to the risk of financing for repayment, we manage the risk by planning cash management program monthly, having established commitment line with several financial institutions, and adjusting funding period (balancing short-term/long-term combination), inconsideration of market circumstances.

III. Supplemental information on fair value

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

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

(2) FAIR VALUES OF FINANCIAL INSTRUMENTS

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2011 are the following;

	Millions of yen		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	¥ 65,477	¥ 65,477	¥ –
Trade receivables	128,209	128,209	–
Marketable securities			
Available-for-sale securities	29	29	–
Short-term loans receivable	1,695	1,695	–
Investment securities			
Available-for-sale securities	90,824	90,824	–
Long-term loans receivable (*1)	24,486		
Allowance for doubtful accounts (*2)	(188)		
	24,298	30,903	6,605
Total	¥310,532	¥317,137	¥ 6,605
Liabilities			
Trade payables	¥130,752	¥130,752	¥ –
Short-term bonds	961	961	–
Short-term loans	41,966	41,966	–
Commercial paper	21,500	21,500	–
Bonds (*3)	169,439	174,241	4,802
Long-term bank loans (*4)	469,138	470,605	1,467
Total	¥833,756	¥840,025	¥ 6,269
Derivative financial instruments (*5)	¥ (87,850)	¥ (89,818)	¥(1,968)

	Thousands of U.S. dollars (Note 1)		
	Book Value	Fair Value	Difference
Assets			
Cash and cash equivalents	$ 787,456	$ 787,456	$ –
Trade receivables	1,541,900	1,541,900	–
Marketable securities			
Available-for-sale securities	349	349	–
Short-term loans receivable	20,385	20,385	–
Investment securities			
Available-for-sale securities	1,092,291	1,092,291	–
Long-term loans receivable (*1)	294,480		
Allowance for doubtful accounts (*2)	(2,261)		
	292,219	371,654	79,435
Total	$ 3,734,600	$ 3,814,035	$ 79,435
Liabilities			
Trade payables	$ 1,572,483	$ 1,572,483	$ –
Short-term bonds	11,557	11,557	–
Short-term loans	504,703	504,703	–
Commercial paper	258,569	258,569	–
Bonds (*3)	2,037,751	2,095,502	57,751
Long-term bank loans (*4)	5,642,068	5,659,711	17,643
Total	$10,027,131	$10,102,525	$ 75,394
Derivative financial instruments (*5)	$ (1,056,524)	$ (1,080,192)	$(23,668)

*1 The book value of long-term loans receivable includes current portion amounting to ¥6,287 million ($75,610 thousand).
*2 Allowance identified for long-term loans receivable is deducted.
*3 The book value of bonds includes current portion amounting to ¥9,281 million ($111,618 thousand).
*4 The book value of long-term bank loans includes current portion amounting to ¥69,755 million ($838,905 thousand).
*5 Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with ( ) means that the net amount is liability.

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

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

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

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

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

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

Marketable securities and Investment securities

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

Long-term loans receivable

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

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

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

Bonds

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

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

Long-term bank loans

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

Derivative financial instruments

Please refer to Note 6 to the consolidated financial statements.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Book value	Book value	Book value
	2011	2010	**2011**
Unlisted stocks	**¥ 6,977**	¥ 7,226	**$ 83,909**
Unlisted foreign securities	**3,200**	3,200	**38,485**
Others	**54**	20	**649**
Total	**¥10,231**	¥10,446	**$123,043**

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

At March 31, 2011, the aggregate annual maturity of monetary claims and held-to-maturity securities was as follow;

	Millions of yen			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**¥ 65,477**	**¥ –**	**¥ –**	**¥ –**
Trade receivables	**128,209**	**–**	**–**	**–**
Short-term loans receivable	**1,695**	**–**	**–**	**–**
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	**–**	**–**	**–**	**3,200**
Available-for-sale securities (Governmental bonds/Corporate bonds)	**–**	**10**	**–**	**–**
Long-term loans receivable	**6,287**	**12,000**	**1,422**	**4,777**
Total	**¥201,668**	**¥12,010**	**¥1,422**	**¥7,977**

	Thousands of U.S. dollars (Note 1)			
	Within a year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	**$ 787,456**	**$ –**	**$ –**	**$ –**
Trade receivables	**1,541,900**	**–**	**–**	**–**
Short-term loans receivable	**20,385**	**–**	**–**	**–**
Marketable securities and investments securities				
Held-to-maturity debt securities (Other)	**–**	**–**	**–**	**38,485**
Available-for-sale securities (Governmental bonds/Corporate bonds)	**–**	**120**	**–**	**–**
Long-term loans receivable	**75,610**	**144,317**	**17,102**	**57,451**
Total	**$2,425,351**	**$144,437**	**$17,102**	**$95,936**

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

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

<Additional Information>

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

4. SECURITIES

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values at March 31, 2011 and 2010.

Available-for-sale securities:

Securities with book values exceeding acquisition costs at March 31, 2011

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥26,852**	**¥69,118**	**¥42,266**
Bonds	**210**	**214**	**4**
Others	**–**	**–**	**–**
Total	**¥27,062**	**¥69,332**	**¥42,270**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	**$322,934**	**$831,245**	**$508,311**
Bonds	**2,526**	**2,574**	**48**
Others	**–**	**–**	**–**
Total	**$325,460**	**$833,819**	**$508,359**

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

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

Securities with book values not exceeding acquisition costs at March 31, 2011

	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	**¥29,947**	**¥21,492**	**¥(8,455)**
Bonds	**–**	**–**	**–**
Others	**29**	**29**	**–**
Total	**¥29,976**	**¥21,521**	**¥(8,455)**

	Thousands of U.S. dollars (Note 1)		
Type	Acquisition cost	Book value	Difference
Equity securities	**$360,156**	**$258,472**	**$(101,684)**
Bonds	**–**	**–**	**–**
Others	**349**	**349**	**–**
Total	**$360,505**	**$258,821**	**$(101,684)**

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

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

B. There were no held-to-maturity debt securities sold in the years ended March 31, 2011 and 2010.

C. Total sales of available-for-sale securities sold in the years ended March 31, 2011 and 2010 and the related gains and losses were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Proceeds from sales	¥3,434	¥3,846	$41,299
Gross realized gains	1,020	2,939	12,267
Gross realized losses	–	45	–

D. Impairment losses of securities

For the fiscal year ended March 31, 2011, the Company reduced the book value on the securities and booked the reductions as impairment losses of ¥773 million ($9,296 thousands).

With regard to the impairment losses, the Company reduces the book value on the securities to the amount which is considered the recoverability, etc., in the event the fair market value declines more than 50% in comparison with the acquisition cost.

5. INVENTORIES

Inventories as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Fuel and supplies	¥45,523	¥37,515	$547,480
Others	1,025	1,017	12,328
Total	¥46,548	¥38,532	$559,808

6. DERIVATIVE TRANSACTIONS

The Group enters into derivative transactions to hedge the Group's exposure to interest rate increases, fuel oil increases, freight decreases, and currency exchange fluctuations, in accordance with the guidance determined by the management of the Company.

I. HEDGE ACCOUNTING NOT APPLIED

The following tables summarize the outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2011 and 2010, for which hedge accounting has not been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	¥ 5,821	¥8,182	$ 70,006
Unrealized losses	(1)	(2)	(12)
Currency swaps contracts			
Buy (U.S. dollar):			
Contracts outstanding	¥ 5,871	¥ –	$ 70,607
Unrealized losses	(1,212)	–	(14,576)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
(2) Interest related			
Interest rate swaps			
Receive floating, pay fixed			
Contracts outstanding	¥51,102	¥58,331	$614,576
Unrealized losses	(3,420)	(3,203)	(41,130)
Receive fixed, pay floating			
Contracts outstanding	¥ 1,907	¥ 3,161	$ 22,934
Unrealized gains	6	20	72

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

II. HEDGE ACCOUNTING APPLIED

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Group at March 31, 2011 and 2010, for which hedge accounting has been applied.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
(1) Deferral hedge accounting			
a. Forward currency exchange contracts to hedge the risk for the foreign currency transactions			
Sell (U.S. dollar):			
Contracts outstanding	**¥ 28,604**	¥ 48,998	**$ 344,005**
Fair values	**126**	(694)	**1,515**
Buy (U.S. dollar):			
Contracts outstanding	**¥162,240**	¥796,842	**$1,951,173**
Fair values	**(13,308)**	(25,742)	**(160,048)**
Buy (Euro):			
Contracts outstanding	**¥ –**	¥ 5	**$ –**
Fair values	**–**	0	**–**
Buy (Australian dollar):			
Contracts outstanding	**¥ 16**	¥ 11	**$ 192**
Fair values	**1**	1	**12**
b. Currency swaps contracts to hedge the risk for charterages			
Sell (U.S. dollar):			
Contracts outstanding	**¥ 2,308**	¥ –	**$ 27,757**
Fair values	**205**	–	**2,465**
Buy (U.S. dollar):			
Contracts outstanding	**¥641,203**	¥ –	**$7,711,401**
Fair values	**(64,062)**	–	**(770,439)**
c. Interest rate swaps to hedge the risk for the long-term bank loans and charterages			
Receive floating, pay fixed			
Contracts outstanding	**¥140,908**	¥222,056	**$1,694,624**
Fair values	**(7,709)**	(8,612)	**(92,712)**
Receive fixed, pay floating			
Contracts outstanding	**¥ 17,439**	¥ 22,503	**$ 209,729**
Fair values	**566**	373	**6,807**
d. Commodities futures to hedge the risk for the fuel oil			
Contracts outstanding	**¥ 9,075**	¥ 14,348	**$ 109,140**
Fair values	**959**	384	**11,533**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
(2) Special treatment			
Interest rate swaps to hedge the risk for the long-term bank loans			
Receive floating, pay fixed			
Contracts outstanding	**¥17,533**	¥24,464	**$210,860**
Fair values	**(1,968)**	(2,042)	**(23,668)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
(3) Allocation method			
Currency swaps to hedge the risk for the foreign bonds and long-term bank loans			
Contracts outstanding	**¥16,512**	¥30,323	**$198,581**
Fair values	**–**	–	**–**

Notes: 1. Fair values are measured based on forward exchange rates prevailing at the end of the year and information provided by financial institutions, etc.
2. Currency swaps which are applied allocation method are recorded as the combined amount of such currency swaps and their hedge items. Therefore, their fair values are included in fair values of such hedge items.
3. Effective from the fiscal year ended March 31, 2010, Forward currency exchange contracts of financial derivatives of the Group was separately-displayed Forward currency exchange contracts and Currency swaps contracts.

7. SHORT-TERM DEBT AND LONG-TERM DEBT

(1) SHORT-TERM DEBT

Short-term debt amounting to ¥64,427 million ($774,829 thousand) and ¥56,204 million at March 31, 2011 and 2010 respectively, were unsecured. The interest rates on short-term debt were mainly set on a floating rate basis.

(2) LONG-TERM DEBT

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Bonds:			
Floating/fixed rate Euro medium term notes due 2011–2013	¥ 11,439	¥ 21,185	$ 137,570
0.000% yen convertible bond due 2011	–	49,030	–
1.480% yen bond due 2011	1,000	1,000	12,026
1.460% yen bond due 2011	2,000	2,000	24,053
1.428% yen bond due 2013	15,000	15,000	180,397
1.760% yen bonds due 2014	10,000	10,000	120,265
1.278% yen bonds due 2014	30,000	30,000	360,794
1.590% yen bonds due 2015	15,000	15,000	180,397
2.070% yen bonds due 2016	15,000	15,000	180,397
1.106% yen bonds due 2016	20,000	20,000	240,529
1.999% yen bonds due 2019	20,000	20,000	240,529
1.670% yen bonds due 2019	10,000	10,000	120,265
1.400% yen bonds due 2020	15,000	–	180,397
1.650% yen bonds due 2022	5,000	–	60,132
Secured loans from:			
Japan Development Bank due through 2021 at interest rates of 0.24% to 7.32%	71,990	79,618	865,785
Other financial institutions due through 2024 at interest rates of 0.41% to 3.01%	13,814	34,814	166,133
Unsecured loans from:			
Other financial institutions due through 2023 at interest rates of 0.27% to 6.48%	383,334	379,753	4,610,150
	638,577	702,400	7,679,819
Amount due within one year	79,036	107,689	950,523
	¥559,541	¥594,711	$6,729,296

At March 31, 2011, the aggregate annual maturity of long-term debt was as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2012	¥ 79,036	$ 950,523
2013	97,922	1,177,655
2014	95,464	1,148,094
2015	93,417	1,123,476
2016	97,509	1,172,687
2017 and thereafter	175,229	2,107,384
	¥638,577	$7,679,819

(3) ASSETS PLEDGED AND SECURED DEBT

At March 31, 2011, the following assets were pledged as collateral for short-term debt and long-term debt.

Assets pledged	Millions of yen	Thousands of U.S. dollars (Note 1)
Vessels	¥187,678	$2,257,102
Buildings and structures	1,844	22,177
Land	1,074	12,916
Investment securities	74,106	891,233
Others	20	240
	¥264,722	$3,183,668

Secured debt	Millions of yen	Thousands of U.S. dollars (Note 1)
Long-term debt due within one year	¥15,189	$ 182,670
Long-term debt due after one year	70,615	849,248
	¥85,804	$1,031,918

8. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2011, 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 ¥71,405 million ($858,749 thousand).

9. NET ASSETS

Net assets comprises four sections, which are the owners' equity, accumulated other comprehensive income (loss), share subscription rights and minority interests.

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

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

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

(A) SHARES ISSUED AND OUTSTANDING

Changes in number of shares issued and outstanding during the years ended March 31, 2011 and 2010 were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
Balance at March 31, 2009	1,206,286	9,657
Increase during the year	–	1,361
Decrease during the year	–	(140)
Balance at March 31, 2010	1,206,286	10,878
Increase during the year	–	154
Decrease during the year	–	(48)
Balance at March 31, 2011	1,206,286	10,984

(B) SHARE SUBSCRIPTION RIGHTS

Share subscription rights at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Stock options	¥1,871	¥1,524	$22,502
Total	¥1,871	¥1,524	$22,502

(C) DIVIDENDS

(1) Dividends paid for the year ended March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 22, 2010	¥3,588	$ 43,151
Approved at the board of directors held on October 29, 2010	5,981	71,931
Total	¥9,569	$115,082

(2) Dividends included in the retained earnings at March 31, 2011 and to be paid in subsequent periods were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Approved at the shareholders' meeting held on June 23, 2011	¥5,980	$71,918
Total	¥5,980	$71,918

10. IMPAIRMENT LOSSES

For the fiscal year ended March 31, 2011, the Group recorded an impairment loss on the following asset group.

Application	Type	Millions of yen	Thousands of U.S. dollars (Note1)
Assets to be disposed of by sale	Vessels and Other	¥10,239	$123,139

The Group group operating assets based on management accounting categories, and also group assets to be disposed of by sale and idle assets by structure.

For the fiscal year ended March 31, 2011, with regard to the target price of assets to be disposed of by sale which fell below book value, the Group reduced the book value on these assets to recoverable amounts and booked the reductions as impairment losses.

The recoverable amount for this asset group is evaluated based on the asset's net selling price.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Others, net:			
Exchange gain (loss), net	¥ (4,584)	¥ 3,354	$ (55,129)
Amortization of goodwill, net	–	542	–
Gain on sale of vessels, investment securities and others	7,623	18,505	91,678
Loss on sale and disposal of vessels, investment securities and others	(6,975)	(9,429)	(83,885)
Loss arising from dissolution of subsidiaries and affiliated companies	(303)	(324)	(3,644)
Loss on write-down of investment securities and others	(773)	(240)	(9,296)
Provision for doubtful accounts	(7)	(95)	(84)
Special retirement	(438)	(123)	(5,268)
Cancellation fee for chartered ships, net	(10,503)	(3,953)	(126,314)
Impairment loss	(10,239)	(504)	(123,139)
Sundries, net	(4,144)	3,601	(49,838)
Total	¥(30,343)	¥11,334	$(364,919)

12. 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, 2011 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Equipment, mainly containers	Others	Total
Acquisition cost	¥36,459	¥192	¥36,651
Accumulated depreciation	32,087	178	32,265
Net book value	¥ 4,372	¥ 14	¥ 4,386

	Thousands of U.S. dollars (Note 1)		
	Equipment, mainly containers	Others	Total
Acquisition cost	$438,473	$2,309	$440,782
Accumulated depreciation	385,893	2,141	388,034
Net book value	$ 52,580	$ 168	$ 52,748

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 2010 of finance leases that do not transfer ownership to the lessee is as follows:

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

(2) Future lease payments at March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Amount due within one year	**¥2,882**	¥ 3,499	**$34,660**
Amount due after one year	**5,092**	8,861	**61,239**
Total	**¥7,974**	¥12,360	**$95,899**

(3) Lease payments, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Lease payments	**¥3,475**	¥3,734	**$41,792**
Depreciation equivalent	**2,598**	3,412	**31,245**
Interest equivalent	**181**	256	**2,177**

(4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(5) Calculation of interest equivalent

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

(6) Impairment loss

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

(B) FUTURE LEASE PAYMENTS UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2011 AND 2010:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Amount due within one year	**¥ 37,921**	¥ 36,669	**$ 456,055**
Amount due after one year	**266,156**	251,410	**3,200,914**
Total	**¥304,077**	¥288,079	**$3,656,969**

AS LESSOR:

(A) FUTURE LEASE INCOME UNDER OPERATING LEASES FOR ONLY NON-CANCELABLE CONTRACTS AT MARCH 31, 2011 AND 2010:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Amount due within one year	**¥13,271**	¥ 9,963	**$159,603**
Amount due after one year	**47,700**	43,739	**573,662**
Total	**¥60,971**	¥53,702	**$733,265**

13. RENTAL PROPERTIES

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Book value	**¥264,815**	¥233,474	**$3,184,787**
Fair value	**360,994**	327,556	**4,341,479**

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Rental revenue	**¥27,361**	¥25,401	**$329,056**
Rental expense	**15,222**	14,432	**183,067**
Difference	**¥12,139**	¥10,969	**$145,989**

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

(Additional information)
Effective from the fiscal year ended March 31, 2010, the Company adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20 issued on November 28, 2008) and the "Guidance on Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008) for the years ended on or after March 31, 2010.

14. SEGMENT AND RELATED INFORMATION

(A) SEGMENT INFORMATION:

	Millions of yen								
	Reportable segment								
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	Consolidated
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 790,573	¥586,650	¥50,089	¥108,447	¥1,535,759	¥ 7,902	¥1,543,661	¥ –	¥1,543,661
(2) Inter-segment revenues	2,120	3,578	195	15,700	21,593	7,512	29,105	(29,105)	–
Total revenues	792,693	590,228	50,284	124,147	1,557,352	15,414	1,572,766	(29,105)	1,543,661
Segment income (loss)	¥ 70,838	¥ 38,854	¥ (566)	¥ 10,677	¥ 119,803	¥ 3,361	¥ 123,164	¥ (1,542)	¥ 121,622
Segment assets	¥1,173,526	¥386,911	¥38,408	¥342,749	¥1,941,594	¥317,866	¥2,259,460	¥(390,719)	¥1,868,741
2. Others									
(1) Depreciation and amortization	¥ 50,509	¥ 11,777	¥ 4,256	¥ 9,050	¥ 75,592	¥ 1,604	¥ 77,196	¥ 250	¥ 77,446
(2) Amortization of goodwill, net	(211)	195	240	(49)	175	(9)	166	–	166
(3) Interest income	988	106	58	87	1,239	1,604	2,843	(1,262)	1,581
(4) Interest expenses	10,093	2,525	457	2,086	15,161	1,484	16,645	(5,273)	11,372
(5) Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	6,354	1,009	127	154	7,644	530	8,174	–	8,174
(6) Investment in affiliates	69,002	5,315	1,045	1,230	76,592	2,018	78,610	–	78,610
(7) Tangible/intangible fixed assets increased	136,262	38,605	1,316	41,188	217,371	2,342	219,713	730	220,443

For the year ended March 31, 2011:	Thousands of U.S. dollars (Note 1)								
	Reportable segment								
	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	Consolidated
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	**$ 9,507,793**	**$7,055,322**	**$602,393**	**$1,304,233**	**$18,469,741**	**$ 95,034**	**$18,564,775**	**$ –**	**$18,564,775**
(2) Inter-segment revenues	**25,496**	**43,031**	**2,345**	**188,815**	**259,687**	**90,343**	**350,030**	**(350,030)**	**–**
Total revenues	**9,533,289**	**7,098,353**	**604,738**	**1,493,048**	**18,729,428**	**185,377**	**18,914,805**	**(350,030)**	**18,564,775**
Segment income (loss)	**$ 851,930**	**$ 467,276**	**$ (6,807)**	**$ 128,407**	**$ 1,440,806**	**$ 40,421**	**$ 1,481,227**	**$ (18,545)**	**$ 1,462,682**
Segment assets	**$14,113,361**	**$4,653,169**	**$461,912**	**$4,122,057**	**$23,350,499**	**$3,822,802**	**$27,173,301**	**$(4,698,965)**	**$22,474,336**
2. Others									
(1) Depreciation and amortization	**$ 607,444**	**$ 141,636**	**$ 51,185**	**$ 108,839**	**$ 909,104**	**$ 19,290**	**$ 928,394**	**$ 3,007**	**$ 931,401**
(2) Amortization of goodwill, net	**(2,538)**	**2,345**	**2,887**	**(589)**	**2,105**	**(109)**	**1,996**	**–**	**1,996**
(3) Interest income	**11,882**	**1,275**	**698**	**1,046**	**14,901**	**19,290**	**34,191**	**(15,177)**	**19,014**
(4) Interest expenses	**121,383**	**30,367**	**5,496**	**25,087**	**182,333**	**17,847**	**200,180**	**(63,415)**	**136,765**
(5) Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	**76,416**	**12,135**	**1,527**	**1,852**	**91,930**	**6,374**	**98,304**	**–**	**98,304**
(6) Investment in affiliates	**829,850**	**63,920**	**12,568**	**14,792**	**921,130**	**24,270**	**945,400**	**–**	**945,400**
(7) Tangible/intangible fixed assets increased	**1,638,749**	**464,281**	**15,827**	**495,346**	**2,614,203**	**28,166**	**2,642,369**	**8,780**	**2,651,149**

For the year ended March 31, 2010:	Millions of yen								
	Reportable segment								
	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Total	Adjustment	Consolidated
1. Revenues:									
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 721,726	¥466,379	¥50,815	¥ 99,795	¥1,338,715	¥ 9,250	¥1,347,965	¥ –	¥1,347,965
(2) Inter-segment revenues	1,548	1,623	260	14,875	18,306	8,513	26,819	(26,819)	–
Total revenues	723,274	468,002	51,075	114,670	1,357,021	17,763	1,374,784	(26,819)	1,347,965
Segment income (loss)	¥ 66,987	¥ (56,879)	¥ (2,340)	¥ 9,712	¥ 17,480	¥ 1,264	¥ 18,744	¥ 5,491	¥ 24,235
Segment assets	¥1,008,724	¥357,412	¥42,721	¥315,924	¥1,724,781	¥376,317	¥2,101,098	¥(239,786)	¥1,861,312
2. Others									
(1) Depreciation and amortization	¥ 54,612	¥ 17,778	¥ 5,231	¥ 8,640	¥ 86,261	¥ 1,921	¥ 88,182	¥ 184	¥ 88,366
(2) Amortization of goodwill, net	176	194	198	(1,100)	(532)	(10)	(542)	–	(542)
(3) Interest income	1,415	132	41	86	1,674	(88)	1,586	(60)	1,526
(4) Interest expenses	11,557	3,115	515	1,841	17,028	2,103	19,131	(4,955)	14,176
(5) Equity in earnings of unconsolidated subsidiaries and affiliated companies, net	3,763	973	154	184	5,074	289	5,363	–	5,363
(6) Investment in affiliates	76,191	5,413	574	1,298	83,476	1,512	84,988	–	84,988
(7) Tangible/intangible fixed assets increased	146,950	30,592	1,132	24,375	203,049	1,180	204,229	(38)	204,191

(Segment income (loss))
Segment income (loss) is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.)

(B) RELATED INFORMATION:

(1) Information about geographic areas:

Our service areas are not necessarily consistent with our customer's location in our core ocean transport business.

That's why the revenues of geographic areas are revenues, wherever they may be earned, of companies registered in countries in the geographic areas.

	Millions of yen					
For the year ended March 31, 2011:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	¥1,463,441	¥28,662	¥22,919	¥28,511	¥128	¥1,543,661
Tangible fixed assets	1,196,713	26,609	4,519	29,879	103	1,257,823

	Thousands of U.S. dollars (Note 1)					
For the year ended March 31, 2011:	Japan	North America	Europe	Asia	Others	Consolidated
Revenues	$17,600,012	$344,702	$275,635	$342,886	$1,540	$18,564,775
Tangible fixed assets	14,392,219	320,012	54,348	359,339	1,238	15,127,156

(2) Information about impairment loss by reportable segment:

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Impairment loss	¥4,224	¥5,858	¥ –	¥ –	¥10,082	¥ –	¥157	¥10,239

	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Impairment loss	$50,800	$70,451	$ –	$ –	$121,251	$ –	$1,888	$123,139

(3) Information about goodwill (negative goodwill) by reportable segment:

	Millions of yen							
	Reportable segment							
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	¥(2,076)	¥1,666	¥1,218	¥0	¥808	¥(1,545)	¥ –	¥(737)

	Thousands of U.S. dollars (Note 1)							
	Reportable segment							
For the year ended March 31, 2011:	Bulkships	Containerships	Ferry & Domestic transport	Associated business	Sub Total	Others	Elimination	Consolidated
Goodwill (Negative goodwill) at the end of current year	$(24,967)	$20,036	$14,648	$0	$9,717	$(18,580)	$ –	$(8,863)

(Additional information)
Effective from the fiscal year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 27th/Mar/2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 21st/Mar/2008) are applied.

15. INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 37.25% for the years ended March 31, 2011 and 2010.

(A) Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Deferred tax assets:			
Excess bad debt expenses	**¥ 871**	¥ 877	**$ 10,475**
Reserve for bonuses expenses	**1,818**	1,742	**21,864**
Retirement benefits expenses	**4,331**	4,725	**52,087**
Retirement allowances for directors	**814**	826	**9,790**
Write-down of securities and other investments	**2,137**	1,444	**25,701**
Accrued business tax and business place tax	**709**	227	**8,527**
Operating loss carried forward	**5,615**	4,319	**67,528**
Unrealized gain on sale of fixed assets	**2,310**	2,083	**27,781**
Impairment loss	**1,053**	1,165	**12,664**
Unrealized losses on hedging derivatives	**30,589**	8,226	**367,876**
Others	**3,891**	2,964	**46,795**
Total deferred tax assets	**54,138**	28,598	**651,088**
Valuation allowance	**(11,626)**	(9,300)	**(139,819)**
Net deferred tax assets	**42,512**	19,298	**511,269**
Deferred tax liabilities:			
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	**(2,086)**	(2,035)	**(25,087)**
Reserve deductible for tax purposes when appropriated for special depreciation	**(1,726)**	(2,076)	**(20,758)**
Unrealized holding gains on available-for-sale securities	**(12,719)**	(17,434)	**(152,965)**
Gain on securities contributed to employee retirement benefit trust	**(4,339)**	(4,339)	**(52,183)**
Revaluation reserve	**(14,093)**	(14,229)	**(169,489)**
Retained earnings of consolidated subsidiaries	**(13,842)**	(15,138)	**(166,469)**
Others	**(371)**	(474)	**(4,462)**
Total deferred tax liabilities	**(49,176)**	(55,725)	**(591,413)**
Net deferred tax liabilities	**¥ (6,664)**	¥(36,427)	**$ (80,144)**

(B) Significant difference between the statutory tax rate and the effective tax rate for the financial statement purpose for the year ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory tax rate	**37.3 %**	37.3 %
Non-deductible expenses	**0.5 %**	1.8 %
Tax exempt revenues	**(5.0)%**	(9.2)%
Effect on tonnage tax system	**–**	(5.7)%
Effect on elimination of dividend income	**5.6 %**	24.6 %
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(2.7)%**	(6.0)%
Others	**(0.4)%**	(0.2)%
Effective tax rate	**35.3 %**	42.6 %

16. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees' severance and retirement benefits included in the liability section of the consolidated balance sheets at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Projected benefit obligation	¥ 62,720	¥ 64,132	$ 754,300
Unrecognized actuarial differences	(4,859)	(2,471)	(58,437)
Prepaid pension expenses	18,098	17,339	217,655
Less fair value of pension assets	(61,648)	(63,948)	(741,407)
Employees' severance and retirement benefits	¥ 14,311	¥ 15,052	$ 172,111

Included in the consolidated statements of income for the years ended March 31, 2011 and 2010 were severance and retirement benefit expenses, which comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Service costs—benefits earned during the year	¥ 3,528	¥3,062	$ 42,429
Interest cost on projected benefit obligation	873	907	10,499
Expected return on plan assets	(1,116)	(931)	(13,422)
Amortization of actuarial differences	374	1,501	4,498
Amortization of past service liabilities	(957)	–	(11,509)
Others*	453	607	5,448
Employees' severance and retirement benefits expenses	¥ 3,155	¥5,146	$ 37,943

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

The discount rate for the years ended March 31, 2011 and 2010 used by the Company is 2.0%. Also, the rate of expected return on plan assets for the years ended March 31, 2011 and 2010 is mainly 2.0%.

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

17. STOCK OPTIONS

(A) EXPENSED AMOUNT

Expensed amount on stock options for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Selling, general and administrative expenses	¥347	¥223	$4,173
Total	¥347	¥223	$4,173

(B) TERMS AND CONDITIONS

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

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

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

	2010
Number of grantees	Directors: 10 Executive officers: 21 Employees: 36 Presidents of the Company's domestic consolidated subsidiaries: 33
Number of stock options	Common stock 1,710,000
Grant date	August 16, 2010
Vesting conditions	No provisions
Service period	No provisions
Exercise period	From July 31, 2012 to June 21, 2020

(C) CHANGES IN NUMBER AND UNIT PRICES

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

(1) Changes in number of stock options

Non-vested stock options	2002	2003	2004	2005	2006	2007	2008	2009	2010
Balance at March 31, 2010	–	–	–	–	–	–	–	1,640,000	–
Options granted during the year	–	–	–	–	–	–	–	–	1,710,000
Options expired during the year	–	–	–	–	–	–	–	–	–
Options vested during the year	–	–	–	–	–	–	–	–	–
Balance at March 31, 2011	–	–	–	–	–	–	–	1,640,000	1,710,000

Vested stock options	2002	2003	2004	2005	2006	2007	2008	2009	2010
Balance at March 31, 2010	20,000	14,000	296,000	888,000	1,463,000	1,700,000	1,760,000	–	–
Options vested during the year	–	–	–	–	–	–	–	–	–
Options exercised during the year	–	–	–	–	–	–	–	–	–
Options expired during the year	–	–	–	–	–	–	–	–	–
Balance at March 31, 2011	20,000	14,000	296,000	888,000	1,463,000	1,700,000	1,760,000	–	–

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Exercise price	¥264	¥377	¥644	¥762	¥841	¥1,962	¥1,569	¥639	¥642
Average market price of share at exercise	–	–	–	–	–	–	–	–	–
Fair value per stock option at grant date	–	–	–	–	¥219	¥352	¥217	¥136	¥203

(D) KEY FIGURES FOR FAIR VALUE PER STOCK OPTION

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

	2010
Stock price volatility	44.0%
Expected remaining term of the option	5 years and 11 months
Expected dividends	¥3 per share
Risk-free interest rate	0.45%

18. MATERIAL NON-CASH TRANSACTIONS

Amount of lease assets and lease obligations recognized for the years ended March 31, 2011 and 2010 were ¥3,916 million ($47,096 thousand) and ¥769 million, respectively.

19. SUBSEQUENT EVENT

There are no applicable matters to 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. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui O.S.K. Lines, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, 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 following:

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 23, 2011