Mitsui O.S.K. Lines

Navigating the New MOL's First Year

Annual Report 2000

The New MOL's first year went well.
extremely difficult market conditions and the
This year's annual report explains why.

Fleet

Financial soundness

Organization

The company recorded strong earnings despite yen's strength. Even greater achievements lie ahead.

Major Events in the Redesigning of MOL, 1994–2000

1996 Acquired Tokyo Marine
1998 Increased stake in BGT project to 75%
1999 Merged with Navix Line

- Increased VLCC fleet from 15 to 28
- Increased bulkers and specialized carriers from 193 to 310
- Increased LNG carrier fleet from 13 to 21

MOL's Creative and Aggressive Redesigning Project

- Completed Phase 1, MOCAR, 90s, in March 1996. Achieved about ¥18 billion in cost reductions compared to FY1994
- Completed Phase 2, MORE21, in March 1999, one year ahead of schedule. Resumed dividend payments in 1998
- Started Phase 3, MOST21, in April 1999, targeting consolidated ordinary income of ¥37 billion and ¥30 billion for the parent company

- Reorganized all divisions to improve sales power, particularly for energy-related transport in 1994
- Completed major realignment of domestic subsidiaries in March 1999 (MORE21)
- Combined and realigned 14 subsidiaries worldwide following the Navix merger

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On the cover:
The containership *Mosel* passes Welcome Point on the way to Hamburg. Officials at the point greet each ship by playing the national anthem of its country of registry.

MOL at a Glance

PROFILE

Liners

Ranking among the world's premier containership companies, MOL was operating a fleet of 73 vessels as of March 31, 2000. To maximize efficiency and customer services, the company is part of The New World Alliance. MOL and its two TNWA partners jointly operate ships between Asia and North America and Europe. Regional headquarters in the U.S., Hong Kong and Britain bring marketing and support operations close to customers while optimizing productivity.

Bulkers and Car Carriers

The primary components of this sector are car carriers, larger bulkers to carry iron ore, coking coal and steaming coal, wood chip carriers and general-purpose bulkers, where cement, lumber and wheat account for most cargo handled. Most wood chip carriers operate on long-term contracts generating stable returns. More than half of coal and iron ore carriers have long-term contracts with highly creditworthy utilities and manufacturers. As of March 31, 2000, MOL was operating 310 bulkers and car carriers.

Tankers and Gas Carriers

Energy-related shipping has increased rapidly as a share of MOL's total revenues. Today, MOL operates the world's largest VLCC fleet and ranks among the top operators of LNG carriers and methanol carriers. As of March 31, 2000, MOL operates 28 VLCCs, 3 Suezmax, 4 Aframax and 1 handysize crude oil carrier, 16 methanol carriers, 14 product carriers, 5 chemical tankers and 7 LPG carriers. In LNG carriers, MOL has an interest in 38 vessels, including 21 MOL-operated vessels as well as ships under construction, with 16 LNG transportation projects. Most tankers and gas carriers operate under long-term charters but a small percentage are under short-term agreements in accordance with a carefully considered strategy.

Ferries and Cruise Ships

Through three subsidiaries, MOL operates ferries on long-distance services on such heavily traveled routes as Tokyo-Hokkaido and Osaka/Kobe-Kyushu. While demand for ferry services in Japan is shrinking, there is much interest in shifting cargo transport, mainly long-haul trucking, to ships. In cruise ships, MOL operates two cruise ships on domestic and international routes.

Non-Shipping Operations

Contributing to revenues outside shipping are cargo forwarding and warehousing, shipping agent services and harbor/terminal operations. There are also a diverse array of miscellaneous operations including real estate rental, finance and insurance, engineering and construction, trading, and other activities that support MOL's core shipping and logistics services.

RESULTS	MOST21
Liner operations posted a solid profit, the first return to the black in about twenty years. Significantly, operations were profitable in all regions of the world. Many years of efforts to cut costs, form alliances, and build a powerful global service and management network were behind this feat. Further aiding results were an upturn in demand for containers from Asian exporters and rate restoration in the spring of 1999.	Under MOST21, liner operations are concentrating on building a base for stable profitability. Over the long term, the liner group, which is organized as a "virtual company," aims to sustain an ROE of at least 10%. As one way to achieve this goal, the planning for ship deployments and use of other assets will give greater weight to returns on capital as the "virtual liner company" adopts new management tools and standards.
Revenues and earnings from vessels on long-term charters continued to increase. Car carriers again had a strong performance, although the number of vehicles transported declined slightly along with total global shipments. However, profitability was severely hurt by steep declines in charter rates for bulkers early in the fiscal year. The situation was particularly severe in the Panamax sector in the spring of 1999, but an oversupply situation also held down rates for Capesize bulkers, the primary means of transporting iron ore and coking coal.	While many steps were taken during the past year to obtain the most productive bulker fleet composition, more work remains. One goal is adjusting the length of charters under which bulkers operate to obtain the proper mix of long and short-term revenues. Another is stepping up marketing efforts, especially in Japan, to use increased scale provided by the Navix merger to maximize MOL's total share of the dry bulk market. At the same time, investments will continue in ships operating under long-term charters.
While vessels operating under long-term charters continued to perform as planned, results in this sector felt the effects of an unusually abrupt drop in charter rates for VLCCs due to the reduction in OPEC production. Much higher fuel prices as crude oil prices surged further cut into earnings. The LNG carrier sector continued to perform well as one more vessel was added during the year. Results in chemical carriers reflected the effects of high oil prices and soft demand in Asia.	To achieve the goals of MOST21, MOL will continue to update its VLCC fleet, adding double-hulled vessels to meet demand from reliable, long-term customers. As new vessels are added, older ones will be sold or scrapped to limit growth in capacity and exposure to market fluctuations. Along with these moves, more investments will be made in the methanol and LNG sectors, both of which offer excellent opportunities to earn attractive yields over an extended period of time.
Restructuring remained the central theme in ferries and cruise ships during the past year. In the Seto Inland Sea, subsidiaries were realigned to better serve a much smaller market following the 1999 completion of the third series of bridges linking Honshu and Shikoku. Cruise ship performance was impacted by weak demand for charters by government agencies.	The major restructuring actions for ferries have been completed. The next stage is to take more steps aimed specifically at returning ferry and cruise ship operations to profitability. One encouraging development is the success of the *Sunflower Tomakomai*, a high-speed ferry that entered service in the fall of 1999 between Tokyo and Hokkaido.
In forwarding, warehousing, agent and harbor/terminal operation, expenses related to the restructuring of subsidiaries weighed heavily on profitability in the past fiscal year. However, these restructuring measures are creating a base for long-term strength by making MOL more competitive in terms of costs and the quality of services.	With a reputation as a source of highly sophisticated total logistics services, MOL has a solid base from which to build a profitable forwarding and warehousing organization. In line with MOST21, the integration and restructuring of subsidiaries in this sector will continue worldwide. Meanwhile regional logistics headquarters are being established around the world to create a unified management structure.

Consolidated Financial Highlights

For the years ended March 31

	Millions of yen			Millions of U.S. dollars
	2000	1999	1998	**2000**
For the year:				
Shipping and other revenues	**¥ 881,807**	¥ 809,161	¥ 834,879	**$ 8,307**
Operating income	**61,320**	53,537	46,976	**578**
Net income	**8,325**	7,010	8,423	**78**
At year end:				
Vessels, property and equipment, at cost	**¥ 756,623**	¥ 753,347	¥ 818,579	**$ 7,128**
Long-term debt due after one year	**598,999**	670,363	772,428	**5,643**
Shareholders' equity	**151,992**	140,490	137,692	**1,432**
Total assets	**1,196,474**	1,174,640	1,286,576	**11,272**
Amounts per share of common stock (yen and U.S. dollars):				
Net income	**¥ 6.77**	¥ 6.33	¥ 7.61	**$ 0.064**
Diluted net income	**–**	–	7.59	**–**
Cash dividends	**4.00**	4.00	4.00	**0.038**

Note: U.S. dollar figures reflect an exchange rate of ¥106.15=$1, the prevailing rate as of March 31, 2000.

Total Operating Fleet:

	2000		1999		1998	
	Consolidated	(Non-consolidated)	Consolidated	(Non-consolidated)	Consolidated	(Non-consolidated)
For the year:						
Vessels	**621**	**(493)**	446	(363)	436	(352)
Owned	**269**	**(43)**	234	(38)	241	(39)
Chartered	**352**	**(450)**	212	(325)	195	(313)
Deadweight tons (millions)	**35.44**	**(33.18)**	22.57	(21.26)	29.29	(20.08)

To Our Shareholders

For the past six years, Mitsui O.S.K. Lines (MOL) has been undergoing a fundamental transformation. Defining this process have been the words "innovative" and "global." Innovation has been the key to realigning our company to optimize customer services and financial performance. Globalization has been essential to adapting to a world that has basically become a single, unified market. Our objective has not been merely revisions or a change in strategic direction. Rather, MOL took on the challenge of building entirely new business models and ways of performing our jobs. Furthermore, our goal is not merely to survive. We are determined to prosper and grow.

The New MOL Performs Well in Its First Year

We are pleased to report that the benefits of these efforts are becoming increasingly evident. On a consolidated basis, we achieved revenues of ¥881,807 million (US$8,307 million) and operating income of ¥61,320 million (US$578 million) in the fiscal year ended March 31, 2000. Our financial position improved as well, particularly by a net reduction of ¥151,012 million (US$1,423 million) in interest-bearing debt. Direct comparisons are difficult since this was the first year following our merger with the former Navix Line. Nevertheless, we firmly believe that last year's performance demonstrates the growing strength of the new MOL in many ways.

Highlights of the Year

Looking back over the past year, several points deserve special attention. All shed light on the magnitude of the changes taking place at MOL.

Liners Solidly Profitable—Liner operations had an excellent year. This performance caps many years of initiatives taken to restore a profitable business structure. Most important were alliances, particularly The New World Alliance. These tie-ups allowed us to reap economies of scale and upgrade customer services almost as if we had merged our operations. We were especially pleased with the rise in earnings on Asia-North America and Asia-Europe trades. Many other factors also contributed to the turnaround in liners: a relentless focus on cutting costs; a global, decentralized management network; a powerful marketing and customer service capability; and freight rate restorations made possible by rising demand.

Benefits of Navix Merger—The April 1999 merger with Navix Line increased MOL's fleet by 152 vessels, mainly in crude oil and bulk carriers. This gave us a balanced revenue mix of roughly 40% liners, 40% bulkers and specialized carriers, and 20% energy-related carriers. Furthermore, increasing our scale produced many opportunities to cut costs by purchasing everything from fuel to insurance in larger quantities. Having more vessels also gave us more flexibility to utilize the fleet in the most productive manner, and to sell or scrap vessels as appropriate to optimize the fleet. All in all, cost savings from the merger amounted to about ¥14 billion during the past year. By the fiscal year ending March 31, 2002, we plan to achieve an annual cost reduction of about ¥19.5 billion compared with our last year prior to the merger. Furthermore, the addition of many talented and experienced professionals from Navix Line has already proven to be an invaluable asset for the new MOL.

Growth in Specialized Carriers—One theme of our transformation has been an increasing reliance on shipping sectors requiring specialized skills. This is why MOL has generated an increasing share of overseas shipping revenues from crude oil, LNG, methanol and other energy-related vessels. We have increased the share of revenues from other types of vessels on long-term contracts, mainly to transport wood chips, iron ore and coal. As a result, energy-related vessels have grown from 18% to 21% of overseas shipping revenues and bulkers and car carriers from 33% to 36%. Revenues from our large number of vessels operating under long-term charters were crucial last year to underpinning our performance amid extreme volatility in charter rates in several market sectors.

Chairman Masaharu Ikuta *(left) and President* Kunio Suzuki

Next-Accomplishing the Goals of MOST21

Officially starting the transformation process that has taken MOL this far was the September 1994 launch of Phase 1 of MOL's Creative and Aggressive Redesigning Project, MOCAR, 90s. The central goal was to make MOL more competitive. Following this was Phase 2, which began in July 1996. Called MOL's Redesigning for 21 or MORE21, this project achieved its goals regarding group-wide strategies and parent company earnings one year early. In April 1999, we entered the third phase of this creative redesign, a project called MOL's Strategy Towards 21, or MOST21. The central objective is improving the performance of all members of the MOL Group. Specifically, we are implementing group-wide strategies, making all group members more competitive in terms of their costs and services, and allocating resources to areas offering the highest potential returns. MOST21 also includes maximizing Navix merger benefits and improving our consolidated financial position. Through these efforts, we want to become even more globally competitive, and even more focused on creating value for shareholders. Unfortunately, our considerable progress to date has not been reflected in our share price. We will remain on the same basic course, building a base that can reduce debt and generate higher earnings and returns on equity, steps that are certain to receive recognition from investors.

Corporate Governance

Managing the new MOL calls for a new management structure. This is why we have decided to make fundamental changes to MOL's corporate governance. The number of directors has been reduced from 28 to 12, including two outside directors. This will better facilitate meaningful discussions and timely decision-making. To implement strategies set forth by the board, we have established the post of executive officer. These officers are given greater autonomy, thus enabling them to act more quickly to meet market demands and boost efficiency. With this greater autonomy also comes accountability for fulfilling performance targets. Along with these moves, we have established a new Executive Committee to oversee all of MOL's business operations. Concurrently, we began granting stock options to directors and executive officers. Shareholders approved all related resolutions at the June 2000 annual shareholders meeting in Tokyo.

Following this meeting, Masaharu Ikuta assumed the post of chairman of the board and Kunio Suzuki, formerly an executive vice president, became president. Suzuki has served in a broad range of posts, many at energy-related business divisions, in Japan and overseas since joining the company in 1962. Former chairman Noriaki Hori became an executive director.

Stressing Shareholder Value

Through the years, MOL has worked to make its operations and management systems clear and transparent. One manifestation of this stance are the information meetings in Japan and overseas that we have held to report on our operating results. Now, we are heightening this commitment to serving shareholders. In this regard, the June 2000 annual shareholders meeting held special significance in several respects. By adding outside directors and the executive officer post, we have clearly demarcated the roles of forming and implementing strategies. This action better allows us to manage MOL to reflect shareholder interests. In addition, we received shareholder approval for the repurchase and retirement of company stock, as well as the establishment of a ¥6 billion reserve for this purpose. The meeting was also noteworthy because of the interaction with shareholders, too. Many individuals used the opportunity to pose questions to directors, creating a lively forum for the exchange of information and opinions.

No Change in Our Commitment to Growth

Shipping is unquestionably a growth industry. Global movements of such crucial resources as oil and grain, as well as a variety of finished products, will continue to expand. MOL's task is to identify and capitalize on the most attractive opportunities. Our vision for MOL's future is simple: to make the MOL Group one of the world's premier global mega-carriers. This will require more investments in strategic fields. And we will withdraw from activities with no prospects for profitability. With the 152 vessels of the former Navix, the MOL Group operated fleet consisted of 621 vessels as of March 31, 2000. These vessels are a big source of stable earnings and highly productive depreciable assets. Our vision also embodies observance of the highest standards of safety and environmental responsibility. Looking ahead, we will continue to invest in our future growth, while at the same time gradually reducing debt. Although we often stress the importance of scale, size is not our ultimate goal. All our steps in recent years have been selected to give MOL the ideal composition of assets and businesses to maximize earnings. This philosophy, currently expressed in the MOST21 project, will continue to guide us as we look ahead to increasingly ambitious performance targets.

Masaharu Ikuta
Chairman

Kunio Suzuki
President

June 27, 2000

An Interview With the President

Kunio Suzuki assumed the post of president on June 27, 2000. On these pages, Suzuki outlines his plans for leading the MOL Group as the 21st century unfolds.

Q *While there are certainly many objectives you have for the company, is there one that holds particular significance?*

Following the announcement that I was to become president, I allocated a considerable amount of time for discussions with customers, investors and employees. I was often asked about my plans. I replied that new leadership does not necessarily signal a new strategic direction for MOL. Consequently, my top priority is to remain on course to achieve the goals of MOST21. Furthermore, I hope to meet the numerical targets for interest-bearing debt and other items set forth in MOST21 in the current fiscal year, which ends in March 2001, one year earlier than planned.

Q *Leaving MOST21 to one side, how would you describe your aspirations for MOL?*

My goal is simple. I want MOL to be an excellent company that is both powerful and flexible. A powerful company is one that has a comprehensive range of strengths including revenues and financial soundness. And by flexibility, I mean the ability to adapt readily to shifts in our markets and be prepared for the demands of the future. The two are linked of course, in so far as flexibility is a means of achieving the strength necessary to enhance MOL's stature in the world.

This is essential because only a company in possession of this strength can gain the trust of its customers, shareholders and employees. It is also crucial to being a responsible corporate citizen. We have made much progress toward increasing our power in recent years. Revenues and earnings have grown and we resumed dividend payments in 1998. We have additional goals though, such as raising our credit rating from A- to A+ in Japan. While we believe the current rating system does not fairly reflect the value of the shipping industry in general and MOL in particular, the fact is MOL has many things to do before we can call ourselves a truly excellent company.

Q *Could you be more specific about the definition of excellence?*

For our customers, quality services at a competitive cost are the essence of excellence. Long-term stability is essential. The world shipping industry has too often been characterized by big swings between good and bad times. In response, the industry has made continuous efforts to shield itself from these swings and maintain reliable services. This resulted in the appearance of shipping conferences. Today, we are seeing many customers turning to the strongest shipping companies for long-term contracts to operate specialized vessels. This is undeniable proof that customers and others in our industry want to see companies that are strong and stable.

With regard to our shareholders and investors, excellence means the ability to increase value. We want to be an organization that grows steadily as well as one that consistently generates a satisfactory level of earnings and cash flows.

Of course, excellence extends to conducting our operations in a responsible manner. Most obvious is our commitment to safety in the operation of our fleet, particularly our VLCCs, LNG carriers and other energy-related vessels. We will also take additional measures to be certain that environmental issues are an integral element of all our business activities.

Q *What is your message to the employees of the MOL Group?*

First and foremost is to constantly put customers first in your work. This is especially true of our sales and other customer support personnel. Our sales people must acquire an accurate understanding of customers' requirements, and then use that knowledge to capture new business. This should involve all related MOL divisions, subsidiaries and even top management where necessary. Naturally, new business should be taken on within the parameters of a comprehensive risk management program. But our front-line people should not be afraid to take on new challenges. We need to be aggressive in this regard while still taking care to accurately assess the associated risks. I also want our people to set forth ambitious goals and demand high standards of themselves and others. That means gaining the confidence to visualize better ways of working and then doing whatever is necessary to bring about the needed improvements. Compromise and old work habits cannot be part of MOL's future.

Q *How do you view your own role in achieving these goals?*

A good leader always listens first. Listening is essential, and those who forget it will never be real leaders. Having heard and given due consideration to the views of others, leaders must then act according to their convictions.

The importance of listening underlies my plans to conduct discussions with a diverse range of people. While I have focused on the "excellent company" theme, this process of listening and leading must tie into each of the many issues that concern us. Among them are group management practices, IT strategies, steps to speed up decision-making and environmental measures. Only by tackling individual issues head-on will we be able to accomplish our vision of becoming a truly excellent company.

Management's Discussion and Analysis

Scope of Consolidation

The consolidated financial statements represent the results of Mitsui O.S.K. Lines, Ltd. (the "parent company") and its 291 consolidated subsidiaries. In addition, 38 affiliates are accounted for using the equity method. In this section, the term "MOL" refers to the parent company and all consolidated subsidiaries and equity-method affiliates. In fiscal 1999, the year ended March 31, 2000, there was a net increase of 95 consolidated subsidiaries and ten equity-method affiliates. These increases were mainly the result of the April 1, 1999 merger with Navix Line, Ltd.

Foreign Currency Translations

Japanese yen figures are translated into U.S. dollars solely for the convenience of the reader at the rate of ¥106.15/US$1.00, the TTM rate as of March 31, 2000. Subsidiaries whose books are kept in a currency other than yen translate their figures, except shareholders' equity, into yen at the rate prevailing on the last day of each subsidiary's fiscal year. Most of these subsidiaries base their records on U.S. dollars and have a fiscal year that ends on December 31. The TTM was ¥102.40/US$1.00 on December 31, 1999 and ¥115.70/US$1.00 on December 31, 1998.

Effect of Navix Merger on Comparisons

As the April 1, 1999 combination of the parent company and Navix was treated as an acquisition for accounting purposes, MOL's consolidated financial statements do not include financial data from Navix in previous fiscal years. As a result, direct comparisons between fiscal 1999 and prior-year data are often not meaningful. To allow more meaningful comparisons between fiscal 1999 and 1998, the following discussion presents income statement and balance sheet figures for fiscal 1998 obtained by adding MOL and Navix figures. Intercompany transactions, which management believes are immaterial, have not been eliminated. Although this method is not completely accurate, MOL believes that the resulting comparisons can be used as an approximate basis for comparing fiscal 1999 and 1998 results.

COMPARATIVE CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31

	Millions of yen			
	2000 MOL	1999 MOL+Navix*	1999 MOL	1999 Navix*
Shipping and other revenues	**¥881,807**	¥952,326	¥809,161	¥143,165
Shipping and other expenses	**746,048**	811,413	683,042	128,371
Gross profit	**135,759**	140,913	126,119	14,794
General and administrative expenses	**74,439**	82,977	72,582	10,395
Operating income	**61,320**	57,936	53,537	4,399
Net income	**8,325**	(12,242)	7,010	(19,252)

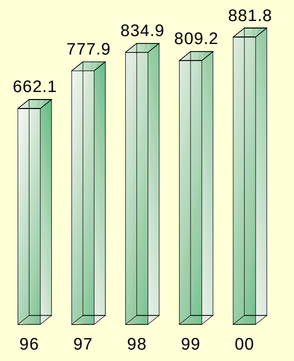
* Not audited

Revenues and Operating Income

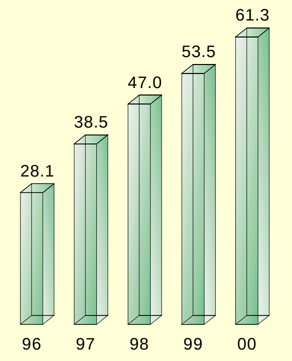
Fiscal 1999 shipping and other revenues were ¥881,807 million (US$8,307 million), much lower than ¥952,326 million in fiscal 1998 for the combined operations of MOL and Navix. The yen's appreciation during the fiscal year was the most significant cause for the decline in revenues. A significant share of shipping revenues is denominated in foreign currencies, mainly the U.S. dollar. In fiscal 1999, the average exchange rate was ¥111.90=US$1.00 compared with ¥129.72 in fiscal 1998. Revenues were also negatively affected by sharply lower charter rates in a number of important shipping sectors early in the fiscal year, notably bulkers and tankers. Positively affecting revenues, especially in overseas shipping, were the restoration of liner freight rates early in fiscal 1999 and the launch of LNG vessels during fiscal 1999 and 1998 operating under long-term contracts.

The strong yen was also largely responsible for the fall in shipping and other expenses to ¥746,048 million (US$7,028 million). Global cost containment initiatives and economies of scale from the Navix merger also contributed to the decline. Limiting the decline in shipping and other expenses was a sharp increase in the price of bunker oil. The bunker price rose from US$80/MT in the average for fiscal 1998 to US$117/MT for fiscal 1999. General and administrative expenses decreased to ¥74,439 million (US$701 million), again the result of cost containment programs, merger-related economies of scale and a strong yen. These factors resulted in operating income of ¥61,320 million (US$578 million). This was 7.0% of shipping and other revenues compared with 6.1% for the combined results of MOL and Navix in fiscal 1998.

Total Revenues
(¥ billions)



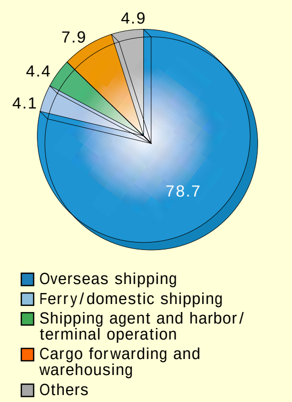
Operating Income
(¥ billions)



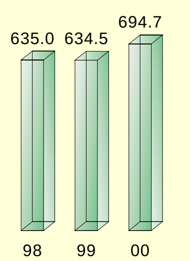
Overview by Segment

Overseas Shipping—Revenues amounted to ¥694,728 million (US$6,545 million) and operating income was ¥58,077 million (US$547 million). A big improvement in the liner sector was a major contributor to this segment's profitability. Liner results benefited from programs conducted for many years to cut costs and boost efficiency as well as a partial freight rate restoration. There was also growth in container volume on some routes, mainly exports from Asia. In bulkers and specialized carriers, declines in the freight and charter markets along with higher fuel prices brought down earnings. However, specialized carriers operating under long-term contracts, notably car carriers and wood chip carriers, maintained generally stable performance. Tanker earnings were lower due to a slowdown in cargo movements of oil and petroleum products, but LNG results improved due to an increase in the number of MOL-operated LNG carriers. Higher fuel costs reduced earnings in all sectors.

Composition of Revenues in Fiscal 1999 *(%)*



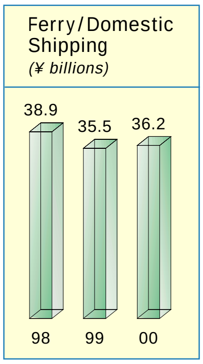
Overseas Shipping
(¥ billions)



This segment represents the parent company, 197 consolidated subsidiaries and 22 equity method affiliates. The primary activities are transportation by owned and chartered ships, chartering ships to others, and ship management. In transportation and chartering, the major subsidiaries are BGT, Ltd., M.O. Seaways, Ltd. and Tokyo Marine Co., Ltd. In ship management and manning, the major subsidiary is M.O. Ship Management Co., Ltd. This segment also includes cruise ships operated by Mitsui O.S.K. Passenger Line, Ltd.

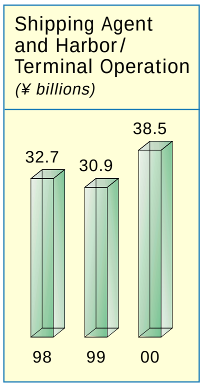
Management's Discussion and Analysis

Ferry / Domestic Shipping—Revenues were ¥36,211 million (US$341 million) and operating income was ¥442 million (US$4 million). In ferries, both passenger numbers and cargo volumes declined due to Japan's recession. In addition, fuel prices soared. MOL responded to these challenges by launching the highest speed ferry *Sunflower Tomakomai* to find a new niche of customers, and also by realigning operations, cutting costs and ceasing operations at a subsidiary. In the tugboat business, the efficient allocation of resources following the Navix Line merger improved the operating income.



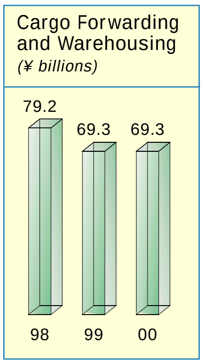
In this segment, there are eight consolidated subsidiaries and four equity method affiliates, all of which operate in Japan. Eight are ferry companies and four are tugboat companies.

Shipping Agent and Harbor / Terminal Operation—Revenues were ¥38,530 million (US$363 million) and operating income was ¥1,924 million (US$18 million). This favorable performance was largely due to actions to establish a profitable operating base. These steps mainly included the streamlining of operations that support MOL's liner business, particularly in Japan where MOL (Japan) Co., Ltd. was established in April 1999 consolidating responsibility for all liner agency operations in Japan including sales, customer service and administration of local agents. In addition, some of the logistics companies were merged during fiscal 1999.



In this segment, there are 29 consolidated subsidiaries and 5 equity method affiliates involved in agency services, transportation at harbors, customs clearance and packaging. Mitsui O.S.K. Lines (America) Inc., Mitsui O.S.K. Lines (Europe) Ltd. and Mitsui O.S.K. Lines (Asia) Ltd. are the three core shipping agents that function as regional headquarters for the liner business. Trans Pacific Container Service Corp., International Container Terminal Co., Ltd., The Shosen Koun Co., Ltd., Japan Express Co., Ltd. (Kobe) and Japan Express Co., Ltd. (Yokohama) are the primary providers of harbor / terminal operation and customs clearance services.

Cargo Forwarding and Warehousing—Revenues were ¥69,253 million (US$652 million) and operating income was ¥680 million (US$6 million), a big improvement over the previous year's loss. Results benefited from higher cargo movements in Asia and growth in air freight forwarding due to effective sales efforts. These positive factors were reinforced by cost containment programs that began in the prior fiscal year.



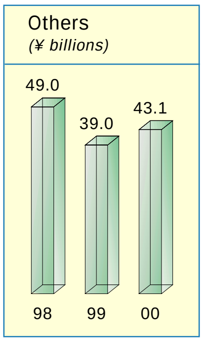
There are 19 consolidated subsidiaries and four equity method affiliates in this segment operating in Japan and around the world. Cargo forwarding revenues are mainly generated by M.O. Air System, Inc., Cougar Holdings Pte Ltd., M.O. Logistics Netherlands B.V. and Hong Kong Logistics Co., Ltd., provide warehousing and logistics services.

A Fleet Structured for Efficiency

	As of March 31, 1999		As of March 31, 2000
	MOL	Navix Line	New MOL
Containerships	69	1	73
Bulk Carriers	114	102	205
Wood Chip Carriers	21	13	34
Car Carriers	76	0	71
Crude Oil Tankers	23	18	36
Chemical / Product Tankers	29	5	35
LNG Carriers	18	6	21
LPG Carriers	2	6	7
Others	11	1	11
Total	363	152	493

Management's Discussion and Analysis

Others—Revenues were ¥43,085 million (US$406 million) and operating income was ¥2,859 million (US$27 million). Major activities are real estate, finance and insurance, construction, trading and computer services. During the year, many initiatives were taken to eliminate overlapping group companies following the Navix Line merger. The resulting expenses brought earnings down. Segment results also felt the effects of heightening competition in the trading sector and a slowdown in orders for domestic port construction projects.



This segment represents a diverse range of businesses. Among the most important are real estate, machinery maintenance, financial services, trading, construction and computer information systems services. In all, there are 38 consolidated subsidiaries and three equity method affiliates in this segment.

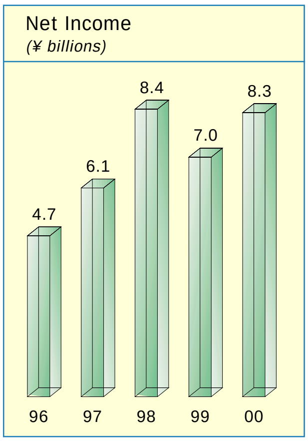
Other Income (Expense) and Net Income

The major components of other income (expense) are as follows:

Net financial expenses—Interest and dividend income was ¥4,439 million. Interest expense decreased to ¥39,085 million, as debt was reduced by ¥151,012 million during fiscal 1999, resulting in a decline in net financial expenses.

Equity-method earnings of affiliates—Equity-method earnings decreased by ¥2,862 million to ¥1,403 million. The others item includes a number of one-time income and expense items.

Restructuring of subsidiaries—The largest component of this expense was sales of ships acquired when shipbuilding costs were relatively high. This was due partially in response to the weakness in the past fiscal year in the dry bulker market. This restructuring creates a sound base for profitability in bulker operations in the future.



These factors resulted in income before income taxes of ¥15,314 million (US$144 million). MOL adopted tax effect accounting beginning with fiscal 1999. Due to the large volume of expenses recorded in fiscal 1999 that were not deductible for tax purposes, MOL recorded a considerable amount of deferred income taxes. The result was net income of ¥8,325 million (US$78 million) compared with net income of ¥7,010 million in fiscal 1998 for the pre-merger MOL and a loss of ¥19,252 million for the pre-merger Navix.

Cash dividends applicable to the year were ¥4.00. This dividend was paid in a lump-sum at the end of June 2000 to shareholders of record on March 31, 2000. The return on equity was 5.6%.

Financial Position

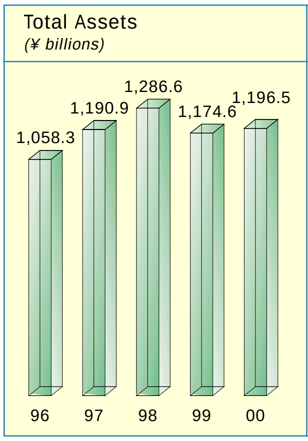
COMPARATIVE CONSOLIDATED BALANCE SHEETS

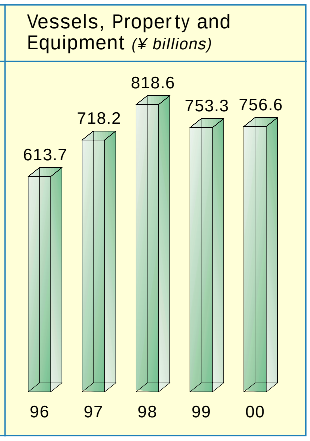
March 31

	Millions of yen			
	2000 MOL	1999 MOL+Navix[1]	1999 MOL	1999 Navix[1]
Cash and cash equivalents	**¥ 45,713**	¥ 56,748	¥ 43,244	¥ 13,504
Trade receivables	**101,408**	90,735	82,966	7,769
Other current assets	**92,739**	119,506	104,786	14,720
Total current assets	**239,860**	266,989	230,996	35,993
Vessels, property and equipment, at cost	**756,623**	857,478	753,347	104,131
Investments and other assets	**190,058**	198,820	182,629	16,191
Foreign exchange translation adjustment account	**9,933**	7,780	7,668	112
Total assets	**1,196,474**	1,331,067	1,174,640	156,427
Short-term debt and current portion	**232,375**	241,049	186,758	54,291
Other current liabilities	**180,342**[2]	167,603	150,659	16,944
Total current liabilities	**412,717**	408,652	337,417	71,235
Long-term debt	**598,999**	743,588	670,363	73,225
Other long-term liabilities	**24,845**[2]	23,772	19,586	4,186
Minority interest	**7,921**	7,190	6,784	406
Shareholders' equity	**151,992**	147,865	140,490	7,375
Total liabilities and equity	**1,196,474**	1,331,067	1,174,640	156,427
Interest-bearing debt	**¥ 833,625**	¥ 984,637	¥ 857,121	¥127,516

[1] Not audited
[2] Other current liabilities and other long-term liabilities as of March 31, 2000 include lease liabilities for a vessel of ¥2,251 million. As of March 31, 2000, interest-bearing debt was the total of short-term debt, long-term debt due within one year, long-term debt and lease liabilities for a vessel.

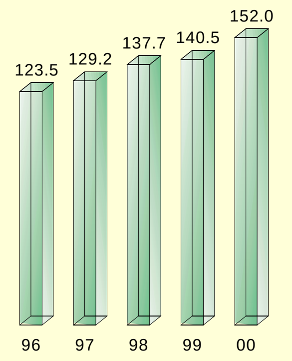
Total assets were ¥1,196,474 million (US$11,272 million) as of March 31, 2000. The balance sheet reflects numerous steps taken during fiscal 1999 to achieve the optimum structure of assets and liabilities by using the combined resources of MOL and the former Navix. In current assets, one result of these steps were reductions in cash and cash equivalents and marketable securities to ¥58,379 million. The sale of vessels during the year was mainly responsible for the decline in vessels, property and equipment, at cost, in relation to the combined MOL-Navix figure one year earlier. These sales were made chiefly to achieve the optimum fleet scale in bulkers and tankers, two categories where MOL's fleet increased substantially following the merger. The main reason for the change in investments and other assets was sales of investment securities.





Total current liabilities were largely unchanged from the MOL-Navix figure one year earlier. The most notable change was the reduction in short-term debt, part of the ongoing debt-reduction program under MOST21. The increases in other current liabilities were mainly due to the increase in trade payables attributable to newly consolidated subsidiaries following the Navix merger. There was a net reduction of ¥144,589 million in long-term debt due after one year. Shareholders' equity was ¥151,992 million (US$1,432 million). As a result, the equity ratio was improved to 12.7% from 11.1% for the MOL-Navix figure one year earlier, and long-term debt was also improved to 3.9 times equity from 5.0 times equity for the same.

Shareholders' Equity
(¥ billions)



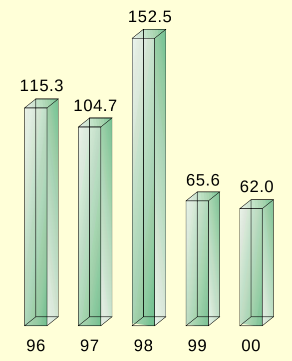
Debt Reduction Program

MOL is currently implementing a debt reduction program with the goal of achieving a net reduction of ¥235 billion in total debt during the three-year period ending on March 31, 2002. This target is based on a constant exchange rate of ¥110/US$1.00. During fiscal 1999, there was a net reduction of ¥151 billion in interest-bearing liabilities compared with the March 31, 1999 MOL-Navix total. Of this amount, approximately ¥56 billion resulted from reductions in foreign currency-denominated obligations due to the yen's appreciation. Excluding foreign exchange movements, the net reduction in interest-bearing liabilities in fiscal 1999 was ¥95 billion. Most of this reduction was funded by the proceeds of sales of vessels and securities. To generate funds for future debt reductions, MOL's basic policy is to hold capital expenditures to less than depreciation. The size of the fleet is to remain basically unchanged as the share of chartered vessels is increased and most new vessels are used to replace existing ones. MOL also expects to generate substantial cash from sales of securities and unused real estate.

Capital Expenditures

Fiscal 1999 capital expenditures totaled ¥62 billion (US$584 million). In fiscal 1998, capital expenditures were ¥66 billion at MOL and ¥16 billion at Navix. The major components of fiscal 1999 capital expenditures were vessels to replace existing ships with the aim of making the fleet more productive, but not larger. During the year, eight owned vessels were added to the fleet and 30 owned vessels were sold. As of March 31, 2000, MOL was operating a fleet of 621 vessels with a total of 35,439 thousand deadweight tons. Of these vessels, 269 were owned at the balance sheet date.

Capital Expenditures
(¥ billions)



Interest-Bearing Debt

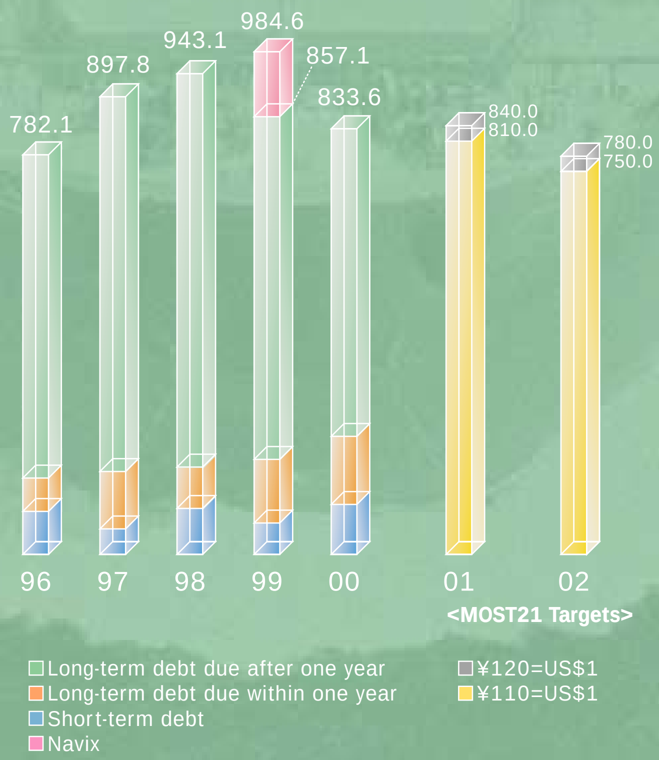
Years ended March 31	Millions of yen 1996	1997	1998	1999	**2000**
Short-term debt	¥ 83,379	¥ 50,525	¥ 90,569	¥ 61,353	**¥ 98,181**
Long-term debt due within one year	65,945	112,161	80,083	125,405	**134,194**
Long-term debt due after one year	932,778	735,101	772,428	670,363	**598,999**
Lease liabilities for a vessel	–	–	–	–	**2,251**
	¥782,102	¥897,787	¥943,080	¥857,121	**¥833,625**
				¥984,637	

(MOL+Navix: not audited)

A Commitment to Reducing Debt

INTEREST-BEARING DEBT

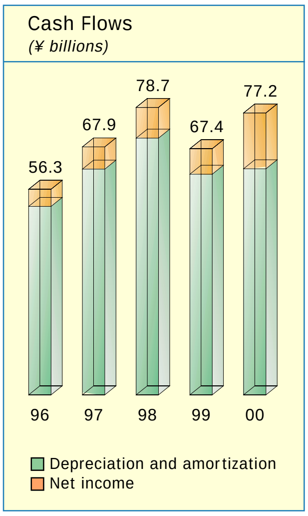
(¥ billions)



Management's Discussion and Analysis

Cash Flows

Net cash provided by operating activities increased by ¥3,021 million to ¥74,504 million (US$702 million), mainly the result of growth in trade payables due to the Navix merger. Net cash provided by investing activities was ¥23,172 million (US$218 million). There was a decrease in capital expenditures, a large increase in proceeds from sale of vessels, property and equipment as MOL took steps to achieve the optimum fleet composition following the Navix merger, and a large increase in proceeds from sale of securities and other investments. Net cash used in financing activities was ¥104,715 million (US$986 million) as proceeds from sales of vessels and securities were used for repayments of long-term debt. The result of these items, along with the Navix merger, was an increase of ¥2,469 million in cash and cash equivalents to ¥45,713 million (US$431 million).



Unfunded Pension Liabilities

New accounting principles regarding employees' retirement benefits became effective in Japan from April 1, 2000. Consolidated unfunded pension liabilities recognized by MOL after applying the new accounting principles will amount to ¥25 billion. Of this amount, non-consolidated unfunded pension liabilities, which amount to ¥16.2 billion, will be funded through the contribution of certain marketable securities to an employee retirement benefit trust before September 30, 2000. Unfunded pension liabilities for consolidated subsidiaries and affiliates, which amount to ¥8.8 billion, will be written off before March 31, 2001.

Credit Ratings

MOL's debt is rated by two Japanese rating agencies. As of April 2000, MOL retained an A- rating from R&I and JCR. The most recent credit review was conducted in June 1999. These ratings reflect the improving profitability of liner operations and the stronger operating base of the post-merger MOL. Standard & Poor's and Moody's Investor Services, on an unofficial basis, have announced long-term credit ratings of BBpi (public information) and Ba1, respectively. Furthermore, Moody's has revised its credit outlook for MOL's senior unsecured debt from stable to positive.

Environmental Issues

MOL takes numerous measures to fulfill its responsibility regarding environmental protection and minimize risks associated with events that could be detrimental to the environment and the company's operations. Detailed information on environmental programs and goals are contained in MOL's environmental report, which is scheduled for release in autumn 2000.

Many actions are taken to ensure the safety of ship operations. This includes extensive training for crew members, including periodic follow-up courses, and numerous regulations for ship operations and materials. MOL strictly adheres to international standards regarding the draining of ballast water, waste materials from vessels and other potentially harmful fluids. MOL is particularly vigilant regarding tanker operations. In addition to extensive training programs, MOL regularly conducts large-scale oil-spill drills to ensure its readiness. The most recent drill took place in December 1999 in the U.S. and involved many MOL personnel in the U.S., London and Tokyo. Investments in double-hulled tankers further reduce risk involved with tanker operations. As of July 2000, six of the 28 VLCCs operated by MOL were double-hulled. Five new double-hulled VLCCs will join the MOL fleet between September and November 2000, and plans call for more investments in these vessels.

Certification is one more aspect of environmental actions. A program is now under way to achieve ISO-14001 certification for environmental management systems at MOL bases worldwide.

Transforming a Plan for the New MOL Into Reality

Overview of MOST21

(Mitsui O.S.K. Lines' Strategy Towards 21)

[Purpose]

1. To ensure optimum allocation of group management resources and maximize the strength and competitiveness of companies in its sphere.
2. Maximize the synergistic effects of the merger, and establish a corporate structure that allows dividend more than ¥5 per share.
3. Maximize the equity value to the shareholders on MOL Group in its entirety.

Group Strategies

GOAL	ACTION
Raise consolidated earnings	Extend consistent group management practices to about 150 MOL companies worldwide
	Channel resources to strategic businesses
Realign MOL Group businesses	Restructure MOL/Navix companies and enhance synergistic effects
	Examine business areas that the Group should be involved in and make more strategic investments including M&A
Strengthen the capabilities of MOL Group as a whole	Centralize fund procurement
	Combine administrative functions and personnel policy/benefit programs

* Establish "Combined Group Planning Office", which assesses the Group's activities and reviews the Group's overall strategies

MOST21 Performance Targets

[Profits Goals for fiscal 2001 ending March 31, 2002.]

Ordinary Income: Consolidated ¥37 billion
Non-Consolidated ¥30 billion
Dividend: More than ¥5 per share.

[Financial Index]

ROE: 10% ROA: 3.3% Equity Ratio: 15% Interest-Bearing Debt Ratio: Less than 70%
(To reduce the consolidated interest-bearing debt to ¥750 billion.)

[Credit Rating]

Japanese agencies: A^- to A^+
USA agencies: Ba1 to Baa2

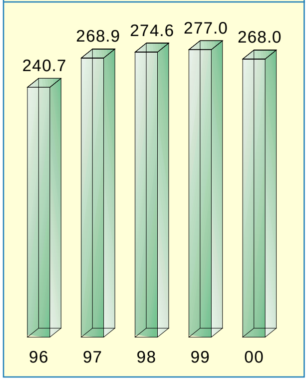
Note: The above figures are based on an exchange rate of ¥110=US$1.00 and do not include expenses for the amortization of additional retirement allowance obligations.

Review of Operations

Liners

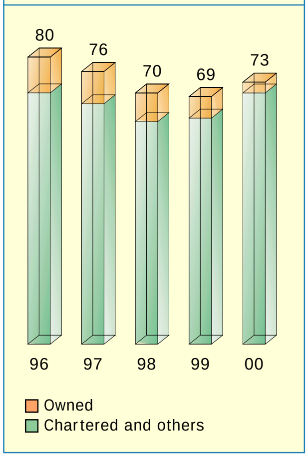
OVERVIEW

Non-Consolidated Liner Revenues *(¥ billions)*



A number of factors combined to generate a substantial profit in liner operations, the first time this sector has been profitable in about 20 years. The dramatic turnaround is primarily the cumulative result of numerous actions taken during the 1990s. Among them were the 1997 formation of The New World Alliance with partners Hyundai Merchant Marine (HMM) and APL Limited, as well as cost cutting, establishing regional headquarters and becoming more selective in accepting cargo. Another important reason for the improvement is the partial restoration of freight rates, mainly on cargo from Asia bound for North America and Europe as the volume of Asian exports increased. Higher freight rates also helped offset the impact of a steep rise in the cost of fuel. In addition, results benefited from ongoing efforts to carry more profitable cargo, mainly by raising the proportion of containers requiring no intermediate transfers.

Non-Consolidated Liner Operating Fleet *(vessels)*



This increased profitability in liner operations extended to all regions of the world. Asia's economic recovery had a favorable effect on European and North American trades and an upturn in some South American economies led to improvements in trade there. Although somewhat less than in 1998, the imbalance in container demand between the Pacific westbound and eastbound trades remained severe as exports from the U.S. stayed well below import levels.

MOL has been taking many actions to make liner operations a self-supporting business. Providing the organization for this drive is a concept called the "virtual liner company." Under this system, all global liner activities have been managed as a company within MOL since 1999. This creates clear lines of accountability. Operating a "virtual liner company" also makes it easier to identify problem areas and take appropriate measures. One more advantage is the ability to manage liner operations at locations nearest to customers.

In line with MOL's MOST21 project, the virtual liner company plans to keep its ROE at or above 10% over the long term, thereby making a consistent contribution to consolidated earnings. To achieve this, planning systems are being revised. MOL will be increasing emphasis on deploying ships so as to increase returns on capital rather than merely to meet projected demand. Furthermore, liner operations will continue to make progress in creating a simplified organization with fewer levels of management, while decentralization of trade lane management will continue. At the same time, systems and information technology will be standardized to raise overall efficiency.

HIGHLIGHTS OF THE YEAR

- As of April 2000, all containership services from Asia to Europe were unified at MOL (Europe) in London. This replaces a system whereby Europe-bound space was controlled jointly by offices in Tokyo, Hong Kong and London. The new unified base puts MOL in step with Europe's single market, and allows the more effective oversight of MOL subsidiaries throughout Europe. In another improvement, responsibility for all intra-Asian and Asia-Australia/South America/Africa routes was centralized at MOL (Asia) in Hong Kong on July 1, 2000. This reduces from five to three the number of regional headquarters.

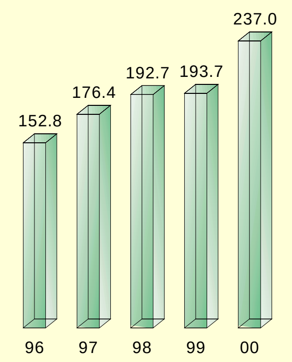
The containership *Mosel* in Hamburg

The containership *Alligator Bravery* in Los Angeles (above)
The containership *Santos Challenger* in Santos (below)

- In September 1999, MOL's new STARNET computer system became fully operational in Asia outside Japan. The system is used for vessel space management, equipment management, bookings, container and cargo transshipment and documentation, thereby further enhancing quality of customer services and container transport efficiency. Through STARNET, MOL's Asian offices and agencies can now share shipping information and other data more effectively. STARNET became operational in Japan in April 2000.
- MOL and APL are building on their close relationship rooted in TNWA to increase services to Latin America. By collaborating in Latin America, the two companies expect to improve services while cutting costs, thus building a better base for dealing with the fluctuations in local economies and ensuring reliable, quality services for regional customers. The move underscores the long-term commitment to this market by both carriers.
- In January 2000, MOL and the other two TNWA members revised services to the U.S. west coast. On the Guam China Express service, Kwang Yang in South Korea was added to previous stops between Qingdao and Pusan. Kwang Yang is already on TNWA's Pacific North West Container Line, but the new service gives this important port direct access to the U.S. west coast.
- In April 2000, the three members of TNWA announced a new cooperative relationship with Maersk Sealand. Under this arrangement TNWA will extend their existing Asia-North America East Coast Service to North Europe to provide a new so-called pendulum service. They will also exchange slots with Maersk Sealand, which currently provides independent containership services on the Atlantic lane.
- Anticipating steady growth in demand for container transportation, MOL placed an order in September 1999 for three 5,500-TEU over-Panamax containerships. Delivery is scheduled for the spring and summer of 2001, and these ships constitute the first new containerships to join MOL's fleet since 1999 when MOL took delivery of six 2,000-TEU containerships. The ships will replace three Panamax vessels on the Asia-Europe trade, raising to eight the number of MOL over-Panamax containerships deployed on this trade.
- In April 2000, MOL placed an order for five 6,000-TEU over-Panamax containerships to be deployed on the company's transpacific routes. These vessels will replace five 2,800-TEU "Alligator" vessels currently covering this trade, and delivery is expected during the first and third quarters of 2002.

Bulkers and Car Carriers

Non-Consolidated Bulker and Car Carrier Revenues
(¥ billions)

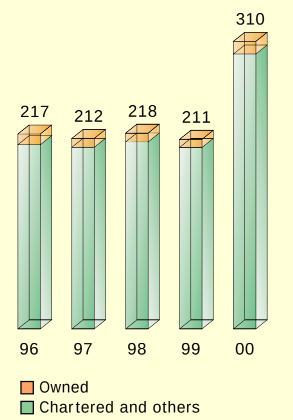


OVERVIEW

In car carriers, MOL transported 1.52 million vehicles during fiscal 1999 compared with 1.58 million in fiscal 1998. Although the yen's strength caused a decrease in vehicles exported from Japan, MOL was able to increase cross-trade volume, mainly shipments from Europe to the U.S. Overall, MOL accounted for about 20% of all vehicles transported by sea worldwide during fiscal 1999, the same as in fiscal 1998. Cross-trade, which currently accounts for almost one-third of MOL's total motor vehicle volume, is becoming increasingly important to MOL as Japanese exports steadily fall as a share of worldwide motor vehicle volume. Cross-trade volume has grown by about 80% over the past five years and will remain the primary source of growth.

In fiscal 2000, the volume of motor vehicle shipments from Japan is likely to continue its gradual decline as the yen remains strong. MOL will be responding by reducing the cost of its operations. The upcoming addition to the fleet of nine new highly efficient car carriers will lead to substantial cost reductions. As the new vessels join the fleet, MOL plans to replace older ships by terminating charter contracts and scrapping. Total tonnage is thus not expected to rise significantly.

Non-Consolidated Bulker and Car Carrier Operating Fleet
(vessels)



As one way to raise cross-trade volume, MOL plans to enter into more alliances with other car carrier operators. Such alliances have already proven effective at entering smaller markets, such as auto shipments within Central and South America. Used cars and construction machinery are expected to be another source of growth. MOL formed a section in July 1999 devoted exclusively to developing these two markets.

Results in the bulkers sector were severely impacted by a drop in charter rates for tramps. Further hurting performance was a big jump in fuel costs, an expense normally not factored into short-term charter rates. Conditions were weakest for handysize and other small tramps. MOL responded by cutting costs and deploying ships in the most efficient manner. In general, market conditions had rebounded considerably by the end of fiscal 1999, pointing to better results in 2000.

The Navix merger significantly increased MOL's fleet of bulkers. While this presented more opportunities to deploy ships with greater efficiency, the drop in charter rates far outweighed any benefits during the first year. In line with MOST21, bulker operations are focusing on three themes. First is increasing the volume of cargo handled. Second is improving the fleet portfolio by reducing the number of ships on long-term charters to respond more quickly to market fluctuations. Third is to increase volume from Asian customers outside Japan.

In steaming coal, MOL accounts for around 30% of all of Japan's imports. Despite benefits from the Navix merger, results in this sector were weak due to a drop in ship charter rates. However, MOL was able to limit the impact of lower rates through measures to cut costs and operate ships more efficiently. Following the Navix merger, MOL reduced the number of ships, mainly Panamax, employed for coal routes to optimize the size of the fleet. Another aim was to achieve the proper balance between long-term and short-term charters. This provides a sound base for returning solidly into the black in 2000.

The Navix merger made MOL the world's largest operator of Capesize bulkers used to transport iron ore and coking coal, with an extremely well balanced fleet and customer base. Fiscal 1999 Capesize bulker results were hurt, however, by low crude steel output in Japan. Furthermore, there were wide swings in charter rates during the year, with rates falling at one point to about half of operating costs early in the year.

The handy max bulker *Eigen* in New Castle, Australia

The pure car and truck carrier *Triumph Ace* (above)
The Capesize bulker *Raiju* (below)

Economies of scale from the merger were realized, but were insufficient to offset this. By March 2000, rates had improved by a wide margin, making the outlook for fiscal 2000 favorable.

In wood chip carriers, almost all vessels operate on long-term charters, generating stable returns regardless of market conditions. The few carriers MOL operates on spot rates performed well in fiscal 1999 as Japanese paper manufacturers raised their output.

HIGHLIGHTS OF THE YEAR

- Siam Nissan Automobile, the Thai subsidiary of Nissan Motor, began volume shipments of pick-up trucks to Australia in May 1999. The first shipment left on MOL's *Palma*. In January 2000, a MOL vessel took part in another auspicious event, the first Siam Nissan Automobile shipment to New Zealand. These developments were among many events during the year illustrating the growth potential of cross-trades in MOL's car carrier business.
- In February 2000, MOL became the first non-Korean shipping company to transport coal from mainland China to South Korea for a state-owned power company. Previously, national regulations allowed only South Korean shipping firms to handle coal for this company. The development was made possible by MOL's effective marketing efforts over the past years.
- With large-scale plant projects in India and Pakistan expected to increase, MOL started monthly service to these countries in April 1999. This provides a reliable transportation route for plant machinery, steel materials and other items too large to be placed in containers. Using a 7,000 dwt tween decker type vessel, the service links Japan with Chennai, Mumbai and Karachi.
- The *Capricorn Ace* entered service in October 1999. The ship left Japan for Australia and New Zealand on its maiden voyage. The vessel is designed to handle oversize vehicles such as trucks, SUVs and a variety of self-propelled heavy equipment.
- The pure car and truck carrier (PCTC) *Bravery Ace* made its maiden voyage in January 2000, carrying cars from Japan to the U.S. west coast. Capacity is about 4,470 standard-size vehicles, and height-adjustable decks allow over 80% of its deck space to accommodate vehicles with high rooflines. This was the first of nine advanced PCTCs that will join the MOL fleet during 2000. Six more PCTCs entered service in February, March, May and June 2000.
- Five Capesize bulkers were delivered during fiscal 1999, all with long-term contracts that will yield good returns. One was the *Rubin Century*, which entered service in June 1999. The vessel is under a long-term charter to transport iron ore and coking coal from Australia to Japan. This was followed in July 1999 by two more Capesize bulkers, *Kohfukusan* and *Rubin Hope*. MOL took delivery of *Raiju* in February 2000 and *Mona Century* one month later. All vessels are used to transport iron ore and coking coal.

- Three coal carriers are being constructed for Shikoku Electric Power and Electric Power Development Co., Ltd. plants at the same site in Shikoku. MOL will operate two of these vessels. The first, the 150,000 dwt *Tachibana* for Shikoku Electric Power, is to be delivered in September 2000 and the second, *Tsunomine,* which has the same dwt, for Electric Power Development will be delivered the same month. MOL's *Energy Angel* delivered the first load of coal for trial operations in October 1999; the plants entered commercial service in June and July 2000, respectively.
- In September 1999, the *Eigen*, a 50,000 dwt specialized coal carrier, entered service. The vessel began its career by transporting steaming coal from Australia to Japan. The ship is the first in a series to use newly developed technology to provide a shallow draft and extra width.

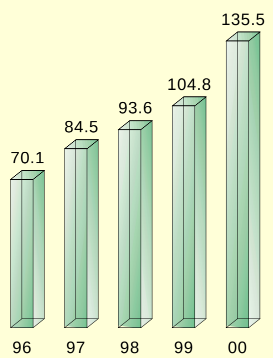
Tankers and Gas Carriers

OVERVIEW

The advantages produced by the Navix merger, which raised MOL's VLCC fleet from 17 to 28 vessels, enabled MOL to turn in a relatively good performance despite an extremely difficult VLCC market. Economies of scale were achieved in many areas. Furthermore, the large percentage of vessels operating on long-term contracts cushioned the impact of volatile charter rates. OPEC production cuts in 1999, along with other factors, brought the VLCC world scale down to a level not seen for a decade early in the fiscal year. Rising fuel prices made the situation for VLCCs even worse. By the early summer of 2000, however, the world scale had surpassed 100, pointing to much better results.

With a fleet of relatively new VLCCs, and a growing number of double-hulled vessels, MOL is positioned to benefit from the growing preference among customers for newer, more reliable vessels. Capitalizing on this trend, MOL plans to take delivery of six more double-hulled VLCCs in 2000. Another positive development is rising oil imports by Korea, China and other Asian nations as economies recover. Along with the current limited supply of VLCCs to serve Asian customers, these factors make the outlook for 2000 positive overall. Furthermore, a significant number of older VLCCs at other carriers will be scrapped as they reach mandatory retirement age, further limiting supply.

Non-Consolidated Tanker and Gas Carrier Revenues
(¥ billions)

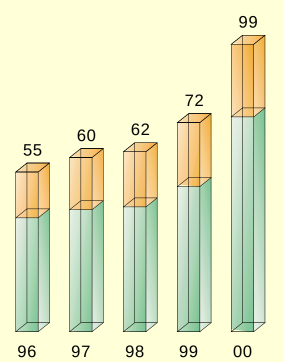


LNG carriers represent a large and growing part of this sector. MOL plays a central role in a number of major LNG projects: Qatargas Project, transporting LNG from Qatar to Japan; NW Shelf Project, transporting LNG from Western Australia to Japan; and BGT Project, transporting LNG from Indonesia to Japan. The Qatargas Project, the world's largest LNG undertaking, reached full capacity in July 2000 with the delivery of its final LNG carrier, bringing the total up to ten, four of which are operated by MOL. With this record of reliability, MOL has the edge in capturing new contracts. For example, MOL was chosen as the first carrier to transport LNG from Abu Dhabi and Oman to India to supply a new gas-fired power station in Dabhol. LNG contracts for customers outside Japan are expected to account for a rising share of this business for MOL over the long term.

Demand for LNG worldwide is on a long-term upswing. This is creating demand not only for long-term charters, but also for carriers operating on short-term contracts. Using carriers that have completed long-term commitments, MOL is able to benefit from this trend.

In methanol carriers, MOL has the world's largest fleet, all of which operate on long-term contracts. Operating these vessels calls for highly

Non-Consolidated Tanker and Gas Carrier Operating Fleet
(vessels)



The VLCC *Diamond Jasmine* in Kagoshima, Japan

The methanol carrier *Millennium Explorer* (above)
The LPG carrier *Great Tribune* in Kashima, Japan (below)

specialized skills. With its industry-leading track record, MOL is positioned to grow even more in this attractive field since demand for methanol is rising for use as a clean energy source. Two methanol carriers will join MOL's fleet in December 2000 and January 2001. The fleet will grow to 19 ships later in 2001 with more additions planned.

Chemical tanker operations are conducted by subsidiary Tokyo Marine, which operates a fleet of 45 vessels. The company maintained profitability in the past fiscal year despite a downturn in the petrochemical market.

HIGHLIGHTS OF THE YEAR

- In June 2000, MOL unified all ship management activities for LNG carriers in a single division called the LNG Ship Management Division. This better supports the growing scale of LNG carrier operations, and allows MOL to target emerging opportunities more efficiently. Furthermore, this division will support MOL's ability to maintain the highest standards of safety and customer service.
- In January 2000, MOL and its partners celebrated the 1,000th voyage to transport LNG for the Badak Project. The project started with 25% ownership by MOL in 1983, to transport LNG from Indonesia to Japan for use as fuel in electric power stations and by gas utilities. This historic undertaking marked the first time that a Japanese vessel was used to transport LNG.
- Six new double-hulled VLCCs will be delivered during fiscal 2000. All are under long-term contracts. Following this delivery, almost one-third of the MOL VLCC fleet will be double-hulled, well above the world average.
- The 100,063 dwt *Millennium Explorer* and the 45,302 dwt *Global Spirit* methanol carriers were completed in 1999. The *Millennium Explorer* is more than twice the size of the previous record of 45,000 dwt for a methanol carrier and its tanks are equipped with nitrogen generators for extra safety, another first for a methanol carrier. The ships are chartered by Chile's Methanex Inc., the world's largest methanol producer, and both left for Chile on their maiden voyages to pick up methanol for delivery to users in North America and Europe. These new ship deliveries raised MOL's methanol carrier fleet to 16, more than half of the world's total fleet of 30. Two further methanol carriers will be delivered during fiscal 2000, both under long-term contract.
- The ninth of ten LNG carriers for the Qatargas Project, *Al Bidda*, entered service in November 1999. This was the fourth and final Qatargas Project LNG carrier to be operated by MOL under the current contract.
- In November 1999, the LPG carrier *Great Tribune* entered service under MOL's operation. The seventh large-scale LPG carrier operated by MOL, the ship transports LPG from Australia to Japan for ITOCHU Corporation, which charters this vessel.

Ferries and Cruise Ships

OVERVIEW

Japan's largest domestic ferry operator, MOL has a fleet of 15 ferries operated by three subsidiaries. Ferry operations have been declining gradually for many years due to flat demand and the completion of three highways across Japan's Seto Inland Sea. MOL has been responding by downsizing operations and cutting costs while making new investments in select routes. Although much progress was made in fiscal 1999, ferry operations remained in the red due to the large share of fixed expenses, Japan's extended economic downturn and the significant increase in fuel prices.

HIGHLIGHTS OF THE YEAR

- In September 1999, MOL subsidiary Blue Highway Line Corp. received a prestigious Nihon Keizai Shimbun Award for Exellence for its high-speed cargo ferry service with 30 knots. Linking the Tokyo area and Tomakomai in Hokkaido in just 20 hours, 10 hours less than before, the service uses the *Sunflower Tomakomai*, which has a speed of 30 knots, the fastest in the world. The award recognizes the service's success at promoting *modal shift*, notably in attracting parcels and other types of cargo from highway transportation. In April 2000, the *Sunflower Tomakomai* was chosen by the Japan Shipbuilding Association as a Ship of the Year '99. The vessel holds 246 vehicles, the most of any ferry in Japan.
- Ehime-Hanshin Ferry Co., Ltd. and Muroto Kisen K.K. ceased operations in the summer of 2000. Ports previously served by these companies will be covered by the fleet of MOL subsidiary The Diamond Ferry Co., Ltd. This will further raise efficiency on routes in the Seto Inland Sea, where new bridges have severely cut demand for ferry services.
- The *Nippon Maru* finished its third around-the-world cruise in June 2000. Leaving Tokyo on March 16, the ship called at 24 ports in 17 countries during her 100-day, 60,000-kilometer cruise, which went as far south as Argentina and as far north as Alaska. As in the previous two years, the cruise was fully booked.
- The *Nippon Maru* departed Tokyo on February 1, 2000 for a 31-day cruise to ports in Southeast Asia. Passengers had the option of signing up for the entire cruise or only selected portions. The cruise proved successful, and MOL is planning similar promotions in the future.

Non-Shipping Operations

OVERVIEW

Warehousing and cargo forwarding represent most operations outside the shipping sector. MOL views logistics as an essential element in its overall business strategy. In particular, international forwarding is to be positioned as the nucleus of logistics operations. Since operations are presently conducted by a large number of subsidiaries around the world, MOL is currently consolidating and reorganizing companies. This process will allow the optimum allocation of resources, making logistics a significant contributor to the performance of the entire MOL Group.

The ferry *Sunflower Tomakomai*

The cruise ship *Nippon Maru*

The cruise ship *Fuji Maru*


MOL Logistics (USA) head office


Wassing B.V. head office

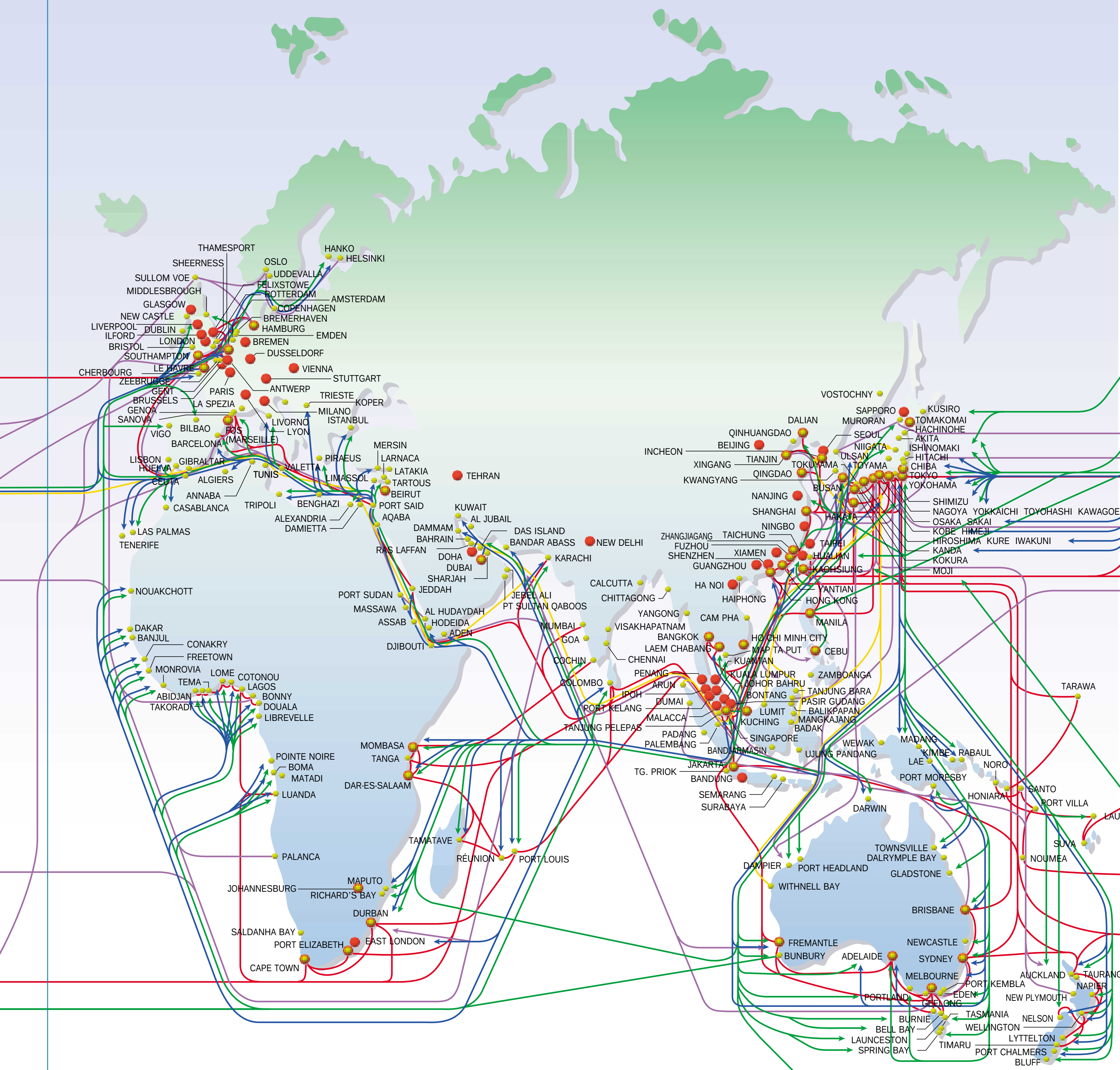

Wine bottles receive labels at a Wassing B.V. warehouse.

Logistics will concentrate on two themes. One is supporting global expansion of MOL's operations by assisting customers in establishing sophisticated supply chain management systems. Here, MOL can draw on extensive physical resources such as terminals and trucks, as well as knowledge in the form of experienced staff members and data management systems. As part of this drive, MOL's logistics subsidiaries are being realigned and consolidated to better perform specific functions. A second theme is maximizing synergy with MOL's liner business. Many opportunities exist in adopting a new global computer system based on the liner system, distribution expertise and service networks. To provide a single organization for this drive, all MOL Group logistics activities are to be managed as a "virtual holding company," a structure that has proven successful for MOL's liner operations.

HIGHLIGHTS OF THE YEAR

- As the reorganization of logistics companies progresses, MOL is forming regional headquarters to efficiently manage all activities within specific regions. Further, to promote a unified brand and image for MOL's varied activities, all regional headquarters are being placed at subsidiaries called MOL Logistics. In the U.S., MOL Logistics (USA) Inc. was formed in July 2000 by merging two existing subsidiaries, creating a single headquarters for sea, land and air forwarding, warehousing and other services. MOL Logistics (Netherlands) B.V. will be formed in October 2000. Work is proceeding toward establishing similar MOL Logistics regional bases in other areas.
- In January 2000, Wassing B.V., a MOL Group company in the Netherlands, merged with MO Express International B.V. to create a larger organization ready to meet the demands of the new age of logistics. Wassing dates back to 1919, and was purchased by MOL in 1990. The new combined company will be renamed MOL Logistics (Netherlands) B.V. on October 1, 2000. MO Express International was the Dutch subsidiary of MO Air System, Inc., mainly involved with air and sea forwarding for the European operations of Japanese companies.
- In Europe MOL has a prominent position in the distribution of wine and spirits. For Japan's Suntory, an MOL subsidiary picks up wine, mainly in Germany and France, and then performs labeling and sorting before sending them to distribution centers in Japan. In addition, MOL operates a forwarder specializing in wine and spirits with a partner. This highly sophisticated logistics operation covers the globe through 20 subsidiaries, extending from Europe to South America and Australia.
- In Singapore, Cougar Express and Cougar Logistics were merged to form Cougar Express Logistics Pte Ltd., thus combining expertise in physical infrastructure and knowledge of the logistics field. Illustrating the company's strong standing is its selection by BMW and Bosch to operate a parts center serving all of Southeast Asia. This involves handling imports, sorting materials, and sending them to customers throughout Asia, an extremely intricate process. The success in Singapore has attracted the attention of several major Japanese manufacturers, and resulted in talks that may lead to a similar contract.

Mitsui O.S.K. Lines Global Services



Container Service Routes & Conventional Liner Service Routes

Tanker Service Routes

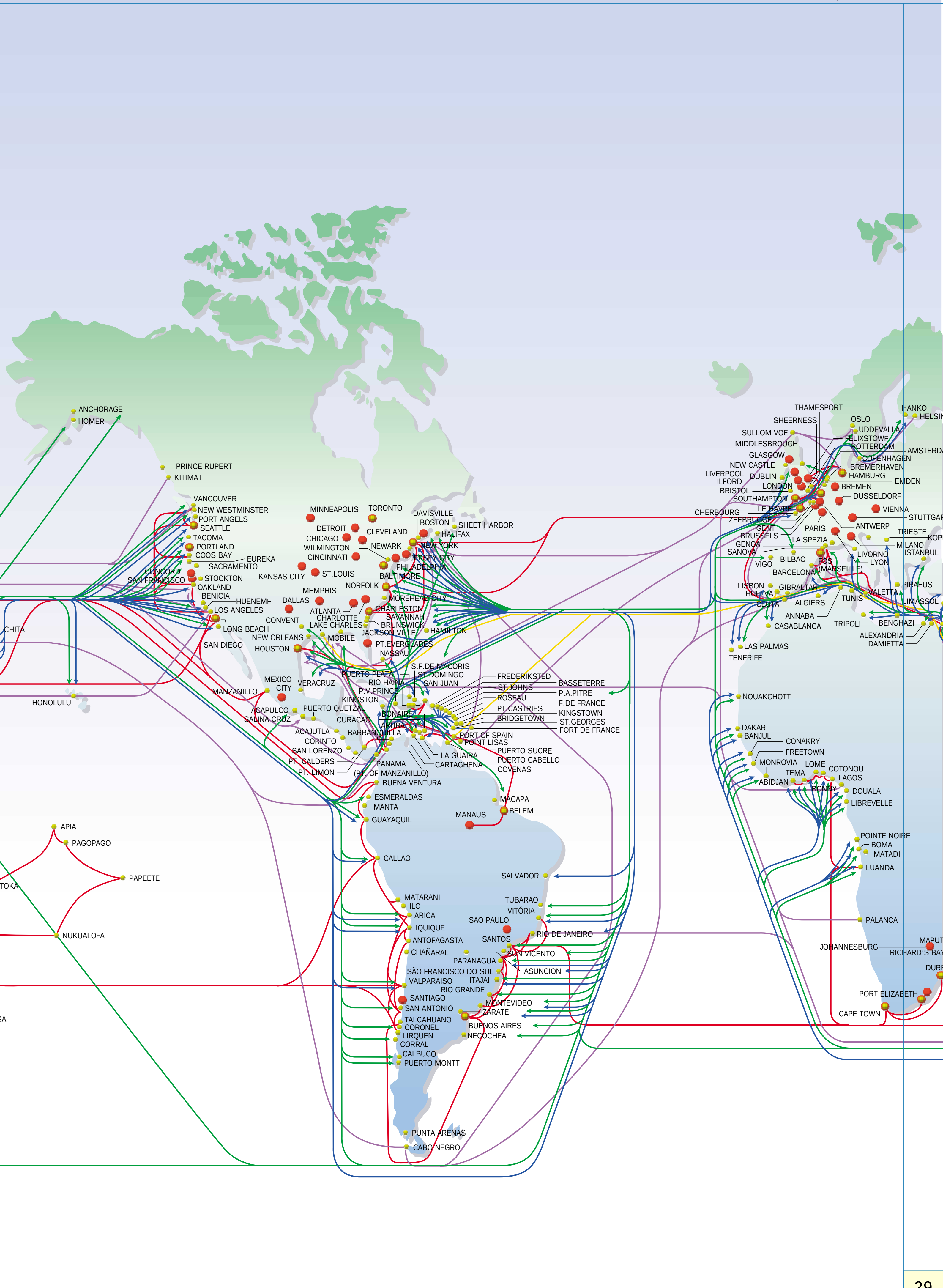
Bulker Service Routes

LNG Service Routes

Car Carrier Service Routes

Local Offices

Main Calling Ports


ANCHORAGE
HOMER
PRINCE RUPERT
KITIMAT
VANCOUVER
NEW WESTMINSTER
PORT ANGELS
SEATTLE
TACOMA
PORTLAND
COOS BAY
EUREKA
SACRAMENTO
CONCORD
SAN FRANCISCO
STOCKTON
OAKLAND
BENICIA
HUENEME
LOS ANGELES
LONG BEACH
SAN DIEGO
CHITA
HONOLULU
MINNEAPOLIS
TORONTO
DETROIT
CHICAGO
CLEVELAND
WILMINGTON
CINCINNATI
NEWARK
KANSAS CITY
ST.LOUIS
MEMPHIS
NORFOLK
DALLAS
ATLANTA
CHARLOTTE
LAKE CHARLES
CONVENT
NEW ORLEANS
MOBILE
HOUSTON
DAVISVILLE
BOSTON
SHEET HARBOR
HALIFAX
NEW YORK
JERSEY CITY
PHILADELPHIA
BALTIMORE
MOREHEAD CITY
CHARLESTON
SAVANNAH
BRUNSWICK
JACKSON VILLE
HAMILTON
PT.EVERGLADES
NASSAU
PUERTO PLATA
S.F.DE MACORIS
ST.DOMINGO
SAN JUAN
RIO HAINA
P.V.PRINCE
KINGSTON
MEXICO CITY
VERACRUZ
MANZANILLO
ACAPULCO
SALINA CRUZ
PUERTO QUETZAL
CURACAO
BONAIRE
ARUBA
ACAJUTLA
CORINTO
SAN LORENZO
PT. CALDERS
PT. LIMON
BARRANQUILLA
PANAMA
(PT. OF MANZANILLO)
FREDERIKSTED
ST.JOHNS
ROSEAU
PT.CASTRIES
BRIDGETOWN
BASSETERRE
P.A.PITRE
F.DE FRANCE
KINGSTOWN
ST.GEORGES
FORT DE FRANCE
PORT OF SPAIN
POINT LISAS
LA GUAIRA
CARTAGHENA
PUERTO SUCRE
PUERTO CABELLO
COVENAS
BUENA VENTURA
ESMERALDAS
MANTA
GUAYAQUIL
MACAPA
BELEM
MANAUS
CALLAO
SALVADOR
MATARANI
ILO
ARICA
IQUIQUE
ANTOFAGASTA
CHAÑARAL
TUBARAO
VITÓRIA
SAO PAULO
RIO DE JANEIRO
SANTOS
SAN VICENTO
PARANAGUA
SÃO FRANCISCO DO SUL
ASUNCION
VALPARAISO
ITAJAI
RIO GRANDE
SANTIAGO
SAN ANTONIO
MONTEVIDEO
ZARATE
TALCAHUANO
CORONEL
LIRQUEN
CORRAL
BUENOS AIRES
NECOCHEA
CALBUCO
PUERTO MONTT
PUNTA ARENAS
CABO NEGRO
APIA
PAGOPAGO
PAPEETE
TOKA
NUKUALOFA
GA
THAMESPORT
SHEERNESS
SULLOM VOE
MIDDLESBROUGH
GLASGOW
NEW CASTLE
LIVERPOOL
DUBLIN
ILFORD
LONDON
BRISTOL
SOUTHAMPTON
CHERBOURG
LE HAVRE
ZEEBRUGGE
GENT
BRUSSELS
GENOA
SANOVA
VIGO
BILBAO
BARCELONA
LISBON
HUELVA
CEUTA
GIBRALTAR
CASABLANCA
LAS PALMAS
TENERIFE
HANKO
HELSIN
OSLO
UDDEVALLA
FELIXSTOWE
ROTTERDAM
AMSTERDA
COPENHAGEN
BREMERHAVEN
HAMBURG
EMDEN
BREMEN
DUSSELDORF
VIENNA
STUTTGAR
ANTWERP
PARIS
LA SPEZIA
TRIESTE
KOP
MILANO
ISTANBUL
LIVORNO
LYON
FOS
(MARSEILLE)
PIRAEUS
VALETTA
LIMASSOL
TUNIS
ALGIERS
ANNABA
TRIPOLI
BENGHAZI
ALEXANDRIA
DAMIETTA
NOUAKCHOTT
DAKAR
BANJUL
CONAKRY
FREETOWN
MONROVIA
LOME
TEMA
COTONOU
LAGOS
ABIDJAN
BONNY
DOUALA
LIBREVELLE
POINTE NOIRE
BOMA
MATADI
LUANDA
PALANCA
JOHANNESBURG
MAPUT
RICHARD'S BAY
DURB
PORT ELIZABETH
CAPE TOWN

Board of Directors, Auditors and Executive Officers

Board of Directors

Masaharu Ikuta
Chairman of the Board

Kunio Suzuki
President

Noriaki Hori
Representative Director

Kazuo Sato
Deputy President

Seiji Nakamura
Deputy President

Joji (George) Hayashi
Deputy President

Tokinao Hojo
Senior Managing Director

Hiroyuki Sato
Senior Managing Director

Akimitsu Ashida
Senior Managing Director

Kentaro Hino
Managing Director

Takeo Shiina
Director (Outside Director)

Toshihiko Fukui
Director (Outside Director)

Corporate Auditors

Takuo Yamada

Kazuo Iwamoto

Nobuyoshi Tateishi

Kyoichi Sato

Executive Officers

Chairman of the Board
Chairman Executive Officer
Masaharu Ikuta

President
President Executive Officer
Kunio Suzuki

Representative Director
Executive Officer
Noriaki Hori

Deputy President
Deputy President Executive Officer
Kazuo Sato
Assistant to the President
(mainly in non-liner divisions)
Kansai area

Deputy President
Deputy President Executive Officer
Seiji Nakamura
Assistant to the President
(mainly in administrative divisions)
IR Office, Associated Business Division

Deputy President
Deputy President Executive Officer
Joji (George) Hayashi
Assistant to the President
(mainly in liner divisions)

Senior Managing Director
Senior Managing Exeutive Officer
Tokinao Hojo
Coal and Iron Ore Carrier Divison, Bulk Carrier Division, Bulk Carrier Co-ordination Office, Wood Chip and Industrial Plant Carriers Division, Tanker Divisions (A) and (B), LNG Carrier Divisions (A) and (B), Steaming Coal Carrier Division

Senior Managing Director
Senior Managing Executive Officer
Hiroyuki Sato
Liner Division, Logistics Office

Senior Managing Executive Officer
Kenji Machino
Human Resources Development Office, Marine Division, Ship Management Division, LNG Ship Management Division, environmental matters

Senior Managing Director
Senior Managing Executive Officer
Akimitsu Ashida
Corporate Planning Division, Secretaries Office, Publicity Office, Information Systems Office, Ship Management Division, Internal Auditor, IT strategies

Managing Executive Officer
Kazuki Mori
Liner Marketing, Ports and Terminals Office

Managing Executive Officer
Tsuneo Kawahara
Car Carrier Division, Research Co-operation Office

Managing Executive Officer
Shinichi Takemoto
Personnel Division, Tanker Divisions (A) and (B)

Managing Executive Officer
Masao Sagara
Bulk Carrier Division, Bulk Carrier Co-ordination Office, Wood Chip and Industrial Plant Carriers Division

Managing Executive Officer
Chikanobu Nomura
Coal and Iron Ore Carrier Division

Managing Director
Managing Executive Officer
Kentaro Hino
Finance and Accounting Division, General Affairs Division

Managing Executive Officer
Makoto Taniguchi
Technical Division, Ship Management Division, LNG Ship Management Division

Executive Officer
Hiroshi Takahashi
Human Resources Development Office

Executive Officer
Yoshinori Hama
General Manager of Marine Division

Executive Officer
Yutaka Okamoto
Car Carrier Division

Executive Officer
Yoshikazu Takahashi
General Manager of Steaming Coal Carrier Division

Executive Officer
Takao Yamamoto
General Manager of Tanker Division (B)

Executive Officer
Makoto Iwata
LNG Carrier Divisions (A) and (B)

Executive Officer
Tsutomu Iizuka
General Manager of Associated Business Division

Executive Officer
Hidehiro Harada
Chief Executive of Mitsui O.S.K. Lines (Europe) Ltd.

Executive Officer
Kazuaki Konishi
General Manager of Finance and Accounting Division

Executive Officer
Saburo Koide
General Manager of Coal and Iron Ore Carrier Division

Excetutive Officer
Masakazu Yakushiji
General Manager of Liner Division

(As of June 27, 2000)

Six-Year Summary

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

	Millions of yen					
	2000	1999	1998	1997	1996	1995
For the year:						
Shipping and other revenues	¥ **881,807**	¥ 809,161	¥ 834,879	¥ 777,896	¥ 662,046	¥ 635,284
Vessel depreciation	**55,112**	52,637	62,370	53,597	44,384	39,988
Other expenses	**690,936**	630,405	650,636	610,419	515,069	502,201
Amortization of consolidation adjusting account	**583**	563	513	60	144	208
Other general and administrative expenses	**73,856**	72,019	74,384	75,275	74,320	74,306
Operating income	**61,320**	53,537	46,976	38,545	28,129	18,581
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**1,403**	4,127	3,474	5,024	4,024	4,504
Income (loss) before income taxes	**15,314**	15,338	18,064	9,030	6,468	(2,815)
Income taxes	**(6,427)**	(8,362)	(8,383)	(3,128)	(2,167)	(1,718)
Deferred income taxes	**(529)**	–	–	–	–	–
Minority interests	**(33)**	34	(1,258)	170	385	109
Net income (loss)	**8,325**	7,010	8,423	6,072	4,686	(4,424)
At year end:						
Current assets	**239,860**	230,996	276,089	250,148	211,361	233,102
Current liabilities	**412,717**	337,417	350,132	301,269	279,444	286,304
Vessels, property and equipment, at cost	**756,623**	753,347	818,579	718,194	613,672	553,976
Total assets	**1,196,474**	1,174,640	1,286,576	1,190,871	1,058,326	1,020,273
Long-term debt	**598,999**	670,363	772,428	735,101	632,778	591,485
Shareholders' equity	**151,992**	140,490	137,692	129,175	123,514	118,555
Retained earnings	**43,199**	37,900	35,102	20,269	14,610	10,164
Amounts per share of common stock (yen):						
Net income	**6.77**	6.33	7.61	5.49	4.27	(4.03)
Shareholders' equity	**123.63**	126.81	124.28	116.69	112.45	108.09
Cash dividends	**4.00**	4.00	4.00	–	–	–

Consolidated Balance Sheets

Mitsui O.S.K. Lines March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2000	1999	2000
Current assets:			
Cash and cash equivalents	¥ 45,713	¥ 43,244	$ 430,645
Marketable securities (Notes 4, 5)	12,666	30,560	119,322
Trade receivables	101,408	82,966	955,327
Allowance for doubtful accounts	(515)	(410)	(4,852)
Fuel and supplies	12,381	8,565	116,637
Deferred and prepaid expenses	35,447	27,018	333,933
Deferred tax assets (current) (Note 2 (13))	1,644	–	15,488
Other current assets	31,116	39,053	293,132
Total current assets	239,860	230,996	2,259,632
Vessels, property and equipment, at cost:			
Vessels	1,103,448	1,059,315	10,395,177
Buildings and structures	67,567	62,701	636,524
Equipment, mainly containers	49,991	47,988	470,947
Land	69,520	65,724	654,922
Vessels and other property under construction	36,065	37,802	339,755
	1,326,591	1,273,530	12,497,325
Accumulated depreciation	(569,968)	(520,183)	(5,369,458)
	756,623	753,347	7,127,867
Investments and other assets:			
Investment securities (Note 4)	78,620	83,876	740,650
Investments in and advances to unconsolidated subsidiaries and affiliated companies	61,126	65,149	575,846
Long-term money in trust	1,762	–	16,599
Consolidation adjusting account	4,198	5,254	39,548
Deferred tax assets (non-current) (Note 2 (13))	3,257	–	30,683
Other assets	41,095	28,350	387,140
	190,058	182,629	1,790,466
Translation adjustments	9,933	7,668	93,575
	¥1,196,474	¥1,174,640	$11,271,540

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Short-term debt (Note 6)	**¥ 98,181**	¥ 61,353	**$ 924,927**
Long-term debt due within one year (Note 6)	**134,194**	125,405	**1,264,191**
Trade payables	**93,000**	72,011	**876,119**
Advances received	**51,901**	42,864	**488,940**
Accrued income taxes	**3,045**	5,331	**28,686**
Deferred tax liabilities (current) (Note 2 (13))	**199**	–	**1,875**
Other current liabilities	**32,197**	30,453	**303,317**
Total current liabilities	**412,717**	337,417	**3,888,055**
Long-term debt due after one year (Note 6)	**598,999**	670,363	**5,642,948**
Employees' retirement benefits	**11,986**	8,977	**112,916**
Deferred tax liabilities (non-current) (Note 2 (13))	**4,343**	–	**40,914**
Other non-current liabilities	**8,516**	10,609	**80,226**
Minority interests	**7,921**	6,784	**74,621**
Commitments and contingent liabilities (Note 7)			
Shareholders' equity (Note 8)**:**			
Common stock, par value ¥50 per share			
Authorized—3,178,000,000 shares			
Issued:			
2000—1,229,410,445 shares			
1999—1,107,917,146 shares	**64,915**	58,841	**611,540**
Additional paid-in capital	**43,887**	43,751	**413,443**
Retained earnings	**43,199**	37,900	**406,962**
	152,001	140,492	**1,431,945**
Treasury stock, at cost	**(9)**	(2)	**(85)**
Total shareholders' equity	**151,992**	140,490	**1,431,860**
	¥1,196,474	¥1,174,640	**$11,271,540**

Consolidated Statements of Income

Mitsui O.S.K. Lines Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Shipping and other revenues (Note 11)	**¥881,807**	¥809,161	**$8,307,179**
Shipping and other expenses (Note 11)**:**			
Vessel depreciation	**55,112**	52,637	**519,190**
Other expenses	**690,936**	630,405	**6,509,053**
	746,048	683,042	**7,028,243**
	135,759	126,119	**1,278,936**
General and administrative expenses :			
Amortization of consolidation adjusting account (Note 2 (1))	**583**	563	**5,492**
Other general and administrative expenses	**73,856**	72,019	**695,771**
Operating income	**61,320**	53,537	**577,673**
Other income (expenses):			
Interest and dividend income	**4,439**	4,015	**41,818**
Interest expense	**(39,085)**	(40,071)	**(368,205)**
Equity in earnings of an unconsolidated subsidiary and affiliated companies	**1,403**	4,127	**13,217**
Others, net (Note 9)	**(12,763)**	(6,270)	**(120,235)**
	(46,006)	(38,199)	**(433,405)**
Income before income taxes	**15,314**	15,338	**144,268**
Income taxes (Note 2 (13))**:**			
Current	**(6,427)**	(8,362)	**(60,546)**
Deferred	**(529)**	–	**(4,984)**
Minority interests	**(33)**	34	**(311)**
Net income	**¥ 8,325**	¥ 7,010	**$ 78,427**

Amounts per share of common stock:	Yen		U.S. dollars (Note 1)
Net income	**¥6.77**	¥6.33	**$0.064**
Diluted net income	–	–	–
Cash dividends applicable to the year	**4.00**	4.00	**0.038**

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Mitsui O.S.K. Lines Years ended March 31, 2000 and 1999

	Shares of Common stock (Thousands)	Millions of yen		
		Common Stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1998	1,107,917	¥58,841	¥43,751	¥35,102
Due to change in consolidated subsidiaries				290
Due to change in affiliated companies accounted for by the equity method				(19)
Net income				7,010
Dividends paid				(4,431)
Bonuses to directors and corporate auditors				(52)
Balance at March 31, 1999	1,107,917	¥58,841	¥43,751	¥37,900
Shares issued due to merger with Navix Line, Ltd.	121,493	6,074	136	
Balance at April 1, 1999	**1,229,410**	**¥64,915**	**¥43,887**	**¥37,900**
Cumulative effect of adopting deferred tax accounting (Note 2 (13))				**986**
Due to merger with Navix Line, Ltd.				**947**
Due to change in consolidated subsidiaries				**(1,206)**
Due to change in affiliated companies accounted for by the equity method				**808**
Net income				**8,325**
Dividends paid				**(4,432)**
Bonuses to directors and corporate auditors				**(129)**
Balance at March 31, 2000	**1,229,410**	**¥64,915**	**¥43,887**	**¥43,199**

	Thousands of U.S. dollars (Note 1)		
	Common Stock	Additional paid-in capital	Retained earnings
Balance at April 1, 1999	**$611,540**	**$413,443**	**$357,042**
Cumulative effect of adopting deferred tax accounting (Note 2 (13)			**9,288**
Due to marger with Navix Line, Ltd.			**8,921**
Due to change in consolidated subsidiaries			**(11,361)**
Due to change in affiliated companies accounted for by the equity method			**7,612**
Net income			**78,427**
Dividends paid			**(41,752)**
Bonuses to directors and corporate auditors			**(1,215)**
Balance at March 31, 2000	**$611,540**	**$413,443**	**$406,962**

See accompanying notes.

Consolidated Statements of Cash Flows

Mitsui O.S.K. Lines Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Cash flows from operating activities:			
Net income	**¥ 8,325**	¥ 7,010	**$ 78,427**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**61,864**	60,387	**582,798**
Loss on write-offs of securities and other investments	**1,392**	3,301	**13,114**
Loss on liquidation of subsidiaries and affiliates	**3,700**	384	**34,856**
Gain on sale of vessels, property and equipment	**(1,733)**	(5,140)	**(16,326)**
Loss (gain) on sale of securities	**(1,920)**	4,005	**(18,088)**
Equity in earnings of unconsolidated subsidiary and affiliated companies, net	**(1,403)**	(4,127)	**(13,217)**
Provision (reversal) of allowance for doubtful accounts	**(1,225)**	21	**(11,540)**
Changes in operating assets and liabilities:			
Trade receivables	**(13,323)**	9,741	**(125,511)**
Fuel and supplies	**(2,403)**	726	**(22,638)**
Trade payables	**16,262**	(10,465)	**153,198**
Accrued income taxes	**(2,317)**	(2,158)	**(21,828)**
Other, net	**7,285**	7,798	**68,630**
Net cash provided by operating activities	**74,504**	71,483	**701,875**
Cash flows from investing activities:			
Proceeds from sale of vessels, property and equipment	**74,637**	33,173	**703,128**
Payments for vessels, property and equipment and other fixed assets	**(61,980)**	(65,572)	**(583,891)**
Proceeds from sale of securities and other investments	**57,197**	40,049	**538,832**
Purchase of securities and other investments	**(34,312)**	(31,192)	**(323,241)**
Collections of loans receivable	**16,706**	27,960	**157,381**
Disbursements for loans	**(30,286)**	(36,046)	**(285,313)**
Net cash proceeds from new consolidation/de-consolidation of subsidiaries	**2,261**	744	**21,300**
Other	**(1,051)**	(2,264)	**(9,901)**
Net cash provided by (used in) investing activities	**23,172**	(33,148)	**218,295**
Cash flows from financing activities:			
Net increase in short-term debt	**1,282**	22,025	**12,077**
Proceeds from long-term debt and issuance of bonds	**100,545**	84,165	**947,197**
Deposits for securities on lending	**–**	(15,000)	**–**
Repayments of long-term debt	**(182,661)**	(119,786)	**(1,720,782)**
Repayments of bonds	**(19,449)**	(9,275)	**(183,222)**
Cash dividends paid	**(4,432)**	(4,431)	**(41,752)**
Net cash used in financing activities	**(104,715)**	(42,302)	**(986,482)**
Effect of exchange rate changes on cash and cash equivalents	**(3,588)**	(2,058)	**(33,801)**
Net decrease in cash and cash equivalents	**(10,627)**	(6,025)	**(100,113)**
Cash and cash equivalents at beginning of year	**43,244**	49,269	**407,386**
Cash and cash equivalents increased by merger	**13,096**	–	**123,372**
Cash and cash equivalents at end of year	**¥ 45,713**	¥ 43,244	**$ 430,645**
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**¥ 33,926**	¥ 43,703	**$ 319,604**
Income taxes	**8,744**	8,830	**82,374**

See accompanying notes.

Notes to Consolidated Financial Statements

Mitsui O.S.K. Lines   Years ended March 31, 2000 and 1999

1. Basis of presenting financial statements

Mitsui O.S.K. Lines, Ltd. (the Company) and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are translations of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance (MOF) as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically, including the 2000 consolidated cash flow statement prepared in accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc." effective in 2000, in order to present them in a form which is more familiar to readers outside Japan. The consolidated statement of cash flows for 1999 has been prepared for the purpose of inclusion in the accompanying consolidated financial statements even though such statement was not customarily prepared in Japan and not required to be filed with MOF at that time.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2000, which was ¥106.15 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

The Company prepared the consolidated financial statements for the year ended March 31, 2000 in accordance with the revised Accounting Principles for Consolidated Financial Statements (the "Revised Accounting Principles") effective from the year ended March 31, 2000. Under the Revised Accounting Principles, significant companies which are controlled by parent company through substantial ownership of more than 50% of the voting rights or through ownership of high percentage of the voting rights and the existence of certain conditions evidencing control by parent company of the decision-making body of such companies are consolidated. Also, under the Revised Accounting Principles, certain companies of which parent company has at least 15% and less than 20% of the voting right in the case where parent company has the ability to exercise significant influence over operating and financial policies of the investees are also accounted for using the equity method.

Previously, only majority-owned companies were consolidated and only investments in companies of which the Company owns 20% to 50% of the voting rights and has the ability to significantly influence financial, operational or business policies were accounted for using the equity method. The prior years' consolidated financial statements have not been restated.

The consolidated financial statements include the accounts of the Company and 291 subsidiaries for the year ended March 31, 2000 (196 subsidiaries for the year ended March 31, 1999). All significant inter-company transactions and accounts have been eliminated.

Investments in 0 and 1 unconsolidated subsidiaries for the years ended March 31, 2000 and 1999, and 38 and 27 affiliated companies for the years ended March 31, 2000 and 1999, respectively, were accounted for by the equity method. Investments in other subsidiaries (127 in the year ended March 31, 2000 and 105 in the preceding year) and affiliated companies (110 and 102 in the respective years) were stated at cost since equity in net income and 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 at the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of acquisition cost over net assets acquired is shown as consolidation adjusting account and amortized over 5 to 14 years.

Amortization of the consolidation adjusting account is included in general and administrative expenses.

(2) Translation of foreign currency

Revenues and expenses 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. Current 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.

Non-current assets and liabilities are translated at the historical exchange rate, except for long-term debt covered with forward exchange contracts, which is translated at the forward contract rates. The gain or loss arising from the difference between the forward contract rate and the historical rate recognized in relation to long-term debt is booked in the balance sheets and amortized over the remaining period of the debt.

The other subsidiaries keeping their books in a currency other than Japanese yen translate their revenues and expenses and assets and liabilities in foreign currencies into the bookkeeping currency in accordance with accounting principles generally accepted in their respective countries.

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

(3) Cash and cash equivalents

Cash on hand and deposits in banks with a maturity of three months or less are considered to be cash and cash equivalents.

(4) Shipping revenues and related expenses

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

(5) Marketable securities and investment securities

Marketable securities and investment securities are stated at cost determined by the moving average method. In cases where the market value or net asset value of securities falls below 50% of the book value and is reasonably considered to remain so in the foreseeable future, such securities are written down to market or net asset value.

(6) Fuel and supplies

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

(7) Depreciation of vessels, property and equipment

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

Vessels	13 – 20 years
Containers	7 years

(8) Amortization of bond issue expense

Bond issue expense is charged to income as incurred.

(9) Interest capitalization

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

(10) Allowance for doubtful accounts

The Company and its domestic subsidiaries provide for doubtful accounts principally based on the estimated amount of probable bad debt by the evaluation of financial condition of certain receivable plus the amount deductible under Japanese tax regulations. Foreign subsidiaries provide for doubtful accounts based on the estimated amount of probable bad debt.

(11) Employees' retirement benefits

The Company has tax-qualified pension plans for employees engaged in shore and sea services. Employees engaged in sea service who retire prior to a certain age are also entitled to a lump-sum payment. The Company sets up an unfunded reserve for these lump-sum payments equal to 40% of the amount required if all eligible employees voluntarily terminated their employment as of the balance sheet date. Some subsidiaries have tax-qualified pension plans which cover all or a part of the retirement benefits and some other subsidiaries have established reserves for a lump-sum payment for retirement benefits.

(12) Accounting for certain lease transactions

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

(13) Income taxes

The Company provided income taxes at the amounts currently payable for the year ended March 31, 1999. Effective April 1, 1999, the Company adopted the new accounting standard, which recognizes tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Under the new accounting standard, 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.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1999 is reflected as an adjustment of ¥986 million ($9,289 thousand) to the retained earnings brought forward from the previous year. Prior year's financial statements have not been restated.

The effect for the year ended March 31, 2000 was to decrease net income by ¥715 million ($6,736 thousand) and to increase retained earnings by ¥56 million ($528 thousand). (See Note 12)

(14) Amounts per share of common stock

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

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

Cash dividends per share shown in the 2000 column represent the amount payable to the shareholders as of March 31 2000.

(15) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2000 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Merger with Navix Line, Ltd.

On April 1, 1999, the Company completed the merger with Navix Line, Ltd. upon the approval of the shareholders of each company. Under the terms of the merger agreement, each outstanding share of Navix Line, Ltd. common stock was exchanged for approximately 0.2857 shares of common stock newly issued by the Company.

Approximately 121 million shares of the Company's common stock were issued to the Navix Line, Ltd. shareholders, bringing the total shares outstanding to approximately 1,229 million.

Principal assets, liabilities and net assets inherited from Navix Line, Ltd. on April 1, 1999 were as follows:

ASSETS	Millions of yen	Thousands of U.S. dollars
Current assets	¥23,141	$218,003
Vessels, property and equipment, at cost:		
Vessels	22,331	210,372
Other property and equipment	6,838	64,418
	29,169	274,790
Investments and other assets:	22,391	210,937
	¥74,701	$703,730

LIABILITIES	Millions of yen	Thousands of U.S. dollars
Current liabilities:		
Short-term debt	¥42,016	$395,817
Other current liabilities	8,680	81,771
	50,696	477,588
Non-current liabilities:		
Long-term debt	14,027	132,143
Other non-current liabilities	3,768	35,497
	17,795	167,640
	¥68,491	$645,228

NET ASSETS	Millions of yen	Thousands of U.S. dollars
Net assets	¥6,210	$58,502

Consolidated financial statements as of and for the year ended March 31, 1999 have not been restated to include the combined results of operations, financial position and cash flows of Navix Line, Ltd., as the original consolidated financial statements that are prepared in accordance with the provisions of the Securities and Exchange Law of Japan had not been restated.

4. Market value information of securities

(A) Consolidated information

At March 31, 2000, book value, market value and unrealized gains of the MOL group (the Group)'s quoted securities were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Current assets:		
Book value	¥ 7,548	$ 71,107
Market value	15,558	146,566
Unrealized gains	8,010	75,459
Investments and other assets:		
Book value	64,997	612,313
Market value	124,214	1,170,173
Unrealized gains	59,217	557,860
Total unrealized gains	¥ 67,227	$ 633,319

(Notes)

1. Determination of market value
   (a) Listed securities:
   Closing prices at the Tokyo Stock Exchange on the last trading day of the accounting period
   (b) Over-the-counter securities:
   Prices quoted by the Securities Dealers Association on the last trading day of the accounting period
   (c) Securities whose prices are available only by indication (other than (a) and (b)):
   Over-the-counter reference prices published by the Securities Dealers Association

2. Book value of securities other than the above mentioned

	Millions of yen	Thousands of U.S. dollars
	2000	2000
(Current assets)		
Stocks unlisted and not traded over-the-counter	¥ 971	$ 9,148
Notes and bonds unlisted	3,295	31,041
Others	852	8,026
(Fixed assets)		
Securities and other investment instruments unlisted and not traded over-the-counter	¥72,841	$686,208
Unlisted foreign bonds	1,908	17,975

(B) The Company only

At March 31, 2000 and 1999, book value, market value and unrealized gains of the Company's quoted securities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Current assets:			
Book value	**¥ 5,048**	¥ 20,585	**$ 47,555**
Market value	**12,139**	33,811	**114,357**
Unrealized gains	**7,091**	13,226	**66,802**
Investments and other assets:			
Book value	**58,344**	61,114	**549,637**
Market value	**114,989**	111,838	**1,083,268**
Unrealized gains	**56,645**	50,724	**533,631**
Total unrealized gains	**¥ 63,736**	¥ 63,950	**$ 600,433**

5. Derivative transactions

The Group enters into derivative transactions and forward currency exchange contract mainly to hedge the Group's exposure to interest rates increase and currency exchange rates fluctuation in accordance with the guidance determined by the management of the company.

(A) Consolidated information

The outstanding contract amounts and unrealized gains or losses of financial derivatives of the Group at March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
(1) Currency related:		
Forward currency exchange contract		
Sell (U.S. dollar):		
Contracts outstanding	¥17,974	$169,326
Unrealized gain (loss)	1,315	12,388
Buy (U.S. dollar, Canadian dollar, Singapore dollar):		
Contracts outstanding	¥47,850	$450,777
Unrealized gain (loss)	(4,766)	(44,899)
Currency swap:		
Receive Yen, pay U.S. dollar:		
Contracts outstanding	¥79,346	$747,489
Unrealized gain (loss)	(6,782)	(63,891)
Receive U.S. dollar, pay Yen:		
Contracts outstanding	¥11,763	$110,815
Unrealized gain (loss)	2,394	22,553

	Millions of yen	Thousands of U.S. dollars
	2000	2000
(2) Interest related		
Interest rate swap:		
Receive floating, pay fixed		
Contracts outstanding	¥421,150	$3,967,499
Unrealized gain (loss)	(7,532)	(70,956)
Receive fixed, pay floating		
Contracts outstanding	¥ 61,677	$ 581,036
Unrealized gain (loss)	1,363	12,840
Receive floating, pay floating		
Contracts outstanding	¥ 1,000	$ 9,421
Unrealized gain (loss)	3	28
Interest rate cap:		
Buy		
Contracts outstanding	¥ 12,006	$ 113,104
Unrealized gain (loss)	0	0

(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. Since forward exchange contracts for the Singapore dollar are against the U.S. dollar, Japanese yen values of those contracts are calculated using U.S. dollar/yen forward rates for the same value dates, which were prevailing on the respective contract dates.
3. Forward exchange contracts arranged for assets or liabilities denominated in foreign currencies were excluded from this table of derivatives disclosure because amounts of such assets or liabilities are virtually fixed in Japanese yen and recognized on the balance sheet in Japanese yen amounts.
4. Market values of currency swaps and interest swaps at the end of the fiscal year are calculated using prices of the contracts at the end of the year quoted by the financial institutions or trading houses with which the relevant transactions were closed.
5. The parentheses in the column of interest cap transactions show the amount of cap fees capitalized on the balance sheet and not amortized at the end of the year.
6. The contract values of the derivatives do not necessarily represent magnitude of market risk or credit risk of those derivatives contracts.

(B) The Company only

The outstanding contract amounts and unrealized gains or losses of financial derivatives of the company at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
(1) Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar):			
Contracts outstanding	**¥11,286**	¥ 8,437	**$106,321**
Unrealized gain (loss)	**(33)**	(4)	**(311)**
Buy (U.S. dollar, Canadian dollar, Singapore dollar):			
Contracts outstanding	**¥ 5,392**	¥10,351	**$ 50,796**
Unrealized gain (loss)	**(46)**	569	**(433)**
Currency swaps:			
Receive Yen, pay U.S. dollar:			
Contracts outstanding	**¥ 1,005**	¥ 1,005	**$ 9,468**
Unrealized gain (loss)	**7**	(95)	**66**
Receive H.K. dollar, pay Yen:			
Contracts outstanding	**¥ N/A**	¥ 5,000	**$ N/A**
Unrealized gain (loss)	**N/A**	(951)	**N/A**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
(2) Interest related			
Interest swaps:			
Receive floating, pay fixed			
Contracts outstanding	**¥114,115**	¥108,008	**$1,075,035**
Unrealized gain (loss)	**(1,413)**	(6,839)	**(13,311)**
Receive fixed, pay floating			
Contracts outstanding	**¥ 39,565**	¥ 59,009	**$ 372,727**
Unrealized gain (loss)	**1,143**	1,968	**10,768**
Receive floating, pay floating			
Contracts outstanding	**¥ 1,000**	¥ 1,000	**$ 9,421**
Unrealized gain (loss)	**3**	4	**28**
Interest caps:			
Buy			
Contracts outstanding	**¥ 5,000**	¥ 11,911	**$ 47,103**
Unrealized gain (loss)	**0**	2	**0**

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
(3) Commodity related			
Commodity swaps:			
Bunker oil			
Receive floating, pay fixed:			
Contracts outstanding	**¥N/A**	¥47	**$N/A**
Unrealized gain (loss)	**N/A**	12	**N/A**

Market values of currency swaps, interest swaps, interest caps, commodity futures and commodity swaps at the end of fiscal year were those estimated by the financial institutions or trading houses which were counterparties of the relevant transactions.

6. Short-term debt and long-term debt

(1) Short-term debt

Short-term debt at March 31, 2000 (¥98,181 million: US$ 924,927 thousand) and 1999 (¥61,353 million) were principally unsecured.

The interest rates on short-term debt were set on a floating rate basis.

(2) Long-term debt

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Bonds:			
6.000% yen bonds due 1999	**¥ –**	¥ 15,000	**$ –**
3.900% yen bonds due 2000	**29,900**	29,900	**281,677**
1.450% yen bonds due 2001	**5,000**	5,000	**47,103**
1.750% yen bonds due 2002	**1,000**	1,000	**9,421**
2.350% yen bonds due 2002	**10,000**	10,000	**94,206**
2.750% yen bonds due 2004	**10,000**	10,000	**94,206**
3.025% yen bonds due 2006	**10,000**	10,000	**94,206**
3.075% yen bonds due 2007	**10,000**	10,000	**94,206**
3.250% yen bonds due 2009	**10,000**	10,000	**94,206**
5.200% S$ bonds due 1999	**–**	56	**–**
5.200% S$ bonds due 2000	**49**	56	**461**
Floating rate yen notes due 2002	**1,000**	1,000	**9,421**
Floating/fixed rate yen notes due 2004	**1,000**	1,000	**9,421**
Nikkei-linked bonds due 1999	**–**	7,580	**–**
U.S. Treasury-linked bonds due 2000	**3,567**	4,002	**33,603**
Floating/fixed rate Euro medium term notes due 1999-2009	**17,122**	13,787	**161,300**
Secured loans from:			
Japan Development Bank due through 2015 at interest rates of 1.20% to 8.50%	**86,886**	77,431	**818,521**
Other financial institutions due through 2033 at interest rates of 0.50% to 7.78%	**436,164**	114,576	**4,108,940**
Unsecured loans from:			
Japan Development Bank due through 2001 at interest rates of 0.06% to 0.08%	**1,035**	–	**9,750**
Financial institutions due through 2012 at interest rates of 0.00% to 8.43%	**100,470**	475,380	**946,491**
	733,193	795,768	**6,907,139**
Amount due within one year	**134,194**	125,405	**1,264,191**
	¥598,999	¥670,363	**$5,642,948**

At March 31, 2000, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2000	¥134,194	$1,264,191
2001	84,896	799,775
2002	95,556	900,199
2003	65,226	614,471
2004	119,297	1,123,849
2005 and thereafter	234,024	2,204,654
	¥733,193	$6,907,139

At March 31, 2000, the following assets were pledged as collateral for short-term debt and long-term debt.

	Millions of yen	Thousands of U.S. dollars
Vessels	¥536,234	$5,051,663
Buildings and structures	11,540	108,714
Land	7,992	75,290
Investment securities	24,495	230,758
	¥580,261	$5,466,425

Secured loans	Millions of yen	Thousands of U.S. dollars
Short-term debt	¥ 1,680	$ 15,827
Long-term debt due within one year	77,566	730,721
Long-term debt	445,484	4,196,740
	¥523,050	$4,927,461

7. Commitments and contingent liabilities

At March 31, 2000, the Company and consolidated subsidiaries were contingently liable mainly as guarantors or co-guarantors of indebtedness of related and other companies in the aggregate amount of ¥128,549 million ($1,211,013 thousand).

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

8. Shareholders' equity

The commercial Law of Japan (the "Law") requires a company to incorporate into capital stock the entire amount paid by its shareholders in exchange for newly issued shares, provided that in the case of issues at prices higher than the face value, an amount not exceeding the greater of half of the paid-in amount or the face value may be incorporated into the capital reserve (additional paid-in capital) but not into capital stock.

The Law also stipulates that a company shall set aside each year an amount as the legal reserve until the aggregated amount reaches 25% of the capital stock account. The amount to be set aside each year may not be smaller than 10% of the sum of cash dividends paid and bonuses to members of the Board of Directors and corporate auditors. The legal reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders' meeting or may by capitalized by resolution of the Board of Directors.

9. Other income (expenses): others, net—Breakdown

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Others, net:			
Gain on sale of marketable securities	**¥ 3,254**	¥ (710)	**$ 30,655**
Exchange gain (loss)	**(4,296)**	(2,356)	**(40,471)**
Gain on sale of vessels, investment securities and others	**12,013**	8,310	**113,170**
Grant arising from reducing business of subsidiaries	**–**	1,284	**–**
Gain (Loss) on cancellation of chartered vessels	**811**	(718)	**7,640**
Insurance income	**–**	341	**–**
Loss on sale and disposal of vessels, investment securities and others	**(11,614)**	(6,465)	**(109,411)**
Amortization of past service costs of pension plan	**(5,502)**	(1,925)	**(51,832)**
Loss arising from dissolution of subsidiaries and affiliated companies	**(3,700)**	(384)	**(34,856)**
Loss on write-offs of securities and other investments	**(1,392)**	(3,301)	**(13,114)**
Temporary expenses accompanied by merger with Navix Line, Ltd	**(804)**	–	**(7,574)**
Loss on write-offs of fixed assets	**(598)**	(215)	**(5,634)**
Provision for doubtful accounts	**(621)**	(851)	**(5,850)**
Special retirement	**(1,565)**	(1,622)	**(14,743)**
Sundries	**1,251**	2,342	**11,785**
Total	**¥(12,763)**	¥(6,270)	**$(120,235)**

10. 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, 2000 of finance leases that do not transfer ownership to the lessee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost	¥48,476	¥1,028	¥49,504
Accumulated depreciation	37,141	659	37,800
Net book value	¥11,335	¥ 369	¥11,704

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	$456,675	$9,684	$466,359
Accumulated depreciation	349,892	6,208	356,100
Net book value	$106,783	$3,476	$110,259

(2) Future lease payment inclusive of interest at March 31, 2000

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 5,897	$ 55,553
Amount due after one year	15,783	148,686
Total	¥21,680	$204,239

(3) Lease payment, Depreciation equivalent and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease payments for the years ended March 31: . . .	**¥7,786**	¥8,215	**$73,349**
Depreciation equivalent	**5,145**	5,266	**48,469**
Interest equivalent	**1,356**	1,657	**12,774**

(4) Calculation of depreciation equivalent
Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(5) Calculation of interest equivalent
The balance between total lease payments and acquisition costs equivalent were regarded as amounts representing interest payable equivalent and were allocated to each period using the interest method.

(B) Future lease payments under operating leases at March 31, 2000

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥ 6,689	$ 63,015
Amount due after one year	20,594	194,008
Total	¥27,283	$257,023

As lessor:

(A) Information on finance leases accounted for as operating leases:

(1) A summary of acquisition cost, accumulated depreciation and net book value at March 31, 2000 of finance leases that do not transfer ownership to the lesee is as follows:

	Millions of yen		
	Property and equipment	Other	Total
Acquisition cost	¥171	¥492	¥663
Accumulated depreciation.	139	87	226
Net book value	¥ 32	¥405	¥437

	Thousands of U.S. dollars		
	Property and equipment	Other	Total
Acquisition cost	$1,610	$4,635	$6,245
Accumulated depreciation.	1,309	820	2,129
Net book value	$ 301	$3,815	$4,116

(2) Future lease income inclusive of interest at March 31, 2000

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥116	$1,093
Amount due after one year	413	3,891
Total	¥529	$4,984

(3) Lease income, Depreciation and Interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2000	1999	**2000**
Lease income for the years ended March 31: . .	¥ 87	¥40	$ 820
Depreciation	115	25	1,083
Interest equivalent	15	13	141

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

(B) Future lease income under operating leases at March 31, 2000

	Millions of yen	Thousands of U.S. dollars
Amount due within one year	¥35	$330
Amount due after one year	9	85
Total	¥44	$415

11. Segment information
(A) Business segment information

For the year ended March 31, 2000:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 694,728	¥36,211	¥38,530	¥69,253	¥ 43,085	¥ –	¥ 881,807
(2) Inter-segment revenues	3,957	1,982	47,340	707	15,386	(69,372)	–
Total revenues	698,685	38,193	85,870	69,960	58,471	(69,372)	881,807
2. Operating expenses	640,608	37,751	83,946	69,280	55,612	(66,710)	820,487
Operating income	¥ 58,077	¥ 442	¥ 1,924	¥ 680	¥ 2,859	¥ (2,662)	¥ 61,320
3. Assets, depreciation and capital expenditures:							
(1) Assets	¥1,018,577	¥56,570	¥41,975	¥20,637	¥182,150	¥(123,435)	¥1,196,474
(2) Depreciation	53,647	3,933	1,831	705	1,748	–	61,864
(3) Capital expenditures	49,739	4,867	3,043	867	3,464	–	61,980

For the year ended March 31, 1999:	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 634,528	¥35,505	¥30,862	¥69,289	¥ 38,977	¥ –	¥ 809,161
(2) Inter-segment revenues	4,590	2,850	47,271	1,204	13,761	(69,676)	–
Total revenues	639,118	38,355	78,133	70,493	52,738	(69,676)	809,161
2. Operating expenses	587,948	38,195	76,514	70,509	48,164	(65,706)	755,624
Operating income	¥ 51,170	¥ 160	¥ 1,619	¥ (16)	¥ 4,574	¥ (3,970)	¥ 53,537
3. Assets, depreciation and capital expenditures:							
(1) Assets	¥1,007,983	¥59,105	¥34,312	¥20,687	¥190,522	¥(137,969)	¥1,174,640
(2) Depreciation	52,378	4,027	1,611	773	1,598	–	60,387
(3) Capital expenditures	58,229	3,130	2,269	1,079	865	–	65,572

For the year ended March 31, 2000:	Thousands of U.S. dollars						
	Overseas shipping	Ferry/ domestic shipping	Shipping agent and harbor/terminal operation	Cargo forwarding and warehousing	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	$6,544,777	$341,130	$362,977	$652,407	$ 405,888	$ –	$ 8,307,179
(2) Inter-segment revenues	37,277	18,672	445,973	6,660	144,946	(653,528)	–
Total revenues	6,582,054	359,802	808,950	659,067	550,834	(653,528)	8,307,179
2. Operating expenses	6,034,932	355,638	790,825	652,661	523,900	(628,450)	7,729,506
Operating income	$ 547,122	$ 4,164	$ 18,125	$ 6,406	$ 26,934	$ (25,078)	$ 577,673
3. Assets, depreciation and capital expenditures:							
(1) Assets	$9,595,638	$532,925	$395,431	$194,414	$1,715,968	$(1,162,836)	$11,271,540
(2) Depreciation	505,389	37,051	17,249	6,642	16,467	–	582,798
(3) Capital expenditures	468,573	45,850	28,667	8,168	32,633	–	583,891

(B) Geographical segment information

Each segment covers the following countries or regions;

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

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

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

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

For the year ended March 31, 2000:	Millions of yen						
	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies	¥ 826,165	¥42,175	¥ 7,163	¥ 6,185	¥ 119	¥ –	¥ 881,807
(2) Inter-segment revenues	1,042	19,209	4,423	10,641	888	(36,203)	–
Total revenues	827,207	61,384	11,586	16,826	1,007	(36,203)	881,807
2. Operating expenses	767,122	58,225	11,233	16,044	1,048	(33,185)	820,487
Operating income	¥ 60,085	¥ 3,159	¥ 353	¥ 782	¥ (41)	¥ (3,018)	¥ 61,320
3. Assets	¥1,158,281	¥20,184	¥61,265	¥10,759	¥1,541	¥(55,556)	¥1,196,474

For the year ended March 31, 1999:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Millions of yen						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . .	¥ 750,293	¥42,388	¥11,247	¥ 5,087	¥146	¥ –	¥ 809,161
(2) Inter-segment revenues	2,736	23,163	5,547	12,469	398	(44,313)	–
Total revenues	753,029	65,551	16,794	17,556	544	(44,313)	809,161
2. Operating expenses	698,195	63,662	16,324	17,302	536	(40,395)	755,624
Operating income	¥ 54,834	¥ 1,889	¥ 470	¥ 254	¥ 8	¥ (3,918)	¥ 53,537
3. Assets	¥1,135,441	¥10,635	¥80,449	¥ 7,797	¥675	¥(60,357)	¥1,174,640

For the year ended March 31, 2000:	Japan	North America	Europe	Asia	Others	Elimination	Consolidated
	Thousands of U.S. dollars						
1. Revenues							
(1) Revenues from customers, unconsolidated subsidiaries and affiliated companies . . .	$ 7,782,996	$397,315	$ 67,480	$ 58,267	$ 1,121	$ –	$ 8,307,179
(2) Inter-segment revenues	9,816	180,961	41,667	100,245	8,366	(341,055)	–
Total revenues	7,792,812	578,276	109,147	158,512	9,487	(341,055)	8,307,179
2. Operating expenses	7,226,773	548,516	105,822	151,145	9,873	(312,623)	7,729,506
Operating income	$ 566,039	$ 29,760	$ 3,325	$ 7,367	$ (386)	$ (28,432)	$ 577,673
3. Assets	$10,911,738	$190,146	$577,155	$101,357	$14,517	$(523,373)	$11,271,540

(C) International business information

For the year ended March 31, 2000:	North America	Europe	Asia	Others	Total
	Millions of yen				
1. International revenue	¥207,947	¥113,716	¥165,735	¥237,434	¥724,832
2. Consolidated revenue	–	–	–	–	¥881,807
3. Ratio of international revenue to consolidated revenue	23.6%	12.9%	18.8%	26.9%	82.2%

Segmentation is made from the perspective of geographical closeness and identity.
Geographical areas belonging to the segments are as follows:

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

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

For the year ended March 31, 1999:	North America	Europe	Asia	Others	Total
	Millions of yen				
1. International revenue	¥201,771	¥126,459	¥143,952	¥196,026	¥668,208
2. Consolidated revenue	–	–	–	–	¥809,161
3. Ratio of international revenue to consolidated revenue	24.9%	15.6%	17.8%	24.2%	82.6%

For the year ended March 31, 2000:	North America	Europe	Asia	Others	Total
	Thousands of U.S. dollars				
1. International revenue	$1,958,992	$1,071,276	$1,561,328	$2,236,778	$6,828,374
2. Consolidated revenue	–	–	–	–	$8,307,179
3. Ratio of international revenue to consolidated revenue	23.6%	12.9%	18.8%	26.9%	82.2%

12. Income taxes

The company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 38 % and 46 % for the years ended March 31, 2000 and 1999, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2000.

Statutory tax rate	38.0%
Non-taxable entertainment expenses	5.7
Non-taxable dividend income	(7.5)
Valuation allowance	8.6
Others	0.6
Effective tax rate	45.4%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Deferred tax assets		
Excess bad debt expenses	¥ 353	$ 3,326
Excess reserve for bonuses expenses	558	5,257
Excess retirement benefits expenses	2,073	19,529
Excess retirement allowances for officers	231	2,176
Write-offs of securities and other investments	414	3,900
Deficit carried forward	1,784	16,806
Unrealized gain on sale of fixed assets	1,068	10,061
Amortization of past service expenses of pension plan	456	4,296
Others	1,684	15,864
Total deferred tax assets	8,621	81,215
Valuation allowance	(1,621)	(15,271)
Net deferred tax assets	7,000	65,944
Deferred tax liabilities		
Reserve deductible for tax purposes when appropriated for deferred gain on real properties	¥(1,052)	$(9,910)
Reserve deductible for tax purposes when appropriated for special depreciation	(5,585)	(52,614)
Others	(4)	(38)
Total deferred tax liabilities	(6,641)	(62,562)
Net deferred tax assets (liabilities) asset	¥ 359	$ 3,382

Report of Independent Public Accountants

ASAHI & CO
ARTHUR ANDERSEN

A Member Firm of
Andersen Worldwide SC

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

We have audited the accompanying consolidated balance sheets of Mitsui O.S.K. Lines, Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Mitsui O.S.K. Lines, Ltd. and subsidiaries as of March 31, 2000 and 1999, 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 applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Notes 1, 2 (1) and 2 (13), in the year ended March 31, 2000, Mitsui O.S.K. Lines, Ltd. and subsidiaries prospectively adopted new Japanese accounting standards for consolidation and equity method accounting and income taxes.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2000

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

The MOL Group

As of March 31, 2000

■ Consolidated Subsidiaries
▲ Affiliated Companies Accounted for by the Equity Method

Segment	Business		Company	Registered Office	MOL's Ownership (%)*	Paid-in Capital (Thousand)
Overseas Shipping	Ship Operation / Chartering	■	BGT related 11 companies			
		■	International Energy Transport Co., Ltd.	Japan	46.65	¥1,224,000
		■	International Marine Transport Co., Ltd.	Japan	58.61	¥500,000
		■	M.O. Seaways, Ltd.	Japan	98.83	¥660,000
		■	MCGC International Ltd.	Bahamas	80.10	US$1
		■	Mitsui Kinkai Kisen Co., Ltd.	Japan	61.85	¥350,000
		■	Navix Kinkai, Ltd.	Japan	95.55	¥650,000
		■	Shipowner companies (167 companies) in Panama, Liberia, Hong Kong, Singapore, Bahamas, Grand Cayman			
		■	Tokyo Marine Co., Ltd.	Japan	72.92	¥619,050
		▲	Act Maritime Co., Ltd.	Japan	49.00	¥90,000
		▲	Aramo Shipping (Singapore) Pte Ltd.	Singapore	50.00	US$3
		▲	Asahi Tanker Co., Ltd.	Japan	24.75	¥400,272
		▲	Badak LNG Transport, Inc.	Japan	25.00	¥400,000
		▲	Belo Maritime Transport S.A.	Panama	50.00	US$2
		▲	Daiichi Chuo Kisen Kaisha	Japan	20.97	¥13,258,410
		▲	Faship Maritime Carriers Inc.	Panama	50.00	US$1,200
		▲	Gearbulk Holding Ltd.	Bermuda	40.00	US$260,000
		▲	Global Alliance B.V.	Netherlands	25.00	US$5,000
		▲	Golden Sea Carrier Inc.	Liberia	50.00	US$2,420
		▲	Interasia Lines, Ltd.	Japan	43.75	¥400,000
		▲	Jasmin Shipping (Tokyo) Corporation	Japan	50.00	¥10,000
		▲	Liquimarine Gandria Chartering Co., Ltd.	Grand Cayman	50.00	US$10,000
		▲	Liquimarine Gandria Shipping A/S	Norway	50.00	NKR100
		▲	Methane Carriers Ltd.	Bahamas	50.00	US$500
		▲	Monc Liberia, Inc.	Liberia	50.00	US$3
		▲	Nissan Motor Car Carrier Co., Ltd.	Japan	40.00	¥640,000
		▲	Osaka Shipping Co., Ltd.	Japan	30.12	¥498,000
		▲	Powercoal Navigation Corp.	Panama	50.00	¥500,000
		▲	Shanghai Ferry Co., Ltd.	Japan	31.98	¥2,389,950
		▲	United Car Transport Corporation, S.A.	Panama	49.00	US$602
	Ship Management and Manning	■	Energy Maritime Service S.A.	Panama	100.00	US$1
		■	Et Marine Consultant S.A.	Panama	100.00	US$2
		■	Fresh Marine Consultant S.A.	Panama	100.00	US$2
		■	International Tanker Service S.A.	Panama	100.00	US$1
		■	Kobe Energy Service Co., Ltd.	Japan	100.00	¥10,000
		■	M.O. Cableship Ltd.	Japan	100.00	¥10,000
		■	M.O. Ship Management Co., Ltd.	Japan	100.00	¥50,000
		■	Mitsui O.S.K. Manning Service S.A.	Panama	100.00	US$135
		■	Tankship Venture S.A.	Panama	100.00	US$2
		■	Other 2 Companies			
		▲	Arun LNG Transport, Inc	Japan	35.00	¥400,000
	Cruising	■	Mitsui O.S.K. Passenger Line, Ltd.	Japan	59.27	¥2,200,000
Ferry / Domestic Shipping	Ferry / Domestic Shipping	■	Blue Highway Line Corporation	Japan	50.22	¥1,410,000
		■	Blue Highway Line Nishinihon Corp.	Japan	100.00	¥1,183,000
		■	Ehime·Hanshin Ferry Co., Ltd.	Japan	100.00	¥300,000
		■	The Diamond Ferry Co., Ltd.	Japan	65.29	¥900,000
		▲	Kyodo Kisen Kaisha, Ltd.	Japan	39.00	¥500,000
		▲	Kyushu Kyuko Ferry Co., Ltd.	Japan	47.00	¥840,000
		▲	Meimon Taiyo Ferry Co., Ltd.	Japan	34.68	¥880,000
		▲	Tokyo Wan Ferry Co., Ltd	Japan	18.76	¥200,000
	Tugboat Operation	■	Green Kaiji Kaisha, Ltd.	Japan	66.67	¥95,400
		■	Kyushu Tugboat Co., Ltd.	Japan	92.22	¥90,000
		■	Nihon Tug-Boat Co., Ltd.	Japan	69.52	¥134,203
		■	Ube Port Service Co., Ltd.	Japan	54.18	¥14,950
Shipping Agent and Harbor / Terminal Operation	Shipping Agent	■	Chugoku Shipping Agencies Ltd.	Japan	100.00	¥10,000
		■	Green Shipping, Ltd.	Japan	99.49	¥70,000
		■	Kyushu Shipping Co., Ltd.	Japan	100.00	¥10,000
		■	Mitsui O.S.K. Bulk Shipping (USA) Inc.	U.S.A.	100.00	US$200
		■	Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte Ltd.	Singapore	100.00	S$2,350
		■	Mitsui O.S.K. Bulk Shipping (Europe) Ltd.	U.K.	100.00	£250
		■	Mitsui O.S.K. Lines (America) Inc.	U.S.A.	100.00	US$6
		■	Mitsui O.S.K. Lines (Asia) Ltd.	Hong Kong	100.00	HK$40,000
		■	Mitsui O.S.K. Lines (Australia) Pty. Ltd.	Australia	100.00	A$1,000
		■	Mitsui O.S.K. Lines (Austria) GmbH	Austria	100.00	AS500
		■	Mitsui O.S.K. Lines (Deutschland) GmbH	Germany	95.00	DM500
		■	Mitsui O.S.K. Lines (Europe) Ltd.	U.K.	100.00	£1,500
		■	Mitsui O.S.K. Lines (Japan), Ltd.	Japan	100.00	¥395,500
		■	Mitsui O.S.K. Lines (SEA) Pte Ltd.	Singapore	100.00	S$200
		■	Mitsui O.S.K. Lines (South Africa) (Pty), Ltd.	South Africa	100.00	R3,000
		■	Mitsui O.S.K. Lines De Mexico S.A. De C.V.	Mexico	100.00	US$100
		■	Mitsui O.S.K. Lines – South America Ltda.	Brazil	100.00	R$1,677
		■	Sanwa Marine Ltd.	Japan	100.00	¥475,000
		▲	Mitsui O.S.K. Lines (Singapore) Pte Ltd.	Singapore	50.00	S$5,000
		▲	Mitsui O.S.K. Lines (Thailand) Co., Ltd.	Thailand	47.00	BT20,000

				Registered Office	MOL's Ownership (%)*	Paid-in Capital (Thousand)
	Harbor Operation and Customs Clearance	■	International Container Terminal Co., Ltd.	Japan	100.00	¥700,000
		■	International Container Transport Co., Ltd.	Japan	48.00	¥100,000
		■	Japan Express Co., Ltd. (Kobe)	Japan	86.27	¥102,000
		■	Japan Express Co., Ltd. (Yokohama)	Japan	96.99	¥236,000
		■	Japan Express Konpou K.K.	Japan	100.00	¥10,000
		■	Kitanihon Soko Koun Co., Ltd.	Japan	95.41	¥179,544
		■	Kobe Marine Terminal Co., Ltd.	Japan	57.50	¥100,000
		■	The Shosen Koun Co., Ltd.	Japan	79.99	¥300,000
		■	Trans Pacific Container Service Corp.	U.S.A	100.00	US$3,000
		■	Tyne Logistics Co., Ltd.	U.K.	51.00	£40
		■	Yokohama Marine Terminal Co., Ltd.	Japan	60.00	¥100,000
		▲	Seitetsu Unyu Co., Ltd.	Japan	20.00	¥2,000,000
		▲	Shinyo Kaiun Corporation	Japan	36.00	¥100,000
		▲	Utoc Corporation	Japan	22.48	¥1,455,300
Cargo Forwarding and Warehousing	**Cargo Forwarding**	■	AMT Freight, Inc.	U.S.A.	100.00	US$5,990
		■	Bangpoo Intermodal Systems Co., Ltd.	Thailand	67.98	BT130,000
		■	Blue Highway Express K.K.	Japan	100.00	¥218,400
		■	Diamond Line K.K.	Japan	100.00	¥20,000
		■	Kitanihon Kosan K.K.	Japan	100.00	¥320,000
		■	M.O. Air System, Inc.	Japan	52.00	¥756,250
		■	M.O. Air International (H.K.) Ltd.	Hong Kong	100.00	HK$3,200
		■	M.O. Air International (Singapore) Pte Ltd.	Singapore	51.00	S$700
		■	M.O. Air International (UK) Ltd.	U.K.	100.00	£400
		■	M.O. Air International, Inc.	U.S.A.	100.00	US$2,750
		■	MOL Intermodal Inc.	U.S.A.	100.00	US$0.04
		▲	J.F. Hillebrand GmbH	Germany	50.00	DM1,000
		▲	Sanshin Co., Ltd.	Japan	42.86	¥10,000
	Warehousing and Logistics Service	■	AMT Freight GmbH Spedition	Germany	100.00	DM50
		■	Euloc B.V.	Netherlands	100.00	DGL8,000
		■	Hermex Distribution B.V.	Netherlands	100.00	DGL500
		■	Hong Kong Logistics Co., Ltd.	Hong Kong	100.00	HK$58,600
		■	J. Wassing Administratie-En Expeditiekantoor B.V.	Netherlands	100.00	DGL35
		■	M.O. Logistics Netherlands B.V.	Netherlands	100.00	DGL909
		■	Wassing B.V.	Netherlands	100.00	DGL5,000
		■	Wassing UK Ltd.	U.K.	100.00	£10
		▲	Cougar Holdings Pte Ltd.	Singapore	47.11	S$9,330
		▲	N.H. Prosperity Co., Ltd.	Thailand	40.00	BT500,000
Others	**Office Rental and Real Estate**	■	Hokuso Kohatsu K.K.	Japan	100.00	¥50,000
		■	Hu-Tech Service Co., Ltd.	Japan	100.00	¥20,000
		■	Santo Tatemono Service	Japan	100.00	¥10,000
		■	Shosen Mitsui Kosan Co., Ltd.	Japan	89.87	¥395,000
		▲	Daibiru Corporation	Japan	27.07	¥12,227,847
	Finance and Insurance	■	BIL Investments Ltd.	U.K.	100.00	£21
		■	Citrus Navigation Corp.	Panama	100.00	¥260,000
		■	Euromol B.V.	Netherlands	100.00	DGL18,600
		■	Fortran International Corp.	Liberia	100.00	US$10
		■	Greenfield Holding Company, Limited	Cayman	60.00	US$1
		■	International Transportation Inc.	U.S.A.	100.00	US$0.1
		■	Linkman Holdings Inc.	Liberia	100.00	US$3
		■	Mitsui O.S.K. Finance PLC	U.K.	100.00	US$6,568
		■	Mitsui O.S.K. Holdings (Benelux) B.V.	Netherlands	100.00	DGL38,000
		■	Mitsui O.S.K. LNG Transport (Bermuda) Ltd.	Bermuda	100.00	US$12
		■	MOL FG, Inc.	U.S.A.	100.00	US$20
		■	MOL SI, Inc.	U.S.A.	100.00	US$100
		■	MOL-NIC Transport Ltd.	Liberia	75.00	US$13,061
		■	M.O. Reinsurance S.A.	Luxembourg	100.00	US$5,376
		■	Navix Line (Cayman) Ltd.	Cayman	100.00	US$150
		■	Redfield Holding Company, Limited	Cayman	100.00	US$1
		■	White Night Investment Ltd.	Liberia	100.00	US$5,000
	Others	■	Blue Highway Service	Japan	100.00	¥30,000
		■	Combined Data Resource, Inc.	U.S.A.	98.33	US$3,000
		■	Japan Express Unyu K.K.	Japan	100.00	¥50,000
		■	Japan Hydrographic Charts & Publications Co., Ltd.	Japan	53.99	¥32,000
		■	Kitaichi Truck K.K.	Japan	100.00	¥20,000
		■	Kusakabe Maritime Engineering Co., Ltd.	Japan	80.00	¥200,000
		■	M.O. Ship Tech Inc.	Japan	100.00	¥50,000
		■	Mitsui O.S.K. Kogyo Kaisha, Ltd.	Japan	100.00	¥540,000
		■	MOL Accounting Co., Ltd.	Japan	100.00	¥30,000
		■	MOL Adjustment, Ltd.	Japan	100.00	¥10,000
		■	MOL Information Systems, Ltd.	Japan	100.00	¥100,000
		■	MOL Management Service, Ltd.	Japan	100.00	¥25,000
		■	Navix Technotrade Co., Ltd.	Japan	100.00	¥90,000
		■	Nippon Engineering & Machineries Co., Ltd.	Japan	100.00	¥60,000
		■	Orange P.R. Ltd.	Japan	100.00	¥10,000
		■	Pro Staff Service Co., Ltd.	Japan	100.00	¥10,000
		■	Shosen Mitsui Kaiji Co., Ltd.	Japan	100.00	¥95,000
		▲	Green Engineering Co., Ltd.	Japan	50.00	¥49,000
		▲	South Eastern Oil(S) Pte. Ltd.	Singapore	40.00	S$500

*MOL includes MOL and its subsidiaries

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Shareholder Information

As of March 31, 2000

Capital:	¥64,915,351,028
Head Office:	1-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8688, Japan
Number of MOL employees:	1,173
Number of MOL Group employees: (The parent company and consolidated subsidiaries)	7,464
Total number of shares authorized:	3,178,000,000
Number of shares issued:	1,229,410,445
Number of shareholders:	164,644
Shares listed in:	Tokyo, Osaka, Nagoya, Kyoto, Fukuoka, Sapporo, Frankfurt
Share transfer agent:	The Toyo Trust & Banking Co., Ltd. 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-1653, Japan
Communications materials:	Annual Report (English) News Release (English) Home Page (English/Japanese) Quarterly Newsletter Open Sea (English) Monthly Newsletter Unabara (Japanese)
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