To Our Shareholders

The MOL Group will continue to cut costs, hone its competitive edge and grow in core business sectors. Through these actions, we believe that the March 2004 goals of *MOL next* are within our reach.

Kunio Suzuki
President

MOL next continued to guide our operations in the past fiscal year. In line with this three-year plan, we added more vessels to our fleet while taking other growth-oriented measures. Accompanying these moves were cost-containment measures to make MOL even more competitive.

Review of Operating Results

Unfortunately, a weak performance in the liner business, which posted a loss even though we had originally planned on a large profit, in tandem with higher fuel costs and lower earnings in the dry bulk sector, prevented us from reaching the *MOL next* earnings target. Even though the global dry bulk market climbed to its highest level since 1995, contracts signed early in the fiscal year when rates were low prevented us from reaping the full benefits of the abrupt market rebound that occurred later in the year. The loss in liners was primarily due to contracts signed early in 2002 when market conditions were poor and no one was expecting a quick rebound, especially in the wake of the terrorist attacks in the U.S. On the positive side, container cargo volume bounced back strongly in the second and third quarters of fiscal 2002 and has remained solid ever since, pointing to a strong recovery in earnings in fiscal 2003.

Operating results in other business sectors were generally favorable. Energy-related shipping continued to expand. Most significant has been the signing of contracts since the beginning of *MOL next* that will give MOL an interest in 16 LNG carriers. Earnings from these contracts will begin to appear on our bottom line in 2005 and 2006. We will also be seeing steady growth in earnings as LNG carriers and methanol carriers enter service in line with contracts signed in past years. The LNG sector will generate approximately US$100 million in pretax earnings by the fiscal year ending in March 2006 based on existing contracts alone. VLCCs performed well, the combination of past actions to structure a more cost-competitive fleet and a sharp upturn in rates in the fiscal year's second half. A temporary increase in VLCCs operating on spot-rates further boosted earnings. Car carriers had another good year as demand remained high for the ocean transport of exports from Japan as well as vehicles manufactured in other regions, notably Asia and South America.

Reaffirming Our Commitment to the *MOL next* Targets

We have increased our ordinary income target for the last year of *MOL next*, which ends in March 2004, from the original ¥66 billion to ¥68 billion. I believe that this goal remains within our reach despite the lower revenues and earnings in the past fiscal year. Our confidence primarily reflects the following encouraging trends.

First is the ongoing improvement in liner rates. During the fiscal year that ended in March 2003, transpacific Eastbound rates decreased by an average of 15%. In fiscal 2003, rates are expected to recover by more than 10%.

Second is the great strides we have made in cutting costs. During the three years of *MOL next*, we initially planned to streamline our cost structure by about ¥15 billion. During the first two years alone, we have eliminated about ¥28 billion in expenses, almost twice this goal. For the entire three-year period, costs will probably fall by a total of roughly ¥35 billion.

Third is that conditions in most ocean transportation market categories are generally much better than in the past fiscal year. This is particularly true in the liner and energy sectors, the two areas that are to be MOL's key drivers of growth. And we also expect better results in dry bulk thanks to the consistent growth in crude steel production worldwide, particularly in China.

We are confident about long-term prospects for liners as well. The large swings in liner results and market conditions may make this business appear to be risky to many investors. We see it differently. The containership business is actually one of the most attractive categories of the ocean shipping market in our view. Growth is the chief reason. Global deepsea container transportation volume has more than doubled over the past decade. Expansion is certain to continue. Opportunities are thus immense for companies that have the right combination of expertise and capital. Having made deep cuts in our liner cost structure in recent years, we now rank among the world's most cost-competitive liner operators. Fluctuations are inevitable, because the liner industry has traditionally had difficulty limiting the gap between the volume of global cargo movements and worldwide containership capacity.

But by maximizing the benefits of TNWA (The New World Alliance), offering high-caliber services that accurately target customers' needs and remaining highly cost competitive, we believe that MOL's liner operations can be structured to generate a significant level of earnings on average over any five-year period. There is no doubt that liners present more risks than other shipping sectors. But the rewards are great as well. So we have high expectations for liners in the years ahead.

Reaching the final *MOL next* earnings goal will also give us the impetus to attain the other financial targets of this management plan. For example, reaching our earnings goal would produce our targeted ROE of 15% and enable us to raise our equity ratio to about the 20% level. Regarding interest-bearing debt reductions, we have reached our goal of ¥600 billion in March 2003, one year early, based on our assumption of an exchange rate of ¥110 to US$1. Debt is likely to fall to approximately ¥520 billion (US$1=¥110) by March 2004, the end of *MOL next*.

Corporate Social Responsibility

As we prepare for the next stage of growth, we are enhancing corporate governance. We want to make sure that MOL retains its position as one of the world's most respected multi-national corporations. The role of the board of directors is being heightened by submitting a greater range of proposals involving the determination of MOL's vision and strategies. The Executive Committee is also taking on greater responsibilities. At the same time, we are reducing the number of directors to simplify our organization and conduct business activities more efficiently. Accompanying these moves is a renewed commitment to strict compliance with laws, regulations and internal rules. We are determined to maintain the highest standards of corporate conduct at MOL and every member of the Group worldwide. Environmental issues too will be a key theme as the MOL Group expands. We remain firmly committed to serving as an example for the global shipping industry in the safety of navigation and the prevention of ocean and air pollution. Exemplifying this commitment are the sizable investments we are making to double-hull our entire VLCC fleet, a process that is now two years ahead of schedule. Furthermore, every new vessel joining our fleet is engineered to minimize fuel consumption and the overall environmental impact. As a result, emissions of carbon dioxide and nitrous oxides per unit of cargo carried are falling steadily. To create a standardized framework for environmental programs, all headquarters divisions and MOL-operated ships, covering all activities associated with multi-modal logistics and ocean shipping services, earned ISO 14001 certification for their environmental management systems.

Cost Reduction Plan

REDUCTION OF ¥15 BILLION OVER THREE YEARS (FY2001-2003)

MOL's goal is to achieve cumulative cost reductions of ¥35 billion during the three-year period ending in March 2004, ¥20 billion higher than the initial target of ¥15 billion. This is to be achieved by reducing operating expenses, primarily the cost of operating ships, by ¥28 billion, and administrative expenses, mainly ship-related expenses, by ¥7 billion.

(¥ billions)

	COST REDUCTION PLAN FROM FY2001							
	FY2001		FY2002		FY2003 Plan		Total	
	(results)	(plan)	(results)	(original)	(revised)	(original)	(revised)	(original)
Sales Division	9.0	(6.0)	14.0	(1.0)	5.0	(1.0)	28.0	(8.0)
Administration Division	2.5	(2.5)	3.0	(2.0)	1.5	(2.5)	7.0	(7.0)
Total	11.5	(8.5)	17.0	(3.0)	6.5	(3.5)	35.0	(15.0)

As of May 2003

Setting the Stage for the Post-*MOL next* Era

As MOL enters the final year of *MOL next*, we are already looking ahead to the plan that will follow. Our focus will remain on profitable growth. The actions of the past two years have made MOL more competitive. For proof, you need look no farther than our fleet. We are in the process of adding 16 large-scale containerships. The number of double-hulled VLCCs is rising steadily. During the next three years, more jointly owned LNG carriers will join the fleet, further solidifying our stature as the world's leading operator of these high-tech vessels. In refined products, MOL will become the world leader in product tankers after adding 25 new MR-type clean product tankers to its fleet, a process that will be completed within a few years. We already operate 19 methanol carriers, making us number one in this market by a wide margin. Our car carrier fleet is undergoing a major modernization. Six large-capacity vessels with many features to maximize productivity and versatility will enter service in the current fiscal year. We have placed orders for 12 more, the first of which will be completed in 2004. We have one of the largest and most modern fleets of Panamax and Capesize bulkers in the world. With such a large and diverse fleet, we are well positioned to benefit from the consistently strong growth of the Chinese economy and to deliver a broad range of logistics requirements for clients in all other areas of the world.

In conclusion, MOL is an organization that is determined to sustain profitable growth. By concentrating resources on markets where our competitive edge is sharpest, I believe that we can continue to meet ambitious targets in the years to come.

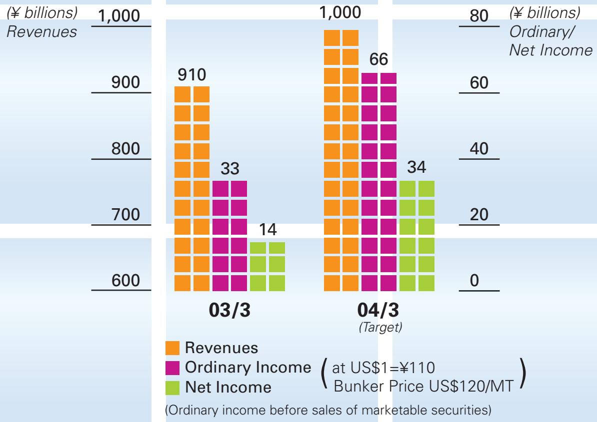
June 25, 2003

Kunio Suzuki
President

MOL next Targets

To make the MOL Group excellent and resilient in the world shipping industry

REVENUES AND INCOME TARGETS *(Consolidated)*



	March 2003		March 2004 Targets	March 2004 Forecast
Earnings per Share:	¥12.2	→	¥28.0	¥31.7
ROE:	8.9%	→	15.0%	Approximately 20%
Equity Ratio:	15.7%	→	20.0%	Approximately 20%
Interest-Bearing Debt:	¥612billion (US$1=¥120.20)	→	¥600billion (US$1=¥110*)	¥530billion (US$1=¥115*)

* estimation