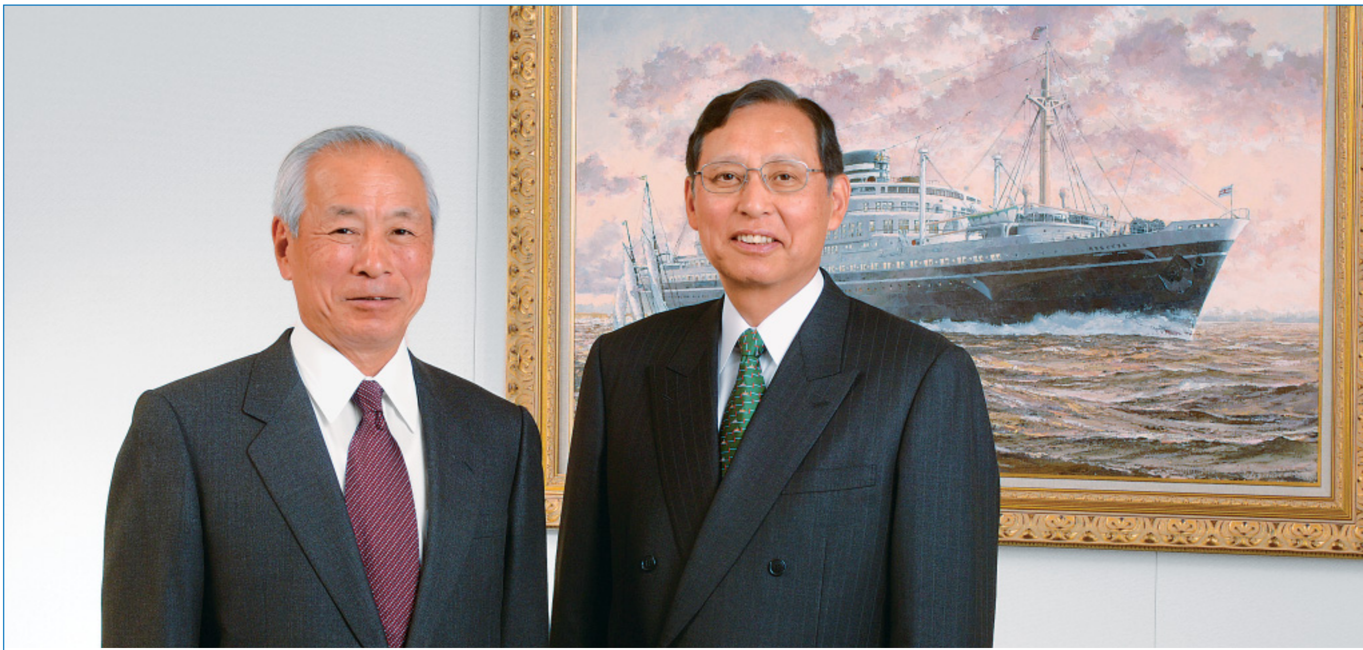
# To Our Shareholders



**Kunio Suzuki** Chairman **Akimitsu Ashida** President

## Record Revenues and Earnings Again

For more than a decade, MOL has executed a series of management plans aimed at achieving a fundamental transformation in its operations. Above all, we wanted to establish a framework capable of sustaining high profitability and building shareholder value. In the past few years, this process has rapidly gained momentum. Progress on many fronts continued during the most recent fiscal year, which ended in March 2006. Consolidated revenues rose to an all-time high for the seventh consecutive year and we set records in all categories of earnings. Net income surpassed the ¥100 billion level, about 10 times higher than just four years ago. Cash dividends were raised for the third consecutive year from ¥16 to ¥18. This was an outstanding performance during a year full of challenges that included a dramatic increase in the cost of fuel and a downturn in freight rates. Due to these headwinds, our operating income fell slightly short of the target for the year set by MOL STEP Review, which contains higher goals than in the original MOL STEP. However, net income was slightly higher than the target. Our performance demonstrates that MOL has the fleet, business model and, just as importantly, the knowledge and market insight needed to prosper even in the face of adversity.

## The Final Year of MOL STEP

In the fiscal year ending in March 2007, the final year of MOL STEP, our current three-year management plan, we are forecasting a 10% decrease in operating income and an 8% decrease in net income. We are projecting small declines in earnings in bulkships and a significant downturn in containership earnings, despite the outlook for growth in containership cargo volume. Higher fuel expenses will be the primary drag on earnings. Based on this outlook, MOL will fall short of the MOL STEP Review targets that we established in May 2005. We estimate that the increase in the price of bunker will cut operating income by ¥18 billion in the March 2007 fiscal year. Costly fuel alone will be responsible for bringing earnings ¥42 billion below our target. Predictable and highly visible earnings streams will again underpin our operations, producing operating income of about ¥92 billion compared with ¥89 billion in the past fiscal year. These earnings streams are derived from medium- and long-term bulkship contracts and other sources. In all, the fiscal year will again demonstrate the effectiveness of our strategies, which prioritize consistent growth and profitability regardless of market conditions.

## Containerships—Maximizing Opportunities for Growth and Earnings

The decline in containership earnings in the past year, and the outlook for another decline this year, again spotlights the volatility of this industry. But MOL remains committed to this business. Growing economies, especially in Asia, and rising global trade indicate that container shipping volumes will continue to climb by more than 10% annually. There are many opportunities for a competitive and financially sound operator like MOL. We have numerous competitive advantages. Most significant are expertise in yield management, which allows us to handle more profitable types of cargo, and a highly competitive operating system in terms of expenses and customer service. We will continue to leverage our strengths to target opportunities, as we did in the past fiscal year by adding many routes and ports of call.

## Always Aiming Higher

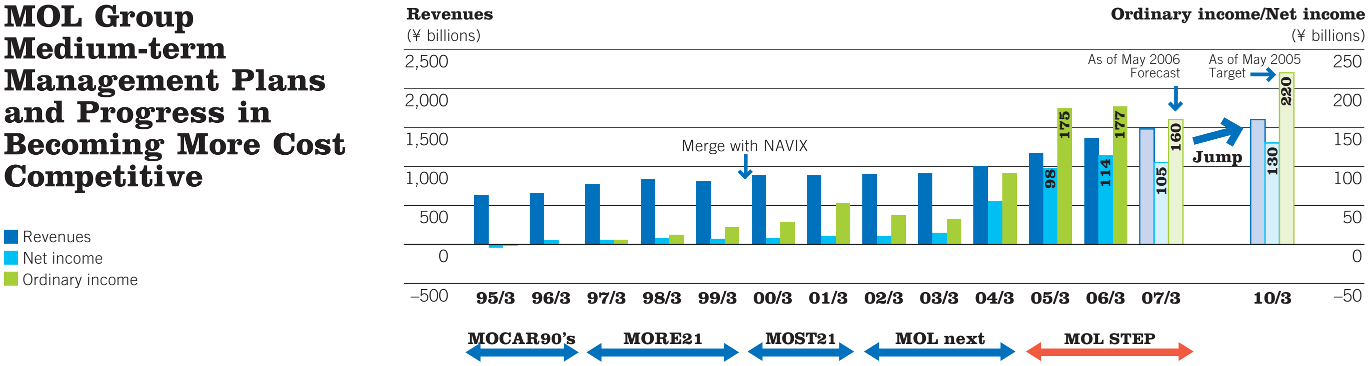
Our accomplishments in recent years are impressive, but we remain focused on setting and achieving higher goals.

Expansion of our fleet will continue. Under MOL STEP Review, we aim to grow from 645 vessels to 750 vessels by March 2007. During the past fiscal year, 59 vessels joined our fleet. We will add another 47 during the year ending in March 2007. By March 2010, the end of the next three-year plan, our goal is to have a fleet of 900 vessels.

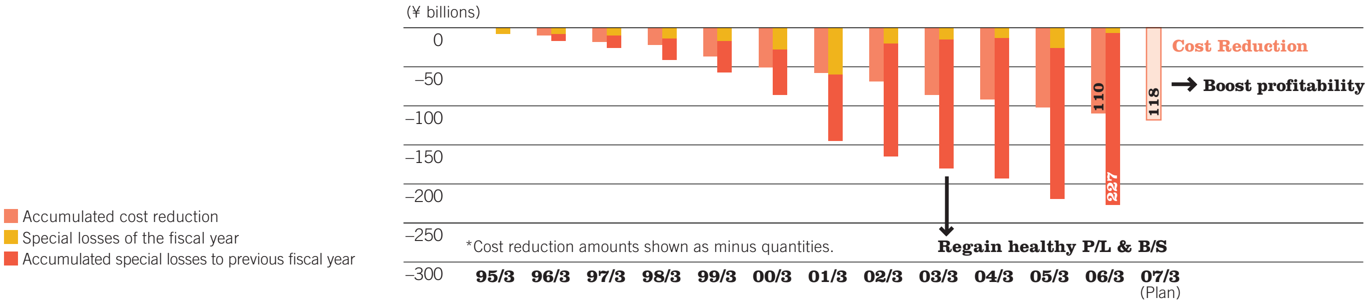
Actions to strengthen our financial position will also continue. Debt is declining rapidly relative to equity even as we make substantial investments in our fleet. Interest-bearing debt has climbed from ¥492 billion to ¥571 billion during the past two fiscal years, but this was a minor increase relative to the funds we used during this period for capital expenditures and the 2004 acquisition of a controlling interest in Daibiru Corporation. During the same two-year period, shareholders' equity rose from ¥222 billion to ¥424 billion. We plan to hold debt steady at about ¥570 billion during the March 2007 fiscal year as equity rises to about ¥500 billion. This financial strength will make us even more competitive and bolster our resilience to future market volatility.

Initiatives to boost profitability are another ongoing theme. MOL has a well-balanced business portfolio, particularly with respect to types and sizes of vessels and the market profile of our fleet. We use our experience and foresight to preserve the optimum mixture of earnings from medium- and long-term contracts and from vessels operated on short-term contracts and spot rates. Making this possible is the steady growth in the volume of stable earnings. This gives us the financial flexibility to pursue higher returns by targeting short-term market fluctuations. The effectiveness of this strategically diversified portfolio as well as our skill at profiting from market fluctuations is shown by the fact that our earnings from bulkships did not fall even though market rates for dry bulkers and VLCCs declined during the past fiscal year. As our fleet grows, we will continue to rely on this proven business model.

### MOL Group Medium-term Management Plans and Progress in Becoming More Cost Competitive




| | 95/3 | 96/3 | 97/3 | 98/3 | 99/3 | 00/3 | 01/3 | 02/3 | 03/3 | 04/3 | 05/3 | 06/3 | 07/3 | 10/3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Av. Exchange Rate (¥/$) | 100 | 96 | 112 | 123 | 130 | 112 | 110 | 125 | 122 | 114 | 108 | 112 | 110 | 100 |
| Av. Bunker Price ($/MT) | 102 | 108 | 116 | 105 | 80 | 117 | 159 | 136 | 163 | 178 | 193 | 280 | 340 | 200 |



We also plan to make deeper cost cuts. We constantly remind our staff not to use the growth in our scale of operations or our strong earnings as an excuse to become lax about cost control. We are always searching for new sources of savings. To raise awareness of the need to further cut costs and boost efficiency, we raised the cost-cutting goal for the three-year period ending in March 2007 from ¥20 billion to ¥26 billion.

## After MOL STEP – The Next Phase of Growth

We are now working on the three-year management plan that will follow MOL STEP. First and foremost, the plan will be firmly rooted in our commitment to growth in shareholder value. There is no doubt that demand for global ocean transport will continue to climb. By the fiscal year ending in March 2010, we want to raise revenues to about ¥2,000 billion and income before income taxes to at least ¥200 billion. The pretax earnings figure is not a revision to the target announced in May 2005; this figure merely incorporates current trends in foreign exchange rates and fuel costs. The next three-year plan will be structured specifically to fulfill these goals. Earnings growth will be accompanied by a further decline in our debt-equity ratio as we aim for an equity ratio of about 40%. We will continue to base dividends on a payout ratio of 20%, and will address the need to increase the ratio under our mid- and long-term management policies.

## Safety and the Environment

MOL has long been recognized as a leader in the global shipping industry with regard to safe navigation and protection of the environment. Never satisfied with our current operations, we are always seeking ways to improve. Safety and the environment are becoming increasingly important issues as the size of our fleet increases. This is why we made the decision in the past fiscal year to realign our ship management structure for tankers. We established an integrated ship management company called MOL Tankship Management Ltd. in April 2006 to centralize the oversight of several overseas ship management companies. Ships, management companies and the MOL head office can communicate much more effectively under this system. We plan to establish a similar framework for dry bulkers, car carriers and containerships in the near future.

## A Team With a "Can Do" Attitude

As our operations expand, we require a steadily larger workforce. Because of this, we are stepping up recruiting activities at all levels, including new graduates and mid-career professionals. One important theme is our increasing reliance on overseas markets rather than domestic markets for growth. We plan to hire many more non-Japanese workers at various levels in our overseas operations and in Japan. Successful recruiting and training will be vital to our ability to raise cross-trade cargo outside the container category to half of total cargo, and eventually to well over half.

Fostering a "Can do" attitude is just as important as expanding our workforce. Greater demands are being placed on our people as the transformation of the MOL Group continues. We frequently use meetings with managers and employees as an opportunity to remind them never to be satisfied with the status quo. We also urge our employees to be inquisitive, study market trends and seek opportunities for progress in areas ranging from growth to cost-cutting. In short, we want MOL to gain a reputation as an organization with a "Can do" spirit. This will translate directly into even better services for our customers, higher earnings and more value for the owners of MOL.

June 22, 2006

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| Kunio Suzuki | Akimitsu Ashida |
| Chairman | President |