

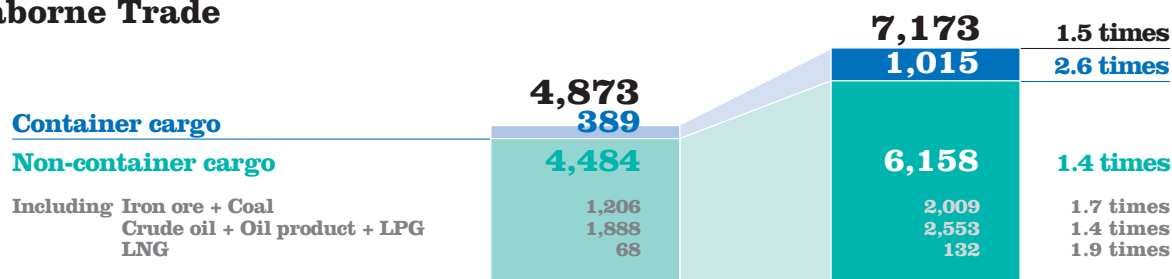
**Steady as She Goes —
MOL's Proven Course
for Realizing **Value****



Evolution in the Marine Transport Industry and at MOL Ten Years of Progress

1995 — 2005

World Seaborne Trade (Million Tons)



Source: Clarkson Research Studies Autumn 2005

Business Environment of Global Shipping



Source: MOL internal calculation based on MDS Transmodal "Containership Databook"

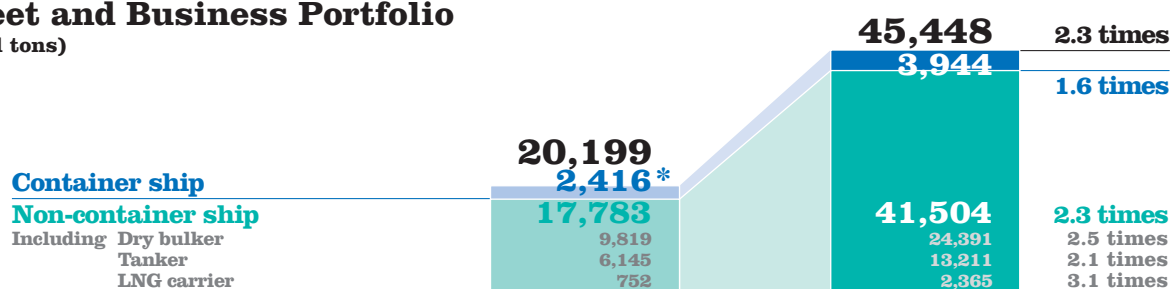


Source: Clarkson Research Studies

Environmental regulations

Double hull, CSR, etc.

MOL's Fleet and Business Portfolio DWT (Thousand tons)



* Including semi-container ship and other liners

The evolution of the marine transport industry

Marine transport is a growing industry. The borderless nature of business activities along with the world's enormous appetite for energy and natural resources indicate that demand in all categories of marine transport will continue to climb.

One result of this strong demand is growth in the scope of services offered by shipping companies. Another result of market expansion

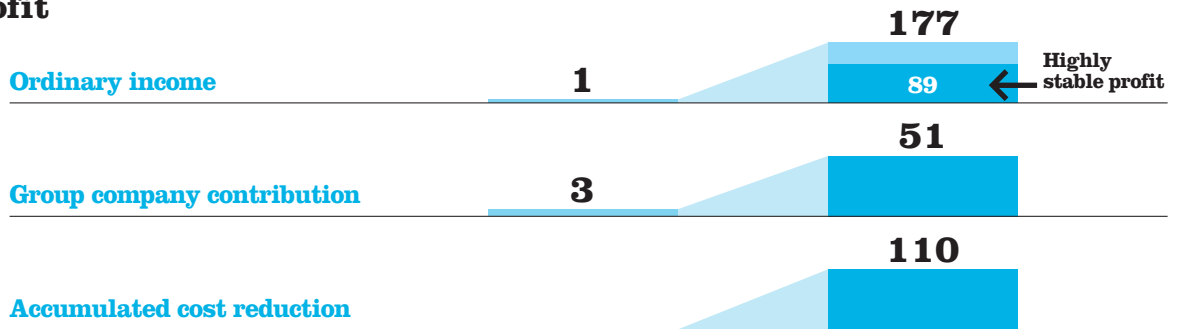
is a sharp increase in the cost of building ships. The limited supply of ships due to tight capacity at shipyards and strict environmental regulations is further altering the operating environment for the marine transport industry. More than ever before, accurate foresight is essential to formulating successful business plans.

The evolution of MOL

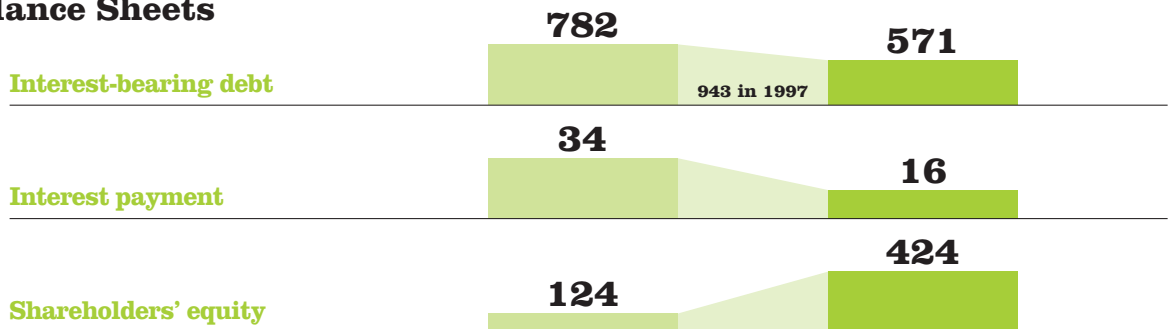
Just as the maritime industry has evolved, so too has MOL. A larger fleet with greater emphasis on natural resources and energy and a relentless cost-cutting drive have made us a profitable organization with a strategically balanced portfolio, capable of generating sustained growth. (Please refer to graphs on pages 17 and 26 for MOL's revenue portfolio and its comparison with other shipping companies.)

1995 \ 2005

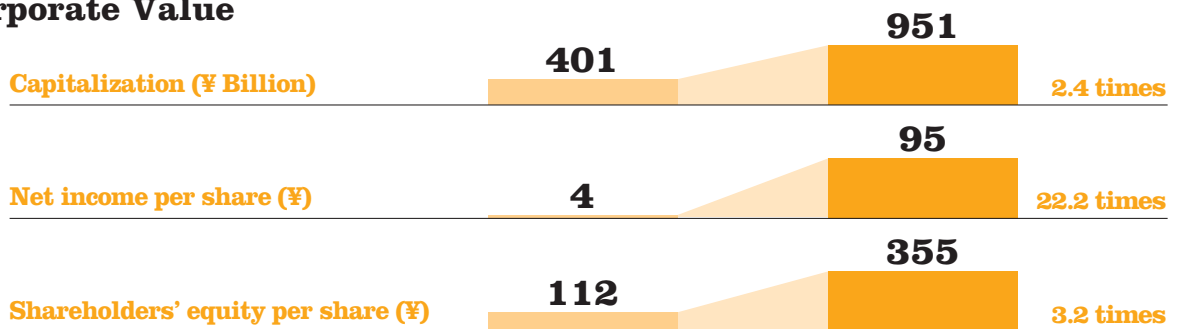
MOL's Profit (¥ Billion)



MOL's Balance Sheets (¥ Billion)



MOL's Corporate Value



Particularly noteworthy is the fact that about half of recurring income in the past fiscal year was derived from activities that produce a steady stream of earnings irrespective of market conditions. Moreover, we have established a sound financial position that makes us even more competitive. Our much higher market capitalization further demonstrates the magnitude of our transformation.

The MOL strategy for sustainable growth

Amid these changes, MOL retains the same fundamental strategy of positioning marine transport as its core business. We have no plans to alter this strategy. Marine transport is an expanding industry with many opportunities for taking full advantage of our expertise and foresight. But the industry is also characterized by unrestricted global competition that causes the market to fluctuate. How do we plan to leverage our strengths to sustain growth?

In last year's annual report, we examined five issues that are critical to growth. This year, we look at last year's performance in relation to these issues. We also discuss whether or not revisions are needed in the growth strategy that has underpinned our expansion in the past few years. And finally, this section explains how we are translating growth into greater value for our shareholders.

Question 01:

What is your evaluation of MOL's performance in the past fiscal year?

Earnings Growth Despite Many Challenges Proves the Value of the Unique MOL Business Model

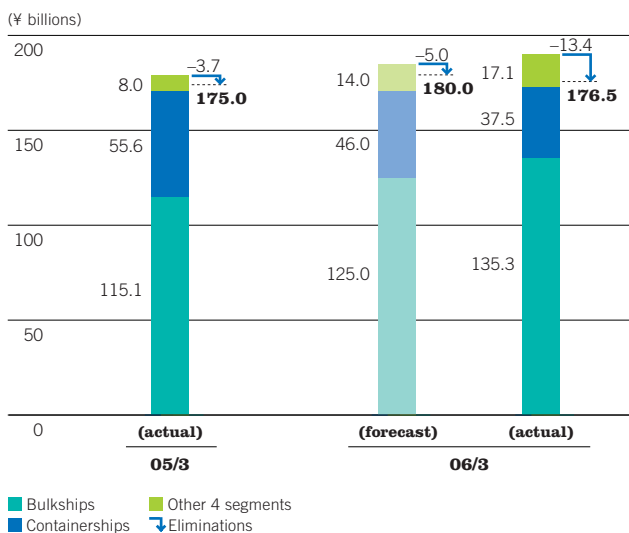
Bulkship operations showed resiliency to market fluctuations

Most of all, the year demonstrated that MOL's bulkship operations are now much more resilient to challenges posed by the downturns that occur in global shipping markets. During the past fiscal year, bulkship charter and shipping rates weakened somewhat, including rates for Capesize bulkers and VLCCs. But we more than offset this decline, as well as the impact of higher fuel costs, to post another year of record earnings by leveraging a number of strengths. Furthermore, bulkship earnings surpassed the MOL STEP Review target for the fiscal year.

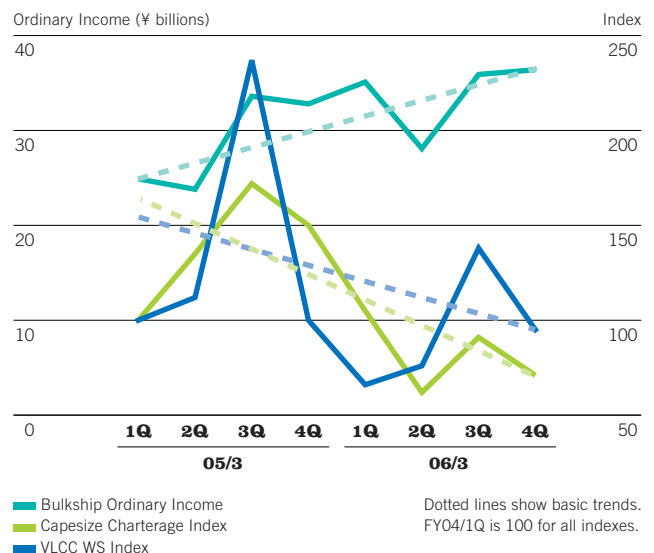
Benefits of a fleet composition strategy targeting consistency and high profitability

One key to this performance was our accurate foresight in making investments to expand our fleet. Early in this decade, and especially in 2003, we ordered a large number of vessels, before our competitors began making major investments and ship prices started to increase. We were convinced that demand would grow steadily over the long term. On a consolidated basis, we took delivery of 52 bulkships during the March 2006 year. One obvious benefit was growth in the scale of our operations.

FY05 Business Segment Ordinary Income Comparison with Prior FY and Initial Forecast



FY04/05 Quarterly Bulkship Earnings and Market Indexes



Another important benefit of these investments was a big drop in the average cost of our fleet as we added low-cost vessels. Additionally, some of these ships replaced relatively costly chartered vessels. As in prior years, many of the new vessels in the past fiscal year were built to operate on long-term contracts, thus increasing the volume of earnings that are not vulnerable to market fluctuations. At the same time, a number of vessels, particularly dry bulkers, entered service under contracts of only one to five years. Since these contracts were signed with ideal timing in relation to market conditions, vessels on medium-term charters made a significant contribution to earnings. The past fiscal year's performance underscored the wisdom of our strategy of maintaining the optimum balance among long-, medium- and short-term contracts.

The past year's performance also reflects our policy of diversifying our operations to include ship categories and areas where we foresee high growth. Illustrating this is the strong performance of our tankers even though VLCC rates declined. Three factors were instrumental to this accomplishment: growth of our fleet of product tankers, a category where supply is tight; strong earnings at the group company operating chemical tankers; and earnings from VLCC joint ventures established in 2004 that serve customers in China and India.

A sound and diversified value creation model like no other

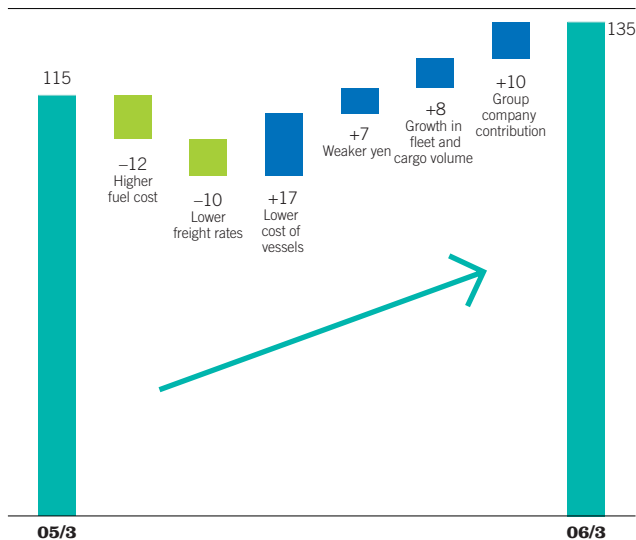
We are steadily enlarging our base of stable earnings. In the March 2007 fiscal year, stable earnings represent 57% of our forecast for consolidated pretax earnings. Growth in bulkships operating on long-term contracts is central to this progress. One more element is the real estate leasing revenue of Daibiru Corporation, which became a consolidated subsidiary in October 2004. This makes us less susceptible to changes in marine transport market conditions. Stable earnings also allow us to target opportunities created by market fluctuations.

Our business model stands in sharp contrast to those of most other shipping companies, which focus on short-term markets in one or two ship categories. MOL, on the other hand, has a diversified business portfolio that has activities targeting market fluctuations while producing more than half of total earnings from businesses with predictable earnings. No competitor can match this business model, which is designed specifically to maximize value for MOL shareholders.

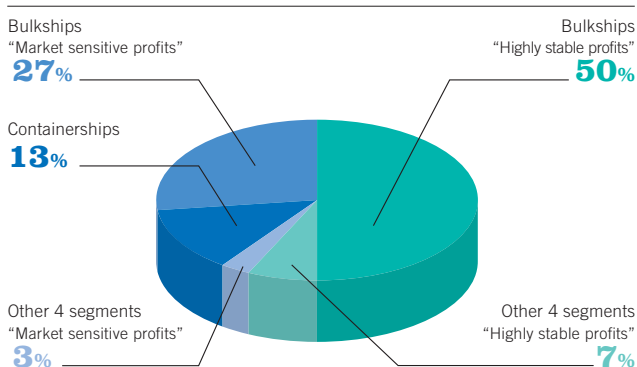
Some investors tend to discount the value of this diversified business model. They fear that losses at activities exposed to market fluctuations, particularly containerships, may offset some of the stable earnings. In fact, containership earnings fell more than we expected in the second half of the past fiscal year, raising concerns about this issue. Please turn to the next page for a discussion of this subject.

Components of Change in Bulkship Ordinary Income (FY04 vs. FY05)

(¥ billions)



Projected Composition of FY06 Consolidated Ordinary Income (total is ¥160 billion)



The green components show "highly stable profits"

"Highly stable profits" are the projected profits from contracts and other highly stable sources of profits.

Regarded as highly stable profits: A part of bulkships' income; income of associated businesses.

Not regarded as highly stable profits: Incomes of containerships, logistics, ferry & domestic transport and others; A part of bulkships' income.

Question 02:

How do you evaluate the outlook for the containership business?

An Industry Presenting Opportunities for Long-term Growth to Companies with the Right Strengths

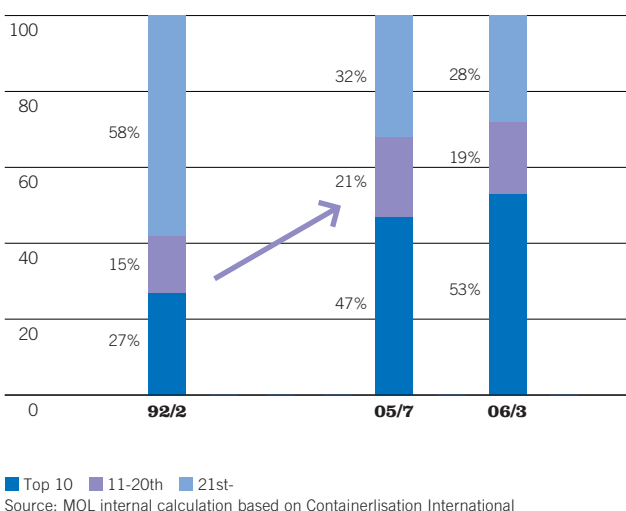
In the past fiscal year, earnings dropped in our containership operations. Bringing earnings down were the much higher expenses for fuel and inland transport along with soft freight rates on some trade routes. This downturn undoubtedly sparked fears of possible return to the losses that MOL recorded for many years in the 1980s and 1990s.

Has the containership industry changed?

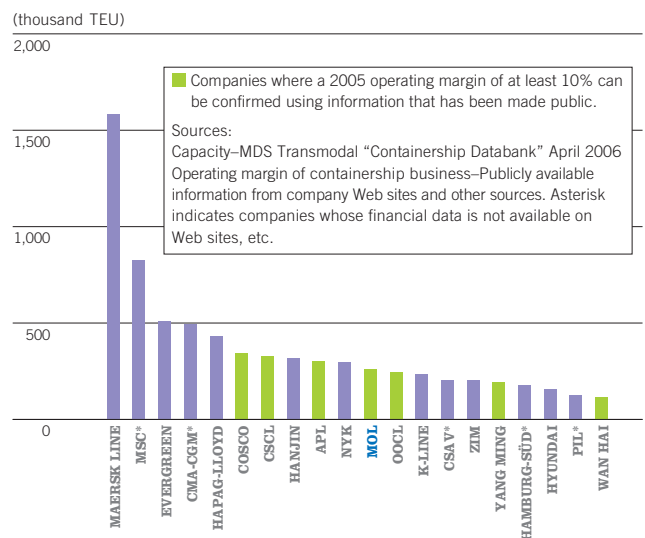
During the past decade, mergers and acquisitions have reduced the number of major players in the industry. There were two large deals in 2005 alone. Currently, the 10 largest containership companies have a combined

market share of more than 50%. Alliances further increase the scale of services. Because of this, companies thinking of entering this business face higher barriers than ever before. But fierce competition among the world's major containership companies is continuing. In 2005, we saw freight rates fall because of confusion associated with mergers and acquisitions. So although the containership industry has undergone many changes, the market is still somewhat unstable. Consequently, containerships may remain one of the most volatile sectors of the shipping industry. Nevertheless, outstanding long-term growth prospects make this market sector highly attractive.

Top 20 Containership Operators' Shares in Capacity [TEU]



Capacity and Profit Margins of Major Containership Operators



MOL's progress in terms of cost-cutting and network expansion

Although the industry has not changed fundamentally, MOL has totally altered its containership operations. Relentless cost-cutting has bolstered our competitiveness. We have also gained much expertise in yield management, which involves selecting cargo by category, destination and other factors, to maximize returns on each voyage. Backing up these activities are a powerful data management system and a strong awareness among employees of the need to protect profit margins. The upshot of all these initiatives is that we now rank in the top one third of the world's containership operators in terms of cost competitiveness. Although we are projecting another decline in earnings in the year ending in March 2007, we believe that containership operations will see far better performance than our chief competitors. Moreover, our lean operating structure means that we can quickly return earnings to a high level once supply-demand dynamics and other market parameters begin improving.

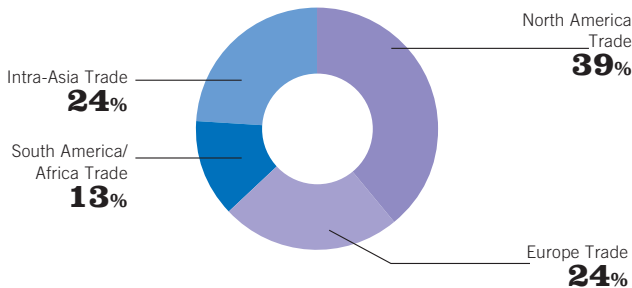
Geographic diversification is another way in which we are making containership earnings more stable. Our objective is to assemble a portfolio of routes that is not overly reliant on the east-west trades where competition among large companies is intense. To accomplish this, we have added many routes during the past few years. MOL has had deep roots in South America and Africa for decades. Therefore, one focus is leveraging this strength

to add north-south trades. We are also targeting opportunities created by growth in free trade zones and the increase in cargo volume within Asia associated with growth in India, the Middle East and other areas with rapid economic expansion. We have many options for growth. Depending on the circumstances, we can start services using our own fleet, form an alliance with a partner or even purchase routes, as we did in 2005 to operate between Europe and South Africa.

Containerships – a growth industry

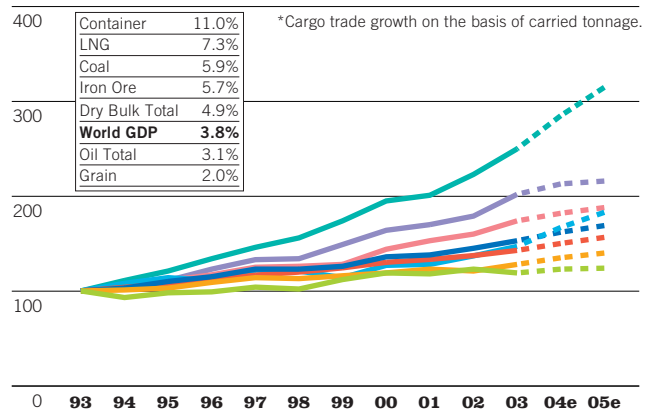
Growth is certain to continue in the global containership market. Over the past five years, global marine container shipment volume has increased at an average annual rate of more than 10%. Projections call for this growth rate to continue. The majority of the expansion in demand will continue to be driven by the shift of production facilities to most competitive locations of the world. We intend to grow at least as fast as the market as a whole while retaining a tight focus on profitability. Achieving a larger scale of operations is vital to survival as consolidation of the industry continues. Combining yield management with cost cuts will make us an even stronger competitor. Therefore, we will continue to position containerships as a growing market with attractive opportunities for companies with the necessary financial resources, market insight and skill in managing risks.

MOL Containerships' Capacity by Trades (Results in FY2005)



Growth in World Sea-borne Trade by Cargo Category

1993=100



Legend: Container (red), LNG (green), Coal (blue), Iron Ore (orange), World GDP (purple), Dry Bulk Total (brown), Oil Total (pink), Grain (grey)

Source: MOL internal calculation based on Clarkson Research Studies Autumn 2005 (2004e, 2005e: estimated figures)

Question 03:

Please evaluate MOL's prospects for sustaining growth over the long term.

A Business Portfolio and Fleet Expansion Plan Structured Specifically for Sustainable Growth

The past several years have proven the wisdom of MOL's commitment to growth. During this period, MOL has invested in vessels in all business sectors. Over the four-year period ending in March 2010, bulkships will account for about 90% of vessels that join the MOL fleet. Moreover, the majority of these bulkships will operate on medium- and long-term contracts, thus generating a steady stream of income over the long term. At the same time, a portion of bulkships are operated under short-term contracts. Containerships also have a short-term profit structure since freight rates are fixed for periods of no more than one year in most cases. As in the past, this balance will allow us to aim for higher returns while taking on a prudent level of risk.

Bulkships

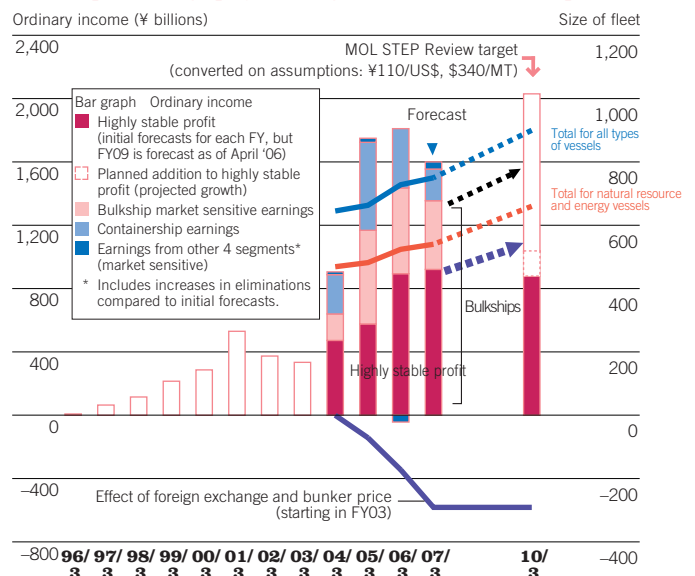
Dry Bulk: Over the next several years, MOL will continue to increase its iron ore and coking coal carrier fleet by taking delivery of many new vessels ordered with excellent timing. The number of these carriers is to increase from 114 in March 2006 to 140 by March 2010. Including spot-chartered vessels, we plan to have a fleet of about 150 iron ore and coking coal carriers in 2010. Demand is certain to grow. And even if market conditions weaken somewhat, we can overcome this challenge because of the decline in the average cost of our iron ore and coking coal carriers as new vessels are completed. Earnings from smaller dry bulkers, mainly Handy size ships, in the current fiscal year will be impacted by the

MOL STEP Review Fleet Expansion Plan and Progress

| | March 2004 | MOL STEP (FY04 to FY06) | | (FY07 to FY09) | | |
|---|-------------------------|-------------------------|------------|-------------------|-----------------------|-------------------|
| | | New vessels FY04-FY06 | March 2006 | March 2007 (plan) | New vessels FY07-FY09 | March 2010 (plan) |
| Natural resources and energy transport (dry bulkers, tankers, LNG carriers) | Fleet 470 | → 123 | 524 | → 540 | → 112 | 660 |
| | New vessels Plan | 123 | | | 112 | |
| | Ordered | 123 | | | 111 | |
| Product transport (containerships and car carriers) | Fleet 175 | → 22 | 204 | → 210 | → 30 | 240 |
| | New vessels Plan | 22 | | | 30 | |
| | Ordered | 22 | | | 37 | |
| Total | Fleet 645 | → 145 | 728 | → 750 | → 142 | 900 |
| | New vessels Plan | 145 | | | 142 | |
| | Ordered | 145 | | | 148 | |

Note: Number of vessels includes LNG carriers owned by companies in which MOL has an interest and other vessels owned by equity-method companies that are 50% owned by MOL.

"Highly stable profits" alone exceeded total earnings in past years "Bulkships" earnings projected to grow in line with fleet expansion



completion of highly profitable COA signed one to two years ago. However, we have ordered a large number of Handy size bulkers for deployment on our unique around-the-world business model, which keeps capacity utilization high. This route and the reliable supply of base cargoes due to our close ties with shippers means that Handy size vessels are in a position to become a source of consistently strong earnings. Operating on long-term contracts, wood chip carriers have been a reliable source of earnings for many years. The outlook is for unprecedented growth in demand for these vessels, due in part to the rapid increase in China's demand for paper.

Tankers: We plan to add eight VLCCs to our fleet during the three-year period ending in March 2009. All are certain to add to earnings under long-term contracts that have already been arranged. Although there will be short-term fluctuations, VLCC rates are unlikely to drop significantly because of long-term growth in VLCC demand and the compulsory phase-out of single hull tankers. Tankers carrying refined products will also be an important source of earnings growth. Demand for the ocean transport of refined products is growing faster than for crude oil. Charter rates are thus likely to stay high, even though the rates in the past fiscal year were unusually high because of U.S. hurricane damage. As in other market sectors, MOL moved ahead of competitors to place orders for new vessels. The fleet of product tankers will thus rise from 28 in March 2006 to more than 50 by March 2010.

LNG Carriers: With almost all carriers operating under contracts of between 20 and 25 years, this sector has one of the highest percentages of stable earnings of any MOL business unit. Looking ahead, the 24 LNG carriers already ordered for delivery between now and March 2010 are certain to add to earnings once they begin operating under long-term contracts that have already been signed.

Car Carriers: A shortage of car carrier capacity is foreseen over the next few years due to strong growth in the volume of automobiles transported by sea. This situation presents opportunities for growth as well as for reinforcing our reputation as a reliable source of capacity. We will continue to increase our fleet of car carriers to meet this demand and raise earnings.

Overall, we estimate that our fleet of about 600 bulkships will produce ordinary income of ¥124 billion in the fiscal year ending in March 2007. Over the next three years, 130 to 140 newly constructed bulkships will join our fleet. Although earnings will be affected by market trends, the average cost of our vessels, our ability to improve operating efficiency and other items, we believe that bulkship earnings will increase generally in line with the growth of our fleet.

Containerships

Although currently in the midst of a period of weakness, the containership industry is unlikely to see freight rates that cause the majority of companies to operate in the red for a long time. Furthermore, the global containership market is expanding steadily in terms of cargo volume, and our scale of operations will grow in line with the market. By preserving our cost-competitive operating structure, we are confident that our earnings will return to about the levels recorded in the past few fiscal years. Our basic objective is to continue to grow at a pace that keeps the scale of operations within the bounds of our resources. This policy will enable containership operations to make a substantial contribution to consolidated earnings once market conditions recover.

Other Segments and Key Factors

The other four business segments are expected to maintain steady growth and contribute to consolidated earnings. One noteworthy development is the earnings rebound taking place in the current fiscal year in the ferry business. Fuel surcharges introduced during the past fiscal year are the main reason.

Higher fuel prices have had a significant impact on consolidated earnings for the past few fiscal years. Thus far, MOL has passed on to customers roughly half of the change in prices through surcharges. The remaining half has cut into earnings. A change of US\$1/MT in the cost of fuel raises or lowers annual ordinary income by about ¥300 million. Although short-term moves cannot be completely hedged, past experience regarding our efforts to shield earnings from various risks associated with marine transport indicates that the higher cost of fuel will be gradually reflected in our freight rates once fuel prices stabilize.

Question 04:

In what ways does MOL maximize shareholder value?

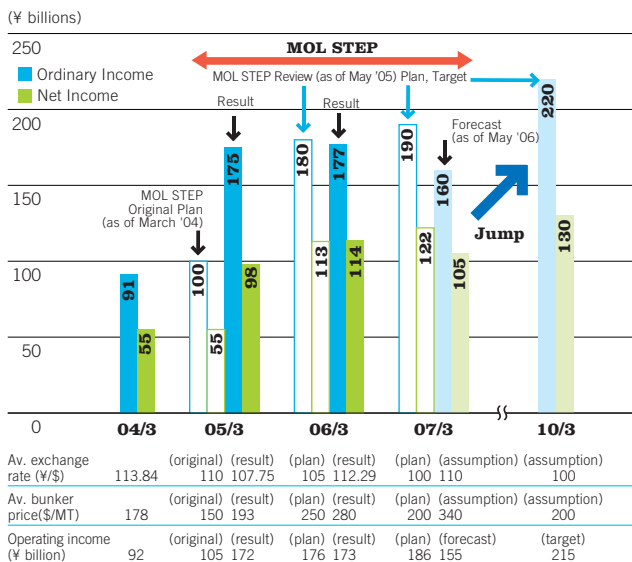
Steady Investments in Long-term Growth Along With a Policy of Linking Dividends to Earnings

For several years, we have been using our consistently high operating cash flows to fund substantial capital expenditures and reduce interest-bearing debt. During the past two fiscal years, debt has increased somewhat. This is mainly a reflection of large investments in ships that will help drive growth in the future. In the year that ended in March 2006, cash used for capital expenditures, mainly for ships, was ¥170 billion, more than operating cash flows of ¥158 billion. In addition to taking delivery of new vessels as planned, we purchased 12 older ships, most of which we had been using under contracts of charter or lease that expired during the past fiscal year. Investments in these 12 ships, which include four VLCCs and five dry bulkers, made an immediate contribution to earnings. Another reason for the

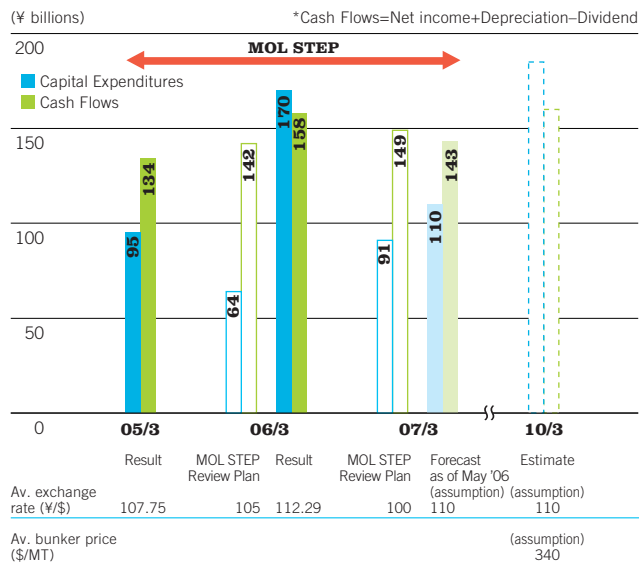
higher capital expenditures was advances paid for additional orders made for ships that will be delivered during the three-year period ending in March 2010. Expenditures also include the purchase of rights to a container trade route.

In the fiscal year ending in March 2007, capital expenditures on a cash basis are projected to be ¥110 billion, a level that should allow us to resume using part of cash flows to bring down debt. Our goal is to achieve a gearing ratio of one and an equity ratio of 40% within the next few years. This will provide the financial strength to conduct business with a suitable level of exposure to risks associated with economic trends, foreign exchange, market fluctuations and other uncertainties. We also believe that achieving a certain level of financial soundness is

MOL STEP Review/ Profit Targets and Progress



Cash Flows/Capital Expenditures



Note:

Operating cash flow figures in the feature section of the annual report are the sum of net income and depreciation and amortization less dividend payments. Therefore, these figures do not match net cash provided by operating activities as shown in the statements of cash flows. In addition, capital expenditure figures are effective capital expenditures calculated by deducting vessels that are sold upon completion from the payments for vessels and other tangible and intangible fixed assets item in the statements of cash flows.

essential for enhancing shareholder value as we continue to encounter intense competition on a global scale.

In March 2006, we sold ¥50 billion of euro yen zero coupon convertible bonds due in 2011. Using this fund procurement scheme is another demonstration of our commitment to financial soundness along with shareholder value. These bonds are intended to increase equity slowly as MOL's share price climbs, avoiding the sudden increase, and resulting dilution, that the issuance of stock would cause. The zero coupon format further contributes to shareholder value by providing capital that bears no interest.

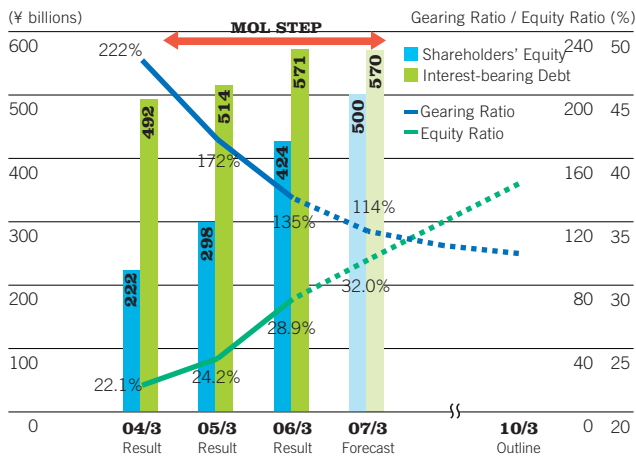
The next three-year management plan, which begins in April 2007, will incorporate a number of elements aimed at increasing shareholder value. In terms of concrete targets, we want to raise the size of our fleet to more than 900 vessels by March 2010. Based on this goal, we established a MOL STEP Review target of ¥220 billion of ordinary income in the year ending in March 2010. We plan to incorporate this target in our next three-year plan, which will be announced in March 2007. To provide a comparison with the fiscal year ending in March 2007, we have recalculated this target based on the assumptions for foreign exchange rates and the cost of fuel used for forecasts for the fiscal year ending in March 2007. This results in pretax earnings of over ¥200 billion, which is more than ¥40 billion higher than the March 2007 forecast. Average annual capital expenditures of ¥180 to ¥200 billion will be needed to reach this goal. These expenditures will slow measures to strengthen the balance

sheet. However, we are confident that our actions will raise shareholder value as earnings per share climb and investors recognize these investments as up-front expenses to ensure long-term growth.

Our commitment to returning a suitable percentage of earnings directly to shareholders is clear. Based on a dividend payout ratio guideline of 20%, we raised the dividend to ¥16 for the year ended March 2005 and, for the past fiscal year, to ¥18. More significantly, MOL's share price on a fiscal year-end basis has almost tripled during the past three fiscal years. Moreover, we will address the need to increase the dividend payout ratio under our mid- and long-term management policies.

Finally, our fundamental management policy of concentrating on marine transport reflects a commitment to shareholder value and financial soundness. Some shipping companies are pursuing diversification strategies that differ from ours. The MOL Group, however, has a clear long-term goal of strengthening its position as the world's largest ocean transportation organization, backed by a distinctive identity and a full range of services. We will shun opportunities that do not meet our standards for profitability. Capital will be channeled exclusively to investments with the best prospects for high returns or guaranteed long-term returns. This is why we are using resources to expand our fleet while preserving the optimum composition as we restrict non-shipping investments to carefully selected activities.

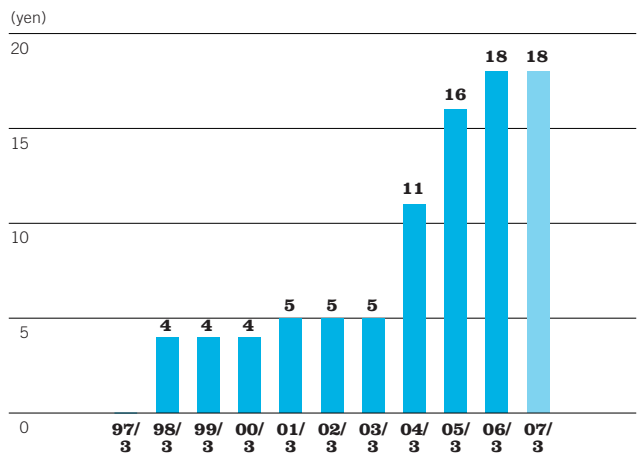
Shareholders' Equity/Interest-Bearing Debt/ Gearing Ratio*/Equity Ratio



| Term-end exchange rate (¥/\$, MOL) | (result) | (result) | (result) | (assumption) |
|------------------------------------|----------|----------|----------|--------------|
| (¥/\$, Overseas subsidiaries) | 105.69 | 107.39 | 117.47 | 110 |

*Gearing Ratio= Interest-Bearing Debt/ Shareholders' Equity

Growth in Cash Dividends per Share



FY06 shows the planned dividend.