MOL's Philosophy, Management Reforms and Achievements

The MOL Group established the MOL Group Corporate Principles in March 2001. One of the pledges in our Corporate Principles states, "We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards."

In order to realize the ideals set forth in the principles, MOL reformed its corporate governance structure, instituting management reforms that brought external directors onto the board, separated management and executive functions, and set standards for accountability, risk management and compliance. These reforms were implemented as follows:

1997	Outside auditors increased from one to two out of a total of four auditors
1998	George Hayashi (former APL chairman) invited to join the Board of Directors. (Became Director and Vice President in 1999, following revision of the Shipping Act)
2000	Management organization reform 1. Introduced a system of executive officers 2. Abolished the Managing Directors Committee and established an Executive Committee (reduced the membership from 21 to 10) 3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12 4. Elected two external directors 5. Established the Corporate Visionary Meeting Established the IR Office Started holding the Annual General Shareholders' Meeting on a day relatively free of other shareholders' meetings
2001	Established the MOL Group Corporate Principles Added one more external director, increasing the number of external directors to three Established Compliance Policy and a Compliance Committee
2002	Second stage of management reforms Reforms reinforced the roles of the Board of Directors concerning the determination of basic strategies and monitoring risk management while providing for faster decision-making at the business execution level. 1. The Board of Directors was reorganized to carry out three important functions: (1) deliberation on issues requiring approval by the directors; (2) receipt of reports on business operations; and (3) deliberation on corporate strategy and vision. 2. Review and consolidation of issues submitted to the Board of Directors 3. Expanded jurisdiction of the Executive Committee regarding execution of business activities

Actions in Recent Years
June 2006 In response to the enforcement of the Financial Instruments and Exchange Law, the Internal Control Planning Office was established in the Corporate Planning Division. In fiscal 2007, this office enhanced internal control systems for the purpose of ensuring the accuracy of financial reporting, in accordance with that law.
Number of Meetings of Governance Bodies in Fiscal 2007 The number of meetings during the fiscal year of the Board of Directors, Executive Committee and their sub-committees is shown in the Corporate Governance Organization chart on the opposite page.

The chart on the next page shows the structure of our corporate governance organization.

At MOL we believe that the essence of corporate governance lies not in its structure or organization, but on whether or not it functions effectively. In our case, the corporate governance structure described above functions as follows:

1. Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The 11 directors, including external directors, thoroughly evaluate and discuss the pros and cons of the projects and make decisions on their feasibility from many perspectives. Transferring the authority to implement projects within the scope of the basic policy to executive officers supervised by the president speeds decision making on individual projects. The separation of the management and execution functions was one important contribution to allowing the MOL Group to build up a fleet of the right type of vessels at the right time.
2. Another important responsibility of the Board of Directors is deliberation on corporate strategy and vision. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management.

   These discussions provide an opportunity for lively debates that include the external directors and corporate auditors, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.
3. The Board of Directors has 11 members, including three external directors who are completely independent and have no conflict of interest with MOL. There are four corporate auditors, who are responsible for performing statutory auditing functions, including two individuals who are completely independent and have no conflict of interest with MOL. At a time when the auditing systems of corporations are taking on added importance, it goes without saying that the independence of auditors from management and policy execution is assured. Our corporate auditors work closely with the Internal Audit Office and independent public accountants to assure effective corporate governance. They also work on strengthening corporate governance and compliance throughout the group.

Recognizing that MOL's corporate governance system is working efficiently, the Pension Fund Association included MOL in a portfolio of 43 companies* comprising its Corporate Governance Fund, which was established in August 2004.

*72 companies as of August 2007.

Accountability

MOL believes that timely, full and fair disclosure of corporate and financial information is an important aspect of corporate governance. In addition to being accountable to shareholders and investors by providing information, the company makes every effort possible to reflect their opinions in management.

The distinguishing feature of our investor relations activities is that the president takes the lead in their implementation. In fiscal 2007, the president participated in the company's presentations of quarterly results and attended meetings with domestic and foreign investors. This reflects his conviction that it is the chief executive officer's responsibility to explain future corporate strategies to investors. The company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TD-net, the company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed on the same day to foreign investors registered with the company.

These types of activities have been highly evaluated, and in fiscal 2005, MOL received the Special IR Prime Business Award from the Japan Investor Relations Association (JIRA), which is presented to companies that have received the IR Prime Business Award three times. Also, in the Nikkei Annual Report Awards, which are judged by institutional investors, MOL's annual report has been highly evaluated for its aggressive disclosure, winning the top prize once and the excellence prize three times.

The responsibility to provide information is not limited to management and financial issues. Accordingly, in regard to the four major marine accidents that occurred in fiscal 2006, MOL disclosed the situation directly after each incident, providing a total of 18 press releases for the four accidents. These accidents were highly regrettable, and MOL believes that it has a responsibility to disclose the situation to everyone who is directly or indirectly affected. While we will continue to do our utmost to prevent accidents, we will also maintain a policy of disclosing information, even if it is negative.

Director Compensation

The Board of Directors, including the external directors, determines compensation for the directors. Compensation paid to directors in fiscal 2007 is shown in the table below.

The company has granted stock options to all directors, executive officers, general managers of divisions and branch offices and managers in similar positions, as well as to presidents of consolidated subsidiaries, to motivate them to carry out operations for the benefit of shareholders.

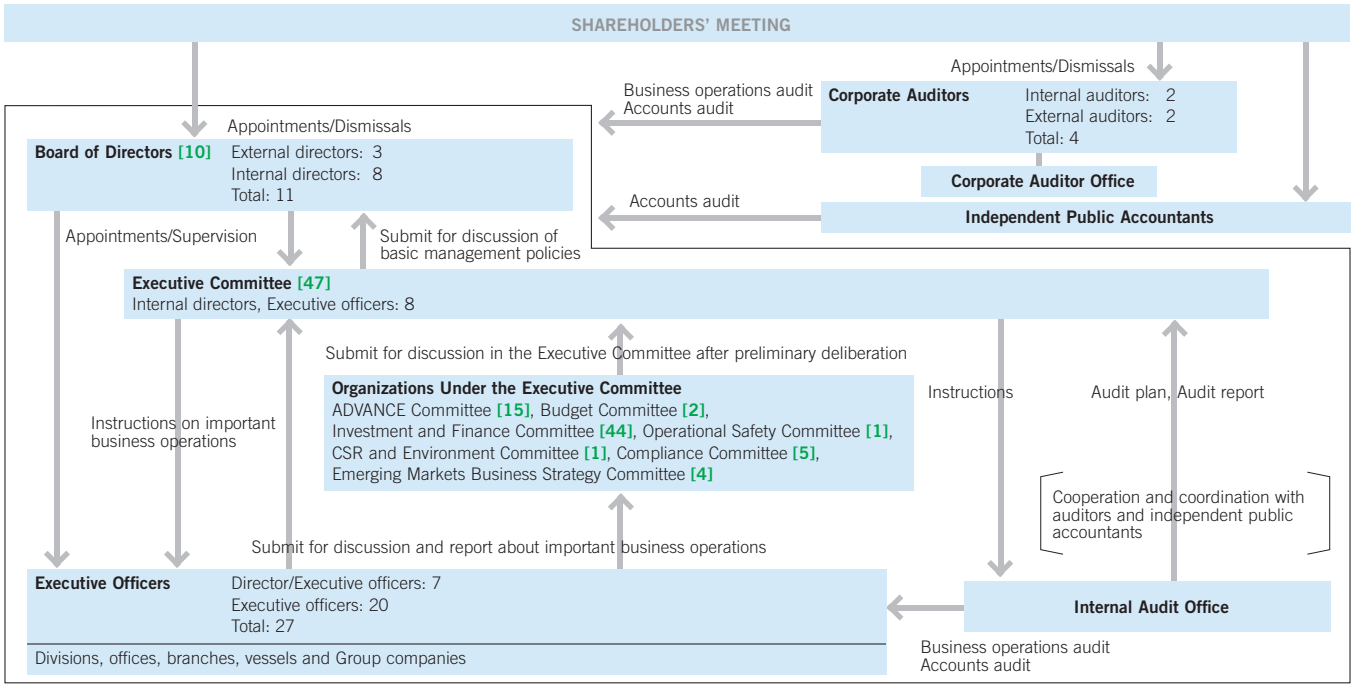
Compliance

The company is aware of the crucial role that compliance plays in living up to its broad corporate social responsibilities, and that compliance with the letter of the law is at the core of this role.

We have strengthened our compliance system by establishing a Compliance Committee, headed by the deputy president, and formulating the Compliance Policy to assure strict adherence to rules and regulations and to take action against any violation. General managers of each division, department and branch office, are appointed as Compliance Officers for their respective organizations. They are responsible for enforcing compliance regulations and for reporting any violations to the Compliance Committee Office. The Internal Audit Office, a body that operates independently of the company's divisions, departments and branch offices, provides a counseling service and also acts as a hot line in the event it is difficult for a report to be filed with a Compliance Officer. The Internal Audit Office undertakes investigations and audits as necessary and reports steps taken to the Compliance Committee.

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2007 is shown in the table below.

Corporate Governance Organization (as of June 24, 2008)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2007.

Compensation for Directors

	(¥ millions)	(Thousands of U.S.$)
Compensation for internal directors	¥845	$8,434
Compensation for external directors	61	609
Compensation for internal corporate auditors	67	669
Compensation for external corporate auditors	15	150
Total	¥988	$9,861

Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.$)
Compensation for auditing services	¥68	$676
Compensation for auditing-related services	8	77
Compensation for other services*	51	511
Total	¥127	$1,264

*Related to establishment of internal control system for the purpose of financial reporting

A Message from an Outside Corporate Auditor
—Foreseeing Risks Ten Years Ahead

Kensuke Hotta
Corporate Auditor

I have been an MOL external corporate auditor since 2003, at which time I was chairman of the Japan arm of a major foreign-owned securities company. What I saw at my first Board of Directors meeting impressed me—MOL directors not only sought the candid opinions of outside directors and corporate auditors, but they took those opinions seriously. It was clear the Board wanted to bring in an outside perspective. This to me is the most advanced sort of corporate governance.

One of the most important roles of outside directors and corporate auditors is to reflect the opinions of shareholders and other stakeholders in management. And corporate governance is there to keep management responsibility clear by ensuring proper management appointments and dismissals. It is vital that management remains transparent, and that companies can properly account for their management to all stakeholders. On these points, I think MOL's corporate governance is functioning very well.

MOL is a leader in the marine transport industry, but in 2007 it launched a new midterm management plan MOL ADVANCE, embarking on a journey for growth to become a leading global corporation. Under this plan, MOL is investing an amount equivalent to shareholders' equity in building its fleet of ships. Accordingly, MOL must recognize all the risks it faces every day and be prepared to deal properly with the unexpected. I have therefore asked management to draw up various risk scenarios for 10 years down the road.

One of the key issues MOL ADVANCE must address is its global workforce. MOL has a pool of extremely talented individuals, but while it generates the majority of its earnings from overseas businesses and many foreigners work in its subsidiaries, there is no foreigner in an executive position in the head office. With the share of overseas earnings only expected to increase going forward, a more global viewpoint and insight will be required. I think MOL must add a foreigner to its management team to incorporate a perspective that is different to Japanese executives. Another important point is safe operation. MOL has learned from marine accidents two years ago and is concentrating more than ever on safety. However, there is a need for repeated training exercises that impress upon all senior executives and employees the fact that safety is one of MOL's biggest risks.

Japanese-style thinking is also important as MOL seeks to expand globally. In Japan, the basic business philosophy has long been that everyone—the buyer, the seller, and the rest of society—should benefit. Rather than focusing on short-term profits, business activities should be rooted in society because a company only exists as part of the workings of society. In my view, it is imperative to increase shareholder value over the long term by creating a de facto global standard that originates from Japan, one that mixes Japanese values with the Anglo-Saxon approach to capitalism. I'm convinced that repeated efforts in this regard will earn the understanding and support of a large number of shareholders and other investors.