Big Advant

My name is Koichi Muto, and I was appointed as MOL's new president on June 22, 2010 after the annual general meeting of shareholders that day. In March 2010, we embarked on a new midterm management plan entitled "GEAR UP! MOL," which covers the three-year period from fiscal 2010 through 2012. I believe that I have been placed at the helm of MOL at a very pivotal time, and my mission is to take charge of a company that succeeded in riding out the storms of a marine transport market recession in fiscal 2009 with a minimum of damage, to place it on a course towards new growth and success, and to help return it to a pattern of steady growth in corporate value.

We plan to leverage the extensive resources that MOL has accumulated over the years and add advanced management skills to them, in order to generate sustainable earnings from the marine transport business and enhance our global presence.

age

KOICHI MUTO
President

Question:
What Big Advantage will MOL have this year as a healthy survivor of last year's great recession?

Answer:

A great many factors contribute to MOL's leading position in the industry—not only a vast fleet of vessels and safe operation, but also marketing skill and a solid financial base. These resources have enabled MOL to build an unprecedented lead over market competitors. Since the start of 2010, industrialized nations have inched toward economic recovery, and this appears to be reviving transport volume. MOL is trying to "Gear Up" for renewed profit growth. We are determined to be the first company in the industry to benefit from improving demand.

Question:

In the past fiscal year—the final year of the previous midterm management plan "MOL ADVANCE"—the company experienced a sharp drop in earnings. Could you please summarize the results and accomplishments of the previous management plan?

Answer:

If you look at the previous plan as a whole, over the full three-year period, we did have considerable success, in both quantitative and qualitative terms.

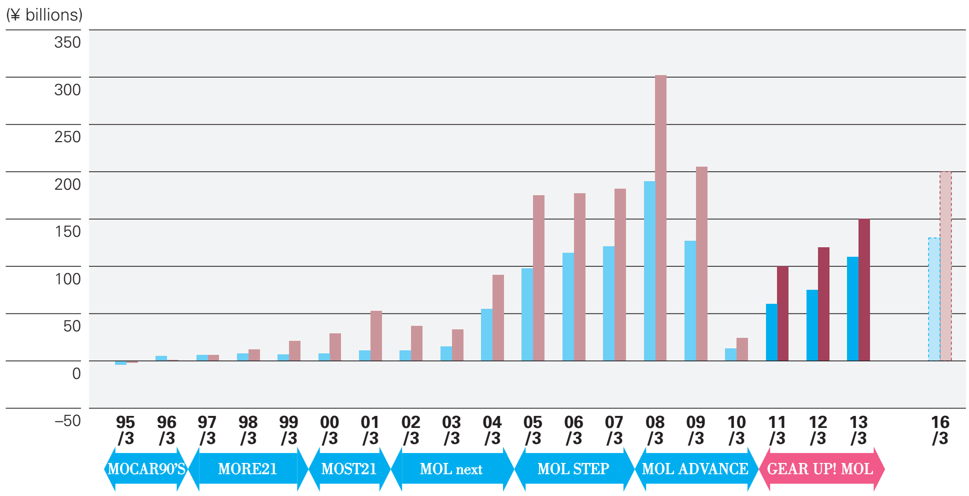
In the final year of the plan, fiscal 2009, the company posted ordinary income of ¥24.2 billion, barely one-tenth of the ¥220.0 billion target that was set when the plan was first conceived. Therefore, if you take the profit results from just fiscal 2009 it would appear that the plan was not very effective. However, I do not need to remind anyone how dramatically and how unexpectedly economic conditions deteriorated. If you look at our results over the full three years—which included periods of both strong growth and dramatic recession—our performance was not bad at all. Our original ordinary income target was ¥615.0 billion over 3 years, and the actual result was ¥528.7 billion, or 86% of the target. In fiscal 2007 alone, the company generated ordinary income of over ¥300.0 billion. I think this is a telling indication of MOL's underlying competitive strength, and even from a quantitative standpoint, I think you would have to view the three-year plan as a success.

It is when you compare our results with those of industry competitors, though, that the true extent of our competitive advantage becomes apparent. MOL was able to generate higher returns during the boom period than others by taking higher risk, which we were able to do because we adopted different management strategies. On the other hand, we were able to minimize the impact when the industry turned downward by quickly downsizing our fleet, and stay in the black when most of the other major marine transport companies fell into the red.

MOL BUSINESS PERFORMANCE

(FY1994–2012)

■ Net income
■ Ordinary income



	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	08/3	09/3	10/3	11/3	12/3	13/3	16/3
Average exchange rate (¥/$)	100	96	112	123	130	112	110	125	122	114	108	112	117	116	100	93	90	90	90	90
Average bunker price ($/MT)	102	108	116	105	80	117	159	136	163	178	193	280	321	409	528	406	500	500	500	500

Assumption

FY1994–2009: Result
FY2010–2012: Plan
FY2015: Target

From a qualitative standpoint, I think that MOL ADVANCE was extremely successful. One of the underlying themes of this business plan was to achieve "Growth with enhanced quality." The company expanded its marine transport fleet from 803 vessels at the end of fiscal 2006 to 905 at the end of fiscal 2009. During the three-year MOL ADVANCE period, we had a good safety record—a clear testament to the fact that our safety measures were able to cope successfully with fleet expansion.

In addition, the company's crisis management capabilities were put to the test following the so-called "Lehman Shock" in September 2008. MOL demonstrated its progressive management capabilities by quickly downsizing operations and minimizing losses. The many young employees who earned their stripes at MOL during this severe economic slump will have obtained valuable experience, which will surely benefit both the individuals and the company in untold ways in years to come. The company has maintained a strong financial position, and boasts the highest credit rating of any company in the marine transport industry. All in all, I think the past three years have solidified MOL's competitive position in the marine transport industry.

Question:

In the past, MOL has identified two themes that are characteristic of its management philosophy—the ability to "reverse rudder" quickly, and the effort to "diversify risk with diverse ships." What role do these themes play in your own management philosophy?

Answer:

These are both important strategies, and will continue to play a key role under my leadership. However, I also recognize some issues that need to be considered.

When we speak of "reversing rudder" quickly, this refers to a style of management that can respond very quickly to any deterioration in market conditions, reducing the size of the fleet and thus minimizing losses. Since MOL adopted this concept at a very early stage, we were able to respond to the crisis immediately, as a unified company. The "fleet diversification" strategy, on the other hand, aims to diversify risk in the marine transport industry by shaping a fleet made up of various types of vessels. The company strives to build a fleet that contains every conceivable type of ship, both bulk carriers and liner vessels, using a full assortment of contract periods, and in this way, trying to compile the most ideal business portfolio possible, and achieving a well-balanced profit structure.

However, neither of these policies should be viewed as some sort of "magic wand" that can resolve all of the challenges that management faces. It is true that MOL responded brilliantly to the financial crisis, reducing our fleet swiftly and thus ensuring that the ships we did operate maintained a high capacity utilization rate. On the other hand, MOL has many ships currently under construction that were ordered prior to the Lehman Shock, at a time when prices were high. Therefore, one issue that we must address in the new midterm management plan is the fact that our average cost per ship is likely to go up, and we will need to find some way to restrain this cost.

The numerical targets that are contained in the new midterm management plan factor in costs for holding down the average cost of vessels to some extent. We are thus pursuing a double-sided strategy of achieving our earnings plan while improving the cost competitiveness of our fleet simultaneously. This is my first priority as MOL's new president.

DETAILS OF FLEET EXPANSION PLAN

(AS OF APRIL 2010)

		Fleet scale at the end of March 2010 (Result)	GEAR UP! MOL (FY2010–FY2012) Ships to join MOL fleet FY2010	FY2011	FY2012	FY2010–FY2012	Fleet scale at the end of March 2013 (Plan)	(FY2013–FY2015) Ships to join MOL fleet (Plan) FY2013–FY2015	Fleet scale at the end of March 2016 (Target)
BULKSHIPS	Fleet Scale	755					890		1,025
	New vessel launching		66	51	36	153		140	
DRY BULKERS	Fleet Scale	375					450		
	New vessel launching		26	26	24	76			
TANKERS	Fleet Scale	195					220		
	New vessel launching		23	9	6	38			
LNG CARRIERS	Fleet Scale	76					75		
	New vessel launching		3	2	1	6			
CAR CARRIERS	Fleet Scale	109					145		
	New vessel launching		14	14	5	33			
CONTAINER-SHIPS	Fleet Scale	101					110		120
	New vessel launching		9	14	5	28		12	
OTHERS	Fleet Scale	49					50		55
	New vessel launching		3	3	3	9		8	
TOTAL	Fleet Scale	905					1,050		1,200
	New vessel launching		78	68	44	190		160	
						SHIPS' VALUE ¥1,200 bil		SHIPS' VALUE ¥900 bil	

Notes: 1) Fleet scale at the end of fiscal years includes short-term chartered ships (less than 5 years) and those owned by joint ventures.
2) Numbers of ships to join MOL fleet exclude short-term chartered ships (less than 5 years) and include those owned by joint ventures.

Question: What goals and policies have you adopted in the new management plan, "GEAR UP! MOL"?

Answer:

In summary, the plan aims to accelerate business development in growing markets and help the company advance towards a new earnings peak.

From 2000 until the first half of 2008, the global marine transport industry enjoyed rapid and continuous growth. MOL's operations grew accordingly, with ordinary income rising to a peak of over ¥300.0 billion. From the latter half of 2008, however, the global economy entered a recession, and our earnings plunged sharply. At present, marine transport demand is slowly recovering, and our new management plan adopted the slogan "GEAR UP!" to express MOL's intent to take full advantage of this recovery and begin increasing earnings towards a new peak.

During the recession, MOL had no choice but to scale back its fleet, and as a result, you could say that our operations are in "first gear." However, from this slow start, we need to start accelerating once more, shifting into higher gears as we strive to take full advantage of the opportunities created by market growth. Thus, the main focus of our

OVERALL STRATEGIES OF “GEAR UP! MOL” —CHALLENGE TO CREATE NEW GROWTH—

1. RECOVERY FROM ECONOMIC CRISIS AND ACCELERATION OF BUSINESS DEVELOPMENT IN GROWING MARKETS

Tailored Response to Customers’ Needs in an Expanding Global Market

- Enhance business activities globally
- Enhance cost competitiveness
- Restructuring of the containership business
- Full utilization of the Group’s synergized resources

ENHANCING INFRASTRUCTURE TO ACCOMPLISH STRATEGIES

- Adding unique value through business intelligence
- Risk management to ensure our growth
- Ongoing improvements to financial stability to enhance credibility
- Develop employees fully capable of addressing changes

2. ENHANCE SAFE OPERATION

Forge Ahead to Become “the World Leader in Safe Operation”

- Quantify safety and realize “4 zero” (prevent marine incidents, oil pollution, fatal accidents, and cargo damage)
- Enhance capability to perceive danger which breaks the links in chain of errors
- Invest 24 billion yen over 3 years to enhance safe operations
- Make use of advanced IT for safer operations
- Secure skilled seafarers and keep them well trained
- Enhance countermeasures against piracy and terrorism

3. ENVIRONMENTAL STRATEGY

Offer Transport Solutions with a Lower Environmental Burden

- Introduce vessel innovation to prevent global warming
  –Promote ISHIN project
  –Promote “ECO SAILING” on a larger scale
  –Reduce CO_2 emissions per ton-mile by 10% in FY2015 compared to FY2009
- Contribute to conservation of biodiversity and protection of the natural environment
- Positive investments to develop and implement environmental technologies
  –Invest 28 billion yen over 3 years

new midterm management plan is how to accelerate earnings growth, and put the company back into top gear as quickly as possible. I think it is well within our grasp to revive ordinary income levels to ¥200.0 billion or more.

As the diagram above shows, our new midterm plan focuses on three strategic objectives. The first and most important of these is to recover from the economic crisis and accelerate business development in growing markets. In support of these actions, the plan also aims to enhance operating safety and to address environmental issues.

Question: What assumptions has MOL made regarding market conditions, and what specific measures do you intend to implement, as a part of this plan?

Answer:

Specifically, we intend to aggressively channel management resources into growing overseas markets, and continue seeking ways to reduce costs.

One of the primary strategic objectives identified in the management plan is to “accelerate business development in growing markets.” MOL will concentrate management resources on developing high-volume businesses, particularly in emerging economies such as China and India.

China is experiencing rapid economic growth, and this has contributed to an increase in imports of iron ore, coal, crude oil and grain. In recent years, the country has experienced a surge in LNG projects, and Chinese consumption of processed paper has increased over the past few years to some 90 million tonnes per annum, roughly 3 times the volume used in Japan. Therefore, we can expect increased import volume for paper and pulp. Although domestic production of automobiles is taking off, in the future we also expect automobile imports to rise. In India, meanwhile, the steel industry is expanding, generating import demand for coal. Import demand for crude oil, LNG and LPG is also likely to increase, as are exports of petroleum products and automobiles.

MOL has been strengthening its framework to address this demand. In fiscal 2009, overseas sales accounted for 51% of the company's sales total, and by fiscal 2012 we expect this share to reach 65%. This shift will require the enhancement of operational functions overseas. As we strengthen operations abroad, we also hope to lower the effective tax rate for consolidated operations.

Cost competitiveness is another issue that the company must address. In response to the economic crisis, MOL cut costs in fiscal 2009 by some ¥77.0 billion. We intend to continue seeking ways to reduce costs and thus enhance cost competitiveness. Over the 3 years covered by the new midterm management plan, the company aims to reduce costs by a further ¥65.5 billion; ¥45.5 billion of these cuts should be completed during fiscal 2010.

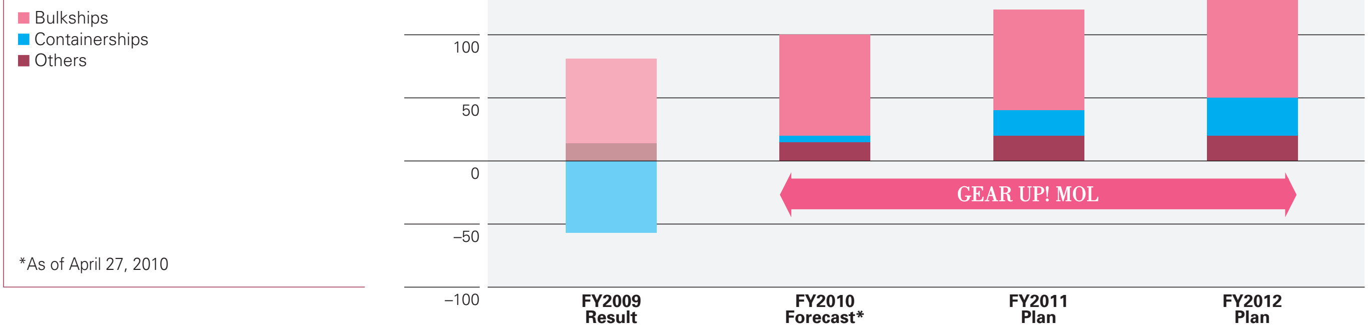
Question: The plan sets an ordinary income target of ¥100.0 billion for fiscal 2010. How do you intend to reach this goal?

Answer:

We aim to increase market-sensitive profits, supplementing the earnings from our highly stable businesses.

Medium- and long-term contracts, with terms of over one year, comprise MOL's "highly stable profit businesses." These will generate a steady flow of around ¥80.0 billion in profit in fiscal 2010. The ordinary income target set out in the management plan, therefore, depends on how much profit is generated by MOL's more market-sensitive operations. In fiscal 2010, the most important element in these market-sensitive operations will be the containership business. We anticipate a dramatic improvement in freight rates which, according to our estimates, should be one of the major factors in lifting profits in this business by some ¥62.0 billion year on year. I therefore think it is highly likely that market-sensitive operations as a whole will generate over ¥20.0 billion in ordinary income. Adding this to the ¥80.0 billion in highly stable profits, I think the company will be able to reach the ¥100.0 billion target.

ORDINARY INCOME BY SEGMENT



*As of April 27, 2010

Question:

Since recovery in the containership business is one of the assumptions on which your earnings targets are based, what degree of certainty do these forecasts have, and how certain are you that the business will turn a profit?

Answer:

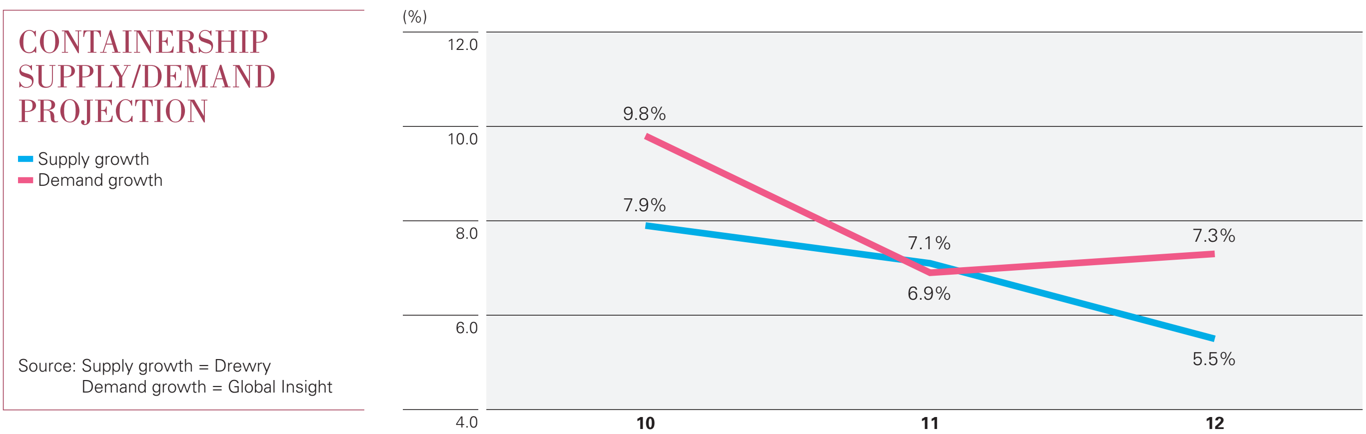
I strongly expect the supply-demand balance to improve over the next three years.

The container shipping business has generated a loss in each of the past two fiscal years, but all the marine transport operators have reduced their fleets and are operating ships at lower speeds. This is greatly lowering the industry's overall capacity. I do not think that the conditions faced by containership operating companies in recent years—dramatic oversupply—will continue. Even during the worst of the economic crisis, demand from emerging economies provided a base level of support for demand. Now that shipping volume in the leading industrialized countries is starting to recover, demand has stabilized and freight rates are recovering rapidly. Over the course of the current midterm plan, I think that the industry's increase in capacity will remain pretty close to the rate of demand growth. Therefore, we plan to expand the size of our fleet by just nine ships on a net basis over the next three years.

The plan calls for MOL to actively shift the allocation of vessels to routes that should experience stronger demand, such as north-south (Asia-South America/South Africa) and intra-Asia routes. Efforts to improve yield management* and develop terminal operations will also help to improve profits. In fiscal 2010, we not only anticipate a recovery in freight rates, but we also intend to cut costs in this business by ¥22.0 billion (as part of the aforementioned ¥45.5 billion in cost cuts). This will provide MOL's containership business with the ability to generate a profit.

* A sophisticated management technique to maximize profits from route operations by precisely monitoring net proceeds of each container, based on a round-trip service.

CONTAINERSHIP SUPPLY/DEMAND PROJECTION



Source: Supply growth = Drewry
Demand growth = Global Insight

Question:

Can you explain the concept behind the "Business Intelligence Platform" and explain the benefits that MOL expects it to produce?

Answer:

The basic concept is to pool the highly specialized knowledge that is currently possessed by only a few people in the company, and develop a platform that can make this information available to everyone.

Up to now, MOL has assigned in-house researchers the task of tracking market trends and causes, analyzing macroeconomic indicators, and then providing information on these trends to management, to help guide their decision-making. However, under the former structure, there was no means of ensuring that the information was disseminated throughout the company. We have recognized that the information researchers gather should be available to and accessible by anyone in the company, at any time. Not only managers, but even individual workers should be able to use this information, interpret it, and also decide whether or not there is additional information that needs to be added to the database.

So, the Business Intelligence Platform we intend to develop will ensure necessary information is available to everyone in the company. This platform also helps to ensure that the direction charted by the company is not set arbitrarily, by just a small number of people, but incorporates the creative input of every employee. Under the "MOL ADVANCE" business plan, we simply assumed that the company's strong leadership would make the most appropriate decisions on the company's direction, but with "GEAR UP! MOL," we will set up a structure in which the entire organization has input into the company's progress and evolution.

The marine transport business is a growing industry, and one in which management's responses to economic trends have a big impact on performance. Though the overall trends in earnings are mainly determined by market conditions, a company's relative ability to understand global perspectives, and use past experience to develop successful management strategies, can have a major impact on corporate value. Our new Business Intelligence Platform is intended to handle "knowledge management" for MOL, gathering the global perspectives and experience that the company has acquired over the years, and then making sure that the information is disseminated properly to all employees. Hopefully, it will also help the company to avoid unsuccessful business decisions, based on "common sense" notions that have prevailed sometimes when the market is too good. A global company like MOL should have a more powerful and sophisticated IT platform for ensuring decision-making is always soundly based especially when higher performance is expected.

Question:

What policies have you adopted for environmental strategy and enhancing safe operation, under the new plan, and in what way do these policies differ from those used in the past?

Answer:

I think the key word that distinguishes my approach from the strategies used in the past is "visualization."

Fundamentally, the new approach to these two issues is no different from what we have done in the past, but under the new plan, MOL will try to find more concrete ways of showing progress in each area.

For example, taking the issue of safe operation, we have set the goal of becoming "the world leader in safe operation." At the same time as evaluating safety using objective standards, we are aiming to achieve an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents, and cargo damage. In order to reach our goal of maintaining a perfect safety record on these matrices, we are spending ¥24.0 billion over 3 years to train seafarers, improve safety equipment and enhance IT use for ship management.

Regarding our environmental policies, as people already know, we have begun announcing the new "ISHIN" series of technically advanced ships, which far exceed other vessels in terms of fuel economy and CO_2 emissions. We have budgeted ¥28.0 billion over 3 years to fund further developments like this one.

Question:

MOL has earned the highest credit rating of any company in the marine transport industry (Moody's gives MOL an A3 rating). What targets have you set, under the "GEAR UP! MOL" business plan, to measure the company's financial health?

Answer:

We aim to achieve a gearing ratio of no more than 100%, and will strive to be the company that more customers choose to handle their shipping needs.

From the standpoint of credit ratings agencies, the key issue for a company in a cyclical industry such as ours is whether the company can ride out the storms of any cyclical downturn. In this context, one of the most important things they look at is the company's gearing ratio. As of the end of March 2010, MOL had ¥659.5 billion in shareholders' equity*, an equity ratio of 35.4% and a gearing ratio of 118%. From the standpoint of capital sufficiency, relative to risk, this level of shareholders' equity is still a bit low, and one of the goals of our new management plan is to increase shareholders' equity to

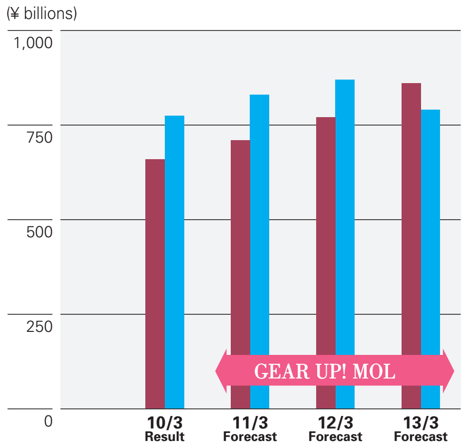
* "Shareholders' equity" in this section comprises the total of owners' equity and accumulated gains from valuation and translation adjustments.

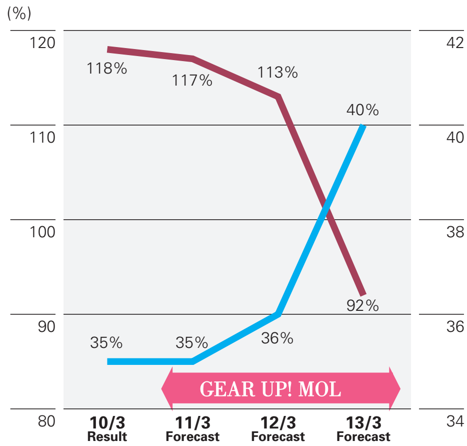
FINANCIAL PLAN

- Shareholders' equity
- Interest-bearing debt
- Gearing ratio*1
- Equity ratio*2

Forecast = As of April 27, 2010

*1 Gearing ratio = Interest-bearing debt/ Shareholders' equity
*2 Equity ratio = Shareholders' equity/Total Assets





Term-end exchange rate (¥/$)

MOL	93.04	90	90	90
Overseas subsidiaries	92.10	90	90	90

¥860.0 billion within 3 years by accumulating earnings. We have also set a target equity ratio of 40%, and aim to improve the gearing ratio to around 90%. The balance of interest-bearing debt outstanding is likely to increase temporarily, at the end of fiscal 2010, but by the end of the three-year period we expect to return to a positive free cash flow, and reduce the gearing ratio to the target level.

One other reason why we are very concerned about maintaining a good credit rating is that, in this business, the strength of a company's financial base has a very direct and noticeable impact on revenues. In the latter half of fiscal 2008, when credit uncertainty increased worldwide, shipping customers became extremely selective in choosing a shipping company, and based their decisions on credit risk. During fiscal 2009, MOL succeeded in landing large contracts with a number of major iron ore producers, large Chinese steelmakers, and major oil companies. One of the most important reasons for this success was MOL's financial strength, and this continues to be one of the company's strongest sales points.

KOICHI MUTO
President