

To Our Shareholders



Akimitsu Ashida
President

Kunio Suzuki
Chairman

Strategically and in terms of operating results, the past fiscal year was a momentous period for MOL. March 2004 marked the end of MOL *next*, a three-year plan that shifted our focus from internal actions to build a foundation for initiatives to actually achieve growth. We are pleased to report that we met all the plan's financial goals. During the three-year period, consolidated revenues rose 12% to ¥997,260 million. Operating income was more than twice as high as in the fiscal year that ended in March 2003, when earnings were held back by a number of one-time factors. Net income rose almost fourfold to ¥55,391 million.

Perhaps most gratifying, though, is the increase in our stock price from ¥240 at the end of March 2001 to ¥536 at the end of March 2004 when MOL *next* ended. Shareholders are also being rewarded with a ¥6 increase in the dividend to ¥11 per share, including a ¥1 commemorative dividend for our 120th anniversary. All in all, we are in an excellent position to move on to MOL STEP, our new growth-oriented plan launched in April 2004.

FY2001-2003 MOL <i>next</i> Target Achievement (Consolidated)			
(¥ billions)			
	FY2000	FY2003 (Target)	FY2003 (Result)
Revenue	¥ 888	¥1,000	¥ 997
Ordinary income	53	66	91
Net income	11	34	55
Earnings per share (Yen)	¥9.01	¥ 28	¥46.14
ROE (%)	7.4	15.0	28.7
ROA (%)	3.0	4.0	6.4
Equity Ratio (%)	12.7	20.0	22.1
Interest-bearing debt	¥ 745	¥ 600	¥ 492

Strategic Goals Met—Beyond the Numbers

But the financial statements only tell half the story of the benefits of MOL *next*. The real story lies beyond the numbers, in the numerous initiatives we took to make these numbers possible. One theme was building a sounder financial position. We cut our debt by ¥252,919 million, or 34%, during the past three years, mainly using operating cash flows and proceeds from sales of vessels and other assets. Equity rose 53% during this period. Relentless cost-cutting amounting to approximately ¥34,700 million further contributed to earnings and cash flows. At the same time, we realigned and reinforced our business portfolio, chiefly through substantial investments to build a more profitable and competitive fleet. During MOL *next*, 71 vessels were added to our fleet, resulting in a net increase of 25 vessels between April 2001 and March 2004 at the parent company. Many of these investments targeted containerships and energy/natural resources, especially LNG carriers and dry bulkers.

A Different Company

MOL *next* has transformed MOL into a company that is quite different from what we were just three years ago. Here are several illustrations.

Containerships—Long a major cause of earnings volatility at MOL, the performance of containership operations has become more stable during the past three years. This business generated losses in the first two years of MOL *next*, the result of the impact of the 9-11 terrorist attacks on the global economy, rising fuel costs and other challenges. In the final year, the benefits of our past actions and favorable market conditions lifted earnings well above our goal. With a streamlined infrastructure and a growing number of large, efficient containerships, MOL is now positioned among the world's most cost-competitive containership operators.

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Dry Bulkers—We had the foresight to place orders for many large bulkers several years ago when shipbuilding prices were relatively low. As some of these ships joined our fleet during *MOL next*, we gained an even more powerful presence in the global market for the ocean transportation of coal, iron ore, grain and other kinds of bulk cargo. No other company in the world can match our scale or the level of flexibility and service quality that we can offer our customers.

Energy—Expanding in this sector was one of central themes of *MOL next*. Taking advantage of our global reputation for reliability and safety, we added VLCCs, LNG carriers and other vessels operating on long-term contracts. During *MOL next*, the number of LNG carriers in which MOL participates increased from 35 to 42, and will reach 58 in March 2007. We are well positioned to continue benefiting from the rising global demand for imported energy sources, especially for LNG.

Ferries—We made great strides in ferry operations, too. Structural restrictions and other challenges have made it difficult to generate a profit. By taking many decisive steps, including the integration of subsidiaries, formation of business alliances and addition of new vessels, our ferry operations became profitable in the final year of *MOL next*.

The Biggest and the Best

MOL ranks as one of the world's largest shipping companies in a number of categories. But our central objective is to be the biggest and the best. That includes adhering to the highest standards of safety, citizenship and corporate ethics. It also means generating quality earnings, which basically means profits backed by higher margins. Furthermore, we want to have a distinctive identity. MOL is not an organization that merely follows industry-wide trends. This is why we have been concentrating resources on strategic

fields, such as natural resources and energy. Nevertheless, we are still only half way to reaching our goal of becoming a truly excellent company, one resilient enough to target every attractive opportunity in our industry. That is why we established the target of solidifying our financial position throughout MOL STEP. Once this target is met, we will be able to take on more risks in line with the financial strength so achieved, whether in the form of larger investments in growing sectors of ocean transportation or the launch of new businesses, to earn greater rewards.

The ultimate measure of performance is shareholder value, and we have definitely done well in this regard over the past three years. But as we embark on MOL STEP, I pledge to focus even more intently on continuing this process of value creation.

June 24, 2004



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Chairman



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