

Interview with the Chairman

MOL STEP—

A Big **Step** Toward Sustainable **Growth**

The Chairman Discusses Issues Central
to MOL's Future
—The New Mid-term Management Plan
"MOL STEP"



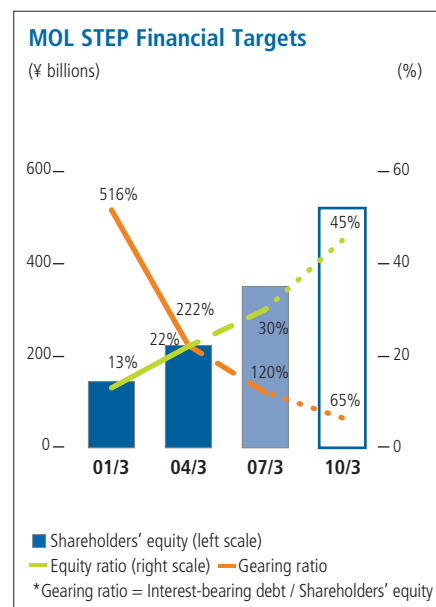
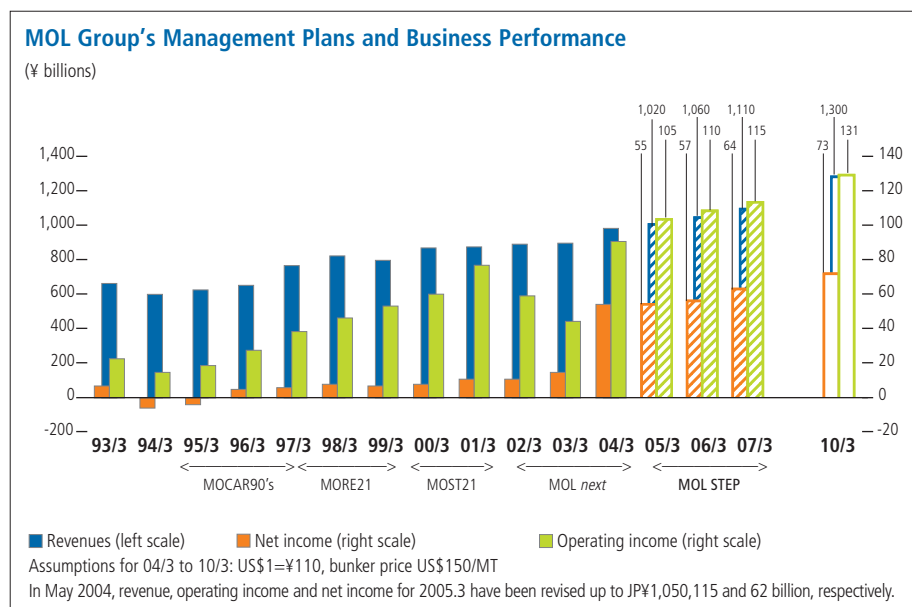
Kunio Suzuki
Chairman

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MOL has stated that MOL STEP is a blueprint for sustainable growth. How has this thinking been translated into specific strategies?

The essence of this plan is embodied in its name: STEP stands for “strategy for becoming an excellent and powerful group.” Our desire is to be not only the world’s largest ocean transportation group, but also one with the highest quality and a unique identity. We are concentrating on two strategies. First is making aggressive investments in attractive sectors of the shipping industry. We plan to invest a total of ¥490 billion in new vessels during MOL STEP, adding 117 vessels to increase our fleet to about 620 vessels. The second theme is stepping up emphasis on growing markets. China is likely to be the largest source of growth in the coming years, but we are also looking ahead to emerging opportunities in India, Russia and elsewhere. In Europe and the Americas, we will expand our customer base by enhancing sales activities, the quality of services, and serving the growing demand for imported energy sources.

Through these measures, we plan to raise revenues and operating income by about 11% and 25%, respectively, during MOL STEP. Specifically, we plan to raise revenues to ¥1,110 billion, operating income to ¥115 billion and net income to ¥64 billion in the fiscal year ending in March 2007. We plan to build a much sounder financial position, too. Shareholders’ equity is to rise 58% to ¥350 billion, mainly from retained earnings, bringing interest-bearing debt down from 222% of equity as of March 2004 to 120% by March 2007. This greater financial strength will give us much more freedom to act quickly and decisively when attractive opportunities arise. These actions will also be instrumental to establishing the unique identity I mentioned.



Q**Would you briefly describe your strategies and goals for the shipping business? Why are you confident that these goals will be met?**

In managing MOL, the most crucial decisions of all are those involving the fleet. We are constantly weighing various options to determine which market sectors offer the best opportunities. Expansion is to take place primarily in two domains of transportation: natural resources and energy, and finished products. In the natural resources and energy transport sector, we plan to increase our fleet from 414 vessels as of March 2004 to 470 by March 2007 and 550 by March 2010, to solidify our world-leading position. To achieve this growth, we plan to begin operating 98 new vessels during MOL STEP and 95 new vessels during the following three-year period. The transportation of finished products is another strategic field of ours, and one that is expanding rapidly worldwide. Our fleet for transporting products, which mainly represents containerships and car carriers, is slated to rise from 133 vessels in March 2004 to 150 in March 2007 and 170 three years later, in line with market growth. Logistics operations are to grow in tandem with

this business sector, as we increasingly focus on offering solutions that target specific customer needs. Based on these plans, we are planning to raise revenues to ¥1,110 billion and operating income to ¥115 billion by the fiscal year ending in March 2007.

Our confidence level regarding MOL STEP is very high. Virtually all new vessels during this three-year period are either under construction or on order. And these vessels were ordered before the recent increase in the cost of building new vessels. Furthermore, we already have long-term contracts for more than two-thirds of these vessels, other than the containerships and car carriers. So we are confident that earnings during MOL STEP will not differ from our projections. Because of this visibility, we are now working with customers on plans for activities for the three-year period beginning in 2007. This is why MOL STEP includes targets for the fiscal year ending in March 2010.

Q**What is your outlook concerning expansion of the ocean transportation market during MOL STEP? Where are the greatest opportunities?**

In the past fiscal year, estimated growth in global containership volume was 8%, with most of this increase coming from exports from China. Most noteworthy is that most of the contracts for this cargo are coming from importers in U.S. and Europe that are outsourcing manufacturing to China. With the global economy generally healthy, and companies making increasing use of the international division of labor, we expect to see annual growth of about 8% to 10% over the next several years in demand for space on containerships.

The outlook for car carriers is positive. We will concentrate on Japan and South Korea, where export volumes are likely to remain solid even as auto makers in these countries step up overseas production. At the same time, we will be seeking more opportunities in cross trades in regions such as Europe, Southeast Asia and Latin America.

The main sources of growth for dry bulk will be China and India, with the largest share of growth coming from iron ore exported from Australia and Brazil to China. Since this is a market where most ships operate on multi-year contracts, profitability should be stable.

In the energy sector, we foresee strong growth in demand for crude oil imports in China and the U.S. Regarding LNG, the U.S. will be a primary source of growth in imports as natural gas demand exceeds pipeline capacity. Qatar will account for much of this LNG. And since the U.S. is about 30% farther from Qatar than Japan is, rising U.S. imports will have a big impact on demand for LNG carriers. European countries are also expected to step up LNG imports.

Regarding China, our goal is sustaining stable growth by capitalizing on opportunities in shipping and related businesses that emerge as this nation's economy continues to expand. Outside China, the U.S. and Europe will present many long-term opportunities for growth in energy shipments, mainly crude oil and LNG. We will also be closely watching developments in India, Russia and other regions that may become significant sources of business in the future.

I also want to point out that Japan will remain very important to us as a base for a large percentage of our customers. We expect stable growth in demand for our services.

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In what ways is MOL fulfilling its obligations with regard to corporate citizenship?

The MOL Group views corporate governance as a vital means of maximizing value for all stakeholders by increasing the transparency of management and allocating resources in an optimal manner. Compliance is an integral part of this. We take a variety of measures to ensure strict compliance with laws and regulations, as well as ethical and social standards. One illustration is a unit that group employees can contact concerning questions and concerns about any compliance issue. And to help provide an objective viewpoint for assuring that management decisions are proper and reflect the interests of shareholders, we have three directors and two auditors from outside the group.

As an operator of hundreds of ships, we take environmental issues very seriously. We have one of the most extensive and sophisticated programs in the industry to ensure safe navigation and minimize the release of pollutants from our ships. For example, we will reach our goal of an entirely double-

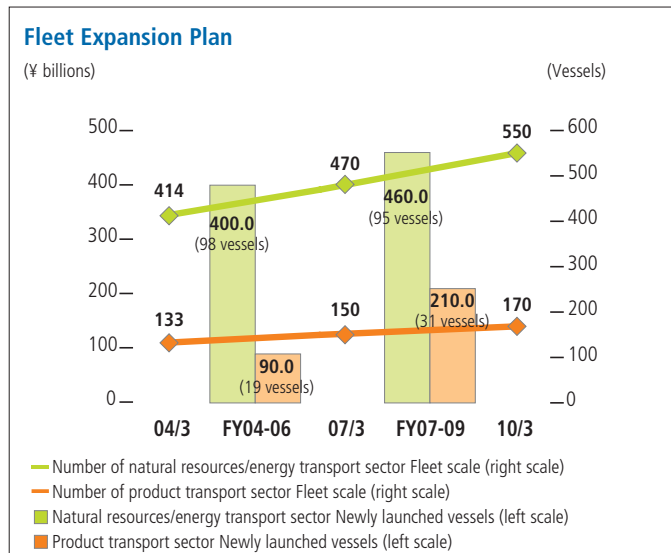
hulled VLCC fleet by March 2007, about four years before the MEPC deadline for phasing out single-hull tankers. We have our own environmental management system, MOL EMS 21, which incorporates a PDCA (plan, do, check, act) cycle and has received ISO 14001 certification. Specific targets are established for the prevention of pollution, energy conservation and other themes. And when ordering new vessels, we incorporate the latest technology to minimize fuel consumption and the overall environmental impact.

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Finally, would you give us your thoughts on maximizing shareholder value?

As I stated earlier, our goal is to be a strong yet flexible corporate group that is a leader in the global ocean transportation industry. This primarily involves putting together a large and highly competitive fleet and building a framework capable of meeting a diverse range of customer needs. Relentless cost-cutting measures will continue at the MOL Group. All group companies are involved in formulating and executing cost-reduction plans. The entire group is dedicated to working together to enhance consolidated profitability by making business operations and administrative processes

more efficient. Through MOL STEP, which as the name implies, is the next step in our growth, we will continue to channel resources to two types of fields: businesses exhibiting the most growth potential, and businesses where we can be most competitive. Employing resources based on this policy is the best way to meet the expectations of shareholders by generating sustainable growth.



Cost Reduction Plan

(¥ billions)

	2005.3	2006.3	2007.3	Total
Sales Division <i>(Voyage expenses, Cargo/container expenses, etc.)</i>	4.0	3.5	3.5	11.0
Administration Division <i>(Vessel expenses, Administration expenses, Interest payments, etc.)</i>	2.5	3.0	3.5	9.0
Total	6.5	6.5	7.0	20.0
MOL (Non-Consolidated)	5.5	6.0	6.0	17.5
Group Companies	2.0	1.5	2.0	5.5
Contribution to MOL	-1.0	-1.0	-1.0	-3.0