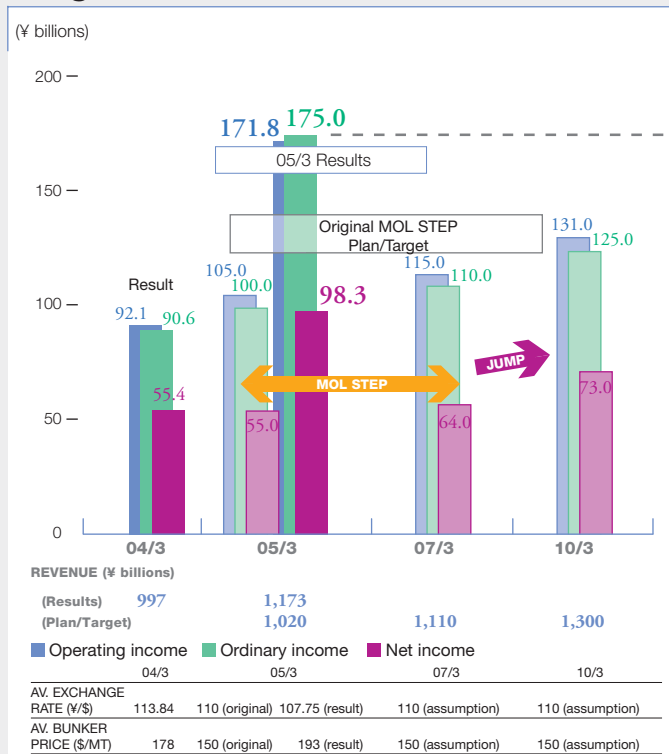


MOL STEP REVIEW

Five Issues Critical to Further Growth

MOL's performance during the first year of **MOL STEP** was remarkable. Earnings and other performance metrics surpassed targets for the final year of this plan, in many instances by a wide margin.

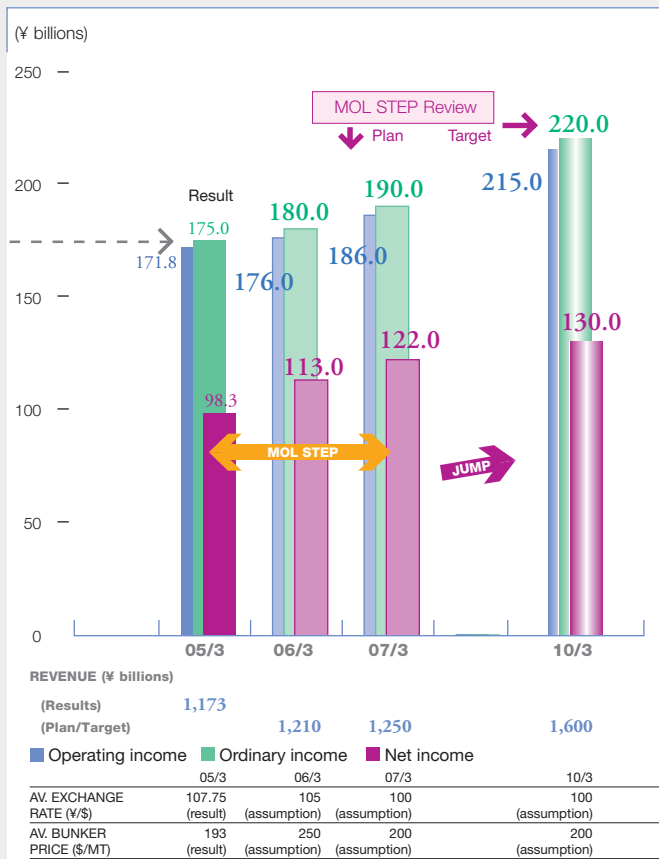
Original MOL STEP Plan



Plan for Fleet Expansion

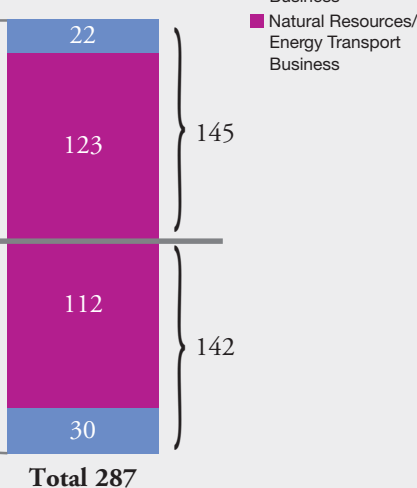


MOL STEP Review



We are well positioned for greater achievements in the years ahead. Demonstrating our confidence is the upgrade of **MOL STEP** to **MOL STEP Review**.

MOL STEP REVIEW



At the same time, we are aware that our recent growth highlights a number of pressing **issues**.

LOOKING BEYOND MARKET CYCLES

Issue 1

In the past fiscal year, all **MOL** shipping sectors benefited from strong market conditions. When conditions are good, however, many market observers believe that a downturn is imminent. In fact, the dry bulk and tanker markets have been highly volatile during the past few years, and there are fears of a sharp downturn in container freight rates due to oversupply. Favorable market dynamics therefore underscore the need to position operations to benefit from longer-term trends by looking beyond short-term fluctuations.

Today, a fundamental shift is occurring in the global shipping industry. The primary cause is the addition of about one-third of the world's population to the global trade community during the 1990s. Many years of economic growth in emerging economies is now generating immense demand for natural resources as these nations build sound social infrastructures. At the same time, the globalization of markets is prompting companies to shift production activities to the optimal locations from a worldwide view. These trends in global logistics are not limited to China, but are in fact bringing about momentous changes on a global scale.

This new economic paradigm is generating consistently strong demand for ocean transport. In the past, strong demand and high rates typically triggered a boom in shipbuilding. Overcapacity then forced companies to slash rates to capture market share. But the situation is different today. Solid growth in demand is being accompanied by an increasingly limited supply of ships. A rush to add capacity in all shipping categories has produced an unprecedented backlog at shipyards. In most cases, companies placing orders now must wait until 2009 or 2010 for delivery. Never before has the shipping market been influenced to this degree by supply constraints.

In the energy category, there is strong demand worldwide for VLCCs, notably to support rising imports by the U.S., China and India. Again, limited shipbuilding capacity is keeping the supply tight. In addition, single-hull VLCCs, which account for about 170 of the approximately 450 vessels now operating, must be scrapped in the 2010 to 2015 time frame. Projected strong growth for LNG in Asia, the U.S., Europe and elsewhere will also stretch supply capacity.

In the dry bulk category, China's 2004 iron ore imports were 60 million tons more than in 2003. This growth alone created demand equivalent to more than the capacity of all new Capesize bulkers delivered worldwide during 2004. In 2005, iron ore imports by China are expected to rise by another 40 to 50 million tons.

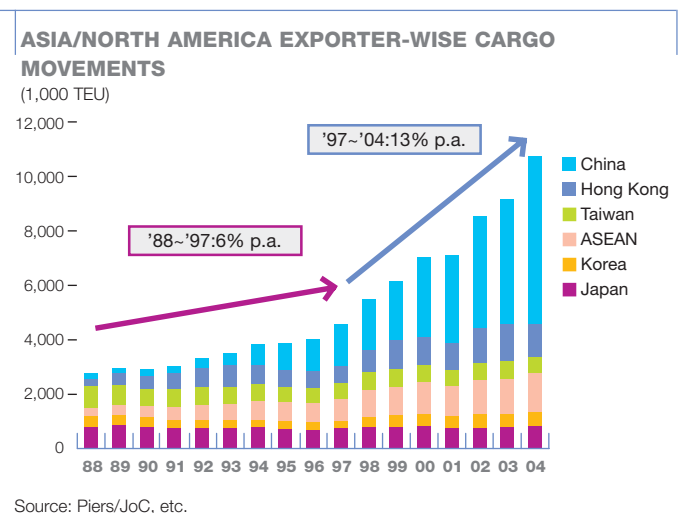
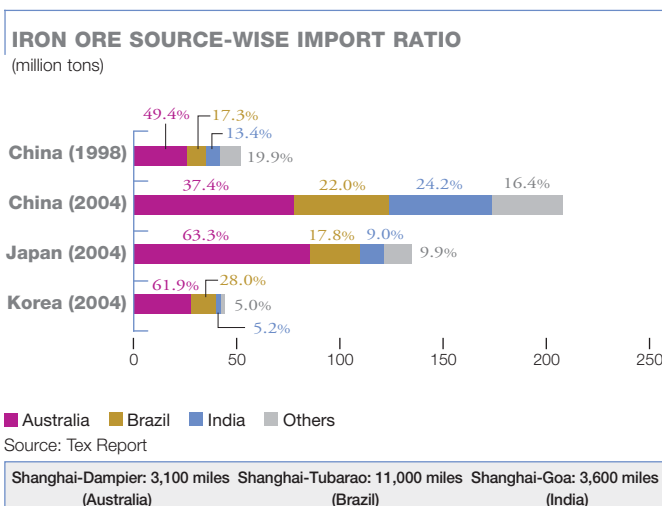
Ocean transport of cargo in terms of ton-miles is growing even faster than the absolute volume of cargo. Many countries are having to

procure energy and resources from more distant sources. For example, China is raising imports of iron ore from Brazil, which is 3.5 times farther than Australia, because Australian mines are sending a large share of their output to users in Japan and other countries. Furthermore, China requires ores with a higher iron component to compensate for domestic ores with low content. China also needs low-sulfur crude oil from western Africa. This causes demand for more VLCCs than would be needed for imports from the Middle East. One VLCC can make nine voyages per year between China and the Middle East, but only six to Angola. There are many other examples of rising ton-miles, such as rising Japanese imports of U.S. coal to replace declining imports from China.

The container logistics sector, backed by the accelerating outsourcing of production, is seeing strong growth in demand along with limitations imposed by harbor facilities, rail transportation and other infrastructure components. TSA^(*) estimates that delays at U.S. West Coast ports will reduce containership capacity by as much as 2 to 3%. Companies are introducing 8,000TEU vessels, but round trips require more time because of longer loading and unloading times. Although the world's containership operators have plans to add substantial capacity, projected growth in cargo is expected to be sufficient to keep supply in balance with demand.

MOL is well positioned to capitalize on opportunities spawned by these robust market conditions. We had the foresight to order a large number of vessels several years ago. Our access to information based on long-term customer relationships and operation of the world's largest cargo fleet is instrumental to the ability to envision fundamental market trends. These strengths enable MOL to place orders for delivery even four or five years ahead, a decision shipping companies that are smaller or operate in spot markets often cannot make. All this means that we can look beyond market cycles to achieve growth over the long term.

(*) TSA= The Transpacific Stabilization Agreement, a research and discussion forum of 13 major ocean container shipping lines that carry cargo from Asia to the U.S.



DIVERSIFYING RISKS AND OPPORTUNITIES

MOL operates in a single industry: ocean transportation. That means risks are concentrated. Although the outlook is for solid demand to continue, our operations, due to this concentration, remain susceptible to economic and market trends. **MOL** needs an operating framework that can better withstand market volatility while further raising emphasis on targeting growth opportunities.

Issue

2

Even as we report record results, we continue to work on structuring a business portfolio and fleet that minimize risks while maximizing opportunities.

MOL has a business portfolio that is well balanced in terms of market exposure and long-term stability. Containerships account for about one-third of total revenues. This is a business susceptible to market conditions, but with excellent growth prospects. Bulkships, a much more stable source of earnings thanks to medium- and long-term contracts, represented about half of total revenues and accounted for two-thirds of pretax earnings in the past fiscal year. Many years of investments and business portfolio realignments were required to assemble this well-balanced structure. One of our most notable actions in this regard was the 1999 merger with Navix Line, which had a large fleet of tankers and dry bulkers.

Balance is also maintained within our bulkship portfolio.

Of MOL's fleet of about 80 Capesize bulk carriers, 40 are operated for creditworthy customers under contracts that average almost 10 years. This provides MOL with its core earnings. Based on market conditions and the outlook, MOL operates its remaining iron ore carriers on COA (Contract of Affreightment), which average about 3 years, or at spot rates. Core earnings are central to MOL's ability to conduct these market-linked operations that maximize earnings when rates are strong as in the past fiscal year.

In the tanker category, 80% to 90% of our VLCCs are operated under long-term contracts, leaving only four or five vessels for the spot market. Product tankers, on the other hand, operate almost entirely on spot rates. Demand for these tankers is rising as limited refining capacity causes countries like the U.S. and China to import more refined products. Therefore, product transport sometimes increases even when crude oil volume decreases. Growth in this fleet will present MOL with a new means of diversifying risk, one that differs from the balance among the use of long contracts, COA and spot rates.

MOL took a step in diversifying operations in October 2004 with the acquisition of a controlling interest in Daibiru Corporation.

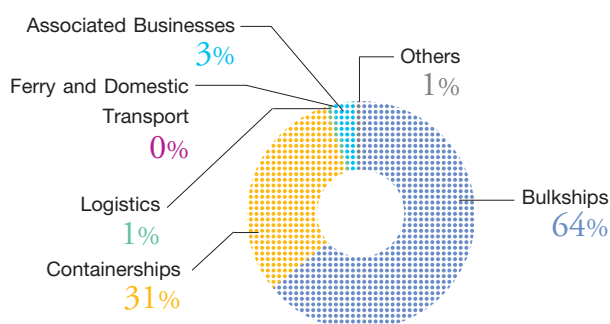
This company generates a reliable stream of earnings from the leasing of office and residential buildings. Long an equity-method affiliate of MOL, Daibiru has been positioned to contribute more directly to earnings. However, this acquisition in no way signifies a shift from the MOL Group's basic strategy of concentrating resources on growing sectors of the marine transportation business.

Due to this business portfolio strategy, about half of consolidated pretax earnings in the March 2006 fiscal year will come from revenues locked in by medium- and long-term contracts and stable businesses not vulnerable to market fluctuations. In fact, projected stable earnings in the fiscal year ending in March 2006 will significantly exceed the average of total annual pretax earnings during *MOL next*, the three-year management plan prior to *MOL STEP*. We do not foresee a significant change in stable earnings between now and the year ending in March 2010. This differentiates MOL from many other shipping companies, and even ourselves in the past, and gives MOL an even sounder base for raising market-linked earnings.

Diversification of risk extends to fleet ownership composition, too. Excluding vessels chartered under short-term contracts, MOL directly owns about 35% of its fleet. The remaining 65% of the fleet is chartered or leased. Most of these contracts cover periods of 5 to 15 years to hold down rates and keep payments stable. To further diversify risk, we spread out the timing of vessel orders and the length of contract periods and, in some cases, have provisions for contract extensions.

Preparing for a possible downturn in the shipping market is another element of dealing with potential risks. Each shipping division has contingency plans for reducing its fleet if necessary. For example, we plan to increase our fleet of Capesize bulk carriers to 110 by about 2009. However, this fleet can be cut to about 60 vessels if warranted by market conditions. These contingency plans ensure that we can grow along with demand for ocean transportation while holding the associated risks within acceptable limits.

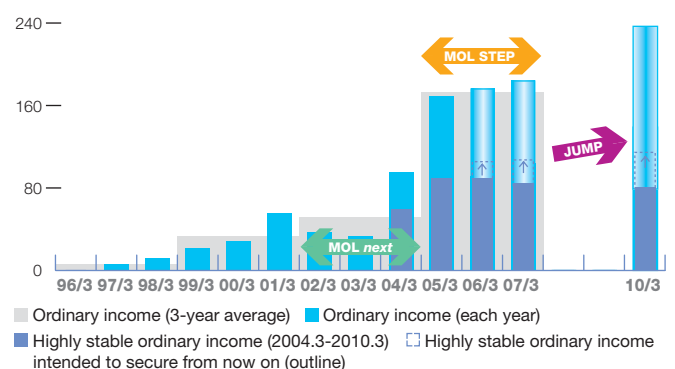
05/3 ORDINARY INCOME BY SEGMENT



(See pages 16-17 for revenue breakdown by segment)

ACCUMULATION OF HIGHLY STABLE PROFITS

(¥ billions)



Regarded as highly stable income = A part of Bulkships' income; income of Associated Businesses.
Not regarded as highly stable income = Incomes of Containership, Logistics, Ferry & Domestic Transport and Others; a part of Bulkships' income.

DEALING WITH RISING COSTS AND CURRENCY FLUCTUATIONS

Issue 3

Shipping companies currently face significant challenges in terms of cost structure. Higher oil prices are pushing up the cost of bunker. The rising cost of materials is making ships more expensive to build. Limited harbor infrastructures are raising operating costs. Revenues and expenses are also susceptible to foreign exchange rate movements. But **MOL** is shielding earnings from these risks in a number of ways.

Today, shipping companies face many challenges that affect operating expenses. Among the greatest are the much higher cost of building ships and long waiting periods due to enormous backlogs at the world's shipyards.

MOL, however, had the foresight to order many ships before the sharp upturn in prices that began late in 2003. During the three-year period ending in March 2007, we will take delivery of 145 vessels, all constructed at a highly competitive cost. During the following three years, which end in March 2010, 142 vessels are scheduled for delivery. About one-third were ordered prior to the upturn in prices; one-third have prices that will not fully reflect today's higher price of steel and other materials; and only one-third, or about 15% of the 287 vessels to be delivered between April 2004 and March 2010, is exposed to the current high prices. For this remaining one-third, MOL typically places firm orders to shipbuilders only after signing long-term contracts with customers based on the high prices.

At the same time, where necessary to replace existing vessels and expand the fleet, MOL places orders for vessels even where long-term contracts do not exist. Despite these actions, no significant increase in the overall cost of MOL's core fleet is projected over the next several years due to the large number of low-cost vessels recently delivered and now being constructed. Moreover, as was noted earlier, about 65% of MOL's fleet is chartered or leased, most for long terms. This reduces the impact on earnings of fluctuations in the ship chartering market.

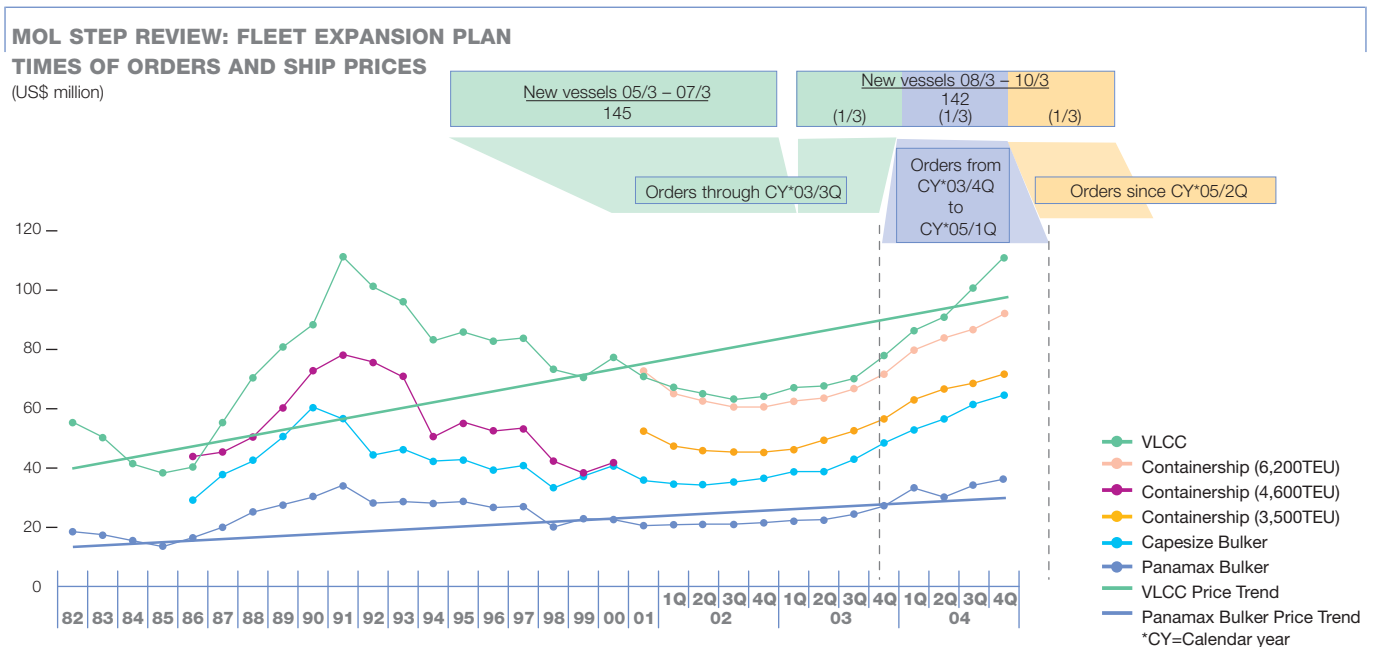
A lean cost structure is a fundamental reason for MOL's resiliency to rising expenses. Most significant were initiatives taken over a series of management plans that began in 1994. Since then, MOL has recorded ¥200 billion in expenses, mainly to dispose of unprofitable vessels and reorganize group companies, and achieved cost savings of more than ¥100 billion. This process made MOL much more cost competitive, strengthening profitability and the balance sheet.

Lowering foreign exchange sensitivity was another core goal of the management plans. MOL has raised the share of U.S. dollar-denominated expenses, mainly by using more non-Japanese seafarers and decentralizing the organizational structure for containership operations. As a result, a one-yen appreciation relative to the dollar lowers pretax earnings by only ¥2.5 billion even following last year's big increase in earnings.

Another challenge in terms of expenses is rate increases at container logistics firms such as terminal operators and railway companies, which are becoming bottlenecks in the transport of containers. MOL's approach is to determine if an increase is justified from the viewpoint of alleviating the bottlenecks and preserving quality of our services. If we accept part of a proposed increase, we try to pass the cost on to customers through freight rate increases or recover it through cost reductions.

Although the much higher cost of bunker poses a serious challenge, MOL is increasing efficiency of ship operations and establishing hedges to limit the impact. As about a half of bunker price fluctuation risk is hedged through contracts with customers, the impact of a US\$1 per metric ton rise in the cost of bunker on pretax earnings is limited to ¥300 million. When entering into long-term contracts, we generally try to include terms to shield ourselves from various fluctuating costs. A bunker adjustment factor included in most dry bulker contracts and certain other categories is one example. Another example is inflation clauses in most contracts for LNG carriers, which have periods of 20 years or more.

To reduce the impact of higher interest rates on expenses, MOL's policy is to use fixed-rate loans and other instruments to procure funds for ship purchases and other needs. As of March 2005, fixed-rate instruments accounted for about 70% of interest-bearing liabilities. As a result, an increase of one percentage point in market rates would lower pretax earnings by only ¥1 to 2 billion.



Source: Clarkson World Shipping Monitor

KEEPING A COMPETITIVE EDGE ON A LEVEL PLAYING FIELD

Operating largely identical tankers, bulk carriers and other vessels, the world's shipping companies are basically competing on a level playing field. Marine transport services are often difficult to distinguish from one company to another. That means **MOL** must work particularly hard on measures aimed at maximizing the benefits of strong market conditions. Most important is structuring operations to withstand challenges from competitors while preserving an adequate profit margin.

Issue

4

While each sector has its own strength, scale is the foundation of long-term competitiveness by which MOL sets itself apart. No company in the world operates a fleet with more capacity than MOL. With this scale, MOL has unparalleled access to information along with extensive customer relationships. Scale also allows us to target growing sectors of the ocean shipping market and maintain a cost-competitive fleet. Another advantage of scale is the ability to pursue high returns from short-term and spot markets, while earning stable income from long-term contracts.

From a shorter term perspective, having a fleet with the scale to meet customer needs is particularly valuable during the current period of limited supply. The cost of ships is another key element of MOL's competitive edge. This is especially true for natural resources and energy transport because the cost of a ship represents two-thirds of total operating expenses in these categories. MOL has significant advantages in this regard, as is explained on page 11.

In the dry bulk category, MOL has the world's largest fleet of vessels that transport iron ore and coking coal, which accounts for the highest share of dry bulk cargo. This scale allows MOL to acquire information from many sources. Another advantage of scale is extensive customer relationships. Demonstrating the depth of these relationships is the fact that long-term contracts have been already secured for about two-thirds of the Capesize bulkers in order. More significantly, these contracts include seven ultra-large ore carriers in the 230,000/320,000-ton class. These vessels illustrate MOL's ability to ascertain customer needs and then order vessels that accurately fulfill those requirements, a pivotal competitive edge. Even more flexibility is provided by a management framework in which MOL executives are given considerable authority, thus speeding decision-making and raising market responsiveness.

Many other strengths distinguish MOL's dry bulk operations. For smaller bulkships, MOL is using the stable volume of steel product exports from Japan to establish global coverage that focuses resources on strategic market sectors. Operation of specialized vessels for steaming coal and wood chips, based on close ties with customers, further sets MOL apart from its competitors.

In the tanker sector, one key strength is the use of three regional bases for managing VLCC and other tanker operations. One advantage is greater safety, the highest priority of MOL and its customers. Another is the ability to assemble a truly global fleet. With these strengths, MOL decided to begin globalizing tanker operations in the early 1990s.

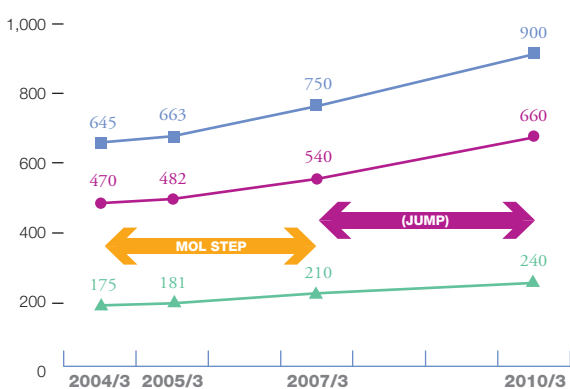
A diverse tanker fleet further differentiates MOL. In addition to VLCCs and other crude oil tankers, the fleet includes specialized carriers for LPG and methanol that all operate under long-term contracts. There is also a large number of petroleum product carriers. By using short-term and spot contracts, these vessels provide significant potential for reaping the benefits of market upturns. By operating such a diverse fleet of tankers, MOL gains access to information from many sources concerning the types of vessels that will be most in demand. Fleet diversity is especially valuable by offering an overwhelming advantage in participating in joint ventures. This strength is important today due to the large number of energy-related joint venture proposals, including for LNG carriers, from energy producing countries, importing nations and various companies. Scale also gives MOL the ability to place orders for new vessels with the proper timing relative to fluctuations in shipbuilding prices and the market outlook.

As competition heats up in the LNG transport sector, MOL's expertise and international network have never been more valuable. Expertise extends from the determination of specifications and supervision of shipbuilding through the operation of carriers.

In containership operations, MOL has decentralized its organization to cut costs and move decisions closer to customers. A sophisticated IT infrastructure both enhances customer services and boosts profits through cargo yield management and other functions. Larger containerships along with bottlenecks at harbors are spotlighting the importance of skill in container stowage and ship operating technology, both areas where MOL excels. Customers also appreciate MOL's ability to offer logistics services from a market-in perspective.

Car carriers are another area of strength at MOL. Backed by a large, modern fleet, skill in vessel deployment, and safe and efficient vehicle loading, MOL has been a trusted partner of many auto manufacturers worldwide for many years.

MOL STEP REVIEW: EXPANSION OF FLEET SCALE (No. of Vessels)



■ Total
● Natural resources/energy transport business
▲ Product transport business

Natural resources/energy transport business
(Dry Bulk/Tanker/LNG carrier/Domestic Transport)
Solidify the MOL Group's worldleading position by further expansion

Product transport business
(Containership/Car carrier/Logistics/Ferry)
Meet diversified customer needs and grow in line with the market

Including LNG carriers owned by joint venture companies which are not consolidated subsidiaries and other types of vessels operated by our subsidiaries accounted for by the equity method in which MOL has a 50% share.

RANKING OF WORLD'S MAJOR CARRIERS

(See pages 24-25 "MOL IN THE INDUSTRY")

MAXIMIZING CORPORATE VALUE

Issue 5

MOL is now capable of consistently producing earnings and cash flows that are much higher than only a few years ago. This presents the challenge of devising the most effective means of allocating these funds. While MOL is dedicated to seeing that all stakeholders benefit from these funds, the ultimate goal is increasing corporate value, particularly in the form of shareholder value.

Cash flows have long been a key component of value generation at MOL. For this purpose, debt reduction is a major use of cash flows. Since peaking in April 1999 at ¥985 billion following the Navix Line merger, MOL's debt has fallen by a total of ¥471 billion. A large share of the aggregate operating cash flows of ¥618 billion was used to fund these reductions. This has played a big part in raising corporate value and providing a sound base for the steep upturn in earnings in the past two fiscal years.

MOL STEP, the current medium-term plan, is designed to set the stage for another period of growth beginning in 2007. MOL STEP is also intended to be a time to complete preparations for gaining recognition of MOL as one of the world's best managed, most respected organizations in any industry. With this in mind, MOL is aiming for more improvements in financial soundness. Central to this drive will be a further reduction in debt while increasing equity. The initial goal is to achieve a ratio of 4:4:2 for equity, debt and other liabilities by March 2007, the end of MOL STEP.

Another equally important use of cash is capital expenditure, mostly to purchase vessels. During the three years of MOL STEP, these expenditures are to total ¥250 billion. Shipping is a growth industry. By using its information gathering and analysis expertise, MOL correctly foresaw especially strong growth in the current decade. This enabled MOL to place orders for many new vessels before its competitors did. As these vessels are completed, MOL is assembling the most competitive fleet in its history in terms of cost and quality of services. As many opportunities still exist, MOL views capital expenditure as an extremely effective way to use cash flows for maximizing shareholder value.

A third primary use of cash flows is actions that directly increase returns for shareholders. MOL has established the clear guideline of distributing approximately 20% of consolidated net income to shareholders in the form of dividends. In fact, the dividend, which was ¥4 or ¥5 per share for six years through March 2003, rose to ¥11 in the

March 2004 fiscal year and ¥16 in the past fiscal year. This was 20% of the net income per share of ¥82. Over the next few years, we plan to maintain a 20% payout ratio as we continue to make substantial capital expenditures while strengthening the balance sheet. In the future, the payout ratio may be raised based on cash flows and the demand for internal funds at that time.

FOCUSED ON FIVE ISSUES

Even as MOL reports record revenues and earnings, shipping still tends to be dismissed as a cyclical industry. This perception, however, does not give consideration to two facts. First, shipping is cyclical, but there is an unmistakable pattern of long-term growth. Second, MOL is always studying the best ways to sustain and maximize profits in an industry defined by these two characteristics. Our solutions are strengthening long-term relationships with customers, diversifying risks and opportunities, reinforcing cost competitiveness and solidifying financial strength.

We have long-term relationships with customers worldwide and a fleet covering almost every market segment. That allows us to build core earnings while using these resources to mold information into accurate forecasts. As a result, we can make fleet investments in the right fields at right times. This gives us a solid base of earnings and a highly competitive fleet, strengths that make it possible to take on more risk to earn greater rewards. At the same time, we are diversifying risk exposure, relentlessly streamlining our cost structure and strengthening the balance sheet to withstand challenges posed by market fluctuations.

Above all, MOL's responses to the five issues in this section demonstrate that the company has built a foundation capable of supporting sustained growth. The recent jump in earnings to new heights is not merely a temporary upturn backed by favorable market conditions. Rather, this performance should be viewed as proof of a lasting, long-term transformation in MOL's business structure that will propel growth many years into the future.

