

CORPORATE GOVERNANCE

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 to the board, separated management and executive functions, and that 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	<p>Management organization reform</p> <ol style="list-style-type: none"> 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 <p>Established the IR Office Started holding the Annual General Shareholders meeting on a day relatively free of other shareholders meetings</p>
2001	<p>Established the MOL Group Corporate Principles</p> <p>Added one more external director, increasing the number of external directors to three</p> <p>Established Compliance Policy and a Compliance Committee</p>
2002	<p>Second stage of management reforms</p> <ol style="list-style-type: none"> 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

In 2002, the second stage of the process took place. The goals were to bolster the role of the Board of Directors with regard to formulation of fundamental management policies and oversight of risk management; and to transfer considerably more authority for the execution of business operations from the Board of Directors to the Executive Committee. This action brings greater clarity and definition to the separation of strategic decision making and executive functions, and speeds decision making at the business execution level.

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. As a rule, every time the board meets, an issue related to management strategy or long-term corporate vision, or an issue common to overall management, is selected as a subject for frank discussion in which the external directors and auditors also participate. This approach makes the board a dynamic and effective body.
3. The Board of Directors has 11 members. These include three independent external directors. Two of the four auditors, who are required to attend board meetings to supervise its operations in accordance with the Commercial Code of Japan, are external auditors with no potential conflict of interest with the company. 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.

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 2004 the president participated in the company's presentations of quarterly results and held 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 web site with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the web site. This information is e-mailed on the same day to foreign investors registered with the company.

Recognizing the value of these activities, the Japan Investor Relations Association (JIRA) awarded the company the "Excellent IR Company Award" for fiscal 2004. The Corporate Disclosure Study Group of the

Securities Analysts Association of Japan awarded MOL the Excellence in Corporate Disclosure Award for the transportation sector in fiscal 2004.

DIRECTOR COMPENSATION

The Board of Directors, including the external directors, determines compensation for the directors. Compensation paid to directors in fiscal 2004 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.

RISK MANAGEMENT AND COMPLIANCE

The most significant potential risk facing the company is an accident occurring in the operation of its vessels. To hedge this risk, the company has established an Operational Safety Committee headed by the president. The committee defines basic policies and measures to thoroughly assure the safety of vessel operations and takes every opportunity to raise employee awareness of the fact that “safe operation of vessels is the most fundamental issue for the company.” To be prepared for a marine accident, we have compiled marine accident response manuals and have established an emergency response system.

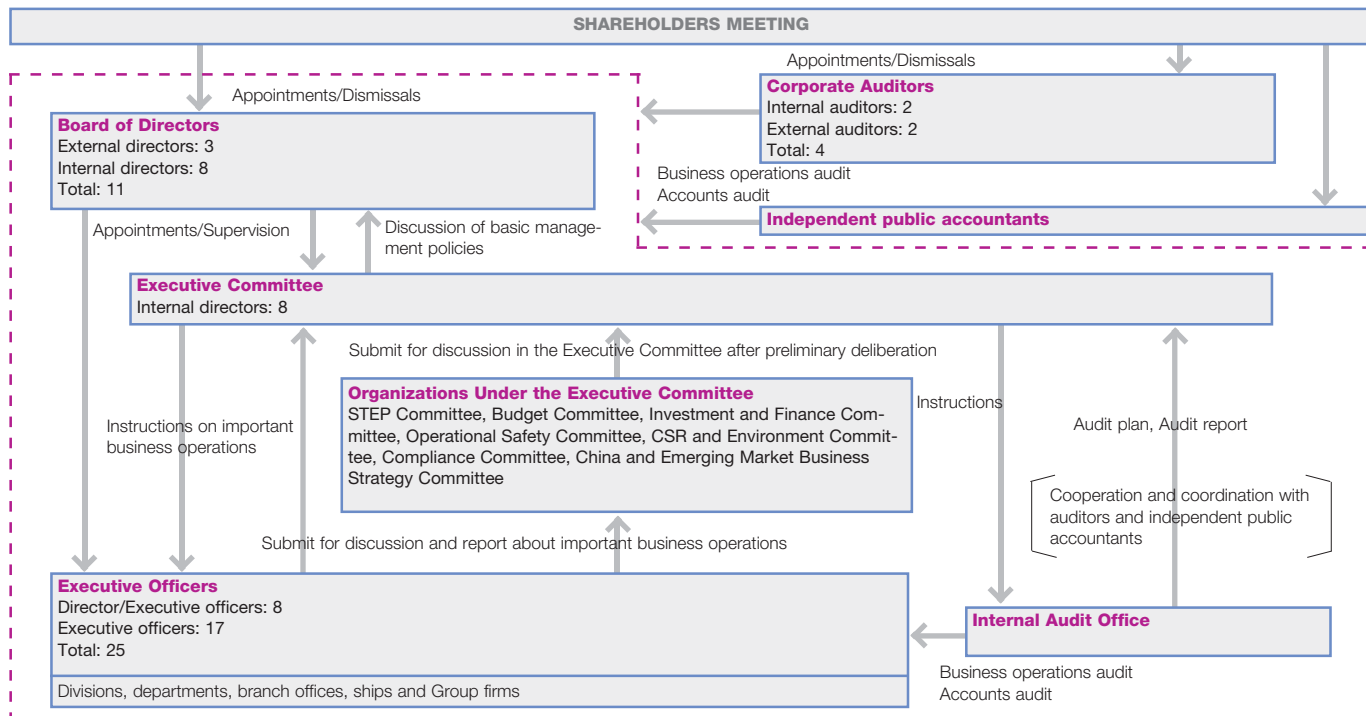
We also conduct regular response drills premised on hypothetical marine accidents.

As explained elsewhere, 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 vice president, 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 2004 is shown in the table below.

CORPORATE GOVERNANCE ORGANIZATION (as of June 30, 2005)



COMPENSATION FOR DIRECTORS

	(¥ millions)	(Thousands of U.S.\$)
Compensation for internal directors	¥359	\$3,343
Compensation for external directors	26	242
Compensation for internal corporate auditors	41	382
Compensation for external corporate auditors	12	112
Total	¥440	\$4,097

COMPENSATION FOR INDEPENDENT PUBLIC ACCOUNTANTS

	(¥ millions)	(Thousands of U.S.\$)
Compensation for auditing services	¥39	\$363
Compensation for auditing-related services	5	47
Compensation for other services	—	—
Total	¥44	\$410