

MOL at a Glance

The following is a summary of MOL's business activities based on the business segments that were adopted beginning in the fiscal year that ended in March 2005.

Bulkships



Containerships



Logistics



Ferry & Domestic Transport



Associated Businesses

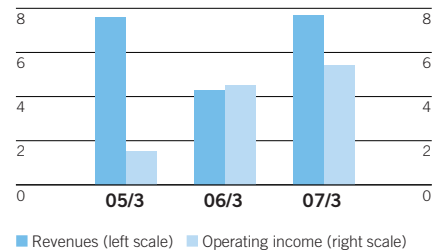
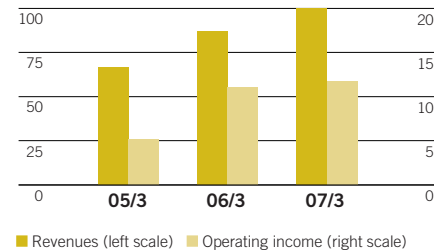
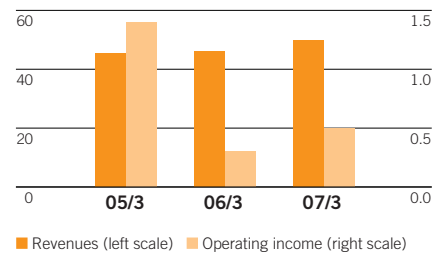
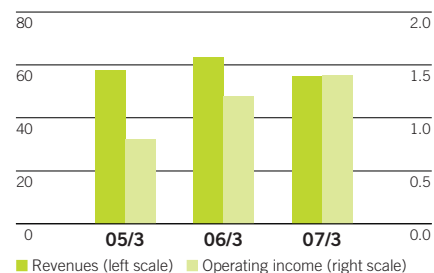
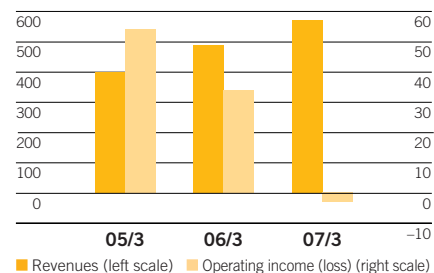
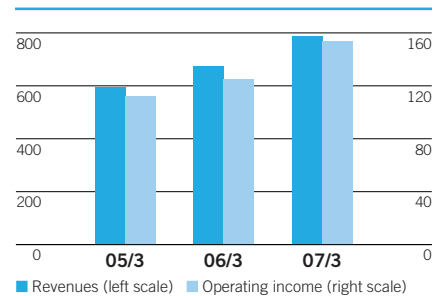


Others



Performance

(¥ billions)



Please see page 73 for sales and operating income figures.

Business Description

With a fleet of 336 vessels, MOL is the world's largest operator of dry bulkers, which transport iron ore, coking and steaming coal, wood chips, grain, and other cargo. MOL is also a leader in energy transport markets. A total of 162 tankers carry crude oil, refined products, chemicals, and LPG, and MOL plays a central role in the LNG carrier market, participating in projects with a total of 58 vessels. In addition, operating a core fleet of 95 car carriers, MOL provides vehicle transport services of the highest quality and has earned a reputation for reliability. This segment, which maintains a balance between medium- to long-term contracts and short-term contracts, is playing a major role in MOL's earnings growth.

MOL has a fleet of 109 containerships and a well-balanced service network that links all of the world's major regions, including east-west routes as well as north-south and intra-Asia routes. With this global network, MOL can meet transportation needs anywhere in the world. In addition, MOL, APL, and Hyundai Merchant Marine make up The New World Alliance (TNWA), which covers 101 containerships. The combination of an extensive global network and a highly competitive cost structure has reinforced MOL's position as one of the world's leading containership operators. This segment also includes container terminal operations in Japan, the U.S., and Thailand.

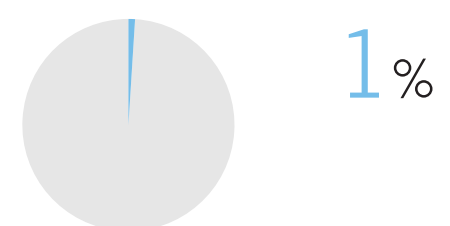
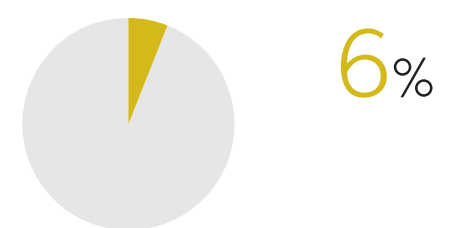
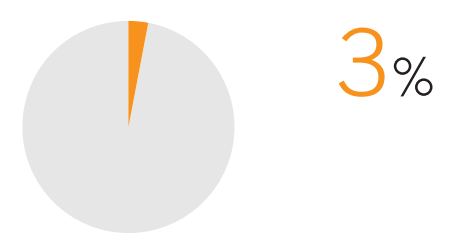
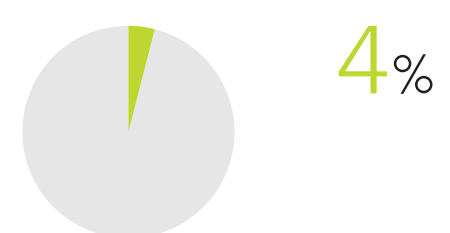
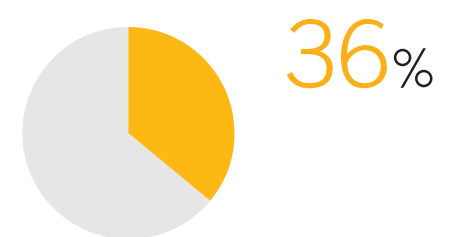
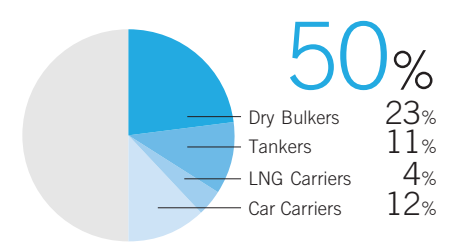
The primary goal of this segment is to maximize synergies with other MOL business segments. To that end, logistics operations use a "market-in" approach to offer services that precisely match the needs of customers. Backed by the MOL brand, the segment is recording steady growth. With core operations comprising strategic investments in China and the ocean consolidation business, the segment is providing optimal logistics solutions to meet customer needs for high-value-added services. An alliance with Kintetsu World Express, Inc., strengthens MOL's ability to be a one-stop source of sea and air freight services.

With an extensive domestic service network, this segment offers a variety of high-quality transportation services. In recent years, a solid earnings structure has been established through unified operating and sales activities among Group companies as well as through optimized scheduling. In addition, MOL services are attracting attention as a model for the Japanese government's modal shift policy, which is aimed at protecting the environment. As Japan's largest ferry operator, the MOL Group is positioned to reap significant benefits from anticipated growth in demand. This segment also includes domestic transport of bulk cargoes, such as coal, steel, and salt.

The main activities in this segment are the office and residential building leasing operations of Daibiru Corporation and one of the largest tugboat businesses in Japan. Other businesses include marine consulting, maritime engineering, trading, and temporary staffing. Almost all of the segment's activities are in fields related to ocean transport. The segment also operates a cruise ship business that includes the *Nippon Maru*.

The activities of this segment include ship operations, chartering, ship management, and finance. Most of these activities involve the provision of administrative functions for the MOL Group.

Sales Breakdown by Segments



Overview of Operations —Progress in MOL STEP and Strategies of MOL ADVANCE

Bulkships Dry Bulkers



Saburo Koide
Executive Vice President

Substantial Contribution to Earnings under MOL STEP

In the fiscal year ended March 2004, which was the first year of MOL STEP, the bulkships segment* recorded ordinary income of ¥61.6 billion, and by the final year of the plan, ended March 2007, the segment's ordinary income had risen to ¥163.5 billion. Dry bulk-er operations contributed a substantial portion of that increase—which exceeded ¥100.0 billion. The dry bulk-er division also registered strong growth in revenues, which increased more than 1.7-fold over the three years covered by MOL STEP.

* The bulkships segment has four divisions: dry bulkers, tankers, LNG carriers, and car carriers.

As is well known, a key factor behind this performance was strong demand for iron ore in China. With infrastructure projects actively under way throughout the country, China's crude steel production has increased, and, as a result, imports of iron ore have soared, rising from 146 million tons in 2003 to 326 million tons in 2006. At 60 million tons, the average annual increase in imports over this period was enough to require 50 to 60 new Capesize bulkers each year.

Nonetheless, those benefits of meeting that demand were only available to those who moved aggressively. Initially, many considered the increase in demand to be nothing more than a temporary spike. And in fact, market conditions did undergo fluctuations. However, looking back over the past three years, market conditions never returned to their pre-2003 levels, and recent trends in the futures market indicate a strong consensus that market conditions will remain stable at a high level at least through 2010.

MOL was the first company to anticipate the strong growth in demand for the raw materials used in steel production, and by

December 2003, we had ordered 30 Cape-size bulkers to be delivered from 2004 to the first half of 2007. Shortly thereafter, demand began to grow at a pace exceeding expectations, and with vessels incurring demurrage, a temporary capacity shortage developed. We moved aggressively to meet customer demand, taking steps to procure about 20 vessels on medium-term contracts of three to five years. As a result, with a series of newbuilds joining our fleet, we were able to conclude new medium-to-long-term contracts with customers in Japan, China, Europe and other markets while operating highly cost-competitive vessels on the spot market in areas with strong demand. In this way, we were able to take full advantage of the favorable market conditions.

By expanding our fleet of iron ore and coking coal carriers from about 110 vessels at the end of March 2004 to about 130 at the end of March 2007, we have further increased the flexibility of our fleet of these vessels, which is the largest in the world. Currently, about 40% of our iron ore and coking coal carriers operate on long-term contracts, 30% on medium-term contracts, and 30% on spot rates. This balanced portfolio enables us to control the influence of short-term market fluctuations and generate a high level of stable earnings year after year.

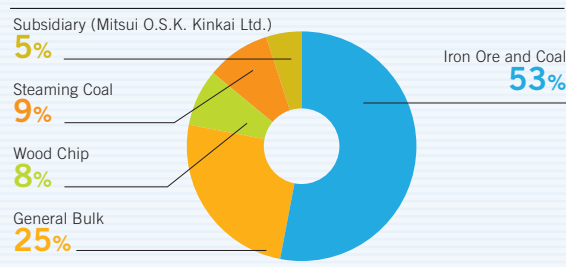


The coal and iron ore carrier
Baosteel Elevation

In general cargo bulk-er operations, we carry a wide range of cargo in Panamax and Handy vessels. This field has also recently seen notable growth in demand and strong, stable market conditions. Over the course of MOL STEP, we worked to procure newly built box-shaped Handy bulkers designed for transporting steel products. Consequently, we were able to create highly profitable around-the-world routes that follow shipments of steel products from Asia and then Europe with shipments of copper ore and other products from South America to Asia. This is, however, simply one of many vessel allocation patterns.

In the fiscal year ended March 2007, market conditions declined at one point, and we took that opportunity to use vessels on medium-term charters to meet rising demand

Consolidated Revenues Breakdown (Results in FY2006)





Masafumi Yasuoka
Managing Executive Officer

in other areas, such as coal for China, which has become a coal-importing country, and cement for the U.S. These initiatives made a contribution to the higher earnings in the dry bulk carrier division.

MOL equity method affiliate Gearbulk Holding Ltd. has the world's largest fleet of open-hatch gantry-craned bulkers, which are used for transporting such cargo as pulp and aluminum ingots. Gearbulk Holding has recorded higher profits accompanying growth of long-distance transport, such as shipments of pulp from Chile to China. In dedicated bulkers, which carry steaming coal and wood chips, we have expanded our fleet and generated stable earnings through long-term contracts. At the same time, we have placed orders for additional vessels to meet future demand.

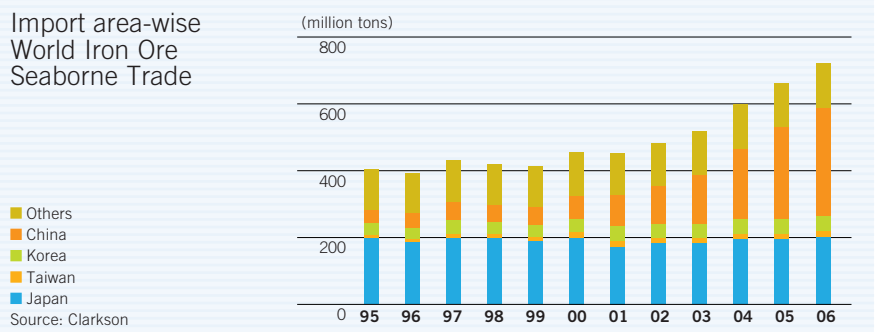
Ready for Further Growth under MOL ADVANCE

Coinciding with the release of MOL ADVANCE, we also announced plans to expand our fleet of iron ore and coking coal carriers and other bulkers. We will increase the number of iron ore and coking coal carriers from the current level of 130 vessels to 150 by March 2010, and by March 2012 the fleet will have reached 160 to 170 ships. We will expand our fleet of other bulkers from the current level of 80



The coal carrier
Hanabusa

Import area-wise World Iron Ore Seaborne Trade



vessels to 100 by March 2010. As shown in the accompanying table, the distinctive features of our fleet include not only its scale but also the range of bulk carrier types that it includes.

Our fleet expansion plans are based on thorough market research. We look carefully at such factors as where cargo will originate and where it will be carried, what types of ships will be needed to carry it, and what types of vessels will be in short supply. Because the expansion of our fleet is based on this type of thorough research, we have the ability to provide large numbers of various types of ships. Along with safe operation, that ability is the aspect of service quality for which customers have the greatest need, and under MOL ADVANCE it will be the key focus of our efforts to achieve growth with enhanced quality.

The dry bulk carrier division is carefully tracking three key trends. First, newly industrializing economies continue to record strong growth. In 2007, there are no signs of a slowdown in China's imports of iron ore, while India has begun to cut back on exports of iron ore on account of its own economic growth. As a result, there is growing reliance on shipments from distant markets, such as Brazil. Also, the increase in shipments is not limited to steel-related products. As was the case with Japan in its period of rapid economic growth, a

developing country typically records growth in demand for iron ore and coal, followed by foodstuffs and feed, and then by minor bulk cargoes, such as nonferrous metals and construction materials. One example of that pattern is the rapid growth in the long-distance shipment of soybeans from Brazil to China. In addition to the BRICs, the so-called Next 11, including Vietnam and Turkey, will also have an influence on global ocean shipping.

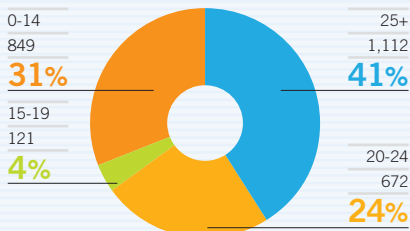
The second key trend is the influence of domestic shipping. Currently, international shipments of dry bulk cargoes total about 2.7 billion tons a year, but according to MOL research, domestic shipments in China alone total about 300 million tons a year, and that amount is expected to reach 1.0 billion tons a year by 2012. A similar trend can be seen in India and Russia. In newly industrializing



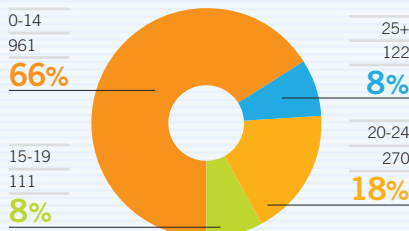
The handy bulk carrier
Pacific Elfin

Dry Bulkers Age Profile (As of March 2007)

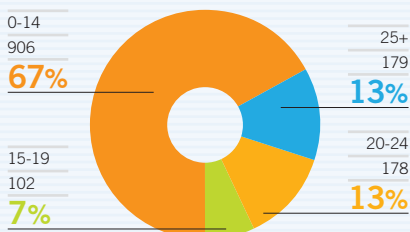
Handy-bulker (10-39,000dwt 2,754 ships)



Handymax (40-59,000dwt 1,464 ships)



Panamax (60-99,000dwt 1,365 ships)



Capesize (100,000dwt 688 ships)



Source: Clarkson

However, customers want shipping companies that can meet high levels of demand, and they are prepared to pay reasonable prices for vessel types that enable efficient transport. We have already signed long-term contracts for half of the 44 iron ore and coking coal carriers that we will introduce from April 2007 to the first half of 2012, and we expect that figure to eventually increase to 60%. General cargo bulkers are typically operated on the spot market. For this category, we charter vessels on contracts of about five years with options to extend, and sometimes with the condition that charter fees decrease in later years. In this way, we stabilize profits in preparation for market rate fluctuations.

By implementing these types of aggressive yet carefully thought-out measures, MOL's dry bulker operations will be able to make a substantial contribution to higher revenues and profits in the bulkships segment in the current fiscal year, ending March 2008, and to continue to generate a high level of profits in subsequent years, even if market conditions weaken to some extent.



The woodchip carrier
Chuetsu Spirit

countries with domestic markets extending over vast geographic areas, demand for domestic shipping has the potential to tighten the demand-supply balance for dry bulker operations in the years ahead.

The third key trend is restrictions on the use of ships. Since April 2006, Australian mining companies have refused to use ships more than 25 years old, and this factor has contributed to the ongoing tight market conditions. This trend has spread to other countries, with China setting an upper limit of 33 years. Within five years, about 150 Capesize bulkers, or more than 21% of the worldwide

fleet, will be more than 25 years old. In addition, of about 2,750 Handy bulkers currently in operation, more than 1,100 are more than 25 years old. This is one reason why MOL believes that the tight demand-supply situation will not be significantly alleviated and that there will likely be a shortage of capacity, especially for Handy bulkers, even if the construction of dry bulkers increases.

On the other hand, high ship prices are often mentioned as a risk factor. Capesize bulkers, which cost about \$35 million for orders placed in 2001, would cost about \$80 million if ordered today for delivery in 2012.

Fleet Expansion Plan Iron Ore and Coking Coal Carriers/ General Bulk Carriers

	Launching period April 2007 to early 2012			Uses/special features
	Type (1,000 dwt)	No. of vessels		
Iron ore and coking coal carriers	Capesize	300	5	Ore carriers for use on long-term contracts. Efficient transport over long distances.
		230	6	
		200	6	
		170	15	
		110	8	
		80	4	
Total		44		
General bulk carriers	Panamax	78-82	5	Transport of grain, etc.
	<i>The following vessel types have cranes. They can be used in ports without unloading facilities.</i>			
	Handy max	52-58	23	Transport of a wide range of cargo, such as coal, salt, cement, and grain
		50	12	
	Small handy	32-37	15	Box-shaped vessels. Transport of steel products, cement, grain, ore, etc.
24-35		5		
Total		60		

Bulkships Tankers



Masashi Seki
Managing Executive Officer

of MOL STEP, despite the fact that VLCC worldscale rates were about the same. This result demonstrates the success of the fleet expansion and diversification initiatives that we implemented over the course of MOL STEP.

Targeting Sustained Growth under MOL ADVANCE

To achieve growth with enhanced quality, we will begin the three years of MOL ADVANCE by further bolstering our measures for safe operation. We recognize that to obtain orders, we need to maintain a position of leadership in ship management and to meet the specific needs of each individual customer. In addition, we plan to replace single-hull ships with new vessels and complete the transition to double-hull tankers in advance of the 2010 deadline that has been determined by international agreement. This accelerated transition will have a temporary adverse effect on our profits, but we believe it is an indispensable step in building a foundation for further growth.

On this foundation, we will continue to bolster our fleet, increasing both its scope and its size. We plan to add 60 vessels over the course of MOL ADVANCE, for a total of 200 tankers by March 2010. In the VLCC category, the customer preference for double-hull vessels has strengthened, and due to the retirement of single-hull vessels, supply should remain tight and market conditions will likely be strong. With 8 newly built vessels that we will operate on long-term contracts, our VLCC operations will continue to provide stable earnings. Also, with refineries coming on-line in Middle Eastern oil-producing countries, we anticipate higher demand for the long-distance transport of refined products and chemicals from these markets. Accordingly, we will build 21 new product tankers and 19 chemical tankers. Moreover, 7 new VLGCs will be used to meet new demand for LPG transport, as described in the feature section (page 34–35) of this annual report. These will be the first VLGCs that MOL operates on the spot market.

With the stronger fleet that will result from these measures, the tanker division will be able to contribute to MOL's earnings growth, and, by the conclusion of MOL ADVANCE, we expect the division's profits to substantially exceed the level achieved under MOL STEP.

Well-Timed Fleet Expansion Supports Strong Profit Growth Under MOL STEP

We made strong progress over the course of the MOL STEP plan, with the cumulative total of our recurring profit over the past three years exceeding the plan's original target level by more than 100%. This performance is the result of an early lead MOL took in making aggressive investments in tankers since 2002, which we were able to use to meet soaring demand. Today, MOL has one of the largest and most diversified tanker fleets in the world.

During the three years covered by MOL STEP, we added 53 vessels to our fleet, including 22 product tankers that we use to take advantage of growing demand in the spot market. We also added vessels operated

under long-term contracts, namely 11 crude oil tankers, 3 methanol carriers, and an LPG carrier. As a result, we achieved the portfolio composition outlined in MOL STEP, realizing a fifty-fifty balance between long-term, stable earnings and attractive profit opportunities on the short-term market. Subsidiary Tokyo Marine, which added 16 new ships to its fleet of chemical tankers, was another source of earnings growth. These vessels, which require advanced operational technology and a high level of expertise, are a sector in which the MOL Group maintains a strong competitive advantage.

In the fiscal year ended March 2007, MOL continued to enhance its tanker fleet. We took delivery of 19 vessels, including 8 product tankers, all of which were ordered at favorable prices, and 3 new VLCC tankers. As of March 31, 2007, 91% of our tankers featured double-hull construction.

In the second half of the past fiscal year, market conditions turned sluggish due to warm winter weather. For the full year, the average market rates for crude oil and refined petroleum product tankers were down year on year. As a result, our profits in the fiscal year ended March 2007 were down slightly from the previous fiscal year. However, our profits in the past year were nearly double the level recorded in the fiscal year prior to the start



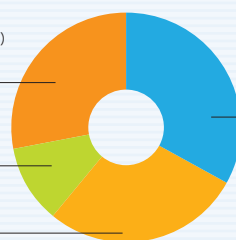
VLCC
Kasagisan

Consolidated Revenues Breakdown (Results in FY2006)

Chemical
(Tokyo Marine Co., Ltd.)
28%

Methanol/LPG
11%

Product
28%



Crude Oil
33%

Bulkships LNG Carriers



Yoichi Aoki
Senior Managing Executive Officer

Steady Expansion Under MOL STEP

Since MOL commenced operation of its first LNG tanker in 1983, the company has steadily expanded its LNG business. Today, MOL has the largest LNG transport business in the world.

The LNG transport business is based to a large extent on long-term contracts, and as a result we enjoy a high degree of certainty in our medium-term planning. Under MOL STEP, we achieved our objectives and fulfilled our key role in MOL's strategy for achieving stable growth. MOL has an interest in 17 of the 70 LNG carriers that have been launched worldwide since April 2004, and we had a fleet of 58 vessels in operation at the end of March 2007. Profits were up year on year.

Over the three years of MOL STEP, we signed contracts for 11 projects and 23 vessels. In both 2004 and 2005, orders were placed for 50 to 60 LNG carriers worldwide. A substantial portion of those were speculative orders placed by new market entrants, and as a result competition to secure contracts intensified. In 2006, speculative orders decreased, and the total number of vessels ordered declined to about 30.

During the past fiscal year, we concluded an agreement for the project that will employ a revolutionary new technology. In March 2007, MOL and Hoegh LNG confirmed the

signing of long-term contracts with SUEZ LNG Trading for two shuttle & regasification vessels (SRVs) that will be specially designed to deliver LNG to a terminal located offshore Boston, in the U.S. state of Massachusetts.

Maintaining Our Leading Position under MOL ADVANCE

The global LNG market holds substantial potential for MOL. Demand is expected to grow further, with global LNG consumption rising to 250 million tons by 2010 and 400 million tons by 2020.

With the world's largest LNG carrier fleet and a proven record for safety, reliability, and efficiency, MOL stands ready to meet rising demand for marine transport of LNG. Over the course of MOL ADVANCE, we will expand our fleet from 58 LNG carriers to 80, maintaining our share of about one quarter of the worldwide fleet, which is expected to total 350 vessels.

Overall, we anticipate growth in shipments to North America and Europe via the Atlantic Ocean and Mediterranean Sea. In North America, LNG's advantages will drive growth in its market share, and we foresee strong demand. In the Pacific, Australia and Sakhalin will be key points of origin for shipments to the west coast of North America, and Asia will maintain its position as a major destination.

MOL is a pioneer in LNG transport, and one of our key competitive advantages is the number of vessels in our fleet that will be completing 20 to 25 year contracts in the years ahead. LNG carriers can be used for up to 40 years if they are properly maintained, and a specialized survey by a ship classification society, known as the condition assessment program (CAP), has recently been developed. We can have the clients continue to use the vessels that have completed the long-term contracts, and we can also use them in combination with new vessels to serve new projects. In this way, we can provide the clients with the solution to alleviate the burden of initial investments. Also, the spot market is expected to take on a growing role, reaching about 20% of the total market and recording solid growth in fiscal 2010 and thereafter.

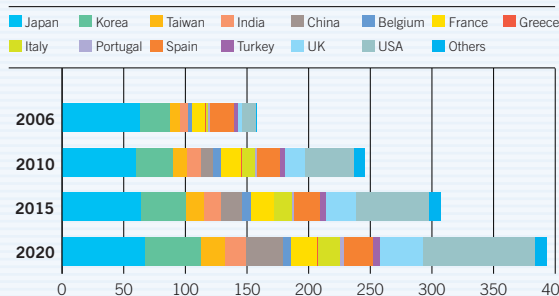
In the bidding process used for new contracts, there has been a renewed emphasis on not just price but also quality of service, especially in ship management. LNG markets are characterized by ongoing technological progress, such as the onboard regasification of LNG in the open ocean. As we take steps to meet the growing demand for LNG in the years ahead, we will strive to secure growth with enhanced quality by offering value-added service based on an unyielding commitment to safety.



LNG carrier
IBRI LNG

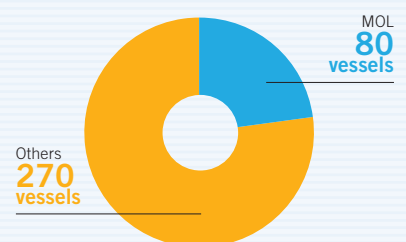
LNG Demand Forecast (million tons)

(million tons)



Source: The Institute of Energy Economics, Japan, etc.

MOL LNG Fleet "One-quarter (1/4) of the World LNG fleet"



World LNG fleet as of April 2007; 350 vessels including the newbuildings to be delivered through early 2010.

Bulkships Car Carriers



Toshitaka Shishido
Managing Executive Officer

Solid Growth in Cargo Volumes Under MOL STEP

MOL is one of the world's premier operators of car carriers. In the three-year period covered by the MOL STEP plan, we continued to make steady gains in car carrier operations. Shipments from Asian markets, principally Japan and South Korea, recorded especially strong growth. Over the past three years, exports from Japan and South Korea rose 34%, while the number of vehicles carried by MOL increased 38%. In 2006, global exports totaled 12 million completed vehicles, of which exports from Japan and South Korea accounted for 70%. Shipments from emerging automobile production regions, such as Latin America and South Africa, were also strong.



The car carrier
Liberty Ace

A key factor behind the higher shipment volumes was substantial growth in exports of fuel-efficient Japanese cars in an environment characterized by rising gasoline prices. In addition, Middle Eastern countries, where economies were buoyed by higher oil prices, were a source of growing demand for cars.

In a market characterized by an ongoing shortage of shipping capacity, MOL continued to bolster its fleet. We introduced 13 high-capacity car carriers over the past three years, including 3 in the past fiscal year.

Our continued focus on improving quality and efficiency—and our commitment to providing service that is reliable as well as rapid and smooth—paid off with steady gains in performance. In addition to services that all customers require—such as the provision of shipping capacity to meet demand and preventing any damage to cargo—we also offer distinctive value-added services, such as so-called “hot delivery,” which leverages our ability to provide detailed information about where vehicles are loaded on a car carrier. Over the course of MOL STEP, the company's car carrier operations recorded steady increases in cargo volumes and sales.

Positioned to Achieve MOL ADVANCE Targets

To achieve growth with enhanced quality in terms of safety and added value, we will take steps under MOL ADVANCE to further improve our service so as to secure the ongoing support of customers.

The cost of manufacturing cars in industrialized countries will continue to increase, while the cost of ocean shipping for cars will remain low in comparison. As a result, we anticipate growing demand for car carrier services on routes extending outward from cost-competitive production hubs, which will

include such countries as South America, South Africa, Thailand, and India.

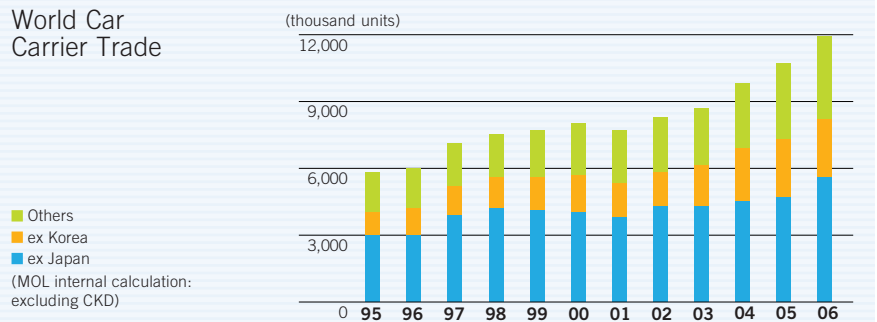
Exports from China are also likely to surge. In 2005, MOL handled the first export shipment of cars produced in China by a Japanese automaker. In addition, the market for domestic car transport is expanding, and through joint ventures with local companies, MOL is already handling car shipments on domestic coastal routes. With this strong, comprehensive market presence, MOL is well positioned to meet growth in demand for exports from China.



The Car carrier
Bravery Ace

We expect global shipping volumes to remain strong and the shortage of capacity to continue. We therefore plan to add 25 car carriers during MOL ADVANCE, including high-capacity ships that can accommodate 6,400 vehicles. Our large fleet enables us to provide the flexibility and reliability that automakers demand, and our commitment to environmentally friendly shipping operations is an added advantage in securing business. Overall, throughout the course of MOL ADVANCE we will focus on continually enhancing quality and customer service on a foundation of safety in both ship operations and cargo handling.

World Car Carrier Trade



Special Feature in Overview of Operations

MOL's Tanker Operations— Leading the Way Toward Growth with Enhanced Quality

Under MOL ADVANCE, we use four key words to summarize our approach to achieving growth with enhanced quality—*Safety, Growth, Global, and Group*. In this section, we will use the Tanker Division as an example of those key words in action.

Safety— Reinforce and Ensure Safe Operation

The international oil majors apply their own standards for the approval of vessels and operators in a process known as vetting. Captain Naoki Kamono, of MOL Tankship Management Ltd., described the background. “Tankers carry liquid cargo, so spills pollute the marine environment. And at the discharge port, the ship’s power is used to transfer the cargo to the onshore storage tanks. That means that safe transport and delivery demand meticulous ship management capabilities and seafarers with advanced skills, both at levels that satisfy the requirements of the consignee. The ship inspection checklist from the OCIMF¹ includes 800 items. And in 2004, the international oil majors introduced a scheme known as TMSA² and clarified their policy of only signing long-term contracts with highly rated companies. Under this scheme, ship management companies answer questions regarding 250 items. This process shines a spotlight on the level of their ship management knowledge and the extent to which they have translated that knowledge into action.”



Inspection of the crude oil tanker *Pacific Alliance*

In April 2006, MOL established MOL Tankship Management to centralize the management of tanker operations and facilitate close communication with the Tanker Division. Under the new ship management structure, policies are directly formulated and implemented with head office authority. The Tanker Division took the initiative in implementing

this type of management system to further enhance its ability to meet the high standards of the oil companies. Four months later, the VLCC *Bright Artemis* was involved in an accident. MOL has responded to the accidents that occurred in the past year by further tightening its safety standard specifications on a companywide basis. These specifications incorporate every conceivable standard for the safe operation of tankers, and through the implementation of these standards, our tanker operations will be clearly differentiated from those of our competitors.

Through these types of safety policies and initiatives, we will gain a strong competitive advantage and reinforce our position as a first-rate company that can meet the needs of the world’s oil companies.

1. Oil Companies International Marine Forum
2. Tanker Management and Self-Assessment

Growth— Identify Growth Fields and Build the Optimal Portfolio to Serve Them

Currently, product tankers are playing the lead role in supporting growth in MOL’s Tanker Division. In 2002, we decided to make a major increase in our fleet, which has grown from its previous size of about 15 vessels to its current scale of 43. We plan to have 70 tankers in operation by 2011.

The factors behind the decision to expand our product tanker fleet extend back to the end of the cold war. As borders began to fall, the division of labor extended across the world and the production of a growing range of goods was shifted accordingly. MOL anticipated the emergence of a similar trend in the markets for petroleum and petroleum products, with production facilities situated in the optimal locations, from which the products would be transported to their destination

markets. Moreover, in the case of petroleum products, the optimal production site—as measured by cost—changes frequently, and for that reason, we also anticipated demand for the two-way transport of cargo. We believed that if global oil consumption expanded at a rate of 2% a year, then the ocean transport of oil would record growth of 3%, and the ocean transport of petroleum products would grow at an even higher rate. And with environmental considerations taking on a growing prominence—there have been no new refineries built in the United States since 1976—we anticipated ongoing growth in U.S. imports of petroleum products.



Kazunori Nakai *General Manager, Tanker Division*

However, product tankers are operated almost exclusively on the spot market, while MOL emphasizes sustained growth. Nonetheless, we took several major steps to expand our fleet of product tankers. The reason was explained by Kazunori Nakai, the current head of the Tanker Division and a person who played a key role in the growth of MOL’s product tanker business. “As we accumulated marketing and operational experience with product tankers, we discovered ways to generate higher revenues than other companies and to stabilize profits, even in the spot market. By expanding our fleet and extending our operations around the world, we can utilize those techniques even more effectively.”

In addition to these market-sensitive operations, the Tanker Division also generates stable earnings through the transport of crude oil, principally with VLCCs. By offering complete services, including high-level ship

→ See next page for continuation of overview of operations

management, we have built strong, long-term relationships with oil companies not only in Japan but also in many other countries around the world. By 2009, we plan to raise the VLCC long-term contract percentage from the current level of 80% to more than 90%, thereby further strengthening the base of stable earnings in our tanker operations. Moreover, methanol carriers, which are operated exclusively on long-term contracts, provide another source of stable earnings. MOL was the first company to identify the demand for these specialized vessels, and we currently have a 50% share of the market.

In October 2006, MOL made an investment in a new growth field. We placed orders for VLGCs, with capacities of around 80,000 cubic meters, to transport LPG. We have decided to expand the number of VLGCs that we operate on the spot market to 10 by 2009.

Methanol and LPG Tanker Group Leader Masahiko Okubo, who took the lead in driving this project forward, said “currently, the scale of the LPG market is about 50 million tons, but in the future, as new LNG projects in Qatar and other countries come onstream, they will also produce LPG, which is an associated gas, in quantities of at least 16 million tons. As the scope of exporters diversifies beyond Saudi Arabia to include other countries, the price will decline and demand will increase. At the same time, the structure of the market will likely shift from a reliance on transport on medium-to-long-term contracts to an emphasis on the spot market.”

In this way, MOL accurately forecasts trends, identifies growth fields, and then carefully assesses total risk, emphasizing a balance on stable earnings and market-sensitive profits as it expands its fleet. That is our strategy for achieving growth with enhanced quality.

Global— Accelerate Globalization and Enhance Capabilities in Emerging Markets

The Tanker Division has actively developed its operations in global markets for many years. We began to operate VLCCs to the United States at an early stage. In product tanker operations, it is the broad scope of our network, which extends around the world, that supports our high earnings capacity.

In newly industrializing economies, China-related business will continue to play an important role in our operations. For example, MOL was the first foreign company to conclude a middle term time charter contract in China. Also, together with a major Chinese shipping company, we have established a joint venture VLCC operating company, which has three vessels in operation. Moreover, through another joint venture, MOL subsidiary Tokyo Marine is playing a role in meeting the growing demand for coastal transport of chemical products in China.



London team for product tanker operation

In Latin America, Brazil has especially strong potential for both import and export trade, and as the first Japanese vessel operator to conclude long-term VLCC contracts with Brazilian oil company Petrobras, MOL is well positioned to meet that demand.

Together with Oman Shipping Company S.A.O.C, with which MOL has cultivated an especially close relationship through LNG transport operations, we have established joint venture companies that own LR1 and LR2 product tankers, a VLCC, and a VLGC.

In April 2006, we opened the MOL Middle East Headquarters. The headquarters' first senior representative, Yoshinori Shimizu, discussed the presence of the MOL Group in the region. “As Middle Eastern nations launch a range of projects, they are becoming not only producers of oil but also points of origin for a variety of other products carried by tankers.

The commencement of a single project will result in the shipment of a variety of cargo, including crude oil, petroleum products, chemical products, LNG, and LPG, all of which MOL can transport. Among energy shipping companies, MOL has staked out the best market position in the Middle East.”



Yoshinori Shimizu (left), Senior Representative of MOL Middle East Headquarters in Dubai, U.A.E.

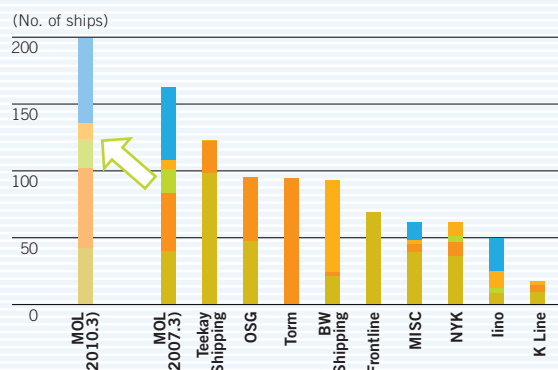
Group— Growth Driven by Groupwide Strengths

MOL owns 87% of consolidated subsidiary Tokyo Marine Co., Ltd, which is responsible for the MOL Group's chemical tanker operations. Chemical tankers handle about 300 kinds of chemical products, and, like liners, they carry more than one type of cargo at a time. As a result, the operation of chemical tankers requires an advanced level of specialized know-how. In entering this field, MOL chose to acquire Tokyo Marine—one of the world's big four chemical carrier operators—in 1996. With support from MOL, Tokyo Marine has aggressively expanded its fleet and increased its earnings as the shift of production to the most competitive locations has spurred growth in the transport of chemical products. We anticipate that Tokyo Marine will make an even stronger contribution to MOL's consolidated results in the future.

Growth driven by the expertise of Group companies—this is also a key part of MOL's strategy for achieving growth with enhanced quality.

Tanker Fleet Composition of Major Companies

Source: MOL internal calculation based on each company's Home Page (as of May 31, 2007)



Containerships



Masakazu Yakushiji
Executive Vice President

Proactively Dealing with Market Trends Under MOL STEP

Under MOL STEP, our original profit objective in containership operations was a three-year cumulative total of ¥50.0 billion in ordinary income. We got off to an excellent start, and we reached that goal in the first year of the plan. Accordingly, we established new MOL STEP Review objectives in 2005. Subsequently, however, our profits were adversely affected by lower freight rates on European routes and higher crude oil prices.

Freight rates on European routes declined by about 20% in the second half of the fiscal year ended March 2006, due principally to the effects of industry mergers and acquisitions. This trend also led to lower rates on North American routes. Moreover, with the price of crude oil spiraling upward, bunker prices and the cost of inland transport in the United States reached unprecedented levels. These conditions underscored the difficulty of consistently achieving a high level of profits in the containership business.

Nonetheless, the cumulative total of ordinary income generated under MOL STEP—¥96.2 billion—substantially exceeded the plan's original objectives. In addition, the ordinary income margin, at about 7%, marked an important step forward.

It is important to note that in the past fiscal year, the market conditions were so difficult that nearly half of the world's containership operators suffered losses. Despite these challenging conditions, however, we recorded an ordinary income of ¥3.2 billion, an indication of the underlying strength and flexibility of our containership operations. Moreover, as we expected, market conditions bottomed out and turned upward before our containership operations began to record losses overall. This

performance is a result of the measures that we have implemented since the 1990s to boost our cost competitiveness. One of the keys to profitability in this market is container inventory control, in which MOL boasts distinctive expertise. When setting freight rates, we can effectively use yield management techniques to make detailed estimates, helping us to maintain our profitability and competitiveness.

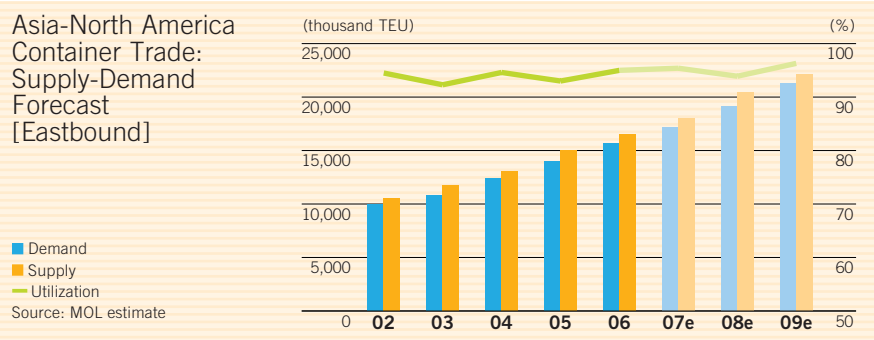
As we anticipated, the market environment was characterized by continued growth in global shipments. There had been concern about the so-called "2006 issue," where the launch of many large vessels—8,000TEU and larger—would lead to excess capacity on European routes in 2006. In the end, however, this problem did not materialize; the supply-demand balance was exceptionally tight, and containerships were operating at full capacity on European routes throughout 2006.



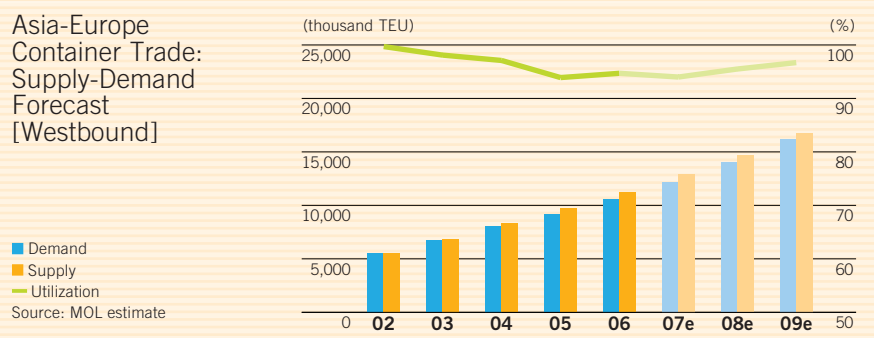
The containership
MOL Express

Demand was supported by the shift of production to China, India, and other Asian markets as well as by the strong economic growth recorded in former Eastern Bloc countries. Also, a "cascade down" effect resulted in many vessels being reallocated to North American routes and to routes where demand was strong, including shipments to South America, the

Asia-North America
Container Trade:
Supply-Demand
Forecast
[Eastbound]



Asia-Europe
Container Trade:
Supply-Demand
Forecast
[Westbound]



Middle East and local routes in Asia. As a result, capacity did not increase as much as some forecasters had anticipated.

Over the past three years, we have aggressively developed new routes, reinforcing our service structure to meet needs stemming from the globalization of our customers and taking steps to diversify risk. In this way, we have established a position as a leading global containership operator.

In 2005, for example, we acquired rights to certain Europe-South Africa routes. We have worked aggressively to expand other north-south routes as well. In addition, intra-Asia routes, centered on Vietnam, have also been a focus of our efforts. As a result, the number of loops in intra-Asia/Oceania services has nearly doubled, from 19 three years ago to 36.

Positioned for Solid Gains under MOL ADVANCE

Under MOL ADVANCE, we will strive to steadily improve our earnings capacity through meticulous customer service. We will aim to increase our market share on the east-west trades from 3.5% to 5% and to further expand our network of north-south services and Asia services. We anticipate a solid contribution to earnings from these routes, especially the north-south trades. Natural resource exporting regions, such as South America, are benefiting from higher resource prices, and Brazil will be an especially promising market. Our MOL ADVANCE objectives include net

sales of ¥910 billion and ordinary income of ¥30 billion in the final year of the plan.

For the fiscal year ending March 2013, we have set objectives of revenues of ¥1,200.0 billion and ordinary income of ¥50.0 billion. This is not a projection of the level of profits that we believe we can generate in peak market conditions. Rather, these are our objectives for profits on average that we can record even in the face of ongoing fluctuations in market conditions and costs.

Global trade is expected to continue growing at about 10% a year, with the north-south trades recording expansion of about 15% to 20%. Because there is a strong market trend toward fewer numbers of customers shipping larger amounts of cargo, a large-scale fleet will be essential for us to provide reliable services to those customers and enhance our cost competitiveness in the years ahead. Under MOL ADVANCE, we will add 22 large containerships with capacities ranging from 5,100TEU to 8,100TEU. The largest of these will be used on east-west routes, with certain medium-sized



TraPac container terminal on the west coast of the U.S.A.

Logistics

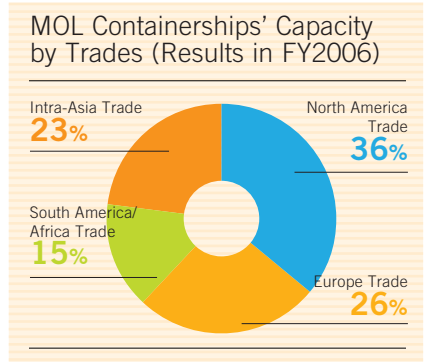
Masakazu Yakushiji
Executive Vice President

the start of MOL STEP, we faced ongoing challenges in establishing a profitable foundation in logistics. We have made strong progress under MOL STEP, however, turning profitable in the year ended March 2005 and earning ordinary income of ¥2.3 billion in the past fiscal year.

This achievement reflects the success of the steps that we have taken to restructure unprofitable businesses and unify our logistics activities under the MOL brand. It also validates our approach to the logistics business. Rather than making upfront capital investments in logistics facilities and then providing them to customers, we seek to achieve

Continued Progress under MOL STEP

MOL's logistics operations have the primary role of generating synergies with the company's core marine transport businesses. Before



vessels shifted to other routes. We will also expand medium-term charters. In this way, we will continue to build a closely interwoven network of routes linking various countries. As a result, our total capacity on all routes will increase by 67%.

Over the three years of MOL STEP, the market environment in containership operations changed at a dramatic pace, and at times those changes exceeded our expectations. Nonetheless, container cargo has shown the highest rate of growth of any type of cargo. Our experience has demonstrated that excessive declines in freight rates will be corrected and that if we maintain a high level of competitiveness, we can earn an appropriate return over periods of several years. Under MOL ADVANCE, we will strive to further improve the quality of our services and increase the competitiveness of our cost structure in order to continue to validate this approach to the containership market.

a solid understanding of customer needs and then provide the optimal solutions to meet those needs, working together with the best partners if necessary.

Our primary target is the ocean consolidation business (OCB), which is commonly known as buyer's consolidation. Our OCB operations have now reached an annual volume of about 50,000 TEU, and we will continue working to expand the scale of these operations to the level of the major logistics companies. We are nearing the point where these operations will start making a solid contribution to MOL's earnings, and OCB is generating substantial synergies with MOL's

container operations. Buyer's consolidation cargo is said to account for about 60% to 70% of transpacific eastbound cargo, and the information obtained through OCB operations makes it easier to accurately forecast trends in the container business.

We made continued progress in the past fiscal year, including the start of consolidation services in China for the IKEA Group, Europe's leading mass merchandiser of furniture and interior goods. In addition to our know-how and our track record in China, our ability to provide customers with detailed cargo information services is highly regarded.

MOL Consolidation Service Limited was established in October 2006 as MOL's first wholly owned logistics subsidiary in China. This new company will be the linchpin of our services in China, which is posting substantial growth as a point of origin for OCB cargo.

As a key step in that direction, in November 2006, we entered a tie-up with California Cartage Company LLC (Cal Cartage), one of the leading providers of logistics services in the U.S. Cal Cartage offers a wide range of services, including import trucking, warehousing, deconsolidation, and regional delivery. Our tie-up enables us to provide seamless door-to-door logistics solutions from Asia to the United States, with MOL Consolidation Service and other regional companies handling operations

at the point of origin and Cal Cartage providing domestic services in the U.S.

Under MOL STEP, the development of air forwarding operations was assigned a top priority, on a par with OCB, as another means of enhancing the synergies between our logistics operations and our core marine transport operations. While we continue to grow MOL Logistics Co., Ltd. as a global logistics provider in our group, we need to keep up with the fast-growing airfreight market even more steadily. For that purpose, in 2005, we forged a successful strategic alliance in air forwarding with Kintetsu World Express, Inc. (KWE). Through this alliance, we can offer our customers the benefits of the global network of KWE, which is the eighth largest air forwarder in the world.

Pursuing Synergies Under MOL ADVANCE

Under MOL ADVANCE, logistics is positioned as a growth field, and we are targeting an ordinary income margin of 5% and ordinary income of ¥5.0 billion. For the first time, logistics will be included in MOL's base of stable earnings. Nonetheless, the key objective of our logistics operations will remain the same—generating synergies with MOL's core marine transport businesses.

In OCB, we are aiming to expand the



MOL Logistics Group's warehouse in Singapore

scale of our operations to an annual volume of 200,000 TEU by 2009. One key to that growth will be the STARLINK cargo information system, among the most advanced in the industry. STARLINK is an original MOL system for providing customers with real-time cargo information—at the stock-keeping unit (SKU) level—from production line to display window. Linking STARLINK with customers' warehouse management systems enables complete transfer inventory control.

Another key to growth in the scale of our operations will be an expanded network in China. To enhance our domestic network in that market, we will build up the network of MOL Consolidation Services while bolstering our alliance with KWE.

To achieve quality with enhanced growth, we will maintain our focus on providing the highest-quality logistics solutions and will strive to meet the needs of customers by offering the best service at competitive prices.

Ferry and Domestic Transport



Takehiko Yamamoto
Managing Executive Officer

Solid Progress Under MOL STEP

Over the three years covered by MOL STEP, ferry and domestic transport operations made solid progress. Although we were adversely affected by the unexpected rise in bunker prices, we successfully implemented a number of

restructuring measures. As a result, following three years of losses, we have been consistently profitable since the fiscal year ended March 2005, despite the fact that in the past fiscal year, our annual bunker expenditures for ferry operations were up by ¥6.5 billion in comparison with five years earlier.

Key factors in our turnaround included an overall increase in cargo volume—which was partially attributable to the Japanese government's modal shift policy favoring environmentally friendly modes of transport—and customer acceptance of bunker surcharges.

We have also had excellent results in consolidating unprofitable routes, merging operations, and offering joint service. For example, we acquired the Oarai-Tomakomai service, which we had operated jointly, and integrated it into the operations of MOL Ferry Co., Ltd. As a consequence, we have been able to make major schedule changes, such as the late-night operation of so-called casual ferry services, where the only passengers are truck drivers who board the ferries with their vehicles. In addition, in March 2007 we ended



The ferry *Sunflower Shiretoko*

high-speed ferry services on the Tokyo-Tomakomai route due to declining profitability stemming from increased bunker costs. We expect these two measures to contribute nearly ¥1.0 billion to our bottom line.

Over the three years of MOL STEP, a strong performance was turned in by MOL Naiko, Ltd., which handles domestic transport of such cargo as coal, heavy oil, steel, and salt. We believe that by drawing on synergies with MOL's international marine transport services, MOL Naiko will be able to expand its businesses to the other areas like domestic transport of LNG.

On Track to Achieve MOL ADVANCE Targets

We are on track to achieve our profit goals under MOL ADVANCE, and we are confident that we will meet our objective of increasing profits from ¥2.0 billion in the fiscal year ending March 2008 to ¥3.6 billion in the fiscal year ending March 2010.

A major challenge will be increasing passenger numbers, which vary considerably by

season. The key to attracting more passengers will be ongoing improvements in customer service and improved fare management. Over the past two years, we replaced three of the existing ferries with well-equipped and modern ones, and in the fiscal year ending March 2008 we will introduce two more new ferries. These ferries will also help us to attract more passengers.

In 2007, we will basically complete the rebuilding of our route network with the implementation of two mergers among ferry companies. As a result, we will consolidate ferry operations, marketing, and management. MOL Ferry Co., Ltd., will be responsible for eastern Japan, and Ferry Sunflower—the sales organization jointly operated by The Diamond Ferry Co., Ltd., and Kansai Kisen Kaisha—will be responsible for western Japan. With an emphasis on an optimal mix of roll-on/roll-off (RO/RO), regular ferry, and casual ferry services, we will continue striving to maintain consistent earnings and to achieve growth with enhanced quality in ferry and domestic transport operations.

Associated Businesses

Takehiko Yamamoto
Managing Executive Officer

generating stable earnings. In Japan, a dramatic increase in the number of ships entering ports is no longer anticipated. However, we have focused on LNG ships, which are increasing, and we are expanding our fleet of high-speed, powerful tugboats of leading-edge ship's design equipped with fire-prevention apparatus.

In cruise ship operations, we have turned in strong performances for the past several years. These results were attributable to cost reductions, rationalization measures, and favorable domestic economic conditions, as well as an increase in affluent customers with time for leisure activities, such as retired baby boomers. With a focus on enhanced customer service, the *Nippon Maru* has had good results and recorded strong passenger numbers. Under MOL ADVANCE, we will focus on further enhancing the position of our brand in the cruise ship market.

Transformation to a Source of Stable Earnings Under MOL STEP

In real estate operations, MOL made Daibiru Corporation a consolidated subsidiary in the first year of MOL STEP. Acquiring a company with revenues of ¥26 billion and recurring profit of ¥9 billion in fiscal 2006 was a significant move for MOL, and Daibiru's business model, which is not susceptible to fluctuations in oil prices or foreign exchange rates, is making a major contribution to MOL's stable profits.

MOL is one of the largest tugboat operators in Japan, and our tugboat business is

Poised to Achieve MOL ADVANCE Targets

In real estate, conditions in the office building sector have been favorable in recent years. Under MOL ADVANCE we will move forward with proactive rebuilding measures so that Daibiru will keep a position of vantage in the market by rebuilding key properties. During this period of rebuilding, profits will not record substantial growth, but rather it will be a period of preparation for the next phase of growth. Daibiru will take steps to become a comprehensive real estate company, including moving into fee-based businesses, such as property and facility management.



The cruise ship *Nippon Maru*