



President Akimitsu Ashida's Speech on the Anniversary of MOL's Founding

On the occasion of Mitsui O.S.K. Lines (MOL) 126th anniversary, we are pleased to bring you a message from our President, Akimitsu Ashida.

"Aiming For High Ground Again"

The New MOL Group mid-term management plan "GEAR UP! MOL" starts

It is my great pleasure to commemorate with all of you from the MOL Group companies MOL's 126th anniversary.

Yesterday, MOL announced the new mid-term management plan "GEAR UP! MOL" The new mid-term management plan sets a new course for the MOL Group, with a central theme of "Challenge to Create New Growth." Since I assumed the position of President in 2004, in the five year period leading up FY2008, the MOL Group posted over 1 trillion yen in ordinary incomes. However, the unprecedented economic crisis that occurred in the wake of the collapse of Lehman Bros. in September 2008, which came at the halfway of our previous mid-term management plan, dramatically slowed our company's business speed to one or two knots, if I may be allowed to use the analogy of a ship's speed, cutting our consolidated ordinary income to around 10-20 billion yen this year.

Now is not the time to dwell on our past successes, but rather to renew our ambition, go back to the basics, and strive hard to overcome the challenges of today. The fundamental focus of the new mid-term management plan is on a return to the basics of our business, with the aim of returning to growth. To continue our analogy of a ship's speed, our first step is to increase our business speed to 10 knots by achieving the earning target of the new fiscal year, namely consolidated ordinary income of 100 billion yen for FY2010.

***Rai-cho* (snow grouse) weathers winter and flies high in the warmth of spring**

Recently, our LNG Carrier group, with the collaboration of their teams in Tokyo, London and Houston, was awarded an ExxonMobil-sponsored mega project of six LNG carriers to transport LNG cargoes to the Chinese market. As the LNG carrier market had become less

profitable due to the intensified competition for new projects, even before the recent economic collapse, our LNG carrier group has been conserving its resources, like the *rai-cho* (snow grouse) in winter, by refraining from tendering for new projects and swiftly scaling down its marketing forces. This time, responding to demand in a newly emerging market and customer needs, we have been able to make full use of our conserved strength and win a major deal with a good balance of returns against risks.

The containership business, which had no choice but to suffer large deficits due to the severity of the economic recession, is now conserving its strength like the *rai-cho* in winter, and preparing to welcome the return of spring through the scaling-back of its fleet size to the minimum required operational level, ongoing cost saving efforts, and making attempts to stimulate a self-sustaining market recovery. They are also addressing environmental concerns by taking steps such as slow-steaming to reduce fuel consumption. I really expect the containership business, by taking a leaf from the behavior of the *rai-cho*, to achieve a turnaround in the term of this plan and once again fly high in the warmth of spring.

Evolving "Centipede Management"

We ended FY2009 in the black, while the world's other major ocean shipping companies fell into the red. This has validated my belief in the benefit of what I term "centipede management", that is, "diversifying risks by having multiple business sectors — the many "legs" of a centipede" — so that any weakness in one or more "legs" does not cripple or hinder the organization as a whole. This is something I have learnt from past experience. I believe that our management resources, which cover a broad range of specialties, should be put to full use across all shipping sectors. In this way we can maintain profits, even in a recession, by using the healthy sectors to cover and support those sectors that are currently struggling.

However, the centipede style management cannot be successful by dint of simply having many "legs". Each "leg" must be healthy and strong for a company to create growth. The most urgent task facing us is to return the container business sector to a robust and healthy state. Needless to say, it is very important that the brain and body of the centipede, that is all levels of administrative support, give their utmost support to the various business sectors and remain active at a high operational level. Key management support areas include group-wise risk control by Corporate Planning Division; the safe operation initiative by the Marine Safety Division and ship management companies; the maintenance of a sound financial base with high credibility by the Finance and Accounting Divisions; diversification based on ocean shipping intelligence initiated by the Research Office; and advanced IT use necessary for ocean shipping management by IT system group companies.

Win in growing markets with high-end quality

In the years leading up to 2008, when shipping market conditions were favorable, worldwide shipbuilding capacity had shown a continual shortfall against demand for ships. However, nowadays, capacity has increased rapidly, mainly in China and South Korea, and the situation has altered greatly, with a potential surplus in shipbuilding capacity. On the other hand, seaborne trade itself will grow continually and steadily in step with a recovering global economy, the expansion of emerging markets, and the growing demand for longer-range transport. We will seize the opportunities for growth that accompany expanding markets by adding value to our transport services for customers, with the kind of high-end quality that befits one of the world's top ocean shipping company, while paying due attention to the risks of a possible oversupply of ships. This encapsulates the attitude we must adopt in "Challenge to Create New Growth", the central theme of the new mid-term management plan.

Now, and increasingly so in the future, guaranteeing safety and providing outstanding quality are key factors when it comes to customers deciding which carrier to use. Under the new mid-term management plan, we are aiming to win our customers' confidence and loyalty by achieving the highest level of operational safety of any shipping company worldwide. We will implement a "4 Zero" approach: zero fatal accidents; zero serious marine incidents; zero oil pollution; and zero cargo damage.

Prepare "mission *Sakaro*" again

Thanks to the hard work of everyone in the MOL team, we were the only one among Japan's Big Three shipping companies able to show a profit in FY 2009, despite the tough economic conditions. Five years ago, when the shipping market was still booming, I asked everyone to prepare "mission *Sakaro*" (a *Sakaro* is a scull which can move backwards) and have division-wise countermeasures ready beforehand in case of a rapid decrease in cargo trade, a stronger yen, or higher bunker prices. Consequently, our preparations for "mission *Sakaro*" were put to effective use in weathering the financial meltdown and the following economic slump after the crisis in 2008. We could save costs by scaling down our fleet size from the initially planned 1,000 vessels to 900 vessels as of the end of March 2010, and could secure an overall profit for FY2009 as a result of embarking on emergency measures such as the scrapping of vessels, redelivery of chartered tonnage, and laying-up of tonnage.

However, it is also an undeniable fact that we have almost exhausted the allowance for countermeasures prepared for "mission *Sakaro*". Now is the time to plan and prepare for a new "mission *Sakaro*", as the economic recovery is in progress. It is important to always remain cautious as a crisis often appears when least expected. Some past examples include the Plaza Accord among G5s and sharp appreciation of the yen ('85), the burst of Japan's economic bubble ('90), the Asian currency crisis ('97), and the Lehman Bros.

Collapse ('08).

(*) *Sakaro*: Military commander *Kajiwara no Kagetoki* advised building double-ended ships that could sail both forward and backward, when *Minamoto no Yoshitsune* was planning to invade *Yashima* in the *Gempei* War between the *Minamoto* and the *Taira* clans during Japan's *Heian* Era (784-1184).

***Jikyou-yamaz*: Keep making every effort for self improvement**

Last year, Jim Collins, famous as the author of *Visionary Company*, published the book *How The Mighty Fall*. The book became a hot topic of discussion. In it he describes the five phases large companies will go through in their decline. According to the book, the first phase of the downfall is called "Hubris Born of Success."

I must say that I am in complete agreement with this idea. The seeds of future failure are often sowed in success. In particular, I believe that major success bears the risk of being followed by a major setback. Therefore, I say to you all "*Jikyo-yamaz*", which means "keep making every effort toward self improvement and never neglect your duties". When fulfilling the objectives of the new mid-term management plan in the years to come, we should not focus or heed our past successes, but renew our determination to build towards new growth and strength. Let us keep making every effort to reach our essential immediate goals: a consolidated ordinary profit of 100 billion yen for FY2010 and a consolidated ordinary profit of 150 billion yen for FY2012, the final year of the new mid-term management plan. In the "Year of the Tiger" we now find ourselves standing at a critical juncture. I believe that we will not fail to achieve success if we positively address our difficulties and fearlessly meet our challenges. Let us all unite and strive to reach high ground again.

Finally, I pray for the safe voyage of all MOL Group vessels, and extend my wishes for prosperity and success to everyone in the MOL Group and their families in the years ahead.

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