




Junichiro Ikeda
President & CEO

I strongly believe that
the development of “stress-free services”
is key in strengthening trust and
being the first choice for customers.

Progress and Evaluation of Management Plan “Rolling Plan 2017”

Last year, the Company formulated a new management plan which revises our past practice of adopting fixed-term strategies every three years. Under this new approach, we first devised a vision for the MOL Group to be pursued in the coming ten years. Next, we clarified what measures are to be taken to fulfill this vision. In today’s turbulent business environment, it is becoming increasingly necessary to adjust to new realities and be flexible in our endeavors. Plans need to be revised, or at least adjusted every year, hence, the title of last year’s plan, “Rolling Plan 2017.” The plan seeks to achieve our ten-year vision by reinventing the business portfolio in tandem with the enhancement of our financial strength. This is to be achieved through the strategic allocation of resources to carefully selected business fields which will serve to generate highly stable profits and leverage the Company’s strengths. Looking at the progress in terms of financial performance in fiscal 2017, MOL posted a substantial extraordinary loss accompanying the integration of the containership businesses, which pushed net profit into the red. This prevented MOL from achieving its goals for a stronger financial structure. However, we are pleased with the progress made towards the reformation of our business portfolio.

LNG carriers and offshore businesses are positioned as the core of the strategic business fields for resource allocation. In the LNG carriers division, MOL acquired long-term charter contracts for four conventional LNG carriers to be deployed in the Yamal LNG project, following the securement of long-term contracts for ice-breaking LNG carriers for use in the same project. In the area of offshore businesses, the Company established a foothold in the market for Floating Storage and Regasification Units (FSRUs) by becoming the owner and operator of a project in Turkey and deploying MOL FSRU Challenger. This is the first time an Asian shipping company has ventured into the

FSRU business. In addition, MOL further strengthened the business through the SWAN project in India, providing operations and maintenance know-how without entering into ownership. This has allowed us to generate steady revenues on a fee basis with minimal risk. In the area of dry bulkers and tankers, MOL has worked to solidify its mutual trust with existing customers and has been successful in renewing and moving forward with many contracts. By securing steady sources of profits on the basis of long-term contracts, the Company was able to establish highly stable profits for the future.

MOL has also made good progress in leveraging its existing strengths in the business fields where it holds an edge over competitors. For example, in the area of chemical tankers, which requires extensive expertise and know-how, MOL is enhancing its competitiveness by developing new large-scale tankers. As for ferries and coastal RoRo ships, newly built ferries are being introduced to improve fuel efficiency and expand cargo space. An intensifying shortage of truck drivers combined with rising environmental concerns is propelling a modal shift from land transport to shipping, which MOL has firmly leveraged. Meanwhile, the Company is taking steps to cultivate tourism demand, by providing expanded and more luxurious private spaces for passengers and more actively marketing ferry travel. In the logistics business, the Company is consolidating services under the unified brand of MOL Logistics Worldwide, and providing various high-end services to meet demand for the integrated transportation of individual items. MOL also invested in one of Malaysia’s leading logistics companies. In addition to efforts to enter new regional markets and provide tailor-made services to customers, the Company has established a capital and business alliance with Nippon Concept Corp., to gain a foothold in the tank container transport business.

Toward “Rolling Plan 2018”

Continue Reinvention of MOL's Business Portfolio by Strategically Allocating Resources

There have been no major changes to the fundamental strategy behind “Rolling Plan 2018.” MOL continues to focus its resources in strategic business fields such as the LNG carriers, offshore businesses, chemical tankers, methanol tankers and logistics businesses. Through this, the Company strives to accumulate further medium- and long-term contracts to ensure the retention of a stable cash flow in the future, as well as to expand businesses where it holds a competitive edge.

Differentiating MOL from Competitors by Deploying “Stress-Free Services”

As the Company steadily moves forward in its efforts to concentrate resources in the key strategic business fields, the focus of the rolling plan, now in its second year, has shifted slightly. It now adopts a more concrete roadmap to achieve MOL's goals for the next decade.

As CEO, a particular objective I wish to pursue is to provide “stress-free services that are truly convenient for customers.” In today's marine transport industry, it would seem difficult for any company to differentiate itself from others based on concrete factors. MOL strongly believes developing “stress-free services” is a vital way in which it can earn the trust of customers and become a truly reliable partner, which should lead to the achievement of sustainable growth in the longer term. Advances in digital innovation, among other factors, have led to a diversification and intensification of customer needs. Indeed, the market has progressed so rapidly that many customers have latent needs that they themselves have difficulty

recognizing or specifying. MOL is looking for ways to cultivate this latent demand by proposing comprehensive solutions, and adopting an approach to sales that differs from conventional methods.

To take the lead in these new initiatives, MOL newly established the Corporate Marketing Division. This new division is responsible for business intelligence—analyzing client companies and entire industries to identify needs that have not been met by conventional marketing activities and planning new methods of approaching each market and each individual customer. The Company also created the Technology Innovation Unit to merge the functions formerly handled by the Technology Department (which addressed issues relating to ships, machinery and other technical resources) and the IT Department (which oversaw all issues relating to digitalization and information technology). MOL works in an integrated manner to provide customers with optimal solutions.

Refining Company Strengths to Support Sustainable Growth

Naturally, it is not possible to provide truly “stress-free services” just by changing the approach or the structure of our operations. MOL needs to constantly monitor and respond to changing customer needs, while cultivating its responsiveness and the ability to propose solutions. To this end, the Company defined clearer priorities in five specific themes, identified last year as Group-wide priorities for strengthening the MOL Group, and continues to develop its strengths in these prioritized items.

In terms of the ICT strategy, in addition to offering solutions that employ digital technology, the Company is developing a

next-generation type of ship management support system that aims for the “visualization of marine operations.” With the technology development and the environment, the Technology Innovation Unit is making progress in three particular areas. Firstly, it is moving to implement the further use of LNG-fueled vessels in response to both tighter environmental regulations and the need to combat global climate change. Secondly, it is taking initiative in the development of the Wind Challenger, a new type of vessel that will be partially powered by sails. In doing so, we aim to improve fuel efficiency and reduce environmental impact. Thirdly, to ease the workload for crews onboard and improve safety, it is working on the development of autonomous sailing technologies. Furthermore, in the environment and emissions-free businesses which we consider the pillars for future generations, MOL is actively entering new business segments such as LNG fuel bunkering vessels and businesses related to offshore wind-powered generators.

For the environment, in the future, marine transport businesses will be required to meet tighter environmental regulations. Specifically, in 2020, new regulations are due to be adopted covering SOx (sulfur oxide emissions) from ship engines, which is expected to greatly increase the cost of bunker fuel. It will be necessary to spread awareness and ensure that customers understand the reasons for the increase in the cost of our services, as this will be a burden that everyone must bear in the interest of protecting our environment. (For details regarding environmental regulations, ▶ P. 72.)

Regarding the marine technical skills, which are fundamental in ensuring the safety and consistency of its shipping operations, the Company is working to further enhance safety awareness in both its personnel and the organization as a whole. At the same time, MOL constantly works to improve its abilities as a group of marine transport professionals capable of proposing solutions that meet customer needs, such as improving transport efficiency and reducing environmental impact.

For the workstyle reforms, every employee in the Company will need to improve their performance, work habits and thought patterns. To this end, it is important to introduce workstyle reforms that promote greater creativity and flexibility to build a vibrant organization where new ideas and approaches are continuously generated. MOL will be revising the structure of its personnel system to hone the skills of middle managers so that their leadership and initiatives can motivate employees in day-to-day operations. As chairman of the Improvement of Work Efficiency Committee, I will commit to exploring new working styles, more flexible office conditions, and any other changes that can promote a more energetic and productive corporate structure.

In addition to pursuing Group-wide priorities for the strengthening of the MOL Group, MOL intends to study ways to further improve safety and cost competitiveness—the two criteria that customers consider most important when

selecting a transport company. One of the main topics newly added to “Rolling Plan 2018” is the improvement of cost competitiveness. MOL is trying to strengthen the competitiveness of its fleet through cost-cutting measures and enhanced utilization of vessels. The Company is also adopting RPA (Robotic Process Automation) to increase the efficiency of administrative work. We shall keep no stone unturned and seriously take on this project.

1. Vision for the MOL Group Ten Years from Now

- The MOL Group will provide “stress-free services” that are truly convenient for customers worldwide, with the aim of serving customers as a solid and reliable partner at all times.
- The Group will develop the environment and emission-free businesses into one of its future core operations.
- The Group will strategically allocate resources to carefully selected businesses that have a clear competitive edge. The goal is to make the MOL Group a collection of businesses boasting the highest competitiveness in their respective fields.

2. Strategies for Realizing the Vision

- Carefully select opportunities for new investments and pursue business models focused on cash flow
- Prioritize resources to develop and defend business fields
- Group-wide priorities for strengthening the MOL Group

Marine technical skills	Provide services that fully harness the MOL Group's marine technical skills
ICT	Provide visualization of maritime operations (safe and optimal vessel operation) and added value for customers
Technology development	Push ahead with the “ISHIN NEXT—MOL SMART SHIP PROJECT—”(advanced support technologies for safer vessel operation and technologies for reducing environmental impact)
Environment	Develop and promote environment and emission-free businesses as innovative, future core businesses by staying on top of changes in the external environment
Workstyle reforms	Enhance human resources competitiveness and achieve innovation through an organizational culture that encourages employees to work vibrantly and productively

3. Medium- to Long-Term Profit Levels and Key Financial Indicators

	Projected medium-term levels	2027 targets
Ordinary profit	¥80.0–100.0 billion	¥150.0–200.0 billion
ROE	8–12%	—
Gearing ratio	2.0 or less	1.0



Improving Cash Flow and Capital Efficiency

In recent years, free cash flow has remained continuously in negative territory, elevating the gearing ratio to over 2.0. This is an important management issue we wish to improve upon. The Company aims to restore a positive free cash flow as quickly as possible through the consolidation of its containership business to revive profitability and other measures to expand businesses generating highly stable profits from long-term contracts to improve cash flows from operating activities. However, MOL continues to invest in projects such as LNG carriers and offshore businesses, which are expected to be the main source of future expanded profits.

Accordingly, cash flows from investing activities are likely to be a net outflow of ¥350 billion in the three-year period from fiscal 2018 through 2020. Considering shareholders' equity, MOL has introduced new standards for future investment decisions, which place a heavy emphasis on capital efficiency and cash flow. Therefore, the Company will be far more selective in approving new investments in the future. MOL will exercise greater control over its cash flows from investing activities by also considering selling off assets, particularly stocks held for cross-shareholding purposes.



To Our Shareholders and Investors

When I took over as CEO, the Company's most important management priority was to deal with the containership business. Now that the three Japanese shipping companies have integrated their containership businesses, we appear to be on a clearer path to an earnings recovery. After an 18-month preparatory period, the integrated containership firm, Ocean Network Express (ONE), commenced services as originally planned in April 2018. The integration makes it the fifth-largest containership business operator in the world. Synergies from fusing the best practices of all three former parent companies and economies of scale should allow it to generate a steady profit, and ensure good prospects for future growth. Even under the management control of ONE, we expect our containership business to continue to be a central contributor to MOL's earnings in the future. ONE will operate under the firm governance of a holding company,

and as one of the shareholders, MOL can offer support whenever necessary.

By spinning off the containership business, which accounted for a very large share of our revenues, we must now consider what the identity of the MOL Group entails. The Company is unique in the marine transport industry, as a full-line marine transport operator that holds the top competitive position in many business sectors. The broad scope of the Group's operations allow it to offer comprehensive solutions for customers with diverse cargo transportation needs. By striving to introduce "stress-free services," MOL is building on a solid foundation of reliability and brand strength accumulated over 130 years of operations. I wish to thank shareholders for their support and understanding as we continue to work to be our customer's first choice for marine transport services.