

Dialogue between Outside Officers

Free exchange of opinions supports effective corporate governance

Theme: Evaluation of MOL's corporate governance, Board of Directors activities and the Company's own "Deliberation on Corporate Strategy and Vision"

Matsushima When evaluating the role of corporate governance, the most important issue is that it actually performs a useful function rather than that it is simply a formality. From this perspective, I have a high opinion of MOL's corporate culture, where Board members discuss issues freely and openly. This contributes to a more effective governance function.

Yamashita Yes, I agree that MOL's Board meeting has a culture that encourages people to openly speak their mind. For example, when an Audit & Supervisory Board (ASB) member comments about policies, the Board of Directors are quite open to the input even when the comments are proactive rather than a typically governance-focused protective stance as a role generally required for an ASB. The Board also evaluates the effectiveness of its meetings so that directors and ASB members offer honest opinions on the issues being discussed, and the meetings tend to be more productive.

Matsushima I think the "Deliberation on Corporate Strategy and Vision," which is held in conjunction with the Board of Directors meeting, is particularly useful. It enables outside directors and ASB



members to contribute their opinions before any important company decisions are made. My only concern is that discussion usually tends to be limited to strategies only for each specific division. I think the discussions could be even more productive if we also deliberated broader issues such as risk management and capital utilization policy over the whole company.

Yamashita You're right. Some discussions have been limited to vision for specific divisions. Perhaps if outside directors and ASB members propose specific themes for discussion, it might encourage the Board to address broader issues in a timelier manner. On the other hand, we can see the benefits of the "Deliberation on Corporate Strategy and Vision" in the way that MOL addressed restructuring of its containership business. Because the Company had analyzed various scenarios for improvement in the past, the entire Board, including outside directors and ASB members shared common awareness of the need for drastic action, which then led to the significant decision to merge the containership businesses. As you pointed out, corporate governance should not just be



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a formality. Its true value lies in how effectively it can deal with truly critical management issues.

"Rolling Plan" seeks to identify issues for discussion and steps that need to be taken based on a vision of what the Company aims to become ten years from now. The key is for management to address concrete plans and actions, rather than simply vague ideas about corporate direction

Theme: Evaluation on "Rolling Plan"

Yamashita The underlying concept of "Rolling Plan" is to envision what the Company should be ten years in the future, compare that vision with MOL's current situation, and identify steps that must be taken to bridge the gap between current reality and future goals. The only problem is that a decade is a very long time, so the objectives that MOL sets are bound to be somewhat idealistic. The important thing, in my opinion, is to make sure the plans that management adopts are specific, and grounded in reality.

Matsushima As one of the people who strongly advocated the use of this Rolling Plan approach, I know that "Rolling Plan 2018" is based on a great deal of analysis and discussion of the business sectors that are likely to experience growth in the future, and the ways that MOL can enhance its competitiveness. When you adopt a long-term vision and aim at distant objectives, it allows you to see a much broader range of potential paths that could be taken to reach that objective, and a larger number of alternatives to consider as possible ways to achieve growth. Although the "Rolling Plan" model for management planning was adopted just two years ago, I think the impact is already visible.

The key to better compliance is to make sure that every single employee in the Company is aware of its importance

Theme: Evaluation of the Company's approach to compliance

Yamashita The need for stronger compliance is a very important issue that companies continuously must grapple with. Scandals happen all the time, even with stronger compliance. I believe that this has to do with employee awareness. It isn't enough to just give lip service to compliance, posting rules and regulations like office wallpaper, or announcing initiatives while everyone nods in assent without really

listening. Top management needs to seize any occasion to emphasize the importance of compliance, as the essential prerequisite to all company operations. I believe that MOL recognizes this fact. However, as business becomes more global, the issue of how to reinforce compliance becomes progressively more difficult. As an outside member of the ASB, I recognize my own vital role in promoting compliance on a continuous basis.



Matsushima The Company's involvement in violating the Antimonopoly Act regarding the car carrier business occurred after I was appointed as an outside director. MOL addressed the issue in a comprehensive way, with everyone in the Company from the CEO on down discussing key questions: "what specifically went wrong?" and "what must be done to set things right?" I believe that this process elevated awareness of compliance considerably, throughout the Company. Unfortunately, the human being is a forgetful creature. It is vital that the Company continue to discuss the issue, to maintain a constant awareness of compliance issues. It isn't enough to just write down the rules in some manual and ask employees to memorize the text. Compliance is something that people need to really take to heart, not only learning a lot of rules, but understanding the underlying purpose of those rules, and the reasons why they need to be followed. MOL should strive to keep compliance awareness fresh in the minds of everyone in the Company.

MOL's "Deliberation on Corporate Strategy and Vision"

At MOL, three hours are set aside for board meetings, with one of the hours allotted to "Deliberation on Corporate Strategy and Vision." At the "Deliberation on Corporate Strategy and Vision," a theme is selected related to our

management strategy, long-term vision or management in general. A free exchange of opinions ensues at these deliberations which include outside directors and outside ASB members.

"Deliberation on Corporate Strategy and Vision" Agenda FY2016

	Agenda
April	Strategy for the car carrier division
September	Discussion on formulation of the next medium-term management plan
January	Outline proposal for the next medium-term management plan
February	Outline proposal for the next medium-term management plan (continued)

FY2017

	Agenda
May	Strategy in capital markets
July	Strategy for Port Projects & Logistics Business Division
September	Strategy for New Business Creation and Group Business Division
October	Review on governance organizational structure and evaluation of Audit & Supervisory Committee
December	Discussion on personnel system reform
January	Outline proposal for the next management plan "Rolling Plan 2018"
February	Outline proposal for the next management plan "Rolling Plan 2018" (continued)