

Our Path toward Sustainable Enhancement of Corporate Value

Overcoming Unprecedented Changes in the Business Environment

Over the past decade, the marine transport industry has suffered from a softening of demand since the unparalleled boom of the 2000s. The marine transport market has been sluggish for a long time due to an oversupply of ships overlapping with a slowdown in global economic growth. There has been no significant improvement in the structure of the industry even up to the present. The MOL Group, faced with such headwinds, has made a major shift toward a strong corporate structure that supports sustainable long-term growth. This shift was accomplished by reforming the business model to strengthen the resilience of the Group to market fluctuations and focus management resources on areas where it can utilize its strengths.

Our Management Plan
Fiscal 2010–Fiscal 2012 **GEAR UP! MOL**
Fiscal 2013 **RISE 2013**

Business Environment

- The financial crisis of 2007–2008 marked the end of a boom in global emerging economies. Nonetheless, the market for all three major vessel types (dry bulkers, tankers, and containerhips) remained firm until around 2010, mainly due to the Chinese government’s economic stimulus plan.
- However, the oversupply of ships gradually became serious due to the delivery of vessels from the backlog of orders accumulated during the marine transport boom and remaining shipbuilding capacity.

Outcome and Remaining Issues

Aiming to return to a trajectory of profit growth, we launched new strategies such as further shifting to growth markets and strengthening business intelligence. However, we had not shed our belief—established through our experience of success in the 2000s—that expansion in scale leads to greater profits. For example, we set a fleet target of 1,200 vessels for the end of fiscal 2015.

As a result, as long-term stagnation in the marine transport market gradually became apparent, our three major vessel types went into the red in fiscal 2012. We implemented Structural Reforms*1 in the dry bulker business accompanying a large net loss in the fourth quarter of the same fiscal year. Net income*2 recovered to ¥57.3 billion in fiscal 2013, largely thanks to these reforms.

*1 Approximately 130 dry bulkers without cargo contracts matching their respective procurement periods were transferred to a Singapore subsidiary while provisions were recorded for the difference between the rates we paid to ship owners under charter contracts and the market rates we received.
*2 Profit (loss) attributable to owners of parent

Our Management Plan
Fiscal 2014–Fiscal 2016 **STEER FOR 2020**
Fiscal 2016 **Single Fiscal Year Management Plan**

Business Environment

- With global economic growth lacking in vigor, oversupply of ships became chronic and there was no improvement in the supply–demand balance. We were convinced that we could not expect a return to steady upward trend in marine transport market conditions.
- Meanwhile, the shale gas revolution created new business opportunities in the LNG carrier field. Consolidation among operators in the containership industry progressed.

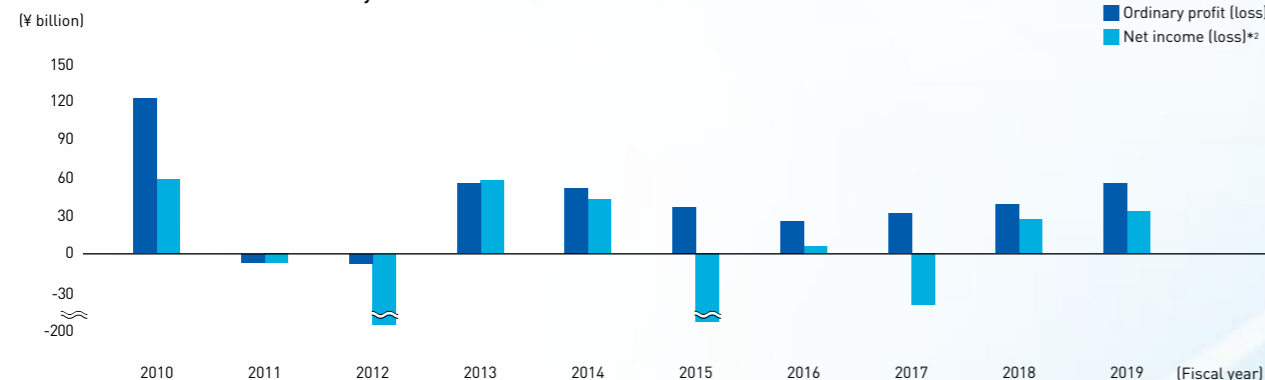
Outcome and Remaining Issues

We started to work on Business Portfolio Reforms, aimed at concentrating investment in the ship types the Company has strength in, Business Model Reforms that enhanced the resilience of our fleets to market fluctuations, and Business Area Reforms through which the Company aimed to capture business opportunities in peripheral business fields, not only in transportation.

The fiscal 2012 structural reforms sought to strengthen our resilience to market exposure risks. With respect to dry bulkers without cargo contracts matching their respective procurement periods, however, we concluded that we had to rigorously reduce market exposure itself. Accordingly, we decisively implemented fundamental structural reforms at the end of fiscal 2015, including the lackluster containership business with the aim of achieving a recovery in the cost-competitiveness. Consequently, we recognized a significant extraordinary loss.

After the aforementioned structural reforms, in fiscal 2016 we switched from the STEER FOR 2020 medium-term management plan to a single fiscal year management plan to ensure that we moved into the black in fiscal 2016. As a result, we secured net income*2 of ¥5.2 billion in fiscal 2016. In addition, it was decided to integrate the containership businesses of three Japanese marine transport companies in October 2016.

Performance Trends for the Past 10 years



Our Management Plan
Fiscal 2017
Fiscal 2018
Fiscal 2019 **Rolling Plan 2017 / 2018 / 2019**

Business Environment

- Changes in trade patterns due to expansion of protectionism, heightened sense of slowdown in the world economy, stagnation of maritime trade
- Lack of curtailment of excessive shipbuilding capacity
- Increasing ESG demands from customers and society, especially for climate change countermeasures

Recognizing the difficulty in obtaining appropriate and stable returns with conventional marine transport alone, we strove to ascertain the expected future changes in the business environment and formulate a strategy by working back from our 10-Year Vision.

10-Year Vision
Strategies and Results **Become a Group of Business Units with No. 1 Competitiveness in Respective Areas**

Three Core Strategies to Realize the 10-Year Vision	Achievements
Portfolio Strategies Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses	<ul style="list-style-type: none"> Businesses were plotted on two axes (degree of specialization and profit stability), and based on the matrix, investment of management resources was focused on the offshore businesses, LNG carriers, ferries, and chemical tanker business
Business Strategies Provision of “stress-free services,” which MOL will offer from the customer’s perspective	<ul style="list-style-type: none"> Launched industry-first information platform for customers called “Lighthouse” (see page 51) Acquired new businesses (LNG-to-Powership business, etc.) through cross-divisional business activities and use of chief country representatives Acquired a new contract by proposing the next-generation coal carrier, EneX
Environmental Strategies Promotion of environmental strategies and development of the emission-free business into a core business	<ul style="list-style-type: none"> Newly established MOL Group Environmental Vision 2.0, which will be the foundation of the MOL Group’s environmental strategies (see page 46) Began a proper examination of the installation of Wind Challenger hard sails on ships (see page 35) Decided to build LNG-fueled ferries and coal carrier as alternative fuel-powered vessels Made progress in the LNG fuel supply business Procured funding for environmental projects through green bonds (see page 49)

	End of FY2016	End of FY2017	End of FY2018	End of FY2019	Projected Medium-Term Levels
Ordinary profit	¥25.4 billion	¥31.4 billion	¥38.5 billion	¥55.0 billion	¥80.0-100.0 billion
ROE	0.9%	-8.7%	5.2%	6.3%	8-12%
Gearing ratio	1.96 times	2.19 times	2.11 times	2.14 times	2.0 times or less
Interest-bearing debt	¥1,122.4 billion	¥1,118.0 billion	¥1,105.8 billion	¥1,096.6 billion	—
Free cash flows	-¥56.3 billion	-¥2.4 billion	-¥143.0 billion	-¥6.5 billion	—

- Interest-bearing debt peaked, while investments proactively made in the LNG Carrier and Offshore Businesses.
- Free cash flows reached close to equilibrium (except a temporary factor resulting from the establishment of ONE in fiscal 2018).

Overview of Rolling Plan 2020

For details on our initiatives related to Rolling Plan 2020, please visit our website <https://www.mol.co.jp/en/ir/management/plan/index.html>

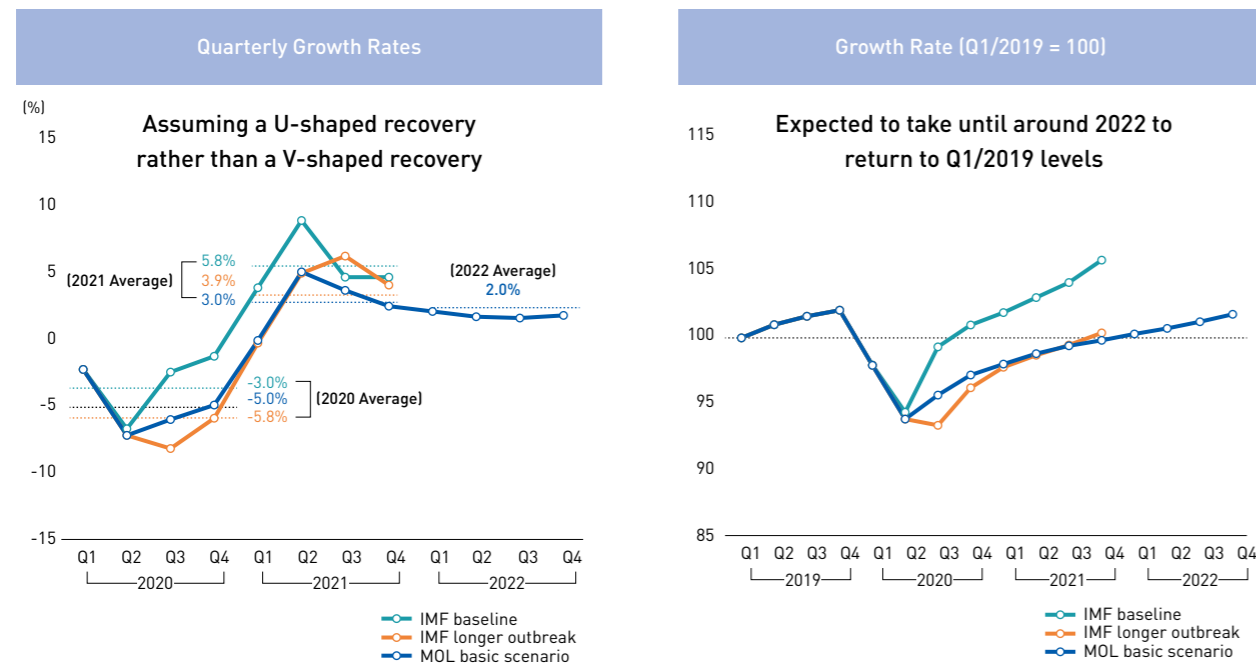
Establishment of the Rolling Plan Special Committee and Conducting of a Mega-Trend Forecast

The global spread of COVID-19 and the sharp drop in crude oil prices have had a significant impact on the Group's future management strategy. Aiming both to promptly plan and implement near-term measures in response to the sudden changes in the business environment and to review medium- to long-term strategy from the ground up, the Company newly established the Rolling Plan Special Committee, chaired by the executive vice president executive officer who presides over

the sales divisions and consisting of the heads of each business unit. Prior to the formulation of Rolling Plan 2020, the committee conducted a mega-trend forecast regarding major cargo movements and the business environment in order to accurately ascertain the current situation and determine how conventional trends have been and will be affected during and after the COVID-19 pandemic.

World Economic Outlook

World GDP Growth Rate—MOL Basic Scenario (in comparison with two scenarios provided by IMF in April 2020*)



* MOL's own estimate based on IMF World Economic Outlook, April 2020: The Great Lockdown

Our Understanding of the Business Environment; Outlook for Major Cargo Movements (As of June 2020)

Dry Bulk Business (Iron ore, coking coal, grain, steel products, etc.)

- Cargo movements of raw materials for steel production (iron ore, coking coal) will start to recover in 2021, but recovery to 2019 level will likely take until 2022 or later. Cargo movements of grain, which are based on food demand, are expected to be relatively steady.
- Demand for steel products in China, which accounts for about half of worldwide demand and production will remain strong, but steel products imports to ASEAN5 and Europe/U.S. may show a significant decline depending on the expansion of COVID-19 infection.

Energy Transport Business (Crude oil, petroleum products, LNG, etc.)

- Crude oil tanker demand increased sharply for offshore oil storage due to the rapid decline in petroleum demand and low crude oil prices, but the tanker charter market is expected to fall as offshore oil storage decreases from the second half of fiscal 2020. The market movement from fiscal 2021 will require close attention.
- Global oil & gas companies announced budget cuts in capital expenditures for fiscal 2020. Upstream investments uniformly show a trend toward a significant reduction, and it is becoming evident that various development plans must be canceled or postponed.

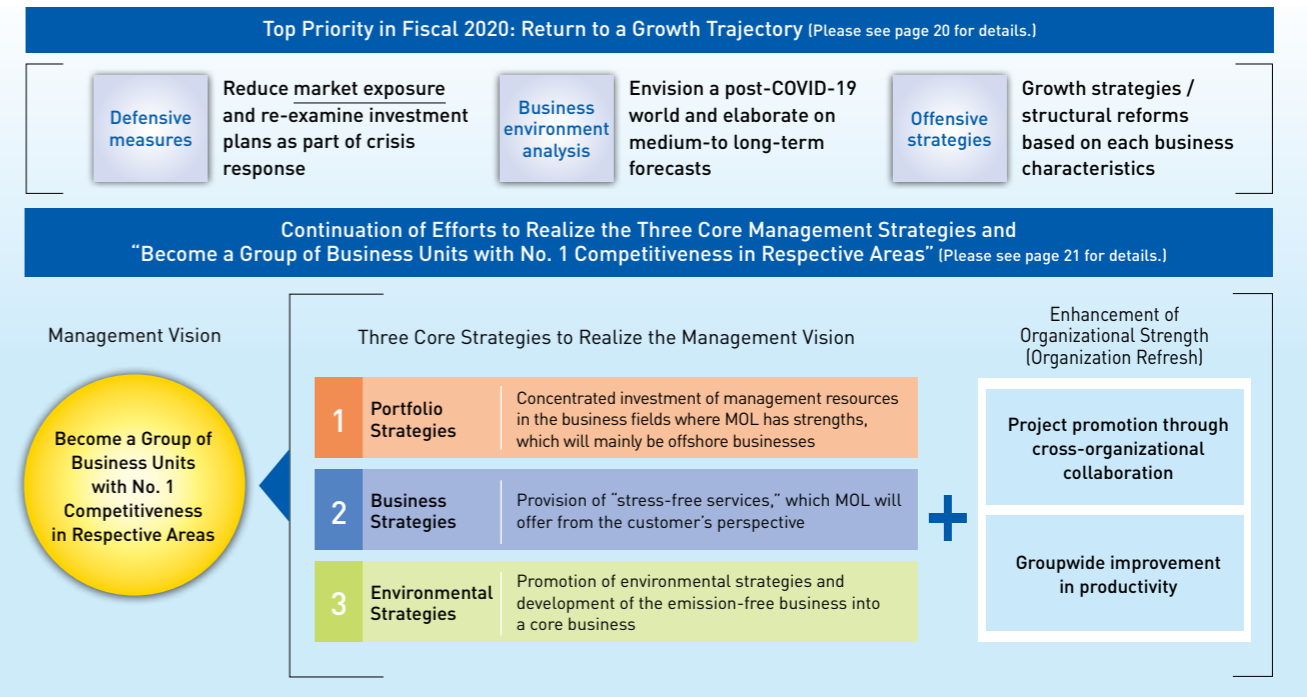
Product Transport Business (Automobiles, containers)

- Seaborne trade of automobiles will recover to 2019 levels from 2023 or later.
- Global container cargo trade will hit bottom in July–September 2020. Trade throughout 2020 will decrease by around 25% from the previous year. Anticipate that trade will recover to close to the 2019 level around 2022.

Overview of Rolling Plan 2020

The Rolling Plan Special Committee formulated Rolling Plan 2020 based on its mega-trend forecast. In addition to its members, the committee mobilized officers and employees according to the agenda and held a total of 17 intensive deliberations. As a result, it was concluded that the top priority of fiscal 2020 was a return to a

growth trajectory accompanied by a focus on defensive measures. Meanwhile, it was confirmed that we should continue to aim to "Become a Group of Business Units with No. 1 Competitiveness in Respective Areas" in the medium to long term and keep working toward the realization of our three core strategies.



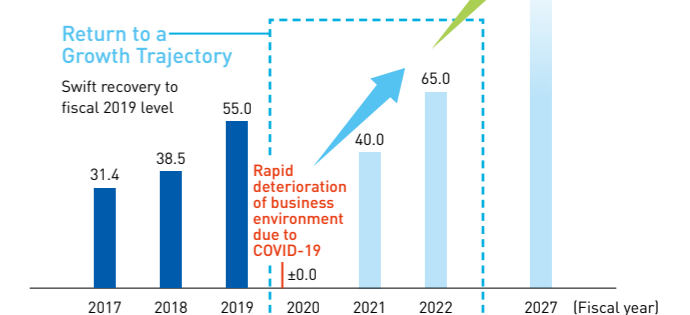
Basic Concept

- As a result of forecasts for mega-trends of the world economy and seaborne trade during and after the COVID-19 pandemic, we concluded that a significant decline in marine transport volume and a restrained stance on customers' investments will be unavoidable in the foreseeable future. Based on the idea that we need defensive measures first of all, we will immediately reduce our market exposure and review our investment plans.
- Concerning the three core strategies to realize the management vision, which we have been pursuing since fiscal 2019, with regard to ① Portfolio Strategies, we will implement "Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses."
- We decided that the importance of ② "Provision of 'stress-free services,' which MOL will offer from the customer's perspective" and ③ "Promotion of environmental strategies and development of the emission-free business into a core business" are unchanged even post COVID-19. Therefore, we will continue to step up our efforts.
- We will roll out "revamp the organization" as a new common theme among all divisions. This aims to further enhance organizational capabilities, utilize human resources—unrestricted by the boundaries of existing organizations—and improve productivity through structural work-style reforms.
- We will achieve a quick return to a growth trajectory through the above initiatives, and continually aim to "Become a Group of Business Units with No. 1 Competitiveness in Respective Areas." Meanwhile, we are keenly aware of the responsibility of marine transport as an infrastructure that supports society even under the impact of COVID-19, so we will continually engage in vigilant efforts to ensure safe operation.

Profit Outlook

In fiscal 2019, ordinary profit was up 43% year on year to ¥55.0 billion due to the accumulation of highly stable profits and the achievement of profitability at ONE. Meanwhile, the timing of the end of the COVID-19 pandemic is still uncertain, and we cannot expect rapid recovery of the global economy, cargo movements, or other elements of the business environment. Therefore, we will take the necessary measures to surpass our fiscal 2019 results in fiscal 2022 and regain a growth trajectory.

Ordinary Profit: Results and Forecasts (¥ billion)



Principal Measures in Rolling Plan 2020

Top Priority in Fiscal 2020: Return to a Growth Trajectory

Defensive measures

Reduce market exposure, re-examine investment plans as part of crisis response

1. Thorough reduction of market exposure

Vessel Reduction: Plan to reduce the fleet (tankers, bulkers, car carriers, etc.) by a maximum of about 40 vessels, including 13 vessels that have already been confirmed
Hedging: Solidify profits by T/C Out, freight forwarding agreements (FFAs), etc.

2. Re-examination of investment plan

Reduce cash flows for new investments [excluding investments for which decisions have already been made] from ¥200.0 billion to ¥100.0 billion for the fiscal 2020–fiscal 2022 period

3. Additional disposal of non-business assets such as listed shares and real estate

Offensive strategies

Growth strategies / structural reforms based on each business characteristics

Each business will ensure its return to a growth trajectory through development of new businesses, cost reduction, and reforms of business models, based on its individual characteristics.

	Main Policies for Fiscal 2020	Progress Made Until Fiscal 2019
Dry Bulk Business	<ul style="list-style-type: none"> Develop high-value-added vessels and enhance proposal-based sales Strengthen renewable energy-related businesses (transport of biomass power generation fuel, etc.) Reinforce functions and cost competitiveness of overseas networks 	<ul style="list-style-type: none"> Generally achieved the profit level target set in fiscal 2017, despite fluctuating market factors Reforming part of the general bulker business remains an issue
Energy Transport Business	<ul style="list-style-type: none"> Expand LNG business domains beyond transportation, including FSRUs, LNG-to-powerships, LNG bunkering, etc. Develop new energy-related businesses such as wind power generation Strengthen strategies for liquefied chemical total logistics 	<ul style="list-style-type: none"> Profits from long-term contracts of LNG carriers have accumulated mostly as planned The offshore businesses have expanded projects, mainly in FPSOs, while profits from FSRUs were less than the expectations The Tanker Division successfully reduced their market exposure in the product tanker fleet, while maintaining its business presence by forming a pool with other companies. In the chemical tanker business progress was made toward becoming a total logistics solutions provider through strategic M&A, although the timing of its profit contribution has been behind the plans.
Product Transport Business	<ul style="list-style-type: none"> Develop an organizational structure and car carrier fleet composition that give us the agility to respond appropriately to fluctuations in seaborne trade of automobiles Address new logistics needs based on demands of customers in the Dry Bulk and Energy Transport businesses 	<ul style="list-style-type: none"> The car carrier business restored competitiveness by scaling down its fleet in order to meet the cargo trade volume reduction and making a European J/V company in the short sea trade a wholly owned subsidiary. In the containership business, ONE incurred a huge loss in fiscal 2018 as a result of lost liftings caused by "teething problems" after the commencement of service, but in fiscal 2019 the operation was stabilized, performance improved significantly, and ONE achieved profitability. The logistics business suffered from stagnant earnings due to the impact of U.S.–China trade friction.

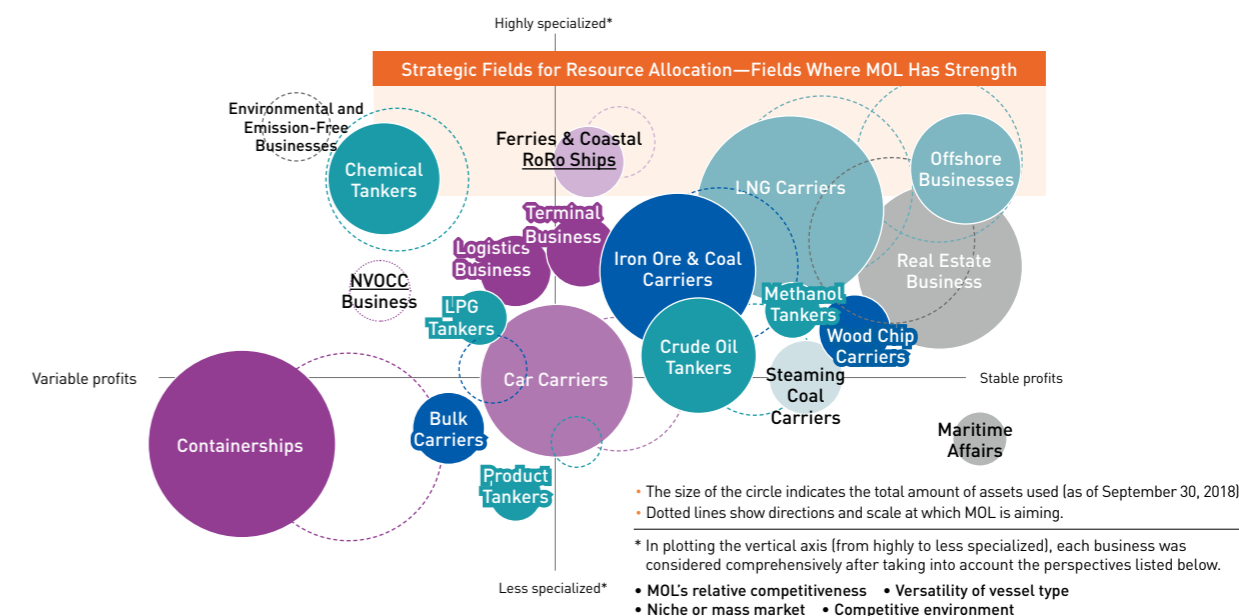
Continuing to Promote Our Three Core Strategies and Invigorating the Organization to Achieve Our Management Vision

1 Portfolio Strategies

Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses

Firmly maintaining the direction of Rolling Plan 2019, while investment decisions to be made carefully and selectively

- Investments in the energy and offshore businesses will slow down temporarily as per our mega-trend forecasts, but they are still recognized as growing fields on a long-term basis. Therefore, the direction of focusing on offshore businesses will be unchanged. However, assuming fiscal 2020 as the term to conserve strength, we will curb new investment.



2 Business Strategies

Provision of "stress-free services," which MOL will offer from the customer's perspective

Aim to improve customer satisfaction with the keywords "digital" and "environment"

- Enhancement of the utilization of digital marketing through initiatives such as continued implementation of measures to improve customer satisfaction using information and communication (ICT) (aiming to strengthen the functions of "Lighthouse" to further develop the platform) and introduction of web marketing
- Development of one-stop services to meet various customer needs with one contact (for liquefied chemical total logistics, offshore wind power generation-related, etc.)
- Reinforcement of solution-based sales, meeting environmental needs

3 Environmental strategies

Promotion of environmental strategies and development of the emission-free business into a core business

Implement strategies to achieve the goals set in MOL Group Environmental Vision 2.0

- Develop measures based on the newly established MOL Group Environmental Vision 2.0
- For details, please refer to page 34 [Special Feature: MOL's Environmental and Emission-Free Businesses].

For details on our initiatives related to Environmental Strategies, please visit our website.

<https://www.mol.co.jp/en/sustainability/environment/index.html>

Enhancement of Organizational Strength (Organization Refresh)

Project promotion through cross-organizational collaboration

Gather expertise and resources scattered throughout Group companies to increase agility and acquire new businesses

- Utilize project teams (unrestricted by boundaries of divisions or Group companies)
- Abandon "all-by-ourselves-ism" and promote partnership strategies in a proactive manner

Groupwide improvement in productivity

Increase productivity by 15% over the next three years by taking advantage of our experience in efficiency improvement efforts during the work-from-home period, and redeploy the saved human resources to growth areas

- Review operational processes, use and apply ICT
- Draw upon knowledge and resources of MOL and Group companies (including transfer of duties)