

Transforming from a marine transport company
to a sea-based social infrastructure group.
We will create a new MOL Group that has the capabilities
to prevail in the 2020s.

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Business Environment

We are facing a time when we must redefine our social mission as well as our business model and portfolio.

I was appointed as MOL's CEO in April 2021, and I feel that I have assumed this position in a very important period of change for the Company.

In the past, we grew in step with the development of Japan's economy. In particular, since Japan's period of high economic growth, the MOL Group has transported a large volume of imports and exports related to manufacturing—which was the core of Japan's industry—as well as the energy needed to support society. Consequently, contributing to the country's economic development led directly to the Group's growth. However, our growth model reached a turning point as Japan's society matured and Japanese companies gradually shifted the focus of their businesses away from manufacturing. Since emerging countries, with China at the forefront, entered a phase of conspicuous economic growth in the 2000s, we have been under pressure to reassemble our businesses and free ourselves from an approach centered on Japan's economy.

The maturing of the marine transport industry as a whole is another trend we cannot ignore. In recent years, Asian countries have further increased their presence in highly commoditized industries due to the countries' large capacities and cost competitiveness. The COVID-19 pandemic has made this trend even more obvious. The marine transport industry is also likely to see companies from China and Southeast Asia become even more prominent by utilizing their overwhelming price competitiveness. Indeed, signs of this heightened presence are already appearing in various forms. Therefore, continuing long-term growth through simple marine transport alone is becoming increasingly difficult for MOL.

In addition, one of the most influential factors for our business at present is the major global trend toward the creation of a sustainable society. The United Nations (UN) Sustainable Development Goals (SDGs) are a representative example of this trend, which has become more pronounced



A Message from the CEO

in recent years. Such environmental issues as climate change are becoming especially unavoidable as society's expectations increase with each passing day.

With our business environment undergoing these significant, multifaceted changes, the time has come for us to adjust our social mission and the vision for our business and set out on a different path. For this reason, in April 2021 we revised the MOL Group Corporate Mission, the MOL

Group Vision, and the MOL Group Values. (For details, please see page 4.) The new mission, vision, and values state that we will contribute to the long-term prosperity of society in fields where we have strengths through value creation in a wide range of social infrastructure businesses that are not limited to marine transport and which expand globally. Efforts to this end will in turn enable our own sustained growth.

MOL's Future Direction

Based on an “Environmental Strategy × Regional Strategy” approach, we will achieve further differentiation and growth.

In realizing the MOL Group Vision, I believe that establishing clear differentiation in relation to competitors will be a key factor. This belief is based on past bitter experience. In the 2000s, China's entry into the World Trade Organization (WTO) generated enormous demand for marine transport. By expanding its fleet, MOL captured this burgeoning demand at the right time. As a result, we posted our highest-ever profits up to that point. In the 2010s, however, the Group as a whole experienced long-lasting difficulties due to a global oversupply of vessels in the aftermath of the boom. Consequently, MOL recorded large net losses several times. With the benefit of hindsight, although we were able to expand faster than our competitors, I feel we did not manage to create the “something” that would have given us a decisive edge over them in terms of cost competitiveness or transport quality. As a result, during the global recession triggered by the collapse of Lehman Brothers, issues began to emerge in businesses that had been unable to establish competitive advantages within their sectors. We must learn the lessons of this experience and step up efforts to rigorously improve the overall service quality that we provide in terms of safety, transport quality, and environmental performance. In this way, we will acquire and retain customers who are willing to pay a certain premium and continue using our services. With these customers as a base, we can then develop our business even further.

In view of the need for clear differentiation, MOL's Rolling Plan 2021 incorporates an “Environmental Strategy × Regional Strategy” approach, summarizing the areas on which the Company should focus its efforts. (For details, please see page 18.)

First, allow me to explain the regional strategy. Now that the model of growing in step with Japan's economy is no longer sufficient, we must tap into the growth of the global economy. Looking ahead to the next 20 to 30 years, I believe the countries and regions that we can realistically target and compete in are China, India, and Southeast Asia

because of their relatively high growth potential as well as the business networks that we have built over the past several decades. We will extend our formerly Japanese economy-centered growth model so that it encompasses the entire Asian economy. Asian companies' expansion of their businesses into the Americas, Europe, and Africa will create business opportunities for us. To capture these opportunities, we must promote personnel who can manage businesses anywhere in the world as well as local personnel who are thoroughly familiar with the countries where we operate and have such personnel take charge of the strategies for each region.

Next, let me turn to our environmental strategy. As I mentioned earlier, efforts to address issues such as climate change have become a global trend. Consequently, emerging countries, which will need huge amounts of energy to develop their industries, face the dilemma of how to balance economic growth and environmental protection. If MOL can help resolve this dilemma, the Company will be able to



seize major business opportunities—for example, by providing transport services that have a low environmental impact, by developing infrastructure projects that enable the use of LNG and the reduction of greenhouse gas (GHG) emissions through the use of FSRUs and LNG-to-Powerships, or by focusing on renewable energy-related business fields, such as offshore wind power farms. As well

as having great social significance in terms of reducing the environmental impact of emerging economies, the aforementioned businesses can expect to enjoy solid demand for their services. Moreover, such initiatives have a high degree of synergy with our expertise, experience, and know-how. For this reason, I intend to grow our environment-related businesses considerably going forward.

Profit Growth and Our Business Portfolio

I am keen to build a business portfolio that generates stable profits regardless of market conditions.

To grow profits stably, the Group must constantly review its business portfolio. Our core marine transport business has to go through extreme peaks and troughs in its performance due to the volatility of economic and market conditions. This characteristic of the business makes management based on long-term perspectives, continuous investment, and stable human resource development challenging. To overcome such problems, I am keen to transform MOL into a company that generates stable profits irrespective of whether the market is favorable or unfavorable. To date, MOL has taken various measures to strengthen its market resilience, such as diversification in businesses that deploy multiple types of vessels with different market cycles as well as the accumulation of medium- to long-term contracts and the reduction of market exposure. In the years ahead, we will increase our resilience further by developing a well-balanced business portfolio that combines marine transport and businesses in non-marine transport fields. Without a doubt, marine transport will remain our mainstay business. However, to break away from its inherent dependence on market cycles, we will diversify into new business fields where we can utilize the strengths and networks that we have cultivated through marine transport.

What, then, are MOL's strengths? I believe they are the personnel we have developed worldwide and our operational competence in handling vessels and cargo. In addition, we have knowledge related to onshore logistics that we have accumulated through operations at terminals and ports. As we can draw on these strengths, I feel such fields as offshore businesses, port and terminal businesses, and warehousing businesses are highly compatible and can create significant synergies with our existing business. Further inland, moreover, real estate is an area where we can utilize our knowledge and experience of each country and the relationships we have built with local companies

over many years. By increasing the weight of such businesses in our portfolio and lowering our dependence on the traditional marine transport business, we will make our business structure more resilient so that as a whole we are able to generate stable profits.

In fact, our results to date give us a blueprint for our future direction. In fiscal 2020, ended March 31, 2021, the containership business was the main earner. Meanwhile, the energy and offshore businesses, which largely comprise sources of stable profits, generated about ¥30.0 billion in profits. Adding to this approximately ¥10.0 billion in profits from the real estate business, which is another source of stable profits, brings the total to around ¥40.0 billion. By making further investments to expand businesses in non-marine transport fields like the offshore and real estate businesses, I am confident that we can grow the figure to between ¥50.0 billion and ¥70.0 billion. If the Group can build a portfolio in which these non-marine transport-centered businesses earn about half of its profits and traditional marine transport businesses, such as dry bulkers, containerships, and car carriers, earn the other half, the Group as a whole will be able to generate at least ¥100.0 billion in profits even in an unfavorable business environment. Of course, when market conditions are favorable, as are they now, we expect to realize even larger profits.

At the same time, we must reexamine our current businesses. While we will be able to grow some businesses rapidly on our own, for certain businesses forming alliances with other companies or deciding to withdraw may be the best courses of action. By constantly reexamining our businesses with respect to the growth potential of industry sectors, our positions in sectors, and cash flows and by persevering with the necessary reorganizations, we will strengthen our overall corporate strength.

Fiscal 2020 Summary and Fiscal 2021 Priority Measures**Although we achieved favorable business results in fiscal 2020, there is still room for improvement.**

In fiscal 2020, we achieved ordinary profit of ¥133.6 billion, exceeding our medium- to long-term target, which is to realize ordinary profit of between ¥80.0 billion and ¥100.0 billion. The main reason for this result was the exceptionally good performance of Ocean Network Express Pte. Ltd. (ONE). This was extremely meaningful as it demonstrated that the grand project undertaken by three Japanese shipping companies to create a single company specializing in containerhips is now on track. I am happy to report that ONE is continuing to experience favorable conditions, but I do not believe that these conditions are sustainable in the long term as they are based on many irregular factors, such as a rapid increase in “stay-at-home demand” due to the COVID-19 pandemic as well as a contraction in actual vessel supply resulting from port disruptions. Careful verification is required, but given profit margins in the container-ship industry during normal times, I estimate the average level of profits that MOL can secure from ONE on a sustainable basis in the future will be between ¥20.0 billion and ¥30.0 billion. This means we will need to stably generate profits of between ¥70.0 billion and ¥80.0 billion, apart from the contribution from ONE, to realize our target of ordinary profit that consistently surpasses ¥100.0 billion. To this end, we will continue to accumulate profits in energy transport-related and offshore businesses while steadily taking steps to improve profits in traditional marine transport business fields, such as dry bulkers, car carriers, and tankers. If we can improve profits in each of these fields by ¥5.0 billion or ¥10.0 billion, we will achieve our medium- to long-term target of lifting ordinary profit above ¥100.0 billion.

Approach to Sustainability**We will devote ourselves to making both the Group and society sustainable.**

In explaining our sustainability initiatives, I would first like to touch on the accident in 2020 in which the WAKASHIO, a vessel chartered by MOL, ran aground off Mauritius and spilled oil. Once again, I would like to apologize for the great inconvenience that the accident caused the residents of Mauritius and for the significant effect the accident had on the environment. The MOL Group has long been committed to safe operation as an important management requirement. Nonetheless, this accident has highlighted

Therefore, in fiscal 2021 we will focus efforts on improving the profits of the dry bulk and car carrier businesses, which struggled in fiscal 2020. The key to the success of these efforts will lie in breaking away from an overdependence on Japan-based businesses and building business structures that can also earn overseas. This strategy also overlaps with our regional strategy. Looking ahead to the post-COVID-19 global economy, the major rebound in demand is likely to be in emerging countries, such as India, rather than in Japan. Due to its extremely high demand for energy, India is expected to increase imports of crude oil, LNG, and LPG for some time to come. Moreover, given its growing presence as a global production base, the country has ample potential for growth in exports of industrial products, especially automobiles. In traditional marine transport business fields, such as car carriers, we will heighten earning power by maximizing our capture of the trade flows resulting from such trends.

Also, we will continue strengthening our management base. We still have such problems as duplication of work among different organizations and slow decision-making. To realize timely, accurate decision-making, we will streamline our organization. The goal is to increase the speed and transparency of information sharing, expedite the discussion of important matters that need decisions and action, and arrive at conclusions swiftly. Additionally, continuing on from our efforts in fiscal 2020, we will use cross-divisional project teams to advance businesses, particularly in growth regions.

our failure to manage the entire supply chain including chartered vessels. The problem was that our safety management tended to concentrate on our owned or managed vessels and too much may have been entrusted to ship-owners in terms of the management of chartered vessels, which account for more than half of our fleet. Going forward, we must raise our level of safety management so that we can confidently assure customers and other stakeholders that the vessels engaged in the provision of our

services meet certain high safety standards. With this in mind, we are in the process of rebuilding systems to ensure that all officers and employees have a strong interest in and commitment to the management of vessel safety. To prevent reoccurrence of such an accident, we have implemented measures to improve operation, including the renewal of safety standards for chartered vessels and the revamping of internal capabilities. Also, we have incorporated safety stipulations into our guidelines on employee conduct by revising the MOL Group Values, and we have added safety KPIs to criteria for calculating remuneration for directors and executive officers. I will continue emphasizing to all Group employees that we must never allow such an accident to happen again. With respect to the people of Mauritius, we will continue our involvement in the restoration of the natural environment and support for the local community by creating opportunities for dialogue with the government and local people, dispatching

personnel on an ongoing basis, operating a fund, and so forth. We will conduct wide-ranging exchanges of opinions with stakeholders from a long-term perspective and continue to fulfill our social responsibilities.

For the sustainability of the MOL Group and society, climate change and other environmental issues are among the most important issues to be addressed. Reduction of negative environmental effects—such as the carbon dioxide (CO₂), sulfur oxide (SO_x), and nitrogen oxide (NO_x) emitted in providing marine transport services—is an extremely important task not only for the differentiation of MOL's businesses but also for the Company itself as a social entity. In June 2021, we announced MOL Group Environmental Vision 2.1, which sets targets that are more ambitious than ever and a specific road map for their achievement. Based on this vision, we will further accelerate our environmental initiatives and invest actively. [For details, please see page 44.]

My Roles and Aspirations**I want MOL to be viewed as an excellent company in every respect. That is my goal.**

As we go through a process of transformation, I believe that one of my roles is to set out our overall direction. Another of my roles involves putting forward hypotheses that stimulate in-house discussion and thereby lead to better decisions. Fortunately, I have had opportunities to work with an array of customers and business partners in many different countries, including Qatar and Oman in the Middle East, China, India, and Russia and more recently Brazil and Turkey. Although I have on occasion experienced difficulties and made mistakes, I have gained quite a broad range of experience as a result. By drawing on this experience and insight, increasing the transparency of our discussions, and mobilizing in-house resources and collective wisdom, I will lead the Company in the right direction.

Through these efforts, my aim is to make MOL a corporate group that stakeholders view as excellent and highly trustworthy. Both in Japan and worldwide, I want MOL to establish a favorable reputation not just for service quality but for all aspects of operations, including corporate robustness and profitability, the high quality of the Company's personnel, management philosophy with respect to what the Company stands for and what it aims to achieve, technological capabilities, and social trust. Rather than just having an ideal level of profits in mind, I am thinking of creating a corporate group that we ourselves and others recognize as an excellent company in

the long run, looking five, 10, or 15 years ahead. As we advance unflaggingly toward the realization of this goal, I would like to ask our shareholders and other stakeholders for their continued support and understanding.

