

A Review of Our Management Plans

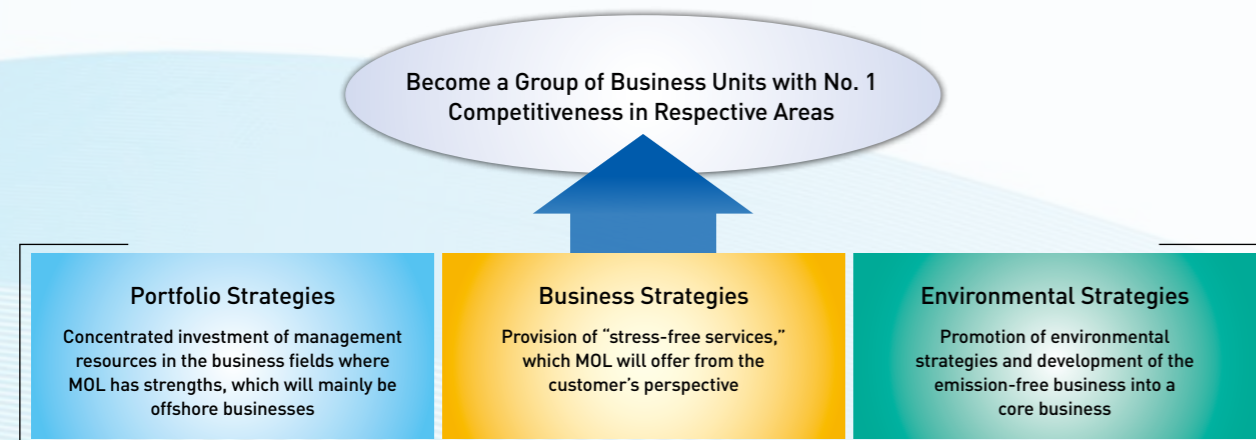
Until the Introduction of Rolling Plans

In the 2010s, the shipping industry slumped amid softening global growth and an oversupply of vessels. As we had achieved great success with dry bulkers, car carriers, and in other areas of the traditional marine transport business in the 2000s, we were slow to adjust our way of thinking when conditions changed in the 2010s. However, in the process of struggling through simultaneous downturns for the three major vessel types—dry bulkers, tankers, and containerships—and implementing two painful business structural reforms in fiscal 2012 and fiscal 2015, we gradually acquired a strong sense of crisis based on the realization that in volatile times we could not continue to generate sufficient returns from conventional marine transport alone. We gave a more concrete form to this sense of crisis by launching a rolling plan in fiscal 2017.

The introduction of rolling plans was based on two fundamental ideas. First, we wanted to set out a 10-Year Vision and think about the plans by backcasting. Second, we decided to revise plans annually rather than use three-year medium-term management plans so that we could make detailed adjustments to our trajectory in response to the external environment. We began this new approach with Rolling Plan 2017, which set out three main elements of our vision: “stress-free services,” “promotion of environmental strategies and development of the emission-free business into a core business,” and “Become a Group of Business Units with No. 1 Competitiveness in Respective Areas.” Every year since then, we have revised the plan in accordance with the latest conditions and with our sights set on the 10-Year Vision for 2027. Currently, we are tackling the measures under Rolling Plan 2021.

An Outline of Rolling Plan 2020

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.



Achievements since Beginning the Rolling Plans

- Rebuilding the containership business through its integration into Ocean Network Express Pte. Ltd. (ONE) (started operations in April 2018) and accumulating long-term contracts for LNG carriers and offshore businesses, which are priority investment fields
- Expanding environmental and emission-free businesses, including the launch of an LNG bunkering vessel business and the LNG-to-Powership business and a decision to install Wind Challenger hard sails on vessels
- Curbing the increase in interest-bearing debt and achieving positive free cash flow
- Securing ordinary profit of ¥133.6 billion and profit attributable to owners of parent of ¥90.0 billion in fiscal 2020 despite the COVID-19 pandemic and reaching the projected medium-term profit levels set when the rolling plan began

	FY2017	FY2018	FY2019	FY2020
Ordinary profit	31.4	38.5	55.0	133.6
ROE (%)	-8.7	5.2	6.3	16.5
Free cash flow	-2.4	-143.0*1	-6.5	44.2
Net gearing ratio (Times)	1.82	1.88	1.94	1.63
Interest-bearing debt	1,118.0	1,105.8	1,096.6	1,026.9

(¥ billion)

*1 Includes investment in establishment of ONE

A Review of Rolling Plan 2020

Fiscal 2020 Measures

Measures and strategies	Rolling Plan 2020 goals	Fiscal 2020 achievements
Analysis of the pandemic’s effect	Conduct mega-trend forecasts	At meetings of the senior management team, conducted through discussions, which were based on analysis data produced by nine experts in respective fields who were selected from in-house divisions, and reflected the conclusions in a business plan (disclosed in June 2020, updated in December 2020)
Defensive measures	Reduce market exposure	Decided to reduce fleet by 17 vessels, mainly car carriers
Offensive measures	Implement growth strategies or structural reforms based on the characteristics of each business	Bulk carriers, wood chip carriers, short sea ships, and multipurpose cargo ships: Decided to launch a specialized company to strengthen competitiveness Car carriers: Sought efficiency by integrating vessel operations with those of Nissan Motor Car Carrier MOL Chemical Tankers: Merged with Nordic Tankers (acquired in fiscal 2018), including merging of operations
Portfolio strategies	Select new investments carefully and secure total free cash flow of ¥100.0 billion between fiscal 2020 and fiscal 2022	Decided on approximately ¥90.0 billion in new investments while advancing liquidation of assets and businesses Achieved ¥44.2 billion in free cash flow at the end of the first of three fiscal years during which we aim to realize cumulative free cash flow of ¥100.0 billion
	Focus investments on offshore businesses	Decided on investment of ¥43.0 billion, including additional contributions to existing businesses (included in the aforementioned ¥90.0 billion)
Business strategies	Enhance customer satisfaction through digital technologies and environmental measures	Increased the number of customers using the “Lighthouse” service (see page 21) Launched an LNG bunkering vessel business
Environmental strategies	Promote environmental and emission-free businesses	Continued focusing investment on LNG-related businesses and wind power generation-related businesses Revised MOL Group Environmental Vision 2.0
Enhancement of organizational strength	Advance projects through cross-organizational collaboration and improve productivity Groupwide	Launched 16 cross-divisional project teams Rationalized administrative work in corporate divisions Integrated Group companies

Mega-Trend Forecasts

Forecast announced in June 2020 (used as a premise for Rolling Plan 2020)

Cargo	2020	2021	2022	Recovery of cargo movements to 2019 level
Assumed GDP growth*2	-5.0%	3.0%	2.0%	—
Iron ore	-4.2%	2.4%	3.2%	2022
Coking coal*3	-3.6%	-1.0%	1.0%	2023 or later
Grain	-0.1%	4.9%	4.2%	2020
Crude oil	-7.6%	4.3%	0.8%	2023 or later
LNG	-1.5%	4.3%	4.3%	2021
Steaming coal*3	-6.3%	2.7%	-0.8%	2023 or later
Automobiles	-25.0-35.2%	10.4%	6.8%	2023 or later
Containers	-25.0%	18.2%	12.2%	2022 (concern over possible delay)

*2 Figures for 2020 are those reported by the International Monetary Fund (IMF). Figures for 2021 onward are the Company’s forecast figures.

Revised forecast announced in December 2020 (used as a premise for Rolling Plan 2021)

Cargo	2020	2021	2022	2023	Recovery of cargo movements to 2019 level (words in parentheses indicate the change compared with the previous forecast)
Assumed GDP growth*2	-3.5%	3.0%	2.5%	2.5%	—
Iron ore	2.1%	-1.8%	-1.6%	-1.3%	Concern over decline from 2021 onward
Coking coal*3	-13.9%	7.1%	0.1%	0.3%	2024 or later (deteriorated)
Grain	5.1%	3.2%	1.4%	1.7%	2020 (improved)
Crude oil	-8.0%	2.6%	5.3%	1.8%	2023 (improved)
LNG	2.2%	3.8%	3.7%	3.6%	2020 (improved)
Steaming coal*3	-11.1%	2.5%	0.0%	0.3%	Will not recover (deteriorated)
Automobiles	-23.0%	11.8%	7.7%	4.3%	2023 (improved)
Containers	-2.0%	0.5%	2.5%	2.5%	2022 (improved)

*3 Coking coal is a raw material for steelmaking, and steaming coal is primarily a power generation fuel.

Cargo Movement Outlook in Light of the December 2020 Forecast

Dry bulk transport

- China’s crude steel production and iron ore imports have been increasing but will turn downward in 2021.
- Unaffected by the pandemic, grain cargo volume will continue to increase.

Energy transport

- Demand for crude oil transport decreased significantly due to the rapid decline in oil demand in 2020. From 2021 onward, however, transport volume will increase in step with the recovery in crude oil demand.
- As the consumer sector accounts for a large percentage of natural gas demand, it remained firm even during the pandemic. Therefore, the pandemic’s effect on LNG cargo movements will be negligible.
- Steaming coal demand decreased sharply in 2020. Steaming coal cargo movements will gradually decline in the medium to long term as decarbonization accelerates.

Product transport

- The decline in automobile transport has been less marked than expected, and overall cargo volume will recover to the 2019 level in 2023.
- In container transport, the downward rigidity of cargo movements was stronger than anticipated. In 2020, cargo movements only decreased 2.0% year on year. Container transport will generally see cargo movements return to normal levels in line with the economic growth from 2021 onward.

An Overview of Rolling Plan 2021

In fiscal 2020, despite the COVID-19 pandemic, we achieved a significant increase in profits, mainly due to a strong performance by the containership business. As a result, we were able to lay the foundations for the next phase of our growth. Looking over the global situation, meanwhile, the rapid acceleration of decarbonization and other signs of growing environmental awareness have become more conspicuous.

Viewing recent events as heralding the beginning of a new stage for us, we revised our corporate philosophy, the MOL

Group Corporate Mission, for the first time in approximately 20 years. We announced the mission together with the MOL Group Vision on April 1, 2021. Formulated to realize this mission and vision, Rolling Plan 2021 sets out environmental strategies and regional strategies, which we are focusing efforts on implementing. Also, to clarify the targets that we are aiming for in our next phase, we have revised profit and financial targets for fiscal 2027.

The Relationship between Rolling Plan 2021 and the MOL Group Corporate Mission, Vision, and Values



Profit and Financial Targets for Fiscal 2027 (As of April 30, 2021)

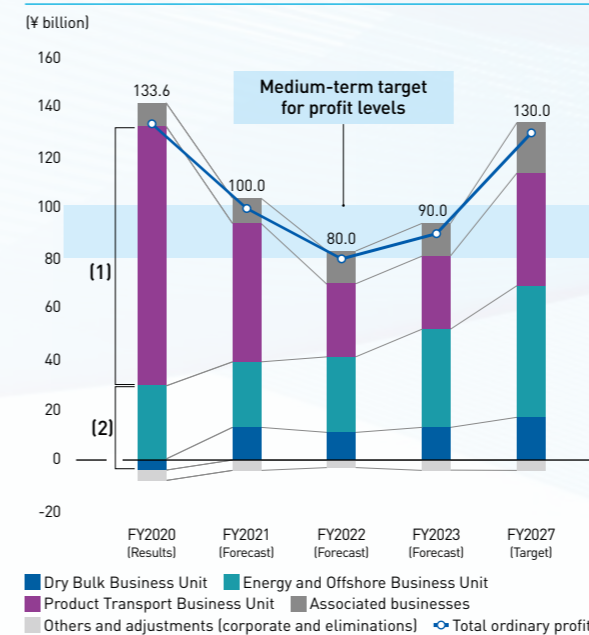
	FY2020 (Results)	FY2021 (Forecast)	FY2022 (Forecast)	FY2023 (Forecast)	FY2027 (Targets)
(¥ billion)					
Profit targets					
Ordinary profit	133.6	100.0	80.0	90.0	130.0
ROE (%)	16.5	15	10	10	10-12
Cash flows					
	FY2021-2023 cumulative total				FY2021-2026 cumulative total
Cash flows from operating activities (1)	98.8		350.0		800.0
Cash flows from investing activities (2)	-54.6		-250.0		-600.0
Of which, investment	—		-450.0		-1,000.0
Asset disposal and liquidation	—		200.0		400.0
Free cash flow ((1) + (2))	44.2		100.0		200.0
Financial target (Fiscal year-end)					
Net gearing ratio (Times)	1.63	—	—	1.25	1.00

- The fiscal 2027 profit targets are ordinary profit of ¥130.0 billion and stable ROE of between 10.0% and 12.0%.
- The fiscal 2027 financial target is a net gearing ratio of 1.0 time. Over the three years from fiscal 2021 to fiscal 2023, we plan to generate free cash flow of ¥100.0 billion, and to improve our financial position by lowering the net gearing ratio.
- As soon as we achieve a certain degree of improvement in our financial position,*1 we will review our dividend payout ratio, without waiting for the coming of fiscal 2027.*2

*1 We will use such indicators as the net gearing ratio and the equity ratio.

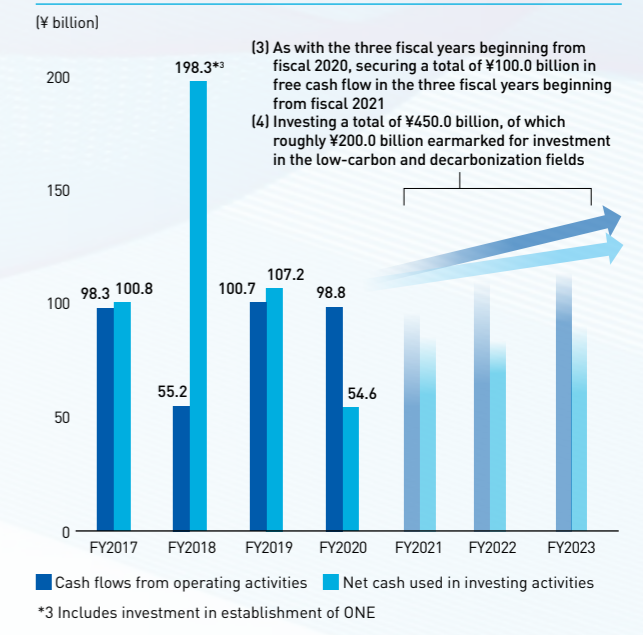
*2 We will decide the dividend payout ratio level in light of overall trends among companies listed on the Tokyo Stock Exchange.

Profit Targets



- (1) In fiscal 2020, the Product Transport Business Unit saw a temporary increase in profits due to the exceptionally firm market conditions experienced by the containership business. We are assuming that container freight rates will normalize from around the second half of fiscal 2021.
- (2) Meanwhile, thanks to the steady accumulation of highly stable profits, mainly by the Energy and Offshore Business Unit, ordinary profit of between ¥80.0 billion and ¥100.0 billion is expected to be consistently achieved from fiscal 2021 through fiscal 2023. This is the medium-term target for profit levels that we have set since the introduction of rolling plans.

Financial Target (Cash Flow Forecast)



- (3) As with fiscal 2020 through fiscal 2022, over the three years from fiscal 2021 to fiscal 2023 we will give priority to improving our financial position and create ¥100.0 billion in free cash flow.
- (4) At the same time as steadily accumulating cash flows from operating activities, we will proceed with the liquidation of assets and businesses. In this way, between fiscal 2021 and fiscal 2023 we plan to secure free cash flow while investing a total of ¥450.0 billion. Of this amount, we will invest roughly ¥200.0 billion in the low-carbon and decarbonization fields.

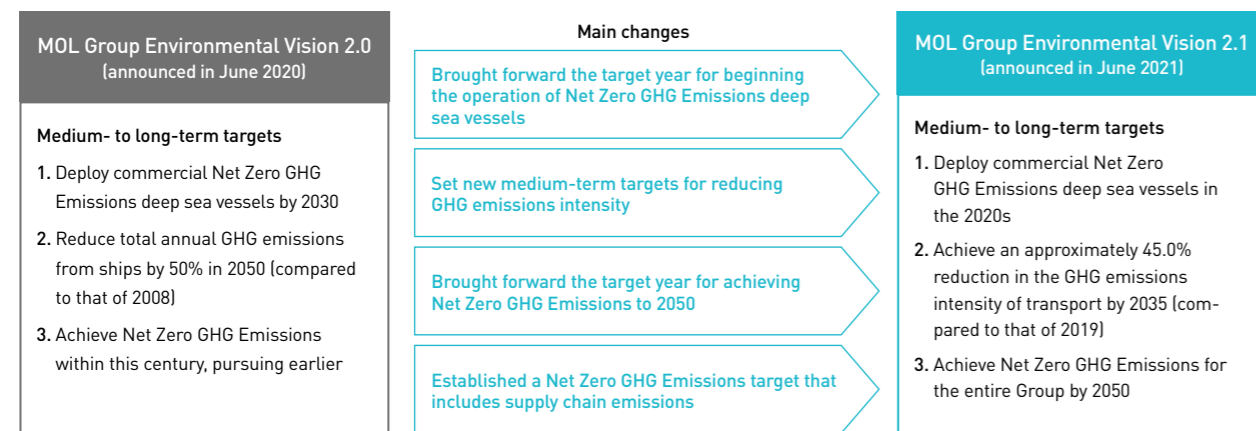


- Upgrade MOL Group Environmental Vision 2.0 to 2.1 and accelerate decarbonization initiatives
- Invest approximately ¥200.0 billion in the low-carbon and decarbonization fields over the three years from fiscal 2021 to fiscal 2023
- Strengthen the environmental perspectives in business and portfolio strategies

▶ Upgrading MOL Group Environmental Vision 2.0

For details, please see "Marine and Global Environmental Conservation" on page 44.

In response to the growing needs of society and the progress of our initiatives to address environmental issues, we upgraded MOL Group Environmental Vision 2.0 to 2.1, which sets higher quantitative targets.



▶ Investing in the Low-Carbon and Decarbonization Fields

Invest approximately ¥200.0 billion in the low-carbon and decarbonization fields over the three years from fiscal 2021 to fiscal 2023

	Investment	Estimated return on investment (contribution to ordinary profit in fiscal 2027)
Total investment in the low-carbon and decarbonization fields	205.0	21.0
▶ [1] Reducing the GHG emissions of MOL's operating vessels	91.0	—
▶ [2] Developing low-carbon and decarbonization businesses	114.0	—

- Examples of initiatives to reduce the GHG emissions of MOL's operating vessels
- Promotion of LNG-fueled vessels
 - Installing Wind Challenger hard sails
 - Adoption of clean alternative fuels: —Biodiesel, ammonia, hydrogen, synthetic methane, etc.

- Examples of the development of low-carbon and decarbonization projects
- LNG-related projects in emerging countries
 - Projects related to the offshore wind power generation business
 - Supply, storage, and transport of clean alternative fuels

Introduction of internal carbon pricing (ICP)*
 Introduction of ICP in the first half of fiscal 2021 to promote in-house decarbonization projects and prepare for the implementation of mandatory carbon pricing
 * Carbon prices that are independently established and used in-house with the aim of promoting low-carbon investment and initiatives

▶ Strengthening the Environmental Perspective in Business and Portfolio Strategies

Business Strategies	Roll out services that visualize environmental impacts and their reduction <ul style="list-style-type: none"> • Anticipate customer needs by disclosing carbon footprints and establishing systems and data to enable such disclosure • Help reduce GHG emissions by improving the efficiency of vessel operations and visualize such improvements
Portfolio Strategies	Expand businesses with reduced environmental impacts and low-carbon businesses <ul style="list-style-type: none"> • Capture increasing LNG demand (LNG carriers, FSRUs, and LNG-to-Powerships) • Participate in offshore wind power generation projects



- Advance regional strategies focused on Asia
- Implement initiatives to realize "stress-free services" that anticipate customer needs

▶ Advancing Regional Strategies

Regional strategies are the core of our business strategies. In multifaceted ways, we will seek projects with the potential to align with our overall strategy. Focusing on Asia and without being limited to the transport field, the MOL Group will take advantage of its collective strength to acquire large-scale projects.



Our sales divisions are generally organized by vessel type. This organizational structure is well suited to securing expertise and maintaining relationships with customers in each industry. Particularly when we develop businesses overseas, however, the weakness of a vertically split organization sometimes become apparent. To compensate for this weakness, we have assigned chief country / regional representatives to 25 countries and regions.

In emerging countries, conglomerates or national policy-based companies rooted in the region often have huge power and are engaged in diverse businesses. If a cargo transport project is acquired from a business affiliated with such a company, the Head Office sales division specializing in the cargo or field will coordinate with overseas bases to manage the project. At the same time and without being limited to existing transactions, the chief country / regional representative—who is assigned to a particular country or overseas region but does not belong to an in-house division—will continue to submit business proposals to the various divisions of such companies.

In this way, by laterally expanding the contact points we have established in specific fields, we aim to gain opportunities beyond the transport field. As well as catering to the transport needs of customers in their other businesses, we will seek opportunities in businesses related to ports, warehousing, and real estate. To move such activities forward, we have established support capabilities, including sales support provided by the Corporate Marketing Division, which is located at the Head Office, and the "lead sprints" system in which the CEO has involvement in projects from their initial stages and determines projects' overall strategic focus.

Given the likelihood of Asia remaining the driver of global economic growth over the long term, our cultural affinity with the region, and the relationships and business foundations we have built up over a corporate history of more than 130 years, we have assigned approximately half of our chief country / regional representatives to Asia with the aim of focusing on the region.

▶ Implementing Initiatives to Realize "Stress-Free Services" That Anticipate Customer Needs

- Coordinate LNG-related sales (LNG carriers, FSRUs, LNG-to-Powerships, etc.)
- Transition to one-stop sales capabilities for the dry bulk business (MOL Drybulk Ltd.)
- Increase customer convenience through DX (promote sales of "Lighthouse," etc.)

"Lighthouse"
 A platform enabling the integrated management of various marine transport-related information that was previously provided separately



- Review and reshuffle business portfolio continually
- Reevaluate the existing marine transport business from the viewpoint of contribution to cash flows