

A Message from the Chairman

Business management is about continuity. How best to pass on business management to the next generation was always on my mind.

“The selection of a successor is a CEO’s most important task.” I often hear this type of statement in discussions on corporate management. When I became CEO, I saw succession as one of my most important management tasks, and from that time began considering possible successors. As I wrote in the annual report at the time of my appointment, business management is about continuity. During their respective terms, each CEO gives their all to advance the Company closer to the goal. In a way, the process is like a long-distance relay race. Mindful that my role was also to pass on the baton to a successor, I mulled over the optimal timing and to whom I should entrust the position. In my view, the best time to hand over to a successor was not when I myself had reached a particular goal but rather when our measures had prepared a foundation for the business management of the next CEO and reached a stage from which transformation and advancement to a higher stage could be pursued. After taking such considerations into account

and looking over the state of MOL Group, I determined that now was the best time to pass the baton to a new CEO.

When I became CEO in 2015, the marine transport industry was facing long-lasting difficulties due to an oversupply of vessels and sluggish market conditions. The MOL Group was also suffering from a prolonged slump in its performance. In response, we used “No. 1 competitiveness in respective areas” as a guiding principle and tackled three overall reforms, which were focused on our business portfolio, business model, and business fields. As part of these efforts, we undertook major structural reforms of the dry bulk business and integrated the containership business. Finally, in fiscal 2019, all business segments posted ordinary profit. Moreover, we are establishing businesses that promise to become new earnings mainstays, such as offshore businesses. For this reason, I believe we are on track to resolve the pressing issues that we faced at the time of my appointment as CEO.

On the other hand, as my tenure continued, I developed a sense of crisis over the emergence of “habituation” throughout the organization. For example, such new concepts and goals as “No. 1 competitiveness in respective areas” and “stress-free

services,” which I emphasized in the years after taking office, have borne fruit and established a common understanding throughout the Company. In itself, this progress may be something we should evaluate positively. But paradoxically, once we become habituated to such phrases, they lose their potency as drivers of change.

My concern about habituation was further reinforced in fiscal 2020. On the whole, our organization began the fiscal year with a considerable sense of urgency due to the spread of COVID-19. By the third quarter, though, the prospect of achieving favorable business results had come into view thanks to the structural reforms of businesses and the accumulation of highly stable profits we had achieved up to that point coupled with good market conditions for Ocean Network Express Pte. Ltd. (ONE) and the tanker business. While we were of course pleased with the favorable performance itself, I sensed that our employees were beginning to relax because they thought that we might be able to just go on as we were and perform well. However, to sustain long-term growth we must still break away from the business model that is solely reliant on traditional marine transport. Looking at the MOL Group from a medium- to long-term viewpoint, if anything the Group’s critical period still lies ahead. Therefore, in the present situation we cannot afford to slacken the pace of transformation. With this in mind, I concluded that the most effective way to get the message across and accelerate the evolution of our business model was a change of CEO.

Given his unshakable commitment to transformation and excellent ability in presenting clear-cut views on the world economy and politics and showing where the Company should be headed based on these views, I have high expectations of our new CEO, Takeshi Hashimoto.

As I have explained, I considered the selection of a successor to be one of my most important tasks as the leader of corporate management. After a series of discussions at meetings of the Nomination Advisory Committee, we formulated a succession plan for the president and CEO in fiscal 2019. We began this process by clarifying and sharing our views on the requirements for the management leader in the Company’s next stage. Through discussions in the committee, we set out 15 requirements for the new CEO based on two axes, with the first being values and mindset and the second being practical ability. Of these requirements, Mr. Hashimoto was most highly evaluated for having an unshakable commitment to transformation. In addition, we have high expectations of Mr. Hashimoto’s ability to present clear-cut views of the world and show where the Company should be headed based on these views. This is

because in advancing and giving shape to transformation, the ability to deliver coherent messages that show the way forward is extremely important. At meetings of the Board of Directors, Mr. Hashimoto has always been able to provide explicit and strategic explanations of the proposed investments under his management. In addition, he has a wealth of global experience and is thoroughly familiar with the LNG carrier and offshore businesses, which are becoming core businesses. He also has a track record of building close relationships with companies that we did not have contact with before, such as PAO NOVATEK of Russia and Karpower International B.V. of Turkey, and bringing negotiations with them to a successful conclusion. Based on these attributes, I am confident that our new CEO can clearly communicate the course MOL should follow and lead the entire Group in this period of change.

In my new role, I will press ahead with initiatives aimed at increasing the MOL Group’s corporate value even further.

In conclusion, I would like to talk about my future role and aspirations. As of fiscal 2021, I have assumed the position of chairman executive officer, a position that was vacant. In reinstating this position, many questions and recommendations were received from outside directors to the effect that the position’s roles and status should be clarified. Normally, within Japanese companies, it is rare for a someone who has experience as a CEO to remain in an executive position. Nonetheless, the position of chairman executive officer has been reinstated because the valuable experience and insights that only a former CEO has can be useful in business execution. However, I would like to make it clear to all stakeholders that the CEO is always the highest authority in the execution of business. The position of chairman executive officer represents a special assignment given by the CEO. Specifically, in the current fiscal year I plan to further enhance corporate governance, develop management personnel, and build an external network. Already, we have taken swift measures to enhance and reinforce corporate governance. In April 2021, we launched the Corporate Governance Council, which hosts frank discussions with outside experts when necessary. When we introduced an executive officer system in the early 2000s, we were proud to be a governance pioneer among major Japanese companies. As society’s expectations rapidly change and diversify, however, I feel that the evolution of our governance has been somewhat lacking in pace in recent years. Although the development of governance is an endless task, we intend to use the establishment of the Corporate Governance Council as an opportunity to comprehensively review and improve our governance system. In my new role, I will press ahead with initiatives aimed at increasing the MOL Group’s corporate value even further.

Junichiro Ikeda

Representative Director
Chairman Executive Officer



I am confident that our new CEO, Takeshi Hashimoto, will provide MOL with strong leadership in this period of transformation.

Messages from the Chairs of the Advisory Committees

Nomination Advisory Committee

Always keeping in mind the enhancement of corporate value and ESG value, the Nomination Advisory Committee engages in constructive discussions.

As society continues to change constantly, succession plan of the CEO and selection of directors in order to enhance corporate value over the long term is extremely important for management. From this perspective, the role of the Nomination Advisory Committee is becoming more and more important and this committee is required to function more effectively.

The Nomination Advisory Committee of MOL was established in fiscal 2015. While ensuring objectivity, transparency, and credibility, a majority of directors are outside directors and the chair is also an outside director, who is taking turns every year, the committee engages in lively and constructive discussions. As an outside director and member of the committee, I am always keeping in mind the need to share the point of view of the shareholders, while considering the sustained enhancement of corporate value as well as ESG factors and other aspects of social value. In fiscal 2019, outside Audit & Supervisory Board members were able to be nonvoting participants in the advisory committees, which has enabled discussions from a greater diversity of perspectives. In recent years, we have been thinking about how nominations should be made within a larger framework, such as what kind of presence the Company should have in the international community, including initiatives to address climate change. As a result, our discussions have become more strategic in nature.

Nomination Advisory Committee members have more opportunities to meet face-to-face with the executive officers, which is helping us to select and develop candidates for the

next generation of directors from a wider pool of talent. When our standpoint is outside a company, there can be unavoidable difficulties in obtaining sufficient internal information. However, I believe that minimizing information asymmetry will make the committee more effective from a long-term perspective.

Careful consideration was devoted to formulating a succession plan and analyzing the recent appointment of a new CEO.

In explaining the process of appointing the new CEO last year, I should begin by describing the formulation of a succession plan. A succession plan is a framework that is essential for a company's sustained growth. MOL formulated a succession plan in fiscal 2020 and disclosed in its corporate governance report. It was the result of our careful consideration over more than a year. In particular, we discussed the requirements of the CEO from a wide range of perspectives. Ultimately, we decided that "the results expected from a CEO" should be our starting point. For this requirement, we made eight requirements related to nature and mindset and seven requirements related to practical competency. We have also established a framework in which the list of potential successors is updated annually in light of these requirements as well as consideration of the solicitation of external candidates. Such processes are important to ensure that all stakeholders are satisfied with MOL's outcome. Moreover, our recent efforts clarified the criteria and procedures for not only the selection but dismissal of CEOs. In this way, the formulation of the succession plan was a good opportunity for the Nomination Advisory Committee to take a more active role in the nomination.

Takeshi Hashimoto, the new CEO, was one of the names on the list of potential successors. A major deciding factor was the leadership that he has displayed in the LNG carrier and off-shore businesses, which are priority business fields for MOL strategically and becoming core business fields. Mr. Hashimoto earned high marks for his expertise in the energy sector, the extensive international network that he has cultivated, and the management skills he has shown in especially the realization of a decarbonized society.

In addition, given the volatility of the marine transport industry's business environment, leaders must be able to detect changes in conditions by gathering information and seeing the big picture and adopt flexible stances in response to changing circumstances. The blog that the CEO has been posting on the intranet since April presents just such a big picture as he stays abreast of many different fields and developments, including international politics, macroeconomics, the energy industry, the future of decarbonization, and capital market trends. I believe that he will lead the entire Group by mulling and clearly presenting a strategic vision based on this wide perspective.

I expect the chairman executive officer to utilize the experience and knowledge that the Board needs for the execution of business.

In connection with the change of CEO, the Nomination Advisory Committee also discussed the role of the chairman executive officer. Although some concerns were raised about the structure of management becoming multilayered and his holding of supervisory and executive positions, in the end the committee decided on a governance system that clearly establishes the CEO's supreme authority over business execution and gave more weight to maximizing corporate value by utilizing the insights of someone with experience in serving as CEO. Further, the chairman executive officer, Junichiro Ikeda, has a global network of contacts in economic organizations and industries, and we are confident that these will bring great benefits to MOL. We also believe that the senior management team will be enhanced by an experienced former CEO backing up a current CEO who is responsible for business execution. The effectiveness of this management framework will be carefully and constantly monitored by the Board of Directors and the Nomination Advisory Committee, and I believe that once concrete results are produced under the framework, it will live up to every stakeholder's expectations.

We must continue to consider the management organization from a backcasting perspective.

In fiscal 2021, the Remuneration Advisory Committee revised the director remuneration plan by increasing long-term incentives. The highest priority is constructing a management structure that is consistent with the enhancement of corporate value, ESG value, and other types of social value. In light of this backcasting perspective, the Company's corporate philosophy, and the profile MOL wants to have 10 years later, we must always keep in mind the kinds of skills, values, and backgrounds that directors should have to achieve this profile.

In clarifying the required skill sets, we need to discuss in greater detail the skills matrix that the Company began disclosing in fiscal 2020. This clarification will allow us to select candidates and foster the next generation of senior executives based on the skills that are needed to solve management issues. In addition, given that MOL is already engaged in business activities globally and employs personnel from many different countries, ensuring diversity in terms of the nationalities in the Board of Directors will be essential. From the viewpoints of the senior management team's composition and the international development of businesses, securing non-Japanese senior executives is important.

The Nomination Advisory Committee will also need to flexibly adapt its approaches in accordance with the profile MOL is targeting 10 years from now. In this sense, and with the change of CEO, I have high expectations for the discussions that the Nomination Advisory Committee will be able to hold under our new Board and hope that members will become even more actively involved in evolving the committee. The committee will continue to ensure accountability to MOL's stakeholders while always emphasizing objectivity, transparency, and credibility.



Etsuko Katsu
Outside Director

We must continue optimizing the effectiveness of the Board of Directors by backcasting from the desirable future of MOL.

Overview of the Nomination Advisory Committee [Fiscal 2020]

Chair of committee: Etsuko Katsu (outside director)	Percentage of outside directors: 75% Number of meetings: 5
Committee members: Junichiro Ikeda Hideto Fujii (outside director) Masaru Onishi (outside director)	

Main Agenda Items in Fiscal 2020

- Development of management personnel
- Selection of the next CEO based on the succession plan for the president and CEO
- Election of directors and executive officers for fiscal 2021 and other matters

Remuneration Advisory Committee

The role of the Remuneration Advisory Committee's chair is to encourage fruitful discussions and thereby help sustain the enhancement of the MOL Group's corporate value.

With respect to its governance system, MOL is a company with an Audit & Supervisory Board, and the Board of Directors has both executive and supervisory functions. Although investors sometimes point out that execution and supervision should be separated, I believe the governance system functions effectively because it brings together and enables discussions among those with supervisory positions and viewpoints, such as outside directors and Audit & Supervisory Board members, and those who have executive positions and viewpoints and are well-versed in the businesses. In addition, MOL has enhanced the transparency and objectivity of governance by establishing the Remuneration Advisory Committee as a voluntary body for deliberation and examination of director remuneration plan that is chaired by an outside director and comprises a majority of outside directors. In fiscal 2020, I chaired the Remuneration Advisory Committee. I believe that the chair's role is to maximize shareholder value as a representative appointed by shareholders, take into consideration all other stakeholders, and realize sustainable enhancement of the MOL Group's corporate value as well as to encourage fruitful discussions that support these efforts.

In the recent revision of the director remuneration plan, we designed the system with a view to resolving four issues.

Revision of the director remuneration plan was the biggest initiative for the Remuneration Advisory Committee in fiscal 2020. Remuneration systems are closely linked to corporate culture, and implanting a system that is inconsistent with a company's values and organization causes dysfunction. For example, the ideal form for a remuneration system changes depending on whether a company emphasizes working as a team or as an individual. While considering the current corporate culture, it should be considered how to inspire the senior management team so that it could achieve the corporate vision and design a system that will encourage transformation.

In designing a new director remuneration plan, we have focused on resolving four issues that were not being fully addressed by the current remuneration plan.

First, we sought to incorporate into the remuneration plan incentives that are consistent with the characteristics of MOL's business. In marine transport, corporate performance is extremely susceptible to the market conditions at any given time. Even with the best efforts, controlling fluctuations in near-term corporate performance is extremely difficult. On the other hand, the nature of the business is such that seeds planted now influence the performance trends and single-year business results of the future. In light of the aforementioned characteristics, we have established long-term target contribution-based remuneration (stock remuneration) that accounts for the same percentage of total remuneration as single fiscal year performance-based remuneration (cash remuneration).

The next issue is related to the stock option system itself. The basic purpose of the stock option system was to foster a common interest between directors and shareholders. However, since the exercising of rights was up to the individual, the system did not always achieve its purpose. As a result, the number of shares of the Company held by directors did not increase as much as expected. To address this issue and create a system that increases the sharing of values between directors and shareholders, we have introduced performance-linked stock remuneration in which long-term target contribution-based remuneration is paid in the form of shares themselves.

In rectifying the third issue, we revised single fiscal year performance-based remuneration. Although MOL had been using performance-based bonuses, there was room for discretion in the management of these bonuses. For example, the Company's performance in fiscal 2019 was good enough to warrant the payment of bonuses in fiscal 2020 that surpassed those paid in the previous fiscal year. However, as the COVID-19 pandemic made the performance outlook uncertain at the beginning of fiscal 2020, it was decided to drastically curtail the bonuses paid to directors in the same fiscal year. While made in light of the severe business environment at the time, this decision was not in line with the purpose of the system, which was to evaluate based on results. In formulating the new single fiscal year performance-based remuneration, we made the evaluation criteria as quantitative as possible to increase transparency and realize bonuses that are acceptable to both directors and shareholders.

Last, the fourth improvement introduced is the incorporation of a multi-stakeholder perspective. Specifically, we have included safe operation as an evaluation indicator in single fiscal year performance-based remuneration and Total Shareholder Return (TSR) as an evaluation indicator in long-term target contribution-based remuneration. I think incorporating safe operation as an evaluation indicator not only for the executive in charge of safety but for all directors is particularly noteworthy. Even without dwelling on the grounding and oil spill accident off the coast of Mauritius in 2020, the paramount importance of safe operation in marine transport is evident, and this importance should of course be reflected in remuneration. I hope that this change will raise the safety awareness of the entire Group even further.

The optimal form for a remuneration plan changes over time. We will continue to engage in active discussions with a view to evolving governance.

Fiscal 2020 was a year in which we focused on the establishment of a new director remuneration plan. Going forward, the primary task of the Remuneration Advisory Committee will be to verify whether the new plan is actually functioning as intended. If these verification activities reveal areas that are not functioning properly, naturally we will need to make necessary adjustments. Additionally, scope remains for further development of the system in terms of a multi-stakeholder perspective. For example, themes such as the environment, the SDGs, and employee engagement have yet to be incorporated into indicators.

While avoiding excessive complexity that could impair the functionality of the system, we will continue deliberations on maximizing the use of indicators in evaluation criteria and disclosing such indicators as ways of increasing transparency and credibility. As for financial indicators, ROE has been chosen as an evaluation benchmark in the remuneration plan with the aim of aligning with the management plan. A time may come, however, when we need to discuss whether this indicator is appropriate.

The target profiles of companies change with the times, and a remuneration plan should evolve accordingly to promote and support the realization of these profiles. We have revised the director remuneration plan on this occasion, but I believe the ideas that form the basis of the plan are applicable to the design of remuneration plans for the entire MOL Group, including employees. We will continue active discussions for the further evolution of governance to support sustained enhancement of MOL's corporate value.

Masaru Onishi
Outside Director

To support the realization of MOL's vision, we must change the remuneration plan as required.

Overview of the Remuneration Advisory Committee (Fiscal 2020)

Chair of committee: Masaru Onishi (outside director)	Percentage of outside directors: 75%
Committee members: Junichiro Ikeda Hideto Fujii (outside director) Etsuko Katsu (outside director)	Number of meetings: 8

Main Agenda Items in Fiscal 2020

- Fiscal 2019 bonuses for directors and fiscal 2020 remuneration for directors
- Revision of the director remuneration plan
- Policy for decisions on matters such as remuneration of individual directors pursuant with an amendment to the Companies Act and other matters