

Major Questions and Answers
at the Q2 FY 2025 Financial Results Briefing(Online)

Respondents: CEO Takeshi Hashimoto, CFO Kazuya Hamazaki

Q1)

Regarding the shareholder return policy, you have explained that the increase to a fixed dividend of ¥ 200 per share for FY2025 is based on the expected operating cash flow from investments in stable revenue-generating assets and a sound financial foundation. For Phase 2 and beyond, is the policy to set the minimum dividend of ¥ 200 per share? Also, will the basis for shareholder returns continue to be the net profit?

A1) (Hashimoto, Hamazaki)

The shareholder return policy for Phase 2 (fiscal 2026– fiscal 2030) of the MOL Group Corporate Management Plan "BLUE ACTION 2035" is currently under consideration. However, we intend to set a dividend of around ¥ 200 per share as the base, and in the event of outperformance, we would like to enhance shareholder returns through special dividends or share buybacks. Under the conventional policy of linking dividends to net profit, the dividend amount fluctuates significantly due to the volatility unique to the shipping industry. We will consider stable shareholder returns based on cash flow as the source of dividends, aiming to build a long-term and stable shareholder base.

Q2)

In the integrated report "MOL REPORT", you stated that the dividend will be raised accordingly as earnings increase. Is it correct to understand that you place priority on dividends over share buybacks?

A2) (Hashimoto)

Steadily increasing the dividend is a fundamental management policy. Given the current scale of total assets and shareholders' equity, it is necessary to secure a net profit of around ¥ 200 billion, in which case the dividend per share would be about ¥ 200. While continuing to invest and enhance profitability, we aim to manage the company so that we can gradually raise dividends. Since investments require capital, frequent share buybacks are difficult. However,

if profits exceed expectations due to upward volatility in the shipping market, share buybacks will also be considered as an option.

Q3)

Investments have exceeded the initial plan, and the equity ratio, including assumed lease liabilities, has fallen to 39%, below the target range of 40–50%. What are your thoughts on financial discipline and investment policy for the next fiscal year and beyond?

A3) (Hamazaki)

In Phase 1 (fiscal 2023–fiscal 2025), we actively utilized leverage to drive portfolio reform and made aggressive investments. This included large-scale M&A deals such as the acquisition of LBC Tank Terminals, and we accelerated some investments originally planned for Phase 2 (FY2026–FY2030). As a result, we have made sufficient investments in Phase 1. In Phase 2, the scale of investment is expected to normalize at a steady pace. We are progressing with investments in assets that generate stable, long-term earnings, and operating cash flow is also on an upward trend. We will continue to invest within the bounds of financial discipline, while also replacing assets.

Q4)

Regarding the scale of total assets, do you expect it to increase or remain flat in Phase 2 and beyond?

A4) (Hashimoto)

We intend to maintain the scale of our core shipping business, but due to rising shipbuilding costs, the amount is increasing. We will continue to diversify investments into non-shipping areas such as real property, logistics, and cruises, and expand investments while maintaining financial discipline in line with operating cash flow, targeting an equity ratio of 40–50%. However, if there are high-quality projects that contribute to group growth, we may prioritize investment even if it temporarily affects our financial position. The 40–50% equity ratio is not an absolute figure; we plan to manage it flexibly.

Q5)

Please explain the roadmap for achieving the FY2030 target of ¥ 340 billion in terms of income before income taxes.

A5) (Hashimoto)

We will continue to expand investments in LNG carriers, ethane carriers, offshore businesses, overseas real properties, and chemical logistics, aiming to achieve a ROA of around 5%. Assuming continued growth of ONE, we believe it is fully possible for MOL group to stably secure profits of ¥300–400 billion. We are committed to achieving this target as early as possible.

Q6)

What are the key issues to be addressed in Phase 2? Is it correct to understand that investments in the energy sector are expected to contribute to profits from Phase 2 onward?

A6) (Hashimoto)

Recent investments have clarified our winning strategies. In Phase 2, we plan to further focus resources on areas of strength and enhance profitability. Specifically, we will strengthen the two pillars of "natural gas-related" and "chemical-related" businesses. This includes expanding natural gas-related businesses such as LNG carriers, LPG carriers, ethane carriers, FSRUs, FLNGs, and LNG tank containers, and in the future, we plan to enter the transportation and storage of ammonia, hydrogen, and CO₂. In the chemical sector, we will further enhance competitiveness through acquisitions of chemical tanker companies and tank terminal companies, as well as investments in European chemical container businesses. We plan to maintain investments in overseas real estate, warehouses, and logistics to achieve stable cash flow and diversify our portfolio. For the time being, the two pillars of "natural gas-related and chemical-related" will be the main drivers of our earnings.

Q7)

What are your thoughts on ONE's capital investment and future business plans?

A7) (Hashimoto)

ONE has overcome its structural deficit and established a profitable business structure and is entering a phase of long-term growth strategy. In addition to the container shipping business, ONE expects to expand its value chain into terminal operations and related businesses, aiming for stable management. M&A and business integration focused on economies of scale are also under consideration. We intend to continue supporting ONE so that it can grow into a company that consistently generates profits of USD 2–3 billion.

Q8)

Regarding container shipping, what are your assumptions for freight rates in the second half of the fiscal year?

A8) (Hamazaki)

For the second half, our freight rate assumptions are based on the current levels, and we have set them lower than our initial forecasts. The impact of the US-China tariff reduction agreement on October 30 is not reflected; our outlook is based on the situation prior to the agreement.

Q9)

Regarding the one-year suspension of the port fees introduced by the US and China for each other's related vessels, how have you factored in port fees for non-US-built car carriers in your outlook?

A9) (Hamazaki)

We understand that the suspension of US port fees also applies to non-US-built car carriers. In our earnings outlook, we have factored in the costs associated with vessel re-deployment to minimize calls at US ports by affected vessels. If there is no actual impact on vessel deployment, this cost will become an upside factor.

Q10)

The dry bulk market is recovering. Could you comment on its sustainability and your outlook for the dry bulk business in Phase 2?

A10) (Hashimoto)

Compared to other vessel types, industry-wide investment in dry bulk newbuildings has been restrained in the past, resulting in a favorable supply-demand balance. Geopolitical factors have led to an increase in long-distance trades, such as shipments from Brazil to China, and we expect the favorable market environment to continue for the time being. Our strategy is to compete in niche, high-value-added markets, such as heavy cargo for offshore wind power equipment and cargo requiring special care. By introducing advanced, environmentally friendly vessels, such as those using biofuels, we aim to grow our business in areas with limited competition, leveraging our high maritime skills and safety management standards.