






Rolling Plan 2021 (Final Version)

April 30, 2021
Mitsui O.S.K. Lines, Ltd.

Supplementary Explanation of Materials

On April 5, Mitsui O.S.K. Lines, Ltd. (MOL) disclosed the informational materials about the “New MOL Corporate Mission/MOL Group Vision/Outline of Rolling Plan 2021.” This document provides some additional information and updates to the materials disclosed at that time.

The contents, which were already announced on April 5, are marked in the upper right corner with  , while the pages that were updated or added this time are marked with  or  .

For the materials disclosed on April 5, please refer to the following URL:

https://www.mol.co.jp/en/ir/management/plan/pdf/material_2021e.pdf

Disclaimer:

The performance forecasts and management indicators stated in this material are based on the best available information. Forecasts, by their nature, are not certain, so the information should be used as a guide only, and any decisions concerning investments made under your own judgement and volition with the knowledge that actual performance may differ from the forecasts.

Review of Rolling Plan 2020

Disclosed April 5

Topic	Our goals in Rolling Plan 2020	Achievements in fiscal year 2020
Defensive measures	Reducing market exposure	Reduced total of 17 vessels (Mainly car carriers)
Business environment analysis	Conducting megatrend forecasts	Updated the megatrend forecasts in December 2020 (in which estimating an earlier recovery)
Offensive measures	Growth strategies/structural reforms based on each business characteristics	<ul style="list-style-type: none"> - Bulkers : Launched MOL Drybulk Ltd. - Car Carriers : Pursuing further productivity through integration with NMCC - MOLCT : Improved efficiency through integration of organizations and overseas offices
Portfolio Strategies	Carefully select new investment and secure total FCF of ¥100 billion from FY2020 to FY2022	While deciding new investment of approx. ¥90 billion, promoted to generate cash from assets and businesses. Maintain FCF target of ¥100 billion and consider accumulating more CF for new investment.
	Focusing investments on Offshore businesses	Investing ¥43 billion including additional contribution to existing businesses (Included in the above ¥90 billion)
Business Strategies	Improving customer satisfaction by "digital and environment"	Expanding "MOL Lighthouse" services to broader customers
Environmental Strategies	Promotion of environment/emission-free businesses	<ul style="list-style-type: none"> - Continue investing in LNG, wind power generation fields - Environmental vision under review in response to recent global trends
Enhancement of organizational strength	Project promotion through cross-organizational collaboration Group-wide improvement in productivity	<ul style="list-style-type: none"> - Launched 16 new project teams - Rationalizing administration work - Integration of group companies

Rolling Plan 2021 Business Environment

Disclosed April 5

Assumptions (Megatrend Forecast)

Rolling Plan 2021 is built on the following assumptions. Updates on megatrend forecasts are going to be made regularly in fiscal 2021.

Rolling Plan 2020 Assumption

Sea-trade	2020	2021	2022	Recovery to 2019 level
GDP growth rate	-5.0%	3.0%	2.0%	
Crude Oil	-7.6%	4.3%	0.8%	2023 or later
LNG	-1.5%	4.3%	4.3%	2021
Steaming Coal	-6.3%	2.7%	-0.8%	2023 or later
Iron Ore	-4.2%	2.4%	3.2%	2022
Coaking Coal	-3.6%	-1.0%	1.0%	2023 or later
Grain	-0.1%	4.9%	4.2%	2020
Car	-25.0~ -35.2%	10.4%	6.8%	2023 or later
Containers	-25.0%	18.2%	12.2%	2022 (delay concerned)

Rolling Plan 2021 Assumption

Sea-trade	2020	2021	2022	2023	Recovery to 2019 level
GDP Growth rate*	-3.5%	3.0%	2.5%	2.5%	
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	-11.1%	2.5%	0.0%	0.3%	Gradually decrease
Iron Ore	2.1%	-1.8%	-1.6%	-1.3%	Concerned to decrease from 2021
Coaking Coal	-13.9%	7.1%	0.1%	0.3%	2024 or later (worse)
Grain	5.1%	3.2%	1.4%	1.7%	2020 (improved)
Car	-23.0%	11.8%	7.7%	4.3%	2023 (improved)
Containers	-2.0%	0.5%	2.5%	2.5%	2022 (improved)

* 2020 GDP from IMF Report / 2021-23 GDP from MOL Megatrend team projection

【Energy Transport】

- ❑ Demand for crude oil transport has decreased significantly due to the rapid decline in oil demand in 2020, but crude oil cargo volume will increase in proportion to the recovery of crude oil demand after 2021.
- ❑ The consumer sector accounts for a large percentage of natural gas demand, which remained firm even during the COVID-19 pandemic, so the impact on LNG trade remains relatively low.
- ❑ Steaming coal demand in 2020 decreased significantly. The trade will decline in the mid-to-long-term due to accelerating decarbonization.

【Drybulk】

- ❑ Currently, China's crude steel production and iron ore import volume continue to increase but will turn downward in 2021.
- ❑ Grain cargo volume continues to increase without impact from the COVID-19 pandemic.

【Product Transport】

- ❑ The decrease in automobile transport is less than expected, and cargo trade volume will generally recover to the level of 2019 in 2023.
- ❑ In container transportation, the downward rigidity of cargo movement is stronger than expected, and cargo movement in 2020 remained only 2% lower than the previous year. It will generally return to normal conditions following the economic growth after 2021.

Overview of how each concept relates

Disclosed April 5

Why MOL Exists / What MOL Values

Mission
Corporate Mission

From the blue oceans, we sustain people's lives and ensure a prosperous future.

Values
MOL CHARTS

- Challenge
- Honesty
- Accountability
- Reliability
- Teamwork
- Safety

What MOL Will Do




What MOL Will Achieve

Vision
Group Vision

[10-Year Vision]

We will develop a variety of social infrastructure businesses in addition to traditional shipping businesses, and will meet the evolving social needs including environmental conservation, with innovative technology and services. MOL group aims to be a strong and resilient corporate group that provides new value to all stakeholders and grows globally.



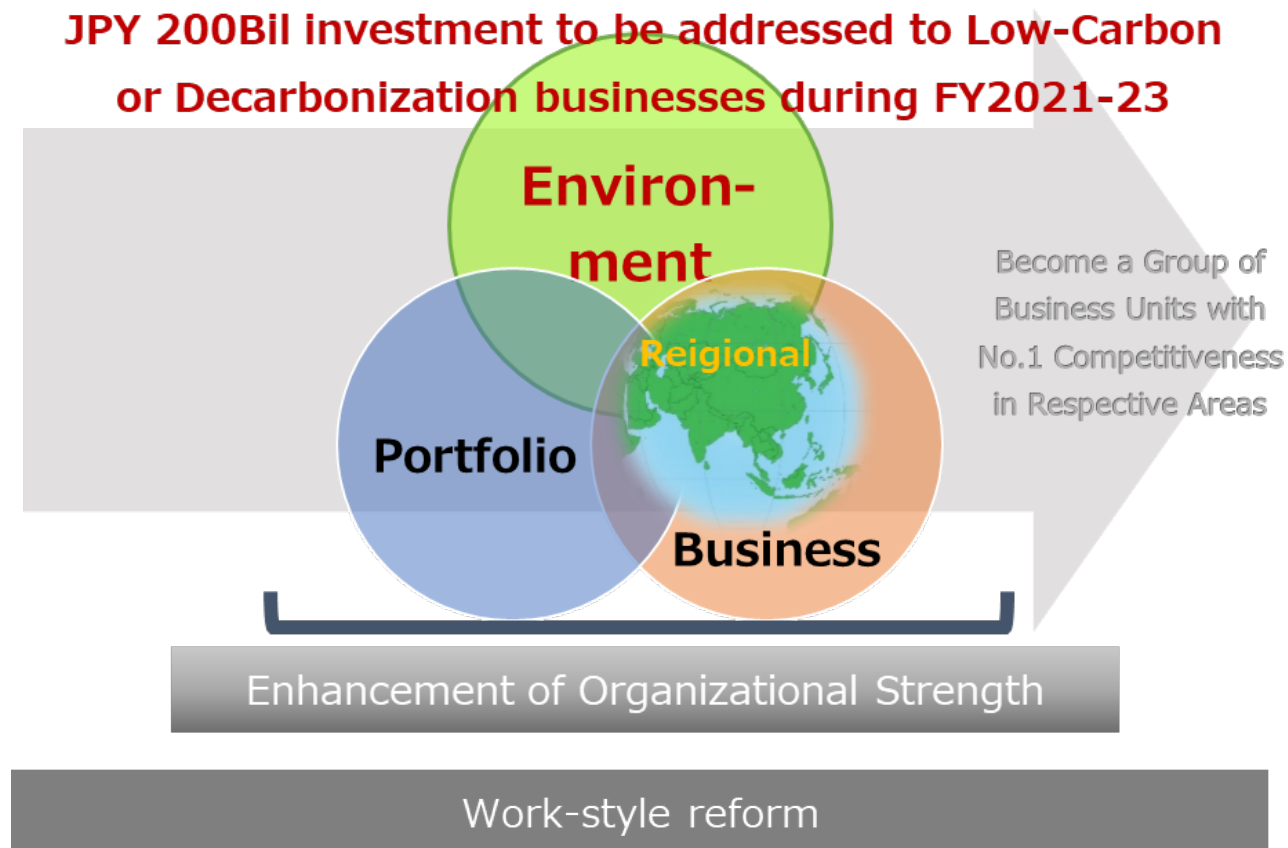
- Sustainability Issues (Materiality)**
- Value-Added Transport Services
 - Marine and Global Environmental Conservation
 - Innovation for Development in Marine Technology
 - Human Resource Cultivation and Community Development
 - Governance and Compliance to Support Businesses
- 

Embody the MOL Group Corporate Mission and act upon a specific strategy—RP2021 and sustainability issues—to achieve the MOL Group Vision, based on MOL CHARTS, our shared sense of values.

Outline of the overall strategy

Disclosed April 5

Key features are **environmental strategy** x **regional strategy**



Environmental Strategies (Strengthening the Environmental Perspectives in Three Core Strategies)

Disclosed April 5

We will invest approximately **¥200 billion** in low carbon/decarbonization fields over three years from FY2021 to FY2023

Main Initiatives

Environmental strategy	<p><u>Revise the MOL Group environmental vision 2.0 to 2.1 and accelerate initiatives</u></p> <ul style="list-style-type: none">❑ Moving up the net GHG emission zero schedule (by 2050)❑ Develop a GHG reduction roadmap❑ Introduction of internal carbon pricing❑ Promoting alternative fuel, operational efficiency, energy conservation
Portfolio strategy	<p><u>Expand “low environmental impact” and “low carbon” businesses</u></p> <ul style="list-style-type: none">❑ Taking in increasing LNG demand (LNG carriers, FSRUs, powerships)❑ Enter offshore wind power business
Business strategy	<p><u>Develop services that visualize the environmental impact and reduction effects</u></p> <ul style="list-style-type: none">❑ Disclose carbon footprint in anticipation of customer needs and develop systems and data to enable that disclosure❑ Improve operational efficiency and visualize how much it contributes to GHG emission reduction

Realize stress-free services, by responding to customer's desire to “see”

Regional Strategy (as core business strategy)

Disclosed April 5

The core of our business strategy will be “**Regional Strategy.**” We will pursue potential projects in multifaceted ways that match our overall strategy and acquire large-scale projects **not limited to transportation focusing in Asia** by demonstrating MOL Group’s collective strength.

Head Office sales divisions

Overseas sales divisions

Identify potential projects that match our overall strategy

JPY 200B investment to be addressed to Low-Carbon or Decarbonization businesses during FY2021-23



Become a Group of Business Units with No.1 Competitiveness in Respective Areas

Realize new businesses by strengthening cooperation among divisions and overseas subsidiaries



- ✓ Further promote “ONE MOL” concept
- ✓ Enhance internal resources
- ✓ Expand collaboration area with external partners



Accelerate decision making process by introducing “lead sprints”

Acquire large-scale projects (not limited to transport)

Realizing "**optimal portfolio**" and "**stress-free services**" continues to be our important themes

Main initiatives

Portfolio Strategy

- ❑ Continually review and adjust portfolios
- ❑ Re-evaluate existing ocean shipping businesses from the viewpoint of contribution to cash flow

Business Strategy

Realize stress-free services, by going ahead of customer needs

- ❑ Cooperating in sales activities in LNG-related area (LNG carriers, FSRUs, powerships)
- ❑ One-stop sales structure (MOL Drybulk Ltd.)
- ❑ Improve customers convenience through Digital Transformation (DX)

Profit Plan

Updated April 30

We will steadily achieve ordinary profit levels of ¥80 billion to ¥100 billion—the medium-term target we have maintained since the launch of our Rolling Plan in FY2017—between FY2021 and FY2023.

(Unit: ¥ billion)

	FY2020 (result)	FY2021 (forecast)	FY2022 (forecast)	FY2023 (forecast)	FY2027 (target)
Dry Bulk Business (Iron Ore Carriers, MOL Drybulk)	-4.2	13.0	11.0	13.0	17.0
Energy and Offshore Business (Tankers, Steaming Coal Carriers, LNG Carriers, Offshore business)	29.7	26.0	30.0	39.0	52.0
Product Transport Business (PCC, Terminal & Logistics, Containerships, Ferries & Coastal Roro Ships)	102.6	55.0	29.0	29.0	45.0
Associated Businesses (Real estate, Tug boats, Trading, Cruise ship, etc.)	9.4	10.0	13.0	13.0	20.0
Others/Admjstments	-4.0	-4.0	-3.0	-4.0	-4.0
Consolidated Ordinary Profit	133.6	100.0	80.0	90.0	130.0
	(actual)				
USD/JPY Exchange Rate Assumptions	¥105.95/\$	¥105/\$	¥100/\$	¥100/\$	¥100/\$

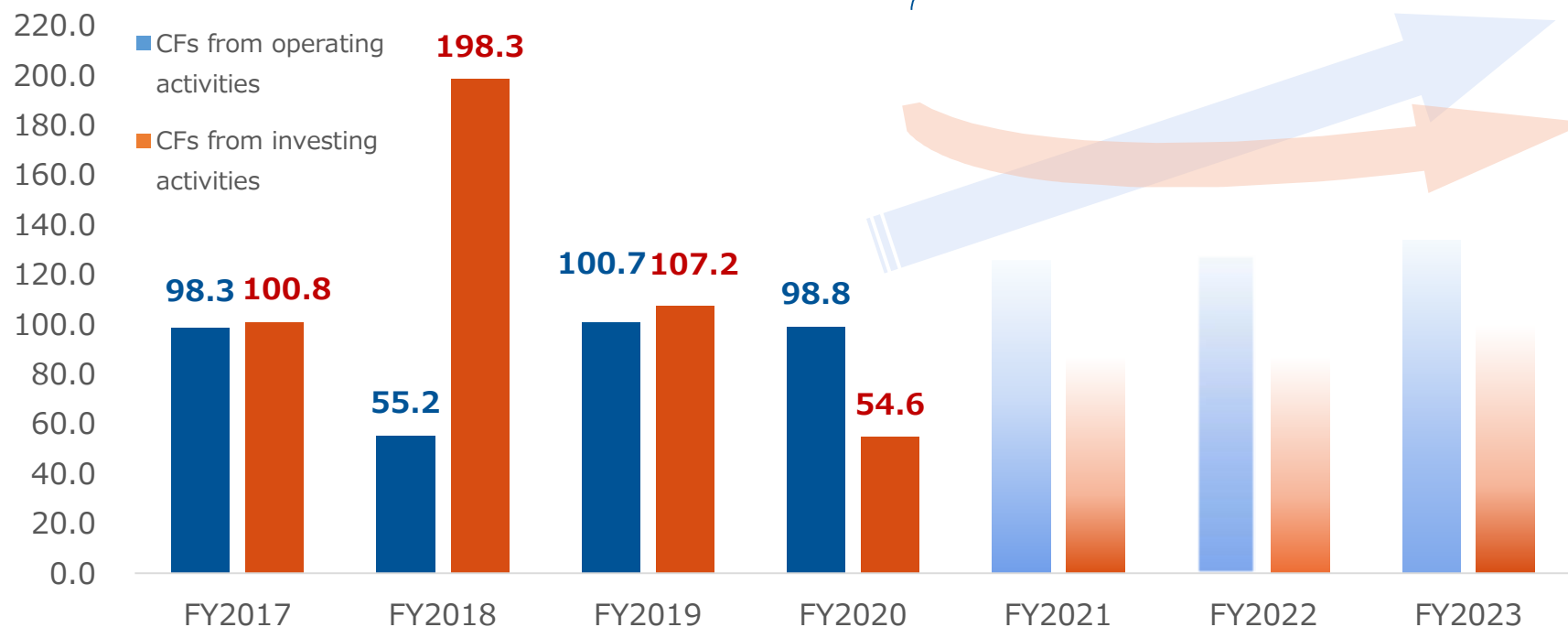
Financial Strategies (Outlook of Cash Flow)

Updated April 30

- Secured Free Cash Flow of ¥ 44.2 billion in FY2020.
- Prioritize to improve our financial position and generate Free Cash Flow of ¥100 billion in the next three years from FY2021 to 2023.

Secure ¥100 billion Free CF in the next three years

(Unit : ¥ billion / -¥ billion)



Investment Plan

Added April 30

- Make investments totaling **¥450 billion** from FY2021 to 2023, while securing Free Cash Flow by steadily accumulating cash flows from operating activities as well as generating cash from assets, businesses, and projects. Within the ¥450 billion, **¥200 billion will be invested in carbon reduction/decarbonization projects.**
- Expect a contribution of ¥40 billion in annual profits by FY2027 through the total ¥450 billion investment.

[FY2021-2023 Investment Cash-out Estimate]

(Unit: ¥ billion)

	Decisions already made at end FY20	Investments to be decided FY21 to 23	Total	Expected returns (*)	Detail
Carbon reduction/ decarbonization projects	95.0	110.0	205.0	21.0	
(1) GHG reduction of MOL Group- operated vessels	41.0	50.0	91.0	-	LNG-fueled ferries/coal carriers, Wind Challenger, etc.
(2) Development of carbon reduction/ decarbonization projects	54.0	60.0	114.0	-	Newbuilding LNG carriers, powerships / FSRUs, offshore wind farms, etc.
Other projects	145.0	100.0	245.0	19.0	Replacement of vessels in service, etc.
Total	240.0	210.0	450.0	40.0	

* Contribution to ordinary profit in FY2027

Summary of Profit Plan/ Financial Strategies, and Dividend Policy

Added April 30

	FY2020 (results)	FY2021 (forecast)	FY2022 (Forecast)	FY2023 (Forecast)	FY2027 (target)
[Profit Target]					
Ordinary Profit	¥133.6 billion	¥100.0 billion	¥80.0 billion	¥90.0 billion	¥130.0 billion
ROE	16.5%	15%	10%	10%	10~12%

[Cash Flows]		(FY2021~23 cumulative)	(FY2021~26 cumulative)
CFs from operating activities (1)	¥98.8 billion	¥350.0 billion	¥800.0 billion
CFs from investment activities (2)	¥54.6 billion	¥250.0 billion	¥600.0 billion
Of which: Total investment amount		¥450.0 billion	¥1,000.0 billion
Asset sales / cash generation		-¥200.0 billion	-¥400.0 billion
Free CF [(1) + (2)]	44.2 billion	¥100.0 billion	¥200.0 billion

[Financial Target]				
Net Gearing Ratio	1.63		1.25	1.00

- The profit target for FY2027 is ordinary profit of ¥130 billion and to maintain stable ROE of 10~12%.
- The financial target is net gearing ratio of 1.00 and we aim to achieve this by FY2027. We plan to generate ¥100 billion of Free CF in three years from FY2021 to FY2023 to improve our financial position and reduce 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, even before fiscal year 2027 (*2).

*1 Net gearing ratio, equity ratio, etc. are used as KPIs.

*2 The level will be decided based on the trend of companies listed on the Tokyo Stock Exchange.

【Reference】 Pursue World's Highest Level of Safety Quality

Updated April 30

After the incident off Mauritius, we reviewed the internal safe operation system and established measures to prevent the reoccurrence of such incidents in December. In FY2021 and beyond, we will continue to forge ahead with company-wide preventive measures as follows.

Measures to prevent reoccurrence	Main content	Progress
Enhance skills of seafarers and ensure their safety-related behavior	<ul style="list-style-type: none"> Improve safety awareness of seafarers Improve knowledge of facilities Strengthen our involvement in selection of seafarers for charter vessels 	<ul style="list-style-type: none"> Thoroughly disseminate the outline and cause of the incident throughout the group, including chartered vessels Produce and distribute video educational tools related to electronic nautical charts Review qualifications of chartered vessels' seafarers manned by shipowners to ensure that they meet our standards
Select shipowners and ship management companies and establish evaluation methods	<ul style="list-style-type: none"> Review quality standards Reinforce ship inspections Introduce third-party evaluation of shipowners and MOL safety management system 	<ul style="list-style-type: none"> <u>Completed</u> reviewing hardware/software quality standards <u>Created</u> reinforced ship inspection procedures Strengthen involvement in substandard chartered vessels Start discussions with risk management certificate institutes
Review ship operations and strengthen support system from shore side	<ul style="list-style-type: none"> Education and collaboration for ship operation-related parties Enhance support by SOSC Safer navigation and route selection Matching safety awareness with shipowners of chartered vessels 	<ul style="list-style-type: none"> Study ship operation specialist system, enhance cooperation with SOSC Increasing the number of SOSC staff, reinforce monitoring system Conducted demonstration test of operational status monitoring tool with NAPA; also <u>started to</u> jointly develop navigation risk monitoring system Standardize procedures of checking navigation routes and shipping instruction contents Conduct survey of present situation
Other hardware responses	<ul style="list-style-type: none"> Enhance ship communication facilities 	<ul style="list-style-type: none"> Installation of satellite communication facilities on owned vessels completed Began encouraging chartered vessel shipowners to install the facilities

【Reference】 Mauritius Environment / Social Contribution Activities

Updated April 30

- 1) Overall scale of ¥800 million for Japan Foundation (charitable trust) and Mauritius Foundation (relief fund) combined
 - Mauritius Foundation is preceding ahead and scheduled to start the relief funding after its establishment in around May 2021
 - Japan Foundation's application has been submitted to the relevant authorities for establishment and is in the process of being established
- 2) Various support activities in close proximity to local communities by MOL Mauritius (subsidiary)

<Mauritius Support Project>

