Mitsui O.S.K. Lines, Ltd.
April 5, 2021

New MOL Corporate Mission / MOL Group Vision and Outline of Rolling Plan 2021
(Online Presentation)

New MOL Corporate Mission / MOL Group Vision

Establishment of New MOL Corporate Mission / MOL Group Vision

The MOL Group had kept its previous Group Corporate Mission and Long-Term Vision for many years but, in light of changing social demands and changes within MOL (branching out from the shipping business to non-shipping business such as offshore business, terminal and logistics, and real estate), we revised them on April 1. The Group Corporate Mission was simplified to "From the blue oceans, we sustain people's lives and ensure a prosperous future" and we established a Group Vision to show how we actually want to realize this mission. Our new vision indicates our intention to provide new value to all stakeholders. At the same time, we revised MOL CHART (Challenge, Honesty, Accountability, Reliability, Teamwork), which stands for the values we consider important, adding an "S" for Safety.

Enhancement of Initiatives on Sustainability Issues

In recent years, there has been growing demand from society for management that takes the SDGs into account, and we also believe that we need to forge our own growth path in this direction. We will review some of the social issues the MOL Group aims to address through our business (namely, sustainability issues) and establish KPIs within FY2021 to use as management benchmarks. We are also putting in place the organizational structure to tackle such issues, reorganizing the Environmental Management Committee into the Environment and Sustainability Committee to expand its scope and also establishing the Environment & Sustainability Strategy Division. I personally have high hopes for this division, which will bring together talent from within the company to implement MOL's environmental strategies.

At the same time, given the growing importance of strengthening the governance structure, we have also created the Corporate Governance Council to handle governance issues that concern not only MOL but the entire MOL Group.

How each concept relates

Page 7 uses a schematic drawing to explain more clearly how each of the concepts I have introduced so far relate. On the far left side, we have the Group Corporate Mission and MOL CHARTS as the values or guiding principles for realizing this mission. On the opposite right side, we have described the Group we aim to be (our target in around 10 years from now) in our Group Vision. The intertwining red and blue lines stretching across the middle represent our determination to grow as a company, increasing profitability, whilst at the same time solving sustainability issues one by one.

Outline of Rolling Plan 2021

I would now like to give an outline of Rolling Plan 2021, given the review of our vision as outlined above.

Review of Rolling Plan 2020

Let me start with a review of Rolling Plan 2020. For the past few years, MOL has adopted a rolling three-year plan, which is reviewed every year. Around this time last year, just as the COVID-19 was spreading around the world, we established Rolling Plan 2020, which emphasized solid defensive measures more than usual and focused on how we can survive in challenging conditions on the assumption that we may be facing a rather unusual situation. Looking back, we believe we have implemented defensive measures quite boldly. At the same time, we also endeavored to grasp the impact COVID-19 would have on the shipping industry and the global economy and drew up and implemented offensive strategies to achieve future growth nonetheless. The strategies we were acutely aware of last fiscal year were to carefully select new investment and to generate free cash flow (total FCF of 100 billion yen from FY2020 to FY2022) whilst at the same time properly investing in growth areas, focusing on offshore businesses. Fortunately, with shipping market conditions turning out to be not as bad as we had anticipated despite some violent fluctuations and our adoption of a defensive position proving successful, we have roughly achieved our operating cash flow target for FY2020.

Rolling Plan 2021 Business Environment Assumptions (Megatrend Forecast)

Next, I would like to discuss our thoughts on the business environment over the three-year period from FY2021. As you know, COVID-19 gravely wounded the world economy in 2020 but we expect to see a modest recovery from 2021. We believe that, with advanced economies implementing large-scale economic stimulus measures, the market environment itself will recover in 2021 and 2022. However, we think that environmental issues will reshape the global economy and, when we look at individual cargos, the transportation volume of some cargos are likely to fall considerably. Taking such conditions into consideration, we have drawn up a management plan based on the assumption of a slightly more conservative economic growth rate than the general market forecast.

Outline of the overall strategy

The next page shows the outline of our overall strategy. We have reposted the slide we showed earlier on this page. The point I would particularly like to stress is the combination of environmental, business and portfolio strategies as shown in this figure with the three overlapping circles. While we intend to continue exercising investment restraint, we plan to invest around 200 billion yen in low-carbon or decarbonization businesses over the three years from FY2021 to FY2023. As for our business strategy, we intend to expand business with emphasis on Asia focusing on India to Southeast Asia as well as China as indicated by the drawing of the globe.

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

In terms of environmental strategies, I mentioned that we will invest approximately 200 billion yen in low carbon or decarbonization businesses in the three years from FY2021 to FY2023 and we are considering initiatives such as those set out on page 13. We have significantly moved up our net GHG emission zero schedule to make it consistent with government policies and will now try to achieve the target by 2050. We seriously need to develop a GHG reduction roadmap to meet the revised schedule and we intend to complete this before the end of this fiscal year. As a key initiative to encourage such reductions, we will introduce internal carbon pricing and create a profitability assessment system whereby divisions which succeed in reducing CO2 emissions earn some kind of additional points. We will thoroughly implement other initiatives as well, including adopting clean alternative fuels, incorporating energy saving technologies and increasing operational efficiency. Our portfolio strategies and business strategies put strong emphasis on the environmental viewpoint and we plan to allocate human resources and funds to such environmental initiatives as a priority.

Regional Strategy (as core business strategy)

Moving on to our regional strategy, we believe that Asia has considerable growth potential, as demonstrated by its recovery from the COVID-19 crisis. Taking historical links with MOL and geographical proximity into consideration, we will identify a growth market centered on Asia and will take on various projects -not limited to transport- in this region.

The figure on page 14 shows a schematic drawing of our regional strategy. We will strengthen cooperation among MOL's divisions and overseas subsidiaries to realize new businesses which are firmly rooted in the local region. We will also accelerate the decision-making process by introducing the “lead sprints” approach adopted by start-ups and the like. We will put in place a structure whereby, from the initial stages of a project, senior management, myself included, take part in brainstorming to quickly determine the general direction for taking on a new project.

Other Specific Initiatives

In terms of portfolio strategy, we need to continually review the businesses of each division which we have conducted throughout our history and adjust our portfolios. The dramatic improvement in the earnings of OCEAN NETWORK EXPRESS has served as a very valuable lesson. When it comes to the operation of existing businesses, we are not fulfilling our responsibilities as effective management simply by continuing to do the same things over and over. We intend to re-evaluate existing ocean shipping businesses from the viewpoint of contribution to cash flow and adopt a portfolio strategy which gets the priorities right, upscaling businesses which should be upscaled and downscaling those which should be downscaled.

Meanwhile, in terms of business strategy, we will cooperate with sales activities in the LNG-related area, which is a particular strength of ours, reflecting our environmental strategies. Since the new business opportunities of LNG carriers, FSRUs and powerships are still firmly rooted in Southeast Asia and India, we intend to pursue such opportunities. Meanwhile, MOL Drybulk Ltd. was established from this April. Moving forward, we plan to further strengthen our customer-oriented one-stop sales structure. We also intend to improve customers convenience through Digital Transformation (DX).

Profit Plan

We are currently aggregating the figures for the Rolling Plan 2021 profit plan but, as announced on April 2 last week, our FY2020 business results are quite strong and ordinary profit looks set to reach around 120 billion yen. From FY2021, profit is expected to return to normal levels since the higher than expected profit generated by OCEAN NETWORK EXPRESS during the disruption caused by COVID-19 will start to fall off, however, from FY2021 through to FY2023, we expect to be able to achieve ordinary profit of around 80-100 billion yen, in line with our original medium-term projections. We will put together the figures and aim to announce the full profit plan on April 30.

We have set FY2027 as our long-term target for the time being and we intend to push ahead steadily with portfolio adjustments that will enable us to achieve even greater growth at this point.

Financial Strategies/Investment Plans

Turning to the financial strategies and investment plans underpinning this profit growth, with the progress on the initiatives of generating cash from assets, businesses, and projects and enhancing operating cash flows, we expect to generate free cash flow of 100 billion yen over three years as targeted under Rolling Plan 2020. Cash flows fluctuate depending on the fiscal year but, as you can see from the graph, in the period from FY2017 to FY2019, cash flows from investing activities exceeded cash flows from operating activities. However, we believe that, in the period from FY2020 to FY2022, the amount of cash flow from operating activities can exceed cash flow from investing activities by approximately 30-40 billion yen when averaged annually. Since there will be no growth unless we maintain a certain level of investment, we will continue consistently making investment focusing on environmental area. However, for a little while longer, we intend to keep investment within the range of cash flow from operating activities to focus on improving various financial indicators, which are currently a major issue for MOL.

<Explanation of References by Presenter>

Before moving on to the Q&A session, I will briefly explain the three reference slides.
The slide [Reference 1] shows how we revised MOL CHART, which are our values and guiding principles, to MOL CHARTS by adding an "S." We added an "S" to reflect our ongoing commitment to pursuing the world's highest level of safety quality in light of the incident off the coast of Mauritius which caused much concern and inconvenience last year. Another change concerns the "R" of "Reliability," which previously meant gain the trust of customers but which we revised to mean gain the trust of all stakeholders.

The slide [Reference 2] is a brief update on recurrence prevention measures announced on December last year in light of the incident off Mauritius.

The final slide [Reference 3] also relates to the Mauritius incident and gives an update on the progress of the establishment of our relief fund as part of our Mauritius environment/social contribution activities. We plan to issue an official press release once the establishment procedure is complete.

Questions and Answers

Q1)
You say that you will invest around 200 billion yen in low carbon or decarbonization businesses over the 3-year period from FY2021 to FY2023. Roughly how much of this has already been decided?

A1)
Investment of just under 100 billion yen out of total investment of around 200 billion yen has already been decided and we plan to make additional investment of just over 100 billion yen. This is on a cash basis and will be expensed in the period from FY2021 to FY2023.

Q2)
With ONE performing strongly, MOL's results are also expected to remain firm for a while. If free cash flow amounts to more than 100 billion yen, will you apply free cash flow to investment?

A2)
Indeed, ONE is performing extremely strongly and we expect this strong performance to be maintained to some extent in FY2021. One major environmental investment project we are particularly focusing on is the LNG-to-powership project which will provide power generated offshore using LNG to people who use conventional fuels such as coal, firewood and charcoal in emerging markets like Africa and Southeast Asia. Since we have many potential projects like this, we hope that we might be able to accelerate investment to some extent in such areas.

Q3)
I would like to hear any views you might have on the costs borne by users and customers in connection with environmental investments.

A3)
For example, when it comes to switching from oil-based marine fuels to LNG, ammonia or hydrogen, the initial capital costs are fairly high. Since the cost of the fuel itself also rises depending on the types, to some extent this is something customers also need to consider. However, what I am hearing from various sources recently is that, the gas companies which sell LNG are apparently seeing quite strong sales of premium LNG aka net-zero emissions LNG (CO_2 and methane emissions from producing LNG are cut or offset by the purchase of carbon credits). I sense there is growing demand for fuels which have a lower environmental impact despite being more expensive and, moving forward, I would like to increase understanding

for environmental measures in the ocean shipping industry in which we operate and encourage everyone to do their fair share if that is what is needed to protect the global environment, even if it costs us somewhat more. What is important is that everyone having the mindset to willingly share the cost. It does not mean asking the customers to bear all the extra cost themselves. My intent is to combine absorbing some of the increased costs by ourselves with asking end users to bear some of the cost as well.

Q4)
Taking consideration of circumstances such as ONE's dividends and improvements in results, investment including environmental ones, and improvement in the financial position, it looks as though the time to enhance shareholder returns is approaching.

A4)
MOL has in some respects struggled with structural reforms throughout the 2010s. Rapid expansion of capital expenditure prior to that weighed down management at the time, causing us to keep the dividend payout ratio at around 20% during this period and, for a long stretch of time, we have been making the necessary improvements to our financial position and investments for the future with the patience of our shareholders. We would like to wrap up this stage with the 3-year plan for FY2021-FY2023 which is now being developed and are aware that we cannot maintain a 20% dividend payout ratio into the future. Fortunately, provided these plans progress well, our financial position will also improve over the coming three fiscal years and so we very much hope that, by that time, our dividend payout ratio will, at the very least, reach the TSE's average. We intend to provide the details of our dividend policy as we revise it based on our assessment of the future progress of the management plan. ONE has also been buffeted by operational confusion when it first started up and by the huge disruption to logistics caused by COVID-19, all of which has prevented the establishment of a medium-to-long-term investment plan or dividend policy for the company. We recognize that this is a serious issue and we sense that ONE is also acutely aware of the need to do something this fiscal year. I feel that the time has now come to review ONE’s management policy and dividend policy, as well as MOL's growth policy and dividend policy based on this.

Q5)
How do you plan to adjust fleet size over the coming two to three years based on the megatrend forecasts?

A5)
We expect that global cargo volumes will probably not increase that much. While the shipping market will probably fluctuate in the short term due to the temporary buildup and drawdown of

inventories in the process of recovery from COVID-19, we expect that the world economy will recover comparatively slowly and sluggishly and we will, therefore, consider the ordering of new vessels carefully. Looking around the world, there are no signs of aggressive investment in ships, with the exception of large-scale investment in containerships, suggesting that, over the next few years, the supply-demand balance will be comparatively stable and the market will gradually tighten.

Q6)
I imagine that involvement in the work of the International Maritime Organization (IMO) to establish rules relating to decarbonization is extremely important for global competitiveness, to prevent the kind of investment that might damage cost competitiveness. What is MOL's strategy in this regard?

A6)
It is not easy to lead discussions at IMO meetings and establish international rules which are effective from our point of view but, fortunately, shipping is an important industry for Japan and, with far-reaching support from the Japanese government and through cooperation with the Ministry of Land, Infrastructure, Transport and Tourism, we are determined to ensure our views are taken on board by the international community. So far the adoption of such a strategy has proven successful and I believe that discussions in IMO meetings have been relatively favorable for Japan.

Q7)
Could you please explain once again on the position of Daibiru Corporation in MOL's business portfolio, taking synergies into consideration.

A7)
I cannot comment without careful consideration as the wishes of the other shareholders of Daibiru Corporation must also be considered, but MOL has gained a great deal of experience and deployed many employees through its business network, especially in Asian countries. Meanwhile, in ASEAN countries, demand for real estate such as office buildings and warehouses is expected to grow. If we can grow the real estate business overseas, especially in South East Asia, by successfully combining the real estate business knowhow accumulated by Daibiru Corporation mainly in Japan and MOL's overseas business knowhow, we have high hopes that Daibiru Corporation will be able to fully demonstrate its strengths as part of the MOL Group. We intend to work with Daibiru Corporation to hammer out a management policy along these lines.

Q8)

I imagine that there are various types of next-generation fuels, but which fuels do you currently have in mind for your GHG reduction roadmap?

A8)

Since our environmental roadmap has yet to be created, at present I can give no more than my own personal view, but I think that, for the moment, from the 2020s to the mid-2030s, a shift to LNG is quite solid. The main reasons for this are that the necessary infrastructure is mostly in place, safety and handling methods have been verified through actual use in LNG-fueled ships, and there is now the prospect that LNG can be supplied more cheaply than existing compliant fuels. That said, while LNG generates around 30% less GHG than oil, this does not mean that emissions are zero. Therefore, I believe that to achieve net-zero emissions by 2050, we will need to shift to another next-generation fuel (such as hydrogen, ammonia or synthetic methane) at some point in 2030s. By around 2030, we would like to be trialing a number of vessels powered by hydrogen, ammonia or methanation but personally I feel that such vessels will not be suitable for mass transportation and commercially viable until around 2035-2040. We plan to create a more detailed roadmap for this in the future, taking information about technologies and economic viability into consideration.

Q9)

Regarding specific plans for the provision of LNG-fueled vessels in the period from FY2021 to FY2023, please give details of the type of vessels you will prioritize and fleet size.

A9)

We are currently considering a number of large-scale projects though there are none actually underway at present. Vessels that are suited for converting to operate on LNG are large ones with high fuel consumption and vessels that sail on fixed routes. Therefore, I personally believe that vessels such as capesize ore carriers, car carriers and VLCCs are promising candidates. I also think it is necessary to consider using LNG fuel in ONE's large next-generation containerships although that has to be decided by them. If things go to plan, I anticipate that we can perhaps decide over the coming 3 years to replace dozens of vessels with those that operate on LNG.

Q10)

Please specify the type of KPIs you are thinking of using for sustainability issues to be set this fiscal year.

A10)

The Environment & Sustainability Strategy Division is currently considering the KPIs to set. I think that one of the most obvious ones is CO_2 emissions and so I guess we will see emission reductions quantified and used as KPIs for divisions or vessels. Since there are also other issues which need to be addressed other than CO_2 emissions, we intend to create KPIs which cover such issues.

Q11)
In your view, what impact will the Suez Canal obstruction have on containership freight rates and the shortage of empty containers?

A11)
I think that the worst case scenario which was initially anticipated was averted and the situation will gradually return to normal. But considering that the ships which were forced to anchor will now make their way to ports in Europe, some temporary congestion at ports is anticipated.
However, since such phenomena are unlikely to last long enough to have a decisive impact on rates, I personally believe that it will not have such a major impact. Partly due to the resurgence of COVID-19, container shortages and port disruption are still ongoing and there are indications that container rates will also remain high as a result, but I expect that sooner or later the situation will return to normal.

End