Rolling Plan 2020

~ Return to a Growth Trajectory ~

June 22, 2020

Mitsui O.S.K. Lines, Ltd.

Contents

1．Review of Rolling Plan 2017-2019

(1) Profit/Financial Indicators

	End of FY2016	End of FY2017	End of FY2018	End of FY2019	Projected Medium-term Levels
Ordinary Profit	¥25.4 billion	¥31.4 billion	¥38.5 billion	¥55.0 billion	¥80～100 billion
ROE	0.9%	-8.7%	5.2%	6.3%	8～12%
Gearing Ratio	1.96 times	2.19 times	2.11 times	2.14 times	2.0 times or less
Interest-bearing Debt	¥1,122.4 billion	¥1,118.0 billion	¥1,105.8 billion	¥1,096.6 billion	–
Shareholder’s Equity	¥571.9 billion	¥511.2 billion	¥525.0 billion	¥513.3 billion	–
Owner’s Equity	¥459.2 billion	¥410.6 billion	¥433.9 billion	¥455.3 billion	–
CFs from Operating Activities （①）	¥17.6 billion	¥98.3 billion	¥55.2 billion	¥100.7 billion	–
CFs from Investing Activities（②）	-¥73.9 billion	-¥100.8 billion	-¥198.3 billion	-¥107.2 billion	–
Free Cash Flows （①＋②）	-¥56.3 billion	-¥2.4 billion	-¥143.0 billion	-¥6.5 billion	–

Ordinary profit and ROE have improved steadily, making progress toward the medium-term target levels.

- Interest-bearing debts peaked, while investments proactively made in the LNG Carrier and Offshore Businesses
- Free cash flows reached close to equilibrium (except a temporary factor resulting from the establishment of ONE in FY2018).

1. Review of Rolling Plan 2017-2019

(2) Progress of Three Core Strategies to Realize the 10-Year Vision

3 Core Strategies	Results
Portfolio Strategies Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses	■ Businesses were plotted on two axes (degree of specialization and profit stability), and based on the matrix, investment of management resources was focused on the Offshore Businesses, LNG Carriers, Ferries, and Chemical Tanker Business (for details, see the next page)
Business Strategies Provision of "stress-free services," which MOL will offer from the customer's perspective	■ Launched industry-first information platform for customers "MOL Lighthouse" (Note 1) ■ Acquired new businesses (LNG-to-Powership business, etc.) through cross-divisional business activities and use of chief country representatives ■ Acquired a new contract by proposing the next-generation coal carrier *EeneX* (Note 2)
Environmental Strategies Promotion of environmental strategies and development of the emission-free business into a core business	■ Newly established "MOL Group Environmental Vision 2.0", which will be the foundation of environmental strategies (for details, see P.19-21) ■ Started studying actual installation of the Wind Challenger system (a hard sail system that converts wind energy to propulsive force) on a dedicated coal carrier ■ Decided to build LNG-fueled ferries and coal carrier as alternative fuel-powered vessels ■ Promoted the LNG fuel supply business ■ Procured funding for environmental projects through green bonds

Note 1: An advanced service that allows those involved in the transport process, such as customers and vessel operators, to safely, unilaterally, and in real time, share and monitor various kinds of information related to ocean transport, including vessel schedules ,weather, and ocean conditions, as well as data related to cargoes and contracts. https://www.mol.co.jp/en/pr/2020/20003.html

Note 2: The next-generation coal carrier that was designed to reduce unloading time for customers, improve yield rate, and lower the risk of cargo contamination. https://www.mol.co.jp/en/pr/2019/19033.html

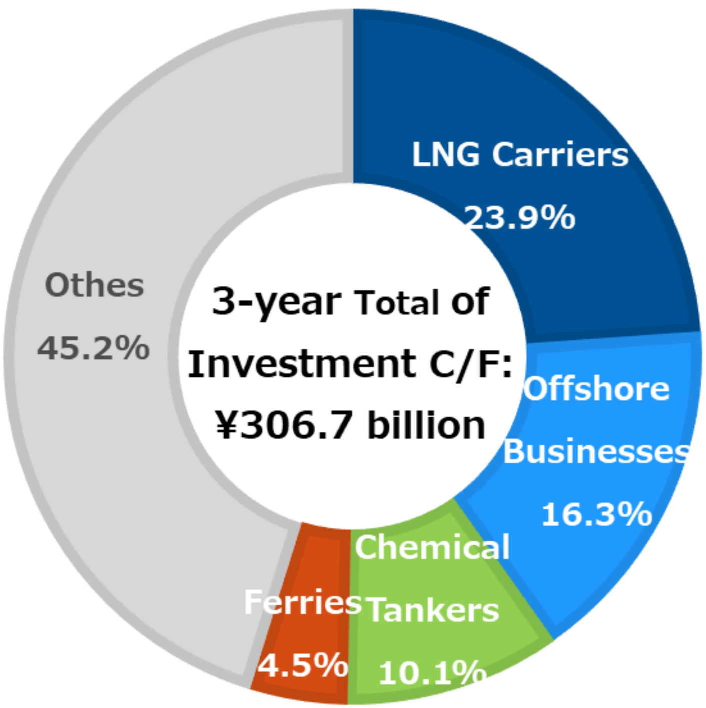
1．Review of Rolling Plan 2017-2019

(3) Amount of investment by business during period

Total CFs from investing activities during RP2017~RP2019:

¥306.7 billion

(excl. The amount related to establishment of Ocean Network Express)



Concentrated investments of management resources on designated fields

- LNG Carriers, Offshore Businesses: ¥123.4 billion (40.2%)
- Chemical Tanker Business: ¥30.9 billion (10.1%)
- Ferries: ¥13.8 billion (4.5%)

The rest of the general fleet was developed by mainly chartering vessels from shipowners.

1. Review of Rolling Plan 2017-2019

(4) Status of main segments

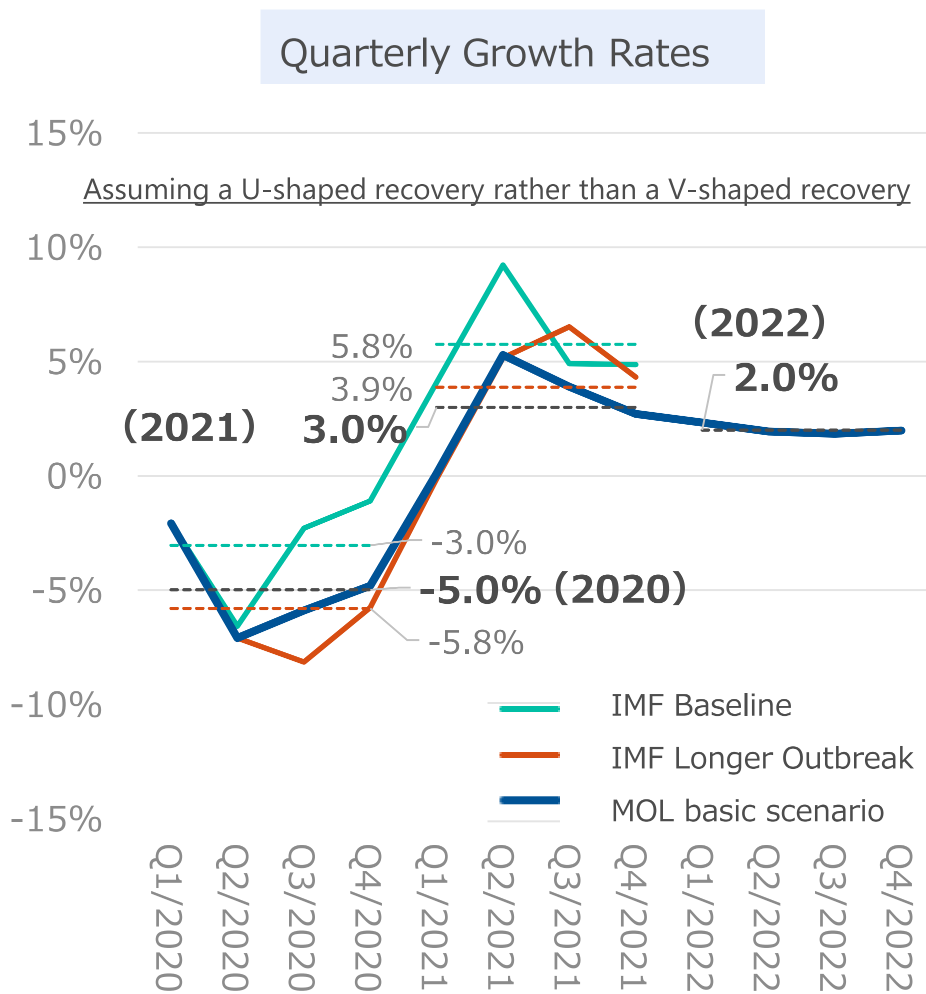
Segment	Status
Dry Bulk Business	■ Generally achieved the profit level target set in FY2017, despite fluctuating market factors ■ Reform of the general bulker business is an issue that still need to be addressed
Energy Transport Business	■ Profits from long-term contracts of LNG carriers have accumulated mostly as planned ■ The Offshore Businesses have expanded projects, mainly in FPSOs, while profits from FSRUs were less than the expectations ■ The Tanker Division successfully reduced its market exposure in the product tanker fleet, while maintaining its business presence by forming a pool with other companies. The Chemical Tanker Business made progress towards becoming a total logistics solutions provider through strategic M&A, although the timing of its profit contribution has been behind the plan
Product Transport Business	■ The Car Carrier Business restored competitiveness by scaling down its fleet in order to meet the cargo trade volume reduction and making a European short sea trade J/V company a wholly owned subsidiary ■ In the Containership Business, ONE incurred a huge loss in FY2018 as a result of lost liftings due to “teething problems” after the commencement of service, but in FY2019 the operation was stabilized, performance improved significantly, and ONE achieved profitability ■ The Logistics Business suffered from stagnant earnings due to the impact of U.S.-China trade friction

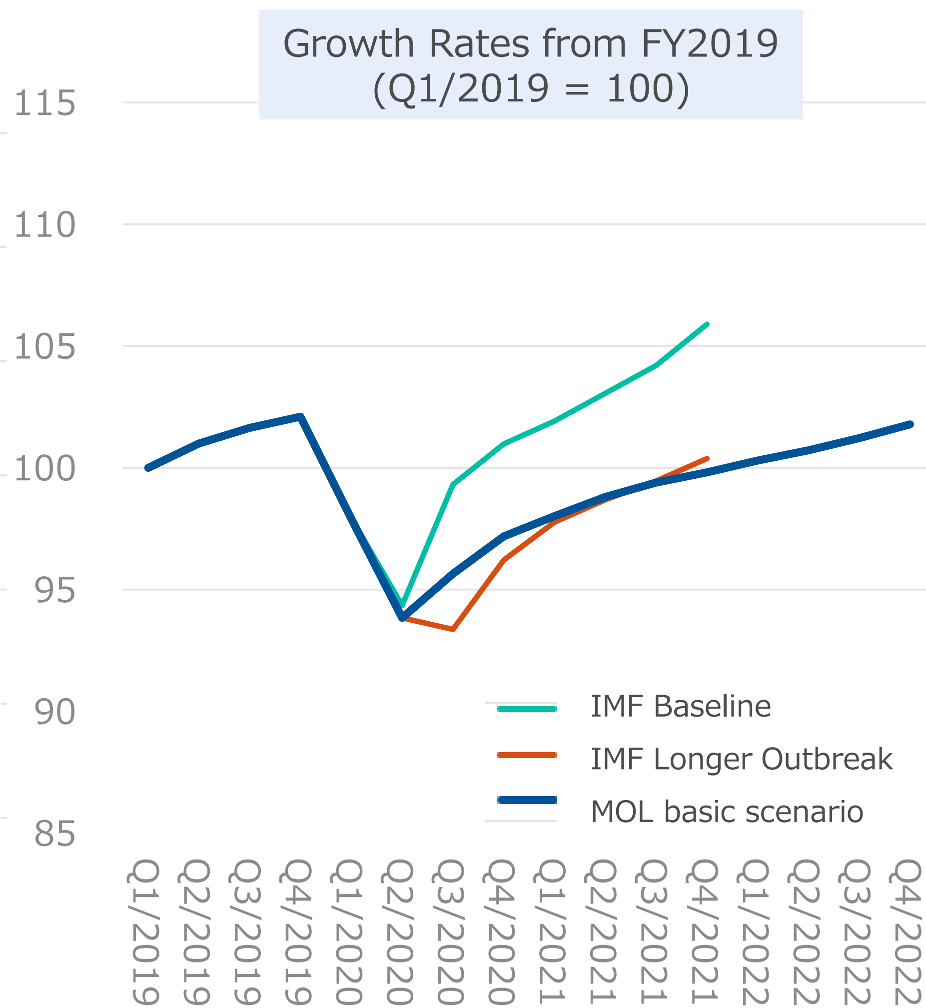
2. Forecasts for Megatrends in the "COVID-19 era" / "post COVID-19 era"

(1) World Economic Outlook

(Note)

World GDP Growth Rate - MOL Basic Scenario (in comparison with 2 scenarios provided by IMF in April 2020)





(Note) MOL's own estimate based on IMF World Economic Outlook, April 2020 : The Great Lockdown

2．Forecasts for Megatrends in the “COVID-19 era” / “post COVID-19 era”

(2) Major cargo trade outlook/Business environment

		2020	2021	2022	Recovery year (with 2019 defined as 100)
	World GDP growth rate	-5.0%	3.0%	2.0%	End of 2022 or later

Dry Bulk Business	Iron ore	-4.2%	2.4%	3.2%	2022
	Coal (Coking coal)	-3.6%	-1.0%	1.0%	2022
	Steel Products	-3.7%	3.4%	1.8%	2021
	Grain	-0.1%	4.9%	4.2%	2020

- Cargo movements of raw materials for steel production will start to recover in 2021, but recovery to 2019 level will likely take until 2022 or later. Cargo movements of grain, which are based on food demand, are expected to be relatively steady.
- Demand for steel products in China, which accounts for about 50% of worldwide demand and production) will remain strong, but steel products imports to ASEAN5 and Europe/U.S. may show a significant decline depending on the expansion of COVID-19 infection.

Energy Transport Business	Coal (Steaming coal)	-6.3%	2.7%	-0.8%	96% recovered in 2022
	Crude oil	-7.6%	4.3%	0.8%	97% recovered in 2022
	Petroleum products	-9.6%	6.2%	1.9%	98% recovered in 2022
	LNG	-1.5%	4.3%	4.3%	2021

- Crude oil tanker demand increased sharply for offshore oil storage due to the rapid decline in petroleum demand and low crude oil prices, but the tanker charter market is expected to fall as offshore oil storage decreases from the second half of FY2020. The market movement from FY2021 will require close attention.
- Global oil & gas companies announced budget cuts in capital expenditures for this fiscal year. Upstream investments uniformly show a trend toward a significant reduction, and it is becoming evident that various development plans must be canceled or postponed.

2. Forecasts for Megatrends in the "COVID-19 era" / "post COVID-19 era"

(2) Major cargo trade outlook/Business environment

Product Transport Business		2020	2021	2022	Recovery year (with 2019 defined as 100)
	Automobiles	-25.0% ~ -35.2%	10.4%	6.8%	2023 or later
	Containers	-25.0%	18.2%	12.2%	2022

- Seaborne trade of automobiles will recover to 2019 levels from 2023 or later
- Global container cargo trade will hit bottom in July-September 2020. Trade throughout 2020 will decrease by around 25% from the previous year. Anticipate that trade will recover to near the 2019 level around 2022.

Worldview from 2022 (common to all businesses)

- Acceleration of energy transition (Shifting to renewable energy; Restraining oil demand ⇒ Increase in electricity. MOL's investment targets will change in step with this transition)
- Persisting decrease in people/product movements (to a "lower mobility" society)
- Advancement of digitalization in society (advancement of CASE ⇔ Drop in oil prices)
- Review of supply chains in each nation's major industries (toward self-sufficiency)

3. Rolling Plan 2020

(1) Basic concept

- As a result of “Forecasts for Megatrends of the world economy and seaborne trade in the “COVID-19 era” / “post COVID-19 era,” we concluded that a significant decline in ocean transport volume and a restrained stance on customers’ investments will be unavoidable in the foreseeable future. Based on the idea that we need defensive measures first of all, we will immediately reduce our market exposure and review investment plans.

- Concerning “three core strategies to realize the 10-year vision,” with regard to ① “Portfolio Strategies,” we recognize that the shift of global energy demand to LNG and renewable energy will further accelerate. In the overall offshore businesses under our strategic field, we will invest management resources selectively, while shifting our focus to these growth fields.

- We decided that the importance of ② “Provision of “stress-free services,” which MOL will offer from the customer’s perspective” and ③ “Development of the environmental solution business into a core business” are unchanged even post COVID-19, so we will continue to step up our efforts.

- We will roll out “Refreshment of the organization” as a new common theme among all divisions. This aims to further enhance organizational capabilities, utilize human resources—unrestricted by the boundaries of existing organizations—and improve productivity through structural workstyle reforms.

- We will return to a growth trajectory earlier as a result of the above initiatives, and continually aim to “Become a Group of Business Units with No.1 Competitiveness in Respective Areas.” Meanwhile, we are keenly aware of the responsibility of ocean shipping as an infrastructure that supports society even under the impact of COVID-19, so we will continually engage in vigilant efforts to ensure safe operation.

3．Rolling Plan 2020

(2) Management policy

Top priority in FY2020 : "Return to a Growth Trajectory"

- **Defensive measures** : Reduce market exposure and re-examine investment plans as part of crisis response
- **Business environment analysis** : Envision a post-COVID-19 world and elaborate on medium- to long-term forecasts
- **Offensive strategies** : Growth strategies/structural reforms meeting each business characteristics

We will promote offensive strategies, while maintaining "three core strategies to realize the 10-year vision." Additionally, we will work on "enhancement of organizational strength" unrestricted by boundaries of group companies, to accelerate the promotion of these strategies.

10-Year Vision

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

Three Core Strategies to Realize the 10-Year Vision

[Portfolio strategies]
Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses

[Business strategies]
Provision of "stress-free services," which MOL will offer from the customer's perspective

[Environmental strategies]
Promotion of environmental strategies and development of the emission-free business into a core business

[Enhancement of organizational strength (Refresh organization)]

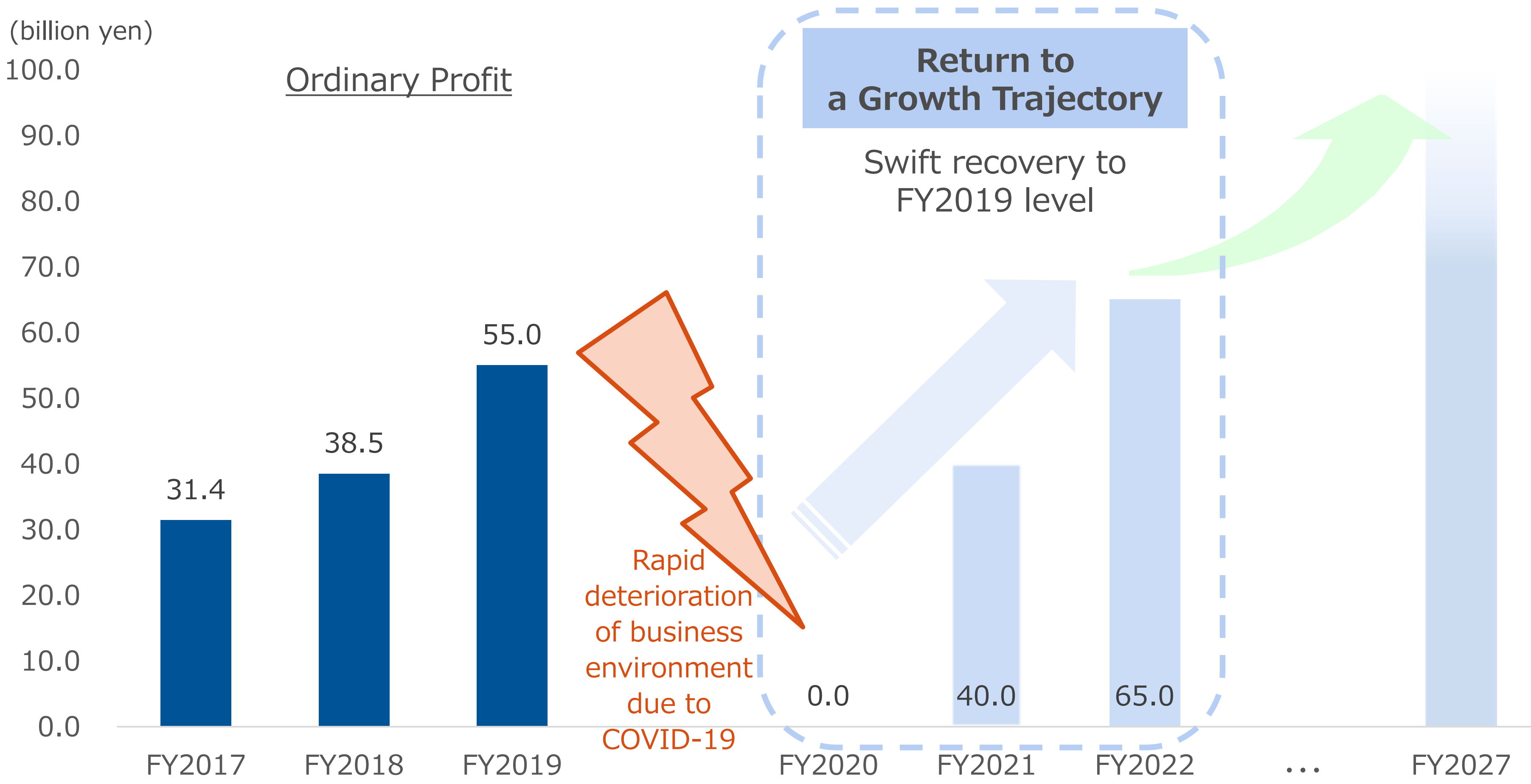
Project promotion through cross-organizational collaboration

Group-wide improvement in productivity

3. Rolling Plan 2020

Setting the top priority theme for FY2020 to

"Return to a Growth Trajectory"



3. Rolling Plan 2020

(3) Profit plan by segment

(billion yen)

※Ordinary Profit/Loss	FY2019	FY2020	FY2021	FY2022
Dry Bulk Business	12.0	-3.0	3.0	7.0
Energy Transport Business	25.4	24.0	26.0	33.0
Product Transport Business	6.7	-28.0	2.0	15.0
Associated Business, Others and Adjustment	10.8	7.0	9.0	10.0
Consolidated	**55.0**	**±0.0**	**40.0**	**65.0**

ROE	6.3%			8%～10%

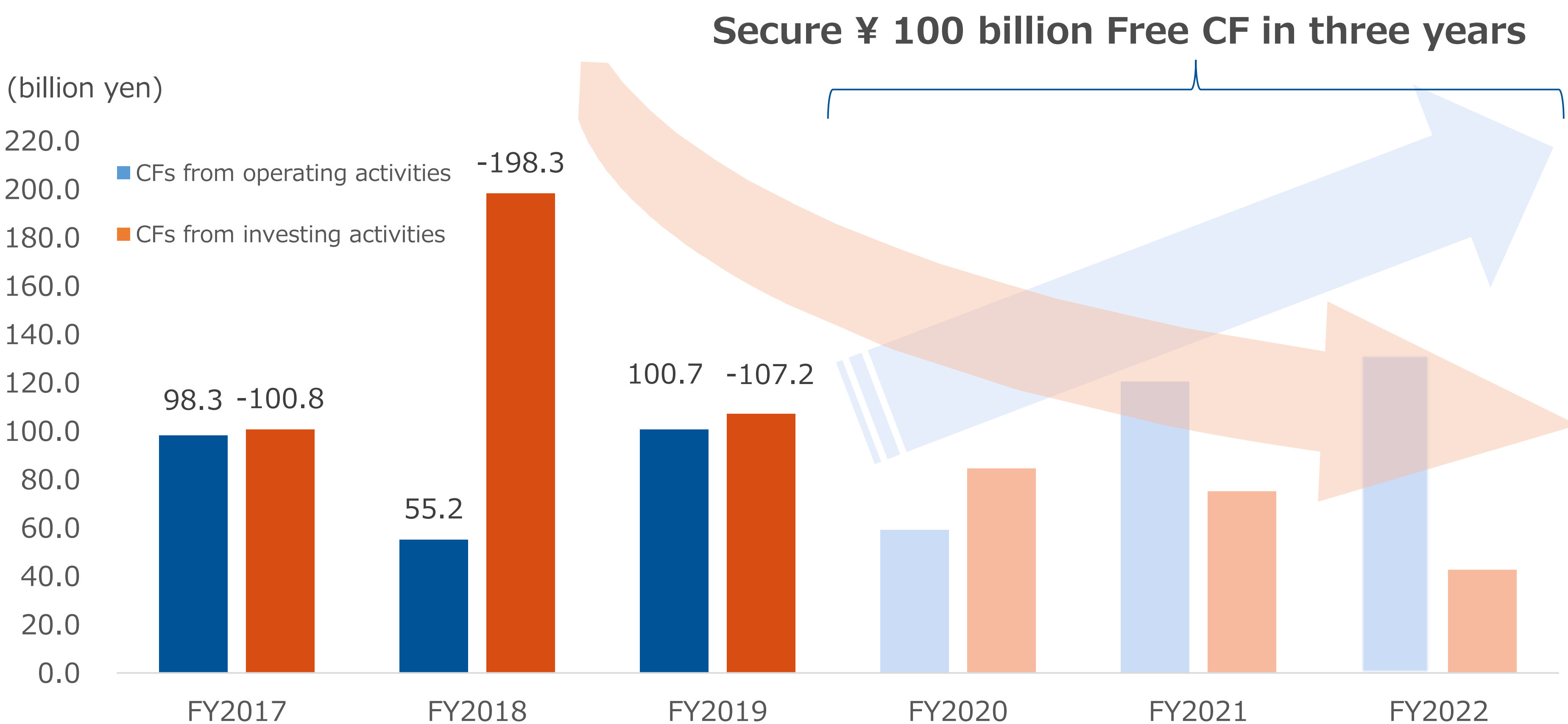
Assumptions

		FY2020	FY2021	FY2022
US$/¥ foreign exchange rate		¥105/＄	¥105/＄	¥105/＄
Bunker price	HSFO VLSFO	＄240/MT ＄340/MT	＄260/MT ＄380/MT	＄260/MT ＄380/MT
Capesize bulker market	(result) ($16,900/day)	$11,000/day	$12,000/day	$14,000/day
VLCC market	(result) ($56,600/day)	$28,000/day	$25,000/day	$30,000/day

3. Rolling Plan 2020

(4) Financial strategies/Investment plans

- Reduce the level of CFs from investing activities from decisions to be made going forward to a total of ¥100 billion in three years
- Take steps to generate cash from assets, businesses, and projects



3. Rolling Plan 2020

(5) [Defensive measures]

Reduce market exposure, re-examine investment plans as crisis response

1. Thoroughly reduce market exposure

Vessel Reduction: Plan to reduce the fleet of oil tankers, bulkers, car carriers, etc., by a maximum of about 40 vessels, including 13 vessels that have already been confirmed

Hedging: Solidify profits by T/C Out, FFA(Forward Freight Agreement), etc.

2. Re-examine investment plan

Cut back the amount of CFs from investing activities from decisions to be made going forward from ¥200 billion to ¥100 billion for FY2020-FY2022

3. Additionally dispose of non-business assets such as listed shares and real estate

3. Rolling Plan 2020

(6) [Offensive strategies]
Growth strategies/structural reforms based on each business characteristics

Each business will ensure its return to a growth trajectory through ① **development of new business**, ② **cost reduction**, and ③ **reforms of business models**, based on its individual characteristics.

Dry Bulk Business	■ Develop high-value-added vessels and enhance proposal-based sales ■ Strengthen renewable energy-related businesses (transport of fuel for biomass power generation, etc.) ■ Reinforce functions and cost competitiveness of overseas networks
Energy Transport Business	■ Expand LNG business domains not limited to transportation, including FSRUs, LNG-to-power ships, LNG bunkering ■ Develop new energy-related businesses such as wind power generation ■ Strengthen strategies for liquefied chemical total logistics
Product Transport Business	■ Develop the organizational structure and adjust the car carrier fleet composition to gain the agility to meet fluctuations in seaborne trade of automobiles ■ Address new logistics needs based on demands of customers in the dry bulk and energy transport businesses

3． Rolling Plan 2020

(7) Three Core Strategies to Realize the 10-Year Vision

① Portfolio strategies : Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses

FY2020: Firmly maintain the direction. However, investment decisions must be made carefully and selectively.

- Environment-related investments in the Energy and Offshore Businesses will slow down temporarily as per megatrend forecasts, but they are still recognized as growing fields on a long-term basis. Therefore, the direction of “focusing on the Offshore Businesses” will be maintained. Assuming this fiscal year as the term to conserve strength, curb new investment.

② Business strategies : Provision of “stress-free services,” which MOL will offer from the customer’s perspective

FY2020: “Aim to improve the level of customer satisfaction with the keywords ‘digital and environment’”

- Enhancement of digital marketing

  Continue to take measures to improve customer satisfaction through ICT (aiming to strengthen the functions of “MOL Lighthouse” and further develop the platform); Introduce web marketing
- Develop one-stop services to meet various customer needs with one contact

  Liquefied chemical total logistics, businesses associated with offshore wind power generation (use of group companies’ resources)
- Solution-based sales, meeting environmental needs

③ Environmental strategies : Promotion of environmental strategies and development of the emission-free business into a core business

FY2020: “Steady action on environmental strategies”

- Develop measures based on the newly established “MOL Group Environmental Vision 2.0” (Page 19-21 for details)

3. Rolling Plan 2020

(8) Enhancement of organizational strength (Refresh organization)

Project promotion through cross-organizational collaboration

Gather expertise and resources scattered throughout group companies to increase agility and acquire new businesses.

Measures:

- Use of project teams (unrestricted by boundaries of divisions, group companies)
- Move away from “all-by-ourselves-ism,” promote partnership strategies in a proactive manner

Group-wide improvement in productivity

Increase productivity by 15% over the next three years by taking advantage of our efforts to improve efficiency during the work-from-home period, and redeploy the saved human resources to growth areas.

Measures:

- Review operational processes, use and apply ICT
- Draw upon knowledge and resources of MOL and group companies (including transfer of duties)

APPENDIX "MOL Group Environmental Vision 2.0"

Amidst growing momentum toward the prevention of global warming since the Paris Agreement came into effect, the International Maritime Organization (IMO) adopted its "strategy for reducing Greenhouse Gas (GHG)" in April, 2018, which comprehensively mandates a target to reduce GHG in international shipping, measures to achieve the target, and so on. This is the world's first commitment as a single sector that sets a global target of zero GHG emissions in this century.

In place of its conventional "environmental Vision 2030," MOL established **the "MOL Group Environmental Vision 2.0,"** which clarifies our commitment to achieving the IMO target.

[MOL Group Environmental Vision 2.0]

The MOL Group is committed to achieve sustainable "Net Zero GHG Emissions" through collective efforts with all capabilities.

Mid-to-long-term target	**Deploy commercial "Net GHG Zero Emissions" deep sea vessels by 2030.**
	Reduce total annual GHG emissions from the ships by 50% in 2050 compared to 2008.
	Achieve Net Zero GHG emissions within this century, pursuing earlier.

Image Credits: imo.org, U.S. Department of State

APPENDIX **"MOL Group Environmental Vision 2.0"**

Previous reduction target set out in the **"Environmental Vision 2030"** (established in FY2017)

"The MOL Group targets reduction of GHG emissions per unit load by 25% by 2030 and by 50% by 2050 compared to fiscal year 2014" (efficiency improvement target).

New reduction targets set out in the "MOL Group Environmental Vision 2.0"

More in-depth, specific targets to steadily achieve the targets in the Paris Agreement and IMO GHG reduction target levels

Realization of "Net Zero Emissions" deep sea vessels	"Deploy commercial "Net GHG Zero Emissions" deep sea vessels by 2030."
Total annual emissions target for 2050	"Reduce total annual GHG emissions from the ships by 50% in 2050 compared to 2008."
Group-wide net zero target	"Achieve Net Zero GHG emissions within this century, pursuing earlier."

APPENDIX “MOL Group Environmental Vision 2.0”

Initiatives to achieve targets set out in the Environmental Vision 2.0

Introduction of clean alternative fuels: Further promote LNG fuels and introduce next-generation zero emission fuels that will play the following major roles.

Introduction of energy-saving technologies: Equip vessel with hard sails under the “Wind Challenger” project; introduce other new technologies.

Boost operating efficiency: Improve fuel efficiency of existing vessels and reduce operational costs through real-time monitoring of operational status

Build business models that enable net zero: Actively take part in the establishment of regulations and rules through industry associations and related government ministries

Expansion of low-carbon businesses: Develop businesses in the next-generation fuel business domains such as hydrogen in addition to FSRUs, LNG-to-powership, and renewable energy

Image Credits: IEA

Get Through COVID-19 Together !!

MOL TRIUMPH（Containership）