“Rolling Plan 2019”

(Explanation by the CEO at the analysts meeting on April 26, 2019)

[Review of ‘Rolling Plan 2018’] (Presentation materials page 2)

In fiscal year 2018, ordinary profit totaled ¥38.5 billion, and ROE was 5.2%. Looking at our performance by segment, Containership Business regrettably resulted in a deficit of ¥14.3 billion. On the other hand, ordinary profit generated from other businesses excluding Containerships was ¥52.8 billion, reflecting steady progress in efforts to develop a strong corporate structure that can produce stable profits in spite of market fluctuations.

[Management Policy of ‘Rolling Plan 2019’] (Presentation materials page 3)

This year, which marks the third year since we launched the rolling-type management plan, we reviewed and re-organized the concepts of our long-term targets. We used to set “a group of business units with No.1 competitiveness in respective areas” as one of the three core pillars to realize the vision for the MOL Group. But this time, after reconsideration, we made this the goal itself to aim at, and then determined what we must do to achieve that goal. As a result, we set the new three pillars to achieve the goal—“concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses,” “provision of ‘stress-free services,’ which MOL will offer from the customer’s perspective,” and “promotion of environmental strategies and development of emission-free business into core business.” Building upon these pillars, we will aim at becoming “a group of business units with No.1 competitiveness in respective areas.”

When developing Rolling Plan 2019, we started with a re-examination of the external environment surrounding the ocean shipping industry. We recognized changes in the external environment as explained in the materials, and confirmed once more that it is difficult to continually gain returns that will satisfy our investors or shareholders through the conventional ocean shipping business alone.

That is why we included a specific business, the offshore businesses, in the first of the three pillars. Meanwhile, fields where MOL has strengths are not limited to the offshore businesses, but any fields where we can produce solid returns through our competitive advantages by leveraging our accumulated knowledge and technologies. The second and third pillars, “provision of ‘stress-free services,’ which MOL will offer from the customer’s perspective,” and “promotion of environmental strategies and development of emission-free business into core business,” have remained from the last year, but we added the phrases “which MOL will offer from the customer’s perspective” to the

former and “promotion of environmental strategies” to the latter. We made these additions to clarify the meaning of each pillar. I personally believe that seeing from the customer’s perspective is extremely important for business strategies. “Stress-free services” are meaningless if they are not for the customers.
Specific actions to support these pillars are the “priorities and focus areas”.

[Main Initiatives for FY2019, Supporting Management Policy] (Presentation materials page 4)
As the priority areas, we will continue to work on the same areas as the previous fiscal year: “marine technical skills,” “ICT,” “technological development,” “environmental and emission-free business,” and “workstyle reforms.” We also have two new focus areas for this year based on changes in the business environment and the demands of the times. First is “development of Groupwide safety and quality management,” to regain the trust of our customers and prevent a reoccurrence of incidents like the wharf collision involving the *Nippon Maru,* which occurred at the end of last year, and another is “strategic actions for compliance with SOx regulations,” as I explained.

[Roadmap to Improving Profit (Update from RP2018)] (Presentation materials page 5)
I will explain now about our earnings structure in terms of “highly stable profits” and “other variable profits.” When we say “stable profits,” we are referring to profits from mid- and long-term contracts for dry bulkers, tankers, LNG carriers, and offshore businesses, plus those from associated businesses such as real estate.
The others are the variable profits. These include profits from other businesses that can earn relatively stable profits, although not from mid- and long-term contracts, such as the terminal and logistics businesses, ferries and coastal RoRo ships, and chemical tankers. The containership business accounts for a large portion of “other variable profits.” It is essential that the containership business will earn solid profits for the other variable profits to turn profitable. Then, the “other variable profits” will contribute to our profits in the form of “stable profits + α,” and enable us to achieve the “ordinary profit levels we envision in the medium and long term.”

[Medium- and Long-term Profit Levels, Financial Indicator, Shareholder Returns (continued from RP2018)] (Presentation materials page 6)
Profit levels and financial indicators we envision in the medium and long term are unchanged. We set the same 20% dividend payout ratio.

[Business Portfolio and Strategic Fields for Resource Allocation] (Updated from RP2018)]
(Presentation materials page 7)
This map shows our business portfolio and strategic fields for management resource allocation. The

upper right square indicates fields where MOL has the greatest strengths mentioned in the pillar of "concentrated investment of management resources in fields where MOL has strengths, which will mainly be the offshore businesses."

In the offshore businesses, there are absolute needs for energy centered in emerging countries. We can make the use of our knowledge and technology accumulated in energy transport for this field. Various new projects are brought to us because of our unique background—we are the leading player in LNG carrier operations, we have proactively established businesses with customers not only in Japan but also overseas, and we are the only FSRU owner-operator in Asia. We think our offshore businesses will continue to grow as we select projects in which we can gain solid returns and make the best use of our strengths. We will also differentiate our LNG carrier business with our track record such as operation of ice-breakers and supervising shipbuilding in China, and expect to develop new business in high-value-added projects. We will also focus resource investment in the chemical transport field, where we aim to become a total chemical logistics provider by entering tank containers business, tank terminals business, and so on, and in ferries and RoRo ships, which enjoy the tailwind of the modal shift on the back of a shortage of truck drivers and growing environmental awareness.

[Investment Cash Flows (Updated from RP2018)] (Presentation materials page 8)
The charts show FY2018 results and FY2019 outlook related to investment cash flows. We will continue to focus management resources on fields where we can leverage our strengths, as I explained. We also aim to move into FSRU projects and new fields such as the LNG powership through a joint venture with a Turkish company, as we recently announced. We will strictly select investment projects in a financially disciplined manner. We also plan to work to improve asset efficiency, including the sale of cross-shareholdings. Although the investment cash flow will remain at a high level, we will push forward these initiatives while maintaining our financial strength.

[Business Strategies by Segment (Updated from RP2018)] (Presentation materials page 9)
This chart shows the list of specific achievements, realized based on the Rolling Plan 2018, by business.
I will not get into the details due to our limited time today, but I would like to mention that texts in red applies to "promotion of environmental strategies and development of emission-free business into core business," and you can see how we have been achieving specific results.

[Fleet (updated from RP2018)] (Presentation materials page 10)
We aim to reach a balanced fleet structure by scaling our fleet up or down depending on the type of

ship, to control market exposure and respond to changes in trade patterns.

[Initiatives on ESG/SDGs—Promoted through Rolling Plan] (Presentation materials page 11)
The most important issue in materiality, which goes without saying, is adding value through the ocean shipping business and contributing to the growth of the world economy. MOL recognizes anew that the most important matter among SDGs for MOL is contribution to growth of the world economy and making a positive contribution to alleviating poverty through businesses.
Other material issues are also important, of course, and we understand such issues could have a negative impact on our businesses activities if not tackle appropriately.

Finally, let me add one point. We have many businesses that have various strengths, as I explained. However, to use a baseball analogy, we had been facing a situation in which we could not see what you might call the cleanup hitter. This time, we daringly set a specific business called the offshore businesses in our management plan. We had various internal discussions to reach this point because there are many other businesses that we have, and finally we put the offshore businesses forward as a candidate for our cleanup hitter in light of the track records and projects we have accumulated and its future possibilities.

[END]