For Our Sustainable Growth

Message from the CEO

We will sustainably increase our corporate value by realizing our 10-year vision to “Become a Group of Business Units with No. 1 Competitiveness in Respective Areas.”

Junichiro Ikeda
President & CEO

How We See the External Environment

We need to take a step beyond conventional marine transport model and enter new business fields.

Global trade systems as well as the overall economic structure are clearly in a period of transition, making it extremely difficult for us to predict the future business environment. When we look at the world, investment demand in developed countries is slowing down, while that in the emerging markets is still growing although the outlook is becoming unclear. Under such circumstances where there is a mixture of positives and negatives in the overall external environment, it is becoming more and more challenging for our company to foresee customer trends.

The growing level of environmental awareness is another trend that has a significant impact on the marine transport industry. Especially in regard to climate change, both public and private sectors around the world are promoting efforts to dramatically reduce greenhouse gas (GHG) emissions by 2050 based on an international consensus, namely the long-term targets of the Paris Agreement. In light of this, we must sensitively capture the changes in the world, think beyond our conventional business models, and take prompt action to change.

To adjust ourselves to such circumstances, in fiscal 2017 we transitioned from our previous practice of adopting three-year management plan to setting a yearly “rolling type” management plan. The intention was to maintain flexibility in our management and foster a corporate culture that proactively pursues changes by appropriately ascertaining our future direction without being constrained to our current business performance. In fact, by actively responding to diversifying demand, we have already taken on repeated challenges, which cultivated our insight and built up a track record in the energy domain. In addition, in terms of resolving environmental issues, we decided to accelerate our efforts by placing these issues at the center of our business strategies and focusing on environmental and emission-free businesses.

As we stated in “Rolling Plan 2019,” the time is over in which one successful business model can keep working and ensure growth in the future. We therefore need to leverage our long-cultivated competitiveness and business foundation to take a step beyond the conventional marine transport model and enter new business fields.

To Continue Being the Chosen Partner of Our Customers

We must make an unrelenting effort to further enhance our intangible assets.

So far I have talked about the changes that are happening, but there are certain things that do not change over time. One thing is our role as a marine transport company and the value we provide our customers. Even as the times change, the most important role and essential value of marine transport remains to transport goods safely and efficiently. We must continue to preserve this unchanging value. From a customer’s perspective, I would say that marine transport services still cause a certain amount of stress. Our ultimate mission is to reduce this stress as much as possible, and we will remain thoroughly committed to fulfilling this mission going forward.

Now, the question is what can we do in order to be more proactive in dealing with customers’ stress. When I consider where the source of our value is, I believe that lies with our intangible qualities, an example of which is our human resources. They also include the track record we have built in providing solutions to our customers based on safe operations. The strong trust-based relationships we have cultivated with our customers through such services is another intangible quality. Of course, we have also been promoting initiatives to develop other aspects of our business, which include our technical skills and IT. However, focusing just on these aspects will allow us beat the competition only in the near term, as other
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direction of "Rolling Plan 2019"
We will strongly commit to gaining "No. 1 Competitiveness in Respective Areas."

We developed "Rolling Plan 2019" by keeping the fundamental directions of the Rolling Plans of the past two years, but refining it based on our analysis of the external environment mentioned earlier, the needs of our stakeholders, and fields for growth. The major difference made this time was that out of the three elements we have thus far adopted in our management plans as the 10-year vision for the MOL Group, we chose "Become a Group of Business Units with No. 1 Competitiveness in Respective Areas" as the element that best defines our vision. "No. 1 Competitiveness in Respective Areas" is not limited to universal factors such as profitability, cost competitiveness, safety, or trust. It also includes competitiveness unique to each business that can be the reason our customers and business partners choose to work with us. Moreover, the concept of relativeness to the competition is something I place particular importance on. As we constantly compete with other major players, simply claiming on our own that we are No. 1 is rather meaningless. Winning or losing in a competition boils down to how our services compare with those of our competitors. Accordingly, we need to always ask ourselves what specifically sets us apart from others and whether or not we are actually doing better than them. Ultimately, it is imperative that we secure a position that allows us to remain one step ahead of the competition.

Marine transport is an industry that cannot be parted from the effect of the market conditions. Even with a good level of stable profits, we cannot avoid the occasional impact of fluctuating market conditions. However, at times of such fluctuations, we can still minimize the negative impact and maximize the positive if we are able to maintain "No. 1 Competitiveness in Respective Areas." It is obvious that such competitiveness determines our success or failure as the cycle repeats over the long run. That is why I sincerely and strongly believe we as a company should always keep this in mind.

Our core strategies for achieving "No. 1 Competitiveness in Respective Areas" are "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 the emission-free business into a core business." Especially for "Provision of ‘stress-free services,’ which MOL will offer from the customer’s perspective," we will remain dedicated to thoroughly promoting such services. Some management plans that I have been seemed to lack consideration to what is really useful for the customer. This comes from our tendency to focus on our competitors, which can cause us to lose sight of the essential perspective of our customers. Some think that providing ‘stress-free services’ ultimately means differentiating, but that is not what we are aiming for. We want our customers to be impressed with our services, and choose our services because of the fact that they are truly useful. I wanted our management plan to clearly state the importance of seeing things from the perspective of customers. We will therefore continue to position "Provision of ‘stress-free services,’ which MOL will offer from the customer’s perspective" as an important pillar of our management plans going forward.

In regard to "develop environmental and emission-free businesses into core businesses," I believe that offering LNG-based solutions will be the key to tackling issues related to greenhouse gases and SOx, on the part of the marine transport industry. In line with that, we achieved several milestones in fiscal 2018, including the LNG-fueled tugboat ISHIN’s successful delivery and the conclusion of long-term charter contracts for LNG fuel supply vessels in Europe and Singapore. Looking into the future, we will further accelerate initiatives geared toward growth in this area so that our environmental and emission-free businesses become profitable enough to be considered as our valid core businesses.

Focus Areas in Fiscal 2019
Through concentrated investment of resources, we will further solidify our competitiveness in respective areas.

Our core growth strategies basically remain unchanged in fiscal 2019. Continuing on from the previous fiscal year, we will focus our investment in areas where we have strengths, such as offshore businesses, LNG carriers, chemical tankers, and ferries, in order to further solidify our competitiveness in these fields. Meanwhile, as a change adopted under "Rolling Plan 2019," we have positioned offshore businesses as the leading key area in which we will concentrate investment. Since I became president, I have always been troubled by the fact that, for many years, we have been unable to clearly state what will be our next main business pillar to replace the dry bulk business. However, in light of the progress we have made in fiscal 2018, and the confidence we have gained from it, I now believe that offshore businesses are the next big business pillar to carve out a new path for our sustainable growth.
For Our Sustainable Growth
Message from the CEO

We will continue to work on our priority areas for development and further evolve as a company.

To enhance the value we provide and realize “stress-free services,” we will continue our efforts to strengthen our five priority areas.

Turning to “environmental and emission-free businesses,” we need to both capture new business opportunities as explained earlier and further reduce our environmental burden on society. In relation to the latter, we set “Strategic actions for compliance with SDGs regulations” as a focus area for fiscal 2019 and are preparing for SDGs regulations that will come into effect in January 2020. For our overall environmental strategies, the newly established Environmental Management Committee will take initiatives to develop and promote Company-wide strategies.

In terms of “Workstyle reforms,” progress is being made centered on reforms to the workplace. In May 2019, a non-territorial office, which is a remodelled version of the fifth floor of our Head Office, opened for a trial. This is an attempt to realise the ideal workstyle we target in our reforms. Currently, the effectiveness of this pilot office is being examined. This new office aims to revitalize communication and promote creativity. I look forward to seeing how it will improve productivity, which is one of the goals of “Workstyle reforms.”

In addition to formulatig “Rolling Plan 2019,” we have also newly identified our Sustainability Issues (Materiality). Looking at the recent trend of growing awareness and importance of environmental, social, and governance (ESG) issues, we can tell that they are dramatically different from the conventional thinking that calls for corporations to realize a profit while also fulfilling their social value.

As I mentioned earlier, in line with the rapid changes occurring in the external environment, we will not be able to offer our shareholders and other stakeholders expected returns by simply following our conventional business model. I believe that our new management plan further clarifies the direction we need to take as a company, while maintaining a proper awareness of our current circumstances. Of course, we will need to flexibly examine specific actions to take in response to the changing environment. However, I believe that “Rolling Plan 2019” provides a universal direction for us, and so we will steadily proceed in that direction with confidence. I will take the lead with a strong belief that MOL, as a solutions provider for all matters related to maritime affairs centering on marine transport, can provide “stress-free services” to our customers and become a Group of Business Units with No.1 Competitiveness in Respective Areas.” I would like to ask our shareholders and all stakeholders for their continued understanding and support as we pursue these endeavors.
Overview of the Management Plan “Rolling Plan 2019”

We have been adopting rolling-type management plans since fiscal 2017. With “Rolling Plan 2019,” we worked to create a management plan that is clear and can gain the support of our stakeholders. Based on our recognition of the current situation, including changes in the external environment, we formulated our 10-year vision to “Become a Group of Business Units with No. 1 Competitiveness in Respective Areas” as well as the three core strategies that we will promote to realize this vision.

Three Core Strategies to Realize the 10-Year Vision

1. Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses
2. Provision of “stress-free services,” which MOL will offer from the customer’s perspective
3. Promotion of environmental strategies and development of the emission-free business into a core business

Transition to a More Competitive Fleet Composition Highly Resistant to Market Fluctuations

In the Dry Bulk Business Unit, which has an enormous presence in our business portfolio, the market plummeted to record-low levels after the 2008 financial crisis as the balance between supply and demand collapsed due to the supply glut of new vessels. These severe conditions continued over the long term. Under these circumstances, a large number of vessels in the business unit became unprofitable because of the high and rigid cost structure. Accordingly, the Dry Bulk Business Unit had become a major factor behind our sluggish business performance in the mid-2010s. Instead of just waiting for market recovery, we took proactive actions to improve profitability. In fiscal 2015, we implemented the Business Structural Reforms that involved sweeping actions to eliminate unprofitable vessels primarily in the Dry Bulk Business Unit. Although these reforms led to significant losses due to the sale of vessels and losses associated with the cancellation of charter contracts, they allowed the business unit to successfully transition to a business model that can generate stable profits regardless of movements in the spot market.
Concentrated investment of management resources in the business fields where MOL has strengths, which will mainly be offshore businesses

Characteristics of the MOL Group’s Business Portfolio

One of the World’s Largest Full-Line Marine Transport Groups with a Highly Diversified Business Portfolio

- Unique business model that develops a wide range of highly competitive businesses as a group
- The Group’s comprehensive strengths that enable the provision of one-stop solutions to the various transportation needs of customers
- Reduced market risks by a highly diversified business portfolio
- Accumulated marine technical skills and insights through horizontal expansion into various businesses

Strategic Fields for Resource Allocation—Fields Where MOL Has Strength

- Car Carriers
- Chemical Tankers
- Crude Oil Tankers
- LNG Carriers
- Wood Chip Carriers
- Coal
- LPG
- Carriers
- NVOCC
- Logistics
- Terminal
- RoRo Ships
- Ferries & Coastal, Roll-On/Roll-Off Ships
- Tugboats
- Dry Bulker
- Product Tankers
- Offshore Businesses
- Non-Evaporative Gas
- Terminal
- Port
- Tugboats
- Parking
- Variable profile
- Containerships
- Bulk Carriers
- Product Tankers
- Offshore Businesses
- Liquefied Natural Gas
- Business
- Carriers
- LNG Carriers
- Coal
- Dry Bulk Business
- Strategy by Business
- Energy Transport Business
- Product Transport Business
- Policy on the Allocation of Management Resources
- Business
- Strategies for Growth
- Energy Transport Business
- Tankers
- Product tankers: Utilize a tanker pool to maintain service network while reducing market exposure and to ensure fee-based revenue
- Chemical tankers: Become a total logistics solutions provider for liquid chemicals by actively expanding business domains vertically
- LNG Carriers
- Liquefied Natural Gas Carriers: Expand businesses in high-value-added fields where we can leverage our track record as an industry leader and vast insight
- Offshore Businesses
- Collaborate with companies that have the top position in each field and local partners with a massive regional presence
- Steaming Coal Carriers
- Build and introduce next-generation steaming coal carriers that offer benefits to customers in respect to safety, efficiency, and environmental performance, etc.

Concentrated Investment of Management Resources to Further Enhance Our Strengths

- Offshore Businesses
- FPSO, FSRU, Powership businesses, etc., where the knowledge and experience MOL has accumulated in LNG and energy transport can be applied to address environmental and emerging market needs
- Chemical Tankers
- Total logistics business for liquid chemicals, not limited to ocean transport by tankers
- High-value-added, highly difficult LNG transport and handling businesses based on track records in areas such as operation of ice-breaking vessels
- Development of a cutting-edge ferry fleet, capitalizing on increasing demand caused by the modal shift

For Our Sustainable Growth

Overview of the “Rolling Plan 2019” Management Plan

To establish an optimal business portfolio that enables sustainable growth, we analyze and evaluate all of our businesses periodically from two perspectives: the stability of profits and competitiveness compared with other companies. Based on this analysis and evaluation, we are strategically allocating management resources into target fields. Under “Rolling Plan 2019,” we have clarified our intention to primarily invest management resources into fields centered on offshore businesses where we can demonstrate our strengths.

In terms of our respective business strategies, while taking into account changes in the external environment, we have determined the following strategies for achieving growth by leveraging the strengths of each business to their fullest. To realize our vision to “Become a Group of Business Units with No. 1 Competitiveness in Respective Areas,” we will further enhance the strengths of each business and accelerate initiatives to promote ‘stress-free services’ that are truly convenient for customers.

Strategy by Business

- Dry Bulk Business
- Provide services based on customer needs such as solutions for environmental issues, etc.

- Energy Transport Business
- Tankers
- Product tankers: Utilize a tanker pool to maintain service network while reducing market exposure and to ensure fee-based revenue
- Chemical tankers: Become a total logistics solutions provider for liquid chemicals by actively expanding business domains vertically
- LNG Carriers
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- Collaborate with companies that have the top position in each field and local partners with a massive regional presence
- Steaming Coal Carriers
- Build and introduce next-generation steaming coal carriers that offer benefits to customers in respect to safety, efficiency, and environmental performance, etc.

Policy on the Allocation of Management Resources

In terms of our respective business strategies, while taking into account changes in the external environment, we have determined the following strategies for achieving growth by leveraging the strengths of each business to their fullest. To realize our vision to “Become a Group of Business Units with No. 1 Competitiveness in Respective Areas,” we will further enhance the strengths of each business and accelerate initiatives to promote ‘stress-free services’ that are truly convenient for customers.

No. 1 Competitiveness in Respective Areas,” we will further enhance the strengths of each business and accelerate initiatives to promote ’stress-free services’ that are truly convenient for customers.
Enhancing Management Resources That Support Business Plans

For Our Sustainable Growth

Overview of the “Rolling Plan 2019” Management Plan

To realize “stress-free services” that are truly convenient for customers, we have set our priority areas for development where we will work on a Companywide level. Under “Rolling Plan 2019,” we have additionally established two new focus areas for fiscal 2019. These are “Development of Groupwide Safety and Quality Management” and “Strategic actions for compliance with SOx regulations.” We will strive to improve our service quality and, by doing so, enhance the relative competitiveness of our overall businesses going forward.

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<tr>
<th>Priority Areas for Development (Continuing from fiscal 2017)</th>
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<td>Marine Technical Skills</td>
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<td>ICT</td>
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<td>Technological Development</td>
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<tr>
<td>Environmental and Emission-Free Business</td>
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<td>Workstyle Reforms</td>
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FOCUS Project

The FOCUS Project aims to further enhance safety and quality management and reduce environmental burden by utilizing a vast number of onboard sensors to collect, thoroughly monitor, and analyze voyage and engine data from roughly 150 Company vessels under navigation.

Workforce Reforms

Promotes workplace reforms

Focus Areas for Fiscal 2019

- Development of Groupwide Safety and Quality Management
- Strategic Actions for Compliance with 50x Regulations

Mitsui O.S.K. Lines 2018 goal: Net profit margin %

1. Please see the “Addressing Sustainability Issues” section on pages 26–41 for the progress of each initiative.

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<th>Priority Areas for Development and Focus Areas for Fiscal 2019</th>
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<td>Safety and Quality Management</td>
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Accelerating the Evolution into a Total Logistics Provider for Liquid Chemicals

Our Group company for the chemical tanker business, the wholly owned subsidiary MOL Chemical Tankers Pte. Ltd., took several actions in fiscal 2018 with the aim of transforming itself into a total logistics provider for liquid chemicals.

First, in September 2018, MOL Chemical Tankers established a joint venture with the Belgian terminal company SEATank Terminal Antwerp NV, with a view to participating in the chemical terminal business. SEATank is planning the construction of a liquid chemical storage terminal in the Port of Antwerp. This terminal will allow for connections between a diverse range of transportation means and serves as a hub for customers.

In March 2019, MOL Chemical Tankers acquired 100% of shares in a Danish chemical tanker operator, Nordic Tankers A/S. Through this acquisition, the company is now able to expand its global service network by incorporating the operational foundation of Nordic Tankers, which boasts strengths in the Atlantic Ocean and in South America. This in turn will allow the company to further extend its presence, which it has already firmly established in its core Pacific Ocean routes as well as routes between the Middle East and Asia.

Furthermore, in February 2019 MOL Chemical Tankers acquired a 20% share in the Dutch tank container transport company Dan Hartogh Holding B.V. and subsequently concluded a collaborative business partnership agreement. Dan Hartogh is a global logistics company that operates businesses centered on the transportation of liquid chemicals and gases by tank containers within Europe and all over the world. Through these actions, MOL Chemical Tankers will strive to gain access to new customers while aiming to realize services that meet the diverse transport needs of customers, such as streamlining of transportation flow utilizing terminal networks as hubs and small-lot transport via containers. At the same time, the company will work to generate synergies within the MOL Group from a broad range of perspectives, such as making use of human resources with expertise in the tanker container and tank terminal businesses.

Governance and Compliance to Support Businesses

| Focus on Long-term Profitability |

Vertical expansion in the supply chain

Expansion of global service network

Acquisition of Nordic Tankers

Response to diversifying demand for liquid chemical transport Participation in tank container business

Overview of the Transition into a Total Logistics Provider for Liquid Chemicals

MOL commenced operations of its first Arc7-class ice-breaking LNG carrier for the Yamal LNG project.

MOL tanker

1 Karpower International B.V. is the core company involved in the Powership business under transitions Holdings B.V. (in the Netherlands).
For Our Sustainable Growth

Message from the CFO

Takashi Maruyama
Senior Managing Executive Officer

Financial Strategy for “Rolling Plan 2019”

A stable financial foundation is essential to achieving our 10-year vision of “Become a Group of Business Units with No. 1 Competitiveness in Respective Areas” under our “Rolling Plan.” For this to happen, we need to be able to continuously invest in businesses where we have a competitive advantage, first and foremost in our offshore businesses but also in LNG carriers, chemical tankers, and ferries and coastal RoRo ships. A stable financial foundation also provides us with enough credibility to guarantee the steady execution of long-term contracts, which can sometimes span over the course of 20 years or more, for the purpose of accumulating our priority — “highly stable profits.” Likewise, to offer our customers competitive freight and charter rates, it is imperative that we procure funds under more favorable terms than our competitors.

Recently, institutional investors have been asking more often about our efforts toward achieving the SDGs. Since ancient times, the transport of goods by ship has enriched people’s lives. Even now, at the height of e-commerce, ocean shipping, which involves physical transport, is irreplaceable in the transport industry places a burden on the global environment. Through these efforts, we hope to gain the support of all our stakeholders, including our most valued—our customers.

Our basic strategy is to steadily accumulate “highly stable profits,” while securing “other variable profits.” As for highly stable profits, which are generated by long-term contracts lasting two years or more, we are projecting increases to ¥55.5 billion, ¥58.0 billion, and ¥65.0 billion, in fiscal 2019, fiscal 2020, and fiscal 2021, respectively. These increases will represent the result of our aggressive efforts to invest in LNG carriers and offshore businesses since the mid-2010s. With regard to other variable profits (losses), we regrettably posted a deficit in fiscal 2018 due to the impact of operational teething issues during the start-up period at the integrated containership business company, ONE. However, in fiscal 2019, ONE will turn profitable and with this turnaround we expect to see newly balanced profits and losses on a basis that excludes the general management expenses of the Head Office. From fiscal 2020, we anticipate a return to the black. Accordingly, we believe that our medium-term target for ordinary profit levels of between ¥80.0 billion and ¥100.0 billion, and return on equity (ROE) of between 8% and 12% are more achievable.

In order to capitalize on the heightened global awareness of the SDGs from a financing perspective, we issued Green Bonds totaling ¥10.0 billion. These bonds are issued to institutional and individual investors for the sole purpose of funding environment-related projects. The issuing of Green Bonds to individual investors was unprecedented for a Japanese company, and with this new opportunity, we received a high rate of applications for the purchase. We will continue to utilize Green Bonds not only as a way to meet the needs of investors who wish to contribute to the environment and a better society but also as a tool for diversifying our fund-raising methods. On the back of this response, we plan to issue Sustainability Bonds in fiscal 2019, which will provide financing for projects that address issues related to the SDGs.

We firmly believe that a company cannot pursue business over the long term without providing value to society. As a global ocean shipping company, we will fulfill our role as a lifeline for people around the world while working to lessen the burden on the global environment. Through these efforts, as a crucial member of society we hope to gain the support of all our stakeholders, including our most valued—our customers.