

With “a social infrastructure group centered on marine transport” as its slogan, the MOL Group will realize its comprehensive strength to advance bold initiatives for global growth.

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T. Hashimoto



» Having Achieved Record Profits, Entering a New Growth Phase

Fiscal 2021, ended March 31, 2022, provided many opportunities to think about our social mission. Due to logistics disruption, sending and receiving essential goods in a timely manner remained challenging in various locations worldwide. Although this was not an issue we could resolve on our own, we regretted being unable to fully meet our core role as a shipping company. The overriding purpose of a company is to continue providing society with value through business activities. A revision of our corporate mission in fiscal 2021 rededicated us to the fulfillment of our social mission. Given the strain being felt around the world due to shortages of goods and soaring prices, we must continue providing services in ways that facilitate day-to-day life and economic activities.

As for our business performance, meanwhile, we were able to achieve record profits, posting ordinary profit of ¥721.7 billion. As a result, fiscal 2021 proved to be a very fruitful year in which our financial position improved markedly. Analysis of our business performance tends to focus on the historically high freight rates enjoyed by the containership business. However, our performance is also attributable to the steadily

emerging benefits of structural reforms implemented to date. For example, the April 2021 establishment of MOL Drybulk Ltd. has enabled the Headquarters of Dry Bulk Business to provide one-stop services and improve profitability. Similarly, adjustment of tonnage volume and rationalization of vessel allocation have greatly enhanced the profitability of the car carrier business. Admittedly, a large contribution is being made by equity in earnings of affiliates from Ocean Network Express Pte. Ltd. (ONE), which is responsible for the containership business. Nonetheless, I am extremely happy to report that, even if the contribution from ONE is excluded, we are ahead of schedule in reaching the medium-term profit targets set in fiscal 2017, when we introduced rolling management plans.

In addition, we steadily progressed in realizing the Environmental Strategy set out as a priority in Rolling Plan 2021. Reducing greenhouse gas (GHG) emissions is certain to require new capital investment and the use of expensive fuels. The extra costs inevitably associated with such environmental initiatives previously led some Group personnel to adopt a stance of fulfilling the minimum requirements when there

was no choice but preferring to avoid these initiatives whenever possible. However, since announcing MOL Group Environmental Vision 2.1 in June 2021 and clearly explaining to internal and external stakeholders the direction in which we must proceed, I feel that the mindset of Group officers and employees has transformed. Understanding of the need to earnestly tackle climate change countermeasures has

progressed greatly. Based on the recognition that if climate change continues at the current rate the whole world will be in deep trouble, there is a growing awareness within the Company of thinking together with customers about the best solutions and encouraging initiatives that make both our businesses and those of customers sustainable.

“Cruising Speed” of ONE and the Group’s Target Profit Scale

» Aiming to Stably Generate Profits on a Scale Commensurate with Accumulated Shareholders’ Equity

The MOL Group’s shareholders’ equity has grown dramatically thanks to favorable performances over the past two fiscal years. If the Group performs as expected in fiscal 2022, shareholders’ equity will reach approximately ¥2.0 trillion in the near future. I believe that, having been entrusted with the capital of shareholders, we have a responsibility to pursue as a minimum target a return of about 10.0% of shareholders’ equity, or in other words, profits of roughly ¥200.0 billion.

To stably realize profits of ¥200.0 billion, we will require ONE to continue making solid contributions even after container freight rates have normalized. Assuming that ONE’s sales range is between ¥2.0 trillion and ¥3.0 trillion, we would like to get the company on track to achieve a profit margin of between 5.0% and 10.0%. If this is realized, ONE’s profits are likely to trend between about ¥100.0 billion and ¥300.0 billion, which means that MOL can expect to record equity in earnings

of affiliates of between roughly ¥30.0 billion and ¥100.0 billion. In addition, we will steadily solidify marine transport business, other than containerhips, that each generates profits in the tens of billions of yen, such as dry bulkers, tankers, car carriers, and LNG carriers. We will also create non-marine transport business with these levels of profits, including the

offshore, real estate, and logistics businesses. Our immediate goal is to establish these profit levels so that we can realize profits of ¥100.0 billion or more even in unfavorable conditions and profits in excess of ¥200.0 billion when business in volatile markets perform well.

Rolling Plan Progress and Future Direction (1)

» Reforming Our Business Portfolio to Build a More Sustainable, Stable Corporate Entity

While the absolute amounts of profits are of course one focus, the stability of business performance is also important. In reducing the degree to which market conditions impact business performance and creating a structure that can consistently generate stable profits, reform of our business portfolio is unavoidable. With this in mind, we have included in Rolling Plan 2022 a Portfolio Strategy that targets raising the profits of non-marine transport businesses—mainly offshore, logistics, real estate, and projects related to the offshore wind power generation business—from fiscal 2021's result of approximately ¥14.0 billion to between ¥60.0 billion and ¥80.0 billion by fiscal 2035.

A feature of marine transport, which is the Group's core business, is the significant performance volatility caused by fluctuations in economic and market conditions. Among our marine transport businesses, this volatility is particularly pronounced in such areas as containerhips, dry bulkers, tankers, and car carriers. Given the robust profitability of these businesses when they are doing well and our social mission to support global economic activities, these businesses will remain core businesses. On the other hand, among the same marine transport businesses, the LNG carrier business, the methanol carrier business, and other

businesses mainly based on long-term contracts have relatively low profit margins but generate stable cash flows over the long term. Therefore, by growing such businesses so that they account for a greater share of profits, we will mitigate performance fluctuations in our marine transport businesses as a whole. Further, as the third pillar of our approach, we will increase the relative weight in our business portfolio of domains such as logistics and real estate, whose performances are affected by factors that are completely different from those that affect the performances of marine transport businesses. We will become a corporate group that can generate consistent profits by building a well-balanced business portfolio based on three major pillars: high-risk, high-return marine transport; long-term stable marine transport; and non-marine transport, such as real estate, warehousing, and offshore businesses.

With our sights set on establishing the aforementioned business portfolio structure, in January 2022 we implemented tender offers for DAIBIRU CORPORATION and Utoc Corporation, which were listed subsidiaries, and then made them into wholly owned subsidiaries. Both of these companies have long histories and have established strong positions in their respective business fields. I am confident that the companies will be able to achieve even greater growth by incorporating MOL's network and global business experience and, if required, MOL's capital strength. Particularly in Asia, which is a target region of our Regional Strategy, we anticipate burgeoning demand for the real estate services offered by DAIBIRU and the heavy goods transport services that are Utoc's specialty. By capturing demand for these services, we intend to maximize both companies' growth potential.

In addition, as we continue developing in fields beyond traditional business models, the extension of our roles in supply chains from existing roles in the marine transport field

to roles in upstream and downstream supply chain fields will open up a wider range of earning opportunities for us. In the marine transport business, in order to meet the needs of customers, we need to propose optimal transport methods based on an in-depth understanding of the customer's entire business. In the process, we will gain a detailed and extensive knowledge of the cargo being transported, the related industries, and the structures of businesses in the supply chain beyond the marine transport field. Historically, supply chain functions have gradually become specialized and discrete. However, I feel that there is scope for optimization of these functions through the provision of more-integrated services that extend beyond MOL's mainstay marine transport field to encompass upstream and downstream fields, such as

warehousing, real estate, and logistics. This approach is also related to the Regional Strategy that I will explain shortly. In particular, plans call for growing businesses in partnership with conglomerates and state-owned enterprises in India, China, and Southeast Asia. Nothing is written in stone to the effect that these entities only seek business relationships with MOL that are limited to transport. Since such countries have certain barriers to entry and business relationships with local companies cannot be created overnight, we will establish a business model that makes the most of the favorable reputation we have cultivated so far in terms of reliability, technological capabilities, and safety to venture into the joint operation of an array of businesses that are not limited to marine transport.

Rolling Plan Progress and Future Direction (2)

» Evolving Businesses by Combining Environmental and Regional Strategies

In addition to the Portfolio Strategy, the Environmental and Regional strategies will be important drivers of business development going forward. With regard to the Environmental Strategy, given current overall social trends, demand for goods and services that address environmental issues is likely to increase in various fields, including renewable energy and environmental protection. Accordingly, MOL aims to seize the business opportunities stemming from such demand. As part of these efforts, in fiscal 2021 we embarked upon our first investment in the offshore wind power generation business, a business field that has a strong affinity with our knowledge of offshore operations. This business is in a field that companies from various peripheral industries, such as electric utilities and engineering, are endeavoring to enter with an eye on the market's growth potential, but we believe that there are sure to be business opportunities that a marine transport company can capture by utilizing its personnel and expertise. Specific areas in which we could establish businesses include the installation and maintenance of power generation facilities or the acquisition of floating offshore wind power generation facilities to enter into the power generation business. We want to actively develop such business opportunities because their realization will both address social issues and increase our growth potential.

Further, Rolling Plan 2022 earmarks an additional ¥360.0 billion for environmental investment over the next three fiscal years—up significantly from that of the previous Rolling Plan.

With this investment, we will expand our low- and zero-emission energy businesses, including the offshore wind power generation business, and evolve our existing marine transport businesses by developing a fleet that uses alternative fuels to reduce our GHG emissions. In this way, we will be able to continue providing services that are both socially sustainable and the preferred choice of customers.

Next, I will turn to our Regional Strategy. Traditionally, our sales organization has been vertically divided according to vessel type. In this business model, for instance, the car carrier business is run by the Car Carrier Division, while the LNG carrier business is run by the LNG Carrier Division, with each division located in the Tokyo Head Office and developing separate operations around the world. This way of organizing businesses has certain advantages in terms of promoting expertise and efficiency. However, even if one division works hard and manages to establish a business relationship with a major customer in one country, other divisions may be focusing efforts on another country with higher priority for them. Consequently, the Group may not fully utilize painstakingly established bridgeheads. Therefore, I want to build a structure that can spread the benefits of such hard-won positions across the organization. Although our development of this type of organization is still incomplete, over the past few years we have been introducing a system whereby the Corporate Marketing Division, chief executive representatives, and chief country representatives take a more comprehensive approach





to regions that are not restricted by the divisional boundaries. By advancing this approach even further and implementing initiatives ahead of those for other regions, we are developing an "India model" (→ page 21). In fiscal 2022, we have appointed to the new position of executive officer in charge of South Asia and the Middle East an Indian officer who is conversant with local conditions and delegated authority on matters related to regional business development to this officer. We are initiating this type of structural change because the creation of a system in which the officer with regional responsibility is given discretion and flexibility is essential if we are to

realize our Regional Strategy of jointly operating a range of businesses by becoming the trusted partner of local companies in each country.

The first reason why we have chosen India as a target is the scale of the country's market. There is ample scope to establish similar structures in countries such as Indonesia, where we have been engaged in businesses for many years, and the Philippines, which is a major supplier of crew members. Given the resources that need to be committed, however, we wanted to begin by tackling a large-scale market. A second reason for selecting India is that, while various barriers to entry remain, once business foundations have been established and become entrenched in the country and its market, we will be able to leverage this position to expand other businesses. As we have a track record of doing business with Indian customers in the fields of tankers and LNG carriers, we want to extend these business activities to include car carriers and dry bulkers. We are not yet at the stage of being able to set specific targets for sales and profits, but the goal is to quickly grow operations to a scale where 30 to 40 India-based vessels are continuously transporting cargo to the country. If this endeavor is successful, we will introduce the model to the markets of other countries and regions, including Southeast Asia, China, Brazil, and Africa.

Reinforcement of the Management Resources for Growth Strategy Implementation

» Pursuing the Human Resource Management and M&As Needed for a New MOL

In realizing the Portfolio, Environmental, and Regional strategies that I have explained so far, the Group must strengthen in-house management resources. We are placing particular emphasis on finding and securing personnel and ensuring that each employee fully realizes their potential. With its business fields continuing to expand, the Group must establish a workforce that accounts for an even greater range of skill sets and aptitudes. Further, since the scope of our businesses is global, proceeding with Japanese personnel alone would be impractical. In other words, we need the capabilities of local personnel who are thoroughly familiar with each region's values and business practices. The current management of the Company's organization is still being conducted by a Japanese senior management team in Tokyo. Consequently, the promotion of diversity and inclusion is an urgent task. This task is easy to

identify but very difficult to accomplish. Nonetheless, I believe that the issue of diversity and inclusion is a challenge that the Group must overcome if it is to survive as a sustainable corporate group going forward.

Also, M&As are a powerful way of simultaneously acquiring personnel and businesses. In selecting partners, we will focus on acquiring companies that operate in environmental business fields—particularly in the fields of renewable energy and alternative fuels—but which lack the funds and personnel needed for further growth. Combining the resources of such companies with our funds and personnel will enable us to grow together. When searching for such partners both domestically and internationally, we will focus on finding groups of people with whom we have an affinity and compatibility that makes us want to work and grow businesses with them.

Social Sustainability and MOL

» Seeking the Business Sustainability Essential for a Company Engaged in Social Infrastructure Projects

The word "sustainability" can be interpreted in several ways. I view the achievement of sustainability as meaning that we are able to continue pursuing our fundamental purpose as a social infrastructure provider, which is to bring capital and personnel together to build platforms and create new value. Throughout its history, the marine transport industry has been at the mercy of market fluctuations and has experienced many significant successes and failures. A business is not sustainable if a failure can result in severe damage that makes continuation of the business impossible. As a company engaged in social infrastructure business, we would like to focus on sure-footedly conducting appropriate operations to ensure our continued provision of value to society over time frames of 10 to 20 years. I do not think an approach of constantly seeking the next boom is desirable.

The pursuit of sustainability and profitability tend to be seen as mutually exclusive, but I believe that we can view the matter in a more unified way. In April 2022, the Group announced the MOL Sustainability Plan. In light of changes in the Company's business environment and in society as a whole, we have analyzed and reviewed our previously established Sustainability Issues (Materiality) and set out specific key performance indicators (KPIs) and action plans for each Sustainability Issue. When starting new businesses, we will select and pursue initiatives in fields that are truly useful to and needed by society. If we can make a positive impact on the structural challenges of society while earning returns through such efforts, I think we can say that we are making a significant contribution to sustainability.

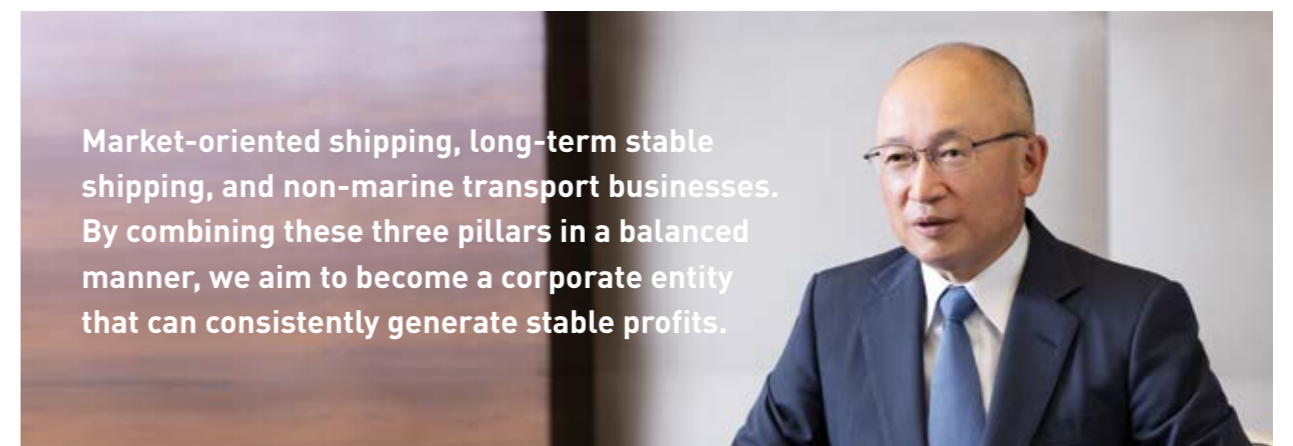
In Conclusion

» Aligning Business Development with Future Global Trends

Globally, the outlook is extremely unpredictable. At present, geopolitical issues represent a huge risk, but even if peace is restored, issues such as climate change, food shortages, and demographic imbalances remain unsolved. The unfolding of events will bring progress and setbacks, and at times the world may become even more divided. Although there are likely to be many twists and turns, I feel that thinking about pandemics and other difficult global issues inevitably brings us back to the

conclusion that the only way to tackle and resolve them is for the world to work in unison. With this in mind, we must pursue management strategies focused on developing businesses that enable the world's seven or eight billion people to prosper together in peaceful, safe environments.

I would like to ask our shareholders and other stakeholders for their continued support and understanding.



Input

The MOL Group's Capital

Financial Capital

- ▶ Financial base that underpins reliable performance of long-term contracts, some of which cover periods of more than 20 years
- ▶ Stable cash flows generated from a diverse portfolio of vessel types and businesses

Manufactured Capital

- ▶ Diverse fleet of approximately 800 vessels
- ▶ Sales and ship management offices in 41 countries and regions

Intellectual Capital

- ▶ In-depth understanding of vessel operations and cargo handling as well as advanced maritime skills
- ▶ Broad knowledge of vessels backed by extensive experience
- ▶ Strong commitment to innovation of the marine transport business and a wide range of expertise as a base
- ▶ Project management capabilities for discovering needs and commercializing ideas

Human Capital

- ▶ Highly diverse land-based personnel and crew members numbering around 14,000
- ▶ Personnel who share the MOL CHARTS values

Social and Relationship Capital

- ▶ History and track record stretching back more than 130 years
- ▶ Customer networks and partnerships in Japan and overseas
- ▶ Presence in maritime clusters around the world

Natural Capital

- ▶ Natural environment that sustains business continuity

Our Activities



Output

Fiscal 2021

Marine Transport Business

MOL voyages
Approx. **3,100**
(Excluding time charter-out voyages)

Offshore Businesses

4 FSRUs
7 FPSOs
1 Powership

Logistics Business

The MOL Group's marine cargo volume
Approx. **180,000** TEU

The MOL Group's air cargo volume
Approx. **60,000** tons

Terminal Business

Cargo volume of MOL Group terminals in Japan and overseas
Approx. **7.7** million TEU

Real Property Business

Total floor area of DAIBIRU-owned properties
Approx. **710,000** m²

Offshore Wind Power Generation-Related Businesses and Clean Energy Businesses

Involvement in offshore wind, wave power, tidal power, and ocean thermal energy conversion (OTEC) generation

Outcome

Fiscal 2021

Financial Capital

Ordinary profit
¥721.7 billion
Free cash flow
+¥200.1 billion

Rating and Investment Information, Inc. (R&I) issuer rating
Regaining of a rating within the "A" class (A-)

Manufactured Capital

Newbuild vessels completed
29
(Including four vessels related to environment-friendly and emission-free businesses)
Appointment of four new chief country representatives, including in Kenya

Intellectual and Human Capital

New graduate hires
58
Mid-career hires
24
Technical personnel
71
Sea-based employees
434

Social and Relationship Capital

Participation in the World Economic Forum (Davos Forum)
Commencement of improvement of initiatives for chartered vessel owners

Natural Capital

CO₂ emissions reduction
-1,025,000 tons
(Scope 1, compared with pre-pandemic level)
• Initiatives to restore the natural environment in Mauritius (→page 53)
• Launch of a blue carbon project (→page 38)

Realization of the MOL Group Vision

Achievement of the fiscal 2027 management indicators established in Rolling Plan 2022

Ordinary profit
¥200.0 billion
ROE
9.0–10.0%

Achievement of targets established in the MOL Sustainability Plan

Reinvestment and the accumulation of knowledge