



# **Management Plan**

## **“Rolling Plan 2019”**

April 26, 2019

Mitsui O.S.K. Lines, Ltd.

## Financial Indicators

	Equity Ratio	Gearing Ratio	Ordinary Profit	ROE
FY2016	25.8%	1.96	¥25.4 billion	0.9%
FY2017	23.0%	2.19	¥31.4 billion	-8.7%
FY2018	24.6%	2.11	¥38.5 billion	5.2%

## Quantitative Evaluation by Business Segment

### □ Containership Business (ONE)

In FY2018, as the first year of ONE's service commencement, liftings did not reach pre-integration levels due to operational teething problems after the launch of service, stemming from a personnel shortage and a lack of staff proficiency with the system. This led to a significant downturn in ordinary profit from the initial outlook. MOL recorded -¥20.2 billion in equity earnings from ONE, and -¥14.3 billion in ordinary profit for the overall containership business.

### □ Businesses Excluding Containership Operations

The businesses remained generally firm amid a growing sense of uncertainty in the external business environment due to factors such as U.S.-China trade friction. These businesses recorded ¥52.8 billion in profit, due in part to the effects of the past structural reforms in the dry bulk business and contributions from mid- and long-term contracts centered on the LNG Carriers and Offshore businesses.

**10-year vision**

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

**Changes in external environment**

- ✓ Shift to a decarbonized society
- ✓ Changes in trade patterns due to expanding protectionism
- ✓ Slowdown of global economy
- ✓ Fleet supply pressure due to excess shipbuilding capabilities in China and South Korea

**Recognition of the situation**

**In the near future, we will almost certainly face difficulties in keeping appropriate and stable returns through conventional ocean shipping business alone**



**Three Core Strategies to realize the 10-year vision**

**①** Concentrated investment of management resources in business fields where MOL has strengths, mainly the offshore businesses

To maintain our competitiveness and ensure solid returns, we preferentially allocate management resources in fields where we have strengths... P.7

**②** Provision of "stress-free services," which MOL will offer from the customer's perspective

Continue to work on the five Groupwide priorities set in FY2018, while also focusing on two newly set FY2019 focus areas...P.3

**③** Promotion of environmental strategies and development of emission-free business into a core business

## Priority Areas for Development Continued from FY2018

### Marine Technical Skills

- Thoroughly enforce safe operations that underpin high-quality transportation and work to further improve ship management quality

### ICT

- Develop underlying technologies for autonomous sailing
- Promote the FOCUS project

#### FOCUS Project

Aims to further enhance safe operation and reduce environmental burden by collection, advanced monitoring, and analysis of voyage and engine data for about 150 operated vessels.

### Technological Development

- Promote construction of LNG-fueled vessels

### Environmental and Emission-Free Business

- Promote the LNG fuel supply business as well as studies and research on alternative fuels
- Establish an organizational structure to promote environmental management (The Environmental Management Committee established as an organization under the Executive Committee.)

### Workstyle Reforms

- Promote workplace reforms

#### Workplace Reforms

A pilot office to open this May on the 5th floor of the Head Office, with the goal of realizing a diverse and flexible workstyle.

## Focus Areas for FY2019

### Development of Groupwide Safety and Quality Management

- Visualize the status of the Groupwide safety and quality
- Improve Groupwide safety awareness and take specific measures

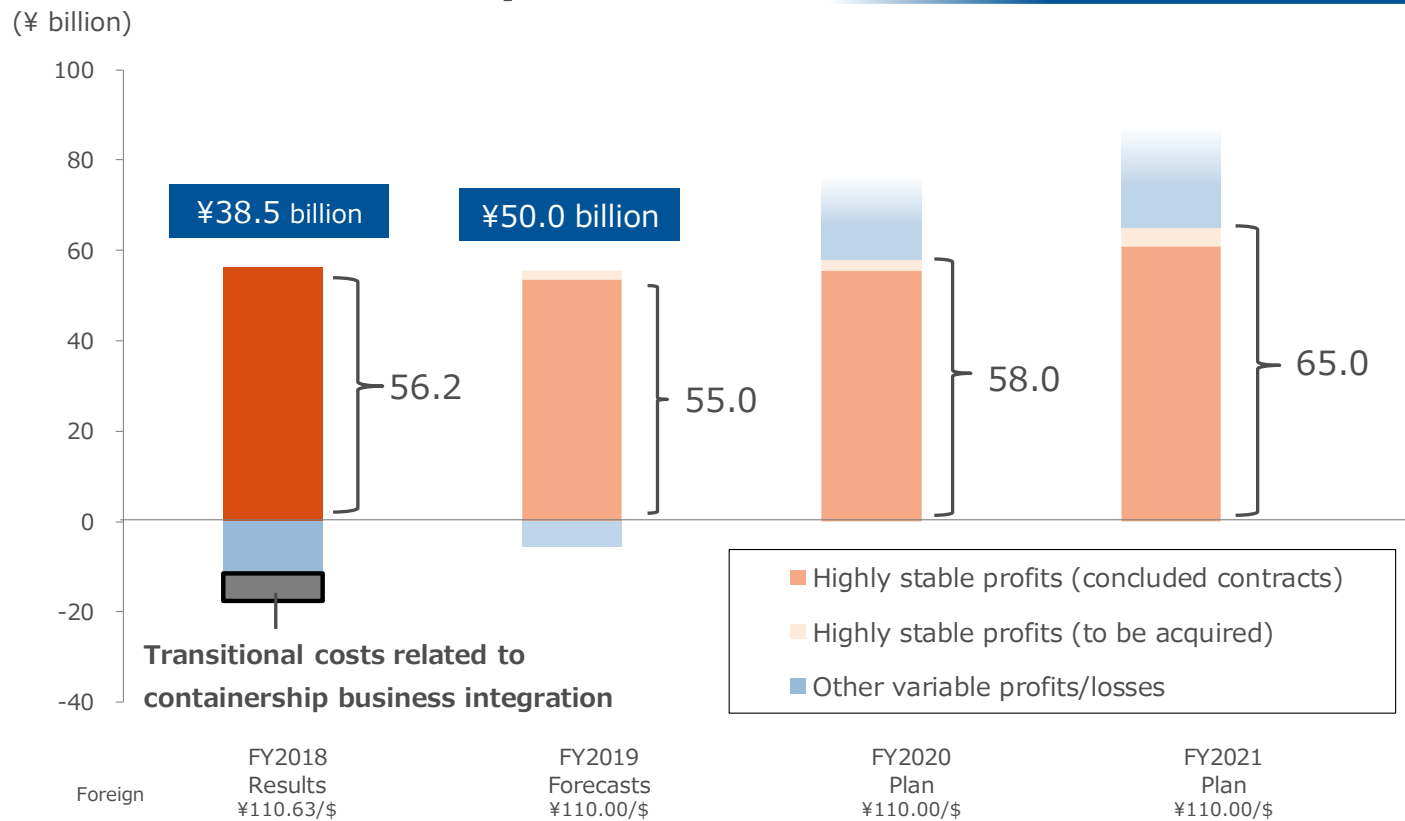
### Strategic Actions for Compliance with SOx Regulations

- Comply with regulations on a Groupwide, cross-sectional basis to allow MOL-operated vessels to switch fuels safely and economically
- Examine the effects of compliant oil on vessel performance to prevent technical problems

# Roadmap to Improving Profit (Updated from RP2018)

## Ordinary Profit

Projected medium-term levels  
¥80.0-100.0 billion



**Highly Stable Profits + Other Variable Profits (Losses) = Ordinary Profits (Total)**  
**Highly stable Profits** : Dry bulkers/Tankers (medium- to long-term contracts), LNG carriers/Offshore businesses, and Associated Businesses  
**Other variable profits (losses):** Dry bulkers/Tankers (spot operations), Car carriers, Containerships, Terminals & Logistics, and Ferries / Coastal RoRo ships

# Medium- and Long-term Profit Targets(As per RP2018) **MOL**

## Medium- and Long-term Profit Levels and Key Financial Indicators

	Projected Medium-term Levels	2027 Targets
Ordinary Profit	¥80.0-100.0 billion	¥150.0-200.0 billion
ROE	8~12%	—
Gearing Ratio	2.0 or less	1.0

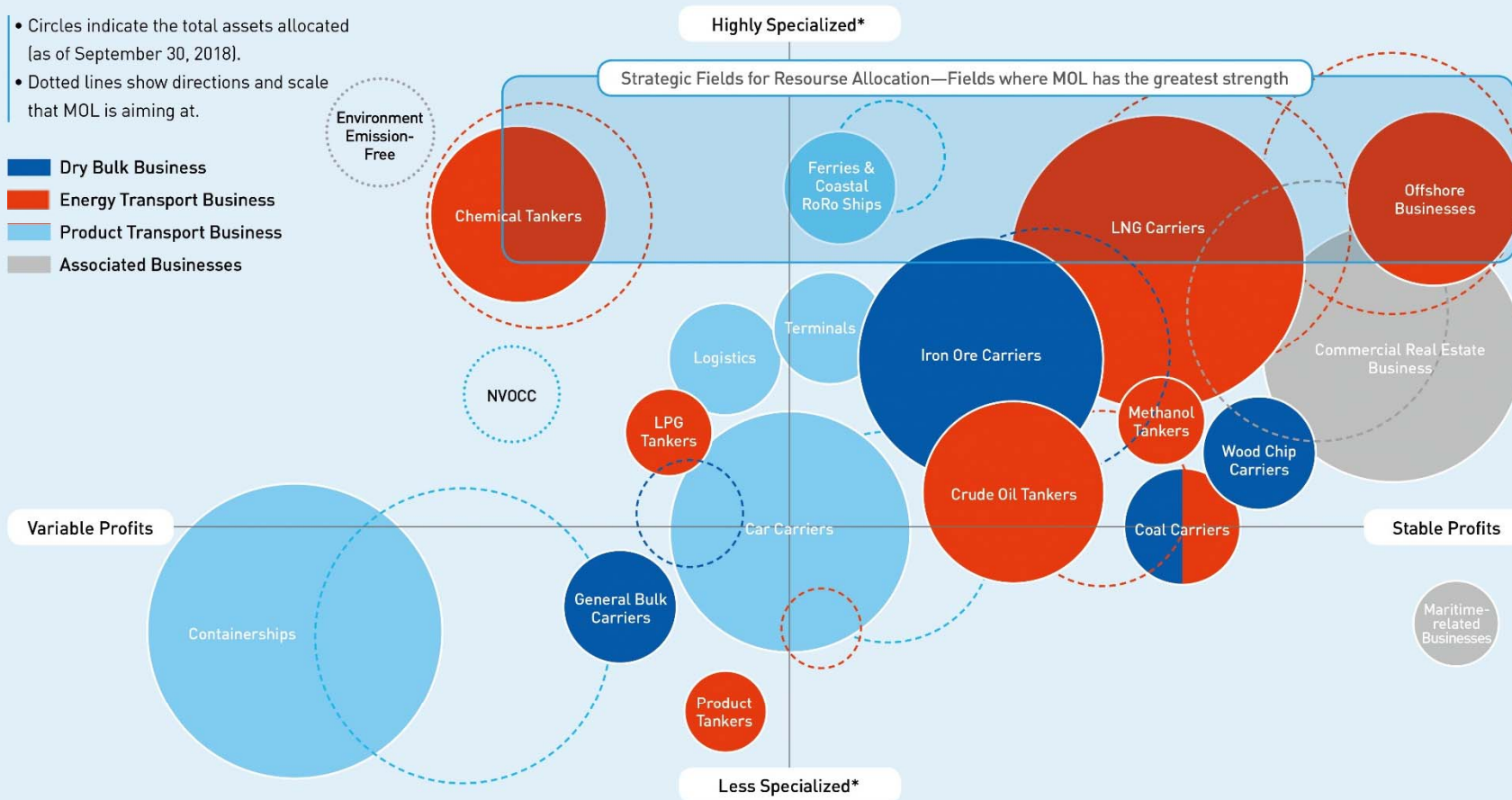
## Shareholder Returns

Set a 20% dividend payout ratio as a guideline in the near term, while working to improve this ratio in a medium to long term.

# Business Portfolio and Strategic Fields for Resource Allocation (Updated from RP2018)

- Circles indicate the total assets allocated (as of September 30, 2018).
- Dotted lines show directions and scale that MOL is aiming at.

- Dry Bulk Business
- Energy Transport Business
- Product Transport Business
- Associated Businesses

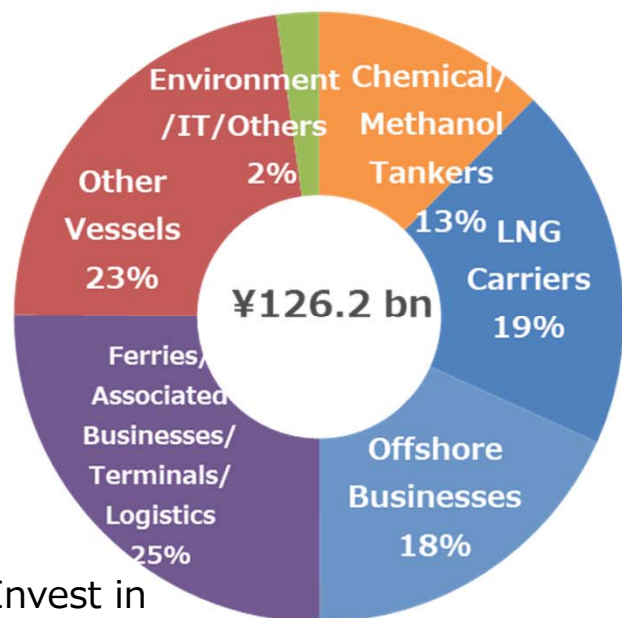


- \* In Plotting the vertical axis (highly to less specialized), each business was considered comprehensively after taking into account of the following perspectives:
- MOL's relative competitive superiority
  - Versatility of vessel type
  - Niche or mass market
  - Competitive environment

- ◆ **Offshore Businesses:** FPSO, FSRU, powership businesses, etc. based on environmental and emerging market needs, where MOL's knowledge and technology accumulated in LNG and energy transport can be applied.
- ◆ **LNG Carriers:** High value-added, highly difficult LNG transport and handling businesses based on track records in areas such as operation of ice-breaking vessels
- ◆ **Chemical Tankers:** Total logistics business for chemicals, not limited to ocean transport by tankers
- ◆ **Ferries:** Continual efforts to maintain a cutting-edge ferry fleet, capitalizing on increasing demand caused by the modal shift

# Investment Cash Flows (Updated from RP2018)

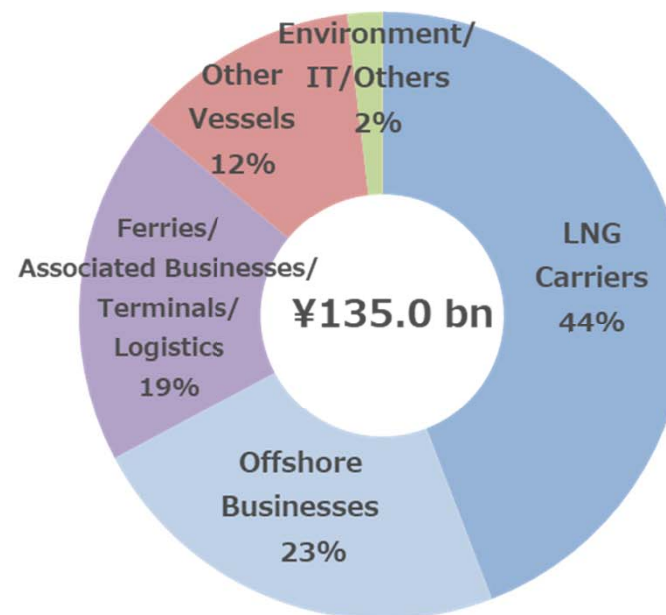
## 1. FY2018 Results



+ Invest in Containership JV

## 2. FY2019 Outlook

(New projects internally approved for investment and potential investment projects)



- ✓ Increase investments in offshore businesses
- ✓ Continue to carefully select projects for investment









# Business Strategies (Updated from RP2018)



Segment	Strategies for Growth	Major Achievements in FY2018
Dry Bulkers	Offer services based on customer needs, such as environmental solutions	<ul style="list-style-type: none"> <li>◆ Acquired new mid- and long-term contracts and succeeded in extending some contracts for iron ore and woodchip carriers</li> <li>◆ Acquired biomass fuel transport contract for mid- and small-size bulkers</li> </ul>
Tankers	<p>Product tankers: Scale down owned fleet, while maintain business networks and secure fee by pool operation</p> <p>Chemical tankers: Pursue synergy among different chemical businesses acquired in FY2018</p>	<ul style="list-style-type: none"> <li>◆ Steadily reduced product tanker fleet</li> <li>◆ Acquired 100% stake in Nordic Tanker (MOLCT)</li> <li>◆ Acquired 20% stake in Den Hartogh (MOLCT)</li> <li>◆ Promoted a tank terminal construction project in Belgium (MOLCT)</li> </ul>
LNG Carriers	<p>Target high value-added, highly difficult LNG transport and handling businesses based on track records in areas such as operation of ice-breaking vessels</p> <p>Expand LNG bunkering vessel business</p>	<ul style="list-style-type: none"> <li>◆ An ice-breaking LNG carrier completed eastern transit via the Northern Sea Route, heading to East Asia</li> <li>◆ Concluded a long-term charter contract for LNG bunkering vessels with Singapore state energy company</li> </ul>
Offshore Businesses	Collaborate with industry leaders or competitive partners in each business field	<ul style="list-style-type: none"> <li>◆ Entered preliminary agreement for long-term charter contract for FSRU serving Hong Kong Offshore LNG Terminal Project</li> <li>◆ Participated in construction, ownership, operation of FSRU for Jawa 1 Gas-Fired IPP Project in Indonesia</li> <li>◆ Agreed to build partnership in LNG powership business</li> </ul>
Car Carriers	Restructure the transport network by carefully examining operational profitability, while making use of the fleet's cost competitiveness	<ul style="list-style-type: none"> <li>◆ Launched the new car carrier operations support system, PCC.NET with the objectives of improving operational efficiency, enhancing business management, and improving customer service</li> <li>◆ The 2<sup>nd</sup>~3<sup>rd</sup> next-generation FLEXIE Series car carriers entered service</li> </ul>
Containerships / Terminals	Aim for a swift turn to profitability for ONE by optimizing cargo and product portfolio and producing synergetic effect of integration	<ul style="list-style-type: none"> <li>◆ ONE commenced service in April and quickly addressed operational teething problems immediately after the commencement of services, normalized business operations, and achieved synergistic effects earlier than expected</li> </ul>
Logistics / Ferries	<p>Logistics: Develop asset-light business</p> <p>Ferries: Capture rising demand through steady fleet development</p>	<ul style="list-style-type: none"> <li>◆ Launched "MOL Worldwide Logistics" as a unified brand for the NVOCC business to enhance group-wide cooperation</li> <li>◆ Two newbuilding ferries and one RoRo ship entered service</li> </ul>
Associated Businesses	Commercial real estate business: Develop overseas business	<ul style="list-style-type: none"> <li>◆ LNG-fueled tugboat delivered</li> <li>◆ Participated in office rental business in Sydney (Daibiru)</li> </ul>

(Text in red applies to the environment and emission-free businesses) 9

# Fleet (Updated from RP2018)

		at the end of Mar.2018 (Result)	at the end of Mar.2019 (Result)	at the end of Mar.2022 (Plan)
Dry Bulkers (incl. Steaming Coal Carriers)		337	330	335
Tankers (incl. Chemical Tankers)		173	181	180
(Product Tankers)		(39)	(21)	(19)
(Chemical Tankers)		(61)	(83)	(93)
LNG Carriers/Offshore Businesses (incl. Ethane Carriers)		90	100	114
Car Carriers		119	113	113
Others		47	50	47
<b>Subtotal</b>		<b>766</b>	<b>774</b>	<b>789</b>
Containerships (*)		91	65	46
<b>Total</b>		<b>857</b>	<b>839</b>	<b>835</b>

Note: Including spot-chartered ships and those owned by joint ventures

(\*) Operated by ONE from April 2018

## MOL's Sustainability Issues (Materiality)

- Value-added transport services
- Marine and global environmental conservation
- Innovation for development in marine technology
- Human resource cultivation and community development
- Governance and compliance to support businesses



Maximize MOL's economic and social value



## Examples

- ✓ Establishment of the Environmental Management Committee

The committee was established effective April 1, 2019, to serve as a control tower for MOL's environmental strategies in response to evolving environmental measures, social and political trends, and customer needs.

- ✓ Issuance of Green Bonds

MOL issued a total of ¥10 billion in green bonds with the aim of funding MOL-developed green projects (Note). ¥5.0 billion of which were sold to individual investors for the first time in Japan as an operational company.

Note: (1) Ballast water treatment system, (2) SOx (sulfur oxide) scrubber, (3) LNG-fueled vessels, (4) LNG bunkering vessels, (5) Upgraded PBCF, (6) Wind Challenger project

**M O L**