

March 29, 2024

Notice Concerning Revision of Executive Remuneration System

~ Increasing Linkage between Management Plan and Remuneration System ~

TOKYO—Mitsui O.S.K. Lines, Ltd. (MOL; President & CEO: Takeshi Hashimoto) today announced the approval of a resolution at the Board of Directors meeting on March 29, 2024 to incorporate the management indicators (Core KPIs) set forth in the management plan "[BLUE ACTION 2035](#)" into the remuneration system for executive officers ^(Note 1) to enhance the linkage between the management plan and the remuneration system. This will be applied starting with fiscal year 2024.

This remuneration system consists of monthly remuneration (monetary remuneration) as fixed remuneration, single-year performance remuneration (monetary remuneration), and long-term target contribution remuneration (stock remuneration) as variable remuneration. Currently, the degree of achievement of company-wide performance targets (consolidated ordinary income, etc.) and the degree of achievement of the plan for the performance of the responsible division as an individual evaluation, and further the degree of achievement of safe operation indexes are evaluated for single-year performance remuneration. The performance indexes used to determine remuneration for contribution to long-term targets reflect the total shareholder return (TSR) (including dividends) growth rate in comparison with the TSE stock index and competitors, return on equity (ROE) for a single fiscal year, and the degree of achievement of individual mid- to long-term contribution targets. However, the evaluation of Core KPIs outlined in BLUE ACTION 2035 will be incorporated into the executive remuneration system as follows.

The change is based on an objective and transparent procedure, with the MOL Remuneration Advisory Committee ^(Note 2) involved in the review of the proposed system and the Board of Directors passing a resolution.

【Core KPIs outlined in BLUE ACTION 2035】

<Financial KPI>

- ① Consolidated net income before income taxes (target for FY2025: ¥240 billion, target for FY2035: ¥400 billion)
In line with the Core KPI of the management plan, the profit target linked to the single-year performance remuneration will be changed from "consolidated ordinary profit basis" to "consolidated income before income taxes basis."
- ② Net gearing ratio (target: 0.9 to 1.0)
The single-year performance remuneration is increased or decreased by a certain multiplier depending on whether the target net gearing ratio at the end of the fiscal year has been achieved.
- ③ ROE (target: 9.0-10.0%)
Already incorporated into the performance evaluation item of the long-term goal contribution remuneration, no change.

<Non-financial KPIs>

- ④ [Environment] Reduction rate of greenhouse gas (GHG) emission intensity (compared to 2019)
(Target for FY2035: 45% reduction)
To meet the 2035 reduction target for the GHG emissions intensity reduction rate, the single-year performance remuneration will be increased or decreased by a certain multiplier depending on whether the target value is achieved or not for the relevant fiscal year.

- ⑤ [Safety] 4 Zeroes (Zero serious marine incidents, zero oil pollution, zero fatal accidents, and zero serious cargo damage)
Already incorporated into the performance evaluation item of the single-year performance remuneration, no change.
- ⑥ [Human Capital] Head Office land-based employees: Ratio of female manager/MGKP ^(Note 3) incumbency rate (Female/non-headquarters origin/under 40 years old)
Since these targets ultimately result in increased employee engagement, the degree of improvement in the engagement of all employees, including those of group companies, is measured as a comprehensive KPI for human resources, and the target value is to have more than 70% of the organizations with improved measured KPI scores. Single-year performance remuneration is increased or decreased by a certain multiplier depending on the achievement/non-achievement of the target value.
- ⑦ [Digital Transformation (DX)] Conversion rate to value-creating and safety operations (FY2025 target: 10%, FY2035 target: 30%)
To achieve the 2035 target for the conversion rate to value-creating and safety operations, the single-year performance remuneration will be increased or decreased by a certain multiplier depending on whether the target value is achieved or not for the relevant fiscal year.

Meanwhile, the non-financial KPIs ((4), (6), and (7) above), which have been newly incorporated into the executive remuneration system, measure the degree of achievement of the roadmap for achieving future goals based on the target values for the relevant fiscal year, and MOL believes that the achievement of these targets for the year will be reflected in the improvement of its corporate value in no time, and it also has decided to incorporate this into single-year performance remuneration to encourage executives themselves to work with speed toward achieving non-financial targets.

MOL will continue to monitor at all times whether this remuneration system is functioning effectively, and review the system in a timely and appropriate manner to enhance corporate value while taking into account objective remuneration market survey data from outside professional organizations and trends in other companies' remuneration systems. In the future, a remuneration level that will also motivate employees to seek executive positions, i.e., if the company achieves the profit level targeted in the "BLUE ACTION 2035" management plan, the company will work urgently to restructure the remuneration system so that the level of remuneration is commensurate with the results achieved, and to expand the performance-linked ratio, so that the remuneration system can function more as an incentive for executives, especially the ratio of stock-based remuneration consisting of remuneration for contribution to long-term targets with an awareness of further value sharing with shareholders.

(Note 1) Executive officers: Executive officers, including those who concurrently serve as directors and group executive officers.

(Note 2) Remuneration Advisory Committee: Outside directors constitute the majority of the committee members, and the committee is chaired by an outside director. Corporate auditors may attend committee meetings and express their opinions to understand the deliberation process.

(Note 3) Acronym for MOL Group Key Positions, which refers to posts designated as the Head Office division manager positions regardless of group or global.

MOL Group 5 [Sustainability Issues](#)

MOL Group identifies "Sustainability Issues" (Materiality) as our key issues for sustainable growth with society through realization of the Group Vision. We anticipate this initiative to contribute especially to the realization of "Governance -Governance and compliance to support businesses-".



Inquiries regarding this matter

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