

Corporate Governance

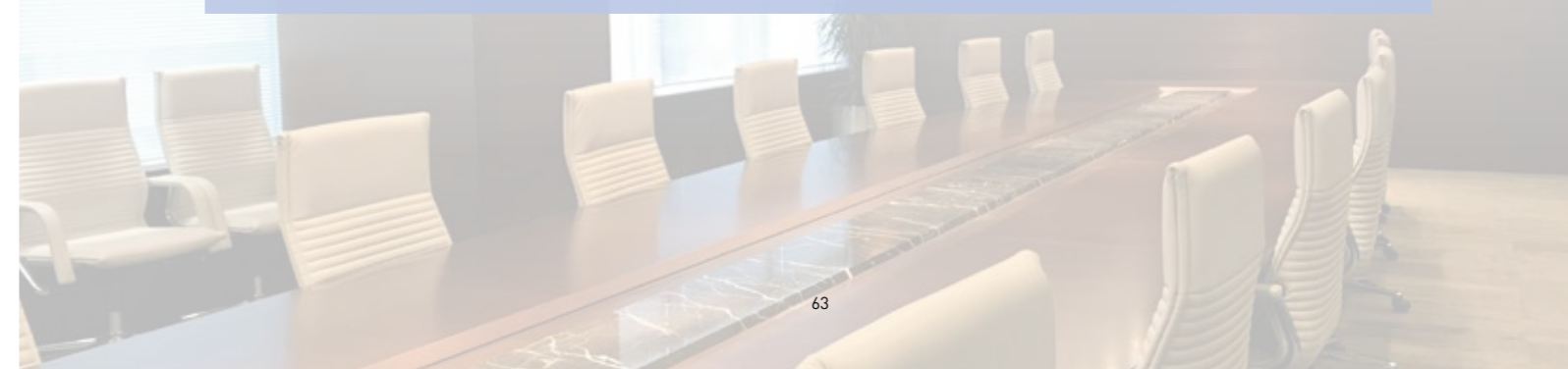
Corporate Governance for Sustainable Growth and Enhancement of Corporate Value

MOL greatly shored up its management structure around 2000. Taking a lead position among Japanese companies at that time, MOL established an advanced and highly transparent corporate governance structure by, for example, inviting outside directors and introducing an executive officer system. The business environment surrounding the marine transport business and its risk factors change rapidly. In order to navigate through such a difficult situation, we must accurately grasp our business environment, always confront risks appropriately, and effectively utilize management resources in a

careful balance of offense and defense. We believe that the essentials of corporate governance are fostering sustainable growth and increasing corporate value by making decisions swiftly and boldly, guided by appropriate risk management, while ensuring the transparency and fairness of management and carefully considering the viewpoints of our diverse stakeholders. Based on this belief, we will make continuous efforts to promote our level of corporate governance.

Governance Summary (As of June 30, 2020)

Our Key Progresses in 2019 <ul style="list-style-type: none"> • Formulation of a President and CEO succession plan • Participation of outside Audit & Supervisory Board members on the Nomination Advisory Committee and the Remuneration Advisory Committee as non-voting members • Reduction of strategic shareholdings 			
Governance System Company with an Audit & Supervisory Board	Total Directors 8 Including outside directors (ratio) 3 (37.5%)	Total Audit & Supervisory Board Members 4 Including outside members (ratio) 2 (50%)	Independent Officers (Directors and Audit & Supervisory Board Members) 5
Percentage of Female Directors 12.5% (1 out of 8)	Number of Board Meetings Held 10 (Fiscal 2019)	Attendance Rate of Outside Directors for Board Meetings 100% (Fiscal 2019)	Term of Directors 1 year
Nomination Advisory Committee Chair of committee: Etsuko Katsu (outside director) Number of members: 4 Percentage of outside directors: 75% Number of meetings: 6 (Fiscal 2019)		Remuneration Advisory Committee Chair of committee: Masaru Onishi (outside director) Number of members: 4 Percentage of outside directors: 75% Number of meetings: 5 (Fiscal 2019)	
Performance-Based Compensation Yes	Stock Option System Yes	Retirement Benefit System No	
President Succession Plan Yes	Strategic Shareholdings as a Percentage of Net Assets 8.0% (including unlisted stocks) (as of March 31, 2020)	Anti-Takeover Measures No	

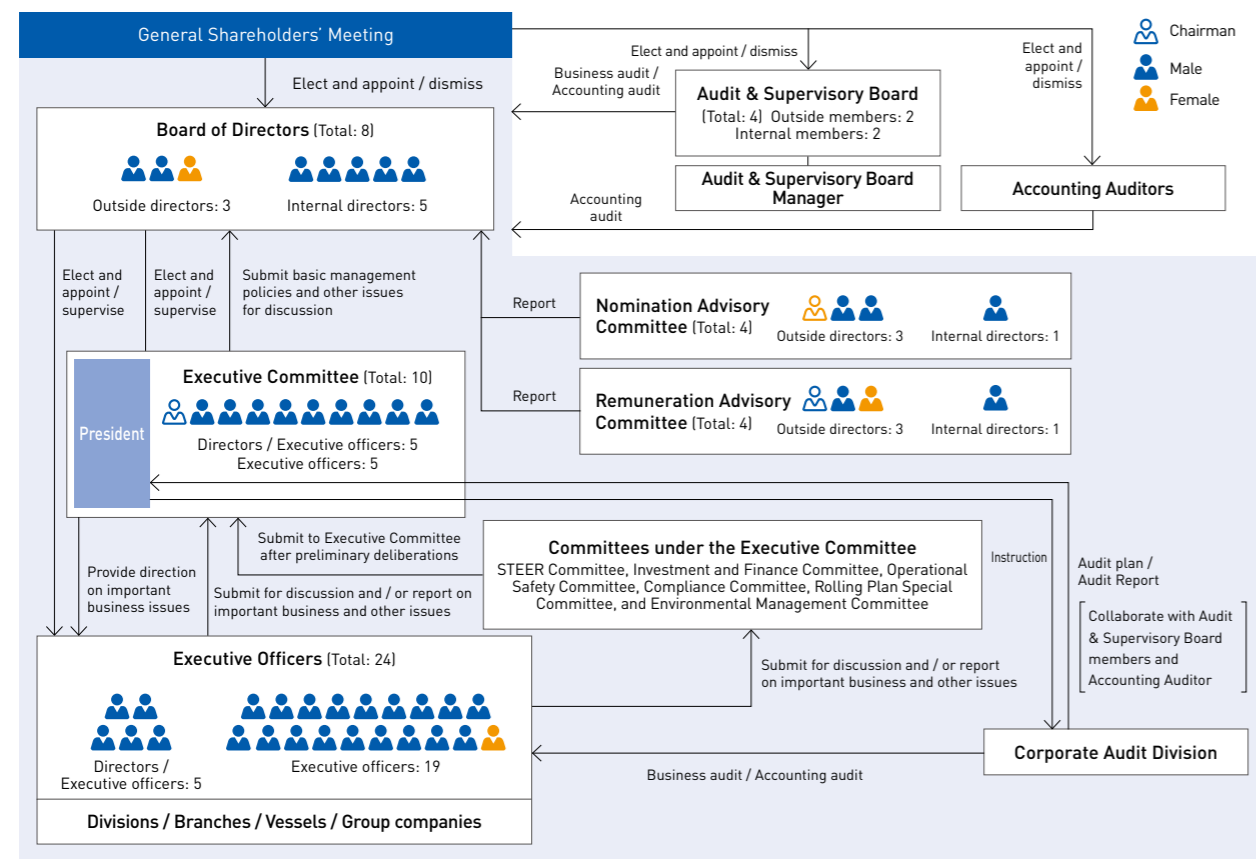


Corporate Governance

Corporate Governance Structure

MOL has established a corporate governance system that maximizes shareholder profits through the most appropriate allocation of management resources, with higher transparency of corporate management.

Corporate Governance Organization (As of June 23, 2020)



Major Organizations

Name	Details
Board of Directors	As the Company's highest-ranking decision-making body, the Board of Directors discusses and decides on basic policies and the most important matters connected with MOL Group management. At MOL, out of the three hours scheduled for every Board of Directors' meeting, one hour is allotted to "Deliberation on Corporate Strategy and Vision." For this deliberation, a theme is selected related to our management strategy, long-term vision, or management in general, providing the opportunity for free exchange of opinions including outside directors and outside Audit & Supervisory Board members. Since fiscal 2018, we have also held "Board Member Discussion Sessions" at appropriate intervals following Board of Directors' meetings to facilitate the early-stage sharing and discussion of important issues that have not reached the stage of official board agenda.
Audit & Supervisory Board	The Audit & Supervisory Board draws up audit plans and reports and shares audit results. All Audit & Supervisory Board members attend meetings of the Board of Directors, and full-time members also attend Executive Committee and other committee meetings to audit the deliberation and decision-making processes. By combining the information held by the full-time members and the high level of specialized expertise of the outside members, MOL has created a system that ensures the active exercise of authority from an objective standpoint.
Nomination Advisory Committee and Remuneration Advisory Committee	Under the Board of Directors, MOL has created the Nomination Advisory Committee and the Remuneration Advisory Committee as discretionary organizations. Both committees comprise three outside directors and the Company president, chaired by an outside director. The Nomination Advisory Committee focuses on the selection and dismissal of directors and executive officers. The Remuneration Advisory Committee focuses on the remuneration of directors and executive officers, including incentives for contributing to long-term enhancement of corporate value. Each committee discusses these matters from an objective standpoint.
Executive Committee and Committees under the Executive Committee	Within the scope of the basic policy approved by the Board of Directors, MOL transfers a significant amount of authority to conduct businesses to the Executive Committee. This helps to expedite decision-making on individual matters. Six committees exist under the Executive Committee to study and deliberate particularly important matters which are brought to the Executive Committee, as well as cross-divisional propositions.

Main Agenda Items for Each Advisory Committee in Fiscal 2019

Nomination Advisory Committee (held 6 times)	Remuneration Advisory Committee (held 5 times)
President and CEO succession planning Outside Audit & Supervisory Board member participation in the Nomination Advisory Committee as non-voting members Election of directors and executive officers for fiscal 2020 and other matters	Bonus for directors for fiscal 2018 and monthly remuneration for directors for fiscal 2019 Outside Audit & Supervisory Board member participation in the Remuneration Advisory Committee as non-voting members Director and executive officer compensation plans and other matters

Main Agenda Items for the Board of Directors' "Deliberation on Corporate Strategy and Vision" in Fiscal 2019

Month	Agenda	Month	Agenda
July	LNG carrier business strategy	December	Latent customer needs and digitalization
September	ICT strategy	January	MOL's Corporate Principles
October	Direction of Rolling Plan 2020	February	Overall summary of Rolling Plan 2020

Appointment and Dismissal Procedures of Directors and Audit & Supervisory Board Members

The MOL Group has set up the Nomination Advisory Committee in order to improve objectivity and transparency in selection procedures for directors and Audit & Supervisory Board members and also to strengthen accountability. The committee selects the candidates based on its set of standards and submits a report to the Board of Directors. From fiscal 2019, outside Audit & Supervisory Board members also began attending committee meetings as non-voting members so they could understand the deliberation process and express their opinions.

Standards for appointing directors

- a) Personnel who are able to contribute to enhancement of the enterprise value of the Company based on a wealth of experience and knowledge
- b) Personnel who are able to make management decisions globally from a broad-ranged perspective and foresight
- c) Personnel with high ethical standards and solid common sense

Standards for appointing Audit & Supervisory Board members

- a) Personnel who have an appropriate set of experience, qualification, ability, and expertise
- b) Personnel who possess a high degree of financial and accounting knowledge (more than one member)

The Board of Directors nominates the candidate directors and Audit & Supervisory Board members, taking into account reports submitted by the Nomination Advisory Committee. Candidates for Audit & Supervisory Board members are submitted to the Board of Directors after gaining the consent of the Audit & Supervisory Board.

Expected Expertise and Attributes for Directors

	Corporate management	Finance	Strategy and marketing	Global business	Risk management and compliance	ESG	Government agency or research institution
Internal							
Junichiro Ikeda Representative Director	●		●	●	●		
Takeshi Hashimoto Representative Director	●		●	●	●		
Akihiko Ono Representative Director			●	●	●	●	
Takashi Maruyama Representative Director		●		●	●		
Toshiaki Tanaka Director			●	●		●	
Outside							
Hideto Fujii Outside Director (Independent Officer)		●				●	●
Etsuko Katsu Outside Director (Independent Officer)		●				●	●
Masaru Onishi Outside Director (Independent Officer)	●			●	●		

Up to four areas of particularly expected expertise for the respective director. (The chart above does not indicate all the knowledge or expertise each director possesses.)

President and CEO Succession Plan

To appoint a president and CEO (hereinafter referred to as the "president") who is eligible for the company in a timely and appropriate manner, MOL has formulated a succession plan for the president that contains requirements, the appointment procedures, and a cultivation plan for

successor candidates. The Nomination Advisory Committee will deliberate on a plan for the next president (including the re-appointment and dismissal of the incumbent president) based on the succession plan and submit it to the Board of Directors.

Assessment of Board of Directors' Effectiveness

MOL assesses and analyzes the effectiveness of its Board of Directors by conducting a self-assessment questionnaire each year and deliberating the results at a Board of Directors' meeting. We strive to enhance Board of Directors' effectiveness by ascertaining issues through this process and formulating improvement measures.

Conducting Effectiveness Assessments	<p>Schedule</p> <p>Overview explanation of the procedure to directors: Late April (at a Board of Directors' meeting)</p> <p>Implementation of questionnaire: Early May</p> <p>Deliberations based on questionnaire results: Late May</p>	<p>Main Items in the Self-Evaluation Questionnaire</p> <ul style="list-style-type: none"> • Composition of the Board of Directors • Quality of discussions and appropriateness of risk management • Effectiveness of discussions pertaining to management plan • Management of "Deliberation on Corporate Strategy and Vision" 												
Assessment Results in Fiscal 2019	<p>After an assessment, it was concluded that the Board of Directors was composed appropriately and operated with a sufficient level of effectiveness. In particular for fiscal 2019, newly introduced summary sheets that organize the outlines and issues of agenda items further enhanced the productivity of discussions. The "Board Member Discussion Sessions" introduced in fiscal 2018 have become an established practice, and were highly acclaimed to have facilitated early-stage sharing and discussion of important issues that had not yet reached the board agenda. To further enhance effectiveness, there were some constructive opinions on which agenda items to take up and their time allocation. Opinions were also raised on the importance of focused discussions on medium- to long-term strategies corresponding to changes to the business environment due to COVID-19 and global economic trends</p>	<p>post-COVID 19. These points were recognized as issues to tackle going forward.</p> <p>Number of Agenda Items and Average Deliberation Time at Board of Directors' Meetings</p> <p>(Number of agenda items) (Minutes)</p> <p>By narrowing down the number of items to be discussed at meetings, we increased deliberation time per item.</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Number of agenda items resolved (left)</th> <th>Average deliberation time per agenda item (right)</th> </tr> </thead> <tbody> <tr> <td>FY2017</td> <td>61</td> <td>6.7</td> </tr> <tr> <td>FY2018</td> <td>56</td> <td>6.8</td> </tr> <tr> <td>FY2019</td> <td>43</td> <td>8.2</td> </tr> </tbody> </table>	Fiscal Year	Number of agenda items resolved (left)	Average deliberation time per agenda item (right)	FY2017	61	6.7	FY2018	56	6.8	FY2019	43	8.2
Fiscal Year	Number of agenda items resolved (left)	Average deliberation time per agenda item (right)												
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Directions for Fiscal 2020	<p>Taking into consideration the issues recognized during the fiscal 2019 assessment, in the next fiscal year the Board of Directors will work on improvements in three areas aiming to further enhance its effectiveness. These areas are (1) prioritizing agenda items to be discussed at Board of Directors' meetings, (2) reviewing the meeting outlines (number of meetings and their duration), and (3) inventing ways to make discussions more effective, such as organizing points of issues and improving explanation methods.</p>													

Initiatives to Ensure the Functions of Outside Directors and Outside Audit & Supervisory Board Members	
Support systems	Examples of activities of outside directors and outside Audit & Supervisory Board members (Fiscal 2019)
<ul style="list-style-type: none"> • Providing orientations on MOL Group's business at the time of assuming office • Prior explanation by documents or meeting on the Board of Director agenda items before each meeting <p style="text-align: right;">and others</p>	<ul style="list-style-type: none"> • Lectures and discussions at training sessions for executive officers, liaison meetings of group Audit & Supervisory Board members, etc. • Attendance at the long-service award and family day event for Filipino seafarers (the Philippines) • On-site visits to MOL-operated vessels as part of MOL's safety operation campaign • Observation of MOL Group companies' operation

Policy on Strategic Shareholdings

MOL holds shares in companies with which it has important business relationships and close cooperative relationships, including business alliances, for the purpose of enhancing the growth and corporate value of the company over the medium to long term by maintaining and strengthening these relationships. For the shares held by the Company, the rationality of holding them, such as the adequacy of the purpose and the profitability in light of the cost of capital, are reported to the Board of Directors individually every year. Following a comprehensive verification, shares that do not have adequate reasons to be kept are gradually reduced. As the result of the reduction of shares under this policy, the ratio of strategic shareholdings to net assets* had been reduced to 8.0% (7.0% if only listed stocks are counted) as of March 31, 2020.

* The total balance sheet amount of investment securities held for purposes other than pure investment as a percentage of consolidated net assets

Method of Computing Compensation for Directors and Audit & Supervisory Board Members

Director Compensation
<p>Basic Policy on Design of the Remuneration System</p> <ul style="list-style-type: none"> • The remuneration system shall give incentives for improving corporate value sustainably. • Remuneration shall be at a sufficient level for securing human resources, with reference to companies in the same industry or companies of the similar size. • The system shall be linked with business performance giving incentives for reaching performance goals, and achievement rate on the Company's strategic items shall be evaluated qualitatively. • Remuneration shall employ objective and transparent procedures, drawing on decisions made by the Board of Directors based on the findings of the Remuneration Advisory Committee, the majority of which consists of outside directors, chaired by an outside director.

Composition of Remuneration

Remuneration for MOL's directors consists of fixed monthly remuneration, performance-based cash bonus, and stock options. The composition ratio below is for a model case based on the assumption that the target of around ¥80.0 to ¥100.0 billion in ordinary profit is achieved.

Item	Component	Composition ratio	Details
Fixed Remuneration	Monthly Remuneration	65%	<ul style="list-style-type: none"> • An amount of remuneration is determined for each director depending on their responsibilities. • A fixed amount is paid monthly in cash.
	Performance-Based Compensation (Bonuses)	30%	<ul style="list-style-type: none"> • The level of performance of the entire Company's business results is determined based on achievement of performance goals set forth in the management plan, in consideration of dividend payout ratios and qualitative achievement of goals. • Bonus is determined by the base amount for each position according to the level of performance of the entire Company's business results, and additional individual compensation depending on the results of a division in charge. (No lower limits) • A variable amount is paid in cash every June.
Variable Remuneration	Stock Options	5%	<ul style="list-style-type: none"> • Aims to give incentives for sustainably improving corporate value and sharing value with shareholders even further • The exercise period is from the day marking two years past the grant date to the day marking 10 years past the grant date. • Provided every August based on the position of each director

Indicators for Performance-Based Compensation (Bonuses)

<Financial Indicator>	<Performance Indicator by Division>	<Qualitative Indicator>
<ul style="list-style-type: none"> • Consolidated ordinary profit (loss) • Profit (loss) attributable to owners of parent • Dividend payout ratio 	<ul style="list-style-type: none"> • Level of achievement of the budget set at the beginning of the fiscal year • Capital efficiency ratio 	<p>Achievement of specific measures for the following strategic items is considered*.</p> <ol style="list-style-type: none"> (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 provide from the customer's perspective (3) Promotion of environmental strategy and development of the emission-free business into a core business <p>* For details, please refer to the overview and state of progress on Rolling Plan 2020 on pages 18 to 21.</p>

The Board of Directors and the Remuneration Advisory Committee engaged in deliberation a total of three times with regard to bonuses for fiscal 2019 and monthly remuneration for fiscal 2020. In fiscal 2019, ordinary profit and profit attributable to owners of parent substantially surpassed the previous fiscal year's levels and the annual dividend per share was increased year on year. This performance was sufficient to consider

paying the directors increased bonuses than in the previous fiscal year. However, with the global economy entering a sharp downturn due to the spread of COVID-19, cargo volumes have stalled and shrunk, making the outlook extremely uncertain. Given these circumstances, for fiscal 2019 the company paid directors 0.5 months' remuneration as a bonus.

Compensation for Audit & Supervisory Board Members

Compensation for Audit & Supervisory Board members is determined after discussion with the Audit & Supervisory Board within the limits approved at the General Shareholders' Meeting, with consideration given to whether an Audit & Supervisory Board member serves in a full-time capacity or not, the amount of auditing work assigned, and the levels of director compensation. Bonuses and stock options are not provided to Audit & Supervisory Board members.

Compensation for Directors and Audit & Supervisory Board Members (Fiscal 2019)

Category	Number of people	Total remuneration, by type (millions of yen)			Total compensation (millions of yen)
		Monthly remuneration	Bonuses	Stock options	
Directors (excluding outside directors)	6	261	11	13	287
Audit & Supervisory Board members (excluding outside members)	3	64	—	—	64
Outside directors and outside Audit & Supervisory Board members	7	51	1	2	55

The abovestated amounts include compensation paid to one internal director, one internal Audit & Supervisory Board member, one outside director and one outside Audit & Supervisory Board member who stepped down during fiscal 2019.