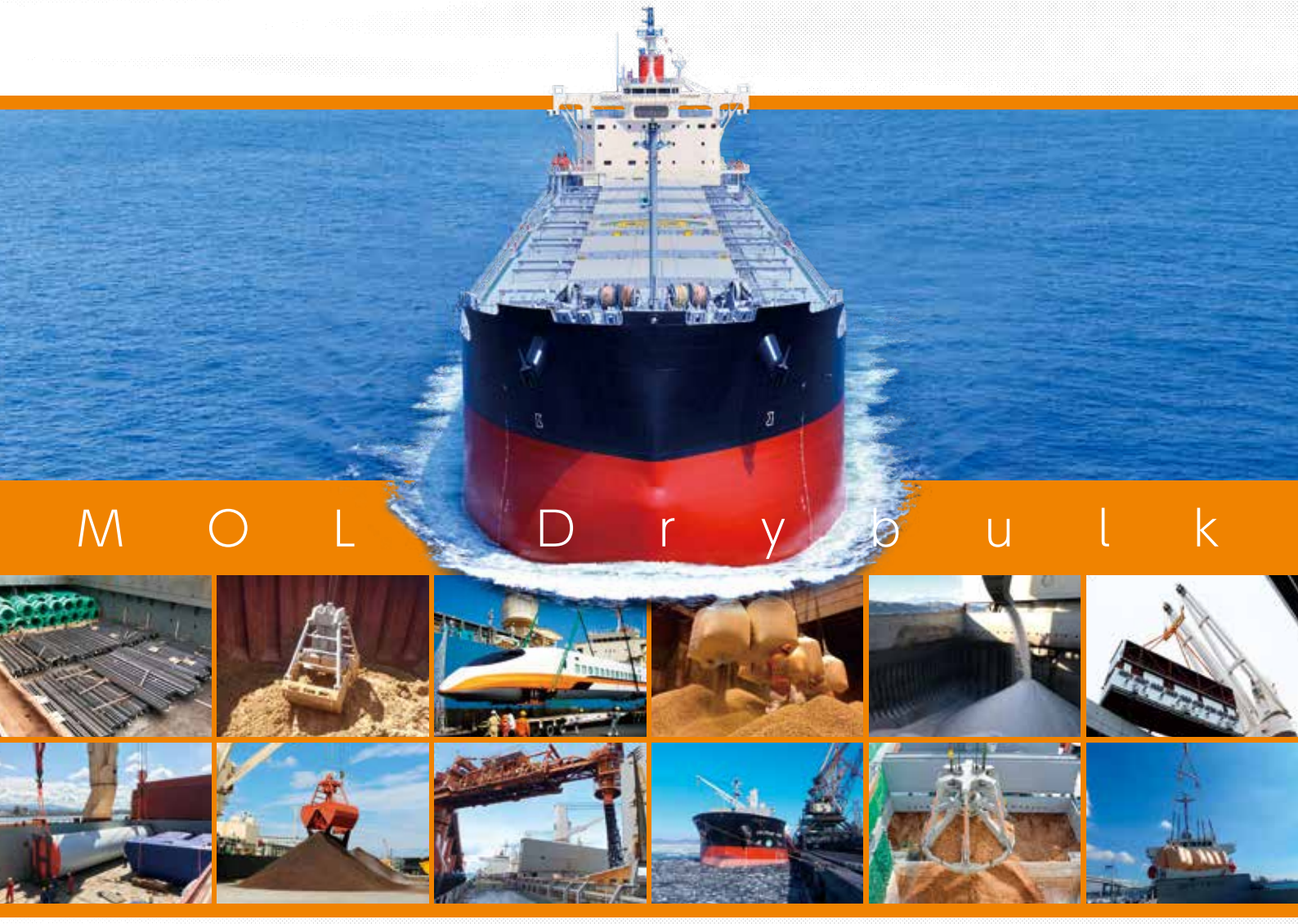
KAIJI PRESS
Special Issue
August 27, 2021

MOL Drybulk

– Strong and resilient professional group –



CONTENTS

2 INTERVIEW KAZUHIKO KIKUCHI Representative Director, President of MOL Drybulk
MOL Drybulk aims to offer diversified cargo solutions

7 INTERVIEW MASATOSHI NAKAJIMA Representative Director, Vice President of MOL Drybulk
MOL Drybulk seeks differentiation through engineering capabilities to develop and materialize new technologies

Upon inauguration of MOL Drybulk

9 Takeshi Hashimoto Representative Director, President and CEO of Mitsui OSK Lines
New company aims for further growth of dry bulk business

10 Toshiaki Tanaka Director, Senior Managing Executive Officer of Mitsui OSK Lines (Director General, Dry Bulk Business Unit)
New company is core of Dry Bulk Business Unit

11 Kenichi Nagata Corporate Adviser to MOL Drybulk (former Vice President of Mitsui OSK Lines and former President of Mitsui OSK Kinkai)
Focus on the dry bulk "cargo"

Introducing MOL Drybulk's business

12 Drybulk sector
Integrated services offered with versatile vessels and cargoes

18 Wood chip and coal for paper manufacturing sector
One-stop services for paper mills

24 Steel transportation / multipurpose vessel sector
Aiming for the No.1 operator in intra-Asia trade with region-based service

Topics

17 MOL Drybulk offers integrated services to move biomass fuels
With its diversified fleet geared to meet growing customer needs

22 MOL Drybulk to prioritize environment-aspired vessels
In terms of GHG reduction, marine environment protection, etc.

31 New technologies to prevent cargo damage
Patents obtained for anti-collapse, anti-condensation devices

32 Using drones for publicity purposes
Images used in versatile ways

28 Consolidating such functions as fleet procurement and contact point for shipowners
Business Planning Division maximizes the effect of the integration by their cross-sectional functions

34 Organization chart and list of officers

35 AD INDEX

INTERVIEW KAZUHIKO KIKUCHI

MOL Drybulk aims to offer diversified cargo solutions

Kazuhiko Kikuchi Representative Director, President of MOL Drybulk

MOL Drybulk Ltd. (MOL DB) was launched in April 2021 as a fully owned subsidiary of Mitsui OSK Lines, Ltd. (MOL), through integration of its small and medium size bulk carrier business (Panamax, Supramax and Handysize segments), wood chip carrier sector and Mitsui OSK Kinkai, Ltd., its nearseas shipping subsidiary. Kazuhiko Kikuchi, who assumed the presidency of MOL Drybulk, said, "Our new company operates a diverse fleet of vessels ranging from 10,000-dwt to 100,000-dwt and its mission is to offer its customers optimal solutions for all types of dry bulk cargoes including heavy goods." The company will look to expand both its cargo turnover and fleet by stepping up its overseas business while continuing to focus on cargoes to and from Japan as a Japanese operator. Kikuchi said his company will also aim to become an entity that can offer environmental solutions by making the most of the MOL Group's technological capabilities.

Growth opportunities in "decarbonization", "food" and "electrification"

——What are your aspirations and priority challenges as new president?

What we aim to become is a strong and resilient entity that can respond to any changes and a team of professionals who can cater to transportation needs for any types of dry bulk cargoes. The new company's mission is to operate a diverse fleet of vessels ranging from 10,000-dwt to 100,000-dwt and offer its customers optimal solutions for all types of dry bulk cargoes including heavy goods. While executing our mission, we will contribute to enhancing the MOL Group's corporate value by making sustainable profits. To make that possible, our first year is extremely important. I will promote smooth integration of our organizations and personnel resources in order to maintain and improve our service, so that we can all kick start towards our new goals.

All of us including Mitsui OSK Kinkai have built up a solid customer base through our long history, and we will steadily uphold this strength. As a Japanese operator, we will remain comitted with the Japanese market. On top of that, we will strengthen our effort to increase our presence in the overseas markets in order to ensure our future growth.

We will expand our business, based on three keywords. First is "decarbonization". Specifically, transportation of biomass cargoes is where we have the experience, and we can see growth, and we will continue to increase shipments with all three segments, our bulk carriers, wood chip carriers and multipurpose vessels. Second is "food". We will put priority on grains and feed as their flows are expected to keep growing in tandem with the growth of global population. And thirdly, "Electrification". It is said that copper consumption in electric vehicles is four times as much as in petrol cars. We will address the growing transportation demand for nonferrous metal ores such as copper and nickel needed for electrification. Our multipurpose vessels have so far been engaged with transportation of wind power generation equipment and components. This is another domain we should focus with all our resources within the MOL Group.

Our goal to become a strong and resilient dry bulk operator will require ourselves to be less vulnerable against market fluctuations. MOL's dry bulk sectors have made efforts to reduce their exposure and become able to stay profitable even when the market is bad. The new company will uphold this policy to make a solid profit irrespective of market fluctuations. We will continue to rule out a policy to put speculative tonnage orders in anticipation of a market upsurge.

One of our major themes is how to tackle environmental issues. They pose a big challenge especially for our dry bulk sector which has a business characteristic of primarily relying on short-term cargo contracts. This is a challenge also shared by our customers engaged in various business segments. On the other hand, as we do business with various customers with the same ambition, we may have more opportunities to work hand in hand with them on environmental initiatives. While addressing their needs, we want to be a drybulk operator that can be the first one to provide environmental solutions to our customers. We do not want to be the same as any other operator, and compete with those who operate at a lower cost. We want to differentiate ourselves by providing value, offering solutions to environmental and other problems that our customers face.

——What will be strengthened by forming your new company?

As symbolized by the turmoil in the containership business, the cargo trade itself is in a chaos right now. We have seen cases where the flow of some goods face bottle necks and comes to a halt, and then shifts to a totally different transportation modes. I think our business model of moving all types of bulk cargoes with various vessel types can display its strength in this chaotic situation. If you liken it to rugby, when the game is in a "well structured" mode with both the attacking team and the defending team in a good formation, much will depend on the physical elements such as the size of the players of each sides. However when the game is moving and "unstructured", mobility and agility will count. The flow of goods is in an "unstructured" state at the moment. Therefore, I think we can do various things by making full use of our diverse fleet and a compact organization.

Dry bulk has always been a particularly exciting domain among all shipping sectors, and by adding the multipurpose vessels in our line up it has become even more interesting. I see it as a really challenging business but we have the ability to do it well and provide added value to our customers. It will be great if we can increase our profit from this business as well and contribute to enhancing the MOL Group's corporate value.

Building up fleet in line with the increase of cargo volume

——What are major challenges for each sector?

In the dry bulk sector, we will improve efficiency through reduction of ballast voyages based on a better combination of cargoes. To enable this, we will put more emphasis on parcel cargoes which require more skills, and nickel ore, which is not easy to handle. One of the strong points about this sector is that it has a multiple number of core trades that we can rely on. We will review our tonnage allocation and combination patterns in a multifaceted manner and reinforce the domains which we want to grow. For instance, we will not keep a certain number of our vessels to stay in the Atlantic and simply play in the market as we did in the past. Whilst we will increase our cargo book such as biomass contracts that we already have there, we will strengthen our marketing in the Atlantic as a part of improving the efficiency and earnings of the overall fleet, by connecting with trades such as coal bound for the Indian Ocean, or with grains or minerals shipped from North and South Americas.

Our wood chip carrier business takes pride in its track records in transporting cargoes bound for Japanese paper mills for many years. We will continue the business by firmly meeting cargo demand from the Japanese customers. At the same time, we will expand China-bound cargoes as Japan's paper demand is expected to decline. In 2021, China banned waste paper imports, which had annually 25 million tons of demand. As the country will be replacing it mostly with pulp, its wood chip demand is expected to grow. Currently, the ratio of our Japan- and China-bound wood chip volume is 3 to 2. China is already becoming a core importer. We expect we will have more long-term cargo contracts with Chinese companies in the future.

Our multipurpose ship sector, which was part of Mitsui OSK Kinkai, has its strength in technological and marketing capabilities as well as the "KINKAI" brand that they have established in Asia. It will build up its business by continuing to focus on ex-Japan steel products and Japan-bound biomass fuels as its core cargo items, and at the same time, it will increase marketing for of inter-Asia cargoes by strengthening its services in Southeast Asia.

——What about your fleet buildup plans?

Our basic policy will not change. But our policy may vary depending on ship types such as wood chip carriers which primarily rely on long-term contracts, tweendeckers which are deployed on a semi-liner basis and conventional bulk carriers which are normally secured from the market. As for multipurpose vessels and wood chip carriers which are difficult to secure from the market, we will continue to steadily replace the core fleet. On the other hand, when we have an increasing number of short-term cargo contracts for chip carriers, we may choose to extend the time charter contract but at a shorter term by applying our model on the conventional bulk carriers.

——What fleet size are you aiming for?

We will naturally look to expand our fleet size. However, fleet expansion itself is not our objective, we will align it with the growth of our cargo book. We will definitely avoid speculatively composing our fleet by foreseeing future market upsurge. As explained earlier, we will build up our fleet by increasing the volume of overseas cargoes while retaining and enlarging our market share with the Japanese customers.

——What about your relations with shipowners?

Our relations of mutual trust and cooperation with shipowners will not change. We currently do business with about 60 owners both in Japan and abroad, and as we continue to work with them as long term partners, from the establishment of our new company, we want to become an operator who can provide them with a wider range of business opportunities.

Reshaping organizations from customer's perspective

——What about the organizational and personnel setups of your new company?

We aimed to form an optimal organization from the customer's perspective. In order to create a strong and resilient drybulk operator and offer customer services with a broad range of vessels, we need to integrate not only our business functions and organizations but also the mind set of all our officers and employees about what we are aiming for and what approach we will pursue. We also need to streamline the functions of the overseas offices which our predecessors had, and do away with cross-divisional barriers if any so that we can improve the efficiency, which may enable us to consider setting up new offices abroad.

The MOL Group's drybulk sector used to have its functions separated in accordance with vessel types

and transportation distances. We were so to speak a product-out organization, but that was based on our own convenience. The differences of vessel types and distances have nothing to do with our customers. On the occasion of creating a new company that will cover a broad range of vessels, we have reorganized our service functions, based on the market-in idea. One of the results is our one-stop service. To make this possible, we have put our nearseas and oceangoing functions together. Our Drybulk Division (A) has devised a system to handle raw material wood chip and steaming coal bound for paper mills with its one-stop service. Our Drybulk Division (B) takes care of both nearseas and oceangoing general bulk cargoes.

MOL's Panamax business used to be separated into three segments to serve the steel industry, power plants and other customers. Its free Panamaxes except for the steel industry and dedicated vessels or vessels under COAs for power plants have been transferred to our Drybulk Division (C). Our Drybulk Division (D) looks after dedicated vessels that carry nickel ore, coal and silica sand for our customers in several industries.

There are some cargo items which cannot be segmentalized. Biomass is one good example. Most of our divisions are engaged in handling them since wood chips for fuel, wood pellets and palm kernel shell (PSK) are respectively moved in wood chip carriers, bulk carriers and multipurpose vessels. Another example would be the cargoes related to the environmental business, including equipment and components for wind power generation. So, we have formed several theme-based Project Teams made up of specialists from each of the relevant divisions to ensure cross-divisional solutions to their problems. As the new company has a broadened lineup of services, we have created the Business Planning Division to coordinate cross-sectional solutions to general matters such as fleet buildup plans and pricing policies.

——What are cross-divisional synergetic effects brought by the integration?

We had taken cross-sectional approaches when serving our overlapping customers in the past. However, we have improved them upon becoming a single entity and I am sure they will add flexibility and depth to our services. If I may take biomass as an example, we are starting to see customer needs that require a combination of various cargo lots. We are already having deals that require a combined deployment of a 10,000-dwt nearseas vessel and a 30,000-dwt Handysize. We have been assigning larger vessels by combining small-lot parcels in the copper concentrate trades, and steel cargoes. We plan to do that with biomass cargoes as well. In steel transportation, all the segments of our Steel Cargo Division may form a joint team to collect Southeast Asia bound cargo on the way to Europe or Middle East. With regard to customers, paper mills for example have a broad range of cargo items to move, such as wood chips, steaming coal and auxiliary raw material kaolin. We can serve them with our diverse menu ranging from woodchip carriers and small- and medium-size bulkers to multipurpose vessels. I can give you some examples of synergies we already have. One of our customers who normally uses our Supramax had difficulties finding a space for container cargoes, so we offered our multipurpose vessel to move them. We were also able to offer a solution to another troubled customer through a combined commercial solution of a coal carrier and a wood chip carrier.

——What about your personnel distribution and training?

Drybulk remains one of the MOL Group's core businesses and our new company is its centerpiece. Therefore, I think some MOL employees will definitely continue to be involved in our operations. Together with organic growth, we do need to enlarge our business,

by devising new partnership strategies or by relying on new ideas on business expansion based on new projects featuring values added to port-to-port cargo transportation. The project management experiences that MOL employees have gained through their carrier can be of good use to develop these initiatives. Meanwhile, we will train our own staff to become real drybulk professionals. They were already specialists in their own areas before joining the new company. But we want to nurture talented persons who know everything about drybulk from multipurpose vessels to Panamaxes. By doing so, we will be able to broaden and deepen the dimension of our business. Training of our national staff is also important to accelerate our overseas business expansion, which is one of our growth strategies. We intend to transfer more responsibility to the national staff who work at our overseas offices. In fact, the general manager of the Drybulk sector at our Singapore office is a locally hired person.

——You started up in the midst of the COVID-19 pandemic. How do you build up the unity of employees while they have to rely on remote working?

It is unfortunate that we cannot have much face-to-face communication with each other. But we do whatever we can do in this situation. We hold regular information sharing meetings attended by managers and employees in positions higher than team leader to update progress on our business and share information on team composition and problems to be addressed. Our team leaders host online events to introduce their assistants and work assignments. I myself and Vice President Nakajima have just started periodical get-togethers with five to six young employees in positions below sub-team leaders. After a round of such sessions in Japan, we plan to have similar events at our overseas offices. Our employees number just less than 180 including those who work outside Japan. We will make sure we get stronger as a team with the same ambition.

Drybulk market to stay firm

——The drybulk market stays at the highest level in 10 years. How do you see the future of the market?

Freight rates for small- and medium-size bulkers stay high because various factors have happened all at once. Those include a growing flow of grain cargoes and a shift of some steel cargoes from containerships to bulkers on the demand side, and increasing ship congestion at South American and Chinese ports and inefficient navigations due to various restrictions forced by the pandemic on the supply side. I think the present market situation may have been brought in part by special factors caused by the pandemic. But one thing is for sure. The market for small- and medium-size bulkers that move a variety of cargo items is solid even in the abnormal situation caused by the pandemic. The mainstay cargoes for those vessels are growing in volume even compared to 2019. Also, even if the coal trade declines amid the momentum for decarbonization, the flow of grains, biomass cargoes and nonferrous metal ores will be on the rise. We are concerned about the growing volume of newbuilding orders prompted by the latest market upsurge, but on the other hand, players are uncertain about the technologies to reduce GHG (greenhouse gas) emissions so the pace is still under control. We think the market will gradually calm down from current levels, but as economic fundamentals are basically strong, we think that the market will stay firm in the medium to long term.

Masatoshi Nakajima
Representative Director,
Vice President of MOL Drybulk

INTERVIEW MASATOSHI NAKAJIMA

MOL Drybulk seeks differentiation through engineering capabilities to develop and materialize new technologies

MOL Drybulk will not simply compete in the conventional shipping market but will provide value added service with their engineering capabilities to develop, utilize and combine cutting-edge technologies. Masatoshi Nakajima, Vice President of the company, said, "As we have a strong network with shipyards, engine makers and marine equipment manufacturers, and our own capability to develop technologies, we had better compete by combining and materializing the latest technologies. By so doing, we will be able to differentiate ourselves and provide solutions to our customers." He emphasized, "We live in an era where we have to comply with various new rules, and our customers are having more complex requirements including solutions to environmental issues. This makes our information network and technological capabilities all the more important, and by utilizing these assets through our engineering capability and introducing vessels with new technology, we will be able to add value and provide solutions."

Management of market downfall risks

——What do you aim for by launching the new company?

People often say that dry bulk is a sector where differentiation is hard to bring about, but I totally disagree. We have integrated our personnel, fleets and other management resources through the creation of our new company. Whilst we will address environment issues, we will also seek to improve our profitability. We aim to overcome those challenges, differentiate ourselves from peers and become a strong company.

Structural reforms of the bulk carrier unit have been a big challenge for MOL, and all our employees have worked hard to enact these reforms. As a result, MOL's senior management has judged that the bulk carrier business unit remains important for the MOL group, and therefore maintained personnel and fleet resources. We want to reciprocate this by meeting and exceeding senior management's expectations.

——How do you feel about coming back to the

oceangoing shipping business 9 years after you served as president of MOL Coastal Shipping?

I find some part of our business absolutely unchanged, and some parts largely changed. As to the latter, technology innovation has tremendously progressed in the past several years, and regulations have been changed dramatically. These have made it harder to build ships and operate them. On the other hand, some things remain the same, we still have a lot of troubles which we used to have in the past. I believe we can overcome those troubles through the application of advanced technologies.

——Management of market exposure is what has changed most, isn't it?

Yes, that is right. To balance the volume and duration of cargo and tonnage is a new concept. I think our traditional style was to be relatively long on tonnage and wait for a market pickup. With the newly introduced method, the upside is relatively limited when the market goes up, but we structure our portfolio and manage it so that we will not suffer a big loss even when the market is tough.

——What about your fleet procurement plans?

There are various ways and it is hard to say which will be the best. The basic policy should be to procure ships when their prices are low, and this requires us to be able to analyze and read the shipping market based on past data and trends. Easy to say, but the future is always hard to predict. However, history does prove one thing for sure. The market goes up once in several years, only stays there for a relatively short while, and after it goes back down again it tends to stay low for quite a long time. With this cyclical tendency in mind, one way we may choose is to constantly order a certain number of ships each year when the market is low. When you begin to think whether it is the best timing to order or not, it becomes very difficult to make a decision, so placing a specified number of ships according to a fixed schedule may be feasible for an operator with a large fleet like us.

——You also need to address environmental issues.

The ships we procured at around the Financial Crisis are now older than 10 years. We must replace them in order to retain our fleet. What kind of vessels should be ordered and when poses a big challenge, and we will seriously consider what we should do. We will procure vessels effective for decarbonization while trying to retain the size and quality of our fleet. But it will not be easy to draw a conclusion. We will determine our policy in consultation with our parent MOL.

——In the MOL Group, MOL Drybulk holds a fairly big fleet made up of about 180 vessels. This may mean you are going to play a big role in environmental prevention.

Yes, I think so. We have already established technologies needed for LNG-fueled vessels. However, reduction of CO_2 emissions will not be sufficient to attain our 2050 reduction goals. We will engage with the MOL Group's policy and carry out our own study to push our environmental initiatives.

Addressing environmental issues with technologies

——As Director General of the Strategic Sales Enhancement Unit, how do you see the challenges your company faces in marketing aspects? Which cargoes and service areas do you plan to prioritize?

Firstly we will focus on biomass cargoes. That is because we already have a strong presence in this market and demand will keep growing there. On the other hand, we need to bear in mind that at the end of the day shipping is a passive industry. Since we ourselves cannot create demand, we will have to predict market and cargo movements by following economic and social trends, understand what our customers are planning, and so on. That is why we need to put up our antenna high to collect information so that we can move quickly and flexibly whenever necessary.

Our customers may inevitably ask us to cut CO_2 emissions while moving their cargo. Attempts are in progress to visualize the lifetime CO_2 emissions until goods reach final consumers. Shipping companies will inevitably be required to reduce CO_2 emissions on the sea. We need to introduce technologies in order to offer vessels that can meet such needs. There is no doubt that the dry bulk business is very competitive, but rather than just competing the price, our company had better compete by making use of its engineering and technological capabilities. That is our strength compared to small- and medium-size operators. I want to make MOL Drybulk a company that can compete with its technologies and human resources.

——You have become a big company with less than 180 employees. What is your message to them?

Young people grow from the experience through meeting different people and facing new challenges. As we have just started as a new company, I would encourage them to have face-to-face communications as much as possible. Telework is essential as a means to combat the pandemic and as part of the ongoing work style reforms, but given the progress on vaccination, we do not need to stay isolated with each other. We will devise ways to promote exchanges of opinions and constructive discussions to find the best way to run our business. I want to make MOL Drybulk a company where all employees have a strong sense of ownership and teamwork.

New company aims for further growth of dry bulk business

Takeshi Hashimoto
Representative Director, President and CEO of Mitsui OSK Lines

MOL Drybulk was inaugurated on April 1. Dry bulk is one of the MOL Group's core businesses. We do expect that the new company will contribute toward further growth of our dry bulk business.

We worked out a strategy for our new company through a year of repeated in-house discussions, sorting out the challenges our dry bulk sector had faced. The Japanese market remains important for a Japanese shipping company. However, we will not be able to hope for further growth unless we expand our business outside of Japan. One of our main purposes in launching the new company was to review the business style of our dry bulk sector which had been primarily based on Japanese customers, and strengthen our presence in the overseas market.

Let me take an example. We transport steel from Japan to Southeast Asia. If our ships haul cargoes bound for China and South Korea from Southeast Asia after unloading the steel and then a short ballast voyage home to Japan, we will greatly improve the efficiency of our vessels. To increase these kind of business, we will have to catch various needs of our customers not only in Japan but all over Asia and respond to them properly. To make that possible, we need to change our business style from the one where we organized sectors on a ship-by-ship basis and did marketing on a sector-by-sector basis to the one where we should set up new sectors that work in terms of area dimension so that we can scoop up our customer needs in the entire Asian region.

I think we will have more chances of success especially in overseas business by shifting our dry bulk business model from the one simply focused on maritime transportation to a bit more project-type and partnership-type one. For example, the terminal business of our group had only dealt with containerships and car carriers, and the dry bulk sector had specialized in maritime transportation without getting involved in upstream and downstream operations. However, when we teamed up with Japanese and foreign partners in undertaking overseas business in the past, the programs we undertook required the development of port and inland logistics facilities and we could find more business chances there. There are still many countries where port facilities are not fully developed, and only small-lot hauls are possible due to logistics constraints. But if we can resolve those problems, we may have a bigger flow of bulk cargoes. By getting engaged in upstream and downstream operations, we may be able to evolve our dry bulk business in a form we can lower the ratio of simple shipping operations.

If we opt for commoditization, we may end up with a business model where we may not suffer a big loss but cannot make much profit. To avoid that, we will definitely consider a strategy based on projects and partners. In so doing, for the growth of our dry bulk business, we will make full use of the knowhow on upstream and downstream operations and related networks which our energy sector has nurtured.

The start of our new company happened to coincide with an upsurge of the global dry bulk market. I think big structural changes are happening in the background. There is no doubt that Chinese imports of farm products such as grains and feed crops will continue to grow. As the car industry recovers from a slump caused by the COVID-19 pandemic, the global steel industry is gradually picking up and shipments of steelmaking raw materials and rolled steel are growing in volume. I think that like containerships, bulkers will be a segment that will benefit from the recovery of the world economy for a while. Given the business cycle, however, the current state of the dry bulk market cannot be guaranteed to last for long. Orders for newbuilding bulkers are gaining steam and the tonnage supply pressure may again build up. We will continue to aspire for a business management resilient to market fluctuations while closely watching those developments.

New company is core of Dry Bulk Business Unit

Toshiaki Tanaka
Director, Senior Managing Executive Officer of Mitsui OSK Lines (Director General, Dry Bulk Business Unit)

The drybulk sector of MOL made a success in the latter half of the 2000s by adopting a business model that brought a huge return despite big potential risks. However, it incurred a heavy loss due to the market slump after the Financial Crisis, causing trouble to the company and its stakeholders. We will not pursue that model anymore.

Our medium- and small-size bulker sector had traditionally done steady business, based on long-term relations with its customers. However, it took hold of vessels almost double the size of the volume of cargo it handled in the latter half of the 2000s. As a result, its swollen exposure let it suffer big losses when the market turned deteriorated. The sector cut its excessive fleet through two rounds of structural reforms to a size equal to its operating cargo volume. This helped it recover profitability, but its annual profits were still not satisfactory compared to those of other sectors. The COVID-19 pandemic came just in such situation, greatly adding to the uncertainty it faced. Another factor was environmental issues that gained momentum particularly in the past year or two. MOL had seriously addressed the issue, but it is now required to work even harder.

In view of these topics, we asked ourselves if the current dry bulk structure of ours was best in terms of customer relationship. In the background, the shipping industry and its customer industries have a common concern that they need to cope with the ongoing business changes. We questioned if our conventional vertically divided organization can address those changes, and as our overall judgment, we have decided to build a strong organization that can flexibly grapple with the business changes and environmental issues by combining the resources of our group's drybulk business, including the multipurpose vessel/semi-liner operations of Mitsui OSK Kinkai.

We want to make the new company strong and resilient. We want it to be strong in marketing, cost competitiveness and adaptability to changes. We want it to be resilient in any circumstances. We will build an entity that can steadily grapple with those changes.

You may have an image of splitting/separating MOL Drybulk off. But that is definitely not the case. The new company is positioned as a core and primary business entity of our Dry Bulk Business Unit. Procedurally, Mitsui OSK Kinkai is the basis of our new company, but our image is that we created a big sector in our Dry Bulk Business Unit.

One of the effects we aim through the integration is a strengthening of our marketing capability. Let me give you one specific example. We move raw material chips and fuel coal on behalf of paper mills. In the past, that had been done by our separate sectors. By combining them into a single unit, we can offer one-stop services. In cost terms, we think we can improve our productivity through the integration of resources. We will strengthen our cost competitiveness that way.

We have assigned incumbent MOL employees to work for the new company. Both our Capesizes for steel mills and coal carriers for power utilities face challenges posed by changes in the business environment, while the new company adopts a business model that enables it to directly face the market fluctuation itself. It will continue brushing up its necessary mark to market business knowhow. Human resources trained there will be able to play an active role not only at the new company but also in duties related to Capesize bulkers and coal carriers in the MOL office. On the other hand, the new company can employ persons not bound by MOL's job rotation. I think that will help it build up its team of many skilled professionals.

Our new company deals with a broad range of cargos. We will put priority on customers who value our services. Competing in terms of quantity in a commodity-wise trade does not suit our business style. Therefore, we will compete for quality rather than quantity.

Focus on the dry bulk “cargo”

Kenichi Nagata
Corporate Adviser to MOL Drybulk (former Vice President of Mitsui OSK Lines and former President of Mitsui OSK Kinkai)

I was engaged in dry bulk business for a long time while I worked at MOL. Then I assumed the presidency of Mitsui OSK Kinkai four years ago, and now I witness the startup of our new company as its Corporate Adviser. Taking this opportunity, I would like to look back on the history of our dry bulk business, and think about the future course of the new company.

The non-liner business used to be called “tramp business” from the 1980s to the 90s. Tramp has a meaning of vagabond. Our business was called tramp because our vessels roamed around from cargo to cargo and from port to port and it was quite common that the next voyage was uncertain until the last moment.

Later on, this business then began to be called “bulk ship” around the middle of the 90s. As MOL’s non-liner sector set up offices outside Japan, its subsidiaries in various countries were given names containing “MOL Bulk Shipping”. And now, MOL Drybulk Ltd. Has been established through the integration of MOL’s dry bulk and chip carrier sectors and Mitsui OSK Kinkai. “Drybulk” was taken into its corporate name.

In a way, the changes of how we call the non-liner business reflects the shifting of the values that we prioritized. When it was “tramp” it reflected the way “we” sent out our ships to various locations in pursuit of cargo. The next “bulkship” was about the “ships” that moved bulk cargo. And now we use “Drybulk”, and it is about the “cargo” we transport. By using this word in our new company name, it will remind us that it is the cargo that matters, we will move them carefully and safely in cooperation with the dry bulk cargo shippers, recipients and other people engaged in the supply chain.

Implied in the company name “MOL Drybulk” is the importance of the cargo, and I think it speaks of the awareness that we are proud to be part of the supply chain of various industries that keeps the world moving.

One of the most important things I realized upon assuming the presidency of Mitsui OSK Kinkai was that the company had historically cultivated a culture of constantly seeking better ways to handle and move the cargoes even more safely and efficiently, as an important part of the entire supply chain.

From the viewpoint of safety and quality, the company developed an airbag that prevents cargo shifting and damages in transit, a hold heater that prevents corrosion developing from moisture condensation due to temperature gaps between loading and unloading points and an anti-rolling tank that reduces rolls and pitches in stormy weather conditions and obtained patents for them. To continue to be trusted and chosen by our customers, we must cherish and continue this culture with all the employees in our new company MOL Drybulk.

There is a saying: “Names and natures do often agree.” I do hope that our younger members will remember the meaning in the name of the new company, cherish the culture and continue to have the awareness and attitude to find for better ways of transportation for their customers. That will definitely make the company even better.

Integrated services offered with versatile vessels and cargoes

Following the inception of MOL Drybulk, its Drybulk Division (B), (C) and (D) which together run the general tramper business, are now operating a wide variety of bulkers ranging in size from 10,000 dwt to 100,000 dwt. These divisions are working together with a mandate to increase and expand their services, by leveraging the company's unprecedented business modality. The new company, featured by a broad range of cargoes it handles and global sea lanes it serves, will promote environmental protection initiatives by enhancing its ship assignment efficiency.

Koji Hemmi
Director, Executive Officer

in charge of Multi-Purpose Vessels Division and Drybulk Division (B), assistant in charge of Steel Cargo Division

Shinichi Asahina
Executive Officer

in charge of Drybulk Division (C), (D) and Assistant in charge of Drybulk Division (B), General Manager Drybulk Division (D)

Limiting charter periods to less than two years

——With the inauguration of MOL Drybulk, the Drybulk Division (B), (C) and (D) have been established. What are the roles of these respective divisions?

The Drybulk Division (D) is responsible for customers with contracts for specified vessels like dedicated ships, and exclusively operated ships, of which it has five such vessels. Their target is to maintain stable transportation services by prioritizing assignment of these vessels. They are wholly committed to service quality through safe ship management and operation. They have many customers with whom the MOL group has done business with for a long time. They are preparing to offer services for their small-lot cargoes, which previously they have been unable to provide. The division has formed a dedicated team to understand all their customer's needs, and to provide suitable solutions.

The Drybulk Division (C) primarily looks after Panamax bulkers. MOL itself had previously managed Panamax vessels through its three separate divisions respectively charged with steelmaking raw material vessels, coal carriers and general trampers. It had been aiming to integrate them rather than letting them operate separately, and MOL Drybulk's startup has provided the opportunity to integrate them. We have decided to mobilize all our resources, including vessels, and cargoes, to fully integrate, and increase synergies.

Based on customer needs, organizational roles have been allocated in terms of content and work approach. Roles requiring different approaches are assigned to the Drybulk Division (C) and (D), while the Drybulk Division (B) looks after other roles. The Drybulk Division (B) has its oceangoing bulk team (Drybulk Team) and nearseas bulk teams (Drybulk Team <Asia>). The former takes care of the customers who used to be covered by MOL's tramper segment, whilst the latter is responsible for customers who were looked after by Mitsui OSK Kinkai. The Drybulk Division (B) is the largest of the three divisions with a staff of 24, including those staff who hold concurrent posts.

——Does the Drybulk Division (C) cover all Panamax vessels including those which belonged to MOL's steelmaking raw material vessel and power utility sectors?

MOL's steelmaking raw material vessel and power utility sectors still retain some of their Panamax vessels, which used for their business with steel mills and power utilities, whilst MOL Drybulk looks after all other customers.

——What is your fleet size?

Our approximate fleet consists of 20 Panamaxes, 50 Handymaxes, and 40 Smallhandies including nearseas vessels, and with a plan to expand.

——How many newbuildings do you have on order?

Our order book is not very long, as we make it a basic rule to charter vessels from shipowners. We do order newbuildings by booking for slipways, but that will only be when the ships we need are hard to procure from the market. In the future, however, it is likely there will be more cases where we will work more closely with shipowners and shipyards from the design and construction phases to procure vessels that will support our environment and sustainability programs.

——Basically, your fleet consists mainly of chartered vessels, but what about the long-, medium-, and short-term portfolio of the fleet?

Most of our vessels are chartered for a period of one to two years. Those account for 60% of our total fleet. We still have some vessels for which we signed long-term charter parties, but those contracts will naturally expire. We may renew some of those contracts, but we find it harder to conclude longer contracts of five years. The charter will be renewed for a period of one or two years, and through this we are adopting an asset light policy.

——Does that mean that you will in principle charter vessels for periods shorter than two years unless you have long-term cargo contracts?

That is basically correct. Depending on market conditions, we may conclude longer charter contracts, but those will be exceptional cases. We maintain a basic policy to keep our market exposure as small as possible. We want to match the periods of both our cargo, and charter contracts. They do not always have to match exactly, but we will narrow the gap as much as possible. Therefore, vessels chartered for short period will account for most of our fleet.

——The market is on the rise at the moment. Will you change your policy?

No, we will not change our policy. We may have a negative spread depending on the timing of a market rally, but we will avoid taking any long positions.

——Does the same policy apply to your nearseas vessels?

Like our Drybulk Team, our Drybulk Team (Asia) takes a basic stance to maintain its asset light policy. However, one of the challenges it faces is the scarcity of proper vessels in the market. Its headache is a declining

number of vessels weighing less than 30,000 dwt. Bulkers run by our Drybulk Team (Asia) range in size from 10,000 dwt to 28,000 dwt. Amid the trend toward larger ships in recent years, those models have not been built for a while. Those ships which are still available will be superannuated in a few years, and this is a problem for us. We will make a broad range of options available, leveraging on the size of the MOL Drybulk entity.

Russian coal provides strength

——Which waters and sea lanes do you cover?

The Drybulk Team (Asia) of our Drybulk Division (B) has taken over the business conducted by Mitsui OSK Kinkai. It primarily covers the Indian and Pacific oceans. The main routes it serves are those from the Far East to Southeast Asia and Australia. There it deploys ships weighing less than 30,000 dwt. Its core fleet is comprised of 28,000-dwt, 25,000-dwt, and 19,000-dwt vessels. It operates 12 vessels including one 10,000-dwt type. The team covers two main markets. One is the North-South route from the Far East to Australia, and the other is the Far East route from Russia to Hong Kong and Taiwan. It annually moves about 6.25 million tons of cargo. The breakdown of volume is; 4.5 million tons for the Far East route, 1.6 million tons for the North-South route and 150,000 tons for other routes.

——What are the strong points of your Drybulk Team (Asia)?

The team's core strengths as a bulk operator are both on the Far East and North-South routes. It handles a variety of cargos on its Far East routes, including coal, limestone, and industrial salt. Its main cargo in terms of volume is Russian coal, which amounts to about 3 million tons per year. The volume of coal is likely decline as the world continues to move towards decarbonization policies. On the other hand, Russia has vast acres of conifer forests, and we pay attention to biomass cargoes like pellets that will be shipped out from the country's far eastern region, where we have long experience of assigning ships to. We also have smaller ice-class vessels which our peers do not have. Russian pellets are shipped from the far eastern port of Vanino, which is located at 49 degrees north latitude, and north of the institute warranties limits (IWL). Ice forms here during the coldest periods of winter, but our ice-class vessels can enter Vanino during these periods. We think we will be able to contribute to maintaining the supply of biomass fuels.

On the North-South route, our main cargoes are cement and cement clinker for southbound voyages, and Indonesian coal for northbound voyages. We forecast increasing demand for biomass cargoes and subsequently more southbound voyages. We think the volume of Southeast Asian biomass cargoes, which fit our nearseas bulkers, will increase in the future. We plan to expand our services by taking in more cargo from the Asian region where future economic activities are set to invigorate. As more companies, including Japanese, foray into the Asian markets to manufacture for local consumption, more cargo will be shipped out of that region. We expect economic activities there will increase momentum from the Regional Comprehensive Economic Partnership on Trade (RCEP), which runs deep into the Asian region.

One of MOL Drybulk's selling points is the ability to offer one-stop services to its customers. In collaboration with the Drybulk Team, the Drybulk Team (Asia) will be able to offer integrated services based on a combination of small and large vessels, to cater to our customers diverse needs.

Putting priority on biomass cargo

——What about your Drybulk Team?

The team handles all varieties of cargo. Other than coal, it moves grains, cement and copper concentrate in relatively big quantities. As to ship type, handysize vessels run by MOL's tramper segment and Mitsui OSK Kinkai were overlapping, along with the customers served in this segment. Taking the opportunity to integrate, this team will expand the services it provides. Some of our customers who are assign their cargo to smaller vessels, may now prefer to utilize medium-size vessels. Conversely, those who use Panamaxes and Handymaxes may opt for smaller vessels. Therefore, we can more flexibly meet their needs, and this is one of the positive synergies brought by the integration.

Our Drybulk Division (B) can benefit the most from this synergy and must take greatest advantage of it.

——What about your ship assignment areas?

We cover all the fundamental global trading areas, including the Atlantic, where we have long-term contracts to move biomass cargo from the United States to the United Kingdom. For this trade we deploy Handymaxes vessels.

——What are the strong points of your Drybulk Team?

MOL's tramper sector used to operate in the same areas with the same vessels as its rivals and aimed to differentiate itself in terms of quality. Now it has combined with Mitsui OSK Kinkai. Our new company can offer services with all types of vessels ranging from 10,000 dwt to 100,000 dwt. This business modality, not seen before, gives us considerable strength. Another strong point is the wide variety of cargoes we handle. Other than the cargo mentioned earlier, we move other types of cargos in various regions. We can cater to almost all cargo items brought into the market.

——Among bulk cargo items, many people expect grains to grow in volume most prominently. Having strengths there may mean that you have an advantage.

Yes, I think we are advantageous in that sense. In Japan, our close connections with big shippers bring us various information and opportunities. I think we are a step ahead of our peers in that particular field.

——Do you expect biomass cargo to grow in volume in the future?

Because of a shift away from coal, biomass fuels will see increased demand in the future, and we probably have the largest share in Japan for all biomass fuels, including pellets, and palm kernel shells (PKS). Before the integration, MOL's oceangoing and nearseas sectors had separately conducted their operations. With the establishment of MOL Drybulk, we have formed a cross-divisional Biomass Project Team to focus on this market segment. It is a virtual entity consisting of staff from the appropriate teams and divisions with the relevant knowledge and expertise in this sector. Our Drybulk Team mainly handles pellets while our Drybulk Team (Asia) focuses on PKS, and with this combination we will be able to offer our customers combined shipping services.

As to our neaseas biomass fuel transportation, much of our PKS cargo comes from Indonesia and Malaysia. Japan imported 4 million tons from these two countries in FY2020. PKS cargoes from both countries weigh about 10,000 tons per lot. Mitsui OSK Kinkai had annually hauled more than 800,000 tons in tweendeckers and 250,000 tons in small bulkers. This means that we moved about a fourth of Japan's total import volume from Indonesia and Malaysia, which was the largest share for that year.

Since MOL's tramper sector handles 1 million tons of PKS per year, and when combined with other divisions, the volume is about 2 million tons as a group, ranking it as one of the highest in the world. Our analysis shows that biomass fuel demand is growing in the Far East (including Japan and South Korea). Imports to Europe have now bottomed out and remain stable. Power utilities in the Far East are slower to switch over to biomass fuels, and they may still have a large requirement to replace their existing coal demand. Our strength is that we have built good relations with customers in the Far East where demand will keep growing. We have access to a market with strong growth potential.

Environmental initiatives thru ship assignment efficiency

——What about the Panamax operated by your Drybulk Division (C) ?

This division manages coal cargoes bound for power utilities in India and Malaysia which it took over from MOL. Panamax vessels run by MOL's tramper sector traded between the Atlantic and the Pacific to ensure an efficient ship rotation. Drybulk Division (C) is now working to enhance its ship assignment by combining those coal carriers with its own vessels. One of its future challenges will be how to build up the volume of other cargo items that will replace coal amid the growing momentum towards decarbonization.

Other than coal, grains are a big market driver in terms of volume. This division already transports grains bound for Europe from Australia, and it plans to expand its activities in this trade by securing more Europe-bound grains. It is also increasing its focus on the aluminum industry where globally there are many refining facilities, and for many years our Panamax vessels have enjoyed hauling cargos to feed these refining facilities. This trade has both inbound (feeder) and outbound (end product) cargos / voyages, such as bauxite, petroleum coke, and coal which feed the refineries, and alumina and alumina hydroxide which are the end products produced by those refineries. This trade is perfectly suited for our Panamax vessels. The division's future goal is to optimize its vessel allocation by expanding its activity in this trade, so that it can establish an around-the-world route. Both alumina and aluminum hydroxide are clean cargos, and not easy to handle, but the division will leverage on its existing experience of handling clean cargos, to challenge in this trade and increase efficiency through ship assignment.

——Does that mean you are trying to combine a variety of cargo items to promote your major policy to enhance ship allocation efficiency?

Correct. Environmental initiatives are challenging to implement with drybulk cargo but optimizing ship allocation efficiency holds the key to developing solutions for all our divisions. Larger vessels like Capesizes are operated in rigid trading patterns where they make outbound voyages in ballast and carry cargoes in return voyages. However, we can develop trading patterns where our ships are always loaded with cargoes in both outbound and inbound voyages, and thus reduce ballasting days which can improve ships performance in terms of GHG emissions per transport volume. Such operations are being developed within the framework of our environmental and sustainability policies.

——Do you plan to expand your offshore-trade volume in line with your policy to diversify your cargoes and trades?

Yes, that was one of factors that motivated our integration. Faced with a shrinking market in Japan, we have no choice but to grow our overseas business. Another unavoidable factor is that more of our Japanese customers go abroad as the domestic market keeps shrinking. When they shift production outside of Japan, or integrate with other entities around the world, we want to offer them our services with the same quality as provided in Japan.

——What about your business setup to support the expansion of your offshore-trade services?

We already have an established network of offices located in South Korea, China, Indonesia, Thailand, Singapore, India, London (UK) and Chile, as well as an operational hub in Manila. In October 2020, we established a presence in Jakarta, Indonesia, where potential demand is high. We will continue to increase our overseas presence, particularly in the Asian region.

Topics

MOL Drybulk offers integrated services to move biomass fuels With its diversified fleet geared to meet growing customer needs

The MOL Group is a leading global shipping operator in transportation of biomass fuels, one of promising renewable energy sources. It offers services with its diversified fleet ranging in type from small- and medium-size bulkers and wood chip carriers to nearseas and coastal vessels. MOL Drybulk, a new company formed through the integration of MOL's dry bulk sector and Mitsui OSK Kinkai, is associated with biomass cargoes at all levels of its operations. It has formed a special project team in a bid to expedite a cross-sectional approach toward its initiatives and challenges.

Mitsui OSK Kinkai began transporting Japan-bound biomass fuels in 2010 and has since been steadily expanding its volume. Its annual volume of ex-Asia cargoes topped 1 million tons for the first time in 2020, accounting for a fourth of Japan's total imports. Palm kernel shells (PKS) accounted for about 70% of the biomass fuels it moved, the remainder being wood pellets. Loading points for PKS are mainly in Indonesia and Malaysia. The company hauled ex-Thailand PKS for the first time in 2021. Up to 90% of wood pellets come from Vietnam and the rest from Malaysia and other countries. Japanese power utilities purchase most of their biomass fuels under CIF contracts. Mitsui OSK Kinkai had transported their cargoes mainly under its single-year COAs and spot contracts with major Japanese trading houses and power utilities. It concluded medium- and long-term service contracts with them recently, with shipments slated to begin between 2021 and 2023.

In the Atlantic, MOL's dry bulk sector had for years been engaged in moving wood pellets from the United States to Europe. In March 2021, MOL concluded a partnership agreement with Enviva Partners, a leading U.S. wood pellet manufacturer with whom it had built good relations through this business, for the purpose of harnessing new technologies for environment-friendly marine transportation. They are discussing introduction of the "Wind Challenger", a cargo ship design with a hard sail which MOL has been studying with its cross-industrial partners.

The company has ordered from Oshima Shipbuilding an 82,000-dwt Panamax bulker to be operated to transport biomass fuels. It is due for completion in 2023. The Power Solution & Carbon Project Division, which MOL started up in April, is in charge of marketing the ship, drawing its transportation plans and operating it. The division plans to run the ship to move biomass fuels for Japanese power utilities. The ship has been designed to have reinforced mooring devices and broader hatch openings to ensure an efficient cargo handling, one of requirements needed for biomass cargoes. It will be preemptively equipped with EEDI Phase 3, which is to become mandatory in 2025.

MOL Coastal Shipping, Ltd. is engaged in secondly coastal transportation of biomass cargoes. The 3,800-dwt Kaiei Maru, its first biomass vessel, was completed at Murakami Hide Shipbuilding Co. in September 2020. The company operates the ship under a long-term contract with Kaita Biomass Power Co., a joint venture between Hiroshima Gas Co. and Chugoku Electric Power Co., to transport biomass fuels from relay terminals to its power plant. The ship is equipped with a self-unloader for improved cargo handling efficiency at the port near the plant.

One-stop services for paper mills

MOL Drybulk's Drybulk Division (A) transports raw materials and fuels for paper mills. It moves not only wood chips but also steaming coal and auxiliary raw materials such as kaolin for the paper industry. It offers one-stop services to big customers who rely on a broad range of vessels including bulk carriers, wood chip carriers and nearseas vessels. MOL Drybulk has formed a cross-divisional team to address future growth of biomass transportation demand. It plans to strengthen its shipping services by enhancing customer convenience.

Manabu Hasumi
Executive Officer

in charge of Business Planning Division and Drybulk Division (A), General Manager Drybulk Division (A)

World's biggest chip carrier operator with strengths in overseas transportation

——What is the status of your wood chip carrier fleet, and any newbuildings on order?

MOL Drybulk has one of the world's biggest wood chip carrier fleets. It assumes a leading position in Japan and China, the two major wood chip markets in the world. It currently operates 40 vessels and has just less than 10 newbuildings on order. Many of them are due for completion within the FY2021. However, at the same time, aged vessels are being disposed of, and the number of vessels in operation after all newbuildings comes into service will not change significantly.

——What types of wood chip carriers do you operate?

We build our vessels in accordance with the conditions of our loading and unloading ports. Consequently, many of our vessels are of the 3.6 million-cft and 4.3 million-cft types. We know that Chinese yards construct a bigger model, a capacity of 5 million-cft though there is no cargo handling gear equipped, for their Chinese customers. I would say the wood chip carrier of this size is an exception at the moment.

——Where do you assign your fleet to?

About 60% of our fleet are assigned for paper mills in Japan and the remaining 40% for overseas market, mostly Chinese customers. The proportion used to

be 70% for Japanese and 30% for the rest, but as the demand from Japanese customers declined due in part to the impact of the COVID-19 pandemic by as much as 10% year on year in 2020. By contrast, demand for papers in China has turned upward as its economic recovery started earlier. With the increase in demand in China, the ratio of chip carriers for China is increasing.

——Other than China, what is the contract status for overseas shippers?

There is transport demand for wood chips to South Korea and Taiwan in the Far East, and to Portugal in Europe, but our transportation volume to overseas other than China is worth about one chip carrier or a little more. Approximately 90% of chip shipments by sea are destined for Japan and China, and the rest are in Taiwan, South Korea, and Europe, so our transportation volume will be similar proportion.

——I think that the overseas ratio of 40% is higher than that of other Japanese shipping companies, but have you strategically cultivated commercial rights in China?

China has begun importing a large amount of wood chips in the last 10 years, and we have paid attention to its rapid increase and to its potential growth. Thereupon, for Chinese customers, we have been expanding the service and assigned vessels one after another of which contracts for Japan have ended and ships built for spot or short-term contracts in the past.

——Is MOL Drybulk the world's biggest sharer in wood chip transportation to China?

Probably the No. 1 shipping company is the subsidiary of a Chinese paper manufacturing company, but we may be the largest among overseas shipping companies. China has overtaken Japan in terms of wood chip imports, making it the world's largest importer. In the first place, China was said to grow, while Japan was said to decline in paper demand. It was natural for us to look overseas, and simply put priority on the growing market. We were able to grow our business because we had made steady preparations.

In addition, we were looking for short-term contracts so that we can flexibly meet the demand from Japanese customers. So as well as the growth of demand for China, the preference of short-term contracts was also favourable for us to expand business for the Chinese market.

——How have you cultivated your business in China?

We have kept our resident representative in Shanghai for serving Chinese customers. We have also networks with representatives in Australia, Chile, and Brazil, which are the supply sources of natural resources. For

China, not only the FOB contract that the cargo owners buys, but also the supply side sells cargo with freight, so the shippers often become our business partners. This is different from Japan. Japanese paper companies buy almost all of them on FOB. For this reason, we have increased the China-bound cargo by dealing with shippers such as Australia and Chile, rather than conducting business only in China.

We also maintained some free-tonnage fleet in order to meet the short-term demand of Japanese customers. Although this means taking risks such as market fluctuation, these vessels were able to catch cargo in a way that met the demands of customers and lead to long-term contracts.

Not only for China, we have a global network to capture diverse transportation demand. We also have a representative staff responsible for wood chip carriers in London, who covers not only Europe-bound cargo but also for South Africa and South America so we try not to miss cargo information. As a result of the global network, despite the sharp decline of cargo due to the spread of COVID-19 in 2020, we were able to expand soybean meal transportation to Southeast Asia and carried a considerable volume.

——Is your Chinese business focused on spot and short-term contracts?

We get some long-term contracts, but we basically rely on combination of spot and short-term contracts.

——Do you expect more medium- and long-term

contracts in China going forward?

While many Japanese customers sign contracts effective for 20 years from completion of a newbuilding to its scrapping, the contracts signed by Chinese customers are much shorter in period. But even though they sign one-year contracts, they tend to continue using the ships in subsequent years. It is currently difficult to get customers to commit for a long period, but in reality, continuous usage of the vessels have increased. As compared to general dry bulk carriers, there are only about 140 wood chip carriers in operation worldwide so it is a small world. For this reason, if the contract is expired, it is not always possible to procure a wood chip carrier in a timely manner, so it has become quite common that the contract tends to be extended on the same vessel.

——MOL operates 40 out of the 140 wood chip carriers in the world.

We are the biggest wood chip carrier operator in the world. Even so, we are not merely boast of the scale, but strive to win the customer's reputation in terms of service. Tonnage surplus we used to have will be dissolved as our overaged vessels are gradually retired. On the other hand, we will find ways to be able to provide vessels flexibly.

Cross-sectional approach toward biomass transport

——What cargoes do you carry other than wood chips for paper mills?

We have soybean meal as a cargo for wood chip carriers, and the number of inquiries for biomass cargo is increasing lately. We are already engaged in this business and have shipped biomass chips to Japan and Europe on a spot basis. Biomass fuels transported via ocean vessels include palm kernel shells (PKS) and wood pellets, but PKS production is limited and wood pellets cannot be accepted by ports that do not have warehouses or silos. While wood chips do not have such disadvantages, the biggest problem is that they are bulky and the freight cost will be high if they are transported by ordinary bulk carriers. And so, it is the wood chip carrier to take the stage. PKS, wood pellets, and wood chips each has advantages and disadvantages as biomass fuel, but wood chip carrier has overwhelming competitiveness in wood chip transportation. We think that wood chips could place a large role as biomass cargo in the future.

——What about your organizational setup for transportation of papermaking raw materials and fuels?

Both the wood chips as the raw material for manufacturing paper and the coal as the fuel required by the paper companies will be handled by the Drybulk Division (A). It is a one-stop service that narrows down the customer contact point to one and enabling to provide Panamax, Handysize, and nearseas vessels regardless of ship type or size if requested. We expect our customers will appreciate this point. There are three managers, including myself, in the 1st Drybulk Division, all of them have an experience in the coal shipping sector. If you add up the experienced years of each person, period of time in the coal sector is rather longer than that of in the chip sector. It is just a coincidence, but I think that customers can trust us in coal transportation in this respect as well.

——Transportation demand for biomass cargo is expected to grow. How does your organization perform to cope with it?

We have formed a virtual cross-divisional team to address biomass cargo transportation. The Biomass Project Team has been set up internally to create horizontal collaboration, and all departments of the dry bulk carrier share information and conduct sales through this team. The organization is structured with the idea that there will be no loopholes or gaps in the vertical, horizontal, or vessel type, and that we will be able to meet the needs of our customers in any form. For example, in the biomass, customers may not be able to know which ship will be suitable as they have a lack of experience. In such a case, I think that being able to provide any ship will be sufficiently beneficial in terms of both receiving inquiries from customers and sales.

——What is the outlook for wood chip transportation to Japan?

The paper industry itself expects the demand for paper to shrink, so I have to say that it will gradually decline, but on the other hand, the demand for biomass is expected to increase. Wood chips, which is on an established procurement method, can also be expected as one of the alternative fuels for coal. Of course, I don't think it is realistic to replace all the coal with biomass, but there may be no reason to deny that the volume of wood chips to increase, which are in an advantageous position compared to other choices. In any case, regardless of what the alternative fuel for coal is, if there is a demand for marine transportation, we would like to consider it together with customers, and I think that is the strength of the division not limited to wood chip carriers.

——New materials are also drawing attention.

What is expected in the paper industry is cellulose nanofiber as a new material in the future. Like carbon fiber, the fine fibers of plants make a stronger material

than steel, but it is more promising to use cellulose than carbon in the future. It is not sure if that will affect the import volume of wood chips, but it is possible that demand for wood chips will increase with these promising new materials. Biomass has a high reliability, but new materials also have potentiality, so I think transportation demand will not continue to decline.

Putting priority on environmental protection

——What are your thoughts on the ideal wood chip ship for decarbonization?

When we see decarbonization from the viewpoint of cargo, we think wood chip contributes to establishing a green cycle since it has an aspect of biomass fuel. Here is another point. As to decarbonization of ship itself, we are discussing LNG and other alternate fuels for use in our wood chip carriers. The cargo particularly for wood chip carriers is clean and does not impair their holds. Their life spun, therefore, is generally long and it is quite natural for operators to keep operating them for 20 years or so. Given their long life spun, we think we should decarbonize not only our newbuildings but also existing vessels through improvement on fuel.

——What about retrofitting of scrubber for you chip carriers?

All of our newbuildings are equipped with scrubbers. I think that the chip carrier is probably the second most for retrofit of scrubbers among existing ships after Capesize. Since it has long-term contracts for Japanese customers, the cost can be divided over a long period of time, and even an additional scrubber is installed, it is easy to receive economic benefits.

——What other environmental measures do you take for your wood chip carriers?

A device to recover marine plastic waste is installed on our newbuildings. We were able to materialize this with the support of our customers. Although the amount such plastics that can be collected is very small, we are installing it because we can contribute to the environment preservation as much as possible with vessels that are newly built. Customers are also very supportive of this.

——One of features of wood chip carrier is that a cargo handling device is equipped on board, but what are the new features in cargo handling?

We are considering the introduction of an automatic cargo handling device. Similar to the decrease in truck drivers, some ports are short of manpower, and there is a need to improve cargo handling efficiency in order to save labor by utilizing the latest technology. We also want to contribute through promoting automation.

——How do you see the effect from establishment of MOL Drybulk on the wood chip carrier business?

As the chip carrier is a special type of vessel, if the person in charge is engaged for too long, he/she may apt to have a narrow view. By working together with dry bulk and nearseas vessels to deal with coal and auxiliary raw materials, they can gain new experience and knowledge in the market views, ship management etc. We can also expect to be introduced excellent shipowners from other sectors. I think that such synergistic effects can be greatly expected. It is also possible to incorporate the merits of other vessel types into chip carriers and, conversely, extend the good points of chip carriers to other ship types. In that respect, the merit of being able to do business as a new company is great.

Topics

MOL Drybulk to prioritize environment-aspired vessels
In terms of GHG reduction, marine environment protection, etc.

As the MOL Group promotes the development and deployment of next-generation vessels with lower GHG emissions, its drybulk / nearseas sector is also stepping up the placement of orders for such vessels, including ones that use alternative fuels.

MOL Drybulk has just decided to order three 17,500-dwt tweendeckers from Onomichi Dockyard Co. The vessels, due for completion in succession in the latter half of FY2022, will preemptively comply with EEDI Phase 3, which is to become mandatory in 2025. The third vessel will have a main engine that will burn marine gas oil (MGO).

This is part of a project named "Small Convenient Ship Creation (SCSC)", where MOL Drybulk plans to order up to 20 vessels in several years from 2022, and has been in talks with a number of Japanese shipyards to develop vessels that are good in three ways, good for the "Customers" (competitive and reliable), good for the crew on board (easy maintenance), and good for the environment. Using these vessels, the company will look to reduce GHG emissions while ensuring a stable and economic performance of their main engines. The MGO-fueled vessel will aim for 6-6.5% GHG emission reductions at normal to 50% engine output as compared to those with conventional engines.

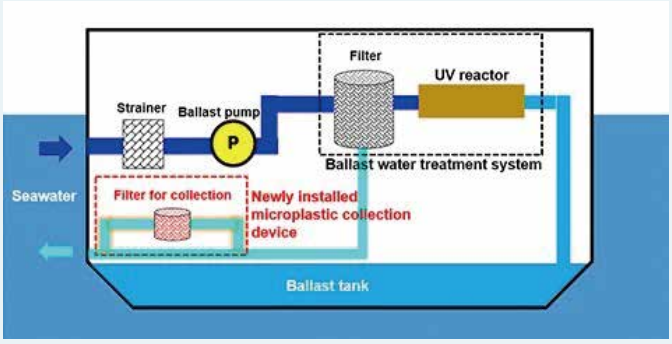
On the Supramax business, MOL Drybulk has signed a partnership agreement with Enviva Partners, a leading U.S. wood pellet manufacturer, with the aim of materializing an environment-friendly bulk carrier. They will study the feasibility of harnessing new technologies, including "Wind Challenger", a telescoping hard sail to convert wind energy to propulsive force with an expected reduction of 5 to 8% of GHG emissions, a unique technology that MOL has been developing with Oshima Shipbuilding Co. and other partners. Enviva Partners, which annually produces 5.3 million tons of sustainable wood pellets, announced its climate change action plan in February 2021, declaring a goal to achieve net-zero GHG emissions by 2030. It said, "We have committed to proactively engage with our partners and other key stakeholders to adopt

clean energy solutions in our supply chain." The company will be pushing ahead with its initiative in cooperation with MOL.

As well as reduction of GHG emissions, MOL are also working on the conservation of the ocean environment. It has decided to install a microplastic collection device, which is jointly developed with Miura Co., on a wood chip carrier that will be delivered in 2022 and sail under charter contract with Marusumi Paper Co. With the common ambition, Marusumi Paper, which "strives to protect global environment" in its management philosophy and MOL, who have recently renewed their group mission as "From the blue oceans, we sustain people's lives and ensure a prosperous future" have agreed to collaboratively develop this project.

Miura looks to contribute to protecting the ocean environment by commercializing the device which can recover microplastics from a ship's ballast water treatment system.

In the conventional method, microplastics are captured by filters with backwashing functions that constitute a ship's ballast water treatment system to be discharged overboard together with the water used for cleansing the filters. On the other hand, it is to recover microplastics at the newly installed device by guiding a part of the discharging ballast water after it filtered through the ballast water treatment device. MOL first installed this device on its bulk carrier and carried out a demonstration test on October 27, 2020. It has so far retrofitted three bulk carriers with the devises. The wood chip carrier will be its fifth vessel to have the device. The performance of the system with the new device was confirmed in the demonstration test conducted in 2020, and MOL plans to collect tens of thousands of microplastics per vessel annually.



Schematic view of microplastic collection device and piping

Aiming for the No.1 operator in intra-Asia trade with region-based service

MOL Drybulk's Steel Cargo Division / Multi-Purpose Vessels Division (tweendecker business) boasts one of the industry's biggest fleets of ships under long-term control. It operates 13,000-dwt and 17,500-dwt vessels. One of its strong points is its stably competitive fleet, which enables it to offer flexible services to customers in terms of scale and ship type. The division plans to take in more of new cargo demand in the Asian region while expanding its competitive steel and biomass cargo transportation business.

Hajime Miyabe
Director, Senior Managing Executive Officer

Deputy Director General of Strategic Sales Enhancement Unit, supervisor for Multi-Purpose Vessels Division and Steel Cargo Division

Koji Hemmi
Director, Executive Officer

in charge of Multi-Purpose Vessels Division and Drybulk Division (B), assistant in charge of Steel Cargo Division

Yu Sakamoto
Executive Officer

in charge of Steel Cargo Division and assistant in charge of Multi-Purpose Vessels Division

Pursuing synergetic effects

——What is your organizational setup for the multipurpose vessel business you took over from Mitsui OSK Kinkai?

What we particularly heeded upon transition to our new company was to ensure a smooth startup of business operations. We made full preparations to retain and enhance the quality of services we had offered to our traditional customers. We combined Mitsui OSK Kinkai and MOL's dry bulk sector at divisional levels

to generate synergetic effects while keeping Mitsui OSK Kinkai's personnel setup intact at team levels.

As part of our preparations, we integrated the nearseas steel transportation business undertaken by Mitsui OSK Kinkai and the oceangoing steel transportation business done by MOL's dry bulk sector. As a result, our new company's Steel Cargo Division takes charge of steel cargo hauls as a single entity. This was done in the same way as our new Drybulk Division (B) combined the nearseas and oceangoing bulk cargo transportation functions undertaken by its two predecessors.

Our Multi-Purpose Vessels Division took over Mitsui OSK Kinkai's Import Business Group and Heavy Cargo Business Group without any change. We look to pursue synergetic effects through the combination of new divisional functions while retaining the established business setups as much as possible. But these were only initial steps we took upon our startup. We will further improve them.

We have also started up various cross-divisional project teams to address each of the commodities we handle and the themes we face. We will strengthen our horizontal connections.

——What about the fleet you operate?

We have 25 tweendeckers under long-term control, which are operated by our Multi-Purpose Vessel Division and Steel Cargo Division. They consist of eight 17,500-dwt vessels and 17 13,000-dwt vessels. Including the ships we charter under spot and short-term contracts, we will be making about 500 voyages per year. Three 17,500-dwt newbuildings compliant with EEDI Phase 3 are due to be completed one after another after August 2022.

——What are the main cargo items you move with tweendeckers?

Our main cargo is steel product shipped out of Japan. We also move used cars, machinery and project cargoes in outbound voyages. Among our bulk cargoes, biomass fuels such as palm kernel shells (PKS) and pellets have been growing in volume in recent years. We have suspended acceptance of southern plywood. In 2020, the MOL Group's nearseas ship sector hauled more than 1 million tons of biomass fuels, accounting for a fourth of Japan's total imports from Asia. PKS is mainly shipped out of Malaysia and Indonesia. Pellets mainly come from Vietnam. Our outbound steel hauls had annually totaled 2.5 million tons before the COVID-19 calamity but fell 20% in 2020 due to the impact of the pandemic. Most of our steel cargoes are bound for Thailand, which is followed by Indonesia, Taiwan, Vietnam and Malaysia.

——Which areas and cargoes do you plan to prioritize in the future?

Steel product shipped from Japan will remain our main cargo. Some people predict that the overall steel volume will gradually decline. But we don't foresee any major setback. We want to retain and enlarge our market share by further polishing up our service quality. We expect that demand for biomass fuels will keep growing as they are seen as a practical solution to decarbonization. We want to keep expanding our market share.

We also want to dig up transportation demand within the Asian region. For example, we are planning to increase our volume of ex-Thailand cargoes to Vietnam and Indonesia and ex-South Korea cargoes to Southeast Asian countries. While balancing our outbound and inbound cargoes, we will seek a more efficient ship allocation by reducing ballast sailings through an increased acceptance of way-port cargoes. High versatility is a strong point of tweendeckers. We will look to enhance our ship assignment efficiency by making full use of that strength.

——What about your overseas offices?

We station representatives in Thailand and Indonesia. We have just set up our office in Indonesia. We temporarily reduced our staff at the Thai office following the outbreak of the pandemic but have now returned to normal. South Korea is a very important market. We are stepping up cargo collection there through our own local agents. We also have our offices in Singapore, Shanghai and Mumbai. We intend to ramp up our sales activities through these networks. One of the missions required of our overseas offices is collection of offshore trade cargoes. Taking care of those cargoes is also their important mission.

Catering to diversified customer needs

——What are your strong points in the aspects of fleet and marketing?

We have one of the industry's biggest tweendecker fleets made up of vessels under long-term control. In addition, we spot-charter vessels mainly from the owners with good track records of business with us. We keep a stably competitive fleet ready for operation. One of our strengths is our ability to meet the diversified needs of our shippers with great flexibility. As to ship type, we keep 13,000-dwt and 17,500-dwt vessels, built at the same yards. This makes our ship assignment reshuffle easier and more flexible. The big scale of our fleet itself is our advantage. We can offer vessels our customers need and bring them to the places they specify. We can also assign our ships under spot contracts. The good quality of our vessels and their advantageous positioning are supported by our own quality control.

Our marine engineering and safety team works functionally, helping to enhance our service quality. Quality is particularly valued in steel transportation. Our 12 marine supervisors, including those posted at our Hanshin office, readily address our problems. Three locally hired engineers are stationed at our office in Thailand, one of the region's major collection centers for ex-Japan steel product. They support all work processes from unloading operation to handling of cargoes shipped out of Thailand for inbound voyages.

We have also obtained patents for our dew condensation prevention device, cargo shift prevention device and stowage technic, and applied for a patent for our anti-roll tank. Our preemptive efforts to make use of those new inventions are also our strong point. All our employees are agile, keenly interested in any ideas that help enhance our services and adopt ones quickly. We have given top priority to building customer trust and I think we have been reasonably appreciated by many of them. This is indicated by the fact that they are offering long-term contracts or COAs for biomass fuel transportation. I am newly aware of the importance of getting customer confidence. Mitsui OSK Kinkai had pursued its goal "to become Asia's No. 1 operator through community-based semi-liner services." We will uphold the goal as MOL Drybulk Ltd.'s tweendecker business sector.

——What are your challenges?

Our future challenge boils down to generation of synergetic effects from the integration of our nearseas and oceangoing operations. The types of ship Mitsui OSK Kinkai could offer were limited. But the integration has allowed us to have diversified types. While our tweendecker business partly overlaps our bulk cargo business, our oceangoing and nearseas steel transportation operations have much affinity because many of their customers are overlapped. We had essentially worked hand in hand as members of the MOL group. Now that we belong to the same organization, we will look to deepen our mutual collaboration.

——What synergetic effects do you have in mind?

For instance, since our oceangoing routes pass through Asia, we can haul the cargoes not undertaken so far by tweendeckers with our oceangoing Handysize bulkers. I think more cargoes can be accommodated between our nearseas and oceangoing vessels. We can offer diversified options to our customers in terms of ship positioning and freight competitiveness.

A common use of marine engineering knowhow by nearseas and oceangoing vessels will be another example of synergetic effects. Because of its historical background, Mitsui OSK Kinkai had long handled steel as its mainstay cargo and accumulated expertise on steel transportation. Sharing of this knowhow can be our sales point in oceangoing steel hauls.

Though belonging to the same group, many of our employees had been charged with oceangoing and nearseas duties at different companies. Now they sit close to each other at their new company. They can work better by deepening an exchange of information. Also, decarbonization is a challenge common to those who get engaged in nearseas and oceangoing operations. They need to address the issue at the same eye level with the same sense of direction. Their closer cooperation is crucial. We will work harder in this domain to offer better solutions to our customers.

Putting priority on environment-related cargoes

——Tell us about the lineup of your Steel Cargo Division, Steel Product Team and Steel Procut Team (Asia).

The Steel Cargo Division consists of the Steel Product Team which took over the steel business from MOL's dry bulk segment and the Steel Product Team (Asia) which took over the steel business from Mitsui OSK Kinkai. We deploy Smallhandies and Handymaxes for oceangoing steel transportation. Our annual hauls totaled about 2 million tons in 2020. The volume declined in the first half of the year due to the impact of the pandemic but began recovering in the latter half. We expect the 2021 volume to recover to the pre-pandemic

level. Our main oceangoing steel transportation routes cover Europe, North America, Latin America/Caribbean Sea and East/West Africa. The main loading point for steel cargo is Japan. Some are loaded in South Korea and China. Their ratios are 80% for Japan and 20% for South Korea and China.

——What business does your Multi-Purpose Vessels Division conduct?

The division's Import Sales Team had a hard time due to falling volumes of southern logs and plywood, its mainstay cargoes. But it is getting back in good shape again thanks to an increasing biomass fuel transportation volume. Its Project & Heavy Cargo Team took over the business which Mitsui OSK Kinkai had nurtured since inheriting it from MOL's plant transportation sector in 2011. It had been deploying its business by building its own franchise networks in South Korea, Singapore, Thailand, India and China. Heavy cargo transportation is another major feature of our new company.

——What roles are played by the Multi-Purpose Vessels Division, in particular by its Project & Heavy Cargo Team?

The team has five roles to play. First is transportation of railway-related cargo items such as long rails and rolling stock and specialized cargo items related to projects such as power generation plants. Second is improvement on profitability through collection of more mixed and completive cargo items for transportation on the existing routes. Third is deployment of tweendecker business in the ASEAN countries. Tweendeckers used to be sold to foreign shipowners about 10 years after their completion to be put into the same market at lower rates, often threatening our own business. We are drawing a future image of running them on our own at our Southeast Asian hubs. Fourth is addressing environment-related cargoes. We put particular emphasis on cargoes related to wind power generation. We already have good track records at such plants in Akita Prefecture. We want to move more cargoes in cooperation with our European partner operators. Fifth is assuming coordination consulting functions, which we think are quite important to differentiate ourselves from peers. We will continue to provide our customers with better logistics solutions and technical support to ensure safe transportation. But I want the team will also play the role of proposing optimal transportation means within our own group. As wind power generation projects will increase in number, we want to promote our consulting services for local governments and companies about the development of port facilities and selection and installation of necessary vessels and equipment in cooperation with MOL's relevant segments.

As to heavy cargoes, we moved a lot of items related to coal-fired power generation in the past five years. Items related to railways and wind power plants have been growing in volume since the beginning of 2021. As there will be a number of infrastructure development and high-efficiency power plant construction projects launched in Asia from 2022 onwards, we think demand for heavy-lift and multipurpose vessels will stay stable. We will consider our business development while closely watching future market trends.

——What about your challenges in the aspect of organizational fusion following the integration of MOL's dry bulk sector and Mitsui OSK Kinkai?

As both had already enjoyed close relations, the atmosphere at our new company is quite good after the integration. The presence of mutual acquaintances at the same place makes our work easier. That is one of good points the integration has brought. Our two predecessors had somewhat different corporate cultures, but we have a lot to learn from each other. The integration has also enabled us to have more information. Now we can better understand what our Head Office MOL thinks and what it prioritizes. Mitsui OSK Kinkai had taken pride that it could do well on its own. But people from the company now say, "The integration was good. Things will get even better."

Consolidating such functions as fleet procurement and contact point for shipowners
Business Planning Division maximizes the effect of the integration by their cross-sectional functions

The Business Planning Division of the Strategic Sales Enhancement Unit will be an organization that embodies the synergies and cross-divisional activities through the integration, which is the most important purpose of the establishment of MOL Drybulk Ltd. The functions to secure the fleet needed for each sales divisions, which range from short term period chartered vessels for around 6 months to a year, to newbuildings that are to be operated for a long time, will be consolidated in this division. At the same time, the Division acts as a control tower that grasps the overall cargo volume of the entire company and matches the tonnage portfolio with that cargo book. In addition, this division plays many important roles, such as communicating closely with the partner shipowners, complying with environmental regulations, and initiating GHG reduction strategies. Yuichiro Haraguchi, General Manager of the Business Planning Division said, "This division plays a key role in the integration, and we'd like to do a good job to make sure the new company makes a good start and gains momentum."

MOL Drybulk has seven divisions in the Strategic Sales Enhancement Unit, six of which are commercial divisions, namely Drybulk Division A to D, Multi-Purpose Vessels Division, and Steel Cargo Division, while the Business Planning Division looks after the cross-sectional functions among the commercial divisions.

The division has 31 members (15 concurrently hold other post), comprised of

Yuichiro Haraguchi, General Manager of the Business Planning Division

18 in the "Fleet Planning Team" (12), four in the "Business Planning Team" (2), two in the "Operation Management Team" (1), and seven in the "Voyage Accounting Team" (0). The Corporate Planning Division also has a cross-sectional function, and Haraguchi explained, "To put it simply, the Business Planning Division handles the overall strategical business area up to the operating profit and loss stage, and the Corporate Planning Division is in charge of the company-wide matters beyond that. Having said that, it has only been a very short while since the new company's inauguration and we are still in a transitional period, so the roles of each division will be reviewed and adjusted as necessary as our business progresses in the future."

The most important function of The Business Planning Division is the fleet procurement performed by the Fleet Planning Team. The division is in charge of all of the procuring activities for the core fleet that MOL Drybulk operates, and the negotiations with the

shipowners. This inherits the scheme introduced by the Drybulk Division of MOL two years ago, and the procurement for wood chip carriers and nearseas vessels have been added. Currently, MOL Drybulk has contracts with about 60 shipowners. The division also serves as the secretariat for the annual Shipowner's meeting and the Liaison meeting for Safe Navigation.

Haraguchi explains that "This division provides rate guidance to each sales department and overseas offices while observing the cost of vessels. It is an organization that can manage profit and loss by looking at both the Hire Base (cost) and the Charter Base (income). The merit is that we can see the overall cost and give guidance on the rates so that all sales staff including those at overseas offices can share the same sense of levels."

Each sales division secures vessels from the market on a spot basis when there is no vessels in hand to perform their cargo, while The Business Planning Division is in charge of chartering in vessels for a short period contract from about half a year to a year or so. In addition, the division also carries out time-charter out (TC out) of the vessel that do not have a particular business for the sales division.

Furthermore, newbuilding projects for owned tonnage and procuring long-term charter vessels are the important roles of The Business Planning Division as well. The order book for MOL Drybulk is about 10 vessels, mainly wood chip carriers including chartered ones. Among them, one nearseas vessel has a marine gas oil (MGO) –fueled engine that has superior environmental performance compared to conventional vessels. This ship will enter service in 2022.

Regarding the future fleet procurement policy, Haraguchi said, "Basically, we will

follow the previous policy and procure while looking at the balance between our tonnage and cargo from a long-term perspective. However, for the short term, we will look at the market trend and it could be possible to add a little more of tonnage, or vice versa" He continued, "From the perspective of controlling exposure, we will continue to structure our fleet mainly with short-term charter vessels regardless of the market boom or recession. For high value-added vessels such as special type and next-generation environment-friendly vessels that are difficult to procure in the market, we will place newbuilding orders and charter on a long term basis from sihpowners who are our strategic partners or own as our vessels. For example, wood chip carriers and box shaped bulkers suitable for transporting steel materials need to be replaced appropriately at the right time." As to the vessels procured by short- and medium-term charter contracts, "We would like to gradually expand the scale of operation along with our cargo. We will charter the necessary tonnage as needed. As the fleet ages and becomes obsolete over time, it will be necessary to replace the vessels on a regular basis. The key will be working together with shipowners as partners, and look into their

proposals on various vessel types. In this way I want to maintain a good fleet structure," said Haraguchi.

In addition to the cross-sectional functions of the sales department, the Business Planning Team is in charge of profit and loss management of the entire sales sector, including analysis of budget and business performance and formulation of medium-term management plan. Each sales division also grasps the profit and loss of their respective business, but the Business Planning Team manages to share the balance of the entire route including round-trip voyages across the whole divisions.

The Business Planning Team aggregates the cargo contracts concluded by each sales department and utilizes them for tonnage procurement. The team is also in charge of counterparty credit risk management which is constantly updated and shared with each sales department, overseas offices, and personnel in charge of chartering at the Fleet Planning Team. The team also takes charge of freight forward agreement (FFA). Up to now, FFA has not been used much by MOL's drybulk sector because it has reduced the risk of market fluctuations by balancing their cargo and fleet portfolios, but they will consider using it in the future to further enhance market fluctuation risk hedging. Fuel oil derivative are also conducted by the Business Planning Team.

The Business Planning Team is also in charge of responding to environmental regulations and environmental strategies, which have become major themes of shipping in recent years. They will soon conduct an evaluation of the impact of the efficiency existing ship index (EEXI) adopted by IMO (International Maritime Organization) in June on operating vessels. And further, the Team will see how the company can contribute to the MOL Group's new medium- to long-term environmental strategy "Environmental Vision 2.1" announced by Mitsui OSK Lines in June, and plan to introduce next-generation environment-friendly vessels in view of the overall GHG reduction target.

The Operation Management Team is the coordinator of the operation members of each sales department, and shares information such as precautions and best practices, rule changes and other operational and navigational information. Haraguchi explained, "In the past, we relied a lot on the experienced operators to share these kind of skills and information on a voluntary basis, so we have set up this team so that the collecting and sharing of such information can be conducted in a more structured and efficient manner. As the importance of shipping operations increases from the perspective of improving navigational efficiency, the Operation Management Team will take the lead in strengthening this function.

The Voyage Accounting Team will consolidate the invoicing and payments, and support the administrative work that were previously performed by the operation members in each sales department. Currently, the accounting systems of Mitsui OSK Lines and the former Mitsui OSK Kinkai are coexisting, but MOL Drybulk plans to introduce a new accounting system next fiscal year. By unifying the system, the company will further rationalize its businesses.

Topics

New technologies to prevent cargo damage
Patents obtained for anti-collapse, anti-condensation devices

Mitsui OSK Kinkai, which was integrated with MOL's drybulk sector to form MOL Drybulk, had been developing new technologies to prevent damages to steel products during their transportation. In 2005, in cooperation with Shin Kurushima Dockyard Co., it invented a device that can prevent dew condensation on steel products in vessel holds and obtained a patent for the technology. When steel products are transported from Japan to Southeast Asia, condensation often becomes a problem due to the difference between the temperature of the cargo surface and the humid air inside the hold. The device injects warm air into the cargo hold to raise the temperature on the steel surface while the vessel sails towards Southeast Asia. The idea is to narrow the temperature gap so that when the vessel reaches the unloading port, condensation is unlikely to happen after the hatch cover is opened. MOL's vessels carrying for steel products are equipped with the device as standard.

Mitsui OSK Kinkai also invented a special airbag for the purpose of preventing cargo collapse that often occur while steel wire rods are transported in stormy weather conditions. It acquired a patent for the device in 2020. Steel wire rod can be deformed when the vessel rolls and pitches in stormy weather and that may cause a cargo shifting. Airbags are inserted into the bore of each of the wire rods stacked in the first tier in the hold and inflated to contain their possible deformation which can cause serious cargo collapse.

Besides this, for the purpose of preventing cargo shifts, the company developed an anti-rolling tank (a patent has been applied) for dry bulkers in cooperation with IMC Co., Ltd., a subsidiary of Japan Marine United Corp. (JMU). Tests conducted by them on a 17,500-dwt tweendecker loaded with steel products have proved that rolls can be reduced by up to 84%. Prevention of shifts not only protects cargoes but also contributes to stabilizing navigation schedules because vessels can get more options for evading navigation in case of stormy weather. It can also reduce the need of vessels taking shelter or deviate, helping them cut their fuel consumption and GHG emissions.

Topics

Using drones for publicity purposes Images used in versatile ways

MOL Drybulk is pushing forward with its initiative to use drones for aerial shooting for public relations purposes. The company's PR manager, himself a licensed drone pilot, takes images of ships entering ports and newbuild launching ceremonies and edit them for use in publicity campaigns for customers and the general public.

The new MOL Group company has set up its PR/CSR Office to promote the initiative as part of its overall PR activities. It has just named a manager and his assistants in charge who have purchased drones along with a full set of peripheral equipment. His team has already taken images of cargo handling work on project cargoes, vessels coming into a port and a series of launching ceremonies. It has put up some edited images on the company's official YouTube channel. Many of them are images not seen in the past and quite unique.

Kenichi Nagata, former president of Mitsui OSK Kinkai and now special adviser to MOL Drybulk, suggested utilization of drones for publicity purposes. He told of his aim, "This initiative is an important part of our corporate marketing activities. We are aiming not only to appeal our business activities to our customers but also accept whenever requested their orders for shooting airborne images for their own use." He added, "We want to use the power of those images have to change the shipping business from 'a niche industry familiar only to a handful of enthusiasts' to 'an industry familiar to everyone'. I think that will help enhance the presence of Japan's maritime cluster."

Teppei Miyamoto, manager of CSR・

Teppei Miyamoto, public relations manager, poses with his drone

Corporate Communication Team at the company's Corporate Planning Division, said, "Ships are gigantic and powerful. They give us various scenes ranging from construction and navigation to port departure/arrival and cargo handling. They make ideal materials for aerial shooting by drone. But one problem is that the navigation and cargo handling are very slow and can often be boring. Some editing expertise is necessary to produce images that attract viewers." Miyamoto takes images and edit them by himself. He said smilingly, "I like editing images shown at wedding ceremonies. President Nagata happened to see the images I edited at my friend's wedding ceremony. That's perhaps why he named me for this project." Miyamoto attended a drone school for about a month to learn piloting and image shooting. He brushed up his skills through practice at a public drone park and acquired his license in 2020. He continued, "Ships move slowly. So to give a feeling of moving fast, you need to rely on a solution to turn up their relative

Aerial pictures taken by drones (left: multipurpose vessel in stevedoring, right: multipurpose vessel sailing at sea)

speed by flying your drone to the opposite direction. I learned a lot including such skill at my school."

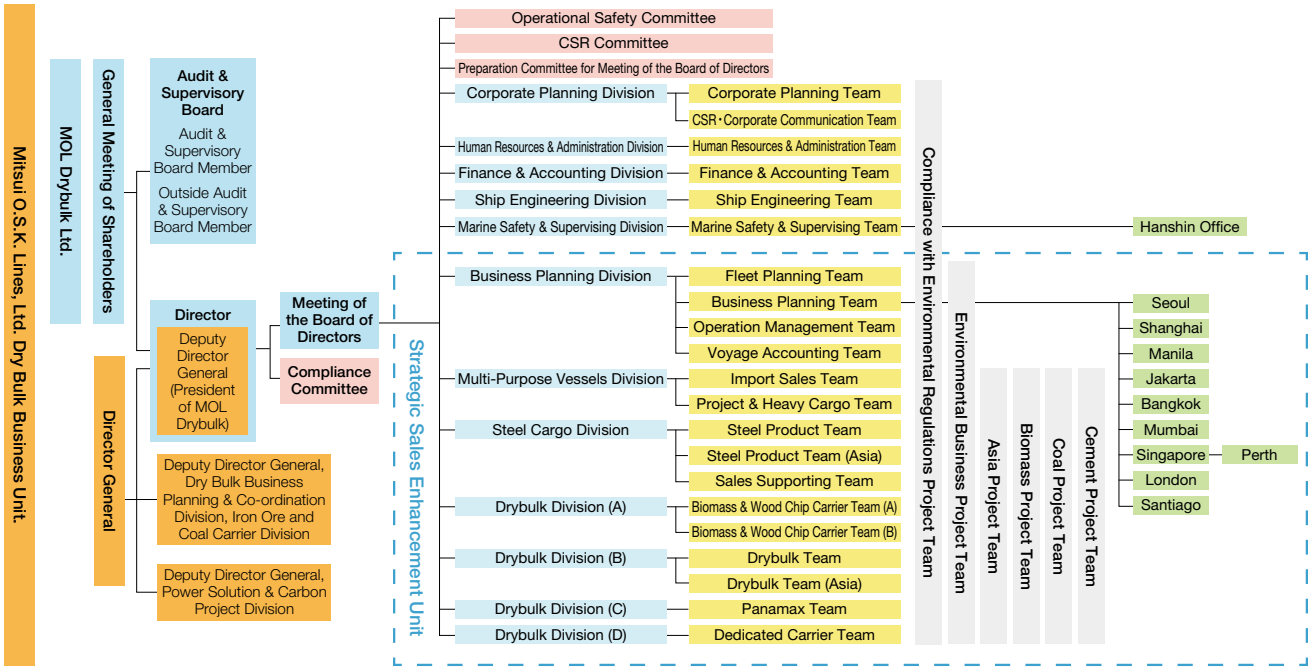
Knowhow needed to utilize drones is not limited to piloting and shooting skills. Miyamoto explained, "I may make you misunderstand, but you can't fly your drone anytime and anywhere. You need to learn the legal system including, in particular, the Civil Aeronautics Act, and must get permissions from landowners, police, port administrators, shippers, shipowners, fisheries cooperatives and many other related quarters. And then, you must be very careful not to trouble other people by letting your drone hit people and objects or shoot what it shouldn't such as the interior of buildings. These are also important knowhow." Thus, using drones is far from easy. He talked about the merit of doing all things by himself, saying, "When you want to take images of a multipurpose ship, its schedules can be frequently changed. If you outsource the work, it could cost a lot more. It is best for us doing it by ourselves by squeezing in time during our routine sales activity."

Miyamoto said his team uses the produced images not simply for PR purposes. "For example, we are planning to shoot our ships arriving at a port to use them for our in-house staff training. If we take images of every detail of cargo handling on a heavy-freight vessel from the air, workers won't be annoyed during their work. If we can offer our customers some good images of their cargo in transit, we can add value to our marketing activity. We can also use drones to check crane wires handled at a high point above our ship. We want to use our images for broader purposes by combining them with those made available by the on-board action cameras of our ships."

MOL Drybulk
Home page
https://www.moldrybulk.co.jp/

MOL Drybulk
Official YouTube channel
https://www.youtube.com/channel/UCeTlBzks9d51n6geSFOW2cg

Organization chart and list of officers



Representative Director, President
Kazuhiko Kikuchi

Representative Director, Vice President
Masatoshi Nakajima

Director, Senior Managing Executive Officer
Hajime Miyabe

Director, Managing Executive Officer
Kiyoshi Inaba

Director, Managing Executive Officer
Yukie Kakishima

Director, Executive Officer
Koji Hemmi

Director, Executive Officer
Jun Hoshino

Executive Officer
Shigeru Watanabe

Executive Officer
Yu Sakamoto

Executive Officer
Manabu Hasumi

Executive Officer
Shinichi Asahina

KAIJI PRESS Special Issue

MOL Drybulk

– Strong and resilient professional group –

August 27, 2021

Published by : Kaiji Press Co., Ltd.
Issuer : Seigo Ide
Chief Editor : Naoki Nakamura

Head office :
Yoshiyasukanda Bldg., 3F, 2-1-15 Iwamoto-cho,
Chiyoda-ku, Tokyo, 101-0032, JAPAN
Tel : +81-3-5835-4182 Fax : +81-3-5835-4190
E-mail : kp-ad@kaiji-press.co.jp
URL : https://www.kaiji-press.co.jp

Kansai Bureau office :
Kyo Bldg., 5F, 1-17-8 Kyomachibori, Nishi-ku,
Osaka-shi 550-0003, JAPAN
Tel : +81-6-6441-9800 Fax : +81-6-6441-9801

Printed by Kokufu Printing Co., Ltd.

AD INDEX

A ABS 13
C CLASSNK ..... INSIDE FRONT COVER
M MANABE ZOKI 15
MOL LOGISTICS 22
O OSHIMA SHIPBUILDING ..... INSIDE FRONT COVER
T TAIKO KIKAI INDUSTRIES 23
TAIYO ELECTRIC 21

MOL Drybulk Ltd.