

Major Question and Answers
at the Q1 FY 2024 Financial Results Briefing (Online)

Respondent: CFO Kazuya Hamazaki

Q1)

Please advise the forecast of freight rates for containerships.

A1)

Due to increased liftings and tight space, the current spot rates are at a high level. Although it is very difficult to forecast the full-year outlook, we anticipate that the spot rates will peak in July and gradually decline to the level assumed at the beginning of the fiscal year by the end of March.

Q2)

Regarding the upwards in ONE's performance, I believe the dividend will be increased in accordance with ONE's dividend policy of "payout ratio 30% or more." Please advise how Mitsui O.S.K. Lines intends to request shareholder returns including the special dividend of 3 billion US dollars.

A2)

In accordance with ONE's dividend policy, we expect an increase in dividends based on the payout ratio of 30% and the already decided special dividend of 3 billion US dollars. As for any dividend beyond that amount, it is under consideration by ONE and will be considered with its shareholders.

Q3)

In ONE's magenta-colored materials, the waterfall chart for Q1 shows a profit increase of 124 million US dollars due to the rise of freight rates. When calculating backwards from revenue of the same period of FY2023, it seems that the effect is only about 3%, but the actual freight rates are much higher. How should I understand this discrepancy?

A3)

There are two types of freight rates, long-term contract rate and spot rate. In ONE, the ratio of the long-term contract and the spot rate for the main route, North America and Europe, is approximately 50% each. The spot rate is at an extremely high level at the present. On the other hand, the peak season surcharge is subject to the long-term contract, but the increase is limited compared to the spot rate. Averaging these factors, the increase in freight rates becomes as shown on the material.

Q4)

Please advise if there are any figures about forecasts of ONE's revenue.

A4)

It is difficult to forecast the outlook of revenue, EBITDA, and EBIT, and disclosing uncertain figures might be misleading. We would appreciate it if you could understand that we can only show the bottom-line of after-tax profit and loss.

Q5)

Regarding the freight rates for containerships, there was no significant fluctuation in North American routes between January-March and April-June. However, should I understand that the application of the peak season surcharge was reflected later and started to contribute to the profit from around June and July? Is it correct to understand that there will be a profit because the long-term contract rate will increase while the spot rate will decrease?

A5)

While we assume the peak in July, there will be some delay in reflecting the freight rate, so the profit is expected to increase in 2Q. For details on the results of freight index for North American routes, please refer to page 4 of ONE's magenta-colored materials.

Q6)

What are the factors of increase in the profit of the energy business?

A6)

Most of the upward in the energy business is due to the chemical tanker business. The results of the chemical tanker business have grown significantly because of the expansion of the scale by acquisition of Fairfield Chemical Carriers and the favorable market conditions.

Q7)

Please advise if there is any background that the market condition for chemical tankers will not significantly deteriorate in the current fiscal year.

A7)

We have provided our business forecast based on the market outlook for the second half of the fiscal year. Our estimates for the chemical tanker business are relatively conservative.

Q8)

Please advise how you forecast the business environment of the car carrier business.

A8)

At present, tonnage supply and demand of car carriers is extremely tight, and they operate almost full. In the car carrier market, approximately 30 new vessels are scheduled to be delivered in the second half of FY2024, and there is a possibility that tonnage supply and demand will soften. On the other hand, there are many completed cars that are currently transported by containerships because of the lack of space in car carriers, and we expect that cargoes will flow from containerships to car carriers as new vessels are delivered. Accordingly, with the long-term contracts and the assumption that tonnage supply and demand will remain tight in FY2024, we have revised our forecast upward for the car carrier business.