January 31,2025

Mitsui O.S.K. Lines, Ltd.

Major Questions and Answers at the Q3 FY 2024 Financial Results Briefing (Online)

Q1)

What are the factors for the significant decline in ONE's profit forecasted in Q4 compared to the Q3 result?

A1) (Hamazaki)

Every year in Q4, cargo movements tend to drop due to Chinese New Year. Moreover, one-time expenses such as costs associated with vessel replacements stemming from the alliance reorganization are included in the forecast.

Q2)

Please advise when it will be possible to resume the transits through the Red Sea.

A2) (Hamazaki)

The forecast includes continued avoidance of the Red Sea transits until the end of this fiscal year. Following the ceasefire in Gaza in January 2025, the Yemeni Houthis announced a halt to attacks on U.S. and UK vessels. We are closely monitoring whether this will become permanent. This situation may continue in the first half of the next fiscal year. The safety of crews, cargoes, and vessels is the top priority, and if safety is assured, we will consider resuming transits through the Red Sea.

Q3)

Is raising the dividend payout ratio still being considered for the next fiscal year and beyond?

A3) (Hamazaki)

In Phase 1 (FY 2023 to FY 2025) of the MOL Group Corporate Management Plan BLUE ACTION 2035, our basic policy for shareholder return is to provide dividend payout ratio of 30% and potential share buybacks subject to earning profits beyond expectation. We announced a share buyback program in October last year. We plan to review the business plan during the next fiscal year in preparation for Phase 2 (FY 2026 to FY 2030). As part of this, we plan to establish a shareholder return policy for Phase 2. Depending on the progress of our business results in FY 2025 and the details of the management plan for Phase 2, we will flexibly consider applying this policy from FY2025 ahead of schedule.

Q4)
Regarding the dry bulk business, what is causing the forecasted loss of 0.7 billion yen for Q4?

A4) (Hamazaki)
The main factor is the softening market rates in the dry bulk sector due to a decline in shipping demand caused by the economic slowdown in China, which has the most significant impact on the dry bulk market.

Q5)
In the containership business, how do you anticipate the negotiations for term contracts for FY 2025 will conclude? What is the current status of these negotiations?

A5) (Hamazaki)
The renewal of contracts in January was concluded at a higher level than the previous year. However, these are only a small portion of the term contracts, with the majority scheduled to begin negotiations in March and April.

Q6) The sale of fixed assets and investment securities seems to have contributed to net income as an extraordinary income. Please advise whether this trend will continue beyond FY 2025.

A6) (Hamazaki)
In addition to the sale of vessels, which is regularly conducted, the sale of cross-shareholdings also contributes to the extraordinary income. In this fiscal year, there is a special factor, namely the earnings on revaluation of shares resulting from the conversion of Gearbulk into a consolidated subsidiary, which is expected to be absent next fiscal year.

Q7)
Regarding the car carrier business, please advise how shipping volume, freight rates, and exchange rates impact profitability. What is the outlook on the profit level for the next fiscal year?

A7) (Hamazaki)
Although shipping volume decreased due to strikes and port congestion, this was partially offset by exchange rates, resulting in a slight decrease in overall profit compared to the previous forecast. Spot freight rates are to soften in the next fiscal year due to the easing of the vessel supply-demand balance with the delivery of new vessels. On the other hand, since most of the contracts are medium- to long-term, the impact on profits will be limited.

Q8)
How should we view the profit levels for the next fiscal year in businesses other than the containership business?

A8) (Hamazaki)
Stable revenue businesses, such as the LNG carrier business—where the deliveries of new vessels are set to begin in full next fiscal year—along with the offshore business, and the real property business, are building up and are expected to contribute to stable earnings. On the other hand, the profits from the car carrier business and the dry bulk business may soften compared to this fiscal year. Although it is difficult to make quantitative forecasts at this moment, we do not expect a significant decline in profit from this fiscal year. However, the situation would be different if a global recession triggered by the U.S. economic slowdown were to occur.

Q9)
Regarding the containership business, please advise how the vessel supply-demand balance and the level of spot freight rates will be if the transit through the Red Sea is still not possible throughout the next fiscal year.

A9) (Hamazaki)
Although the delivery of new vessels continues, the number of vessels to be delivered in the next fiscal year is expected to be fewer than this fiscal year. If the transit through the Red Sea continues to be avoided, that will absorb a certain amount of the vessel supply, and the spot freight rates could be firm to some extent.