

**Major Questions Answers
at the Q2 FY2023 Financial Results Briefing (Online)**

Respondent : CEO Takeshi Hashimoto, CFO Hisashi Umemura

Q1)

Please advise the freight rate image of the containership business in the second half of the year.

Is it expected to recover from the current level?

A1) (Umemura)

At this moment, we expect a recovery in freight rates from the current level. Although the containership freight rates generally increased as per our expectations until August, the cargo volume decreased earlier than usual in September due to the overlap of China's Mid-Autumn Festival and National Day. The lack of flexible blank sailings in response to this led to an oversupply of cargo space, leading to an unexpected drop in freight rates in September. From now on, we expect that the surplus of cargo space will decrease by adjustments such as blank sailings, and the freight increase announced by each alliance for November onwards will take effect.

Q2)

Please advise the downward revision factors in the product transport business other than containership business.

A2) (Umemura)

One is the Terminal & Logistics business. The recovery of the container cargo movement is less strong than we expected, and there is a delay in the recovery of the cargo volume at the overseas terminal. Another one is the slight fall of the car carrier business. The port congestion continued mainly in Australia, leading to a reduction in transportation volume and a lower profit than initially forecasted.

Q3)

Please advise quantitatively on the freight assumptions of ONE in the second half of FY2023.

A3) (Umemura)

I refrain from providing specific details of the figures.

Q4)

Regarding the breakdown of ONE' s profit, how does it divide between interest income, equity method investment income from Atlas, and operation profit from the containership business?

Please mention both Q2 results and 2H forecasts for the answers to the above question. Also, how much freight rate increase is needed to make the profit go into the black?

A4) (Umemura)

We do not disclose detailed numbers regarding the interest income or equity method investment income from Atlas. However, the operating profit, which indicates the profit and loss of the containership business of ONE, was slightly red in Q2. This situation is likely to continue in 2H. I refrain from providing detailed figures regarding the necessary freight rate increase to make the profit go into the black. However, the operating loss is relatively small.

Q5)

Regarding the car carrier business, may I understand that while the exchange rate is working positively for the profit due to the assumption change to a weaker yen, reducing the transportation volume assumption is working negatively, offsetting the positive side, and as a result, the full-year forecast aligns with the previous forecast?

Also, please advise the background of the reduction of transportation volume.

A5) (Umemura)

The weak yen is definitely a positive factor. On the other hand, the congestion in Australia and Panama is continuing longer than we expected, reducing the number of voyages. As a result, transportation volume decreased, offsetting the effect of a weak yen in the exchange rate, and it is making the profit go slightly downwards.

Q6)

Regarding the additional investment in Nippon Concept Corporation, please advise the result of the current partnership effect and the expansion in the future.

A6) (Hashimoto)

Nippon Concept Corporation continues to grow, achieving a track record in the very niche and highly specialized field of the tank container business. MOL has held a part of its stock for several years, and we will buy more this time. While large volume transportation, which is MOL's strong point, is transported by large or dedicated vessels such as Chemical tankers, LNG carriers, and LPG carriers, the tank container takes a big role in small transportation. We intend to further strengthen our energy business by combining large transportation with large vessels and small volume transportation with tank containers. Another one is the growth strategy overseas by utilizing the MOL's overseas network, in addition to the domestic cargo handling, in which Nippon Concept Corporation excels. The demand for tank containers has increased rapidly in South Asia and India, where MOL has been putting effort recently, and in China. In the sense that using the MOL's network and human resources to expand the growth strategy overseas, we expect a great synergistic effect, and we believe this will be an exciting field of investment.

Q7)

How has ONE's EBIT transitioned from July to September?

What made the result better than the forecast?

A7) (Umemura)

I refrain from providing detailed figures regarding the EBIT from July to September. However, the operating profit and loss in Q2 were roughly in line with the forecast. The major reason for the upward revision the interest income from cash deposits has increased after-tax profit and loss due to the rise in dollar interest rates.

Q8)

I have an impression that there are only a few revisions to the increase in the full-year plan, while the market rate of LPG carriers is strong in the

energy business, and there is a recovery of the market rate in the dry bulk business.

Are there any factors that make us more conservative?

A8) (Umemura)

In the LPG carrier business, the market rate is quite strong. However, due to several individual charter contracts, the effect of the market conditions is structured to contribute to our company's profit and loss with a certain delay. In other words, the incorporation of the current strong market condition of LPG carriers into MOL profit will be from the next season. Despite the dry bulk business being in a recovery trend, the current FFA rate shows decline from next January. Therefore, we have set the cautious market rate assumption by considering the forward freight outlook.

Q9)

Please advise on the possibility of leverage utilization at ONE.

Will there be any changes in the dividend policy if utilizing leverage on the balance sheet? Do you have any plans to announce ONE's midterm management plan?

A9) (Hashimoto)

I am aware that it is taking longer than many of you expected; ONE's midterm plan is still in the process of being finalized. It is expected to take more time to form a consensus because there are various opinions between the three shipping companies as shareholders and the operation secretariat of ONE. We aim to round it up by the end of this year and present it externally. ONE has been able to accumulate a considerable amount of capital. Therefore, the investment approach is not just using cash on hand; borrowing using ONE's creditworthiness is also an option. The amount of capital for investments and whether or not to use external borrowings are crucial parts of the midterm management plan. Hence, please understand this matter is currently under discussion. We have already agreed on using borrowing to a certain level and would like to work on determining the appropriate leverage ratio.

Q10)

What are your thoughts on why MOL's PBR does not exceed 1.0x?

Do you plan to disclose anything about this matter by the end of next March?

A10) (Hashimoto)

Regarding PBR, I personally believe we should make steady improvements over a certain amount of time. The shipping industry has high volatility, and it has a history of repeating a slump for an extended period after a great boom in the market. The last time we had a strong performance in the market was the great boom in the 2000s, which occurred due to high demand from China, we expanded our investment position and built up the investments in shipping. However, as a result, the market turned around, and our performance struggled by taking a long time to adjust. I believe this memory is stuck in the investors' head. I interpret the current PBR of 0.7-0.75x as reflecting the expectation that there will be a significant adjustment in the future for not only MOL but also the entire shipping industry stocks, both in financial performance and stock prices. We considered various aspects to avoid repeating these past experiences and formulated a management plan announced in March of this year.

By increasing the part of stable revenue or the relatively low volatility business, which does not link to the cycle of the shipping industry, in the portfolio, we hope to achieve a performance that is different from the previous one, that is well even in challenging times and significantly better during favorable periods. I anticipate that PBR will become gradually higher if investors are able to have a confident view towards our strategy, which aims to achieve the entire ROA and ROE targets by combining high-risk, high-return business and low-risk, low-return business in a good balance.

Q11)

Regarding the outlook of MOL's business portfolio, the high volatility businesses such as containership, car carrier, and dry bulk exceed the ROA capital cost, while the focus businesses with stable profit are lower than the ROA capital cost. I believe that ROA capital costs are different depending on the volatilities, but isn't it necessary to make disclosures considering such individual business characteristics?

A11) (Umemura)

You're right. The ROA capital costs are naturally different by business, so we are currently considering internally for proper disclosures. We would like to present it easy to understand for everyone.

End