

April 28, 2023  
Mitsui O.S.K. Lines, Ltd.

**Major Questions & Answers**  
**at the FY 2022 Financial Results Briefing (Online)**

Q1) What are the assumptions for freight rates in the FY2023 containerships business forecast?

A1) I will refrain from disclosing specific figures, however, we expect it would be equal to slightly more than the spot freight levels in February and March. As negotiations on term contracts are progressing at that level, we have prepared the FY2023 forecast based on such freight assumptions.

Q2) In the energy business, which business is expected to have a relatively large profit increase?

The situation of increase in ton-miles in the tanker business is the same with FY2022, but is the supply-demand balance getting even tighter? Are there any effects from the spot market conditions?

A2) It is affected by the spot market conditions. In the energy business, LNG carriers secure stable profits under long-term contracts, and most crude oil tankers are also under term contracts, which are less affected by market conditions, while product tankers or chemical tankers basically operate on short-term contracts of about one year or spot contracts as there is no commercial practice of medium to long-term contracts. We expect that the product tankers or chemical tankers that performed well in FY2022 will generate more profits in FY2023.

Changes in trade patterns due to the situation in Russia have had a major impact. The cargo movement of product tankers, methanol tankers and chemical tankers has become considerably longer. In addition, the market for crude oil tankers is expected to improve, especially in the second half of 2023, as demand in China and India, two of the biggest demand countries, are gradually rising. FY2023 will be a transition period for long-term contracts of LNG carriers, and profit from LNG carriers will temporarily decline slightly, but we expect its

rapid recovery from FY2024. In the energy business, we expect the tanker division to play an important part in FY2023 and the LNG carriers to return to the main role in FY2024 and beyond.

Q3) In the car carrier business, profits in FY2022 increased toward the second half. How will it be in FY2023? Please also advise if there are differences in freight rates and cargo movements between domestic and overseas manufacturers.

A3) Your understanding is correct, car carrier business profits increased in FY2022 toward the second half of the fiscal year. We expect this trend to continue throughout FY2023 due to the strong transportation demand. In addition to the cargoes from existing domestic manufacturers, many EVs are now shipped from China, while the transportation capacity is quite tight. Only about 750 car carriers are under operation in the world, and newly built vessels won't come out until after FY2024, so it's hard to see available vessels coming out of the market in this situation. Although we have been striving to operate our ships efficiently to meet the cargo transportation needs, the tight supply-demand balance is likely to continue throughout this year. I will refrain from commenting on the difference in freight rates between domestic and overseas manufacturers. Regarding the difference in cargo movement, while we are working on various shipments such as from China and India, we will strive to provide shipping services to meet the shipping demand from domestic manufacturers.

As mentioned in prior, since the second half of last year, EV exports, especially from China are rapidly increasing. On the other hand, vessels are in short supply, which is driving a significant boost to freight market conditions, and this is likely to continue for some time going forward. A backlog of orders for completed vehicles has piled up during the COVID-19 pandemic, and the delivery time is still between six to eight months. Until this is solved, we believe completed car exports from developed countries will not decline. In addition, a considerable increase in exports of compact and economy cars from India should be also noted. Against this backdrop, since last year, there have been active movements for building new car carriers, especially in Chinese shipyards by Chinese shipping companies. This tight tonnage situation will ease over time, but the delivery of these newly built vessels will hardly be in FY2023 and will gradually enter the market after FY2024. There may be many views on how long this bull market will continue, but the consensus is that it will continue for at least a year or two.

Q4)

- a.) Please advise the FY2022 result and FY2023 forecast of the interest income for ONE.
- b.) What are your thoughts on the background and sustainability of the recent increase in spot freight rates for the Asia-North America trade?

A4)

- a.) We expect the income before taxes for ONE to be about USD 1.2 billion~ USD 1.3 billion in FY2023. About half of that is interest income. In FY2022, a smaller amount than that was recorded as interest income.
- b.) The latest increase in spot freight rates for Asia-North America trade of containerships was a success as shipping companies raised prices. We have seen moves to raise prices further, and we have heard that our customers may accept them, so we believe that it is reasonably durable.

Q5) Regarding the wellbeing & lifestyle business, what is the purpose and meaning of consolidating these three businesses into one segment? Also, I would like to know if there is any synergy effect within these businesses.

A5) Ferries and cruise businesses were going strong before the COVID-19 pandemic. Customers of the ferries and cruise businesses are mainly Japanese, but I strongly feel that after the recovery from the COVID-19 pandemic, consumer behavior has changed from spending on things to spending on experiences, and they are spending relatively more than they used to. Recently, we introduced two LNG-fueled ferries, purchased a cruise ship from overseas, and are working on a project for building new cruise ships. Behind this, there is the judgment that there is a mature market in Japan for high-quality, high-end services. In addition, inbound demand is coming back quickly. Up until now, we have not expected many international customers for our B to C business, but we anticipate that we will be able to attract more inbound customers in the future. There are already huge companies in the cruise ship market, but rather than challenging against the giants on a global level, we would like to offer high-end services in a market with a Japanese taste centered in Japan. The real property business, another core of the company's growth strategy, has been expanded by Daibiru exclusively through the leasing of office buildings. However, in addition to this, we will be involved in various urban development concepts and major redevelopments and will incorporate not only office buildings but also restaurants, shopping facilities, hotels, and other

areas. In addition, we believe that we can use DX and other technologies to take on relatively high-end customers in Japan and overseas, which we target on cruise ships, as a common target customer. We will aggressively launch B to C business by organizing these businesses into the wellbeing & lifestyle division. By establishing another core business that balances the highly volatile and cyclical shipping business, we hope to restructure it into a business portfolio that can perform stable results over the medium to long term.

Q6) What and how much extraordinary profit and losses are expected in FY2023?

A6) We expect net income before income taxes of JPY 240 billion in FY2023. The outlook for ordinary profit is JPY 200 billion, so almost all of this difference of JPY 40 billion is the extraordinary profit or loss. For FY2023, we are not currently expecting projects with extraordinary losses. So, about JPY 40 billion would be an extraordinary profit. About half (JPY 20 billion) of the JPY40 billion is deferred from FY2022. As previously announced, the sale of TraPac, the North America container terminal business company, to ONE and to the other company is scheduled in FY2023 due to a delay in the approval. The other extraordinary profit was scheduled to capture the gain on the liquidation of an overseas subsidiary, but this too was delayed due to the country's procedures and has been deviated to FY2023. In addition, there are profits from the sale of vessels, etc., so we are expecting an extraordinary profit of about JPY 40 billion in the end.

Q7) Regarding the ordinary profit of JPY 200 billion planned in the forecast of FY2023, are there any conservative or cautious assumptions based on the current status of various businesses? The background of this question is that many market participants feel a risk of a drop in profits in containerships.

A7) First off, for business excluding containers, our outlook is relatively cautious. As for the containerships business, we have come up with figures that reflect our way of thinking, considering the profit announcement level of other containerships companies. I understand that many people feel risk in the containerships business, but we expect ONE to make this much profit.

In my analysis, I think the fact that the financial condition of ONE is incomparably better than in the past is a very big factor. I think it means that they got the corporate strength to attempt to improve the supply-demand balance by blank sailings, sailing at a reduced speed, and rationalizing services, which was implemented starting from beginning of this year, at a time when the freight rate level has dropped significantly.

These series of attempts have succeeded, and freight rate levels have recovered considerably since April. We've been able to consistently turn a profit on a weekly basis. The containerships business has repeatedly shown that when the overall market goes up, it is highly profitable, but when the market goes down, it is in the red. Therefore, I understand your concern, but the size, financial strength, and other factors of ONE are at a completely different level. As you know the overall market situation won't be much better this year, and how much of a bottom line we can secure within that will be the moment ONE's management will be put to the test. Looking at the whole picture, I think that the forecast profit of about USD 1.2 billion is a little conservative, and I think that they can actually do a little bit more, considering these improved financial conditions, the profit scale, and the fact that after the past consolidation of container shipping companies, there should be no companies compelled in engaging in reckless freight competition. However, this is a common business of the three parent companies, and after discussions among the three companies, we have developed an overall plan for this year based on the assumption that approximately USD 1.2 billion in annual profits can be expected by ONE. At this point, we expect that there will be more upside than downside factors, not only for ONE but also for other businesses.

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