

**Major Questions Answers  
at the Q3 FY2023 Financial Results Briefing (Online)**

Respondent : CFO Hisashi Umemura

Q1)

Please advise on the progress of discussions on ONE's investment, financial, and dividend plans, as well as the announcement timing.

A1) (Umemura)

The discussion is steadily ongoing. We would like to release it to everyone by the end of this fiscal year, so please wait a little longer.

Q2)

ONE's full-year EBIT forecast has been revised downward. Considering the strong freight rates due to the current situation, would this forecast be quite conservative?

A2) (Umemura)

I would like you to understand that, despite the current increase in spot freight rates due to the situation in the Red Sea, we have to cover the costs of detouring to the route via the Cape of Good Hope in advance. Going forward, the rise in spot freight rates will have an impact on our performance through Q4. The current assumption is that ONE containership will not be able to pass through the Suez Canal until the end of March. The business performance is expected to fluctuate depending on the situation in the Red Sea. As it is quite difficult to tell the timing when this issue is resolved, this is the only natural forecast we can make now.

Q3)

I expect securing transportation capacity will be more necessary if car carriers also detour the Red Sea. Therefore, should we consider that there is a risk of a significant decline in profits due to the car carriers, which are currently engaged in high-margin spot freight transport, being diverted to comply with low-margin transport contracts?

A3) (Umemura)

As you mentioned, with the supply and demand balance of car carriers being tight, our car carriers are currently navigating via the Cape of Good Hope by detouring the Suez Canal. Therefore, this tight situation is expected to continue in the future as well. However, the impacts have already occurred in this quarter, and its cost has already been included in the Q4 forecast. The positive impact on profits by reflecting the increased operation costs is expected from the Q4 onward. We will make our best effort to improve our performance, and do not anticipate the risk of a significant decrease in profit due to the Suez issue. Rather, should there be a risk of a decrease in profits, we believe that a decline in transportation demand due to any possible reason could be the one. We plan to hold internal discussions over the next 1 to 2 months about key factors including the sustainability of EV exports from China to Europe, and then are going to announce the financial forecast for the fiscal year 2024 in April.

Q4)

Regarding the increase in profit plan for the real estate business, are there any supplemental information on vacancy rate and rent movements? Also, there has been a lot of investment development recently in Toranomon, Sapporo, Vietnam, and so on. How is the profitability?

A4) (Umemura)

Regarding the vacancy rates, detailed information is provided on the right side of page 18 in the document. Please refer to it. Recently, we made investments in Toranomon, Sapporo and Vietnam. We anticipate high profitability from these investments, and believe it is important to generate earnings as planned.

Q5)

As for the ONE's Q3 results and Q4 forecasts, please advise on the interest income and equity method income from Atlas Corp.

A5) (Umemura)

The interest income is expected to be around 400 million US dollars to just under 500 million US dollars in the second half. The equity method investment income from Atlas Corp. is not expected to exceed 100 million US dollars considering the company's pre-COVID results. However, we expect an amount in the tens of million US dollars in the second half.

Q6)

Please advise on the assumption for ONE's Q4 spot freight rates, such as trends following the Chinese New Year, as well as the annual contract trends in Europe.

A6) (Umemura)

As for assumptions regarding ONE's Q4 spot freight rates, we are incorporating current spot freight rates into our considerations. Regarding annual contracts in Europe, most of the January renewals have not yet been completed as annual contracts. Currently, we are in the process of negotiating with customers, and although it depends on each customer, there are cases where transportation is carried out on temporary short-term contracts.

Q7)

The unit cost for ONE has increased by 2% on a quarter-on-quarter basis in Q3, marking the first such increase in five quarters. What is the background of it? Also, please advise on the forecast on whether the increasing trend in unit costs is expected to continue after Q4.

A7) (Umemura)

The increase in unit costs for ONE is likely due to the change in the route from the Suez Canal to the Cape of Good Hope in Q3.

Q8)

How do you bear the costs associated with detouring the Suez Canal and the Panama Canal with customers?

A8) (Umemura)

It depends on the type of contract, however if we provide the ship under a charter contract, the toll fees are typically borne by the customer. On the other hand, in the case of a contract to obtain a freight fare, it is standard that we pay the toll fees and collect it by including it in the freight fare.

Q9)

Please advise on the reasons for the dry bulk business being in red in Q4.

A9) (Umemura)

There are several reasons, with one major factor being the impact of exchange rates. For overseas companies with fiscal year ending in December, including some equity-method affiliates, we incorporate their profits with the exchange rate at the end of September (149.58JPY) in this Q3 financial result. On the other hand, when we consider the full-year forecast, we reevaluate the full-year foreign currency profits using the exchange rate at the end of December(141.83JPY), which will incur a loss in Q4. With this mechanism, the exchange rate difference affects the Q4 and full-year performance.

Another factor is that Q4 is typically a period where final cost adjustments are more likely to occur, resulting in higher costs compared to other quarters (which is not limited to the dry bulk business).

The third factor is the rainy season in the Southern Hemisphere (especially in Brazil and Australia) from January to March, which normally leads to a decrease in iron ore shipments and overall market decline.

Taking these factors into consideration, the numerical calculation is that Q4 is in the red.

End