

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2023

April 30, 2024

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1. FY2023 Results

□ Outline

The short-term freight rate market continued to decline due to sluggish cargo movements and pressures from the supply side as new vessel deliveries continued. However, freight rates rose due to geopolitical uncertainty surrounding the situation in the Middle East in 4Q. For the full year, net profit is US\$ 974 million (YoY -US\$ 14,024 million).

- While consumer spending remained strong in North America, lingering inflation was a drag in Europe, and cargo movements generally did not recover in earnest.
- High tonnage supply continued due to the influx of new vessels. However, rerouting via the Cape of Good Hope (CoGH) as uncertainty surrounding the situation in the Middle East continued, resulted in a reversal of the oversupply situation.
- As a result, market conditions continued to decline until the end of calendar year 2023, but short-term freight rates rose significantly in FY2023 4Q.

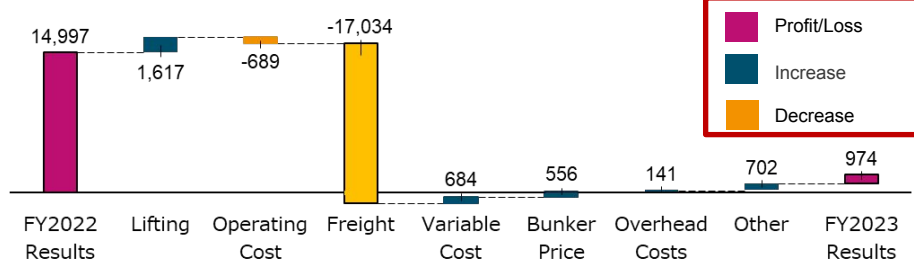
□ FY2023 results and PL analysis

(Unit: Million US\$)

	FY2022 (Results)							FY2023 (Results)							Year on Year	
	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	Change	Change (%)
Revenue	9,019	9,367	18,386	6,254	4,642	10,896	29,282	3,765	3,549	7,314	3,357	3,864	7,221	14,536	-14,746	-50%
EBITDA	5,859	5,843	11,702	3,060	1,558	4,618	16,320	770	436	1,206	170	668	838	2,044	-14,276	-87%
EBIT	5,561	5,528	11,089	2,732	1,184	3,916	15,005	385	31	416	-248	223	-24	392	-14,614	-97%
Profit/Loss	5,499	5,521	11,019	2,768	1,210	3,978	14,997	513	187	700	-83	356	274	974	-14,024	-94%

Bunker Price (US\$/MT)	750	875	812	747	643	696	756	590	565	577	625	587	605	592	- 164	-22%
Bunker consumption (K MT)	773	771	1,543	732	712	1,443	2,987	799	862	1,661	859	934	1,793	3,454	467	16%
Lifting (K TEU)	2,939	2,898	5,837	2,648	2,596	5,244	11,081	2,825	3,087	5,911	3,105	3,002	6,107	12,019	938	8%

FY2022 vs FY2023



- Lifting : Increased as cargo demand improved.
- Operating Costs : Increased in ship costs due to recovery of the charter market, which had been sluggish since COVID-19, and increase in fuel and port costs due to more voyages and port calls as result of resolved congestion.
- Freight : Significantly decreased year on year
- Variable Costs : Improved, mainly due to lower container storage costs and container rehandling costs resulting from resolved port congestion
- Bunker Price : Slightly decreased due to lower oil prices
- Overhead Costs : At the same level year on year

2. Liftings, Utilization Rates, and Freight Index in Major Trades

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2022							FY2023						
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results
Asia - North America Eastbound	Lifting	577	578	1,155	449	468	916	2,072	578	706	1,284	653	616	1,269	2,553
	Utilization	100%	91%	95%	80%	90%	85%	90%	82%	95%	89%	94%	97%	96%	92%
Asia - Europe Westbound	Lifting	402	395	796	368	346	713	1,510	385	434	819	382	382	764	1,584
	Utilization	95%	95%	95%	90%	95%	92%	94%	94%	92%	93%	90%	93%	91%	92%
Asia-North America Westbound	Lifting	278	276	554	297	294	591	1,145	291	295	586	327	295	621	1,208
	Utilization	48%	51%	49%	49%	55%	52%	51%	44%	40%	42%	46%	49%	48%	45%
Asia-Europe Eastbound	Lifting	282	267	549	243	235	477	1,026	240	221	461	232	238	470	931
	Utilization	58%	56%	57%	54%	54%	54%	55%	54%	45%	49%	50%	55%	52%	51%

(Unit: 100 = average freight rates as of 1Q FY2018)

Freight Index by Trades		FY2022							FY2023						
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results
Asia - North America Eastbound		354	389	372	264	176	219	304	126	109	117	108	135	121	119
Asia - Europe Westbound		530	508	519	303	189	248	391	139	116	127	106	183	144	135

- Liftings, Utilization rates: The North America Eastbound liftings decreased as the cargo movement slowed down during Chinese New Year and as some east coast services rerouted via the CoGH and turn time extended. On the other hand, the utilization rates increased compared to 3Q due to continuous blank sailings. Both liftings and utilization rates improved significantly compared to the same period last year. Europe Westbound cargo volume was weak in 3Q due to a decline in cargo movements during the low season and blank sailings, while cargo volume remained steady in 4Q except for a drop due to Chinese New Year, resulting in a flat lifting level Q on Q. Coupled with the service disruption caused by the rerouting via the CoGH, the utilization rates have increased. Compared to the same period last year, where a noticeable drop in cargo volume after the pandemic was seen, cargo volume has recovered in 4Q. Despite the increase in cargo volume, the utilization rates remained at a slight decline due to service disruptions via the CoGH reroute.
- Freight Index : Rerouting via the CoGH has created a tighter supply and demand for ships, therefore short-term freight rates have risen sharply in Europe and North America in January. However, there has been a gradual downward trend since the Chinese New Year due to a slowdown in cargo movement and the practise of rerouting via the CoGH becoming more established.

3. FY2024 Full Year Forecast

□ Outline

As the current economic and geopolitical environment is expected to persist for the foreseeable future, full-year results for FY2024 are expected to show a profit after tax of around US\$1,000million, a slight increase from the previous year.

- While some recovery in cargo volume is expected mainly in the US, it is unlikely to be a full-fledged recovery due to geopolitical instability and ongoing inflation.
- With the increase in supply caused by the influx of the large number of new vessel deliveries, supply will continue to exceed cargo demand. Meanwhile, the routing via the Cape of Good Hope due to the uncertain situation in the Middle East is expected to have a significant impact on the supply-demand balance during the first half of the fiscal year, leading to high demand for vessel capacity.
- Given these circumstances, the current supply-demand balance is expected to continue. ONE will continue to monitor the situation carefully, focusing on maximizing profit by flexible tonnage deployment and efficient equipment control based on demand.

□ FY2024 Full Year Forecast

(Unit: Million US\$)

	FY2024 Forecasts			FY2023 Results			Full Year	
	1H	2H	Full Year	1H	2H	Full Year	Change	Change%
Revenue	8,500	8,500	17,000	7,314	7,221	14,536	2,464	14.5%
EBITDA	1,600	1,100	2,700	1,206	838	2,044	656	24.3%
EBIT	600	200	800	416	- 24	392	408	51.0%
Profit/Loss	800	200	1,000	700	274	974	26	2.6%

4. ONE's Response to Recent Changes in the Business Environment

Events

- Cargo movements from Asia to North America during January to March increased by 20.5% year-on-year thanks to the continued domestic consumption levels in the United States. However, the large double-digit increase is mainly due to a backlash from the same period of the previous year. Additionally, cargo movements from Asia to Europe increased by 11.5% in January and February. Prolonged inflation has caused a stagnation in consumer spending, and a tightening of monetary policy led to downward pressure to the economy. As a result, it is expected that a full recovery in cargo movements will take more time.
- The increase in supply caused by the influx of the large number of new vessel deliveries will continue. However, the uncertainty around the Middle East and the rerouting through the CoGH from the end of calendar year 2023 has resulted in the tight supply-demand balance especially in January and February.
- The temporarily tight supply-demand balance for shipping tonnage has softened moderately due to a slowdown in cargo movement after the Chinese New Year and a lull in the switch to the Cape of Good Hope route.
- Although traffic restrictions remain in place through the Panama Canal, congestion and waiting times are improving as the rainy season approaches.



ONE's response

- Implemented flexible counter measures to minimize supply chain disruptions caused by the situation in the Red Sea.
- Continued to take flexible measures for the North America East Coast route, including the CoGH route, while monitoring congestion at the Panama canal and the availability of its passage slot.
- Implemented flexible service adjustments in line with supply and demand.
- Optimization of ONE's container distribution by efficient container repositioning.
- Increased special cargo shipments through the strengthening of special cargo sales.
- Established West Asia Regional Headquarters in Dubai, to enhance the presence of ONE within Indian Subcontinent, Middle East, and East Africa market



Maximizing operational efficiencies through flexible deployment and the management of vessels and equipment.

5. Initiatives for FY2023 4th Quarter

Initiative		<ol style="list-style-type: none"> 1. As a container shipping company that supports the supply chain, ONE will make investments to continuously provide high-quality, safe global transportation services. 2. ONE has positioned green strategy as a top management priority and will continue to address industry challenges, including decarbonization. 3. ONE will continue to enhance digitalization, operational efficiency, and risk management to further increase industry-leading profitability and safety, to achieve sustainable growth.
Progress	Investment	<ul style="list-style-type: none"> ➤ Obtained Approval in Principle (AiP) for the 3,500TEU ammonia dual-fueled vessel, jointly developed by ONE, Nihon Shipyard Co., Ltd and classification society DNV (Jan). ➤ Launched Indian Ocean Mediterranean (IOM) service that connects India with the Mediterranean region (Jan). ➤ Revamped Adriatic Feeder Service(AIB)(Jan) ➤ Announced the launch of Asia Pacific 1 (AP1) service, a new route connecting Asia and the U.S. West Coast (Feb). ➤ Established West Asia Regional Headquarters to expand the presence of ONE within Indian Subcontinent, Middle East, and East Africa market (Mar). ➤ Announced the restructuring and establishment of feeder service in the Nordic and Baltic Sea (Mar).
	Environment	<ul style="list-style-type: none"> ➤ Inauguration of European Union Allowance (EUA) trading with BNP, following the launch of the emissions trading scheme in the EU (Feb).
	Digital	<ul style="list-style-type: none"> ➤ Added Quick Booking function to eCommerce(Mar).
	Others	<ul style="list-style-type: none"> ➤ Hosted the third Container Shipping Summit in Nagasaki (Mar).

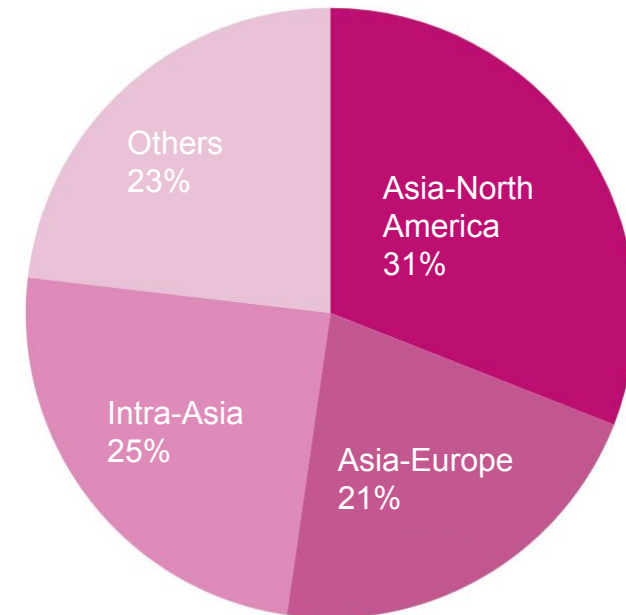
6. Reference (Fleet Structure, Service Structure & New Order)

□ Fleet Structure

Size			1) As of end of Dec 2023	2) As of end of Mar 2024	2)-1)	
20,000 TEU	>=		Capacity (TEU)	264,600	264,600	0
			Vessels	12	12	0
10,500 TEU	-	20,000 TEU	Capacity (TEU)	581,060	611,804	30,744
			Vessels	42	44	2
9,800 TEU	-	10,500 TEU	Capacity (TEU)	110,200	110,200	0
			Vessels	11	11	0
7,800 TEU	-	9,800 TEU	Capacity (TEU)	346,389	346,389	0
			Vessels	39	39	0
6,000 TEU	-	7,800 TEU	Capacity (TEU)	158,618	172,618	14,000
			Vessels	24	26	2
5,200 TEU	-	6,000 TEU	Capacity (TEU)	33,112	33,112	0
			Vessels	6	6	0
4,600 TEU	-	5,200 TEU	Capacity (TEU)	78,068	78,068	0
			Vessels	16	16	0
4300 TEU	-	4,600 TEU	Capacity (TEU)	62,602	58,294	-4,308
			Vessels	14	13	-1
3,500 TEU	-	4,300 TEU	Capacity (TEU)	46,051	50,304	4,253
			Vessels	11	12	1
2,400 TEU	-	3,500 TEU	Capacity (TEU)	84,370	84,370	0
			Vessels	31	31	0
1,300 TEU	-	2,400 TEU	Capacity (TEU)	18,544	20,494	1,950
			Vessels	11	12	1
1,000 TEU	-	1,300 TEU	Capacity (TEU)	16,088	13,962	-2,126
			Vessels	15	13	-2
0 TEU	-	1,000 TEU	Capacity (TEU)	0	0	0
			Vessels	0	0	0
Total			Capacity (TEU)	1,799,702	1,844,215	44,513
			Vessels	232	235	3

□ Service Structure

(FY2023 4Q Structure of dominant and non-dominant space allocation)



□ Current Orders of New Vessels(Including Long-Term Chartered Vessels)

	As of end of Dec 2023	Delivered in 4Q FY2023	New Order in 4Q FY2023	As of end of Mar 2024
No. of Order Book (Vessels)	45	4	5	46

7. Appendix Change of Demand and Freight index before/after COVID-19



Liftings

Freight Index
(FY2018 1Q=100)

