

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2022 1st Quarter

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1. FY2022 1st Quarter Results

□ Outline

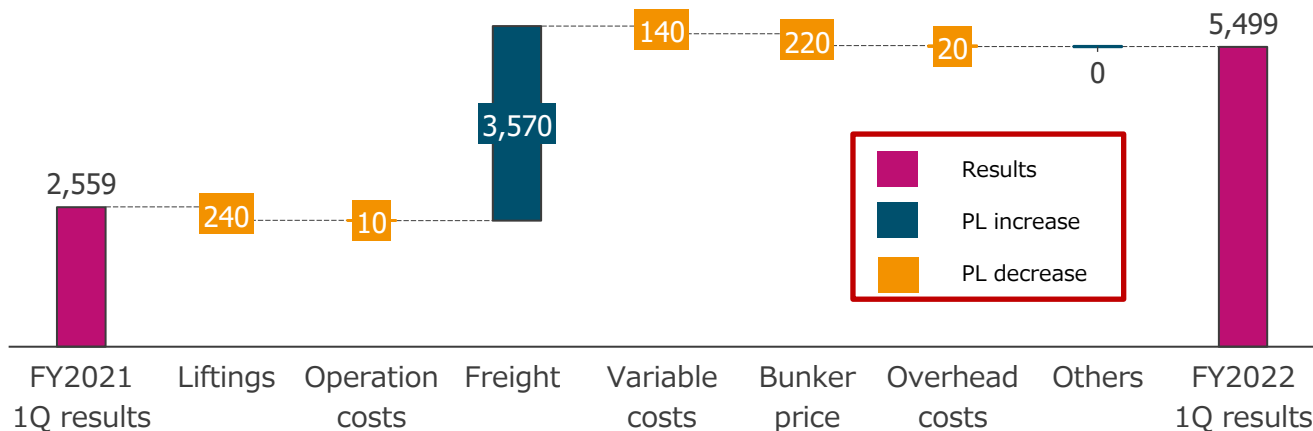
Freight rates remained firm despite some softening in supply-demand conditions. ONE's 1st quarter results for FY2022 is a record profit of US\$5,499 million, an increase of US\$2,940 million from the same period last year.

- Global cargo demand in April-June remained steady, with no major breakdown despite the impact of the Shanghai's lockdown and the Ukraine crisis.
- On the supply side, port congestion showed signs of improvement in some areas, but supply chain disruptions continued around the world, including deterioration on the east coast of North America.
- As a result, freight rates remained significantly higher than those in the same period last year, increasing the profit amount.

□ FY2022 1st Quarter Results and PL Analysis

(Unit: Million US\$)

	FY2021	FY2022	1Q	
	1Q Results	1Q Results	Change	Change (%)
Revenue	5,776	9,019	3,243	56%
EBITDA	2,924	5,859	2,935	100%
EBIT	2,657	5,561	2,904	109%
Profit/Loss	2,559	5,499	2,940	115%
Bunker Price (US\$/MT)	\$465	\$750	\$285	61%
Bunker consumption (K MT)	906	773	-133	-15%
Lifting (K TEU)	3,104	2,939	-165	-5%



- Liftings: Slightly decreased from the same period last year.
- Operation costs: While ships' costs increased, bunker consumption decreased due to a reduction in the number of operating vessels and port congestion, resulting in a similar level as the same period last year.
- Freight: Significantly increased.
- Variable costs: Although cost saving initiatives progressed, additional costs incurred due to global inflation and shoreside/inland congestion.
- Bunker price: Further increased.
- Overhead costs: Agency fees and system costs increased.
- Others: Remained mostly unchanged from the same period last year.

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

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2021							FY2022
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results
Asia - North America Eastbound	Lifting	615	649	1,264	564	523	1,088	2,352	577
	Utilization	100%	100%	100%	100%	100%	100%	100%	100%
Asia - Europe Westbound	Lifting	436	443	879	411	422	833	1,712	402
	Utilization	100%	100%	100%	97%	97%	97%	100%	95%
Asia - North America Westbound	Lifting	328	309	638	258	240	498	1,135	278
	Utilization	54%	54%	54%	47%	51%	49%	52%	48%
Asia - Europe Eastbound	Lifting	339	347	687	305	289	594	1,281	282
	Utilization	82%	78%	80%	69%	63%	66%	73%	58%

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

Freight Index by Trades		FY2021							FY2022
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	1Q Results
Asia - North America Eastbound		185	247	216	285	304	294	252	354
Asia - Europe Westbound		327	451	389	539	552	546	466	530

- **Liftings, Utilization Rates** : Compared to FY2021 Q4, the lifting on Asia-North America E/B increased due to some improvements in port congestion etc. Both liftings and vessel utilization on Asia-Europe W/B slightly decreased. Compared to the same period of the previous year, the liftings on both Asia-North America and Asia-Europe decreased.
- **Freight Index** : Compared to FY2021 Q4, Asia-North America E/B rates rose due to the renewal of long-term contracts. Asia-Europe W/B rates decreased. Compared to the same period last year, both Asia-North America E/B and Asia-Europe W/B rates significantly increased.

3. The Impact of & Countermeasures to Supply Chain Disruption

Business environment	<ul style="list-style-type: none"> ➤ The global cargo demand remained firm. Asia-North America market volume in April and May increased by approximately 4% Y on Y. Asia-Europe market volume in April and May decreased by approximately 7% Y on Y due to the impact of the Shanghai lockdown and the Ukraine crisis. ➤ The congestion has eased in Los Angeles and Long Beach, but worsened at other North American ports (Vancouver, New York and Savannah, etc.). Also, inland congestion is deteriorating again. Moreover, congestion in Europe (Hamburg, etc.) continues. ➤ In China (Shanghai, Shenzhen etc.), re-occurring lockdowns have caused trucker shortages and yard congestion. Although the lockdown was lifted in June, subsequent strict measures have made recovery slow. ➤ ILWU(International Longshore and Warehouse Union) current agreement expired at the end of June. Discussions are on-going.
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countermeasures ONE's	Customer service oriented	<ul style="list-style-type: none"> ➤ Digital solutions, such as the brand-new digital quotation platform "ONE QUOTE," have been accelerated and areas of reach expanded. ➤ The eCommerce platform has been refreshed and it enhances the customer's journey with a more personalized and engaging user experience.
	Operational excellency	<ul style="list-style-type: none"> ➤ Additional container procurement of both dry and reefer units was executed during the quarter. ➤ Full utilization of ONE's own space and the execution of empty sweeper sailings to bring empty containers back to those locations with strong demand. ➤ Flexible vessel deployment and operational optimization to meet cargo demand. ➤ ONE worked together with the terminals to enhance early container pick up and return requests to customers. ➤ In close cooperation with ship owners, crew changes were enabled by diverting vessels and adding extra port calls.
	Quality of employees	<ul style="list-style-type: none"> ➤ Flexible remote working has continued in offices around the world. ➤ CSR activities have also continued to keep employees connected and contributions have been made to local communities.



Though there are some improvements, there remains an excessive strain on the entire global supply chain.

ONE is doing its utmost - such as additional container procurement or the deployment of extra loaders and so on – to support social infrastructure globally.

4. FY2022 Full Year Forecasts

- ONE expects that the excessive strain on the entire global supply chain and the resulting operational bottlenecks caused mainly by the spread of COVID-19, will eventually be resolved and the situation will gradually move toward normalization. However, it is currently difficult to predict exactly when due to the wide range of effects.
- Furthermore, it has become more difficult to forecast the overall business environment in the face of increasing uncertainties such as the ongoing Russia/Ukraine crisis, the impact of China's zero COVID-19 policy, and ILWU labour negotiations.
- Under these circumstances, it is therefore extremely difficult to announce a reasonable business forecast for the current financial year and as such the company's forecasts for FY2022 are yet to be finalized. However, ONE continuously strives to end the current turmoil faced in the global supply chain as well as stabilizing its performance all the while flexibly responding to changes in the environment.

5. Initiatives for FY2022

Strategy	<p>Steadily execute business in accordance with the Midterm Strategy and Green Strategy announced in March 2022</p>	
	<ol style="list-style-type: none"> 1. As a container shipping company that supports the supply chain, ONE will steadily make investments and continuously provide high-quality, safe global transportation services. 2. ONE has positioned green strategies as its top management priority and will continue to address industry challenges, including decarbonization. 3. The company will further enhance digitalization, operational efficiency, and risk management to further increase industry-leading profitability and safety. 	
Progress	Investment	<ul style="list-style-type: none"> ➤ ONE has signed ship building contracts with both Hyundai Heavy Industries Co. Ltd. and Nihon Shipyard Co., Ltd. to construct 5 vessels each with a capacity of over 13,700TEU, adding a total of ten modern Very Large Container Ships (VLCS) to ONE’s fleet, to be delivered in 2025. ➤ Two newly built 12,000TEU (long-term chartered vessel) have been delivered as planned and deployed to the West Coast of North America service. ➤ The new MIM (Mozambique - India - Middle East) service which is a unique product directly connecting Jebel Ali, Mundra and Maputo has launched. The service will provide a new gateway option to hinterland markets in South Africa, Swaziland and Zimbabwe.
	Environment	<ul style="list-style-type: none"> ➤ The 13,700TEU vessels are designed with the highest efficiency standards as well as a variety of cutting-edge technology to reduce navigational impacts to the environment and are planned for the "Ready notation*" or "AiP (Approval in Principle)" of Ammonia and Methanol as fuel, CCS(Carbon Capture and Storage)**. (*)Ready notation ; A code given by the classification society to ships that meet requirements for basic designs of systems which are anticipated to be used in the future. (**)CCS (Carbon Capture Storage) ; CO2 capture and storage technology. CO2 contained in the combustion exhaust gas is recovered and temporarily stored on board. ➤ PSA Corporation Ltd(PSA) & ONE announced the successful use of reclaimed refrigerant gas from reefer containers, as part of green supply chains. ➤ ONE conducted a successful third trial of biofuel to support decarbonization in the shipping sector.
	Digital	<ul style="list-style-type: none"> ➤ ONE has announced the launch of its refreshed eCommerce platform, which has been developed to enhance the customer’s journey with a more personalized and engaging user experience. ➤ Customer information stored in the cloud is now shared among offices around the world and used to strengthen customer relationships by providing optimal services to customers.

6. Reference (Fleet Structure & Service Structure)

▣ Fleet Structure

Size		1) As of end Mar 2022	2)As of end June 2022	2)-1)
>= 20,000 TEU	Capacity(TEU)	120,600	120,600	0
	Vessels	6	6	0
10,500 - 20,000 TEU	Capacity(TEU)	456,600	480,400	23,800
	Vessels	33	35	2
9,800 - 10,500 TEU	Capacity(TEU)	110,200	110,200	0
	Vessels	11	11	0
7,800 - 9,800 TEU	Capacity(TEU)	356,679	373,255	16,576
	Vessels	40	42	2
6,000 - 7,800 TEU	Capacity(TEU)	138,307	138,307	0
	Vessels	21	21	0
5,200 - 6,000 TEU	Capacity(TEU)	55,234	49,629	▲ 5,605
	Vessels	10	9	▲ 1
4,600 - 5,200 TEU	Capacity(TEU)	82,922	78,260	▲ 4,662
	Vessels	17	16	▲ 1
4,300 - 4,600 TEU	Capacity(TEU)	62,952	62,952	0
	Vessels	14	14	0
3,500 - 4,300 TEU	Capacity(TEU)	20,599	16,358	▲ 4,241
	Vessels	5	4	▲ 1
2,400 - 3,500 TEU	Capacity(TEU)	85,998	89,089	3,091
	Vessels	32	33	1
1,300 - 2,400 TEU	Capacity(TEU)	10,354	12,163	1,809
	Vessels	6	7	1
1,000 - 1,300 TEU	Capacity(TEU)	10,573	10,628	55
	Vessels	10	10	0
< 1,000 TEU	Capacity(TEU)	0	0	0
	Vessels	0	0	0
Total	Capacity(TEU)	1,511,018	1,541,841	30,823
	Vessels	205	208	3

▣ Service Structure

(FY2022 Q1 Structure of dominant and non-dominant space)

