

Summary of Q&A Session at Briefing on Financial Results
for the Fiscal Year Ending March 31, 2018

- Liner Business

Q1. Are you expecting losses when NYK leases out operating assets to ONE?

A1. The leasing of operating assets, e.g., vessels, will be conducted at the market rate. Depending on the market rate, NYK will realize profits or losses. For fiscal 2018, we are forecasting a total loss of a few billion yen, which is included in the forecast.

Q2. When will overseas terminal assets be transferred to ONE? Also, will there be changes to NYK's forecast depending on the timing of the transfer?

A2. As per the briefing material, the timing of the transfer is not yet decided. The fiscal 2018 forecast we just announced was created under the assumption that the overseas terminal business will remain with NYK for the time being. Although we had planned to make the transfer in the first quarter of fiscal 2018, valuation of the business is taking time as it is a very complicated issue.

With regard to the forecast, it is a matter of transferring the business to ONE and recording it in the P/L as equity in earnings of affiliates, or keeping the business and record in the P/L of NYK. At the recurring profit level, we believe that there will be no significant difference. Also, when conducting the transfer there can be extraordinary profits or losses depending on the transfer price, and there may be an impact on the B/S and financial indicators as well.

Q3. May we understand that the "NYK exit cost others approx. JPY -8.0 billion" on page 12 of the briefing material is mainly personnel expenses?

A3. These are general and administrative expenses for the container business recorded prior to the withdrawal from the business, in addition to IT-related expenses during the withdrawal. They are all one-time expenses that will be incurred in fiscal 2018.

Q4. A reduction in profit is forecast for the terminal business. Please inform us whether this trend will continue into the future?

A4. The terminal business is partly dependent on the supply and demand balance, and we have had to lower terminal handling charges mainly at overseas terminals. Competitions amongst terminal operators have become fierce as the number of liner companies has greatly fallen and terminal handling charges have fallen as a result. On the other hand, lower terminal charges are beneficial to ONE and to our P/L. It is difficult to determine whether the trend will continue, but we are not optimistic about a rise.

- Air Cargo Business

Q5. Please explain why the fiscal 2018 profit forecast is lower than fiscal 2017 profit despite more volume?

A5. One reason is the increase in fuel prices, which we aim to recover through an increase in rates (yield). The second is maintenance cost. We plan to intensively conduct maintenance in this fiscal year, and the cost is included in the forecast.

Q6. With regard to NCA's business partnership with ANA, we understand that NCA has strength in operating large aircraft and ANA has strength in operating medium-sized aircraft. The two companies should be able to accommodate each other, but could you please explain your views on the partnership?

A6. In terms of P/L, we forecast a certain positive effect, but not a great amount. NCA will mostly benefit by gaining ANA's cooperation with maintenance.

- Logistics Business

Q7. The results have been worsening over the past two years, so please give us the fiscal 2018 forecast. We understand that unprofitable cargoes for ocean freight forwarding and air freight forwarding businesses have been increasing. Do you have concerns?

A7. Since making YLK a wholly owned subsidiary in fiscal 2017, we have been contemplating various measures for improvement, and we plan to implement them.

There are two reasons for the decrease in earnings. One is that YLK has been increasing handling volume, but it has begun to level out. YLK will continue to increase volume, and at the same time try to minimize risk by, for example, securing cargo space when acquiring new business. The second reason is the contract logistics business and trucking-related business in certain regions. We have some loss-making overseas subsidiaries, and we plan to carry out structural reforms. Related costs are included in the fiscal 2018 forecast. By conducting those measures, we believe YLK's performance will recover in a relatively short period of time.

- Bulk Shipping Business

Q8. The fiscal 2018 forecast is a JPY 23.4 billion increase in recurring profit over fiscal 2017 results. Of the dry bulk, liquid, and car carrier businesses, which of these will be contributing to the increase?

A8. Mainly dry bulk and liquid. The dry bulk business is expected to improve on the back of market recovery, and newly delivered LNG carriers are also expected to contribute.

Q9. We understand that the assumption is for the dry bulk market to recover moderately, but the profit increase for the bulk shipping business as whole is rather large. Are there any special factors?

A9. As explained previously, bulk shipping business' profit increase comes from the dry bulk and liquid businesses. For dry bulk, in addition to market recovery, some high-cost charter-in vessel contracts expired in fiscal 2017, which also is a positive factor.

Q10. For the dry bulk business, the explanation was that the positive effect of early termination and the return of high-cost chartered-in vessels are not included in the fiscal 2018 forecast. If the vessels are returned, do you expect extraordinary losses in addition to the increase in recurring profit?

A10. If the vessels are returned, recurring profit will improve. On the other hand, cancellation fees could be recorded as extraordinary losses. As a countermeasure, we plan to use profits/cash from asset liquidation to minimize the impact on net income.