NYK Line

August 2015

Summary of Q&A Session at Briefing on Financial Results
for the 1st Quarter of the Fiscal Year Ending March 31, 2016

Liner Trade

Q1. Please explain why Liner Trade earnings were lower than previous forecast?

A1. The most significant factor was historically low levels of outbound freight on Europe trade. Although yen depreciation, lower bunker oil price and cost reduction efforts were able to somewhat cover this gap, market conditions significantly worsened even further, forcing us to revise our forecast downward by ¥7.0 billion.

Q2. Please explain why Europe trade freight rate assumptions are more optimistic in the second half (63) compared to those in the first half (58)?

A2. Looking to the freight rate index for containers originating in Shanghai (SCFI), we consider that rates bottomed out at the end of June. Looking at the supply-demand balance from 1Q, supply immediately increased in 1Q, but thereafter shipping companies tried to adjust some portion of redundant capacity by decreasing routes. We expect a slight rebound in demand in the second half therefore, we think the supply-demand gap will shrink to some extent, and see some recovery in freight rates.

Q3. Even though we have concerns that freight rate will drop due to the increase of new ULCSs being delivered, please explain the container ship supply situation from next fiscal year onward.

A3. We consider that supply will peak this fiscal year, and expect further growth of around 10%. Growth of next fiscal year is expected to be about 5%. In the 2–3 years starting in 2017, we think it will be approximately 1.5 million TEUs, but not such a rapid growth on an annual basis which could be expected.

Bulk Shipping Business

Q1. Regarding Bulk Shipping Business, please explain why full-year forecast for Recurring Profit is revised upward by ¥4 billion compared to previous forecast. Also, considering the improving market conditions, please explain the reason for downward revisions in the forecast for the second half of this fiscal year?

A1. The reason for improving full-year forecast by ¥4 billion is mainly due to strong tanker market, which is reflected in the positive performance of VLCC tanker, LPG and petroleum product vessels. On the other hand, we revised downward the second half earnings due to weak dry bulker market. Although we slightly raised the overall BDI forecast compared to the beginning of the year, for Panamax, we revised down our assumption reflecting current weakness in market. We also fixed portion of our future income by FFA when market was weak in 1Q. Regarding liquid business, we have not changed second half tanker market assumptions from previous forecast although it is still a drop compared to very strong first half, which is mainly attributable to new tonnage coming in.

Q2. Regarding Car Carrier Division, car transportation volume of this year forecast is higher than that of previous fiscal year. Please explain market conditions regarding ex-Japan shipments of this fiscal year.

A2. Shipments ex-Japan increased about 2% or about 2 million vehicles between January and June 2015, which is nearly the same as the previous year, and we expect these conditions to continue. In terms of our shipments, we expect steady growth as a whole trade, with continued robust shipments to North America.