

Summary of Q&A Session at Briefing on Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2017

Q1.

Please tell us why the forecast in the second quarter is around the same level as losses in the first quarter, even though market conditions and cargo volume are expected to improve according to various indicators.

A1.

Our accounting policy is to appropriate revenues in the Bulk Shipping segment after voyages are completed, so the improvement in the bottom line from the market upswing expected in the 2Q appears late in the 3Q.

The revised assumption of bunker oil prices and exchange rates also negatively affects the 2Q forecast.

Q2.

What is your outlook for the market in the second half of the fiscal year?

A2.

In the Liner Trade segment, lower lifting volume and less space utilization were recorded for Transpacific routes in the 1Q because freight rate deterioration caused us to suspend accepting some bookings having net contributions that were lower than our breakeven point. As the peak season approaches, we see some recovery in freight rates, and we will start taking active steps to secure more cargo. For Asia-Europe routes, freight rates should remain firm like we projected at the beginning of this fiscal year. For routes in Central and South America, we expect the market to pick up.

Turning to the Bulk Shipping segment, we foresee some recovery in the dry bulk market to the levels we anticipated initially. The number of finished cars shipped to emerging and resource-rich countries in the 1Q and 2Q has been lower than our initial assumption. In the 2H, however, we expect finished car volume to return to the level of our previous forecast.

Q3.

Why are profits from businesses with stable freight rates expected to decrease in the current fiscal year?

A3.

In the Bulk Shipping segment, we saw a slight decline in the profit level from vessels with long-term contracts that were renewed during the 1Q because we had to renew those contracts at lower rates prevalent in the recent sluggish dry bulk market. In addition, the number of finished cars shipped in the 1H fell. And no temporary gains resulting from the LNG business have been recorded this year, as occurred in the previous fiscal year.