NYK Line
February 2018

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

- Liner Business

Q1. Has the estimated cost for the integration of container business increased from the previous forecast? If so, what is the reason? According to some media reports, there are possibilities of the integration cost to increase in FY18. Please inform us of NYK's prospect on the integration cost.

A1. We are informed from Ocean Network Express (ONE) the estimated integration cost (equity in losses of affiliates) to be approx. USD 338 mil, which was minimum USD 250 mil in the previous forecast. What we are informed is that the change is not an increase in the total amount, but some of the cost originally forecasted in FY18 is now moved up to FY17. We have our employees assigned to work at ONE, and their personnel expenses are double-counted at ONE and NYK, and it needs to be taken into consideration. However, it is difficult to clarify the double-counted amount and make adjustments in the forecast at this stage. Hence, we decided to include 38%, which is our share in the company, of the total additional cost in the forecast. As for FY18, we do not assume a dramatic cost increase at this moment.

- Air Cargo Business

Q3. Are there possibilities in the future to incur additional engine maintenance cost, which was one of the reasons for the profit margin to decline in FY17?
A3. In the beginning of FY17, we forecasted a certain engine maintenance works for the year. In addition to the originally forecasted works, additional maintenance works were necessary due to unexpected random events such as bird strikes. The additional costs are one-offs, which we do not anticipate to occur from FY18 onwards.

- Logistics Business

Q3. The full year forecast was revised downwards. Please explain the reasons for the revision and the action plans to recover profitability in FY18.
A3. The main reason for the drop in performance is high procurement cost in the ocean-freight forwarding and air-freight forwarding businesses. The 1Q results were especially effected by the rising procurement cost in the air-forwarding business. From the 2Q, we have taken actions in an aim to recover profitability, and were able to make profits in the 2Q and 3Q. The contract logistics (and transport) businesses in certain countries also struggled. We acknowledge that we lagged behind in digitalization of forwarding business in recent years, and we will implement necessary actions based on Yusen Logistics’ medium-term management plan "TRANSFORM 2025".

- Bulk Shipping Business

Q4. It seems that there is a big gap between the 3Q actual profits and the 4Q forecast. Even with the expected one-off loss in the LNG/offshore businesses, the 4Q's forecast seems rather conservative considering the improvements in dry bulk market since 3Q. Please explain how we should evaluate the 4Q forecast.
A4. The Bulk Shipping Business includes three departments, i.e. Dry Bulk Transport, Liquid Transport and Car Transport. In the full-year forecast, we made upward adjustment in the Dry Bulk Transport and downward adjustments in the others. We have enjoyed a certain amount of recovery in the dry bulk market but not all, as we have fixed some forward freight agreements (FFA) in advance to avoid the risk of the market deteriorating. In the Liquid Transport, the one-off loss is expected in the 4Q, and sluggish market situations in the tanker markets are forecasted. In the Car Transport, cargo imbalance in round-trip voyages still remains and negatively effect to the profitability, which we are working to rectify by optimizing vessel allocations and operations. The 4Q forecast is a consequence of the points as above, rather than a conservative prospect.