

Summary of the questions and answers for presentation of the financial results for
the first quarter of the fiscal year ending March 31, 2021

<Liner Business>

Q1:

What are the details of the second half forecast for OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as “ONE”)?

A1:

In terms of the first-quarter results, the time lag associated with the bunker surcharge became a factor for the improvement of the results. The actual bunker price dropped significantly over a short period after the applicable bunker surcharge had been determined, which had the effect of boosting profits. However, the bunker surcharge itself neither works for or against the customer or the shipping company, and it could become a trade-off, in case the reverse conditions occur from the second quarter. Additionally, amid declining demand due to the spread of COVID-19, as the result each company, including the other alliance partners, made flexible tonnage adjustments, the balance between supply and demand was maintained, which also turned out to be a factor for the improvement of the results.

Meanwhile, current conditions are not expected to continue in the long-term after the second quarter, and the North America routes, which saw a spike in spot freight rates, are expected to go into a period of adjustment. Our forecast also takes into account the fall in the spot freight rates, which was seen in certain routes such as the North-South routes.

Q2:

Regarding the factors for the improvement of ONE’s first-quarter results, how much can be attributed to the bunker surcharge?

A2:

Given that spot freight rates are determined inclusive of the bunker surcharge, it is extremely difficult to identify a specific amount but we understand that it accounts for a considerable portion.

Q3:

“K” Line has announced the disposal of its overseas terminal. Will this have any effect on NYK’s or ONE’s business development?

A3:

According to the business integration contract, this terminal is one of the businesses which is set to be transferred to ONE. Sales to parties other than ONE had required an agreement between the three companies and in reaching the agreement, we confirmed that it would not pose any problems with the operations of ONE. Therefore, this sale will have no impact. Meanwhile, preparations are steadily being made to transfer the remaining terminal in Los Angeles/Long Beach in North America to ONE by the end of the fiscal year. Therefore, the recent disposal of terminals by “K” Line, including the transfer of other terminals, will not have an effect on ONE’s operations.

<Air Cargo Transportation Business>

Q4:

Previously you mentioned that Nippon Cargo Airlines Co., Ltd. (hereinafter referred to as “NCA”) was the biggest management issue. Considering NCA’s recent strong business performance, what is the positioning of the air transport business? Have there been any changes to the management policy?

A4:

NCA has been performing strongly and expects to report a profit for the fiscal year. If going forward international passenger flights take longer to recover and the situation of limited cargo space continues, we believe that NCA will maintain a certain level of superiority. While we are aware of the difficulty of running this business from a long-term perspective, NCA’s value has been rising under the impact of the spread of COVID-19 and we hope to grasp every opportunity in a proactive manner. Consequently, there are no changes to our policy of considering various measures going forward.

<Logistics Business>

Q5:

Is the robust performance of the air freight forwarding business a result of synergy with NCA?

A5:

It is not a result of synergy with NCA. Both YUSEN LOGISTICS CO., LTD. (hereinafter referred to as “YLK”) and NCA operate independently from each other and YLK is not necessarily in a favorable position to utilize the space of NCA. Instead, it procures space from various airlines including overseas airlines.

Q6:

What are the factors for deteriorating performance in the second quarter and how did contract logistics perform in the first quarter?

Q6:

As one of the factors for deteriorating performance in the second quarter, we are assuming a one-time drop in the margin as the demand for the air freight forwarding business takes longer to recover. Subsequently, margin levels are expected to recover as demand recovers in the second half of the fiscal year. Another factor is that the subsidies that were paid out by each country in the first quarter to ensure business continuity will run out.

Contract logistics did not perform as badly as initially predicted due to a less-than-expected decline in cargo movement in the region and a certain level of storage revenue. We have prepared our forecast in and after the second quarter based on these factors.

<Bulk Shipping Business>

Q7:

What are the factors for profit deteriorating compared to the previous fiscal year and what is the forecast for the second quarter and beyond?

A7:

The energy division is stable and there will be no significant changes from the previous fiscal year. Therefore, the performance by the car transportation division and dry bulk division are having the effect of deteriorating profits. In terms of performance for the period, both divisions have a greater negative impact in the first half of the fiscal year and are expected to significantly improve in the second half of the fiscal year.

Q8:

The medium and smaller vessels of dry bulk have reported impairment losses. Is downsizing the fleet of car carriers a possibility?

A8:

We are going ahead with the scrapping of the three or four vessels which had already been scheduled. However, in light of the recovery in handling volume mainly in North America, we are not planning to scrap anymore vessels. Judging from the bookings until August and September, recovery is proceeding as expected. However, the situation may change, if we are faced with the second and third waves of the COVID-19 pandemic in the future.

Q9:

Woodside, which is participating in the LNG Wheatstone Project, has reported impairment losses. What are the chances of NYK reporting impairment losses?

A9:

NYK makes equity investments through a joint venture and the entire volume of LNG to be assumed according to the respective equity interests will be supplied to JERA. A portion of the LNG will be affected by the fluctuation in oil prices, and consequently, the valuation may be revised going forward. However, upon consultation with the audit firm, we have decided there will be no reporting of impairment loss for the time being.

<Cruise Business>

Q10:

How will the cruise business operate in the future given the extremely harsh business environment facing the passenger cruise industry as a whole?

A10:

NYK only operates one cruise ship, the Asuka II and there has been no significant impact profit-wise. However, we are continuing to discuss possible replacement of the ship. We will continue our deliberations by taking into consideration such factors as Japan's cruise culture and the expectations of our fans. Cruise ships require about five years from the time the order is placed to completion. From a long-term perspective, the impact of COVID-19 may be contained and there are expectations that the demand for cruise ships may have recovered by then. We are taking all of these perspectives into consideration in our deliberations.