

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

< Liner Business >

Q1: What is the progress and outlook of the annual contract negotiations of container ships?

A1: The negotiations are progressing more slowly and carefully than in usual years, and in negotiations based on calendar year, there are some contracts concluded in a positive way for OCEAN NETWORK EXPRESS PTE. LTD. (“ONE”). From now on, it is going to be the peak for negotiations, and we are expecting to gain considerable price rise mainly in east-west routes.

Q2: What is the status of ONE’s service quality such as keeping schedules, its container shortage and its share by route when compared to other companies?

A2: Even in this COVID-19 pandemic, as we had procured containers from leasing companies from an early stage, we have been acknowledged by customers from the aspect of overall supply of equipment and we consider that we also have done well relatively when compared to other companies. Meanwhile, the schedule compliance rate of The Alliance is not very high, with the shortage of dockworkers in North America being the main concern, and this has led to a tough situation for ONE and The Alliance, which have significant share in North America. While the stevedore cancellation rate and number of vessels waiting off the coast are gradually getting solved, we will continue to strive not to fall short in relative comparison. While ONE has high share in North American routes in particular, we are currently considering starting new services by focusing on routes that are expected to grow in the future such as China and Southeast Asia, where our share is relatively low.

Q3: When do you expect the confusion in the supply chain management of container ships to subside? Also, what will be the trend in spot freight rates after the Lunar New Year, and what is the net cash or net debt of ONE in the third quarter and its future outlook?

A3: For the confusion in supply chain management to subside, first of all it requires the major issue of shortage of dockworkers to be solved with the spread of vaccination. We expect the freight movement to temporarily settle down after the Lunar New Year and hope this issue to be solved by that time to some extent possible. As for spot freight rates, we are expecting reduced labor force due to plant stoppages and people returning home during the Lunar New Year period and consequently for freight movement to stagnate. On the other

hand, as space shortage will continue with vessels of various companies not returning during the concerned period, we do not foresee any situation that would greatly change the supply and demand. While there are no major movement seen in spot freight rates currently and it is difficult to guess the post-Lunar New Year trend, ONE has prepared the current outlook on the premise that the freight handling volume will fall after the Lunar New Year and that the spot freight rates will fluctuate to a certain extent. Also, ONE does not have any borrowings and has ample net cash, so we would strongly pursue dividends as the parent company.

< Air Cargo Business >

Q4: How long will the current situation in the air freight business is assumed to continue? Please explain from the aspect of demand and supply separately. Also, what do you expect from Nippon Cargo Airlines (“NCA”) and what is your approach to NCA?

A4: First, regarding demand, recovery trend has been seen from last autumn in cargo volumes which had been lower compared to the same period last year for this two years, and we expect it to move in a good direction given the global shift from ocean freight to air freight following the container ship space shortage, etc. In contrast, we believe supply side will depend on recovery in international passenger flights, and NCA is going ahead with preparations on the assumption that it is unlikely for all international passenger flights to recover in the next one year. As for NCA’s future, although strong results are currently shown, it is highly likely to return to usual level when passenger flights eventually recover, and therefore we will continue to discuss its future by exploring various possibilities.

Q5: Are there any possibilities of NCA’s operations being curtailed due to the recent aviation accident?

A5: We are going ahead with the preparations bearing in mind that the repairs to the damaged aircraft may not complete within the current fiscal year, and even if we take this point into account, the company’s seven other aircrafts are operating without any problems and the impact on this term’s revenue will not be significant.

< Bulk Shipping Business >

Q6: The profit for the fourth quarter for the Bulk Shipping Business is at a low level. What is the breakdown by division of the upwardly revised full-year figure of 12 billion yen?

A6: Though we do not disclose the division-wise breakdown of the Bulk Shipping Business, the performance of car carriers recovered the most among the divisions. While there are concerns about semiconductor cargo in the fourth quarter, the situation had recovered more or less to the norm in the third quarter and it remained strong. In addition, we carried out structural reforms for dry bulk as planned, and profits in energy accumulated as the market sentiment for LPG carriers and VLGC was extremely strong in the third quarter.

< Others >

Q7: What is your thinking of the current status and future capital increase regarding the plan to achieve at least 30% in equity ratio?

A7: Given the strong performance in the current fiscal year, equity ratio has recovered to almost 26%. If we can achieve the forecast for the fourth quarter, we can reduce interest-bearing debts further using cash flows expected from disposal of fixed assets, which will further improve equity ratio at the end of the current fiscal year. We believe that it is possible to achieve the goal of 30% if our business performance is stable, as we expect the impact of the dry bulk structural reforms which we carried out this year to pay off.

Q8: What is the outlook for the next fiscal year?

A8: Though the details will be discussed in the financial result announcement in May, we expect the performance of the bulk shipping business to recover significantly. As for car carriers: the global automobile sales, which were about 90 million in 2019, are estimated to be 72 to 73 million vehicles in 2020 due to the impact of COVID-19. On the other hand, as the sales in 2021 are estimated to be 84 to 85 million vehicles, which is a slight decline compared with 2019, we expect a smaller impact compared with the current fiscal year. We can expect incremental effect on dry bulk from the structural reforms and energy is expected to perform firmly led by long-term contracts as we carried out re-evaluation of drill ships. In Global Logistics, as return of international passenger flights to the market is expected to take some time, we believe NCA would be able to maintain a certain level of business results. We also expect reasonable handling volume for the logistics business given strong cargo movement due to current situation in air freight, and from e-commerce and the stay-at-home demand, etc. As for ONE, which is the hardest to predict, while we do not assume the current irregular freight rate levels to continue, we will decide on budget for the next fiscal year by closely monitoring the changes in cargo movement mainly due to the stay-at-home demand.

Q9: What are the things you could not achieve while serving as the CFO? What would you like to entrust the next CFO?

A9: I have some regrets that the company has not reached a stage to achieve goals under the medium-term management plan even if there were no special factors. I look forward to your continued support to our next CFO.