

Summary of the questions and answers for presentation of
the financial results for the full fiscal year ended March 2021

< Liner Business >

- Q1: The business plan for OCEAN NETWORK EXPRESS PTE. LTD. (“ONE”) assumes the freight rates in the annual contracts to increase by about 30%, which seems to be smaller compared to overseas shipping companies and numbers from the media reports. What is the actual situation?
- A1: The annual contract negotiations for FY2021 are not yet completed, so we are unable to provide concrete figures. An increase of two to three times the levels of FY2020 being mentioned in trade magazines and elsewhere are clearly wrong. The price hike in annual contracts anticipated by ONE has been more or less realized, and we are expecting a similar level of contract volumes as in a regular year which is incorporated in the outlook.
- Q2: How is ONE being evaluated in comparison with shipping companies in Asia and Europe?
- A2: ONE is sixth in the world in terms of size. In FY2020, given the stable high spot rates in the Pacific route, we have evaluated that ONE was able to record high performance on portfolio. At the same time, when compared to other European shipping companies in terms of service, space and service are restricted in the North-South route, which we recognize as an issue. Further, though headquartered in Singapore, the shareholders are the three companies in Japan. So, we plan to continue offering differentiated services through providing direct vessel allocation to Japanese customers and temporary vessels to address container and space shortage.
- Q3: As for the appropriate financial structure of ONE, what is your view on shareholders’ equity and cash equivalents?
- A3: Regarding the appropriate financial benchmarks for ONE, ONE and the shareholders are in the midst of discussing the medium-term management plan. It is difficult to predict when and how the impact of COVID-19 is going to dissipate, and we are unable to disclose our post-COVID-19 medium-term management plan. However, we will disclose it as early as possible after discussions on matters including how much capital and cash to have and what the payout ratio should be. In addition, the question of what to do with the dividend from ONE and its financial structure is a

major issue for us as well. First of all, after putting together how ONE is drafting its investment plan and the profit plan based on that, and its thinking regarding dividends, we would like to pursue steady discussions with ONE and shareholders.

Q4: While ONE contributes significantly to financial improvement of parent NYK, it does not involve any direct cash or assets as it is an equity method company. How should we look at its impact on NYK's financial targets and shareholder returns?

A4: Equity method companies account for a certain share in our business development, and their share in assets has increased significantly compared to what it was 10 years ago. Amid changes to the composition of the left side of the balance sheet is compared to before, we plan to disclose appropriate levels including medium- to long-term vision regarding the dividend from the equity method company and our funding and DER with respect to the equity method company.

Q5: How much of the investment for building new container ships is incorporated into the investment?

A5: ONE has announced that it has placed orders for six new vessels of 24,000-25,000TEU. Further, it is discussing the investment policy in the medium-term management plan. For example, the fact that ONE lacks in large ships compared to other companies is a weakness even from the perspective of The Alliance to which it belongs, and we would like to discuss this as investment plan.

< Air Cargo Business >

Q6: It appears that the special demand of FY2020 would dissipate to a certain extent when we look at the profit plan for FY2021. Given that, what is the quarterly outlook?

A6: In JAF data, demand has recovered led by exports from Japan during the period from November 2020 to December 2020, and this brisk demand is expected to continue in the first half of FY2021. At the same time, we expect operation of international passenger flights, which had declined due to COVID-19, to recover from 4Q and yield to settle down. Towards 4Q, while the special demand from COVID-19 impact is expected to dissipate to a certain extent, we have prepared the quarterly plans on the assumption that the demand will be somewhat robust.

Q7: What is the reason behind the yield outlook from air cargo being lower in the first half compared to the second half?

A7: The yield that has been disclosed is the weighted average by each route such as Japan-originating

Pacific Ocean routes and routes in Asia. As we have made the forecast on the assumption that the demand for international passenger flights to recover from the 4Q, the yield by each route is also expected to settle down from 4Q onwards.

< Bulk Shipping Business >

Q8: What is the division-wise thinking of the ¥35.4 billion improvement in Bulk Shipping Business in the current term?

A8: We do not expect to see large discrepancy between FY2020 and FY2021 in the energy division. We expect significant improvements in dry bulk division and car carriers.

Q9: What is the ratio of free ships for each ship type in the dry bulk division?

A9: Following the structural reforms, the number of free ships has become quite limited compared to before. In FY2021, we expect about seven Capesize bulkers and about five Panamax. Also, the combined number of Handymax and Handysize ships, operated by our wholly owned subsidiary NYK Bulk & Projects Carriers Ltd., is expected to be about 25 ships.

< Others >

Q10: Taking into account the improvement in business performance and dividend from ONE, are you considering starting the discussions on raising the dividend payout ratio before the launch of the next medium-term management plan?

A10: We are currently aiming for a dividend payout ratio of 25%. For the current fiscal year, we would like to consider it as part of the overall capital policy. We are already expecting to achieve 1.5 times or below in DER and at least 30% in equity ratio, which are the lowest levels of the goals in the medium-term management plan. During the process of considering the next medium-term management plan and updating earnings forecast, we would like to disclose it at a suitable timing as we comprehensively consider stable shareholder returns, maintenance of financial discipline, and distribution of resources to new fields in ESG management and also in discussions with an eye on 2050.

Q11: What are the fields the company would focus on in the current fiscal year and how motivated are you?

A11: We very much appreciate the fact that we are getting a tailwind from the current situation, which

is a major driving force for promoting ESG management. We would like to become a corporate group of choice of the customers by developing new fuels, improving existing ships, and using ingenuity in building new ships. We think this would subsequently link to our growth strategy and to the next medium-term management plan.

(Comment from the President)

I believe many of you would feel that our earnings forecast this time is rather conservative.

First of all, the current situation remains favorable, continuing from the fourth quarter of the previous fiscal year.

Meanwhile, considering the fact that no one was able to predict, at this time last year, that fiscal year 2020 would unfold this way, it will be difficult to judge how long the current conditions would last or when it would settle down.

Comprehensively considering the fact that it is difficult to foresee the future given the various speculations, we have settled on quite conservative figures, and would appreciate your understanding.