

Summary of Q&A Session at Briefing on New Medium-Term Management Plan
“Staying Ahead 2022 with Digitalization and Green”

<Air Cargo Business>

Q1.

Please explain your business strategy going forward.

A1.

We have improved our competitiveness through various measures that we have taken, and forecast to record profit for four consecutive fiscal years. We will continue to try to minimize the volatilities in our business and further improve profitability. In the medium to long term, we will consider all options.

<Dry-bulk Business>

Q2.

Why does it take three years for the early termination and returning of chartered-in vessels instead of one year?

A2.

In principle, we intend to honor the original contracts. We will conduct the early termination and returning of chartered-in vessels one by one, upon agreements with the ship owners. That is why we set the timeline of three years and not one year.

<Overall>

Q3.

Please inform us of the additional target amount in stable-freight-rate type of business?

A3.

We do not have an exact target amount, but our plan is to increase stable-freight-rate type of business by improving profitability mainly in logistics, LNG and auto-logistics businesses.

Q4.

How do you foresee the impact of SOx global cap regulation?

A4.

We intend to cope with the regulation through three measures; (1) use of regulation compliant fuel, (2) installing scrubber system, (3) use of LNG or LPG fuel. We will begin the negotiations with customers for businesses with long-term contracts. For businesses with short-term contracts such as container business, we are forecasting the cost increase to be absorbed by the market and reflected into the freight rates. We are expecting some cost increase, but the impact to our business should be minimal.

Q5.

You previously mentioned of increasing stable-freight-rate type of business. Please inform us if the current strategy differs from the previous plan and its feasibility.

A5.

We are expecting the Wheatstone and Cameron LNG projects to start to contribute profit-wise from 2019 and 2020 onwards, and some new LNG carriers for the U.S. shale gas projects will be delivered this year. We are forecasting improvements in off-shore business. Car carrier and auto logistics businesses are somewhat struggling currently, but we are also expecting improvements, and thus we believe it is possible to expand stable-freight-rate type of business.

We plan to make all business divisions profitable. By improving profitability and selecting investments, we will aggressively make challenges like investing in start-up businesses for the future.

Q6.

How much profit do you expect from the green business?

A6.

The biomass transport and sale of electricity at green terminals are relatively simple businesses, but they still need improvements and we are not at the stage to disclose their profit levels at this moment.

Q7.

The financial target in recurring profit is shown as 70-100 billion yen. Please inform us of segment-wise targets, for instance container business and dry bulk business.

A7.

At this moment, we are expecting relatively low profit levels for container business and dry bulk business, but our initial goal is to construct a business structure to constantly make stable profits.

Q8.

You mentioned of selling strategic shareholdings and real estate to improve asset turnover ratio. Do you plan to use all the cash generated to pay penalty for the early termination and returning of chartered-in vessels?

A8.

Not all the cash will be used to pay the penalty of pre-mature returning of chartered-in vessels. The review of real estate means not just sale, but effective utilization, and our intention is to secure stable profits through real estate business.