

Summary of Q&A Session at Briefing on Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2019

- Liner Business

Q1. How is the progress of the transfer of the overseas terminal business from the parent companies to ONE? Also, what will be the impact on NYK's P&L and cash flow, as well as ONE's cash position?

A1. Agreeing on the pricing of the business is taking time, with the fluctuating handling charges at the terminals in North America being the main reason amongst others.

The overseas terminal business is profitable, and although ONE's forecast does not include the overseas terminal business's P&L, it is relatively small in comparison to ONE's P&L, so the impact would not be substantial.

ONE's purchase of the overseas terminal business should not worsen ONE's cash position. We hope this transfer will be conducted soon for the benefit of ONE's efficient operations of both liner and container terminal business in one company.

Q2. ONE's fourth quarter forecast has been revised down. Please explain the premises, including rates and volumes after the Chinese New Year.

A2. Like other alliances, THE Alliance, which ONE is a member, is implementing blank sailings — a total of 14, with eight in Transpacific routes and six in Asia-Europe routes. The volumes may drop for a couple of weeks after the Chinese New Year, and so will the rates, but with all the major alliances implementing blank sailings, we do not expect utilization to fall that much.

Q3. What are the countermeasures to U.S.-China trade friction?

A3. ONE prepares its forecast based on its supply capacity and the expected customer cargo volume, which is monitored weekly. We do not expect volume to drop beyond the forecast, but in such case, we will take countermeasures, including additional blank sailings.

- Air Cargo Business

Q4. Please explain NCA's fourth quarter recurring profit forecast. Also, with eight B747-8Fs returning to service, do you forecast black ink from the next fiscal year onward?

A4. Eight B747-8Fs have returned to service. However, the current utilization rate is not high, and the forecast assumes that some time will be needed to recover.

We cannot comment on next fiscal year, but we aim to return to profitability by improving the

utilization rate of the B747-8Fs and effectively using five B747-400Fs in a strategic alliance with Atlas.

Q5. Does the yield factor forecast (briefing material page 13) take into consideration U.S.-China trade friction? Also, is the effect already apparent?

A5. We see some decline in volumes and rates for cargo heading to the U.S. from China. On the other hand, cargo departing Southeast Asia and e-commerce related cargo are robust, and we are not overly pessimistic.

- Logistics Business

Q6. Please explain why the air export weight (briefing material page 14) for the third quarter result and fourth quarter forecast are at the same level. I understand there were typhoon-related transportation demands in the third quarter, whereas the fourth quarter volume is forecast to drop on the back of U.S.-China trade friction.

A6. Although we forecast fourth quarter demand for cargo departing China to be sluggish, we expect demand for cargo departing Japan to be robust. Yusen Logistics has advantages in the Japanese market, and we aim to meet the target by increasing handling volume in Japan.

Q7. What is the impact of U.S.-China trade friction on the logistics business?

A7. We are keeping a close eye on progress, especially the impact of trade friction on the U.S. economy. Generally speaking, if transport demand falls in one region, new demands could arise in others, and we need to look at both the positives and negatives.

- Bulk Shipping Business

Q8. Why is the fourth quarter recurring profit forecast halved from the third quarter result? Also, what is the impact of small- to medium-sized dry bulker markets declining?

A8. Like last fiscal year, third quarter results for dry bulkers, as well as VLCCs, are seasonally better than the fourth quarter, and the fourth quarter forecast is based on seasonality as well as the forecast for equity method affiliates, etc.

If the market decline is prolonged, earnings will be negatively affected. However, we utilize freight forward agreements and sign COAs to minimize the impact of market fluctuation.