【Financial Results for 1st Quarter FY2020 ＆ Full-Year Forecasts for FY2020】

Q-1：

Regarding the full-year forecast for Containership Business, please explain why you expect the profit decline in the second half of the fiscal year to be larger than in the first half. During the presentation, you mentioned that cargo movements are expected to recover gradually into the second half, so I would like to know the reasons for the deterioration in profitability.

A-1：

For Containership Business, one reason is that our forecasts include a provision for loss related to chartering contracts in the fourth quarter. Additionally, given information from ONE, there are various concerns. Therefore, at this point, we are taking a conservative view and not assuming a scenario where everything will work in the same way as in the first half.

Q-2：

Regarding Car Carrier Business, the declines in operating revenues and income in the Product Logistics segment excluding Containership Business appeared relatively small compared with the decline in total units carried. Please explain how the segment was managed during the quarter.

A-2：

The decline in total units carried in the first quarter was severe, hitting bottom in May. On a transport and shipment basis, volume declined by 60% year on year. Our primary response was to suspend vessels, and up to about half the car carrier fleet was idled. We have implemented temporary suspension rather than long-term like cold lay-up in all cases. We also rationalized routes and operations through such measures as consolidating routes that were previously served by separate vessels.

Since the previous fiscal year, we have made significant progress in rationalizing routes and shrinking the fleet. In recent months, we have also reduced service frequency as part of our flexible response to demand trends. While these measures have been successful, the losses have not been insignificant, and we continue to take measures to minimize further damage.

【Management Plan】

Q-1：

What are your thoughts on the revision of the business portfolio under the new management plan?

A-1：

Under the new management plan, we are rigorously assessing investment options in each business unit. Within each unit, there are areas of priority and other areas in terms of investment. In this way, we are reforming our business portfolio in each unit.

Q-2：

Please explain the positioning of new business in the management plan.

A-2：

As stated on Page 22 of the presentation materials, we plan to expand our green energy-related businesses (FPSO, renewable energy, GHG reduction-related businesses) and we are working with our subsidiary companies on the development of offshore wind power generation. We expect green energy-related demand to increase, and we are building structures to launch initiatives in these strategic growth areas.

Q-3：

To strengthen your capital base, do you plan to increase equity capital only through business profits, or do your estimates include one-time extraordinary income from the sale of vessels, real estate, and other assets?

A-3：

The main strategy is to expand equity capital through business profits, but this fiscal year we will recognize extraordinary income from the sale of shares of consolidated subsidiary operating container terminals on the North America west coast, aged vessels, and some real estate holdings. These asset sales are already included in our forecasts, and we are still considering sales of other assets which have not been included in our forecasts.

Q-4：

Referring to page 20 of the presentation materials, you state that the profit targets for "Stable Income Business" are 10.0 billion in fiscal year 2021 and 20.0 billion in fiscal year 2025. How accurate are these estimates? Is there the possibility that the actual profits could be significantly higher?

A-4：

We consider these targets to be quite accurate because they are based on estimates broken down by customer and contract type and conservative assumptions. However, given the current impact of the COVID-19 pandemic and the environment surrounding our customers, we believe it is too optimistic to expect a higher figure at this point.

Additionally, in regard to the terms "Stable Income Business" and "Market-Exposed Business," we have redefined the scope of these categories as explained on the lower right of page 20, it is different from the basis on whether the businesses are backed by contracts exceeding a specified number of years in the past.

Q-5：

Page 20 of the presentation materials shows the improvement in profitability of market-exposed business from now to 2021, 2025, and 2030 fiscal years. Is the primary factor in that improvement the redelivery of high-cost chartered vessels? Are there any other major factors?

A-5：

These targets include factors other than the return of chartered vessels. In each business units, we have established assessment items and profit targets related to these items. Besides the redelivery of chartered vessels, we have developed an integrated and detailed matrix of items which also includes rationalization measures, cost-saving, and sales efforts.

Q-6：

On page 21 of the presentation materials, in regard to the long-term fixed core fleet scale numbers, please confirm whether containerships are included in these numbers. I assume that the number of containerships will decline naturally as their contracts end and the vessels are returned. Please explain exactly how you are reducing the number of each type of vessel.

A-6：

We plan to reduce the long-term fixed core fleet to 300 vessels in fiscal year 2025, a decline of 52 vessels compared with the fleet size of 352 vessels in fiscal year 2020. This includes the containerships in the fleet. We have a total of 46 containerships in the fleet. This does not represent a large part of the entire fleet, so we do not have any plan to accelerate the reduction of only containerships while other types of vessels are maintained in the fleet.

【Others】

Q-1：

As a result of the COVID-19 pandemic, your Car Carrier Business is facing severe profit pressure. Given the situation, do you think there is any possibility that the car carrier industry will be consolidated or restructured, as happened in the containership industry?

A-1：

Our Car Carrier Business maintains a healthy market share of about 14% based on total units carried. The car carrier industry is different from the containership industry, which is a "process industry" requiring a much larger investment capital. In that way, Car Carrier Business is in a much different place than Containership Business, where the players needed to expand economies of scale by integrating their businesses.

We have been taking various measures in Car Carrier Business, including the rationalization of routes, with the result that the business returned to profitability in the previous fiscal year. With an adequate business scale and progress in various initiatives since last year, we are confident the business can become profitable again in the future.

Q-2：

Regarding your announcement on August 5 on the sale of shares of consolidated subsidiary operating container terminals on the North America west coast, it was initially assumed that this company would be sold to ONE. Since the company was not sold to ONE, does that indicate there is some change in the relationship between "K" Line and ONE.

A-2：

There is no change in the relationship between "K" Line and ONE. We continue to fully support ONE's business through the provision of superior vessels and personnel etc.