

Financial Results for FY 19/3 1st Quarter and Forecast for FY 19/3

July 31, 2018

Contents

- 1. Financial Highlights for FY18/3** _____ **p.3-6**
- 2. Forecast for FY19/3** _____ **p.7-9**
- 3. Overview of Each Industrial Segment** _____ **p.10-16**

**(Attachment) Ocean Network Express
Financial Results for FY2018 1st Quarter
and Forecast for FY2018**

Overview of FY 19/3 1st Quarter Results



▶ Revenues

Significant decrease vs. same period last year, as ONE began service as an equity-affiliate, and Liner segment revenues are no longer recorded.

▶ Recurring Profit

Decrease vs. same period last year. Although Dry Bulk and Liquid business increased profit, the one-off cost required for the termination of NYK's container business hurt profitability.

▶ Extraordinary income / losses

Extraordinary losses relating to the early termination of chartered-in vessels as well as extraordinary income relating to the sales of investment securities are recorded.

<Review of 1Q>

- Liner NYK's business termination cost more than expected. Confusion during ONE's start-up period winding down.
- Air Cargo NCA suspended all aircraft operations to confirm their airworthiness from mid-June amidst strong transport demand.
- Logistics Progressing steadily with increased handling volume and improved profitability vs. same period last year. Struggling US contract logistics business also improved vs. same period last year.
- Bulk Shipping Dry Bulk business improved especially on the back of market recovery. Car transport volume to resource-rich countries slow to recover.



► Decrease in revenues vs. same period last year and recorded a loss at each stage of P&L

(In billion yen)	FY18/3							FY19/3	Year-on-year
	1Q	2Q	1H	3Q	4Q	2H	Full-Year	1Q	
Revenues	521.7	542.5	1,064.2	566.3	552.5	1,118.9	2,183.2	464.8	56.8
Operating Income	3.5	9.1	12.7	12.0	3.0	15.0	27.8	-8.1	-11.6
Recurring Profit	10.2	11.7	22.0	13.5	-7.5	6.0	28.0	-6.6	-16.8
Net Income Attributable of owners of the Parent Company	5.3	0.8	6.2	10.5	3.3	13.8	20.1	-4.5	-9.9
Exchange rate	¥ 111.48	¥ 110.92	¥ 111.20	¥ 112.65	¥ 109.72	¥ 111.19	¥ 111.19	¥ 108.10	+ ¥ 3.38
Bunker Oil Prices	\$326.72	\$316.32	\$321.52	\$339.76	\$382.84	\$361.30	\$341.41	\$395.94	+\$69.22

1st quarter comparison by Industrial SEGs

1Q Result



NYK LINE
NIPPON YUSEN KAISHA

- Liner profit declined due to NYK's business termination cost and etc.
- Bulk Shipping profit, especially Dry Bulk business, increased

Industrial Segment (In Billion Yen)	FY 18/3							FY19/3	Year-on-year	
	1Q	2Q	1H	3Q	4Q	2H	Full-year	1Q		
Global Logistics	Liner	171.5	179.0	350.5	176.8	164.0	340.8	691.4	80.1	-91.3
		5.7	7.6	13.3	3.8	-6.3	-2.4	10.8	-16.6	-22.3
Bulk Shipping	Air Cargo	23.3	23.7	47.1	25.8	24.8	50.6	97.8	21.7	-1.6
		0.7	-0.8	-0.0	0.8	1.0	1.8	1.8	-1.6	-2.4
Others	Logistics	118.9	127.7	246.7	135.6	129.9	265.5	512.3	130.4	11.4
		-0.0	1.3	1.2	1.0	0.0	1.1	2.3	1.3	1.3
Bulk Shipping	(Total)	313.9	330.5	644.4	338.2	318.8	657.1	1,301.5	232.3	-81.5
		6.3	8.1	14.5	5.8	-5.2	0.5	15.0	-16.9	-23.3
Bulk Shipping	Bulk Shipping	188.9	192.2	381.2	205.5	208.8	414.4	795.6	206.5	17.5
		2.7	2.2	5.0	6.5	-1.9	4.5	9.6	10.4	7.6
Others	Real Estates	1.9	1.9	3.9	1.9	2.0	4.0	7.9	1.8	-0.0
		0.6	0.8	1.4	0.6	0.5	1.2	2.6	0.7	0.1
Others	Other	39.0	40.0	79.1	46.6	46.5	93.1	172.3	43.5	4.4
		1.1	0.9	2.0	1.0	0.0	1.1	3.1	0.9	-0.1
Elimination/Unallocation	Elimination/Unallocation	-22.2	-22.1	-44.4	-26.1	-23.6	-49.8	-94.2	-19.4	2.8
		-0.6	-0.4	-1.0	-0.5	-0.9	-1.4	-2.5	-1.7	-1.0
Consolidated	Consolidated	521.7	542.5	1,064.2	566.3	552.5	1,118.9	2,183.2	464.8	-56.8
		10.2	11.7	22.0	13.5	-7.5	6.0	28.0	-6.6	-16.8

※ (Upper) Revenues (Lower) Recurring Profit

Analysis of Change in Recurring Profit between FY 18/3 and FY 19/3

1Q Result



NYK LINE
NIPPON YUSEN KAISHA

(billion yen)

Yen Appreciation	-0.5	¥108.10/\$, Appreciated by ¥3.38
Higher Bunker Oil Prices	-3.2	\$395.94/MT, Increased by \$69.22
Market Effects etc.	2.2	
Foreign Exchange Profit/Loss	0.7	
Others	-16.0	(NYK's business termination cost -14.0)
Total	-16.8	



- Significant decrease in revenues and profit vs. previous forecast.
 - Liner Downward revision. NYK's business termination cost hurt profitability. ONE's results in line with forecast.
(*The timing to transfer overseas terminals to ONE is undecided, and thus NYK's forecast is under the assumption overseas terminals remain at NYK)
 - Air Cargo Downward revision.
Aircraft planned to return to operations once airworthiness is confirmed, but assume a certain amount of reduction in the total number of flights.
 - Logistics Progressing in line with the original forecast
 - Bulk Shipping Downward revision.
 - Dry Bulk Expect to progress steadily on the back of market recovery.
 - Liquid VLCC and product tanker market sluggish, LNG/off-shore business robust.
 - Car Carrier Forecast a decrease in transport demand due to sluggish handling volume to resource-rich countries and the effect of heavy rain in the western part of Japan.
- ▶ Expect a certain amount of extraordinary income from asset liquidation.
- ▶ Dividends Downwardly revised forecast to JPY 20/share for the year.
(mid-term JPY 10/share, year-end JPY 10/share)

Revised Forecast for FY19/3 (Summary)

Forecast



NYK LINE
NIPPON YUSEN KAISHA

(In billion yen)	FY 18/3 (Result)					FY 19/3 (Forecast)				Year-on year	Change from previous forecast (full-year)
	1H		2H		Full-year	1H		2H	Full-year		
	1Q	2Q	3Q	4Q		1Q (Result)	2Q				
Revenues	1,064.2		1,118.9		2,183.2	896.0		869.0	1,765.0	-418.2	-40.0
	521.7	542.5	566.3	552.5		464.8	431.0				
Operating Income	12.7		15.0		27.8	-7.5		9.5	2.0	-25.8	-35.0
	3.5	9.1	12.0	3.0		-8.1	0.6				
Recurring Profit	22.0		6.0		28.0	-5.0		15.0	10.0	-18.0	-30.0
	10.2	11.7	13.5	-7.5		-6.6	1.6				
Net Income Attributable to Owners of the parent company	6.2		13.8		20.1	3.0		9.0	12.0	-8.1	-17.0
	5.3	0.8	10.5	3.3		-4.5	7.5				
Exchange Rate	¥ 111.48	¥ 110.92	¥ 112.65	¥ 109.72	¥ 111.19	¥ 108.10	¥ 105.00	¥ 105.00	¥ 105.78	+ ¥ 5.41	
Bunker Oil Prices	\$326.72	\$316.32	\$339.76	\$382.84	\$341.41	\$395.94	\$460.00	\$460.00	\$443.99	+\$102.58	

► Sensitivity on Recurring Profit

Exchange Rate : Approx. 0.5 billion increase per ¥1/\$ depreciation

Bunker Oil Prices : Approx. 1.6 billion increase per \$10/MT decrease

FY 19/3 Forecast by Industrial SEGs

Forecast



NYK LINE
NIPPON YUSEN KAISHA

Industrial Segment (In billion yen)	FY18/3 (Result)					FY 19/3 (Forecast)					Year-on Year	
	1Q	2Q	1H	2H	Full-year	1Q (Result)	2Q	1H	2H	Full-year		
Global Logistics	Liner	171.5	179.0	350.5	340.8	691.4	80.1	66.8	147.0	132.0	279.0	-412.4
		5.7	7.6	13.3	-2.4	10.8	-16.6	2.2	-14.5	6.0	-8.5	-19.3
	Air Cargo	23.3	23.7	47.1	50.6	97.8	21.7	10.2	32.0	31.0	63.0	-34.8
		0.7	-0.8	-0.0	1.8	1.8	-1.6	-5.8	-7.5	-8.5	-16.0	-17.8
	Logistics	118.9	127.7	246.7	265.5	512.3	130.4	136.6	267.0	266.0	533.0	20.7
	-0.0	1.3	1.2	1.1	2.3	1.3	2.1	3.5	3.0	6.5	4.2	
(Total)	313.9	330.5	644.4	657.1	1,301.5	232.3	213.6	446.0	429.0	875.0	-426.5	
	6.3	8.1	14.5	0.5	15.0	-16.9	-1.5	-18.5	0.5	-18.0	-33.0	
Bulk Shipping	Bulk Shipping	188.9	192.2	381.2	414.4	795.6	206.5	192.5	399.0	392.0	791.0	-4.6
		2.7	2.2	5.0	4.5	9.6	10.4	3.5	14.0	16.0	30.0	-20.4
Others	Real Estate	1.9	1.9	3.9	4.0	7.9	1.8	2.1	4.0	4.0	8.0	0.1
		0.6	0.8	1.4	1.2	2.6	0.7	0.8	1.5	1.0	2.5	-0.1
	Other	39.0	40.0	79.1	93.1	172.3	43.5	40.4	84.0	81.0	165.0	-7.3
	1.1	0.9	2.0	1.1	3.1	0.9	0.5	1.5	1.0	2.5	-0.6	
Elimination/Unallocation		-22.2	-22.1	-44.4	-49.8	-94.2	-19.4	-17.6	-37.0	-37.0	-74.0	20.2
		-0.6	-0.4	-1.0	-1.4	-2.5	-1.7	-1.8	-3.5	-3.5	-7.0	-4.5
Consolidated		521.7	542.5	1,064.2	1,118.9	2,183.2	464.8	431.0	896.0	869.0	1,765.0	-418.2
		10.2	11.7	22.0	6.0	28.0	-6.6	1.6	-5.0	15.0	10.0	-18.0

※ (Upper) Revenues (Lower) Recurring Profit

FY19/3 Forecast vs latest Guidance by Industrial SEGs

Forecast



NYK LINE
NIPPON YUSEN KAISHA

Industrial Segment (In billion yen)	Guidance			Forecast			Change Full-year			
	1H	2H	Full-year	1H	2H	Full-year	1H	2H	Full Year	
Global Logistics	Liner	138.0	126.0	264.0	147.0	132.0	279.0	9.0	6.0	15.0
		-3.5	5.0	1.5	-14.5	6.0	-8.5	-11.0	1.0	-10.0
	Air Cargo	51.0	50.0	101.0	32.0	31.0	63.0	-19.0	-19.0	-38.0
		0.0	1.5	1.5	-7.5	-8.5	-16.0	-7.5	-10.0	-17.5
Logistics		279.0	279.0	558.0	267.0	266.0	533.0	-12.0	-13.0	-25.0
		3.5	3.0	6.5	3.5	3.0	6.5	0.0	0.0	0.0
(Total)		468.0	455.0	923.0	446.0	429.0	875.0	-22.0	-26.0	-48.0
		0.0	9.5	9.5	-18.5	0.5	-18.0	-18.5	-9.0	-27.5
Bulk Shipping	Bulk Shipping	387.0	395.0	782.0	399.0	392.0	791.0	12.0	-3.0	9.0
		15.0	18.0	33.0	14.0	16.0	30.0	-1.0	-2.0	-3.0
Others	Real Estate	4.0	4.0	8.0	4.0	4.0	8.0	0.0	0.0	0.0
		1.5	1.0	2.5	1.5	1.0	2.5	0.0	0.0	0.0
	Other	84.0	86.0	170.0	84.0	81.0	165.0	0.0	-5.0	-5.0
		1.0	0.0	1.0	1.5	1.0	2.5	0.5	1.0	1.5
Elimination/ Allocation	-38.0	-40.0	-78.0	-37.0	-37.0	-74.0	1.0	3.0	4.0	
	-3.0	-3.0	-6.0	-3.5	-3.5	-7.0	-0.5	-0.5	-1.0	
Consolidated	905.0	900.0	1,805.0	896.0	869.0	1,765.0	-9.0	-31.0	-40.0	
	14.5	25.5	40.0	-5.0	15.0	10.0	-19.5	-10.5	-30.0	

※ (Upper) Revenues (Lower) Recurring Profit



- **Liner** Confusion during ONE's start-up period winding down. Synergy effect realized faster than expected. Implement additional countermeasure to tackle increased fuel prices.

NYK's business termination cost, which was more than initially estimated, was recorded in the 1Q.

- **Air Cargo**

Market continue to be robust. Suspended all of its aircraft operations from mid-June. Two aircraft returned to service as of today. The other nine aircraft will return once safety is confirmed. However, the total number of flights not expected to reach the original forecast.

- **Logistics**

In line with the original forecast. Both forwarding and contract logistics business steadily improving profitability.

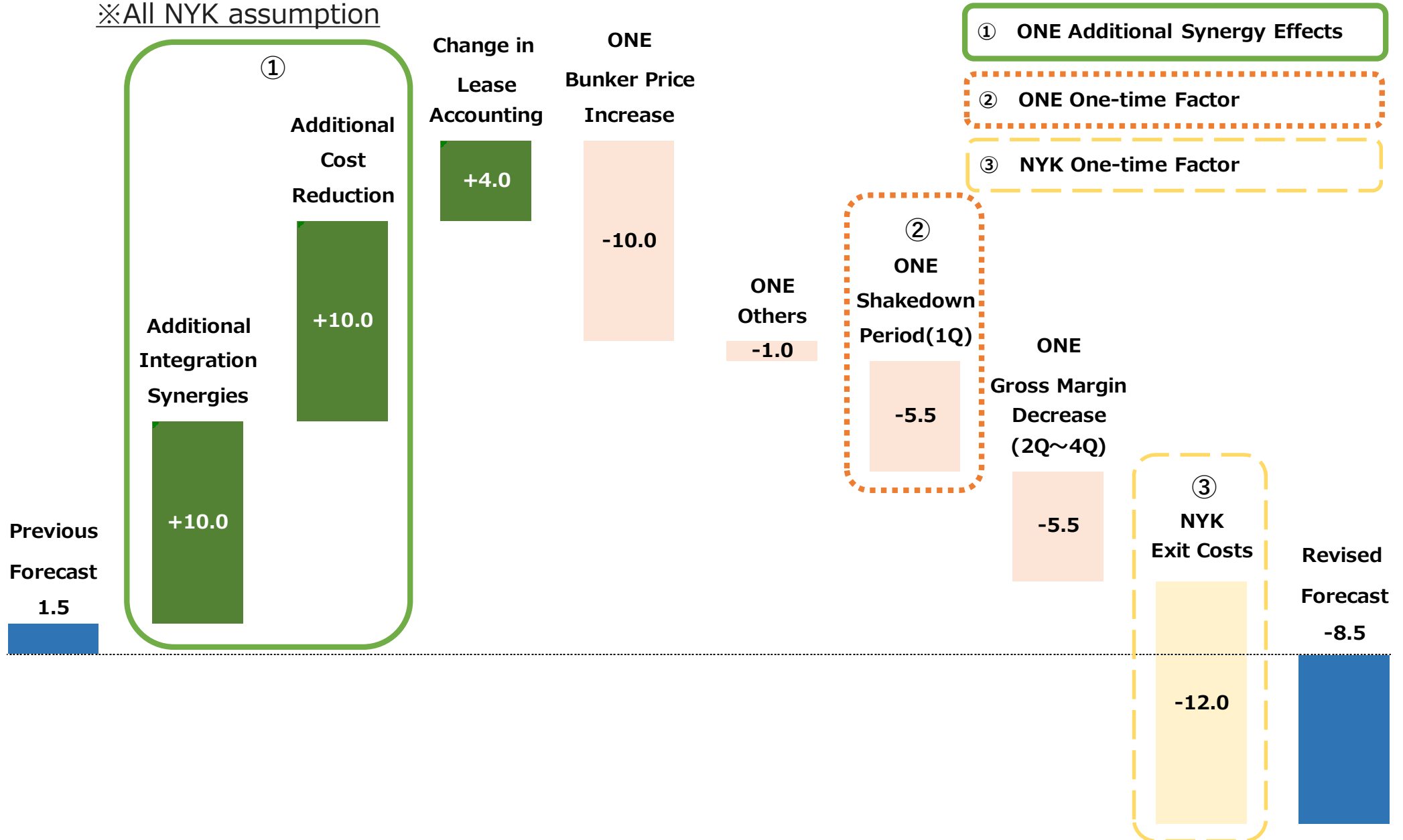
- **Bulk Shipping**
 - Dry Bulk Market recovering on the back of increased handling volume.
 - Liquid VLCC and product tanker markets sluggish due to increased capacity. LNG/off-shore business robust.
 - Car Carrier Transport demand to North America and Europe robust, but to resource rich countries sluggish.



▶ 1. Liner Trade Previous Forecast vs Revised Forecast

※All NYK assumption

(In billion yen)





► 2. Air Cargo Transportation (NCA)

	FY18/3(Result)					Full-year	FY19/3(Forecast)				Change from previous forecast (full-year)
	1H		2H		1Q		2Q	2H	Full-year		
	1Q	2Q	3Q	4Q						1Q (Result)	
Revenues (billion yen)	47.1		50.6		97.8	32.0		31.0	63.0	-38.0	
	23.3	23.7	25.8	24.8		21.7	10.2				
Recurring Profit (billion yen)	-0.0		1.8		1.8	-7.5		-8.5	-16.0	-17.5	
	0.7	-0.8	0.8	1.0		-1.6	-5.8				
Chargeable Weight (1,000 ton)	286		270		556	153		164	317	-255	
	142	145	138	132		112	41				
Volume (RTK) (mil.ton Kilo)	1,703		1,607		3,310	972		990	1,962	-1,422	
	847	855	819	787		669	303				
Capacity (ATK) (mil.ton Kilo)	2,401		2,199		4,601	1,309		1,289	2,598	-2,186	
	1,180	1,221	1,111	1,087		944	365				
YIELD FY09/3 1Q=100	82		90		86	95		86	90	3	
	81	82	91	89		94	99				
MOPS US\$ per bbl	\$62		\$76		\$69	\$89		\$90	\$89	\$14	
	\$61	\$64	\$73	\$80		\$87	\$90				

➤ Decrease in revenues and profit vs. previous forecast due to a decrease in the number of flights.



▶ 3. Logistics

		FY17/3	FY18/3				Full-year	FY19/3 (Forecast)				Change from previous forecast (full-year)
			1H		2H			1H		2H	Full-year	
		Full-year	1Q	2Q	3Q	4Q	1Q (Result)	2Q				
Ocean Export	TEU (1,000TEU)	775	395		385		780	472		466	938	1
			195	200	200	186		203	269			
	Year-on year	22%	4%		-3%		1%	19%		21%	20%	
			5%	3%	-2%	-4%		4%	35%			
Air Export	Weight (1,000ton)	369	184		191		375	203		209	412	-2
			88	96	98	93		94	109			
	Year-on year	11%	4%		-1%		2%	10%		12%	10%	
			2%	6%	-4%	2%		7%	14%			

- Ocean Freight Forwarding/Air Freight Forwarding
Handling volume forecast same level with the previous forecast.
- Logistics
Struggling US business improved profitability vs. same period last year.



▶ 4. Bulk Shipping – 1) Market trend and forecast :

		FY18/3					FY19/3 (Forecast)				Previous forecast (Full-Year)
		1Q	2Q	3Q	4Q	Full-year	1Q (Result)	2Q	2H	Full-year	
D R Y B U L K C A R R I E R	BDI	1,018	1,137	1,519	1,174	1,212	1,258	1,433	1,508	1,426	1,369
	Cape (5TC)	12,231	14,632	23,331	12,919	15,778	14,928	18,000	19,500	17,982	16,750
	Panamax (Pac)	8,304	9,811	11,271	10,945	10,083	10,741	11,500	11,750	11,435	11,625
	Handymax (Pac)	7,832	8,657	9,239	9,180	8,727	11,467	11,500	11,750	11,617	11,000
	Handy (Pac)	6,778	7,112	8,640	7,671	7,551	8,684	9,000	9,250	9,046	9,625
T A N K E R	VLCC	22,582	13,541	23,099	8,083	16,827	9,076	18,000	33,000	23,269	29,250

※ Dry Bulk Charter Market (Sport Time Charter) 5TC = 5 Trade Average Pac = Pacific Round Voyage Unit : \$/day

- Dry Bulk Market recovering on the back of increased handling volume.
- Liquid VLCC and product tanker markets sluggish due to increased capacity.



► 4. Bulk Shipping – 2) Car Carrier :

	FY18/3(Result)					Full-year	FY19/3(Forecast)				Change from previous forecast (Full-year)
	1H		2H		1Q (Result)		2Q	2H	Full-year		
	1Q	2Q	3Q	4Q							
All Trade (10,000cars)	179		184		363	170		177	348	-8	
	88	91	94	90		87	83				
Year-on year	7%		9%		8%	-5%		-4%	-4%	-2%	
	5%	10%	9%	9%		-1%	-9%				

- 1H handling volume is forecast to decrease vs. same period last year.
- 2H handling volume forecast same level as the previous forecast.

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2018 1st Quarter
and Forecast for FY2018

JUL 31ST 2018

▣ Profit/Loss Summary

FY2018 1st Quarter Results :

The 1Q Net Profit/Loss after tax is ▲US\$120Million loss due mainly to lower lifting caused by operational teething problems that affected service quality during the operation start-up period, and higher bunker price than originally forecasted.

Net Profit/Loss of 1st Half (1Q+2Q) is expected to be lowered by US\$40Million than the previous announcement.

FY2018 Full Year Forecast :

Considering that service quality has already stabilized, overall business is expected to be back to normal situation from the 2Q onwards. FY2018 full year forecast for Net profit/Loss after tax remains unchanged as US\$110 Million, underpinned by steady realization of integration synergy ahead of schedule as well as the change in accounting for lease contracts while higher bunker price will have a negative impact.

The profit from overseas terminal business will only be included from the 4th Quarter due to delay in business transfer.

▣ Progress of Integration Synergies

Integration synergies of US\$1,050 Million(Yen 112.4 Billion)/year are steadily emerging. For the 1st year (FY2018), the synergies are expected to emerge to 80% against the original forecast of 60%.

1Q Results and FY2018 Full Year Forecast

(Unit: Million US\$)

	FY2018				
	Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast
Revenue	2,066	3,376	5,442	6,812	12,254
Profit/Loss	-120	82	-38	147	110

Bunker Price (US\$/MT)	\$407.00	\$468.00	\$440.00	\$468.00	\$454.00
------------------------	----------	----------	----------	----------	----------

☐ **Sensitivity on Profit/Loss :**
Bunker Price \pm 26 million, per US\$10/MT (for 9 months/Max)

Comparison with Previous Forecast

(Unit: Million US\$)

*as of Apr 2018

	FY2018 Previous Forecast*		
	H1 Forecast*	H2 Forecast	Full Year Forecast
Revenue	6,269	6,891	13,160
Profit/Loss	3	107	110

FY2018				
Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast
2,066	3,376	5,442	6,812	12,254
-120	82	-38	147	110

Full Year	
Change (Mil US\$)	Change (%)
-906	-6.9%
0	0.0%

Bunker Price (US\$/MT)	\$383.00	\$383.00	\$383.00
------------------------	----------	----------	----------

\$407.00	\$468.00	\$440.00	\$468.00	\$454.00
----------	----------	----------	----------	----------

\$71.00

▣ Lifting / Utilization by Trades

(Unit: 1,000TEU)

Lifting / Utilization by Trades		FY2018
		Q1 Result
Asia - North America Eastbound	Lifting	530
	Utilization	73%
Asia - Europe Westbound	Lifting	312
	Utilization	73%

Outlook from the Q2 onwards

Asia-North America Eastbound :

Both demand and supply are expected to grow by around 6% on a year-on-year basis. Major alliances have already announced their service rationalization plan, and it is expected that demand and supply situation will be stabilized. Utilization in July is expected to improve as 90%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

Asia-Europe Westbound :

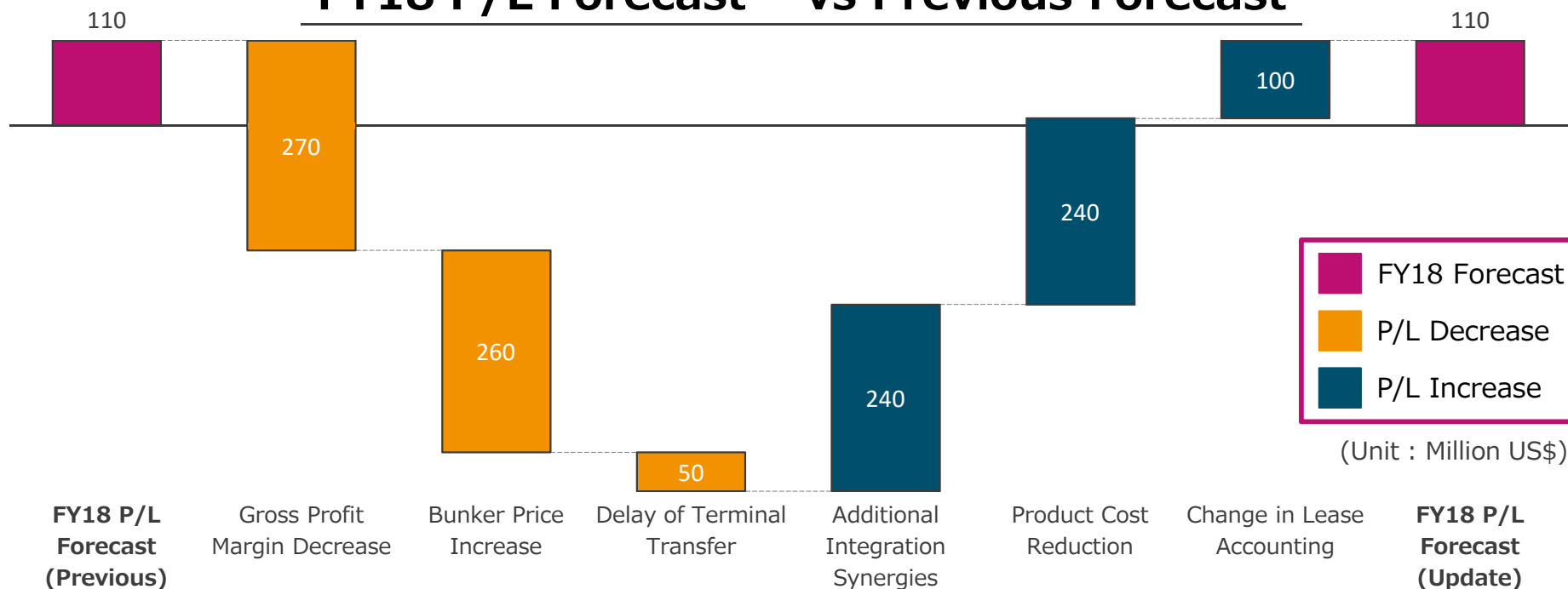
Supply has grown by 5% on a year-on-year basis. The demand growth has not matched the supply growth so far, but a steady cargo growth is expected towards the cargo peak season. Utilization in July is expected to improve as 92%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

Indices for actual freight for the above mentioned routes will be disclosed from the Q2.

FY18 P/L Forecast Update

Full year forecast for Net profit/Loss remains unchanged as US\$110 Million, as negative impacts such as decrease of gross profit margin and increase of bunker price are offset by accelerated integration synergies, additional cost reduction, and change in lease accounting.

FY18 P/L Forecast – vs Previous Forecast



■ FY18 Forecast
■ P/L Decrease
■ P/L Increase

(Unit : Million US\$)

Analysis vs Previous Forecast	Gross Profit Margin Decrease	• Mainly by lower utilization
	Bunker Price Increase	• Previous forecast \$383/MT → Updated forecast \$454/MT
	Delay of Terminal Transfer	• Previous forecast expected to start operation in 2Q → Updated forecast in 4Q
	Additional Integration Synergies	• Mainly by more variable costs reduction such as feeder/inland and terminal costs
	Product Cost Reduction	• Bunker consumption decrease, Product cost reduction by withdrawal of one Transpacific service loop from August, etc.
	Change in Lease Accounting	• P/L improvement by change in lease accounting methodology (Previously assumed finance lease for vessel charter contract changed into operating lease for this year)

Integration Synergy Update

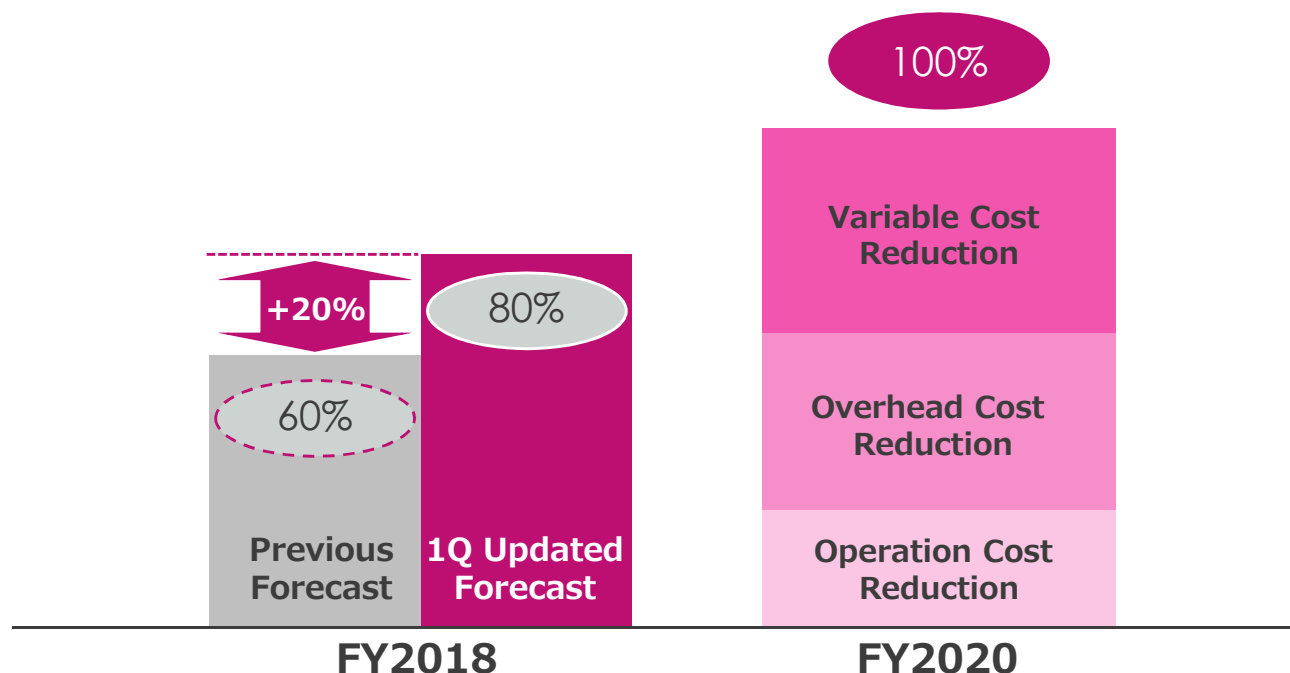
In original integration synergy forecast of US\$1,050 million (Yen 112.4 Billion), 80% of the synergy effect is expected to emerge for the 1st year (20% more than previous forecast of 60%).

(Exchange rate : 1 US\$=JPY107)

▪ **Break-down of the synergy effect US\$1,050 Million is as follows.**

- **Variable Cost Reduction** ...US\$430Mil : Rail, Truck, Feeder, Terminal, Equipment etc.
- **Overhead Cost Reduction** ...US\$370Mil : IT cost, Rationalization of organization, Outsourcing etc.
- **Operation Cost Reduction** ...US\$250Mil : Bunker consumption, product rationalization etc.

Achievement ratio against the initial target



Ocean Network Express Fleet Structure

as of end of 1Q	Size	Capacity (TEU)	Combined
	>= 20,500 TEU	Vessels	120,600 6
	10,500 - 20,500 TEU	Vessels	265,100 19
	9,800 - 10,500 TEU	Vessels	100,100 10
	7,800 - 9,800 TEU	Vessels	357,194 40
	6,000 - 7,800 TEU	Vessels	300,933 46
	5,200 - 6,000 TEU	Vessels	101,898 18
	4,600 - 5,200 TEU	Vessels	123,286 25
	4,300 - 4,600 TEU	Vessels	71,816 16
	3,500 - 4,300 TEU	Vessels	42,403 10
	2,400 - 3,500 TEU	Vessels	50,898 19
	1,300 - 2,400 TEU	Vessels	18,711 11
	1,000 - 1,300 TEU	Vessels	5,398 5
< 1,000 TEU	Vessels	3,562 5	
Total	Capacity (TEU) Vessels	1,561,899 230	