Financial Results for FY 19/3 2nd Quarter and Forecast for FY 19/3

October 31, 2018

NIPPON YUSEN KAISHA

Contents

Overview of FY 19/3 2nd Quarter Results

NYK LINE
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- Revenue

  ONE began service as an equity method affiliate, and revenue decreased vs. same period last year as Liner revenue is not recorded.

- Recurring Profit

  Recorded a recurring loss. Bulk Shipping increased profit vs. same period last year, but the profit in Liner and Air Cargo significantly decreased.

- Extraordinary income / losses

  Recorded an impairment loss on aircraft and spare engines, loss on cancellation of chartered vessels and etc., as well as an extraordinary income relating to sale of assets including investment securities.

<Review of 1H>

Liner and Air Cargo recorded recurring loss. The other segments recorded recurring profit.

- Liner — NYK's business termination cost and ONE's underperformance resulted in a recurring loss.
- Air Cargo — Decline in earnings due to the suspension of aircraft resulted in a recurring loss.
  Aircraft return to service one by one once soundness is confirmed.
  As of September 30, three aircraft have returned to service.
- Logistics — Progressing steadily with both forwarding business and contract logistics business improving. Increased profit vs. same period last year.
- Bulk Shipping
  Dry Bulk improved mainly on the back of market recovery.
  Automobile transport volume to resource-rich countries slow to recover, and the heavy rain in the western parts of Japan had a temporary negative impact to the transport demand.

FY 19/3 2nd Quarter Results (Summary)

2Q Result

- Decrease in revenue and profit vs. same period last year.
  Recorded a loss at each stage of PL

(In billion yen)	FY18/3 1Q	FY18/3 2Q	FY18/3 1H	FY18/3 3Q	FY18/3 4Q	FY18/3 2H	FY18/3 Full-Year	FY19/3 1Q	FY19/3 2Q	FY19/3 1H	Year-on-year
Revenues	521.7	542.5	1,064.2	566.3	552.5	1,118.9	2,183.2	464.8	450.7	915.6	-148.6
Operating Income	3.5	9.1	12.7	12.0	3.0	15.0	27.8	-8.1	3.9	-4.1	-16.9
Recurring Profit	10.2	11.7	22.0	13.5	-7.5	6.0	28.0	-6.6	-2.4	-9.0	-31.0
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	-5.2	-9.7	-16.0
Exchange rate Bunker Oil Prices	¥111.48 $326.72	¥110.92 $316.32	¥111.20 $321.52	¥112.65 $339.76	¥109.72 $382.84	¥111.19 $361.30	¥111.19 $341.41	¥108.10 $395.94	¥110.87 $443.36	¥109.48 $419.65	+¥1.72 +$98.13

2nd quarter comparison by Industrial SEGs

2Q Result

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- Liner: NYK's business termination cost and ONE's underperformance resulted in a significant decrease in profit
- Air Cargo: Recorded a loss due to NCA's decline in earnings resulting from the suspension of aircraft
- Bulk Shipping: Increased profit mainly in Dry Bulk

	Industrial Segment (In Billion Yen)	FY 18/3 1Q	FY 18/3 2Q	FY 18/3 1H	FY 18/3 3Q	FY 18/3 4Q	FY 18/3 2H	FY 18/3 Full-year	FY19/3 1Q	FY19/3 2Q	FY19/3 1H	Year-on-year
Global Logistics	Liner	171.5	179.0	350.5	176.8	164.0	340.8	691.4	80.1	70.0	150.2	-200.3
		5.7	7.6	13.3	3.8	-6.3	-2.4	10.8	-16.6	-2.2	-18.8	-32.2
	Air Cargo	23.3	23.7	47.1	25.8	24.8	50.6	97.8	21.7	7.4	29.1	-18.0
		0.7	-0.8	-0.0	0.8	1.0	1.8	1.8	-1.6	-6.2	-7.9	-7.9
	Logistics	118.9	127.7	246.7	135.6	129.9	265.5	512.3	130.4	135.3	265.7	18.9
		-0.0	1.3	1.2	1.0	0.0	1.1	2.3	1.3	1.9	3.2	2.0
	(Total)	313.9	330.5	644.4	338.2	318.8	657.1	1,301.5	232.3	212.7	445.0	-199.4
		6.3	8.1	14.5	5.8	-5.2	0.5	15.0	-16.9	-6.5	-23.5	-38.1
Bulk Shipping	Bulk Shipping	188.9	192.2	381.2	205.5	208.8	414.4	795.6	206.5	208.1	414.6	33.4
		2.7	2.2	5.0	6.5	-1.9	4.5	9.6	10.4	5.4	15.8	10.7
Others	Real Estates	1.9	1.9	3.9	1.9	2.0	4.0	7.9	1.8	1.9	3.8	-0.1
		0.6	0.8	1.4	0.6	0.5	1.2	2.6	0.7	0.7	1.4	-0.0
	Other	39.0	40.0	79.1	46.6	46.5	93.1	172.3	43.5	46.6	90.1	11.0
		1.1	0.9	2.0	1.0	0.0	1.1	3.1	0.9	-0.3	0.5	-1.4
	Elimination/Un allocation	-22.2	-22.1	-44.4	-26.1	-23.6	-49.8	-94.2	-19.4	-18.6	-38.0	6.3
		-0.6	-0.4	-1.0	-0.5	-0.9	-1.4	-2.5	-1.7	-1.6	-3.3	-2.2
	Consolidated	521.7	542.5	1,064.2	566.3	552.5	1,118.9	2,183.2	464.8	450.7	915.6	-148.6
		10.2	11.7	22.0	13.5	-7.5	6.0	28.0	-6.6	-2.4	-9.0	-31.0

※ (Upper) Revenues (Lower) Recurring Profit

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

2Q Result

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(billion yen)

Yen Appreciation	**-0.5**	¥109.48/$, Appreciated by ¥1.72
Higher Bunker Oil Prices	**-9.2**	$419.65/MT, Increased by $98.13
Market Effects etc.	**1.4**	(Liner -10.4, Bulk Shipping +11.5)
Foreign Exchange Profit/Loss	**0.6**	
Others	**-23.3**	(NYK's business termination cost -15.0) (NCA's effect due to temporary suspension of its aircraft operations -7.9)
Total	**-31.0**	

Revised Forecast for FY 19/3

Forecast

- Increase in revenue and operating income, but significant decrease in recurring profit and net income vs. previous forecast.

(Recurring Profit)

- Liner — Reflected ONE's underperformance and made a downward revision.
  (The difference in bunker oil price premise reflected in the forecast)
  The majority of NYK's business termination cost is recorded by the 2Q.
  (The forecast is based on the assumption overseas terminals remain at NYK until the end of the FY)
- Air Cargo — No revision to the forecast. Eliminated three 747-400Fs to transition to eight 747-8Fs operations. As of today, the soundness of five 747-8Fs have been confirmed and returned to operations.
- Logistics — Both forwarding and contract logistics business performing steadily in line with the forecast at the beginning of the fiscal year.
  Continue with restructuring of loss making businesses.
- Bulk Shipping — No substantial change from the previous forecast.
  - Dry Bulk — Markets recovering on the back of increased volume.
  - Liquid — Product tanker markets still sluggish. LNG/Off-shore robust.
  - Car Carrier — Transport demand to resource-rich countries still sluggish.

- Continue asset liquidation. Expect to record a certain amount of extraordinary income.
- Dividends — Paid out mid-term dividends of JPY 10/share. Plan year-end dividends of JPY 10/share to maintain dividend forecast of JPY 20/share for the year.

Revised Forecast for FY19/3 (Summary)

Forecast

NYK LINE
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(In billion yen)	FY 18/3 (Results) 1H 1Q	1H 2Q	2H 3Q	2H 4Q	FY 18/3 Full-year	FY 19/3 (Forecast) 1H(Results) 1Q	1H(Results) 2Q	2H	Full-year	Year-on year	Change from previous forecast (full-year)
Revenues	1,064.2		1,118.9		2,183.2	915.6		894.3	1,810.0	-373.2	45.0
	521.7	542.5	566.3	552.5		464.8	450.7				
Operating Income	12.7		15.0		27.8	-4.1		9.6	5.5	-22.3	3.5
	3.5	9.1	12.0	3.0		-8.1	3.9				
Recurring Profit	22.0		6.0		28.0	-9.0		-4.0	-13.0	-41.0	-23.0
	10.2	11.7	13.5	-7.5		-6.6	-2.4				
Net Income Attributable to Owners of the parent company	6.2		13.8		20.1	-9.7		3.7	-6.0	-26.1	-18.0
	5.3	0.8	10.5	3.3		-4.5	-5.2				
Exchange Rate	¥111.48	¥110.92	¥112.65	¥109.72	¥111.19	¥108.10	¥110.87	¥110.00	¥109.74	+¥1.45	
Bunker Oil Prices	$326.72	$316.32	$339.76	$382.84	$341.41	$395.94	$443.36	$500.00	$459.83	+$118.42	

► Sensitivity on Recurring Profit

Exchange Rate : Approx. 0.1 billion increase per ¥1/$ depreciation

Bunker Oil Prices : Approx. 1.4 billion increase per $10/MT decrease

FY 19/3 Forecast by Industrial SEGs

Forecast

	Industrial Segment (In billion yen)	FY18/3 (Results) 1Q	2Q	1H	2H	Full-year	FY 19/3 (Forecast) 1Q (Results)	2Q	1H	2H	Full-year	Year-on Year
Global Logistics	Liner	171.5	179.0	350.5	340.8	691.4	80.1	70.0	150.2	129.8	280.0	-411.4
		5.7	7.6	13.3	-2.4	10.8	-16.6	-2.2	-18.8	-12.6	-31.5	-42.3
	Air Cargo	23.3	23.7	47.1	50.6	97.8	21.7	7.4	29.1	31.9	61.0	-36.8
		0.7	-0.8	-0.0	1.8	1.8	-1.6	-6.2	-7.9	-8.1	-16.0	-17.8
	Logistics	118.9	127.7	246.7	265.5	512.3	130.4	135.3	265.7	266.3	532.0	19.7
		-0.0	1.3	1.2	1.1	2.3	1.3	1.9	3.2	2.8	6.0	3.7
	(Total)	313.9	330.5	644.4	657.1	1,301.5	232.3	212.7	445.0	428.0	873.0	-428.5
		6.3	8.1	14.5	0.5	15.0	-16.9	-6.5	-23.5	-17.9	-41.5	-56.5
Bulk Shipping	Bulk Shipping	188.9	192.2	381.2	414.4	795.6	206.5	208.1	414.6	410.4	825.0	29.4
		2.7	2.2	5.0	4.5	9.6	10.4	5.4	15.8	14.2	30.0	20.4
Others	Real Estate	1.9	1.9	3.9	4.0	7.9	1.8	1.9	3.8	3.7	7.5	-0.4
		0.6	0.8	1.4	1.2	2.6	0.7	0.7	1.4	1.1	2.5	-0.1
	Other	39.0	40.0	79.1	93.1	172.3	43.5	46.6	90.1	89.8	180.0	7.7
		1.1	0.9	2.0	1.1	3.1	0.9	-0.3	0.5	1.9	2.5	-0.6
	Elimination/ Unallocation	-22.2	-22.1	-44.4	-49.8	-94.2	-19.4	-18.6	-38.0	-37.5	-75.5	18.7
		-0.6	-0.4	-1.0	-1.4	-2.5	-1.7	-1.6	-3.3	-3.2	-6.5	-4.0
	Consolidated	521.7	542.5	1,064.2	1,118.9	2,183.2	464.8	450.7	915.6	894.3	1,810.0	-373.2
		10.2	11.7	22.0	6.0	28.0	-6.6	-2.4	-9.0	-4.0	-13.0	-41.0

※ (Upper) Revenues (Lower) Recurring Profit

- The significant decrease in Liner revenue is mainly due to the revenue of ONE, which is an equity method affiliate, not being recorded.

FY19/3 Forecast vs latest Guidance by Industrial SEGs

Forecast

NYK LINE NIPPON YUSEN KAISHA

	Industrial Segment (In billion yen)	Guidance 1H	Guidance 2H	Guidance Full-year	Forecast 1H	Forecast 2H	Forecast Full-year	Change Full-year 1H	Change Full-year 2H	Change Full-year Full Year
Global Logistics	Liner	147.0	132.0	279.0	150.2	129.8	280.0	3.2	-2.2	1.0
		-14.5	6.0	-8.5	-18.8	-12.6	-31.5	-4.3	-18.6	-23.0
	Air Cargo	32.0	31.0	63.0	29.1	31.9	61.0	-2.9	0.9	-2.0
		-7.5	-8.5	-16.0	-7.9	-8.1	-16.0	-0.4	0.4	0.0
	Logistics	267.0	266.0	533.0	265.7	266.3	532.0	-1.3	0.3	-1.0
		3.5	3.0	6.5	3.2	2.8	6.0	-0.3	-0.2	-0.5
	(Total)	446.0	429.0	875.0	445.0	428.0	8,73.0	-1.0	-1.0	-2.0
		-18.5	0.5	-18.0	-23.5	-17.9	-41.5	-5.0	-18.4	-23.5
Bulk Shipping	Bulk Shipping	399.0	392.0	791.0	414.6	410.4	825.0	15.6	18.4	34.0
		14.0	16.0	30.0	15.8	14.2	30.0	1.8	-1.8	0.0
Others	Real Estate	4.0	4.0	8.0	3.8	3.7	7.5	-0.2	-0.3	-0.5
		1.5	1.0	2.5	1.4	1.1	2.5	-0.1	0.1	0.0
	Other	84.0	81.0	165.0	90.1	89.8	180.0	6.1	8.8	15.0
		1.5	1.0	2.5	0.5	1.9	25	-1.0	0.9	0.0
	Elimination/ Allocation	-37.0	-37.0	-74.0	-38.0	-37.5	-75.5	-1.0	-0.5	-1.5
		-3.5	-3.5	-7.0	-3.3	-3.2	-6.5	0.2	0.3	0.5
	Consolidated	896.0	869.0	1,765.0	915.6	894.3	1,810.0	19.6	25.3	45.0
		-5.0	15.0	10.0	-9.0	-4.0	-13.0	-4.0	-19.0	-23.0

※ (Upper) Revenues (Lower) Recurring Profit

3. Segment-wise Overviews

Segment

➢ Liner	Recurring profit analysis
➢ Air Cargo	Results / various relating factors
➢ Logistics	Export handling volumes (ocean, air)
➢ Bulk Shipping	Market conditions (dry bulk, VLCC)
	Handling volumes (finished vehicles)

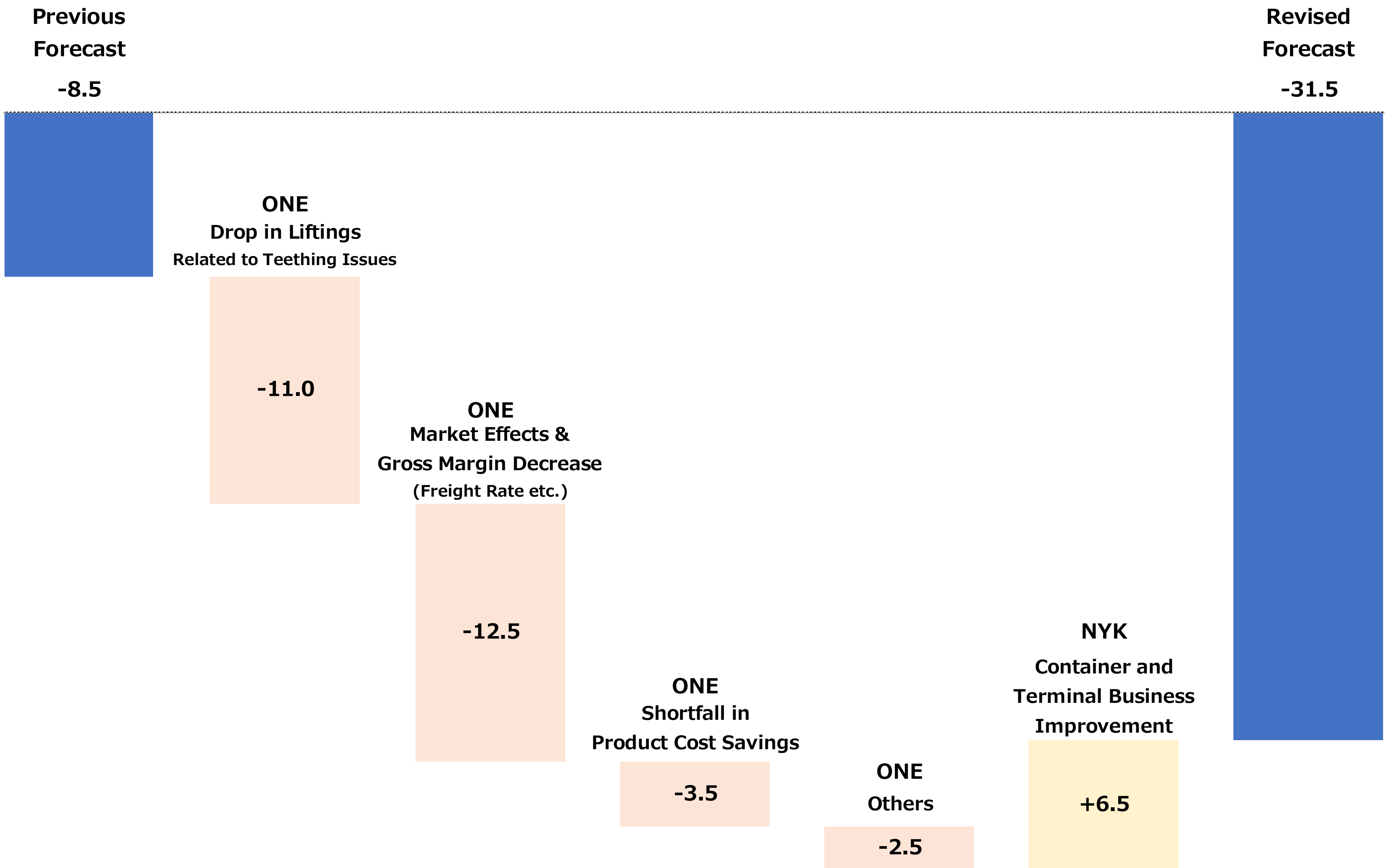
Segment-wise ：Global Logistics

Segment

1． Liner Trade Previous Forecast vs Revised Forecast

※All NYK assumption

(In billion yen)



Segment-wise ：Global Logistics

Segment

► 2．Air Cargo Transportation（NCA）

	FY18/3(Results)					FY19/3(Forecast)				Change from previous forecast (full-year)
	1H		2H		Full-year	1H		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q (Results)	2Q (Results)			
Revenues (billion yen)	47.1		50.6		97.8	29.1		31.9	61.0	-2.0
	23.3	23.7	25.8	24.8		21.7	7.4			
Recurring Profit (billion yen)	-0.0		1.8		1.8	-7.9		-8.1	-16.0	0.0
	0.7	-0.8	0.8	1.0		-1.6	-6.2			
Chargeable Weight (1,000 ton)	286		270		556	148		127	275	-42
	142	145	138	132		112	36			
Volume (RTK) (mil.ton Kilo)	1,703		1,607		3,310	853		763	1,616	-346
	847	855	819	787		669	183			
Capacity (ATK) (mil.ton Kilo)	2,401		2,199		4,601	1,222		1,133	2,355	-243
	1,180	1,221	1,111	1,087		944	278			
YIELD FY09/3 1Q=100	82		90		86	90		94	92	2
	81	82	91	89		94	79			
MOPS US$ per bbl	$62		$76		$69	$88		$90	$89	$0
	$61	$64	$73	$80		$87	$89			

➢ The scheduled number of aircraft in service
3 (end of Sep) ⇒ 5 (end of Oct) ⇒ 6 (end of 3Q) ⇒ 8 (end of 4Q)

Segment-wise : Global Logistics

Segment

3. Logistics

		FY17/3 Full-year	FY18/3 1H 1Q	FY18/3 1H 2Q	FY18/3 2H 3Q	FY18/3 2H 4Q	FY18/3 Full-year	FY19/3 (Forecast) 1H(Results) 1Q	FY19/3 (Forecast) 1H(Results) 2Q	FY19/3 (Forecast) 2H	FY19/3 (Forecast) Full-year	Change from previous forecast (full-year)
Ocean Export	TEU (1,000TEU)	775	395		385		780	419		433	852	-86
			195	200	200	186		203	216			
	Year-on year	22%	4%		-3%		1%	6%		12%	9%	-9%
			5%	3%	-2%	-4%		4%	8%			
Air Export	Weight (1,000ton)	369	184		191		375	190		198	389	-23
			88	96	98	93		94	97			
	Year-on year	11%	4%		-1%		2%	3%		4%	4%	-6%
			2%	6%	-4%	2%		7%	1%			

- Ocean Freight Forwarding/Air Freight Forwarding
  Handling volume robust, but downwardly revised the forecast reflecting trade war concerns. Profitability for air freight forwarding improved, but delays in ocean freight forwarding to recover as procurement cost remained high.
- Logistics
  Profitability improved vs. previous fiscal year due to increased handling volume, new investments to emerging markets and quality and efficiency improvement measures.

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

		FY18/3					FY19/3 (Forecast)				Previous forecast (Full-Year)
		1Q	2Q	3Q	4Q	Full-year	1Q (Results)	2Q (Results)	2H	Full-year	
Dry Bulk Carrier	BDI	1,018	1,137	1,519	1,174	1,212	1,258	1,603	1,571	1,501	1,426
	Cape (5TC)	12,231	14,632	23,331	12,919	15,778	14,928	22,054	21,000	19,746	17,982
	Panamax (Pac)	8,304	9,811	11,271	10,945	10,083	10,741	10,444	11,750	11,171	11,435
	Handymax (Pac)	7,832	8,657	9,239	9,180	8,727	11,467	10,718	11,500	11.296	11,617
	Handy (Pac)	6,778	7,112	8,640	7,671	7,551	8,684	7,932	8,750	8,529	9,046
Tanker	VLCC	22,582	13,541	23,099	8,083	16,827	9,076	13,966	30,000	20,761	23,269

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

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

4. Bulk Shipping – 2）Car Carrier :

	FY18/3(Results)					FY19/3(Forecast)				Change from previous forecast (Full-year)
	1H		2H		Full-year	1H(Results)		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q	2Q			
All Trade (10,000cars)	**179**		**184**		**363**	**168**		**163**	**331**	**-17**
	88	**91**	**94**	**90**		**87**	**81**			
Year-on year	**7%**		**9%**		**8%**	**-6%**		**-11%**	**-9%**	**-5%**
	5%	**10%**	**9%**	**9%**		**-1%**	**-11%**			

- Shipping volume to resource-rich countries sluggish.
- Reviewing shipping operations for trilateral transport business in an aim to improve profitability.

4. Financial Position

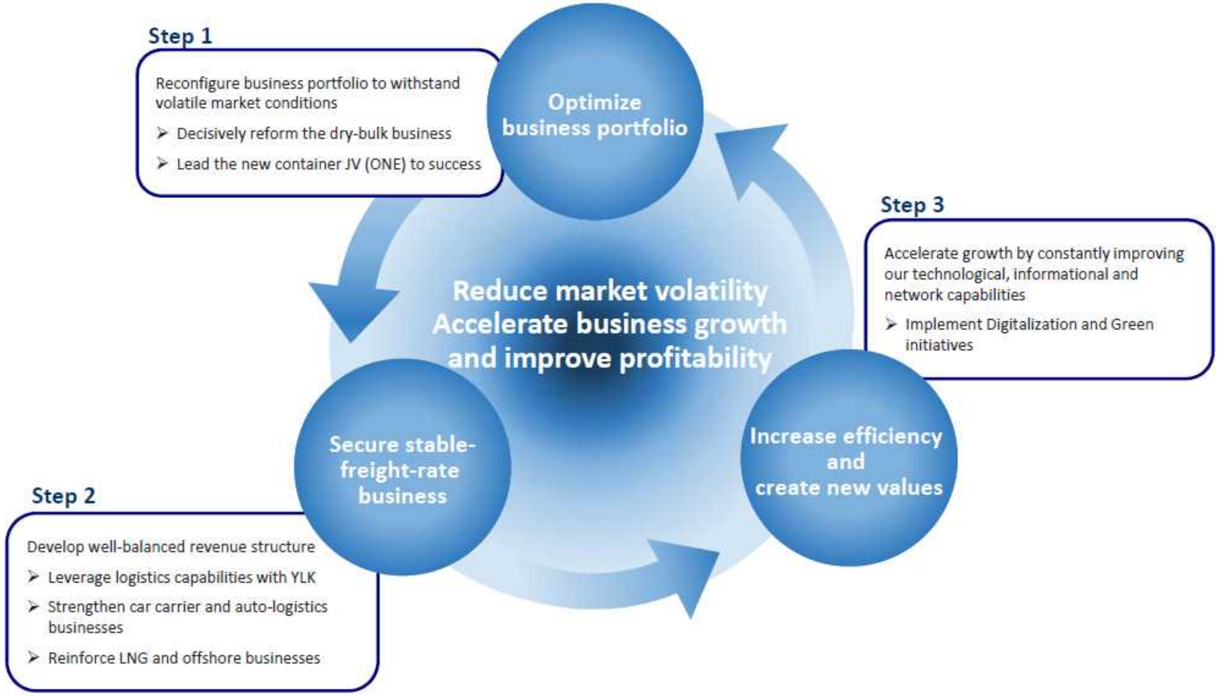
	FY17/3 (Results)	FY18/3 (Results)	FY18/9 (Results)	FY19/3 (Forecast)	FY19/3 (Previous Forecast)
Interest-bearing Debt	**945.3**	**983.4**	**1,116.4**	**1,000.0**	**980.0**
Shareholders‘ equity	**522.4**	**551.9**	**529.2**	**525.0**	**570.0**
Shareholders' equity ratio	**26%**	**27%**	**25%**	**27%**	**28%**
DER	**1.81**	**1.78**	**2.11**	**1.90**	**1.72**
ROE	**-**	**3.8%**	**-**	**-**	**5.2%**
Cash flow from Operating Activities	**27.9**	**89.0**	**-13.5**	**60.0**	**90.0**
Cash flow from investing Activities	**-144.6**	**-137.9**	**-130.1**	**-60.0**	**-90.0**
(Depreciation and amortization)	**(92.0)**	**(87.8)**	**(45.4)**	**(83.4)**	**(83.4)**

5. Fleet in Operation

Industrial Segment	Type of Vessel	FY17/9(Results)			FY18/9 (Results)					
		Owned (incl.co-owned)	Chartered	Total	Owned (incl.co-owned)		Chartered		Total	
		Vessels	Vessels	Vessels	Vessels	Kt(DWT)	Vessels	Kt(DWT)	Vessels	Kt(DWT)
Liner Trade	**Container Ships**	**29**	**70**	**99**	**32**	**2,095**	**32**	**3,056**	**64**	**5,151**
Bulk Shipping	**Bulk Carriers (Capesize)**	**27**	**82**	**109**	**26**	**5,101**	**82**	**16,136**	**108**	**21,237**
	Bulk Carriers (Panamax)	**39**	**56**	**95**	**37**	**3,306**	**55**	**4,671**	**92**	**7,977**
	Bulk Carriers (Handysize)	**56**	**92**	**148**	**57**	**2,683**	**98**	**4,764**	**155**	**7,448**
	Wood Chip Carriers	**9**	**33**	**42**	**9**	**460**	**34**	**1,867**	**43**	**2,327**
	Car carriers	**35**	**82**	**117**	**42**	**781**	**75**	**1,400**	**117**	**2,182**
	Tankers	**41**	**26**	**67**	**39**	**7,292**	**21**	**2,946**	**60**	**10,239**
	LNG carriers	**67**	**3**	**70**	**71**	**5,757**	**3**	**228**	**74**	**5,985**
	Multi-Purpose carriers	**23**	**18**	**41**	**23**	**427**	**19**	**273**	**42**	**701**
	Others	**1**	**0**	**1**	**1**	**7**	**0**	**-**	**1**	**7**
Others	**Cruise Ships**	**1**	**0**	**1**	**1**	**7**	**0**	**-**	**1**	**7**
Total		**328**	**462**	**790**	**338**	**27,921**	**419**	**35,345**	**757**	**63,267**
Offshore	**Shuttle Tankers**			**29**					**29**	**3,437**
	FPSO			**4**					**3**	**-**
	FSO			**1**					**1**	**-**
	Drill Ships			**1**					**1**	**-**
Grand Total				**825**					**791**	**66,698**

-Co-owned ship's dwt is including not only NYK Group companies' ownership but also other companies' ownership.
-The total number of LNG carriers owned includes vessels owned by equity method affiliates.

➢ Basic strategies - Medium-Term Management plan "Staying Ahead 2022 with Digitalization and Green" - Remain unchanged



- **Reform the dry-bulk business**
  - ✓ **Early redelivery of high-cost chartered vessels (Deals for 3 vessels executed during FY2018 / Plan for further execution)**
  - ✓ **Reduce market volatility**
- **Secure stable-freight-rate business**
  - ✓ **Promotion of LNG fleet developments**
- **Implement Digitalization and Green initiatives**
  - ✓ **Newly established team with promotion initiatives - both domestic and overseas**

➢ Execute 'Emergency actions' in response to the 1H results and downward revision for FY2018 financials

- Acceleration - Asset liquidation / Enhancement of management of Group companies / Realization of full-Compliance
- NCA (Stabilization of business) / ONE (Initiatives for improving profitability)
- Further Strengthening of corporate governance

- Acceleration - Asset liquidation / Enhancement of management of group companies / Realization of full-Compliance

Asset liquidation

- ✓ Stockholdings
  - 1H results: Realization of extraordinary profits of about 18 billion yen. Reduction by approximately 60% (acquisition price ratio) in comparison with those in fiscal 2008
  - 3Q and onward: Plan of continuous reduction
- ✓ Real estates
  - 1H results: Completion of disposal of company's flats
  - 3Q and onward: Acceleration of disposal of some real estates as well as plan of re-developing high-yield properties

Enhancement of management of group companies

(COMPLETE)

- ✓ Restructuring of selection and compensation system for executives of group companies

(IN PROGRESSS)

- ✓ Initiatives to reduce the number of group companies (both domestic and overseas) and promote integration as well as restructuring of their functions
- ✓ Step-up process of Internal Audit with utilization of Information technology

Realization of full-Compliance

- ✓ Sincere reflection and decisive resolution for preventive actions
- ✓ Hold emergency 'appeal and discussion' meeting with leadership of NYK President
- ✓ Emergency full compliance investigation being taken by leadership of group companies

- NCA・ONE

	17-Jun Suspension of operation	End of 2Q	End of 3Q	End of 4Q
# of operating aircrafts	0	3	6	8

↑Resumption schedule of flight operation

NCA - Stabilization of business

- ✓ Keep the resumption schedule of 747-8F x 8 flight operations
- ✓ Restructuring of aircraft maintenance structure
- ✓ Further promotion of utilizing cargo space of 747-400F fleets through collaboration with overseas business partners

ONE - Action plans for Profit Improvement

- ✓ Fully resolved customer service issues during start-up period
- ✓ Full recovery yet to be achieved due to less lifting results in volume and utilization (mainly non-dominant leg) and execution of 3J legacy contracts
- ✓ Stabilization and recovery from teething problems
  - Lifting and Utilization / Detention & Demurrage collection
- ✓ Structural reformation for improving profitability
  - Cargo portfolio optimization
  - Product Rationalization
  - Organization optimization
  - Synergy effect
- ✓ Enhancement of governance toward ONE（monitoring of ONE's initiatives / putting best practices in right places）

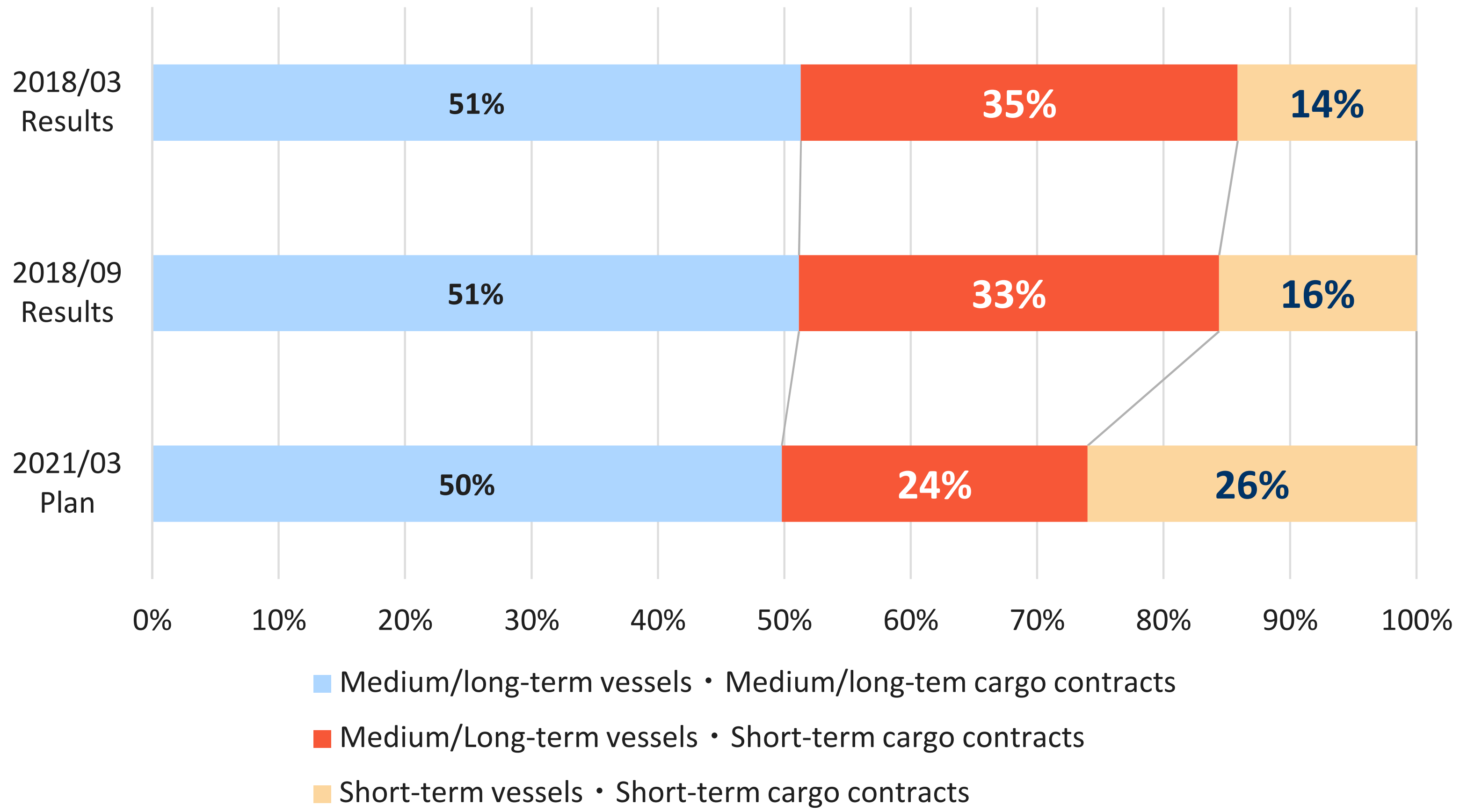
➢ Further Strengthening of corporate governance

- Establish 'Governance strengthening committee'（2019/1/1～）
  - ✓ Further engagement of independent outside directors and independent outside audit and supervisory board members ('independent members') for strengthening corporate governance
  - ✓ Membership – independent members, full time audit and supervisory board members and Chief Executives (General Affairs H.Q./Management Planning H.Q.)
  - ✓ Timely engagement of outside professionals
  - ✓ Establish new group (full time secretariat to this committee) / Full commitment by Chief Executive of General Affairs H.Q.
- Composition of independent directors and audit and supervisory board members
  - ✓ Further enhancement of diversity of expertise and experience for strengthening corporate governance
  - ✓ Plan to announce at FY2018 3Q financials disclosure after consultation with and advisory from Nomination Advisory Committee
- Actions to governmental administrative measures towards NCA
  - ✓ Establish internal investigation committee (NCA) and task-force committee (NYK)
  - ✓ Initiatives by outside legal counsel in both committees
  - ✓ Full and through investigation of root-cause with multiple angles in order to establish as well as effectively implement preventing measures (plan to complete by the end of January, 2019）

➢ Reforming our fleet portfolio to withstand volatile market conditions

Deals for early redelivery of 3 high-cost chartered vessels executed during FY2018 and plan for further execution.

Medium/long-term vessels ratio among total fleet



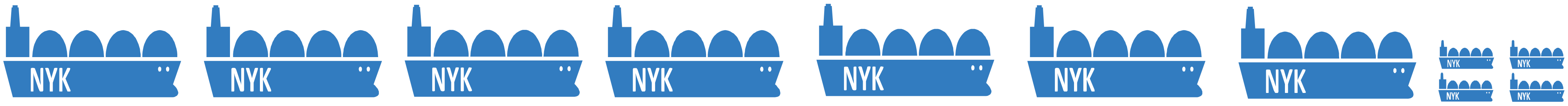
- Medium/long-term: More than 2 years
- Short-term: Less than 2 years

∗All figures about.

Update on Medium-Term Management plan (LNG・Offshore business)

➢ LNG fleet in operation - 2018/03 : 71 vessels ⇒ 2023/03: 97 vessels

2018/09: 74 vessels



Plan of LNG new buildings: 8 vessels

	Ship name/Shipyard	Charterer	Project	Loading port	FY2018	FY2019	FY2020	FY2021	FY2022
1	Energy Glory	Tokyo Gas	Covepoint	USA					
2	Kawasaki	JERA	Freeport	USA					
3	Mitsubishi	JERA	Freeport	USA					
4	Mitsubishi	Mitsui	Cameron	USA					
5	Mitsubishi	Mitsubishi	Cameron	USA					
6	Hyundai	Iberdrola	Corpus Christi	USA					
7	Hyundai	EDF	Corpus Christi	USA					
8	Samsung	TOTAL	————	Worldwide					

➢ Offshore business

	Type of ship	Charterer	Area/Oil field	FY2018	FY2019	FY2020	FY2021	FY2022
1	FSO	Equinor	Norway/Martin Linge					
2	Shuttle Tanker	Equinor	Brazil/Roncador					
3	Shuttle Tanker	Equinor	Brazil/Roncador					

OCEAN NETWORK EXPRESS

Financial Results for FY2018 1st Half

Oct. 31, 2018

Ocean Network Express

FY2018 1st Half and Full Year Overview

Profit/Loss Summary

FY2018 1st Half Summary: The 1st half net result after tax is a −US$311 million loss. We are recovering from the initial negative impact of reduced liftings and a drop in the loading factor in Q1 due to teething problems during the start-up period. However, liftings were lower than our target level. In addition, we experience higher costs for returning empty containers to Asia as the result of a larger impact due to a slower recovery on the non-dominant leg.

FY2018 Full Year Overview: Customer service issues were fully resolved in Q1, and all of our sales staff have been actively engaging customers to regain support. We are in the process of making a full recovery of lifting volume. The cost-saving effect in bunker and others are however less than our expectations. As a result, we expect a −US$600 million net loss, −US$710 million from previous forecast of US$110 million profit.

Progress of Synergy from integration

Annual integration synergy of US$1,050 million are steadily emerging. As of FY2018, it will reach 75% against originally budgeted 60%, which is 5% less than the forecast of 80% as of Q1 closing as a result of a drop in liftings.

Ocean Network Express
FY2018 1st Half Results

FY2018 1st Half Results and Full-year Forecast

(Unit: Million US$)　　*As of Jul 2018

	FY2018 Previous Forecasts*					FY2018 Latest Forecasts					Full Year	
	Q1 Results	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast	Q1 Results	Q2 Results	H1 Results	H2 Forecast	Full Year Forecast	Change	Change (%)
Revenue	2,066	3,376	5,442	6,812	12,254	2,066	2,963	5,030	5,970	11,000	-1,254	-10.2%
Profit/Loss	-120	82	-38	147	110	-120	-192	-311	-289	-600	-710	-
Bunker Price (US$/MT)	$407.00	$468.00	$440.00	$468.00	$454.00	$407.00	$457.00	$434.00	$466.00	$451.00	-$3.00	

- **Sensitivity on Profit/Loss :**
  Bunker Price ± US$ 16 Million, per US$10/MT (for 6 months/Max)

- **The timing to transfer terminal businesses from each of three parent companies to ONE remains unchanged (planned in Q4)**

Lifting/Utilization/Freight Index

Liftings/Utilization by Trade

(Unit: 1,000TEU)

Liftings/Utilization by Trade		FY2018 Q1 Results	FY2018 Q2 Results	FY2018 H1 Results
Asia - North America Eastbound	Liftings	530	761	1,291
	Utilization	73%	90%	82%
Asia – Europe Westbound	Liftings	312	478	790
	Utilization	73%	90%	82%
Asia - North America Westbound	Liftings	218	285	502
	Utilization	33%	33%	33%
Asia – Europe Eastbound	Liftings	194	263	457
	Utilization	46%	47%	47%

Freight Index

(Unit：100＝FY2018 Q1 freight average)

Freight Index by Trade	FY2018 Q1 Results	FY2018 Q2 Results	FY2018 H1 Results
Asia - North America Eastbound	100	101	101
Asia – Europe Westbound	100	106	104

Outlook

Asia-North America Eastbound:

Both lifting and utilization in Q2 recovered from initial negative impact caused by teething problems during the start-up period in Q1. We are maintaining the utilization by reducing frequencies as necessary during the lower demand periods in H2. Freight has being maintained on the high side after the summer season as a result of rush demand towards the calendar year end.

Asia – Europe Westbound

Lifting and Utilization are recovering in Q2, as well as Asia-North America trade, with the same level of utilization expected in H2. Freight recovered in Q2, however showed the downward trend after peak in August. Flexible planning of blank sailing based on the demand trend is now underway.

Asia - North America Westbound/Asia - Europe Eastbound

Lifting and utilization are steadily recovering. Although utilization results in Q2 are at the same level as Q1, lifting is overall improving as result of sales enhancement. Freight level is expected to be steady.

Ocean Network Express

FY18 Q2 P/L Analysis

Q2 results deteriorated by US$274 million from the previous forecast of US$82 million in black ink to US$192 million in the red as a result of the initial volume shortfall, empty container repositioning, cost increases and a shortfall in original product cost saving expectations.

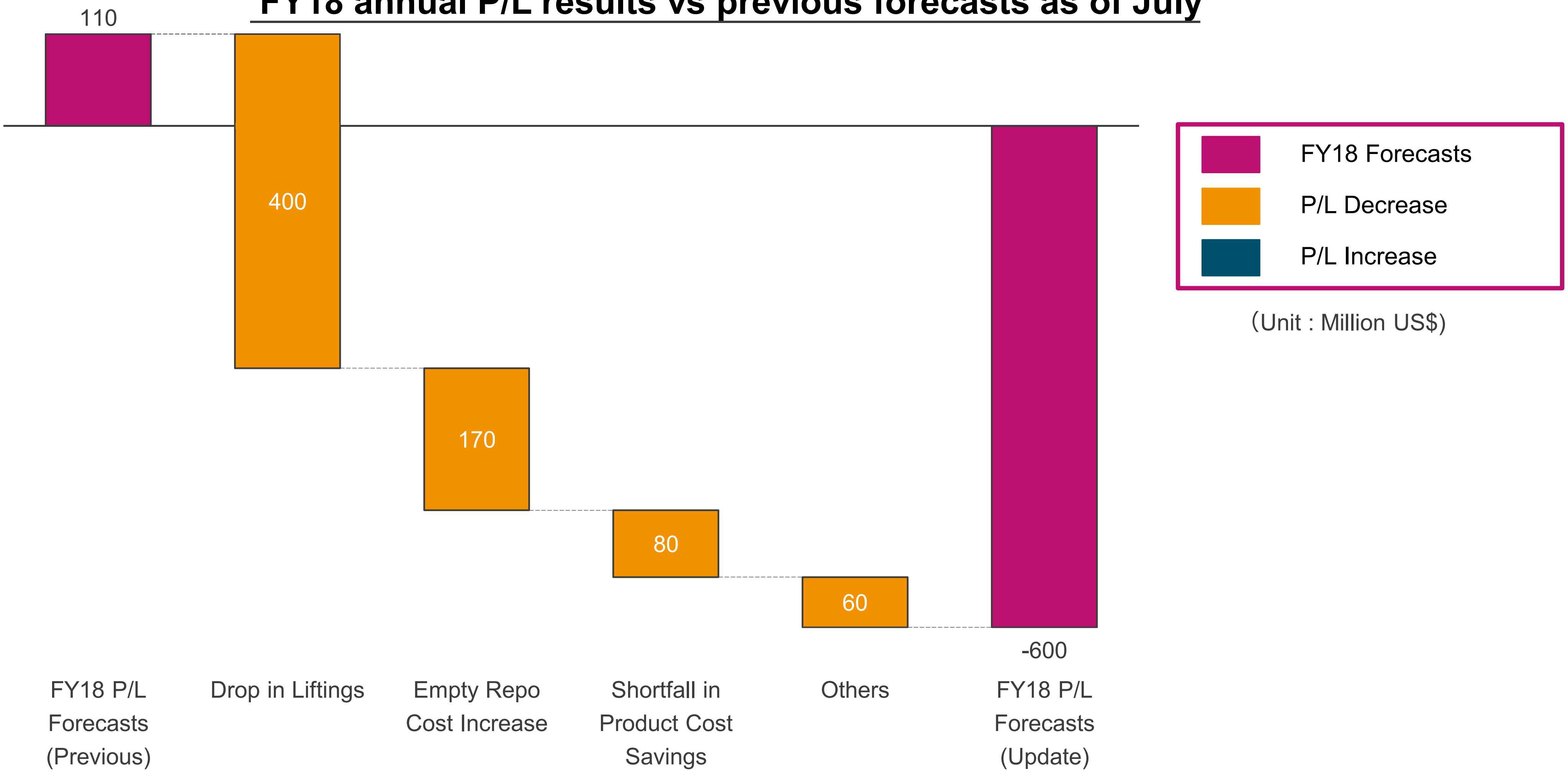
FY18 Q2 P/L result vs Previous forecast as of Jul

(Unit : Million US$)

FY18 Annual P/L Analysis

Annual results deteriorated by US$710 million from the previous forecasts of US$110 million positive to US$600 million negative as a result of the original volume shortfall, empty repositioning cost increases, and less product cost savings than originally envisaged.

FY18 annual P/L results vs previous forecasts as of July



FY18 Annual P/L Variance Analysis

Variance Factor Analysis		
	Drop in Liftings	Although the teething issues in Q1 now are fully resolved, lifting volume could not finally catch-up to original target. The utilization of major trades, North America and Europe, remained between 80% to 85% in H1. Current utilization recovery to the 90% level is backed by strong demand. The liftings on the non-dominant leg could not catch up to lifting increment on the dominant leg, which caused an increased imbalance, but the overall situation is now improving.
	Empty Repositioning Cost Increase	Lower liftings and utilization on the non-dominant leg caused more imbalance compared to our original expectation in the cost of repositioning empty containers from inland North America and Europe to Asia.
	Shortfall in Product Cost Savings	The product cost saving target of US$240 Million was announced in Q1 closing, subsequently revised to US$160 million, in consideration of higher-than-expected bunker consumption due to port congestion in China and unexpected higher incidence of adverse seasonal weather conditions.
	Others	Feeder related costs, slot cost settlement with partners, and outsourcing costs additionally incurred above original expectations.

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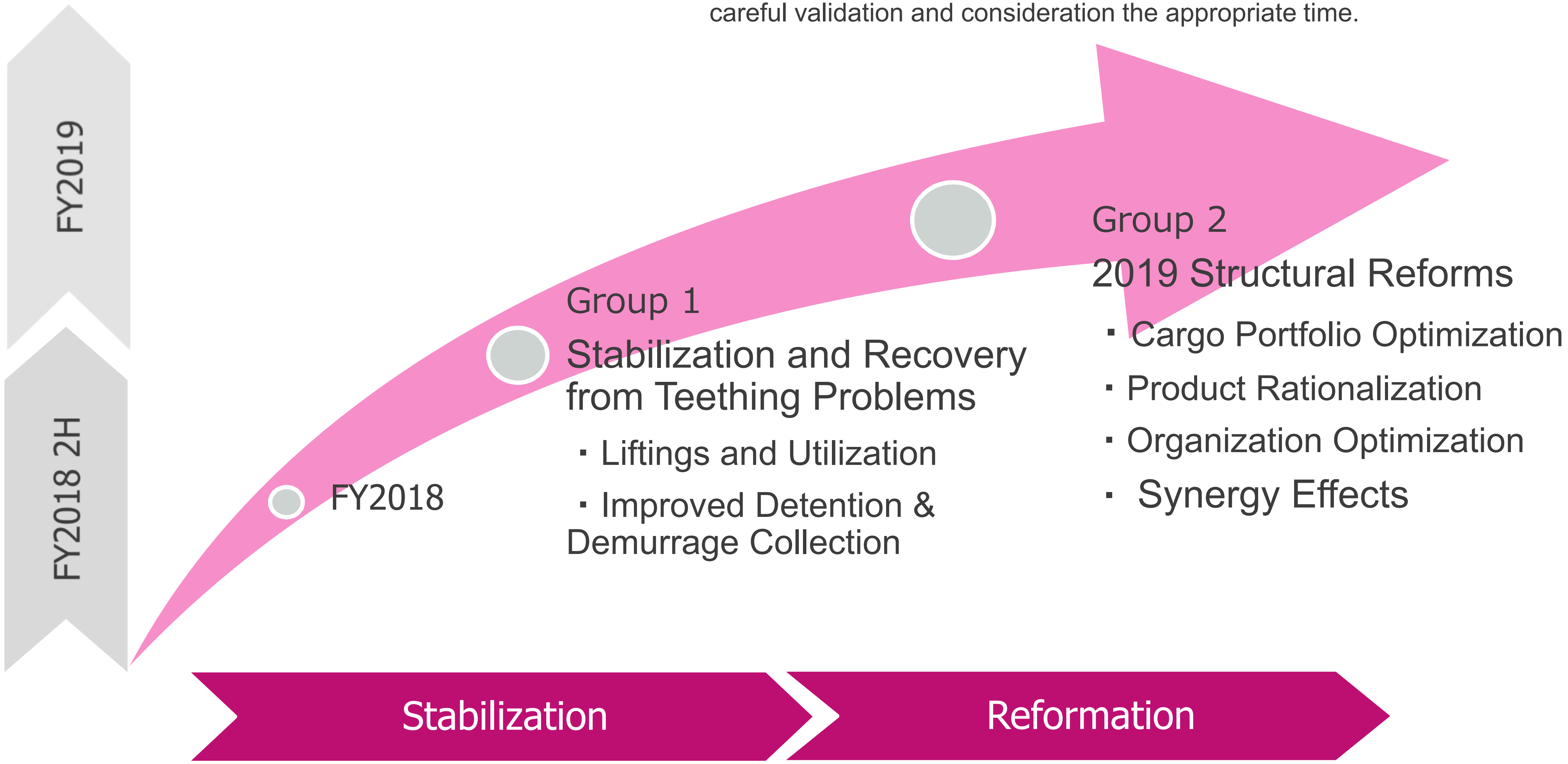
Action Plans for Profit Improvement

Establish an organization that can tolerate market volatility by stabilizing initial setup challenges and accomplishing significant structural reformation.

※Planning to review the business plan of subsequent fiscal year after careful validation and consideration the appropriate time.



Action Plans for Improvement-2

ONE OCEAN NETWORK EXPRESS

Stabilization and Recovery from Teething Problems

Group 1	Recovery of Liftings	After recovery from initial teething problems, customers are now receiving full service quality. We continuously enhance our customer service and sales capabilities by utilizing eCommerce and all other capabilities, to regain reliability for our customers and push up lifting volume.
Group 1	Enhancement of Detention & Demurrage Collection	Enhance detention & demurrage collection by increasing visibility and process improvements including detailed collection status monitoring.

Action Plans toward Restructuring in FY2019

Group 2	Cargo Portfolio Optimization	Improve profit by optimizing match back cargo plans. Optimize cargo portfolio through tender negotiations for next season.
Group 2	Product Rationalization	Further enhance network product to improve, overall service coverage and unit cost competitiveness. Especially on advancing the bunker saving project, which was launched since the ONE setup, in terms of not only cost saving but also to reduce environmental burdens.
Group 2	Organization Optimization	The inflated general and administration cost such as outsourcing costs due to teething problems have been resolved. Both organization and system structure are optimized for increased efficiency and competitiveness by overall structural enhancements.
Group 2	Synergistic Effects	With lifting volume recovery, the synergy effect will emerge 80% in the FY2019, the second year after integration, as per the original announcement. The synergy effect in FY2020, the third year after integration, is also expected to be at 100% as per the original plan.

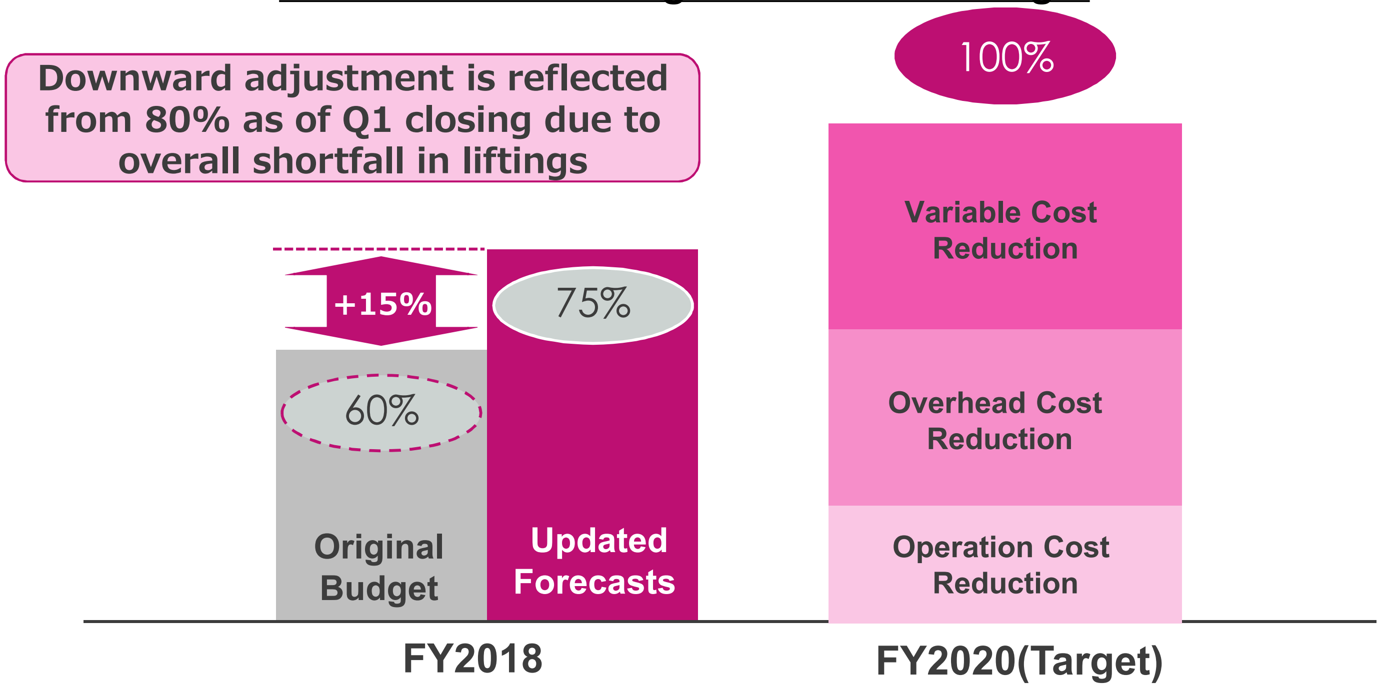
Integration Synergy Update

From Initial integration synergy forecast of US$1,050 million, 75% of the synergistic effects is expected to emerge for the 1st year (originally budgeted 60% and was expected to be 80% as of Q1 closing).

- **Break-down of the synergistic effect US$1,050 million is as follows.**

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

Achievement ratio against the initial target



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Fleet Structure

As of end of Q2	Size		Combined
	>= 20,500 TEU	Capacity (TEU) Vessels	120,600 6
	10,500 - 20,500 TEU	Capacity (TEU) Vessels	293,000 21
	9,800 - 10,500 TEU	Capacity (TEU) Vessels	100,100 10
	7,800 - 9,800 TEU	Capacity (TEU) Vessels	348,380 39
	6,000 - 7,800 TEU	Capacity (TEU) Vessels	254,393 39
	5,200 - 6,000 TEU	Capacity (TEU) Vessels	107,822 19
	4,600 - 5,200 TEU	Capacity (TEU) Vessels	127,952 26
	4,300 - 4,600 TEU	Capacity (TEU) Vessels	76,214 17
	3,500 - 4,300 TEU	Capacity (TEU) Vessels	33,928 8
	2,400 - 3,500 TEU	Capacity (TEU) Vessels	61,573 23
	1,300 - 2,400 TEU	Capacity (TEU) Vessels	16,993 10
	1,000 - 1,300 TEU	Capacity (TEU) Vessels	6,516 6
	< 1,000 TEU	Capacity (TEU) Vessels	2,812 4
	Total	**Capacity(TEU)** **Vessels**	**1,550,283** **228**