Financial Results for Fiscal Year Ending March 2019, and Forecast for Fiscal Year 2020

April 26, 2019

NYK LINE
NIPPON YUSEN KAISHA

Contents

Overview of Results for FY Ending March 2019

19/3 Result

NIPPON YUSEN KAISHA

Revenues

- Revenue decreased vs. same period last year as ONE began service as an equity method affiliate and Liner revenue is no longer recorded and NCA's suspension of all aircrafts in order to confirm soundness of the aircrafts.

Recurring profit/loss

- Recorded a recurring loss as a result of NYK's liner business termination cost and ONE' s sluggish results due to "teething" issues in it's launching period, and losses associated with the slump in NCA's results.

Extraordinary income /loss

- In addition to an impairment losses on aircrafts, recorded a provision for losses related to contracts as an extraordinary loss on the chartering of containerships, and moved forward with returning early the high cost of chartered vessels as a structural reform strengthening the business structure of dry bulk business. (Total JPY 72.7 billion.)
- Recorded the extraordinary income following the liquidation of assets including the sale of strategic shareholdings and real estate, and also the sales of business equity as a part of business portfolio revision. (Total JPY 52.8 billion.)

Dividend

- Year-end dividend JPY10/share (Total of JPY20/share for the year)

Summary of Results for FY Ending March 2019

19/3 Result

NIPPON YUSEN KAISHA

► Reduced profit at each stage of PLs vs. same period last year

(Billions of yen)	FY Ending Mar 2018 1Q	2Q	3Q	4Q	Full-Year	FY Ending Mar 2019 1Q	2Q	3Q	4Q	Full-year	Year-on-year	Previous Forecast 4Q	Change From Previous Forecast
Revenue	521.7	542.5	566.3	552.5	2,183.2	464.8	450.7	468.9	444.6	1,829.3	-353.9	445.4	-0.8
Operating Income	3.5	9.1	12.0	3.0	27.8	-8.1	3.9	8.7	6.5	11.0	-16.7	3.4	3.1
Recurring Profit	10.2	11.7	13.5	-7.5	28.0	-6.6	-2.4	5.6	1.3	-2.0	-30.0	-1.6	2.9
Net Income Attributable to Owners of the Parent Company	5.3	0.8	10.5	3.3	20.1	-4.5	-5.2	1.0	-35.7	-44.5	-64.6	7.7	-43.4
Exchange Rate	¥111.48	¥110.92	¥112.65	¥109.72	¥111.19	¥108.10	¥110.87	¥113.43	¥110.28	¥110.67	-¥0.52	¥110.00	
Bunker Oil Prices	$326.72	$316.32	$339.76	$382.84	$341.41	$395.94	$443.36	$478.90	$451.74	$442.49	+$101.08	$450.00	

Comparison by Industrial SEGs

- Profits declined due to deterioration in the performance of Liner and Air Cargo
- Logistics and Bulk Shipping recovered steadily, and profit rose

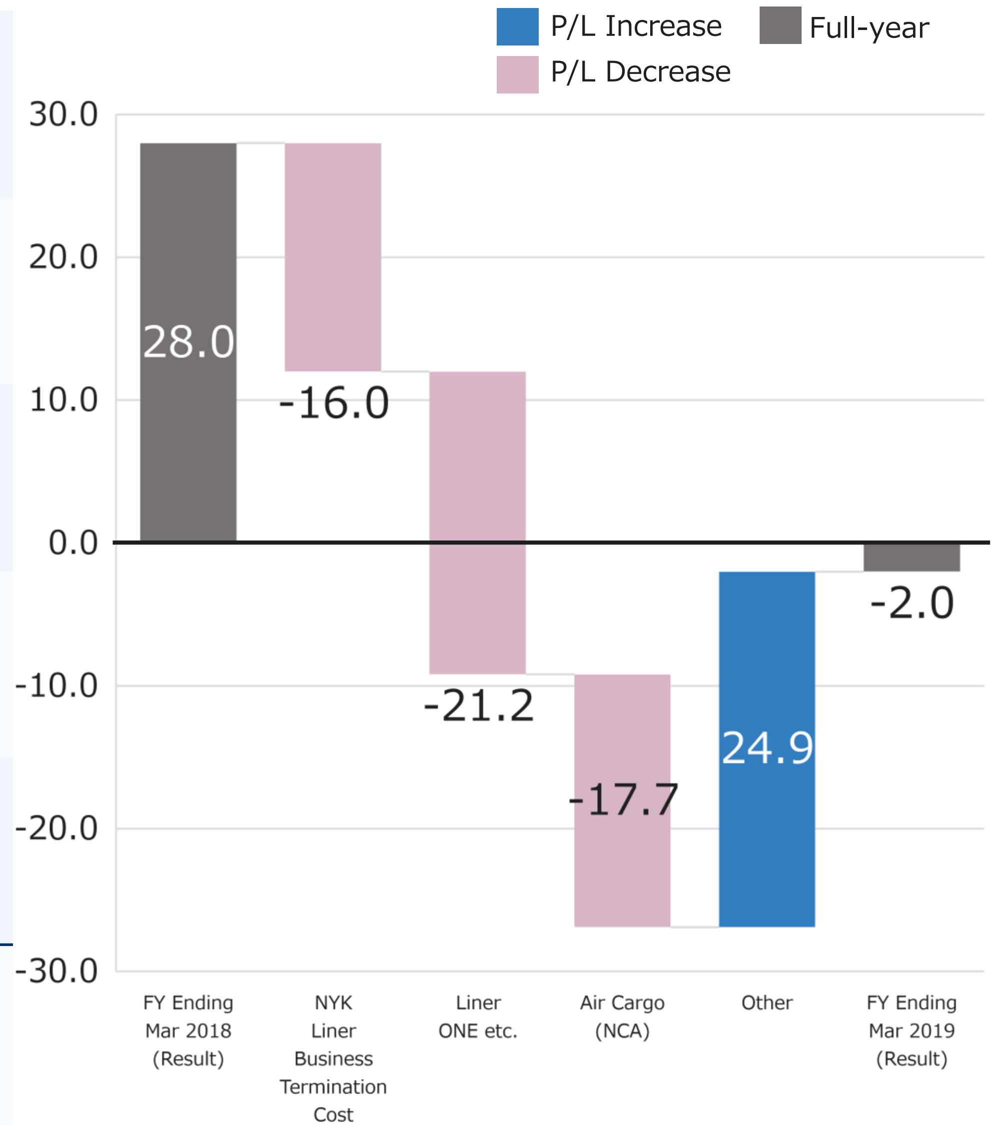
	Industrial Segment (Billions of yen)	FY Ending Mar 2018 1Q	2Q	3Q	4Q	Full-year	FY Ending Mar 2019 1Q	2Q	3Q	4Q	Full-year	Year-on-year	Previous Forecast 4Q	Change From Previous forecast
Global Logistics	Liner	171.5	179.0	176.8	164.0	691.4	80.1	70.0	67.9	68.2	286.3	-405.0	65.8	2.4
		5.7	7.6	3.8	-6.3	10.8	-16.6	-2.2	-5.8	-1.6	-26.4	-37.2	-2.8	1.2
	Air Cargo	23.3	23.7	25.8	24.8	97.8	21.7	7.4	13.1	14.5	56.7	-41.0	18.7	-4.2
		0.7	-0.8	0.8	1.0	1.8	-1.6	-6.2	-4.2	-3.7	-15.9	-17.7	-2.8	-0.9
	Logistics	118.9	127.7	135.6	129.9	512.3	130.4	135.3	137.3	122.7	525.8	13.4	124.9	-2.2
		-0.0	1.3	1.0	0.0	2.3	1.3	1.9	3.8	0.6	7.7	5.3	0.4	0.2
	(Total)	313.9	330.5	338.2	318.8	1,301.5	232.3	212.7	218.3	205.4	868.9	-432.6	209.6	-4.1
		6.3	8.1	5.8	-5.2	15.0	-16.9	-6.5	-6.3	-4.7	-34.6	-49.7	-5.1	0.5
Bulk Shipping	Bulk Shipping	188.9	192.2	205.5	208.8	795.6	206.5	208.1	218.4	208.2	841.3	45.7	205.9	2.3
		2.7	2.2	6.5	-1.9	9.6	10.4	5.4	10.6	7.2	33.7	24.1	5.5	1.7
Others	Real Estate	1.9	1.9	1.9	2.0	7.9	1.8	1.9	1.8	1.9	7.6	-0.3	1.8	0.1
		0.6	0.8	0.6	0.5	2.6	0.7	0.7	0.6	0.6	2.7	0.0	0.4	0.2
	Other	39.0	40.0	46.6	46.5	172.3	43.5	46.6	50.1	47.8	188.1	15.8	47.7	0.1
		1.1	0.9	1.0	0.0	3.1	0.9	-0.3	1.9	0.5	3.0	-0.0	-0.1	0.6
	Elimination/ Unallocation	-22.2	-22.1	-26.1	-23.6	-94.2	-19.4	-18.6	-19.9	-18.7	-76.7	17.4	-19.4	0.7
		-0.6	-0.4	-0.5	-0.9	-2.5	-1.7	-1.6	-1.2	-2.4	-7.0	-4.5	-2.3	-0.1
	Consolidated	521.7	542.5	566.3	552.5	2,183.2	464.8	450.7	468.9	444.6	1,829.3	-353.9	445.4	-0.8
		10.2	11.7	13.5	-7.5	28.0	-6.6	-2.4	5.6	1.3	-2.0	-30.0	-1.6	2.9

※ (Upper) Revenue (Lower) Recurring Profit

Analysis of Change in Recurring Profit between FY Ending Mar 2018 and FY Ending Mar 2019

(Billions of yen)

Yen Appreciation	**-0.1**	¥110.67/$ Appreciated by ¥0.52
Higher Bunker Oil Prices	**-14.3**	$442.49/MT Increased by $101.08
Market Effects, etc.	**-14.8**	Liner(incl.ONE) -7.4 Bulk Shipping +22.2
Foreign Exchange Profit/Loss	**4.2**	
Others	**34.6**	NCA -17.7 NYK's Liner business termination cost -16.0
Total	**30.0**	



Forecast for FY Ending March 2020

Revenue decrease but Profit increase in FY2019,

- by sailing equity in some businesses as a revision of business portfolio
- due to the selective acquisition of cargo with emphasis on profit margin (Car Carrier)
- the business performance in Liner and Air Cargo is expected to significantly improve.
  - Liner – Return to profitability as its business termination cost disappears and ONE will become profitable than the previous year. Revenue from terminal business decrease due to the disposal by sales of stevedore company in North America.
  - Air Cargo – Reduce loss. Aim for increasing utilization of eight aircrafts (B747-8F) that have been returned to service, and the three aircraft leased out to Atlas Air Inc. contribute to increase the volume of transportation.
  - Logistics –Increase in profit. Expand cargo volume of ocean freight forwarding / air export forwarding. Promote the improvement of service quality and structural reform in Contract logistics.
  - Bulk Shipping – Increase in profit. The current dry-bulk market with its excess capacity is expected to recover from the second quarter. In the liquid transport market is also expected to recover too in the second half of this FY2019 due to responding the environmental regulations. LNG/Off-shore business generate stable profit. In the car transport division, focus on optimized vessel allocation etc. to improve profitability.

Dividends

In addition to basic policy to pay stable dividends aiming for a payout ratio of 25%, an annual dividend of ¥20 per share has been set as the minimum dividend for the time being.
Forecast increase to JPY 40/share for the year (mid-term JPY 20/share, year-end JPY 20/share)

Summary of Forecast for FY Ending March 2020

(Billions of yen)	FY Ending Mar 2019 (Result) 1H		2H			FY Ending Mar 2020 (Forecast)			Year-on year
	1Q	2Q	3Q	4Q	Full-year	1H	2H	Full-year	
Revenue	915.6		913.6		1,829.3	856.5	873.5	1,730.0	-99.3
	464.8	450.7	468.9	444.6					
Operating Income	-4.1		15.2		11.0	14.5	23.5	38.0	27.0
	-8.1	3.9	8.7	6.5					
Recurring Profit	-9.0		6.9		-2.0	17.5	19.5	37.0	39.0
	-6.6	-2.4	5.6	1.3					
Net Income Attributable to Owners of the parent company	-9.7		-34.7		-44.5	9.0	17.0	26.0	70.5
	-4.5	-5.2	1.0	-35.7					
Exchange Rate	¥108.10	¥110.87	¥113.43	¥110.28	¥110.67	¥105.00	¥105.00	¥105.00	-¥5.67
Bunker Oil Prices	$395.94	$443.36	$478.90	$451.74	$442.49	$470.00	$390.00	$430.00	-$12.49
Low Sulphur Bunker Oil Prices							$590.00	$590.00	

► Sensitivity to Recurring Profit

Exchange Rate : Approx. 0.35 billion increase per ¥1/$ depreciation

Bunker Oil Prices : Approx. 0.7 billion increase per $10/MT decrease

Forecast by Industrial SEGs for FY Ending March 2020

	Industrial Segment (Billions of yen)	FY Ending Mar 2019 1Q	2Q	1H	3Q	4Q	2H	Full-year	FY Ending Mar 2020 1H	2H	Full-year	Year-on Year
Global Logistics	Liner	80.1	70.0	150.2	67.9	68.2	136.1	286.3	105.0	102.0	207.0	-79.3
		-16.6	-2.2	-18.8	-5.8	-1.6	-7.5	-26.4	5.5	0.5	6.0	32.4
	Air Cargo	21.7	7.4	29.1	13.1	14.5	27.6	56.7	49.0	49.0	98.0	41.3
		-1.6	-6.2	-7.9	-4.2	-3.7	-7.9	-15.9	-2.0	-4.0	-6.0	9.9
	Logistics	130.4	135.3	265.7	137.3	122.7	260.0	525.8	267.0	273.0	540.0	14.2
		1.3	1.9	3.2	3.8	0.6	4.4	7.7	3.5	4.5	8.0	0.3
	(Total)	232.3	212.7	445.0	218.3	205.4	423.8	868.9	421.0	424.0	845.0	-23.9
		-16.9	-6.5	-23.5	-6.3	-4.7	-11.0	-34.6	7.0	1.0	8.0	42.6
Bulk Shipping	Bulk Shipping	206.5	208.1	414.6	218.4	208.2	426.6	841.3	395.0	408.0	803.0	-38.3
		10.4	5.4	15.8	10.6	7.2	17.9	33.7	13.5	22.5	36.0	2.3
Others	Real Estate	1.8	1.9	3.8	1.8	1.9	3.8	7.6	3.5	4.0	7.5	-0.1
		0.7	0.7	1.4	0.6	0.6	1.3	2.7	1.0	1.5	2.5	-0.2
	Other	43.5	46.6	90.1	50.1	47.8	97.9	188.1	82.0	83.0	165.0	-23.1
		0.9	-0.3	0.5	1.9	0.5	2.4	3.0	0.0	-1.0	-1.0	-4.0
	Elimination/ Unallocation	-19.4	-18.6	-38.0	-19.9	-18.7	-38.7	-76.7	-45.0	-45.5	-90.5	-13.8
		-1.7	-1.6	-3.3	-1.2	-2.4	-3.6	-7.0	-4.0	-4.5	-8.5	-1.5
	Consolidated	464.8	450.7	915.6	468.9	444.6	913.6	1,829.3	856.5	873.5	1,730.0	-99.3
		-6.6	-2.4	-9.0	5.6	1.3	6.9	-2.0	17.5	19.5	37.0	39.0

※ (Upper) Revenue (Lower) Recurring Profit

3. Overviews by Segment (Trend of Recurring profit/loss)

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		FY Ending Mar 2020 (vs. FY Ending Mar 2019)
Liner	Container Shipping	↗
	Terminal	↘
Air Cargo	NCA	↗
Logistics	Ocean Freight Forwarding	→
	Air Freight Forwarding	↘
	Logistics	↗
	Costal shipping etc.	→

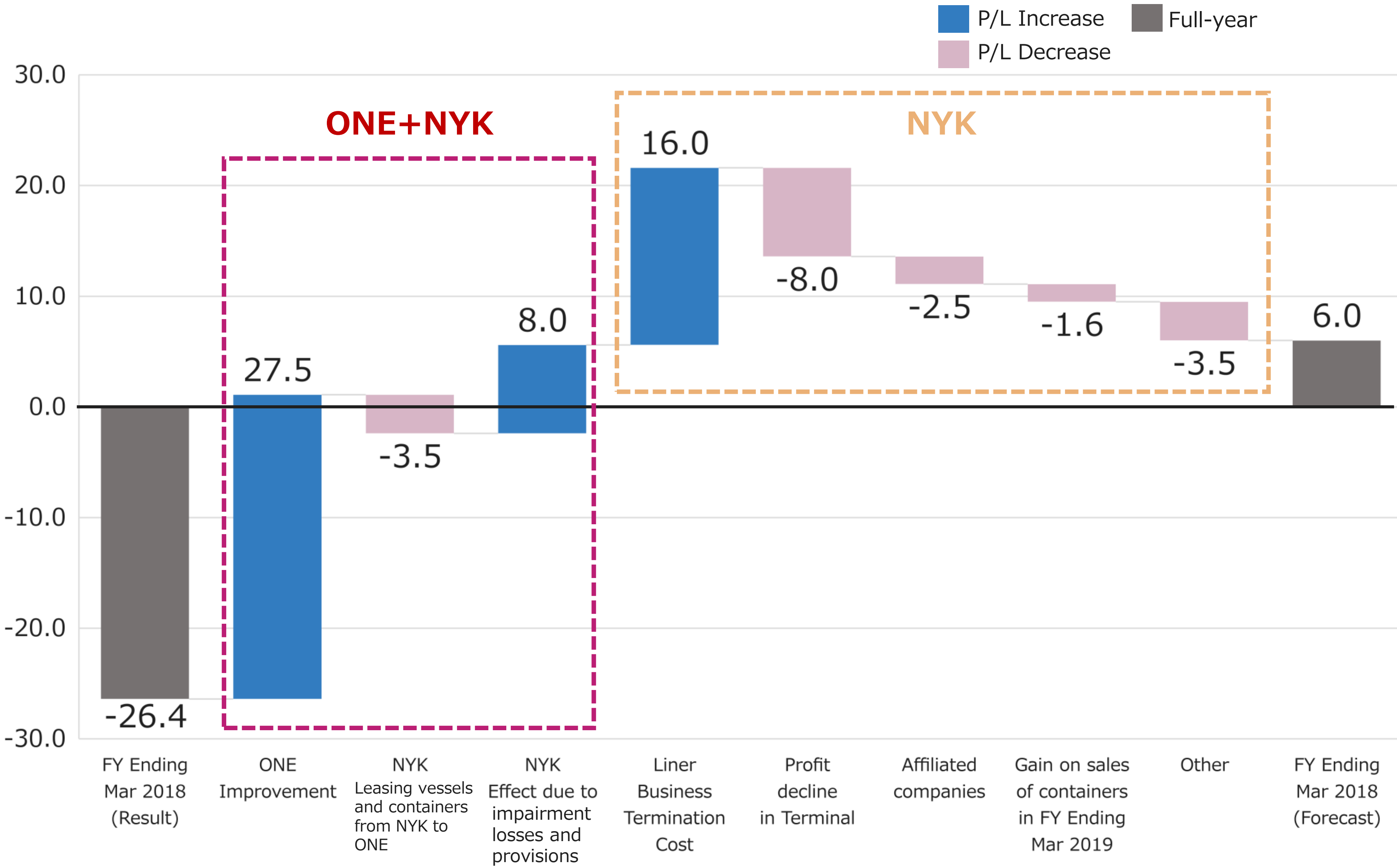
		FY Ending Mar 2020 (vs. FY Ending Mar 2019)
Bulk Shipping	Dry Bulk	→
	Liquid	↗
	Car Carrier	↗

- Overall trend upward
- Profit decline in Terminal due to the disposal by sales of stevedore company in North America, at the end of FY Ending Mar 2019.
- Air Freight Forwarding :
  In FY Ending Mar 2019, the special demand for emergency transportation due to typhoon resulted in profit.

Segment Overview ：Global Logistics

Segment

1． Liner Trade FY Ending Mar 2019 (Result) vs FY Ending Mar 2020 (Forecast)



2. Air Cargo Transportation (NCA)

	FY Ending Mar 2018 (Result)	FY Ending Mar 2019 (Result)							FY Ending Mar 2020 (Forecast)		
		1H			2H			Full-year	1H	2H	Full-year
		1H total	1Q	2Q	2H total	3Q	4Q				
Revenue (Billions of yen)	97.8	29.1	21.7	7.4	27.6	13.1	14.5	56.7	49.0	49.0	98.0
Recurring Profit (Billions of yen)	1.8	-7.9	-1.6	-6.2	-7.9	-4.2	-3.7	-15.9	-2.0	-4.0	-6.0
Chargeable Weight (1,000 tons)	556	148	112	36	128	57	71	276	240	225	465
Volume (RTK) (mil.ton Kilo)	3,310	855	671	183	722	306	416	1,576	1,429	1,364	2,792
Capacity (ATK) (mil.ton Kilo)	4,601	1,222	944	278	1,148	489	659	2,370	1,965	1,810	3,776
YIELD FY09/3 1Q=100	86	90	94	79	90	95	85	90	85	86	86
MOPS US$ per bbl	$69	$88	$87	$89	$80	$83	$77	$84	$90	$90	$90

- Improve operation ratio of eight B747-8F fleets and utilize five B747-400F fleets based on expand strategic partnership with Atlas Air Inc.

Segment Overview : Global Logistics

Segment

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► 3. Logistics

		FY Ending Mar 2018 (Result)	FY Ending Mar 2019 (Result)					FY Ending Mar 2020 (Forecast)		
			1H		2H		Full-year	1H	2H	Full-year
			1Q	2Q	3Q	4Q				
Ocean Export	TEU (1,000 TEUs)	780	419		397		815	455	455	911
			203	216	207	190				
	Year-on year	1%	6%		3%		5%	9%	15%	12%
			4%	8%	4%	2%				
Air Export	Weight (1,000 tons)	375	190		189		380	200	208	408
			94	97	101	88				
	Year-on year	2%	3%		-1%		1%	5%	10%	8%
			7%	1%	4%	-6%				

- Ocean freight forwarding — Purse increase of volume, strengthening of purchasing power, and improvement of efficiency.
- Air freight forwarding — Expand handling volume, strengthen purchasing power, and reduce costs through IT use.
- Contract logistics — Promote structural reform to recover profitability and improve service quality.

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

		FY Ending Mar 2018 (Result)	FY Ending Mar 2019 (Result)					FY Ending Mar 2020 (Forecast)		
			1Q	2Q	3Q	4Q	Full-Year	1H	2H	Full-Year
Dry Bulk Carrier	BDI	1,212	1,258	1,603	1,357	791	1,252	1,239	1,394	1,317
Dry Bulk Carrier	Cape (5TC)	15,788	14,928	22,054	15,822	8,628	15,358	15,000	17,000	16,000
Dry Bulk Carrier	Panamax (Pac)	10,083	10,741	10,444	10,777	7,218	9,795	10,550	11,050	10,800
Dry Bulk Carrier	Handymax (Pac)	8,727	11,467	10,718	9,527	7,935	9,912	10,000	12,000	11,000
Dry Bulk Carrier	Handy (Pac)	7,551	8,684	7,932	7,718	5,609	7,486	7,250	9,000	8,125
Tanker	VLCC	16,827	9,076	13,966	45,351	27,840	24,058	27,500	42,500	35,000

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

- Dry Bulk　Although the current market is sluggish, market recovery expected after second quarter.
- Tanker　Market expect to rise significantly in the second half (demand season) due to the impact of environmental regulations.

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4. Bulk Shipping – 2）Car Carrier :

	FY Ending Mar 2018 (Result)	FY Ending Mar 2019 (Result)					FY Ending Mar 2020 (Forecast)		
		1H		2H		Full-year	1H	2H	Full-year
		1Q	2Q	3Q	4Q				
All Trade (10,000 cars)	363	168		172		340	153	159	312
		87	81	86	86				
Year-on year	8%	-6%		-7%		-6%	-9%	-8%	-8%
		-1%	-11%	-8%	-5%				

- Focus on optimized vessel operations, reorganization of routes and slow steaming to improve profitability.

4. Financial Position

	FY Ending Mar 2017 (Result)	FY Ending Mar 2018 (Result)	FY Ending Mar 2019 (Previous Forecast)	FY Ending Mar 2019 (Result)	FY Ending Mar 2020 (Forecast)
Interest-bearing Debt	**945.3**	**983.4**	**1,000.0**	**1,046.2**	**1,030.0**
Shareholders' equity	**522.4**	**551.9**	**525.0**	**487.4**	**500.0**
Shareholders' equity ratio	**26%**	**27%**	**27%**	**24%**	**25%**
DER	**1.81**	**1.78**	**1.90**	**2.15**	**2.06**
ROE	**-**	**3.8%**	**-**	**-**	**5.3%**
Cash flow from Operating Activities	**27.9**	**89.0**	**60.0**	**45.2**	**96.0**
Cash flow from investing Activities	**-144.6**	**-137.9**	**-60.0**	**-132.2**	**-75.0**
(Depreciation and amortization)	**(92.0)**	**(87.8)**	**(83.4)**	**(89.7)**	**(88.0)**

* The new accounting standard for IFRS leases, which will be adopted in fiscal 2019, is expected to result in an increase in assets and liabilities at overseas subsidiaries that adopt the standard. Approximately ¥90 billion (Not included in the matrix above)

- In addition to basic policy to pay stable dividends aiming for a payout ratio of 25%, an annual dividend of ¥20 per share has been set as the minimum dividend for the time being.
- In the future, dividend policy will be considered based on the progress of the medium-term plan, investment plans and financial forecast, including the adoption of DOE (Dividend on Equity).

5. Fleet in Operation

Industrial Segment	Type of Vessel	FY Ending Mar 2018 Owned (incl.co-owned) Vessels	FY Ending Mar 2018 Chartered Vessels	FY Ending Mar 2018 Total Vessels	FY Ending Mar 2019 Owned (incl.co-owned) Vessels	FY Ending Mar 2019 Owned (incl.co-owned) Kt(DWT)	FY Ending Mar 2019 Chartered Vessels	FY Ending Mar 2019 Chartered Kt(DWT)	FY Ending Mar 2019 Total Vessels	FY Ending Mar 2019 Total Kt(DWT)
Liner Trade	Container Ships	32	63	95	31	2,057	32	3,133	63	5,190
Bulk Shipping	Bulk Carriers (Capesize)	27	83	110	24	4,667	81	15,985	105	20,652
	Bulk Carriers (Panamax)	38	50	88	38	3,398	51	4,333	89	7,732
	Bulk Carriers (Handysize)	58	105	163	60	2,841	103	4,990	163	7,831
	Wood Chip Carriers	9	33	42	9	460	35	1,921	44	2,382
	Car carriers	37	82	119	40	753	78	1,455	118	2,208
	Tankers	41	24	65	35	6,869	21	228	56	9,829
	LNG carriers	68	3	71	72	5,924	3	228	75	6,152
	Multi-Purpose carriers	23	19	42	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		335	462	797	334	27,414	423	35,282	757	62,696
Offshore	Shuttle Tankers			29					29	3,437
	FPSO			3					3	-
	FSO			1					2	-
	Drill Ships			1					1	-
Grand Total				831					792	66,133

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

6. Extraordinary Income/Losses etc. in FY Ending Mar 2019

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- Improve profitability area (Dry-bulk/Container Shipping) as well as Air Cargo Transportation
  - Container Vessel - Provision for losses related to contracts (extraordinary loss approx. JPY 31.0 billion)
  - Dry-bulk Vessel - Losses incurred by the early redelivery of the vessels (extraordinary loss approx. JPY 10.0 billion)
  - Aircraft - Impairment loss for the Boeing 747-400F (extraordinary loss approx. JPY 12.0 billion)

- Reform of Business Portfolio
  - Terminal - Disposal by sales of stevedore company in North America. (extraordinary income approx. JPY 10.0 billion)
    - Integration of four NYK Group terminal operation companies in Japan
    - Merger of two NYK Companies relating to harbor tugboat /related services in Japan
  - Cruise - Transfer of 50% shares of NYK CRUISES CO. (extraordinary income approx. JPY 8.0 billion)

- Liquidation of assets
  - Disposal by sales of strategic shareholding/real estate (extraordinary income approx. JPY 22.0 billion)

➢ Early redelivery(Result)

7 vessels in FY2018

Plan for further execution

➢ Securing medium- to long-term contracts(Result)

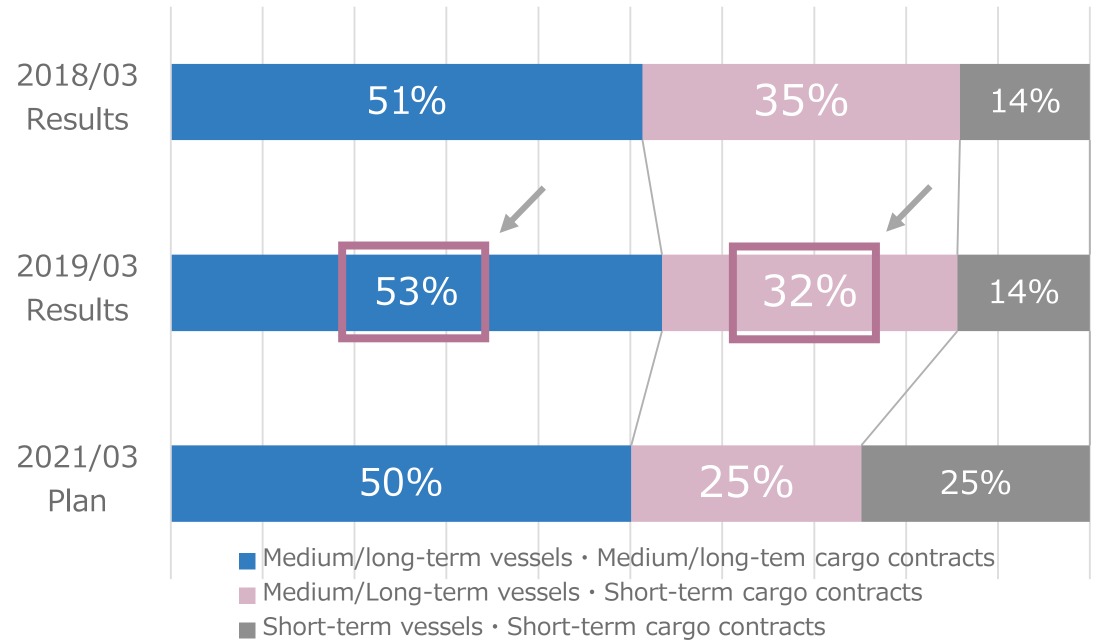
- Contract **13%** increase
- Vessel **11%** increase
- Volume **5%** increase

➢ FY2017 vs FY2018 on a consolidated basis

➢ Figures refer to the number of CVC and COA contracts with more than 2 years singed in FY2018.

➢ Reforming out fleet portfolio to withstand volatile market conditions

- **Early redelivery** contributes to the decrease in exposure fleet rate to **32%**.
- **Securing medium- to long-term contracts** contributes to the increase in non-exposure fleet rate up to **53%**.



➢ Medium/long-term: More than 2 years

➢ Short-term: Less than 2 years

➢ All figures about.

7. Progress of Medium-term Management Plan

Step2 : Secure stable-freight-rate business (Enhance investment)

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► LNG Fleet (as of March 2019)

On Order 12 vessels **Fleet in Operation 75 vessels** → **97 vessels** (planned in FY2022)

	Charterer	Vessel Name / Shipyard	Project	FY2019	FY2020	FY2021	FY2022
1	Tokyo Gas	ENERGY GLORY	US				
2	Mitsubishi Corporation	DIAMOND GAS SAKURA	US				
3	JERA	MHI	US				
4	Iberdrola	HHI	US				
5	EDF	HHI	US				
6	Mitsubishi Corporation	HHI	US				
7	TOTAL	SHI	Worldwide				
8	Mitsubishi Corporation	HHI	CANADA				
9	Mitsubishi Corporation	HHI	CANADA				
10	TOTAL	SHI	Worldwide				
11	TOTAL	SHI	Worldwide				
12	EDISON	HHI	Worldwide				

► Offshore Business

	Value Chain	Charterer	Area / Oil Field	FY2019	FY2020	FY2021	FY2022
1	Shuttle Tanker	Equinor ASA	Brazil / Roncador				
2	Shuttle Tanker	Equinor ASA	Brazil / Roncador				

► Natura Gas Liquefaction

	Project	Area	Production	FY2019	FY2020	FY2021	FY2022
1	Cameron LNG	Louisiana, US	12mil ton (LNG)				

7. Progress of Medium-term Management Plan

Step3 : Improve Efficiency and Create New Value

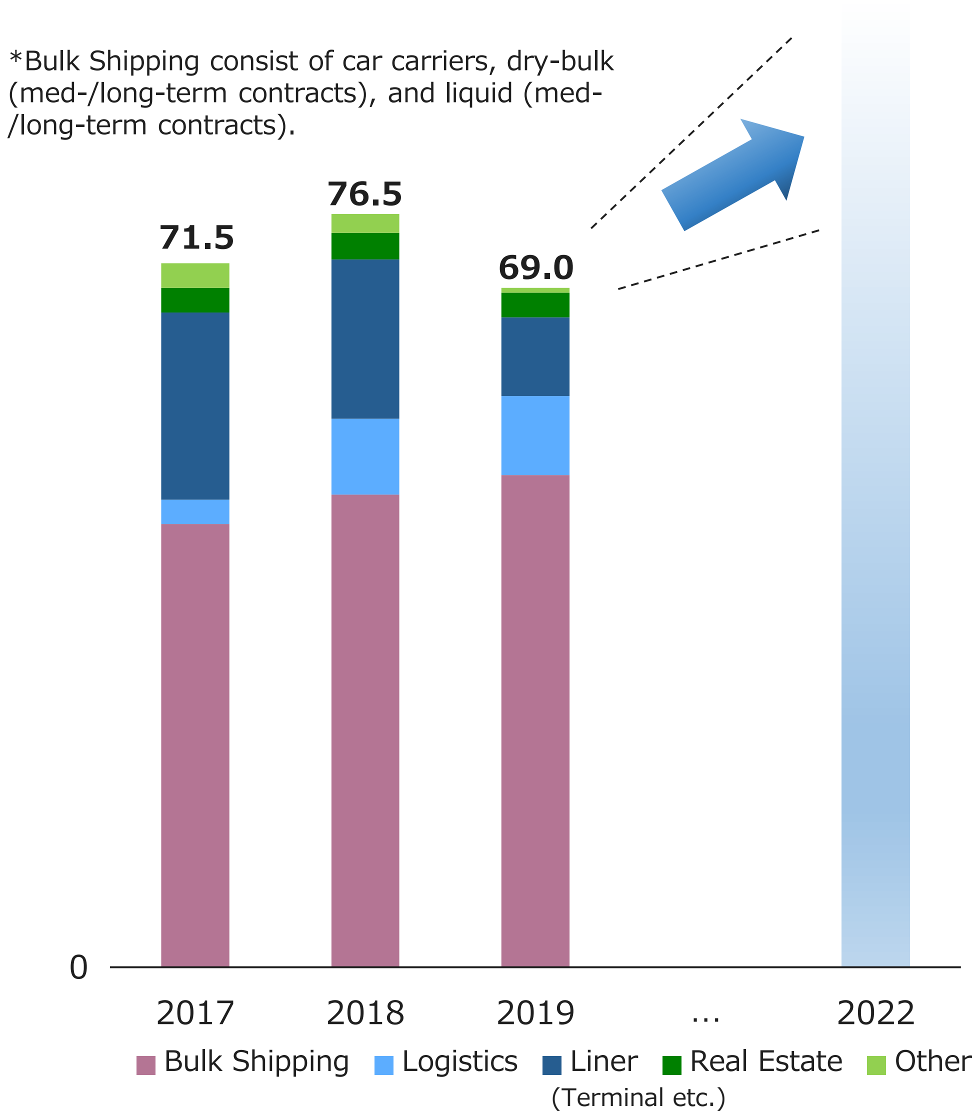
	Digitalization		Green	
Efficiency	Launched ship-management platform named "NIBIKI," to reduce onboard duties and make use of big data	Worked on more than 50 items related to digitization. 30% out of them have been launched and 50% are in progress	Progress of mid to long-term environmental goal related to CO2 reduction to be updated in NYK report 2019	Enforce green finance to keep a wide range of stakeholders
	Conducting the study on autonomous operation of vessels with various partners	Established JV for sale of "ULTY-V plus," coal boiler control optimization system	Contributed to generate 50% more electricity compared to FY2017 by solar power and transportation of biomass	Participated in demonstration of tidal energy in Singapore
New Value	Focusing on FinTech to realize cashless ships	Became a core member of an Internet of Ship Open Platform(IoS-OP)	Implement Green Terminal initiatives to install wind turbines at finished-car logistics terminal in Belgium	Participate in offshore wind power business

7. Progress of Medium-term Management Plan
Secure stable-freight-rate business（Recurring profit/loss ）

日本郵船

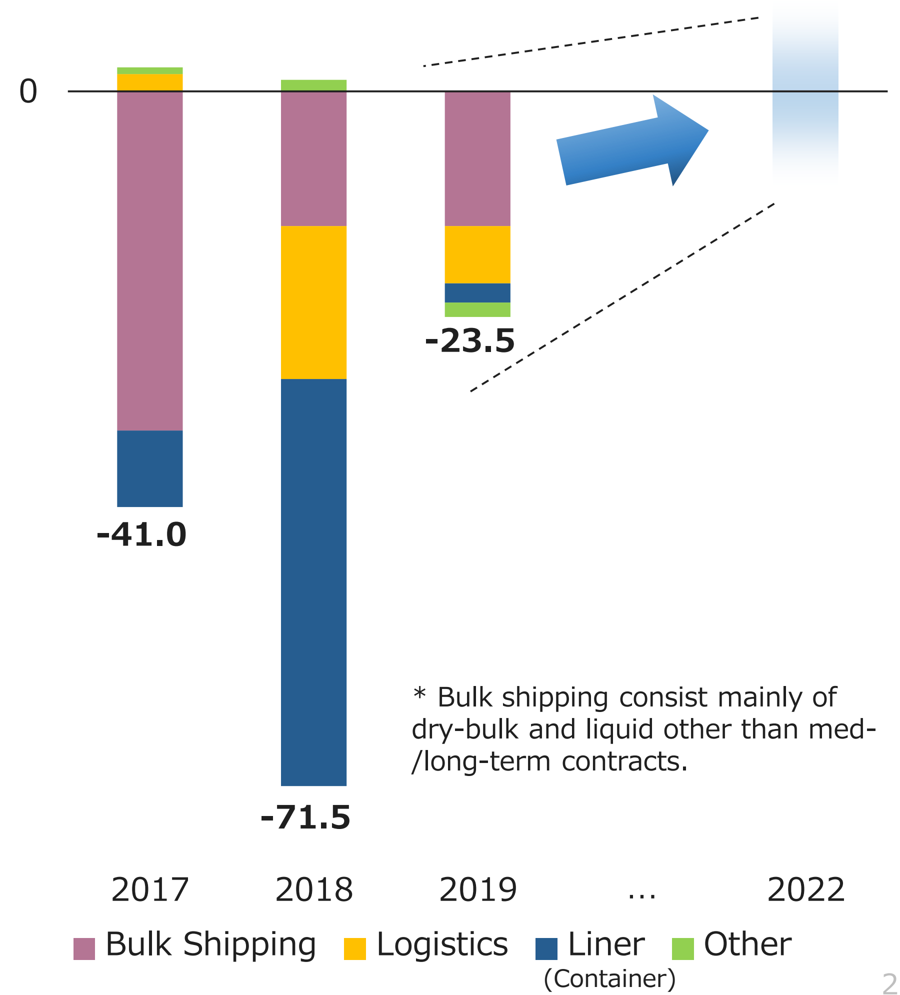
Stable-freight-rate business

(Billions of yen)



Other businesses

(Billions of yen)



4.<IMO2020> Compliance with SOx Emission Regulation

日本郵船

➢ Three Action Plans

1. Use Low Sulfur Fuel Oil

- ✓ Carried out trials on PCC aiming the complete conversion from HFO to LSFO by January 1st, 2020
- ✓ Purchased approx. 40% of monthly required volume of LSFO in advance in Singapore

2. Install SOx Scrubber

- ✓ About 55 vessels including on order will be installed with SOx scrubber

3. Develop LNG Fuel

- 2015 — Japan's First LNG-fueled tug boat, "Sakigake" was delivered
- 2016 — World's First LNG-fueled Car Carrier, "Auto Eco" was delivered
- 2017 — LNG bunkering vessel started the service in Belgium
- 2018 — Establishment of new JV for LNG bunkering in Japan

➢ Cost to comply SOx Emission Regulation

- ☐ The cost rises by using LSFO and equipping SOx scrubber are considered as environmental cost.
- ☐ Attempt to share appropriate burden with the customers.
- ☐ Freight index based of LSFO will be introduced as a measure of sharing cost.

ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2018 Full-year

APR.26,2019

Ocean Network Express

FY2018 Full-year Financial Results

FY2018 4Q/Full-year Results and Comparison with Previous Forecasts

(Unit: Million US$) *As of Jan 2019

	FY2018(Previous Forecasts*)					FY2018(Results)					Full Year	
	1H Results	3Q Results	4Q Forecasts	2H Forecasts	Full Year Forecast	1H Results	3Q Results	4Q Results	2H Results	Full Year Results	Change	Change (%)
Revenue	5,030	3,025	2,830	5,855	10,885	5,030	3,025	2,826	5,851	10,880	-5	-0.0%
Profit/loss for the year	-311	-179	-104	-283	-594	-311	-179	-96	-275	-586	8	1.3%
Bunker Price (US$/MT)	$434	$487	$413	$451	$443	$434	$487	$420	$454	$444	$1	

Liftings/Utilization/Freight Index

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2018 1H Results	FY2018 3Q Results	FY2018 4Q Results	FY2018 2H Results	FY2018 Full Year Results
Asia - North America Eastbound	Lifting	1,291	746	627	1,374	2,664
	Utilization	82%	95%	88%	92%	87%
Asia - Europe Westbound	Lifting	790	442	455	897	1,687
	Utilization	82%	92%	92%	92%	88%

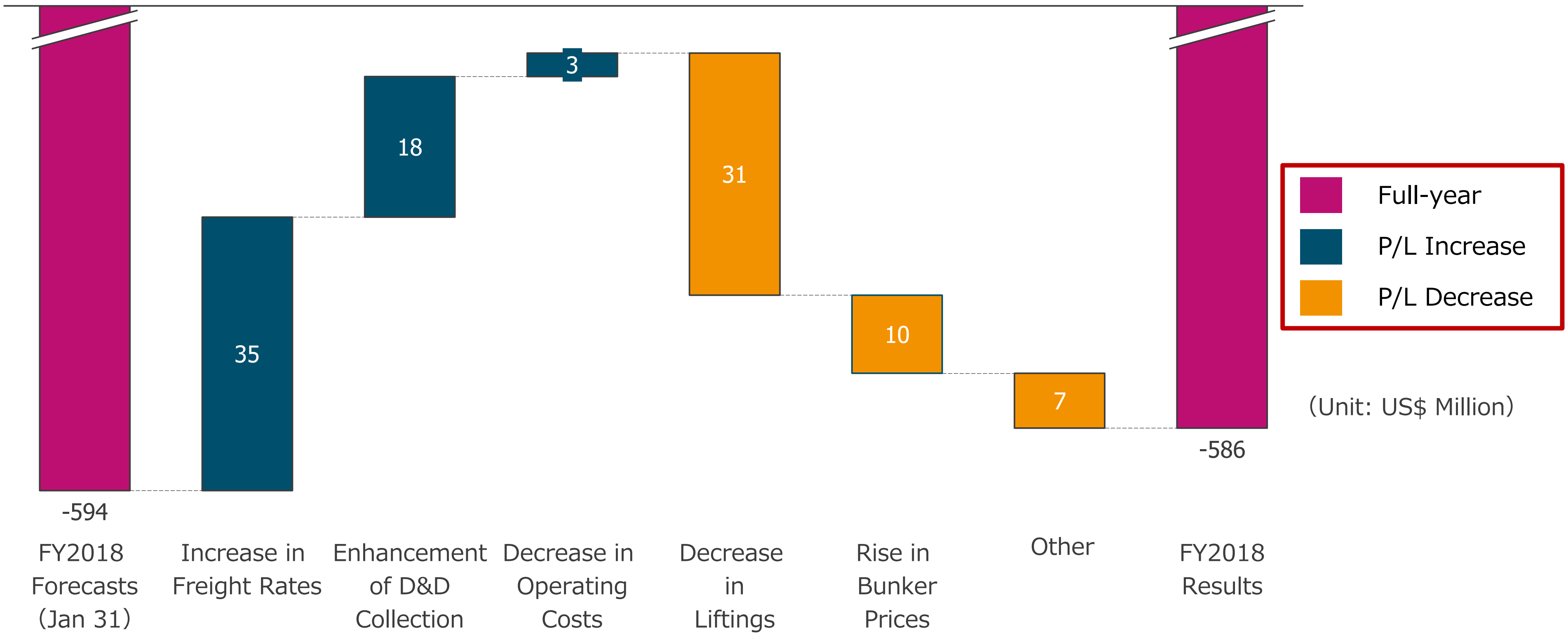
(Indices when gross average freight rate on each route for FY2018 1Q is set at 100.)

Freight Index by Trades	FY2018 1H Results	FY2018 3Q Results	FY2018 4Q Results	FY2018 2H Results	FY2018 Full Year Results
Asia - North America Eastbound	101	108	105	107	104
Asia - Europe Westbound	104	100	107	104	104

Overview by Route for Q4

- Asia-North America Eastbound: As trade after the Chinese New Year was relatively weak due in part to a backlash downturn from the earlier rush demand ahead of additional U.S. tariffs on China, additionally reduced frequencies of our service even in March. Freight rates slightly declined from Q3 due to a decrease in demand.
- Asia-Europe Westbound: Though freight rates for long-term contracts improved upon renewal in January, and the spot rate held steadily toward Chinese New Year. Liftings declined in the off season after the Chinese New Year as in past years, and from then on, the spot freight rate market declined towards the end of Q4.
- Asia-North America Westbound/Asia-Europe Eastbound: Utilization on Asia-North America Westbound routes continued to show a trend toward improvement. The level of utilization on Asia-Europe Eastbound, which significantly recovered in Q3, remained steady during Q4.

FY2018 Annual P/L Analysis (vs. Previous Forecasts)



Freight rates remained slightly higher than the assumption on Asia-North America and South America routes. Measures to enhance collection of Detention and Demurrage achieved higher-than-anticipated results. Operating costs were reduced by additionally decreasing the number of sailings in response to dropping demand after the Chinese New Year. Liftings on some routes such as Asia-North America service did not reach the target due to lower-than-anticipated cargo demand. Bunker prices rose higher than the assumption.

FY2019 Full-year Forecasts

ONE OCEAN NETWORK EXPRESS

FY2019 Full-year Forecasts and comparison with previous fiscal year

(Unit: US$ million)

	FY2018			FY2019			Full Year	
	H1 Results	H2 Results	Full Year Results	H1 Forecasts	H2 Forecasts	Full Year Forecasts	Change	Change (%)
Revenue	5,030	5,851	10,880	6,417	6,306	12,723	1,843	16.9%
Profit/Loss	-311	-275	-586	123	-38	85	671	-

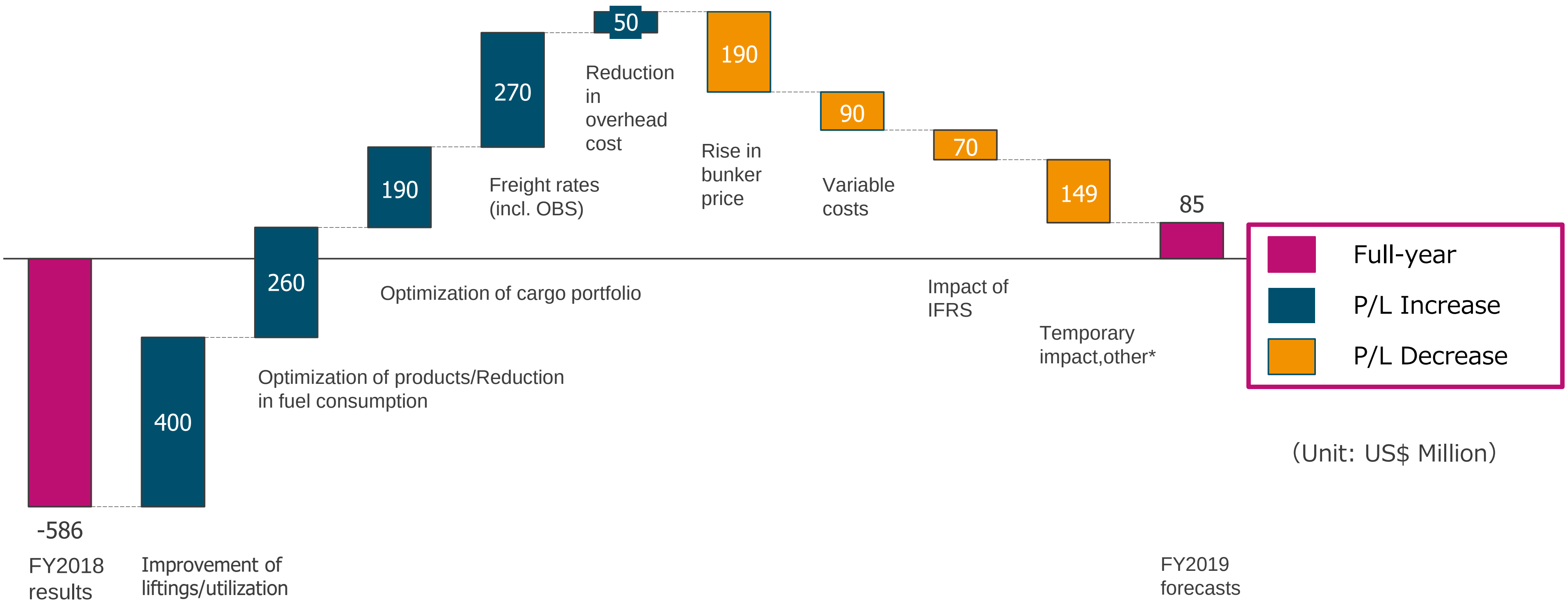
Bunker Price（US$/MT）	$434	$454	$444	$445	$533	$488	$44

❑ **Sensitivity on Profit/Loss :**
<u>±US$ 7Million</u> per US$10/MT per Quarter
※Bunker cost increase by MARPOL2020 implementation shall be recovered by OBS (ONE Bunker Surcharge)

Overview

Targeting a return to profitability of US$85 million for full-year FY2019, from minus US$586 million for full-year FY2018 results. Projecting a 4% increase globally in both supply and demand. Profit is expected to gradually recover throughout H1, with the improved lifting, which will recover to the pre-integration level throughout FY2019. The progress of product rationalization completing end May and renewal of North American contracts up to May are reflected. Targeting an early transfer of overseas terminal business from each of the parent companies in FY2019.

FY2019 Annual P/L Analysis (vs. FY2018 Results)

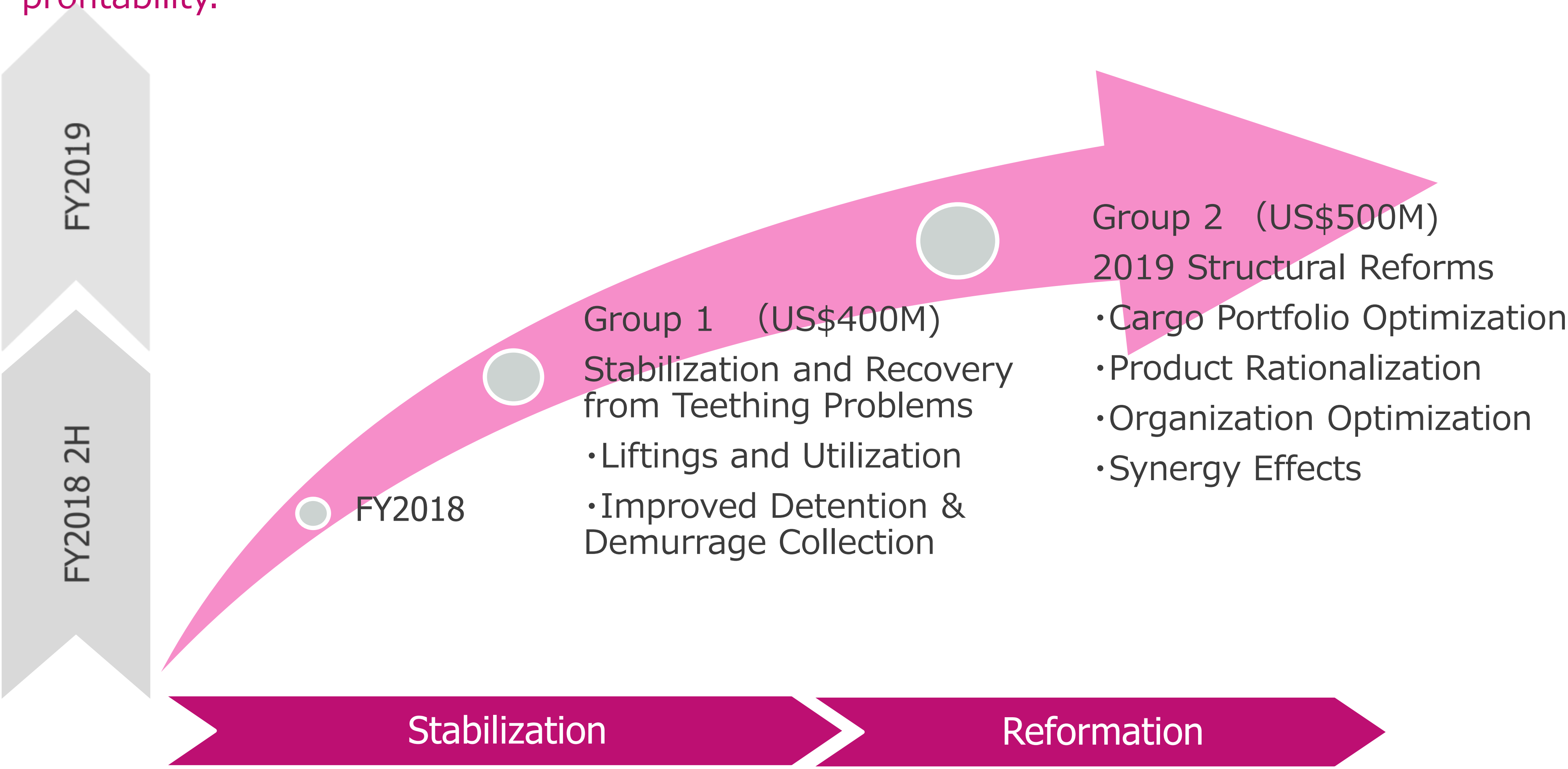


Liftings that dropped due to teething problem at commencement of services in FY2018 have been restored. Operating costs will be reduced by optimizing products. Measures will be taken to improve revenue and reduce expenditures such as improving the cargo portfolio, reducing fuel oil costs, and cutting overhead costs. The negotiations for long-term contracts are reflected in the assumption for freight rates. It is anticipated that an increase in bunker prices due to MARPOL 2020 regulations will be offset by the ONE Bunker Surcharge (OBS). In addition, variable costs are expected to rise in line with anticipated inflation. The impact of the new lease accounting standard IFRS, which will be adopted starting in FY2019, is taken into account.

* Temporary impact such as deferment of variable costs to other periods due to commencement of services

Action Plans for Profit Improvement - 1/2

Establish an organization that can tolerate market volatility by stabilizing initial setup challenges and accomplishing significant structural reformation. Targeting to return into profitability.



Action Plans for Profit Improvement - 2/2

Stabilization and Recovery from Teething Problems

Group 1	Recovery of Liftings and Utilization	Utilization almost reached pre-integration levels as a result of flexibly reducing service frequencies. Liftings, which dropped at commencement of services in FY2018, recovered throughout H2, and the level that can be achieved in FY2019, is reflected in the forecasts.
Group 1	Enhancement of Detention & Demurrage Collection	Collection of Detention & Demurrage remained higher than the target.

Action Plans in FY2019

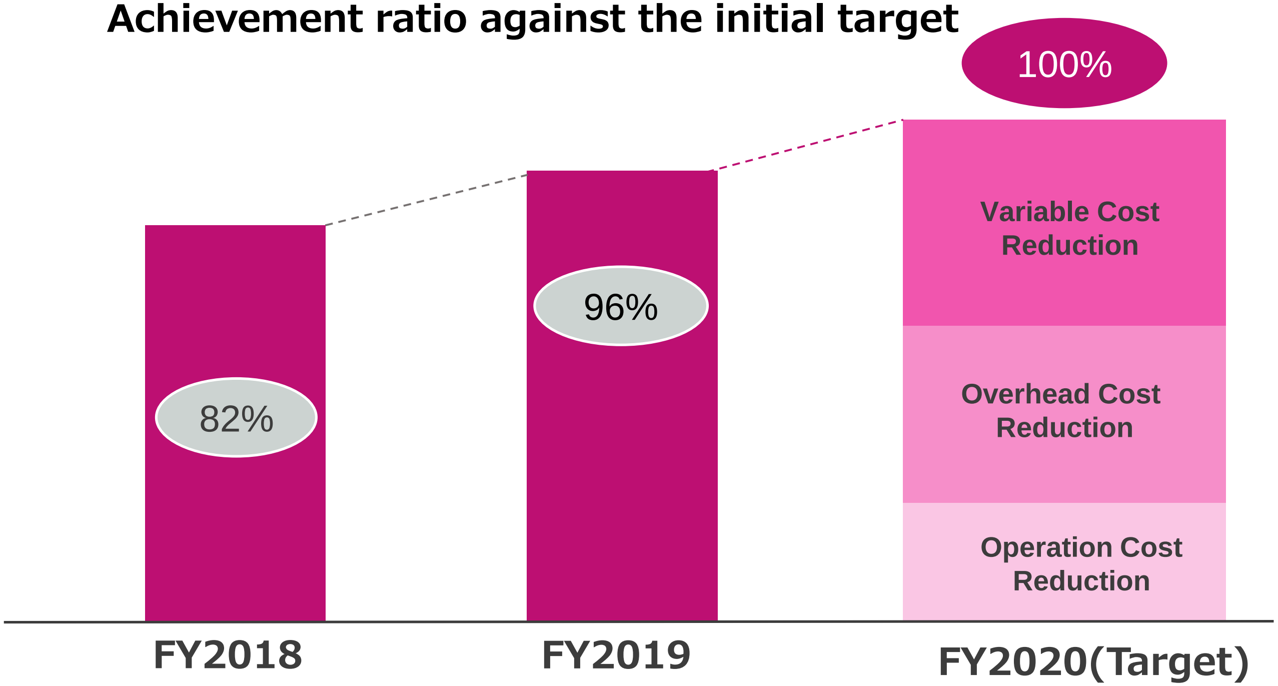
Group 2	Cargo Portfolio Optimization	Improve profit by optimizing the combination of fronthaul and backhaul cargoes. Efforts to restructure the cargo portfolio are in progress. The effects of U.S. contract renewals are reflected in the forecasts from May.
Group 2	Product Rationalization	Shifting to the product system for FY2019, such as Europe-Transpacific(TP) Pendulum (Upsize and optimization effect for overlapping sector), TP East Cost or Asian services rationalization, launch of own feeder services in Asia and Europe and so on will be almost completed by the end of May. Its improvement effect is reflected in the forecasts. Continue initiatives on reduction of fuel consumption as a major project from the viewpoint of reducing our environmental impact in addition to cost reduction.
Group 2	Organization Optimization	Further optimize organization and systems toward the establishment of a more efficient, more competitive structure, by reviewing the overall organization. Study measures to save labor in operations by strengthening e-commerce and introducing robotics and other technologies.
Group 2	Synergistic Effects	82% of the synergistic effects emerged in FY2018, the first year after the integration. The targets — achieving 96% in FY2019, the second year, and100% in FY2020, the third year after the integration—are unchanged.

Integration Synergy Update

From the initial integration synergy forecast of US$1,050 million, 82% of the synergistic effects emerged in the first fiscal year. The effects are expected to increase by 14% to reach 96% in FY2019. The target for FY2020 is unchanged.

- Break-down of the synergistic effect US$1,050 million is as follows :
  - Variable Cost Reduction ・・・US$430M : Rail, Truck Feeder, Terminal Equipment, etc.
  - Overhead Cost Reduction ・・・US$370M : IT cost, Rationalization of Organization, Outsourcing, etc.
  - Operation Cost Reduction ・・・US$250M : Bunker Consumption, Product Rationalization, etc.

Achievement ratio against the initial target



Fleet Structure

as of end of 4Q	Size		1)FY2018 Prospect as of begining of FY2018	2)FY2018 Result	3)FY2019 Prospect	3)-2)
	>= 20,500 TEU	Capacity(TEU)	120,600	120,600	120,600	0
		Vessels	6	6	6	0
	10,500 - 20,500 TEU	Capacity(TEU)	321,000	335,220	349,000	13,780
		Vessels	23	24	25	1
	9,800 - 10,500 TEU	Capacity(TEU)	100,100	100,100	160,100	60,000
		Vessels	10	10	16	6
	7,800 - 9,800 TEU	Capacity(TEU)	347,598	331,036	348,874	17,838
		Vessels	39	37	39	2
	6,000 - 7,800 TEU	Capacity(TEU)	252,168	254,900	221,476	▲ 33,424
		Vessels	39	39	34	▲ 5
	5,200 - 6,000 TEU	Capacity(TEU)	89,670	89,998	84,170	▲ 5,828
		Vessels	16	16	15	▲ 1
	4,600 - 5,200 TEU	Capacity(TEU)	118,260	132,488	117,933	▲ 14,555
		Vessels	24	27	24	▲ 3
	4,300 - 4,600 TEU	Capacity(TEU)	71,816	71,816	71,816	0
		Vessels	16	16	16	0
	3,500 - 4,300 TEU	Capacity(TEU)	46,562	29,690	16,912	▲ 12,778
		Vessels	11	7	4	▲ 3
	2,400 - 3,500 TEU	Capacity(TEU)	52,992	60,952	53,337	▲ 7,615
		Vessels	20	23	20	▲ 3
	1,300 - 2,400 TEU	Capacity(TEU)	18,711	16,993	15,275	▲ 1,718
		Vessels	11	10	9	▲ 1
	1,000 - 1,300 TEU	Capacity(TEU)	1,200	6,449	6,449	0
		Vessels	1	6	6	0
	< 1,000 TEU	Capacity(TEU)	6,000	2,106	2,810	704
		Vessels	8	3	4	1
	Total	Capacity(TEU)	1,546,677	1,552,348	1,568,752	16,404
		Vessels	224	224	218	▲ 6