

Financial Results for FY 17/3 2nd quarter and Forecast for FY 17/3

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Overview of FY 17/3 2nd Quarter Results



- ▶ Almost all segments posted Drop in Revenues and Profits on YOY basis
 - Liner Trade
 - Oversupply of vessel capacity continued and container freight rates remained low, but moderate recovery is seen in spot freight rates.
 - Recorded “allowance for doubtful accounts” relating to a bankrupt Korean shipping company in the 2Q -> off-set with the increase in spot freight rates and handling volume.
 - Air Cargo
 - Low handling volume vs. previous year -> Low yield, strong Yen, no “USWC port congestion” factor (FY15 1Q).
 - Logistics
 - Air freight forwarding cargo volume increased, but cost remained high. Ocean freight forwarding and logistics business stable.
 - Bulk Shipping
 - Dry Bulker
 - Scrapping could not correct demand-and supply imbalance.
 - Liquid
 - Market softened due to the influx of new vessels.
 - Car Carrier
 - Shipments to resource-rich/developing countries decreased.
 - Non-operating Loss
 - Increased due to the increase in foreign exchange loss.
 - Extra-ordinary Loss
 - Impairment loss & provision for losses of JPY 200 billion. (container JPY 103b, D. Bulker JPY 85b, aircraft JPY 11b)



- Weak market, strong Yen and accrual of impairment loss resulted in a huge decrease vs. same period last year.

(In billion yen)	FY16/3							FY17/3			Year-on-year
	1Q	2Q	1H	3Q	4Q	2H	Full-Year	1Q	2Q	1H	
Revenues	588.7	609.5	1,198.2	568.3	505.6	1,074.0	2,272.3	470.7	457.8	928.5	-269.7
Operating Income	17.4	21.1	38.6	8.5	1.7	10.3	48.9	-10.9	-11.5	-22.4	-61.0
Recurring Profit	21.5	21.2	42.7	13.3	4.0	17.3	60.0	-9.9	-13.6	-23.6	-66.3
Net Income Attributable of owners of the Parent Company	43.0	11.7	54.7	-31.9	-4.5	-36.5	18.2	-12.7	-219.0	-231.8	-286.5
Exchange rate	¥ 120.97	¥ 122.56	¥ 121.76	¥ 121.23	¥ 118.37	¥ 119.80	¥ 120.78	¥ 111.12	¥ 103.50	¥ 107.31	- ¥ 14.45
Bunker Oil Prices	\$ 357.71	\$ 349.69	\$ 353.70	\$ 276.00	\$ 211.22	\$ 243.61	\$ 298.66	\$ 192.62	\$ 238.71	\$ 215.67	-\$ 138.03

2nd quarter comparison by Industrial SEGs

2Q Result



NYK LINE
NIPPON YUSEN KAISHA

Industrial Segment		FY 16/3							FY17/3			Year-on-year
(In Billion Yen)		1Q	2Q	1H	3Q	4Q	2H	Full-Year	1Q	2Q	1H	
Global Logistics	Liner	184.1	194.0	378.2	168.6	159.4	328.0	706.3	141.4	139.1	280.5	-97.6
		3.9	3.8	7.8	-6.9	-1.1	-8.1	-0.3	-8.8	-6.4	-15.3	-23.1
	Air Cargo	24.6	24.2	48.9	23.8	18.3	42.1	91.1	19.0	19.4	38.5	-10.4
		0.8	0.1	0.9	1.2	-0.6	0.5	1.5	-1.9	-1.4	-3.4	-4.4
	Logistics	123.4	126.0	249.5	129.9	117.0	246.9	496.5	113.8	111.9	225.8	-23.6
		2.3	3.7	6.0	4.1	1.6	5.8	11.8	2.1	2.4	4.6	-1.3
	(Total)	332.3	344.3	676.7	322.4	294.7	617.2	1,293.9	274.3	270.6	544.9	-131.8
		7.1	7.7	14.8	-1.5	-0.1	-1.7	13.1	-8.6	-5.4	-14.1	-29.0
	Bulk Shipping	237.5	245.6	483.1	226.9	192.1	419.1	902.2	180.1	169.6	349.8	-133.3
		14.4	12.8	27.2	13.7	5.6	19.3	46.5	-0.8	-8.5	-9.4	-36.6
Others	Real Estates	2.3	2.5	4.8	2.4	2.4	4.9	9.7	2.4	2.4	4.8	0.0
		0.7	0.9	1.7	0.8	0.7	1.6	3.3	0.9	0.9	1.8	0.1
	Other	37.8	38.6	76.5	36.5	33.9	70.5	147.0	32.0	34.5	66.6	-9.8
		-0.1	0.2	0.0	0.8	-0.9	-0.1	0.0	-0.6	0.1	-0.5	-0.5
	Elimination /Unallocati on	-21.3	-21.6	-42.9	-20.0	-17.7	-37.7	-80.7	-18.2	-19.3	-37.6	5.3
		-0.5	-0. 6	-1.1	-0.5	-1.2	-1.8	-2.9	-0.7	-0.7	-1.4	-0.2
	Consolidated	588.7	609.5	1,198.2	568.3	505.6	1,074.0	2,272.3	470.7	457.8	928.5	-269.7
		21.5	21.2	42.7	13.3	4.0	17.3	60.0	-9.9	-13.6	-23.6	-66.3

※ (Upper) Revenues (Lower) Recurring Profit



- Shipping market remained soft, while the strong Yen's negative impact was greater than the positive impact of low oil-prices.

(billion yen)

Yen Appreciation	▲3.6	¥107.31/\$, Appreciated by ¥14.45
Lower Bunker Oli Price	7.6	\$215.67/MT, Decreased by \$138.03
Market Effects etc	▲62.9	
Cost Reduction	4.9	
Foreign Exchange Profit/Loss	▲6.9	
Others	▲5.4	
Total	▲663	



- ▶ Recurring income / Net income downward adjustments vs. previous forecast.
- ▶ Forecast : Difficult situation to continue in the 2H, but the market has hit the bottom and started to show some recovery. NYK performances also expected to recover in the 2H.
- ▶ Liner Handling volume and freight rates showing moderate recovery, however not expected to meet the previous forecast.
- ▶ Air Transportation Difficult situation due to the worsening of supply-and-demand imbalance and strong Yen continues -> revised yield assumptions.
Volume strong in the 3Q and yield showing signs of recovery.
- ▶ Bulk Shipping
 - Dry Bulkers Scrapping not enough to fix the demand-and-supply imbalance. Market recovery slower than expected -> revised 2H market assumptions.
 - Liquid Influx of new vessels negatively impacting the market, especially for oil product carriers.
 - Car Carriers Handling volume to resource-rich/developing countries decreasing -> revised volume assumptions.
- ▶ Dividends Plan zero mid-term/year-end dividends as a huge loss in net income is forecasted.
- ▶ Sensitivities on recurring income (3Q-4Q)

Exchange Rate :	¥ 100.00/\$	¥0.3billion(Full-Year) increase per ¥1/\$ depreciation
Bunker oil Prices :	\$310.00/MT	¥1.2billion(Full-Year) increase per \$ 10/MT

Revised Forecast for FY17/3 (Summary)

Forecast



NYK LINE
NIPPON YUSEN KAISHA

► Foresee difficult situation to continue, but expect improvements in the 2H.

	FY 16/3 (Result)					FY 17/3 (Forecast)				Year-on year	Change from previous forecast (full-year)
	1H		2H		Full- year	1H (Result)		2H	Full- year		
(In billion yen)	1Q	2Q	3Q	4Q		1Q	2Q				
Revenues	1,198.2		1,074.0		2,272.3	928.5		936.5	1,865.0	-407.3	-127.0
	588.7	609.5	568.3	505.6		470.7	457.8				
Operating Income	38.6		10.3		48.9	-22.4		-3.0	-25.5	-74.4	-25.5
	17.4	21.1	8.5	1.7		-10.9	-11.5				
Recurring Profit	42.7		17.3		60.0	-23.6		-2.4	-26.0	-86.0	-31.0
	21.5	21.2	13.3	4.0		-9.9	-13.6				
Net Income Attributable to Owners of the parent company	54.7		-36.5		18.2	-231.8		-13.2	-245.0	-263.2	-230.0
	43.0	11.7	-31.9	-4.5		-12.7	-219.0				
Exchange Rate	¥ 120.97	¥ 122.56	¥ 121.23	¥ 118.37	¥ 120.78	¥ 111.12	¥ 103.50	¥ 100.00	¥ 103.66	- ¥ 17.12	
Bunker Oil Prices	\$ 357.71	\$ 349.69	\$ 276.00	\$ 211.22	\$ 298.66	\$ 192.62	\$ 238.71	\$ 300.00	\$ 262.83	- \$ 35.83	

► Sensitivity on Recurring Profit

Exchange Rate : 0.3 billion (Full-year) increase per ¥1/\$ depreciation

Bunker Oil Prices : 1.2 billion (Full-year) increase per \$10/MT decrease

► FY17/3 case dividend per year : Plan zero dividends

FY 17/3 Forecast by Industrial SEGs.

Forecast



NYK LINE
NIPPON YUSEN KAISHA

	Industrial Segment (In billion yen)	FY16/3 (Result)					FY 17/3 (Forecast)					Year- on Year
		1Q	2Q	1H	2H	Full-year	1Q	2Q	1H (Result)	2H	Full-year	
Global Logistics	Liner	184.1 3.9	194.0 3.8	378.2 7.8	328.0 -8.1	706.3 -0.3	141.4 -8.8	139.1 -6.4	280.5 -15.3	287.5 -1.7	568.0 -17.0	-138.3 -16.7
	Air Cargo	24.6 0.8	24.2 0.1	48.9 0.9	42.1 0.5	91.1 1.5	19.0 -1.9	19.4 -1.4	38.5 -3.4	40.5 -1.5	79.0 -5.0	-12.1 -6.5
	Logistics	123.4 2.3	126.0 3.7	249.5 6.0	246.9 5.8	496.5 11.8	113.8 2.1	111.9 2.4	225.8 4.6	231.2 6.4	457.0 11.0	-39.5 -0.8
	(Total)	332.3 7.1	344.3 7.7	676.7 14.8	617.2 -1.7	1,293.9 13.1	274.3 -8.6	270.6 -5.4	544.9 -14.1	559.2 3.2	1,104.0 -11.0	-189.9 -24.1
Bulk Shipping	Bulk Shipping	237.5 14.4	245.6 12.8	483.1 27.2	419.1 19.3	902.2 46.5	180.1 -0.8	169.6 -8.5	349.8 -9.4	341.2 -6.1	691.0 -15.5	-211.2 -62.0
Others	Real Estate	2.3 0.7	2.5 0.9	4.8 1.7	4.9 1.6	9.7 3.3	2.4 0.9	2.4 0.9	4.8 1.8	5.2 1.7	10.0 3.5	0.3 0.2
	Other	37.8 -0.1	38.6 0.2	76.5 0.0	70.5 -0.1	147.0 0.0	32.0 -0.6	34.5 0.1	66.6 -0.5	68.4 0.5	135.0 0	-12.0 0
	Elimination/ Unallocation	-21.3 -0.5	-21.6 -0.6	-42.9 -1.1	-37.7 -1.8	-80.7 -2.9	-18.2 -0.7	-19.3 -0.7	-37.6 -1.4	-37.4 -1.6	-75.0 -3.0	5.7 -0.1
	Consolidated	588.7 21.5	609.5 21.2	1,198.2 42.7	1,074.0 17.3	2,272.3 60.0	470.7 -9.9	457.8 -13.6	928.5 -23.6	936.5 -2.4	1,865.0 -26.0	-407.3 -86.0

※ (Upper) Revenues (Lower) Recurring Profit

- Liner : Profit to decline due to decrease in freight rates.
- Logistics : Profit to decline but relatively stable.
- Bulk shipping : Profit to decline due to soft tanker market, no LNG “once-off” profit and decrease in RORO volume.

F17/3 Previous F/Cast vs Latest F/Cast by Industrial SEGs

Forecast



NYK LINE
NIPPON YUSEN KAISHA

Industrial Segment		Previous Forecast			Forecast			Change Full-year		
(In billion yen)		1H	2H	Full-year	1H (Result)	2H	Full-year	1H	2H	Full Year
Global Logistics	Liner	294.0	307.0	601.0	280.5	287.5	568.0	-13.5	-19.5	-33.0
		-16.0	1.0	-15.0	-15.3	-1.7	-17.0	0.7	-2.7	-2.0
	Air Cargo	39.3	42.7	82.0	38.5	40.5	79.0	-0.8	-2.2	-3.0
		-3.2	1.2	-2.0	-3.4	-1.5	-5.0	-0.2	-2.7	-3.0
	Logistics	246.0	250.0	496.0	225.8	231.2	457.0	-20.2	-18.8	-39.0
		5.0	7.0	12.0	4.6	6.4	11.0	-0.4	-0.6	-1.0
	(Total)	579.4	599.7	1,179.0	544.9	559.2	1,104.0	-34.5	-40.5	-75.0
		-14.2	9.2	-5.0	-14.1	3.2	-11.0	0.1	-6.0	-6.0
Bulk Shipping	Bulk Shipping	355.0	379.5	734.5	349.8	341.2	691.0	-5.2	-38.3	-43.5
		-3.2	11.7	8.5	-9.4	-6.1	-15.5	-6.2	-17.8	-24.0
Others	Real Estate	4.8	4.7	9.5	4.8	5.2	10.0	0	0.5	0.5
		1.8	1.7	3.5	1.8	1.7	3.5	0	0	0
	Other	69.5	75.5	145.0	66.6	68.4	135.0	-2.9	-7.1	-10.0
		0.2	0.8	1.0	-0.5	0.5	0	-0.7	-0.3	-1.0
	Elimination/ Allocation	-37.2	-38.8	-76.0	-37.6	-37.4	-75.0	-0.4	1.4	1.0
		-1.5	-1.5	-3.0	-1.4	-1.6	-3.0	0.1	-0.1	0
	Consolidated	971.5	1,020.5	1,992.0	928.5	936.5	1,865.0	-43.0	-84.0	-127.0
		-17.0	22.0	5.0	-23.6	-2.4	-26.0	-6.6	-24.4	-31.0

※ (Upper) Revenues (Lower) Recurring Profit

- 1H results below previous forecast due to soft tanker market and foreign exchange loss.
- 2H performances to recover, but downward revision vs. previous forecast.



➤ Liner

TP Freight rates, which were recovering moderately, spiked after the bankruptcy of a Korean shipping company and shortage of vessel capacity, but have not recovered to an adequate level.

Freight rates expected to recover moderately in the 2H, and plan to continue to aggressively collect cargo.

EU Freight rates are expected to recover moderately due to the effect of void sailings, and as shippers started to choose “financially stable” shipping companies (vs. struggling companies).

➤ Air trans. Decrease in yield greater than handling volume increase impact.
Yield is recovering after the Anniversary of Founding of China, and will aim to continue to increase handling volume.

➤ Bulk Shipping

Dry Market recovering from the worst-ever, but the pace is moderate.

Liquid Influx of new vessels e.g. VLCC, and decrease in oil-product tanker arbitrage transactions utilizing east/west price disparity
-> revised market assumptions vs. previous forecast.

Car Handling volume to resource-rich/developing countries decreasing
-> revised 2H volume assumptions.



1. Liner Trade (Container Transportation)

Lifting · Utilization (1,000TEU)

		16/3(Result)				17/3(Forecast)			
		1H		2H		1H(Result)		2H	Full-Year
		1Q(RSL)	2Q	3Q	4Q	1Q	2Q		
Asia → North America	Lifting (Prev. F/Cast)	189	213	191	175	175	220	452	848
	Utilization (Prev. F/Cast)	93%	94%	91%	87%	(392)		(408)	(801)
Asia → Europe	Lifting (Prev. F/Cast)	124	140	123	121	80%	92%	92%	89%
	Utilization (Prev. F/Cast)	85%	98%	97%	92%	(88%)		(90%)	(89%)
						117	128	242	487
						(241)		(270)	(512)
						91%	95%	95%	94%
						(92%)		(95%)	(94%)

Freight Index (09/3 1Q = 100)

		16/3(Result)				17/3(Forecast)			
		1H		2H		1H(Result)		2H	Full-Year
		1Q(RSL)	2Q	3Q	4Q	1Q	2Q		
Asia→North America (Previous Forecast)		89	87	83	81	74	69	71	71
						(73)		(74)	(73)
Asia→Europe (Previous Forecast)		58	54	48	49	42	46	48	46
						(44)		(49)	(46)



► 2. Air Cargo Transportation (NCA)

	FY16/3 (Result)					FY17/3 (Forecast)				Change from previous forecast (full-year)
	1H		2H		Full- year	1H(Result)		2H	Full- year	
	1Q	2Q	3Q	4Q		1Q	2Q			
Revenues (billion yen)	48.9		42.1		91.1	38.5		40.5	79.0	-3.0
	24.6	24.2	23.8	18.3		19.0	19.4			
Recurring Profit (billion yen)	0.9		0.5		1.5	-3.4		-1.5	-5.0	-3.0
	0.8	0.1	1.2	-0.6		-1.9	-1.4			
Chargeable Weight (1,000 ton)	244		217		461	246		248	495	13
	122	122	115	101		118	129			
Volume (RTK) (mil.ton Kilo)	1,513		1,353		2,866	1,493		1,518	3,010	28
	761	752	721	632		719	773			
Capacity (ATK) (mil.ton Kilo)	2,135		2,035		4,170	2,210		2,238	4,448	95
	1,048	1,087	1,052	982		1,080	1,130			
YIELD FY09/3 1Q=100	92		88		90	72		74	74	-4
	94	91	95	79		74	71			
MOPS US\$ per bbl	\$68		\$48		\$58	\$54		\$60	\$57	-2
	\$75	\$61	\$55	\$42		\$54	\$54			

- Handling volume expected to increase vs. previous forecast, but lowered yield assumptions.



► 3. Logistics

(billion yen)	FY16/3 (Result)					FY17/3 (Forecast)				Change from previous forecast (full-year)
	1H		2H		Full-year	1H(Result)		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q	2Q			
Revenues	249.5		246.9		496.5	225.8		231.2	457.0	-39.0
	123.4	126.0	129.9	117.0		113.8	111.9			
Recurring Profit	6.0		5.8		11.8	4.6		6.4	11.0	-1.0
	2.3	3.7	4.1	1.6		2.1	2.4			

- Forecast relatively stable performances in ocean freight forwarding business and logistics business.



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

		FY16/3 (Result)					FY17/3 (Forecast)				Change from previous forecast (full-year)
		1Q	2Q	3Q	4Q	Full-Year	1Q (RSL)	2Q (RSL)	2H	Full-Year	
Dry Bulk Carrier	BDI	632	974	640	359	649	610	736	741	708	800
	Cape (5TC)	5,784	12,647	8,076	2,728	7,309	6,684	8,080	9,000	8,191	9,546
	Panamax (Pac)	4,650	6,601	4,258	3,116	4,656	4,546	5,743	6,000	5,572	6,012
	Handymax (Pac)	6,058	6,700	5,204	3,523	5,371	4,836	6,509	6,500	6,086	5,959
	Handy (Pac)	4,618	4,838	4,302	3,317	4,269	3,951	5,755	5,250	5,052	4,988
Tanker	VLCC	62,411	54,951	87,296	57,956	65,653	43,686	19,549	37,500	34,559	39,672

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

- Dry Market recovery to remain moderate.
- Tanker VLCC market softened in the 2Q due to the influx of new vessels, but expect to remain at forecasted level in the 2H.



► 4. Bulk Shipping – 2) Car Carrier :

	FY16/3 (Result)					FY17/3 (Forecast)				Change from previous forecast (Full-year)
	1H		2H		Full-year	1H(Result)		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q	2Q			
All Trade (1,000cars)	1,880		1,820		3,700	1,670		1,690	3,360	-70
	940	940	980	840		840	830			
Change	2%		0%		1%	-11%		-7%	-9%	-2%
	1%	4%	5%	-6%		-11%	-11%			

- Handling volume to resource-rich/developing countries decreasing
-> revised 2H forecast vs. previous forecast.

4. Financial Position

	FY15/3 (Result)	FY16/3 (Result)	FY16/9 (Result)	FY17/3 (Forecast)	FY17/3 (Previous Forecast)
Interest-bearing Debt	1,098.3	940.5	949.0	1,000.0	1,000.0
Shareholders' equity	810.3	773.6	499.2	480.0	780.0
Shareholders' equity ratio	32%	34%	25%	24%	34%
DER	1.36	1.22	1.90	2.1	1.28
ROE	6.2%	2.3%	-	-	2.0%
Cash flow from Operating Activities	136.4	142.8	7.8	40.0	100.0
Cash flow from investing Activities	26.7	-46.8	-55.3	-200.0	-200.0
(Depreciation and amortization)	(101.0)	(103.3)	(48.8)	(87.0)	(100.0)

5. Fleet in Operation

Industrial Segment	Type of Vessel	FY16/3(Result)			FY16/9 (Result)					
		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	19	80	99	22	1,325	76	4,661	98	5,987
Bulk Shipping	Bulk Carriers (Capesize)	31	77	108	32	6,182	77	15,232	109	21,414
	Bulk Carriers (Panamax)	40	65	105	40	3,547	67	5,546	107	9,093
	Bulk Carriers (Handysize)	58	106	164	58	2,701	96	4,450	154	7,151
	Wood Chip Carriers	8	39	47	8	416	34	1,861	42	2,277
	Car carriers	30	89	119	29	496	86	1,598	115	2,095
	Tankers	47	21	68	42	7,673	22	2,705	64	10,379
	LNG carriers	65	3	68	65	5,132	3	228	68	5,360
	Multi-Purpose carriers	17	24	41	18	356	33	583	51	939
	Others	1	0	1	1	7	0	-	1	7
Others	Cruise Ships	1	0	1	1	7	0	-	1	7
Total		317	504	821	316	27,847	494	36,866	810	64,714
Offshore	Shuttle Tankers			28					26	3,046
	Subsea Ships			0					9	-
	FPSO			2					4	-
	Drill Ships			1					1	-
Grand Total				852					850	67,761

-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.

- ▶ NYK will withdraw its earnings and financial targets of fiscal 2018 in the medium-term management plan. Revised targets will be presented at a later date upon review.
- ▶ Yet NYK will further pursue the key strategies in the medium-term management plan namely “securing stable freight rate business” and “moving towards asset-light business model in high volatile areas. In detail:
 - NYK together with K-Line, and MOL will consolidate its container business in aim to improve competitiveness and to regain financial stability.
 - Logistics business will be further developed to become one of NYK Group’s core business sectors.
 - Dry bulk business will continue to focus on stable, long-term contracts and balance its freight size in order to reduce the risk of exposure to market conditions.
 - In addition, following measures are in place to shape a sustainable, profitable business model.
 1. Undergo balance-sheet downsizing
 2. Develop the Next 3M
 3. Advance new non-asset/light-asset strategy
 4. Promote NYK Group’s creative solutions



- ▶ NYK recorded extraordinary losses of approximately 200 billion yen in the interim period of the fiscal year, consisted of an impairment loss 163 billion yen along with a provision for losses 37 billion yen related to contracts.
- ▶ This is in accordance with the re-assessment of the market outlook given the recovery being slower than anticipated.
- ▶ NYK impaired the operational assets it owns and reduced the acquisition value of assets it plans to own to their recoverable amounts.
- ▶ By asset type, NYK will incur an impairment of 103 billion yen for container ship, 85 billion yen for dry bulk carriers, and 11 billion yen for cargo aircraft.