

Financial Results for FY 18/3 2nd Quarter and Forecast for FY 18/3

October 31, 2017

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ONE = Ocean Network Express -Progress status report-	

Overview of FY 18/3 2nd Quarter Results



► Revenues and profit increased vs FY 17/3 2Q. Bottom line returned to the black.

Both Container and Dry bulk market improved on the back of strong cargo movement.

FY18/3 2Q result improved vs previous forecast. (Please refer to page 10)

Net income returned to the black vs FY 17/3 2Q when a large extraordinary loss was recorded.

- Liner Trade
 - Lifting volume stable and high utilization has been maintained.
 - Transpacific spot rates at a standstill due to excess capacity caused by some carriers' extra loaders program
 - ONE has been included in the scope of consolidation as an equity-affiliated company from 2Q.
- Air Cargo
 - Strong cargo demand led to high freight rates.
 - FY18/3 2Q significantly improved vs FY17/3 2Q.
- Logistics
 - Both ocean-freight forwarding and air-freight forwarding business struggled with high procurement cost.
- Bulk Shipping
 - Dry bulk trade, especially iron ore, coal and grains as major commodities, was active and the market improved.
 - Tanker market worse than expected due to oversupply of new builds.
 - LNG/Off shore business's high rate of engagement resulted in good profit.
 - Car carrier's strong volume to North America and Europe has been maintained.
- 2Q Extra-ordinary Loss
 - Integration cost of container business JPY 4.2 billion
 - (The amount was included in the previous forecast.)
- 2Q Net Income
 - JPY 0.8 billion which is a significant improvement vs the previous forecast.



► Revenues and profit increased vs FY 17/3 2Q. Bottom line returned to the black.

(In billion yen)	FY17/3							FY18/3			Year-on-year
	1Q	2Q	1H	3Q	4Q	2H	Full-Year	1Q	2Q	1H	
Revenues	470.7	457.8	928.5	485.9	509.3	995.2	1,923.8	521.7	542.5	1,064.2	135.6
Operating Income	-10.9	-11.5	-22.4	6.9	-2.5	4.3	-18.0	3.5	9.1	12.7	35.2
Recurring Profit	-9.9	-13.6	-23.6	25.9	-1.2	24.6	1.0	10.2	11.7	22.0	45.6
Net Income Attributable of owners of the Parent Company	-12.7	-219.0	-231.8	5.7	-39.6	-33.9	-265.7	5.3	0.8	6.2	238.1
Exchange rate	¥ 111.12	¥ 103.50	¥ 107.31	¥ 106.13	¥ 114.29	¥ 110.21	¥ 108.76	¥ 111.48	¥ 110.92	¥ 111.20	+ ¥ 3.89
Bunker Oil Prices	\$ 192.62	\$ 238.71	\$ 215.67	\$ 270.71	\$ 312.94	\$ 291.83	\$ 253.75	\$ 326.72	\$ 316.32	\$ 321.52	+ \$ 105.85

2nd quarter comparison by Industrial SEGs

2Q Result



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- Strong cargo movement in container and dry bulk resulted in market improvement.
- In Logistics, profit declined due to high procurement cost.

	Industrial Segment	FY17/3							FY18/3			Year-on-year	
	(In Billion Yen)	1Q	2Q	1H	3Q	4Q	2H	Full-year	1Q	2Q	1H		
Global Logistics	Liner	141.4	139.1	280.5	149.8	155.4	305.3	585.9	171.5	179.0	350.5	69.9	
		-8.8	-6.4	-15.3	3.9	-1.3	2.5	-12.7	5.7	7.6	13.3	28.6	
	Air Cargo	19.0	19.4	38.5	22.5	20.9	43.4	81.9	23.3	23.7	47.1	8.6	
		-1.9	-1.4	-3.4	2.2	3.8	6.1	2.6	0.7	-0.8	-0.0	3.3	
	Logistics	113.8	111.9	225.8	118.0	117.5	235.5	461.3	118.9	127.7	246.7	20.9	
		2.1	2.4	4.6	2.0	0.9	3.0	7.6	-0.0	1.3	1.2	-3.4	
	(Total)	274.3	270.6	544.9	290.4	293.8	584.2	1,129.1	313.9	330.5	644.4	99.5	
		-8.6	-5.4	-14.1	8.2	3.4	11.6	-2.4	6.3	8.1	14.5	28.6	
	Bulk Shipping	Bulk Shipping	180.1	169.6	349.8	176.6	191.2	367.9	717.7	188.9	192.2	381.2	31.4
			-0.8	-8.5	-9.4	8.0	-2.7	5.2	-4.1	2.7	2.2	5.0	14.5
Others	Real Estates	2.4	2.4	4.8	2.5	2.0	4.5	9.4	1.9	1.9	3.9	-0.9	
		0.9	0.9	1.8	9.4	0.7	10.1	12.0	0.6	0.8	1.4	-0.4	
	Other	32.0	34.5	66.6	37.0	42.8	79.9	146.6	39.0	40.0	79.1	12.4	
		-0.6	0.1	-0.5	0.6	-1.6	-0.9	-1.4	1.1	0.9	2.0	2.5	
	Elimination/Un allocation	-18.2	-19.3	-37.6	-20.7	-20.6	-41.4	-79.0	-22.2	-22.1	-44.4	-6.8	
		-0.7	-0.7	-1.4	-0.4	-1.0	-1.5	-2.9	-0.6	-0.4	-1.0	0.3	
	Consolidated	470.7	457.8	928.5	485.9	509.3	995.2	1,923.8	521.7	542.5	1,064.2	135.6	
		-9.9	-13.6	-23.6	25.9	-1.2	24.6	1.0	10.2	11.7	22.0	45.6	

※ (Upper) Revenues (Lower) Recurring Profit
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Analysis of Change in Recurring Profit between FY 17/3 2nd and FY 18/3 2nd

2Q Result



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(billion yen)

Yen Depreciation	1.3	¥111.20/\$, Depreciated by ¥3.89
Higher Bunker Oil Price	-5.5	\$321.52/MT, Increased by \$105.85
Market Effects, etc.	31.0	
Cost Reduction	1.5	
Foreign Exchange Profit/Loss	9.2	
Others	8.1	(Structural reforms effect 8.0 included)
Total	45.6	



- ▶ Full-year revenues increase vs FY 17/3.
Results expected to remarkably improve and return to the black.
- ▶ Net income: Make upward adjustment to the previous forecast.

- Liner Strong cargo movement expected. A certain amount of integration cost included in the forecast, but 2H bottom line expected to be in the black and improved YoY.
- Air Cargo Recurring profit expected to increase with stable cargo volume and improve YoY. (One-off forex profit gained last year so operating profit significantly increase YoY.)
- Logistics Make downward adjustment to previous forecast. Revenue expected to increase but profitability decline due to high procurement cost.
- Bulk Shipping Make upward adjustment to previous forecast.
Revenue and profit improve YoY. Recovery in dry bulk market and good profit by LNG/offshore business expected.
- Real estate Making stable profit. Revenue and profit decreasing YoY but this is due to one-off profit recorded last year.
- Dividends Interim: no payment Year-end: TBD

•Non-operating Loss: Cost related to preparation work for ONE started to be recognized from 2Q.

Revised Forecast for FY 18/3 (Summary)

Forecast



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	FY 17/3 (Result)					FY 18/3 (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	928.5		995.2		1,923.8	1,064.2		1,088.8	2,153.0	229.2	41.0
	470.7	457.8	485.9	509.3		521.7	542.5				
Operating Income	-22.4		4.3		-18.0	12.7		20.3	33.0	51.0	11.5
	-10.9	-11.5	6.9	-2.5		3.5	9.1				
Recurring Profit	-23.6		24.6		1.0	22.0		13.0	35.0	34.0	12.0
	-9.9	-13.6	25.9	-1.2		10.2	11.7				
Net Income Attributable to Owners of the parent company	-231.8		-33.9		-265.7	6.2		4.8	11.0	276.7	6.0
	-12.7	-219.0	5.7	-39.6		5.3	0.8				
Exchange Rate	¥ 111.12	¥ 103.50	¥ 106.13	¥ 114.29	¥ 108.76	¥ 111.48	¥ 110.92	¥ 110.00	¥ 110.60	¥ 1.84	
Bunker Oil Prices	\$192.62	\$ 238.71	\$ 270.71	\$312.94	\$253.75	\$326.72	\$316.32	\$350.00	\$335.76	\$82.01	

► Sensitivity on Recurring Profit (2H)

Exchange Rate : 0.2 billion(2H) increase per ¥1/\$ depreciation

Bunker Oil Prices : 0.6 billion(2H) increase per \$10/MT decrease

► Dividends Interim: no payment Year-end: TBD

FY 18/3 Forecast by Industrial SEGs

Forecast



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Industrial Segment		FY17/3 (Result)					FY 18/3 (Forecast)					Year-on Year
(In billion yen)		1Q	2Q	1H	2H	Full-year	1Q	2Q	1H (Result)	2H	Full-year	
Global Logistics	Liner	141.4	139.1	280.5	305.3	585.9	171.5	179.0	350.5	344.5	695.0	109.1
		-8.8	-6.4	-15.3	2.5	-12.7	5.7	7.6	13.3	0.2	13.5	26.2
	Air Cargo	19.0	19.4	38.5	43.4	81.9	23.3	23.7	47.1	47.9	95.0	13.1
		-1.9	-1.4	-3.4	6.1	2.6	0.7	-0.8	-0.0	0.5	0.5	-2.1
	Logistics	113.8	111.9	225.8	235.5	461.3	118.9	127.7	246.7	265.3	512.0	50.7
		2.1	2.4	4.6	3.0	7.6	-0.0	1.3	1.2	3.7	5.0	-2.6
	(Total)	274.3	270.6	544.9	584.2	1,129.1	313.9	330.5	644.4	657.7	1,302.0	172.9
		-8.6	-5.4	-14.1	11.6	-2.4	6.3	8.1	14.5	4.4	19.0	21.4
	Bulk Shipping	180.1	169.6	349.8	367.9	717.7	188.9	192.2	381.2	389.8	771.0	53.3
		-0.8	-8.5	-9.4	5.2	-4.1	2.7	2.2	5.0	7.9	13.0	17.1
Others	Real Estate	2.4	2.4	4.8	4.5	9.4	1.9	1.9	3.9	4.1	8.0	-1.4
		0.9	0.9	1.8	10.1	12.0	0.6	0.8	1.4	1.1	2.5	-9.5
	Other	32.0	34.5	66.6	79.9	146.6	39.0	40.0	79.1	81.9	161.0	14.4
		-0.6	0.1	-0.5	-0.9	-1.4	1.1	0.9	2.0	0.5	2.5	3.9
	Elimination/Unallocation	-18.2	-19.3	-37.6	-41.4	-79.0	-22.2	-22.1	-44.4	-44.6	-89.0	-10.0
		-0.7	-0.7	-1.4	-1.5	-2.9	-0.6	-0.4	-1.0	-1.0	-2.0	0.9
	Consolidated	470.7	457.8	928.5	995.2	1,923.8	521.7	542.5	1,064.2	1,088.8	2,153.0	229.2
		-9.9	-13.6	-23.6	24.6	1.0	10.2	11.7	22.0	13.0	35.0	34.0

※ (Upper) Revenues (Lower) Recurring Profit

- A certain amount of integration cost included in the forecast.
- In Air Cargo and Real Estate, one-off profit recorded in the previous year (2H).

FY18/3 Forecast vs latest Guidance by Industrial SEGs

Forecast



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	Industrial Segment (In billion yen)	Guidance			Forecast			Change Full-year		
		1H	2H	Full-year	1H (Result)	2H	Full-year	1H	2H	Full Year
Global Logistics	Liner	346.0 9.0	339.0 -4.0	685.0 5.0	350.5 13.3	344.5 0.2	695.0 13.5	4.5 4.3	5.5 4.2	10.0 8.5
	Air Cargo	48.0 0.5	47.0 1.0	95.0 1.5	47.1 -0.0	47.9 0.5	95.0 0.5	-0.9 -0.5	0.9 -0.5	0.0 -1.0
	Logistics	252.0 3.5	258.0 5.0	510.0 8.5	246.7 1.2	265.3 3.7	512.0 5.0	-5.3 -2.3	7.3 -1.3	2.0 -3.5
	(Total)	646.0 13.0	644.0 2.0	1,290.0 15.0	644.4 14.5	657.7 4.4	1,302.0 19.0	-1.6 1.5	13.7 2.4	12.0 4.0
Bulk Shipping	Bulk Shipping	369.0 0.5	374.0 6.0	743.0 6.5	381.2 5.0	389.8 7.9	771.0 13.0	12.2 4.5	15.8 1.9	28.0 6.5
	Real Estate	4.0 1.0	4.0 1.5	8.0 2.5	3.9 1.4	4.1 1.1	8.0 2.5	-0.1 0.4	0.1 -0.4	0.0 0.0
Others	Other	79.0 1.5	82.0 0.5	161.0 2.0	79.1 2.0	81.9 0.5	161.0 2.5	0.1 0.5	-0.1 0.0	0.0 0.5
	Elimination/ Allocation	-45.0 -1.5	-45.0 -1.5	-90.0 -3.0	-44.4 -1.0	-44.6 -1.0	-89.0 -2.0	0.6 0.5	0.4 0.5	1.0 1.0
Consolidated		1,053.0 14.5	1,059.0 8.5	2,112.0 23.0	1,064.2 22.0	1,088.8 13.0	2,153.0 35.0	11.2 7.5	29.8 4.5	41.0 12.0

※ (Upper) Revenues (Lower) Recurring Profit

- Liner: Stable cargo movement in the market. Expect more lifting volume than previous forecast. Terminal to make stable profit.
- Bulk Shipping: Market expect to continue moderate recovering.



- Liner Target to secure enough cargo volume in 2H (slack season).
Aim to maximize profit margin by flexible pricing and optimizing cargo mixture.
- Air Cargo Forecast stable cargo volume to continue. However, profit margin to decline due to expected some engine maintenances.
- Logistics Expect high procurement situation to be eased over time.
- Bulk Shipping
 - Dry Bulk Stable cargo and moderate market recovery expected to continue.
 - Liquid Tanker market expected to recover in 2H, a period of peak demand.
 - Car Carrier Strong cargo movement to Europe/America expected.
Further optimize vessel allocation/operation.



► 1. Liner Trade (Container Transportation)

Lifting · Utilization (1,000TEU)

		17/3(Result)				18/3(Forecast)			
		1H		2H		1H(Result)		2H	Full-Year
		1Q	2Q	3Q	4Q	1Q	2Q		
Asia → North America	Lifting (Guidance)	175	220	227	217	239	257	492	988
	Utilization (Guidance)	80%	92%	92%	90%	(489)	(480)	(968)	
Asia → Europe	Lifting (Guidance)	117	128	124	129	166	176	343	685
	Utilization (Guidance)	91%	95%	97%	102%	(344)	(322)	(666)	
						96%	95%	95%	95%
						(96%)	(94%)	(95%)	

Freight Index (09/3 1Q = 100)

		17/3(Result)				18/3(Forecast)			
		1H		2H		1H(Result)		2H	Full-Year
		1Q	2Q	3Q	4Q	1Q	2Q		
Asia→North America (Guidance)		74	69	71	71	70	69	70	69
						(72)	(71)	(71)	
Asia→Europe (Guidance)		42	46	47	51	50	55	52	52
						(52)	(53)	(52)	



► 2. Air Cargo Transportation (NCA)

	FY17/3 (Result)				Full-year	FY18/3 (Forecast)				Change from Previous forecast (Full-Year)
	1H		2H			1H(Result)		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q	2Q			
Revenues (billion yen)	38.5		43.4		81.9	47.1		47.9	95.0	0.0
	19.0	19.4	22.5	20.9		23.3	23.7			
Recurring Profit (billion yen)	-3.4		6.1		2.6	-0.0		0.5	0.5	-1.0
	-1.9	-1.4	2.2	3.8		0.7	-0.8			
Chargeable Weight (1,000 ton)	246		263		510	286		279	565	12
	118	129	136	128		142	145			
Volume (RTK) (mil.ton Kilo)	1,493		1,582		3,075	1,703		1,664	3,367	-46
	719	773	825	756		844	858			
Capacity (ATK) (mil.ton Kilo)	2,210		2,172		4,382	2,401		2,314	4,715	-32
	1,080	1,130	1,121	1,050		1,180	1,221			
YIELD FY09/3 1Q=100	72		78		75	82		82	82	0
	74	71	79	77		81	82			
MOPS US\$ per bbl	\$54		\$ 62		\$ 58	\$62		\$65	\$64	0
	\$54	\$54	\$60	\$64		\$61	\$64			



► 3. Logistics

(billion yen)	FY17/3 (Result)					Full-year	FY18/3 (Forecast)				Change from Previous forecast (Full-year)
	1H		2H		1H(Result)		2H	Full-year			
	1Q	2Q	3Q	4Q	1Q				2Q		
Revenues	225.8		235.5		461.3	246.7		265.3	512.0	2.0	
	113.8	111.9	118.0	117.5		118.9	127.7				
Recurring Profit	4.6		3.0		7.6	1.2		3.7	5.0	-3.5	
	2.1	2.4	2.0	0.9		-0.0	1.3				



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

		FY17/3 (Result)				FY18/3 (Forecast)				Previous forecast (Full-Year)	
		1Q	2Q	3Q	4Q	Full-Year	1Q (RSL)	2Q (RSL)	2H		Full-Year
D r y B u l k C a r r i e r	BDI	610	736	997	936	820	1,018	1,137	1,176	1,127	1,051
	Cape (5TC)	6,684	8,080	11,983	10,970	9,429	12,231	14,632	14,750	14,091	13,308
	Panamax (Pac)	4,546	5,743	7,338	7,481	6,277	8,304	9,811	10,250	9,654	8,451
	Handymax (Pac)	4,836	6,509	5,841	5,972	5,789	7,832	8,657	10,000	9,123	8,208
	Handy (Pac)	3,951	5,755	5,895	5,812	5,353	6,778	7,112	8,500	7,723	6,820
Tanker	VLCC	43,686	19,549	49,208	31,483	35,982	22,582	13,541	40,000	29,031	31,896

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



► 4. Bulk Shipping – 2) Car Carrier

	FY17/3 (Result)				Full-year	FY18/3 (Forecast)				Change from previous forecast (Full-year)
	1H		2H			1H(Result)		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q	2Q			
All Trade (10,000cars)	167		169		336	179		180	359	5
	84	83	86	83		88	91			
Year-on year	-11%		-7%		-9%	7%		6%	7%	1%
	-11%	-11%	-12%	-1%		5%	10%			

4. Financial Position



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	FY16/3 (Result)	FY17/3 (Result)	FY17/9 (Result)	FY18/3 (Forecast)	FY18/ (Previous Forecast)
Interest-bearing Debt	940.5	945.3	960.6	1,000.0	1,000.0
Shareholders' equity	773.6	522.4	522.5	530.0	530.0
Shareholders' equity ratio	34%	26%	25%	25%	25%
DER	1.22	1.81	1.84	1.90	1.90
ROE	2.3%	-	-	2.1%	1.0%
Cash flow from Operating Activities	142.8	27.9	32.7	80.0	55.0
Cash flow from investing Activities	-46.8	-144.6	-61.1	-180.0	-150.0
(Depreciation and amortization)	(103.3)	(92.0)	(42.6)	(84.0)	(84.0)

5. Fleet in Operation

Industrial Segment	Type of Vessel	FY16/9(Result)			FY17/9 (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	22	76	98	29	1,925	70	4,848	99	6,773
Bulk Shipping	Bulk Carriers (Capesize)	32	77	109	27	5,252	82	16,136	109	21,388
	Bulk Carriers (Panamax)	40	67	107	39	3,489	56	4,623	95	8,112
	Bulk Carriers (Handysize)	58	96	154	56	2,623	92	4,367	148	6,991
	Wood Chip Carriers	8	34	42	9	460	33	1,806	42	2,267
	Car carriers	29	86	115	35	619	82	1,529	117	2,148
	Tankers	42	22	64	41	7,373	26	3,170	67	10,544
	LNG carriers	65	3	68	67	5,400	3	228	70	5,629
	Multi-Purpose carriers	18	33	51	23	427	18	260	41	688
	Others	1	0	1	1	7	0	-	1	7
Others	Cruise Ships	1	0	1	1	7	0	-	1	7
Total		316	494	810	328	27,587	462	36,970	790	64,558
Offshore	Shuttle Tankers			26					29	3,437
	FPSO			4					4	-
	Drill Ships			1					1	-
Grand Total				841					824	67,996

-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.

ONE

OCEAN NETWORK EXPRESS

Operating Company for New Integrated Container Shipping
Business –Progress status report for business launch–
OCT 31ST 2017

Progress of Integration(1/3)

▣ Overall progress : No change from the original schedule

ONE

OCEAN NETWORK EXPRESS

NewCo: Ocean Network Express is named as ONE



2017/7/10 @Press Conference (From Left K-Line: Eizo Murakami, MOL: Junichiro Ikeda, ONE: Jeremy Nixon, NYK: Tadaaki Naito)



Progress of Integration(2/3)

Regional Head Quarter and Local Entity Establishment

- Global Head Quarter : Marina One Office in Singapore will be open in Jan 2018
- All Regional Head Quarters (Singapore, Hong Kong, UK, USA, Brazil) and Japan Local Office start business
- Offices in other countries are in progress of establishment

Antitrust license approval

- Only South Africa is under process of appeal. It will be concluded in Jan 2018.
- Procedure related to the business integration completed in other countries.

Contract with customers (Bid)

- As for the contract effective from Apr 2018, we started to participate in bidding process invited by customers. (*)

Contract with vendors

- As for the contract effective from Apr 2018, we started to talk with vendors. (*)

(*) Excluding South Africa Trade

Progress of Integration(3/3)

IT Infrastructure

- ▣ Built a core system that combines best practices (Aug 2017)
- ▣ Training for booking launch (Feb 2018) started around the world (From Sep 2017)
- ▣ E-commerce : Developing multi functional Home Page for customer convenience

Safe Operation, Environment

- ▣ Scheduled installation of state-of-the-art 24 hours vessel operation center in GHQ office
- ▣ Started to formulate ONE own safe navigation standard
- ▣ Started preparations for ISO14001

Corporate Function

- ▣ Decision of audit corporation
- ▣ Decided financial period (Apr – Mar)
- ▣ Adopted Global Cash Management System for the more efficient cash flow control

We will continue preparations for service start from Apr 2018