

# Second Quarter Financial Results for Fiscal Year Ending March 2020, and Revised Forecast for Entire Fiscal Year

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October 31, 2019

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**(Attachment)**

**Ocean Network Express  
Financial Results for FY2019 2<sup>nd</sup> Quarter and  
Forecasts for FY2019**

# 1. Overview of 2nd Quarter Results for FY Ending Mar. 2020



## ► Revenues

Revenue decreased vs. same period last year due to the sales of subsidiary shares as a part of business portfolio revision.

## ► Recurring profit/loss

Returned to profitability driven by major improvements in Liner Business. Air cargo/Logistics/Bulk Shipping decreased profit vs. same period last year.

## ► Extraordinary profit/loss

Recorded profit due to sales of real estate. Also recorded loss on early termination and return of two costly chartered-in vessels.

### <Review of 1H>

- Liner Continued various measures to improve profitability of ONE and Liftings/Utilization improved. Major improvement vs. same period last year due to the absence of one-time NYK's liner business termination cost.
- Air Cargo Own aircraft utilized as expected. Loss reported due to declining demand resulting mainly from the trade friction between US and China.
- Logistics Ocean/Air freight forwarding decreased handling volume. In Contract Logistics, profitability improved in Europe.
- Bulk Shipping Car and Energy transport was robust and reported higher profit than the previous year. While the improvement of the dry bulk market was greater than expected, the effects of the improved market was limited, due to having fixed the income using the Forward Freight Agreement (FFA) at the early stage of market improvement. Although valuation losses/settlement losses were recorded under non-operating expenses, there will be no effects on full-year forecast. (See p. 14)

# Summary of 2Q Results

2Q Results



**NYK LINE**  
NIPPON YUSEN KAISHA

- ▶ Increased profit significantly at each income level vs. same period last year.
- ▶ Revenue decreased vs. same period last year due to the sales of subsidiary shares as a part of business portfolio revision.

(In billion yen)	FY Ending Mar. 2019							FY Ending Mar. 2020			Year-on-year
	1Q	2Q	1H	3Q	4Q	2H	Full-Year	1Q	2Q	1H	
Revenues	464.8	450.7	915.6	468.9	444.6	913.6	1,829.3	406.4	418.3	824.7	-90.9
Operating Profit	-8.1	3.9	-4.1	8.7	6.5	15.2	11.0	5.4	10.3	15.8	20.0
Recurring Profit	-6.6	-2.4	-9.0	5.6	1.3	6.9	-2.0	6.4	9.6	16.0	25.0
Profit attributable to owners of parent	-4.5	-5.2	-9.7	1.0	-35.7	-34.7	-44.5	9.1	1.9	11.1	20.9
Exchange rate	¥ 108.10	¥ 110.87	¥ 109.48	¥ 113.43	¥ 110.28	¥ 111.86	¥ 110.67	¥ 110.73	¥ 107.63	¥ 109.18	- ¥ 0.30
Bunker Oil Prices	\$395.94	\$443.36	\$419.65	\$478.90	\$451.74	\$465.32	\$442.49	\$438.21	\$435.09	\$436.54	+\$16.89

# 2Q Comparison by Industrial SEGs

2Q Results



**NYK LINE**  
NIPPON YUSEN KAISHA

- ▶ Liner business returned to profitability due to improvement at ONE and the absence of last year's one-time NYK's liner business termination cost.
- ▶ The effects of improvement of profits of bulk shipping including dry bulk has been postponed to 2H.

Global Logistics	Industrial Segment	FY Ending Mar. 2019							FY Ending Mar. 2020			Year-on-year
	(In Billion Yen)	1Q	2Q	1H	3Q	4Q	2H	Full-year	1Q	2Q	1H	
	Liner	80.1	70.0	150.2	67.9	68.2	136.1	286.3	51.9	51.6	103.6	-46.5
		-16.6	-2.2	-18.8	-5.8	-1.6	-7.5	-26.4	1.9	7.7	9.7	28.5
	Air Cargo	21.7	7.4	29.1	13.1	14.5	27.6	56.7	17.7	18.6	36.3	7.2
		-1.6	-6.2	-7.9	-4.2	-3.7	-7.9	-15.9	-4.4	-4.7	-9.1	-1.1
	Logistics	130.4	135.3	265.7	137.3	122.7	260.0	525.8	117.7	120.4	238.2	-27.5
		1.3	1.9	3.2	3.8	0.6	4.4	7.7	-0.0	2.3	2.3	-9.0
	(Total)	232.3	212.7	445.0	218.3	205.4	423.8	868.9	187.4	190.7	378.1	-66.8
		-16.9	-6.5	-23.5	-6.3	-4.6	-11.0	-34.6	-2.5	5.4	2.8	26.4
Bulk Shipping	Bulk Shipping	206.5	208.1	414.6	218.4	208.2	426.6	841.3	195.1	205.1	400.3	-14.3
		10.4	5.4	15.8	10.6	7.2	17.9	33.7	9.2	5.0	14.2	-1.6
Others	Real Estates	1.8	1.9	3.8	1.8	1.9	3.8	7.6	1.8	1.7	3.6	-0.1
		0.7	0.7	1.4	0.6	0.6	1.3	2.7	0.7	0.5	1.3	-0.1
	Other	43.5	46.6	90.1	50.1	47.8	97.9	188.1	39.7	37.1	76.8	-13.3
		0.9	-0.3	0.5	1.9	0.5	2.4	3.0	0.7	0.2	1.0	0.4
	Elimination/ Unallocation	-19.4	-18.6	-38.0	-19.9	-18.7	-38.7	-76.7	-17.7	-16.5	-34.2	3.7
		-1.7	-1.6	-3.3	-1.2	-2.4	-3.6	-7.0	-1.7	-1.6	-3.4	-0.0
Consolidated	Consolidated	464.8	450.7	915.6	468.9	444.6	913.6	1,829.3	406.4	418.3	824.7	-90.9
		-6.6	-2.4	-9.0	5.6	1.3	6.9	-2.0	6.4	9.6	16.0	25.0

# Analysis of Change in Recurring Profit between FY Ending Mar. 2019 and FY Ending Mar. 2020

2Q Results



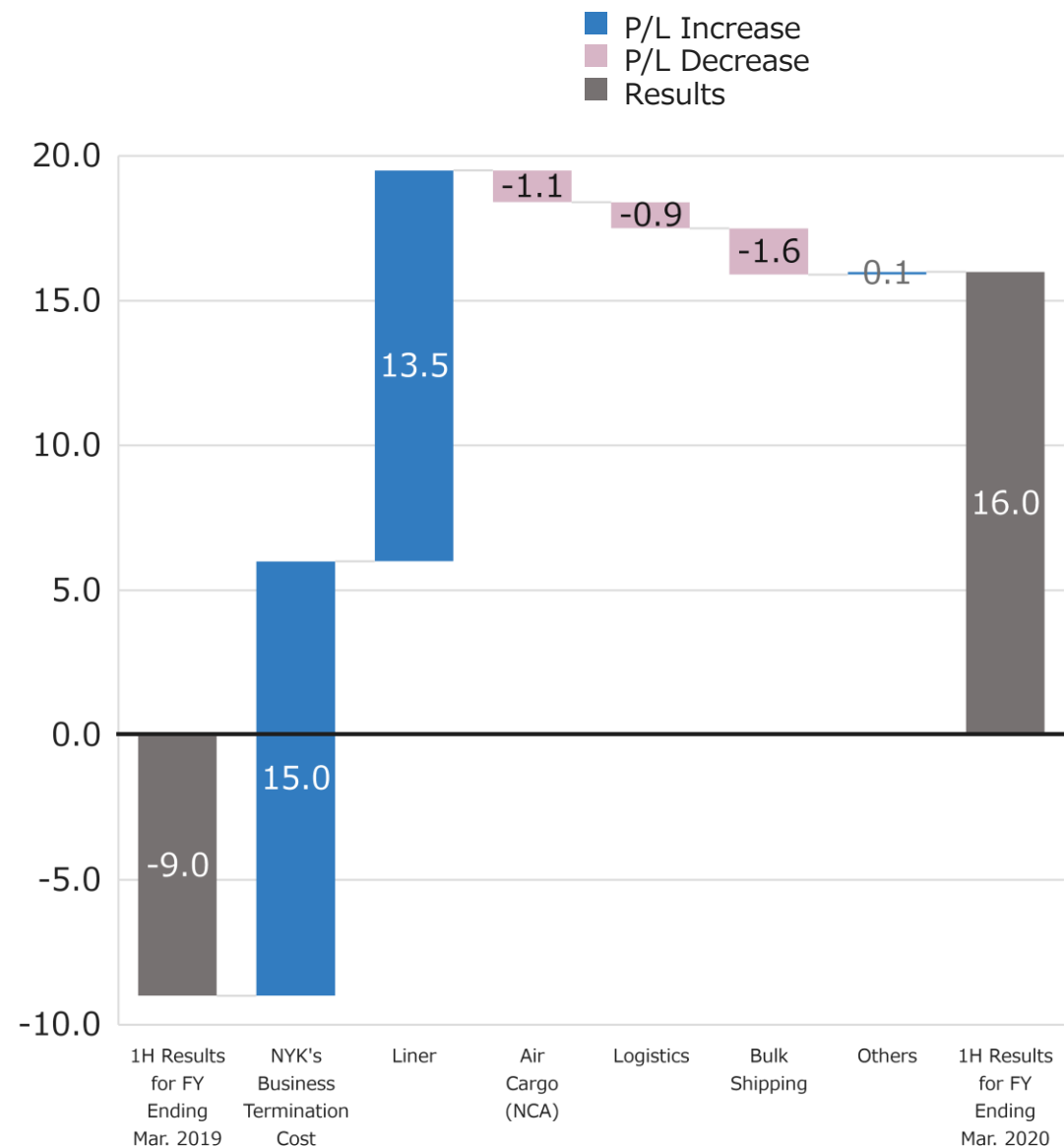
**NYK LINE**  
NIPPON YUSEN KAISHA

## Analysis by Factors

<b>Yen Appreciation</b>	<b>-0.0</b>	¥109.18/\$, Appreciated by ¥0.30
<b>Higher Bunker Oil Prices</b>	<b>-0.2</b>	\$436.54/MT, Increased by \$16.89
<b>Market Effects etc.</b>	<b>16.5</b>	Liner +14.8 Bulk shipping +1.7
<b>Foreign Exchange Profit/Loss</b>	<b>-3.4</b>	
<b>Others</b>	<b>12.2</b>	NYK's business termination cost +150
<b>Total</b>	<b>25.0</b>	

## Analysis by Segments

(billion yen)



## 2. Revised Forecast for FY Ending Mar. 2020

Forecast



**NYK** LINE  
NIPPON YUSEN KAISHA

- ▶ Profit increased significantly vs. previous year with the improvement of Liner and Bulk Shipping.
- ▶ Adjustment from the previous forecast: Increase operating profit, and maintain recurring and net profit.

(Recurring profit)

- Liner Upward revision. While downward revision was made to ONE's forecast, profits increase in terminal businesses.
- Air Cargo Downward revision. While the effects of sluggish market in the 1H will be evident, a certain recovery in demand is expected in the peak season. The review of fleet allocation will continue in order to improve profitability.
- Logistics Downward revision. Although a decrease in the handling volume in forwarding businesses is expected, it will be partly offset by improved profitability. Structural reforms of the unprofitable businesses in Contract Logistics will continue.
- Bulk Shipping The previous forecast will remain unchanged for the three divisions. While strong market conditions are expected, a certain amount of one-time expenses associated with SOx regulation compliance is considered.
  - Dry Bulk Market conditions will be strong. The effects of the improved market on profits will be limited from having fixed the income from FFA.
  - Energy Strong VLCC & petroleum product/LPG carriers markets are expected. Effects of increased repair expenses and delayed start of operations of the LNG midstream (Cameron) project is incorporated.
  - Car Carrier Optimized vessel allocation and operations will continue in trilateral transportation.
- ▶ Early termination and return of chartered-in vessels for dry bulk and initiatives in asset liquidation will continue.
- ▶ Maintain the current dividend forecast of JPY40/share for the year including mid-term dividend JPY20/share and year-end dividend of JPY20/share.

# Summary of Forecast for FY Ending Mar. 2020 Forecast



**NYK LINE**  
NIPPON YUSEN KAISHA

(In billion yen)	FY Ending Mar. 2019 (Results)					FY Ending Mar. 2020 (Forecast)				Year-on year	Change from previous forecast (full-year)
	1H		2H		Full- year	1H(Results)		2H	Full- year		
	1Q	2Q	3Q	4Q		1Q	2Q				
Revenues	915.6		913.6		1,829.3	824.7		855.3	1,680.0	-149.3	-20.0
	464.8	450.7	468.9	444.6		406.4	418.3				
Operating Profit	-4.1		15.2		11.0	15.8		24.7	40.5	29.5	6.0
	-8.1	3.9	8.7	6.5		5.4	10.3				
Recurring Profit	-9.0		6.9		-2.0	16.0		21.0	37.0	39.0	0
	-6.6	-2.4	5.6	1.3		6.4	9.6				
Profit attributable to owners of parent	-9.7		-34.7		-44.5	11.1		14.9	26.0	70.5	0
	-4.5	-5.2	1.0	-35.7		9.1	1.9				

Exchange Rate    ¥ 108.10   ¥ 110.87   ¥ 113.43   ¥ 110.28   ¥ 110.67  
 Bunker Oil Prices   \$395.94   \$443.36   \$478.90   \$451.74   \$442.49

¥ 110.73   ¥ 107.63   ¥ 105.00   ¥ 107.09   - ¥ 3.58  
 \$438.21   \$435.09   \$360.00   \$398.27   -\$44.22  
 Regulatory Compliant   \$580.00   \$580.00  
 Bunker Oil Prices

## ► Sensitivity on Recurring Profit on a half-year basis

Exchange Rate : Approx. 0.17 billion increase per ¥1/\$ depreciation

Bunker Oil Prices : Approx. 0.14 billion increase per \$10/MT decrease



# 2Q Forecast by Industrial SEGs

Forecast



**NYK LINE**  
NIPPON YUSEN KAISHA

Industrial Segment (In billion yen)		FY Ending Mar. 2019 (Results)					FY Ending Mar. 2020 (Forecast)					Year-on Year
		1Q	2Q	1H	2H	Full-year	1Q (Results)	2Q (Results)	1H (Results)	2H	Full-year	
Global Logistics	Liner	80.1 -16.6	70.0 -2.2	150.2 -18.8	136.1 -7.5	286.3 -26.4	51.9 1.9	51.6 7.7	103.6 9.7	100.4 0.3	204.0 10.0	-82.3 36.4
	Air Cargo	21.7 -1.6	7.4 -6.2	29.1 -7.9	27.6 -7.9	56.7 -15.9	17.7 -4.4	18.6 -4.7	36.3 -9.1	44.7 -4.9	81.0 -14.0	24.3 1.9
	Logistics	130.4 1.3	135.3 1.9	265.7 3.2	260.0 4.4	525.8 7.7	117.7 -0.0	120.4 2.3	238.2 2.3	261.7 3.1	500.0 5.5	-25.8 -2.2
	(Total)	232.3 -16.9	212.7 -6.5	445.0 -23.5	423.8 -11.0	868.9 -34.6	187.4 -2.5	190.7 5.4	378.1 2.8	406.8 -1.4	785.0 1.5	-83.9 36.1
Bulk Shipping	Bulk Shipping	206.5 10.4	208.1 5.4	414.6 15.8	426.6 17.9	841.3 33.7	195.1 9.2	205.1 5.0	400.3 14.2	409.7 25.7	810.0 40.0	-31.3 6.3
Others	Real Estate	1.8 0.7	1.9 0.7	3.8 1.4	3.8 1.3	7.6 2.7	1.8 0.7	1.7 0.5	3.6 1.3	3.9 1.2	7.5 2.5	-0.1 -0.2
	Other	43.5 0.9	46.6 -0.3	90.1 0.5	97.9 2.4	188.1 3.0	39.7 0.7	37.1 0.2	76.8 1.0	80.1 -0.5	157.0 0.5	-31.1 -2.5
	Elimination/ Unallocation	-19.4 -1.7	-18.6 -1.6	-38.0 -3.3	-38.7 -3.6	-76.7 -7.0	-17.7 -1.7	-16.5 -1.6	-34.2 -3.4	-45.2 -4.1	-79.5 -7.5	-2.8 -0.5
	Consolidated	464.8 -6.6	450.7 -2.4	915.6 -9.0	913.6 6.9	1,829.3 -2.0	406.4 6.4	418.3 9.6	824.7 16.0	855.3 21.0	1680.0 37.0	-149.3 39.0

※ (Upper) Revenues (Lower) Recurring Profit

➤ Profit for liner and bulk shipping improved significantly.

# Forecast by Industrial SEGs for FY Ending Mar. 2020

Forecast



**NYK LINE**  
NIPPON YUSEN KAISHA

	Industrial Segment (Billions of Yen)	Previous Forecast			Revised Forecast			Change Full-Year			Trend of Recurring Profit/loss (vs previous forecast)
		1H	2H	Full-Year	1H	2H	Full-Year	1H	2H	Full-Year	
Global Logistics	Liner	105.0	102.0	207.0	103.6	100.4	204.0	-1.4	-1.6	-3.0	Container Shipping →
		8.0	1.0	9.0	9.7	0.3	10.0	1.7	-0.7	1.0	Terminal →
	Air Cargo	41.0	47.0	88.0	36.3	44.7	81.0	-4.7	-2.3	-7.0	Ocean Freight Forwarding →
		-8.0	-5.0	-13.0	-9.1	-4.9	-14.0	-1.1	0.1	-1.0	Air Freight Forwarding →
	Logistics	249.0	262.0	511.0	238.2	261.7	500.0	-10.8	-0.3	-11.0	Logistics →
		2.0	4.0	6.0	2.3	3.1	5.5	0.3	-0.9	-0.5	Coastal Shipping etc. →
	(Total)	395.0	411.0	806.0	378.1	406.8	785.0	-16.9	-4.2	-21.0	Dry Bulk →
		2.0	0.0	2.0	2.8	-1.4	1.5	0.8	-1.4	-0.5	Energy →
	Bulk Shipping	397.0	410.0	807.0	400.3	409.7	810.0	3.3	-0.3	3.0	Car Carrier →
		18.5	21.5	40.0	14.2	25.7	40.0	-4.3	4.2	0.0	
Others	Real Estate	3.5	4.0	7.5	3.6	3.9	7.5	0.1	-0.1	0.0	
		1.0	1.5	2.5	1.3	1.2	2.5	0.3	-0.3	0.0	
	Other	80.5	84.0	164.5	76.8	80.1	157.0	-3.7	-3.9	-7.5	
		1.0	-0.5	0.5	1.0	-0.5	0.5	0.0	0.0	0.0	
	Elimination /Allocation	-39.5	-45.5	-85.0	-34.2	-45.2	-79.5	5.3	0.3	5.5	
		-4.5	-3.5	-8.0	-3.4	-4.1	-7.5	1.1	-0.6	0.5	
	Consolidated	836.5	863.5	1,700.0	824.7	855.3	1680.0	-11.8	-8.2	-20.0	
		18.0	19.0	37.0	16.0	21.0	37.0	-2.0	2.0	0.0	

### 3. Segment-Overview: Global Logistics

Segment



**NYK LINE**  
NIPPON YUSEN KAISHA

#### ► 1. Air Cargo Transportation (NCA)

	FY Ending Mar. 2019 (Results)				Full-year	FY Ending Mar. 2020 (Forecast)				Change from previous forecast (full-year)
	1H		2H			1H(Results)		2H	Full-year	
	1Q	2Q	3Q	4Q		1Q	2Q			
Revenues (billion yen)	29.1		27.6		56.7	36.3		44.7	81.0	-7.0
	21.7	7.4	13.1	14.5		17.7	18.6			
Recurring Profit (billion yen)	-7.9		-7.9		-15.9	-9.1		-4.9	-14.0	-1.0
	-1.6	-6.2	-4.2	-3.7		-4.4	-4.7			
Chargeable Weight (1,000 ton)	148		128		276	190		203	393	-58
	112	36	57	71		93	96			
Volume (RTK) (mil.ton Kilo)	855		722		1,576	1062		1,234	2,297	-163
	671	183	306	416		529	533			
Capacity (ATK) (mil.ton Kilo)	1,222		1,148		2,370	1,790		1,840	3,630	-73
	944	278	489	659		894	896			
YIELD FY09/3 1Q=100	90		90		90	84		84	84	-2
	94	79	95	85		88	81			
MOPS US\$ per bbl	\$88		\$80		\$84	\$78		\$85	\$82	-\$2
	\$87	\$89	\$83	\$77		\$80	\$77			

- Utilizing own aircraft and leasing to Atlas Air. performed as expected. Continued review of fleet allocation.
- Profit decreased vs. previous forecast due to effects of declining demand(\*) in the 1H.  
A certain level of recovery in demand into the peak season is considered.



## 2. Logistics

		FY End. Mar. 2018	FY Ending Mar. 2019 (Result)				Full- year	FY Ending Mar. 2020 (Forecast)				Change from previous forecast (full- year)
			1H		2H			1H(Results)		2H	Full- year	
		Full- year	1Q	2Q	3Q	4Q	1Q	2Q				
Ocean Export	TEU (1,000TEU)	780	419		397		815	395		385	780	4
			203	216	207	190		191	203			
	Year-on year	1%	4%		-3%		5%	-6%		-3%	-4%	1%
			5%	3%	-2%	-4%		-6%	-6%			
Air Export	Weight (1,000ton)	375	190		189		380	169		178	347	-18
			94	97	101	88		83	86			
	Year-on year	2%	4%		-1%		1%	-11%		-6%	-9%	-5%
			2%	6%	-4%	2%		-11%	-11%			

- Ocean Freight Forwarding Strengthened profitability management; continued strategic handling adjustments while conducting flexible marketing.
- Air Freight Forwarding Cargo movement declined due to slow export market from Asia. While efforts were made to improve the margin by reducing procurement costs, it could not offset the decrease in revenue from the slow cargo movement.
- Logistics Profitability improved in US and Europe due to the progress of structural reforms, but we still face the issue of improving profitability in South Asia.



### 3. Bulk Shipping – 1 ) Market trend and forecast :

	FY Ending Mar. 2019					FY Ending Mar. 2020 (Forecast)				Previous forecast (Full-Year)	
	1Q	2Q	3Q	4Q	Full-year	1Q (Results)	2Q (Results)	2H	Full-year		
Dry Bulk Carrier	BDI	1,258	1,603	1,357	791	1,252	994	2,035	1,563	1,539	1,351
	Cape (5TC)	14,928	22,054	15,822	8,628	15,358	11,363	29,423	20,500	20,447	16,591
	Panamax (Pac)	10,741	10,444	10,777	7,218	9,795	8,602	13,296	12,000	11,475	10,838
	Handymax (Pac)	11,467	10,718	9,527	7,935	9,912	7,593	10,481	12,000	10,519	10,273
	Handy (Pac)	8,684	7,932	7,718	5,609	7,486	6,254	7,236	8,750	7,748	7,689
Tanker											
	VLCC	9,076	13,966	45,351	27,840	24,058	12,565	26,456	47,500	33,505	30,016
	VLGC	8,774	23,298	26,177	13,602	17,963	50,691	53,795	45,000	48,621	31,423

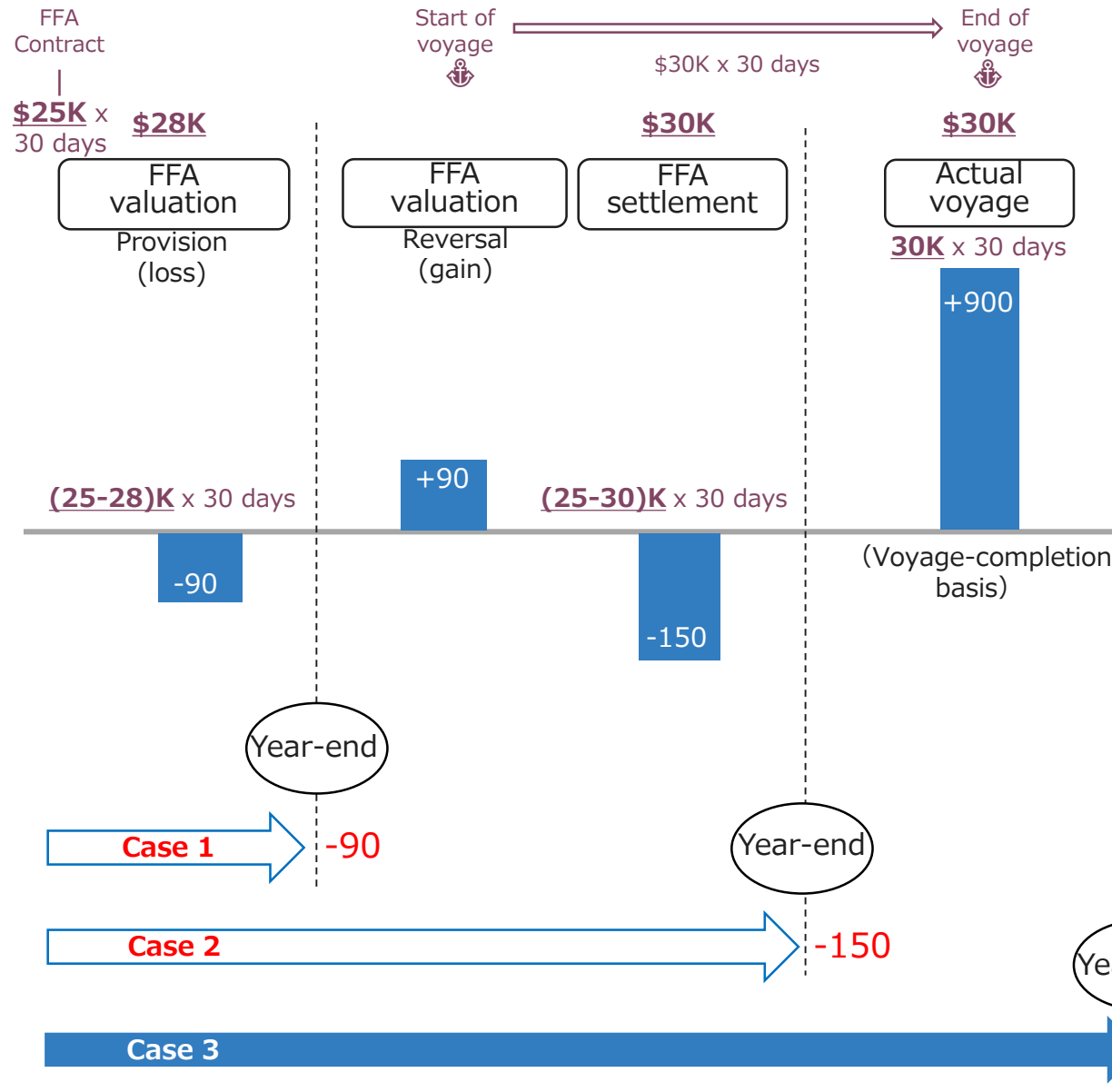
※ Dry Bulk Charter Market (Sport Time Charter) 5TC = 5 Trade Average Pac = Pacific Round Voyage Unit : \$/day

# Reflection of profit/loss from Forward Freight Agreements (FFA)

## Model Diagram



**NYK LINE**  
NIPPON YUSEN KAISHA



**Example in which income is fixed by using FFA against unstable freight rates, which are determined in the market.**

There will be a lapse in the timing of reporting profit/loss.

- Profit/loss from the actual voyage is not reported until the voyage is completed (operating profit/loss).
- Profit/loss from FFA is reported irrespective of the completion of the actual voyage, i.e. valuation gain/loss is recorded at the year-end during the contract term, and settlement gain/loss is recorded at the time of settlement, respectively (non-operating profit/loss)

### [ Case 1 / Case 2 ]

If the end of the fiscal year comes before the completion of the actual voyage, the valuation gain/loss and settlement gain/loss are recorded in advance.

The gain/loss on completion of the actual voyage is not aggregated together with the valuation gain/loss and settlement gain/loss but recorded separately in the following term.

### [ Case 3 ]

+750 = 25K x 30 days  
Profit/loss is determined using the FFA contract rate



### ► 4. Bulk Shipping – 2) Car Carrier :

	FY Ending Mar. 2019 (Results)					FY Ending Mar. 2020 (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)	168		172		340	162		151	314	-8
	87	81	86	86		79	83			
Year-on year	-6%		-7%		-6%	-3%		-12%	-8%	-3%
	-1%	-11%	-8%	-5%		-9%	3%			

- Shipping volume decreased slightly vs the previous forecast but stable P/L are expected due to selective cargo portfolio and improved efficiency in fleet allocation.

## 4. Financial Position

	FY Ending Mar. 2018 (Results)	FY Ending Mar. 2019 (Results)	FY Ending Sept. 2019 (Results)	FY Ending Mar. 2020 (Forecast)	FY End. Mar. 2020 (Previous Forecast)
Interest-bearing Debt (billion yen)	<b>983.4</b>	<b>1046.1</b>	<b>1,124.2</b>	<b>1099.0</b> ※1	<b>1030.0</b>
Shareholders' equity (billion yen)	<b>551.8</b>	<b>487.4</b>	<b>468.0</b>	<b>478.0</b>	<b>500.0</b>
Shareholders' equity ratio	<b>27%</b>	<b>24%</b>	<b>23%</b>	<b>23%</b>	<b>25%</b>
DER	<b>1.78</b>	<b>2.15</b>	<b>2.40</b>	<b>2.30</b>	<b>2.06</b>
ROE	<b>3.8%</b>	-		<b>5.4%</b>	<b>5.3%</b>
Cash flow from Operating Activities (billion yen)	<b>89.0</b>	<b>45.2</b>	<b>47.5</b>	<b>105.0</b> ※1	<b>96.0</b>
Cash flow from investing Activities (billion yen)	<b>-137.9</b>	<b>-132.2</b>	<b>-47.6</b>	<b>-103.0</b> ※2	<b>-75.0</b>
(Depreciation and amortization) (billion yen)	<b>(87.8)</b>	<b>(89.7)</b>	<b>(51.0)</b>	<b>(99.5)</b> ※1	<b>(88.0)</b>

\*1 Includes the impact of the adoption of new IFRS accounting standards by overseas subsidiaries:

Interest-bearing debt Approx. 77.0 billion yen / Depreciation Approx. 11.5 billion yen

\*2 Does not include the impact of converting a fleet-owning subsidiary into a company accounted for by the equity method.



## 5. Fleet in Operation

Industrial Segment	Type of Vessel	FY Ending Sept. 2019 (Results)			FY Ending Sept. 2020 (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)
<b>Liner Trade</b>	<b>Container Ships</b>	<b>32</b>	<b>32</b>	<b>64</b>	<b>31</b>	<b>2,057</b>	<b>31</b>	<b>3,226</b>	<b>62</b>	<b>5,283</b>
<b>Bulk Shipping</b>	<b>Bulk Carriers (Capesize)</b>	<b>26</b>	<b>82</b>	<b>108</b>	<b>25</b>	<b>4,847</b>	<b>89</b>	<b>17,474</b>	<b>114</b>	<b>22,322</b>
	<b>Bulk Carriers (Panamax)</b>	<b>37</b>	<b>55</b>	<b>92</b>	<b>35</b>	<b>3,123</b>	<b>56</b>	<b>4,689</b>	<b>91</b>	<b>7,813</b>
	<b>Bulk Carriers (Handysize)</b>	<b>57</b>	<b>98</b>	<b>155</b>	<b>60</b>	<b>2,846</b>	<b>109</b>	<b>5,128</b>	<b>169</b>	<b>7,975</b>
	<b>Wood Chip Carriers</b>	<b>9</b>	<b>34</b>	<b>43</b>	<b>9</b>	<b>460</b>	<b>35</b>	<b>1,924</b>	<b>44</b>	<b>2,385</b>
	<b>Car carriers</b>	<b>42</b>	<b>75</b>	<b>117</b>	<b>41</b>	<b>779</b>	<b>74</b>	<b>1,352</b>	<b>115</b>	<b>2,132</b>
	<b>Tankers</b>	<b>39</b>	<b>21</b>	<b>60</b>	<b>35</b>	<b>6,642</b>	<b>20</b>	<b>3,168</b>	<b>55</b>	<b>9,811</b>
	<b>LNG carriers</b>	<b>71</b>	<b>3</b>	<b>74</b>	<b>76</b>	<b>6,262</b>	<b>2</b>	<b>164</b>	<b>78</b>	<b>6,426</b>
	<b>Multi-Purpose carriers</b>	<b>23</b>	<b>19</b>	<b>42</b>	<b>22</b>	<b>418</b>	<b>18</b>	<b>263</b>	<b>40</b>	<b>682</b>
	<b>Others</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>7</b>
<b>Others</b>	<b>Cruise Ships</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>7</b>
<b>Total</b>		<b>338</b>	<b>419</b>	<b>757</b>	<b>336</b>	<b>27,447</b>	<b>434</b>	<b>37,392</b>	<b>770</b>	<b>64,839</b>
<b>Offshore</b>	<b>Shuttle Tankers</b>			<b>29</b>					<b>28</b>	<b>3,391</b>
	<b>FPSO</b>			<b>3</b>					<b>3</b>	<b>-</b>
	<b>FSO</b>			<b>1</b>					<b>2</b>	<b>-</b>
	<b>Drill Ships</b>			<b>1</b>					<b>1</b>	<b>-</b>
<b>Grand Total</b>				<b>791</b>					<b>804</b>	<b>68,230</b>

-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.

## 6. Progress of Medium-term Management Plan

### Step1 : Decisively reform dry-bulk business to withstand volatile market conditions

#### ➤ Early redelivery(Result)

**2 vessels** in 1H/FY2019

Plan for further execution

#### ➤ Securing medium-to long-term contracts(Result)

• Contract **8%** increase...

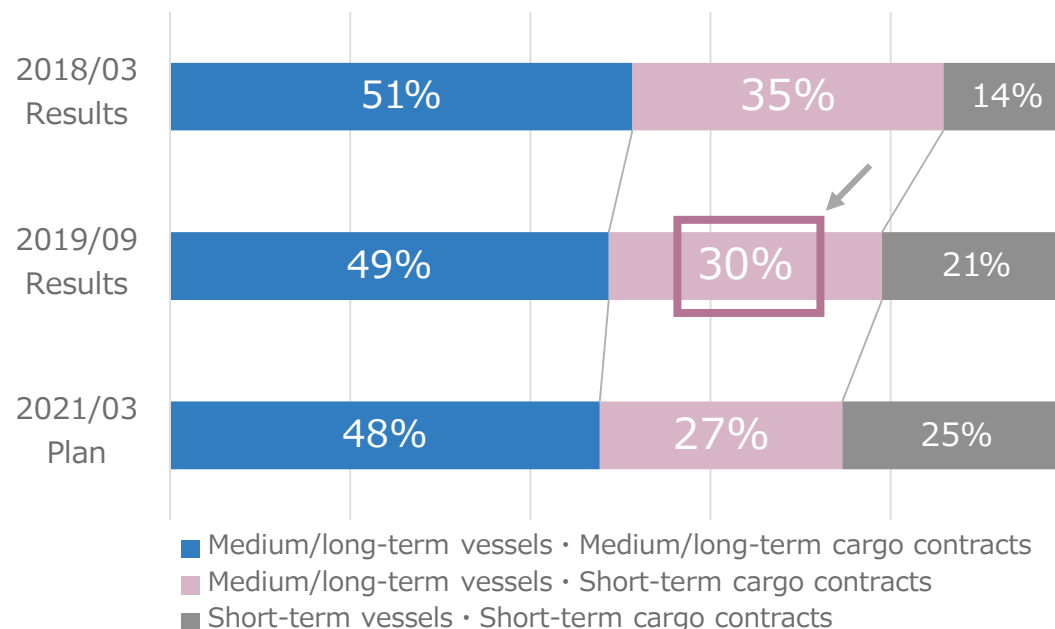
• Vessel **11%** increase ...

• Volume **3%** increase ...

- Comparisons between the numbers as of 2018/03 and 2019/09 on a consolidated basis
- Figures refer to CVC and COA contracts with more than 2 years

#### ➤ Reforming our fleet portfolio to withstand volatile market conditions

- **Early redelivery** contributes to the decrease in exposure fleet rate to **30%**. (Capesize/Panamax)



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

# Progress of Medium-term Management Plan

## Step2 : Secure stable-freight-rate business (Enhance Investment)

### ► LNG Fleet

On order **9** vessels (as of September 2019)

Fleet in Operation **78** vessels  **97** vessels (FY2022)

	Charterer	Vessel Name / Shipyard	Project	FY2019	FY2020	FY2021	FY2022
1	EDF	HHI	US				
2	Mitsubishi Corporation	HHI	US				
3	TOTAL	SHI	Worldwide				
4	Mitsubishi Corporation	HHI	CANADA				
5	Mitsubishi Corporation	HHI	CANADA				
6	TOTAL	SHI	Worldwide				
7	TOTAL	SHI	Worldwide				
8	EDISON	HHI	Worldwide				
9	TOTAL	SHI	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				
3	Shuttle Tanker	TOTAL	Brazil				

### ► Natural Gas Liquefaction Business

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

# Progress of Medium-term Management Plan

## Step3 : Improve Efficiency and Create New Value/Implement Asset Liquidation and Strengthen Group Management

### ► STEP 3 – Digitalization & Green

Digitalization	Green
Establish “MarCoPay”, an Electronic Money Platform Business to Expand Globally	Tidal Energy Demonstration Project in Singapore Starts Producing Electricity
Conduct World’s First Maritime Autonomous Surface Ships Trial	Conduct Japan’s First Carbon-neutral Voyage
Enter into Capital and Business Tie-up for Laser Technology	Demonstrate Support of Zero Emission Tokyo
“K”LINE, MOL, & NYK Share Data with ONE through the Common Data Platform “IoS-OP”	Join “Getting to Zero Coalition” for accelerating maritime shipping’s decarbonization
	Join TCFD Consortium of Japan Accelerate our actions to be well prepared Risk and Opportunity of Climate Change with contents of required disclosure.

### ► Implement Asset Liquidation and Strengthen Group Management etc.

- ❑ Secure approx. 10 billion yen as profit by sales of vessels and real estate etc.
- ❑ Improve of cash flow from Investing and Operating activities.
- ❑ Implement consolidated taxation system from FY2020.

# <IMO2020> Compliance with SOx Emission Regulation

## ▶ Three Action Plans

### 1. Use Low Sulfur Fuel Oil

- ✓ Started supply of LSFO to our fleet in August.
- ✓ Purchased more than 80% of total required volume of LSFO by March, 2020 in advance

### 2. Install SOx Scrubber

- ✓ 10 vessels including on order installed the scrubber as of October.
- ✓ More than 70 vessels will be scheduled to install by 2022.

### 3. Develop LNG Fuel



- ✓ World's first LNG-fueled vessel was delivered in 2016. Total 5 Car Carriers will be done by 2022 in addition.
- ✓ Expand domestic LNG bunkering business
  - Chubu area : The business will be started in 2020.
  - Setouchi/Kyushu area : Participated in first LNG bunkering operation with Kyushu Electric Power Co. Inc., Saibu Gas Co. Ltd., and The Chugoku Electric Power Co. Inc in May.

## ▶ Cost to comply SOx Emission Regulation

- ❑ Attempt to share appropriate burden of the environmental cost with the customers.



**OCEAN NETWORK EXPRESS**

# Financial Results for FY2019 2<sup>ND</sup> Quarter and Forecasts for FY2019

**31,OCT.2019**

## 2Q Results and Comparison with Previous Forecasts

Profit achieved close to previous forecasts. Freight rates and liftings did not achieve latest expectation, mainly due to U.S.-China trade issues and deteriorated supply-demand balance in Europe trade. Meanwhile cost reduction and drops in bunker prices contributed to positively.

(Unit: Million US\$)

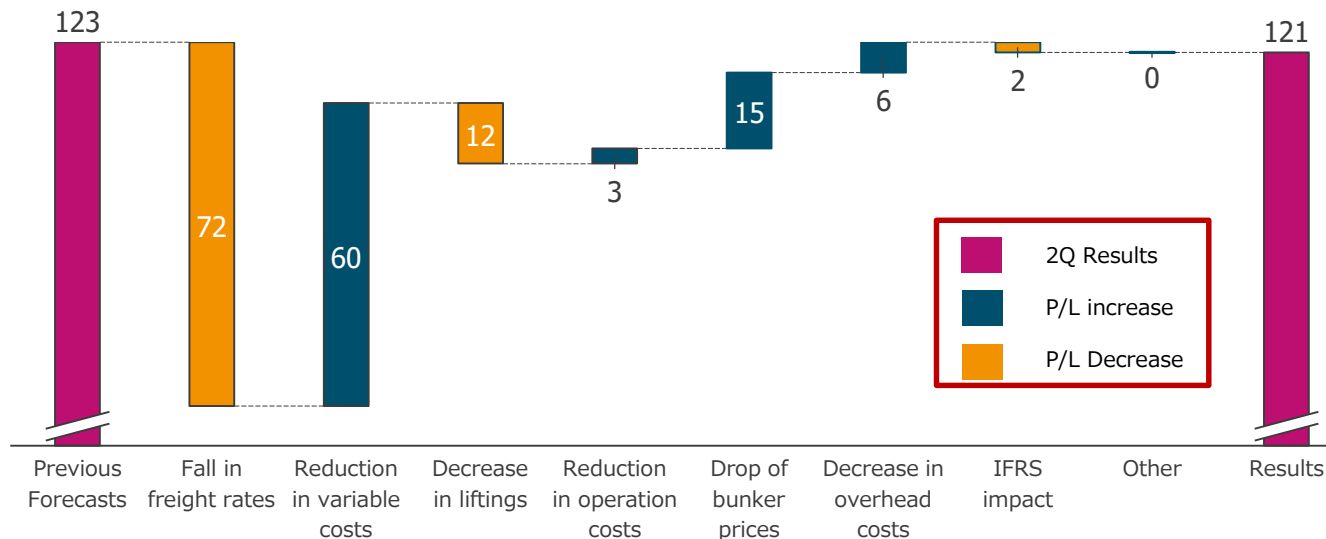
	FY2019 Previous Forecasts*			FY2019			2Q Results to Previous Forecasts*	
	1Q Results	2Q Forecasts	1H Forecasts	1Q Results	2Q Results	1H Results	Change (Mil US\$)	Change (%)
Revenue	2,875	3,214	6,089	2,875	3,109	5,984	-105	-3.3%
Profit /Loss	5	123	128	5	121	126	-2	-1.9%

\*as of July 2019

Bunker Price (US\$/MT)	\$432	\$432	\$432	\$432	\$419	\$427	-\$13
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## P/L Analysis (vs. Previous Forecasts)

(Unit: Million US\$)



- Freight Rates: Below expectations for Asia-North America trade. The spot market on Asia-Europe trade was sluggish.
- Variable Costs: Reduced due to cargo portfolio optimization and cost saving initiatives.
- Liftings: Did not reach the target for Intra-Asia and Asia-North America trades.
- Operation Costs : In line with previous forecasts.
- Overhead Costs : Reduced IT cost.
- IFRS impact and Other : In line with previous forecasts.

### 2Q Results and Comparison year over year basis

As a result of service stabilization, liftings increased across all trades. In addition, reduction in variable costs, fixed costs and overhead costs achieved, resulting in US\$313 million improvement to profit of US\$121 million. Freight rates of Asia-North America trade have improved; on the other hand, Asia-Europe trade was sluggish as there was no peak season rate hike due to deteriorated supply-demand balance.

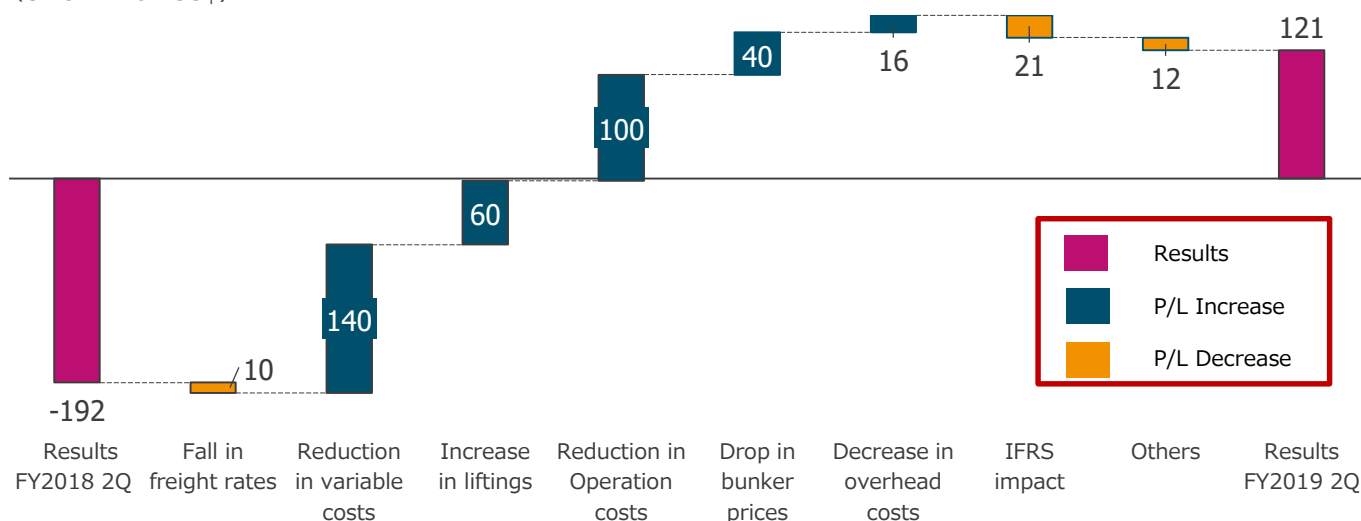
(Unit: Million US\$)

	FY2018			FY2019			2Q Results to FY2018	
	1Q Results	2Q Results	1H Results	1Q Results	2Q Results	1H Results	Change (Mil US\$)	Change (%)
Revenue	2,066	2,963	5,030	2,875	3,109	5,984	146	4.9%
Profit /Loss	-120	-192	-311	5	121	126	313	-

Bunker Price (US\$/MT)	\$407	\$457	\$434	\$432	\$419	\$427	-\$38
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### P/L Analysis (vs. Previous year)

(Unit: Million US\$)



- Freight Rates : Improvement for Asia-North America, Transatlantic, Intra-Asia trades. Asia-Europe trades worsened.
- Variable costs : Accelerated cargo portfolio optimization as well as cost saving initiatives.
- Lifting: Improvement as a result of service stabilization.
- Operating Costs : Reduced by product optimization and bunker saving activities.
- Overhead Costs : Reduction mainly in IT cost and outsourcing fee.
- IFRS: Impact from adoption of new standard on leases.
- Others : Foreign exchange impact and increment in freight tax due to increase in freight income.



# Ocean Network Express Liftings/Utilization/Freight Index



(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2018						
		1Q Results	2Q Results	3Q Results	4Q Results	1H Results	2H Results	Full Year Results
Asia - North America Eastbound	Lifting	530	761	746	627	1,291	1,374	2,664
	Utilization	73%	90%	95%	88%	82%	92%	87%
Asia - Europe Westbound	Lifting	312	478	442	455	790	897	1,687
	Utilization	73%	90%	92%	92%	82%	92%	88%

FY2019		
1Q Results	2Q Results	1H Results
669	773	1,442
86%	94%	90%
460	488	947
87%	95%	91%

Asia - North America Westbound	Lifting	218	285	320	318	502	639	1,141
	Utilization	33%	33%	40%	43%	33%	41%	37%
Asia - Europe Eastbound	Lifting	194	263	315	320	457	634	1,091
	Utilization	48%	47%	62%	63%	48%	62%	55%

350	310	660
47%	37%	42%
323	328	651
64%	64%	64%

(Unit: 100 = average freight rates as of FY2018 1Q)

Freight Index by Trades		FY2018						
		1Q Results	2Q Results	3Q Results	4Q Results	1H Results	2H Results	Full Year Results
Asia - North America Eastbound		100	101	108	105	101	107	104
Asia - Europe Westbound		100	106	100	107	104	104	104

FY2019		
1Q Results	2Q Results	1H Results
103	105	104
100	101	100

# Ocean Network Express FY2019 Full-year Forecasts and P/L Analysis

## □ FY2019 Full-year Forecasts and Comparison with Previous Forecasts

Spot freight rates assumption revised downward due to concern on further slowdown of global economy. Deployment of winter service plan with additional service frequency reduction to prepare for seasonal demand decrease, mainly on Asia-North America and Asia-Europe trades. Targeting further improvement in our competitiveness by continuing cargo portfolio optimization plus cost saving initiatives.

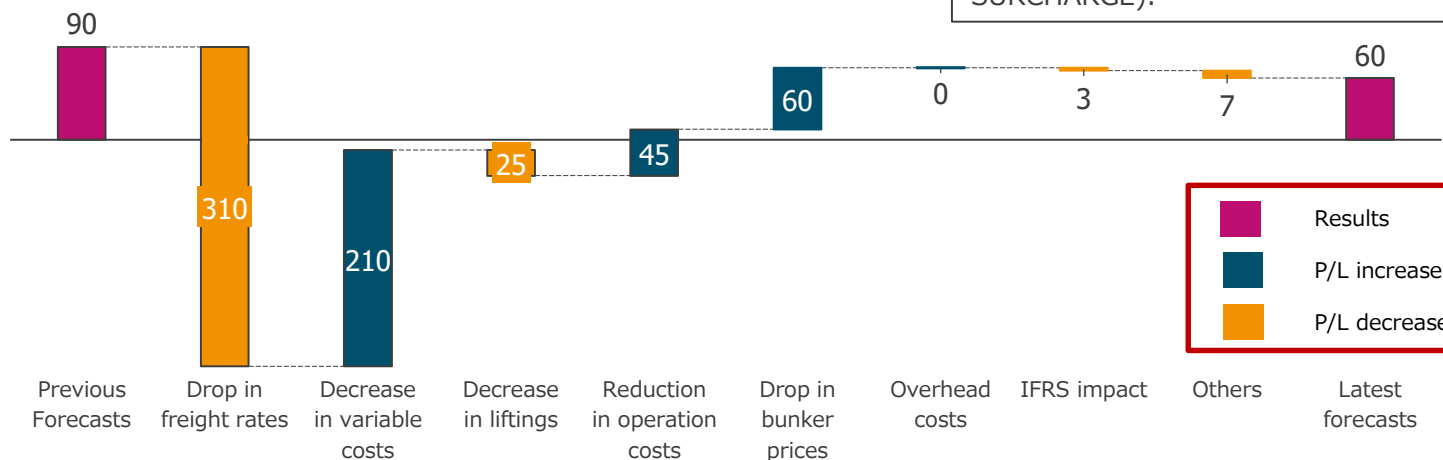
(Unit: Million US\$)

\*as of July 2019

	FY2019 Previous Forecasts*					FY2019					Full Year	
	1Q Results	2Q Forecasts	1H Forecasts	2H Forecasts	Full Year Forecasts	1Q Results	2Q Results	1H Results	2H Forecasts	Full Year Forecast	Change (Mil US\$)	Change (%)
Revenue	2,875	3,214	6,089	6,306	12,395	2,875	3,109	5,984	6,125	12,109	-286	-2.3%
Profit/Loss	5	123	128	-38	90	5	121	126	-66	60	-30	-33.2%
Bunker Price (US\$/MT)	\$432	\$432	\$432	\$533	\$483	\$432	\$419	\$427	\$508	\$469	-\$14	

## □ P/L Analysis (vs. Previous Forecasts)

(Unit: Million US\$)



- Freight Rates: Reflect spot freight rates deterioration.
- Variable Costs: Reviewed according to recent Portfolio Optimization and Cost Saving Initiatives.
- Liftings : Expect contribution from 2 updated services launched (Middle East – Africa, India – Europe) while reflecting deceleration of demand growth for Asia-North America and Intra-Asia trade.
- Operation Costs : Reflect reduction from the winter service plan in Asia-North America and Asia-Europe trades.
- Bunker Price: Corresponding to MARPOL 2020 regulation. Bunker price assumption is updated reflecting recent market.

# Ocean Network Express

## Updates on Action Plans



### Action Plans in FY2019

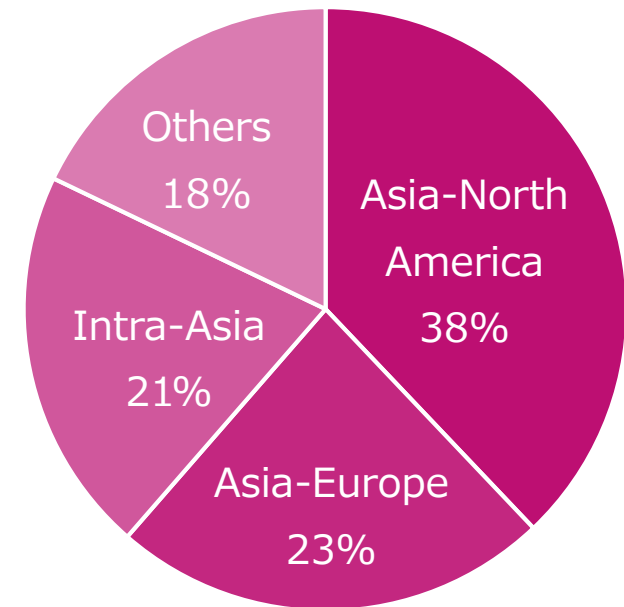
Cargo Portfolio Optimization, Reinforcement of Yield Management	Improvement in profitability by cargo portfolio optimization is smoothly developing as forecast at the beginning of the year. Projected improvement of US\$190 million per year as targeted is steadily materializing along with accelerating operational efficiency plus business process improvement as well as cost management.
Products (Service Routes/Allocated vessels) Rationalization	Products rationalization effects in FY2019(Improvements: US\$195 million per year) and fuel saving effects (Improvements: US\$65 million per year) are smoothly developing. In second half, launching Middle East/India to Africa service and East India to Europe service, targeting growth in emerging markets. THE ALLIANCE fixed winter service plan to correspond with demand changes in second half. Alliance members, including Hyundai Merchant Marine(HMM), analyzing FY2020 product for more competitiveness.
Organization Optimization	Overhead cost reduction target US\$50 million annually is on track.
Synergy Effects	82% of the target for synergistic effects of US\$1,050 million/year was achieved in FY2018, the first year after integration. The targets – 96% in FY2019, the second year, and 100% in FY2020, the third year – remain unchanged.
Compliance with MARPOL2020 Regulation	Procurement of regulation-compliant fuels is being completed. Bunkering of compliant oil starts from the third quarter. Additional cost for compliance will be recovered by BUNKER SURCHARGE such as OBS. Customers' awareness towards environmental issue are increasing, and customers are fully understanding this regulatory compliance. Installation of scrubber is under study in some larger ships, and we are studying most competitive and optimal combination of compliant oil and scrubber installation, taking market situation into consideration.
Transfer of Overseas Terminal Business	Targeting a transfer from each of the parent companies in FY2019.

## ▣ Fleet Structure

as of end of 2Q	Size		1)As of end June. 2019	2)As of end Sep. 2019	2)-1)
	>= 20,000 TEU	Capacity (TEU)	120,600	120,600	0
		Vessels	6	6	0
	10,500 - 20,000 TEU	Capacity (TEU)	349,220	363,220	14,000
		Vessels	25	26	1
	9,800 - 10,500 TEU	Capacity (TEU)	100,100	100,100	0
		Vessels	10	10	0
	7,800 - 9,800 TEU	Capacity (TEU)	365,941	374,655	8,714
		Vessels	41	42	1
	6,000 - 7,800 TEU	Capacity (TEU)	234,404	233,752	▲ 652
		Vessels	36	36	0
	5,200 - 6,000 TEU	Capacity (TEU)	89,998	89,998	0
		Vessels	16	16	0
	4,600 - 5,200 TEU	Capacity (TEU)	133,204	123,597	▲ 9,607
		Vessels	27	25	▲ 2
	4,300 - 4,600 TEU	Capacity (TEU)	67,384	71,816	4,432
		Vessels	15	16	1
	3,500 - 4,300 TEU	Capacity (TEU)	25,472	34,003	8,531
		Vessels	6	8	2
	2,400 - 3,500 TEU	Capacity (TEU)	50,216	52,916	2,700
		Vessels	19	20	1
	1,300 - 2,400 TEU	Capacity (TEU)	13,261	12,082	▲ 1,179
		Vessels	8	7	▲ 1
	1,000 - 1,300 TEU	Capacity (TEU)	7,471	9,644	2,173
		Vessels	7	9	2
	< 1,000 TEU	Capacity (TEU)	1,402	698	▲ 704
	Vessels	2	1	▲ 1	
Total	Capacity (TEU)	1,558,673	1,587,081	28,408	
	Vessels	218	222	4	

## ▣ Service Structure

(FY2019 2Q Round space basis)





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