

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

January 31, 2020

Contents

- 1. Q3 Financial Highlights for FY Ending Mar. 2020 p.3-6**
 - 2. Forecast for FY Ending Mar. 2020 p.7-10**
 - 3. Overview of Each Industrial Segment p.11-14**
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- ★ (Attachment) Ocean Network Express
Financial Results for FY2019 3rd Quarter
and Forecasts for FY2019**

1. Overview of the 3rd Quarter Results for FY Ending Mar. 2020



<Review of YTD (Apr-Dec) results>

Revenues increased vs. same period last year and recurring profit improved significantly by returning to profitability.

- ▶ Revenues Due to sales of subsidiary shares as a part of business portfolio revision
- ▶ Recurring profit/loss Driven by increased profit in Liner and Bulk Shipping
- ▶ Extraordinary income/losses Recorded impairment losses of approx. JPY15.7 billion on aircraft, spare engines, parts, etc. (including approx. JPY9.5 billion for aircraft and approx. JPY6.2 billion for others). Continued early termination and return of two costly chartered-in vessels. Recorded profit due to sales of real estate as part of initiatives in asset liquidation.

<Review of 3rd Quarter (Oct-Dec) results>

- Liner Despite the sluggish growth of Liftings/Freight Rates in ONE's North America and Europe trade vs. same period last year, yield management and flexible void sailings shored up profitability.
- Air Cargo Declining demand due to the US-China trade friction continued longer than expected. The above impairment losses were recorded on the fixed assets held by NCA.
- Logistics Forwarding decreased handling volume due to the continuing US-China trade frictions and the effects of the turmoil in Hong Kong. In Logistics, profitability improved in Europe/US.
- Bulk Shipping
 - Dry Bulk: Although market conditions were weaker than expected, profits were secured through Forward Freight Agreements (FFA) (A portion of the voyages completed in 4Q were reflected in 3Q).
 - Energy: Enjoyed benefits of a strong tanker market; maintained high utilization in LNG/Offshore.
 - Car Carrier: Performed strongly, as optimized vessel allocation contributed to the improvement of profits.

Summary of 3rd Quarter Results

Q3 Result



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- ▶ The trend of increasing profit continued at each income level.
- ▶ 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
	Q1	Q2	Q3	Q1-3	Q4	Full-Year	Q1	Q2	Q3	Q1-3	
Revenues	464.8	450.7	468.9	1,384.6	444.6	1,829.3	406.4	418.3	428.5	1,253.2	131.3
Operating Income	-8.1	3.9	8.7	4.5	6.5	11.0	5.4	10.3	16.6	32.4	27.9
Recurring Profit	-6.6	-2.4	5.6	-3.3	1.3	-2.0	6.4	9.6	22.4	38.4	41.8
Net Income Attributable of owners of the Parent Company	-4.5	-5.2	1.0	-8.7	-35.7	-44.5	9.1	1.9	7.6	18.7	27.4
Exchange rate	¥ 108.10	¥ 110.87	¥ 113.43	¥ 110.80	¥ 110.28	¥ 110.67	¥ 110.73	¥ 107.63	¥ 108.79	¥ 109.05	- ¥ 1.75
Bunker Oil Prices	\$395.94	\$443.36	\$478.90	\$439.40	\$451.74	\$442.49	\$438.21	\$435.09	\$427.33	\$433.29	-\$6.11

Q3 Comparison by Industrial SEGs

Q3 Result



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- ▶ **Liner business:** Significant increase in profits due to the absence of last year's one-time NYK's liner business termination cost and the upward revision of ONE's forecast.
- ▶ **Bulk Shipping:** In addition to the strong performances by Energy/Car Carrier, recovery of the Dry Bulk market was also reflected in performance.
- ▶ **Air Cargo/Logistics:** Deteriorated due to the effects of the US-China trade friction.

Industrial Segment		FY Ending Mar. 2019						FY Ending Mar. 2020				Year-on-year
(In Billion Yen)		Q1	Q2	Q3	Q1-3	Q4	Full-year	Q1	Q2	Q3	Q1-3	
Global Logistics	Liner	80.1	70.0	67.9	218.1	68.2	286.3	51.9	51.6	51.1	154.7	-63.3
		-16.6	-2.2	-5.8	-24.7	-1.6	-26.4	1.9	7.7	3.6	13.4	38.1
	Air Cargo	21.7	7.4	13.1	42.2	14.5	56.7	17.7	18.6	20.3	56.6	14.4
		-1.6	-6.2	-4.2	-12.2	-3.7	-15.9	-4.4	-4.7	-4.3	-13.4	-1.2
Logistics		130.4	135.3	137.3	403.0	122.7	525.8	117.7	120.4	121.9	360.2	-42.8
		1.3	1.9	3.8	7.1	0.6	7.7	-0.0	2.3	1.9	4.3	-2.7
(Total)		232.3	212.7	218.3	663.4	205.4	868.9	187.4	190.7	193.4	571.6	-91.7
		-16.9	-6.5	-6.3	-29.9	-4.6	-34.6	-2.5	5.4	1.3	4.2	34.1
Bulk Shipping		206.5	208.1	218.4	633.1	208.2	841.3	195.1	205.1	210.7	611.0	-22.1
		10.4	5.4	10.6	26.5	7.2	33.7	9.2	5.0	20.5	34.8	8.2
Real Estates		1.8	1.9	1.8	5.7	1.9	7.6	1.8	1.7	1.8	5.4	-0.2
		0.7	0.7	0.6	2.0	0.6	2.7	0.7	0.5	0.6	1.9	-0.1
Other		43.5	46.6	50.1	140.3	47.8	188.1	39.7	37.1	44.7	121.6	-18.7
		0.9	-0.3	1.9	2.5	0.5	3.0	0.7	0.2	1.4	2.5	-0.0
Elimination/Unallocation		-19.4	-18.6	-19.9	-58.0	-18.7	-76.7	-17.7	-16.5	-22.2	-56.5	1.4
		-1.7	-1.6	-1.2	-4.6	-2.4	-7.0	-1.7	-1.6	-1.6	-5.0	0.4
Consolidated		464.8	450.7	468.9	1,384.6	444.6	1,829.3	406.4	418.3	428.5	1253.2	-131.3
		-6.6	-2.4	5.6	-3.3	1.3	-2.0	6.4	9.6	22.4	38.4	41.8

※ (Upper) Revenues (Lower) Recurring Profit

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

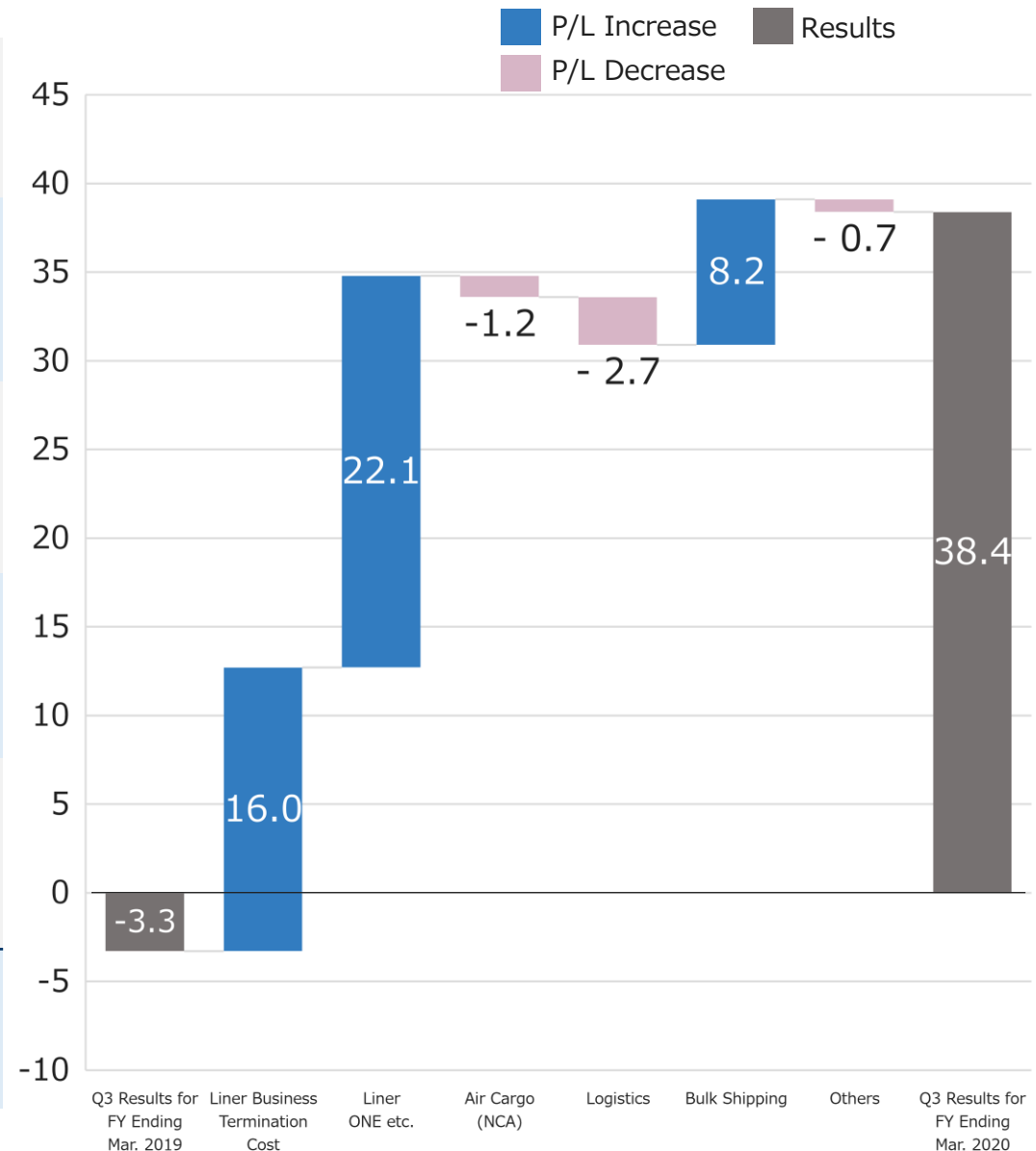
Q3 Result



NYK LINE
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(billion yen)

Yen Appreciation	-0.4	¥109.05/\$, Appreciated by ¥1.75
Lower Bunker Oil Prices	0.1	\$433.29/MT, Decreased by \$6.11
Market Effects, etc.	34.2	(Liner (incl. ONE) 22.4, Bulk Shipping +11.8)
Foreign Exchange Profit/Loss	-2.8	
Others	10.7	(NYK Liner Business Termination Cost 16.0)
Total	41.8	





- Profit increased significantly vs. previous year with the improvement of the Liner and Bulk Shipping
- Adjustment from the previous forecast:
 - Downward revision of operating profit (Air Cargo, Logistics and Dry Bulk)
 - Significant improvement in non-operating income (Equity in earnings of unconsolidated subsidiaries and affiliates, FFA and interest expenses)
 - Upward revision of recurring and net profit
- (Recurring profit)
 - Liner Upward revision. Reflecting the upward revision of ONE's forecast.
 - Air Cargo Downward revision. Harsh market conditions to continue amid lackluster peak season.
 - Logistics Downward revision. Decrease in the handling volume in forwarding business is expected, due to the effects of the US-China trade friction and the turmoil in Hong Kong.
 - Bulk Shipping Upward revision. Reflecting the improvement in profitability to the Q3. Compliance with SOx regulations was completed without incident, and prices have been steadily passed on.
 - Dry Bulk: Downward revision of market assumptions based on the current decline in market conditions.
 - Energy: Strong tanker market is expected. High utilization in LNG/Offshore is also contributing.
 - Car Carrier: Revision of routes and cargo structure focusing on profitability to be continued.
- Initiatives in asset liquidation and the early termination and return of chartered-in vessels for dry bulk to be continued.
- Dividend forecast: Year-end dividend of JPY20/share (JPY40/share for year)
- Possible impacts of novel coronavirus are not considered on this forecast.

Summary of Forecast for FY Ending Mar. 2020

Forecast



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	FY Ending Mar. 2019 (Result)					FY Ending Mar. 2020 (Forecast)					Year-on year	Change from previous forecast (full-year)
	H1		H2		Full- year	H1 (Result)		H2		Full- year		
(In billion yen)	Q1	Q2	Q3	Q4		Q1	Q2	Q3 (Result)	Q4			
Revenues	915.6		913.6		1,829.3	824.7		835.3		1,660.0	-169.3	-20.0
	464.8	450.7	468.9	444.6		406.4	418.3	428.5	406.7			
Operating Income	-4.1		15.2		11.0	15.8		21.2		37.0	26.0	-3.5
	-8.1	3.9	8.7	6.5		5.4	10.3	16.6	4.6			
Recurring Profit	-9.0		6.9		-2.0	16.0		24.0		40.0	42.0	3.0
	-6.6	-2.4	5.6	1.3		6.4	9.6	22.4	1.6			
Net Income Attributable to Owners of the parent company	-9.7		-34.7		-44.5	11.1		17.9		29.0	73.5	3.0
	-4.5	-5.2	1.0	-35.7		9.1	1.9	7.6	10.3			

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 ¥ 108.79 ¥ 105.00 ¥ 108.04
 \$438.21 \$435.09 \$427.33 \$350.00 \$412.60

- ¥ 2.63 + ¥ 0.95
 -\$29.89 +\$14.33

Regulatory Compliant \$600.00
 Bunker Oil Prices

► Sensitivity to recurring profit (Q4)

Exchange rate: Approx. JPY0.03 billion increase per ¥1/\$ depreciation

Bunker oil prices: Approx. JPY0.04 billion increase per \$10/MT decrease

Q3 Forecast by Industrial SEGs

Forecast



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	Industrial Segment (In billion yen)	FY Ending Mar. 2019 (Result)							FY Ending Mar. 2020 (Forecast)							Year-on Year
		Q1	Q2	H1	Q3	Q4	H2	Full-year	Q1	Q2	H1 (Result)	Q3 (Result)	Q4	H2	Full-year	
Global Logistics	Liner	80.1	70.0	150.2	67.9	68.2	136.1	286.3	51.9	51.6	103.6	51.1	48.2	99.4	203.0	-83.3
		-16.6	-2.2	-18.8	-5.8	-1.6	-7.5	-26.4	1.9	7.7	9.7	3.6	-0.4	3.3	13.0	39.4
	Air Cargo	21.7	7.4	29.1	13.1	14.5	27.6	56.7	17.7	18.6	36.3	20.3	18.3	38.6	75.0	18.3
		-1.6	-6.2	-7.9	-4.2	-3.7	-7.9	-15.9	-4.4	-4.7	-9.1	-4.3	-3.5	-7.8	-17.0	-1.1
	Logistics	130.4	135.3	265.7	137.3	122.7	260.0	525.8	117.7	120.4	238.2	121.9	119.8	241.8	480.0	-45.8
		1.3	1.9	3.2	3.8	0.6	4.4	7.7	0.0	2.3	2.3	1.9	-0.9	1.1	3.5	-4.2
Shipping	(Total)	232.3	212.7	445.0	218.3	205.4	423.8	868.9	187.4	190.7	378.1	193.4	186.3	379.8	758.0	-110.9
		-16.9	-6.5	-23.5	-6.3	-4.6	-11.0	-34.6	-2.5	5.4	2.8	1.3	-4.7	-3.4	-0.5	34.1
	Bulk Shipping	206.5	208.1	414.6	218.4	208.2	426.6	841.3	195.1	205.1	400.3	210.7	198.9	409.6	810.0	-31.3
		10.4	5.4	15.8	10.6	7.2	17.9	33.7	9.2	5.0	14.2	20.5	8.7	29.3	43.5	9.8
	Real Estate	1.8	1.9	3.8	1.8	1.9	3.8	7.6	1.8	1.7	3.6	1.8	2.0	3.9	7.5	-0.1
		0.7	0.7	1.4	0.6	0.6	1.3	2.7	0.7	0.5	1.3	0.6	0.6	1.2	2.5	-0.2
Others	Other	43.5	46.6	90.1	50.1	47.8	97.9	188.1	39.7	37.1	76.8	44.7	38.3	83.1	160.0	-28.1
		0.9	-0.3	0.5	1.9	0.5	2.4	3.0	0.7	0.2	1.0	1.4	-1.5	0.0	1.0	-2.0
	Elimination/Unallocation	-19.4	-18.6	-38.0	-19.9	-18.7	-38.7	-76.7	-17.7	-16.5	-34.2	-22.2	-19.0	-41.2	-75.5	1.2
		-1.7	-1.6	-3.3	-1.2	-2.4	-3.6	-7.0	-1.7	-1.6	-3.4	-1.6	-1.5	-3.1	-6.5	0.5
	Consolidated	464.8	450.7	915.6	468.9	444.6	913.6	1,829.3	406.4	418.3	824.7	428.5	406.7	835.3	1,660.0	-169.3
		-6.6	-2.4	-9.0	5.6	1.3	6.9	-2.0	6.4	9.6	16.0	22.4	1.6	24.0	40.0	42.0

※ (Upper) Revenues (Lower) Recurring Profit

- Recurring profit increased in Liner and Bulk Shipping vs. last year. Recurring profit deteriorated in Air Cargo and Logistics vs. last year.

Forecast by Industrial SEGs for FY Ending Mar. 2020

Forecast



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	Industrial Segment (In billion yen)	Previous Forecast			Revised Forecast					Change Full-year	Trend of Recurring Profit/loss (vs previous forecast)
		H1	H2	Full-year	H1 (Result)	Q3 (Result)	Q4	H2	Full-year		
Global Logistics	Liner	103.6 9.7	100.4 0.3	204.0 10.0	103.6 9.7	51.1 3.6	48.2 -0.4	99.4 3.3	203.0 13.0	-1.0 3.0	Container Shipping
	Air Cargo	36.3 -9.1	44.7 -4.9	81.0 -14.0	36.3 -9.1	20.3 -4.3	18.3 -3.5	38.6 -7.8	75.0 -17.0	-6.0 -3.0	Terminal
	Logistics	238.2 2.3	261.7 3.1	500.0 5.5	238.2 2.3	121.9 1.9	119.8 -0.9	241.8 1.1	480.0 3.5	-20.0 -2.0	Ocean Freight Forwarding
	(Total)	378.1 2.8	406.8 -1.4	785.0 1.5	378.1 2.8	193.4 1.3	186.3 -4.7	379.8 -3.4	758.0 -0.5	-27.0 -2.0	Air Freight Forwarding
	Bulk Shipping	400.3 14.2	409.7 25.7	810.0 40.0	400.3 14.2	210.7 20.5	198.9 8.7	409.6 29.3	810.0 43.5	0.0 3.5	Logistics
Bulk Shipping	Real Estate	3.6 1.3	3.9 1.2	7.5 2.5	3.6 1.3	1.8 0.6	2.0 0.6	3.9 1.2	7.5 2.5	0.0 0.0	Coastal Shipping etc.
	Other	76.8 1.0	80.1 -0.5	157.0 0.5	76.8 1.0	44.7 1.4	38.3 -1.5	83.1 0.0	160.0 1.0	3.0 0.5	Dry Bulk
	Elimination /Allocation	-34.2 -3.4	-45.2 -4.1	-79.5 -7.5	-34.2 -3.4	-22.2 -1.6	-19.0 -1.5	-41.2 -3.1	-75.5 -6.5	4.0 1.0	Energy
Others	Consolidated	824.7 16.0	855.3 21.0	1,680.0 37.0	824.7 16.0	428.5 22.4	406.7 1.6	835.3 24.0	1,660.0 40.0	-20.0 3.0	Car Carrier

※ (Upper) Revenues (Lower) Recurring Profit



► 1. Air Cargo Transportation (NCA)

	FY Ending Mar. 2019 (Result)					FY Ending Mar. 2020 (Forecast)					Change from previous forecast (full-year)
	H1		H2		Full-year	H1(Result)		H2		Full-year	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3 (Result)	Q4		
Revenues (billion yen)	29.1		27.6		56.7	36.3		38.6		75.0	-6.0
	21.7	7.4	13.1	14.5		17.7	18.6	20.3	18.3		
Recurring Profit (billion yen)	-7.9		-7.9		-15.9	-9.1		-7.8		-17.0	-3.0
	-1.6	-6.2	-4.2	-3.7		-4.4	-4.7	-4.3	-3.5		
Chargeable Weight (1,000 ton)	148		128		276	190		19.6		386	-7
	112	36	57	71		93	96	99	97		
Volume (RTK) (mil.ton Kilo)	855		722		1,576	1,062		1,121		2,183	-114
	671	183	306	416		529	533	560	561		
Capacity (ATK) (mil.ton Kilo)	1,222		1,148		2,370	1,790		1,795		3,585	-45
	944	278	489	659		894	896	894	902		
YIELD FY09/3 1Q=100	90		90		90	84		83		84	0
	94	79	95	85		88	81	85	82		
MOPS US\$ per bbl	\$88		\$80		\$84	\$78		\$78		\$78	-\$4
	\$87	\$89	\$83	\$77		\$80	\$77	\$76	\$80		

- Considered recording impairment losses on all fixed assets held by NCA including aircraft, spare engines and parts, amid the continuing harsh market environment. Recorded approx. JPY15.7 billion under extraordinary loss (including approx. JPY9.5 billion for aircraft).
- Incorporated the improvement in convenience resulting from the revisions to the North America route and the increasing demand for the Taipei route.



2. Logistics

Number of Cargoes Yusen Logistics(YLK) Transported		FY Ending Mar. 2018	FY Ending Mar. 2019				Full- year	FY Ending Mar. 2020 (Forecast)					Change from previous forecast (full- year)
		H1		H2		H1(Result)		H2		Full- year			
		Q1	Q2	Q3	Q4	Q1		Q2	Q3 (Result)		Q4		
Ocean Export	TEU (1,000TEU)	780	419		397		815	395		383		777	-3
			203	216	207	190		191	203	198	185		
	Year-on year	1%	4%		-3%		5%	-6%		-4%		-5%	-0%
			5%	3%	-2%	-4%		-6%	-6%	-4%	-3%		
Air Export	Weight (1,000ton)	375	190		189		380	169		174		343	-4
			94	97	101	88		83	86	89	85		
	Year-on year	2%	4%		-1%		1%	-11%		-8%		-10%	-1%
			2%	6%	-4%	2%		-11%	-11%	-12%	-3%		

- Ocean Freight Forwarding
Handling volume decreased due to the US-China trade friction. Handling adjustments continued through flexible marketing and profitability management was strengthened.
- Air Freight Forwarding
Overall slow market conditions continued, and handling volume decreased. The margin was improved by reducing procurement costs.
- Logistics
Profitability improved in US and Europe due to the progress of structural reforms and contract renewals. We will continue with initiatives to deal with the issue of improving profitability in South Asia.
- Coastal Shipping etc.
The Japan-Korea dispute led to the dull ferry business. Some cancellations of sailing due to stormy weather had impacts on coastal shipping services.



3. Bulk Shipping – 1) Market trend and forecast

		FY Ending Mar. 2019 (Result)					FY Ending Mar. 2020 (Forecast)					Previous forecast	
		Q1	Q2	Q3	Q4	Full-Year	Q1 (Result)	Q2 (Result)	Q3 (Result)	Q4	Full-Year	H2	Full-year
Dry Bulk Carrier	BDI	1,258	1,603	1,357	791	1,252	994	2,035	1,542	975	1,387	1,563	1,539
	Cape (5TC)	14,928	22,054	15,822	8,628	15,358	11,363	29,423	21,932	9,000	17,930	20,500	20,447
	Panamax (Pac)	10,741	10,444	10,777	7,218	9,795	8,602	13,296	10,124	8,500	10,131	12,000	11,475
	Handymax (Pac)	11,467	10,718	9,527	7,935	9,912	7,593	10,481	9,507	6,000	8,396	12,000	10,519
	Handy (Pac)	8,684	7,932	7,718	5,609	7,486	6,254	7,236	7,299	5,000	6,448	8,750	7,748
Tanker	VLCC	9,076	13,966	45,351	27,840	24,058	12,565	26,456	91,476	47,500	44,500	47,500	33,505
	VLGC	8,774	23,298	26,177	13,602	17,963	50,691	53,795	66,010	45,000	53,874	45,000	48,621

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



3. Bulk Shipping – 2) Car Carrier

	FY Ending Mar. 2019 (Result)					Full-year	FY Ending Mar. 2020 (Forecast)					Change from previous forecast (Full-year)
	H1		H2		H1(Result)		H2		Full-year			
	Q1	Q2	Q3	Q4	Q1		Q2	Q3 (Result)		Q4		
All Trade (10,000cars)	168		172		340	162		152		314	0	
	87	81	86	86		79	83	75	76			
Year-on year	-6%		-7%		-6%	-3%		-12%		-8%	-	
	-1%	-11%	-8%	-5%		-9%	3%	-12%	-11%			

- No changes in shipping volume from the previous forecast.
- Stable P/L are expected due to selective cargo portfolio and improved efficiency in fleet allocation.



OCEAN NETWORK EXPRESS

Financial Results for FY2019 3rd Quarter and Forecasts for FY2019

31, JAN, 2020

FY2019 Quarterly Financial Report (3rd Quarter Result and 4th Quarter Forecast)

2nd Half and Full-year Forecast, comparison with Previous Forecast

*as of Oct 2019

(Unit : Million US\$)

	FY2019(Previous Forecasts)*				
	1Q Result	2Q Result	1H Result	2H Forecast	Full Year Forecast
Revenue	2,875	3,109	5,984	6,125	12,109
Profit/Loss	5	121	126	-66	60

FY2019(Latest)						
1Q Result	2Q Result	1H Result	3Q Result	4Q Forecast	2H Forecast	Full Year Forecast
2,875	3,109	5,984	2,914	2,980	5,895	11,879
5	121	126	5	-49	-45	81

Full Year	
Change (Mil US\$)	Change (%)
-231	-1.9%
21	33.8%

Bunker Price (US\$/MT)	\$432	\$419	\$427	\$508	\$469
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\$432	\$419	\$427	\$417	\$561	\$488	\$457
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-\$12

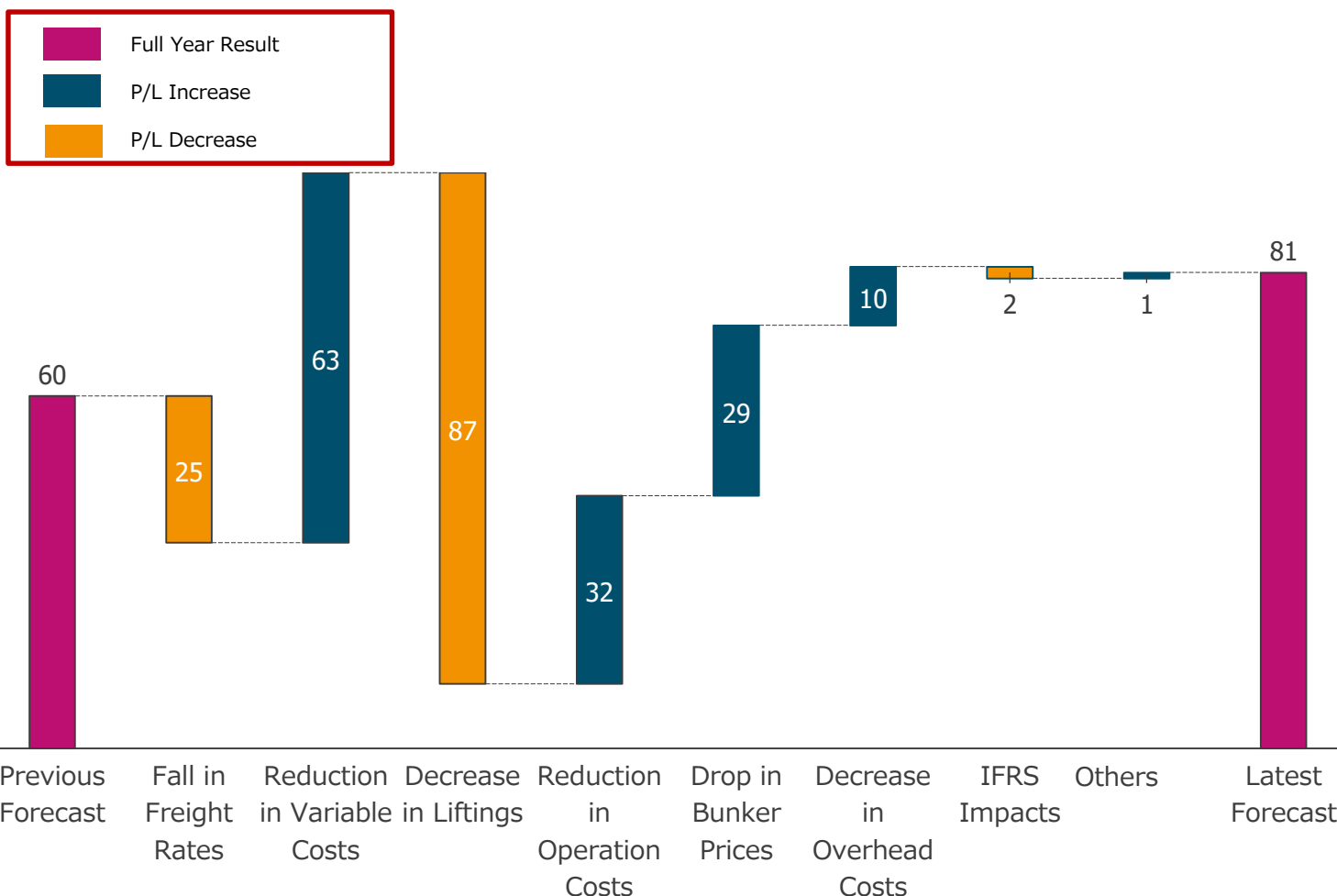
- ❑ US\$5 Million profit for the 3rd Quarter (Recorded profit for the 3 consecutive quarters.)
- ❑ Upward adjustment of Full-year forecast to US\$81Million.
(Improving US\$21Million from the previous forecast)

- Cargo movement has been almost in line with our forecast for East-West trade, North-South trade and Intra-Asia trade until Lunar New Year in late January. In December, there was also some cargo rush to avoid new bunker surcharge and that sustained cargo movement. On the other hand, we expect relatively weak cargo movement after Lunar New Year, and accordingly we plan to have additional void sailings, mainly under THE Alliance for East-West trade, in accordance with demand drop to reduce operating cost.
- Variable cost saving such as empty containers positioning optimization has been achieved more than previously forecasted, and largely contributed to the bottom-line improvement.
- In the 3rd Quarter, price of heavy fuel oil was lower than previously forecasted and it pushed up the bottom line. We expect that the regulation-compliant fuels price after January will be almost in line with the previous forecast.
- In compliance with MARPOL 2020 regulation, we procured regulation-compliant fuels in advance and did micro-management of vessel operation, and therefore we smoothly completed transition. Extra bunker cost by MARPOL2020 compliance is expected to be recovered through bunker surcharge such as OBS (ONE BUNKER SURCHARGE).

FY2019 Full Year Forecast P/L Analysis (With Previous Forecast)

(Unit : Million US\$)

Full Year Forecast (With Previous Forecast)



- ❑ Freight Rates: Deterioration risk in spot-market after Lunar New Year is reflected.
- ❑ Variable Costs: Enhancement of cost competitiveness is progressing more than previous forecast, and improvement is expected throughout the 2nd Half.
- ❑ Liftings: Asia-North America Eastbound trade movement in the market is underperforming last year's results, and the latest downward forecast after Lunar New Year is reflected.
- ❑ Operation Costs: In addition to operation cost saving by the 3rd quarter's void sailings, the 4th quarter's void sailing effect is factored in.
- ❑ Bunker price : Unit price dropped in the 3rd quarter. We generally maintain previous assumption for 4th quarter.
- ❑ Overhead Costs : Mainly decrease in agency overhead costs is reflected.

Liftings/Utilization/Freight Index

(Unit: 1,000TEU)

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

FY2019			
1Q Results	2Q Results	1H Results	3Q Results
669	773	1,442	665
86%	94%	90%	93%
460	488	947	440
87%	95%	91%	92%

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

350	310	660	320
47%	37%	42%	42%
323	328	651	362
64%	64%	64%	72%

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

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

FY2019			
1Q Results	2Q Results	1H Results	3Q Results
103	105	104	104
100	101	100	98

※FY2019 3rd Quarter Result of void sailings in major trades
 Asia-North America Trade 31 Sailings (13% of ONE's Space)
 Asia-Europe Trade 12 Sailings (18% of ONE's Space)

Updates on Action Plans

Action Plans and Progress in FY2019		Target Amount as of beginning of 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. Operation efficiency, which contributes to Yield Management, and cost saving through business process rationalization are developing more than forecasted, and we keep enhancing competitiveness.	US\$190Million /annually
Products (Service Routes/Allocated vessels) Rationalization	Product rationalization effects in FY2019 and fuel saving effects are smoothly developing. Winter plan such as void sailings in correspondence with demand change are executed in each trade. Newly entered and launched Middle East & India to Africa and East India to Europe services are successfully keeping high utilization rate. THE ALLIANCE has announced next fiscal year's product, and will provide competitive service network together with alliance members including newly joining Hyundai Marchant Marine.	US\$260Million /annually
Organization Optimization	Overhead cost reduction target is on track. Improving customer convenience and internal business efficiency through progress such as E-Commerce function enhancement and implementation of live chat. Robotics is introduced in internal routine process with further possible expansion.	US\$50Million /annually
Compliance with MARPOL2020 Regulation	Transition to regulation-compliant fuels smoothly completed. Extra cost is recovered by bunker surcharge such as OBS. We plan to retrofit scrubber for core large ships as scheduled. We study expansion of target vessels, monitoring on industries trend as well as best mix of procurement of regulation-compliant fuels and retrofitting of scrubber.	
Action Plans in FY2018		
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.	
Transfer of Overseas Terminal Business	Targeting a transfer from each of the parent companies in FY2019.	

(Reference) FY2019 3rd Quarter Result

P/L Analysis with last year

3Q Result and Comparison year on year basis

(Unit: Million US\$)

	FY2018		
	1H Results	3Q Results	1Q-3Q Results
Revenue	5,030	3,025	8,055
Profit/Loss	-311	-179	-490

FY2019		
1H Results	3Q Results	1Q-3Q Results
5,984	2,914	8,898
126	5	131

3Q	
Change (Mil US\$)	Change (%)
-111	-3.7%
184	-

1Q-3Q	
Change (Mil US\$)	Change (%)
843	10.5%
621	-

Bunker Price (US\$/MT)	\$434	\$487	\$453
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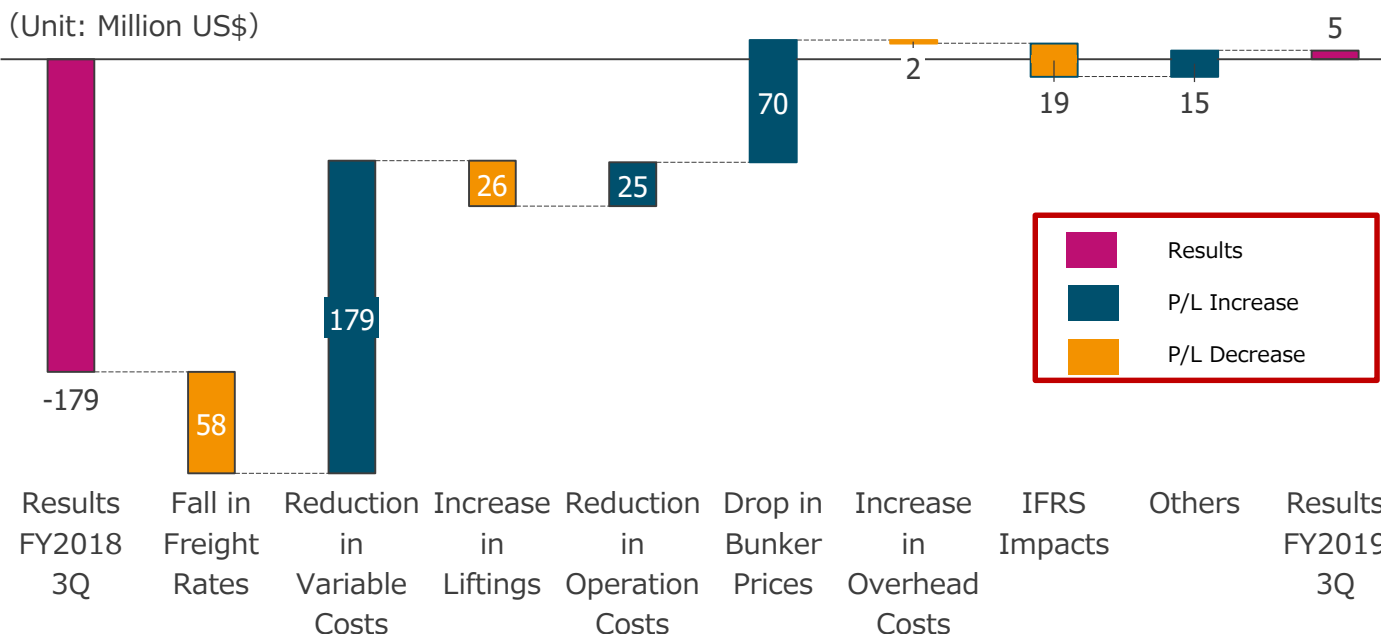
\$427	\$417	\$424
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-\$70

-\$29

P/L Analysis (vs. Previous year)

(Unit: Million US\$)



- Freight Rates : Freight falls in Asia-North America, Asia Europe Trade.
- Variable Costs: Accelerated cargo portfolio optimization as well as cost saving initiatives.
- Liftings: Market cargo volume in Asia-North America trade reduced. Other trade was steady.
- Operating Costs: Although operating capacity increased, overall cost decreased by product rationalization and bunker saving activities.
- Overhead Costs : Increase in Agency fee.
- IFRS Impacts: Impact from adoption of new standard on lease.
- Others: Improved thanks to bigger interest revenue and foreign exchange rate, despite increase in freight tax expenses.

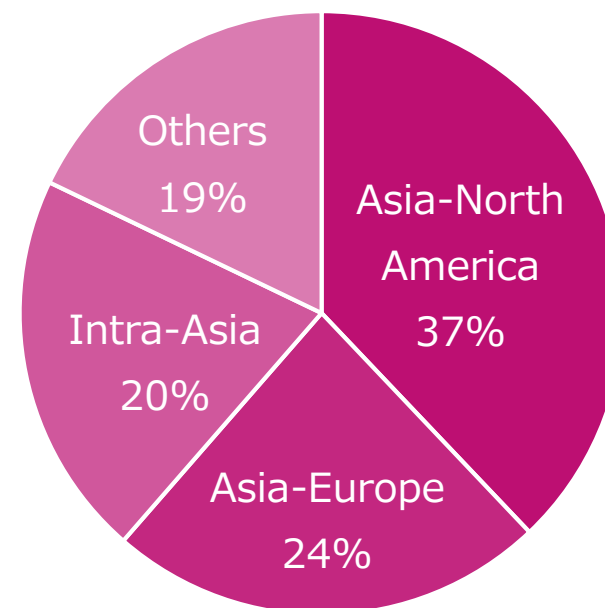
(Reference) Fleet Structure/Service Structure

▣ Fleet Structure

as of end of 3Q	Size		1)As of end Sep. 2019	2)As of end Dec. 2019	2)-1)
	>= 20,000 TEU		120,600	120,600	0
			6	6	0
	10,500 - 20,000 TEU	Capacity (TEU)	363,220	363,220	0
		Vessels	26	26	0
	9,800 - 10,500 TEU	Capacity (TEU)	100,100	100,100	0
		Vessels	10	10	0
	7,800 - 9,800 TEU	Capacity (TEU)	374,655	374,655	0
		Vessels	42	42	0
	6,000 - 7,800 TEU	Capacity (TEU)	233,752	227,260	▲ 6,492
		Vessels	36	35	▲ 1
	5,200 - 6,000 TEU	Capacity (TEU)	89,998	100,910	10,912
		Vessels	16	18	2
	4,600 - 5,200 TEU	Capacity (TEU)	123,597	118,480	▲ 5,117
		Vessels	25	24	▲ 1
	4,300 - 4,600 TEU	Capacity (TEU)	71,816	71,816	0
		Vessels	16	16	0
	3,500 - 4,300 TEU	Capacity (TEU)	34,003	34,003	0
		Vessels	8	8	0
	2,400 - 3,500 TEU	Capacity (TEU)	52,916	61,125	8,209
Vessels		20	23	3	
1,300 - 2,400 TEU	Capacity (TEU)	12,082	11,993	▲ 89	
	Vessels	7	7	0	
1,000 - 1,300 TEU	Capacity (TEU)	9,644	9,631	▲ 13	
	Vessels	9	9	0	
< 1,000 TEU	Capacity (TEU)	698	0	▲ 698	
	Vessels	1	0	▲ 1	
Total		Capacity (TEU)	1,587,081	1,593,793	6,712
		Vessels	222	224	2

▣ Service Structure

(FY2019 3Q Round space basis)





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