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To our shareholders

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Notice of Impairment Loss and Provision for Losses Related to Contracts

Nippon Yusen Kabushiki Kaisha (hereafter, “NYK Line”) announces today that it plans to record an impairment loss and provision for losses related to contracts under extraordinary losses in its consolidated financial results, and also to record extraordinary losses in its non-consolidated financial results for the interim period of the fiscal year ending March 31, 2017. Details are as follows.

1. Overview of the Impairment Loss and Provision for Losses Related to Contracts

In its consolidated financial results for the interim period of the fiscal year underway, NYK Line has estimated extraordinary losses of approximately ¥195 billion consisted of an impairment loss ¥160 billion along with a provision for losses ¥35 billion related to contracts. In view of a prolonged slump in the shipping market, NYK Line impaired the operational assets it owns and reduced the acquisition value of assets it plans to own to their recoverable amounts. By type of asset, the extraordinary loss consisted of approximately ¥ 100 billion for container ships, ¥ 85 billion for dry bulk carriers, and ¥10 billion for cargo aircraft.

2. Forecast of Financial Results and Planned Dividend Payments

The extraordinary loss describe above was not included in NYK Line’s calculations of forecasts of interim and full-year consolidated financial results, which were announced on July 29, 2016. NYK Line is currently in the process of incorporating figures associated with the extraordinary loss in its interim consolidated financial results, and is closely examining the implications of the loss as well as other factors in its forecasts of full-year consolidated financial results. At the same time, NYK Line is considering a revision to its planned dividend payments announced on July 29, 2016, when it expected to pay an interim and year-end dividend of ¥2 per share, respectively, for an annual dividend of ¥4 per share. It plans to announce any such revision on October 31, 2016.

3. Background Information

1) Liner Trade Segment

The liner trade market has been under growing pressure due to the oversupply of large new container ships, while freight rates have reached an all-time low. In that context, NYK Line has been working to curtail losses through various measures, including streamlining its shipping services, reducing ships, and cutting costs. Although the market is projected to recover in the first half of the fiscal year ending March 31, 2017, market indicators have not reached anticipated levels. In that light, NYK Line has reassessed its outlook for the market from a conservative perspective, and, as a result, deemed it necessary to record an impairment loss as well as a provision for losses related to contracts in connection with its container ships.

2) Bulk Shipping Segment

The dry bulk transport market remains in a slump as a result of an excess supply of tonnage and sluggish demand for shipments. Against that backdrop, NYK Line has been working to cut costs by selling off or returning (in the case of chartered ships) surplus vessels, and implementing exhaustive measures for improving the operational efficiency of its fleet. Despite these efforts, the bulk shipping market has been on an unprecedented decline since the autumn of 2015. Under such circumstances, efforts have been made to scrap aging vessels, especially capesize bulk carriers, and there have been control over the supply of new vessels in the market. These actions have led to a gradual improvement in the balance of shipping supply and demand, but the market is picking up at a slower pace than originally expected reducing the likelihood of a recovery in the first half of the fiscal year ending March 31, 2017. Therefore, NYK Line reassessed its market outlook, and, accordingly, deemed it necessary to record an impairment loss and a provision for losses related to contracts in connection with its dry bulk carriers, particularly capesize vessels.

3) Air Cargo Transportation Segment

NYK subsidiary has been decided to sell off three owned aircrafts as part of structural reforms it has carried out. After estimating the resulting loss on sale, it reduced the book value of the aircraft to the sale price, and recorded it as an impairment loss. Meanwhile, it expects that certain aircraft under operating lease contracts, will not be profitable during the remaining period of the contracts. Accordingly, it plans to record the losses under provision for losses related to contracts.

4. Items Disclosed in Non-Consolidated Financial Results

In connection with the information described above, NYK Line plans to record provision for allowance for investment loss associated with vessels owned by subsidiaries or affiliates under extraordinary losses in its non-consolidated financial results for the current fiscal year, amounting to approximately ¥100 billion in the Liner Trade segment, ¥52 billion in the Bulk Shipping segment and provision for doubtful debt under extra ordinary losses against loan to the NYK subsidiary amounting to approximately ¥25 billion, in the Air Cargo

Transportation segment. Since the extraordinary losses are eliminated in consolidation, it will not impact the consolidated profits and losses.