

INFORMATION

The documents following this cover sheet exist solely to provide English translations of selected information contained in the original Japanese text of the documents provided to shareholders as of September 30, 2018.



The 132nd NYK Group Interim Report Fiscal 2018

From April 1, 2018
to September 30, 2018

Nippon Yusen Kabushiki Kaisha

● Greetings from the President

I would like to express my sincere gratitude to our shareholders for your understanding and support for NYK Group's corporate activities.

First, the company's consolidated subsidiary Nippon Cargo Airlines Co., Ltd. submitted improvement measures in August in response to the business improvement order received from the Minister of Land, Infrastructure, Transportation and Tourism in July of this year regarding improper maintenance operations. I sincerely apologize to all shareholders and investors for the inconvenience and concern this issue has caused. Nippon Cargo Airlines Co., Ltd. has taken the business improvement order seriously and sincerely, and along with working to prevent reoccurrence, we will make the utmost effort to ensure legal compliance throughout the group.

The interim consolidated results were: revenue of ¥915.6 billion, operating loss of ¥4.1 billion, recurring loss of ¥9.0 billion and loss attributable to owners of parent of ¥9.7 billion. The bottom line improved as a result of the gradual market recovery in the dry bulk division and increased shipments of stable profit cargo in the liquid division. On the other hand, revenues fell year on year and a loss was recorded due to the increased one-time costs in the first quarter for terminating the container shipping business, the downward revision to the results of the integrated container shipping line Ocean Network Express Pte. Ltd. ("ONE"), which was jointly established with Kawasaki Kisen Kaisha, Ltd. and Mitsui O.S.K. Lines, Ltd., and the suspension of airline operations and recording of an impairment loss on some of the aircraft at Nippon Cargo Airlines Co., Ltd. At ONE, the service disruption that occurred just after the company started offering service in April of this year continued to have an impact on several of the shipping routes, resulting in a downward revision to the bottom line. The service disruption has already ended, and efforts are being made to improve the bottom line going forward.

The consolidated results for the full year are expected to be: revenue of ¥1,810.0 billion, operating profit of ¥5.5 billion, recurring loss of ¥13.0 billion and loss attributable to owners of parent of ¥6.0 billion. Concerning the interim dividend, a dividend of ¥10 per share will be issued. In addition, it is planned to issue a year-end dividend of ¥10 per share.

Looking back at the year up to now, the global economy was supported by a modest virtuous cycle, and the marine shipping markets tended to recover. However, in addition to the impact of excess liquidity resulting from the financial easing policies in each country and the concerns regarding trade friction between major economies, digital technology is rapidly advancing, there is a shift towards a low carbon society and the environmental regulations are becoming increasingly strict. As a result of these factors, the "opaque world" is starting to expand.

In order to overcome this external environment, from this year, the NYK Group has started "Staying Ahead 2022 with Digitalization and Green" as the new Medium-term Management Plan. While working to strengthen the ability to withstand the business environment and increase the earnings capability, the group will continue to promote initiatives for Digitalization and Green in an effort to optimize the overall supply chain and create new value in the environmental field. However, given the results through the second quarter and the downward revision to the consolidated business forecast, an emergency response will be made in order to fully execute the new Medium-term Management Plan. As part of this emergency response, efforts will be made to improve the bottom line at the liner segment and air cargo transportation segment, and it will also include various measures for further liquidating the group's assets and strengthening governance group-wide. We will work to advance this emergency response, as well as bring the group together and give my utmost effort to quickly recovering the business results and ensuring legal compliance.

We sincerely appreciate our shareholders' further understanding and support.

November 2018



Tadaaki Naito
President

Notes:

1. The forecast incorporates certain assumptions the Company regarded as rational expectations at the time this report was announced. Actual results could differ materially from those projected figures.
2. Fractions of amounts and the numbers of shares in this report are rounded down.
3. () indicates minus.

● **Segment results (April 1, 2018 to September 30, 2018)**

(1) Global Logistics

• **Liner Trade**

(In 100 millions of yen)

	Current interim term	The 131st interim term	The 130th interim term	The 129th interim term
Revenues	1,502	3,505	2,805	3,782
Recurring profit (loss)	(188)	133	(153)	78

• **Air Cargo Transportation**

(In 100 millions of yen)

	Current interim term	The 131st interim term	The 130th interim term	The 129th interim term
Revenues	291	471	385	489
Recurring profit (loss)	(79)	(0)	(34)	9

• **Logistics**

(In 100 millions of yen)

	Current interim term	The 131st interim term	The 130th interim term	The 129th interim term
Revenues	2,657	2,467	2,258	2,495
Recurring profit	32	12	46	60

(2) Bulk Shipping

(In 100 millions of yen)

	Current interim term	The 131st interim term	The 130th interim term	The 129th interim term
Revenues	4,146	3,812	3,498	4,831
Recurring profit (loss)	158	50	(94)	272

(3) Others

• **Real Estate**

(In 100 millions of yen)

	Current interim term	The 131st interim term	The 130th interim term	The 129th interim term
Revenues	38	39	48	48
Recurring profit	14	14	18	17

• **Other**

(In 100 millions of yen)

	Current interim term	The 131st interim term	The 130th interim term	The 129th interim term
Revenues	901	791	666	765
Recurring profit (loss)	5	20	(5)	0

Notes:

1. Business segment results show figures before elimination of internal transactions between segments.
2. General and administrative expenses and non-operating expenses not attributable to specific segments are recorded as corporate expenses and not included in the above figures.

● **Consolidated Results in Interim Period Ended on September 30, 2018**

Business overview of the consolidated group business

The NYK Group marked a year-on-year decrease in revenues, and recorded losses in its consolidated interim financial results for the fiscal year ending March 31, 2019, with revenues of ¥915.6 billion, operating loss of ¥4.1 billion, recurring loss of ¥9.0 billion, resulting in loss attributable to owners of parent of ¥9.7 billion. The full-year consolidated results are forecasted to be revenues of ¥1,810.0 billion, operating profit of ¥5.5 billion, recurring loss of ¥13.0 billion and loss attributable to owners of parent of ¥6.0 billion.

Summary of Consolidated Statements of Income

(In millions of yen)

	Current interim term From April 1, 2018 to September 30, 2018	Previous interim term From April 1, 2017 to September 30, 2017
Revenues	915,670	1,064,279
Cost and expenses	824,862	949,947
Gross profit	90,808	114,331
Selling, general and administrative expenses	95,003	101,590
Operating profit (loss)	(4,194)	12,741
Non-operating income	11,546	18,822
Non-operating expenses	16,382	9,551
Recurring profit (loss)	(9,029)	22,012
Extraordinary income	26,348	5,245
Extraordinary losses	18,544	8,736
Profit (loss) before income taxes	(1,225)	18,520
Total income taxes	6,511	9,258
Profit (loss)	(7,737)	9,262
Profit attributable to non-controlling interests	2,058	2,970
Profit (loss) attributable to owners of parent	(9,795)	6,291

Summary of Consolidated Statements of Cash Flows

(In millions of yen)

	Current interim term From April 1, 2018 to September 30, 2018	Previous interim term From April 1, 2017 to September 30, 2017
Net cash provided by (used in) operating activities	(13,509)	32,776
Net cash provided by (used in) investing activities	(130,128)	(61,151)
Net cash provided by (used in) financing activities	117,338	2,823
Effect of exchange rate change on cash and cash equivalents	2,401	670
Net increase (decrease) in cash and cash equivalents	(23,897)	(24,880)
Cash and cash equivalents at beginning of period	103,278	137,444
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	475	51
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	28	47
Cash and cash equivalents at end of period	79,885	112,662

For detailed financial information, please see the Investor Relations page on the Company's website: <https://www.nyk.com/english/ir/>

Consolidated Balance Sheets

(In millions of yen)

	Current interim term As of September 30, 2018	Previous fiscal year As of March 31, 2018
Assets		
Current assets	501,860	564,597
Cash and deposits	82,130	104,899
Notes and operating accounts receivable-trade	226,213	259,367
Short-term investment securities	238	155
Inventories	43,236	46,598
Deferred and prepaid expenses	70,801	68,758
Other	82,795	87,013
Allowance for doubtful accounts	(3,554)	(2,194)
Non-current assets	1,594,293	1,506,718
Vessels, property, plant and equipment	929,507	918,770
Vessels, net	642,516	631,840
Buildings and structures, net	84,580	79,083
Aircraft, net	41,179	47,813
Machinery, equipment and vehicles, net	28,576	27,691
Equipment, net	6,005	5,919
Land	69,312	71,516
Construction in progress	51,960	49,920
Other, net	5,375	4,985
Intangible assets	36,332	36,932
Leasehold right	4,648	5,144
Software	5,827	6,807
Goodwill	22,094	22,032
Other	3,763	2,948
Investments and other assets	628,453	551,015
Investment securities	502,962	423,246
Long-term loans receivable	22,793	20,819
Net defined benefit asset	52,445	52,971
Deferred tax assets	7,635	8,461
Other	49,042	52,779
Allowance for doubtful accounts	(6,426)	(7,263)
Deferred assets	329	319
Total Assets	2,096,483	2,071,636

(In millions of yen)

	Current interim term As of September 30, 2018	Previous fiscal year As of March 31, 2018
Liabilities		
Current liabilities	603,589	516,959
Notes and operating accounts payable-trade	164,067	206,205
Current portion of bonds	30,000	30,000
Short-term loans payable	238,238	113,198
Commercial papers	33,000	—
Income taxes payable	7,133	6,803
Advances received	39,792	48,543
Provision for bonuses	9,095	9,271
Provision for directors' bonuses	242	368
Provision for stock payment	591	59
Provision for losses related to antitrust law	—	499
Provision for losses related to contracts	—	3,129
Provision for losses related to business restructuring	965	2,241
Other	80,462	96,638
Non-current liabilities	928,065	966,420
Bonds payable	125,000	145,000
Long-term loans payable	671,923	683,184
Deferred tax liabilities	45,744	52,215
Net defined benefit liability	18,410	18,301
Provision for directors' retirement benefits	1,333	1,958
Provision for stock payment	—	479
Provision for periodic dry docking of vessels	18,989	21,335
Other	46,665	43,945
Total Liabilities	1,531,655	1,483,380
Equity		
Shareholders' capital	506,127	521,035
Common stock	144,319	144,319
Capital surplus	34,922	35,112
Retained earnings	330,595	345,404
Treasury stock	(3,710)	(3,801)
Accumulated other comprehensive income (loss)	23,104	30,851
Unrealized gain (loss) on available-for-sale securities	30,514	41,637
Deferred gain (loss) on hedges	(13,506)	(18,929)
Foreign currency translation adjustments	(4,666)	(3,101)
Remeasurements of defined benefit plans	10,762	11,245
Non-controlling interests	35,596	36,368
Total Equity	564,828	588,255
Total Liabilities and Equity	2,096,483	2,071,636

- Current State (As of September 30, 2018)

◆ **Current State of the Company**

(1) Trade Name	Nippon Yusen Kabushiki Kaisha
(2) Head Office	3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005 Tel: +81-3-3284-5151 (main switchboard)
(3) Establishment	September 29, 1885 (Date of commencement: October 1, 1885)
(4) Paid-in Capital	144,319,833,730 yen
(5) Stock Listings	Tokyo (1st section) and Nagoya (1st section)
(6) Number of employees of NYK Group	36,552 (Note: NYK and consolidated subsidiaries only)
Number of employees of NYK	1,227 (land: 936, sea: 291) (including 66 temporary seconded employees to the Company and excluding those to other companies and dispatched workers)
(7) Number of vessels operated by NYK Group	712 (59,480,198 dwt)
(8) Independent Auditor	Deloitte Touche Tohmatsu LLC

◆ **Directors, Audit & Supervisory Board Members and Corporate Officers**

Chairman, Chairman Corporate Officer	Yasumi Kudo
President, President Corporate Officer	Tadaaki Naito
Representative Director, Executive Vice-President Corporate Officer	Hitoshi Nagasawa
Representative Director, Senior Managing Corporate Officer	Koichi Chikaraishi
Director, Senior Managing Corporate Officer	Yoshiyuki Yoshida
Director, Senior Managing Corporate Officer	Eiichi Takahashi
Chief Outside Director (Part-time, Independent Director)	Yukio Okamoto
Outside Director (Part-time, Independent Director)	Yoshihiro Katayama
Outside Director (Part-time, Independent Director)	Hiroko Kuniya
Audit & Supervisory Board Member (Full-time)	Yoko Wasaki
Audit & Supervisory Board Member (Full-time)	Hiroshi Hiramatsu
Outside Audit & Supervisory Board Member (Part-time, Independent Auditor)	Toshio Mita
Outside Audit & Supervisory Board Member (Part-time, Independent Auditor)	Hirohide Yamaguchi
Senior Managing Corporate Officer	Hidetoshi Maruyama
Managing Corporate Officer	Hitoshi Oshika
Managing Corporate Officer	Tomoyuki Koyama
Managing Corporate Officer	Akira Kono
Managing Corporate Officer	Hiroki Harada
Managing Corporate Officer	Noriko Miyamoto
Managing Corporate Officer	Takaya Soga
Managing Corporate Officer	Koichi Uragami
Corporate Officer	Svein Steimler
Corporate Officer	Kobune Goto
Corporate Officer	Shohei Yamamoto
Corporate Officer	Yutaka Higurashi
Corporate Officer	Tomoo Kitayama
Corporate Officer	Nobuhiro Kashima
Corporate Officer	Toru Kamiyama
Corporate Officer	Hemant Pathania
Corporate Officer	Masashi Suda
Corporate Officer	Shinya Hitomi
Corporate Officer	Taizo Yoshida
Corporate Officer	Akihiro Yoshida
Corporate Officer	Kotaro Seki
Corporate Officer	Lee Check Poh

◆ **Current State of Shares**

(1) Total number of shares authorized to be issued	298,355,000 shares
(2) Number of shares issued	169,573,655 shares (excluding treasury stock 481,443 shares)
(3) Number of shareholders	116,773 persons (decreased by 888 from the previous year)

(4) Major shareholders (Top 10)

Name	Number of shares held (in thousands)
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account)	10,764
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust account)	10,711
OFFICE SUPPORT CORPORATION	4,867
MITSUBISHI HEAVY INDUSTRIES, LTD.	4,103
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account 9)	3,972
MEIJI YASUDA LIFE INSURANCE CO.	3,447
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account 5)	3,087
RENO, INC.	3,040
TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.	2,894
STATE STREET BANK WEST CLIENT - TREATY 505234	2,393

(5) Shareholder composition (Breakdown of issued shares by type of shareholders)

Financial Institution	32.2%
Foreign Investors	27.0%
Individuals and Others	24.5%
Other Japanese Corporations	12.9%
Securities Firms	3.1%
Treasury Stock	0.3%

(6) Treasury stock

Shares held as of the end of the preceding term	Common Stock	478,393 shares
Shares purchased in the current interim term		
Less-than-One-Unit Share Purchased	Common Stock	3,342 shares
	Total price of acquisition	7,276,680 yen
Shares disposed in the current interim term		
Less-than-One-Unit Share Sold	Common Stock	292 shares
	Total price of disposition	661,228 yen
Shares lapsed in the current interim term		None
Shares held as of the end of the interim term	Common Stock	481,443 shares