

Financial Results for FY 17/3 and Forecast for FY 18/3

April 28, 2017

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Overview of FY 17/3 Results



▶ Decreased revenues and profit vs FY 16/3.

Market recovery in container/dry is in progress but gradually.

NYK group's consolidated recurring profit turned into the black.

- **Liner Trade** Market picked up in 3Q, kept it's level through 4Q, but profitability decreased YoY.
- **Air Cargo** Stable cargo move in 4Q and one-off forex profit resulted in increased profit YoY.
- **Logistics** Air freight forwarding still struggled with high procurement cost.
- **Bulk Shipping** Dry bulk market recovery continued through 4Q, although worsening tanker market and decreased automobile shipments resulted in profit decline.
- **Non-operating Income** Real Estate Business : 3Q JPY 8.5b.
- **Extra-ordinary Loss** Recorded substantial restructuring cost.
 - 2Q Impairment loss & provision for losses: JPY 200b
 - 3Q Impairment losses in off-shore business investment: JPY13b
 - 4Q Provision for losses related to contracts in air cargo: JPY7b
 - 4Q Provision for losses related to antitrust law: JPY17.4b



- ▶ Market showing moderate recovery and recurring profit gained as expected.
- ▶ Net income worsened due to extraordinary losses.

(In billion yen)	FY16/3					FY17/3					Year-on-year	Previous Forecast 4Q	Change From Previous forecast
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-year			
Revenues	588.7	609.5	568.3	505.6	2,272.3	470.7	457.8	485.9	509.3	1,923.8	-348.4	490.5	18.8
Operating Income	17.4	21.1	8.5	1.7	48.9	-10.9	-11.5	6.9	-2.5	-18.0	-67.0	-1.9	-0.5
Recurring Profit	21.5	21.2	13.3	4.0	60.0	-9.9	-13.6	25.9	-1.2	1.0	-59.0	-2.1	1.0
Net Income Attributable of owners of the Parent Company	43.0	11.7	-31.9	-4.5	18.2	-12.7	-219.0	5.7	-39.6	-265.7	-283.9	-19.0	-20.7
Exchange rate	¥ 120.97	¥ 122.56	¥ 121.23	¥ 118.37	¥ 120.78	¥ 111.12	¥ 103.50	¥ 106.13	¥ 114.29	¥ 108.76	- ¥ 12.02	¥ 110.00	
Bunker Oil Prices	\$ 357.71	\$ 349.69	\$ 276.00	\$ 211.22	\$ 298.66	\$ 192.62	\$ 238.71	\$ 270.71	\$ 312.94	\$ 253.75	-\$ 44.91	\$ 320.00	

FY16/3 vs FY17/3 by Industrial SEGs

17/3 Result



NYK LINE
NIPPON YUSEN KAISHA

▶ Market moderate recovering but it will take some time to be reflected in the results. Liner and bulk shipping results lower than expected vs the prev. forecast. Air cargo one-off forex profit attributed to positive recurring profit.

Industrial Segment (In Billion Yen)	FY 16/3					FY17/3					Year-on-year	Previous Forecast 4Q	Change From Previous forecast	
	1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year				
Global Logistics	Liner	184.1	194.0	168.6	159.4	706.3	141.4	139.1	149.8	155.4	585.9	-120.4	155.7	-0.1
		3.9	3.8	-6.9	-1.1	-0.3	-8.8	-6.4	3.9	-1.3	-12.7	-12.3	0.0	-1.2
Bulk Shipping	Air Cargo	24.6	24.2	23.8	18.3	91.1	19.0	19.4	22.5	20.9	81.9	-9.1	21.0	-0.1
		0.8	0.1	1.2	-0.6	1.5	-1.9	-1.4	2.2	3.8	2.6	1.0	-0.8	4.6
Others	Logistics	123.4	126.0	129.9	117.0	496.5	113.8	111.9	118.0	117.5	461.3	-35.1	110.1	7.3
		2.3	3.7	4.1	1.6	11.8	2.1	2.4	2.0	0.9	7.6	-4.2	1.4	-0.4
Bulk Shipping	(Total)	332.3	344.3	322.4	294.7	1,293.9	274.3	270.6	290.4	293.8	1,129.1	-164.7	286.7	7.1
		7.1	7.7	-1.5	-0.1	13.1	-8.6	-5.4	8.2	3.4	-2.4	-15.5	0.6	3.1
Bulk Shipping	Bulk Shipping	237.5	245.6	226.9	192.1	902.2	180.1	169.6	176.6	191.2	717.7	-184.5	184.6	6.7
		14.4	12.8	13.7	5.6	46.5	-0.8	-8.5	8.0	-2.7	-4.1	-50.7	0.0	-2.6
Others	Real Estates	2.3	2.5	2.4	2.4	9.7	2.4	2.4	2.5	2.0	9.4	-0.3	2.2	-0.1
		0.7	0.9	0.8	0.7	3.3	0.9	0.9	9.4	0.7	12.0	8.6	0.8	0.0
Others	Other	37.8	38.6	36.5	33.9	147.0	32.0	34.5	37.0	42.8	146.6	-0.4	36.3	6.6
		-0.1	0.2	0.8	-0.9	0.0	-0.6	0.1	0.6	-1.6	-1.4	-1.4	-2.1	0.6
Elimination/Unallocation	Elimination/Unallocation	-21.3	-21.6	-20.0	-17.7	-80.7	-18.2	-19.3	-20.7	-20.6	-79.0	1.6	-19.2	-1.5
		-0.5	-0.6	-0.5	-1.2	-2.9	-0.7	-0.7	-0.4	-1.0	-2.9	0.0	-1.2	0.1
Consolidated	Consolidated	588.7	609.5	568.3	505.6	2,272.3	470.7	457.8	485.9	509.3	1,923.8	-348.4	490.5	18.8
		21.5	21.2	13.3	4.0	60.0	-9.9	-13.6	25.9	-1.2	1.0	-59.0	-2.1	1.0

※ (Upper) Revenues (Lower) Recurring Profit
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Analysis of Change in Recurring Profit between FY 16/3 and FY 17/3

17/3 Result



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(billion yen)

Yen Appreciation	-4.1	¥108.76/\$, Appreciated by ¥ 12.02
Lower Bunker Oli Price	5.6	\$253.75/MT, Decreased by \$44.91
Market Effects etc	-76.7	
Cost Reduction	9.6	VS. FY 17/3 target of 6.0
Foreign Exchange Profit/Loss	7.3	
Others	-0.7	
Total	-59.0	



- ▶ Market moderately recovering, but expected it will take some time to be reflected in the results.
- ▶ Liner
 - Increased profit.
 - Aiming for better yearly contracts vs. previous FY.
 - Expect increased volume in the new alliance.
- ▶ Air Cargo
 - Reduced profitability due to lack of one-off profit as in last FY.
 - With better volume, substantially better vs. last FY.
- ▶ Logistics
 - Stable, with recurring profit same level as last FY.
- ▶ Bulk Shipping
 - Increased profit.
 - Recovery in dry bulk market to continue.
 - It is expected to take some time for the automobile handling volume to resource rich countries to recover.
- ▶ Dividends
 - Mid-term: no payment
 - Year-end: TBD

Forecast for FY18/3 (Summary)

Forecast



NYK LINE
NIPPON YUSEN KAISHA

(In billion yen)	FY 17/3 (Result)					FY 18/3 (Forecast)			Year-on year
	1H		2H		Full-year	1H	2H	Full-year	
	1Q	2Q	3Q	4Q					
Revenues	928.5		995.2		1,923.8	1,000.0	1,008.0	2,008.0	84.2
	470.7	457.8	485.9	509.3					
Operating Income	-22.4		4.3		-18.0	11.5	13.0	24.5	42.5
	-10.9	-11.5	6.9	-2.5					
Recurring Profit	-23.6		24.6		1.0	14.0	9.0	23.0	22.0
	-9.9	-13.6	25.9	-1.2					
Net Income Attributable to Owners of the parent company	-231.8		-33.9		-265.7	4.0	1.0	5.0	270.7
	-12.7	-219.0	5.7	-39.6					
Exchange Rate	¥ 111.12	¥ 103.50	¥ 106.13	¥ 114.29	¥ 108.76	¥ 108.00	¥ 108.00	¥ 108.00	-¥ 0.76
Bunker Oil Prices	\$ 192.62	\$ 238.71	\$ 270.71	\$ 312.94	\$ 253.75	\$ 340.00	\$ 340.00	\$ 340.00	\$ 86.25

► Sensitivity on Recurring Profit

Exchange Rate : 0.7 billion increase per ¥1/\$ depreciation

Bunker Oil Prices : 1.0 billion increase per \$10/MT decrease

FY 18/3 Forecast by Industrial SEGs.

Forecast



NYK LINE
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Industrial Segment (In billion yen)	FY17/3 (Result)							FY 18/3 (Forecast)			Year-on Year		
	1Q	2Q	1H	3Q	4Q	2H	Full-year	1H	2H	Full-year			
Global Logistics	Liner	141.4	139.1	280.5	149.8	155.4	305.3	585.9	308.0	303.0	611.0	25.1	
		-8.8	-6.4	-15.3	3.9	-1.3	2.5	-12.7	3.0	-3.0	0.0	12.7	
	Air Cargo	19.0	19.4	38.5	22.5	20.9	43.4	81.9	47.0	46.0	93.0	11.1	
		-1.9	-1.4	-3.4	2.2	3.8	6.1	2.6	0.0	1.0	1.0	-1.6	
Logistics		113.8	111.9	225.8	118.0	117.5	235.5	461.3	252.0	258.0	510.0	48.7	
		2.1	2.4	4.6	2.0	0.9	3.0	7.6	3.5	5.0	8.5	0.9	
(Total)		274.3	270.6	544.9	290.4	293.8	584.2	1,129.1	607.0	607.0	1,214.0	84.9	
		-8.6	-5.4	-14.1	8.2	3.4	11.6	-2.4	6.5	3.0	9.5	11.9	
Bulk Shipping	Bulk Shipping	180.1	169.6	349.8	176.6	191.2	367.9	717.7	362.0	361.0	723.0	5.3	
		-0.8	-8.5	-9.4	8.0	-2.7	5.2	-4.1	7.0	5.5	12.5	16.6	
Others	Real Estate		2.4	2.4	4.8	2.5	2.0	4.5	9.4	3.5	4.5	8.0	-1.4
			0.9	0.9	1.8	9.4	0.7	10.1	12.0	1.0	1.5	2.5	-9.5
	Other		32.0	34.5	66.6	37.0	42.8	79.9	146.6	67.0	76.0	143.0	-3.6
			-0.6	0.1	-0.5	0.6	-1.6	-0.9	-1.4	1.0	0.5	1.5	2.9
Elimination/ Unallocation		-18.2	-19.3	-37.6	-20.7	-20.6	-41.4	-79.0	-39.5	-40.5	-80.0	-1.0	
		-0.7	-0.7	-1.4	-0.4	-1.0	-1.5	-2.9	-1.5	-1.5	-3.0	-0.1	
Consolidated		470.7	457.8	928.5	485.9	509.3	995.2	1,923.8	1,000.0	1,008.0	2,008.0	84.2	
		-9.9	-13.6	-23.6	25.9	-1.2	24.6	1.0	14.0	9.0	23.0	22.0	

※ (Upper) Revenues (Lower) Recurring Profit

- Container and dry bulker markets' moderate recovery to continue.
- No one off profit in real estates segment.

- Liner Influx of large new vessels will continue, but scrapping is also expected.
Cargo volume stable, and thus expect moderate recovery to continue.

- Air Cargo
Improve volume/rates by focusing on collecting air freight-specific cargoes.

- Bulk Shipping
 - Dry Bulk Markets on moderate recovery.
 - Liquid VLCC market remains same level as previous FY.
 - Car Carrier Secure cargo volume same level as previous FY, and optimize vessel allocation/operation.



▶ 1. Liner Trade (Container Transportation)

Lifting · Utilization (1,000TEU)		16/3 (Result)	17/3(Result)				Full-Year	Change From Previous forecast	18/3(Forecast)			Year-on Year
			1H		2H				1H	2H	Full-Year	
			1Q	2Q	3Q	4Q						
Asia → North America	Lifting (Prev. F/Cast)	769	175	220	227	217	840	-9	487	482	968	128
	Utilization (Prev. F/Cast)	91%	80%	92%	92%	90%	89%	-1%	92%	92%	92%	3%
Asia → Europe	Lifting (Prev. F/Cast)	508	117	128	124	129	498	7	333	306	639	141
	Utilization (Prev. F/Cast)	93%	91%	95%	97%	102%	96%	1%	94%	90%	92%	-4%

Freight Index (09/3 1Q = 100)		16/3 (Result)	17/3(Result)				Full-Year	Change From Previous forecast	18/3(Forecast)			Year-on Year
			1H		2H				1H	2H	Full-Year	
			1Q	2Q	3Q	4Q						
Asia→North America	(Previous Forecast)	85	74	69	71	71	71	0	74	75	74	3
Asia→Europe	(Previous Forecast)	52	42	46	47	51	46	0	53	52	53	7

Volume : Space allocation increment in new alliance considered.

Freight : Expect better yearly contract vs previous FY.



2. Air Cargo Transportation (NCA)

	FY16/3 (Result)	FY17/3 (Result)				Full-year	FY18/3 (Forecast)		
		1H		2H			1H	2H	Full-year
		1Q	2Q	3Q	4Q				
Revenues (billion yen)	91.1	38.5		43.4		81.9	47.0	46.0	93.0
		19.0	19.4	22.5	20.9				
Recurring Profit (billion yen)	1.5	-3.4		6.1		2.6	0.0	1.0	1.0
		-1.9	-1.4	2.2	3.8				
Chargeable Weight (1,000 ton)	461	246		263		510	282	268	550
		118	129	136	128				
Volume (RTK) (mil.ton Kilo)	2,866	1,493		1,582		3,075	1,711	1,647	3,358
		719	773	825	756				
Capacity (ATK) (mil.ton Kilo)	4,170	2,210		2,172		4,382	2,471	2,331	4,802
		1,080	1,130	1,121	1,050				
YIELD FY09/3 1Q=100	90	72		78		75	79	81	80
		74	71	79	77				
MOPS US\$ per bbl	\$58	\$54		\$62		\$58	\$65	\$65	\$65
		\$54	\$54	\$60	\$64				

➤ Improve volume/rates by focusing on collecting air freight-specific cargoes.



▶ 3. Logistics

(billion yen)	FY16/3 (Result)	FY17/3 (Result)				Full-year	FY18/3 (Forecast)		
		1H		2H			1H	2H	Full-year
		1Q	2Q	3Q	4Q				
Revenues	496.5	225.8		235.5		461.3	252.0	258.0	510.0
		113.8	111.9	118.0	117.5				
Recurring Profit	11.8	4.6		3.0		7.6	3.5	5.0	8.5
		2.1	2.4	2.0	0.9				

➤ Ocean cargo handing volume is expected to increase.



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

	FY16/3 (Result)	FY17/3 (Result)					FY18/3 (Forecast)		
		1Q	2Q	3Q	4Q	Full-Year	1H	2H	Full-Year
Dry Bulk Carrier									
BDI	649	610	736	997	936	820	1,125	1,098	1,111
Cape (5TC)	7,309	6,684	8,080	11,983	10,970	9,429	15,500	14,000	14,750
Panamax (Pac)	4,656	4,546	5,743	7,338	7,481	6,277	9,000	9,000	9,000
Handymax (Pac)	5,371	4,836	6,509	5,841	5,972	5,789	8,500	8,500	8,500
Handy (Pac)	4,269	3,951	5,755	5,895	5,812	5,353	7,000	7,000	7,000
Tanker									
VLCC	65,653	43,686	19,549	49,208	31,483	35,982	30,000	40,000	35,000

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

- Dry Bulk Market continues to fluctuate in terms of short-term, but in longer-term on recovering.
- Tanker VLCC market same level as previous FY.



► 4. Bulk Shipping – 2) Car Carrier :

	FY16/3 (Result)	FY17/3 (Result)					FY18/3 (Forecast)		
		1H		2H		Full-year	1H	2H	Full-year
		1Q	2Q	3Q	4Q				
All Trade (10,000cars)	370	167		169		336	170	170	340
		84	83	86	83				
Year-on year	1%	-11%		-7%		-9%	2%	0%	1%
		-11%	-11%	-12%	-1%				

- Secure cargo volume same level as previous FY, and optimize vessel allocation/operation.

4. Financial Position

	FY15/3 (Result)	FY16/3 (Result)	FY17/3 (Previous Forecast)	FY17/3 (Result)	FY18/3 (Forecast)
Interest-bearing Debt	1,098.3	940.5	1,000.0	945.3	1,000.0
Shareholders' equity	810.3	773.6	480.0	522.4	530.0
Shareholders' equity ratio	32%	34%	24%	26%	25%
DER	1.36	1.22	2.1	1.81	1.90
ROE	6.2%	2.3%	-	-	1.0%
Cash flow from Operating Activities	136.4	142.8	40.0	27.9	55.0
Cash flow from investing Activities	26.7	-46.8	-200.0	-144.6	▲150.0
(Depreciation and amortization)	(101.0)	(103.3)	(87.0)	(92.0)	(84.0)

- 17/3 Recorded extraordinary cost and equity level decreased, capital adequacy ratio and DER worsened.
- Maintained financial discipline and at same time aim to invest in growing areas.

5. Fleet in Operation



Industrial Segment	Type of Vessel	FY16/3(Result)			FY17/3 (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	19	80	99	27	1,791	70	4,306	97	6,097
Bulk Shipping	Bulk Carriers (Capesize)	31	77	108	27	5,252	72	14,317	99	19,570
	Bulk Carriers (Panamax)	40	65	105	39	3,489	57	4,689	96	8,179
	Bulk Carriers (Handysize)	58	106	164	56	2,623	121	5,633	177	8,257
	Wood Chip Carriers	8	39	47	9	460	34	1,861	43	2,321
	Car carriers	30	89	119	31	537	80	1,473	111	2,010
	Tankers	47	21	68	42	7,673	21	2,406	63	10,080
	LNG carriers	65	3	68	67	5,400	3	228	70	5,629
	Multi-Purpose carriers	17	24	41	21	393	20	294	41	688
Others	Others	1	0	1	1	7	0	-	1	7
	Cruise Ships	1	0	1	1	7	0	-	1	7
Total		317	504	821	321	27,637	478	35,211	799	62,849
Offshore	Shuttle Tankers			28					28	3,279
	FPSO			2					4	-
	Drill Ships			1					1	-
Grand Total				852					832	66,128

- 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.