Financial Highlights
Brief Report for 3rd Quarter
FY2019

31st January 2020

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Financial Highlights for 3rd Quarter FY2019

Financial Results for 3rd Quarter FY2019

"K" LINE 川崎汽船株式会社

Consolidated Results for 1-3Q FY2019

(billion yen)

	FY2019 1H	FY2019 3Q	FY2019 1-3Q (a)	Year-or-Year Comparison FY2018 1-3Q (b)	Year-or-Year Comparison (b)-(a)
Operating Revenues	372.4	194.8	567.2	638.5	- 71.3
Operating Income	11.1	10.6	21.6	- 9.3	30.9
Ordinary Income	13.4	11.2	24.5	- 27.4	52.0
Net Income Attributable to Owners of Parent	16.3	8.9	25.2	- 31.0	56.2
Exchange Rate(￥/$)	¥109.18	¥108.79	¥109.05	¥110.80	-¥1.75
Bunker Price(/MT)	$440	$455	$445	$454	-$9

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income)	FY2019 1H	FY2019 3Q	FY2019 1-3Q (c)	Year-or-Year FY2018 1-3Q (d)	Year-or-Year (d)-(c)
Dry Bulk	116.3	65.6	181.9	208.8	- 26.9
	0.2	3.8	4.0	3.5	0.4
Energy Resource Transport	43.8	21.2	65.0	65.4	- 0.4
	4.6	3.1	7.7	1.9	5.7
Product Logistics	194.9	100.1	295.1	339.0	- 44.0
	10.5	5.2	15.7	- 29.7	45.4
Containership	49.3	26.7	76.0	107.7	- 31.7
	3.6	2.0	5.6	- 31.4	37.0
ONE as Equity Method Company	4.5	0.3	4.8	- 18.1	22.9
Other	17.3	7.9	25.3	25.3	- 0.0
	0.7	0.6	1.3	1.0	0.3
Adjustment	-	-	-	-	-
	- 2.6	- 1.5	- 4.1	- 4.2	0.1
Total	372.4	194.8	567.2	638.5	-71.3
	13.4	11.2	24.5	- 27.4	52.0

Key Factors

- Dry Bulk

  Although market conditions turned softer in the middle of the third quarter, profit increased year on year due to successful efforts to raise the efficiency of vessel operation and allocation.

- Energy Resource Transport

  Tanker Business contributed to profit amid a significant recovery in market conditions; Thermal Coal and LNG Carriers Businesses performed as planned with support of mid-long term contracts; Offshore Support Vessel market conditions also improved to a certain extent.

- Product Logistics

  ONE achieved profitability for third straight quarter, while overall Containership Business significantly reduced temporary costs. Car Carrier Business improved profitability due to successful route rationalization and freight rate restoration efforts.

Key Financial Indicator

(billion yen)

	FY2019-3Q (a)	FY2018 (b)	(a)-(b)
Equity Capital	129.9	103.6	26.3
Interest-bearing liability	541.1	550.2	- 9.1
DER	416%	531%	-115%
NET DER	329%	393%	-64%
Equity Ratio	14%(*)	11%	3%

(*) 18%, including the subordinated loan with 50% equity credit from a rating agency

A-2 Financial Highlights for 3rd Quarter FY2019
Forecasts for FY2019

Forecasts for FY2019

(billion yen)

	FY2019			FY2018		FY2019 as of Oct	
	1H	2H Forecast	Total (e)	Total (f)	(f)-(e)	Total (g)	(g)-(e)
Operating Revenues	372.4	367.6	740.0	836.7	- 96.7	740.0	-
Operating Income	11.1	- 6.1	5.0	- 24.7	29.7	6.0	- 1.0
Ordinary Income	13.4	- 8.4	5.0	- 48.9	53.9	5.0	-
Net Income Attributable to Owners of Parent	16.3	- 5.3	11.0	- 111.2	122.2	11.0	-
Exchange Rate(￥/$)	¥109.18	¥108.65	¥108.92	¥110.67	-¥1.75	¥108.58	¥0.33
Bunker Price(/MT)	$440	$500	$470	$450	$20	$485	-$15

Key Factors

- The forecasts of Operating Revenues, Ordinary Income and Net Income Attributable to Owners of Parent remain the same as the previous forecasts.

Key factors Assumption

- Yen-$ rate ￥**109**
- Bunker Price **$470/MT**
  (2H ＄500/MT)
- Market assumption
  Please refer to "A-3"

Estimates Sensitivity (4Q･3months)

- Yen-US$ rate : each ¥1 weaker (stronger)
  adds (subtracts) ±￥0.08bln
- Bunker price: each $10/mt down (up)
  adds (subtracts) ±￥0.01bln

*Bunker price sensitivity by ONE is not included.

Dividends

We recognize resume dividend payment at an early stage as our important management task in our Mid-term management plan. Our priority is also to stabilize our financial strength and keep improving our financial results.
With much regret, we have not decided to pay year-end dividend.

Forecasts for FY2019 by Segment

"K" LINE 川崎汽船株式会社

Forecasts for FY2019 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income)	FY2019 1H	FY2019 2H Forecast	FY2019 Total (h)	FY2018 Total (i)	FY2018 (h)-(i)	FY2019 as of Oct Total (j)	FY2019 as of Oct (j)-(h)
Dry Bulk	116.3	118.7	235.0	273.8	- 38.8	230.0	5.0
	0.2	3.4	3.5	4.4	- 0.9	5.0	- 1.5
Energy Resource Transport	43.8	42.2	86.0	88.7	- 2.7	88.0	- 2.0
	4.6	4.8	9.5	2.5	7.0	9.0	0.5
Product Logistics	194.9	190.1	385.0	441.0	- 56.0	390.0	- 5.0
	10.5	- 14.5	- 4.0	- 49.2	45.2	- 5.5	1.5
Containership	49.3	51.7	101.0	135.8	- 34.8	103.0	- 2.0
	3.6	- 15.6	- 12.0	- 48.8	36.8	- 13.5	1.5
ONE as Equity Method Company	4.5	- 1.4	3.1	- 20.1	23.2	2.3	0.8
Other	17.3	16.7	34.0	33.2	0.8	32.0	2.0
	0.7	0.8	1.5	1.1	0.4	1.5	-
Adjustment	-	-	-	-	-	-	-
	- 2.6	- 2.9	- 5.5	- 7.8	2.3	- 5.0	- 0.5
Total	372.4	367.6	740.0	836.7	- 96.7	740.0	-
	13.4	- 8.4	5.0	- 48.9	53.9	5.0	-

Key Factors by Segment

- Dry Bulk
  Year-on-year decline expected due to recent downturn in market conditions and longer dry-docking periods to comply with IMO SOx regulations

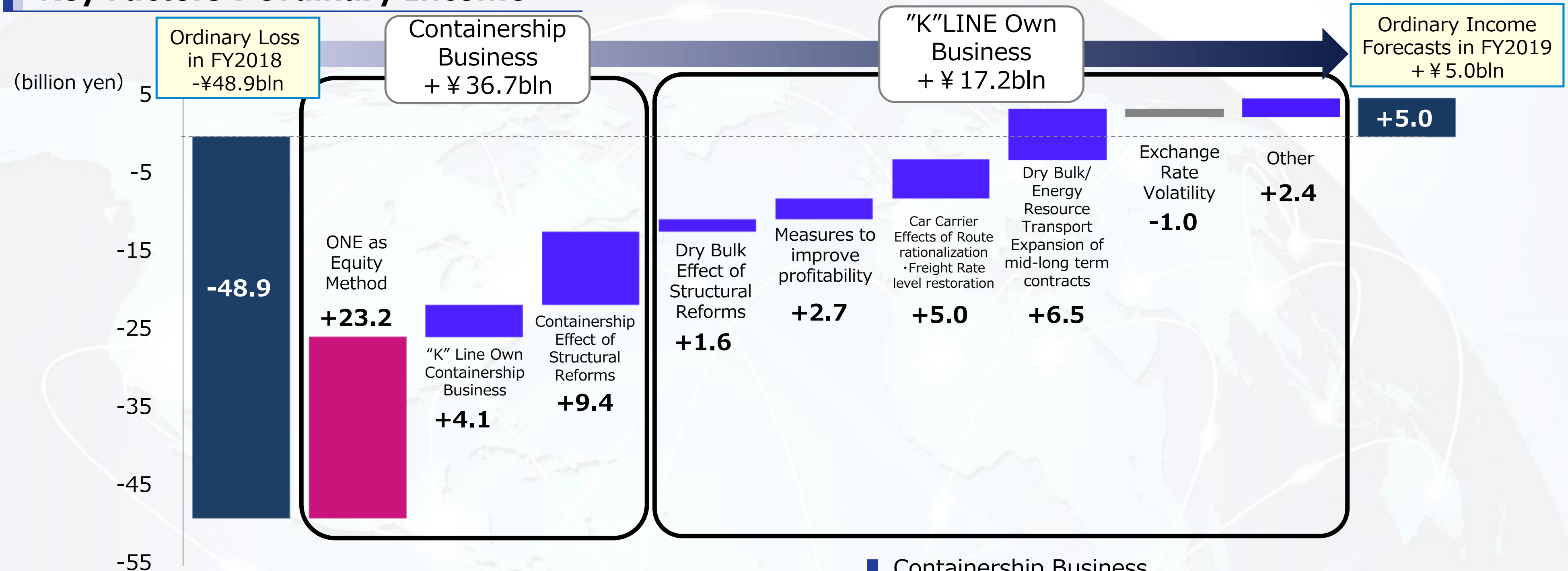
- Energy Resource Transport
  Year-on-year income growth is expected to continue mainly due to robust Tanker market conditions and the strong performance of LNG Carrier, Thermal Coal Carrier, and Energy E&P Support Business

- Product Logistics
  Profitability improvement for Containerships is expected by reflecting profitability improvement at ONE and decrease in temporary costs
  Profitability improvement for Car Carriers is expected due to the effects of route rationalization and rate restoration efforts.

		FY2019 1H	FY2019 2H Forecast	FY2019 Total (a)	FY2018 1H	FY2018 2H	FY2018 Total (b)	(a)-(b)
Dry Bulk	CAPE	$20,400	$17,000	$18,700	$18,500	$12,200	$15,350	+$3,350
	PANAMAX	$12,800	$10,300	$11,500	$11,300	$9,700	$10,500	+$1,000
	HANDYMAX	$10,250	$9,300	$9,800	$11,300	$9,600	$10,450	-$650
	SMALL HANDY	$7,300	$7,050	$7,150	$8,500	$7,600	$8,100	-$950
Tanker	VLCC (Middle East/Japan)	$20,800	$63,400	$42,100	$12,600	$40,200	$26,400	+$15,700
	AFRAMAX (South Asia/Japan)	$11,300	$26,000	$18,700	$8,200	$14,700	$11,450	+$7,250

A-4 Financial Highlights for 3rd Quarter FY2019
Latest Forecasts for FY2019 – vs. Financial Results for FY2018

Key Factors : Ordinary Income



Progress of Measures to improve profitability in FY2019

Measures to improve profitability in FY2019		Forecast (a)	Target as of Oct (b)	(a)-(b)
Dry Bulk	Effective Vessel Allocation/ Most Economical Vessel Operation	0.5	0.5	-
	Vessel Operation Cost reduction/ Further efforts to market procurement	0.6	0.6	-
Energy Resource Transport	Effective Vessel Allocation/ Most Economical Vessel Operation	0.4	0.5	- 0.1
	Operation cost reduction	0.9	0.9	-
Product Logistics	Sales Activities	0.1	0.1	-
	Operation cost reduction	0.2	0.2	-
	Total (billion yen)	2.7	2.8	- 0.1

- Containership Business
  Improvement of ¥36.7bln expected, mainly from equity in profit/loss of ONE and structural reform benefits
- "K"LINE Own Business
  Improvement of ¥17.2bln expected, mainly from route rationalization and rate restoration effects in Car Carrier Business, increase of dry bulk market and Expansion of mid-long term contracts in Energy Resource Transport
- Measures to improve profitability
  Steady achievement with a full-year effect of ¥2.7bln expected

A-5 Financial Highlights for 3rd Quarter FY2019

Progress of Main Initiatives for 3rd Quarter FY2019

Key objective	Business/Tasks	Initiatives	Progress in FY2019-3Q
Rebuilding Business Portfolio	Dry Bulk	Expansion of Stable Income Business, mainly Capesize vessels	Expansion of mid-long-term cotracts, maily Capesize ・Commencement of long-term consecutive voyage charter contracts with JFE Steel Corporation(in October, 2019) and Conclusion of construction contract for 1 Capesize Carrier (in November, 2019) Agreement with Nippon Paper Industries Co. Ltd. on consecutive voyage contract. (in October, 2019)
		Optimization of core market-exposed fleet like Panamax-smaller-size vessels	Full-year profitability improvement effect of ￥1.6 bln realized as expected, due to structural reforms (charter cancellations) in the previous fiscal year and anticipated in line with expectations
	Car Carrier	Benefits of route rationalization through revenue management by route-wise and Improvement of profitability through freight rate restoration	Full-year profit improvement is expected to be ¥5.0 bln in FY2019.
	Energy Resource Transport	Expansion of Stable Income Business, mainly LNG and Thermal Coal Carriers	Expansion of mid-long-term cotracts, mainly new delivery vessels ・Agreement to establish a new Joint venture shipping company with Taipower and etc. (Disclosed in July,2019) ・Delivery of Coal Carriers for Hokuriku Electric Power Company (in July,2019) and Electric Power Development Co., Ltd.(in September,2019)
		Restructuring of market-exposed business and "Selection and Concentration" considering evaluation of business risk-return management.	3 clean tanker fleet (LRⅡ) redelivered and completion of withdrawal from the product tanker business, which is highly sensitive to market conditions (in May,2019) Sale of one vessel in unprofitable Offshore Support Vessel Business (in April,2019)
	Containerships	Measures to loss related to containership chartering	Full-year profitability improvement effect of ￥9.4 bln realized as expected, due to structural reforms (charter cancellations) in the previous fiscal year and anticipated in line with expectations
		Profit improvement by ONE	ONE achieved a surplus in 3rd Quarter in FY2019 and made profits in 3 consecutive quarters
	Logistics	Deepening our business rooted in individual countries and regions through introduction of external knowhow.	Establishment of Joint Holding Company by our Three Domestic Harbor Transportation Subsidiaries and completion of partial share transfer of the company to Kamigumi Co., Ltd. (in April) Collaborative projects through the alliance with Kamigumi Co., Ltd., such as effective utilization of management resources, are taking shape, and discussions to further increase synergies are in progress.
Restoration of Financial Base	Measures to Strengthen Capital Base	Review of Business Portfolio	
		Strengthening financial Base and maintaining Capital efficiency	Completion of execution of New subordinated loan (￥45.0bln) with equity credit (Evaluation of Equity Credit is 50% by Rating Agency) (in April, 2019)
Key Strategies by Function	Develop new business models by cooperation with Customers and outsiders		Commencing Joint Research and Analysis and Market Conditions with artificial intelligence (AI) (Joint cooperation with The National Institute of Maritime,Port and Aviation Technology/ Hiroshima University / Marubeni Corporation) (Disclosed in October, 2019)
ESG Initiatives	Environment (E)	Reduction of Environmental load	"Seawing", an automated kite system utilizing natural energy to be installed to a large bulk carrier owned by "K"Line. (Disclosed in June, 2019) Joint Approval in Principle (AIP) for New Concept Design of LNG-fuelled Ore Carrier with Namura Shipbuilding Co., Ltd. (in August, 2019) Membership in "Getting to Zero Coalition" to promote GHG emission reduction (in November,2019) Construction of Next-Generation Environmental-Friendly Car Carrier Fueled by LNG (Disclosed in November in 2019 and to be delivered in Autumn,2020) Concluded ship management agreement with FueLNG for Singapore's 1st LNG-Bunker vessel (in November,2019) Participation in "CO_2-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA) by demonstration of the World's First Liquefied Hydrogen Carrier (in December,2019)
		External Recognition	Selected as a component in Socially Responsible Investment (SRI) and ESG indices used all over the world. 「FTSE4 Good Index Series」(Consecutive 17 years), 「Dow Jones Sustainability Indices（DJSI）Asia Pacific Index」(Consecutive 9 years) etc. Awarded CDP's "A List 2019" on Climate Change—Earning Highest Rating "A" for 4 Consecutive Years (in January,2020)

Compliance with IMO SOx Regulations

Completed switchover to complaint fuel oil as planned with a response to global SOx (sulfur oxides) regulations taking effect in January 2020 with a policy of maintaining smooth vessel operation and minimizing the economic impact and comply with regulations

Immediate response		Situation of progress
① Usage of regulation-compliant fuel oil	Status of securing and switchover to regulation-compliant fuel oil	Engaged in advance procurement and secured a certain ratio in main bunkering areas. Switchover to compliant fuel oil was completed on schedule.
	Status of response to cost increases	For fuel switching, reduced costs by devising switching techniques and utilizing additives(Sludge dispersant). We explained and discussed the fuel oil cost increase with customers to obtain their understanding of an appropriate burden as an environmental cost on their part, and general acceptance was gained.
② Installation of SOx Scrubber		Planned installation on about one-tenth of the “K” Line fleet, mainly bigger size vessels for which there are customer requests. New vessels with Sox scrubber are gradually being delivered.
③ Alternative Solution like LNG/LPG etc.		Construction of Next-Generation Environmental-Friendly Car Carrier Fueled by LNG (To be delivered in Autumn,2020)

Division Trends

B-1 Division Trends
Dry Bulk Segment

Results in 1-3Q FY2019

- Dry bulk market conditions, which surged in the second quarter, softened as the supply-demand balance loosened towards the end of 2019 due to sluggish transport demand
- Capesize

  Despite robust crude steel production in China, market conditions weakened due to a downturn in Brazil iron ore exports from mid-third quarter and excess vessel supply
- Panamax and Smaller size

  Market conditions weakened from mid-third quarter due to sluggish grain shipments from South America and coal shipments to China

- Strengthening effective operation suitable for the market situation and most economical operation including measures to improve profitability.

Transition of Dry Bulk Fleet Scale

	FY2017	FY2018	FY2019 3Q
CAPE	106	96	93
Panamax and Smaller size	127	103	92
Woodchip Carrier	10	10	10
Total	**243**	**209**	**195**

FY2019 : Dry Bulk Market Exposure

CAPE	2%
Panamax and Smaller size	11%
Woodchip Carrier	0%

Initiatives for 4Q FY2019 onwards

- Strengthen our profitability not affected by market volatility through improvement profitability measures like vessel operation effectiveness, expansion of stable business by mid-long term contracts and cost savings etc.

- Expanding customer base and creating new business by improvement of transportation/service quality and reduction of environmental load

Dry Bulk Market	FY2018					FY2019				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q Forecast	Forecast
CAPE	$14,950	$22,000	$15,800	$8,650	$15,350	$11,350	$29,400	$21,950	$12,000	$18,700
PANAMAX	$10,500	$12,150	$12,350	$6,950	$10,500	$9,500	$16,050	$11,550	$9,000	$11,500
HANDYMAX	$11,050	$11,600	$11,500	$7,600	$10,450	$8,200	$12,300	$10,600	$8,000	$9,800
SMALL HANDY	$8,800	$8,250	$9,250	$6,000	$8,100	$6,100	$8,450	$8,100	$6,000	$7,150

B-2 Division Trends
Energy Resource Transport Segment – Tanker/Thermal Coal Carrier

Results in 1-3Q FY2019

- Tanker
  - VLCC market conditions recovered in the third quarter due to application of U.S. sanctions against some major shipowners and increased vessel off-hire for installation of SOx scrubber equipment
  - For LPG vessels, exports from the U.S. rose, ton-miles increased, the market conditions continued to trend at high levels.
- Thermal Coal Carrier
  - Secured stable profits based on mid-long term contracts
  - Pursued effective vessel allocation/operation and shrinking market exposure

Initiatives for 4Q FY2019 onwards

- Tankers
  - VLCC and LPG fleet maintained smooth operation based on mid-long term.
  - Exposure associated with contract renewal was controlled through extension of charter contracts on a medium-term fixed basis and utilization of FFAs (futures trading)
- Thermal Coal Carrier
  - Maintain expansion of stable income business by medium-and-long-term contracts continuingly
  - Strengthen our profitability not affected by market volatility through improvement of vessel operation effectiveness

Transition of Tanker and Thermal Coal Carrier Fleet Scale

	FY2017	FY2018	FY2019 3Q
VLCC	6	8	6
LPG Carrier	7	8	5
Other Tankers	9	6	6
Thermal Coal Carrier	23	25	29
Total	**45**	**47**	**46**

FY2019 : Tanker and Thermal Coal Carrier Fleet Market Exposure

VLCC	8%
LPG Carrier	10%
Other Tankers	67%
Thermal Coal Carrier	4%

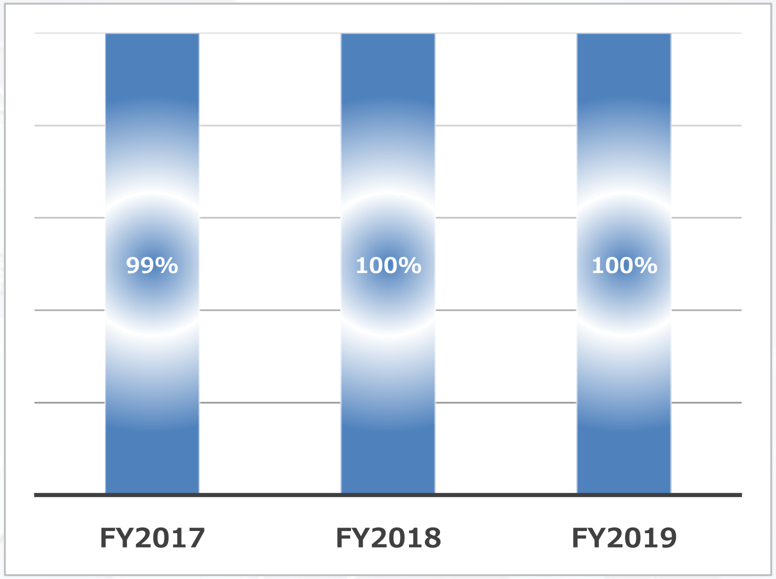
Tanker Market (WS)	FY2018					FY2019				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q Forecast	Forecast
VLCC	45	53	88	56	61	41	55	112	64	68
(Middle East/Japan)	$10,050	$15,150	$49,800	$30,550	$26,400	$13,900	$27,750	$96,750	$30,000	$42,100
AFRAMAX	87	103	133	102	106	99	91	168	171	132
(South Asia/Japan)	$7,000	$9,350	$16,350	$13,000	$11,450	$12,650	$10,000	$27,650	$24,350	$18,700

B-3 Division Trends
Energy Resource Transport Segment
–LNG Carrier/Liquefied Gas Business/Energy E&P Support Business

Results in 1-3Q FY2019

- LNG Carrier
  - Secured stable-income by operating fleet with medium-and-long-term contracts
- Liquefied Gas New Business
  - Concluded a ship management agreement for the LNG-Bunkering Vessel (LBV) that FueLNG will own in Singapore
  - Participation in "CO_2-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA), an association working towards the safe transportation of liquefied hydrogen
- FPSO・Drillship
  - Earned stable income by long-term contract through steady operation of vessels
- Offshore Support Vessel
  - Both PSV and AHTS market conditions hit the bottom and improved to some extent.

LNG Carrier - Contract Covered Ratio



Initiatives for 4Q FY2019 onwards

- LNG Carrier
  - Build up stable-income business by securing more medium-and-long-term contracts
- Liquefied Gas New Business
  - Create demand for LNG/LPG fuel vessels and expand LNG bunkering supply sites in line with the customer strategy following the Ise Bay project
- FPSO・Drillship
  - Keep operating as a stable-income business via a high utilization
- Offshore Support Vessel
  - Stabilize earnings most recently and promote structural reforms with consideration of market situation

Transition of LNG Carrier Fleet Scale

FY2017	FY2018	FY2019 3Q
44	48	47

Product Logistics Segment – Car Carrier / Automotive Logistics Business

Results in 1-3Q FY2019

- Total Units Carried : 2,589 thousand units

・On routes from the Far East, cargo movements were generally stable, and total units carried were mostly in line with expectations. On the other hand, overall total units carried decreased year on year due to rationalization and reorganization of unprofitable routes, mainly in the third-country routes.

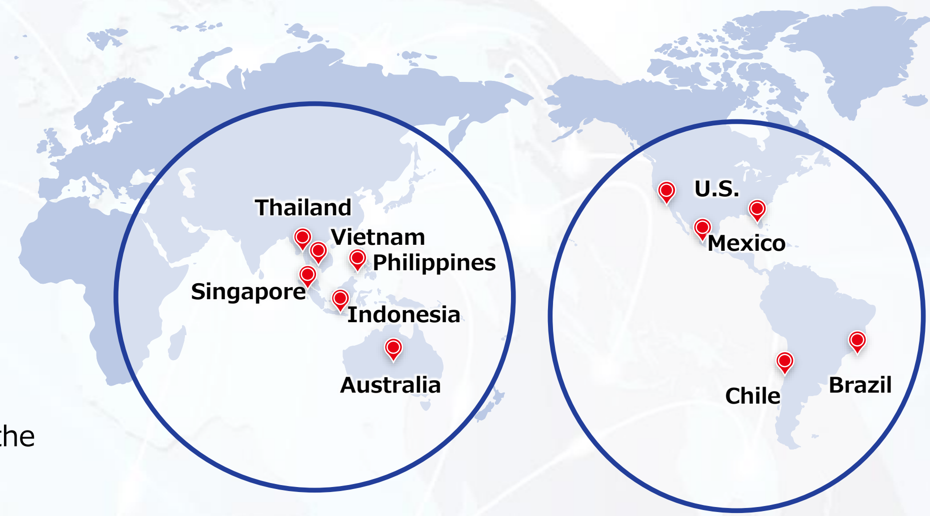
・Secure profits by proceeding with a review of fleet size, vessel allocation efficiency.

Initiatives for 4Q FY2019 onwards

- Total Units Carried : 777 thousand units
  - There are risks of a decline in demand for marine transport due to the uncertainties in the global economic outlook caused by geopolitical risk in Middle east, U.S.-China trade disputes and Brexit, along with economic instability in some areas of South America and slower sales in Australia.
- Aim to further strengthen the earnings foundation by vessel allocation efficiency.

Expansion of Automotive Logistics Business

- Total Units Handled to be 2,640 thousand units (FY2019)
- Business location 10 countries and 13 base



Total units carried (1,000 units)	FY2018 1Q	FY2018 2Q	FY2018 3Q	FY2018 4Q	FY2018 Results	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019 4Q Forecast	FY2019 Forecast
Outbound	297	267	303	307	1,174	299	266	280	261	1,105
Homebound	63	69	59	48	240	64	73	67	40	244
Others	373	349	338	263	1,324	315	286	291	261	1,153
Intra-Europe	254	173	227	226	881	231	213	206	214	864
Total units carried	987	858	927	845	3,617	909	837	843	777	3,366
Number of Fleet	93	93	92	90	90	85	86	84	84	84

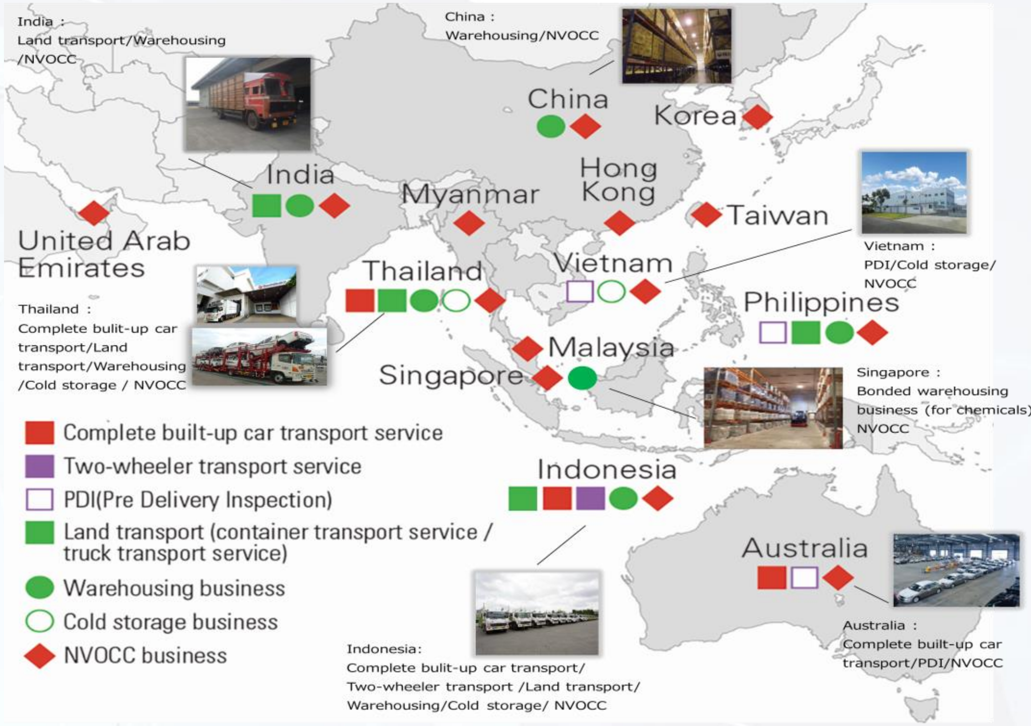
B-5 Division Trends
Product Logistics Segment – Car Carrier / Automotive Logistics Business

Results in 1-3Q FY2019

- Domestic Logistics
  - Strong results, mainly from tugboat / land and sea multimodal transport / warehousing
  - Contribution to profitability improvement from effective utilization of assets due to the alliance with Kamigumi Co., Ltd.

- International Logistics
  - There is a decline year on year in cargo volume for U.S.-China forwarding business due to U.S.-China trade friction
  - Air cargo volume declined year on year for semiconductor manufacturing equipment within Asia and motors (generic machine engines) to Europe and the U.S.

Location in our Logistics Business



Initiatives for 4Q FY2019 onwards

- "K" LINE keeps focusing on constructing our global network to stay keen on customers' base and needs.

  Individual Target
  - Restructuring of its global network by "K" LINE Logistics, a group's logistics company, as a core company in the Logistics business sector.
  - Improving our cargo sales and marketing on Land and Sea multimodal transportation by utilizing our group's service
  - Expand the customer base of Buyer's Consolidation Business and deepen the business rooted in individual countries and regions, including development of Cold Storage Business
  - Improving "K" LINE's service quality for logistics of project cargoes.

ONE
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)

OCEAN NETWORK EXPRESS

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

*as of Oct 2019

(Unit：Million US$)

	FY2019(Previous Forecasts)*					FY2019(Latest)							Full Year	
	1Q Result	2Q Result	1H Result	2H Forecast	Full Year Forecast	1Q Result	2Q Result	1H Result	3Q Result	4Q Forecast	2H Forecast	Full Year Forecast	Change (Mil US$)	Change (%)
Revenue	2,875	3,109	5,984	6,125	12,109	2,875	3,109	5,984	2,914	2,980	5,895	11,879	-231	-1.9%
Profit/Loss	5	121	126	-66	60	5	121	126	5	-49	-45	81	21	33.8%
Bunker Price (US$/MT)	$432	$419	$427	$508	$469	$432	$419	$427	$417	$561	$488	$457	-$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

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(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2018 1Q Results	FY2018 2Q Results	FY2018 1H Results	FY2018 3Q Results	FY2018 4Q Results	FY2018 2H Results	FY2018 Full Year Results	FY2019 1Q Results	FY2019 2Q Results	FY2019 1H Results	FY2019 3Q Results
Asia - North America Eastbound	Lifting	530	761	1,291	746	627	1,374	2,664	669	773	1,442	665
	Utilization	73%	90%	82%	95%	88%	92%	87%	86%	94%	90%	93%
Asia - Europe Westbound	Lifting	312	478	790	442	455	897	1,687	460	488	947	440
	Utilization	73%	90%	82%	92%	92%	92%	88%	87%	95%	91%	92%

Asia - North America Westbound	Lifting	218	285	502	320	318	639	1,141	350	310	660	320
	Utilization	33%	33%	33%	40%	43%	41%	37%	47%	37%	42%	42%
Asia - Europe Eastbound	Lifting	194	263	457	315	320	634	1,091	323	328	651	362
	Utilization	48%	47%	48%	62%	63%	62%	55%	64%	64%	64%	72%

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

Freight Index by Trades	FY2018 1Q Results	FY2018 2Q Results	FY2018 1H Results	FY2018 3Q Results	FY2018 4Q Results	FY2018 2H Results	FY2018 Full Year Results	FY2019 1Q Results	FY2019 2Q Results	FY2019 1H Results	FY2019 3Q Results
Asia - North America Eastbound	100	101	101	108	105	107	104	103	105	104	104
Asia - Europe Westbound	100	106	104	100	107	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

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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

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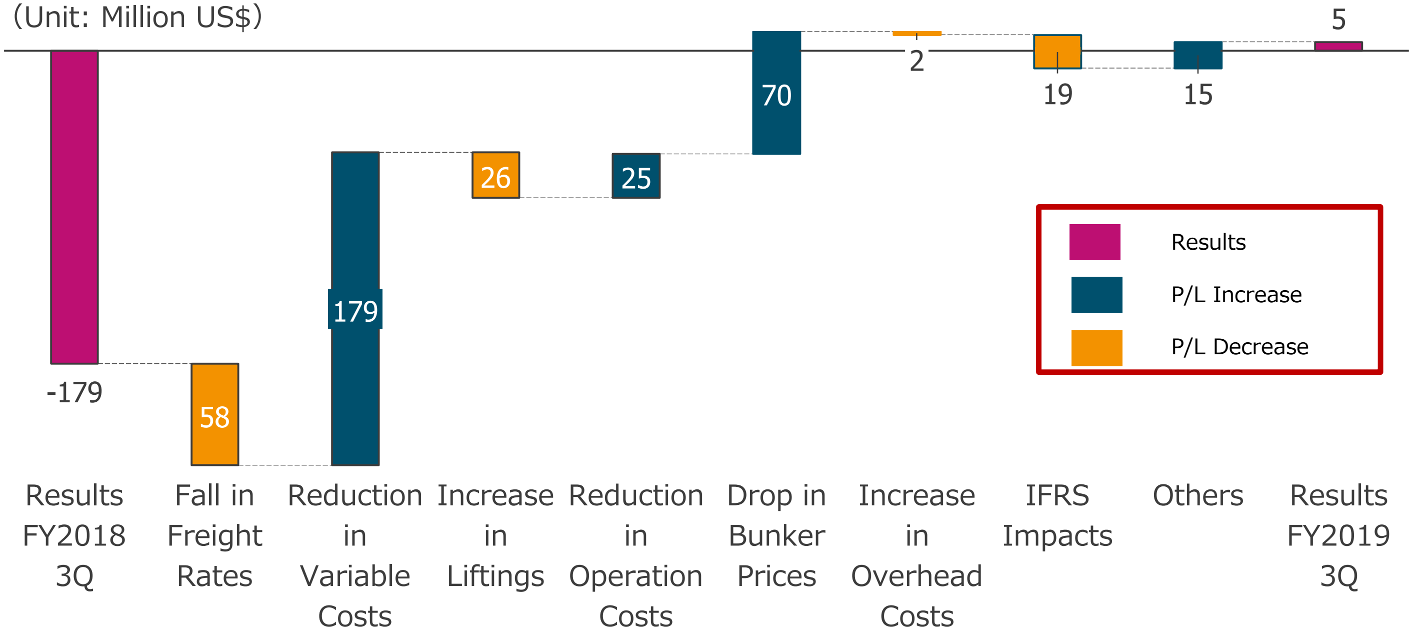
3Q Result and Comparison year on year basis

(Unit: Million US$)

	FY2018			FY2019			3Q		1Q-3Q	
	1H Results	3Q Results	1Q-3Q Results	1H Results	3Q Results	1Q-3Q Results	Change (Mil US$)	Change (%)	Change (Mil US$)	Change (%)
Revenue	5,030	3,025	8,055	5,984	2,914	8,898	-111	-3.7%	843	10.5%
Profit/Loss	-311	-179	-490	126	5	131	184	-	621	-
Bunker Price (US$/MT)	$434	$487	$453	$427	$417	$424	-$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

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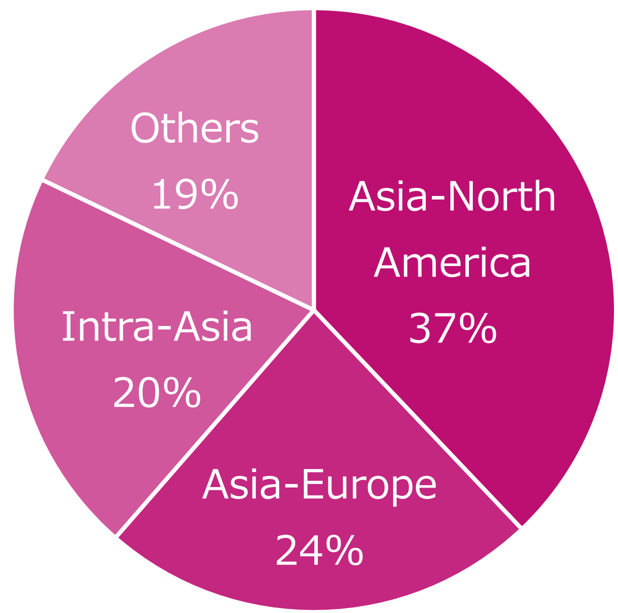
Fleet Structure

as of end of 3Q

Size		1)As of end Sep. 2019	2)As of end Dec. 2019	2)-1)
>= 20,000 TEU	0	120,600	120,600	0
	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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