

Financial Highlights Brief Report for FY2017

27th April 2018



A Financial Highlights for FY2017

- A-1 : Financial Results for FY2017
- A-2 : Financial Results for FY2017 - vs FY2016
- A-3 : Financial Impact by Structural Reforms and Provision of allowance
Progress of Cost Savings

B Estimate for FY2018

- B-1 : Renewal of Business Segment for disclosure
- B-2 : Estimate for FY2018
- B-3 : Estimate for FY2018 - vs. Financial Results for FY2017

C Division Trends

- C-1 : Progress of Management plan
- C-2 : Detailed Progress of Management plan & Initiatives for FY2018
- C-3 : Dry Bulk Segment
- C-4 : Energy Resource Transport Segment – Tanker/Thermal Coal Carrier
- C-5 : Energy Resource Transport Segment
– LNG Carrier/Offshore Support Business/Energy E&P Support Business
- C-6 : Product Logistics Segment – Car Carrier / Automotive Logistics Business
- C-7 : Product Logistics Segment – Logistics Business
- C-8 : Product Logistics Segment – Containership Business

D Ocean Network Express 3-Year Business Plan (FY2018-2020) and FY2018 Business Summary

- D-1 : Business Plan (3 Years)
- D-2 : Synergy Effect
- D-3 : Portfolio (Revenue · Space)
- D-4 : Fleet
- D-5 : FY2018 Business Summary

Financial Highlights for FY2017



A-1 Financial Highlights for FY2017

Financial Results for FY2017

Consolidated Results for FY2017

(billion yen)

	FY2017					FY2016	
	1Q	2Q	3Q	4Q	FY2017 (a)	FY2016 (b)	(a)-(b)
Operating Revenue	287.4	291.6	305.1	278.0	1,162.0	1,030.2	131.8
Operating Income	3.9	2.4	0.9	0.1	7.2	▲ 46.0	53.3
Ordinary Income	6.0	5.2	▲ 1.8	▲ 7.4	2.0	▲ 52.4	54.4
Net Income Attributable to Owner of Parent	8.5	4.7	▲ 3.9	1.1	10.4	▲ 139.5	149.9
Exchange Rate (¥/\$)	¥111.48	¥110.92	¥112.65	¥109.72	¥111.19	¥108.76	¥2.43
Bunker Price(\$)	\$326	\$322	\$358	\$391	\$349	\$265	\$84

Business Segment		FY2017					FY2016	
		1Q	2Q	3Q	4Q	FY2017 (a)	FY2016 (b)	(a)-(b)
Containership	Operating Revenue	147.2	157.3	153.7	140.4	598.5	519.0	79.5
	Ordinary Income	6.1	2.9	▲ 2.0	▲ 3.7	3.4	▲ 31.5	34.9
Bulk Shipping	Operating Revenue	126.4	124.5	141.3	129.0	521.2	456.5	64.6
	Ordinary Income	0.4	2.4	2.7	▲ 2.2	3.2	▲ 9.5	12.7
Offshore Energy E&P Support & Heavy Lifter	Operating Revenue	4.9	1.4	0.7	0.5	7.5	19.4	▲ 11.9
	Ordinary Income	▲ 0.2	1.0	▲ 1.4	▲ 0.3	▲ 1.0	▲ 5.1	4.2
Other	Operating Revenue	8.9	8.4	9.5	8.1	34.9	35.3	▲ 0.4
	Ordinary Income	1.0	0.9	0.6	0.8	3.3	2.5	0.8
Adjustments	Operating Revenue	-	-	-	-	-	-	-
	Ordinary Income	▲ 1.3	▲ 2.1	▲ 1.6	▲ 2.0	▲ 7.0	▲ 8.8	1.8
Total	Operating Revenue	287.4	291.6	305.1	278.0	1,162.0	1,030.2	131.8
	Ordinary Income	6.0	5.2	▲ 1.8	▲ 7.4	2.0	▲ 52.4	54.4

Main Financial Indicators

(billion yen)

	FY2016(a)	FY2017(b)	(b)-(a)
Equity Capital	219.5	217.0	▲ 2.5
Interest-bearing liability	550.5	570.6	20.1
DER (%)	251%	263%	12%
NET DER (%)	160%	155%	▲ 5%
Equity Ratio (%)	21%	21%	0%

Year-end Dividend

With much regret, we decided not to pay year-end dividends in FY2017 as previously announced, given the urgency in improving our financial structure and the stabilization of our business base.

Key Factors

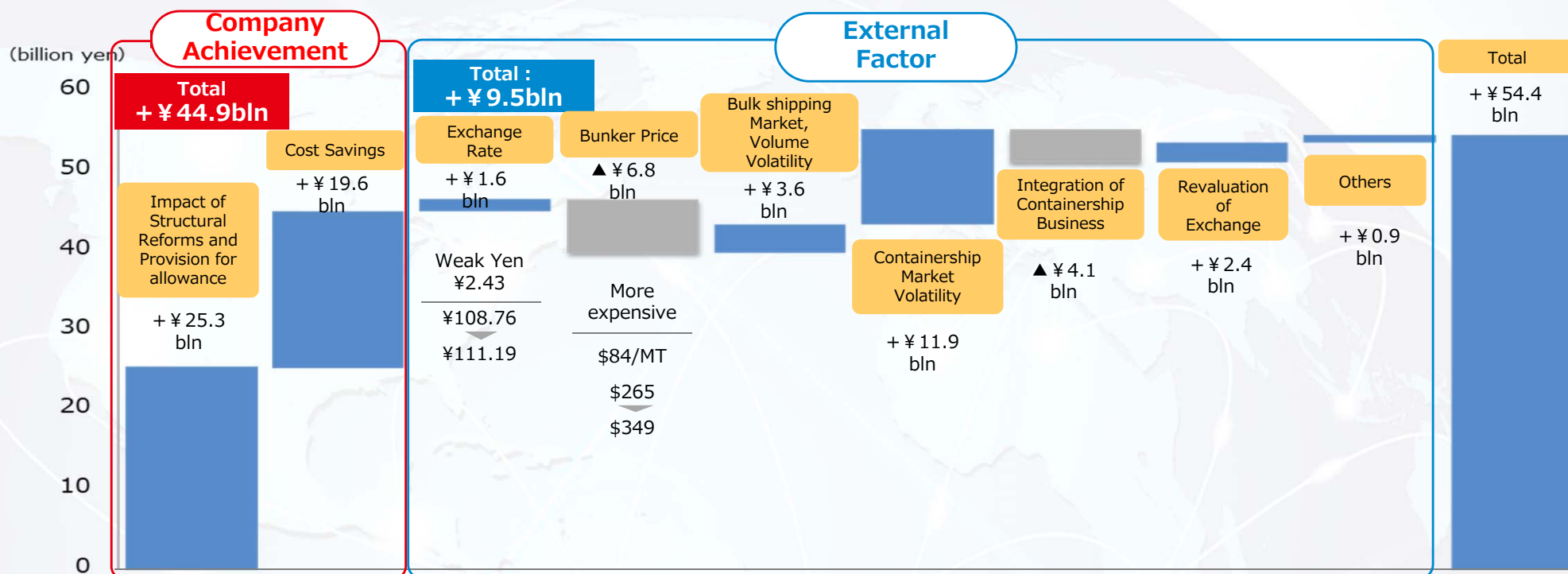
- ONE's incorporation related costs was \$220mil (\$338mil as of Jan, 2018) and the total impact on our results from the costs and expenses related to Integration of Container Shipping Business including the reversal of secondment fee from ONE was about ▲¥4.1bln. (▲¥5.0bln as of Jan, 2018)
- Due to strong yen Exchange loss ▲¥3.6bln was recognized in FY2017-4Q. Throughout FY2017, total Exchange loss was▲¥1.5bln.
- Due to the changes of estimation for Extraordinary losses, Net Income for FY2017 was + ¥ 10.4bln, improving by + ¥ 2.9bln from that as of Jan, 2018.

A-2 Financial Highlights for FY2017

Financial Results for FY2017 - vs FY2016

Key Factor : Ordinary Income

FY2016 Result ▲ ¥52.4bln ⇒ FY2017 Result + ¥2.0bln (+ ¥54.4bln)



Market rate Comparison

		FY2016			FY2017			(b)-(a)
		1H	2H	Result (a)	1H	2H	Result (b)	
Containership	North America outbound freight Index	72	78	75	76	75	75	-
	Europe outbound freight Index	43	50	47	55	51	53	6
Dry Bulk	CAPE	\$7,400	\$11,500	\$9,450	\$13,400	\$18,100	\$15,750	+\$6,300
	PANAMAX	\$5,350	\$8,450	\$6,900	\$9,600	\$11,750	\$10,650	+\$3,750
	HANDYMAX	\$6,450	\$8,250	\$7,350	\$8,950	\$10,650	\$9,800	+\$2,450
	SMALL HANDY	\$5,300	\$6,800	\$6,050	\$7,350	\$8,900	\$8,150	+\$2,100
Tanker	VLCC (Middle East/Japan)	\$29,000	\$38,000	\$33,500	\$15,400	\$14,800	\$15,000	▲\$18,500
	AFRAMAX (South Asia/Japan)	\$14,300	\$14,250	\$14,300	\$9,300	\$6,600	\$7,900	▲\$6,400
	Clean Tanker (110,000MT) (Middle East/Japan)	\$14,450	\$10,250	\$12,400	\$10,450	\$11,300	\$10,900	▲\$1,500

A-3 Financial Highlights for FY2017

Financial Impact by Structural Reforms and Provision of allowance Progress of Cost Savings

Financial Impact in FY2017 by Structural Reforms and Provision of allowance in FY2015 & FY2016

- The results of “Financial Impact by Structural Reforms and Provision of allowance” and “Cost Savings” were the same as our original target.

(billion yen)

	Assumption as of Apr 2017(a)	FY2017 (b)	(b)-(a)
Bulk Shipping	11.8	12.2	+0.4
Containership	20.3	20.2	▲0.1
Offshore Energy E&P Support & Heavy Lifter	2.2	2.3	+0.1
Total	34.3	34.6	+0.3

Cost Saving Results (vs. Original Target as of Apr 2017)

(billion yen)

		Original Target (a)	1H	2H	FY2017	(b)-(a)	Achievement rate
Containership	Route Rationalization	14.5	8.0	6.7	14.6	+0.1	101%
	Operating Cost Saving						
	Cost Reduction						
	Earning Improvement						
Bulk Shipping · Others		4.7	2.6	2.4	5.0	+0.3	107%
Total		19.2	10.6	9.1	19.6	+0.4	102%

Estimate for FY2018



B-1 Estimate for FY2018 Renewal of Business Segment for disclosure

Renewed our Business Segment for disclosure as below due to the Integration of Container Shipping Businesses as "Ocean Network Express".

FY2017 Segment

Bulk Shipping Business Segment	
	Coal & Iron Ore Carrier
	Thermal Coal Carrier
	Woodchip & Pulp Carrier
	Bulk Carrier
	Car Carrier (incl. Automotive Logistics Business)
	LNG Carrier
	Tanker
	Liquefied Gas New Business
	Short Sea and Coastal Business

Offshore Energy E&P Support & Heavy Lifter Segment	
	Energy E&P Support Business
	Offshore Support Business
	Heavy Lifter Business

Containership Business Segment	
	Containership Business (incl. Port Business)
	Logistics Business

Other Segment	
	Ship Management, Travel Agency Business, Real Estate Business etc.

Adjustment	

New Segment

Dry Bulk Segment	
	Coal & Iron Ore Carrier
	Bulk Carrier (incl. Woodchip & Pulp Carrier)

Energy Resource Transport Segment	
	LNG Carrier
	Tanker
	Thermal Coal Carrier
	Energy E&P Support Business
	Offshore Support Business
	Liquefied Gas New Business

Product Logistics Segment	
	Car Carrier
	Automotive Logistics Business
	Logistics Business
	Short Sea and Coastal Business
	Containership Business (Incl. Port Business, "K" LINE's own Containership Business, and ONE as an Equity-method company)

Others Segment	
	Ship Management, Travel Agency Business, Real Estate Business etc.

Adjustment	

▶ Dry Bulk Segment

Includes in Coal & Iron Ore Carrier and Bulk Carrier which includes Woodchip & Pulp Carrier

▶ Energy Resource Transport Segment

Includes in LNG Carrier, Tanker, Thermal Coal Carrier, Energy E&P Support Business, Offshore support Business and Liquefied Gas New Business.

▶ Product Logistics Segment

Includes in Car Carrier, Automotive Logistics Business, Logistics Business and Containership Business including Port business, "K" LINE's Own containership Business, and ONE as Equity method company

▶ Others Segment (No change)

Includes in Ship Management, Travel Agency Business, Real Estate business etc.

B-2 Estimate for FY2018

Estimate for FY2018

Consolidated Estimate for FY2018

(billion yen)

	FY2018			Year-on-Year Comparison	
	1H Estimate	2H Estimate	Total (a)	FY2017 (b)	(b)-(a)
Operating Revenue	382.0	372.5	754.5	1,162.0	▲ 407.5
Operating Income	▲ 7.5	12.5	5.0	7.2	▲ 2.2
Ordinary Income	▲ 9.0	14.0	5.0	2.0	3.0
Net Income Attributable to Owner of Parent	2.5	4.5	7.0	10.4	▲ 3.4
Exchange Rate (¥/\$)	¥108	¥110	¥109	¥111.19	▲¥2
Bunker Price(\$)	\$376	\$369	\$373	\$349	\$24

Estimate by Segment

(billion yen)

Business Segment		FY2018		
		1H Estimate	2H Estimate	FY2018 Forecast
Dry Bulk	Operating Revenue	113.5	115.5	229.0
	Ordinary Income	0.0	3.5	3.5
Energy Resource Transport	Operating Revenue	43.0	44.5	87.5
	Ordinary Income	1.0	2.0	3.0
Product Logistics	Operating Revenue	208.5	195.0	403.5
	Ordinary Income	▲ 7.5	9.0	1.5
Containership	Operating Revenue	65.1	51.5	116.6
	Ordinary Income	▲ 9.1	4.3	▲ 4.8
ONE as Equity method company	Ordinary Income	0.1	3.6	3.8
Others	Operating Revenue	17.0	17.5	34.5
	Ordinary Income	0.5	0.5	1.0
Adjustment	Operating Revenue	-	-	-
	Ordinary Income	▲ 3.0	▲ 1.0	▲ 4.0
Total	Operating Revenue	382.0	372.5	754.5
	Ordinary Income	▲ 9.0	14.0	5.0

Key factor assumption

- Yen-\$ rate assumption ▶ **¥ 109**
- Bunker price assumption ▶ **\$373/MT**

Ordinary Income Estimates Sensitively (yearly basis)

- Yen-\$ rate assumption: each ¥1 weaker (stronger) adds (subtracts) ▶ **± ¥ 0.65bln**
- Bunker Price: each \$10/mt down (up) adds (subtracts) ▶ **± ¥ 0.1bln**

* Bunker price sensitivity by ONE is not included.

Dividends

Our priority is to stabilize our business base and financial strength the same as FY2017 and keep improving our financial results, but we have not decided to pay both mid-term and year-end dividends.

- Due to adoption of the Complex Transportation Progress Method, about ▲ ¥ 8.5bln as the temporary losses of Containership Business in FY2017 is incorporated into Operating Income in FY2018-1Q

Market Rate Assumption

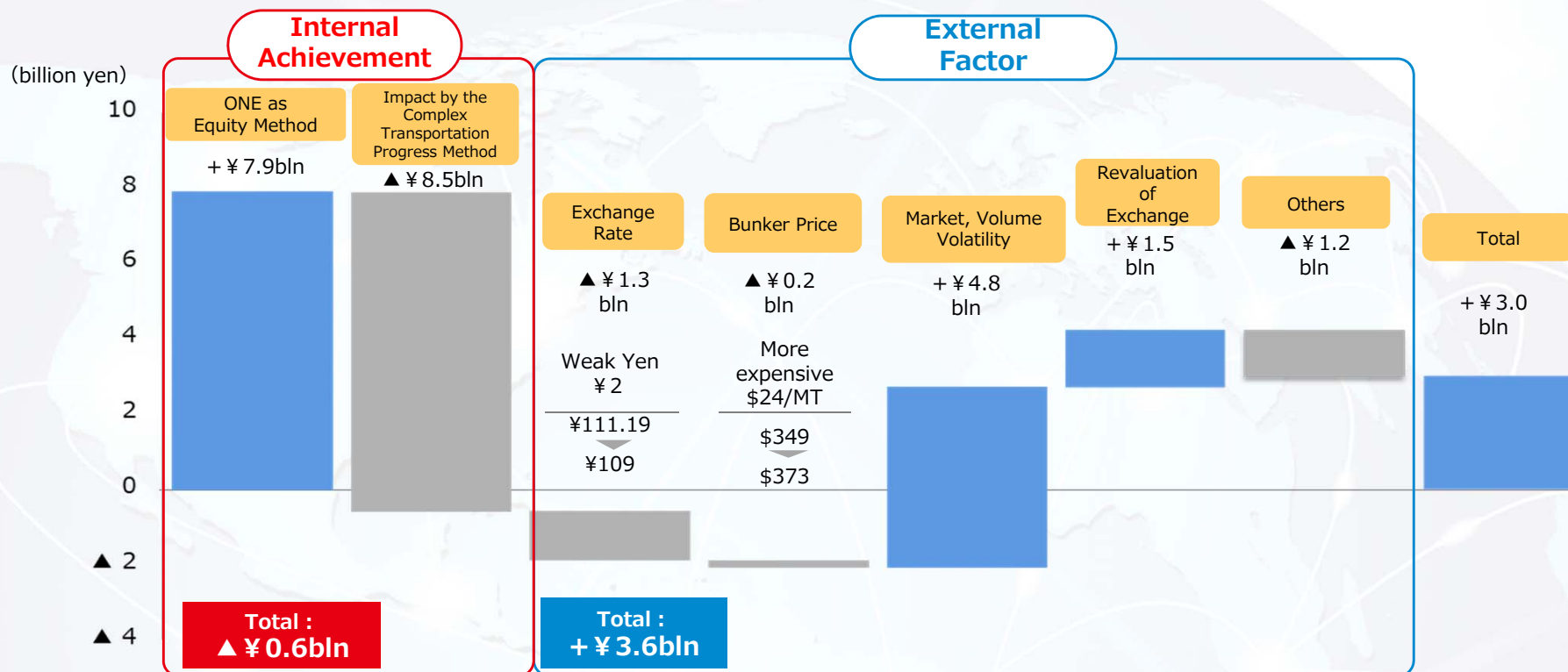
		FY2017 Results	FY2018		
			1H Forecast	2H Forecast	Forecast
Dry Bulk	CAPE	\$15,750	\$16,000	\$22,000	\$19,000
	PANAMAX	\$10,650	\$12,500	\$13,500	\$13,000
	HANDYMAX	\$9,800	\$10,500	\$11,500	\$11,000
	SMALL HANDY	\$8,150	\$9,000	\$9,500	\$9,250
Tanker	VLCC (Middle East/Japan)	\$15,000	\$14,250	\$15,000	\$14,600
	AFRAMAX (South Asia/Japan)	\$7,900	\$11,000	\$11,000	\$11,000
	Clean Tanker (110,000MT)	\$10,900	\$12,000	\$12,000	\$12,000
	(Middle East/Japan)				

B-3 Estimate for FY2018

Estimate for FY2018 - vs. Financial Results for FY2017

Key Factor : Ordinary Income

FY2017 Results + ¥2.0bln ⇒ FY2018 Estimate + ¥5.0bln (+ ¥3.0bln)



Market rate Comparison

		FY2017 Results (a)	FY2018 Forecast (b)	(b)-(a)
Dry Bulk	CAPE	\$15,750	\$19,000	+\$3,250
	PANAMAX	\$10,650	\$13,000	+\$2,350
	HANDYMAX	\$9,800	\$11,000	+\$1,200
	SMALL HANDY	\$8,150	\$9,250	+\$1,100
Tanker	VLCC (Middle East/Japan)	\$15,000	\$14,600	▲\$400
	AFRAMAX (South Asia/Japan)	\$7,900	\$11,000	\$3,100
	Clean Tanker (110,000MT) (Middle East/Japan)	\$10,900	\$12,000	\$1,100

Progress of Management Plan and Division Trends



C-1 Progress of Management Plan and Division Trends

Progress of Management plan

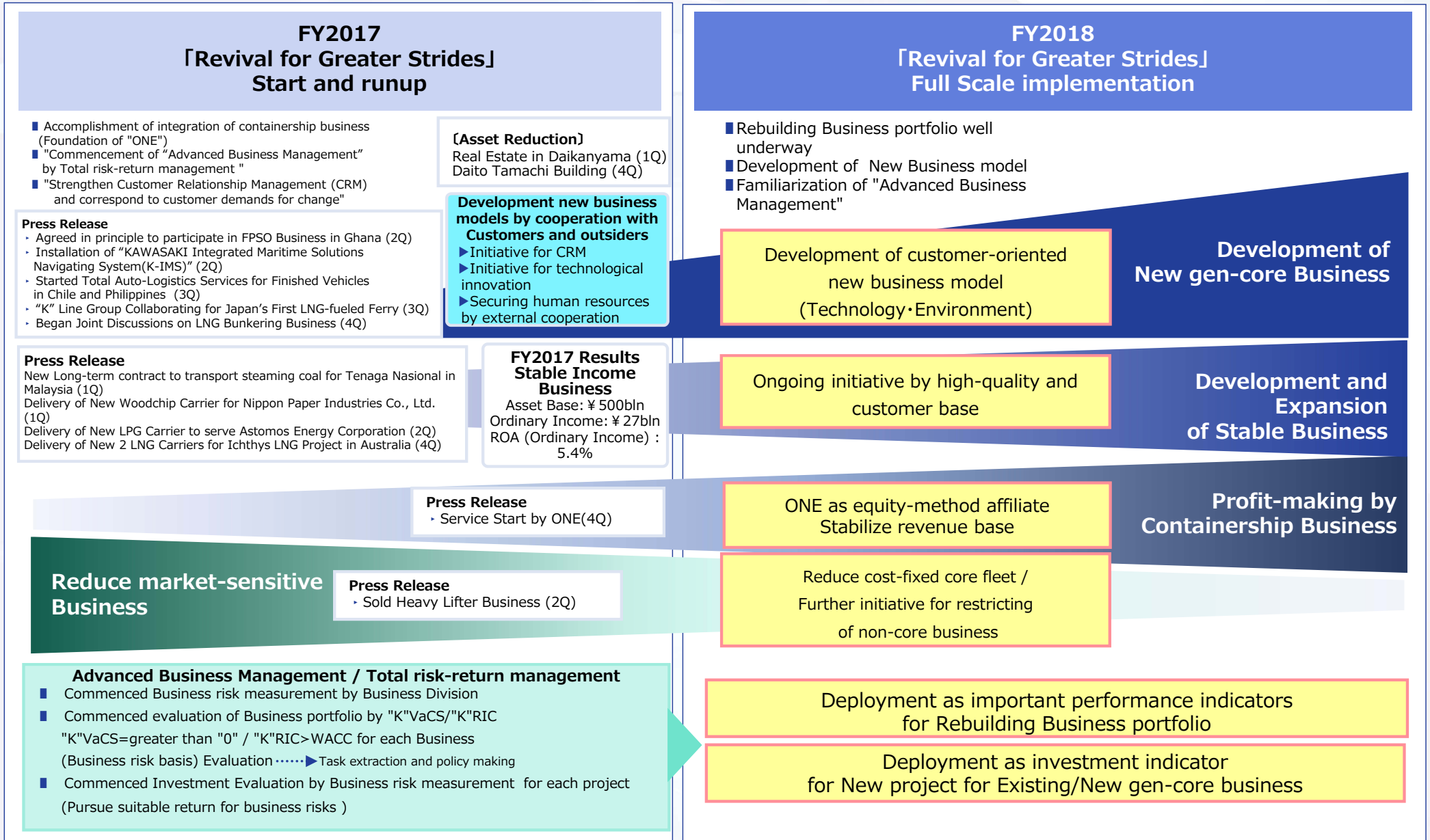
Evaluation in FY2017

Item	Target	Evaluation	The contents of evaluation
Financial Indicator	Maintain profit for three consecutive years from FY2017	○	Achieved making profit
	Achieve 6% ROA (ordinary income) in stable business, and expand business scale	○	ROA 5.4% (YoY+0.4%) , Ordinary income from stable business in FY2017: ¥ 27.0bln (YoY+ ¥ 2.0bln)
	Ratio of Shareholders' equity - Targeting MID 20%'s	△	Ratio of Shareholders' equity 21% (YoY ±0%)
	Early resumption of dividends	—	No dividend (Maintain initiatives to stabilize our business base and financial strength)
Business Portfolio	Expand stable income business	○	Accomplishment of integration of containership business (Foundation of "ONE"), Sold Heavy Lifter Business, Reduced market-exposed fleet, Implemented cost savings, Sold non-core assets (Real Estate)
	Develop Next-gen core Business	△	Began Joint Discussions on LNG Bunkering Business Agreed in principle to participate in business for FPSO for Oil production in Ghana
Advanced Business Management	Strengthen measurement of "Total Business Risk" and quality by Sophistication of Business risk/return measurement Introduction of Business measurement focusing on capital cost	○	Start business and investment evaluation focusing on the capital cost Re-evaluation of Business risks and "K"VaCS/"K"RIC for 3 year-plan from the beginning of FY2018. Support for rebuilding business portfolio/strengthening cooperation Commenced measurement of business risk by Investment Committee in FY2017-4Q (4 Large-scale projects)
Key Strategies by Function	Develop new business models by cooperation with Customers and outsiders	○	Strengthen Customer Relationship Management(CRM), Pursue High-quality service by technological innovation and business model innovation Recruitment, Human resources development and securing diversity Commencement of the strengthening the system of Group Total Logistics promotion and specific projects, Strengthen Human resources development program corresponding to new demands
ESG Initiatives	Strengthen Corporate Governance	○	Enhance Risk Management and strengthen reporting for Board Directors under Crisis Management Committee Strengthen business execution by adoption of Unit Supervisory System (from April 2018)
	Initiative for Environment	○	7,500RT large-scale car carrier has been awarded as recipient of "Ship of the Year 2016". Environmental Promotion System- 「DRIVE GREEN NETWORK」 started

C-2 Progress of Management Plan and Division Trends

Detailed Progress of Management Plan & Initiatives for FY2018

Going forward to the step "Full Scale implementation" for accomplishment the plan through "Start and runup"



C-3 Progress of Management Plan and Division Trends

Dry Bulk Segment

FY2017 Results

- Dry Bulk market maintain recovery trend due to expansion of transportation demand mainly for China.
 - ▶ Capesize
Despite limitation in upside trend due to invisibility of Iron ore demand, market still maintain recovery trends by firm cargo movements Iron ore/Coal for China.
 - ▶ Panamax and Smaller size
Market was kept gradually increasing by strong demands for Coal/Grain and firm cargo movements of minor bulk (e.g. Mineral resources such as Petroleum cokes, Bauxite, Steel products, Fertilizer)
- Initiatives for shrinking market-exposure
- Expansion of stable business by mid-long term contracts, Strengthening effective operation suitable for the market situation and most economical operation and promoted to getting period cargoes.

Initiatives for FY2018 onward

- Expand medium-and-long-term contracts by making use of our strengths and improve effective operation to strengthen stable earnings structure
- Maintain initiatives for shrinking market-exposure
- Expand customer base and create new business by improvement of transportation quality

Transition of Dry Bulk Fleet Scale

	FY2015	FY2016	FY2017
CAPE	93	95	106
Panamax and smallersize	141	130	127
Woodchip Carrier	9	11	10
Total	243	236	243
(Thermal Coal Carrier)	24	24	23
(Re-count)	267	260	266

No. of Core fleet

	FY2015	FY2016	FY2017
CAPE	88	81	80
Panamax and smallersize	104	87	81
Woodchip Carrier	9	9	10
Total	201	177	171
Core fleet ratio	83%	75%	70%
(Thermal Coal Carrier)	24	23	22
(Re-count)	225	200	193
Core fleet ratio	84%	77%	73%

*Although Thermal Coal Carrier is transferred to Energy Resource Transport Segment, we insert the fleet to indicate our Dry Bulk fleet scale.

FY2018 : Drybulk Market Exposure

CAPE	9%
Panamax and smallersize	37%
Woodchip Carrier	0%

Dry Bulk Market	FY2016	FY2017					FY2018		
	Result	1Q	2Q	3Q	4Q	Result	1H Forecast	2H Forecast	Forecast
CAPE	\$9,450	\$12,200	\$14,600	\$23,350	\$12,900	\$15,750	\$16,000	\$22,000	\$19,000
PANAMAX	\$6,900	\$9,000	\$10,200	\$12,000	\$11,500	\$10,650	\$12,500	\$13,500	\$13,000
HANDYMAX	\$7,350	\$8,700	\$9,200	\$10,700	\$10,600	\$9,800	\$10,500	\$11,500	\$11,000
SMALL HANDY	\$6,050	\$7,300	\$7,400	\$9,350	\$8,500	\$8,150	\$9,000	\$9,500	\$9,250

C-4 Progress of Management Plan and Division Trends

Energy Resource Transport Segment–Tanker/Thermal Coal Carrier

FY2017 Results

- ▶ Tanker
 - ▶ Supply-demand gap was expanded due to over-supplied and market remained low level
 - ▶ With dexterity, operate a fleet of stable-income vessels, mainly VLCC and LPG carriers, with medium-and-long-term contracts
- ▶ Thermal Coal Carrier
 - ▶ Pursued effective vessel allocation/operation provided securing stable income business on mid-long term contracts
 - ▶ Controlled market exposure by selling 2 vessels

Transition of Tanker and Thermal Coal Carrier Fleet Scale

	FY2015	FY2016	FY2017
VLCC	7	7	6
LPG	6	6	7
Other Tankers	10	9	9
Thermal Coal Carrier	24	24	23
Total	47	46	45

Initiatives for FY2018 onward

- ▶ Tanker
 - ▶ Vessel replacement by new delivery and expansion of mid-long contracts by developing new contracts (2 VLCCs /1 LPG1 to be delivered in FY2018)
- ▶ Thermal Coal Carrier
 - ▶ Maintain expansion of stable income business by medium-and-long-term contracts (3 Thermal Coal Carriers to be delivered in FY2018)

FY2018 : Contract Covered Ratio

VLCC	70%
LPG	100%
Other Tankers	20%
Thermal Coal Carrier	95%

Tanker Market(WS)	FY2016	FY2017					FY2018		
	Result	1Q	2Q	3Q	4Q	Result	1H Forecast	2H Forecast	Forecast
VLCC (Middle East/Japan)	59 \$33,500	57 \$19,800	45 \$11,000	62 \$20,350	41 \$9,200	51 \$15,000	47 \$14,250	48 \$15,000	47 \$14,600
AFRAMAX (South Asia/Japan)	97 \$14,300	99 \$10,200	93 \$8,350	110 \$7,500	83 \$5,700	96 \$7,900	100 \$11,000	100 \$11,000	100 \$11,000
Clean Tanker (110,000MT) (Middle East/Japan)	90 \$12,350	92 \$8,700	112 \$12,200	117 \$11,350	95 \$11,200	104 10,900	95 \$12,000	95 \$12,000	95 \$12,000

C-5 Progress of Management Plan and Division Trends

Energy Resource Transport Segment

-LNG Carrier/Liquefied Gas New Business/Energy E&P Support Business

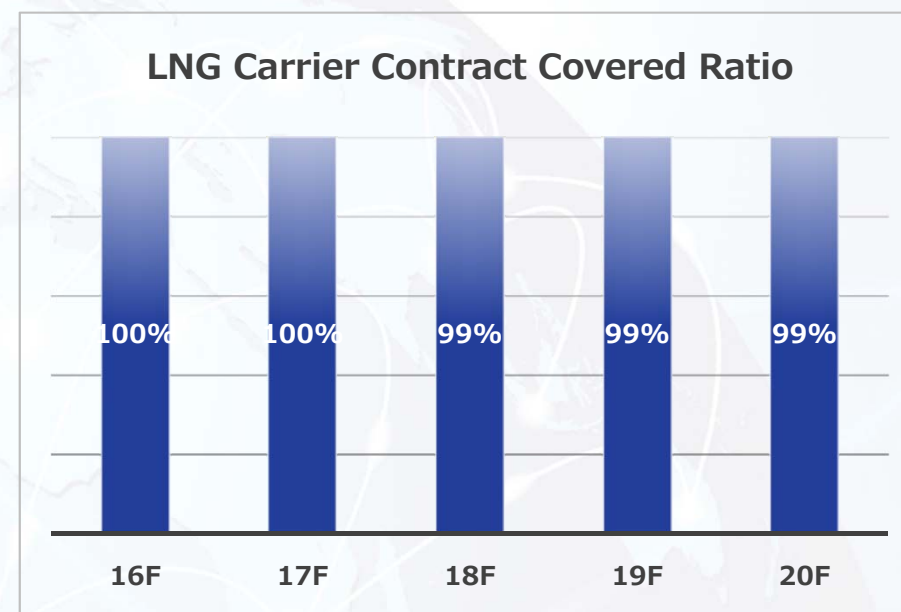
FY2017 Results

- ▶ LNG Carrier
 - ▶ With dexterity, operate a fleet of stable-income vessels with medium-and-long-term contracts
- ▶ Liquefied Gas New Business
 - ▶ Developed new business such as LNG Bunkering business
- ▶ Energy E&P Support Business
 - ▶ Agreed the contracts to participate in the owning and chartering business for FPSO for Oil production in Ghana (Contract to be effective after conditions satisfaction /15 years chartering contract)
- ▶ Drillship
 - ▶ Earn stable income by long-term contract through steady operation of vessels
- ▶ Offshore Support Vessel
 - ▶ Flagging spot rates owing to weakness in offshore E&P development

Initiatives for FY2018 onward

- ▶ LNG Carrier
 - ▶ Considering business risks return for medium-term contract demands
 - ▶ Build up stable-income business by securing more medium-and-long-term contracts
- ▶ Liquefied Gas New Business
 - ▶ Promote developing new LNG/LPG business as demand creation business
- ▶ Energy E&P Support Vessel
 - ▶ Stabilize income by effectiveness of the contract of FPSO in Ghana
- ▶ Drillship
 - ▶ Keep operating as a stable-income business via a high utilization approach to navigation and operation
- ▶ Offshore Support Vessel
 - ▶ Stabilize earnings and promote structural reforms with consideration of market situation

LNG Carrier - Contract Covered Ratio



Transition of LNG Carrier Fleet Scale

FY2016	FY2017	FY2018	FY2019	FY2020
42	44	47	47	45

C-6 Progress of Management Plan and Division Trends

Product Logistics Segment – Car Carrier / Automotive Logistics Business

FY2017 Results

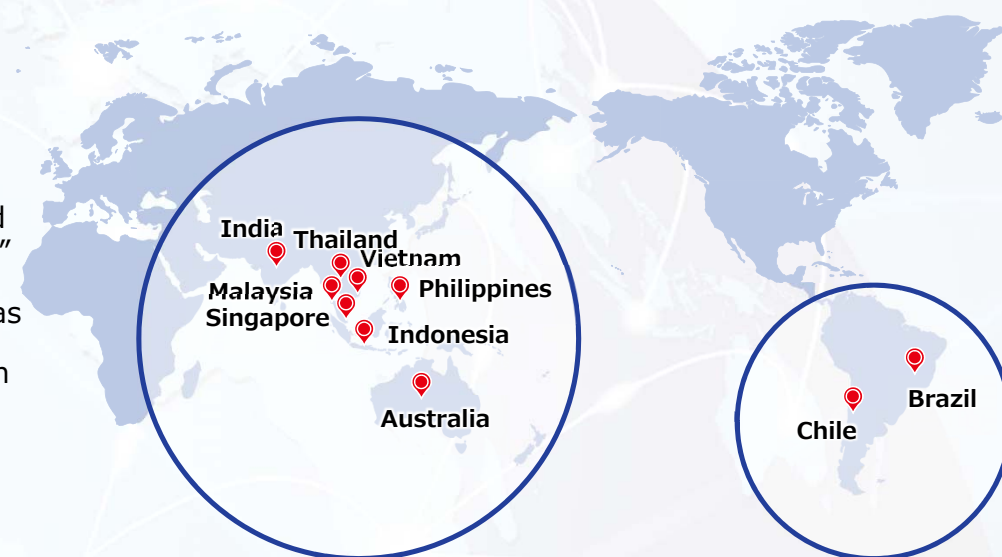
- Total Units Carried : 3,557 thousand units (YoY about 15% Increase)
- Cargo lifting maintained good shape in the route from Europe to North America and Intra-Europe
- Ongoing initiatives for fleet allocation/effective operation with increasing transportation cargo volume
- Started Total Auto-Logistics Services for Finished Vehicles in Chile and Philippines

Initiatives for FY2018 onward

- Expect steady trend for cargo movements from F.E. Asia to Europe/North America, and in Atlantic regions
- Cargo movements for resource-rich countries will take time to be recovered
- Increase profits via ongoing initiatives to expand volumes of “High & Heavy” cargo
- Enhance our fleet competitiveness by advanced cost-efficient vessels such as 15 large 7,500-unit car carriers
- Strengthen our stable business base via proceeding with fleet rationalization and fleet planning in response to the changes and complication of trade structure
- Utilize service network/fleet management corresponding to changes and complication of trade structure (Start Mexico – Latin America service in FY2018)
- Study/Expand Automotive Logistics Business in Asia/Latin America etc with customer’s demand
- Carry on preparations for Transportation Technology corresponding to automotive product changes like EV/Mobility etc.

Expansion of Automotive Logistics Business

- ▶ Total Units Handled **3,000 thousand units** (FY2017)
- ▶ Business location 10 countries



Total units carried (1,000 units)	FY2016	FY2017					FY2018		
	Results	1Q	2Q	3Q	4Q	Results	1H Forecast	2H Forecast	Forecast
Outbound	1,071	264	250	288	277	1,079	655	677	1,332
Homebound	181	48	46	54	47	194	126	127	253
Others	1,171	362	324	384	307	1,375	772	739	1,511
Intra-Europe	682	213	225	223	249	909	472	476	948
Total units carried	3,106	887	844	948	879	3,557	2,024	2,019	4,043
Number of operation vessels	94	94	94	91	89	89			

C-7 Progress of Management Plan and Division Trends

Product Logistics Segment – Logistics Business

FY2017 Results

- Successful to achieve year-on-year growth both in revenue and profit for Logistics business as a whole.
- Domestic Logistics sector achieved steady growth from mainly land transportation, warehousing, and custom clearance.
- Air Cargo sector recorded steep increase in handling volume especially of aircraft parts and semiconductors inbound/outbound Japan.
- Localized International logistics in each country and region also performs steadily.

Initiatives for FY2018 onward

Overall Objective

While Logistics Business has posted a profit steadily, now is in highly competitive environment. "K" LINE wastes no effort to stay keen on customers' needs and provide specific solution in order to retain customers' recognition as a value-added service provider.

Individual Objective

- To retain Group's customer base and restructuring of its global network.
- Enhancing "K" LINE Logistics, a group's logistics company, as a core company in the Logistics business sector.
- Promoting on interaction and optimization of human resources within the Group.
- Expanding customer base in Buyer's consolidation business.
- Providing "proposal-based" solutions proven by "K" LINE's quality services for logistics of over-sized project cargoes.
- Deepening of more localized logistics services in each country and region.
- Developing on Cold Storages in Asia such as Thailand and Vietnam.

Logistics location



C-8 Progress of Management Plan and Division Trends

Product Logistics Segment – Containership Business

- FY2017 Results**
- Expanded to 32 services by 240 vessels calling more than 75 ports after launching “THE Alliance”.
 - Acceleration on supports to ONE for take-off.
 - Freight rate market being moderately recovered supported by cargo volume growth.

Initiatives for FY2018 onward

- For Business Plan by Ocean Network Express, an equity-method company – Please refer to the following slides.
〔Expected changes on “K” LINE’s fixed cost〕
- Large number of “K” LINE staffs from Containership business being transferred or seconded to ONE.
- Started to restructure and optimize Group’s global network utilizing Logistics business and Car Carrier business.
- Certain size of containership business organization to be retained in “K” LINE’s” for a while especially in the beginning of fiscal year 2018, and it is expected to take some time to complete the process of restructuring and optimization of Group’s network (expected to complete within fiscal year 2018), consequently, remaining fixed cost of 3.5 to 4.0 billion yen per annum is expected to incur.
- It is our plans to realize the integration effect by proceeding such optimization of global network promptly, properly.

		FY2016	FY2017				
		Results	1Q	2Q	3Q	4Q	Total
Operating Revenue (¥bln)		519.0	147.2	157.3	153.7	140.3	598.5
Ordinary Income (¥bln)		▲ 31.5	6.1	2.9	▲ 2.0	▲ 3.6	3.4
Freight Rate Trends FY2008 1Q = 100	Asia-North America	75	76	75	73	78	75
	Asia-Europe	47	54	56	50	53	53
Lifting (10,000 TEU)	Asia-North America	99.7	25.6	26.8	24.8	20.9	98.1
	Asia-Europe	41.8	11.5	12.2	11.7	10.4	45.9
Capacity (10,000 TEU)	Asia-North America	107.0	27.9	28.8	28.0	26.6	111.2
	Asia-Europe	46.0	12.3	13.2	12.9	11.7	50.1
Utilization (%)	Asia-North America	93%	92%	93%	89%	78%	88%
	Asia-Europe	91%	94%	92%	91%	89%	92%

ONE

OCEAN NETWORK EXPRESS

3-Year Business Plan (FY2018-2020)
and FY2018 Business Summary

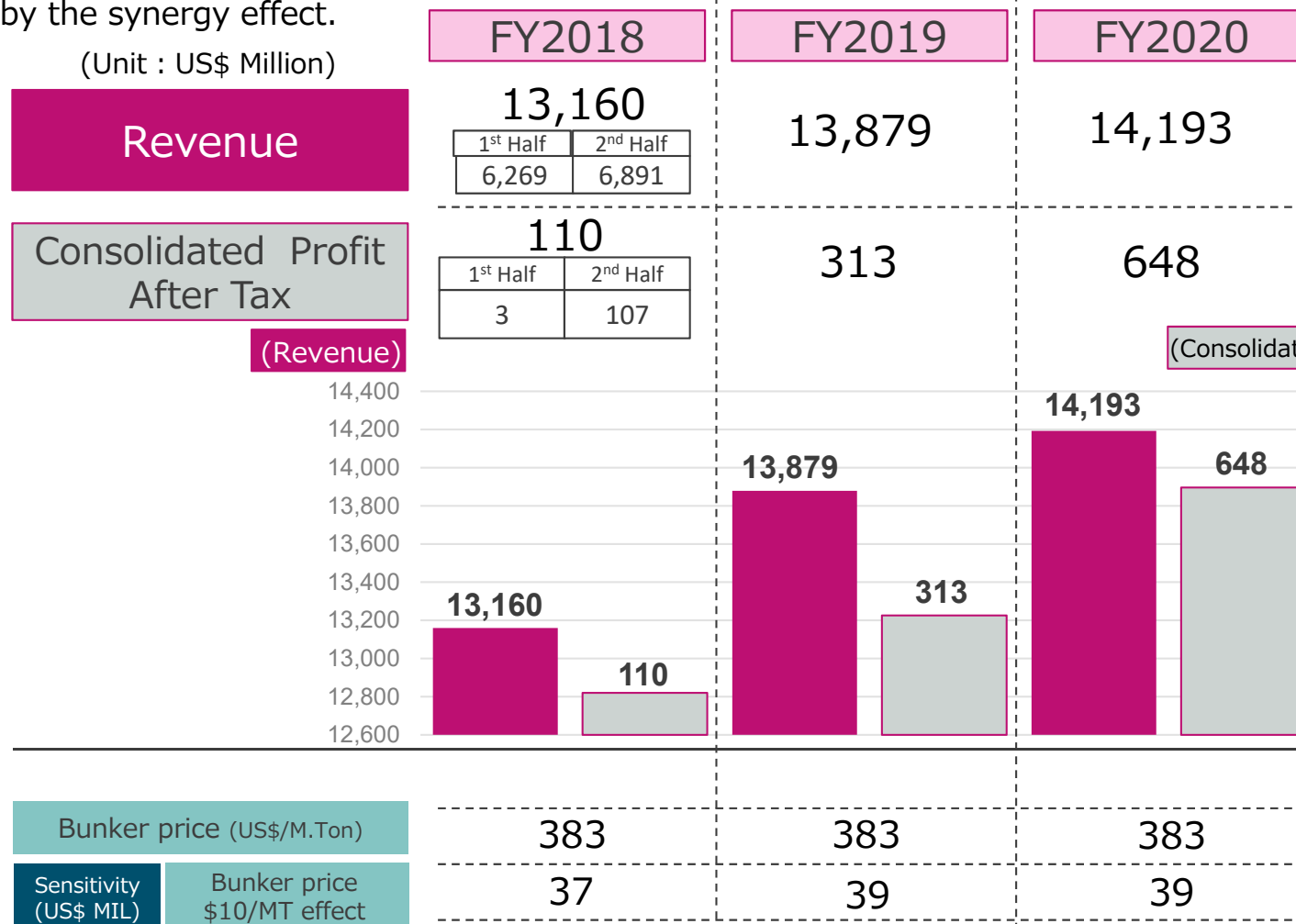
2018/4/27

1. Business Plan (3 Years)

Steady demand growth is expected against a background of relatively favorable global economic situation, so the demand/supply will be stabilized on a mid-term basis. Regrouping of the consortia has settled down and it will contribute to provide stable services.

In the business plan, the freight rate is set at a similar level to FY2017, and lifting increase at organic growth rate (yearly around 3-4%) is incorporated. On top, steady bottom-line improvement will be sought by executing cost-savings by the synergy effect.

(Unit : US\$ Million)



(Consolidated Profit After Tax*)

- ✓ Figures are inclusive of Agency profit (whole year's portion) and overseas Terminal company's profit (3 Quarters' portion from 2nd quarter onwards).
- ✓ Effect by adopting IFRS is incorporated.

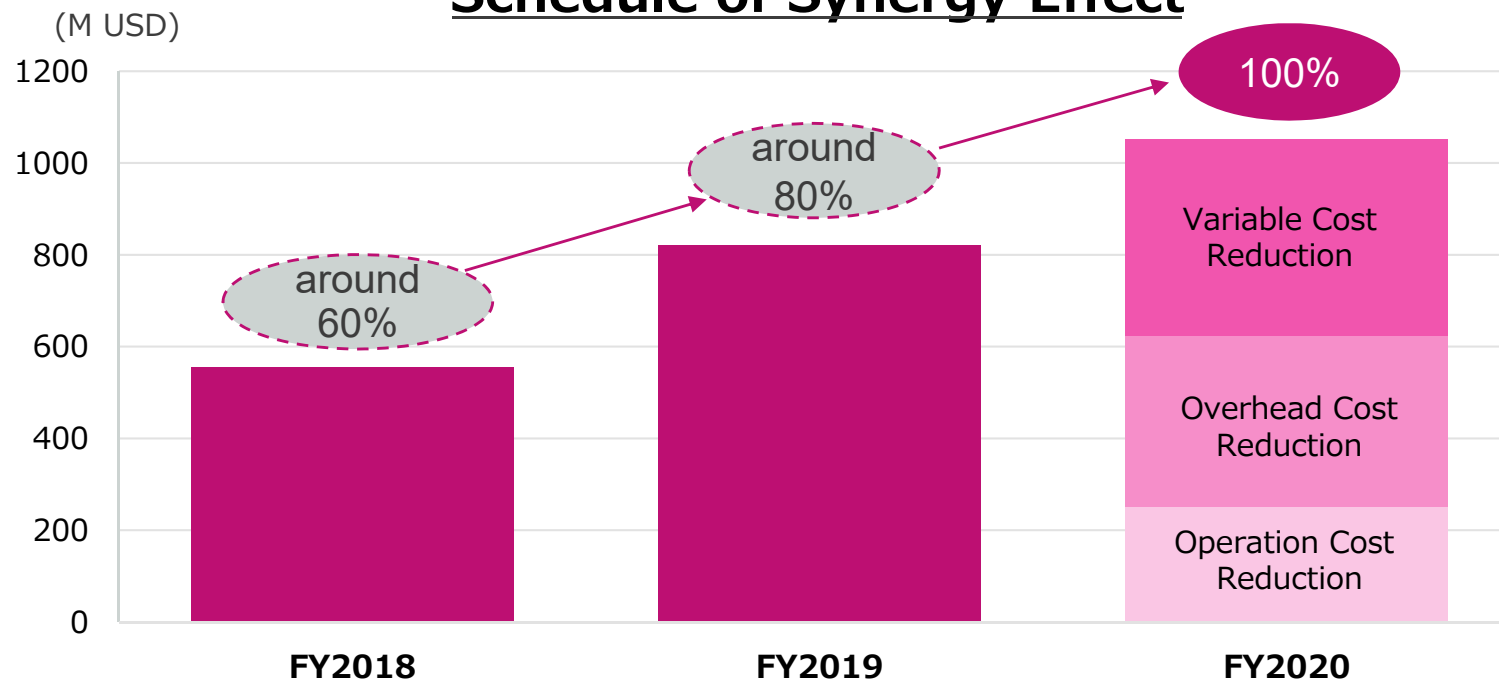
2. Synergy Effect

Synergy Effect of yearly US\$1,050 million (Yen 112.4 Billion), which exceeds the original amount US\$1,028 Million (Yen 110.0 Billion), is expected. Around 60% of the effect will emerge in the 1st year, 80% in the 2nd year and 100% in the 3rd year.

❑ **Break-down of the synergy effect US\$1,050 Million is as follows.** (Exchange rate : 1 US\$=JPY107)

- **Variable Cost Reduction** ...US\$430Mil : Rail, Truck, Feeder, Terminal, Equipment etc..
- **Overhead Cost Reduction** ...US\$370Mil : IT cost, Rationalization of organization, Outsourcing etc..
- **Operation Cost Reduction** ...US\$250Mil : Bunker consumption, product rationalization etc..

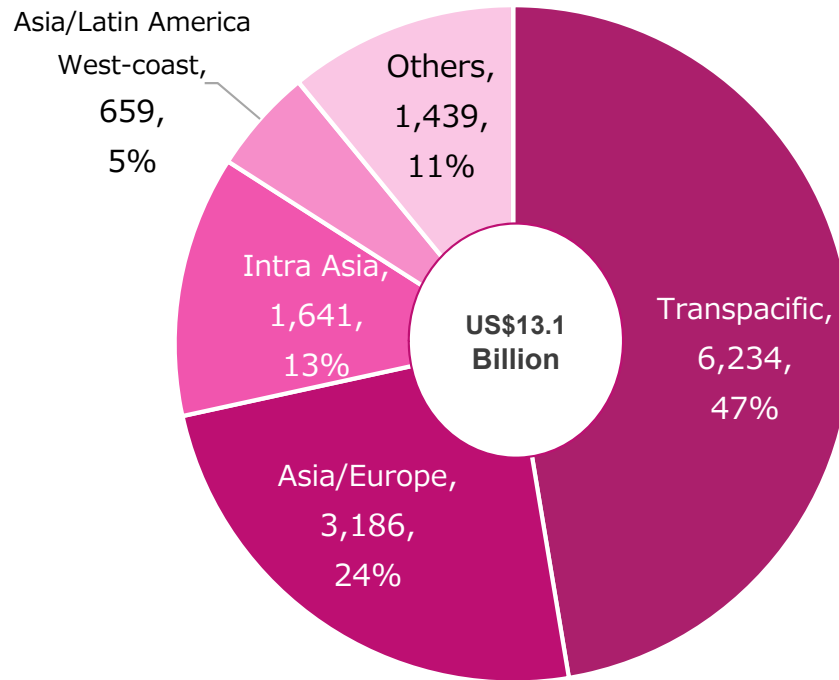
Schedule of Synergy Effect



3. Portfolio (Revenue·Space)

ONE Portfolio (FY2018)

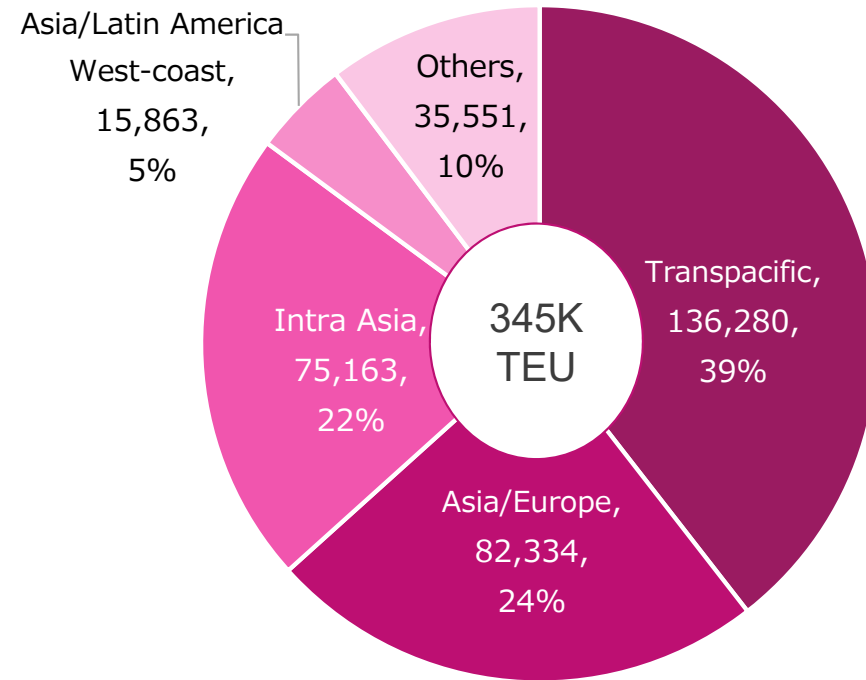
Revenue



(Trade, USD M, %)

- ✓ Transpacific, Europe and Intra Asia will account for 84% of the total revenue.

Space (TEU/week)



(Trade, TEU/week, %)

- ✓ Transpacific, Europe and Intra Asia will account for 85% of the total weekly space.

4. Fleet

Vessel charter commenced in stages from April 2018 and the total fleet will gradually increase. As for new-building delivery, 7 vessels of 14000TEU type is planned for the year 2018.

Vessel Size(TEU)		As of end of FY2018 (March 2019)
>=20000	Vessels	6
	TEU	120,600
10500-20000	Vessels	23
	TEU	321,000
9800-10500	Vessels	10
	TEU	100,100
7800-9800	Vessels	39
	TEU	347,598
6000-7800	Vessels	39
	TEU	252,168
5200-6000	Vessels	16
	TEU	89,670
4600-5200	Vessels	24
	TEU	118,260
4300-4600	Vessels	16
	TEU	71,816
3500-4300	Vessels	11
	TEU	46,562
2400-3500	Vessels	20
	TEU	52,992
1300-2400	Vessels	11
	TEU	18,711
1000-1300	Vessels	1
	TEU	1,200
<1000	Vessels	8
	TEU	6,000
Total	Vessels	224
	TEU	1,546,677

5. FY2018 Business Summary

□ Demand/Supply, Market Situation

- For the year 2018, increase of global fleet supply at around 5% is planned while cargo demand growth at around 4% is expected. So, the situation is expected that the supply shall slightly outweigh the demand for the coming year.
- In the East-West services, the regrouping of consortia has settled down in 2017, and appropriate space by each consortia shall be provided, so it is expected to contribute for stabilization.

□ Cost-saving, Improvement of Cost Competitiveness

- As synergy effect by the business integration, the cost-saving of US\$1,050Mil is expected through the cost-saving of variable cost, overhead cost and operation cost. Around 60% of the effect will emerge in the 1st year, and the full effect is expected in 2020.



 **Value for our Next Century**