Financial Highlights
Brief Report for 1st Quarter
FY2018

31st July 2018

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Financial Results for 1st Quarter FY2018

"K" LINE 川崎汽船株式会社

Consolidated Results for 1Q FY2018

(billion yen)

	FY2018 1Q (a)	Year-on-Year Comparison 1Q (b)	(a)-(b)
Operating Revenues	212.2	287.4	▲ 75.2
Operating Income	▲ 13.4	3.9	▲ 17.2
Ordinary Income	▲ 17.1	6.0	▲ 23.1
Net Income Attributable to Owners of Parent	▲ 19.3	8.5	▲ 27.8
Exchange Rate (¥/$)	¥108.10	¥111.48	▲¥3.38
Bunker Price ($/MT)	$414	$326	$88

Business Segment		FY2018 1Q (a)	Year-on-Year Comparison□ 1Q (b)	(a)-(b)
Dry Bulk	Operating Revenues	64.6	57.6	7.0
	Ordinary Income	0.4	▲ 1.4	1.8
Energy Resource Transport	Operating Revenues	20.2	19.6	0.6
	Ordinary Income	0.3	0.5	▲ 0.2
Product Logistics	Operating Revenues	119.1	197.2	▲ 78.1
	Ordinary Income	▲ 16.8	7.2	▲ 24.0
Containership	Operating Revenues	44.5	121.6	▲ 77.0
	Ordinary Income	▲ 16.2	3.1	▲ 19.3
ONE as Equity method company	Ordinary Income	▲ 4.3	-	▲ 4.3
Others	Operating Revenues	8.3	13.0	▲ 4.7
	Ordinary Income	0.4	1.1	▲ 0.7
Adjustment	Operating Revenues	-	-	-
	Ordinary Income	▲ 1.4	▲ 1.4	▲ 0.0
Total	Operating Revenues	212.2	287.4	▲ 75.2
	Ordinary Income	▲ 17.1	6.0	▲ 23.1

Main Factors

- "K" Line own Containership business :
  Increase of the temporary losses
  Assumption as of April ▲￥8.5bln ▶ Result ▲ ￥11.5bln
- Equity in earnings/loss from ONE :
  Downturn due to lower lifting caused by operational teething during the operation start-up period
- Dry Bulk Business : Made a profit due to steady market situation
- Bunker Price : about ▲￥0.1bln by higher price +$31/MT than originally forecasted

(※) Analysis/Comparison of FY2018-1Q is based on new business segment from FY2018. Ordinary Income of Containership business in FY2017-1Q based on previous segment is +￥5.2bln and Y-o-Y increase and decrease is ▲￥21.4bln.

		FY2017 1Q (a)	FY2018 1Q (b)	(b)-(a)
Dry Bulk	CAPE	$12,200	$14,950	+$2,750
	PANAMAX	$9,000	$10,500	+$1,500
	HANDYMAX	$8,700	$11,050	+$2,350
	SMALL HANDY	$7,300	$8,800	+$1,500
Tanker	VLCC (Middle East/Japan)	$19,800	$10,050	▲$9,750
	AFRAMAX (South Asia/Japan)	$10,200	$7,000	▲$3,200
	Clean Tanker (110,000MT) (Middle East/Japan)	$8,700	$9,350	+$650

Main Financial Indicators

(billion yen)

	FY2017 (a)	FY2018 1Q (b)	(b)-(a)
Equity Capital	217.0	204.5	▲ 12.5
Interest-bearing liability	570.6	576.3	5.7
DER (%)	263%	282%	19%
NET DER (%)	155%	214%	59%
Equity Ratio (%)	21%	20%	▲1%

A-2 Financial Highlights for 1st Quarter FY2018
Forecasts for 1st Half & FY2018

"K"LINE 川崎汽船株式会社

Consolidated Forecasts for 1H & FY2018

(billion yen)

	FY2018					Previous Forecasts as of Apr			Comparison			FY2017	
	1Q Results	2Q Forecast	1H Forecast (a)	2H Forecast (b)	Total Forecast (c)	1H (d)	2H (e)	Total (f)	(a)-(d)	(b)-(e)	(c)-(f)	Total (g)	(c)-(g)
Operating Revenues	212.2	199.3	411.5	363.5	775.0	382.0	372.5	754.5	29.5	▲ 9.0	20.5	1,162.0	▲ 387.0
Operating Income	▲ 13.4	3.4	▲ 10.0	15.0	5.0	▲ 7.5	12.5	5.0	▲ 2.5	2.5	-	7.2	▲ 2.2
Ordinary Income	▲ 17.1	5.1	▲ 12.0	17.0	5.0	▲ 9.0	14.0	5.0	▲ 3.0	3.0	-	2.0	3.0
Net Income Attributable to Owners of Parent	▲ 19.3	4.3	▲ 15.0	22.0	7.0	2.5	4.5	7.0	▲ 17.5	17.5	-	10.4	▲ 3.4
Exchange Rate (¥/$)	¥108.10	¥108.85	¥108.48	¥110	¥109.24	¥108.38	¥110	¥109	¥0.10	-	¥0.05	¥111.19	▲¥1.95
Bunker Price ($/MT)	$414	$468	$441	$460	$451	$376	$369	$373	$65	$91	$78	$349	$102

Key factor assumption

- Yen-$ rate assumption ▶ **¥109**
- Bunker price assumption ▶ **$451/MT**

We have changed Bunker Price forecast in FY2018 2H as $460/MT

- Market rate ▶ No Change (Please see " A-4")

Ordinary Income Estimates Sensitivity (2Q~4Q 9months basis)

- Yen-US$ rate :

each ¥1 weaker (stronger) adds (subtracts) ▶ ±¥0.5bln

- Bunker price:

each $10/mt down (up) adds (subtracts) ▶ ±¥0.08bln

*Bunker price sensitivity by ONE is not included.

Dividends

Considering to revision of result forecasts for FY2018 1H, with much regret, we decided not to pay interim dividend in FY2018, given the urgency in improving our financial structure.

Result forecasts in FY2018 full year remains the same as we announced in April 2018. We have not decided to pay year-end dividend and keep improving our financial results.

Main Key Factors

(Forecast for 1st Half)

Forecasts revised downwards

- Downturn by the temporary losses in "K"Line own Containership business : ▲¥3.0bln
- Downturn of equity in earnings/loss from ONE : ▲¥1.6bln
- Improved performance of Dry Bulk business : +¥1.0bln

(Full year)

Forecasts remains the same as we announced in April 2018.

- Implementation measures to improve profitability in Dry Bulk/Product Logistics Segments : +¥2.5bln
- Forecasts for equity in earnings from ONE to be maintained from original forecasts in Apr : +¥1.6bln
- Influence by bunker price forecast changes : ▲¥0.5bln

A-3 Financial Highlights for 1st Quarter FY2018

Forecasts for 1st Half & FY2018 by Segment

Consolidated Forecasts for 1H & FY2018 by Segment

(billion yen)

Business Segment		FY2018					Previous Forecasts as of Apr			Comparison			FY2017	
		1Q Results	2Q Forecast	1H Forecast (a)	2H Forecast (b)	Total Forecast (c)	1H (d)	2H (e)	Total (f)	(a)-(d)	(b)-(e)	(c)-(f)	Total (g)	(c)-(g)
Dry Bulk	Operating Revenues	64.6	62.9	127.5	115.5	243.0	113.5	115.5	229.0	14.0	-	14.0	248.9	▲5.9
	Ordinary Income	0.4	0.6	1.0	5.0	6.0	0.0	3.5	3.5	1.0	1.5	2.5	▲0.1	6.1
Energy Resource Transport	Operating Revenues	20.2	22.8	43.0	44.5	87.5	43.0	44.5	87.5	-	-	-	75.4	12.1
	Ordinary Income	0.3	0.7	1.0	2.0	3.0	1.0	2.0	3.0	-	-	-	0.4	2.6
Product Logistics	Operating Revenues	119.1	104.9	224.0	186.0	410.0	208.5	195.0	403.5	15.5	▲9.0	6.5	798.6	▲388.6
	Ordinary Income	▲ 16.8	4.8	▲ 12.0	11.5	▲ 0.5	▲ 7.5	9.0	1.5	▲ 4.5	2.5	▲2.0	5.8	▲6.3
Containership	Operating Revenues	44.5	29.6	74.1	42.5	116.7	65.1	51.5	116.6	9.0	▲9.0	-	487.8	▲371.2
	Ordinary Income	▲ 16.2	3.0	▲ 13.2	6.6	▲ 6.6	▲ 9.1	4.3	▲ 4.8	▲ 4.1	2.3	▲1.8	▲8.3	1.7
ONE as Equity method company	Ordinary Income	▲ 4.3	2.8	▲ 1.5	5.2	3.8	0.1	3.6	3.8	▲ 1.6	1.6	-	▲7.1	10.8
Others	Operating Revenues	8.3	8.7	17.0	17.5	34.5	17.0	17.5	34.5	-	-	-	39.1	▲4.6
	Ordinary Income	0.4	0.1	0.5	0.5	1.0	0.5	0.5	1.0	-	-	-	3.0	▲2.0
Adjustment	Operating Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ordinary Income	▲ 1.4	▲ 1.1	▲ 2.5	▲ 2.0	▲ 4.5	▲ 3.0	▲ 1.0	▲ 4.0	0.5	▲1.0	▲0.5	▲7.1	2.6
Total	Operating Revenues	212.2	199.3	411.5	363.5	775.0	382.0	372.5	754.5	29.5	▲9.0	20.5	1,162.0	▲387.0
	Ordinary Income	▲ 17.1	5.1	▲ 12.0	17.0	5.0	▲ 9.0	14.0	5.0	▲ 3.0	3.0	-	2.0	3.0

- Dry Bulk : **Both 1H and full-year results forecasts to be improved** due to effectiveness by suitable vessel allocation and measures to improve profitability besides firm market conditions
- Energy Resource Transport : Even though Tanker market remains low level, **results forecasts remains the same as we expected in the beginning of FY2018** due to smooth fleet operation based on mid-and-long-term contracts and effectiveness by shrinking market exposure.
- Product Logistics : **Revise downwards Full-year results forecasts ▲¥2.0bln (1H▲¥4.5bln, 2H+¥2.5bln) compared with previous forecast in the beginning of FY2018**

＊Although downturn of Equity in earnings/loss from ONE in 1H, full-year results forecasts maintain the same due to accelerated integration synergies etc.

＊Increased ▲¥3.0bln temporary losses from "K" Line own Containership business in 1H FY2018

＊Initiatives for accelerating reduction of remaining fixed costs in Containership business though attribution changes to Logistics/ Car Carrier Business

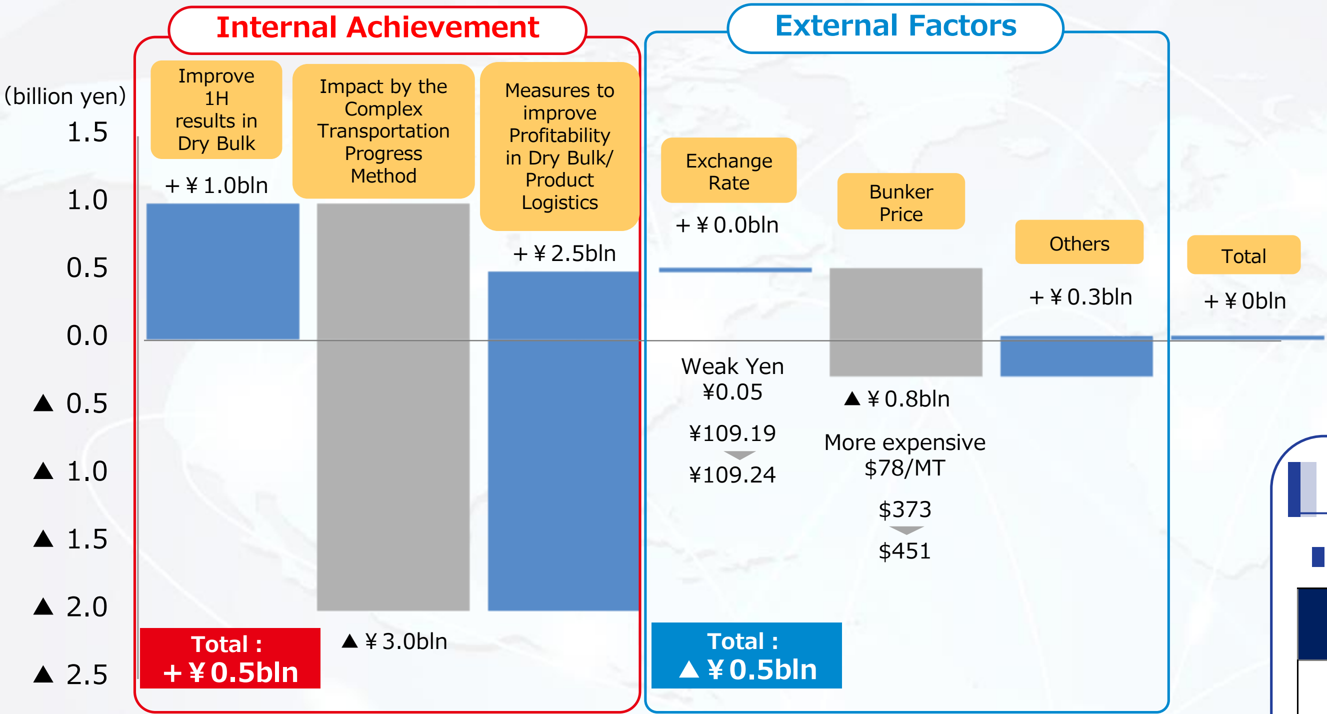
＊Plan to prevent full-year segment results deterioration within ▲¥2.0bln by implementing measures to improve profitability mainly in "K"Line own Containership business/Product Logistics Segment.

(※) Analysis/Comparison of FY2018 is based on new business segment from FY2018. Ordinary Income of Containership business in FY2017 based on previous segment is ▲¥1.1bln and Y-o-Y increase and decrease is ▲¥5.5bln.

Latest Forecast for FY2018 - vs. Assumption as of Apr 2018

Key Factors : Ordinary Income

As of Apr 2018 FY2018 +¥5.0bln ⇒ Latest Forecast FY2018 +¥5.0bln(±0)



Measures to improve Profitability (+¥2.5bln)

- Detailed Initiatives for the following items

		Planned Amount
Dry Bulk	Effective vessel allocation/ Most Economical Vessel operation	0.5
	Vessel operation cost reduction/ Further efforts to market procurement	0.4
Product Logistics	Effective vessel allocation/ Most Economical Vessel operation	0.6
	Sales/Operation Cost reduction	0.1
Network Optimization	Accelerate remaining fixed cost reduction	0.4
Other	Other SG&A cost reduction	0.4
	Total (billion yen)	2.5

Market rate Comparison

		Previous Forecast as of Apr2018			Latest Forecast FY2018			(b)-(a)
		1H	2H	Forecast(a)	1H	2H	Forecast(b)	
Dry Bulk	CAPE	$16,000	$22,000	$19,000	$16,500	$22,000	$19,250	+$250
	PANAMAX	$12,500	$13,500	$13,000	$11,500	$13,500	$12,500	▲$500
	HANDYMAX	$10,500	$11,500	$11,000	$11,000	$11,500	$11,250	+$250
	SMALL HANDY	$9,000	$9,500	$9,250	$9,400	$9,500	$9,450	+$200
Tanker	VLCC (Middle East/Japan)	$14,250	$15,000	$14,600	$10,100	$15,000	$12,550	▲$2,050
	AFRAMAX (South Asia/Japan)	$11,000	$11,000	$11,000	$9,000	$11,000	$10,000	▲$1,000
	Clean Tanker (110,000MT) (Middle East/Japan)	$12,000	$12,000	$12,000	$10,650	$12,000	$11,350	▲$650

Division Trends

Dry Bulk Segment

FY2018 1Q Results

- Dry Bulk market maintain bullish trend due to firm transportation demand and less supply pressure by new delivery vessel.
  - Capesize
    While the market was temporary weakened due to strikes in each port etc, Iron Ore cargo movement from Brazil with slow down from the beginning of this year was recovered. Overall, the market situation maintain firm trend.
  - Panamax and Smaller size
    At the beginning, grain cargo movement from South America was slow due to the concerns about US-China trade disputes. After such movement return to normal, the market situation maintain stable.
- Strengthening effective operation suitable for the market situation and most economical operation.

Transition of Dry Bulk Fleet Scale

	FY2016	FY2017	FY2018-1Q
CAPE	95	106	111
Panamax and Smallersize	130	127	121
Woodchip Carrier	11	10	10
Total	**236**	**243**	**242**

FY2018 : Dry Bulk Fleet Market Exposure

	Previous Forecast Beginning of FY2018	Latest Forecast As of Jun
CAPE	9%	9%
Panamax and Smallersize	37%	32%
Woodchip Carrier	0%	0%

Initiatives for FY2018 2Q onward

- Strengthen our profitability not affected by market volatility through improvement of vessel operation effectiveness expansion of stable business by mid-long term contracts, strengthening and most economical operation and cost savings etc.
- Expanding customer base and creating new business by improvement of transportation quality and reduction of environmental load

Dry Bulk Market	FY2017					FY2018			
	1Q	2Q	3Q	4Q	Results	1Q	1H	2H	Forecast
CAPE	$12,200	$14,600	$23,350	$12,900	$15,750	$14,950	$16,500	$22,000	$19,250
PANAMAX	$9,000	$10,200	$12,000	$11,500	$10,650	$10,500	$11,500	$13,500	$12,500
HANDYMAX	$8,700	$9,200	$10,700	$10,600	$9,800	$11,050	$11,000	$11,500	$11,250
SMALL HANDY	$7,300	$7,400	$9,350	$8,500	$8,150	$8,800	$9,400	$9,500	$9,450

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

FY2018 1Q Results

- **Tanker**
  - Supply-demand gap was expanded due to over-supplied and market remained low level
  - VLCC ad LPG fleet maintained smooth operation based on mid-long term contracts and 1 new VLCC was delivered as vessel replacement.
- **Thermal Coal Carrier**
  - Secured stable income business by mid-long term contracts
  - Pursued effective vessel allocation/operation and shrinking market exposure

Initiatives for FY2018 2Q onward

- **Tanker**
  - Expansion of mid-long contracts by vessel replacement by new delivery and developing new contracts (1 LPG vessel to be delivered in FY2018)
- **Thermal Coal Carrier**
  - Maintain expansion of stable income business by medium-and-long-term contracts
  - Strengthen our profitability not affected by market volatility through improvement of vessel operation effectiveness

Transition of Tanker and Thermal Coal Carrier Fleet Scale

	FY2016	FY2017	FY2018(*)
VLCC	7	6	8
LPG	6	7	8
Other Tankers	9	9	4
Thermal Coal Carrier	24	23	25
Total	**46**	**45**	**45**

(*Forecast)

FY2018 : Tanker Fleet Market Exposure

	Previous Forecast Beginning of FY2018	Latest Forecast As of Jun 2018
VLCC	31%	31%
LPG	19%	19%
Other Tankers	75%	75%
Thermal Coal Carrier	30%	6%

Tanker Market（WS)	FY2017					FY2018			
	1Q	2Q	3Q	4Q	Results	1Q	1H	2H	Forecast
VLCC	57	45	62	41	51	45	46	48	47
(Middle East/Japan)	$19,800	$11,000	$20,350	$9,200	$15,000	$10,050	$10,100	$15,000	$12,550
AFRAMAX	99	93	110	83	96	87	94	100	100
(South Asia/Japan)	$10,200	$8,350	$7,500	$5,700	$7,900	$7,000	$9,000	$11,000	$10,000
Clean Tanker（110,000MT)	92	112	117	95	104	94	101	95	100
(Middle East/Japan)	$8,700	$12,200	$11,350	$11,200	10,900	$9,350	$10,650	$12,000	$11,350

Energy Resource Transport Segment
−LNG Carrier/Liquefied Gas New Business/Energy E&P Support Business

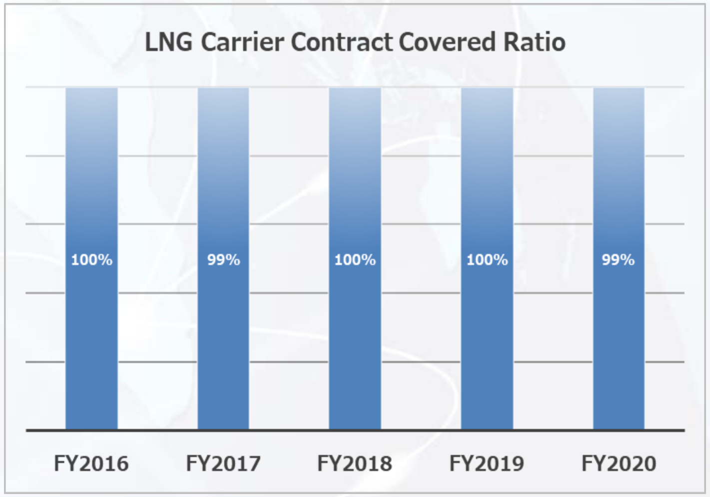
FY2018 1Q Results

- **LNG Carrier**
  - Secured stable-income by operating fleet with medium-and-long-term contracts
- **Liquefied Gas New Business**
  - Kawasaki Kisen Kaisha, Ltd., Chubu Electric Power Co., Inc., Toyota Tsusho Corporation, and Nippon Yusen Kabushiki Kaisha have agreed to launch the LNG Bunkering business in Japan.
  - The joint venture company established by the above four companies has ordered an LNG Bunkering Vessel from Kawasaki Heavy Industries, Ltd.
- **Energy E&P Support Vessel**
  - The contracts to participate in owning and chartering business for FPSO for Oil production in Ghana come into force effect. (15 years chartering contract)
- **Drillship**
  - Earned 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 2Q onward

- **LNG Carrier**
  - Considering business risks/returns for medium-term contract demands
  - Build up stable-income business by securing more medium-and-long-term contracts
- **Liquefied Gas New Business**
  - Creating demands for LNG/LPG fuel vessel and expanding LNG bunkering supply spots.
  - Initiatives for participating in Offshore power generation/FSRU business in Gas to Power Sector
- **Energy E&P Support Vessel**
  - Secure stable-income by maintaining a high utilization
- **Drillship**
  - Keep operating as a stable-income business via a high utilization
- **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

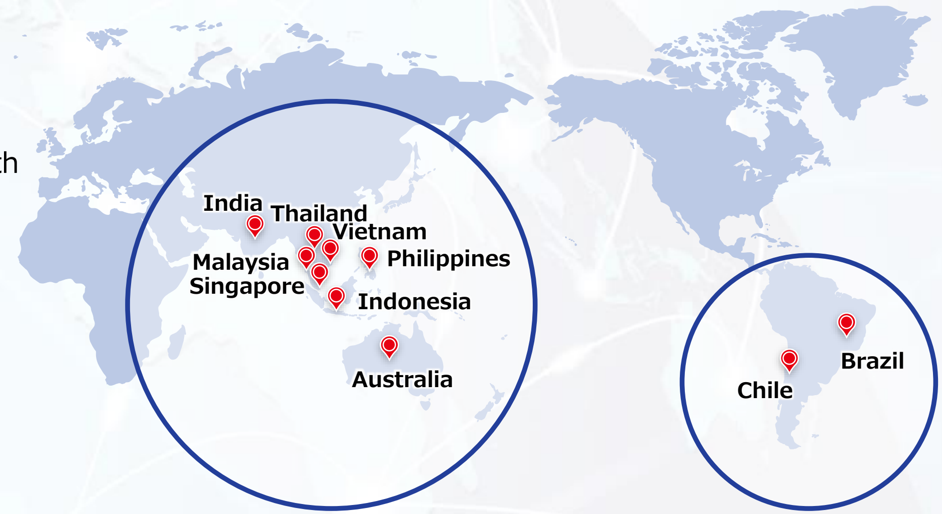
Product Logistics Segment – Car Carrier / Automotive Logistics Business

"K" LINE 川崎汽船株式会社

FY2018 1Q Results

- Total Units Carried : 987 thousand units（YoY about 11% Increase)
- Cargo lifting maintained good shape in the route from Asia to North America
- Acquisition of new cargo contracts both outbound and homebound in Europe
- Newly started Mexico – Latin America service
- Ongoing initiatives for fleet allocation/effective operation with increasing transportation cargo volume

- Expansion of Automotive Logistics Business
  - Total Units Handled 2,650 thousand units (FY2018)
  - Business location 10 countries



Initiatives for FY2018 2Q onward

- Expect steady trend for cargo movements from F.E.Asia to Europe/North America, and in Atlantic regions. Cargo movements for the Middle and Near East 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
- Expanding Automotive Logistics Business in Asia/Latin America

Total units carried (1,000 units)	FY2017					FY2018			
	1Q	2Q	3Q	4Q	Results	1Q	1H Forecast	2H Forecast	Forecast
Outbound	264	250	288	277	1,079	307	613	658	1,271
Homebound	48	46	54	47	194	63	127	127	254
Others	362	324	384	307	1,375	363	740	696	1,436
Intra-Europe	213	225	223	249	909	254	481	477	958
Total units carried	887	844	948	879	3,557	987	1,961	1,958	3,919
Number of Fleet	94	94	91	89	89	93			

Product Logistics Segment – Logistics Business

FY2018 1Q Results

- Successful to achieve year-on-year growth in revenue but downturn in profit for Logistics business as a whole.

▶ Domestic Logistics

Whole cargo movement was firm.
Increased income and profit by the service start of new warehouses and new acquisition of machinery installation service in customers' factory etc.

▶ International Logistics

Air Cargo sector maintained firm cargo volume especially of semiconductors.
Expanding localized International logistics business by new investment in Thailand and Indonesia
Decreased profit due to restructuring Group's global network after the integration of containership business, organization reform and up-front expenditure by IT system investment

Logistics location

Initiatives for FY2018 2Q onward

- "K" LINE keeps focusing on constructing our global network to waste no effort 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 new service (RORO service between Shimizu and Oita)
- Deepening of more localized logistics services in each country and region and expanding customer base in Buyer's consolidation business including developing on Cold Storages in Asia.
- Improving "K" LINE's service quality for logistics of project cargoes.
- Promoting on interaction and optimization of human resources within the Group.

Product Logistics Segment – Containership Business

"K" Line own Containership Business
- The situation of temporary losses related to the integration of Containership Business

■ Operation profit/losses :

the temporary losses in "K" Line own Containership business

– Increased the temporary losses in FY2018 such as operation costs like inland/Railway costs and handling costs of empty container

(Previous Forecast as of Apr 2018)

Temporary losses ▲￥8.5bln

Operating Revenues ￥27.2bln

Operating Costs ￥35.7bln

(Latest Forecasts)

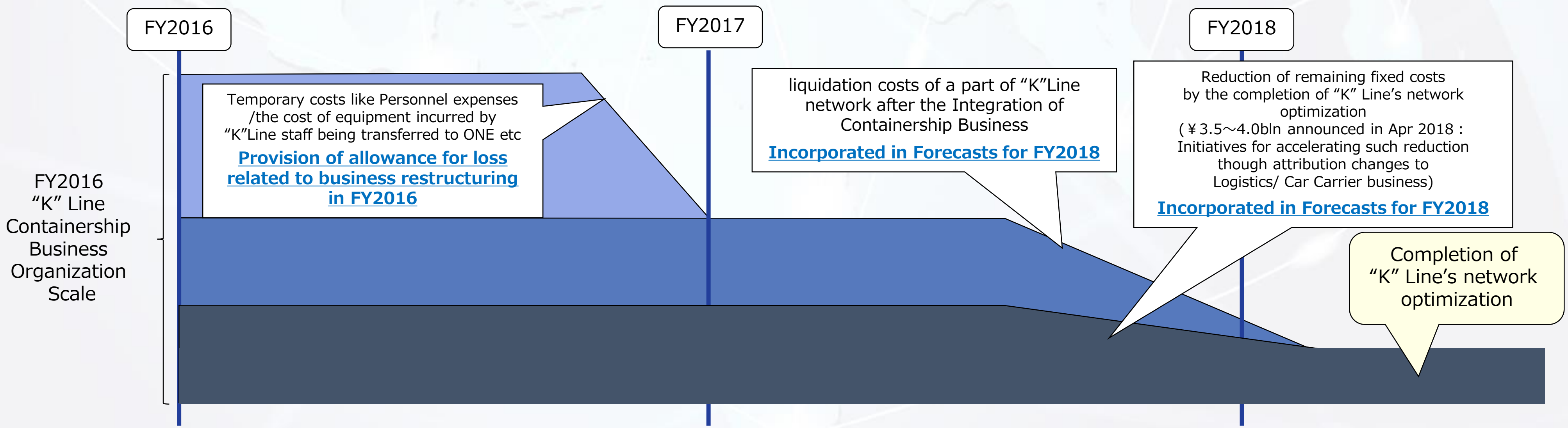
Temporary Losses ▲￥11.5bln

Operating Revenues ￥27.3bln

Operating Costs ￥38.8bln

■ Cost to Optimize Organization

: Cost changes regarding "K"Line staff being transferred to ONE and optimization "K"Line global network



ONE

OCEAN NETWORK EXPRESS

Financial Results for FY2018 1st Quarter and Forecast for FY2018

JUL 31ST 2018

FY2018 1st Quarter and The Full Year Overview

OCEAN NETWORK EXPRESS

Profit/Loss Summary

FY2018 1st Quarter Results :

The 1Q Net Profit/Loss after tax is ▲US$120Million loss due mainly to lower lifting caused by operational teething problems that affected service quality during the operation start-up period, and higher bunker price than originally forecasted.
Net Profit/Loss of 1st Half (1Q+2Q) is expected to be lowered by US$40Million than the previous announcement.

FY2018 Full Year Forecast :

Considering that service quality has already stabilized, overall business is expected to be back to normal situation from the 2Q onwards. FY2018 full year forecast for Net profit/Loss after tax remains unchanged as US$110 Million, underpinned by steady realization of integration synergy ahead of schedule as well as the change in accounting for lease contracts while higher bunker price will have a negative impact.
The profit from overseas terminal business will only be included from the 4th Quarter due to delay in business transfer.

Progress of Integration Synergies

Integration synergies of US$1,050 Million(Yen 112.4 Billion)/year are steadily emerging. For the 1st year (FY2018), the synergies are expected to emerge to 80% against the original forecast of 60%.

FY2018 1st Quarter Results

1Q Results and FY2018 Full Year Forecast

(Unit: Million US$)

	FY2018				
	Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast
Revenue	2,066	3,376	5,442	6,812	12,254
Profit/Loss	-120	82	-38	147	110

Bunker Price (US$/MT)	$407.00	$468.00	$440.00	$468.00	$454.00

❑ **Sensitivity on Profit/Loss :**
Bunker Price ± 26 million, per US$10/MT (for 9 months/Max)

Comparison with Previous Forecast

(Unit: Million US$) *as of Apr 2018

	FY2018 Previous Forecast*			FY2018					Full Year	
	H1 Forecast*	H2 Forecast	Full Year Forecast	Q1 Result	Q2 Forecast	H1 Forecast	H2 Forecast	Full Year Forecast	Change (Mil US$)	Change (%)
Revenue	6,269	6,891	13,160	2,066	3,376	5,442	6,812	12,254	-906	-6.9%
Profit/Loss	3	107	110	-120	82	-38	147	110	0	0.0%

Bunker Price (US$/MT)	$383.00	$383.00	$383.00	$407.00	$468.00	$440.00	$468.00	$454.00	$71.00

Lifting / Utilization / Freight Index

Lifting / Utilization by Trades

(Unit: 1,000TEU)

Lifting / Utilization by Trrades		FY2018 Q1 Result
Asia - North America Eastbound	Lifting	530
	Utilization	73%
Asia - Europe Westbound	Lifting	312
	Utilization	73%

Outlook from the Q2 onwards
Asia-North America Eastbound :
Both demand and supply are expected to grow by around 6% on a year-on-year basis. Major alliances have already announced their service rationalization plan, and it is expected that demand and supply situation will be stabilized. Utilization in July is expected to improve as 90%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

Asia-Europe Westbound :
Supply has grown by 5% on a year-on-year basis. The demand growth has not matched the supply growth so far, but a steady cargo growth is expected towards the cargo peak season. Utilization in July is expected to improve as 92%, and we forecast utilization will recover back to the level of the original outlook from the Q2 onwards.

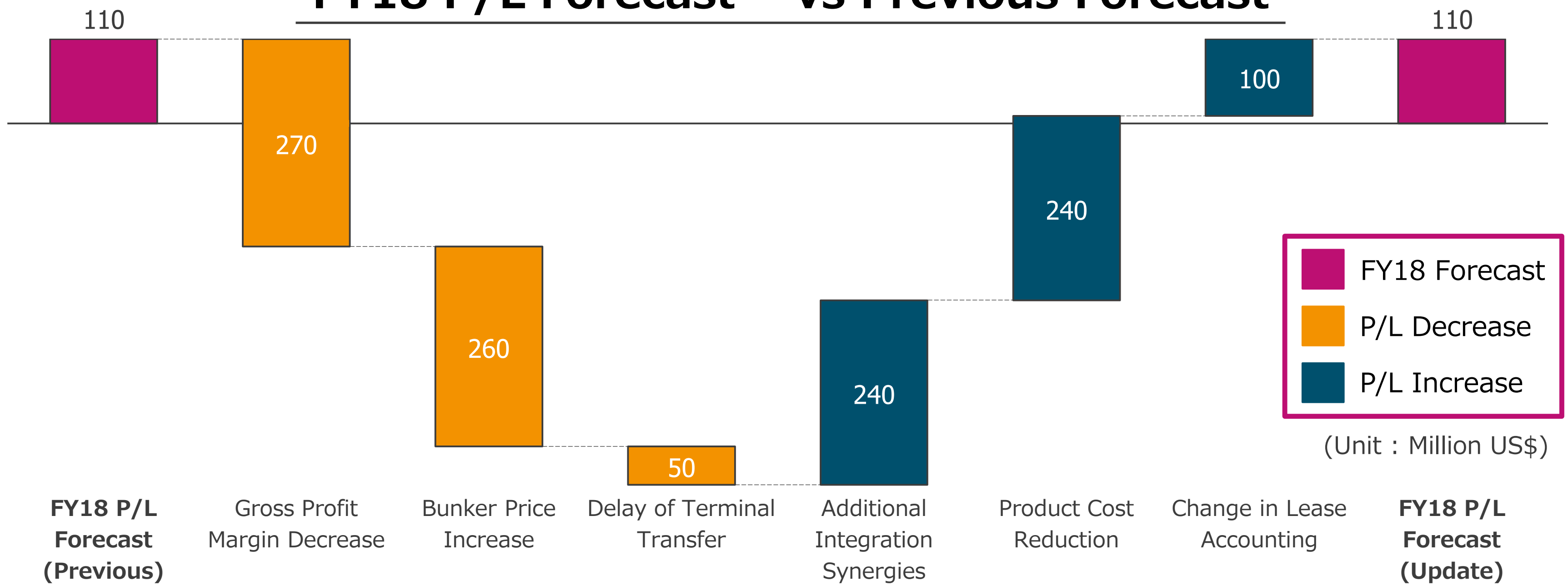
Indices for actual freight for the above mentioned routes will be disclosed from the Q2.

Ocean Network Express

FY18 P/L Forecast Update

Full year forecast for Net profit/Loss remains unchanged as US$110 Million, as negative impacts such as decrease of gross profit margin and increase of bunker price are offset by accelerated integration synergies, additional cost reduction, and change in lease accounting.

FY18 P/L Forecast – vs Previous Forecast



Analysis vs Previous Forecast	**Gross Profit Margin Decrease**	• Mainly by lower utilization
	Bunker Price Increase	• Previous forecast \$383/MT → Updated forecast \$454/MT
	Delay of Terminal Transfer	• Previous forecast expected to start operation in 2Q → Updated forecast in 4Q
	Additional Integration Synergies	• Mainly by more variable costs reduction such as feeder/inland and terminal costs
	Product Cost Reduction	• Bunker consumption decrease, Product cost reduction by withdrawal of one Transpacific service loop from August, etc.
	Change in Lease Accounting	• P/L improvement by change in lease accounting methodology (Previously assumed finance lease for vessel charter contract changed into operating lease for this year)

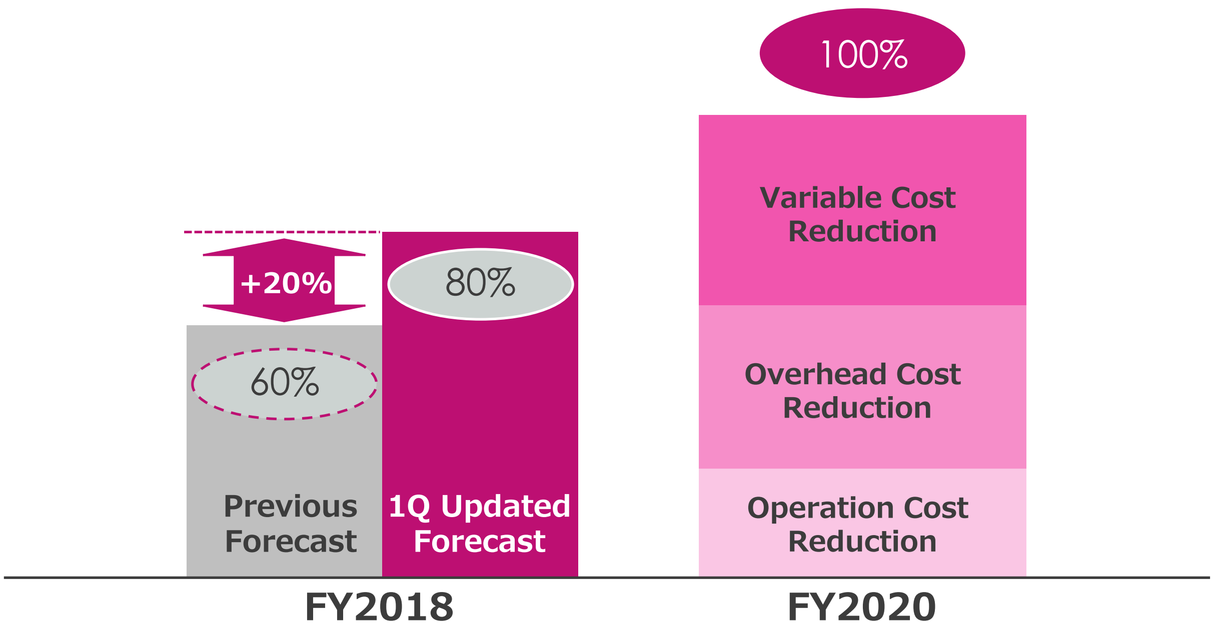
Integration Synergy Update

In original integration synergy forecast of US$1,050 million (Yen 112.4 Billion), 80% of the synergy effect is expected to emerge for the 1st year (20% more than previous forecast of 60%).

（Exchange rate：1 US$=JPY107）

- **Break-down of the synergy effect US$1,050 Million is as follows.**
  - 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.

Achievement ratio against the initial target



Ocean Network Express

Fleet Structure

as of end of 1Q

Size		Combined
>= 20,500 TEU	Capacity (TEU)	120,600
	Vessels	6
10,500 - 20,500 TEU	Capacity (TEU)	265,100
	Vessels	19
9,800 - 10,500 TEU	Capacity (TEU)	100,100
	Vessels	10
7,800 - 9,800 TEU	Capacity (TEU)	357,194
	Vessels	40
6,000 - 7,800 TEU	Capacity (TEU)	300,933
	Vessels	46
5,200 - 6,000 TEU	Capacity (TEU)	101,898
	Vessels	18
4,600 - 5,200 TEU	Capacity (TEU)	123,286
	Vessels	25
4,300 - 4,600 TEU	Capacity (TEU)	71,816
	Vessels	16
3,500 - 4,300 TEU	Capacity (TEU)	42,403
	Vessels	10
2,400 - 3,500 TEU	Capacity (TEU)	50,898
	Vessels	19
1,300 - 2,400 TEU	Capacity (TEU)	18,711
	Vessels	11
1,000 - 1,300 TEU	Capacity (TEU)	5,398
	Vessels	5
< 1,000 TEU	Capacity (TEU)	3,562
	Vessels	5
Total	**Capacity (TEU)**	**1,561,899**
	Vessels	**230**

"K" LINE 川崎汽船株式会社

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