Financial Highlights
Brief Report for 3rd Quarter
FY2018

31st Jan 2019

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"K" LINE 川崎汽船株式会社

Consolidated Results for 3Q FY2018

(billion yen)

	FY2018			Year-on-Year Comparison	
	1H	3Q	1-3Q (a)	FY2017 1-3Q (b)	(b)-(a)
Operating Revenues	416.1	222.4	638.5	884.1	- 245.6
Operating Income	- 12.3	3.0	- 9.3	7.1	- 16.4
Ordinary Income	- 21.3	- 6.1	- 27.4	9.4	- 36.8
Net Income Attributable to Owners of Parent	- 24.6	- 6.4	- 31.0	9.3	- 40.3
Exchange Rate(¥/$)	¥109.48	¥113.43	¥110.80	¥111.68	-¥0.88
Bunker Price($/MT)	$437	$490	$454	$336	$118

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income)	FY2018			Year-on-Year Comparison	
	1H	3Q	1-3Q (a)	FY2017 1-3Q (b)	(b)-(a)
Dry Bulk	132.0	76.8	208.8	186.7	22.1
	2.1	1.4	3.5	- 0.0	3.6
Energy Resource Transport	42.0	23.4	65.4	56.3	9.1
	1.6	0.3	1.9	1.5	0.5
Product Logistics	225.4	113.7	339.0	609.8	- 270.8
	- 23.1	- 6.7	- 29.7	11.1	- 40.8
Containership	75.8	31.8	107.7	374.8	- 267.2
	- 23.4	- 8.0	- 31.4	- 0.4	- 31.0
ONE as Equity method company	- 11.5	- 6.6	- 18.1	- 2.5	- 15.5
Other	16.8	8.5	25.3	31.3	- 6.0
	1.0	0.1	1.0	2.4	- 1.4
Adjustment	-	-	-	-	-
	- 3.0	- 1.2	- 4.2	- 5.5	1.3
Total	416.1	222.4	638.5	884.1	- 245.6
	- 21.3	- 6.1	- 27.4	9.4	- 36.8

Main Factors

- Dry Bulk Business :

Improved Profitability due to shrinking market-exposed business and firm market condition.

- Containership Business :

Y-o-Y increase and decrease excluding the impact associated with a change in the reporting segments from FY2018 was -￥35.5bln and such decrease consists of discrepancy of equity in earnings/loss from ONE -¥15.5bln and temporary losses of the remaining "K"Line own containership business. Such temporary losses has completed for FY2018.

- Car Carrier Business :

Similar to the previous disclosure, because cargo volume in Central and South America /Australia / Middle East routes was below our forecast and also due to an economy downturn in South America and a decrease in operational productivities and profitability in the route from Europe, the results declined from a year earlier

Main Financial Indicator

(billion yen)

	FY2017 (a)	FY2018 3Q (b)	(b)-(a)
Equity Capital	217.0	187.0	-30.0
Interest-bearing liability	570.6	572.3	1.0
DER (%)	263%	306%	43%
NET DER (%)	170%	234%	64%
Equity Ratio (%)	21%	19%	-2%

Forecasts for FY2018

"K" LINE 川崎汽船株式会社

Consolidated Forecasts for FY2018

(billion yen)

	FY2018			FY2018 as of Oct 2018	
	1H	2H	Total (a)	Total (b)	(a)-(b)
Operating Revenues	416.1	423.8	840.0	820.0	20.0
Operating Income	- 12.3	7.3	- 5.0	- 5.0	-
Ordinary Income	- 21.3	- 6.7	- 28.0	- 28.0	-
Net Income Attributable to Owners of Parent	- 24.6	4.6	- 20.0	- 20.0	-
Exchange Rate(¥/$)	¥109.48	¥111.22	¥110.35	¥110.37	-¥0.02
Bunker Price($/MT)	$437	$422	$429	$466	-$37

Key factor assumption

- Yen-$ rate assumption ¥110
- Bunker price assumption $429/MT ($422/MT in 2H)

Ordinary Income Estimates Sensitivity (4Q 3months basis)

- Yen-US$ rate : each ¥1 weaker (stronger) adds (subtracts)
  - ±¥0.14bln
- Bunker price: each $10/mt down (up) adds (subtracts)
  - ±¥0.01bln

*Bunker price sensitivity by ONE is not included.

		FY2018 Forecast as of Apr 2018			FY2018 Latest Forecast			(b)-(a)
		1H	2H	Total (a)	1H	2H	Total(b)	
Dry Bulk	CAPE	$16,000	$22,000	$19,000	$18,500	$15,400	$16,900	▲$2,100
	PANAMAX	$12,500	$13,500	$13,000	$11,300	$12,900	$12,100	▲$900
	HANDYMAX	$10,500	$11,500	$11,000	$11,300	$11,800	$11,500	+$500
	SMALL HANDY	$9,000	$9,500	$9,250	$8,500	$9,400	$9,000	▲$250
Tanker	VLCC(Middle East/Japan)	$14,250	$15,000	$14,600	$12,600	$37,750	$25,200	+$10,600
	AFRAMAX (South Asia/Japan)	$11,000	$11,000	$11,000	$8,200	$16,000	$12,100	+$1,100
	Clean Tanker 110,000DWT (Middle East/Japan)	$12,000	$12,000	$12,000	$9,650	$15,900	$12,800	+$800

Dividends

Interim – No dividend
Year-end (Est) – No dividend

With much regret, we decided not to pay not only interim but also year-end dividends in FY2018, given the urgency in improving our financial structure and the stabilization of our business base.

A-3 Financial Highlights for 3rd Quarter FY2018
Forecasts for FY2018 by Segment

Consolidated Forecasts for FY2018 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income)	FY2018 1H	FY2018 2H	FY2018 Total (a)	FY2018 as of Oct 2018 Total (b)	(a)-(b)
Dry Bulk	132.0	147.1	279.0	273.0	6.0
	2.1	3.9	6.0	6.5	-0.5
Energy Resource Transport	42.0	45.0	87.0	87.0	-
	1.6	1.3	3.0	2.5	0.5
Product Logistics	225.4	213.6	439.0	425.0	14.0
	-23.1	-10.0	-33.0	-31.5	-1.5
Containership	75.8	59.7	135.5	128.0	7.5
	-23.4	-11.5	-35.0	-32.5	-2.5
ONE as Equity method company	-11.5	-8.4	-19.9	-20.7	0.8
Other	16.8	18.2	35.0	35.0	-
	1.0	0.5	1.5	1.5	-
Adjustment	-	-	-	-	-
	-3.0	-2.6	-5.5	-7.0	1.5
Total	416.1	423.8	840.0	820.0	20.0
	-21.3	-6.7	-28.0	-28.0	-

Progress of Measures to improve profitability		Planned in FY2018 2Q (a)	Latest Forecast (b)	(b)-(a)
Dry Bulk	Effective Vessel Allocation/ Most Economical Vessel Operation	0.6	0.7	0.1
	Vessel Operation Cost reduction/ Further efforts to market procurement	0.3	0.3	-0.0
Product Logistics	Effective Vessel Allocation/ Most Economical Vessel Operation	0.5	0.6	0.1
	Sales/Operation cost reduction	0.1	0.1	-0.0
Network Optimization	Accelerate remaining fixed cost reduction	0.2	0.2	-
Others	Other SG&A cost reduction	0.3	0.3	-
	Total (billion yen)	2.0	2.2	0.2

Main Factors

- Dry Bulk

The full-year results forecasts will be revised slightly downward by -¥0.5bln due to the impact of temporary sudden deterioration in market conditions, especially Cape-size market.

- Energy Resource Transport

The full-year results forecasts will be revised slightly upward by+￥0.5bln due to the impact of improvement in VLCC market conditions and smooth operation of the fleet under medium and long-term contracts.

- Product Logistics

(Containership)

The full-year results forecasts of Equity in earnings/loss from ONE will be revised upward by+￥0.8bln.

For Containership Business as a whole, considering profitability associated with additional capital expenditures, ¥2.6bln was recorded as expenses in this quarter, revising down the full-year forecast by￥2.5bln.

(Others Business)

Upward revision of Full-year forecast due to bullish trend of domestic and International logistics including air cargo

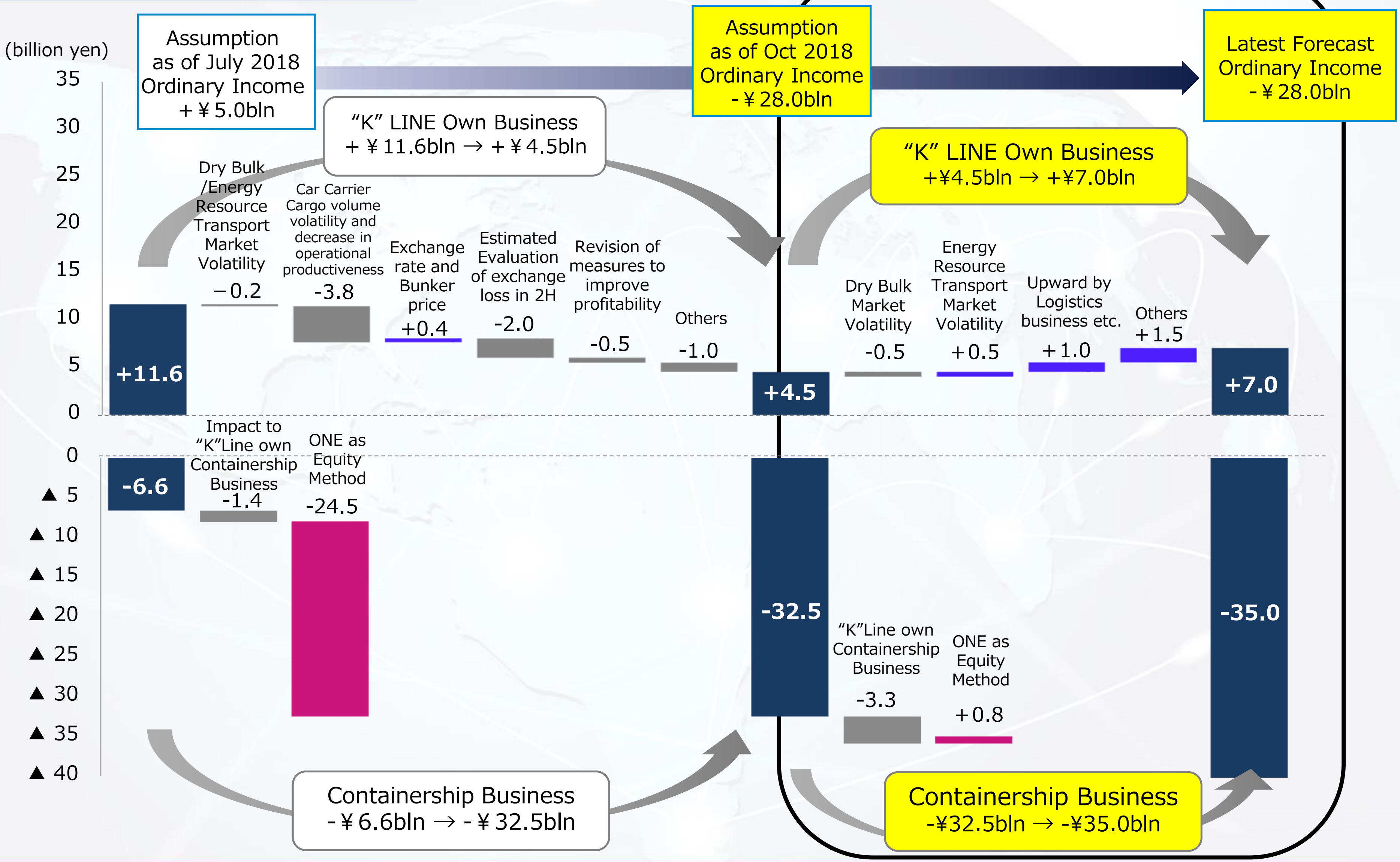
- Measures to improve profitability

The measures to improve profitability planned at the beginning of the current fiscal year are expected to be accomplished successfully.

The effect of￥2.2bln is anticipated throughout the fiscal year.

A-4 Financial Highlights for 3rd Quarter FY2018
Latest Forecasts for FY2018 - vs. Assumption as of Oct 2018

Key Factors : Ordinary Income



Detailed Progress of Management plan & Initiatives for FY2018 4Q onwards

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Progress of Initiatives for FY2018 4Q onwards

Emergency Important Tasks

Tasks	Contents of Initiatives
ONE's Profit Improvement	Please refer to Page 15 and the subsequent pages for detailed measures. ✓ Effects from improved freight rates, reduced operational costs, increased liftings of Domi and Non-Domi leg, etc. were secured, but some lifting plans for Non-Domi legs remained unachieved. ⇨ ✓ Integration synergy effect has emerged as planned (The first fiscal year: 75%) ⇧ ✓ Consistent initiatives for Structural Reforms in FY2019, including recovery of liftings and utilization and cargo portfolio optimization.
Car Carrier Business	Annual total profitability improvement effect of ¥5.0-6.0 bln per year leading up to FY2019 ✓ Secure improvement effect of approx.¥4.9 bln through freight rate levels restoration and route rationalization. ⇧ ✓ Continuation of measures to improve profitability through rationalization of service routes and ship allocation, etc.
Initiatives for Selection and Concentration	Rigorous concentration on four business pillars—Dry Bulk, Car Carrier, Energy Transport, and Logistics/Related Businesses —and business/asset portfolio rebuilding to enhance added value ✓ Business reinforcement through collaboration with Kamigumi in Domestic Harber Transportation and Logistics Businesses ⇧ ✓ Reallocation of management resources through disposal of non-core assets, such as real estate ⇧ ✓ Continuation of stable business expansion and initiatives to develop next-generation core businesses (LNG Bunkering Business, etc.) ⇧ ✓ Further initiatives for optimal business portfolio construction and new business model development
Shrinking Market-exposed Business	Initiatives to strengthen business competitiveness centered on Dry Bulk and Containership Businesses leading up to FY2019 ✓ Strengthening of fleet cost competitiveness through disposal of uneconomical ships etc.

Division Trends



Dry Bulk Segment

FY2018 1-3Q Results

- The Dry Bulk market was stable due to a sustained gradual recovery trend in transport demand, despite a temporary sharp decline in Capesize demand.
  - Capesize

    Market conditions showed sudden deterioration due to concern about softening of Iron Ore/Coal cargo movements by environmental regulation in China and an iron ore freight train accident in Western Australia. However, the market conditions recovered after the situation returned to normal.
  - Panamax and Smaller size

    Despite the impact of deterioration in sentiment due to a temporary sharp decline in Capesize market and coal import restrictions imposed by the Chinese government in Winter, the market was firm overall due to brisk grain cargo movements in the Atlantic region.
- Strengthening effective operation suitable for the market situation and most economical operation including measures to improve profitability.

Transition of Dry Bulk Fleet Scale

	FY2016	FY2017	FY2018-3Q
CAPE	95	106	108
Panamax and Smallersize	130	127	108
Woodchip Carriers	11	10	10
Total	236	243	226

FY2018 : Dry Bulk Market Exposure

	Previous Forecast as of Jul 2018	Latest Forecast as of Dec 2018
CAPE	6%	1%
Panamax and Smallersize	20%	15%
Woodchip Carriers	0%	0%

Initiatives for FY2018 4Q onward

- Strengthen our profitability not affected by market volatility through improvement of vessel operation effectiveness expansion of stable business by mid-long term contracts.
- 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	2Q	3Q	4Q (Forecast)	Forecast
CAPE	$12,200	$14,600	$23,350	$12,900	$15,750	$14,950	$22,000	$15,800	$15,000	$16,900
PANAMAX	$9,000	$10,200	$12,000	$11,500	$10,650	$10,500	$12,150	$12,350	$13,500	$12,100
HANDYMAX	$8,700	$9,200	$10,700	$10,600	$9,800	$11,050	$11,600	$11,500	$12,000	$11,500
SMALL HANDY	$7,300	$7,400	$9,350	$8,500	$8,150	$8,800	$8,250	$9,250	$9,500	$9,000

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

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FY2018 1-3Q Results

- **Tanker**
  - Market conditions recovered to a level above the breakeven point due to factors including the wintertime demand season.
  - VLCC and LPG fleet maintained smooth operation based on mid-long term.
- **Thermal Coal Carrier**
  - Maintained smooth operation by mid-long term contracts
  - Pursued effective vessel allocation/operation and shrinking market exposure

Transition of Tanker and Thermal Coal Carrier Fleet Scale

	FY2016	FY2017	FY2018 Forecast
VLCC	7	6	8
LPG	6	7	8
Other Tankers	9	9	6
Thermal Coal Carriers	24	23	24
Total	46	45	46

Initiatives for FY2018 4Q onward

- **Tanker**
  - Strengthening stable income by expansion of mid-long contracts by vessel replacement and developing new contracts (1 LPG vessel to be delivered in FY2018)
  - VLCC and LPG fleet maintained smooth operation based on mid-long term.
- **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

FY2018 : Tanker and Thermal Coal Carrier Fleet Market Exposure

	Previous Forecast in beginning of FY2018	Latest Forecast as of Dec 2018
VLCC	31%	9%
LPG	19%	6%
Other Tankers	75%	50%
Thermal Coal Carriers	15%	4%

Tanker Market (WS)	FY2017					FY2018				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q (Forecast)	Forecast
VLCC	57	45	62	41	51	45	53	88	58	61
(Middle East/Japan)	$19,800	$11,000	$20,350	$9,200	$15,000	$10,050	$15,150	$49,000	$26,000	$25,050
AFRAMAX	99	93	110	83	96	87	103	133	125	112
(South Asia/Japan)	$10,200	$8,350	$7,500	$5,700	$7,900	$7,000	$9,350	$16,300	$15,700	$12,100
Clean Tanker(110,000MT)	92	112	117	95	104	94	100	135	104	108
(Middle East/Japan)	$8,700	$12,200	$11,350	$11,200	10,900	$9,350	$9,900	$19,700	$12,000	$12,700

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

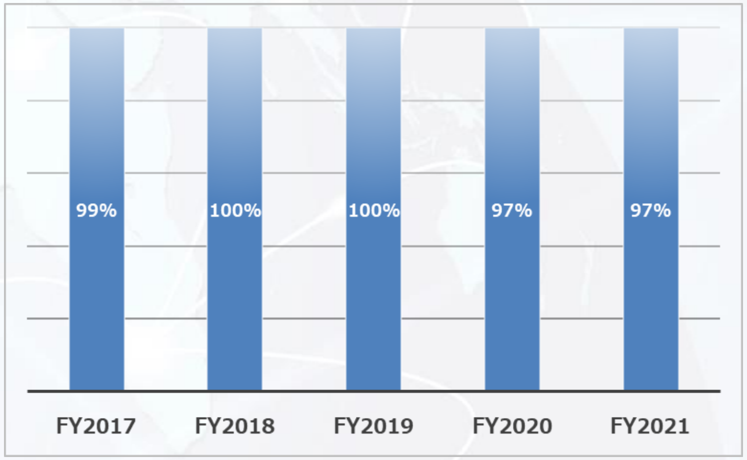
FY2018 1-3Q Results

- **LNG Carrier**
  - Secured stable-income by operating fleet with medium-and-long-term contracts
- **Liquefied Gas New Business**
  - "K" LINE, together with Chubu Electric Power, Toyota Tsusho, and Nippon Yusen, has decided to launch an LNG bunkering business covering Ise Bay.
  - A joint venture company established by the above four companies, including "K" LINE, has ordered an LNG bunkering vessel from Kawasaki Heavy Industries
- **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
  - Evaluation loss was recorded due to a weak Norwegian krone.

Initiatives for FY2018 4Q onward

- **LNG Carrier**
  - Build up stable-income business by securing more medium-and-long-term contracts
  - Considering business risks/returns for medium-term contract demands
- **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
  - Aim to participate in Offshore Power Generation/FSRU/FLNG Business in the Gas to Power Sector on the basis of partnership with high-value customers
- **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 most recently and promote structural reforms with consideration of market situation

LNG Carrier - Contract Covered Ratio



Transition of LNG Carrier Fleet Scale

FY2017	FY2018	FY2019	FY2020	FY2021
44	48	48	47	45

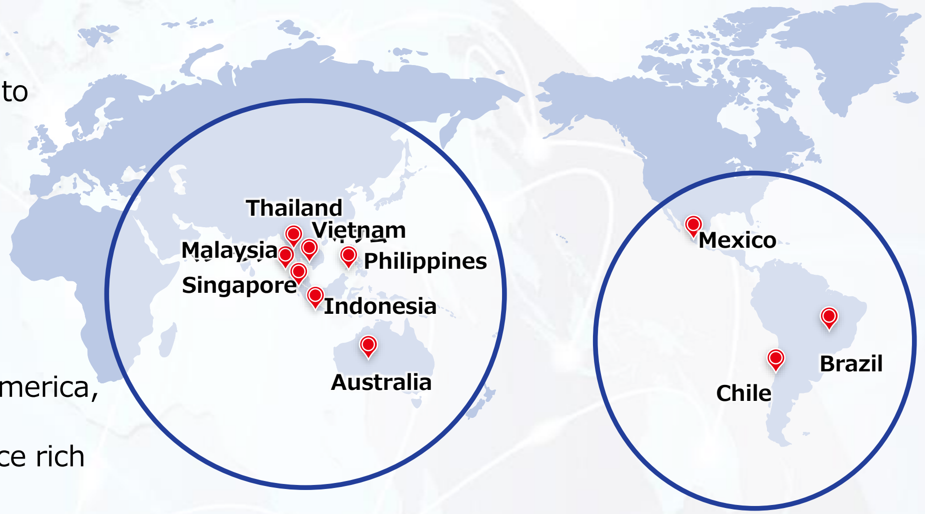
B-4 Division Trends
Product Logistics Segment – Car Carrier / Automotive Logistics Business

FY2018 1-3Q Results

- Total Units Carried : 2,824 thousand units
  - ・Despite the impact of a temporary decrease in shipments due to natural disasters in Japan and lower sales in some areas of South America and other regions, total units carried increased by approximately 5% year on year.
- FY2018 3Q Results
  - ・Transportation volume lower than initial assumption in the route from Asia to Latin America / Australia / Middle East
  - ・Business performance is expected to be maintained due to route rationalization and operational efficiency improvement.

Expansion of Automotive Logistics Business

- Total Units Handled 2,380 thousand units (FY2018)
- Business location 10 countries and 11 base



Initiatives for FY2018 4Q onward

- Total Units Carried :
  - ・Expect steady trend for cargo movements from F.E.Asia to Europe/North America, and in Atlantic regions.
  - ・Cargo movements for Middle East and other oil-producing countries/resource rich countries will take time to be recovered.
- Implementation of route rationalization and suspension of the route from Europe
- Strengthen our earnings base through raising freight levels an route rationalization more focusing on profitability.
- Leverage the competitive advantage of operating 15 large 7,500-unit car carriers, work to increase the volume of high and heavy cargoes, and engage in business management that emphasizes strengthening the earnings base.

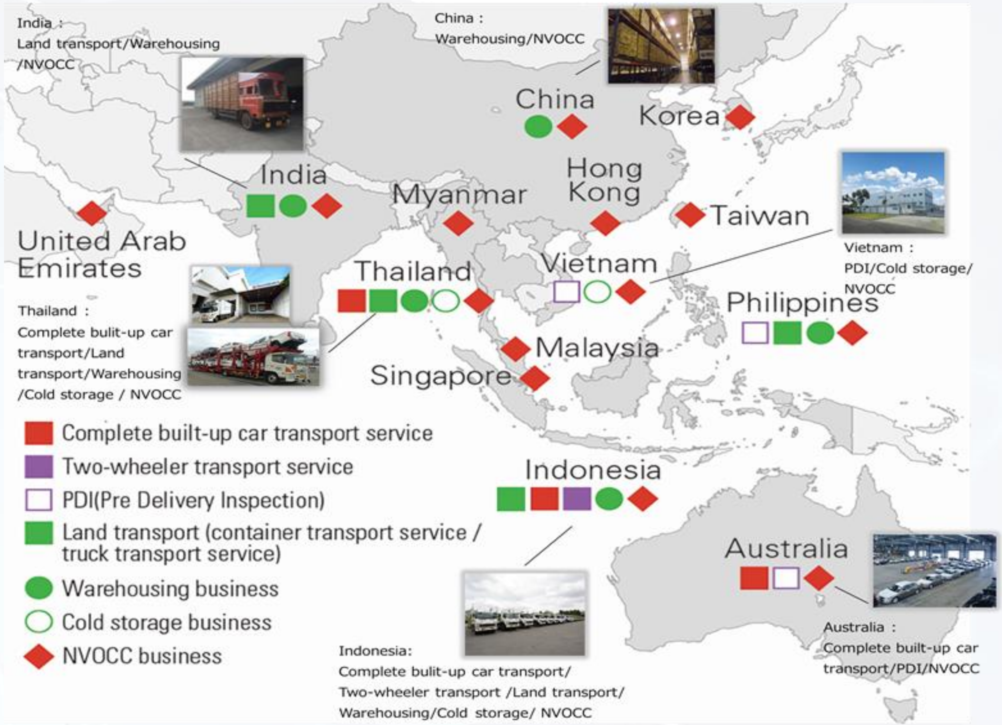
Total units carried (1,000 units)	FY2017					FY2018				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q (Forecast)	Forecast
Outbound	264	250	288	277	1,079	307	288	324	338	1,257
Homebound	48	46	54	47	194	63	69	59	50	241
Others	362	324	384	307	1,375	363	329	317	269	1,277
Intra-Europe	213	225	223	249	909	251	227	228	223	929
Total units carried	887	844	948	879	3,557	984	911	928	880	3,703
Number of Fleet	94	94	91	95	95	93	93	92		

Product Logistics Segment – Logistics Business

FY2018 1-3Q Results

- Successful to achieve year-on-year growth in revenue but downturn in profit for Logistics business as a whole.
  - Domestic Logistics
    - ・Overall cargo movements were firm. Profitability improved thanks to the start of operation of a new warehouse and the receipt of a new order for machine installation in a customer's plant.
  - International Logistics
    - ・Air Cargo sector maintained firm cargo volume especially of semiconductors.
    - ・Bullish trend due to increased demand for e-commerce related cargo
    - ・Expanding localized International logistics business in Thailand and Indonesia and Philippines.
    - ・Costs were incurred due to logistics network restructuring, organizational reform, and investment in IT systems after integration of Containership Business.

Logistics location



Initiatives for FY2018 4Q onward

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

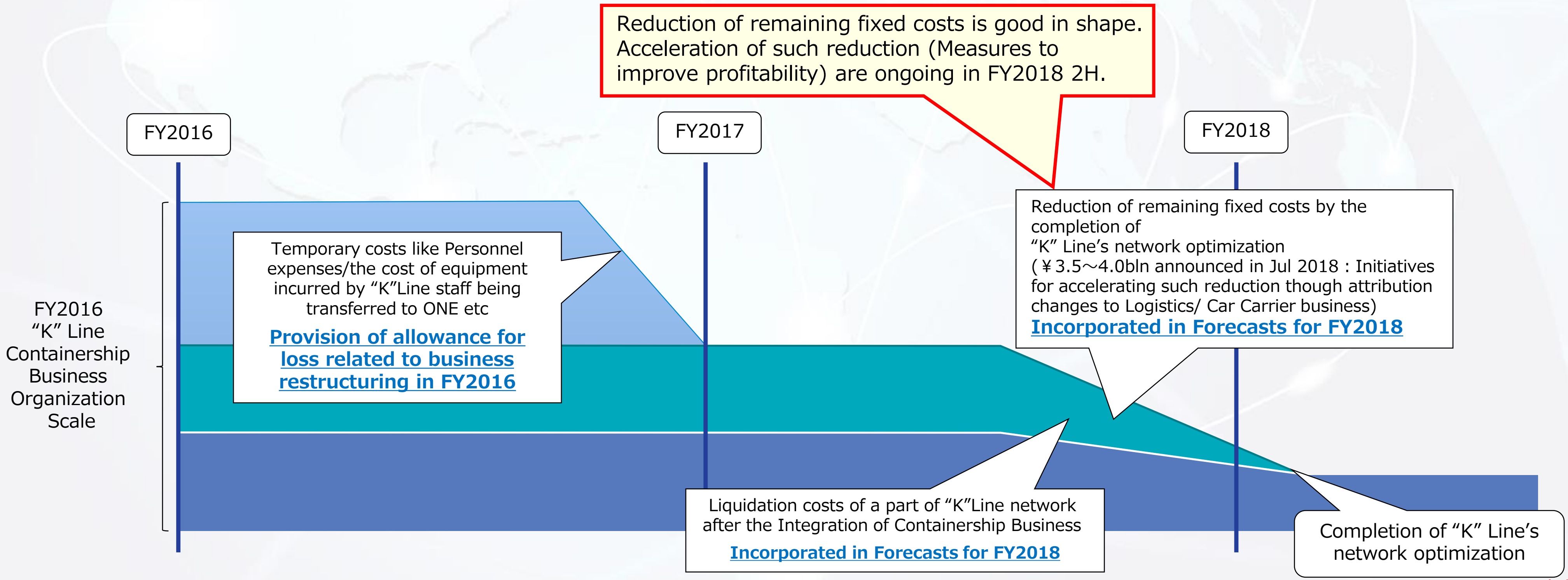
Individual Target

- 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 new service (RORO service between Shimizu and Oita)
- 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.
- Promote group-wide interaction/utilization of human resources

B-6 Division Trends
Product Logistics Segment – Containership Business

"K" Line own Containership Business

- Operation profit/losses :
  The temporary losses in "K" Line own Containership business (Operation costs like inland/Railway costs and handling costs of empty container etc.) has completed for FY2018.
- Vessel expenses :
  Considering profitability associated with additional capital expenditures, ¥2.6bln was recorded as expenses in FY2018-3Q.
- Cost to Optimize Organization :
  Cost changes regarding "K"Line staff being transferred to ONE and optimization "K"Line global network



Financial Results for FY2018 3rd Quarter

JAN. 31, 2019

Ocean Network Express

FY2018 Q3 Financial Results/Forecasts

OCEAN NETWORK EXPRESS

Q3 Results/Full-year Forecast, and Comparison with Previous Forecasts

(Unit: US$ million) *as of Oct 2018

	FY2018 Previous Forecasts*							FY2018 Latest Forecasts							Full Year	
	Q1 Results	Q2 Results	H1 Results	Q3 Forecast	Q4 Forecast	H2 Forecast	Full Year Forecast	Q1 Results	Q2 Results	H1 Results	Q3 Results	Q4 Forecast	H2 Forecast	Full Year Forecast	Change	Change (%)
Revenue	2,066	2,963	5,030	2,982	2,988	5,970	11,000	2,066	2,963	5,030	3,025	2,830	5,855	10,885	-115	-1.0%
Profit/Loss	-120	-192	-311	-218	-71	-289	-600	-120	-192	-311	-179	-104	-283	-594	6	-1.0%
Bunker Price (US$/MT)	$407.00	$457.00	$434.00	$466.00	$466.00	$466.00	$451.00	$407.00	$457.00	$434.00	$487.00	$417.00	$453.00	$444.00	-$7.00	

❑ **Sensitivity on Profit/Loss:**
Bunker Price ±US$ 6Million per US$10/MT (For Remaining 3 months/Max)

Profit/Loss Summary

Q3 Results: Ended with a -US$179 million loss, an improvement from an anticipated -US$218 million loss in the previous forecasts (announced on October 31). Utilization recovered significantly from H1 despite a slight shortfall in the previous outlook. Freight rates on Asia-North America Eastbound remained at high levels and contributed to the improvement in Q3 results. Actions aimed at boosting profitability also showed certain results. Cost reduction from the declining bunker prices was yet to contribute in Q3.

Q4/Full-year Forecasts: Updated Q4 forecasts conservatively factor in uncertainties in the external environment, such as the effects of China-U.S. trade friction, the European economy, and the impact of China’s environmental protection laws on backhaul trades. The full-year net loss is projected at -US$594 million, the same level of the previous forecasts.

Ocean Network Express

Liftings/Utilization/Freight Index

Liftings/Utilization by Trade

(Unit: 1,000 TEU)

Liftings/Utilization by Trade		FY2018 Q1 Results	FY2018 Q2 Results	FY2018 H1 Results	FY2018 Q3 Results
Asia-North America Eastbound	Liftings	530	761	1,291	746
	Utilization	73%	90%	82%	95%
Asia-Europe Westbound	Liftings	312	478	790	442
	Utilization	73%	90%	82%	92%
Asia-North America Westbound	Liftings	218	285	502	320
	Utilization	33%	33%	33%	40%
Asia-Europe Eastbound	Liftings	194	263	457	315
	Utilization	48%	47%	48%	62%

Freight Index by Trade

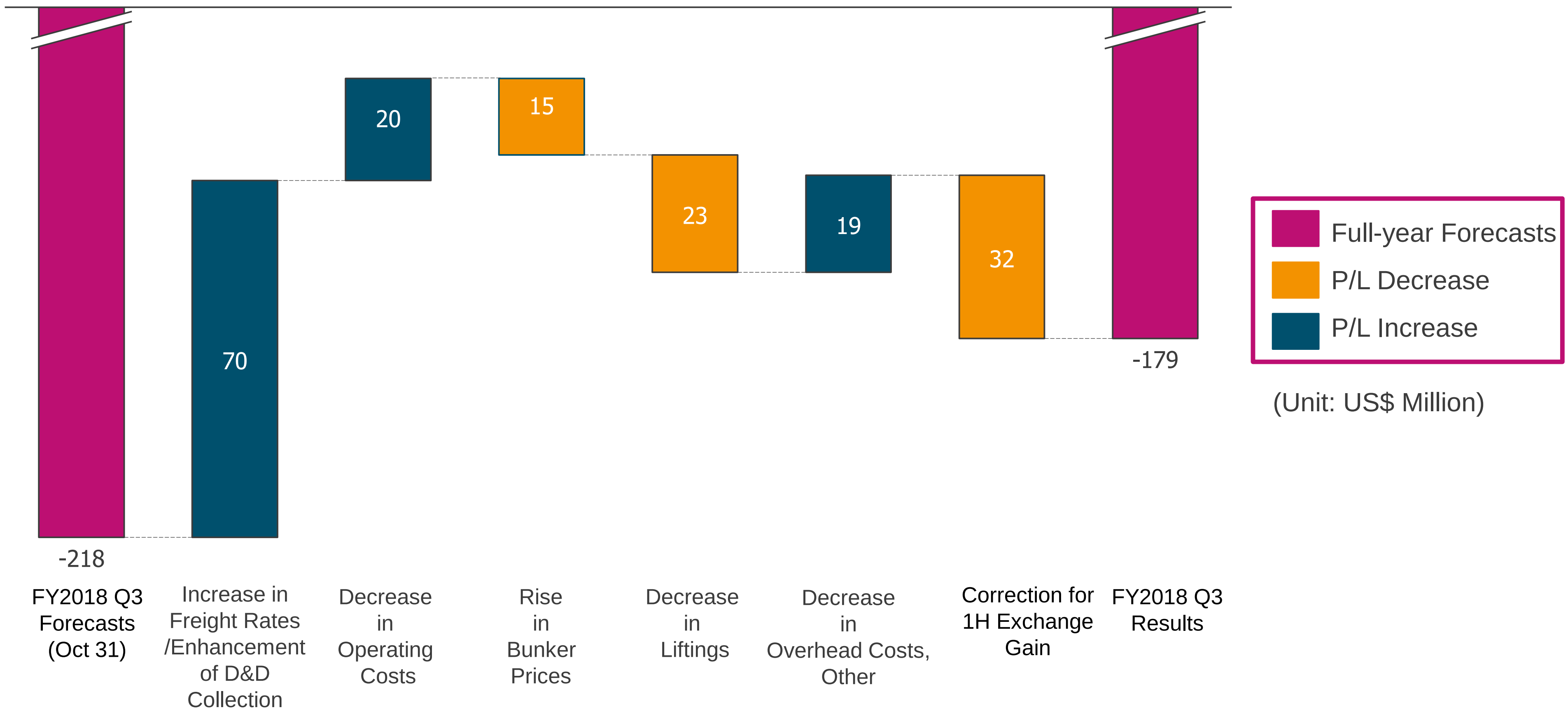
(Unit: 100 = FY2018 Q1 average)

Freight Index by Trade	FY2018 Q1 Results	FY2018 Q2 Results	FY2018 H1 Results	FY2018 Q3 Results
Asia-North America Eastbound	100	101	101	108
Asia-Europe Westbound	100	106	104	100

Overview by Route

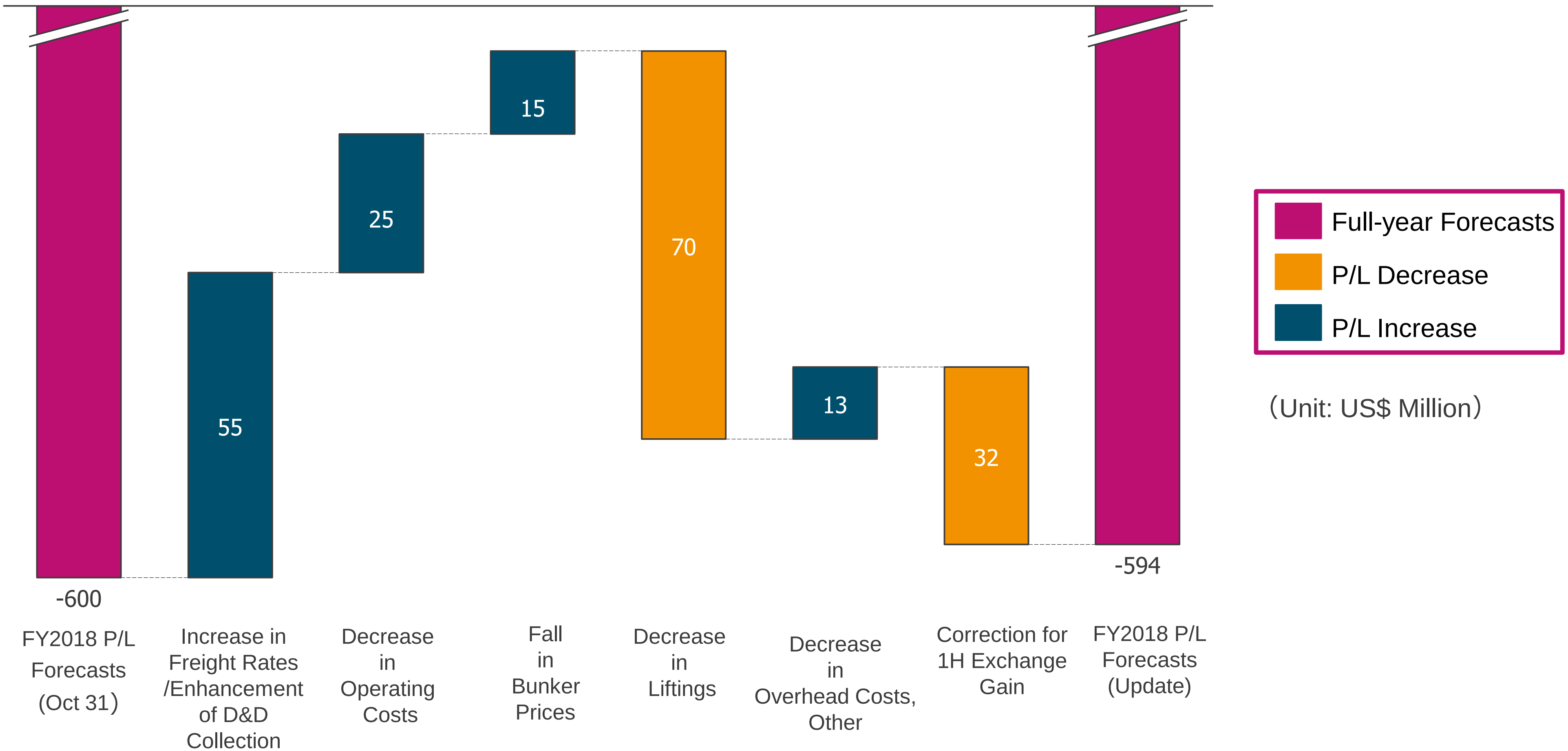
- **Asia-North America Eastbound: Demand in October and November (usually a slow season following China's National Day) was stronger than usual, due in part to the impact of last-minute demand to avoid new U.S. tariffs on Chinese products. The tight demand and supply balance continued as frequencies of the service were reduced, and liftings and freight rates remained at high levels, higher than Q2.**
- **Asia-Europe Westbound: Liftings dropped as they typically do every year during the slow season (October and November after China's National Day), but demand recovered from December to year-end/before Chinese New Year. Ships continued to depart with almost full loads. Though freight rates, which had dropped since October did not collapse, their upturn was limited despite December's increase in demand.**
- **Asia-North America Westbound/Asia-Europe Eastbound: Liftings and utilization increased significantly from Q2, and freight rates remained stable. Efforts continued to enhance yield management and increase utilization.**

FY2018 Q3 P/L Analysis (vs. Previous Forecasts)



Spot freight rates on the Asia-North America Eastbound trade remained higher than the assumption, and collection of detention and demurrage was enhanced. Operating costs dropped due to cancellation of some sailings in response to lower demand around China's National Day. Bunker costs increased due to rising bunker prices during the first half of Q3. Liftings were slightly short of targets, particularly on Asia-Europe routes. A temporary adjustment occurred in exchange gain in H1.

FY2018 Annual P/L Analysis (vs. Previous Forecasts) -1/2



(Unit: US$ Million)

FY2018 Annual P/L Variance Analysis (vs. Previous Forecasts) - 2/2

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Variance Factor Analysis

Increase in Freight Rates /Enhancement of Detention & Demurrage Collection	Freight rates on Asia-North America routes relatively remained strong in Q3 due to last-minute demand before U.S. tariffs were raised, but those on Asia-Europe routes weakened. The impact of external factors such as China-U.S. trade friction was included in Q4 outlook. Detention & Demurrage collection amounts increased, remaining at higher levels than the previous outlook (announced on October 31).
Decrease in Operating Costs	Flexibly reduced frequencies of the service to meet decreased demand amid the impact of worse-than-expected dense fog and congestion in East China and North China regions. Operating costs are expected to be slightly lower than the previous outlook.
Fall in Bunker Prices	Reflected fall in bunker prices from late Q3. Reviewed projected unit price for H2: $466 ➔ $453 Reviewed projected unit price for full year: $451 ➔ $444
Decrease in Liftings	Utilization in Q3 increased to 95% on Asia-North America Eastbound and 92% on Asia-Europe Westbound, achieving the same level as those of the three parent companies before integration. However, liftings in Q4 are expected to show a slight decrease due to seasonal factors. In general, liftings have been increased, but external factors after Chinese New Year were re-estimated and factored into Q4 outlook.
Decrease in Overhead Costs, Other	Overhead costs decreased. Targeting transfer of overseas terminal businesses from each of the parent companies within FY2018.
Correction for 1H Exchange Gain	Adjustment in exchange rate loss for H1 was recorded in Q3. (-US$32 million) as temporary factor.

Full-year P/L is projected -US$594 million loss, the same level as the previous forecasts.

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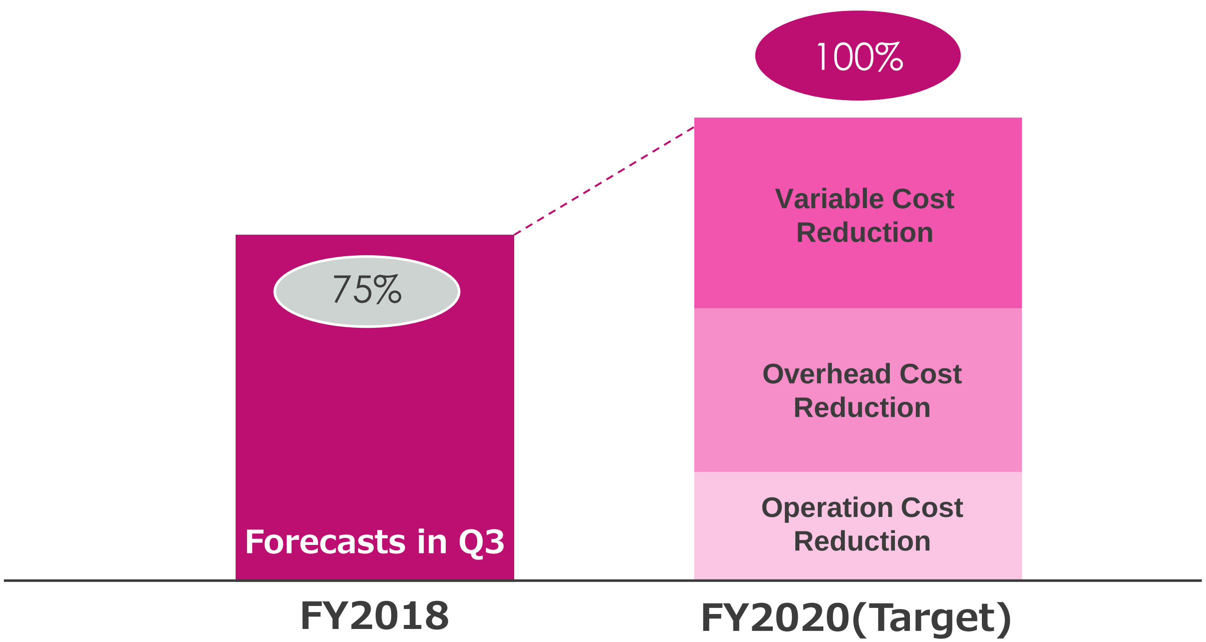
Integration Synergy Update

From initial integration synergy forecast of US$1,050 million, 75% of the synergistic effects is expected to emerge for the 1st year. (No change from the previous forecasts.)

- **Break-down of the synergistic effect US$1,050 million is as follows :**
  - Variable Cost Reduction ・・・US$430 million : Rail, Truck Feeder, Terminal Equipment, etc.
  - Overhead Cost Reduction ・・・US$370 million : IT cost, Rationalization of Organization, Outsourcing, etc.
  - Operation Cost Reduction ・・・US$250 million : Bunker consumption, product rationalization, etc.

Achievement ratio against the initial target



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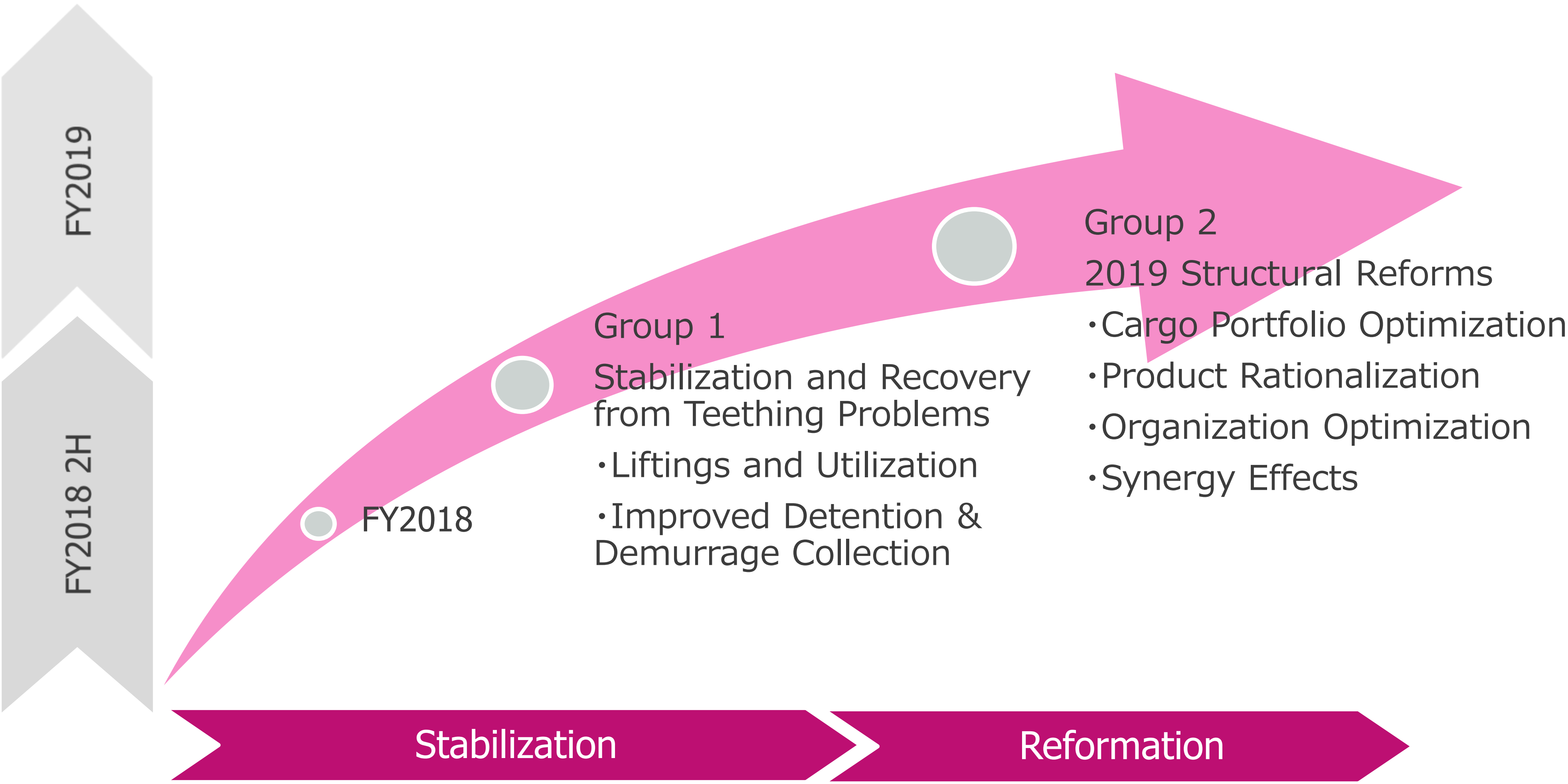
Action Plans for Profit Improvement - 1/2

Establish an organization that can tolerate market volatility by stabilizing initial setup challenges and accomplishing significant structural reformation.



Action Plans for Profit Improvement - 2/2

Stabilization and Recovery from Teething Problems

Group 1	Recovery of Liftings and Utilization	Utilization showed a significant recovery, due in part to efforts to flexibly reduce frequencies. Liftings on Asia-North America Westbound/Asia-Europe Eastbound trades, which are to be addressed, also show a recovery trend.
	Enhancement of Detention & Demurrage Collection	Collected Detention & Demurrage at higher level of the target.

Action Plans toward FY2019

Group 2	Cargo Portfolio Optimization	Improve profit by optimizing match back cargo plans. Optimize cargo portfolio through tender negotiations for 2019.
	Product Rationalization	Product restructuring including The Alliance has moved ahead step by step, as announced in press releases. Further enhance the bunker saving project, in terms of not only cost saving but also to reduce environmental impact.
	Organization Optimization	Further optimize organization and systems toward the establishment of a more efficient, more competitive structure, by reviewing the overall organization. Study measures to save labor in operations by strengthening e-commerce and introducing robotics and other technologies.
	Synergistic Effects	Some 75% of the synergistic effects will emerge in FY2018, the first year after integration. The synergistic effects in FY2020, the third year after integration, are expected to be at 100%.

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Fleet Structure

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as of end of 3Q

Size		Combined
>= 20,500 TEU	Capacity (TEU)	120,600
	Vessels	6
10,500 - 20,500 TEU	Capacity (TEU)	307,000
	Vessels	22
9,800 - 10,500 TEU	Capacity (TEU)	100,100
	Vessels	10
7,800 - 9,800 TEU	Capacity (TEU)	330,856
	Vessels	37
6,000 - 7,800 TEU	Capacity (TEU)	266,139
	Vessels	41
5,200 - 6,000 TEU	Capacity (TEU)	84,170
	Vessels	15
4,600 - 5,200 TEU	Capacity (TEU)	132,624
	Vessels	27
4,300 - 4,600 TEU	Capacity (TEU)	71,816
	Vessels	16
3,500 - 4,300 TEU	Capacity (TEU)	29,691
	Vessels	7
2,400 - 3,500 TEU	Capacity (TEU)	60,952
	Vessels	23
1,300 - 2,400 TEU	Capacity (TEU)	16,993
	Vessels	10
1,000 - 1,300 TEU	Capacity (TEU)	6,449
	Vessels	6
< 1,000 TEU	Capacity (TEU)	2,106
	Vessels	3
Total	**Capacity (TEU)**	**1,529,496**
	Vessels	**223**

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