



FY2019

(Ending March 31, 2020)

**Interim Financial
Highlights**

Translation only

NS United Kaiun Kaisha, Ltd.

October 31, 2019

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1. Highlights of FY2019 Results Forecasts

[100 mil. yen] (Consolidated)	Revenues	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Change from the previous published values
1H	719	29	19	37	Increase in both revenues and income
Full year	1,510	81	64	78	Unchanged from the previous forecasts

- First Half Results**
- Vessel utilization declined because we installed scrubbers to our fleet, mainly for our vessels, one by one to prepare for the enforcement of tightened sulfur oxide (SOx) emission regulations from January next year.
 - The sale of one owned ship was completed in the second quarter and seven newly built ships were delivered in the first half as planned.
 - As a result of the above, both revenues and income decreased year on year. However, both revenues and income increased from the previous forecast, with operating income at 2.9 billion yen, ordinary income at 1.9 billion yen, and profit at 3.7 billion yen.

- Forecasts for Second Half**
- Nine newly built ships, including ships with long-term stable contracts, are planned to be delivered one by one. In addition, the series of works for installing scrubbers will make progress mostly as scheduled and are planned to be completed within the current fiscal year. As a result, vessel utilization, which had decreased temporarily, will return to normal condition, further increasing profitability.
 - Accordingly, we forecast increases in both revenues and income in the second half, with operating income at 5.2 billion yen (4.2 billion yen in the same period of the previous fiscal year) and ordinary income at 4.5 billion yen (3.3 billion yen). We have kept the full-year results forecasts unchanged from the previous forecasts.

Dividend distribution forecast

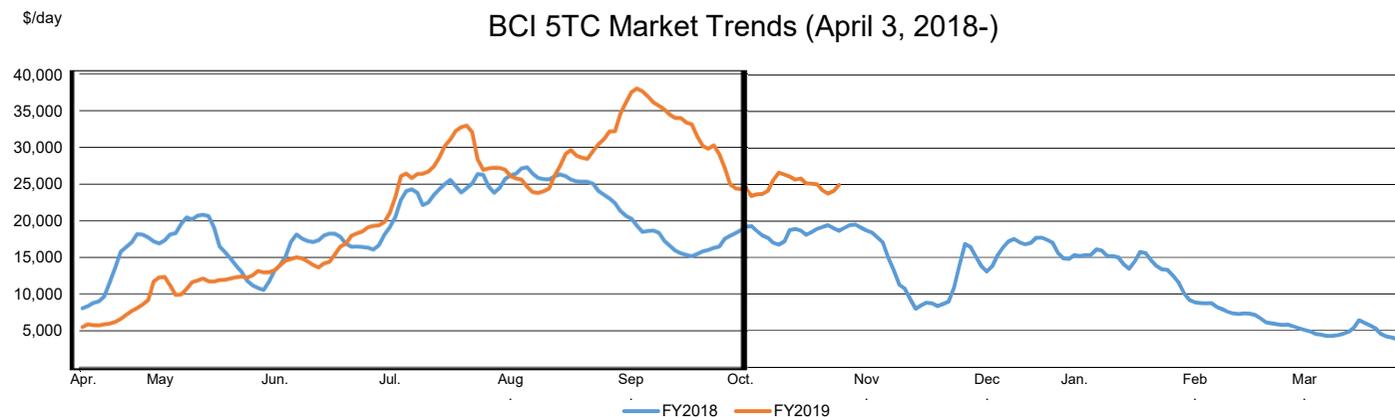
- Interim dividends: As we announced previously, we will pay 45 yen per share.
- Year-end dividends: While the amount is yet to be decided, we plan to pay year-end dividends based on the policy of a dividend payout ratio of approximately 30%.

2. Overview of Interim Financial Highlights

Interim Consolidated Results

Consolidated (100 mil. yen)	FY2018							FY2019			Changes Y-o-Y
	1Q	2Q	1H	3Q	4Q	2H	Full year	1Q	2Q	1H	
Revenues	375	386	761	397	352	750	1,511	362	357	719	(41)
Operating Income	19	29	48	25	17	42	89	15	14	29	(19)
International Shipping	14	24	39	18	12	30	69	14	12	25	(13)
Coastal Shipping	5	5	9	6	5	11	20	2	2	4	(5)
Ordinary Income	18	26	45	19	14	33	78	10	9	19	(26)
Profit Attributable to Owners of Parent	12	32	44	26	23	50	93	12	26	37	(7)

Market Trends (Capesize Bulk Carriers)



2. Overview of Interim Financial Highlights

International Shipping

The market escaped the bottom at the beginning of the fiscal year and got on track to recovery in the second quarter. However, because vessel utilization declined due to the installation of scrubbers in our fleet, mainly our large vessels, we were unable to fully enjoy profit improvement when the market recovered. As a result, operating income declined by approximately 1.3 billion yen year on year.

Dry bulk: The average rates for time charter hit a bottom at the beginning of the fiscal year and then remained on track to recovery based on strong demand. In early September, the rates recovered temporarily to a level exceeding 38,000 dollars per day.

Tankers: Large LPG tankers (VLGC), which had been mostly strong since the beginning of the fiscal year, have maintained a high market level since the summer, with the market having been pushed up by the rising geopolitical risk in the Middle East and other factors.

Coastal Shipping

Cargo volume results stagnated as a whole, resulting in a year-on-year decrease in operating income of around 500 million yen.

Transportation of steel materials:

The transportation of limestone and other auxiliary materials of steel and steel products remained weak. In addition, vessel utilization declined due to the unusually strong impact of typhoons.

Tankers: The cargo volume for both LNG transportation and LPG transportation increased, reflecting the steady demand.

Others While foreign exchange valuation gain was posted in the first half of the previous fiscal year, the value of the yen at the end of September this year was higher than at the end of the previous fiscal year. As a result, ordinary income was affected by foreign exchange valuation loss.

Due to the business environment described above, the consolidated results for the interim period were year-on-year showed decreases in both revenues and income.

3. Forecasts for FY2019

Changes from the Previous Forecasts: Higher Revenues and Lower Income

Consolidated (100 mil. yen)	FY2018 Full year (Result)	FY2019 (Previous forecasts)			FY2019 (Current forecasts)		
		1H	2H	Full year (Forecast)	1H (Result)	2H (Forecast)	Full year (Forecast)
Revenues	1,511	700	810	1,510	719	791	1,510
Operating Income	89	26	55	81	29	52	81
Ordinary Income	78	17	47	64	19	45	64
Profit Attributable to Owners of Parent	93	36	42	78	37	41	78

	FY2018 Full year	FY2019			FY2019		
		1H	2H	Full year	1H	2H	Full year
Ex. rate	¥110.67	¥109.67	¥108.00	¥108.84	¥109.50	¥108.00	¥108.75
Market Capesize	\$15,025	\$14,000	\$18,000	\$16,000	\$19,473	\$19,000	\$19,237
Panamax	\$9,817	\$9,500	\$11,000	\$10,250	\$11,014	\$11,000	\$11,007
Handymax	\$9,942	\$9,000	\$11,000	\$10,000	\$9,056	\$11,000	\$10,028
Small Handy	\$7,491	\$7,500	\$9,500	\$8,500	\$6,651	\$9,500	\$8,076

4. Activities

Progress in Fleet Development, etc.

- Valemax, a 400,000-dwt ore carrier currently under construction, was launched in September this year and is to be delivered in December. This vessel will then be used for transporting iron ores from Brazil to China under a long-term contract with Vale, an iron ore producer. In the second half of the current fiscal year, nine newly built ships including the Valemax are planned to be delivered, which will further strengthen our profitability.
- To prepare for the SOx regulations to be tightened from January next year, we are installing SOx scrubbers in our vessels to suppress the SOx concentration in the exhaust gas, which causes acid rain and other pollution. We have completed installation of SOx scrubbers in nine vessels out of total 20 planned for this fiscal year. For vessels equipped with SOx scrubbers, the use of HFO will continue to be permitted in January next year and thereafter. Such vessels are expected to be more price competitive because the price gap between HFO and the fuel that complies with the regulation featuring low sulfur content is expected to grow wider in the future.



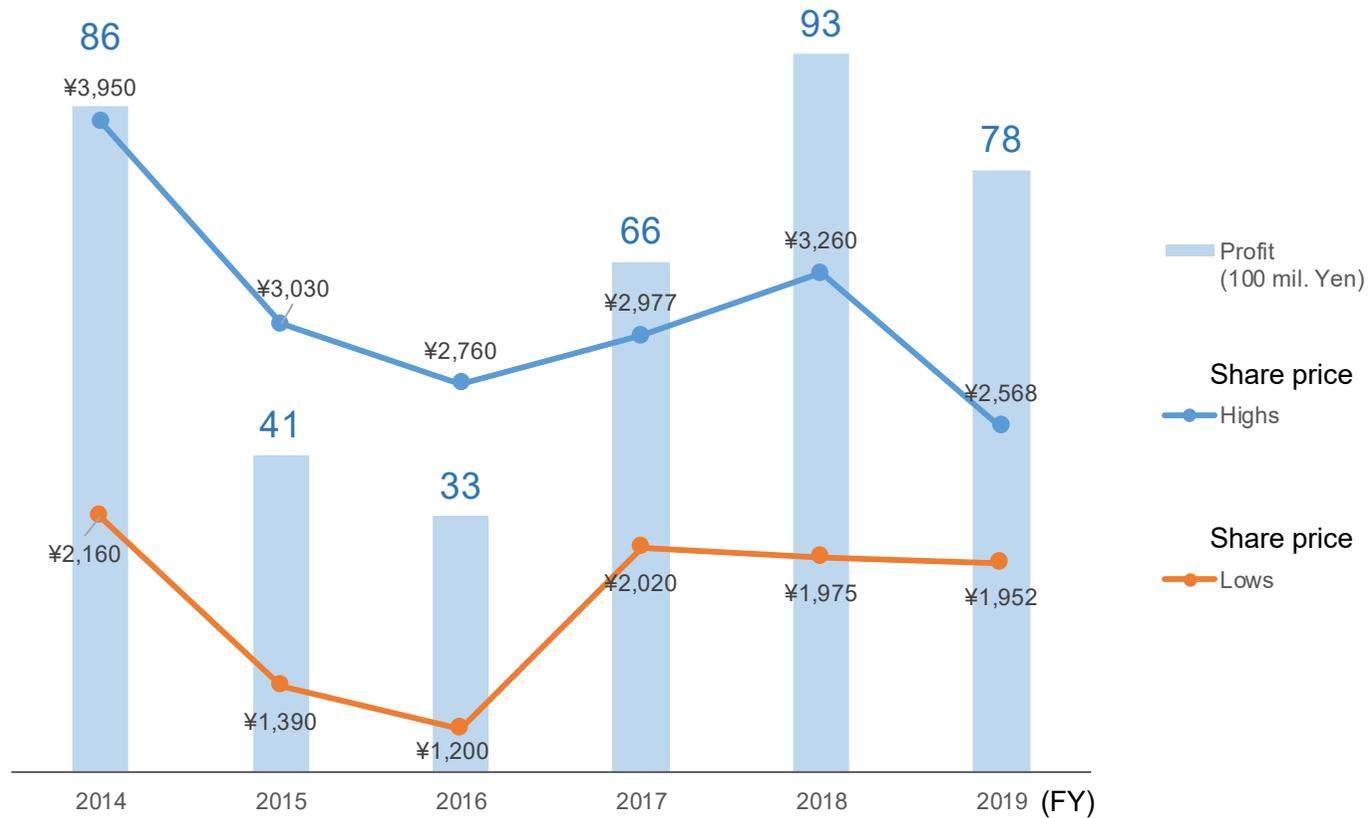
Valemax under construction

Vessel Type	End of FY2018	FY2019		End of Mar. 2020
	Total	End of Sept. 2019	End of Mar. 2020 (Plan)	Change
Vessels for raw material for steel products	42	42	47	+5
Medium-/Small-Sized Bulkers	75	71	72	+1
LPG/Crude Oil Tanker	4	4	4	±0
International Shipping Subtotal	121	117	123	+6
Coastal Shipping	80	77	80	+3
Total	201	194	203	+9

Medium-Term Business Plan

- FY2019 is the final year under our current medium-term business plan, NSU 2021. We will continue striving to improve our business results by steadily advancing activities including the conclusion of new contracts and deliveries of energy-saving newly built ships. In addition, we will commence Group-wide discussions and make preparations for formulating the next medium-term business plan, which will be adopted in FY2020.

(For Reference) Trends in Profit and Share Price



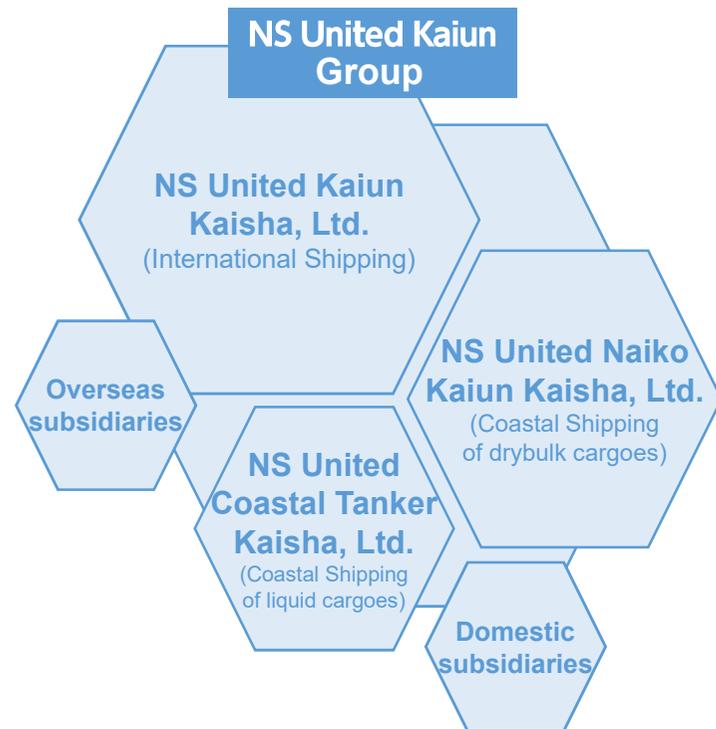
* Profit for 2019: Estimated value
 * Share price for 2019: Result for the Apr.-Sep. period

NS United Kaiun Kaisha, Ltd.

The NS United Kaiun Group will contribute to the development of society by providing trusted and high-quality marine transportation service.

(Note)

The forward-looking statements, including results forecasts, in this material are based on information available on the date of publication of this material. The actual results may differ depending on a variety of factors.



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