May 13, 2025

Highlights of Major Shipping Companies' Financial Results for Fiscal Year Ended March 2025

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2025 (FY2024) and earnings forecasts for FY2025 of Japan's three major shipping companies (the "Companies"): Nippon Yusen Kabushiki Kaisha ("NYK"), Mitsui O.S.K. Lines, Ltd. ("MOL") and Kawasaki Kisen Kaisha, Ltd. ("K Line").

1. Industry Trend

The shipping industry has enjoyed strong performance up to now, but the business environment is beginning to change. While the number of completed containerships and car carriers is increasing, there are concerns about the impact of the U.S. trade policy on future cargo movements and freight rates. The U.S. has announced its plan to introduce, on top of tariff policies, port entry fees from October 2025 on vessels operated by Chinese shipping companies, Chinese-built vessels (except for small- and medium-sized vessels) and car carriers, etc. built outside the U.S. Containerships and car carriers whose largest destination is the U.S. may be affected significantly. The situation regarding the U.S. trade policy remains uncertain and thus requires continued attention.

Containership freight rates, which had previously been relatively high on the back of steady cargo movements and a rise in tonnage demand due to detouring from the Red Sea, have softened since January 2025 amid a growing sense of excess tonnage supply. Although they currently remain strong thanks to supply adjustments by containership companies, their outlook is highly uncertain. Not only the impact of U.S. tariff policies on cargo movements is feared, but, should shipping in the Red Sea resume, the sense of tonnage oversupply could increase further.

Car carriers, which have been performing well, are now subject to additional tariff policies as well as port entry fees to be introduced, which may have a drastic impact on cargo movements. Moreover, as the delivery of new vessels is getting into full swing, freight rates, which have been soaring, are expected to be partially adjusted going forward.

On the other hand, dry bulkers and tankers have only a small amount of cargo destined for the U.S., and thus the direct impact of tariff policies is likely to be less than for containerships and car carriers. However, in the event that the impact of tariff policies spills over to the worsening global economy, this could affect these types of vessels as well. As regards dry bulkers, the lingering economic slowdown in China is of concern, but, given the relatively low level of new shipbuilding orders, especially for large vessels, freight rates will likely remain steady. For tankers, the tonnage supply-demand balance has tightened as tankers are now travelling longer distances due in part to the trading of alternatives for Russian crude oil. Given factors like the limited supply of new vessels, the supply-demand balance is not likely to deteriorate significantly.

2. Financial Results

Ordinary income of the Companies combined climbed 86.6% over the year to 1,218.6 billion yen in FY2024, reaching the third highest level after FY2021 and FY2022 when historically strong results were achieved. While car carriers continued to fare well, the profit level of Ocean Network Express Pte. Ltd. ("ONE"), which was established through the integration of the liner container shipping business of the Companies, rose sharply. Income growth was also driven by the yen's depreciation. Dry bulkers, tankers, etc. remained firm, supported by medium- and long-term contracts.

ONE reported after-tax income of 4,244 million US dollars for FY2024, growing 4.4-folds from the previous year. Containership freight rates remained at relatively high levels partly because of prolonged detours via the Cape of Good Hope amid the worsening situation in the Red Sea, and cargo volumes also remained strong thanks to brisk cargo movements. However, after-tax income fell to 309 million US dollars in the fourth quarter due in part to softening freight rates and one-time voyage costs incurred in connection with the restructuring of alliances.

On the financial front, D/E ratio of the Companies combined (after the assessment of the equity content of subordinated bonds for MOL and subordinated loans for K Line) as of March 31, 2025 stood at 0.4x, remaining flat from a year before. The Companies are all expanding investment and shareholder returns, but the ratio still stays at a good level. Equity capital is also sufficiently large, supporting creditworthiness.

3. Highlights for Rating

Ordinary income of the Companies combined for FY2025 is forecast at 510.0 billion yen, falling 58.2% from the previous year. While a certain level of profits will likely be attained, the decline in freight rates, especially for containerships and car carriers, is expected to drag down profits, resulting in a sharp income decline. The yen's appreciation will also negatively affect overall performance. On a separate note, MOL and K Line incorporate the impact of U.S. tariff policies in their business forecast to a certain extent, but not NYK. The tariff policies are expected to push down the income by around 40 billion yen for MOL, 30 billion yen for K Line and up to 100 billion yen for NYK.

As regards ONE's earnings forecast, two scenarios are provided in light of growing uncertainty due to U.S. tariff policies. After-tax income is expected to plunge 74.1% over the year to 1,100 million US dollars in the base scenario, which assumes that the business environment will remain relatively stable, and as much as 94.1% to 250 million US dollars in the scenario that incorporates the potential impact of tariffs, including a decline in cargo volumes on specific routes and drop in freight rates around the globe. In either scenario, navigational avoidance efforts in the Red Sea are assumed to continue throughout the year. Close attention should be paid to see if there is any possibility of the profits falling even further as escalating trade friction between the U.S. and China, early resumption of Red Sea navigation, renewed competition in freight rates and other risks become apparent.

Profits for non-liner vessels are also expected to decline in general, which will likely be drastic for car carriers in particular. While the tonnage supply-demand balance is assumed to ease as a result of the delivery of a large number of new vessels, MOL and K Line are expected to see a decline in the number of units shipped to the U.S. due to U.S. tariff policies. JCR will keep an eye on Japan-U.S. negotiations on auto tariffs and the imposition of port entry fees on car carriers, which will influence future cargo movements. For dry bulkers and tankers, fairly strong performance is likely to continue, thanks in part to profit contribution from long-term contracts. One of the key factors to watch going forward regarding these types of vessels is demand trends in China. As concerns about a slowdown in the Chinese economy are growing due to U.S. tariff policies and so forth, JCR will watch whether cargo movements will slow down or not.

On the financial front, the balance of cash allocation will become even more important. While downward pressure on earnings is increasing, the Companies are accelerating investment and shareholder returns, which suggests that they will remain prone to financial burden. JCR assumes that the Companies will maintain a certain degree of financial discipline going forward, but, given differences among them in terms of the pace of investment expansion and scale of shareholder returns, will watch how far the financial position of individual companies will be affected.

Masayoshi Mizukawa, Seiya Nagayasu

(Chart 1) Financial Results of Three Major Shipping Companies

(JPY 100 mn, %)

		Net Sales	YOY Change	Operating Income	YOY Change	Ordinary income	YOY Change	Ordinary Income / Net Sales	Net Income Attributable to Owners of Parent	YOY Change
NYK (9101)	FY2023	23,872	▲8.7	1,746	▲41.0	2,613	▲76.5	10.9	2,286	▲77.4
	FY2024	25,887	8.4	2,108	20.7	4,908	87.8	19.0	4,777	109.0
	FY2025F	23,800	▲8.1	1,350	▲36.0	2,550	▲48.1	10.7	2,500	▲47.7
MOL (9104)	FY2023	16,279	1.0	1,031	▲5.1	2,589	▲68.1	15.9	2.616	▲67.1
	FY2024	17,754	9.1	1,508	46.3	4,197	62.1	23.6	4,254	62.6
	FY2025F	17,000	▲4.3	1,000	▲33.7	1,500	▲64.3	8.8	1,700	▲60.0
K Line (9107)	FY2023	9,579	1.6	841	6.7	1,327	▲80.8	13.9	1,019	▲85.3
	FY2024	10,479	9.4	1,028	22.2	3,080	132.1	29.4	3,053	199.4
	FY2025F	9,500	▲9.3	800	▲22.2	1,050	▲65.9	11.1	1,000	▲67.3
Total	FY2023	49,730	▲3.8	3,619	▲25.2	6,530	▲75.0	13.1	5,922	▲76.3
	FY2024	54,121	8.8	4,645	28.3	12,186	86.6	22.5	12,085	104.1
	FY2025F	50,300	▲7.1	3,150	▲32.2	5,100	▲58.2	10.1	5,200	▲57.0

Note: FY2025 forecasts are based on the Companies' respective announcement.
(Source: Prepared by JCR based on financial materials of the above Companies)

(Chart 2) Financial Structure of Three Major Shipping Companies

(JPY 100 mn, times)

		Equity Capital	Interest-bearing Debt	D/E Ratio	EBITDA	Interest-bearing Debt / EBITDA	Operating Cash Flow	Investing Cash Flow
NYK (9101)	FY2022	24,786	6,940	0.3	4,345	1.6	8,248	▲2,529
	FY2023	26,503	9,138	0.3	3,313	2.8	4,014	▲2,856
	FY2024	29,188	7,384	0.3	3,803	1.9	5,107	▲597
MOL (9104)	FY2022	19,503	11,284	0.6	2,256	5.0	5,499	▲2,819
	FY2023	23,788	12,797	0.5	2,383	5.4	3,142	▲3,528
	FY2024	27,114	18,218	0.7	3,001	6.1	3,604	▲4,508
K Line (9107)	FY2022	15,528	3,141	0.2	1,265	2.5	4,560	▲467
	FY2023	16,069	2,727	0.2	1,357	2.0	2,024	▲663
	FY2024	16,634	3,298	0.2	1,600	2.1	2,731	▲1,261
Total	FY2022	59,818	21,367	0.4	7,867	2.7	18,308	▲5,817
	FY2023	66,361	24,662	0.4	7,055	3.5	9,180	▲7,048
	FY2024	72,937	28,901	0.4	8,405	3.4	11,444	▲6,367

Note: After the assessment of the equity content of subordinated bonds and subordinated loans for MOL and K Line's equity capital and interest-bearing debt
(Source: Prepared by JCR based on financial materials of the above Companies)

<Reference>

Issuer: Nippon Yusen Kabushiki Kaisha

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: Mitsui O.S.K. Lines, Ltd.

Long-term Issuer Rating: A+ Outlook: Stable

Issuer: Kawasaki Kisen Kaisha, Ltd.

Long-term Issuer Rating: A- Outlook: Stable

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