May 14, 2026

Highlights of Major Shipping Companies' Financial Results for Fiscal Year Ended March 2026

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 2026 (FY2025) and earnings forecasts for FY2026 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 Strait of Hormuz has been effectively closed due to the deterioration of the situation in the Middle East, affecting shipping companies in the forms of route restrictions, rising fuel costs and so forth. Because it is a strategic chokepoint for global energy transportation, the impact on the energy transportation sector in particular is likely to be significant. Moreover, if instability in the Middle East persists over the long term, economic slowdown will stagnate cargo movements in the medium to long run, and its impact is feared to spread to demand for containerships and dry bulk bulkers as well, sectors where the short-term impact is currently considered to be limited.

Containership freight rates rose temporarily in the first half of 2025 as shipments were rushed ahead in anticipation of U.S. tariff policies. However, they subsequently declined because of newbuild deliveries and a slowdown in cargo movements to North America. Currently, freight rates are on an uptrend as major shipping companies are moving towards raising rates in response to growing fuel costs. That said, given that cargo movements are still sluggish and that the supply of new vessels is expected to remain at high levels for the time being, attention should be paid to the sustainability of recovery in freight rates.

As regards car carriers, despite an increase in newbuild deliveries, the tonnage supply-demand balance remains tight due in part to the expansion of automobile exports from China. Automobile exports from Japan stayed firm, by and large, albeit concerns over the impact of U.S. tariff policies. Yet, not only high levels of newbuild deliveries are expected to continue into the future, but also available tonnage may increase in the event of a decline in demand for Middle Eastern routes or an increase in vessels withdrawing from Middle Eastern routes.

Freight rates for tankers have remained high, driven by the extension of distances travelled due to the expansion of alternative transactions for Russian crude oil. Furthermore, freight rates have surged, especially for VLCCs, due to the closure of the Strait of Hormuz. Attention should be paid to the fact that, while spot contracts and contracts of affreightment are more likely to benefit from rising freight rates, they are also subject to drastic fluctuations in performance when shipping volumes decline. It should also be noted that it is difficult to secure alternative routes for the Strait of Hormuz.

For dry bulkers, freight rates will probably remain firm for capesize vessels going forward, too. Uncertain outlook for the Chinese economy is of concern, but the supply of new vessels continues to be restrained, on top of which factors like an increase in transportation demand with the start of operations at the Simandou mine will likely underpin freight rates. Meanwhile, freight rates are turning around for small- and medium-sized vessels thanks to recovery in coal transportation, but an increase in the future supply of new vessels may weigh on upside potential.

2. Financial Results

Ordinary income of the Companies combined plunged 59.3% over the year to 496.0 billion yen in FY2025 mainly due to a drop in containership freight rates, which however is still high compared to the pre-COVID level. Car carriers continued to fare well, and relatively stable earnings sources, such as the LNG carrier business, underpinned overall performance.

After-tax income of Ocean Network Express Pte. Ltd. ("ONE"), which was established through the integration of the liner container shipping business of the Companies, tumbled 92.0% from the previous year to USD 338 million in FY2025. This sharp decline was triggered by the absence of the previous year's surge in freight rates and a decline in short-term freight rates due in part to an increase in newbuild deliveries. By quarter, ONE reported USD 88 million in loss in the third quarter but turned this around in the fourth quarter as freight rates returned to certain levels, attaining USD 55 million in income. The impact of cost increases arising from the deterioration of the Middle East situation was limited for the year.

On the financial front, D/E ratio of the Companies combined (after the assessment of the equity content of hybrid instruments) as of March 31, 2026 stood at 0.5x, as opposed to 0.4x a year before. Equity capital is ample, and a generally sound financial base is maintained. Yet, the size and timing of investment vary among the Companies; interest-bearing debt grew sharply for MOL due to aggressive investments including M&As.

3. Highlights for Rating

Ordinary income of the Companies combined for FY2026 is forecast at 430.0 billion yen with a year-on-year drop of 13.3%. Major factors behind this are growth in fuel costs and route restrictions, both caused by the closure of the Strait of Hormuz, and car carriers will be hit particularly hard. On top of this, MOL expects chemical tankers to be affected as well. The Companies all project that, while the disruption in the Strait of Hormuz will normalize in the second quarter, navigation restrictions in the Red Sea will persist throughout the year.

ONE forecasts after-tax income of USD 300 million for FY2026, down 11.2% from the previous year, indicating that it expects to attain a positive figure for the full year even in the midst of ongoing uncertainty on the back of the Middle East situation. It assumes such situation to normalize by around summer. Although it projects after-tax loss of USD 50 million in the first half because it will not be able to absorb growth in fuel costs due to factors like delays in reflecting surcharges, the income will likely turn positive in the second half to reach USD 350 million thanks to improved profitability.

Looking ahead, the key focus is what impact the deterioration of the Middle East situation will have on each type of vessels. If the closure of the Strait of Hormuz prolongs, securing alternative transportation routes, especially for energy tankers, will become even more critical. Moreover, should the worsening situation lead to an economic slowdown, cargo movements could also be affected significantly for other types of vessels. It should be noted that new vessels are supplied in large volumes for containerships and car carriers, making the supply-demand balance prone to loosen. Furthermore, whether rising fuel costs can be appropriately passed on to freight rates and whether disruptions in bunker fuel procurement will lead to constraints on tonnage supply will be other key factors. For long-term contracts for LNG carriers and other vessels, on the other hand, the impact of the closure of the Strait of Hormuz is limited, and such contracts will probably keep supporting overall performance.

On the financial front, financial leverage is trending upward, by and large, because of increased investment and enhanced shareholder returns. The Companies intend to maintain a certain degree of financial discipline, but the pace of investment expansion and levels of shareholder returns vary among them, requiring attention to see how the financial position of individual companies will be affected. For MOL in particular, interest-bearing debt has grown significantly due to upfront investments, and progress in future financial improvement needs to be closely watched.

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)	FY2024	25,887	8.4	2,108	20.7	4,908	87.8	19.0	4,777	109.0
	FY2025	24,236	▲6.4	1,386	▲34.3	2,111	▲57.0	8.7	2,117	▲55.7
	FY2026F	26,050	7.5	1,450	4.6	1,850	▲12.4	7.1	1,950	▲7.9
MOL (9104)	FY2024	17,754	9.1	1,508	46.3	4,197	62.1	23.6	4,254	62.6
	FY2025	18,250	2.8	1,270	▲15.8	1,758	▲58.1	9.6	2,132	▲49.9
	FY2026F	20,400	11.8	1,050	▲17.3	1,450	▲17.5	7.1	1,700	▲20.3
K Line (9107)	FY2024	10,479	9.4	1,028	22.2	3,080	132.1	29.4	3,053	199.4
	FY2025	10,183	▲2.8	841	▲18.2	1,091	▲64.6	10.7	1,329	▲56.5
	FY2026F	10,200	0.2	830	▲1.4	1,000	▲8.3	9.8	950	▲28.6
Total	FY2024	54,121	8.8	4,645	28.3	12,186	86.6	22.5	12,085	104.1
	FY2025	52,671	▲2.7	3,497	▲24.7	4,960	▲59.3	9.4	5,579	▲53.8
	FY2026F	56,650	7.6	3,330	▲4.8	4,300	▲13.3	7.6	4,600	▲17.6

Note: FY2026 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)	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
	FY2025	30,719	12,014	0.4	3,306	3.6	4,733	▲3,712
MOL (9104)	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
	FY2025	28,992	24,705	0.9	3,219	7.7	4,509	▲7,215
K Line (9107)	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
	FY2025	18,027	2,960	0.2	1,463	2.0	2,647	▲351
Total	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
	FY2025	77,739	39,680	0.5	7,989	5.0	11,890	▲11,279

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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