



Review of Medium-term Management Plan
Financial Highlights
Brief Report for FY2015(March 2016)



April 28, 2016

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Review of Medium-term Management Plan

 Value for our Next Century - Action for Future -

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Dialogues and collaboration with stakeholders


(in order to achieve sustainable growth and enhance corporate value)

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A-1 New Plan: Business Environment: Changes and Key Themes

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Changes in Operating Environment

Economic outlook grows murkier

China

- ▶ Necessity of adjustment of excessive investment
- ▶ Recession through transition to a new normal

Emerging markets (EMs)

- ▶ Economies stall as commodity prices fall; worries about recovery speed

Developed markets (DMs)

- ▶ Worsened business condition in EU and other countries arising from politics and economical issue like as difference of financial policy.

Various risks

- ▶ Geopolitical risks, Economic impacts of political risks

A scenario where slower growth of economic translates into low growth of demand for logistics in the medium term emerges

Pressure from oversupply of tonnage Persist for a while longer

Changes in Marine Transport and Logistics Businesses

Structural changes in operating environment

- ◆ Delay in closing supply-demand gap
- ◆ Volatility with low freight rates is continuously kept for a while

Changes to our management plan will

- ▶ Revise policy for distribution of management resources
- ▶ Ensure Group competitiveness

(In particular, the plan features countermeasures for the dry bulk and containership businesses, where volatility has increased sharply)

Our Group's Response

Sharp rise in volatility

- ▶ Dry bulk – Carry out restructuring
 - Capesize: Freezing fleet expansion plan, secure greater competitiveness via cost reforms
 - Panamax etc.: Shrink exposure = reduce fleet size
- ▶ Containerships – Ensure competitiveness via business policy continuity
 - Accepted delivery of ten large containerships (FY2018) = ensures competitiveness
 - Manage business scale with focus on east-west routes

Expand businesses with stable earnings based on plan

- ▶ Car Carrier/LNG Carrier/Oil Tanker/ Dry Bulk based on Middle and long term contracts /Logistics
 - Continue existing measures to ensure stable earnings

Measures to combat deterioration in operating environment

- ▶ Heavy lifter vessels: implement fundamental reforms at this business
- ▶ Offshore: continue initiatives to stabilize this business

Important themes for the new management plan

2nd step

Further business growth based on financial soundness

1st step

Ensure **stability** by improving financial strength and **competitiveness** through business structural reform

A-2 New Plan:

Business structural reform, Business Scale, Investment Plan

Business structural reform

Business structural reform costs to ensure competitiveness to total ¥69.0 bln in FY2015 (¥34.0 bln) and FY2016 (¥35.0 bln)

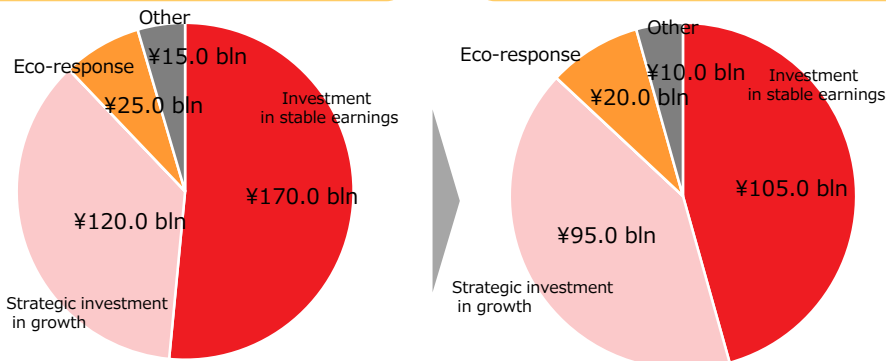
- ▶ Specific measures
 - Reforming fleet of bulk(middle and small size) & Cape size vessels (FY2015 and FY2016)
 - Structural reform at affiliates (FY2016)
- ▶ Earnings boost
 - Earnings boost of ¥10.0 bln in FY2016
 - Earnings boost of ¥13.5 bln in FY2017

(Unit: billion yen)	Reform costs	Earnings boost	
		FY2016	FY2017
FY2015-FY2016 Reform effects	69.0	10.0	13.5

Investment plan

FY2015-FY2019 budget of **¥330.0 bln** (old plan)

FY2015-FY2019 budget of **¥230.0 bln** (new plan)



Changing investment plan totally ¥230.0 bln for 5 years based on revised policy for distribution of management resources

- Budget in original plan: ¥330.0 bln (of which, ¥120.0 bln is strategic investment for expansion)
- Budget in revised plan: ¥230.0 bln (of which, ¥95.0 bln is strategic investment for expansion)

Plan for Fleet Rationalization

(Number of vessels in fleet)	FY2014 results	FY2015 results	FY2019 target (original plan)	FY2019 target (new plan)	Difference (original vs. new at end-FY2019)
Containerships	70	63	61	59	▲ 2
Dry bulk carriers	218	212	239	196	▲ 43
Capesize	85	79	100	81	▲ 19
Panamax	46	45	48	39	▲ 9
Thermal coal carrier	23	24	27	31	4
Others	64	64	64	45	▲ 19
Car carriers	96	102	98	96	▲ 2
Tankers	25	23	24	27	3
LNG carriers	43	41	61	57	▲ 4
Offshore E&P & heavy lifter vessels	24	23	26	24	▲ 2
Other	50	51	55	55	0
Total	526	515	564	514	▲ 50

Total vessels in fleet at end-FY2019 : 564 in original plan -> 514 in new plan

- ▶ Dry bulk vessels at end-FY2019: 239 in original plan > 196 in new plan
 - Cape size: Cancel in new build, keep fleet at current size and improve competitiveness
 - Panamax etc.: Adjustment of fleet size to reduce exposures
- ▶ Containerships at end-FY2019: 61 in original plan > 59 in new plan
 - Optimize scale on receipt of ten 14,000-TEU vessels by FY2018, dispose of smaller vessels
- ▶ Others
 - LNG carriers: Keep expanding fleet with a profitability focus in concert with project progress
 - Car carriers: Greater competitiveness on receipt of 15 new 7,500-unit car carriers
 - Tankers: Expand stable earnings sources based on medium- to long-term contracts

A-3 New Plan:

Projection for FY2019, Measure to improving ROE

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	FY2015 results	FY2016 forecast	FY2019 target (new plan)	Post-FY2020 targets	FY2019 targets (original plan)
Operating revenue (¥ bln)	1,243.9	1,100.0	1,200.0		1,500.0
Ordinary income (¥ bln)	3.3	15.0	45.0		85.0
Net income attributable to owners of parent(¥ bln)	▲51.5	▲35.0	33.0		over 60.0
EBITDA (¥ bln)	24.7	33.0	93.0		150.0
ROE	▲13%	▲11%	8%	Over 10%	Over 10%
Equity capital (¥ bln)	355.4	320.0	400.0	500.0	600.0
Equity ratio	32%	31%	36%	40%	40%
Interest-bearing liabilities(¥ bln)	525.2	520.0	480.0	480.0	480.0
DER	148%	163%	120%		80%
NET DER	80%	113%			55%
Cash flows from operating activities (¥ bln)	39.6	0	90.0		120.0
Cash flows from investing activities (¥ bln)	▲29.6	▲27.0	▲50.0		▲80.0
Exchange rate	¥ 120.78	¥ 110.00	¥ 110.00		¥ 110.00
Bunker oil price (Per MT)	\$ 295	\$ 275	\$ 370		\$ 500

► Initiatives for Improving ROE

- In view of structural changes to the operating environment, we are moving back our target for 10% ROE attainment to FY2020 at the earliest

ROE 10% = **ROA (based on ordinary income) of over 6%** X **2.5X target financial leverage**
(target after FY2020)

- Revised policy for distribution of management resources
- Structural reform benefits: FY2016 +¥10.0 bln, FY2017 +¥13.5 bln
- Cost savings, earnings boost: FY2016 +¥18.8 bln
- Improved efficiency from paring unnecessary assets across Group

Given awareness of business volatility, we aim for:

- Shareholders' equity of ¥500.0 bln
- Equity ratio of 40%
- Interest-bearing liabilities of ¥480.0 bln

► Policy on Dividends

- Stable dividends will continue to be an ongoing plan
- FY2016 – not decided


With restructuring costs for restructuring slated for FY2015-FY2016 to be recorded, our highest priorities are ensuring competitiveness and bolstering our finances, while keeping a close eye on future operating environment trends. As a result, we have not yet decided on a FY2016 dividend plan.

※ROA(based on ordinary income)6% : it is same as ROA 4%(Net income base) after corporate tax payment) X leverage 2.5 = ROE 10%

Financial Highlights for FY2015



B-1 Financial Results

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FY2015 Consolidated Results

(unit: billion yen)

	FY2015 Results					Previous Estimate for FY2015 as of Jan. 2016		FY2014 results	
	1Q	2Q	3Q	4Q	FY Cumulative	FY Cumulative	Y on Y Comparison	FY Cumulative	Y on Y Comparison
Operating revenues	335.5	332.9	309.4	266.1	1,243.9	1,275.0	▲31.1	1,352.4	▲108.5
Operating income	11.2	7.5	▲3.6	▲5.8	9.4	11.0	▲1.6	48.0	▲38.6
Ordinary income	14.6	1.4	▲4.2	▲8.4	3.3	7.0	▲3.7	49.0	▲45.6
Net income attributable to owners of parent	10.2	1.5	▲2.4	▲60.8	▲51.5	5.0	▲56.5	26.8	▲78.3
Exchange rate	¥ 120.97	¥ 122.56	¥ 121.23	¥ 118.37	¥ 120.78	¥ 120.44	¥ 0.34	¥ 109.19	¥ 11.59
Bunker oil price	\$ 366	\$ 338	\$ 271	\$ 205	\$ 295	\$ 304	\$ ▲9	\$ 541	\$ ▲246

Each Segment Operating Revenues / Ordinary Income

(unit: billion yen)

Businesses		FY2015 Results					Previous Estimate for FY2015 as of Jan. 2016		FY2014 results	
		1Q	2Q	3Q	4Q	FY Cumulative	FY Cumulative	Y on Y Comparison	FY Cumulative	Y on Y Comparison
Containership Business	Operating Revenues	171.7	165.9	145.1	132.2	614.9	630.0	▲15.1	677.4	▲62.5
	Ordinary Income	4.1	▲1.0	▲7.4	▲5.7	▲10.0	▲10.0	0	20.6	▲30.7
Bulk Shipping Business	Operating Revenues	146.2	150.5	149.1	121.8	567.6	581.0	▲13.4	600.7	▲33.1
	Ordinary Income	10.4	8.4	7.5	▲1.6	24.7	29.0	▲4.3	36.5	▲11.8
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.1	6.9	5.8	3.9	24.7	26.0	▲1.3	35.3	▲10.7
	Ordinary Income	0.5	▲4.1	▲2.9	▲0.1	▲6.6	▲7.5	0.9	▲5.7	▲0.9
Other	Operating Revenues	9.4	9.6	9.4	8.2	36.8	38.0	▲1.4	39.0	▲2.2
	Ordinary Income	0.6	0.3	0.3	0.6	1.8	2.0	▲0.2	3.0	▲1.2
Adjustments	Operating Revenues	-	-	-	-	-	-	-	-	-
	Ordinary Income	▲1.1	▲2.2	▲1.8	▲1.4	▲6.5	▲6.5	0	▲5.5	▲1.0
Total	Operating Revenues	335.5	332.9	309.4	266.1	1,243.9	1,275.0	▲31.1	1,352.4	▲108.5
	Ordinary Income	14.6	1.4	▲4.2	▲8.4	3.3	7.0	▲3.7	49.0	▲45.6

Main Financial Indicators

	End-FY2014 (A)	End-FY2015 (B)	Net Change (A-B)
Equity capital	441.5	355.4	▲86.2
Interest-bearing liability	536.8	525.2	▲11.7
Cash Flows from Operating activities	101.8	39.6	▲62.2
Cash Flows from Investing activities	▲11.2	▲29.6	▲18.4
DER (%)	122%	148%	26%
NET DER(%)	67%	80%	13%
Equity ratio (%)	36%	32%	▲4%

► Extraordinary Gains/Losses Recorded in FY2015

Factors	Gains (Losses) recorded
Business structural reform costs	▲33.9
Valuation loss on investment securities	▲8.4
Sales of investment securities, fixed assets, etc.	16.5
Others	▲8.8
Reversal of deferred tax asset	▲9.4
Total	▲44.1


Dividend Plan

Interim dividend	¥2.5	(paid)
Year-end dividend	¥2.5	(plan)

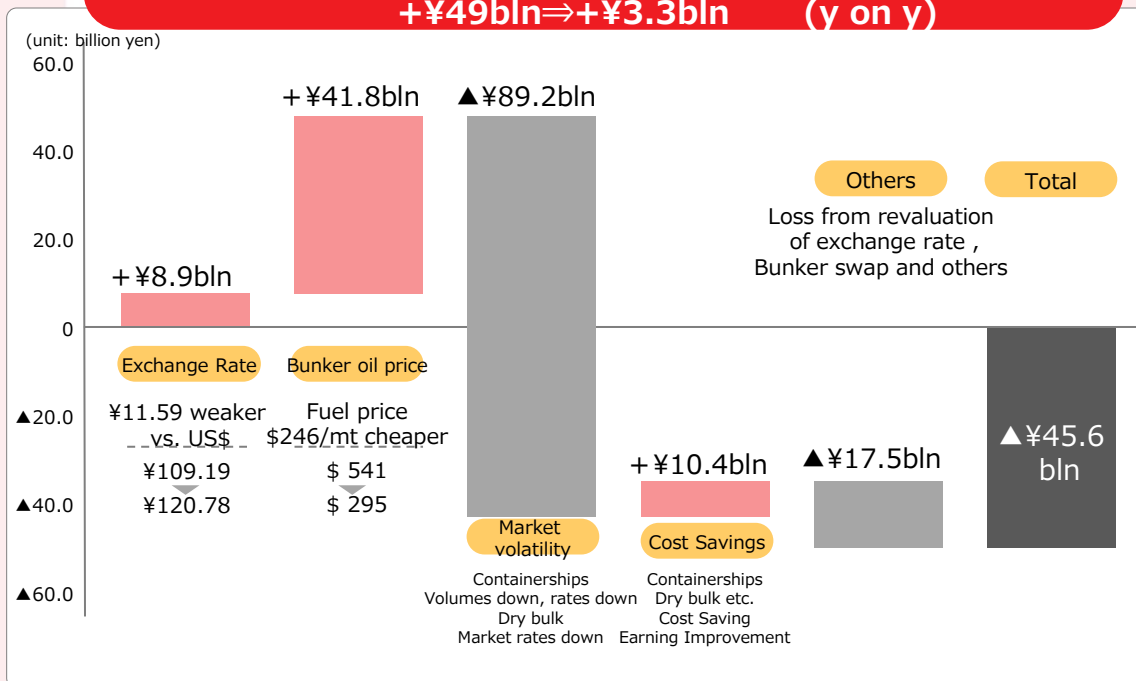
Total annual dividend	¥5.0	(plan)

B-2 FY2015 Results

- Ordinary Income vs. FY2014 Results

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Key factors : Ordinary income FY2015 vs FY2014)
+¥49bln⇒+¥3.3bln (y on y)



FY2015: Key factors lifting/reducing ordinary income

- ▶ Exchange Rate & Bunker oil price **+¥50.7 bln** (Year on year)
- ▶ Cost savings **+¥10.4 bln**
- ▶ Market Volatility for dry bulk and containerships **▲¥89.2 bln**

- ▶ Total (includes y on y effects of one-off factors) **▲¥45.6 bln**

Decline (y on y) in FY2015 ordinary income

Cost Savings Achieved in FY2015 (vsFY2014)

(unit: billion yen)

	Original target	1H result	2H result	FY2015 Result	Vs. original target	Achievement rate
Containerships	Route rationalization, operating cost saving, fleet restructuring cost saving	9.0	4.8	5.1	9.9	110%
	Earning Improvement	2.4	0	▲ 2.6	▲ 2.6	▲ 108%
	Sub-total	11.4	4.8	2.5	7.3	▲ 4.1
Non-containership and others	2.3	1.0	2.1	3.1	0.8	135%
Total	13.7	5.8	4.6	10.4	▲ 3.3	76%

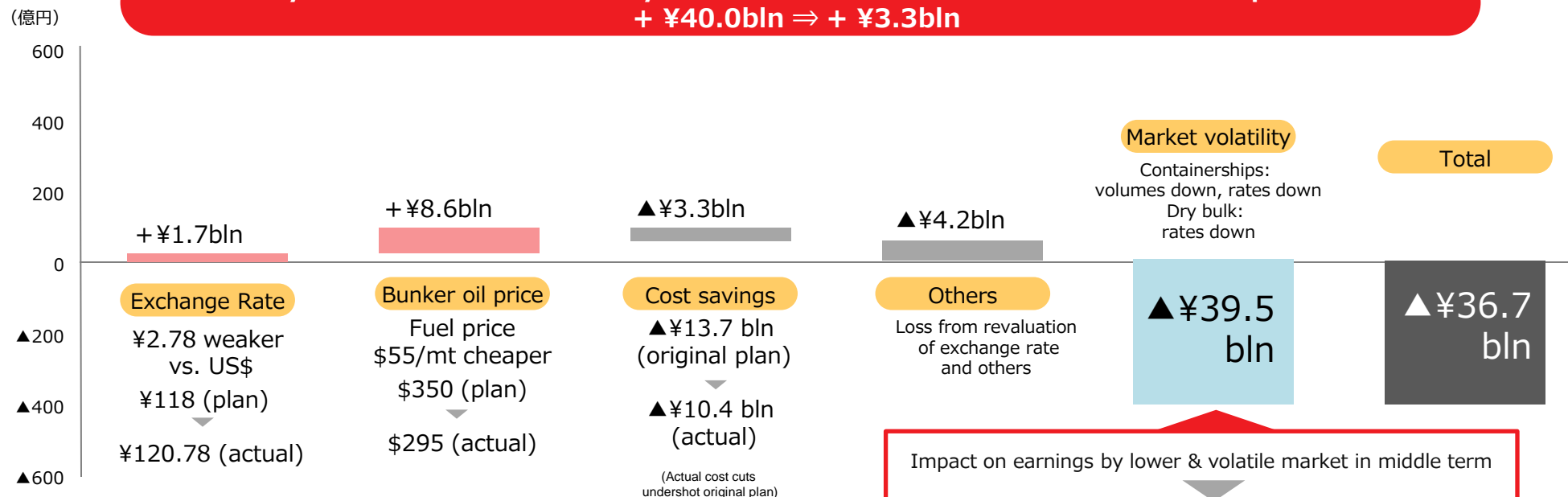
Market freight rates in FY2014 and FY2015: Comparison

		FY2014 results	FY2015 results	Disparity
Containership	North American outbound freight index	102	91	▲11
	Europe outbound freight index	73	47	▲26
Dry bulk	CAPE	\$ 10,900	\$ 6,450	▲4,450
	PANAMAX	\$ 6,325	\$ 5,100	▲1,225
	HANDYMAX	\$ 8,525	\$ 6,250	▲2,275
	SMALL HANDY	\$ 6,650	\$ 5,100	▲1,550
Oil tanker	VLCC(Middle East - Japan)	\$ 34,500	\$ 68,000	+33,500
	AFRAMAX (South Asia-Japan)	\$ 22,000	\$ 33,000	+11,000
	Clean Tanker (70,000mt) (Middle East-Japan)	\$ 19,000	\$ 28,000	+9,000

B-3 FY2015 Results vs. FY2015 Estimates in Original Management Plan

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Key Factors: FY2015 ordinary income vs. FY2015 Estimates released in April 2015
+ ¥40.0bln ⇒ + ¥3.3bln



FY2015 Results vs. our Original Estimates (April 2015)

- ▶ FY2015 ordinary income was ¥36.7 bln below our original estimates. A weaker yen and lower bunker oil prices provided a ¥10.3 bln boost vs. our estimates, and cost savings offered a ¥10.4 bln lift but fell short of the ¥13.7 bln lift in our estimates. Freight rates for containership and dry bulk fell sharply vs. the rates assumed in our estimates, lowering income by ¥39.5 bln.
- ▶ The slump in freight rates for containerships and dry bulk in FY2015 2H in particular was, in our view, a structural change in the business environment, so we decided to review the management plan giving particular attention to the weakening growth in transportation demand.

Actual Freight Market in FY2015 vs. assumptions in our original estimates: Comparison		FY2015 (assumed)	FY2015 results	Disparity
Containership	North American outbound freight index	98	91	▲ 7
	Europe outbound freight index	64	47	▲ 17
Dry bulk	CAPE	\$ 11,500	\$ 6,450	▲ 5,050
	PANAMAX	\$ 8,000	\$ 5,100	▲ 2,900
	HANDYMAX	\$ 8,500	\$ 6,250	▲ 2,250
	SMALL HANDY	\$ 7,000	\$ 5,100	▲ 1,900
Oil tanker	VLCC(Middle East - Japan)	\$ 35,000	\$ 68,000	+33,000
	AFRAMAX (South Asia-Japan)	\$ 28,000	\$ 33,000	+5,000
	Clean Tanker (70,000mt) (Middle East-Japan)	\$ 20,000	\$ 28,000	+8,000

Estimates FY2016



C-1 Estimate for FY2016

FY2016 consolidated Estimates

	FY2016			FY2015	
	1H	2H	FY2016 forecast	FY2015 results	Y on Y chg
Operating revenues	530.0	570.0	1,100.0	1,243.9	▲143.9
Operating income	▲2.0	19.0	17.0	9.4	7.6
Ordinary income	▲3.0	18.0	15.0	3.3	11.7
Net income attributable to owners of parent	▲37.0	2.0	▲35.0	▲51.5	16.5
Exchange rate	¥ 110.00	¥ 110.00	¥ 110.00	¥ 120.78	¥ 10.78
Bunker oil price	\$ 240	\$ 310	\$ 275	\$ 295	\$ ▲20

FY2016 Estimates by Segments

Segment		FY2016			FY2015	
		1H	2H	FY2016 forecast	FY2015 results	Y on Y chg
Containership	Operating Revenues	280.0	300.0	580.0	614.9	▲34.9
	Ordinary Income	0	11.0	11.0	▲10.0	21.0
Bulk Shipping	Operating Revenues	220.0	240.0	460.0	567.6	▲107.6
	Ordinary Income	0	9.0	9.0	24.7	▲15.7
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	12.5	12.5	25.0	24.7	0.3
	Ordinary Income	▲1.0	▲1.0	▲2.0	▲6.6	4.6
Other	Operating Revenues	17.5	17.5	35.0	36.8	▲1.8
	Ordinary Income	1.0	1.0	2.0	1.8	0.2
Adjustments	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲3.0	▲2.0	▲5.0	▲6.5	1.5
Total	Operating Revenues	530.0	570.0	1,100.0	1,243.9	▲143.9
	Ordinary Income	▲3.0	18.0	15.0	3.3	11.7

Key factor assumptions

▶ Exchange Rate / Bunker price assumptions

- Yen-\$ rate assumption: ¥110
- Bunker oil price assumption: \$275/mt

Ordinary income estimates sensitivity (annualized basis)

▶ Exchange Rate / Bunker oil price assumptions

- Yen-US\$ rate assumption:
each ¥1 weaker (stronger) adds (subtracts) ▶ ± ¥0.5 bln
- Bunker price:
each \$10/mt up (down) adds (subtracts) ▶ ± ¥0.6 bln

Dividend (annual)

▶ Not decided

With restructuring costs for restructuring slated for FY2015-FY2016 to be recorded, our highest priorities are ensuring competitiveness and bolstering our finances, while keeping a close eye on future operating environment trends. As a result, we have not yet decided on a FY2016 dividend plan.

C-2 Our FY2016 Estimates vs. FY2015 Results

Business Structural Reform Costs (FY2015/FY2016)

- In response to sharp changes in the operating environment and a long-term slump in dry bulk business market, we examined an array of structural reforms during FY2015 and decided to reform in FY2015-FY2016, especially our dry bulk business and affiliates.
- We expect reforming costs (extraordinary losses) to total ¥69.0 bln in FY2015-FY2016.

Breakdown of FY2015 reform costs			Extraordinary losses (ordinary losses)
Business Structural reform costs	Vessel impairment losses	Dry bulk vessel	▲8.2
	Vessel sales	Dry bulk vessel	▲5.3
	Early cancellations of long-term charters	Dry bulk vessel	▲20.4
Total			▲33.9

- Vessel sales : Dry bulk vessels sales by parent and consolidated subsidiary "K" LINE PTE LTD.
- Vessel Impairment : Dry bulk vessels at the following two consolidated subsidiaries:
"K" LINE PTE LTD and "K" LINE BULK SHIPPING (UK) LTD

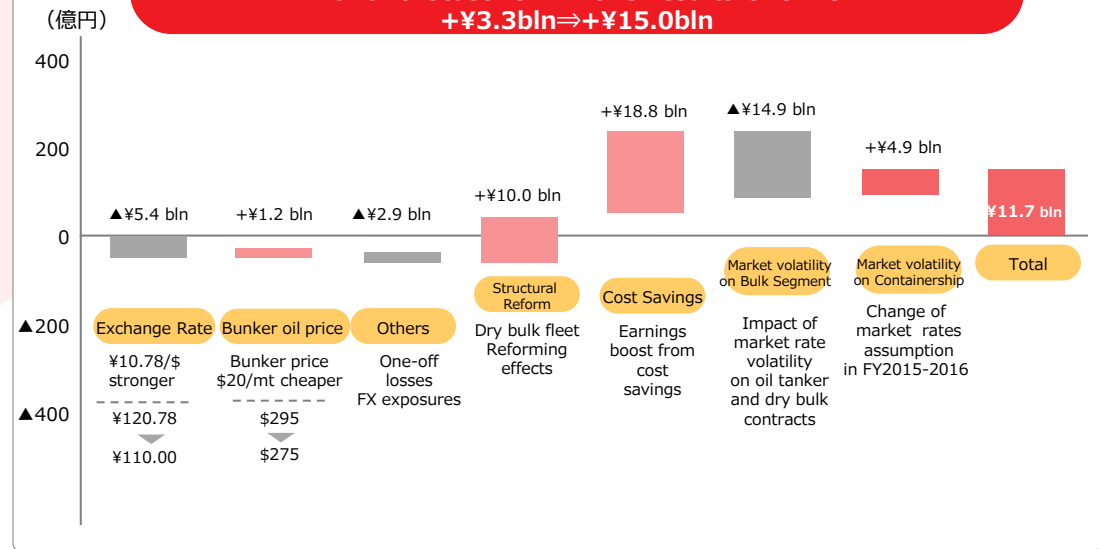
- FY2015 reforming losses (extraordinary losses) ▶ ▲¥34.0 bln (approx.)
- FY2016 reforming losses (extraordinary losses) ▶ ▲¥35.0 bln (approx.)
- Total ▶ ▲¥69.0 bln (approx.)

(unit: billion yen)	Structural Reforming costs	Earnings Improvement	
		FY2016	FY2017
FY2015-FY2016 Structural reforming costs	¥69.0	¥10.0	¥13.5

Cost Savings / Earning Improvements plan

(unit: billion yen)		FY2016 target	1H target	2H target
Containership	Route rationalization, cost savings, earnings boost	16.5	7.5	9.0
Non-containership and others		2.3	1.1	1.2
Total		18.8	8.6	10.2

Key Factors lifting/reducing ordinary income: FY2016 forecast vs. FY2015 results Overview +¥3.3bln⇒+¥15.0bln



Market freight rate Comparison : FY2015 Results vs. Assumptions in our FY2016 forecasts

		FY2015 results	FY2016 assumptions
Containership Freight Index	Asia - North America	91	89
	Asia - Europe	47	58
Dry bulk	CAPE	\$ 6,450	\$ 8,900
	PANAMAX	\$ 5,100	\$ 6,750
	HANDYMAX	\$ 6,250	\$ 5,750
	SMALL HANDY	\$ 5,100	\$ 5,100
Oil tanker	VLCC (Middle East - Japan)	\$ 68,000	\$ 45,600
	Aframax (South Asia - Japan)	\$ 33,000	\$ 29,500
	Clean Tanker (70,000mt) (Middle East - Japan)	\$ 28,000	\$ 22,900

FY2015 results

- Reflecting a slump in demand due to uncertainty in the European economy and the economic slowdown in China and emerging markets, freight rates on European routes fell sharply and earnings sagged in 2H
- FY2015 cargo demand on Asia-Europe services shrank, widening the capacity supply-demand gap
- Of the ten containerships with 14,000 TEU-capacity we ordered, we took delivery of five as of end-FY2015

Initiatives for FY2016 onward

- Our FY2016 forecasts assume the North American freight index will be 89 and the European index 58, with cargo demand on Asia-Europe services gradually returning to growth
- We aim to stabilize earnings via streamlining of North-South & Asian service, rationalizing unprofitable services, bolstering terminal businesses, and further cost saving efforts
- We are to receive delivery of five 14,000-TEU containerships in FY2018, raising to ten of advanced energy-saving vessels in our fleet and strengthened its competitiveness

	FY2014 results	FY2015				FY2015 results	FY2016 forecast	
		1Q results	2Q results	3Q results	4Q results			
Operating revenues (¥ bln)	677.4	171.7	165.9	145.1	132.2	614.9	580.0	
Ordinary income (¥ bln)	20.6	4.1	▲ 1.0	▲ 7.4	▲ 5.7	▲ 10.0	11.0	
Freight rate FY'08 1Q = 100	Asia-North America	102	97	93	87	86	91	89
	Asia-Europe	73	49	51	43	43	47	58
Lifting (10,000 TEU)	Asia-North America	85.8	24.3	24.8	21.0	19.7	89.8	101.2
	Asia-Europe	48.6	10.3	10.3	10.1	10.0	40.6	41.2
Capacity (10,000 TEU)	Asia-North America	88.2	24.3	26.2	25.8	24.5	100.9	110.5
	Asia-Europe	53.8	12.1	12.4	12.5	12.7	49.7	44.9
Utilization (%)	Asia-North America	97%	100%	95%	81%	80%	89%	92%
	Asia-Europe	90%	85%	83%	81%	79%	82%	92%

FY2015 results

- Total units carried fell 1% year on year to 3.15 mln units
- Strong trend in Japan - North American shipments
- Against a backdrop of the economic slowdown in China, Russia as well as resource countries in Central and South America and Africa, cargo movement of finished vehicles for faltered for these countries.

Initiatives for FY2016 onwards

- We forecast steady trends with 2.8% annual average growth in ocean transport of finished vehicles, driven by emerging markets
- We expect to enhance our fleet competitiveness by advanced cost-efficient vessels such as delivery of 15 large 7,500-unit car carriers
- We aim to expand profits via ongoing initiatives to expand volumes of “High & Heavy” cargo to go along with our finished vehicle shipments
- We aim to expand our stable business base via various initiatives and pursue new routes in response to new transportation demand

Total units carried (1,000 units)	FY2014 results	FY2015				FY2015 results	FY2016		
		1Q	2Q	3Q	4Q		1H forecast	2H forecast	FY2016 forecast
Outbound	1,092	278	300	296	282	1,156	550	640	1,190
Homebound	309	63	70	77	37	247	100	110	210
Others	1,042	290	267	271	233	1,060	590	590	1,180
Intra-Europe	728	176	161	171	177	685	300	310	610
Total	3,171	807	797	815	729	3,149	1,540	1,650	3,190
Number of operating vessels	102	98	102	101	102	102			

FY2015 results

- Earnings declined sharply on significant slump in freight market
 - Capesize : market trended at historically low rates due to sluggish steel demand
 - Panamax etc. : remained in a slump market due to significant decrease of coal demand in China and easing demurrage
- Embarked on restructuring aimed at ensuring competitiveness
 - Capesize: started reforming to bolster fleet competitiveness while keeping our exposures at a minimum
 - Panamax etc.: pared number of core fleet and launched structural reform aimed at reducing exposures

Initiatives for FY2016 onwards

- We expect rates for Capesize, Panamax and smaller sizes to stay weak, so our forecast assumes a slow recovery
- We plan to bolster resilience to rate trends and secure competitiveness by reducing our exposures as we proceed with structural reform in FY2015-FY2016
- We will continue to improve profitability via cost savings and efficient allocation, drawing on our strengths in securing stable profits

Dry bulk Market (4T/C average)	FY2014 results	FY2015				FY2016			
		1Q	2Q	3Q	4Q	FY2015 results	1H forecast	2H forecast	FY2016 forecast
Capesize (172 type)	\$10,900	\$4,600	\$11,500	\$7,400	\$2,300	\$6,450	\$5,800	\$12,000	\$8,900
Panamax (74 type)	\$6,325	\$5,200	\$7,600	\$4,500	\$3,000	\$5,100	\$5,500	\$8,000	\$6,750
Handy (52 type)	\$8,525	\$6,700	\$8,800	\$5,700	\$3,800	\$6,250	\$5,500	\$6,000	\$5,750
Small (28 type)	\$6,650	\$5,300	\$6,600	\$5,000	\$3,400	\$5,100	\$4,750	\$5,500	\$5,100

C-3-4 Bulk Shipping Business

LNG Carrier & Oil Tankers Business

FY2015 results

▶ LNG Carriers

- Continued steady showing on stable profits from medium- and long-term contracts
- Consummated eight more long-term contracts for vessels (a total of 49 in our fleet) since we announced our previous management plan

▶ Tankers

- Improved profitability as market rate recovery outpaced our original forecast scenario
- Performed steadily medium- and long-term charter contracts

Initiatives for FY2016 onwards

▶ LNG Carriers

- While LNG market is slack, we expect future demand to be firm over time
- Revise our profit-focused FY2019 target for securing capacity to 57 vessels due to postponements of new projects

▶ Tankers

- Crude oil demand to stay firm longer term driven by emerging markets
- We expect to provide stable revenues by securing medium- and long-term contracts

Tanker freight rates (WS)	FY2014	FY2015					FY2016		
	Results	1Q	2Q	3Q	4Q	FY2015 results	1H forecast	2H forecast	FY2016 forecast
VLCC (M.East-Japan)	50	64	54	75	71	66	63	69	66
	\$34,500	\$63,000	\$56,000	\$92,000	\$60,500	\$68,000	\$46,250	\$45,000	\$45,600
Aframax (S.Asia-Japan)	101	127	107	107	129	117	140	148	144
	\$22,000	\$37,000	\$32,000	\$33,500	\$31,000	\$33,000	\$29,000	\$30,000	\$29,500
Clean 110,000mt-type (M.East-Japan)	101	109	132	80	111	108	109	135	122
	\$19,000	\$26,500	\$40,000	\$20,500	\$22,700	\$28,000	\$20,750	\$25,000	\$22,900

Offshore Energy E&P Support

FY2015 results

- ▶ Offshore support vessels
 - Business environment eroded on softening market conditions due to the slump in crude oil prices and stalled offshore development
- ▶ Drillships
 - Contributed to long term stable profit by brisk deployment due to long-term contracts

Initiatives for FY2016 onwards

- ▶ Offshore support vessels
 - Need more time for market recovery
 - Aim to secure profitability by cutting costs and securing medium- and long-term contracts
 - We see an opportunity to act ahead of narrowing gains/ losses on debt valuation affecting earnings and plan to adopt countermeasures
- ▶ Drillships
 - We expect stable earnings on steady capacity utilization

Heavy Lifters

FY2015 results

- Overall market stayed slack, with weak demand for transport and installation work for offshore projects via large-size heavy lifters
- Operating revenues declined and ordinary losses widened in FY2015

Initiatives for FY2016 onwards

- Aim to improve profitability on measures to reduce costs, streamline vessel allocation, and strengthen initiatives for project contracts in FY2016
- Plan to investigate fundamental reform measures

Dialogue and collaboration with stakeholders (in order to achieve sustainable growth and enhance corporate value



Improve and Strengthen Corporate Governance structure

Strengthen corporate governance in order to achieve sustainable growth and enhance corporate value

- ▶ Aim to strengthen the Group corporate governance and advance business excursion that adheres to our principles and vision

Strengthen supervisory functions of the Board of Directors

- We established a nominating advisory committee and a compensation advisory committee, both chaired by outside director, as advisory bodies to the Board of Directors in December 2015
- Number of outside directors : 2 ⇒ 3 (scheduled to be adding one person),
Strengthen supervisory functions of the Board of Directors in June 2016

Strengthen our system of execution of operation

- Formalized processes for deliberation at Management Conferences: We formalized deliberative processes so as to enable speedier decision-making by the president & CEO at Management Conferences, which as a general rule are held at least once a week.
- Introduced a business unit system: We clarified and strengthened the operational responsibilities of directors and executive officers across multiple businesses and functions where multiple directors and executive officers had been in control under the previous system which put them in charge of relevant businesses or functions.

Group's Basic CSR Policy: Manage the Impacts of Business Activities, Create New Values

Focusing on dialogues and collaboration with stakeholders by proactive information disclosure

Safety in Navigation
And Cargo Operation

**Maintaining the world-leading
safe operation**

- ▶ FY2015 progress
 - Kept at zero our serious maritime accidents
 - Adopted a new system to manage accident information, and launched statistical analysis of accidents using this data

Environmental
Preservation

**"K"Line Environmental Vision 2050:
"Securing Blue Seas for Tomorrow"**

- ▶ FY2015 progress
 - Took delivery of next-generation eco-friendly flagship "DRIVE GREEN HIGHWAY" car carrier
 - Founded "K"Line Group Environmental Award
 - Sought to identify the Group's environmental impacts and promote initiatives to make them visible via our environmental data collection system "Eco Track"

Human Resource
Development

**Further cultivating an open and
innovative corporate culture, in which
both the organization and individuals
keep improving**

- ▶ FY2015 progress
 - Promoted projects to reassess working styles with a focus on improving productivity

Value for our Next Century

- Action for Future -