



Financial Highlights

-Brief Report for 3rd Quarter FY2015



29 Jan 2016

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A. Financial Highlights for 3rd Quarter FY2015



(billion yen)

| | FY2015 | | | FY2014 Total (9 months) | Difference |
|--|---------|---------|---------------------|-------------------------------|------------|
| | 1 H | 3Q | Total (9 months) | | |
| Operating Revenues | 668.3 | 309.4 | 977.8 | 1,015.1 | ▲ 37.3 |
| Operating Income | 18.8 | ▲ 3.6 | 15.2 | 40.3 | ▲ 25.1 |
| Ordinary Income | 16.0 | ▲ 4.2 | 11.7 | 46.2 | ▲ 34.5 |
| Net income attributable to owners of parent | 11.7 | ▲ 2.4 | 9.3 | 33.0 | ▲ 23.7 |
| Exchange Rate | ¥121.76 | ¥121.23 | ¥121.58 | ¥105.80 | ¥15.78 |
| Bunker Price | \$352 | \$271 | \$325 | \$588 | ▲ \$263 |

Major Financial Indices

(billion yen)

(%)

| | 3Q FY2015 End Dec 2015 | FY2014 End Mar 2015 | Difference |
|---|---------------------------|------------------------|------------|
| Shareholder's Equity | 425.7 | 441.5 | ▲ 15.8 |
| Interest-bearing Debt | 519.3 | 536.8 | ▲ 17.5 |
| Cash Flows from Operating Activities | 36.4 | 101.8 | - |
| Cash Flows from Investing Activities | ▲ 10.2 | ▲ 11.2 | - |

| | 3Q FY2015 End Dec 2015 | FY2014 End Mar 2015 | Difference |
|--------------|---------------------------|------------------------|------------|
| DER | 122.0 | 121.6 | 0.4 |
| NET DER | 66.2 | 66.7 | ▲ 0.5 |
| Equity Ratio | 36.2 | 36.1 | 0.1 |

【Effect of exchange rate and bunker price】
 Devalue 15.78 yen/\$ ⇒ +9.5 billion yen (YoY)
 Lower bunker price \$263/MT ⇒ +34.2 billion yen (YoY)

(billion yen)

| | | FY2015 | | | FY2014 Total (9 months) | Difference |
|--|--------------------|--------|-------|---------------------|-------------------------------|------------|
| | | 1H | 3Q | Total (9 months) | | |
| Containership Business | Operating Revenues | 337.6 | 145.1 | 482.7 | 503.8 | ▲ 21.1 |
| | Ordinary Income | 3.1 | ▲ 7.4 | ▲ 4.2 | 18.2 | ▲ 22.4 |
| Bulk Shipping Business | Operating Revenues | 296.7 | 149.1 | 445.8 | 451.9 | ▲ 6.2 |
| | Ordinary Income | 18.8 | 7.5 | 26.3 | 32.7 | ▲ 6.4 |
| Offshore Energy E&P Support & Heavy Lifter | Operating Revenues | 15.0 | 5.8 | 20.9 | 29.9 | ▲ 9.0 |
| | Ordinary Income | ▲ 3.6 | ▲ 2.9 | ▲ 6.5 | ▲ 4.1 | ▲ 2.4 |
| Others | Operating Revenues | 19.0 | 9.4 | 28.5 | 29.4 | ▲ 0.9 |
| | Ordinary Income | 0.9 | 0.3 | 1.2 | 3.2 | ▲ 2.0 |
| Adjustment | Operating Revenues | - | - | - | - | - |
| | Ordinary Income | ▲ 3.3 | ▲ 1.8 | ▲ 5.1 | ▲ 3.8 | ▲ 1.3 |
| Total | Operating Revenues | 668.3 | 309.4 | 977.8 | 1015.1 | ▲ 37.3 |
| | Ordinary Income | 16.0 | ▲ 4.2 | 11.7 | 46.2 | ▲ 34.5 |

<Comparison with FY2014 1Q-3Q>

Revenue Decreased 37.3 bln yen, Income Decreased ▲34.5 bln yen

(billion yen)

| Variation Factor | Difference | Breakdown |
|------------------------|------------|--|
| Exchange rate | 9.5 | Depreciation of the yen 15.78yen/\$ |
| Bunker price | 34.2 | \$263/MT lower |
| Market volatility | ▲ 67.0 | Freight decline in Container and Drybulk |
| Cost increase/decrease | 7.0 | Cost saving mainly in Container |
| Others | ▲ 18.2 | Loss from bunker swap settlements, exchange gain and loss and others |
| Total | ▲ 34.5 | |

A-3-① Estimates for FY2015 (All Segments)

(billion yen)

| | FY2015 | | | | | Previous Estimate FY | Difference | FY2014 FY | Difference | |
|---|---------|---------|---------|---------|---------|-------------------------|------------|--------------|------------|----|
| | 1H | 3Q | | | 2H | | | | | FY |
| | | 3Q | 4Q | 2H | | | | | | |
| Operating Revenues | 668.3 | 309.4 | 297.3 | 606.7 | 1,275.0 | 1,300.0 | ▲ 25.0 | 1,352.4 | ▲ 77.4 | |
| Operating Income | 18.8 | ▲ 3.6 | ▲ 4.2 | ▲ 7.8 | 11.0 | 24.0 | ▲ 13.0 | 48.0 | ▲ 37.0 | |
| Ordinary Income | 16.0 | ▲ 4.2 | ▲ 4.8 | ▲ 9.0 | 7.0 | 20.0 | ▲ 13.0 | 49.0 | ▲ 42.0 | |
| Net income attributable to owners of parent | 11.7 | ▲ 2.4 | ▲ 4.3 | ▲ 6.7 | 5.0 | 12.0 | ▲ 7.0 | 26.8 | ▲ 21.8 | |
| Exchange Rate | ¥121.76 | ¥121.23 | ¥117.00 | ¥119.11 | ¥120.44 | ¥120.88 | ▲ ¥ 0.44 | ¥109.19 | ¥11.25 | |
| Bunker Price | \$352 | \$271 | \$240 | \$256 | \$304 | \$314 | ▲ \$10 | \$541 | ▲ \$237 | |

【Dividend Plan】

Annual Dividend 5.0 yen/share
(Interim 2.5 yen / Year End 2.5 yen)

【Premises for FY2015 4Q】

Exchange Rate : ¥117.00/\$
Bunker Price : \$240/MT

【Sensitivity against Ordinary Income in 4Q】

Exchange Rate: ±¥1/\$ => ±0.1 billion yen
Premises for Bunkering Price : \$ 150/MT
Bunker Price : Slight

A-3-② Estimates for FY2015 (Each Segment)

(billion yen)

| | | FY2015 | | | | | Previous Estimate FY | Difference | FY2014 FY | Difference | |
|--|--------------------|--------|-------|-------|--------|---------|-------------------------|------------|--------------|------------|----|
| | | 1H | 3Q | | | 2H | | | | | FY |
| | | | 3Q | 4Q | 2H | | | | | | |
| Containership Business | Operating Revenues | 337.6 | 145.1 | 147.3 | 292.4 | 630.0 | 650.0 | ▲ 20.0 | 677.4 | ▲ 47.4 | |
| | Ordinary Income | 3.1 | ▲ 7.4 | ▲ 5.7 | ▲ 13.1 | ▲ 10.0 | ▲ 3.0 | ▲ 7.0 | 20.6 | ▲ 30.6 | |
| Bulk Shipping Business | Operating Revenues | 296.7 | 149.1 | 135.2 | 284.3 | 581.0 | 583.0 | ▲ 2.0 | 600.7 | ▲ 19.7 | |
| | Ordinary Income | 18.8 | 7.5 | 2.7 | 10.2 | 29.0 | 33.5 | ▲ 4.5 | 36.5 | ▲ 7.5 | |
| Offshore Energy E&P Support & Heavy Lifter | Operating Revenues | 15.0 | 5.8 | 5.2 | 11.0 | 26.0 | 29.0 | ▲ 3.0 | 35.3 | ▲ 9.3 | |
| | Ordinary Income | ▲ 3.6 | ▲ 2.9 | ▲ 1.0 | ▲ 3.9 | ▲ 7.5 | ▲ 5.5 | ▲ 2.0 | ▲ 5.7 | ▲ 1.8 | |
| Others | Operating Revenues | 19.0 | 9.4 | 9.6 | 19.0 | 38.0 | 38.0 | 0 | 39.0 | ▲ 1.0 | |
| | Ordinary Income | 0.9 | 0.3 | 0.8 | 1.1 | 2.0 | 2.0 | 0 | 3.0 | ▲ 1.0 | |
| Adjustment | Operating Revenues | - | - | - | - | - | - | - | - | - | |
| | Ordinary Income | ▲ 3.3 | ▲ 1.8 | ▲ 1.4 | ▲ 3.2 | ▲ 6.5 | ▲ 7.0 | 0.5 | ▲ 5.5 | ▲ 1.0 | |
| Total | Operating Revenues | 668.3 | 309.4 | 297.3 | 606.7 | 1,275.0 | 1,300.0 | ▲ 25.0 | 1,352.4 | ▲ 77.4 | |
| | Ordinary Income | 16.0 | ▲ 4.2 | ▲ 4.8 | ▲ 9.0 | 7.0 | 20.0 | ▲ 13.0 | 49.0 | ▲ 42.0 | |

A-4 Key Points of Estimate for FY2015

<Comparison with FY2014>

Revenue Decreased ▲77.4 bln yen, Income Decreased ▲42.0 bln yen

(billion yen)

| Variation Factor | Difference | Breakdown |
|------------------------|------------|---|
| Exchange rate | 9.2 | Depreciation of the yen 11.25yen/\$ |
| Bunker price | 40.5 | \$237/MT lower |
| Market volatility | ▲ 91.0 | Loading volume and Freight decline in Container, freight decline in Drybulk |
| Cost increase/decrease | 9.9 | Cost saving mainly in Container (See A-5) |
| Others | ▲ 10.5 | Exchange gain and loss and others |
| Total | ▲ 42.0 | |

<Comparison with Previous Estimate>

Revenue Decreased ▲25.0 bln yen, Income Decreased ▲13.0 bln yen

(billion yen)

| Variation Factor | Difference | Breakdown |
|------------------------|------------|---|
| Exchange rate | ▲ 0.2 | Depreciation of the yen 0.44yen/\$ |
| Bunker price | 1.5 | \$10/MT lower |
| Market volatility | ▲ 15.0 | Loading volume and Freight decline in Container, freight decline in Drybulk |
| Cost increase/decrease | ▲ 0.8 | |
| Others | 1.5 | |
| Total | ▲ 13.0 | |

A-5 Progress of Cost Saving Plan

- Targets for Cost Saving in FY2015 as of April 13.7 billion yen
- Latest Estimate in FY 2015 9.9 billion yen

(billion yen)

| | Targets FY2015 | | | Results | | Latest Estimates | Achievement Rate (A/B) |
|---|----------------|------------|-----------------|---------|-----|------------------|------------------------|
| | Targets 1H | Targets 2H | as of APRIL (B) | 1H | 2H | FY2015 (A) | |
| Containership Business: Business Restructuring, Operational Cost Saving, Earning Improvement | 6.2 | 5.2 | 11.4 | 4.8 | 2.2 | 7.0 | 61% |
| Bulk Carriers and Others | 1.2 | 1.1 | 2.3 | 1.0 | 1.8 | 2.9 | 126% |
| Total | 7.4 | 6.3 | 13.7 | 5.8 | 4.0 | 9.9 | 72% |

B. Division-wise Trends



<FY2015 1Q-3Q Results>

Comparison with FY2014 1Q-3Q Operating Revenue : Lower / Ordinary Income : Deficit

- Firm demand for Asia-North America trade supported by steady US economy but freight rate market fell in 3Q
- Cargo volume in the Asia-Europe and North-South services declined. Sailings were reduced and services rationalized in response to stalled cargo movements

<Points in Coming Quarters>

- Demand and market situation of Asia-North America and Asia-Europe trade
- Strengthen cost effectiveness by adjusting surplus space and rationalizing services through CKYHE alliance
- Improve profitability through yield management by utilizing IT

| | | FY2014 | | | | FY | FY2015 | | | |
|----------------------------------|--------------------|--------|-------|-------|-------|-------|--------|-------|-------|-------|
| | | 1Q | 2Q | 3Q | 4Q | | 1Q | 2Q | 1H | 3Q |
| Operating Revenues (billion yen) | | 158.4 | 171.1 | 174.3 | 173.6 | 677.4 | 171.7 | 165.9 | 337.6 | 145.1 |
| Ordinary Income (billion yen) | | 2.2 | 7.3 | 8.7 | 2.4 | 20.6 | 4.1 | ▲ 1.0 | 3.1 | ▲ 7.4 |
| Freight Index (FY'08 1Q=100) | Asia-North America | 97 | 102 | 104 | 106 | 102 | 97 | 93 | 95 | 87 |
| | Asia-Europe | 78 | 78 | 65 | 69 | 73 | 49 | 51 | 50 | 43 |
| Lifting (10,000TEU) | Asia-North America | 21.3 | 23.0 | 21.9 | 19.6 | 85.8 | 24.3 | 24.8 | 49.0 | 21.0 |
| | Asia-Europe | 12.7 | 12.9 | 12.0 | 11.0 | 48.6 | 10.3 | 10.3 | 20.6 | 10.1 |
| Capacity (10,000TEU) | Asia-North America | 21.7 | 23.1 | 22.3 | 21.1 | 88.2 | 24.3 | 26.2 | 50.5 | 25.8 |
| | Asia-Europe | 13.4 | 13.9 | 13.5 | 12.9 | 53.8 | 12.1 | 12.4 | 24.5 | 12.5 |
| Utilization | Asia-North America | 98% | 100% | 98% | 93% | 97% | 100% | 95% | 97% | 81% |
| | Asia-Europe | 95% | 92% | 89% | 85% | 90% | 85% | 83% | 84% | 81% |

<FY2015 1Q-3Q Results>

Comparison with FY2014 Operating Revenue : Decreased / Ordinary Income : Decreased

- Cape market was dull due to Chinese stagnating iron ore demand
- Panamax and Handymax market slump continued as the balance of vessel supply and demand became upset

<Points in Coming Quarters>

- Low Cape market will continue for the time being due to stagnation of cargo movement
- Heavy upside for Panamax and Handymax market due to continuous new building delivery
- Try to make stable earnings structure which is not affected by spot market by securing long and middle term contracts, efficient vessel deployment and further cost savings

| Dry Bulk Market | FY2014 | | | | | FY2015 | | | | |
|------------------|----------|----------|----------|---------|----------|---------|----------|---------|---------|---------|
| | 1Q | 2Q | 3Q | 4Q | FY | 1Q | 2Q | 3Q | 4Q | FY |
| Cape (172type) | \$11,900 | \$13,000 | \$14,100 | \$4,600 | \$10,900 | \$4,600 | \$11,500 | \$7,400 | \$5,000 | \$7,125 |
| Panamax (74type) | \$6,300 | \$5,900 | \$8,300 | \$4,800 | \$6,325 | \$5,200 | \$7,600 | \$4,500 | \$5,000 | \$5,575 |
| Handy (52type) | \$9,000 | \$8,900 | \$9,800 | \$6,400 | \$8,525 | \$6,700 | \$8,800 | \$5,700 | \$6,000 | \$6,800 |
| Small (28type) | \$7,800 | \$6,500 | \$7,100 | \$5,200 | \$6,650 | \$5,300 | \$6,600 | \$5,000 | \$5,000 | \$5,475 |

<FY2015 1Q-3Q Results>

Comparison with FY2014 Operating Revenue : Decreased / Ordinary Income : Decreased

- Total units carried (inc. intra-Europe) : 2,420 thousands units (little less from FY2014)
- Decreasing volume from Europe and North America to Far East due to Chinese economic slowdown
- Decreasing volume of Intra-Europe trade mainly due to Russian recession
- Better volume in Trans-Atlantic and Japan-North America/Middle East trade

<Points in Coming Quarters>

- Continuous focus on the cargo ex South East Asia and Trans-Atlantic trade
- Maximize profitability of next generation car carriers with high fuel efficiency and suitable structure for High & Heavy cargo and rail cars
- Increase High & Heavy cargo especially from Japan, Asia, and intra-Europe

| Loading Result (1,000Units) | FY2014 | | | | | FY2015 | | | |
|--------------------------------|--------|-----|-----|-----|-------|--------|-----|-----|-------|
| | 1Q | 2Q | 3Q | 4Q | FY | 1Q | 2Q | 3Q | Total |
| Outbound | 248 | 280 | 281 | 283 | 1,092 | 278 | 300 | 296 | 874 |
| Homebound | 80 | 83 | 80 | 66 | 309 | 63 | 70 | 77 | 210 |
| Others | 285 | 251 | 285 | 221 | 1,042 | 290 | 267 | 271 | 827 |
| Intra-Europe | 208 | 178 | 170 | 172 | 728 | 176 | 161 | 171 | 508 |
| Total | 821 | 791 | 816 | 743 | 3,171 | 807 | 797 | 815 | 2,420 |
| Number of Operating Vessels | 98 | 96 | 97 | 102 | - | 98 | 102 | 101 | - |

<FY2015 1Q-3Q Results>

Comparison with FY2014 Operating Revenue : Increased / Ordinary Income : Increased

【LNG】 Stable utilization of fleet with long and middle term contracts

【Tankers】 VLCC tankers/LPG carriers: Stable utilization of fleet with long and middle term contracts
Aframax/Product tankers: Steady market

<Points in Coming Quarters>

【LNG】 Current situation supported by long and middle term contracts is expected to continue

【Tankers】 VLCC tankers/LPG: Expect to secure steady earnings by long and middle term contracts
Aframax: Expect continuous steady market due to favorable demand
Product tankers: Low expectation for market recovery due to supply pressure

| Tanker Market | FY2014 | | | | | FY2015 | | | | |
|-------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | FY | 1Q | 2Q | 3Q | 4Q | FY |
| VLCC (M.East/Japan) | 38 \$12,000 | 45 \$20,500 | 57 \$46,000 | 59 \$59,000 | 50 \$34,500 | 64 \$63,000 | 54 \$56,000 | 75 \$92,000 | 85 \$75,000 | 69 \$71,500 |
| Aframax (S.Asia/Japan) | 91 \$14,500 | 102 \$19,500 | 104 \$25,000 | 107 \$29,000 | 101 \$22,000 | 127 \$37,000 | 107 \$32,000 | 107 \$33,500 | 123 \$28,000 | 116 \$32,500 |
| Clean 110,000type (M.East/Japan) | 88 \$10,500 | 107 \$17,500 | 111 \$23,500 | 98 \$23,500 | 101 \$19,000 | 109 \$26,500 | 132 \$40,000 | 80 \$20,500 | 153 \$34,000 | 119 \$30,500 |

WS FY2015 1Q-3Q : Flat Rate in 2015, FY2015 4Q : Flat Rate in 2016

【Offshore Energy E&P Support】

<FY2015 1Q-3Q Results>

Comparison with FY2014 **Operating Revenue : Decreased / Ordinary Income : Deficit**

【Offshore Support Vessels】 Negatively impacted by softening market conditions as offshore development stalled due to the slump in crude oil prices

【Drillship】 Contributed to long term stable profit by brisk deployment

<Points in Coming Quarters>

【Offshore Support Vessels】 Need more time for market recovery due to oil price drop

【Drillship】 Expect to secure stable long-term earnings

【Heavy Lifters】

<FY2015 1Q-3Q Results>

Comparison with FY2014 **Operating Revenue : Decreased / Ordinary Income : Deficit**

• Strove to reduce costs amid a slump in market conditions, however its losses worsened

<Points in Coming Quarters>

- Down trend market will continue
- Focus on the high earnings projects