



Financial Highlights Brief Report for 3rd Quarter FY2016



31st January 2017

A Financial Highlights for 3rd Quarter FY2016

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Financial Highlights

for 3rd Quarter FY2016



A-1 Results for 3rd Quarter FY2016

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Consolidated Results for 1-3Q FY2016

	FY2016			FY2015	(billion yen)
	1H	3Q	1-3Q (a)	1-3Q (b)	
Operating Revenues	491.2	269.8	760.9	977.8	(a-b) ▲ 216.9
Operating Income	▲ 26.4	▲ 8.3	▲ 34.7	15.2	▲ 49.9
Ordinary Income	▲ 36.1	▲ 0.8	▲ 36.9	11.7	▲ 48.6
Net Income Attributable to Owners of Parent	▲ 50.5	▲ 4.1	▲ 54.6	9.3	▲ 63.9
Exchange Rate	¥107.31	¥106.13	¥106.92	¥121.58	▲¥14.66
Bunker Price	\$226	\$279	\$244	\$325	▲\$81

Each Segment Operating Revenues / Ordinary Income

Businesses		FY2016			FY2015	(billion yen)
		1H	3Q	1-3Q (c)	1-3Q (d)	
Containership Business	Operating Revenues	246.9	134.5	381.4	482.7	(c-d) ▲ 101.3
	Ordinary Income	▲ 21.0	▲ 2.9	▲ 23.9	▲ 4.2	▲ 19.7
Bulk Shipping Business	Operating Revenues	217.7	120.8	338.5	445.8	▲ 107.2
	Ordinary Income	▲ 9.8	4.2	▲ 5.6	26.3	▲ 31.9
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	9.5	5.5	14.9	20.9	▲ 5.9
	Ordinary Income	▲ 1.7	▲ 1.5	▲ 3.2	▲ 6.5	3.3
Other	Operating Revenues	17.0	9.0	26.1	28.5	▲ 2.4
	Ordinary Income	0.9	1.0	1.9	1.2	0.6
Adjustment	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲ 4.5	▲ 1.6	▲ 6.1	▲ 5.1	▲ 1.1
Total	Operating Revenues	491.2	269.8	760.9	977.8	▲ 216.9
	Ordinary Income	▲ 36.1	▲ 0.8	▲ 36.9	11.7	▲ 48.6

Main Financial Indicators

	End 3Q FY2016 (e)	End FY2015 (f)	(e-f)
Equity Capital	310.1	355.4	▲ 45.3
Interest Bearing Liability	525.6	525.2	0.4
DER	170%	148%	22%
NET DER	107%	80%	27%
Equity Ratio	29%	32%	▲3%

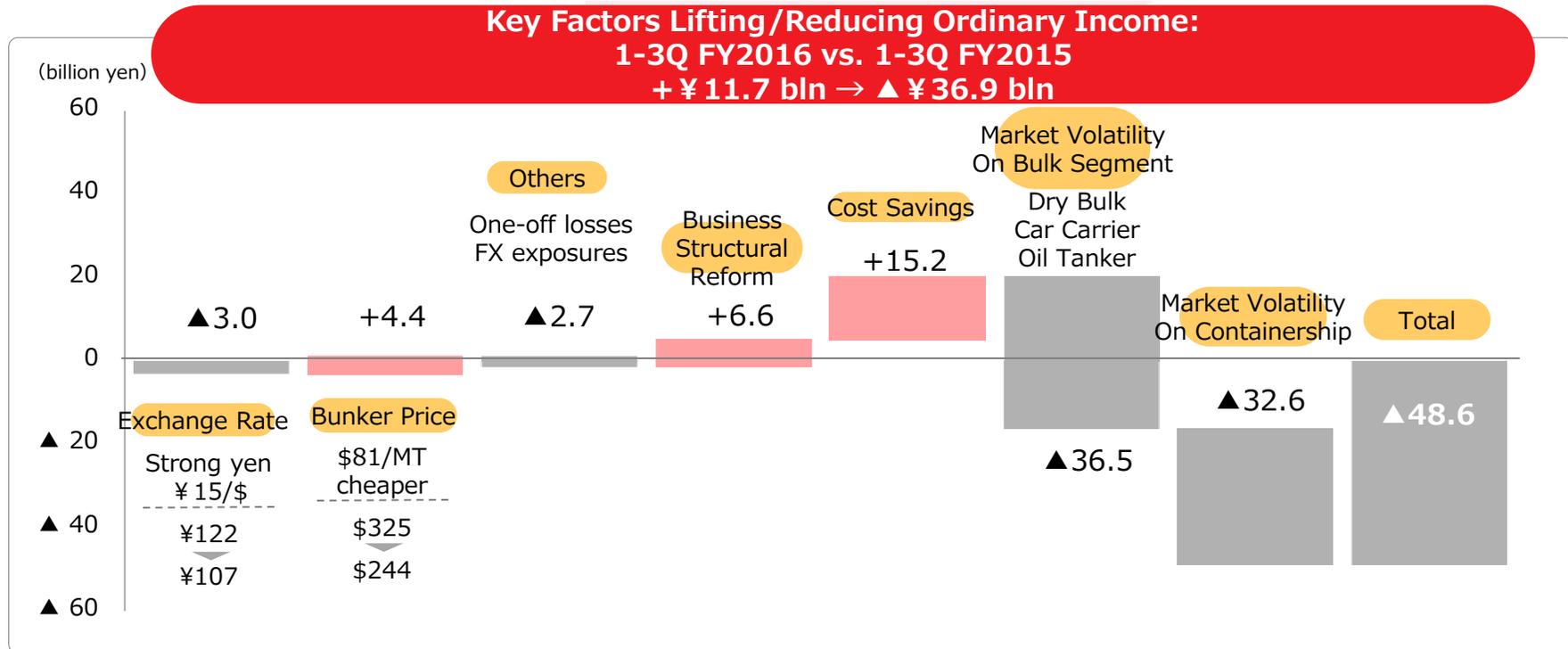
Key Factors for 3Q FY2016

- ✓ Containership : Total cargo volume mainly for N.America increased. Severe market continuing but signs of recovery are beginning to appear.
- ✓ Car Carrier : Remain weak demand from resource-rich and emerging countries.
- ✓ Dry Bulk : Business structural reform to ensure competitiveness is along the plan. Market condition is improving.

A-2 Results for 3rd Quarter

- 1-3Q FY2016 vs. 1-3Q FY2015

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Market Freight Rate Comparison

		FY2015			FY2016			(b-a)
		1H	3Q	1-3Q (a)	1H	3Q	1-3Q (b)	
Containership (Freight Index)	Asia - North America	95	87	92	71	76	73	▲ 19
	Asia - Europe	50	43	48	44	47	45	▲ 3
Dry Bulk	CAPE	\$9,150	\$8,100	\$8,800	\$7,400	\$12,000	\$8,900	\$100
	PANAMAX	\$6,400	\$4,500	\$5,800	\$5,350	\$8,700	\$6,400	\$600
	HANDYMAX	\$7,750	\$5,700	\$7,100	\$6,450	\$8,400	\$7,100	\$0
	SMALL HANDY	\$5,700	\$4,700	\$5,400	\$5,300	\$7,000	\$5,900	\$500
Oil Tanker	VLCC (Middle East-Japan)	\$59,500	\$92,000	\$70,300	\$29,000	\$48,000	\$35,300	▲ \$35,000
	AFRAMAX (South Asia-Japan)	\$34,500	\$33,500	\$34,200	\$14,300	\$15,000	\$14,500	▲ \$19,700
	Clean Tanker (110,000mt) (Middle East-Japan)	\$33,250	\$20,500	\$29,000	\$14,500	\$9,500	\$12,800	▲ \$16,200

A-3 Estimates for FY2016

FY2016 Consolidated Estimates

	FY2016		Total (a)	FY2015 Results (b)	FY2016 As of Oct (c)
	1H	2H			
Operating Revenues	491.2	518.8	1,010.0	1,243.9	970.0
Operating Income	▲ 26.4	▲ 16.6	▲ 43.0	9.4	▲ 44.0
Ordinary Income	▲ 36.1	▲ 10.9	▲ 47.0	3.3	▲ 54.0
Net Income Attributable to Owners of Parent	▲ 50.5	▲ 43.5	▲ 94.0	▲ 51.5	▲ 94.0
Exchange Rate	¥107.31	¥109	¥108.23	¥120.78	¥103.66
Bunker Price	\$226	\$293	\$260	\$295	\$268

(billion yen)

(a-b)	(a-c)
▲233.9	40.0
▲52.4	1.0
▲50.3	7.0
▲42.5	-
▲¥12.55	¥4.57
▲\$35	▲\$8

FY2016 Estimates by Segments

		FY2016		Total (d)	FY2015 Results (e)	FY2016 As of Oct (f)
		1H	2H			
Containership	Operating Revenues	246.9	263.1	510.0	614.9	483.0
	Ordinary Income	▲ 21.0	▲ 11.0	▲ 32.0	▲ 10.0	▲ 36.0
Bulk Shipping	Operating Revenues	217.7	232.3	450.0	567.6	432.0
	Ordinary Income	▲ 9.8	3.8	▲ 6.0	24.7	▲ 9.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	9.5	8.0	17.5	24.7	20.0
	Ordinary Income	▲ 1.7	▲ 2.3	▲ 4.0	▲ 6.6	▲ 3.0
Other	Operating Revenues	17.0	15.5	32.5	36.8	35.0
	Ordinary Income	0.9	2.1	3.0	1.8	1.0
Adjustments	Operating Revenues	-	-	-	-	-
	Ordinary Income	▲ 4.5	▲ 3.5	▲ 8.0	▲ 6.5	▲ 7.0
Total	Operating Revenues	491.2	518.8	1,010.0	1,243.9	970.0
	Ordinary Income	▲ 36.1	▲ 10.9	▲ 47.0	3.3	▲ 54.0

(billion yen)

(d-e)	(d-f)
▲ 104.9	27.0
▲ 22.0	4.0
▲ 117.6	18.0
▲ 30.7	3.0
▲ 7.2	▲ 2.5
2.6	▲ 1.0
▲ 4.3	▲ 2.5
1.2	2.0
-	-
▲ 1.5	▲ 1.0
▲ 233.9	40.0
▲ 50.3	7.0

Key Factors for FY2016

- ✓ Containership : Severe market continuing but signs of recovery are beginning to appear.
- ✓ Car Carrier : Demand from N.America increased but from emerging and resource-rich countries stay depressed.
- ✓ Dry Bulk : Recovery trend from historically low levels but supply-demand gap still remaining.

Ordinary Income Sensitivity (4Q)

- Yen-US\$ rate assumption:
each ¥1 weaker (stronger) adds
(subtracts)
⇒ ¥0.02 bln
- Bunker price:
each \$10/mt down (up) adds
(subtracts)
⇒ ¥0.08 bln

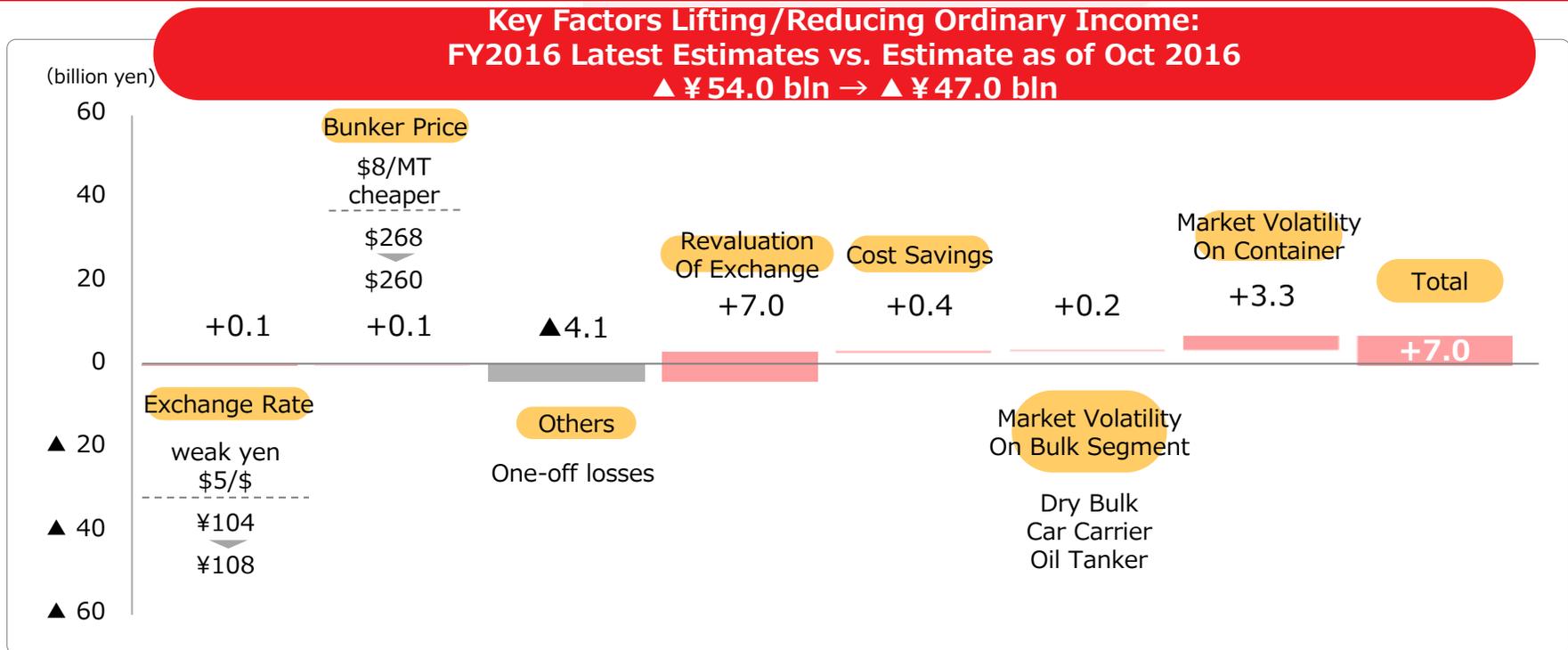
Dividend (FY2016)

- Year-end : No Dividend

Very unfortunately, no dividend to be paid in FY2016. We will focus on financial structure improvement.

A-4 Estimates for FY2016

- Latest vs. as of Oct 2016

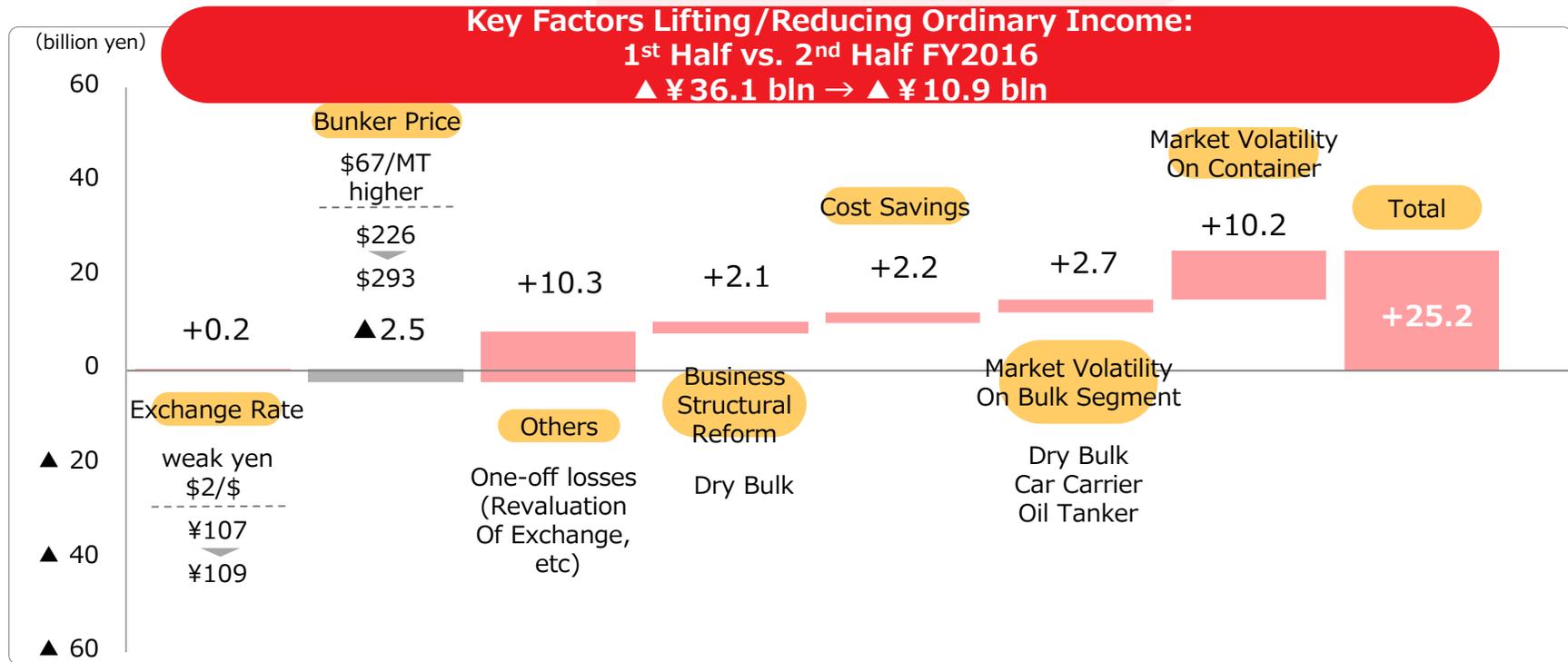


Market Freight Rate Comparison

		As of Oct 2016			Latest			(b-a)
		1H	2H	(a)	1H	2H	(b)	
Containership (Freight Index)	Asia - North America	71	73	72	71	78	75	3
	Asia - Europe	44	50	47	44	48	46	▲ 1
Dry Bulk	CAPE	\$7,400	\$12,000	\$9,700	\$7,400	\$12,000	\$9,700	\$0
	PANAMAX	\$5,350	\$7,500	\$6,400	\$5,350	\$8,400	\$6,850	\$450
	HANDYMAX	\$6,450	\$6,000	\$6,200	\$6,450	\$7,200	\$6,770	\$570
	SMALL HANDY	\$5,300	\$5,500	\$5,400	\$5,300	\$6,300	\$5,800	\$400
Oil Tanker	VLCC (Middle East-Japan)	\$29,000	\$35,000	\$32,000	\$29,000	\$41,500	\$35,000	\$3,000
	AFRAMAX (South Asia-Japan)	\$14,300	\$17,800	\$16,050	\$14,300	\$17,300	\$16,000	▲ \$50
	Clean Tanker (110,000mt) (Middle East-Japan)	\$14,500	\$17,500	\$16,000	\$14,500	\$11,800	\$13,000	▲ \$3,000

A-5 Estimates for FY2016

- 1st Half vs. 2nd Half FY2016



Actual Freight in FY2015 vs. Assumptions in the latest estimate FY2016

		FY2015			FY2016			(b-a)	(d-c)
		1H	2H	(a)	1H (c)	2H (d)	(b)		
Containership (Freight Index)	Asia - North America	95	87	91	71	78	75	▲ 16	7
	Asia - Europe	50	43	47	44	48	46	▲ 1	4
Dry Bulk	CAPE	\$9,150	\$5,350	\$7,250	\$7,400	\$12,000	\$9,700	\$2,450	\$4,600
	PANAMAX	\$6,400	\$3,750	\$5,100	\$5,350	\$8,400	\$6,850	\$1,750	\$3,050
	HANDYMAX	\$7,750	\$4,750	\$6,250	\$6,450	\$7,200	\$6,770	\$520	\$750
	SMALL HANDY	\$5,700	\$4,050	\$4,900	\$5,300	\$6,300	\$5,800	\$900	\$1,000
Oil Tanker	VLCC (Middle East-Japan)	\$59,500	\$76,250	\$68,000	\$29,000	\$41,500	\$35,000	▲\$33,000	\$12,500
	AFRAMAX (South Asia-Japan)	\$34,500	\$32,250	\$33,000	\$14,300	\$17,300	\$16,000	▲\$17,000	\$3,000
	Clean Tanker (110,000mt) (Middle East-Japan)	\$33,250	\$21,600	\$28,000	\$14,500	\$11,800	\$13,000	▲\$15,000	▲\$2,700

A-6 Business Structural Reform and Cost Reduction

Business Structural Reform

● Plan as of April 2016

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

(billion yen)	Earnings Improvement	
	FY2016	FY2017
FY2015-FY2016 Structural Reforming Cost	10.0	13.5

● Achievement as of end Dec 2016

(billion yen)	Earnings Improvement	
	FY2016	FY2017
Achieved by Dec 2016	9.3	9.9
Target by Mar 2017	10.0	13.5

✓ Dry Bulk Core Fleet Transition

(No. of vessels)	Mar 2014	Mar 2016	
	Results (a)	Target (b)	(b-a)
Dry Bulk Core Fleet	218	184	▲34
include Panamax or smaller	96	72	▲24

Cost Reduction / Earnings Improvements Plan

- **FY2016 Target as of April 2016** **¥ 18.8bln**
- **FY2016 Revised Target** **¥ 20.3bln**

		Revised Estimate					vs. target	Achievement
		1H	3Q	4Q(est)	2H(est)	in Apr	Rate	
Containerships	Route Rationalizaion							
	Operating Cost Saving	20.9	9.0	6.2	5.6	11.8	2.7	73%
	Cost Reduction							
	Earning Improvement	-3.2	-1.0	-1.1	-1.1	-2.2	-1.5	65%
	Total	17.7	8.0	5.1	4.5	9.6	1.2	75%
	Non-Containerships	2.6	1.0	1.0	0.6	1.6	0.4	76%
	Total	20.3	9.1	6.1	5.1	11.3	1.6	75%

[Action Plan]

- ❑ Rationalizing Unprofitable Container Services :
Rationalizing east-west routes by 14,000TEU vessels, Stopping Asia-East Coast South America service etc
- ❑ Cost Reduction :
Strengthening Containership equipment management, Reducing inland cost at North America, Efficient yield management etc
- ❑ Earning Improvements :
Increasing the volume of higher-profitable reefer cargoes (lower effect yoy due to weak market)

Division Trends



1-3Q FY2016 Results

- Cargo movements were strong, including during the slack season following the National Day of the People's Republic of China, but the imbalance between supply and demand is yet to be fixed.
- Asia-N.America : Signs of recovery in space utilization and short-term freight market are beginning to appear.
- Asia-Europe : Full market recovery was unexpected as imbalance between supply and demand was yet to be fixed.

Initiatives for 4Q FY2016 onward

- Freight rate market has bottomed out but amid an expectation of adverse market conditions due to a seasonal decline in cargo movements and bunker price increase.
- Adjusting vessel allocation in line with supply and demand, Saving costs, Improving space utilization, Increasing profitable cargoes.
- "THE Alliance" to be in service from April 2017. Improving service quality to meet customers' expectation.

		FY2015					FY2016				
		1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q	Estimate
Operating Revenues	(billion yen)	1,717	1,659	1,451	1,322	6,149	1,222	1,247	1,345	1,286	5,100
Ordinary Income	(billion yen)	41	▲ 10	▲ 74	▲ 57	▲ 100	▲ 123	▲ 87	▲ 29	▲ 81	▲ 320
Freight Index FY2008 1Q= 100	Asia - N.America	97	93	87	86	91	73	71	76	79	75
	Asia - Europe	49	51	43	43	47	40	47	47	49	46
Lifting (10,000TEU)	Asia - N.America	24.3	24.8	21.0	19.7	89.8	23.3	26.6	26.4	23.1	99.3
	Asia - Europe	10.3	10.3	10.1	10.0	40.6	10.0	10.4	10.6	9.9	40.8
Capacity (10,000TEU)	Asia - N.America	24.3	26.2	25.8	24.5	100.9	26.5	27.7	27.0	26.3	107.6
	Asia - Europe	12.1	12.4	12.5	12.7	49.7	11.4	11.7	11.6	11.2	45.9
Utilization (%)	Asia - N.America	100%	95%	81%	80%	89%	88%	96%	97%	88%	92%
	Asia - Europe	85%	83%	81%	79%	82%	88%	89%	91%	88%	89%

B-2 Bulk Shipping Business: Car Carrier Business

1-3Q FY2016 Results

- Total Units Carried : 2,327 million units (▲3.8% YoY)
- World Shipping Demand : Gradually expanding volume for North America and Europe supported firm total demand but cargo movement for emerging countries like Middle East, Central/South America, Russia, Africa and Asia which was affected by Chinese economic slow down.
- Export from Japan : Volume decreasing for emerging countries, on the other hand, steady demand for North America and Europe braked weak trend as a whole.

Initiatives for 4Q FY2016 onward

- We are expecting steady trends for North America and slow recovery for resource-rich and emerging countries in marine transport of finished vehicles.
- We utilize short period charter to conform space and fleet to demand.
- We enhance our fleet competitiveness by advanced cost-efficient vessels such as 15 large 7,500-unit car carriers.
- We increase profits via ongoing initiatives to expand volumes of “High & Heavy” cargo.
- 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)	FY2015					FY2016				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q	Estimate
Outbound	278	300	296	282	1,156	265	261	296	245	1,067
Homebound	63	70	77	37	247	47	50	48	36	181
Others	290	267	271	233	1,060	289	283	312	292	1,176
Intra-Europe	176	161	171	177	685	170	154	151	165	641
Total	807	797	815	729	3,149	771	748	807	738	3,065
Number of Operating Vessels	98	102	101	102	102	100	97	95		

1-3Q FY2016 Results

- Capesize : Chinese import of iron ore and coal by marine transport increased but reduction of scrapping and lay-up is weighing on market.
- Panamax and smaller : Market was recovering from historically low level but excess of supply is persisting.
- Reducing fleet especially for costly Panamax or smaller vessels.

Initiatives for 4Q FY2016 onward

- We prospect gradual market recovery from historically low level but it takes time for closing supply-demand gap.
- We ensure more competitive fleet by continuing dispose of costly vessels.
- We plan to strengthen resilience to rate trends by securing stable profit and improving effective operation.

Dry Bulk Market	FY2015					FY2016				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q	Estimate
Capesize	\$5,800	\$12,500	\$8,000	\$2,700	\$7,250	\$6,700	\$8,000	\$12,000	\$12,000	\$9,700
Panamax	\$5,200	\$7,600	\$4,500	\$3,000	\$5,100	\$4,900	\$5,800	\$8,700	\$8,000	\$6,850
Handymax	\$6,700	\$8,800	\$5,700	\$3,800	\$6,250	\$5,800	\$7,000	\$8,400	\$6,000	\$6,770
Small Handy	\$5,100	\$6,300	\$4,700	\$3,400	\$4,900	\$4,800	\$5,800	\$7,000	\$5,500	\$5,800

B-4 Bulk Shipping Business: LNG Carrier & Oil Tankers Business

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1-3Q FY2016 Results

▶ LNG Carriers

- Continued steady showing on stable profits from medium- and long-term contracts.

▶ Tankers

- VLCC and LPG continued steady showing on stable profits from medium- and long-term contracts.
- Aframax and Clean were suffering from supply-demand deterioration.

Initiatives for 4Q FY2016 onward

▶ LNG Carriers

- While LNG market is slack, we expect future demand to be firm over time.
- We aim to increase securing capacity from current 49 to 57 by FY2019.

▶ Tankers

- We expect continuous steady demand for VLCC and LPG.
- Favorable crude oil demand especially from emerging countries to continue.
- New buildings to be supplied in 2nd half FY2016 will weigh on market compared with the last year after winter peak season.

Tanker Freight Rates (WS)	FY2015					FY2016				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q	Estimate
VLCC(M.East/Japan)	64	54	75	71	66	60	37	70	60	57
	\$63,000	\$56,000	\$92,000	\$60,500	\$68,000	\$42,000	\$16,000	\$48,000	\$35,000	\$35,000
Aframax(S.Asia/Japan)	127	107	107	129	117	101	75	97	116	97
	\$37,000	\$32,000	\$33,500	\$31,000	\$33,000	\$18,600	\$10,000	\$15,000	\$19,500	\$16,000
Clean110,000mt type (M.East/Japan)	109	132	80	111	108	88	91	75	95	87
	\$26,500	\$40,000	\$20,500	\$22,700	\$28,000	\$14,400	\$14,500	\$9,500	\$14,000	\$13,000

Offshore Energy E&P Support

1-3Q FY2016 Results

- ▶ Offshore support vessels
 - Struggling market conditions due to the slump in crude oil prices and development of offshore facilities.
- ▶ Drillship
 - Contributed to long term stable profit by long-term contract.

Initiatives for 4Q FY2016 onward

- ▶ Offshore support vessels
 - Need more time for market recovery.
 - We aim to secure profit by cost savings and securing medium- and long- term contracts.
 - We take an action to minimize valuation loss on foreign currency-denominated debt at a foreign subsidiary.
- ▶ Drillship
 - We expect stable earnings on steady utilization.

Heavy Lifters

1-3Q FY2016 Results

- Market remained weak but fleet rationalization had a certain effect for better earnings.

Initiatives for 4Q FY2016 onward

- Persisting weak market.
- We aim to improve profitability by the rightsizing of the fleet and the effects of cost cutting.
- We plan to investigate fundamental reform measures.

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