



# Financial Highlights

Brief Report for FY2014 (March 2015)



30 April 2015

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“K”LINE Vision 100 -Bridge to the Future-

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# A. Financial Highlights for FY2014



# A-1-1. Financial Results

## <FY2014 Results>

**Comparison with FY2013 : Operating Revenue: Increased / Ordinary Income: Increased**

**Comparison with Previous Estimate as of Jan 2015: Operating Revenue Increased/ Ordinary Income Increased**

(unit : billion yen)

	FY2014					Previous Estimate as of Jan 15(3Q)		FY2013	
	1Q	2Q	3Q	4Q	FY Accumulated	FY Accumulated	Y on Y Comparison	FY Accumulated	Y on Y Comparison
Operating Revenues	319.8	339.9	355.3	337.4	1,352.4	1,350.0	2.4	1,224.1	128.3
Operating Income	9.7	15.2	15.4	7.7	48.0	46.0	2.0	28.9	19.1
Ordinary Income	6.5	19.4	20.3	2.8	49.0	48.0	1.0	32.5	16.5
Net Income	4.3	16.9	11.8	▲ 6.1	26.8	25.0	1.8	16.6	10.2
Exchange Rate	¥102.40	¥102.65	¥112.34	¥119.36	¥109.19	¥108.56	¥0.63	¥99.75	¥9.44
Bunker Price	\$615	\$607	\$544	\$398	\$541	\$560	▲ \$19	\$626	▲ \$85

**【Effect of exchange rate and bunker price in 2014】**  
 Devalue 9.44 Yen/ US\$ ⇒ +8.3 billion yen (YoY)  
 Low bunker price \$85/mt ⇒ +11.1 billion yen(YoY)

**【2014 Free CF】**  
 +90.6 bil yen  
 (Operating CF 101.8 / Investment CF ▲11.2 )

### 【Dividend Plan】

As net profit increased in 2014,  
 planning to pay year-end dividend 6.0 yen per share  
 (3.5 yen higher than estimate)  
 Annual dividend 8.5 yen per share (2.5 yen interim dividend)  
 4 yen higher than 2013 Payout ratio 30%

# A-1-2. Financial Results

## (Business-wise Operating Revenues/Ordinary Income)

(unit : billion yen)

		FY2014					Previous Estimate as of Jan 15(3Q)	FY2013		
		1Q	2Q	3Q	4Q	FY Accumulated	FY Accumulated	Y on Y Comparison	FY Accumulated	Y on Y Comparison
Containership Business	Operating Revenues	158.4	171.1	174.3	173.6	677.4	680.0	▲ 2.6	582.4	95.0
	Ordinary Income	2.2	7.3	8.7	2.3	20.6	18.5	2.2	▲ 0.1	20.8
Bulk Shipping Business	Operating Revenues	143.7	148.8	159.4	148.8	600.7	595.0	5.7	572.7	28.0
	Ordinary Income	6.4	11.1	15.2	3.9	36.5	39.0	▲ 2.5	41.3	▲ 4.8
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	8.4	10.2	11.3	5.4	35.3	37.0	▲ 1.7	32.8	2.5
	Ordinary Income	▲ 1.9	1.3	▲ 3.5	▲ 1.6	▲ 5.7	▲ 5.5	▲ 0.2	▲ 4.5	▲ 1.2
Other	Operating Revenues	9.3	9.9	10.2	9.6	39.0	38.0	0.9	36.2	2.8
	Ordinary Income	0.4	1.4	1.4	▲ 0.1	3.0	2.5	0.5	2.6	0.4
Adjustment	Operating Revenues	-	-	-	-	-	-	-	-	-
	Ordinary Income	▲ 0.7	▲ 1.6	▲ 1.5	▲ 1.7	▲ 5.5	▲ 6.5	1.0	▲ 6.8	1.3
Total	Operating Revenues	319.8	340.0	355.3	337.3	1,352.4	1,350.0	2.4	1,224.1	128.3
	Ordinary Income	6.5	19.4	20.3	2.8	49.0	48.0	1.0	32.5	16.5

## A-2. Key Points

<Comparison with FY2013> Revenue Increase 128.3 bln yen, Income Increase 16.5 bln yen

(Unit: billion yen)

Variation Factors	FY2014 FY Results Comparison with 2013	
Exchange Rate	8.3	Exchange rate 9.44 yen /\$ depreciated
Bunker Oil Price	11.1	Bunker Price \$85/MT lower than last year
Market Volatility	▲ 5.3	Freight decline mainly in Bulk Shipping Business
Cost Increase/Decrease	15.5	Cost saving of Container and others (B-3)
Others	▲ 13.1	Loss from bunker swap settlements, revaluation of exchange rate and others
Total	16.5	

<Comparison with Previous Estimate> Revenue Increase 2.4 bln yen, Income Increase 1 bln yen

(Unit: billion yen)

Variation Factors	FY2014 FY Results Comparison with Previous Estimate	
Exchange Rate	0.4	Exchange rate 0.63 yen /\$ depreciated
Bunker Oil Price	2.5	Bunker Price \$19/MT lower than Previous Estimate
Market Volatility	▲ 1.3	Freight decline mainly in Dry Bulk
Cost Increase/Decrease	▲ 1.4	
Others	0.8	
Total	1.0	

# A-3. Review of previous Mid-Term Management Plan "K"LINE Vision 100 -Bridge to the Future-

## Main Financial Indices

(unit:billion yen)

	2012F			2013F			2014F		
	Result(A)	Original Plan(B)	(A)-(B)	Result(A)	Original Plan(B)	(A)-(B)	Result(A)	Original Plan(B)	(A)-(B)
Operating Revenues	1,134.8	1,120.0	14.8	1,224.1	1,070.0	154.1	1,352.4	1,110.0	242.4
Ordinary Income	28.6	12.0	16.6	32.5	39.0	▲ 6.5	49.0	60.0	▲ 11.0
Net Income	10.7	11.0	▲ 0.3	16.6	25.0	▲ 8.4	26.8	42.0	▲ 15.2
EBITDA	104.8	100.0	4.8	90.5	110.0	▲ 19.5	112.0	135.0	▲ 23.0
Shareholder's Equity	340.6	260.0	80.6	388.8	280.0	108.8	441.5	330.0	111.5
Interest-bearing Debt	629.9	580.0	49.9	643.8	540.0	103.8	536.8	490.0	46.8
Operationg CF	59.8	67.0	▲ 7.2	88.2	90.0	▲ 1.8	101.8	113.0	▲ 11.2
Investment CF	▲ 27.2	▲ 50.0	22.8	▲ 5.1	▲ 50.0	44.9	▲ 11.2	▲ 50.0	38.8
DER	185%	223%	▲ 38%	166%	193%	▲ 27%	122%	148%	▲ 27%
NET DER	137%	186%	▲ 48%	105%	158%	▲ 53%	67%	119%	▲ 52%
ROE	3.7%	—	—	4.6%	—	—	6.5%	—	—
Equity Ratio	28.9%	23.4%	5.4%	31.0%	25.7%	5.3%	36.1%	30.3%	5.8%

Remark: "Mid-Term Management Plan is "K" Line Vision 100 - Bridge to the Future – which was announced in April 2012.

- Investment CF in each fiscal year were much lower than original target ¥50 billion/year.  
Free cash flow of accumulated 3 years is 206.3 billion yen( 32.6 in 2012 , 83.1 in 2013, 90.6 in 2014)
- Steady improvement of Financial standing.  
Shareholder's Equity , Equity Ratio and DER have recovered more than Original Plan.

## B. Estimate for FY 2015



# B-1. Estimate for Yearly FY2015

(unit:billion yen)

	FY2015			FY2014	Y on Y Comparison
	1H	2H	FY Estimate	FY	
Operating Revenues	735.0	725.0	1,460.0	1,352.4	107.6
Operating Income	21.0	22.0	43.0	48.0	▲ 5.0
Ordinary Income	20.0	20.0	40.0	49.0	▲ 9.0
Net Income	11.5	11.5	23.0	26.8	▲ 3.8
Exchange Rate	¥118.00	¥118.00	¥118.00	¥109.19	¥8.81
Bunker Price	\$350	\$350	\$350	\$541	▲\$191

(unit : billion yen)

		FY2015		
		1H	2H	FY
Containership Business	Operating Revenues	370.0	350.0	720.0
	Ordinary Income	8.0	4.0	12.0
Bulk Shipping Business	Operating Revenues	330.0	340.0	670.0
	Ordinary Income	14.0	18.0	32.0
Offshore Energy E&P Support & Heavy Lifter	Operating Revenues	15.0	15.0	30.0
	Ordinary Income	0.0	0.0	0.0
Other	Operating Revenues	20.0	20.0	40.0
	Ordinary Income	1.0	1.0	2.0
Adjustment	Operating Revenues	0.0	0.0	0.0
	Ordinary Income	▲ 3.0	▲ 3.0	▲ 6.0
Total	Operating Revenues	735.0	725.0	1,460.0
	Ordinary Income	20.0	20.0	40.0

## 【Dividend Plan】

Annual Dividend 5.0 yen/share ( interim 2.5 yen )

## 【Premises】

Exchange Rate ¥118.00/\$

Bunker Price \$350/mt

## 【Sensitivity against Ordinary Income】

Exchange Rate: ± ¥1/\$ => ±0.85 billion yen

Bunker Price :-/+\$10/mt => ±1.8 billion yen

<Comparison with FY2014> Revenue Increase 107.6 billion yen, Income Decrease 9.0 billion yen

(Unit: billion yen)

Variation Factors	FY2015 FY Estimate Comparison with 2014	
Exchange Rate	7.5	Exchange rate 8.81 yen /\$ depreciated
Bunker Oil Price	34.5	Bunker Price \$191/MT lower than last year
Market Volatility	▲ 45.0	Freight decline and volume decrease mainly in Drybulk and Container
Cost Increase/Decrease	13.7	Cost saving and earning improvement (B-3 of this material)
Others	▲ 19.7	Loss from revaluation of exchange rate and other temporary loss
Total	▲ 9.0	

## B-3. Progress of Cost Saving Plan

- 2014
- Original cost saving target in FY2014 13.1 billion yen
  - Actual achievement in FY2014 15.5 billion yen
  - 2.4 billion yen improved compared with original target

(Billion yen)

<b>Result of FY 2014</b>	Original Target	Result in 1H	Result in 2H	Result in FY	Comparison with Target	Achievement rate
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	7.7	2.8	8.6	11.4	3.7	148%
Non-Containership Business and Others	5.4	2.1	2.0	4.1	▲ 1.3	76%
Total	13.1	4.9	10.6	15.5	2.4	118%

- 2015
- Target for Cost Saving in FY2015 13.7 billion yen

(Billion yen)

<b>Target of FY 2015</b>	Target in FY	Target in 1H	Target in 2H
Containership Business: Business Restructuring/Operational Cost Saving/ Earning Improvement	11.4	6.2	5.2
Non-Containership Business and Others	2.3	1.2	1.1
Total	13.7	7.4	6.3

## C. Division-wise Trends



# C-1. Division-wise Trends

## - Containership Business -

### <FY2014 Results>

**Comparison with FY2013 : Operating Revenue : Increased / Ordinary Income : Recoverd to Black**

**Comparison with Previous Estimate as of Jan 2015 : Better than expected**

- Increased lifting TEU due to strong cargo demand and stable freight market mainly in Transpacific trade.
- Turned to black by effort for securing high profit cargo and effort for cost saving.

### <FY 2015 Estimate>

**Comparison with FY2014 : Operating Revenue : Increase / Ordinary Income : Decrease**

- Over supply situation because of a lot of deliveries of new large containerships.
- Market decline due to oil price decrease.
- To strengthen cost effectiveness by deliveries of latest eco 14000 TEU x 5 ships.
- To continue careful business management by further cost reduction and trade management with advanced IT technologies.

		FY2013	FY2014				FY2015	
		Results	1Q	2Q	3Q	4Q	Results	Estimate
<b>Operating Revenues (billion yen)</b>		582.4	158.4	171.1	174.3	173.6	677.4	720.0
<b>Ordinary Income (billion yen)</b>		▲ 0.1	2.2	7.3	8.7	2.4	20.6	12.0
<b>Trend of Freight Index FY'08 1Q=100</b>	Asia-North America	96	97	102	104	106	102	-
	Asia-Europe	73	78	78	65	69	73	-
<b>Lifting (10,000 TEU)</b>	Asia-North America	77.7	21.3	23.0	21.9	19.6	85.8	96.3
	Asia-Europe	45.8	12.7	12.9	12.0	11.0	48.6	46.9
<b>Capacity(10,000 TEU)</b>	Asia-North America	84.3	21.7	23.1	22.3	21.1	88.2	103.1
	Asia-Europe	49.2	13.4	13.9	13.5	12.9	53.8	51.6
<b>Utilization</b>	Asia-North America	92%	98%	100%	98%	93%	97%	93%
	Asia-Europe	93%	95%	92%	89%	85%	90%	91%

## C-2. Division-wise Trends -Dry Bulk Business-

### <FY2014 Results>

**Comparison with FY2013 : Operating Revenue & Ordinary Income : Increased**

**Comparison with Previous Estimate as of Jan 2014 : Operating Revenue & Ordinary Income : Worse than expected**

- Market of Capesize : Historically low market since last December after sudden market decline.
- Market of Panamax and under : Very low market continues as same as Capesize.

### <FY 2015 Estimate>

**Comparison with FY2014 : Operating Revenue : Increase / Ordinary Income : Decrease**

- Need more time for market recovery in all type of Dry Bulklers.
- Continuous efforts for profit improvement as effective tonnage utilization and cost saving, strengthen earnings structure which is not affected by spot market by decreasing spot exposure.

Dry Bulk Market	FY2013	FY2014				FY2015 Estimate			
	Results	1Q	2Q	3Q	4Q	Results	1H	2H	Est
Cape(170type)	\$17,300	\$11,900	\$13,000	\$14,100	\$4,600	\$10,900	\$8,000	\$15,000	\$11,500
Panamax(74type)	\$10,400	\$6,300	\$5,900	\$8,300	\$4,800	\$6,325	\$6,000	\$10,000	\$8,000
Handy(53type)	\$11,200	\$9,000	\$8,900	\$9,800	\$6,400	\$8,525	\$7,500	\$9,500	\$8,500
Small	\$8,400	\$7,800	\$6,500	\$7,100	\$5,200	\$6,650	\$6,000	\$8,000	\$7,000

# C-3. Division-wise Trends

## -Car Carrier Business-

### <FY2014 Results>

**Comparison with FY2013 : Operating Revenue: Increased / Ordinary Income: Decreased**

**Comparison with Previous Estimate as of Jan 2015: Worse than expected**

- Total units carried (inc. intra-Europe) : 3.17 million units (approx. ▲3 % (Y o Y))
- Strong market from Europe/North America to Far East trade and Transatlantic trade.

### <FY2015 Estimate>

**Comparison with FY2014 : Operating Revenue : Increase / Ordinary Income : Decrease**

- Steady ocean transport demand of completed cars in worldwide basis
- Cargo trends of export from Japan is downturn
- Flexible service along with change of trade pattern as increasing export from South East Asia and expanding demand of Trans-Atlantic.
- Trying to build further strong and stable business by increasing high and heavy cargo as construction machinery with our next generation large car carriers to be delivered serially.

Loading Results (1,000 units)	FY2014	FY2014				Results	FY2015 Estimate		
	Results	1Q	2Q	3Q	4Q		1H	2H	Estimate
Outbound	1,095	248	280	281	283	1,092	540	600	1,140
Homebound	337	80	83	80	66	309	150	150	290
Others	1,099	285	251	285	221	1,042	560	580	1,140
Intra-Europe	746	208	178	170	172	728	350	320	670
<b>Total</b>	<b>3,278</b>	<b>821</b>	<b>791</b>	<b>816</b>	<b>743</b>	<b>3,171</b>	<b>1,600</b>	<b>1,650</b>	<b>3,250</b>
Number of Operating vessels	98	98	96	97	102	-	-	-	-

## C-4. Division-wise Trends -LNG Carrier and Oil Tanker Business-

### <FY2014 Results>

**Comparison with FY2013 : Operating Revenue: Increased / Ordinary Income: Increased**

**Comparison with Previous Estimate as of Jan 2015: Worse than expected**

【LNG】 Steady working performance with long and middle term contracts.

【Tankers】 Improved profit due to market recovery.

VLCC tankers/LPG carriers: Steady working performance with long and middle term contracts.

### <FY 2015 Estimate>

**Comparison with FY2014 : Operating Revenue & Ordinary Income : Increase**

【LNG】 Steady working performance with long and middle term contracts.

【Tankers】 Trying to secure steady earnings by long and middle term contracts in VLCC and LPG carrier.

Improving earnings by further efficient ship operation of AFRAMAX tankers and Product tankers.

Tanker Market		FY 2013	FY2014				FY2015			
		Results	1Q	2Q	3Q	4Q	Results	1H	2H	Estimate
VLCC (M.East / Jpn)	WS	44	38	45	57	59	50	41	47	44
	C/B	\$25,170	\$12,200	\$22,700	\$50,000	\$60,833	\$36,433	\$30,000	\$40,000	\$35,000
Aframax (S.Asia / Jpn)	WS	80	91	102	104	106	101	109	109	109
	C/B	\$11,470	\$14,200	\$18,800	\$23,500	\$28,667	\$21,292	\$28,000	\$28,000	\$28,000
Clean 70,000 type (M.East / Jpn)	WS	84	88	106	111	99	101	91	91	91
	C/B	\$14,460	\$14,600	\$20,000	\$26,500	\$23,800	\$21,225	\$20,000	\$20,000	\$20,000

# C-5. Division-wise Trends

## - Offshore Energy E&P Support & Heavy Lifter Segment -

### [ Offshore Energy E&P Support ]

#### <FY2014 Results>

**Comparison with FY2013 : Operating Revenue : Increased / Ordinary Income : Posted Deficit**

**Comparison with Previous Estimate as of Jan 2015: Worse than expected**

**[Offshore Support Vessels]** Steady fleet working and made operational income profit but ordinary income was deficit by revaluation loss from Norwegian Krone. Effect from oil price decline, market has become worse since last autumn.

**[Drillship]** Made profit by steady ship operation.

#### <FY 2015 Estimate>

**Comparison with FY2014 : Operating Revenue : Decrease / Ordinary Income : Turn into Black**

**[Offshore Support Vessels]** Need more time for market recovery.

Try to improve profit by securing long and middle term contracts.

**[Drillship]** Expect to contribute profit by steady ship operation.

### [ Heavy Lifters ]

#### <FY2014 Results>

**Comparison with FY2013 : Operating Revenue: Increased / Ordinary Income: Decreased deficit**

**Comparison with Previous Estimate as of Jan 2014: Operating Revenue : Increase / Ordinary Income : Better than expected**

-Large-size Heavy Lifters Secured high profit project cargo as offshore installation work.

- Small and Middle-size Heavy Lifters Market recovered.

#### <FY 2015 Estimate>

**Comparison with FY2014 : Operating Revenue: Decrease / Ordinary Income: Almost same as 2014**

-Heavy cargo volume may decrease due to oil price decline.

-Focus on increasing contracts of high profit project cargo transport and offshore installation operation work.

**Thank you.**