




Medium-term Management Plan

「**K** Value for our Next Century - Action for Future -」
- Supplement Document -

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川崎汽船株式会社

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Medium-term Management Plan -Supplement Document-

We had arranged the supplement documents for our Review of Medium-term Management Plan “ Value for our Next Century - Action for Future –”, released on 28th April, 2016. This is for our stake holders’ better understanding of our plan, as we had frequently asked the following points after the release.

- 1. Measures to improve ordinary income toward 2019FY (vs 2016FY)**
- 2. Target shape of financial result and assets of main business segment in 2019FY**

We would like to add the supplementary page A-4.

A-3 New Plan:

Projection for FY2019, Measure to improving ROE Value for our Next Century

	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

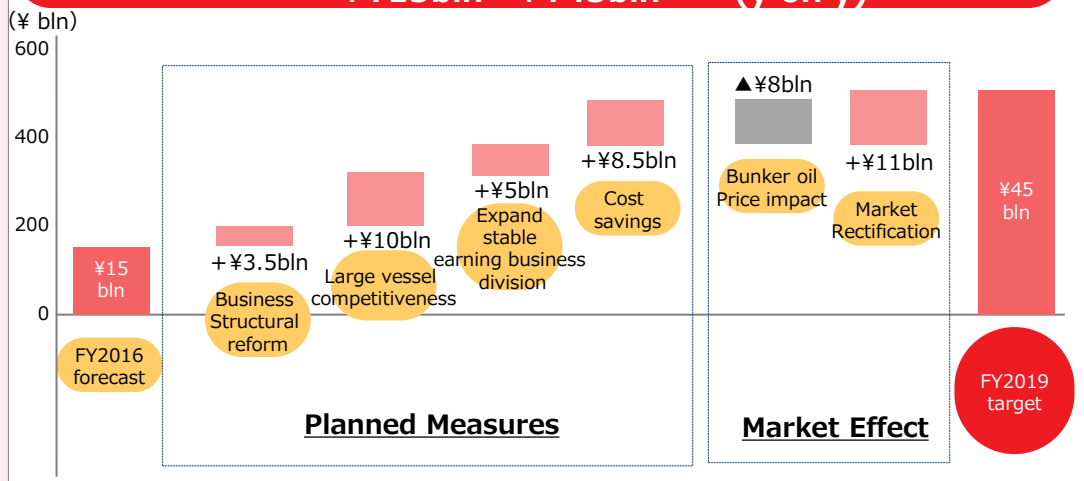
- Stable dividends will continue to be an ongoing plan
- FY2016 – not decided

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%

A-3 New Plan: (Added Supplementary Page) - Ordinary Income FY2016 vs FY2019

Key Measures to improve ordinary income FY2016 vs FY2019 +¥15bln⇒+¥45bln (y on y)



To FY2019: Key factors lifting/reducing ordinary income

Planned Measures

- ▶ Additional Earning boost of Business Structural reform on FY2017 **+¥3.5bln**
- ▶ Improving competitiveness by energy-efficient large vessels **+¥10.0bln**
5 Containers (FY2018)/5 Car Carriers(FY2017/2018)
- ▶ Expanding stable earnings business division **+¥5.0bln**
Car Carrier/Energy related transport/Logistics/others
- ▶ Additional Cost savings **+¥8.5bln**
Additional measures taken every year after 2016

Market Effect

- ▶ Bunker oil price impact **▲¥8.0bln**
- ▶ Market Rectification **+¥11.0bln**
- ▶ Total **+¥30.0bln**

Achieve ¥45bln in FY2019 ordinary income

Forecast / Target for FY 2019 by Main Segment

(unit: billion yen)

Segment		FY 2015 results	FY2016 forecast	FY2019 target
Containership Segment	Operating revenue	623.0	580.0	660.0
	Segment Asset	231.5	210.0	195.0
	Segment Income	▲10.0	11.0	22.0
Bulk Shipping Segment	Operating revenue	570.2	460.0	475.0
	Segment Asset	686.2	650.0	710.0
	Segment Income	24.7	9.0	23.0

Measures for FY2019

- Containership Segment : Planning to replace asset of containership business and expand Logistics.
- Bulk Shipping Segment: Planning to reduce asset by selling drybulk vessels etc and expand Car Carrier/LNG carrier/Tanker business.

Measures for post FY2020

In revised Med-term Management plan, while keeping a close eye on future business environmental trends, our highest priorities are ensuring competitiveness and bolstering our finances, and we are moving back our target for 10% ROE attainment to FY2020 at the earliest. We are to take above measures steadily and ensure the FY 2019 target, and then, continue our core themes as follows;

- Revise policy for distribution of management resources
- Improve earnings by sustainable Cost savings etc.
- Ensure Group competitiveness of assets

Value for our Next Century

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