

Financial Results for FY16/3 and Forecast for FY17/3

April 2016

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1. Financial Highlights for FY16/3

➤ **Decrease in revenues and profit** compared with FY15/3

***Decline from weak container and dry bulker market exceeded benefits from lower bunker oil price and cost reduction initiatives.**

- Liner business : Less profit

- Bulk Shipping : Less profit

- Dry bulker : Suffered from market depression.

- Tanker : Supported by strong spot rate and contract renewals with better terms.

***Increase in profit of Air Cargo business and Logistics business.**

***Decrease of Non-Operating Income :**

- Improvement of earnings from companies using equity method.

- Decrease due to Foreign Exchange loss.

➤ **Extraordinary Income and Loss :**

Income - Sale of Crystal Cruise LLC

Loss - Dry bulker : Sales of redundant ships, return of chartered-in vessels before expiry date, recognizing impairment losses of a part of vessels.

➤ **Satisfactory progress in restoration of Balance Sheet(Reduction of interest-bearing debt, Improvement in DER)**

Summary of FY16/3 Result

- Decrease in revenues and profit compared with FY15/3, due to weak market condition.
- Returned and sold redundant ships, recognized impairment loss in dry bulker segment.

(billion yen)	FY15/3					FY16/3					Year-on-year	Previous forecast 4Q	Change from previous forecast
	1Q	2Q	3Q	4Q	Full-Year	1Q	2Q	3Q	4Q	Full-Year			
Revenues	582.3	596.7	603.7	618.9	2,401.8	588.7	609.5	568.3	505.6	2,272.3	-129.5	553.5	-47.8
Operating Income	11.5	16.3	13.0	25.2	66.1	17.4	21.1	8.5	1.7	48.9	-17.2	3.9	-2.1
Recurring Profit	12.0	24.7	24.8	22.4	84.0	21.5	21.2	13.3	4.0	60.0	-23.9	10.0	-5.9
Net Income attributable to owners of the parent company	10.2	9.7	8.4	19.1	47.5	43.0	11.7	-31.9	-4.5	18.2	-29.3	2.2	-6.7

Exchange Rate ¥102.40 ¥102.65 ¥112.34 ¥119.36 ¥109.19 ¥120.97 ¥122.56 ¥121.23 ¥118.37 ¥120.78 ¥11.59 ¥120.00

Bunker Oil Price \$616.36 \$610.64 \$574.02 \$428.10 \$557.28 \$357.71 \$349.69 \$276.00 \$211.22 \$298.66 -\$258.62 \$220.00

FY16/3 cash dividend forecast : ¥6/share(¥4/share for interim and ¥2/share for year-end)
- Decrease by ¥1/share for year-end compared with FY15/3

FY15/3 vs FY16/3 by Industrial Segments

	Industrial Segments (billion yen)	FY15/3					FY16/3					Year-on-year	Previous forecast 4Q	Change from previous forecast
		1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year			
Global Logistics	Liner	166.8 -0.1	177.2 5.1	171.3 1.0	180.9 3.7	696.3 9.8	184.1 3.9	194.0 3.8	168.6 -6.9	159.4 -1.1	706.3 -0.3	10.0 -10.1	168.2 -0.9	-8.7 -0.2
	Air Cargo	22.3 -2.2	24.0 -1.1	26.8 2.0	25.9 1.9	99.1 0.6	24.6 0.8	24.2 0.1	23.8 1.2	18.3 -0.6	91.1 1.5	-8.0 0.8	21.3 -0.1	-2.9 -0.5
	Logistics	109.8 1.4	116.7 2.8	127.2 3.0	133.1 3.4	486.9 10.7	123.4 2.3	126.0 3.7	129.9 4.1	117.0 1.6	496.5 11.8	9.5 1.0	120.6 2.4	-3.5 -0.7
	Total	299.0 -1.0	317.9 6.8	325.4 6.2	340.0 9.2	1,282.3 21.3	332.3 7.1	344.3 7.7	322.4 -1.5	294.7 -0.1	1,293.9 13.1	11.5 -8.1	310.0 1.4	-15.2 -1.5
Bulk Shipping	Bulk Shipping	252.5 11.9	245.4 15.5	249.2 18.1	248.7 14.4	995.8 60.0	237.5 14.4	245.6 12.8	226.9 13.7	192.1 5.6	902.2 46.5	-93.5 -13.4	220.0 10.1	-27.8 -4.4
Others	Real Estate	2.4 0.9	2.4 0.8	2.3 0.8	2.3 0.6	9.5 3.2	2.3 0.7	2.5 0.9	2.4 0.8	2.4 0.7	9.7 3.3	0.2 0.1	2.8 0.5	-0.3 0.2
	Other	57.0 0.5	58.2 1.9	52.5 0.1	51.7 -1.0	219.5 1.5	37.8 -0.1	38.6 0.2	36.5 0.8	33.9 -0.9	147.0 0.0	-72.5 -1.5	42.0 -0.8	-8.0 0.0
	Elimination/ Unallocation	-28.6 -0.4	-27.2 -0.4	-25.8 -0.4	-23.7 -0.8	-105.4 -2.1	-21.3 -0.5	-21.6 -0.6	-20.0 -0.5	-17.7 -1.2	-80.7 -2.9	24.7 -0.8	-21.1 -0.9	3.3 -0.3
	Consolidated	582.3 12.0	596.7 24.7	603.7 24.8	618.9 22.4	2,401.8 84.0	588.7 21.5	609.5 21.2	568.3 13.3	505.6 4.0	2,272.3 60.0	-129.5 -23.9	553.5 10.0	-47.8 -5.9

* (Upper) Revenues (Lower) Recurring Profit

- Decline in Liner business compared with FY15/3 due to worsen sport freight rates under weak demand.
- Fall in profit of Dry bulker, as BDI recorded historical low level, exceeded increase in profit from strong tanker market.



Analysis of Change in Recurring Profit between FY15/3 and FY16/3

Decline from weak container and dry bulker market and Foreign Exchange Loss were larger than contribution from Yen Depreciation, Lower Bunker Oil Prices, and Cost Reduction initiatives.

(billion yen)

Yen Depreciation	12.7	¥ 120.78/\$, Depreciated by ¥ 11.59
Lower Bunker Oil Price	33.6	\$298.66/MT, Decreased by \$258.62
Market Effects etc	-57.4	
Cost Reduction	9.7	
Foreign Exchange Gain/Loss	-18.6	
Others	-3.9	
Total	-23.9	

2. Forecast for FY17/3

- **Profit from Business with Stable Freight Rates will be mostly in line with initial plan however, we expect decrease in revenues and profit due to weak market and yen appreciation.**
 - **Liner business : Less profit**
 - **Maintain current alliance scheme as it is in FY17/3**
 - **Difficult to expect market rapid recovery**
 - **Decline in profit due to weak market exceeds contribution from Cost Reduction initiatives, such as deployment of ultra-large container ships, and reconfiguration/withdrawal of several container shipping trade lanes.**
 - **Bulk Shipping : Less profit**
 - **Decline in profit of liquid tankers due to softening market and decrease in number of vehicles carried by RORO ships exceeds contribution from Structural Reforms undertaking in Dry Bulker division.**
- **FY17/3 cash dividend forecast :**

Annual dividend of ¥4/share (¥2/share for interim and ¥2/share for year-end)
- **Assumption for exchange rate, bunker oil price and sensitivity on Recurring Profit .**
 - **Exchange rate ¥110/\$: ¥ 0.7 billion (Full-year) increase per ¥1/\$ depreciation**
 - **Bunker oil price \$200/MT : ¥ 1.1 billion (Full-year) increase per \$10/MT decrease**

Forecast for FY17/3

Forecasting even decrease in revenues and profit ,while taking steady steps to improve Market Risk Tolerance, stable dividend return policy is maintained.

(billion yen)	FY16/3(Result)					FY17/3 (Forecast)			Year-on-year
	1H		2H		Full-year	1H	2H	Full-year	
	1Q	2Q	3Q	4Q					
Revenues	1,198.2		1,074.0		2,272.3	1,090.0	1,090.0	2,180.0	-92.3 -4%
	588.7	609.5	568.3	505.6					
Operating Income	38.6		10.3		48.9	10.5	17.0	27.5	-21.4 -44%
	17.4	21.1	8.5	1.7					
Recurring Profit	42.7		17.3		60.0	15.0	20.0	35.0	-25.0 -42%
	21.5	21.2	13.3	4.0					
Net Income attributable to owners of the parent company	54.7		-36.5		18.2	5.0	10.0	15.0	-3.2 -18%
	43.0	11.7	-31.9	-4.5					

Exchange Rate \$120.97 ¥122.56 ¥121.23 ¥118.37 ¥120.78 ¥110.00 ¥110.00 ¥110.00 ¥-10.78

Bunker Oil Price ¥357.71 \$349.69 \$276.00 \$211.22 \$298.66 \$200.00 \$200.00 \$200.00 -\$98.66

- Sensitivity on Recurring Profit

- Exchange rate : ¥ 0.7 billion (Full-year) increase per ¥1/\$ depreciation
- Bunker oil price : ¥ 1.1 billion (Full-year) increase per \$10/MT decrease

- FY17/3 cash dividend forecast :Annual dividend of ¥4/share (¥2/share for interim and ¥2/share for year-end) 7

FY16/3 Results vs FY17/3 Forecast by Industrial Segments

	Industrial Segment (billion yen)	FY16/3(Result)							FY17/3(Forecast)			Year-on-year
								Full-year	1H	2H	Full-year	
		1Q	2Q	1H	3Q	4Q	2H					
Global Logistics	Liner	184.1	194.0	378.2	168.6	159.4	328.0	706.3	351.0	342.0	693.0	-13.3
		3.9	3.8	7.8	-6.9	-1.1	-8.1	-0.3	-2.5	-2.5	-5.0	-4.7
	Air Cargo	24.6	24.2	48.9	23.8	18.3	42.1	91.1	42.5	42.5	85.0	-6.1
		0.8	0.1	0.9	1.2	-0.6	0.5	1.5	-0.5	1.5	1.0	-0.5
	Logistics	123.4	126.0	249.5	129.9	117.0	246.9	496.5	247.0	251.0	498.0	1.5
		2.3	3.7	6.0	4.1	1.6	5.8	11.8	5.0	7.0	12.0	0.2
Total	332.3	344.3	676.7	322.4	294.7	617.2	1,293.9	640.5	635.5	1,276.0	-17.9	
	7.1	7.7	14.8	-1.5	-0.1	-1.7	13.1	2.0	6.0	8.0	-5.1	
Bulk Shipping	Bulk Shipping	237.5	245.6	483.1	226.9	192.1	419.1	902.2	413.5	416.5	830.0	-72.2
		14.4	12.8	27.2	13.7	5.6	19.3	46.5	10.0	13.0	23.0	-23.5
Others	Real Estate	2.3	2.5	4.8	2.4	2.4	4.9	9.7	4.5	5.0	9.5	-0.2
		0.7	0.9	1.7	0.8	0.7	1.6	3.3	2.0	1.5	3.5	0.2
	Other	37.8	38.6	76.5	36.5	33.9	70.5	147.0	73.0	74.5	147.5	0.5
		-0.1	0.2	0.0	0.8	-0.9	-0.1	0.0	2.0	1.0	3.0	3.0
	Elimination/ Unallocation	-21.3	-21.6	-42.9	-20.0	-17.7	-37.7	-80.7	-41.5	-41.5	-83.0	-2.3
		-0.5	-0.6	-1.1	-0.5	-1.2	-1.8	-2.9	-1.0	-1.5	-2.5	0.4
	Consolidated	588.7	609.5	1,198.2	568.3	505.6	1,074.0	2,272.3	1,090.0	1,090.0	2,180.0	-92.3
		21.5	21.2	42.7	13.3	4.0	17.3	60.0	15.0	20.0	35.0	-25.0

* (Upper) Revenues (Lower) Recurring Profit

- Decline in profit of Liner business due to plunge of spot rate market, while Logistics show steady moves.
- Decline in profit of liquid tankers due to softening market and decrease in number of vehicles carried by RORO ships exceeds contribution from Structural Reforms undertaking in Dry Bulker division.

3. Overview of Each Industrial Segment

【Liner】

- In general, cargo demand from Asia to both US and Europe is expected to grow, while increment of capacity growth shrinks to the lowest level in years.
- Increase cargo liftings, improve space utilization and tireless cost reduction initiatives are the keys to success.

【Air Cargo】

- Maintain profitable figure for 3 years in a row by leveraging lower fuel price and volume increase to supplement weak freight yield.

【Dry Bulkers】

- Charter market bottomed out. Increase in scrap and lay-up vessels would squeeze the gap in supply and demand. Steady market recovery would be eventually seen.

【Liquid Tankers】

- Tanker market becomes softer(compare with FH15/3) to a certain degree due to increment of new tonnage delivery .

1. Liner(Container Transportation):

Container Lifting, Slot (1,000TEU)

		FY15/3 (Result)	FY16/3(Result)					Change from previous forecast	FY17/3(Forecast)			Year- on- Year
			1Q	2Q	3Q	4Q	Full-year		1H	2H	Full-year	
Asia→ North America	Lifting	718	189	213	191	175	769	-16	410	399	809	40
	Slot	774	203	227	211	201	842	-2	438	432	870	28
	Utilizaion	93%	93%	94%	91%	87%	91%	-2%	94%	92%	93%	2%
Asia→Europe	Lifting	574	124	140	123	121	508	-2	271	257	528	20
	Slot	605	146	143	126	132	547	8	280	270	550	3
	Utilizaion	95%	85%	98%	97%	92%	93%	-2%	97%	95%	96%	3%

Trend of Container Freight Rate (Index, FY09/3 1Q=100)

		FY15/3 (Result)	FY16/3(Result)					Change from previous forecast	FY17/3(Forecast)			Year- on- Year
			1Q	2Q	3Q	4Q	Full-year		1H	2H	Full-year	
Asia→North America		91	89	87	83	81	85	0	76	76	76	-9
Asia→Europe		70	58	54	48	49	52	1	48	49	48	-4

- Liftings : keeping up with market organic growth.
Asia-North America:+5.2% up Asia-Europe:+3.9% up
- Freight rate : expect moderate recovery from the current rate level.

2. Air Cargo Transportation (NCA)

		FY15/3 (Result)	FY16/3 (Result)					FY17/3 (Forecast)		
			1H		2H		Full-year	1H	2H	Full-Year
			1Q	2Q	3Q	4Q				
Revenues	billion yen	99.1	48.9		42.1		91.1	42.5	42.5	85.0
			24.6	24.2	23.8	18.3				
Recurring Profit	billion yen	0.6	0.9		0.5		1.5	-0.5	1.5	1.0
			0.8	0.1	1.2	-0.6				
Chargeable Weight	1,000 ton	470	244		217		461	251	239	489
			122	122	115	101				
Volume (RTK)	Mil.ton kilo	2,895	1,513		1,353		2,866	1,563	1,492	3,055
			761	752	721	632				
Capacity (ATK)	Mil.ton kilo	3,988	2,135		2,035		4,170	2,240	2,140	4,380
			1,048	1,087	1,052	982				
YIELD	FY09/3 1Q=100	98	92		88		90	77	82	80
			94	91	95	79				
MOPS	US\$ per bbl	\$99	\$68		\$48		\$58	\$45	\$45	\$45
			\$75	\$61	\$55	\$42				

- 16/3 4Q : Cargo rush was hardly seen even before Lunar New Year holidays nor Japanese FY end.
- 17/3 : Undertake profitable figure for 3 years in a row by leveraging lower fuel price and volume increase to supplement weak freight yield.

3. Logistics

(billion yen)	FY15/3 (Result)	FY16/3 (Result)					FY17/3 (Forecast)		
		1H		2H		Full- Year	1H	2H	Full- year
		1Q	2Q	3Q	4Q				
Revenues	486.9	249.5		246.9		496.5	247.0	251.0	498.0
		123.4	126.0	129.9	117.0				
Recurring Profit	10.7	6.0		5.8		11.8	5.0	7.0	12.0
		2.3	3.7	4.1	1.6				

- FY16/3: Handling volume was at steady level in the ocean freight forwarding business. In the logistics business, operational reforms improved efficiency.
- FY17/3: Handling volume will be steadily strong .

Bulk Shipping business

4. Bulk Shipping – 1) Market trend and forecast:

		FY15/3 (Result)	FY16/3(Result)					FY17/3(Forecast)		
			1Q	2Q	3Q	4Q	Full-Year	1H	2H	Full-Year
Dry Bulk Carrier	B D I	917	632	974	640	359	649	808	880	844
	Cape (5TC)	12,005	5,784	12,647	8,076	2,728	7,309	9,000	11,000	10,000
	Panamax (Pac)	6,335	4,650	6,601	4,258	3,116	4,656	6,000	6,500	6,250
	Handymax (Pac)	8,142	6,058	6,700	5,204	3,523	5,371	6,250	6,250	6,250
	Handy (Pac)	6,755	4,618	4,838	4,302	3,317	4,269	5,250	5,250	5,250
Tanker	VLCC	35,208	62,411	54,951	87,296	57,956	65,653	42,500	37,500	40,000

* From FY16/3 4Q, Cape size index is indicated as per 5TC from 4TC.

* Spot charterage by vessel type 5TC = average of 5 routes, Pac = Pacific-round, Currency Unit = US\$ / day

【Dry Bulk Carriers】

- Charter market bottomed out. Increase in scrap and lay-up vessels would squeeze the gap in supply and demand. Steady market recovery would be eventually seen.

【Tankers】

- Tanker market becomes softer(compare with FH15/3) to a certain degree due to increment of new tonnage delivery .

Bulk Shipping business

4. Bulk Shipping –2) Car Carrier :

Car Transportation Result/Forecast(1,000Cars)

	FY15/3 (Result)	FY16/3(Result)						FY17/3 (Forecast)		
		1H		2H		Full- year		1H	2H	Full- year
		1Q	2Q	3Q	4Q					
All Trade (1,000cars)	3,650	1,880		1,820		3,700		1,760	1,770	3,530
		940	940	980	840					
Change	2%	2%		0%		1%		-6%	-3%	-5%
		1%	4%	5%	-6%					

- FY16/3 : Volume remained stable as planed.
- FY17/3 : Demand will be sluggish especially in emerging countries and resource-rich countries.
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Financial Position

		FY14/3 (Result)	FY15/3 (Result)	FY16/3 (Previous Forecast)	FY16/3 (Result)	FY17/3 (Forecast)
Interest-bearing debt	billion yen	1,241.9	1,098.3	1,000.0	940.5	1,000.0
Shareholders' equity	billion yen	720.2	810.3	830.0	773.6	780.0
Shareholders' equity ratio		28%	32%	33%	34%	34%
DER		1.72	1.36	1.20	1.22	1.28
ROE		4.8%	6.2%	5.7%	2.3%	2.0%
Cash flow from operating activities	billion yen	136.5	136.4	140.0	142.8	100.0
Cash flow from investing activities	billion yen	6.4	26.7	-100.0	-46.8	-200.0
(Depreciation and amortization)	billion yen	(105.9)	(101.0)	(100.0)	(103.3)	(100.0)

FY16/3

- Satisfactory progress in reduction of interest-bearing debt.
- Steady improvement in shareholder's equity ratio and DER.

FY17/3

- Increase of cash out flow from investing activities will make negative free CF , however total free CF in three-year period starting from FY15/3 when mid-term management plan MTS 2018(FY15/3-FY19/3) was launched, will be positive enough.

Fleet in Operation

Industrial Segment	Type of vessel	FY15/3 (Result)			FY16/3 (Result)					
		Owned (incl. co-owned)	Chartered	Total	Owned (incl. co-owned)		Chartered		Total	
		Vessels	Vessels	Vessels	Vessels	Kt(dwt)	Vessels	Kt(dwt)	Vessels	Kt(dwt)
Liner	Container ships	20	84	104	19	1,143	80	4,676	99	5,820
Bulk Shipping	Capesize bulkers	36	87	123	31	5,996	77	15,252	108	21,248
	Panamax bulkers	42	71	113	40	3,547	65	5,305	105	8,853
	Handysize bulkers	67	105	172	58	2,701	106	4,856	164	7,557
	Wood chip carriers	8	40	48	8	416	39	2,092	47	2,509
	Car carriers	28	95	123	30	512	89	1,652	119	2,165
	Tankers	47	21	68	47	8,371	21	2,659	68	11,030
	LNG carriers (※)	66	3	69	65	5,121	3	228	68	5,349
	Multi-purpose carriers	15	32	47	17	336	24	351	41	688
	Others	1	0	1	1	7	0	0	1	7
Others	Cruise ships	1	2	3	1	7	0	0	1	7
Total		331	540	871	317	28,157	504	37,076	821	65,233
Offshore business (Including vessels owned by equity method affiliates)	Shuttle tankers	28	0	28	28	3,159	0	-	28	3,159
	FPSO	1	-	1	2	-	0	-	2	-
	Drillships	1	-	1	1	-	0	-	1	-
Grand total		361	540	901	348	31,316	504	37,076	852	68,392

-Co-owned ships's dwt is including not only NYK Group companies' ownership but also other companies' ownership.

-The total number of LNG carriers owned includes vessels owned by equity method affiliates.

- Capesize: Over 120,000DWT
- Panamax: 60,000-119,999DWT
- Handysize: Under 60,000DWT