



# Financial Highlights Brief Report for 3rd Quarter FY2020

3rd February, 2021



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# A. Financial Highlights for 3rd Quarter FY2020

# A-1 : Financial Results for 3rd Quarter FY2020

## Financial Results for 3rd Quarter FY2020

(billion yen)

Operating Revenues and Profit/loss	FY2020			FY2019		As of Dec 28, 2020	
	1H	3Q	1-3Q (a)	1-3Q (b)	(a)-(b)	1-3Q (c)	(a)-(c)
Operating Revenues	300.1	168.6	468.7	567.2	- 98.5	-	-
Operating Income/Loss	- 10.2	7.0	- 3.2	21.6	- 24.8	-	-
Ordinary Income/Loss	10.0	32.9	42.9	24.5	18.4	40.0	2.9
Net Income/Loss Attributable to Owners of Parent	9.6	53.6	63.2	25.2	38.0	60.0	3.2
Exchange Rate( ¥/\$)	¥106.82	¥104.76	¥106.14	¥109.05	-¥2.91		
Bunker Price(/MT)	\$353	\$335	\$347	\$445	-\$99		

## Key Financial Indicator

(billion yen)

Indicators	FY2020 3Q (d)	FY2019 (e)	(d)-(e)
Shareholder's Equity	163.1	101.1	62.0
Interest-bearing liability	536.0	543.5	-7.5
Cash and Cash equivalents at the end of period	143.7	111.9	31.8
DER	329%	538%	-209 points
NET DER	238%	423%	-185 points
Equity Ratio	18%(*)	11%	6 points

## Key Factors

- ▶ Containership Business operated by equity-method affiliate OCEAN NETWORK EXPRESS PTE. LTD posted higher ordinary and net income by stable market condition as a result of robust cargo demand.
- ▶ Net income attributable to owners of parent improved as a result of extraordinary income from the sale of Company's shares in INTERNATIONAL TRANSPORTATION SERVICE, INC., which operates the overseas terminal business.

\*22%, including the subordinated loan with 50% equity credit from a rating agency

## A-2 : Financial Results for 3rd Quarter FY2020 by Segment

### Financial Results for 3rd Quarter FY2020 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2020			FY2019	
	1H	3Q	1-3Q (f)	1-3Q (g)	(f)-(g)
<b>Dry Bulk</b>	88.0	47.5	135.5	181.9	- 46.4
	- 9.3	1.6	- 7.6	4.0	- 11.6
<b>Energy Resource Transport</b>	37.8	19.8	57.6	65.0	- 7.4
	3.4	0.6	4.0	7.7	- 3.7
<b>Product Logistics</b>	161.7	92.3	254.0	295.1	- 41.1
	18.7	33.2	51.9	15.7	36.2
Containership	21.3	10.8	32.1	76.0	- 43.9
	21.5	30.2	51.7	5.6	46.1
<b>Other</b>	12.5	9.1	21.6	25.3	- 3.6
	0.6	0.0	0.7	1.3	- 0.7
<b>Adjustment</b>	-	-	-	-	-
	- 3.5	- 2.4	- 6.0	- 4.1	- 1.9
<b>Total</b>	300.1	168.6	468.7	567.2	- 98.5
	10.0	32.9	42.9	24.5	18.4

### Key Factors

#### ▶ Dry Bulk

Market conditions have been rebounding since the middle of the fiscal year. The market rose at the start of the third quarter, before it declined at the end of the quarter. Operating revenues declined YoY and a loss was posted for the period due to the 1H market conditions slump caused by COVID-19.

#### ▶ Energy Resource Transport

Tanker and LNG Carrier Businesses were stable overall, while Offshore Support Vessel market conditions did not recover due to the decline in oil prices and other factors. Segment operating revenues and ordinary income declined year on year.

#### ▶ Product Logistics

Car Carrier Business suffered a plunge in transport volume due to COVID-19 but is currently showing recovery.

In Containership Business, ONE posted strong improvement in profitability as freight rate market conditions remained firm and cargo demand recovered after summer in addition to flexible vessel deployment matching cargo volume and cost-saving initiatives.

Overall, the segment posted higher YoY income on lower revenues.

## **B. Forecasts and Initiatives for FY2020**

# B-1 : Forecasts for FY2020 and Key Factors

## Forecasts for FY2020

(billion yen)

Operating Revenues and Profit/loss	FY2020			FY2019		As of Nov 2020	
	1H	2H Forecast	Total Forecast (h)	Total (i)	(h)-(i)	Total (j)	(h)-(j)
Operating Revenues	300.1	311.9	612.0	735.3	- 123.3	590.0	22.0
Operating Income/Loss	- 10.2	- 10.7	- 21.0	6.8	- 27.8	- 25.0	4.0
Ordinary Income/Loss	10.0	40.0	50.0	7.4	42.6	0.0	50.0
Net Income/Loss Attributable to Owners of Parent	9.6	55.3	65.0	5.3	59.7	20.0	45.0
Exchange Rate( ¥/\$)	¥106.82	¥104.63	¥105.73	¥109.13	-¥3.40	¥105.98	-¥0.25
Bunker Price(/MT)	\$353	\$365	\$358	\$467	-\$109	\$362	-\$3

## Key Factors

- ▶ Possible impact of a resurgence in COVID-19 infections must be monitored.
- ▶ Full-year operating revenues are forecast at 612.0billion yen, on par with 2Q forecast, while full-year operating loss is forecast at -21.0 billion yen, an improvement of +4.0 billion yen versus 2Q forecast.
- ▶ Full-year ordinary income is forecast at +50.0 billion yen (+50.0 billion yen higher than 2Q forecast), while net income is forecast at +65.0 billion yen (+45.0 billion yen higher than 2Q forecast).

### Key factor assumption

- ▶ Yen-\$ exchange rate ¥106
- ▶ Bunker Price \$358/MT
- ▶ Market Assumption  
Please refer to "Appendix"

### Estimates Sensitivity (4Q・3 months)

- ▶ Yen-US\$ rate : each ¥1 weaker (stronger) adds (subtracts) ±¥0.07bln
- ▶ Bunker price : each \$10/mt down (up) adds (subtracts)± ¥ 0.00bln

### Dividends

While our priority is also to stabilize our financial strength and keep improving our financial results, we have not decided to pay year-end dividends.

## B-2 : Forecasts for FY2020 by Segment

### Forecasts for FY2020 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2020			FY2019		As of Nov 2020	
	1H	2H Forecast	Total Forecast (k)	Total (l)	(k)-(l)	Total (m)	(k)-(m)
<b>Dry Bulk</b>	88.0	93.0	181.0	233.8	- 52.8	179.0	2.0
	- 9.3	1.2	- 8.0	4.1	- 12.1	- 7.0	- 1.0
<b>Energy Resource Transport</b>	37.8	38.3	76.0	84.7	- 8.6	78.0	- 2.0
	3.4	- 2.4	1.0	9.9	- 8.9	0.5	0.5
<b>Product Logistics</b>	161.7	165.3	327.0	384.5	- 57.5	308.0	19.0
	18.7	46.3	65.0	- 2.9	67.9	11.5	53.5
Containership	21.3	21.7	43.0	102.0	- 59.0	42.0	1.0
	21.5	44.5	66.0	- 10.4	76.5	16.0	50.0
<b>Other</b>	12.5	15.4	28.0	32.3	- 4.3	25.0	3.0
	0.6	- 0.1	0.5	1.7	- 1.2	1.0	- 0.5
<b>Adjustment</b>	-	-	-	-	-	-	-
	- 3.5	- 5.0	- 8.5	- 5.4	- 3.1	- 6.0	- 2.5
<b>Total</b>	300.1	311.9	612.0	735.3	- 123.3	590.0	22.0
	10.0	40.0	50.0	7.4	42.6	0.0	50.0

### Key Factors by Segments

#### ▶ Dry Bulk

There are signs of a recovery in the supply-demand balance of marine transport, primarily for raw materials, as nations implement economic stimulus measures. However, full-year forecast is revised downward due to the temporary decline in Cape-size market in the third quarter

#### ▶ Energy Resource Transport

VLCC (Very Large Crude Carrier), LPG Carrier, Thermal Coal Carrier, and LNG Carrier Businesses are forecast to deliver stable profits backed by medium- to long-term charter contracts. Offshore Support Business will implement cost-cutting and other measures to raise profitability. Drillship Business is forecast to post a temporary decline in profitability due to slumping oil prices.

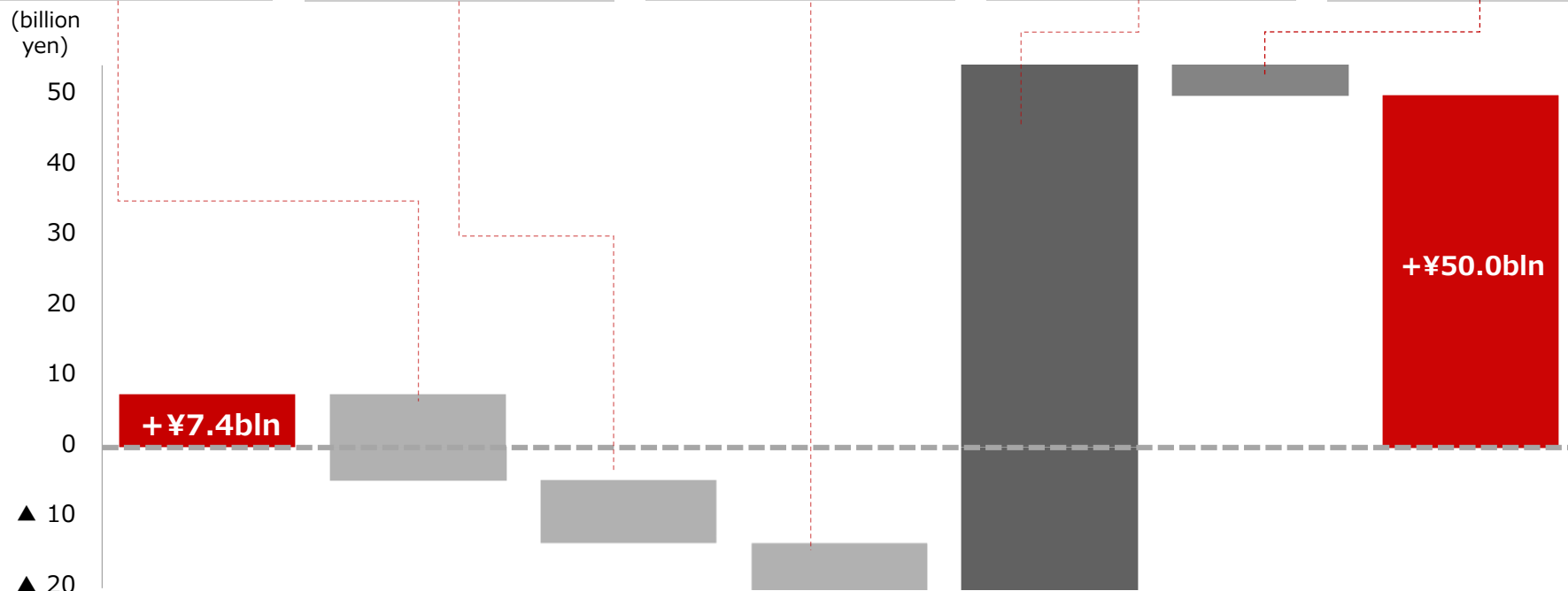
#### ▶ Product Logistics

Car Carrier Business transport volume is rebounding, but the impact by COVID-19 will linger to some extent. Logistics Business will aim for improved profitability backed by demand recovery and efforts to capitalize on e-commerce-related cargo movements. Containership market conditions are expected to remain stable amid a rebound in demand.



# B-3 : Forecasts for FY2020 by Segment

## ■ Y-o-Y Changes in Ordinary Income/Loss by Segment



FY2019 Ordinary Income +¥7.4bln



FY2020 Ordinary Income +¥50.0bln

# | Appendix

# Market Results and Assumptions / Market Exposure

## ■ Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q Forecast	Forecast
Capesize	\$11,350	\$29,400	\$21,950	\$4,500	\$16,800	\$9,950	\$20,750	\$16,950	\$16,000	\$16,000
Panamax	\$9,500	\$16,050	\$11,550	\$5,700	\$10,700	\$6,050	\$11,750	\$10,700	\$8,500	\$9,300
Handymax	\$8,200	\$12,300	\$10,600	\$6,550	\$9,400	\$5,500	\$9,950	\$10,750	\$8,000	\$8,550
Small Handy	\$6,100	\$8,450	\$8,100	\$4,500	\$6,800	\$3,250	\$7,150	\$9,200	\$7,000	\$6,650

## ■ Tanker Market Results and Assumption

Tanker Market (WS)	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q Forecast	Forecast
VLCC	41	55	112	87	74	94	35	29	52	52
(Middle East / Japan)	\$13,900	\$27,750	\$96,750	\$87,050	\$56,350	\$107,850	\$19,750	\$10,900	\$30,000	\$42,150
Aframax	99	91	168	171	132	119	69	54	83	81
(South Asia / Japan)	\$12,650	\$10,000	\$27,650	\$22,650	\$18,250	\$26,350	\$9,650	\$4,650	\$8,350	\$12,250

## ■ Transition of Fleet Scale

Vessel Type	FY2018	FY2019	FY2020 3Q
Capesize	96	93	86
Panamax and Smaller size	103	92	89
Woodchip Carriers	10	10	7
<b>Total</b>	<b>209</b>	<b>195</b>	<b>182</b>

Vessel Type	FY2018	FY2019	FY2020 3Q
VLCC	8	6	6
LPG Carriers	8	5	4
Other Tankers	6	6	6
Thermal Coal Carriers	25	29	30
LNG Carriers	48	47	47
<b>Total</b>	<b>95</b>	<b>93</b>	<b>93</b>

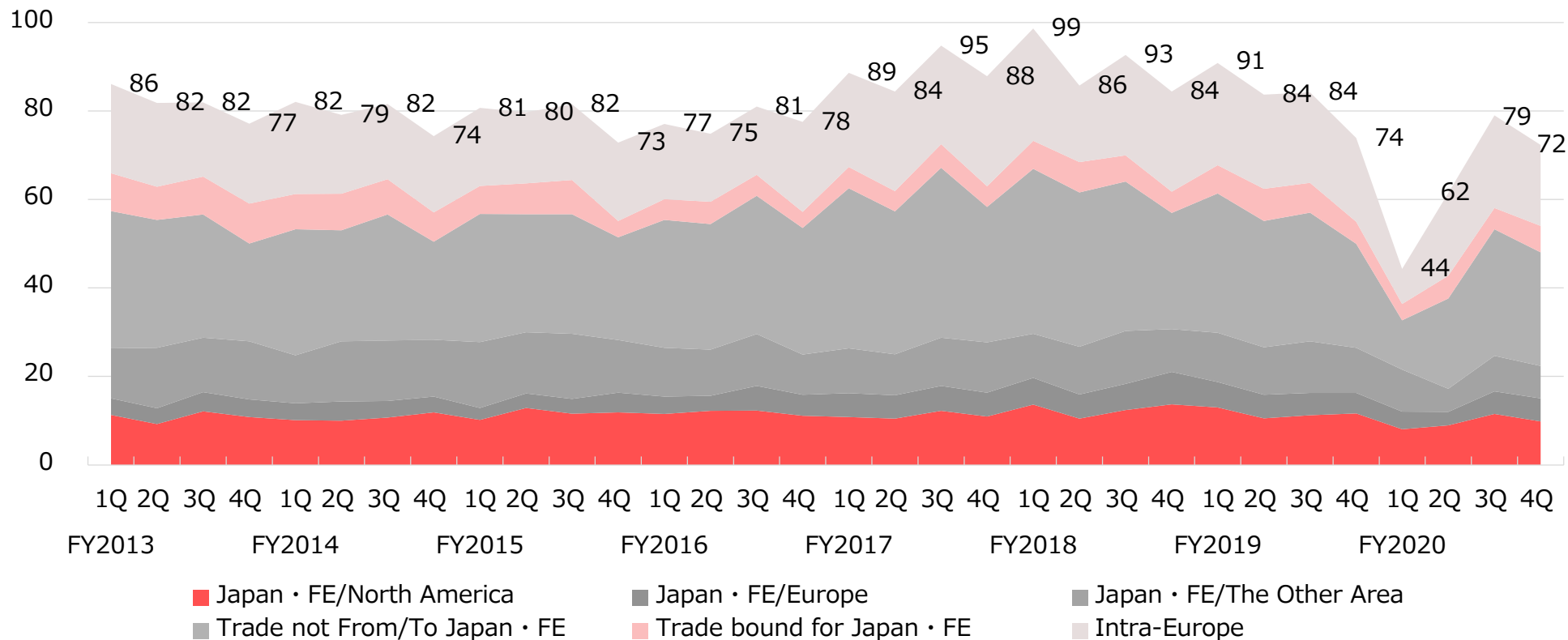
## ■ FY2020 : Dry Bulk Market Exposure

Vessel Type	Market Exposure
Capesize	5%
Panamax and Smaller size	7%
Woodchip Carriers	0%
VLCC	0%
LPG Carriers	0%
Other Tankers	67%
Thermal Coal Carriers	1%

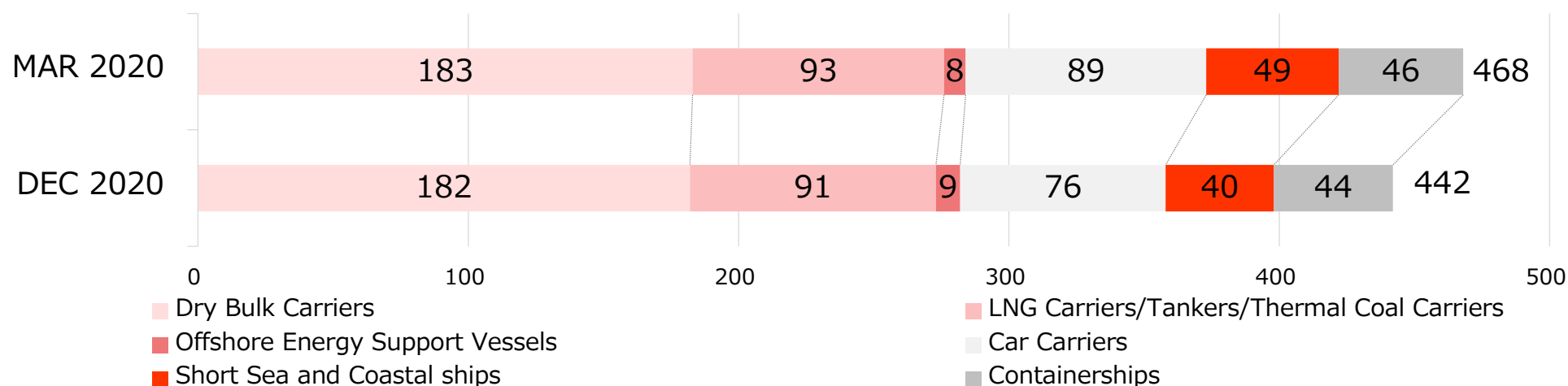
# Car Carriers Total Units Carried by Service Routes

Total units carried (1,000 units)	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q	4Q Forecast	Forecast
Outbound	299	266	280	265	1,109	215	172	247	224	858
Homebound	64	73	67	49	254	37	51	48	60	196
Others	315	286	291	235	1,126	112	204	286	257	859
Intra-Europe	231	213	205	190	839	79	187	209	183	659
Total units carried	909	837	843	739	3,328	443	615	790	723	2,572
Number of Fleet	85	86	84	85	85	84	76	75	78	78

(10,000 Units)



# "K" Line Group Fleet Composition



Type of Vessel	Owned		Chartered		Total		MAR 2020	
	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	53	6,496,942	129	16,698,841	182	23,195,783	183	23,930,307
Thermal Coal Carriers	6	527,434	23	2,042,749	29	2,570,183	29	2,595,392
LNG Carriers	44	3,721,637	2	152,272	46	3,873,909	47	3,953,514
Tankers	11	1,719,494	5	776,868	16	2,496,362	17	2,546,549
Offshore Support Vessels	6	29,186	0	-	6	29,186	6	29,186
Drillship	1	-	0	-	1	-	1	-
FPSO	1	-	0	-	1	-	1	-
LNG Bunkering Vessel	1	2,431	0	-	1	2,431	-	-
Car Carriers	33	442,571	43	795,400	76	1,237,971	89	1,464,163
Short Sea and Coastal ships	23	181,804	17	230,193	40	411,997	49	564,927
Containerships	7	460,448	37	3,574,637	44	4,035,085	46	4,082,343
<b>Total</b>	<b>186</b>	<b>13,581,947</b>	<b>256</b>	<b>24,270,960</b>	<b>442</b>	<b>37,852,907</b>	<b>468</b>	<b>39,166,381</b>

\* The number of owned vessels includes co-owned vessels, and deadweight tonnage includes share of other companies' ownership in co-owned vessels.

\* Includes flagships and spot and/or short term activities at the end of term.

# "K" Line Group Vessels in Operation/New Building Delivery Schedule

## ■ "K" Line Group Vessels in Operation

Segment	Business/Vessel Types	Mar-20	Dec-20
Dry Bulk	Capesize	89	82
	Over Panamax	4	4
	Panamax	42	52
	Handymax	34	32
	Small Handy	4	5
	Woodchip Carriers	10	7
	<b>Total</b>	<b>183</b>	<b>182</b>
Energy Resource Transport	VLCC	6	6
	Aframax	3	3
	Chemical Tankers	3	3
	LPG Carriers	5	4
	Total	17	16
	LNG Carriers	47	46
	Thermal Coal Carriers	29	29
	Offshore Support Vessels	6	6
	Drillships	1	1
	FPSO	1	1
	LNG Bunkering Vessel	0	1
	<b>Total</b>	<b>101</b>	<b>100</b>
Product Logistics	7000Units	15	13
	6000Units	39	36
	5000Units	14	10
	4000Units	5	1
	3000Units	5	4
	2000Units	4	5
	~2000Units	7	7
	Total	89	76
	14000TEU	12	12
	8000TEU	13	13
	5500TEU	7	7
	4200TEU	7	7
	1700TEU	7	5
	1200TEU	0	0
	Total	46	44
Short Sea and Coastal Ships	49	40	
	<b>Total</b>	<b>184</b>	<b>160</b>
<b>Grand Total</b>		<b>468</b>	<b>442</b>

## ■ New Building Delivery Schedule

Number of Vessel	FY2020	FY2021	FY2022
CAPESIZE		1	
Over Panamax		2	
Handymax			1
Woodchip Carriers			1
LNG Carriers			2
Car Carriers 7,000Units	1		
Short Sea and Coastal Ships	1	2	
<b>Total</b>	<b>2</b>	<b>5</b>	<b>4</b>

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**[Forward-looking statements]**

This material contains forward-looking statements concerning future plans and forecast, these statements are based on information currently available.

Furthermore, "K" LINE therefore cautions readers that actual results may differ materially from economic conditions, supply and demand in the shipping industry, price of bunker, foreign currency exchange rates.

