

## FINANCIAL HIGHLIGHTS

### Brief report of the nine months ended December 31, 2019

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]

	<b>Nine months ended December 31, 2019</b>	Nine months ended December 31, 2018	<b>Nine months ended December 31, 2019</b>
Consolidated			
Operating revenues (Millions of yen / Thousands of U.S. dollars)	¥ <b>567,189</b>	¥ 638,498	\$ <b>5,176,979</b>
Operating income (loss) (Millions of yen / Thousands of U.S. dollars)	<b>21,627</b>	(9,273)	<b>197,402</b>
Profit (loss) attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	<b>25,223</b>	(30,953)	<b>230,224</b>
Profit (loss) attributable to owners of the parent per share (Yen / U.S. dollars)			
Basic	<b>270.43</b>	<b>(331.86)</b>	<b>2.47</b>
Diluted	-	-	-

	<b>Nine months ended December 31, 2019</b>	Year ended March 31, 2019	<b>Nine months ended December 31, 2019</b>
Total assets (Millions of yen / Thousands of U.S. dollars)	¥ <b>917,646</b>	¥ 951,261	\$ <b>8,375,746</b>
Net assets (Millions of yen / Thousands of U.S. dollars)	<b>229,615</b>	181,233	<b>2,095,800</b>

The U.S. dollar amounts are converted from the yen amounts at ¥109.56 = U.S.\$1.00, the approximate rate of exchange prevailing on December 31, 2019.

## 1. Qualitative Information and Financial Statement

### (1) Qualitative Information about the Consolidated Operating Result

(Billion Yen; rounded to the nearest 100 million yen)

	<b>Nine months ended December 31, 2019</b>	Nine months ended December 31, 2018	Change	% Change
Operating revenues	<b>567.2</b>	638.5	(71.3)	(11.2%)
Operating income (loss)	<b>21.6</b>	(9.3)	30.9	—
Ordinary income (loss)	<b>24.5</b>	(27.4)	52.0	—
Profit (loss) attributable to owners of the parent	<b>25.2</b>	(31.0)	56.2	—

Exchange Rate (¥/US\$) (9-month average)	<b>¥109.05</b>	¥110.80	(¥1.75)	(1.6%)
Fuel Oil Price (US\$/MT) (9-month average)	<b>US\$445</b>	US\$454	(US\$9)	(2.0%)

During the first nine months of the fiscal year ending March 31, 2020 (from April 1, 2019 to December 31, 2019; hereinafter “the nine-month period”), operating revenues for the nine-month period was ¥567.189 billion (down ¥71.308 billion year-on-year), operating income was ¥21.627 billion (compared to operating loss of ¥9.273 billion in the same period of the previous fiscal year), and ordinary income was ¥24.539 billion (compared to ordinary loss of ¥27.427 billion in the same period of the previous fiscal year). Profit attributable to owners of the parent was ¥25.223 billion (compared to loss attributable to owners of the parent of ¥30.953 billion in the same period of the previous fiscal year).

Performance per segment was as follows.

(Billion Yen; rounded to the nearest 100 million yen)

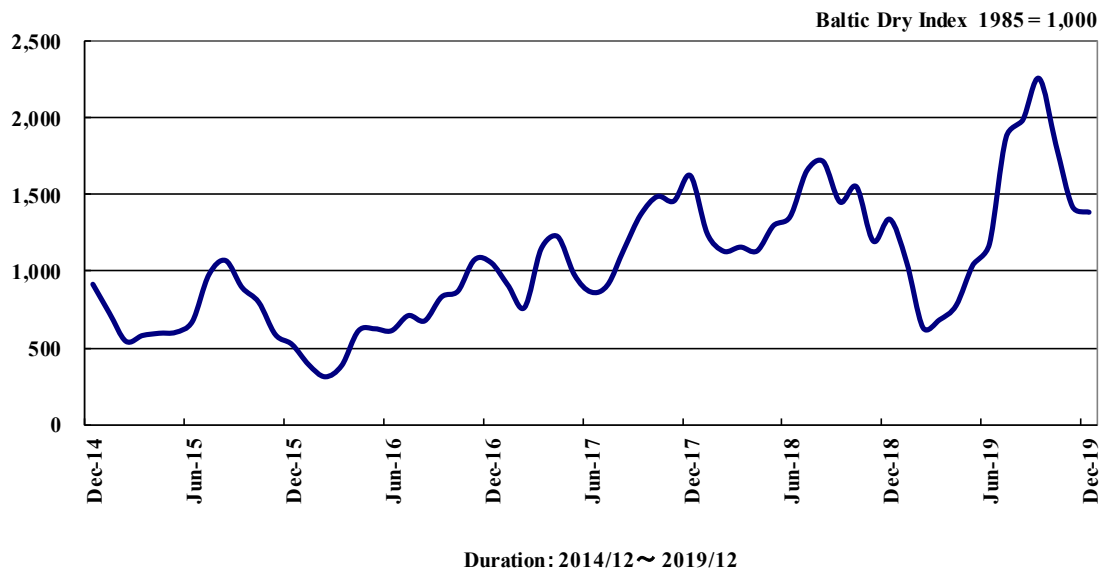
		<b>Nine months ended December 31, 2019</b>	Nine months ended December 31, 2018	Change	% Change
Dry bulk	Operating revenues	<b>181.9</b>	208.8	(26.9)	(12.9%)
	Segment profit	<b>4.0</b>	3.5	0.4	12.0%
Energy resource transport	Operating revenues	<b>65.0</b>	65.4	(0.4)	(0.6%)
	Segment profit	<b>7.7</b>	1.9	5.7	297.2%
Product logistics	Operating revenues	<b>295.1</b>	339.0	(44.0)	(13.0%)
	Segment profit (loss)	<b>15.7</b>	(29.7)	45.4	–
Other	Operating revenues	<b>25.3</b>	25.3	(0.0)	(0.2%)
	Segment profit	<b>1.3</b>	1.0	0.3	27.3%
Adjustments and eliminations	Segment loss	<b>(4.1)</b>	(4.2)	0.1	–
Total	Operating revenues	<b>567.2</b>	638.5	(71.3)	(11.2%)
	Segment profit (loss)	<b>24.5</b>	(27.4)	52.0	–

**(i) Dry Bulk Segment**

**Dry Bulk Business**

In the Cape-size sector, under a declining tendency of iron ore volume shipped from Brazil, the vessel supply increased in the Atlantic region because the vessels with non-compliant fuels made ballast voyages to that region, ahead of upcoming introduction of environmental regulations. In the medium and small size vessel sector as well, market rates began to become sluggish from the middle of the quarter as cargo movement of grains from South America and steam coal to China slowed down. As a result, the overall Dry Bulk Segment recorded a year-on-year decrease in revenue, but a profit increased by endeavoring reduction of the operational costs and improvement in the vessel operation efficiency.

## Baltic Dry Index



### (ii) Energy Resource Transport Segment

#### Tanker and Thermal Coal Carrier Business

Concerning large crude oil tankers (VLCCs), LPG carriers, and thermal coal carriers, the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit.

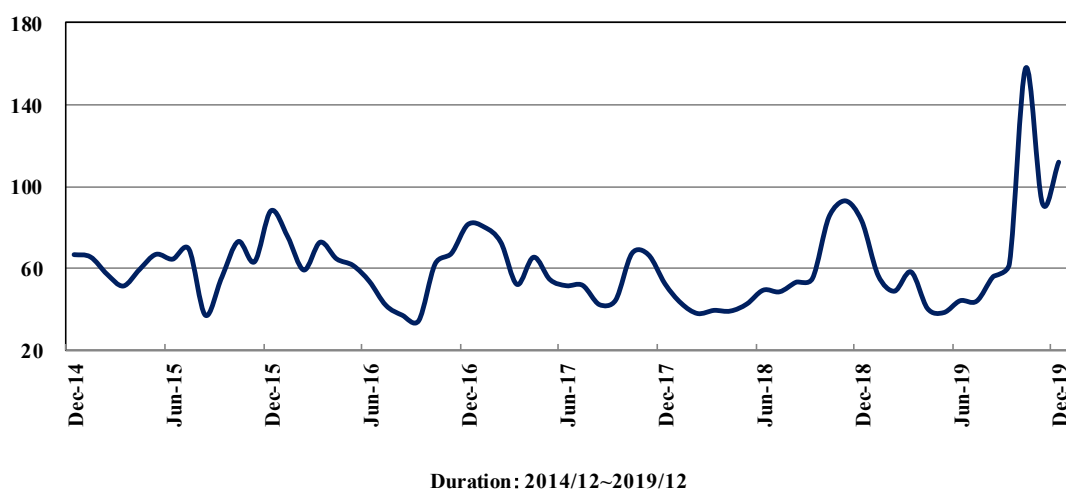
#### LNG Carrier and Offshore Energy E&P Business

Concerning LNG carriers, and drillship and FPSO (Floating Production, Storage and Offloading system), the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit.

Concerning the offshore support vessel business, the vessel supply and demand partially improved, and a loss was narrowed.

As a result, the overall Energy Resource Transport Segment recorded a year-on-year decrease in revenue, but a profit increased.

### VLCC World Scale (AG/JPN)



### (iii) Product Logistics Segment

#### Car Carrier Business

The volume of finished vehicles shipped by the Group decreased year-on-year because of the rationalization including cancellation and realignment for some unprofitable trades including other-than-Japan trades, even though stable cargo movements were maintained in the trades from the Far East.

As a result, the overall car carrier business recorded a year-on-year decrease in revenue, but turned a profit by tackling to improve its profitability including improvement in the vessel operation efficiency, optimization of the fleet allocation, and reduction of the operational costs.

#### Logistics Business

Despite the steady performance mainly in towage, sea-land integrated transportation and warehousing business in the domestic logistics sector, by having large effect of the air cargoes lifting decline due to the trade dispute between the United States and China in the international logistics sector, the overall logistics business recorded year-on-year decrease in both revenue and profit.

#### Short Sea and Coastal Business

In the short sea business, the transportation volume steadily increased mainly in steel materials and biomass fuel; in the meantime, it decreased year-on-year in timber products. In the coastal business, the transportation volume increased in liner transportation by the schedule stabilization as well as it increased steadily in ferry business. As a result, the short seas and coastal business overall recorded a year-on-year decrease, but a profit increased.

### Containership Business

In the operating revenues of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as “ONE”), the Company’s equity-method affiliate, by recovery of the liftings and the space utilization, improvement of the freight rate of long-term contracts in North America dominant services, improvement of the cargo portfolio, and the tackles to improve its profitability including reduction of the operational costs through realignment and rationalization of the trades, ONE overall recorded a year-on-year increase and turned a profit.

Regarding the containership business remaining in the Company, a year-on-year decrease in revenue was recorded, but a loss was narrowed due to a decrease of the temporary losses occurred by the business transfer.

As a result, the overall Product Logistics Segment recorded a year-on-year decrease, but a profit increased.

#### **(iv) Other Segment**

Other Segment includes but not limited to the Group’s ship management service, travel agency service, and real estate and administration service. The segment recorded a year-on-year decrease in revenue but a profit increased.

### (2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 3rd Quarter of this fiscal year were ¥917.646 billion, a decrease of ¥33.615 billion from the end of the previous fiscal year as a result of a decrease in cash and deposits and other factors.

Consolidated liabilities decreased by ¥81.997 billion to ¥688.030 billion as a result of a decrease in other current liabilities and other factors compared to the end of the previous fiscal year.

Consolidated net assets were ¥229.615 billion, an increase of ¥48.382 billion compared to the end of the previous fiscal year as a result of an increase in retained earnings and other factors.

(3) Qualitative Information on the Consolidated Prospects for FY2019

(Billion Yen; rounded to the nearest 100 million yen)

	Prior Forecast (at the time of announcement of the 2nd Quarter result)	Current Forecast (at the time of announcement of the 3rd Quarter result)	Change	% Change
Operating revenues	740.0	<b>740.0</b>	–	–
Operating income	6.0	<b>5.0</b>	(1.0)	(16.7%)
Ordinary income	5.0	<b>5.0</b>	–	–
Profit attributable to owners of the parent	11.0	<b>11.0</b>	–	–

Exchange Rate (¥/US\$)	¥108.58	<b>¥108.92</b>	¥0.33	0.3%
Fuel Oil Price (US\$/MT)	US\$485	<b>US\$470</b>	(US\$15)	(3.1%)

In Dry Bulk Segment, while there is a concern about impact to the cargo movements by slowdown in Chinese economy, the Group will continue to improve the vessel operation efficiency, save the costs, and reduce the market exposure. In Energy Resource Transport Segment, securing stable profit under mid- and long-term contracts is on-going expected. In Product Logistics Segment, the car carrier business is expected to secure a profit by recovery of the freight rates and effect of the trades rationalization, despite expected decline in demand due to external factors, such as political instability in the Middle East. ONE expects to improve its profitability by optimizing the cargo portfolio and saving the costs, despite some concerned causes, including a decrease of the cargo movements after the Chinese New Year and the trade dispute between the United States and China.

As described above, even the business environment surrounding the Company is continuously uncertain, the Company has kept unchanged its previously announced forecasts of full-year results, including operating revenues, ordinary income, and profit attributable to owners of the parent by tackling to improve the revenue and expenditure through further enhancement to reduce the costs and to improve the vessel operation efficiency.

Our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of sustainable growth, which is a priority of our management plan. However, the slow down in the global economic outlook, by the trade dispute between the United States and China and escalating geopolitical tensions in the Middle East, could lead to deterioration in the transportation demand and the business environment remains critical toward achieving the consolidated full-year business forecasts, though the Company is taking measures to improve earnings now; thus, the year-end dividend remains yet to be

determined. We will update you again in due course once further judgment has been made as to dividend payment forecast after comprehensively taking into consideration the full-year forecasts and the Company's financial conditions.



## Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

### Consolidated Balance Sheet

	(Millions of yen/Thousands of U.S. dollars)		
	Nine months ended	Year ended	Nine months ended
	December 31, 2019	March 31, 2019	December 31, 2019
<b>ASSETS</b>			
Current assets :			
Cash and deposits	¥ 113,412	¥ 143,201	\$ 1,035,164
Accounts and notes receivable-trade	64,338	62,722	587,248
Raw materials and supplies	26,526	26,258	242,117
Prepaid expenses and deferred charges	42,198	40,545	385,168
Other current assets	16,213	17,411	147,983
Allowance for doubtful receivables	(1,133)	(1,267)	(10,350)
Total current assets	<u>261,555</u>	<u>288,871</u>	<u>2,387,330</u>
Non-current assets :			
(Vessels, property and equipment)			
Vessels, net	386,325	392,177	3,526,155
Buildings and structures, net	12,513	13,032	114,214
Machinery and vehicles, net	9,813	9,373	89,571
Land	18,502	18,397	168,880
Construction in progress	6,100	12,923	55,684
Other, net	4,584	2,726	41,844
Total vessels, property and equipment	<u>437,839</u>	<u>448,632</u>	<u>3,996,347</u>
(Intangible assets)			
Other intangible assets	4,356	4,377	39,763
Total intangible assets	<u>4,356</u>	<u>4,377</u>	<u>39,763</u>
(Investments and other assets)			
Investments in securities	163,491	164,110	1,492,251
Long-term loans receivable	17,114	17,328	156,215
Asset for retirement benefits	633	673	5,785
Other investments and other assets	33,956	28,606	309,935
Allowance for doubtful receivables	(1,301)	(1,336)	(11,880)
Total investments and other assets	<u>213,894</u>	<u>209,381</u>	<u>1,952,306</u>
Total non-current assets	<u>656,090</u>	<u>662,390</u>	<u>5,988,416</u>
Total assets	<u>¥ 917,646</u>	<u>¥ 951,261</u>	<u>\$ 8,375,746</u>

## Consolidated Balance Sheet

(Millions of yen/Thousands of U.S. dollars)

	Nine months ended December 31, 2019	Year ended March 31, 2019	Nine months ended December 31, 2019
<b>LIABILITIES</b>			
Current liabilities :			
Accounts and notes payable-trade	¥ 56,425	¥ 57,836	\$ 515,019
Short-term loans and current portion of long-term loans	79,201	86,423	722,903
Accrued income taxes	1,807	1,711	16,502
Allowance for loss related to the Anti-Monopoly Act	834	3,783	7,615
Allowance for loss on chartering contracts	3,710	15,135	33,868
Other allowance	1,564	2,902	14,281
Other current liabilities	61,052	111,559	557,248
Total current liabilities	<u>204,596</u>	<u>279,352</u>	<u>1,867,436</u>
Non-current liabilities :			
Bonds	7,000	10,000	63,892
Long-term loans, less current portion	405,849	405,706	3,704,355
Deferred tax liabilities (non-current)	8,019	9,633	73,201
Deferred tax liabilities on land revaluation	1,174	1,174	10,722
Allowance for directors' and audit and supervisory board members' retirement benefits	383	894	3,504
Allowance for directors' stock benefits	16	19	153
Accrued expenses for overhaul of vessels and other assets	11,368	12,251	103,761
Liability for retirement benefits	6,025	6,228	55,000
Other non-current liabilities	43,596	44,767	397,921
Total non-current liabilities	<u>483,434</u>	<u>490,675</u>	<u>4,412,510</u>
Total liabilities	<u>688,030</u>	<u>770,028</u>	<u>6,279,946</u>
<b>NET ASSETS</b>			
Shareholders' equity:			
Common stock	75,457	75,457	688,734
Capital surplus	13,721	1,383	125,244
Retained earnings	41,989	16,692	383,260
Treasury stock	(2,384)	(2,381)	(21,761)
Total shareholders' equity	<u>128,785</u>	<u>91,152</u>	<u>1,175,477</u>
Accumulated other comprehensive income :			
Net unrealized holding gain on investments in securities	1,604	4,414	14,647
Deferred gain on hedges	(928)	2,999	(8,476)
Revaluation reserve for land	4,634	4,655	42,301
Translation adjustments	(809)	4,063	(7,387)
Retirement benefits liability adjustments	(3,344)	(3,710)	(30,525)
Total accumulated other comprehensive income	<u>1,157</u>	<u>12,423</u>	<u>10,561</u>
Non-controlling interests	<u>99,673</u>	<u>77,657</u>	<u>909,762</u>
Total net assets	<u>229,615</u>	<u>181,233</u>	<u>2,095,800</u>
Total liabilities and net assets	<u>¥ 917,646</u>	<u>¥ 951,261</u>	<u>\$ 8,375,746</u>

## Consolidated Statement of Operations

(Millions of yen/Thousands of U.S. dollars)

	Nine months ended December 31, 2019	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Marine transportation and other operating revenues	¥ 567,189	¥ 638,498	\$ 5,176,979
Marine transportation and other operating costs and expenses	502,116	601,230	4,583,026
Gross Profit	65,073	37,268	593,953
Selling, general and administrative expenses	43,446	46,541	396,550
Operating income (loss)	21,627	(9,273)	197,402
Non-operating income :			
Interest income	893	1,082	8,152
Dividend income	1,887	1,283	17,227
Equity in earnings of subsidiaries and affiliates	8,174	-	74,611
Exchange gain	-	1,241	-
Other non-operating income	1,577	1,784	14,398
Total non-operating income	12,532	5,390	114,388
Non-operating expenses :			
Interest expenses	7,699	6,190	70,277
Equity in loss of subsidiaries and affiliates	-	16,307	-
Exchange loss	910	-	8,312
Other non-operating expenses	1,009	1,046	9,218
Total non-operating expenses	9,620	23,544	87,807
Ordinary income (loss)	24,539	(27,427)	223,983
Extraordinary income :			
Gain on sales of vessels, property and equipment	2,692	3,521	24,574
Gain on liquidation of subsidiaries and affiliates	2,967	239	27,089
Other extraordinary income	1,196	2,102	10,925
Total extraordinary income	6,857	5,862	62,588
Extraordinary losses :			
Loss on impairment of vessels, property and equipment	254	322	2,324
Loss from liquidation of subsidiaries and affiliates	248	-	2,267
Other extraordinary losses	108	213	994
Total extraordinary losses	611	536	5,586
Profit (loss) before income taxes	30,784	(22,101)	280,985
Income taxes :			
Current	2,982	1,826	27,218
Deferred	(177)	5,108	(1,624)
Total income taxes	2,804	6,935	25,594
Profit (loss)	27,980	(29,036)	255,391
Profit attributable to non-controlling interests	2,757	1,916	25,166
Profit (loss) attributable to owners of the parent	¥ 25,223	¥ (30,953)	\$ 230,224

## Consolidated Statement of Comprehensive Income

	(Millions of yen/Thousands of U.S. dollars)		
	Nine months ended December 31, 2019	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit (loss)	¥ 27,980	¥ (29,036)	\$ 255,391
Other Comprehensive income (loss)			
Net unrealized holding loss on investments in securities	(2,952)	(4,728)	(26,945)
Deferred loss on hedges	(2,301)	(3,133)	(21,010)
Translation adjustments	(4,525)	1,927	(41,305)
Retirement benefits liability adjustments	311	90	2,848
Share of other comprehensive (loss) income of subsidiaries and affiliates accounted for by the equity method	(2,099)	6,771	(19,164)
Total other comprehensive (loss) income	<u>(11,566)</u>	<u>927</u>	<u>(105,576)</u>
Comprehensive income (loss)	¥ 16,413	¥ (28,109)	\$ 149,815
(Breakdown)			
Comprehensive income (loss) attributable to owners of the parent	¥ 13,977	¥ (30,139)	\$ 127,582
Comprehensive income attributable to non-controlling interests	2,435	2,030	22,232

(Notes in the Event of Significant Changes in Shareholders' Equity)

During the nine-month period ended December 31, 2019, as the Company sold a portion of the shares of consolidated subsidiary KLKG HOLDINGS, Co., Ltd., the capital surplus increased by ¥12,662 million (\$115,577 thousand). As a result, the capital surplus at the end of the nine-month period ended December 31, 2019 was ¥13,721 million (\$125,244 thousand).

(Change in Accounting Standards)

(Applying International Financial Reporting Standards (IFRS) 16 Leases)

The overseas consolidated subsidiaries and affiliates accounted for by the equity method that are subject to IFRS have adopted IFRS 16 Leases (issued on January 13, 2016; hereinafter "IFRS 16") from the 1st Quarter of the fiscal year ending March 31, 2020. In applying IFRS 16, the overseas consolidated subsidiaries and affiliates, as lessees, principally recognize all lease transactions on their balance sheets as assets and liabilities. The Company has applied the modified retrospective approach with the cumulative effect of initially applying the standard is recognized as an adjustment to equity at the date of initial application.

Furthermore, the impact of applying IFRS 16 on profit before income taxes for the nine-month period ended December 31, 2019 was a decrease of ¥2,084 million (\$19,027 thousand) compared with the amount that would have been recognized under the previous standard.

## Segment information

Nine months ended December 31, 2019

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 181,886	¥ 64,989	¥ 295,064	¥ 25,250	¥ 567,189	¥ -	¥ 567,189
Inter-group revenues and transfers	7	0	6,480	37,053	43,541	(43,541)	-
Total revenues	¥ 181,893	¥ 64,989	¥ 301,544	¥ 62,304	¥ 610,731	¥ (43,541)	¥ 567,189
Segment profit (loss)	¥ 3,963	¥ 7,673	¥ 15,668	¥ 1,334	¥ 28,640	¥ (4,101)	¥ 24,539

Nine months ended December 31, 2018

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 208,781	¥ 65,383	¥ 339,039	¥ 25,294	¥ 638,498	¥ -	¥ 638,498
Inter-group revenues and transfers	78	0	6,939	36,628	43,646	(43,646)	-
Total revenues	¥ 208,859	¥ 65,383	¥ 345,979	¥ 61,922	¥ 682,144	¥ (43,646)	¥ 638,498
Segment profit (loss)	¥ 3,539	¥ 1,931	¥ (29,727)	¥ 1,048	¥ (23,206)	¥ (4,220)	¥ (27,427)

Nine months ended December 31, 2019

(Thousands of U.S. dollars)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	\$ 1,660,150	\$ 593,186	\$ 2,693,174	\$ 230,469	\$ 5,176,979	\$ -	\$ 5,176,979
Inter-group revenues and transfers	66	-	59,146	388,206	397,419	(397,419)	-
Total revenues	\$ 1,660,216	\$ 593,186	\$ 2,752,320	\$ 568,675	\$ 5,574,398	\$ (397,419)	\$ 5,176,979
Segment profit (loss)	\$ 36,178	\$ 70,041	\$ 143,015	\$ 12,183	\$ 261,417	\$ (37,434)	\$ 223,983