



Financial Highlights Brief Report for 3rd Quarter FY2021

February 3rd, 2022



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A. Financial Highlights for 3rd Quarter FY2021

A-1 : Financial Results for 3rd Quarter FY2021

Financial Results for 3rd Quarter FY2021

(billion yen)

Operating Revenues and Profit/loss	FY2021			FY2020	
	1H	3Q	1-3Q (a)	1-3Q (b)	(a)-(b)
Operating Revenues	357.6	198.9	556.5	468.7	87.8
Operating Income/Loss	10.2	13.1	23.3	- 3.2	26.5
Ordinary Income/Loss	238.0	195.6	433.6	42.9	390.7
Net Income/Loss Attributable to Owners of Parent	246.0	177.3	423.3	63.2	360.1
Exchange Rate(¥/\$)	¥109.90	¥113.12	¥110.97	¥106.14	¥4.83
Bunker Price(/MT)	\$497	\$570	\$521	\$347	\$175

Key Factors

- ▶ Operating income/loss improved in the Dry Bulk segment and the Product Logistics segment including Car Carrier Business, due to recovery from the impact of the COVID-19 pandemic.
- ▶ Containership Business operated by equity-method affiliate OCEAN NETWORK EXPRESS PTE. LTD posted higher ordinary and net income as market conditions were at high level amid robust cargo demand.

Key Financial Indicator

(billion yen)

Indicators	FY2021-3Q (c)	FY2020 (d)	(c)-(d)
Equity Capital	655.6	218.2	437.4
Interest-bearing liability	443.5	507.0	- 63.5
Cash and Cash equivalents at the end of period	105.9	130.0	- 24.1
DER	68%	232%	-165 points
NET DER	45%	172%	-121 points
Equity Ratio	49%	22%	26 points

A-2 : Financial Results for 3rd Quarter FY2021 by Segment

■ Financial Results for 3Q FY2021 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2021			FY2020	
	1H	3Q	1-3Q (e)	1-3Q (f)	(e)-(f)
Dry Bulk	131.6	75.7	207.3	135.5	71.8
	5.9	8.9	14.7	- 7.6	22.4
Energy Resource Transport	42.8	23.8	66.6	57.6	9.0
	0.8	1.2	2.1	4.0	- 1.9
Product Logistics	178.0	96.8	274.8	254.0	20.8
	238.1	187.2	425.3	51.9	373.4
Containerships	20.9	10.6	31.4	32.1	- 0.6
	235.5	180.4	415.9	51.7	364.3
Other	5.2	2.7	7.9	21.6	- 13.7
	- 0.1	0.3	0.2	0.7	- 0.5
Adjustment	-	-	-	-	-
	- 6.7	- 1.9	- 8.7	- 6.0	- 2.7
Total	357.6	198.9	556.5	468.7	87.8
	238.0	195.6	433.6	42.9	390.7

■ Key Factors by Segments

▶ Dry Bulk

- Due to the tightening of vessel supply caused by longer port-stay of more vessels, transportation demand increased and market conditions remained firm.

▶ Energy Resource Transport

- VLCC (Very Large Crude Carrier), LPG Carrier, Thermal Coal Carrier, and LNG Carrier Businesses secured stable profits backed by medium- to long-term charter contracts.

▶ Product Logistics

- In Car Carrier Business, a semiconductor shortage has reduced production volumes, however, cargo volume continued to recover due to the declining impact of the pandemic.
- Containership market conditions remained stable due to strong cargo demand.

B. Forecasts and Initiatives for FY2021

B- 1 : Forecasts for FY2021 and Key Factors

Forecasts for FY2021

(billion yen)

Operating Revenues and Profit/loss	FY2021			FY2020		Y-o-Y		vs As of Nov, 2021	
	1H (g)	2H Forecast	Total (h)	1H (i)	Total (j)	1H (g)-(i)	Total (h)-(j)	Total (k)	(h)-(k)
Operating Revenues	357.6	372.5	730.0	300.1	625.5	57.5	104.5	690.0	40.0
Operating Income/Loss	10.2	7.8	18.0	- 10.2	- 21.3	20.4	39.3	15.0	3.0
Ordinary Income/Loss	238.0	302.0	540.0	10.0	89.5	228.0	450.5	390.0	150.0
Net Income/Loss Attributable to Owners of Parent	246.0	274.0	520.0	9.6	108.7	236.4	411.3	370.0	150.0
Exchange Rate(¥/\$)	¥109.90	¥112.40	¥111.15	¥106.82	¥105.79	¥3.07	¥5.36	¥108.02	¥3.12
Bunker Price(/MT)	\$497	\$572	\$535	\$353	\$363	\$144	\$172	\$517	\$18

Key Factors

- Operating income/loss is rebounding due to recovery of the profitability of Dry Bulk and Car Carrier Business from the impact of the COVID-19 pandemic. It is expected to increase by 39.3 billion yen compared to FY2020 and reach 18.0 billion yen.
- Ordinary income is forecast at 540.0 billion yen, as the containership market remains robust due to ongoing strong cargo demand.
- Extraordinary income was recorded from the sale of the Company's shares in U.S. logistics company Century Distribution Systems, Inc. in the first half of the year.
- In the second half of the fiscal year, implemented structural reforms ahead of schedule regarding unprofitable vessels and businesses, including dry bulk and offshore support vessels.

Key factor assumption

- Yen-\$ exchange rate ¥111.15/\$
- Bunker Price \$535/MT
- Market Assumption
Please refer to "Appendix"

Estimates Sensitivity (3months)

- Yen-US\$ rate : each ¥1 weaker (stronger) adds (subtracts) ± ¥ 4.9bln
 - Bunker price : each \$10/mt down (up) adds (subtracts) ± ¥ 0.01bln
- *Exchange rate fluctuations related to equity in earnings of subsidiaries, "ONE" is included.

Dividend

The actual year-end dividend will be determined based on the final full-year results. At the moment, however, as announced on November 4, 2021, the planned dividend remains 300 yen per share.

B- 2 : Forecasts for FY2021 by Segment

■ Forecasts for FY2021 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2021			FY2020		Y-o-Y		vs As of Nov,2021	
	1H (l)	2H Forecast	Total (m)	1H (n)	Total (o)	1H (l)-(n)	Total (m)-(o)	Total (p)	(m)-(p)
Dry Bulk	131.6	136.9	268.5	88.0	182.0	43.6	86.5	249.0	19.5
	5.9	14.1	20.0	- 9.3	- 9.1	15.1	29.1	19.5	0.5
Energy Resource Transport	42.8	42.2	85.0	37.8	77.6	5.1	7.4	82.0	3.0
	0.8	2.7	3.5	3.4	1.1	- 2.6	2.5	3.5	0.0
Product Logistics	178.0	188.0	366.0	161.7	339.7	16.2	26.3	349.0	16.9
	238.1	289.4	527.5	18.7	104.5	219.4	423.0	378.5	149.0
Containership	20.9	21.1	42.0	21.3	42.2	- 0.4	- 0.2	41.0	1.0
	235.5	278.5	514.0	21.5	103.8	214.0	410.2	369.5	144.6
Other	5.2	5.4	10.5	12.5	26.2	- 7.4	- 15.7	10.0	0.5
	- 0.1	0.1	0.0	0.6	1.1	- 0.7	- 1.1	0.0	- 0.0
Adjustment	-	-	-	-	-	-	-	-	-
	- 6.7	- 4.3	- 11.0	- 3.5	- 8.1	- 3.2	- 2.9	- 11.5	0.5
Total	357.6	372.4	730.0	300.1	625.5	57.5	104.5	690.0	40.0
	238.0	302.0	540.0	10.0	89.5	228.0	450.5	390.0	150.0

■ Key Factors by Segments

▶ Dry Bulk

- As the global economy continues to recover, market conditions remain strong due to stable shipping demand and tightening of vessel supply due to longer port-stay of vessels. Towards the end of this fiscal year, there could be a risk of slowing growth due to seasonal factors, the new COVID-19 variant wave, and the slowing down of the Chinese economy. However, the average market conditions for the full fiscal year are expected to surpass those of the previous fiscal year by a wide margin.

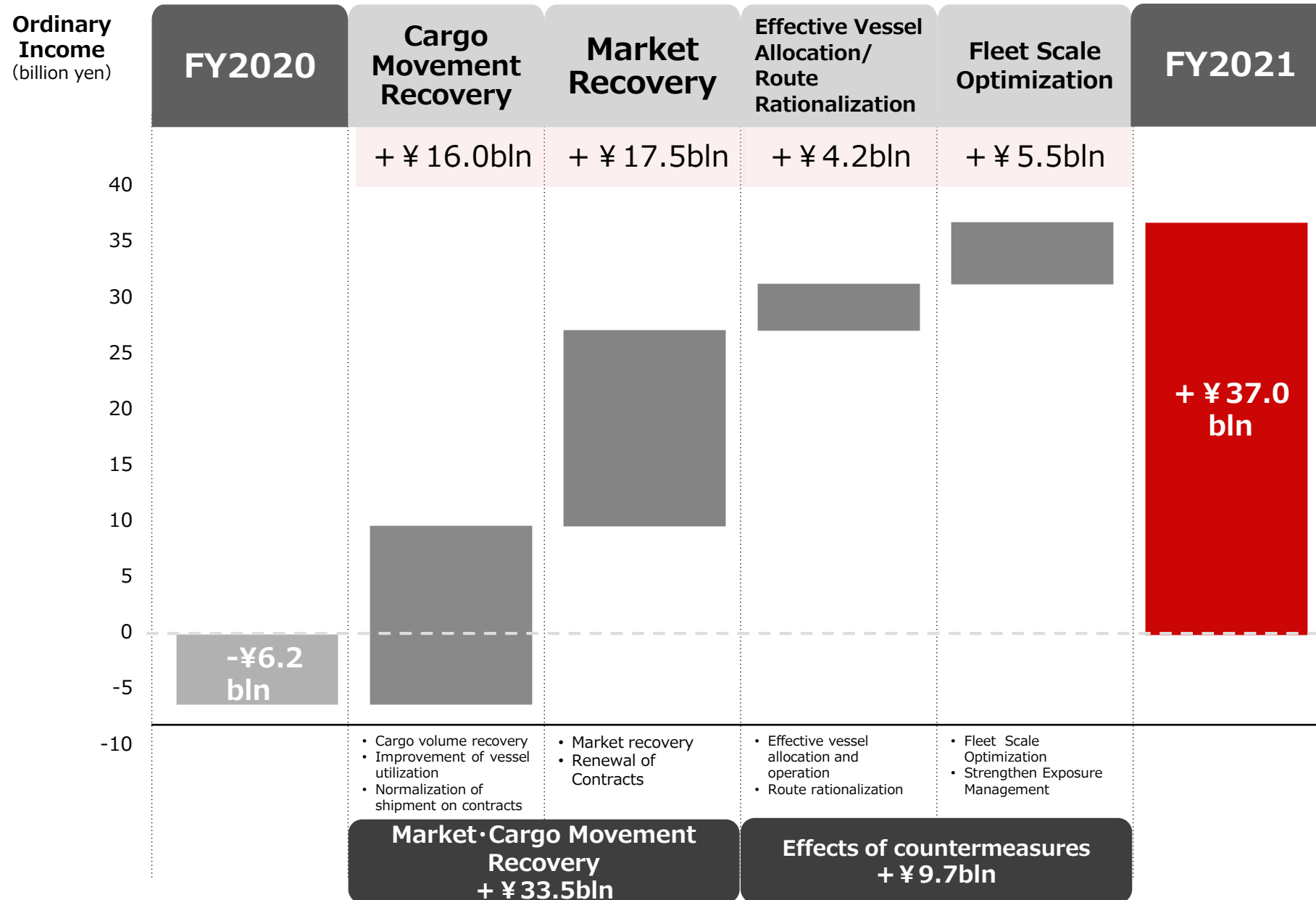
▶ Energy Resource Transport

- VLCC (Very Large Crude Carrier), LPG Carrier, Thermal Coal Carrier, and LNG Carrier Businesses are forecast to secure stable income backed by medium- to long-term charter contracts

▶ Product Logistics

- In Car Carrier Business, the cargo volume continued to recover due to a lessening of the pandemic's impact. The benefits of last fiscal year's initiatives such as fleet scale optimization and route rationalization became apparent.
- In Logistics Business, cargo volume is expected to recover from the impact of COVID-19 to pre-pandemic levels, and cargo movements are expected to remain firm.
- In Containership Business, we will strive to improve service quality, given the strong cargo demand and tightening transportation demand due to supply chain disruptions.

B-3 : Key Factors of Improvement for “K”Line’s own Businesses in FY2021



C. Progress of Next Mid-term Management Plan

C-1 : Progress of the Management Plan in FY2021

■ FY2021 – With an eye on the post-pandemic market, achievement of the rolling management plan targets is progressing smoothly.

Measures	Evaluation of Progress
Refining our Four-pillar Business	○ Making profits for “K” Line’s own four businesses
Accelerating business development abroad, particularly in Asia	○ Enhanced sales activities at sites in Asia
Venturing into new business areas	○ Launched various projects such as KWS*, as part of efforts to take on challenge of developing carbon neutral businesses.
Achieve Further Competitiveness in Containership business	○ Significant improvement in profitability for Ocean Network Express (ONE)
Continuing to expand a stronger financial base	○ Progress has far exceeded plans for the fiscal 2030 targets (i.e., ordinary income of 50 billion yen, equity capital of 400 billion yen, equity ratio of 40%, and ROE of 10% or more).

Achieving future goals ahead of schedule

- ✓ Executing fleet scale optimization of 50 vessels
- ✓ Structural reforms for unprofitable vessels and businesses
- ✓ Reorganization of non-core businesses



Establishing a management foundation to improve corporate value more proactively

- ✓ Significant improvement in financial strength
- ✓ Cash generation through ONE dividends in addition to those from “K” Line’s own businesses
- ✓ Planning to resume dividends (300 yen per share). We are also continuously considering additional shareholder returns based on the final full-year results and the capital policy of Next Mid-term Management Plan. To be released in May.

■ To improve corporate value, currently preparing a medium-term management plan focusing on further growth. To be released in May

C-2 : Approach of the Next Mid-term Management Plan

■ Create “the Long-term management vision” based on social and business environment megatrends, notably the shift toward a low-carbon/ decarbonized society. Then identify growth markets, and devise a medium-term management plan to achieve the “K” Line objectives.

- ▶ Clarifying the role of each business
- ▶ Enhancing functional strategies to support each business, such as vessel management, environmental measures, DX strategy, and human resource strategy
- ▶ Implementing medium and long-term management resource allocation
- ▶ Optimizing allocation of generated cash to promote growth in corporate value

Growth Strategy

- ▶ Devising and executing specific medium and long-term strategies for enhancing the profitability of “K” LINE own businesses
- ▶ Boosting initiatives to low-and zero-carbon and engaging in environmental investment
- ▶ Accelerating global expansion and developing business area in growth markets

Return to Shareholders

- ▶ Examining shareholder return policy with consideration to optimal capital structure.

Management issues for Growth in corporate value

Financial Strength

- ▶ Examining the optimal capital structure in line with appropriate capital levels based on financial base improvement

| Appendix

Market Results and Assumptions / Market Exposure

■ Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q Forecast	Forecast
Capesize	\$9,950	\$20,750	\$16,950	\$17,150	\$16,300	\$31,100	\$42,400	\$42,650	\$16,000	\$33,050
Panamax	\$6,050	\$11,750	\$10,700	\$17,150	\$11,500	\$24,700	\$32,300	\$27,900	\$20,000	\$26,250
Handymax	\$5,500	\$9,950	\$10,750	\$16,650	\$10,750	\$25,550	\$34,250	\$30,500	\$20,000	\$27,600
Small Handy	\$3,250	\$7,150	\$9,200	\$14,650	\$8,600	\$22,500	\$32,200	\$31,350	\$15,000	\$25,250

* Small Handy market assumption for FY2021 have been changed to BHSI-38.

■ Tanker Market Results and Assumption

World Scale (WS)	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q Forecast	Forecast
VLCC	94	35	29	33	47	33	33	42	45	38
(Middle East/Japan)	\$107,850	\$19,750	\$10,900	\$5,750	\$36,050	\$4,850	\$2,750	\$7,700	\$15,800	\$7,800
AFRAMAX	119	69	54	73	79	84	91	103	114	98
(South Asia/Japan)	\$26,350	\$9,650	\$4,650	\$2,650	\$10,850	\$5,000	\$5,650	\$6,650	\$12,650	\$7,500

■ Transition of Fleet Scale

Vessel Type	FY2019	FY2020	FY2021-3Q
Capesize	93	86	89
Panamax and Smaller size	92	88	74
WoodChip Carriers	10	7	6
Total	195	181	169

Vessel Type	FY2019	FY2020	FY2021-3Q
VLCC	6	6	6
LPG Carriers	5	4	4
Other Tankers	6	6	5
Thermal Coal Carriers	29	26	28
LNG Carriers	47	44	43
Total	93	86	86

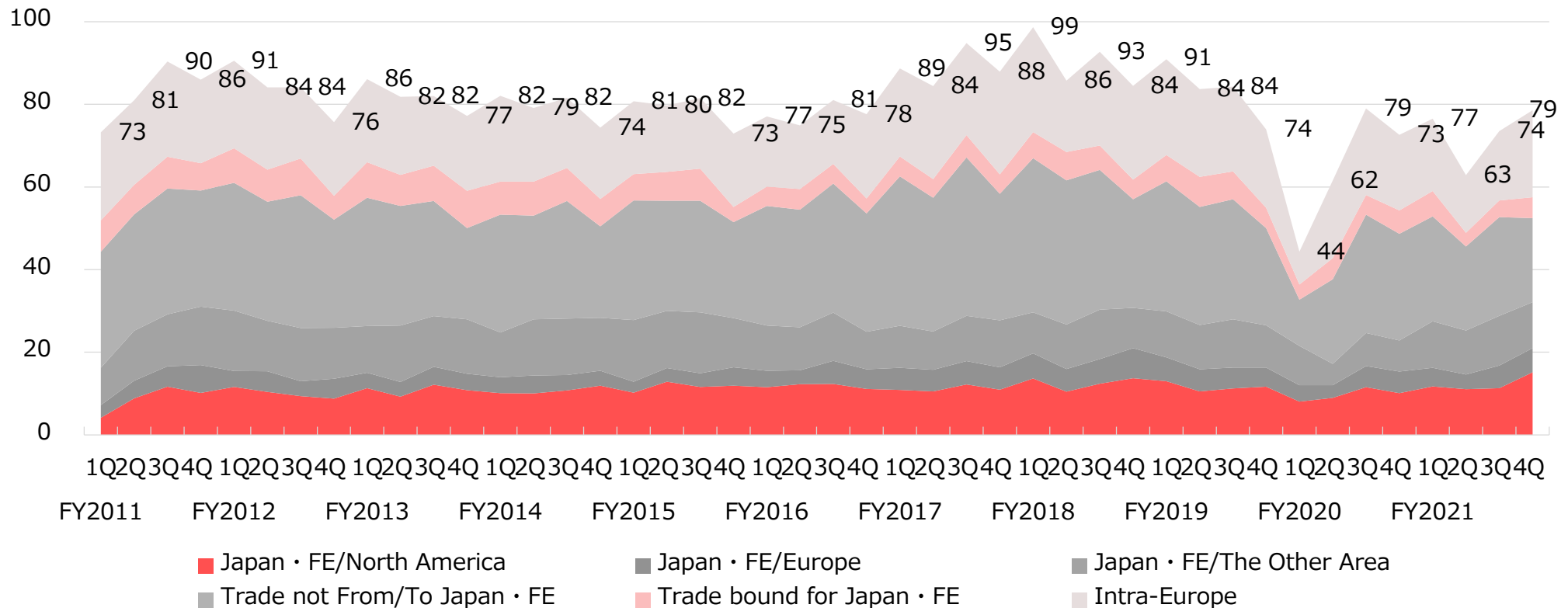
■ FY2021 : Market Exposure

Vessel Type	Market Exposure
Capesize	1%
Panamax and Smaller size	4%
WoodChip Carriers	0%
VLCC	0%
LPG Carriers	0%
Other Tankers	80%
Thermal Coal Carriers	1%

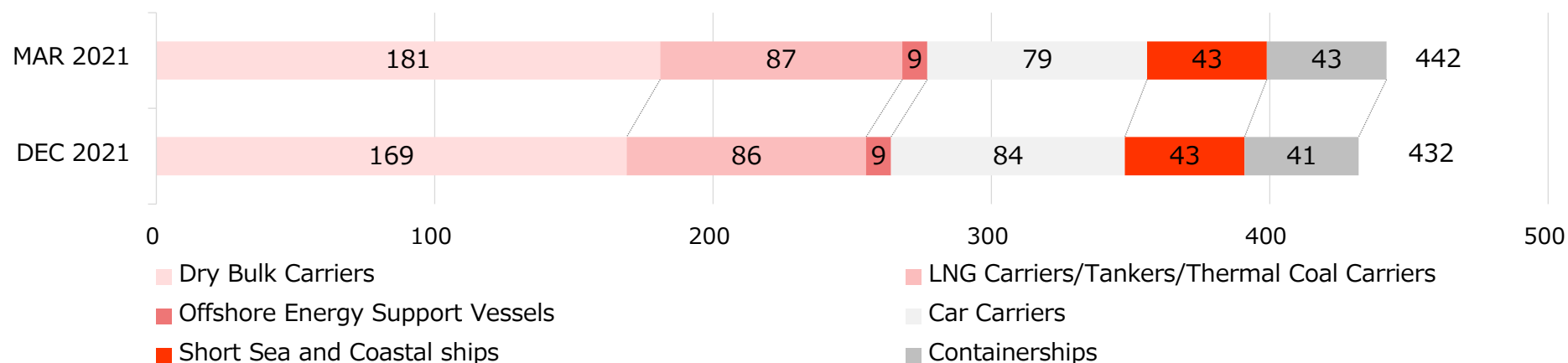
Car Carriers Total Units Carried by Service Routes

Total units carried (1000 Unit)	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q Forecast	Forecast
Outbound	215	172	247	228	862	275	252	288	321	1,136
Homebound	37	51	48	57	193	61	33	40	50	185
Others	112	204	286	258	860	254	203	238	203	899
Intra-Europe	79	187	209	183	659	175	140	168	211	694
Total units carried	443	615	790	726	2,575	765	629	735	786	2,915
Number of fleet	84	76	75	79	79	81	80	84	83	83

(10,000 Units)



"K" Line Group Fleet Composition



Type of Vessel	DEC 2021		DEC 2021		Total		MAR 2021	
	Owned		Chartered		No.	DWT(MT)	Total	
	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	51	6,308,232	118	16,091,904	169	22,400,136	181	23,087,036
Thermal Coal Carriers	8	702,581	20	1,801,965	28	2,504,546	27	2,418,614
LNG Carriers	41	3,499,795	2	152,272	43	3,652,067	44	3,731,623
Tankers	11	1,658,699	4	722,598	15	2,381,297	16	2,496,362
Offshore Support Veesels	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	1	2,431
Car Carriers	32	427,444	52	953,344	84	1,380,788	79	1,296,617
Short Sea and Coastal ships	26	236,943	17	224,916	43	461,859	43	471,923
Containerships	11	849,856	30	2,970,195	41	3,820,051	43	3,963,794
Total	189	13,715,167	243	22,917,194	432	36,632,361	442	37,497,586

* 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-21	Dec-21	
Dry Bulk	Capesize	82	83	
	Over Panamax	4	6	
	Panamax	50	40	
	Handymax	31	28	
	Small Handy	7	6	
	Woodchip Carriers	7	6	
total		181	169	
Energy Resource Transport	VLCC	6	6	
	Aframax	3	2	
	Chemical Tankers	3	3	
	LPG Carriers	4	4	
	Total	16	15	
	LNG Carriers	44	43	
	Thermal Coal Carriers	27	28	
	Offshore Support Vessels	6	6	
	Drillships	1	1	
	FPSO	1	1	
	LNG Bunkering Vessel	1	1	
Total		96	95	
Product Logistics	7,000Units	15	17	
	6,000Units	37	38	
	5,000Units	10	11	
	4,000Units	1	3	
	3,000Units	5	4	
	2,000Units	4	4	
	~2,000Units	7	7	
	Total	79	84	
	Containerships	14,000TEU	12	12
		8,000TEU	13	13
		5,500TEU	6	4
		4,200TEU	7	7
		1,700TEU	5	5
		1,200TEU	0	0
	Total	43	41	
Short Sea and Coastal Ships	43	43		
Total		165	168	
Grand Total		442	432	

■ New Building Delivery Schedule

Number of Vessel	2021	2022	2023
Capesize		1	2
Over Panamax			1
Handymax		1	
Woodchip Carrier		1	
LPG Carrier			1
LNG Carrier		2	
FPSO			1
Car Carrier (7,000 Units)			1
Short Sea and Coastal Ships			
Total	0	5	6

[Disclaimer]

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You are requested to make investment decisions using your own judgment.

[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.

