



Financial Highlights Brief Report for 1st Quarter FY2022

August 3rd, 2022

 **K LINE**
KAWASAKI KISEN KAISHA, LTD.

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A. Financial Highlights for 1st Quarter FY2022

A-1 : Financial Results for 1st Quarter FY2022

■ Financial Results for 1st Quarter FY2022

(billion yen)

Operating Revenues and Profit	FY2022	FY2021	
	1Q (a)	1Q (b)	(a)-(b)
Operating Revenues	228.5	174.7	53.8
Operating Income/loss	18.9	2.4	16.5
Ordinary Income/loss	267.4	88.4	179.0
Net Income/loss Attributable to Owners of Parent	266.6	102.0	164.7
Exchange Rate(¥/\$)	¥126.49	¥109.80	¥16.69
Bunker Price (/MT)	\$821	\$479	\$342

■ Key Factors

- ▶ Operating income increased mainly 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. (ONE) posted higher ordinary and net income as market conditions were at high level amid robust cargo demand, in addition to the rapid fluctuation toward the weakening of the yen.

■ Key Financial Indicator

(billion yen)

Indicators	FY2022-1Q (c)	FY2021 (d)	(c)-(d)
Equity Capital	1,187.8	884.6	303.2
Interest-bearing Liability	410.4	423.5	-13.1
DER	35%	48%	-13points
NET DER	13%	20%	-7points
Equity Ratio	64%	56%	8points

A-2 : Financial Results for 1st Quarter FY2022 by Segment

■ Financial Results for 1Q FY2022 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenue) (Lower row : Ordinary Income/Loss)	FY2022	FY2021	
	1Q (e)	1Q (f)	(e)-(f)
Dry Bulk	84.6	59.7	24.9
	15.0	0.9	14.1
Energy Resource Transport	24.7	20.4	4.3
	5.8	0.9	5.0
Product Logistics	115.7	91.9	23.9
	248.8	88.8	159.9
Containership	11.9	10.7	1.2
	238.0	87.7	150.2
Other	3.4	2.8	0.7
	0.1	- 0.1	0.2
Adjustment	-	-	-
	- 2.4	- 2.1	- 0.3
Total	228.5	174.7	53.8
	267.4	88.4	179.0

■ Key Factors by Segments

▶ Dry Bulk

- Market conditions in Cape, Panamax and smaller size were generally good due to the great recovery of transportation demand as well as improved efficiency in navigation and vessel deployment.

▶ Energy Resource Transport

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

▶ Product Logistics

- Car Carrier Business continued to recover from the impact of COVID-19 in the previous fiscal year despite the semiconductor and parts supply shortage.
- Freight market remained high in the Containership segment due to supply chain disruptions and ongoing pressure on transportation demand as robust cargo demand continued.

B. Forecast and Initiatives for FY2022

B- 1 : Forecasts for FY2022 and Key Factors

■ Forecasts for FY2022

Operating Revenues and Profit/Loss	FY2022					FY2021		Y-o-Y		(billion yen) vs the announced on May 9, 2022	
	1Q	2Q Forecast	1H (g)	2H Forecast	Total (h)	1H (i)	Total (j)	1H (g)-(i)	Total (h)-(j)	Total (k)	(h)-(k)
Operating Revenues	228.5	241.5	470.0	420.0	890.0	357.6	757.0	112.5	133.0	780.0	110.0
Operating Income/Loss	18.9	20.1	39.0	18.0	57.0	10.2	17.7	28.8	39.3	41.0	16.0
Ordinary Income/Loss	267.4	232.6	500.0	200.0	700.0	238.0	657.5	262.0	42.5	470.0	230.0
Net Income/Loss Attributable to Owners of Parent	266.6	228.4	495.0	195.0	690.0	246.0	642.4	249.0	47.6	460.0	230.0
Exchange Rate (/¥)	¥126.49	¥132.23	¥129.36	¥130.00	¥129.68	¥109.90	¥112.06	¥19.46	¥17.62	¥117.70	¥11.98
Bunker Price (/MT)	\$821	\$932	\$876	\$916	\$896	\$497	\$551	\$380	\$345	\$764	\$132

■ Key Factors

- ▶ Operating income is expected to increase by 39.3 billion yen compared to FY2021 and reach 57.0 billion yen mainly due to the recovery of Dry Bulk Business and Car Carrier Business.
- ▶ Ordinary income is expected to be 700 billion yen as containership market conditions are expected to remain at a high level despite the forecast for an adjustment in the second half of the fiscal year due to abatement of supply chains disruption.
- ▶ Net income will improve year on year due to the improvement in ordinary income.
- ▶ There are no changes to the financial figures as of the timely disclosure “Notice on Revision to Consolidated Financial Forecasts for the Fiscal Year ending March 2023” issued on July 21, 2022.

■ Key factor assumption

- ▶ Yen-US\$ exchange rate ¥129.68/\$
- ▶ Bunker Price \$896/MT
- ▶ Market Assumption

Please refer to Appendix

■ Estimates Sensitivity(9 months)

- ▶ Yen-US\$ rate: each ¥1 weaker (stronger)
adds (subtracts) ± ¥5.5 bln
- ▶ Bunker price: each \$10/mt down (up)
adds (subtracts) ± ¥0.02 bln

*Exchange rate fluctuations related to equity in earnings of subsidiaries, “ONE” is included.

■ Dividend

Regarding both interim dividend and year-end dividend, we plan to revise dividend forecast and increase the dividend from the previously announced 150 yen per share to 300 yen per share, adding 150 yen per share, respectively (*as to year-end dividend, the aforementioned is based on the shares before the stock split).

Also, in addition to the revised dividend forecast, we will consider additional return to shareholders more than 100.0billion yen such as further dividend distribution or share buy back, taking into account financial forecasts etc. comprehensively.

*The note is made taking the effect of stock split to be implemented on October 1, 2022 into consideration.

For details, please refer to “Notice regarding Stock Split, Partial Amendment to the Articles of Incorporation, and Revision to Dividend Forecast” announced on August 3, 2022.

B- 2 : Forecasts for FY2022 by Segment

Forecasts for FY2022 by Segment

Business Segment (Upper row: Operating Revenues) (Lower row: Ordinary Income/Loss)	FY2022					FY2021		(billion yen) vs. the announced on May9, 2022	
	1Q	2Q Forecast	1H (m)	2H Forecast	Total (n)	Total (o)	(n)-(o)	Total (p)	(n)-(p)
	Dry Bulk	84.6	88.4	173.0	145.0	318.0	276.5	41.5	273.0
	15.0	10.5	25.5	10.5	36.0	23.7	12.3	24.0	12.0
Energy Resource Transport	24.7	27.2	52.0	47.0	99.0	89.7	9.3	88.0	11.0
	5.8	2.7	8.5	4.5	13.0	4.8	8.2	6.0	7.0
Product Logistics	115.7	124.3	240.0	225.0	465.0	380.2	84.8	412.0	53.0
	248.8	223.2	472.0	191.0	663.0	640.8	22.2	451.0	212.0
Containership	11.9	13.1	25.0	25.0	50.0	41.7	8.3	46.0	4.0
	238.0	215.0	453.0	174.0	627.0	623.8	3.2	425.0	202.0
Other	3.4	1.6	5.0	3.0	8.0	10.6	- 2.6	7.0	1.0
	0.1	- 0.1	0.0	0.0	0.0	- 0.1	0.1	0.0	0.0
Adjustment	-	-	-	-	-	-	-	-	-
	- 2.4	- 3.6	- 6.0	- 6.0	- 12.0	- 11.7	- 0.2	- 11.0	- 1.0
Total	228.5	241.5	470.0	420.0	890.0	757.0	133.0	780.0	110.0
	267.4	232.6	500.0	200.0	700.0	657.5	42.5	470.0	230.0

Key Factors by Segments

▶ Dry Bulk

- It is expected that transportation demand will be solid and market conditions will be steady, backed by the normalization of economic activity in major cities.
- We will actively conduct sales activities leveraging its high service quality and endeavor to expand stable earnings through the accumulation of medium- to long-term contracts.

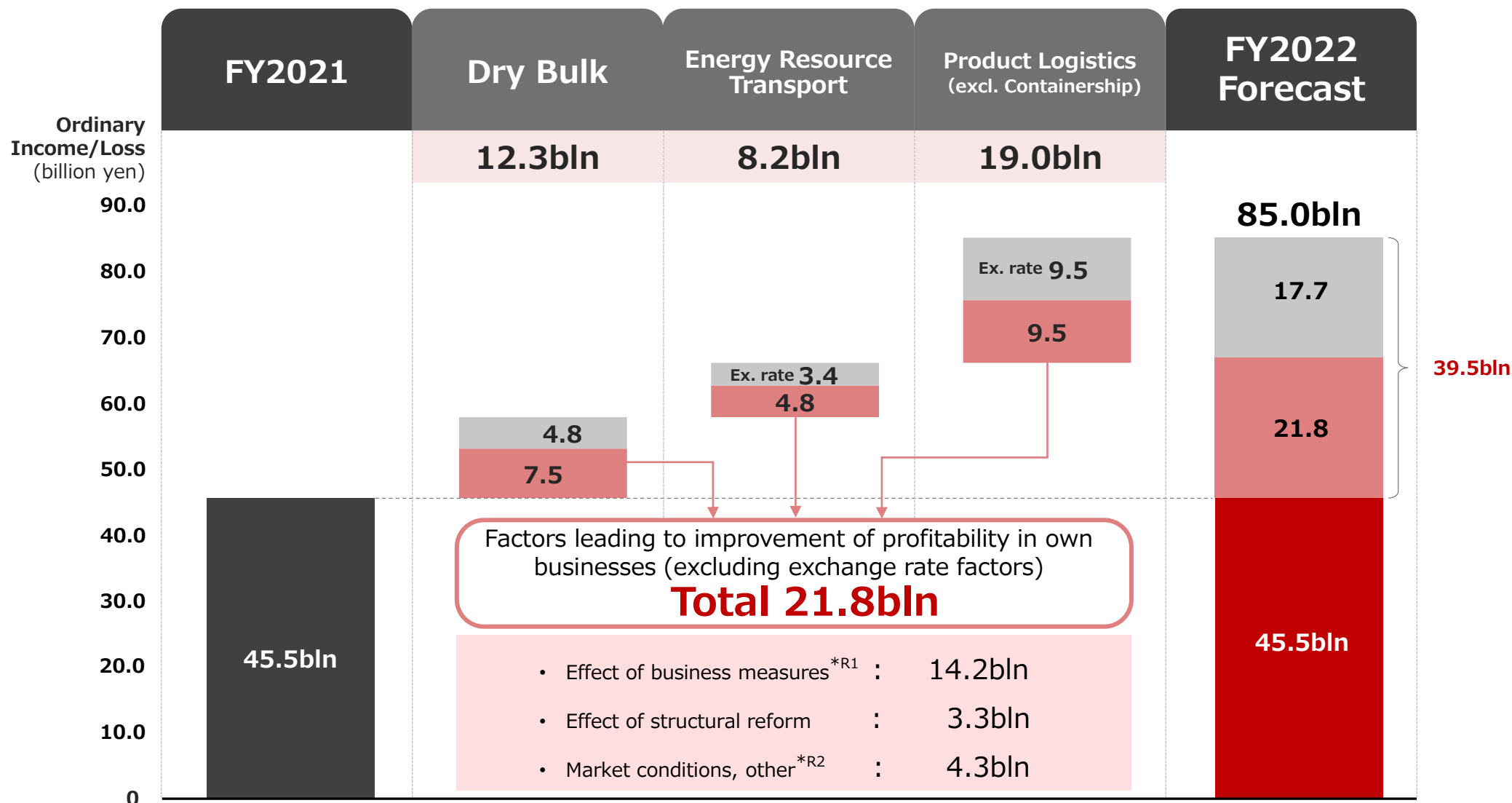
▶ Energy Resource Transport

- Efforts will be made to secure stable earnings in LNG Carrier, VLCC (Very Large Crude Carrier) and LPG Carrier, Thermal Coal Carrier Businesses through medium- to long-term contracts.
- The effects of withdrawal from unprofitable businesses such as offshore support vessels will emerge in improvement of earnings.

▶ Product Logistics

- In Car Carrier Business, cargo volume continued to recover from the impact of the COVID 19 pandemic. Efforts will continue to be made to improve vessel operation efficiency through initiatives such as fleet optimization, rate restorations and route rationalization.
- In the Containership segment, disruption of supply chains will subside, and market conditions are expected to enter an adjustment phase in the second half of the fiscal year.

B-3 : Key Factors of Improvement for "K" Line's own Businesses in FY2022

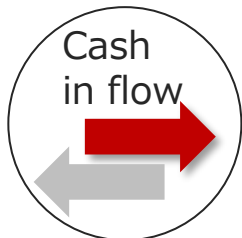


*R1 : acquisition of new contracts, ship allocation efficiency, etc.

*R2 : including impact of oil prices

C. Status and Progress of Medium-term Management Plan

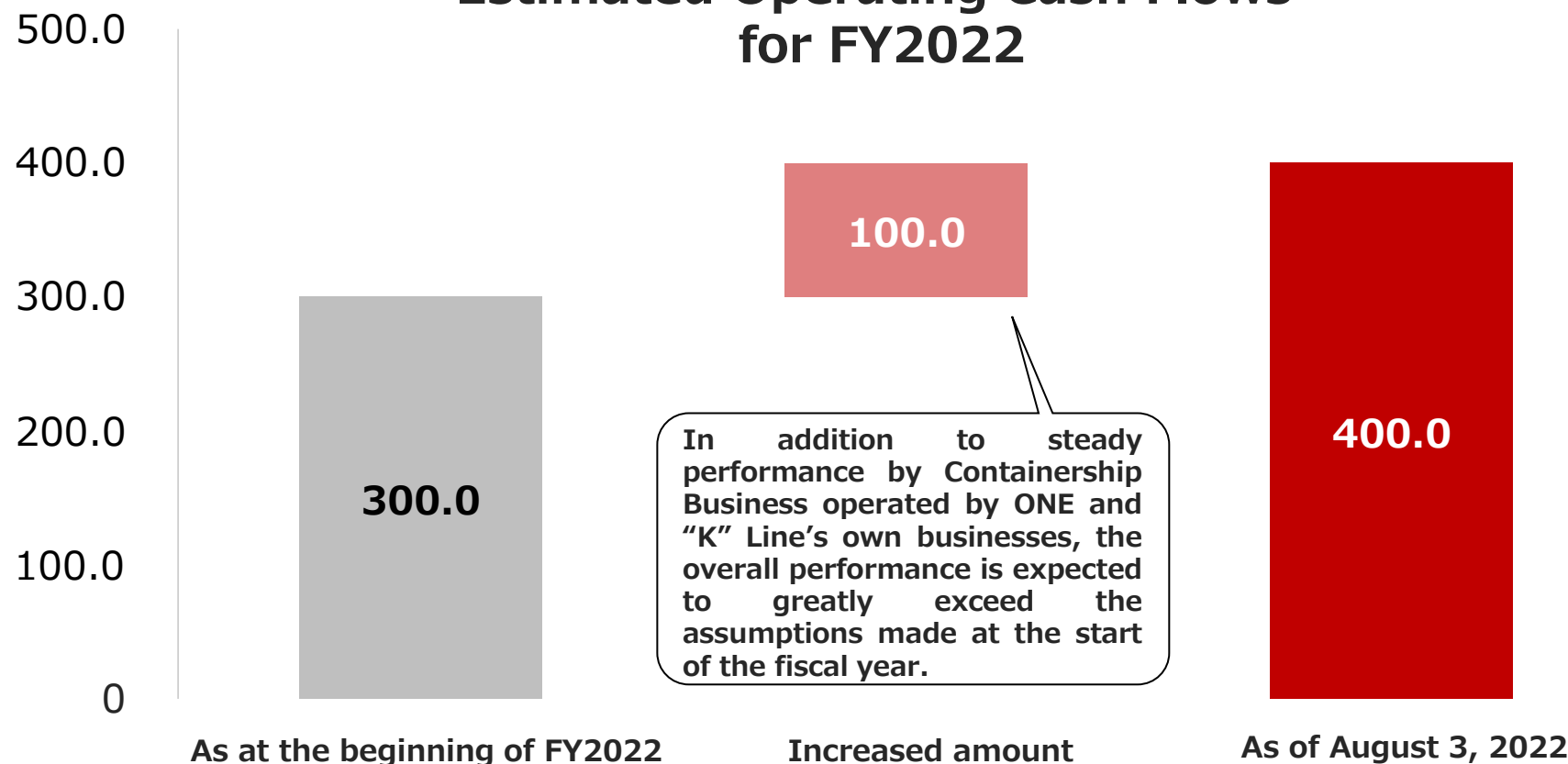
C-1 : Operating Cash Flows



Operating cash flows are expected to increase backed by steady maritime shipping market conditions.

(billion yen)

Estimated Operating Cash Flows for FY2022



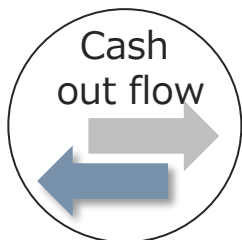
In addition to steady performance by Containership Business operated by ONE and "K" Line's own businesses, the overall performance is expected to greatly exceed the assumptions made at the start of the fiscal year.

Assumption average Ex. rate ¥117.70/\$

¥129.68/\$

* These are reference values that differ from cash flows in legal financial accounting.

C-2 : Return to Shareholders

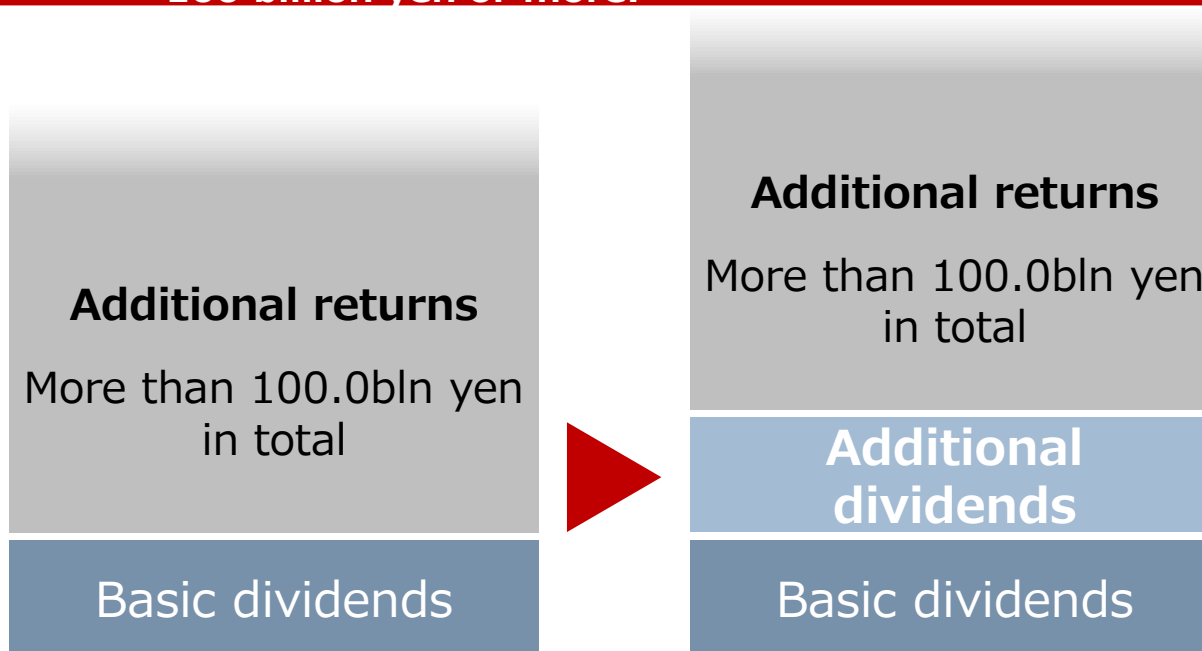


Additional dividend of 150 yen per share for both interim and fiscal year end dividend are planned
In addition to these, consideration is continuing to be made for additional returns totaling 100 billion yen or more.

Flexible decisions will be made on additional returns after consideration of changes in cash inflows during the period and the business investment options available.

【Stock Split】

Each share of common stock owned by shareholders will be split into 3 shares per share with effective date of October 1, 2022.



Previous announcement May 9





Announcement as of August 3

Interim dividend (Forecast)	150 yen/share	300 yen/share +150 yen
Fiscal year-end (Forecast)	50 yen/share *	100 yen/share*
(Based on shares before stock split)	(150 yen/share)	(300 yen/share) +150 yen
Total (Forecast)	—	—
(Based on shares before stock split)	(300 yen/share)	(600 yen/share) +300 yen

* The note is made taking the effect of stock split to be implemented on October 1, 2022 into consideration. Forecast for the full-year dividend per share is not presented as simple comparisons are not possible due to the implementation of the stock split, however, the forecast for the full-year dividend per share based on the pre-stock split is 600.00 yen.

C-3 : External Environment Surrounding “K” Line Group

The external environment surrounding maritime shipping continues to be fluid, but the negative impact on profitability is expected to be limited.

External Environment	Anticipated Risks and Opportunities	Action Based on the Medium-term Management Plan
 International Conditions	<ul style="list-style-type: none"> Impact on the economy such as high prices caused by the Russia-Ukraine situation Expansion of the scope of economic sanctions on Russia such as energy embargos 	<ul style="list-style-type: none"> Strengthening of resilience to market conditions through the emergence of effect of structural reforms The impact on profitability assuming the forecast for the external environment has already been incorporated into the plan
 Pandemic	<ul style="list-style-type: none"> Increase in the number of global infections due to variant strains Lockdowns of major cities 	<ul style="list-style-type: none"> Strengthening earning power through resource allocation according to the characteristics of each business based on the portfolio strategy
 Global Economy	<ul style="list-style-type: none"> Rapid weakening of the yen Progression of global inflation Increased resource prices 	<ul style="list-style-type: none"> Working with customers to respond to “changes in the business environment” and the “energy mix transition phase” Strengthening of safety and quality management systems as a shipping company supporting global social infrastructure
 Strengthening of Regulations Related to Decarbonization	<ul style="list-style-type: none"> Application of treaty on new CO2 emission regulations to large ocean-going vessels 	<ul style="list-style-type: none"> Realizing growth by considering the low-carbon/zero-carbon shift of the Company and society as a business opportunity based on the long-term management vision

*Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator(CII) will be applied from Jan. 2023.

| Appendix

Market Results and Assumptions/ Market Exposure

■ Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Total	1Q	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
CAPE	\$31,100	\$42,400	\$42,650	\$14,750	\$32,750	\$21,600	\$27,000	\$27,000	\$14,000	\$22,400
PANAMAX	\$24,700	\$32,300	\$27,900	\$21,900	\$26,750	\$25,300	\$24,500	\$20,000	\$15,000	\$21,200
HANDYMAX	\$25,550	\$34,250	\$30,500	\$25,150	\$28,900	\$28,900	\$24,500	\$20,000	\$15,000	\$22,100
SMALL HANDY	\$22,500	\$32,200	\$31,350	\$24,100	\$27,600	\$27,550	\$20,500	\$18,000	\$13,000	\$19,750

■ Tanker Market Results and Assumption

World Scale (WS)	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Total	1Q	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
VLCC	33	33	42	39	37	46	69	54	58	57
(Middle East/Japan)	\$4,850	\$2,750	\$7,700	-\$2,050	\$3,300	-\$3,250	\$20,050	\$26,000	\$31,000	\$18,450
AFRAMAX	84	91	103	109	97	167	174	133	133	152
(South Asia/Japan)	\$5,000	\$5,650	\$6,650	\$7,000	\$6,100	\$18,000	\$15,000	\$20,500	\$20,500	\$18,500

■ Transition of Fleet Scale

Vessel Type	FY2020	FY2021	FY2022-1Q
CAPE	86	88	79
Panamax and Smaller size	88	80	73
WoodChip Carriers	7	6	7
Total	181	174	159

Vessel Type	FY2020	FY2021	FY2022-1Q
VLCC	6	6	6
LPG Carriers	4	4	4
Other Tankers	6	5	5
Thermal Coal Carriers	26	31	29
LNG Carriers	44	43	43
Total	86	89	87

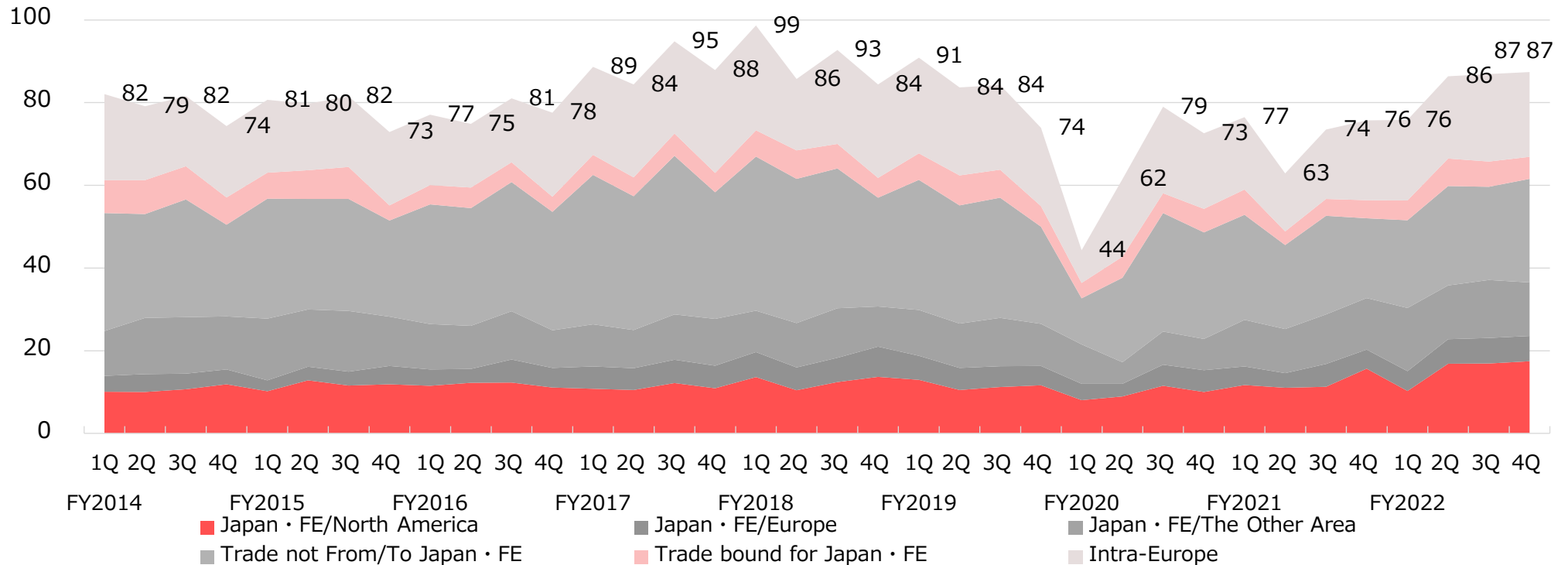
■ FY2022 : Market Exposure

Vessel Type	Market Exposure
CAPE	11%
Panamax and Smaller size	18%
WoodChip Carriers	7%
VLCC	0%
LPG Carriers	0%
Thermal Coal Carriers	3%

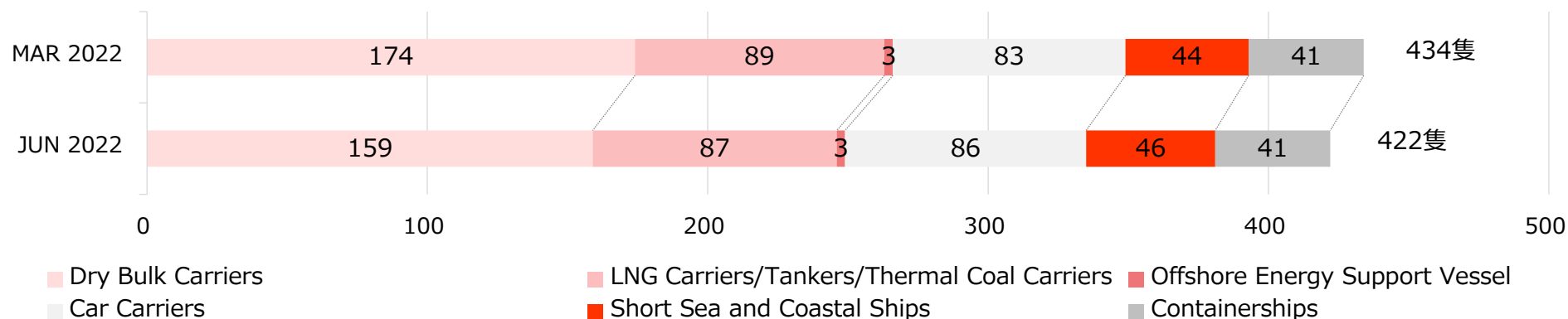
Car Carriers Total Units Carried by Service Routes

Total units Carried (1,000 units)	FY2021年度					FY2022				
	1Q	2Q	3Q	4Q	Total	1Q	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
Outbound	275	252	288	327	1,142	303	358	371	365	1,398
Homebound	61	33	40	44	179	48	67	61	53	229
Others	254	203	238	193	889	212	240	225	251	928
Intra-Europe	175	140	168	193	677	195	199	212	205	810
Total units Carried	765	629	735	757	2,886	758	864	869	874	3,365
Number of Fleet	81	80	84	83	83	87	87	86	86	86

(10,000 Units)



"K" Line Group Fleet Composition



Type of Vessel	OWNED		CHARTERED		TOTAL		MAR 2022	
	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	49	5,938,351	110	15,375,576	159	21,313,927	174	22,490,344
Thermal Coal Carriers	8	702,507	21	1,890,412	29	2,592,919	31	2,762,433
LNG Carriers	41	3,499,795	2	152,272	43	3,652,067	43	3,652,067
Tankers	11	1,658,729	4	722,598	15	2,381,327	15	2,381,297
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	33	446,112	53	961,798	86	1,407,910	83	1,362,224
Short Sea and Coastal ships	24	232,482	22	260,194	46	492,676	44	489,046
Containerships	11	849,856	30	2,970,195	41	3,820,051	41	3,820,051
Total	180	13,330,263	242	22,333,045	422	35,663,308	434	36,959,893

* 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-22	Jun-22	
Dry Bulk	Capesize	80	79	
	Over Panamax	8	5	
	Panamax	46	39	
	Handymax	30	26	
	Small Handy	4	3	
	Woodchip Carriers	6	7	
	Total		174	159
Energy Resource Transport	VLCC	6	6	
	Aframax	2	2	
	Tankers	3	3	
	Chemical Tankers	3	3	
	LPG Carriers	4	4	
	合計	15	15	
	LNG Carriers	43	43	
	Thermal Coal Carriers	31	29	
	Drillship	1	1	
	FPSO	1	1	
	LNG Bunkering Vessel	1	1	
Total		92	90	
Product Logistics	7,000 Units	17	17	
	6,000 Units	38	39	
	5,000 Units	10	10	
	Car Carriers	3	5	
	4,000 Units	4	4	
	3,000 Units	4	4	
	2,000 Units	4	4	
	~2,000 Units	7	7	
	Total	83	86	
	Containerships	14,000TEU	12	12
		8,000TEU	13	13
		5,500TEU	4	4
		4,200TEU	7	7
		1,700TEU	5	5
		1,200TEU	0	0
	Total	41	41	
	Short Sea and Coastal Ships	44	46	
Total		168	173	
Grand Total		434	422	

New Building Delivery Schedule

Number of Vessel	2022	2023	2024
Capesize	1	3	
Over Panamax		1	
Handymax	1		1
LPG Carriers		1	
LNG Carriers	2		
FPSO		1	
Car Carriers (7,000 Unit)		1	4
Short Sea and Coastal Ships	1	2	2
Total	5	9	7

【Disclaimer】

Information contained in this material is provided solely for informational purposes and is not an offer or a solicitation of an offer to buy or sell securities.

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.

