



Financial Highlights Brief Report for 1st Quarter FY2023

August 2nd, 2023



Index

■ A. Financial Highlights for 1st Quarter Fiscal Year 2023

- A- 1 : Financial Results for 1st Quarter FY2023
- A- 2 : Financial Results for 1st Quarter FY2023 by Segment

■ B. Forecasts and Initiatives for Fiscal Year 2023

- B- 1 : Forecasts for FY2023 and Key Factors
- B- 2 : Forecasts for FY2023 by Segment
- B- 3 : Key Factors for “K” Line’s Own Businesses in FY2023
(Full-year results comparison with the previous year)

■ C. Status and Progress of Medium-term Management Plan

- C- 1 : Changes in the business environment
- C- 2 : 【 Capital Policy】Capital Policy Progress
and Corporate Value Improvement
- C- 3 : 【 Capital Policy】Shareholder’s Return Policy

■ Appendix. Index table etc.

(Market Results and Assumptions/ Market Exposure)

A. Financial Highlights for 1st Quarter FY2023

A- 1 : Financial Results for 1st Quarter FY2023

Financial Results for 1st Quarter FY2023

(billion yen)

Operating Revenues and Profit	FY2023	FY2022	
	1Q (a)	1Q (b)	(a)-(b)
Operating Revenues	222.2	228.4	-6.2
Operating Income/loss	19.6	18.8	0.7
Ordinary Income/loss	49.1	267.3	-218.2
Net Income/loss Attributable to Owners of Parent	38.5	266.6	-228.0
Exchange Rate (¥/\$)	¥135.81	¥126.49	¥9.32
Bunker Price (/MT)	\$609	\$821	-\$212

Key Factors (year-on-year comparison)

- ▶ Despite a softening of conditions in the dry bulk market due to a drop in transport demand, operating income grew thanks to an increase in the number of vehicles handled by Car Carrier Business.
- ▶ For Containership Business operated by equity-method affiliate OCEAN NETWORK EXPRESS PTE. LTD. (ONE), market conditions have been gradually returning to normal levels, and ordinary and net income declined as a result.

Key Financial Indicators

(billion yen)

Indicators	FY2023-1Q (c)	FY2022 (d)	(c)-(d)
Equity Capital	1,570.1	1,515.3	54.8
Interest-Bearing Liability	358.8	351.6	7.2
DER	23%	23%	-
Equity Ratio	74%	74%	-

A-2 : Financial Results for 1st Quarter FY2023 by Segment

Financial Results for 1Q FY2022 by Segment

(billion yen)

Business Segment (Upper row: Operating Revenues) (Lower row: Ordinary Income/loss)	FY2023	FY2022	
	1Q (e)	1Q (f)	(e)-(f)
Dry Bulk	72.5	84.6	-12.0
	1.5	14.5	-13.0
Energy Resource Transport	23.6	24.7	-1.1
	2.4	5.6	-3.1
Product Logistics	123.1	115.7	7.3
	45.9	248.6	-202.7
Containership	10.2	11.8	-1.6
	25.5	238.2	-212.7
Other	2.8	3.4	-0.5
	0.7	0.1	0.6
Adjustment	-	-	-
	-1.6	-1.6	-
Total	222.2	228.4	-6.2
	49.1	267.3	-218.2

Key Factors by Segment (year-on-year comparison)

▶ Dry Bulk

- Although there was a temporary recovery trend in the Cape market due to expectations for economic recovery in China, the supply and demand balance for shipping capacity in this market deteriorated slightly and the market remained weak. This was a result of further easing of port congestion based on a delay in actual demand recovery in China.
- Market conditions for Panamax and smaller sizes also weakened due to factors including a decrease in demand for grain transport to China, and a decline in coal and steel transport to Europe against a backdrop of high inventories in the consumption regions.

▶ Energy Resource Transport

- LNG Carrier, Thermal Coal Carrier, VLCC (Very Large Crude Carrier) and LPG Carrier Businesses secured stable profits backed by medium- to long-term charter contracts.
- Meanwhile, as a result of accumulated negative factors such as flaking-off of temporary revenue, profitability deteriorated compared to the same period of the previous year.

▶ Product Logistics

- In Car Carrier Business, the recovery trend continued as supply shortages for semiconductors and auto parts eased, along with a gradual decrease in their impact on vehicle production and shipments.
- We continue efforts to restore freight rates and improve operational efficiency.
- ONE's business performance remained weak as a result of a decline in short-term freight rates. This was due to a slump in transport demand, along with the normalization of supply chains after disruptions.

| B. Forecasts and Initiatives for Fiscal Year 2023

B- 1 : Forecasts for FY2023 and Key Factors

Forecasts for FY2023

(billion yen)

Operating Revenues and Profit/Loss	FY2023					FY2022		Y-o-Y		vs the announced on May 8, 2023	
	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	222.2	228.8	451.0	449.0	900.0	482.8	942.6	-31.8	-42.6	870.0	30.0
Operating Income/Loss	19.6	23.9	43.5	45.5	89.0	52.9	78.8	-9.4	10.2	85.0	4.0
Ordinary Income/Loss	49.1	20.9	70.0	65.0	135.0	567.5	690.8	-497.5	-555.8	130.0	5.0
Net Income/Loss Attributable to Owners of Parent	38.5	16.5	55.0	65.0	120.0	565.4	694.9	-510.4	-574.9	120.0	-
Exchange Rate(¥/\$)	¥135.81	¥138.33	¥137.07	¥135.00	¥136.04	¥131.56	¥135.07	¥5.51	¥0.97	¥125.29	¥10.75
Bunker Price(/MT)	\$609	\$602	\$605	\$622	\$613	\$850	\$769	-\$245	-\$156	\$679	-\$66

Key Factors (year-on-year comparison)

- ▶ Operating income is expected to increase by 10.2 billion yen compared to FY2022. This is based on steady performance anticipated for Car Carrier Business, despite the softening of the dry bulk market.
- ▶ Ordinary income is expected to be 135.0 billion yen as the containership market gradually stabilizes when compared to FY2022.

Key factor assumption

- ▶ Yen-US\$ exchange rate ¥136.04/\$
(average for FY2023)
- ▶ Bunker Price \$613/MT
- ▶ Market Assumption

Please refer to Appendix

Estimates Sensitivity (2Q~4Q 9 months)

- ▶ Yen-US\$ rate: each ¥1 weaker (stronger) adds (subtracts) ± ¥1.2 bln
- ▶ Bunker price: each \$10/mt down (up) adds (subtracts) ± ¥0.06 bln

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

Shareholder's return

Dividend : The planned annual dividend for FY2023 is 200 yen per share, which is a basic dividend of 120 yen per share plus an additional dividend of 80 yen per share.

Additional return : On May 8, 2023, "K" LINE announced an additional shareholder's return of 50.0 billion yen or more. Considering the scale of this additional shareholder's return for the fiscal year 2023, we have determined that the best way to do this will be to perform a share buy-back for the entire amount. We will repurchase the Common stock of "K" LINE up to 60.0 billion yen and total number of shares of common stock of "K" LINE up to 11,676,000 (max.) shares.

→ details : P13 Shareholder's Return Policy

B- 2 : Forecasts for FY2023 by Segment

Forecasts for FY2022 by Segment

(billion yen)

Business Segment <small>(Upper row: Operating Revenues) (Lower row : Ordinary Income/Loss)</small>	FY2023					FY2022		vs. the announced on May 8, 2023	
	1Q	2Q Forecast	1H (m)	2H Forecast	Total (n)	Total (o)	(n)-(o)	Toal (p)	(n)-(p)
Dry Bulk	72.5	70.5	143.0	122.0	265.0	312.2	-47.2	257.0	8.0
	1.5	1.5	3.0	6.0	9.0	19.1	-10.1	12.0	-3.0
Energy Resource Transport	23.6	23.4	47.0	48.0	95.0	100.2	-5.2	89.0	6.0
	2.4	1.1	3.5	4.5	8.0	9.0	-1.0	8.0	-
Product Logistics	123.1	132.9	256.0	274.0	530.0	519.7	10.3	514.0	16.0
	45.9	20.6	66.5	58.5	125.0	669.9	-544.9	118.0	7.0
Containership	10.2	14.3	24.5	27.5	52.0	49.3	2.7	51.0	1.0
	25.5	3.0	28.5	20.5	49.0	608.8	-559.8	50.0	-1.0
Other	2.8	2.2	5.0	5.0	10.0	10.3	-0.3	10.0	-
	0.7	0.3	1.0	0.0	1.0	0.8	0.2	0.0	1.0
Adjustment	-	-	-	-	-	-	-	-	-
	-1.6	-2.4	-4.0	-4.0	-8.0	-8.0	-	-8.0	-
Total	222.2	228.8	451.0	449.0	900.0	942.6	-42.6	870.0	30.0
	49.1	20.9	70.0	65.0	135.0	690.8	-555.8	130.0	5.0

Key Factors by Segment (year-on-year comparison)

► Dry Bulk

- Market conditions are currently sluggish, but an improvement is expected toward the end of the term due to tighter vessel supply and demand. This is against the backdrop of the prolonged Russian war in Ukraine and the limited completion of new vessels.

► Energy Resource Transport

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

► Product Logistics

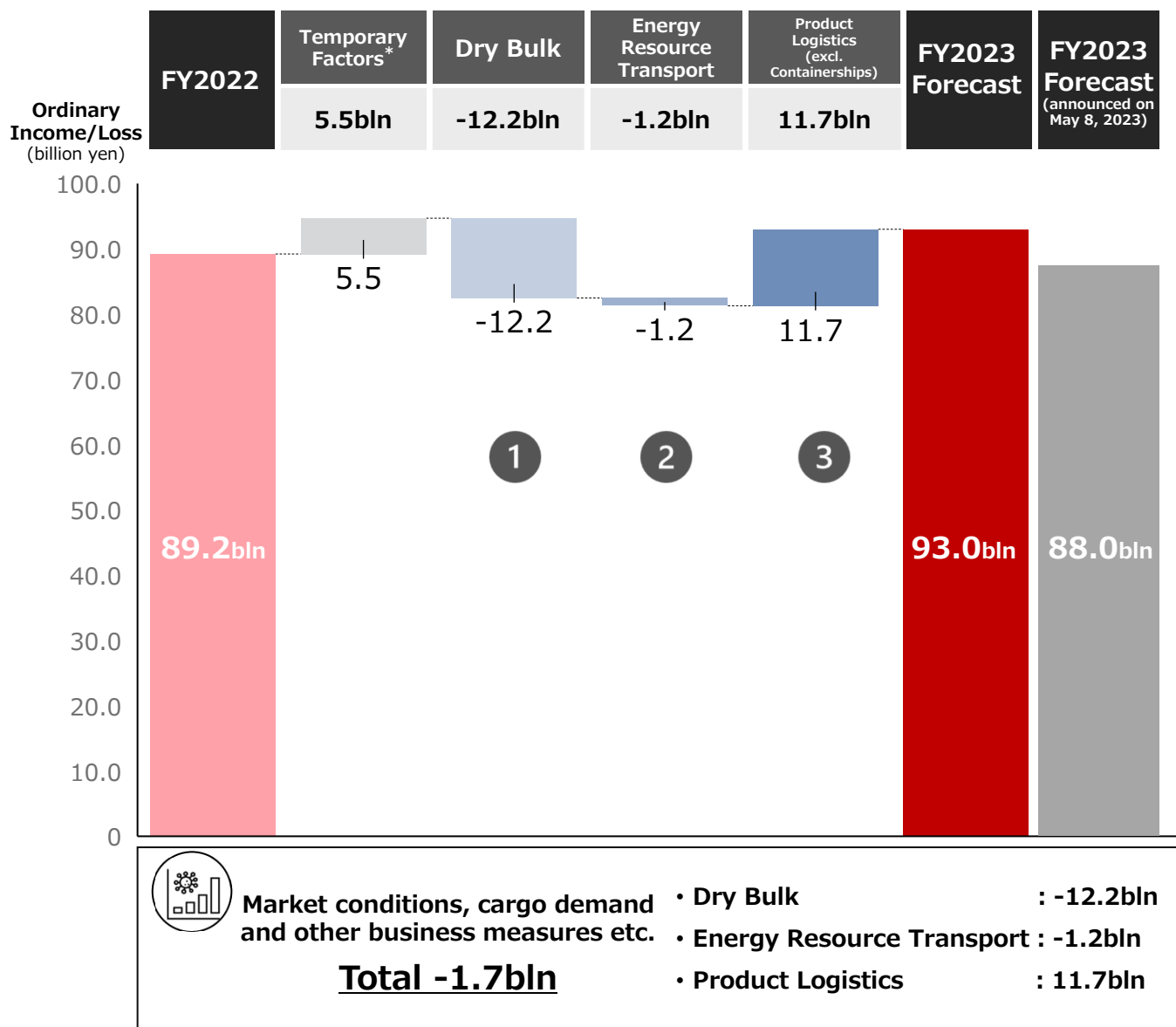
- As global economic activity returns to normal, the recovery in vehicle production and shipments is expected to continue for Car Carrier Business, along with improvements in the supply of semiconductors and auto parts.
- We will continue to promote fleet optimization and improve vessel operation and deployment efficiency.

- In Containership Business, it has been taking time for transport demand to recover due to excess inventories at consumption sites in Europe and the United States. However, it is expected that the market will bottom out in 2nd half of FY2023. ONE will continue agile response measures based on supply and demand trend.

B. Forecasts and Initiatives for Fiscal Year 2023

B-3 : Key Factors for “K” Line’s Own Businesses

in FY2023 (Full-year results comparison with the previous year)



1 Dry Bulk

- Although there is some impacts of the softening dry bulk market compared to FY2022, we will work on profitability improvement measures, such as enhancing vessel operation efficiency and reducing costs.
- We will secure stable earnings by continuing and increasing the number of medium- to long-term contracts.
- Given the growing need for environmental measures, we will actively promote sales activities that make the most of our strong business foundation and high transport service quality. We will expand stable earnings by adding more medium- to long-term contracts and implement appropriate risk control.

2 Energy Resource Transport

- “K” Line will ensure stable earnings through medium- to long-term contracts.

3 Product Logistics (excl. Containership)

Car Carriers

- Improving profitability through rate restorations
- We will continue efforts to optimize our fleet and enhance vessel operation and deployment efficiency
- While geopolitical risks and the possibility of global economic recession remain for the automobile sales market worldwide, vehicle production and shipments are expected to continue recovering from the previous year. This is due to a greater supply of semiconductors and auto parts, as economic activities return to normal.

Short sea and coastal/Port /Logistics

- In the short sea and coastal transport business, market conditions are expected to remain sluggish. Accordingly, we will continue to appropriately manage market exposure and work to improve vessel operation efficiency, while reducing costs.
- Promoting business through collaboration among our subsidiary companies to utilize their knowledge and experience and to create synergies between businesses within the Group







*Temporary factors: Mainly the impact of foreign exchange factors

*The allocation method for SG&A expenses has been partially changed from FY2023. FY2022 actual figures for comparison were also created using the method after the change.

C. Status and Progress of Medium-term Management Plan

C- 1 : Changes in the business environment

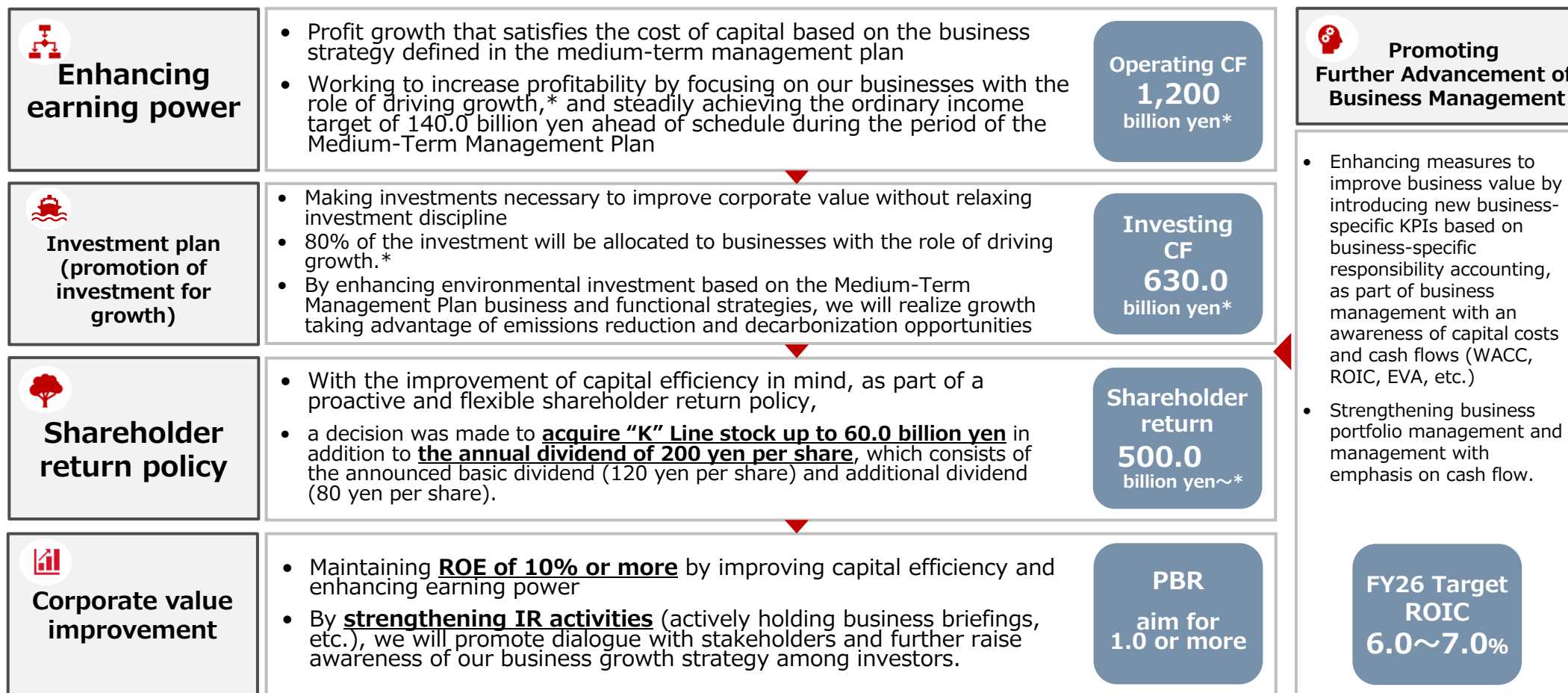
The global business environment will remain uncertain due to factors such as economic decoupling, continued concerns about downward pressure on the global economy, and energy policy developments in various countries

	 Economic decoupling	 Global economy	 Energy policies
External Environment 	<ul style="list-style-type: none"> • Economic separation due to conflict between the United States and China, Russia's war in Ukraine, and conditions in East Asia • Continued geopolitical risk 	<ul style="list-style-type: none"> • Stagnation of the global economy due to the continuation of national high interest rate policies • Business confidence in Europe and the United States, and trend in purchasing power • Delayed economic recovery in China 	<ul style="list-style-type: none"> • Fluidity in national energy policies concerning target energy mixes, including renewable energy, nuclear power, and fossil fuels, etc. • Application of treaty on new CO2 emission regulations to large ocean-going vessels
Anticipated Risks and Opportunities 	<ul style="list-style-type: none"> • Concern about impacts on trade • Concern about impacts on resource supply 	<ul style="list-style-type: none"> • Slowdown of the real economy due to rising procurement costs and other factors, and the negative impact on purchasing power • Continuation of global inflationary pressure 	<ul style="list-style-type: none"> • Soaring energy prices • Future demand for transporting new fuels • Increase in benefits of environmentally friendly vessels due to restrictions on output of existing vessels and the necessity to make modifications to improve fuel efficiency • Impact of the expansion of industries covered by the EU-ETS*
Action Based on the Medium-term Management Plan 	<ul style="list-style-type: none"> • Realizing growth by considering the emissions reduction and decarbonization of the Company and society as a business opportunity based on the long-term management vision • Strengthening earning power through resource allocation according to the characteristics of each business based on the portfolio strategy • 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 		

* EU-ETS : EU Emission Trading System

C-2 [Capital Policy] : Capital Policy Progress and Corporate Value Improvement

Promoting further enhancement of corporate value by steadily implementing key items listed in the Capital Policy section of the Medium-Term Management Plan



Based on the Medium-Term Management Plan, we will promote the enhancement of "earning power" and strive to further improve corporate value by maintaining capital efficiency and financial soundness with an awareness of optimal capital structure and cash allocation.

*Businesses with the role of driving growth: Coal & Iron Ore Carrier Business, Car Carrier Business and LNG Carrier Business

*Planned cash allocation amount of Operating CF, Investing CF and total shareholder return during the medium-term management plan period (up to FY2026) announced in May 2023

C-3【Capital Policy】 : Shareholder’s Return Policy

Regarding the total return amount of 500.0 billion yen or more during the period of the Medium-Term Management Plan, based on the shareholder return policy announced in May 2023, we will actively carry out appropriate dividends and flexible/responsive share buy-backs to increase shareholder value.

■ Dividend Already announced

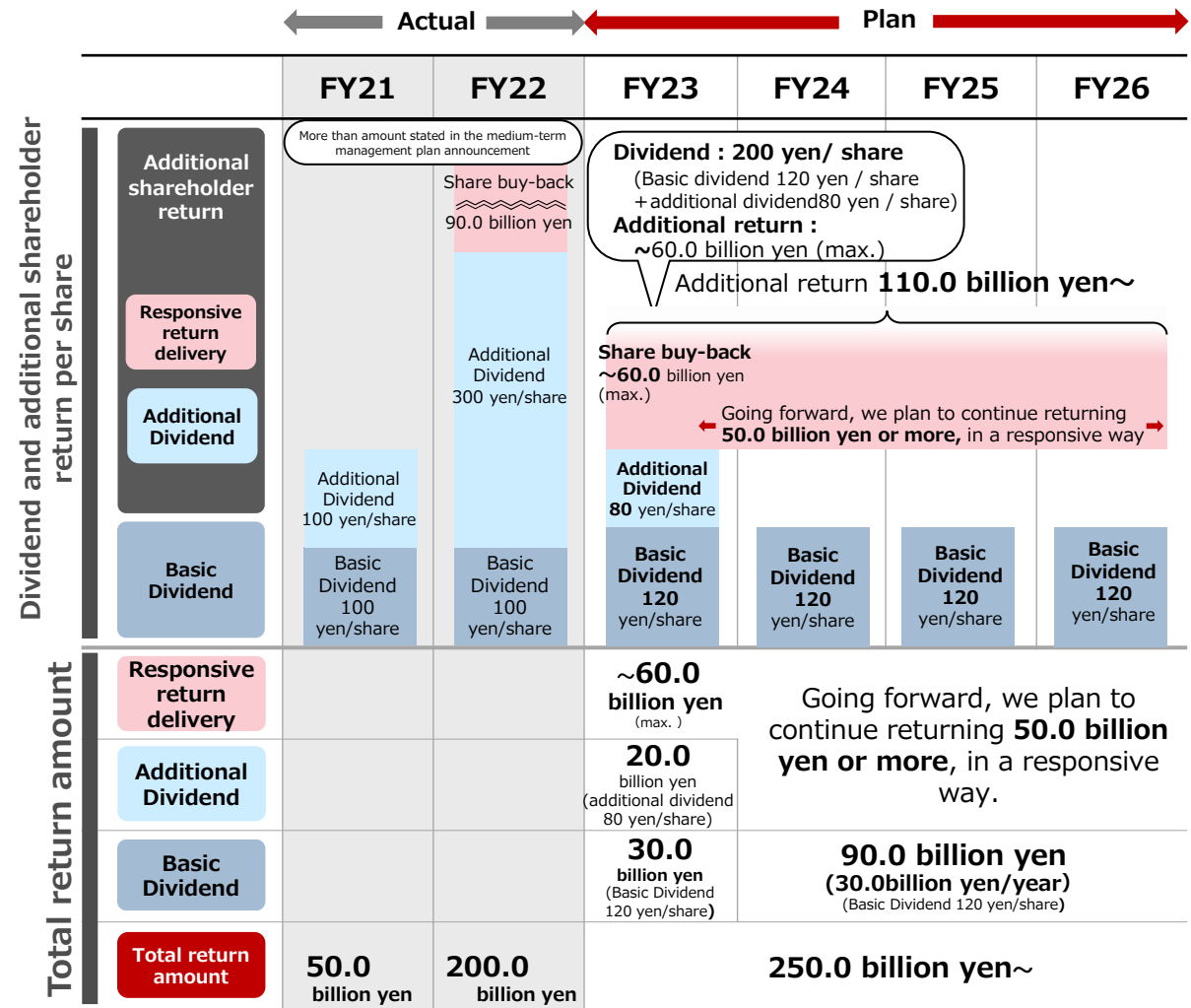
FY2023 200yen/share

- ▶ A basic dividend of 120 yen per share and an additional dividend of 80 yen per share are planned.
- ▶ An interim dividend 100 yen per share, and a year-end dividend 100 yen per share are planned.

■ Share buy-back New!

Decided conducting share buy-back up to 60.0billion yen /11,676,000 shares (max.)

- ▶ Share buy-back method : Purchase on the Tokyo Stock Exchange through off-auction own share buy-back trading (ToSTNet-3) and Auction market
- ▶ Period : From August 3, 2023 to October 31, 2023
- ▶ In principle, the shares to be repurchased will be cancelled



During the period of the medium-term plan, we will continue to monitor performance trends, always be aware of the optimal capital structure, ensure the investments necessary to improve corporate value, and maintain financial soundness. Moreover, regarding the portion exceeding the appropriate capital, we will actively consider shareholder returns, including share buy-back, based on cash flow.

*For the details of share buy-back, please refer to “Notification of Stock Repurchase and Share Buyback through Off-Auction Own Share Repurchase Trading (ToSTNet-3)” announced on August 2, 2023.
*Dividend amounts are after taking the effect of stock split implemented on October 1, 2022 into consideration.

| Appendix

Market Results and Assumption/ Market Exposure

■ Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
CAPE	\$21,600	\$13,700	\$14,900	\$9,150	\$14,750	\$15,550	\$16,000	\$20,000	\$10,000	\$15,400
PANAMAX	\$25,300	\$15,850	\$14,700	\$10,000	\$16,350	\$10,900	\$12,000	\$15,000	\$13,000	\$12,750
HANDYMAX	\$28,900	\$19,750	\$14,850	\$10,150	\$18,300	\$10,750	\$11,000	\$13,000	\$11,000	\$11,450
SMALL HANDY	\$27,550	\$18,700	\$15,050	\$9,700	\$17,650	\$10,400	\$11,000	\$11,500	\$9,500	\$10,600

■ Tanker Market Results and Assumption

World Scale (WS)	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
VLCC	46	71	95	65	69	59	55	55	55	56
(Middle East/ Japan)	-\$3,250	\$32,250	\$66,200	\$50,350	\$36,400	\$43,450	\$32,000	\$32,000	\$32,000	\$34,850
AFRAMAX	167	214	254	206	210	159	115	166	166	152
(South Asia/ Japan)	\$18,000	\$35,500	\$55,000	\$57,650	\$41,550	\$42,650	\$26,000	\$40,000	\$40,000	\$37,150

■ Transition of Fleet Scale

Vessel Type	FY2021	FY2022	FY2023 1Q
CAPE	88	85	84
Panamax and smaller size	80	87	82
Wood Chip Carriers	6	7	7
Total	174	179	173
VLCC	6	6	6
LPG Carriers	4	4	5
Other Tankers	5	2	2
Thermal Coal Carriers	31	28	28
LNG Carriers	43	44	44
Total	89	84	85

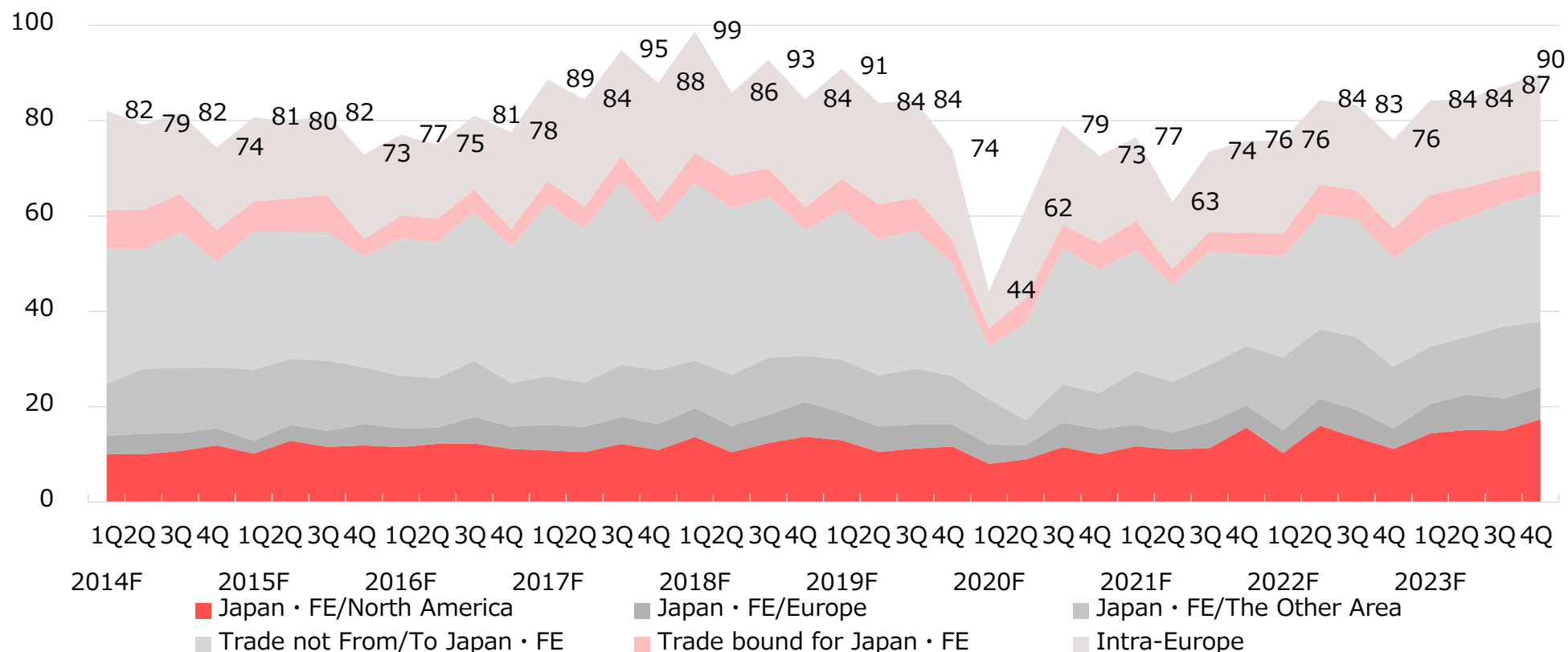
■ FY2023 : Market Exposure

Vessel Type	Market Exposure
CAPE	22%
Panamax and smaller size	16%
Wood Chip Carriers	0%
VLCC	0%
LPG Carriers	0%
Thermal Coal Carriers	3%

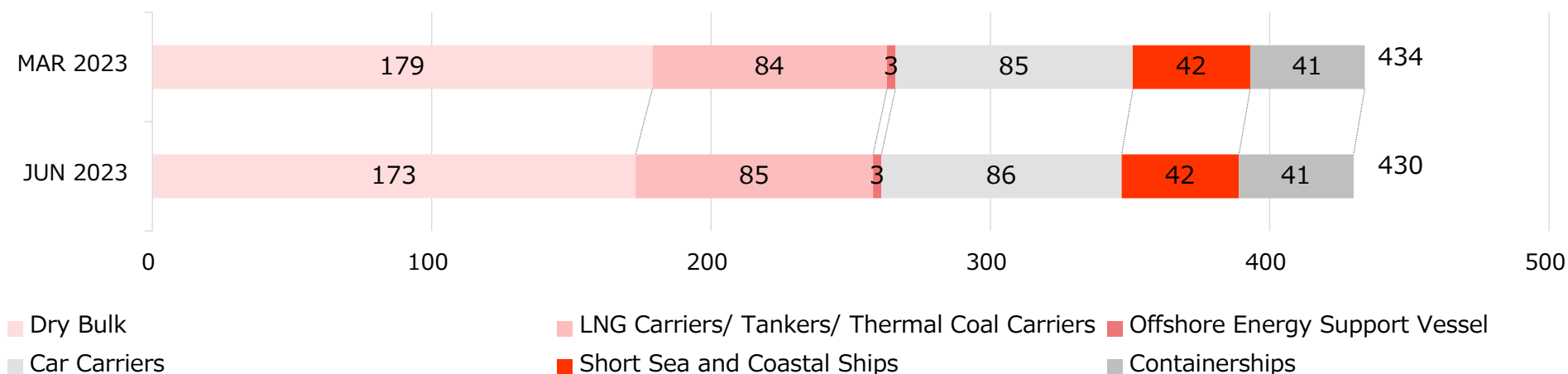
Car Carriers Total Units Carried by Service Routes

Total Units Carried (1,000 units)	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
Outbound	303	362	346	283	1,295	326	346	368	379	1,419
Homebound	48	62	60	63	232	76	64	54	48	241
Others	212	242	248	227	929	242	250	260	271	1,023
Intra-Europe	195	177	179	186	737	198	184	191	201	775
Total Units Carried	758	843	832	760	3,193	842	845	872	898	3,457
Number of Fleet	87	87	86	86	86	87	87	86	86	86

(10,000 Units)



"K" Line Group Fleet Composition



Type of Vessel	JUN 2023						MAR 2023	
	Owned		Chartered		Total		Total	
	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	49	5,939,127	124	16,293,470	173	22,232,597	179	22,629,402
Thermal Coal Carriers	9	791,501	19	1,704,526	28	2,496,027	28	2,508,293
LNG Carriers	43	3,590,640	1	77,163	44	3,667,803	44	3,667,803
Tankers	10	1,926,320	3	410,808	13	2,337,128	12	2,280,625
Drilship	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	456,088	54	975,766	86	1,431,854	85	1,413,796
Short Sea and Coastal Ships	24	206,881	18	152,997	42	359,878	42	405,678
Containerships	11	849,856	30	2,970,195	41	3,820,051	41	3,820,051
Total	181	13,762,844	249	22,584,925	430	36,347,769	434	36,728,079

* 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 Type	23-Mar	23-Jun	
Dry Bulk	CAPE	80	79	
	OVER PANAMAX	5	5	
	PANAMAX	43	47	
	HANDYMAX	39	31	
	SMALL HANDY	5	4	
	CHIP	7	7	
	Total		179	173
Energy Resource Transport	VLCC	6	6	
	AFRAMAX	2	2	
	Chemical Tankers	0	0	
	LPG Carriers	4	5	
	Total	12	13	
	LNG Carriers	44	44	
	Thermal Coal Carriers	28	28	
	Drillship	1	1	
	FPSO	1	1	
	LNG Bunkering Vessels	1	1	
Total	87	88		
Product Logistics	7,000 Units	17	17	
	6,000 Units	39	40	
	5,000 Units	10	10	
	4,000 Units	4	4	
	3,000 Units	6	6	
	2,000 Units	4	4	
	~2,000 Units	5	5	
	Total	85	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	42	42		
Total	168	169		
Grand Total		434	430	

■ New Building Delivery Schedule

Number of Vessel	2023	2024	2025
CAPE	2	2	
OVER PANAMAX			
PANAMAX	1	1	
HANDYMAX	1	1	
LPG Carriers			
LNG Carriers	1		6
FPSO	1		
Liquefied CO2 Vessel		2	
Car Carriers (7,000 Units)	1	4	5
Short Sea and Coastal Ships	2	2	
Total	9	12	11

[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.

