



Financial Highlights Brief Report for 2nd Quarter FY2020

5th November, 2020



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A. Financial Highlights for 2nd Quarter FY2020

A-1 : Financial Results for 2nd Quarter FY2020

Financial Results for 2nd Quarter FY2020

(billion yen)

Operating Revenues and Profit/loss	FY2020			FY2019		As of Aug 2020		As of Sep 24,2020	
	1Q	2Q	1H (a)	1H (b)	(a)-(b)	1H (c)	(a)-(c)	1H (d)	(a)-(d)
Operating Revenues	152.2	147.9	300.1	372.4	- 72.3	309.0	- 8.9	309.0	- 8.9
Operating Income/Loss	- 6.6	- 3.6	- 10.2	11.1	- 21.3	- 11.0	0.8	- 11.0	0.8
Ordinary Income/Loss	- 1.0	11.0	10.0	13.4	- 3.4	- 5.5	15.5	8.0	2.0
Net Income/Loss Attributable to Owners of Parent	- 1.0	10.6	9.6	16.3	- 6.7	- 3.5	13.1	8.0	1.6
Exchange Rate(¥/\$)	¥107.74	¥105.90	¥106.82	¥109.18	-¥2.36	¥107.50	-¥0.68		
Bunker Price(/MT)	\$377	\$331	\$353	\$440	-\$87	\$355	-\$1		

Key Financial Indicator

(billion yen)

Indicators	FY2020 2Q (e)	FY2019 (f)	(e)-(f)
Equity Capital	106.7	101.1	5.6
Interest-bearing liability	578.0	543.5	34.5
Cash and Cash equivalents at the end of period	150.8	111.9	38.9
DER	542%	538%	4 points
NET DER	398%	423%	-25points
Equity Ratio	12%(*)	11%	1 points

*16%, including the subordinated loan with 50% equity credit from a rating agency

Key Factors

- ▶ The spread of novel coronavirus (COVID-19) led to lower transport volume, among other things. As a result, operating revenues were lower than the revised forecast (as of September 24), while operating loss, ordinary income and net income improved versus the revised forecast. Both revenues and income declined year on year.

A-2 : Financial Results for 2nd Quarter FY2020 by Segment

Financial Results for 2nd Quarter FY2020 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2020			FY2019		As of Aug 2020	
	1Q	2Q	1H (g)	1H (h)	(g)-(h)	1H (i)	(g)-(i)
Dry Bulk	45.2	42.8	88.0	116.3	- 28.3	95.0	- 7.0
	- 4.4	- 4.9	- 9.3	0.2	- 9.5	- 6.5	- 2.7
Energy Resource Transport	19.2	18.5	37.8	43.8	- 6.1	38.5	- 0.7
	1.6	1.8	3.4	4.6	- 1.2	3.0	0.4
Product Logistics	81.4	80.3	161.7	194.9	- 33.2	163.0	- 1.2
	3.0	15.7	18.7	10.5	8.3	1.0	17.7
Containership	10.8	10.5	21.3	49.3	- 28.0	22.0	- 0.7
	5.1	16.5	21.5	3.6	17.9	7.0	14.5
Other	6.3	6.2	12.5	17.3	- 4.8	12.5	-
	0.2	0.5	0.6	0.7	- 0.0	0.0	0.6
Adjustment	-	-	-	-	-	-	-
	- 1.4	- 2.1	- 3.5	- 2.6	- 1.0	- 3.0	- 0.5
Total	152.2	147.9	300.1	372.4	- 72.3	309.0	- 8.9
	- 1.0	11.0	10.0	13.4	- 3.4	- 5.5	15.4

(US Dollar)

Market		FY2020	FY2019	
		1H (j)	1H (k)	(j)-(k)
Dry Bulk	CAPE-SIZE	\$15,500	\$20,400	-\$4,900
	PANAMAX	\$9,000	\$12,800	-\$3,800
	HANDYMAX	\$7,800	\$10,250	-\$2,450
	SMALL HANDY	\$5,250	\$7,300	-\$2,050
Tanker	VLCC	\$63,800	\$20,800	+\$43,000
	AFRAMAX	\$18,000	\$11,300	+\$6,700

Key Factors

▶ Dry Bulk

While market conditions of both Cape-size and Panamax and smaller size vessels were recovery trends from 2Q, the result was a year-on-year decline in operating revenue and an ordinary loss because the weak market conditions in 1Q by COVID-19 had impacted on the voyages completed in 2Q.

▶ Energy Resource Transport

Tanker, Thermal Coal Carrier, and LNG Carrier Businesses were stable overall, while Offshore Support Vessel market conditions did not recover alongside decline in oil prices. Segment operating revenues and ordinary income declined year on year.

▶ Product Logistics

While Car Carrier Business struggled due to plunge in transport volume, the business recovered faster than expected and results surpassed 1Q forecast.

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

For entire segment, although revenues declined, income improved year on year.

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		Y-o-Y		As of Aug 2020		Comparison	
	1Q	2Q	1H (l)	2H Forecast	Total Forecast (m)	1H (n)	Total (o)	1H (l)-(n)	Total (m)-(o)	1H (p)	Total (q)	1H (l)-(p)	Total (m)-(q)
Operating Revenues	152.2	147.9	300.1	289.9	590.0	372.4	735.3	- 72.3	- 145.2	309.0	600.0	- 8.9	- 10.0
Operating Income/Loss	- 6.6	- 3.6	- 10.2	- 14.8	- 25.0	11.1	6.8	- 21.3	- 31.9	- 11.0	- 27.0	0.8	2.0
Ordinary Income/Loss	- 1.0	11.0	10.0	- 10.0	0.0	13.4	7.4	- 3.4	- 7.4	- 5.5	- 28.0	15.5	28.0
Net Income/Loss Attributable to Owners of Parent	- 1.0	10.6	9.6	10.3	20.0	16.3	5.3	- 6.7	14.7	- 3.5	0.0	13.1	20.0
Exchange Rate(¥/\$)	¥107.74	¥105.90	¥106.82	¥105.13	¥105.98	¥109.18	¥109.13	-¥2.36	-¥3.15	¥107.50	¥107.25	-¥0.67	-¥1.27
Bunker Price(/MT)	\$377	\$331	\$353	\$371	\$362	\$440	\$467	-\$87	-\$105	\$355	\$368	-\$3	-\$7

Key Factors

- While 2H business environment is expected to remain severe due to the spread of COVID-19, global economy activity is expected to gradually recover over the period.
- However, the impact by re-expansion of COVID-19 mainly Europe must be monitored
- Full-year operating revenues forecast is 590.0 billion yen, nearly on par with 1Q forecast, while operating income/loss forecast is a loss of 25.0 billion yen, 2.0 billion yen better versus 1Q forecast.
- Full-year ordinary income is forecast at ±0 billion yen (28.0 billion yen improvement versus 1Q forecast) and net income attributable to owners of the parent is forecast at 20.0 billion yen (20.0 billion yen improvement versus 1Q forecast).

Key factor assumption

- Yen-\$ exchange rate ¥106
- Bunker Price \$362/MT
- Market Assumption
Please refer to "Appendix"

Estimates Sensitivity (3~4Q·6 months)

- Yen-US\$ rate : each ¥1 weaker (stronger) adds (subtracts) ±¥0.19bln
- Bunker price : each \$10/mt down (up) adds (subtracts)± ¥ 0.01bln

Dividends

While our priority is also to stabilize our financial strength and keep improving our financial results, we have decided not to pay mid-term dividend and 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		Y-o-Y		As of Aug 2020		Comparison	
	1Q	2Q	1H (r)	2H Forecast	Total Forecast (s)	1H (t)	Total (u)	1H (r)-(t)	Total (s)-(u)	1H (v)	Total (w)	1H (r)-(v)	Total (s)-(w)
Dry Bulk	45.2	42.8	88.0	90.9	179.0	116.3	233.8	- 28.3	- 54.8	95.0	179.0	- 7.0	-
	- 4.4	- 4.9	- 9.3	2.3	- 7.0	0.2	4.1	- 9.5	- 11.1	- 6.5	- 6.0	- 2.7	- 1.0
Energy Resource Transport	19.2	18.5	37.8	40.2	78.0	43.8	84.7	- 6.1	- 6.7	38.5	78.0	- 0.7	-
	1.6	1.8	3.4	- 2.9	0.5	4.6	9.9	- 1.2	- 9.4	3.0	4.0	0.4	- 3.5
Product Logistics	81.4	80.3	161.7	146.3	308.0	194.9	384.5	- 33.2	- 76.5	163.0	315.0	- 1.2	- 7.0
	3.0	15.7	18.7	- 7.2	11.5	10.5	- 2.9	8.3	14.5	1.0	- 21.5	17.7	33.0
Containership	10.8	10.5	21.3	20.7	42.0	49.3	102.0	- 28.0	- 60.0	22.0	44.0	- 0.7	- 2.0
	5.1	16.5	21.5	- 5.5	16.0	3.6	- 10.4	17.9	26.5	7.0	- 12.5	14.5	28.6
Other	6.3	6.2	12.5	12.5	25.0	17.3	32.3	- 4.8	- 7.3	12.5	28.0	-	- 3.0
	0.2	0.5	0.6	0.3	1.0	0.7	1.7	- 0.0	- 0.8	0.0	0.5	0.6	0.5
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
	- 1.4	- 2.1	- 3.5	- 2.4	- 6.0	- 2.6	- 5.4	- 1.0	- 0.6	- 3.0	- 5.0	- 0.5	- 1.0
Total	152.2	147.9	300.1	289.9	590.0	372.4	735.3	- 72.3	- 145.3	309.0	600.0	- 8.9	- 10.0
	- 1.0	11.0	10.0	- 10.0	0.0	13.4	7.4	- 3.4	- 7.4	- 5.5	- 28.0	15.4	28.0

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. A full-scale recovery is expected to take time, however.

Market conditions are expected to improve gradually, mainly for Cape-size vessels, as capacity supply-side pressure declines.

▸ Energy Resource Transport

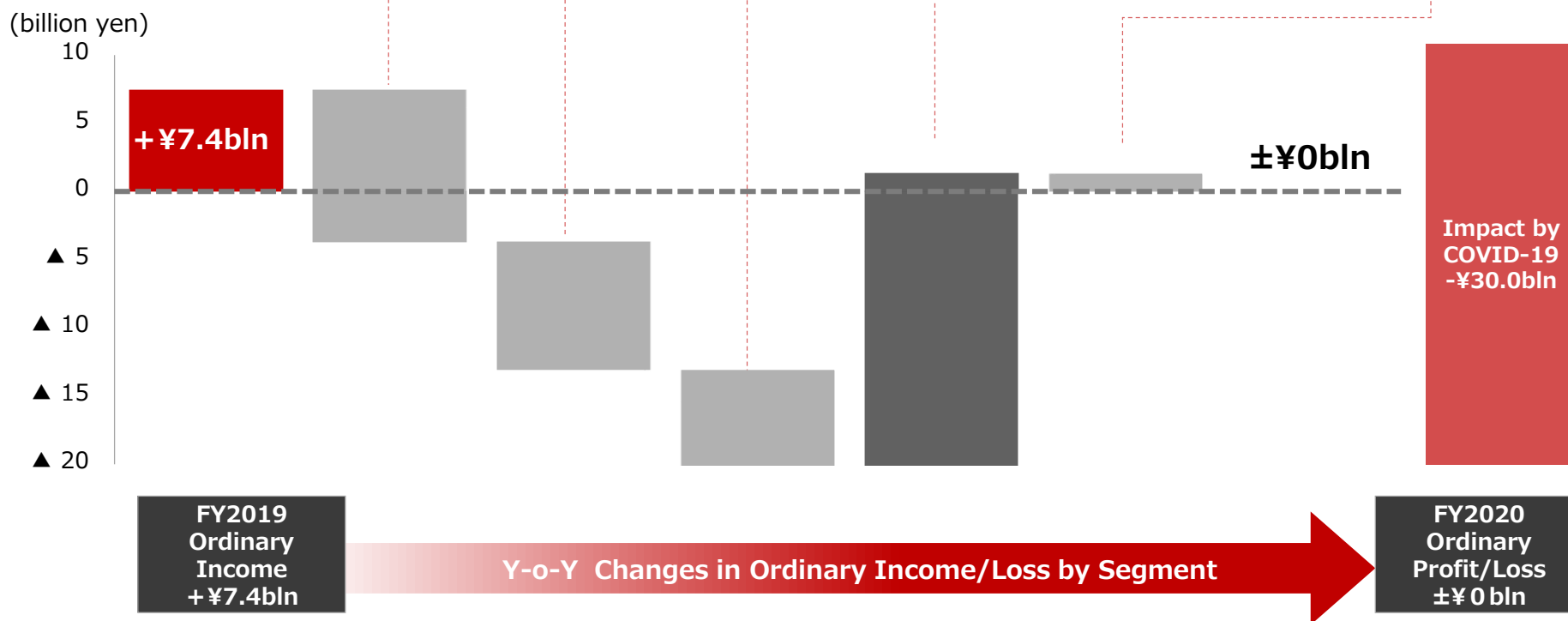
VLCC (Very Large Crude Carrier), LPG Carrier, Thermal Coal Carrier, and LNG Carrier Businesses are forecast to deliver stable profits backed by medium- to long-term charter contracts. Offshore Support Business will implement cost-cutting and other measures to raise profitability. Drillship Business is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

▸ Product Logistics

Car Carrier Business transport volume is rebounding in 2H, but impact 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. Despite a stable recovery in cargo demand in Containership freight market, the business is forecast to worsen in 2H compared with 1H due to seasonal factors.

B-3 : Forecasts for FY2020 by Segment

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



B-4 : Progress in initiatives for FY2020

■ Optimize Fleet Scale

- ▶ Fleet scale optimization is progressing according to the original plan through the redelivery of chartered vessels and the disposal of aged vessels. More than 20 vessels have been redelivered or sold, mainly in Dry Bulk Segment and Car Carrier Business.
- ▶ Operational costs continue to be reduced through flexible slow steaming, vessel allocation rationalization and suspension of vessels in careful alignment with changing demand trends.

■ Secure liquidity on hand

- ▶ Fund procurement progressing as planned to ensure liquidity in hand
- ▶ Secure liquidity equal to more than three months' revenues

■ Expand capital base

- ▶ Sales of overseas terminals business and other assets progressing as planned
- ▶ Continuing initiatives to enlarge stable-income business

■ Set detailed strategies and thoroughly implement progress management

B-5 : Progress in coping with COVID-19

Continual provision of safe, high-quality vessel operation and transport services as global logistics infrastructure

Measures and Progress	
At Sea	<ul style="list-style-type: none"> ■ Measures to ensure on-board safety and maintain safe vessel operations <ul style="list-style-type: none"> ▶ Thorough health management and PCR testing prior to vessel boarding ▶ Distribution of necessary goods (Prevention gear etc.) ▶ Measures to ensure smooth crew changes (lobbying governments of related countries, deviations for changeovers) ▶ Strengthened welfare service for onboard crew ▶ Support for and coordination with shipowners (for chartered vessels)
Onshore	<ul style="list-style-type: none"> ■ Maintenance of normal operations across the world <ul style="list-style-type: none"> ▶ Facilitation of telecommuting at offices around the world and dynamic response to changing situation ▶ At Head Office, 40% of staff continue to work from home, while droplet infection prevention panels and other equipment have been installed in offices.

| 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 Forecast	4Q Forecast	Forecast
Capesize	\$11,350	\$29,400	\$21,950	\$4,500	\$16,800	\$9,950	\$20,750	\$21,000	\$14,000	\$16,500
Panamax	\$9,500	\$16,050	\$11,550	\$5,700	\$10,700	\$6,050	\$11,750	\$12,500	\$8,500	\$9,750
Handymax	\$8,200	\$12,300	\$10,600	\$6,550	\$9,400	\$5,500	\$9,950	\$11,000	\$8,000	\$8,650
Small Handy	\$6,100	\$8,450	\$8,100	\$4,500	\$6,800	\$3,250	\$7,150	\$9,000	\$7,000	\$6,600

■ Tanker Market Results and Assumption

Tanker Market (WS)	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q Forecast	4Q Forecast	Forecast
VLCC	41	55	112	87	74	94	35	58	45	58
(Middle East / Japan)	\$13,900	\$27,750	\$96,750	\$87,050	\$56,350	\$107,850	\$19,750	\$30,000	\$30,000	\$46,900
Aframax	99	91	168	171	132	119	69	75	87	88
(South Asia / Japan)	\$12,650	\$10,000	\$27,650	\$22,650	\$18,250	\$26,350	\$9,650	\$11,650	\$19,000	\$16,650

■ Transition of Fleet Scale

Vessel Type	FY2018	FY2019	FY2020 2Q
Capesize	96	93	92
Panamax and Smaller size	103	92	78
Woodchip Carriers	10	10	8
Total	209	195	178

Vessel Type	FY2018	FY2019	FY2020 2Q
VLCC	8	6	6
LPG Carriers	8	5	5
Other Tankers	6	6	6
Thermal Coal Carriers	25	29	29
LNG Carriers	48	47	47
Total	95	93	93

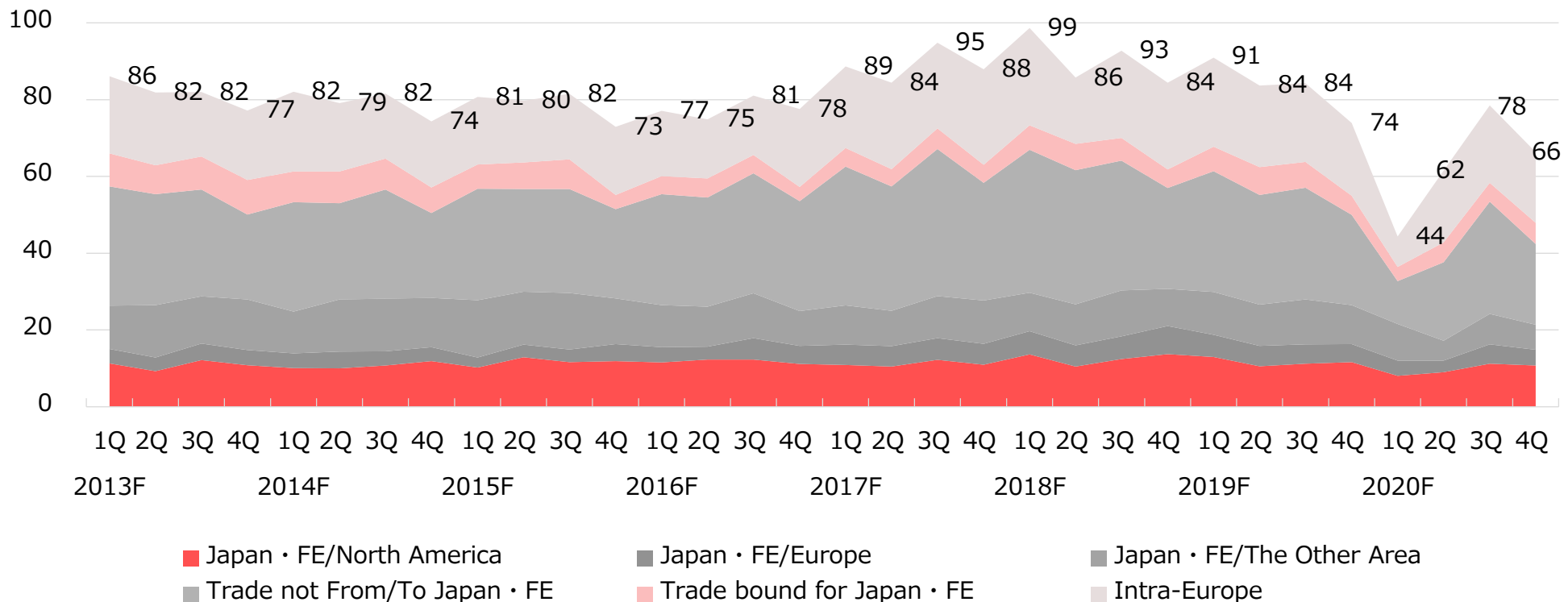
■ FY2020 : Dry Bulk Market Exposure

Vessel Type	Market Exposure
Capesize	13%
Panamax and Smaller size	24%
Woodchip Carriers	0%
VLCC	0%
LPG Carriers	20%
Other Tankers	67%
Thermal Coal Carriers	7%

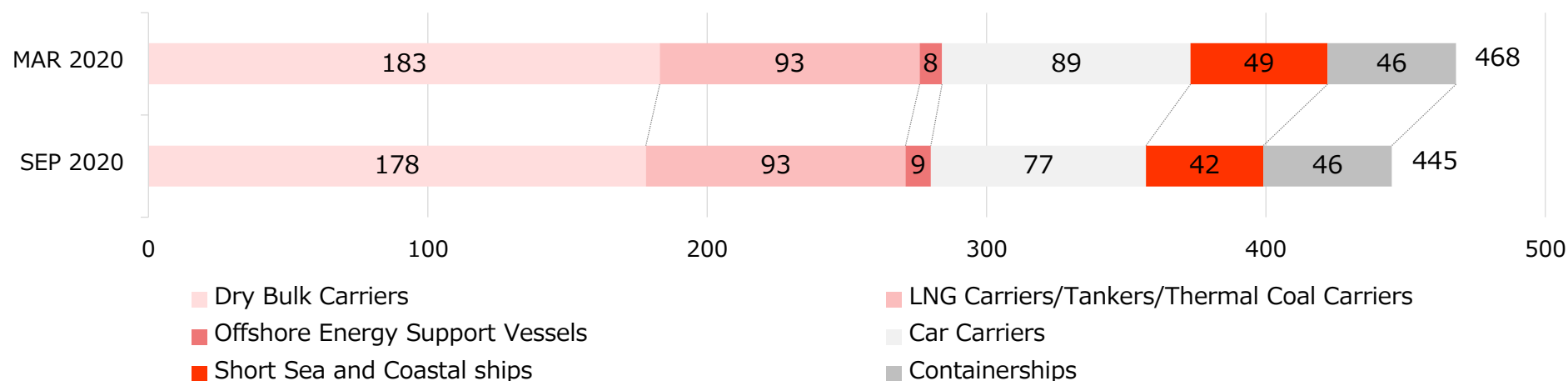
Car Carriers Total Units Carried by Service Routes

Total units carried (1,000 units)	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Results	1Q	2Q	3Q Forecast	4Q Forecast	Forecast
Outbound	299	266	280	265	1,109	215	172	242	214	843
Homebound	64	73	67	49	254	37	51	49	55	192
Others	315	286	291	235	1,126	112	204	292	210	819
Intra-Europe	231	213	205	190	839	79	187	201	184	652
Total units carried	909	837	843	739	3,328	443	615	785	663	2,506
Number of Fleet	85	86	84	85	85	84	76	73	70	70

(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	58	7,133,680	120	16,308,620	178	23,442,300	183	23,930,307
Thermal Coal Carriers	7	615,656	22	1,976,544	29	2,592,200	29	2,595,392
LNG Carriers	45	3,801,242	2	152,272	47	3,953,514	47	3,953,514
Tankers	12	1,769,681	5	776,868	17	2,546,549	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	34	461,138	43	795,479	77	1,256,617	89	1,464,163
Short Sea and Coastal ships	24	188,191	18	225,133	42	413,324	49	564,927
Containerships	7	460,448	39	3,620,423	46	4,080,871	46	4,082,343
Total	196	14,461,653	249	23,855,339	445	38,316,992	468	39,166,381

* 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	Sep-20
Dry Bulk	Capesize	89	88
	Over Panamax	4	4
	Panamax	42	40
	Handymax	34	33
	Small Handy	4	5
	Woodchip Carriers	10	8
	Total	183	178
Energy Resource Transport	VLCC	6	6
	Aframax	3	3
	Chemical Tankers	3	3
	LPG Carriers	5	5
	Total	17	17
	LNG Carriers	47	47
	Thermal Coal Carriers	29	29
	Offshore Support Vessels	6	6
	Drillships	1	1
	FPSO	1	1
LNG Bunkering Vessel	0	1	
	Total	101	102
Product Logistics	7000Units	15	13
	6000Units	39	36
	5000Units	14	11
	4000Units	5	2
	3000Units	5	4
	2000Units	4	4
	~2000Units	7	7
	Total	89	77
	14000TEU	12	12
	8000TEU	13	13
	5500TEU	7	7
	4200TEU	7	7
	1700TEU	7	7
1200TEU	0	0	
Total	46	46	
Short Sea and Coastal Ships	49	42	
	Total	184	165
Grand Total		468	445

■ New Building Delivery Schedule

Number of Vessel	FY2020	FY2021	FY2022
Capesize	2	1	
Over Panamax		2	
Woodchip Carriers			1
LNG Carriers			2
LNG Bunkering Vessel	1		
7,000Units	1		
Short Sea and Coastal Ships	1	1	
Total	5	4	3

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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.

