

# Financial Highlights Brief Report for Fiscal Year 2021

May 9th, 2022



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# **| A. Financial Highlights for Fiscal Year 2021**

# A-1 : Financial Results for FY2021

## Financial Results for FY2021

(billion yen)

Operating Revenues and Profit/loss	FY2021							FY2020	
	1Q	2Q	1H	3Q	4Q	2H	Total (a)	Total (b)	(a)-(b)
Operating Revenues	174.7	182.8	357.6	198.9	200.5	399.4	757.0	625.5	131.5
Operating Income/Loss	2.4	7.8	10.2	13.1	- 5.6	7.5	17.7	- 21.3	38.9
Ordinary Income/Loss	88.4	149.6	238.0	195.6	223.9	419.5	657.5	89.5	568.0
Net Income/Loss Attributable to Owners of Parent	102.0	144.0	246.0	177.3	219.1	396.4	642.4	108.7	533.7
Exchange Rate( ¥/\$)	¥109.80	¥109.99	¥109.90	¥113.12	¥115.34	¥114.23	¥112.06	¥105.79	¥6.27
Bunker Price(/MT)	\$479	\$514	\$497	\$570	\$641	\$605	\$551	\$363	\$188

## 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 income as market conditions were at high level amid robust cargo demand.
- ▶ In line with improved financial structure, we implemented structural reforms, which resulted in extraordinary losses for dry bulk and offshore support vessel businesses.

## Key Financial Indicator

(billion yen)

Indicators	FY2021 (c)	FY2020 (d)	(c)-(d)
Equity Capital	884.6	218.2	666.4
Interest-bearing liability	423.5	507.0	- 83.5
Cash and Cash equivalents at the end of period	244.3	130.0	114.3
DER	48%	232%	- 184 point
NET DER	20%	172%	- 152 point
Equity Ratio	56%	22%	34 point

### Dividend

Regarding year-end dividends for the fiscal year ending March 31, 2022, thanks to improved business performance in the second half, we plan to increase the dividend from the previously announced 300 yen per share to 600 yen per share, adding 300 yen per share as additional dividend.

# A-2 : Financial Results for FY2021 by Segment

## Financial Results for FY2021 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2021							FY2020	
	1Q	2Q	1H	3Q	4Q	2H	Total (e)	Total (f)	(e)-(f)
<b>Dry Bulk</b>	59.7	71.9	131.6	75.7	69.2	144.9	276.5	182.0	94.5
	0.9	4.9	5.9	8.9	9.0	17.9	23.7	- 9.1	32.9
<b>Energy Resource Transport</b>	20.4	22.4	42.8	23.8	23.2	46.9	89.7	77.6	12.1
	0.9	- 0.0	0.8	1.2	2.7	3.9	4.8	1.1	3.7
<b>Product Logistics</b>	91.9	86.1	178.0	96.8	105.4	202.2	380.2	339.7	40.5
	88.8	149.3	238.1	187.2	215.5	402.7	640.8	104.5	536.3
Containership	10.7	10.2	20.9	10.6	10.3	20.9	41.7	42.2	- 0.4
	87.7	147.8	235.5	180.4	207.9	388.3	623.8	103.8	520.0
<b>Other</b>	2.8	2.4	5.2	2.7	2.7	5.4	10.6	26.2	- 15.6
	- 0.1	- 0.0	- 0.1	0.3	- 0.3	- 0.0	- 0.1	1.1	- 1.2
<b>Adjustment</b>	-	-	-	-	-	-	-	-	-
	- 2.1	- 4.6	- 6.7	- 1.9	- 3.0	- 5.0	- 11.7	- 8.1	- 3.6
<b>Total</b>	174.7	182.8	357.6	198.9	200.5	399.4	757.0	625.5	131.5
	88.4	149.6	238.0	195.6	223.9	419.5	657.5	89.5	568.0

## Key Factors by Segments

### ▶ Dry Bulk

- Market conditions remain steady due to robust transport demand worldwide and the tightening of vessel supply due to an increasing number of longer port stays.

### ▶ 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.

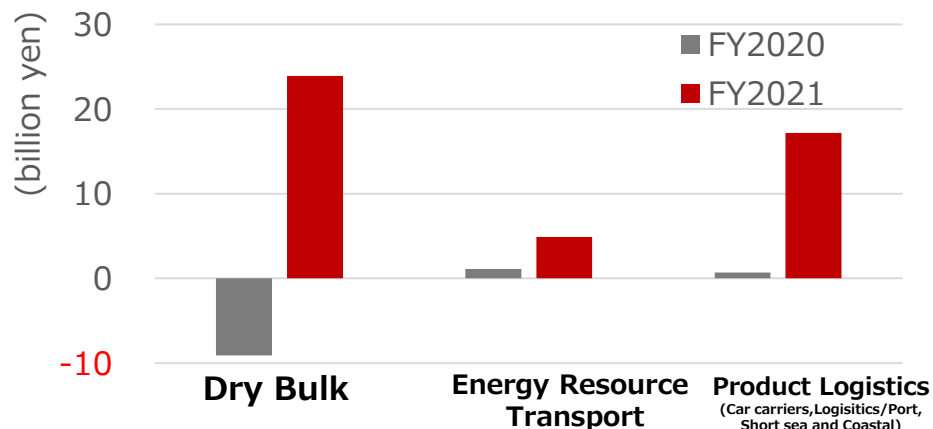
### ▶ Product Logistics

- In Car Carrier Business, the COVID-19 pandemic had a huge impact in the previous fiscal year, resulting in a shortage of semiconductors and other parts. Despite this, cargo volumes continued to recover this year.
- In Containership Business, there is a tight supply and demand balance due to supply chain disruptions along with strong transport demand, and freight rates remain high.

# A-3 : Business Summary in FY2021 Insights

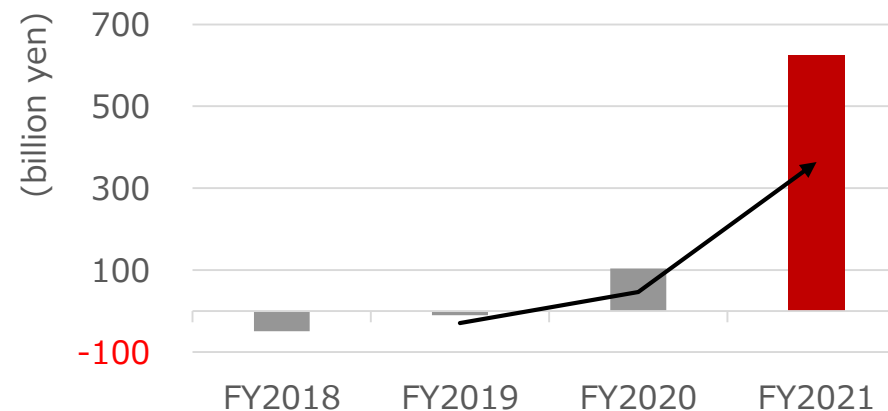
We have improved profit generating power for the future by completing structural reforms and restoring profitability to all businesses based on the effects of response measures and the recovery of market and transport conditions.

## ① Improvement of Profitability in “K”Line’s Own businesses



- Better profitability due to improved transport and market conditions, increased vessel allocation efficiency, and optimized fleet scale.
- Return to profitability in all segments by enhancing profitability and accumulating stable earnings.

## ② Improvement of Profitability in Containership business



- Freight rates remain high along with strong transport demand.
- Dividends received contributes to Cash flows from operating activities.

## ③ Structural reforms and expansion into new business areas

### ➔ Implementing flexible business replacement and structural reforms based on portfolio strategies.

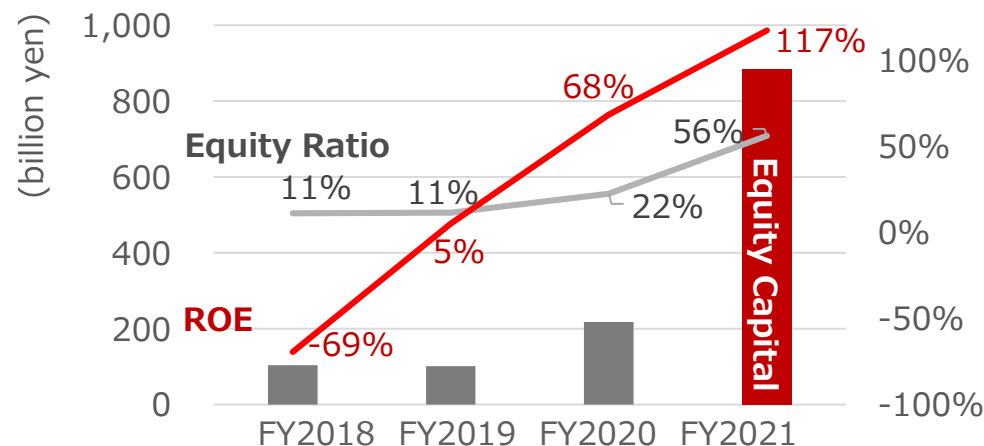
- Strengthening resilience to market swings by reorganizing unprofitable businesses and vessels and promoting earnings structure stability

Rebuilding portfolio	✓ Sold non-core business based on Business portfolio strategy	About +20.0billion yen
Structural Reforms	✓ Withdrawal of unprofitable businesses (Offshore support vessel business, etc)	About -16.0billion yen
	✓ Sold and re-deliver unprofitable vessels early. (Dry Bulk, etc)	About -10.0billion yen

### ➔ Launching businesses by bringing together Group strengths to realize low/zero-carbon measures for the company and society

- Enhanced synergies within the Group by making Kawasaki Kinkai Kisen, Ltd. a wholly-owned subsidiary.
- Starting businesses that promote low-carbon emissions, including the launch of “K” Line Wind Service. This is a support vessel business for offshore wind power installations, which can utilize the knowledge and expertise of various Group companies.

## ④ Stabilize our financial strength



- Strengthening finances by improving equity capital and equity ratio.
- Improvement in both containership and owned businesses contributed and have already achieved ROE of 10% or more.

## **| B. Forecasts and Initiatives for Fiscal Year 2022**

# B- 1 : Forecasts for FY2022 and Key Factors

## ■ Forecasts for FY2022

(billion yen)

Operating Revenues and Profit/loss	FY2022			FY2021	
	1H Forecast	2H Forecast	Total (g)	Total (h)	(g)-(h)
Operating Revenues	410.0	370.0	780.0	757.0	23.0
Operating Income	25.0	16.0	41.0	17.7	23.3
Ordinary Income	310.0	160.0	470.0	657.5	- 187.5
Net Income Attributable to Owners of Parent	305.0	155.0	460.0	642.4	- 182.5
Exchange Rate( ¥/\$)	¥120.40	¥115.00	¥117.70	¥112.06	¥5.64
Bunker Price(/MT)	\$799	\$728	\$764	\$551	\$213

## ■ Key Factors

- ▶ Operating income is rebounding due to recovery of the profitability of Car Carrier Business from the impact of the COVID-19 pandemic. It is expected to increase by 23.3 billion yen compared to FY2021 and reach 41.0 billion yen.
- ▶ Ordinary income is expected to remain at a high level of 470 billion yen, even though the containership market is expected to normalize somewhat due to the easing of supply chain disruptions.
- ▶ Net Income/Loss Attributable to Owners of Parent will be declined Y-o-Y basis due to deterioration of Ordinary Income.

### ■ Key factor assumption

- ▶ Yen-\$ exchange rate ¥117.70/\$
- ▶ Bunker Price \$764/MT
- ▶ Market Assumption

Please refer to "Appendix"

### ■ Estimates Sensitivity (12months)

- ▶ Yen-US\$ rate : each ¥1 weaker (stronger) adds (subtracts) ± ¥ 4.5bln
- ▶ Bunker price : each \$10/mt down (up) adds (subtracts) ± ¥ 0.04bln

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

### ■ Return to Shareholders

Planned shareholder returns for FY2022 include a dividend of 300 yen per share as base and additional 100 billion yen or more will be also considered as shareholder returns.

As additional shareholder return, purchase of treasury shares is planned to be considered in addition to dividend.



## B- 2 : Forecasts for FY2022 by Segment

### ■ Forecasts for FY2022 by Segment

(billion yen)

Business Segment (Upper row : Operating Revenues) (Lower row : Ordinary Income/Loss)	FY2022			FY2021	
	1H Forecast	2H Forecast	Total (i)	Total (j)	(i)-(j)
<b>Dry Bulk</b>	150.0	123.0	273.0	276.5	- 3.5
	14.0	10.0	24.0	23.7	0.2
<b>Energy Resource Transport</b>	48.0	40.0	88.0	89.7	- 1.7
	3.0	3.0	6.0	4.8	1.2
<b>Product Logistics</b>	208.0	204.0	412.0	380.2	31.8
	299.0	152.0	451.0	640.8	- 189.8
Containership	24.0	22.0	46.0	41.7	4.3
	289.0	136.0	425.0	623.8	- 198.8
<b>Other</b>	4.0	3.0	7.0	10.6	- 3.5
	0.0	0.0	0.0	- 0.1	0.2
<b>Adjustment</b>	-	-	-	-	-
	- 6.0	- 5.0	- 11.0	- 11.7	0.7
<b>Total</b>	410.0	370.0	780.0	757.0	23.0
	310.0	160.0	470.0	657.5	- 187.5

### ■ Key Factors by Segments

#### ▶ Dry Bulk

- With the gradual normalization of economic activity, stable transport demand should continue and market conditions are expected to remain steady. We will actively promote sales activities that take advantage of our high service quality, while striving to expand stable profits by accumulating medium and long-term contracts.

#### ▶ Energy Resource Transport

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

- Profitability improvement from withdrawal of unprofitable business such as offshore support vessel business will be appearing. In line with this, will move forward to businesses which contribute to carbon neutral.

#### ▶ Product Logistics

- In Car Carrier Business, the cargo volume continued to recover due to a lessening of the pandemic's impact. We will continue efforts to fleet scale optimization, freight rate restoration and route rationalization etc for improving operation efficiency.

- In Logistics business, the performance of Forwarding, Land transport、Warehousing, Coastal and Port businesses etc made strong performance due to the firm transportation demands in both domestic and international. To make stable and improve their profitability.

- In Containership Business, supply chain disruptions are expected to subside from August onward, and the market is expected to enter an adjustment phase.

## B-3 : Russia/Ukraine Situation

### ■ Concerned Impacts

Segment		Concerned Impacts
Dry Bulk		<ul style="list-style-type: none"> <li>Although there is a concern that the cargoes such as Coal/Iron Ore/Wheat etc., from the relevant area will be embargoed, it is assumed there will also be alternative demands, we see the impact to the market will be minor.</li> </ul>
Energy Resource Transport		<ul style="list-style-type: none"> <li>Although there is a concern that the cargoes such as LNG/Crude Oil/Oil Products etc., from the relevant area will be embargoed, we see the impact to the market will be minor as our fleet is engaging mainly long-term contracts.</li> </ul>
Product Logistics	Car Carrier	<ul style="list-style-type: none"> <li>Direct impact due to decrease in transportation to Russia/Ukraine, will be mitigated by allocation of fleet and impact will be minor, however, the effect from soaring resource prices and inflation need to be closely monitored.</li> </ul>
	Logistics·Port·Affiliated Business	<ul style="list-style-type: none"> <li>In case the cargo import from the relevant areas is stopped, we do not expect the big impact on our business.</li> </ul>
Containership		<ul style="list-style-type: none"> <li>Cargo Volume transported to Russia/Ukraine is limited, however, we keep paying attention to the impact on World Economy.</li> </ul>

# | Appendix

# Market Results and Assumptions / Market Exposure

## ■ Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
Capesize	\$31,100	\$42,400	\$42,650	\$14,750	\$32,750	\$22,650	\$30,000	\$30,000	\$17,000	\$24,900
Panamax	\$24,700	\$32,300	\$27,900	\$21,900	\$26,750	\$24,500	\$24,500	\$22,000	\$17,000	\$22,000
Handymax	\$25,550	\$34,250	\$30,500	\$25,150	\$28,900	\$24,500	\$24,500	\$22,000	\$17,000	\$22,000
Small Handy	\$22,500	\$32,200	\$31,350	\$24,100	\$27,600	\$20,500	\$20,500	\$18,000	\$13,000	\$18,000

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

## ■ Tanker Market Results and Assumption

World Scale (WS)	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
VLCC	33	33	42	39	37	64	54	54	58	57
(Middle East/Japan)	\$4,850	\$2,750	\$7,700	-\$2,050	\$3,300	\$20,550	\$26,000	\$26,000	\$31,000	\$25,900
AFRAMAX	84	91	103	109	97	122	110	133	133	124
(South Asia/Japan)	\$5,000	\$5,650	\$6,650	\$7,000	\$6,100	\$15,000	\$15,000	\$20,500	\$20,500	\$17,750

## ■ Transition of Fleet Scale

Vessel Type	FY2019	FY2020	FY2021
Capesize	93	86	88
Panamax and Smaller	92	88	80
WoodChip Carriers	10	7	6
<b>Total</b>	<b>195</b>	<b>181</b>	<b>174</b>

Vessel Type	FY2019	FY2020	FY2021
VLCC	6	6	6
LPG Carriers	5	4	4
Other Tankers	6	6	5
Thermal Coal Carriers	29	26	31
LNG Carriers	47	44	43
<b>Total</b>	<b>93</b>	<b>86</b>	<b>89</b>

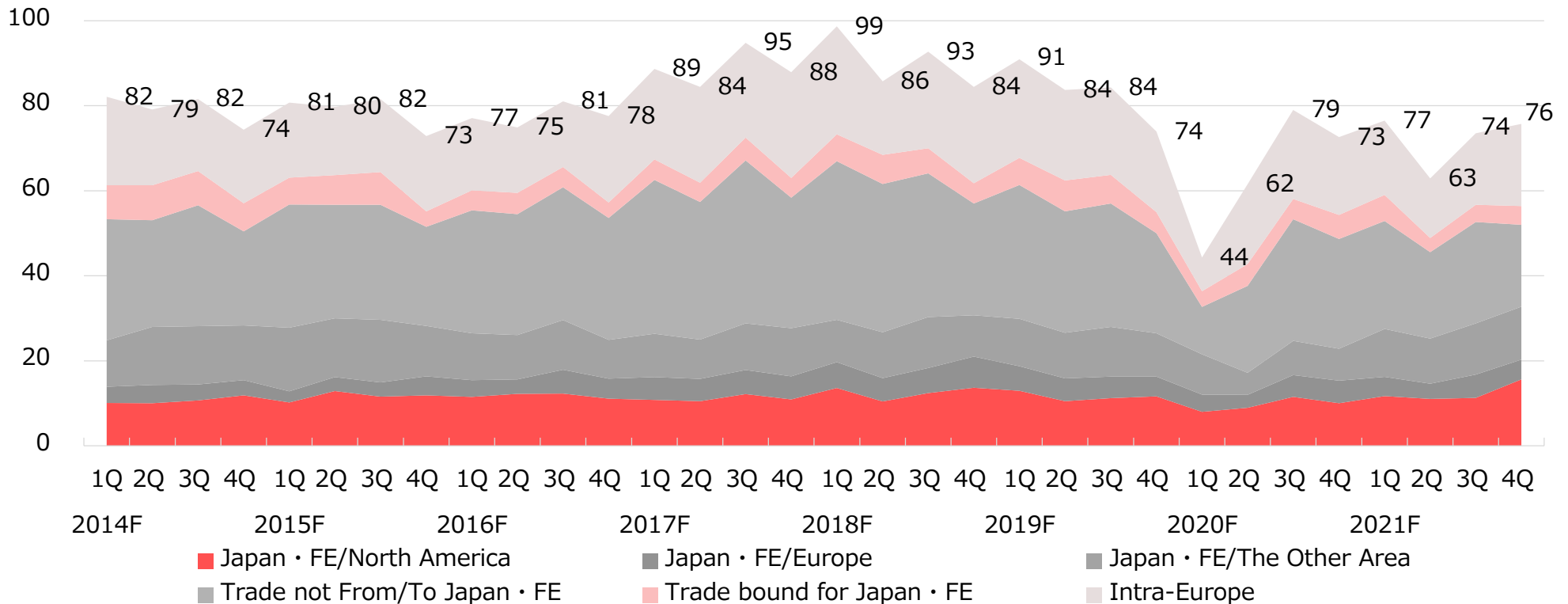
## ■ FY2022 : Market Exposure

Vessel Type	Market Exposure
Capesize	14%
Panamax and Smaller size	19%
WoodChip Carriers	5%
VLCC	0%
LPG Carriers	0%
Other Tankers	50%
Thermal Coal Carriers	8%

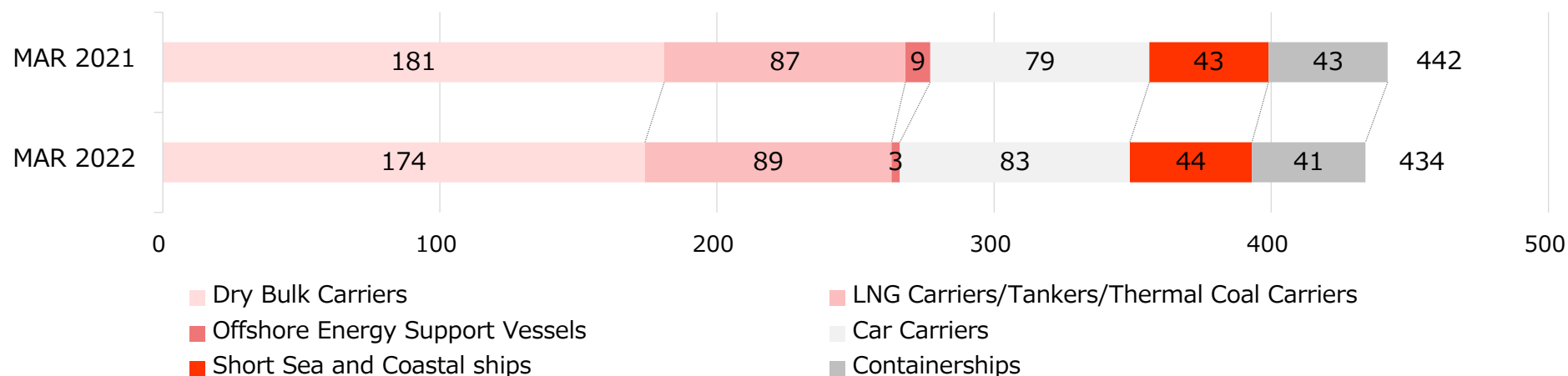
# Car Carriers Total Units Carried by Service Routes

Total units carried (1000 Unit)	FY2021					FY2022				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
Outbound	275	252	288	327	1,142	330	349	371	365	1,416
Homebound	61	33	40	44	179	57	49	61	53	221
Others	254	203	238	193	889	230	232	225	251	937
Intra-Europe	175	140	168	193	677	205	207	212	205	828
Total units carried	765	629	735	757	2,886	821	837	869	874	3,402
Number of fleet	81	80	84	83	83	86	86	86	86	86

(10,000 Units)



# "K" Line Group Fleet Composition



Type of Vessel	Owned		Chartered		Total		MAR 2021 Total	
	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	48	5,888,871	126	16,601,473	174	22,490,344	181	23,087,036
Thermal Coal Carriers	8	702,581	23	2,059,852	31	2,762,433	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 Vessels	0	-	0	-	0	-	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	33	446,112	50	916,112	83	1,362,224	79	1,296,617
Short Sea and Coastal ships	25	233,488	19	255,558	44	489,046	43	471,923
Containerships	11	849,856	30	2,970,195	41	3,820,051	43	3,963,794
<b>Total</b>	<b>180</b>	<b>13,281,833</b>	<b>254</b>	<b>23,678,060</b>	<b>434</b>	<b>36,959,893</b>	<b>442</b>	<b>37,497,586</b>

\* 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	Mar-22	
Dry Bulk	Capesize	82	80	
	Over Panamax	4	8	
	Panamax	50	46	
	Handymax	31	30	
	Small Handy	7	4	
	Woodchip Carriers	7	6	
	<b>Total</b>		<b>181</b>	<b>174</b>
Energy Resource Transport	VLCC	6	6	
	Aframax	3	2	
	Chemical Tankers	3	3	
	LPG Carriers	4	4	
	<b>Total</b>	<b>16</b>	<b>15</b>	
	LNG Carriers	44	43	
	Thermal Coal Carriers	27	31	
	Offshore Support Vessels	6	0	
	Drillship	1	1	
	FPSO	1	1	
	LNG Bunkering Vessel	1	1	
	<b>Total</b>		<b>96</b>	<b>92</b>
Product Logistics	7,000Units	15	17	
	6,000Units	37	38	
	5,000Units	10	10	
	4,000Units	1	3	
	3,000Units	5	4	
	2,000Units	4	4	
	~2,000Units	7	7	
	<b>Total</b>	<b>79</b>	<b>83</b>	
	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
		<b>Total</b>	<b>43</b>	<b>41</b>
Short Sea and Coastal Ships	43	44		
<b>Total</b>		<b>165</b>	<b>168</b>	
<b>Grand Total</b>		<b>442</b>	<b>434</b>	

## ■ New Building Delivery Schedule

Number of Vessel	2022	2023	2024
Capesize	1	3	
Over Panamax		1	
Handymax	1		1
Woodchip Carriers	1		
LPG Carriers		1	
LNG Carriers	2		
FPSO		1	
Car Carries (7,000 Unit)		1	4
Short Sea and Coastal Ships	1		2
<b>Total</b>	<b>6</b>	<b>7</b>	<b>7</b>

**[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.

