# FINANCIAL HIGHLIGHTS

# Brief report of the nine months ended December 31, 2021

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary]	(Million yen; rounded down to the nearest million				
	Nine months	Nine months			
	ended	ended			
	December 31, 2020	December 31, 2021			
Consolidated					
Operating revenues	468,721	556,495			
Operating income (loss)	(3,193)	23,303			
Profit (loss) attributable to owners of the parent	63,248	423,339			
Profit (loss) attributable to owners of the parent per share					
(Yen)					
Basic	678.10	4,538.69			
Diluted	-	-			

	Year	Nine months
	ended	ended
	March 31, 2021	December 31, 2021
Total assets  Total net assets	974,608 316,162	1,349,684 755,680

# 1. Qualitative Information and Financial Statement

# (1) Qualitative Information about the Consolidated Operating Result

(Billion Yen; rounded to the nearest 100 million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	% Change
Operating revenues	468.7	556.5	87.8	18.7%
Operating income (loss)	(3.2)	23.3	26.5	-
Ordinary income (loss)	42.9	433.6	390.7	910.6%
Profit (loss) attributable to owners of the parent	63.2	423.3	360.1	569.3%

Exchange Rate (\(\frac{\pmathbf{4}}{\pmathbf{US}}\))  (9-month average)	¥106.14	¥110.97	¥4.83	4.6%
Fuel oil price (US\$/MT) (9-month average)	US\$347	US\$521	US\$175	50.4%

Due to significant business performance improvement of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as "ONE"), the company recorded 418.864 billion yen of equity in earnings of unconsolidated subsidiaries and affiliates for the consolidated cumulative third quarter. Within the recorded equity in earnings of unconsolidated subsidiaries and affiliates, "ONE" accounted for 415.074 billion yen in the cumulative third quarter, and 180.717 billion yen in the third quarter alone.

Performance per segment was as follows.

(Billion Yen; rounded to the nearest 100 million yen)

		Nine months ended December 31, 2020	Nine months ended December 31, 2021	Change	% Change
D 1 11	Operating revenues	135.5	207.3	71.8	52.9%
Dry bulk	Segment profit (loss)	(7.6)	14.7	22.4	-
Energy resource	Operating revenues	57.6	66.6	9.0	15.6%
transport	Segment profit (loss)	4.0	2.1	(1.9)	(47.8%)
D 1 (1 '.'	Operating revenues	254.0	274.8	20.8	8.2%
Product logistics S	Segment profit (loss)	51.9	425.3	373.4	719.3%
	Operating revenues	21.6	7.9	(13.7)	(63.4%)
Other	Segment profit (loss)	0.7	0.2	(0.5)	(71.3%)
Adjustments and eliminations	Segment profit (loss)	(6.0)	(8.7)	(2.7)	_
T 4.1	Operating revenues	468.7	556.5	87.8	18.7%
Total	Segment profit (loss)	42.9	433.6	390.7	910.6%

#### **(i) Dry Bulk Segment**

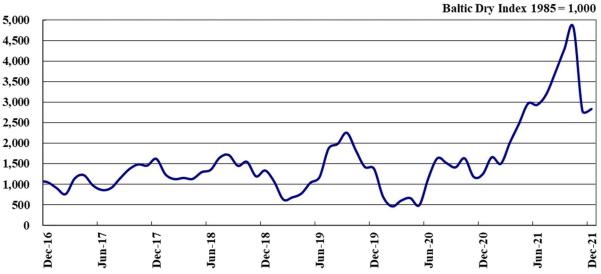
## Dry Bulk Business

In the Cape-size sector, the market weakened along with transportation demand as China curbed crude steel production since the middle of the fiscal year, but market rates generally stayed high as the tight supply-demand balance remained because of the continued strengthening of quarantine systems intended to prevent the expansion of COVID-19 and the increase in port congestion caused by heavy weather. In the medium and small vessel sector, despite market rates declined in the middle of the fiscal year due to the decrease in port congestion, generally stayed firm because of the increase in coal transportation demand amid the global energy shortage and the stable demand for transportation of grain and minor bulk cargo.

Under these circumstances, the overall Dry Bulk Segment strived to manage the market exposures appropriately and reduce operation costs and improve vessel operation efficiency.

As a result, the overall Dry Bulk Segment recorded a year-on-year increase in revenue and returned to profitability.

# **Baltic Dry Index**



Duration: 2016/12~2021/12

# (ii) Energy Resource Transport Segment

# Tanker Carrier and Electricity Business

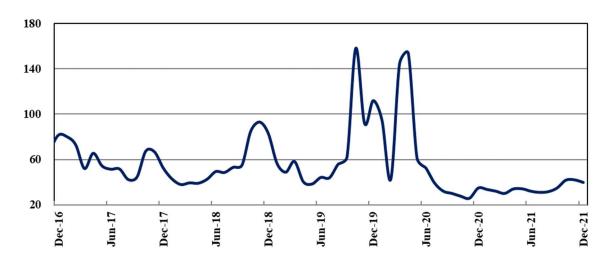
Concerning large crude oil tankers (VLCCs), LPG carriers, and thermal coal carriers, the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit.

## LNG Carrier and Offshore Business

Concerning LNG carriers, drillship and FPSO (Floating Production, Storage and Offloading system), the business stayed firm for mid- and long-term charter contracts and contributed to secure stable profit. Concerning the offshore support vessel business, market rates remained sluggish in spite of oil price decline recovery.

As a result, the overall Energy Resource Transport Segment recorded a year-on-year increase in revenue, but a profit declined.

# VLCC World Scale (AG/JPN)



Duration: 2016/12~2021/12

# (iii) Product Logistics Segment

## Car Carrier Business

In the global car sales market, the recovery from the impact of COVID-19 in the previous fiscal year continued. Although supply shortages of semiconductors and auto parts have recently affected production, transportation demand has recovered.

#### Logistics Business

In the domestic logistics and port business, the domestic container handling volume recorded a year-on-year increase. In the towage business, the work volume stayed firm. The warehousing business remained firm. As for the international logistics business, in the forwarding business, the air cargo transportation volume continued to increase. In the finished vehicles transportation business, the handling volume in inventory storage service remained low.

#### Short Sea and Coastal Business

In the short sea business, transportation volume for steel and timber products stayed firm, but the transportation volume of bulk cargo decreased year-on-year, and the overall transportation volume recorded a year-on-year decrease. In the coastal business, overall transportation volume increased year-on-year as the Company captured demand for transportation of domestic lumber and construction-related cargoes. In the ferry business, although the movement of people continued to be restricted because of the declaration of a state of emergency and measures to prevent the spread of COVID-19 infection, the numbers of passengers and passenger cars transported recovered year-on-year. The truck transportation volume recorded a year-on-year increase.

#### Containership Business

As for the performance of "ONE", amid the tightening of the supply-demand balance due to supply chain disruptions and robust cargo movements, market rates stayed high in all trades. As a result, the business performance of "ONE" significantly improved year-on-year.

As a result, the overall Product Logistics Segment recorded a year-on-year increase in both revenue and profit.

# (iv) Other Segment

Other Segment includes but not limited to the Group's ship management service, travel agency service, and real estate and administration service. The segment recorded a year-on-year decline both in revenue and profit.

## (2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 3rd Quarter of this fiscal year were \(\frac{\pmathbf{4}}{1}\),349.684 billion, an increase of \(\frac{\pmathbf{4}}{3}\)75.076 billion from the end of the previous fiscal year as a result of an increase in investment securities and other factors.

Consolidated liabilities decreased by ¥64.441 billion to ¥594.004 billion as a result of a decrease in short-term loans and other factors compared to the end of the previous fiscal year.

Consolidated net assets were \(\frac{\pmathbf{4755.680}}{755.680}\) billion, an increase of \(\frac{\pmathbf{4439.518}}{439.518}\) billion compared to the end of the previous fiscal year as a result of an increase in retained earnings and other factors.

## (3) Qualitative Information on the Consolidated Prospects for FY2021

(Billion Yen; rounded to the nearest 100 million yen)

	Prior Forecast	Current Forecast			
	(at the time of announcement of at the time of announcement of		Change	% Change	
	the 2nd Quarter result)	the 3rd Quarter result)			
Operating revenues	690.0	730.0	40.0	5.8%	
Operating income (loss)	15.0	18.0	3.0	20.0%	
Ordinary income (loss)	390.0	540.0	150.0	38.5%	
Profit (loss) attributable to	270.0	520.0	150.0	40.50/	
owners of the parent	370.0	520.0	150.0	40.5%	
Exchange Rate (¥/US\$)	¥108.02	¥111.15	¥3.12	2.9%	
Fuel Oil Price (US\$/MT)	US\$517	US\$535	US\$18	3.5%	

In the Dry Bulk Segment, amid the continued recovery of the global economy resulting from the economic support and economic stimulus measures implemented by each country, market rates generally remained high due to the tight supply-demand balance caused by the stable transportation demand and the reduction in the vessel supply volume due to port congestion. Toward the end of the fiscal year, despite risks of deceleration in growth such as the pandemic of COVID-19 variants and the slowdown of the Chinese economy, which had driven the growth of real economy, in addition to the decline in transportation demand due to seasonable factors, the full-year average market rate is expected to be high significantly year-on-year. At the same time, the Group will strive to secure stable profit by increasing vessel operation efficiency and reducing costs as well as increasing mid- and long-term contracts that take advantage of its strength in high quality transportation.

In the Energy Resource Transport Segment, the Group will strive to secure stable profit under mid- and long-term contracts with respect to large crude oil tankers, LPG carriers, thermal coal carriers, LNG carriers, drillships and FPSO (Floating Production, Storage and Offloading) systems. In addition, as was announced in the news release on December 17, 2021, titled "Notice Concerning Dissolution of Subsidiary Company and Transfer of Fixed Assets," the Group decided to sell all the offshore support vessels owned by K LINE OFFSHORE AS (KOAS), its subsidiary company, and dissolve KOAS.

As for the Product Logistics Segment, regarding the car carrier business, global vehicle sales are expected to remain on a recovery trend from the effects of COVID-19 in the previous fiscal year, despite the effects of recent shortages of semiconductors and auto parts. The Group expects to secure profits in FY2021 through activities continued since the previous fiscal year, including appropriate fleet development and reorganization of the network of trades.

In the logistics business, the demand for ocean container transportation will continue increasing in the domestic logistics segment. As for the international logistics sector, as the shift to air cargo due to tight supply-demand for ocean container transportation continues in the forwarding business, cargo movements are expected to stay firm. As for the finished vehicles transportation business, the business of transporting finished vehicles by land stayed firm in the first half of the fiscal year but is expected to become weak in the second half of the fiscal year. The handling volume in inventory storage service remained low. In the containership business, in the fourth quarter, despite the concerns about the continued supply chain disruptions and the effects of seasonal factors such as the Chinese New

Year, cargo movements are expected to stay firm. "ONE" will strive to conduct steady business management by taking active measures intended to avoid supply chain disruptions, while keeping a close watch on the future economic environment.

Due to the high uncertainty regarding the spread of COVID-19 and when it will end, it is difficult to determine a future forecast, but it is expected that the global economy will remain on the path of recovery as a result of economic support policy measures and economic stimulus measures implemented by various countries and cargo movements especially container ship business remained firm. For the fiscal year ending March 31, 2022, the Group is projecting profit attributable to owners of the parent of ¥520.0 billion.

The Company's basic policy on profit distribution is to stabilize mid to long term benefit to shareholders by considering optimal capital structure, investment for future development as well as our financial strength.

For the year-end dividend, the Company will make decision based on the final full-year results. It is currently planned to pay 300.0 yen per share dividend as was announced on November 4, 2021.

# Consolidated Financial Statements

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

# Consolidated Balance Sheet

		(Millions of yen)
	Year	Nine months
	ended	ended
	March 31, 2021	December 31, 2021
ASSETS		
Current assets:		
Cash and deposits	132,371	109,958
Accounts and notes receivable-trade	56,125	-
Accounts, notes receivable-trade and contract assets	-	98,940
Raw materials and supplies	22,309	27,824
Prepaid expenses and deferred charges	38,790	17,079
Other current assets	17,530	21,009
Allowance for doubtful receivables	(915)	(939)
Total current assets	266,210	273,874
Non-current assets:		
(Vessels, property and equipment)		
Vessels, net	352,981	355,759
Buildings and structures, net	10,641	9,782
Machinery, equipment and vehicles, net	3,338	3,012
Land	16,356	15,709
Construction in progress	3,877	4,995
Other, net	4,137	3,756
Total vessels, property and equipment	391,334	393,016
(Intangible assets)		
Other intangible assets	3,551	3,379
Total intangible assets	3,551	3,379
(Investments and other assets)		
Investments in securities	257,522	618,148
Long-term loans receivable	19,043	20,990
Asset for retirement benefits	857	976
Other investments and other assets	37,343	40,489
Allowance for doubtful receivables	(1,253)	(1,189)
Total investments and other assets	313,512	679,414
Total non-current assets	708,398	1,075,810
Total assets	974,608	1,349,684

# Consolidated Balance Sheet

		(Millions of yen)
	Year	Nine months
	ended	ended
	March 31, 2021	December 31, 2021
LIABILITIES		
Current liabilities:		
Accounts and notes payable-trade	51,661	58,050
Short-term loans and current portion of long-term loans	138,002	84,455
Accrued income taxes	1,404	1,613
Allowance for loss related to the Anti-Monopoly Act	357	357
Allowance for loss on liquidation of subsidiaries and affiliates	62	3,578
Allowance for loss on chartering contracts	15,556	3,628
Other allowance	3,096	1,305
Other current liabilities	51,387	90,533
Total current liabilities	261,529	243,522
Non-current liabilities:		
Bonds	7,000	-
Long-term loans, less current portion	325,803	289,010
Allowance for directors' and audit and supervisory board	0.50	104
members' retirement benefits	353	184
Allowance for directors' stock benefits	48	46
Accrued expenses for overhaul of vessels and other assets	11,904	13,277
Liability for retirement benefits	6,499	6,336
Other non-current liabilities	45,307	41,626
Total non-current liabilities	396,916	350,481
Total liabilities	658,446	594,004
NET ASSETS		
Shareholders' equity:		
Common stock	75,457	75,457
Capital surplus	14,295	14,425
Retained earnings	130,723	558,045
Treasury stock	(2,373)	(2,376)
Total shareholders' equity	218,103	645,551
Accumulated other comprehensive income:		
Net unrealized holding gain (loss) on investments in securities	3,960	4,041
Deferred gain (loss) on hedges	(3,657)	(3,281)
Revaluation reserve for land	4,630	4,630
Translation adjustments	(1,963)	7,130
Retirement benefits liability adjustments	(2,879)	(2,511)
Total accumulated other comprehensive income	90	10,009
Non-controlling interests	97,968	100,119
Total net assets	316,162	755,680
Total liabilities and net assets	974,608	1,349,684

# Consolidated Statement of Operations

		(Millions of yen)
	Nine months	Nine months
	ended	ended
	December 31, 2020	December 31, 2021
Marine transportation and other operating revenues	468,721	556,495
Marine transportation and other operating costs and expenses	430,435	492,239
Gross profit (loss)	38,286	64,255
Selling, general and administrative expenses	41,479	40,952
Operating income (loss)	(3,193)	23,303
Non-operating income:		
Interest income	394	514
Dividend income	1,867	1,220
Equity in earnings of unconsolidated subsidiaries and affiliates	52,767	418,864
Exchange gain	-	1,707
Other non-operating income	1,154	1,068
Total non-operating income	56,183	423,374
Non-operating expenses:	· ·	•
Interest expenses	7,455	7,798
Exchange loss	1,250	·
Financing expenses	939	3,017
Other non-operating expenses	434	2,235
Total non-operating expenses	10,079	13,052
Ordinary income (loss)	42,909	433,626
Extraordinary income:	· ·	·
Gain on sales of vessels, property and equipment	10,345	16,615
Gain on sales of shares of subsidiaries and associates	19,955	8,919
Other extraordinary income	165	879
Total extraordinary income	30,466	26,414
Extraordinary losses:		
Loss on impairment of vessels, property and equipment	3,817	12,878
Loss on cancellation of chartered vessels	1,062	7,427
Provision of allowance for loss on liquidation of subsidiaries and affiliates	-	3,578
Other extraordinary losses	492	226
Total extraordinary losses	5,372	24,111
Profit (loss) before income taxes	68,003	435,929
Income taxes:	•	•
Current	1,930	6,563
Deferred	517	2,970
Total income taxes	2,448	9,533
Profit (loss)	65,555	426,395
Profit (loss) attributable to non-controlling interests	2,306	3,055
Profit (loss) attributable to owners of the parent	63,248	423,339

# Consolidated Statement of Comprehensive Income

		(Millions of yen)
	Nine months	Nine months
	ended	ended
	December 31, 2020	December 31, 2021
Profit (loss)	65,555	426,395
Other Comprehensive income:		
Net unrealized holding gain (loss) on investments in securities	1,562	75
Deferred gain (loss) on hedges	129	(378)
Translation adjustments	1,357	3,180
Retirement benefits liability adjustments	543	358
Share of other comprehensive income of associates accounted for using equity method	(4,377)	6,628
Total other comprehensive income	(784)	9,865
Comprehensive income	64,770	436,260
(Breakdown)		
Comprehensive income attributable to owners of the parent	61,927	433,258
Comprehensive income attributable to non-controlling interests	2,843	3,002

(Change in Accounting Standards)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition," (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) effective from the beginning of the first quarter ended June 30, 2021, and it recognizes revenue when (or as) it satisfies a performance obligation in transferring promised goods or services (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognized at an amount expected to be received upon exchange of goods or services.

As a result of this application, although the Company had previously applied "Voyage completion method," in which the Company recorded shipping revenues and expenses upon completion of voyage; provided, however, that the "Complex transportation progress method" was used for container ships, the Company has changed its calculation method related to shipping revenues and expenses based on the number of elapsed days of a voyage from the beginning of the first quarter ended June 30, 2021.

The application of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition.

The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter ended June 30, 2021 was added to or deducted from the beginning balance of retained earnings of the first quarter ended June 30, 2021, and thus the new accounting policy was reflected in the beginning balance; provided, however, that the new accounting policy was not retrospectively applied to contracts where the recognition of nearly all the revenue amounts for periods prior to the beginning of the first quarter ended June 30, 2021 were subject to the previous treatment, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, with regard to modifications to contracts carried out based on the contractual terms existing after all contract modifications were reflected, the cumulative effect was added to or deducted from the beginning balance of retained earnings of the first quarter ended June 30, 2021 by applying the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result, for the nine months ended December 31, 2021, net sales increased by ¥6,690 million, cost of sales increased by ¥2,564 million, and operating income, ordinary income, and profit before income taxes increased by ¥4,125 million, respectively. In addition, the beginning balance of retained earnings increased by ¥3,982 million.

Due to the application of Accounting Standard for Revenue Recognition, "Accounts and notes receivable-trade" presented in current assets are included in "Accounts, notes receivable-trade and contract assets" from the first quarter ended June 30, 2021. In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new presentation method.

In addition, in accordance with transitional treatment provided for in paragraphs 28-15 of "Accounting Standard for Quarterly Financial Statements" (ASBJ No. 12, March 31, 2020) with regard to contracts with customers applicable to the third quarter of the previous fiscal year, information on the disaggregation of revenue is not disclosed.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), from the beginning of the first quarter ended June 30, 2021. The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement provided for in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019). The impact of the application of the Accounting Standard for Fair Value Measurement, on the quarterly consolidated financial statements for the nine months ended December 31, 2021 is immaterial.

#### (Additional Information)

(Consolidated taxation system)

The Company and certain domestic consolidated subsidiaries adopt the consolidated taxation system.

On March 31, 2020, ASBJ issued "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force ("PITF") No.39), based on provisions in the Act for Partial Amendments to Income Tax Act (Act No.8).

The Company and certain domestic subsidiaries applied tax laws in effect prior to the amendments to calculate deferred tax assets and deferred tax liabilities for certain items remeasured from the single tax return system in accordance with section 3 of ASBJ PITF No.39 as an alternative to the application of section 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28).

## (Accounting Estimate related to COVID-19)

Due to the high degree of uncertainty regarding the spread of COVID-19 and when it will end, it is difficult to forecast a future outlook. The Company made no changes to assumptions about COVID-19 made in the previous fiscal year as disclosed in the "Significant Accounting Estimates" section of the Company's securities report.

# Segment information

Nine months ended December 31,2020

(Millions of yen)

							(Milliono of John)
	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	135,517	57,607	253,996	21,600	468,721	-	468,721
Inter-group revenues and transfers	23	-	9,461	32,105	41,589	(41,589)	-
Total revenues	135,540	57,607	263,457	53,706	510,311	(41,589)	468,721
Segment profit (loss)	(7,646)	3,963	51,914	650	48,882	(5,972)	42,909

Nine months ended December 31, 2021

(Millions of yen)

							(Millions of yell)
	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Revenues from contracts with customers	203,334	62,544	270,363	7,852	544,094	-	544,094
Other revenues	3,933	4,021	4,387	58	12,400	•	12,400
Operating revenues from customers	207,267	66,565	274,751	7,910	556,495	•	556,495
Inter-group revenues and transfers	12	8	10,412	38,056	48,489	(48,489)	
Total revenues	207,280	66,574	285,163	45,966	604,984	(48,489)	556,495
Segment profit (loss)	14,714	2,070	425,325	186	442,297	(8,671)	433,626