FINANCIAL HIGHLIGHTS

Brief report of the three months ended June 30, 2022

Kawasaki Kisen Kaisha, Ltd.

[Two Year Summary] (Million yen; rounded down to the nearest million yen)

	Three months ended June 30, 2021	**Three months ended June 30, 2022**
Consolidated		
Operating revenues	174,743	**228,498**
Operating income (loss)	2,400	**18,878**
Profit (loss) attributable to owners of the parent	101,987	**266,639**
Profit (loss) attributable to owners of the parent per share (Yen)		
Basic	1,093.42	**2,851.94**
Diluted	-	-

	Year ended March 31, 2022	**Three months ended June 30, 2022**
Total assets	1,574,960	**1,861,016**
Total net assets	984,882	**1,274,425**

1. Qualitative Information and Financial Statement

(1) Qualitative Information about the Consolidated Operating Result

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

	Three months ended June 30, 2021	**Three months ended June 30, 2022**	Change	% Change
Operating revenues	174.7	**228.5**	53.8	30.8%
Operating income (loss)	2.4	**18.9**	16.5	686.6%
Ordinary income (loss)	88.4	**267.4**	179.0	202.3%
Profit (loss) attributable to owners of the parent	102.0	**266.6**	164.7	161.4%

Exchange Rate (¥/US$) (3-month average)	109.80	**126.49**	16.69	15.2%
Fuel oil price (US$/MT) (3-month average)	479	**821**	342	71.5%

Due to significant business performance improvement of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as "ONE"), the company recorded 235.389 billion yen of equity in earnings of unconsolidated subsidiaries and affiliates for the first quarter. Within the recorded equity in earnings of unconsolidated subsidiaries and affiliates, “ONE” accounted for 232.901 billion yen in the first quarter.

Performance per segment was as follows.

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

		Three months ended June 30, 2021	**Three months ended June 30, 2022**	Change	% Change
Dry bulk	Operating revenues	59.7	**84.6**	24.9	41.7%
	Segment profit (loss)	0.9	**15.0**	14.1	–
Energy resource transport	Operating revenues	20.4	**24.7**	4.3	21.2%
	Segment profit (loss)	0.9	**5.8**	5.0	579.3%
Product logistics	Operating revenues	91.9	**115.7**	23.9	26.0%
	Segment profit (loss)	88.8	**248.8**	159.9	180.0%
Other	Operating revenues	2.8	**3.4**	0.7	23.7%
	Segment profit (loss)	(0.1)	**0.1**	0.2	–
Adjustments and eliminations	Segment profit (loss)	(2.1)	**(2.4)**	(0.3)	–
Total	Operating revenues	174.7	**228.5**	53.8	30.8%
	Segment profit (loss)	88.4	**267.4**	179.0	202.3%

(i) Dry Bulk Segment

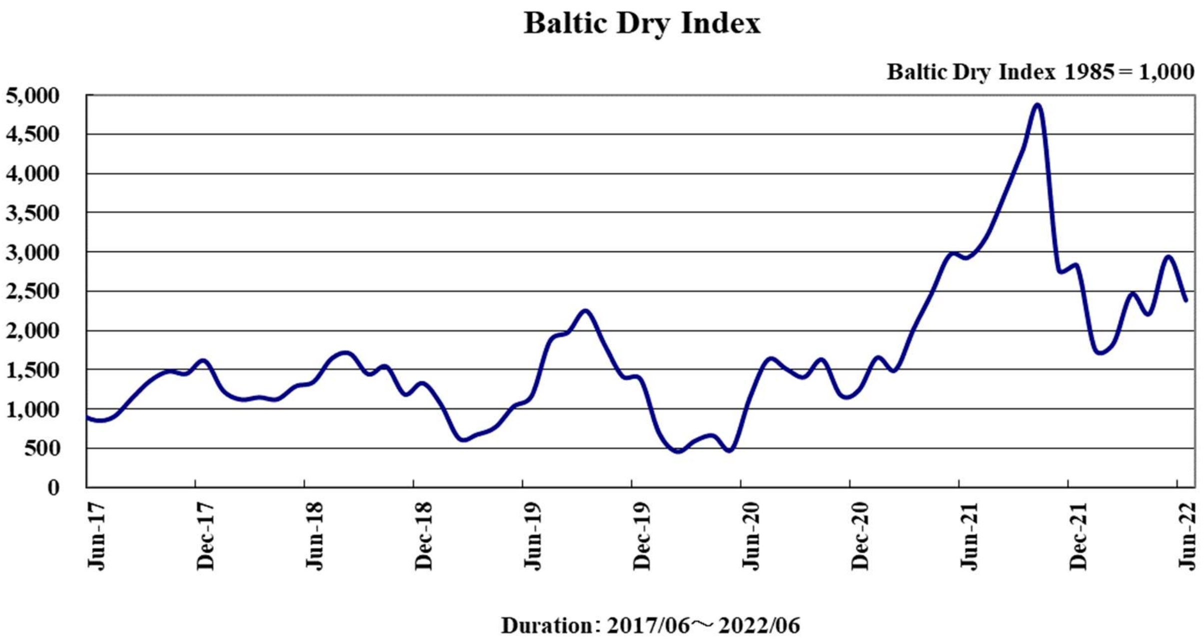
Dry Bulk Business

In the Cape-size sector, although shipments became sluggish in Brazil, a major production region of iron ore, due to inclement weather and to prevent the expansion of COVID-19 in China, a major discharging location, led to stagnant economic activity, market rates stayed generally firm while fluctuating somewhat because of a subsequent recovery in shipments and the easing of port congestion in China.

In the medium and small vessel sector, despite the effects of the easing of port congestion in China, market rates generally stayed firm, supported by robust demand for transportation of coal to India and transportation of steel products to Europe.

Under these circumstances, the Group 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 both in revenue and profit.

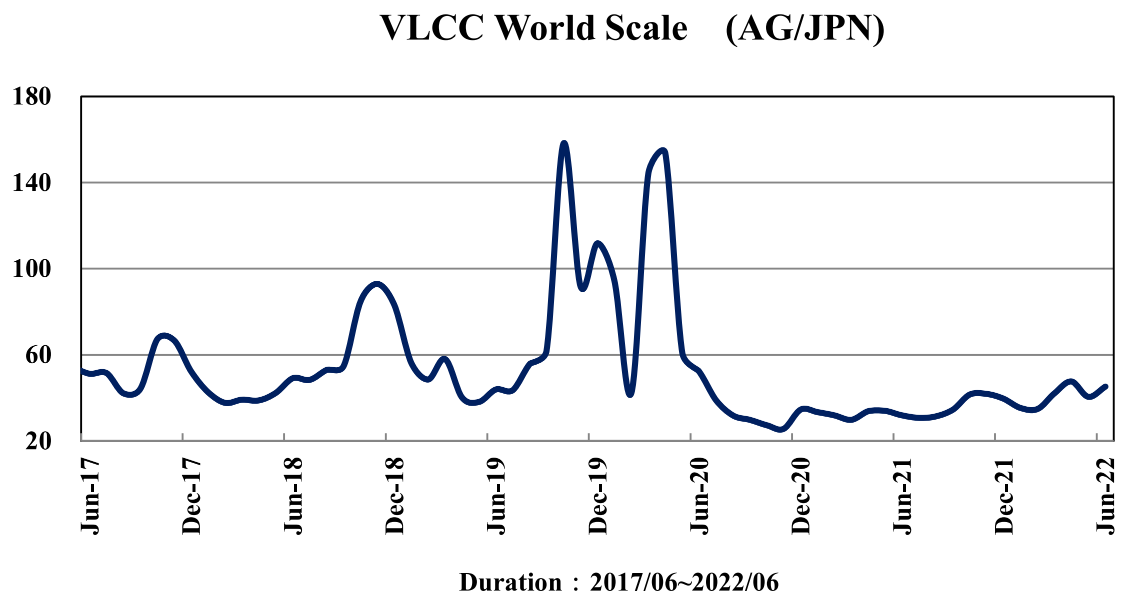


(ii) Energy Resource Transport Segment

LNG Carrier, Electricity Business, Tanker Carrier and Offshore Business

Concerning LNG carriers, thermal coal carriers, large crude oil tankers (VLCCs), LPG 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.

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



(iii) Product Logistics Segment

Car Carrier Business

In the global car sales market, although supply shortage of semiconductors and auto parts, lockdown in Shanghai and the situations in Russia and Ukraine affected production and shipments in some areas, the recovery from the impact of COVID-19 continued. On the other hand, despite our efforts to improve operational efficiency, the business was affected by the continued rise in fuel prices.

Logistics Business

In the domestic logistics and port business, the domestic container handling volume recorded a year-on-year decrease. In the towage business, the work volume decreased. The warehousing business remained firm. As for the international logistics business, demand remained robust for ocean and air cargo transportation in the forwarding business. In the finished vehicles transportation business, the handling volume in inventory storage service stayed low, but the number of land transportation containers handled increased.

Short Sea and Coastal Business

In the short sea business, although demand for transportation of steel and timber products stayed firm, the transportation volume of coal decreased year-on-year. As a result, the overall transportation volume in the whole of the short sea business recorded a year-on-year decrease. In the coastal business, truck transportation volume increased year-on-year in the ferry and liner transportation segments due to the firmness of the cargo related to e-commerce. Transportation volume for passengers and passenger cars improved year-on-year due to the removal of restrictions on movements associated with COVID-19.

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. 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

Other 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 increase in revenue and returned to profitability.

(2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 1st Quarter of this fiscal year were ¥1,861.016 billion, an increase of ¥286.055 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 ¥3.486 billion to ¥586.590 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 ¥1,274.425 billion, an increase of ¥289.542 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 FY2022

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

	Prior Forecast (at the time of announcement made on May 9, 2022)	Current Forecast * (at the time of announcement of the 1st Quarter result)	Change	% Change
Operating revenues	780.0	890.0	110.0	14.1%
Operating income (loss)	41.0	57.0	16.0	39.0%
Ordinary income (loss)	470.0	700.0	230.0	48.9%
Profit (loss) attributable to owners of the parent	460.0	690.0	230.0	50.0%

Exchange Rate (¥/US$)	117.70	129.68	11.98	10.2%
Fuel Oil Price (US$/MT)	764	896	132	17.3%

*As for the Current Forecast, there is no change from the forecast that announced in the news release on July 21, 2022, titled “Notice on Revision to Consolidated Financial Forecasts for the Fiscal Year ending March 2023”.

In the Dry Bulk Segment, market rates are expected to stay firm because transportation demand will remain firm as a result of the normalization of economic activity in China and also because limited building of new ships will lead to the tightening of the vessel supply-demand balance. On the other hand, the Group will keep a close watch on the resource price upsurges due to the situation in Russia and Ukraine, the impact of global inflation on the real economy, and the impact of COVID-19 containment measures on the vessel supply-demand balance and prepare to respond quickly. At the same time, amid growing need to deal with environmental problems, take advantage of its strength in high quality transportation, 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.

In the Energy Resource Transport Segment, the Group will strive to secure stable profit under mid- and long-term contracts with respect to LNG carriers, thermal coal carriers, large crude oil tankers (VLCCs), LPG carriers, drillship and FPSO (Floating Production, Storage and Offloading system).

As for the Product Logistics Segment, regarding the car carrier business, although there are concerns over the impact of shortages of semiconductors and auto parts and the situation in Russia and Ukraine on global vehicles sales, sales and cargo movements are expected to recover and freight levels are expected to be restored. In addition, the Group will continue to strive to improve operational efficiency through such measures as appropriate fleet restructure and reorganization of the network of trades. Regarding the logistics business, demand for ocean container transportation is expected to stay firm in the domestic logistics and port business segments. As for the international logistics business, demand for ocean and air transportation is expected to stay robust in the forwarding business. In the business of transporting finished vehicles by land, the handling volume is expected to increase due to the continuation of the uptrend in vehicle imports in Australia. In the containership business, cargo movements are expected to stay firm, although the outlook for the global economy and the timing of the end of supply chain disruptions are uncertain. "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.

The Company’s management task is to promote shareholders’ return over the medium to long term, including share buyback regarding excess of appropriated equity capital, by awareness of the optimal capital structure, securing of investment (required) to enhance corporate value, and strengthening the stability of financial basis.

Based on this basic policy, regarding dividend for the fiscal year ending March 31, 2023, the Company plans payment of an interim dividend of 300.00 yen per share which increased by 150.00 yen per share of prior forecast and a year-end dividend of 300.00 yen (Conversion to the pre-stock split basis) per share which increased by 150.00 yen (Conversion to the pre-stock split basis) per share of prior forecast.

In addition to the revised dividend forecast, the Company plans to consider additional shareholder return of 100 billion yen or more, including further dividends and share buybacks, based on comprehensive consideration of the earnings forecast and other factors.

	Annual dividend per share		
	Interim	Fiscal year-end	Total
Prior forecast (Announced on May 9, 2022)	150.00 yen	150.00 yen	300.00 yen
Revised forecast (Conversion to the pre-stock split basis)	300.00 yen	100.00 yen (300.00 yen)	– (600.00 yen)
Actual result of the current fiscal year	–	–	–
Actual result of the prior fiscal year (ended March 31, 2022)	–	600.00 yen	600.00 yen

(Notes)

1. The Company will implement a 3-for-1 stock split of common shares on October 1, 2022.
2. The interim dividend for the fiscal year ending March 2023 which has a dividend record date of September 30, 2022, will be paid based on the shares before the stock split.
3. The year-end dividend for the fiscal year ending March 2023 which has a dividend record date of March 31, 2023, will be paid based on the shares following the stock split.

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 ended March 31, 2022	Three months ended June 30, 2022
ASSETS		
Current assets :		
Cash and deposits	247,344	**255,569**
Accounts, notes receivable - trade and contract assets	103,699	**123,571**
Marketable securities	0	**20,000**
Raw materials and supplies	36,572	**45,198**
Deferred and prepaid expenses	17,659	**18,879**
Other current assets	26,857	**21,197**
Allowance for doubtful accounts	(1,044)	**(1,052)**
Total current assets	431,089	**483,363**
Non-current assets :		
(Vessels, property and equipment)		
Vessels, net	339,821	**346,103**
Buildings and structures, net	9,817	**10,109**
Machinery, equipment and vehicles, net	2,904	**2,913**
Land	15,730	**15,535**
Construction in progress	9,679	**31,571**
Other, net	4,076	**5,018**
Total vessels, property and equipment	382,029	**411,250**
(Intangible assets)		
Other intangible assets	3,513	**3,503**
Total intangible assets	3,513	**3,503**
(Investments and other assets)		
Investment securities	691,809	**896,410**
Long-term loans receivable	23,007	**25,032**
Asset for retirement benefits	1,228	**1,243**
Other investments and other assets	43,413	**41,402**
Allowance for doubtful accounts	(1,132)	**(1,189)**
Total investments and other assets	758,326	**962,898**
Total non-current assets	1,143,870	**1,377,652**
Total assets	1,574,960	**1,861,016**

Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 2022	Three months ended June 30, 2022
LIABILITIES		
Current liabilities :		
Accounts and notes payable - trade	62,756	72,426
Short-term loans and current portion of long-term loans	87,544	75,371
Accrued income taxes	3,051	3,267
Provision for loss related to the Anti-Monopoly Act	357	357
Provision for loss on liquidation of subsidiaries and affiliates	2,168	2,176
Provision for loss on chartering contracts	13,903	10,292
Other provisions	4,500	2,027
Other current liabilities	77,255	68,630
Total current liabilities	251,538	234,549
Non-current liabilities :		
Long-term loans, less current portion	277,992	295,133
Provision for directors' and audit and supervisory board members' retirement benefits	167	121
Provision for directors' stock benefits	307	295
Provision for periodic dry docking of vessels	13,392	12,953
Liability for retirement benefits	6,147	5,982
Other non-current liabilities	40,531	37,554
Total non-current liabilities	338,538	352,040
Total liabilities	590,077	586,590
NET ASSETS		
Shareholders' equity:		
Common stock	75,457	75,457
Capital surplus	14,214	29,061
Retained earnings	777,130	987,545
Treasury stock	(2,378)	(1,978)
Total shareholders' equity	864,424	1,090,085
Accumulated other comprehensive income :		
Net unrealized holding gain (loss) on investment securities	5,474	5,235
Deferred gain (loss) on hedges	(893)	(79)
Revaluation reserve for land	4,630	4,625
Translation adjustments	12,954	89,606
Retirement benefits liability adjustments	(1,956)	(1,649)
Total accumulated other comprehensive income	20,209	97,738
Non-controlling interests	100,248	86,601
Total net assets	984,882	1,274,425
Total liabilities and net assets	1,574,960	1,861,016

Consolidated Statement of Operations

(Millions of yen)

	Three months ended June 30, 2021	**Three months ended June 30, 2022**
Marine transportation and other operating revenues	174,743	**228,498**
Marine transportation and other operating costs and expenses	158,146	**194,032**
Gross profit (loss)	16,596	**34,465**
Selling, general and administrative expenses	14,196	**15,587**
Operating income (loss)	2,400	**18,878**
Non-operating income :		
Interest income	156	**225**
Dividend income	456	**756**
Equity in earnings of unconsolidated subsidiaries and affiliates	88,809	**235,389**
Foreign exchange gains	366	**14,528**
Other non-operating income	277	**745**
Total non-operating income	90,066	**251,645**
Non-operating expenses :		
Interest expenses	2,525	**2,497**
Other non-operating expenses	1,499	**629**
Total non-operating expenses	4,025	**3,127**
Ordinary income (loss)	88,441	**267,397**
Extraordinary income :		
Gain on sales of non-current assets	12,508	**1,724**
Other extraordinary income	7,761	**134**
Total extraordinary income	20,269	**1,858**
Extraordinary losses :		
Loss on valuation of shares of subsidiaries and affiliates	1	**121**
Other extraordinary losses	21	**31**
Total extraordinary losses	22	**153**
Profit (loss) before income taxes	108,688	**269,103**
Income taxes :		
Current	5,345	**3,513**
Deferred	889	**(2,451)**
Total income taxes	6,234	**1,062**
Profit (loss)	102,454	**268,040**
Profit (loss) attributable to non-controlling interests	466	**1,401**
Profit (loss) attributable to owners of the parent	101,987	**266,639**

Consolidated Statement of Comprehensive Income

	Three months ended June 30, 2021	Three months ended June 30, 2022
		(Millions of yen)
Profit (loss)	102,454	**268,040**
Other Comprehensive income：		
Net unrealized holding gain (loss) on investment securities	(494)	**(269)**
Deferred gain (loss) on hedges	(3,233)	**(860)**
Foreign currency translation adjustment	(41)	**11,109**
Retirement benefits liability adjustments	62	**295**
Share of other comprehensive income (loss) of unconsolidated subsidiaries and affiliates accounted for using equity method	821	**67,870**
Total other comprehensive income	(2,884)	**78,146**
Comprehensive income	99,569	**346,186**
(Breakdown)		
Comprehensive income attributable to owners of parent	99,220	**344,173**
Comprehensive income attributable to non-controlling interests	348	**2,013**

(Notes on Significant Changes in Amount of Shareholders' Equity)

The Company conducted a share exchange with the Company as the wholly owing parent company and Kawasaki Kinkai Kisen Kaisha, Ltd. as the wholly-owned subsidiary on June 1, 2022. As a result, capital surplus increased by ¥14,786 million and treasury stock decreased by ¥387 million during the three-month period ended June 30, 2022.

(Change in Accounting Standards)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021; hereinafter "Implementation Guidance on Fair Value Measurement Standard") from the beginning of the first quarter, from April 1 to June 30, 2022, and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard, in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. There was no effect of the application of Implementation Guidance on Fair Value Measurement Standard on the quarterly consolidated financial statements for the three-month period ended June 30, 2022.

(Additional Information)

(Application of Treatment for Accounting and Disclosure under Group Tax Sharing System)

The Company and certain domestic subsidiaries have transferred from the consolidated taxation system to the group tax sharing system from the beginning of the first quarter, from April 1 to June 30, 2022. In accordance with the change, the Company and certain domestic subsidiaries have applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force ("PITF") No. 42, August 12, 2021; hereinafter "PITF No. 42"), which provides for accounting treatment and disclosure of corporate tax and local corporate taxes and tax effect accounting. In accordance with Paragraph 32 (1) of PITF No. 42, there is deemed to be no effect on the quarterly consolidated financial statements due to the change in accounting standards resulting from the application of PITF No. 42.

(Significant Subsequent Event)

(Stock split and partial amendments to the Articles of Incorporation in relation to stock split)

At the meeting of the Board of Directors held on August 3, 2022, the Company resolved to implement a stock split and to partially revise the Articles of Incorporation in relation to the stock split.

1. Objective of the stock split

The purpose of the stock split is to lower the unit investment amount, thereby increasing stock liquidity and broadening the shareholder base.

2. Method of stock split

The Company will implement a 3-for-1 stock split of common shares owned by shareholders listed or recorded in the closing register of shareholders with a record date of September 30, 2022.

3. Number of shares to be increased by stock split

Total number of issued shares before the stock split	94,749,463 shares
Increase in number of shares due to the stock split	189,498,926 shares
Total number of issued shares after the stock split	284,248,389 shares
Total number of shares authorized to be issued after the stock split	600,000,000 shares

4. Schedule of the stock split

Date of public notice of the record date	September 12, 2022 (Scheduled date)
Record date	September 30, 2022
Effective date	October 1, 2022

5. Impact on per share information

Pro forma per share information assuming the stock split was conducted at the beginning of the previous fiscal year is as follows.

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Basic earnings per share	¥364.47	¥950.65

Diluted profit attributable to owners of the parent per share has not been presented because dilutive potential common shares do not exist.

6. Other

The amount of share capital will not change as a result of this stock split.

7. Partial amendments to the Articles of Incorporation in relation to the stock split

(1) Reason for amendments to the Articles of Incorporation

In conjunction with the stock split, the Company's Articles of Incorporation will be partially amended on October 1, 2022, as the effective date, by resolution of the Board of Directors in accordance with the provisions in Article 184, paragraph (2) of the Companies Act.

(2) Details of amendments to the Articles of Incorporation

The details of the amendments are as follows. (Underlined portions indicate the proposed changes.)

Proposed Amendment	Current Articles of Incorporation
Article 6 (Total Number of Authorized Shares) The total number of shares authorized to be issued by the Company shall be <u>600,000,000 shares</u>.	Article 6 (Total Number of Authorized Shares) The total number of shares authorized to be issued by the Company shall be <u>200,000,000 shares</u>.

(3) Schedule of the revision of the Articles of Incorporation

Date of the meeting of Board of Directors	August 3, 2022
Effective date	October 1, 2022

Segment Information

Three months ended June 30, 2021

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Revenues from contracts with customers	58,748	19,194	90,346	2,730	171,020	-	171,020
Other revenues	971	1,217	1,505	29	3,722	-	3,722
Operating revenues from customers	59,719	20,411	91,851	2,760	174,743	-	174,743
Inter-group revenues and transfers	3	2	3,366	12,895	16,268	(16,268)	-
Total revenues	59,723	20,414	95,217	15,655	191,011	(16,268)	174,743
Segment profit (loss)	923	856	88,841	(79)	90,542	(2,101)	88,441

Three months ended June 30, 2022

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Revenues from contracts with customers	83,047	23,167	114,120	3,384	223,718	-	223,718
Other revenues	1,569	1,582	1,597	30	4,779	-	4,779
Operating revenues from customers	84,616	24,749	115,717	3,414	228,498	-	228,498
Inter-group revenues and transfers	4	3	1,281	15,042	16,331	(16,331)	-
Total revenues	84,621	24,752	116,998	18,456	244,829	(16,331)	228,498
Segment profit (loss)	15,035	5,817	248,758	137	269,749	(2,352)	267,397