FINANCIAL HIGHLIGHTS

Brief report of the three months ended June 30, 2021

Kawasaki Kisen Kaisha, Ltd.

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

	Three months ended June 30, 2020	**Three months ended June 30, 2021**
Consolidated		
Operating revenues	¥ 152,185	**¥ 174,743**
Operating income (loss)	(6,581)	**2,400**
Profit (loss) attributable to owners of the parent	(955)	**101,987**
Profit (loss) attributable to owners of the parent per share (Yen)		
Basic	(10.24)	**1,093.42**
Diluted	-	-

	Year ended March 31, 2021	**Three months ended June 30, 2021**
Total assets	¥ 974,608	**¥ 1,086,508**
Total net assets	316,162	**419,581**

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, 2020	**Three months ended June 30, 2021**	Change	% Change
Operating revenues	152.2	**174.7**	22.6	14.8%
Operating income (loss)	(6.6)	**2.4**	9.0	–
Ordinary income (loss)	(1.0)	**88.4**	89.5	–
Profit (loss) attributable to owners of the parent	(1.0)	**102.0**	102.9	–

Exchange Rate (¥/US$) (3-month average)	¥107.74	**¥109.80**	¥2.06	1.9%
Fuel oil price (US$/MT) (3-month average)	US$377	**US$479**	US$102	27.0%

Due to significant business performance improvement of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as "ONE"), the company recorded 88.809 billion yen of equity in earnings of subsidiaries for the first quarter. Within the recorded equity in earnings of subsidiaries, “ONE” accounted for 87.654 billion yen in consolidated accounting first quarter.

Performance per segment was as follows.

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

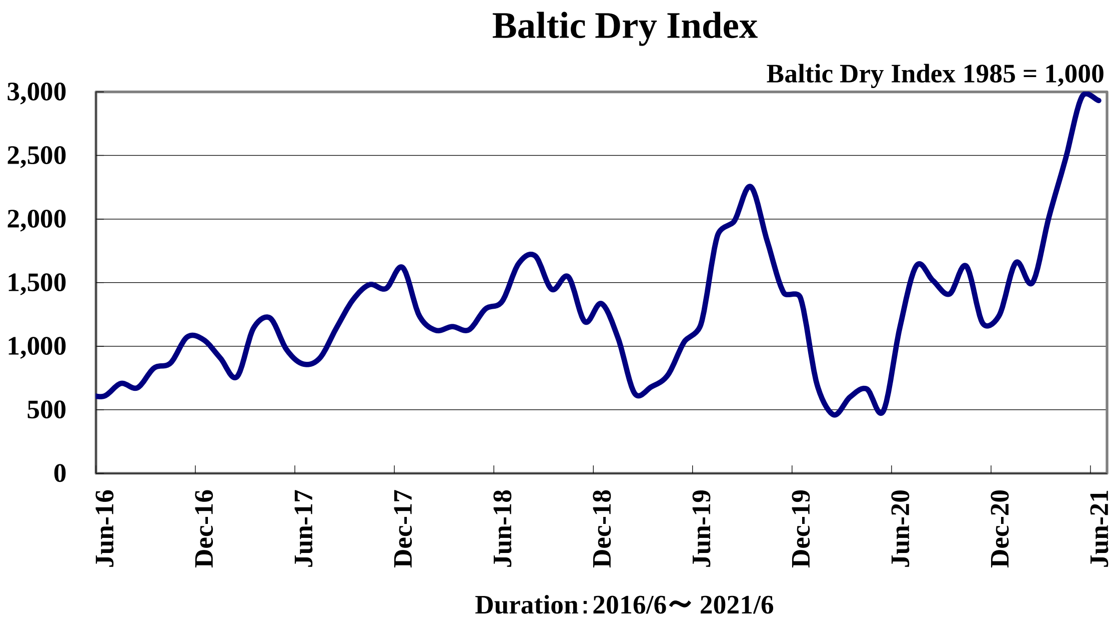
		Three months ended June 30, 2020	**Three months ended June 30, 2021**	Change	% Change
Dry bulk	Operating revenues	45.2	**59.7**	14.5	32.0%
	Segment profit (loss)	(4.4)	**0.9**	5.3	–
Energy resource transport	Operating revenues	19.2	**20.4**	1.2	6.1%
	Segment profit (loss)	1.6	**0.9**	(0.8)	(47.3%)
Product logistics	Operating revenues	81.4	**91.9**	10.5	12.8%
	Segment profit (loss)	3.0	**88.8**	85.8	–
Other	Operating revenues	6.3	**2.8**	(3.5)	(56.2%)
	Segment profit (loss)	0.2	**(0.1)**	(0.3)	–
Adjustments and eliminations	Segment profit (loss)	(1.4)	**(2.1)**	(0.7)	–
Total	Operating revenues	152.2	**174.7**	22.6	14.8%
	Segment profit (loss)	(1.0)	**88.4**	89.5	–

(i) Dry Bulk Segment

Dry Bulk Business

In the Cape-size sector, market rates stayed generally firm, although there were wide fluctuations, due to the improvement of the vessel supply-demand balance as robust demand from China and other countries for steel continued. In the medium and small vessel sector, market rates rose because of robust Chinese demand for grain imports and an increase in demand for transportation of coal and other goods due to a recovery in industrial activities in various countries.

Under these circumstances, as a result of appropriate management of market exposures and efforts to reduce operation costs and improve vessel operation efficiency, the overall Dry Bulk Segment recorded a year-on-year increase in revenue and returned to profitability.



(ii) Energy Resource Transport Segment

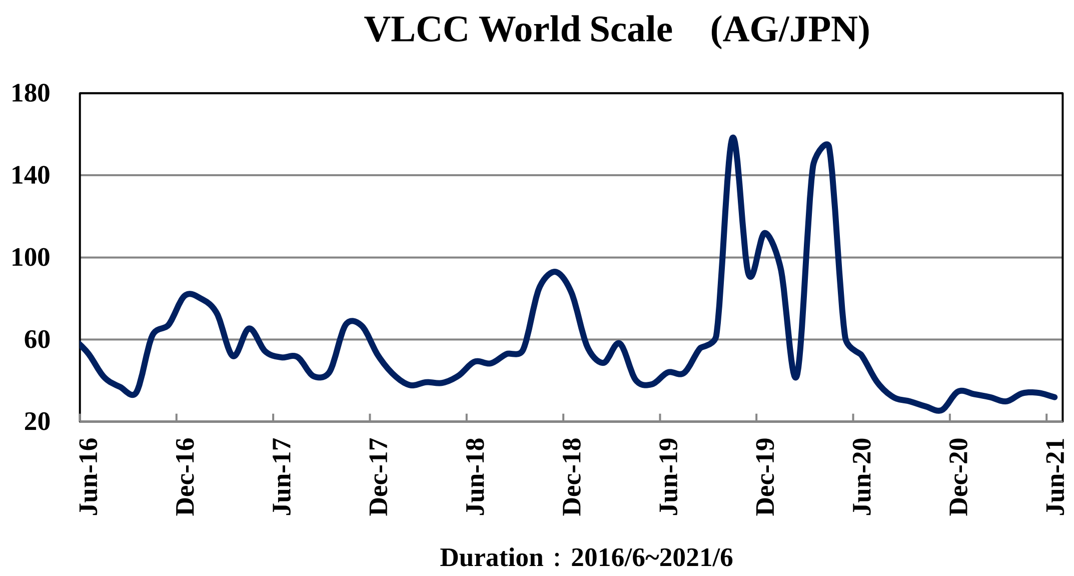
Tanker Carrier and Electricity Business

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, and 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.



(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. As demand for transportation steadily recovered despite concerns about the impact on production due to a semiconductor shortage.

Logistics Business

In the domestic logistics and port businesses, because of a continued increase in demand for ocean container transportation, container handling volume expanded. In the towage business, work volume generally increased due to a recovery in demand for transportation. The warehousing business stayed firm. As for the international logistics business, in the forwarding business, air cargo transportation volume recovered because of a modal shift to air transportation due to the tight supply demand balance in the ocean container transportation sector as well as a recovery in demand related to the car industry. The business of transporting finished vehicles by land stayed firm against the backdrop of robust new car sales.

Short Sea and Coastal Business

In the short sea business, demand for steel and timber products stayed firm, however due to congestion at the coal loading port, the overall transportation volume decreased year-on-year. In the coastal business, the overall transportation volume recorded a year-on-year increase as the Group captured demand for transportation of foods 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, while the truck transportation volume remained almost flat.

Containership Business

As for the performance of OCEAN NETWORK EXPRESS PTE. LTD. (hereinafter referred to as "ONE"), robust cargo movements that started in fiscal year 2020 continued, and because of the ensuing supply chain disruptions and continued tightness of the supply-demand balance, 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 in revenue and a loss was recorded.

(2) Qualitative Information on the Consolidated Financial Situation

Consolidated assets at the end of the consolidated 1st Quarter of this fiscal year were ¥1,086.508 billion, an increase of ¥111.899 billion from the end of the previous fiscal year as a result of an increase in investment securities and other factors.

Consolidated liabilities increased by ¥8.480 billion to ¥666.926 billion as a result of an increase in short-term loans and other factors compared to the end of the previous fiscal year.

Consolidated net assets were ¥419.581 billion, an increase of ¥103.418 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)

	Operating revenue	Operating income (loss)	Ordinary income (loss)	Profit (loss) attributable to owners of the parent
Fiscal Year 2021 (End March 2022)	630.0	4.0	275.0	265.0

(Exchange Rate(¥/US$): ¥106.67 / Fuel Oil Price (US$/MT): US$455)

In the Dry Bulk Segment, as COVID-19 vaccination is making progress around the world, various countries are continuing fiscal support measures and economy-stimulating measures, and against this backdrop, the global economy is steadily recovering. As a result, demand for ocean transportation of bulk cargoes, mainly raw materials, is also expected to stay firm. On the other hand, there are concerns that the worldwide spread of variants of the COVID-19 virus may slow down the economy of various countries, including China, which is the main source of demand for transportation. Therefore, the Group is keeping a close watch on the impact of this and other factors on the dry bulk market and on the volatility of market rates. At the same time, amid the growing needs for environmental measures, the Group will strive to secure stable profit by 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 the offshore support vessel business, the Group will continue efforts to improve profitability through cost reduction measures.

As for the Product Logistics Segment, regarding the car carrier business, global vehicle sales are expected to continue recovering from the impact of COVID-19 in the previous fiscal year. On the other hand, while there are concerns over the effects of a semiconductor shortage on production, 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, container handling volume is likely to stay firm amid expectations that the demand for ocean container transportation will continue increasing in the domestic logistics segment. In the towage business, work volume is expected to continue growing. As for the international logistics sector, as the shift to air cargoes due to an increase in demand for ocean container transportation continues in the forwarding business, cargo movements are expected to stay firm. The business of transporting finished vehicles by land is expected to maintain strong performance as robust demand for new cars is forecast to continue in the second half and beyond. In the foreign warehousing business, demand is expected to recover in line with the progress of COVID-19 vaccination. In the containership business, as demand for transportation is expected to remain firm in the second quarter, "ONE" will continue to charter additional ships and improve operations in order to avoid supply chain disruptions. In the second half, it is expected that supply chain disruptions will be resolved due to progress of COVID-19 vaccination worldwide and that the supply-demand conditions will gradually return to normal.

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 ¥265.0 billion.

Our important task is to maximize returns to our shareholders while maintaining necessary internal reserves to fund our capital investment and strengthen our financial position for the sake of forwarding to growth in corporate value.

The dividend policy remains yet to be determined. We will announce in due course, when we have judged that we can forecast dividend payments after comprehensively taking into consideration the forecasts of the full-year results, business foundation and to improve the Company's financial strength.

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, 2021	Three months ended June 30, 2021
ASSETS		
Current assets :		
Cash and deposits	¥ 132,371	¥ **143,326**
Accounts and notes receivable-trade	56,125	**-**
Accounts, notes receivable-trade and contract assets	-	**85,291**
Raw materials and supplies	22,309	**25,181**
Prepaid expenses and deferred charges	38,790	**16,876**
Other current assets	17,530	**19,929**
Allowance for doubtful receivables	(915)	**(898)**
Total current assets	266,210	**289,707**
Non-current assets :		
(Vessels, property and equipment)		
Vessels, net	352,981	**358,982**
Buildings and structures, net	10,641	**10,049**
Machinery, equipment and vehicles, net	3,338	**3,193**
Land	16,356	**15,479**
Construction in progress	3,877	**3,599**
Other, net	4,137	**3,774**
Total vessels, property and equipment	391,334	**395,078**
(Intangible assets)		
Other intangible assets	3,551	**3,298**
Total intangible assets	3,551	**3,298**
(Investments and other assets)		
Investments in securities	257,522	**340,281**
Long-term loans receivable	19,043	**19,325**
Asset for retirement benefits	857	**966**
Other investments and other assets	37,343	**39,039**
Allowance for doubtful receivables	(1,253)	**(1,189)**
Total investments and other assets	313,512	**398,424**
Total non-current assets	708,398	**796,801**
Total assets	¥ 974,608	¥ **1,086,508**

Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 2021	Three months ended June 30, 2021
LIABILITIES		
Current liabilities :		
Accounts and notes payable-trade	¥ 51,661	¥ **53,469**
Short-term loans and current portion of long-term loans	138,002	**150,722**
Accrued income taxes	1,404	**871**
Allowance for loss related to the Anti-Monopoly Act	357	**357**
Allowance for loss on chartering contracts	15,556	**11,614**
Other allowance	3,159	**2,032**
Other current liabilities	51,387	**60,211**
Total current liabilities	261,529	**279,280**
Non-current liabilities :		
Bonds	7,000	**7,000**
Long-term loans, less current portion	325,803	**317,155**
Allowance for directors' and audit and supervisory board members' retirement benefits	353	**198**
Allowance for directors' stock benefits	48	**46**
Accrued expenses for overhaul of vessels and other assets	11,904	**11,591**
Liability for retirement benefits	6,499	**6,319**
Other non-current liabilities	45,307	**45,334**
Total non-current liabilities	396,916	**387,646**
Total liabilities	658,446	**666,926**
NET ASSETS		
Shareholders' equity:		
Common stock	75,457	**75,457**
Capital surplus	14,295	**14,295**
Retained earnings	130,723	**236,693**
Treasury stock	(2,373)	**(2,374)**
Total shareholders' equity	218,103	**324,073**
Accumulated other comprehensive income :		
Net unrealized holding gain (loss) on investments in securities	3,960	**3,521**
Deferred gain (loss) on hedges	(3,657)	**(5,978)**
Revaluation reserve for land	4,630	**4,630**
Translation adjustments	(1,963)	**(2,031)**
Retirement benefits liability adjustments	(2,879)	**(2,819)**
Total accumulated other comprehensive income	90	**(2,676)**
Non-controlling interests	97,968	**98,185**
Total net assets	316,162	**419,581**
Total liabilities and net assets	¥ 974,608	¥ **1,086,508**

Consolidated Statement of Operations

	Three months ended June 30, 2020	**Three months ended June 30, 2021**
		(Millions of yen)
Marine transportation and other operating revenues	¥ 152,185	¥ **174,743**
Marine transportation and other operating costs and expenses	145,129	**158,146**
Gross profit (loss)	7,055	**16,596**
Selling, general and administrative expenses	13,637	**14,196**
Operating income (loss)	(6,581)	**2,400**
Non-operating income：		
Interest income	156	**156**
Dividend income	1,134	**456**
Equity in earnings of subsidiaries and affiliates	5,945	**88,809**
Exchange gain	599	**366**
Other non-operating income	409	**277**
Total non-operating income	8,246	**90,066**
Non-operating expenses：		
Interest expenses	2,486	**2,525**
Loss on valuation of derivatives	5	**1,210**
Other non-operating expenses	181	**289**
Total non-operating expenses	2,674	**4,025**
Ordinary income (loss)	(1,008)	**88,441**
Extraordinary income：		
Gain on sales of vessels, property and equipment	2,893	**12,508**
Gain on sales of shares of subsidiaries and associates	-	**7,761**
Other extraordinary income	3	**-**
Total extraordinary income	2,896	**20,269**
Extraordinary losses：		
Loss on impairment of vessels, property and equipment	994	**-**
Loss on retirement of non-current assets	7	**16**
Provision of allowance for loss on liquidation of subsidiaries and affiliates	8	**4**
Loss on change in equity	340	**-**
Other extraordinary losses	151	**1**
Total extraordinary losses	1,500	**22**
Profit (loss) before income taxes	386	**108,688**
Income taxes：		
Current	601	**5,345**
Deferred	313	**889**
Total income taxes	914	**6,234**
Profit (loss)	(528)	**102,454**
Profit (loss) attributable to non-controlling interests	426	**466**
Profit (loss) attributable to owners of the parent	¥ (955)	¥ **101,987**

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	**Three months ended June 30, 2021**
Profit (loss)	¥ (528)	**¥ 102,454**
Other Comprehensive income：		
Net unrealized holding gain (loss) on investments in securities	300	**(494)**
Deferred gain (loss) on hedges	135	**(3,233)**
Translation adjustments	705	**(41)**
Retirement benefits liability adjustments	168	**62**
Share of other comprehensive income of subsidiaries and affiliates accounted for by the equity method	(907)	**821**
Total other comprehensive income	402	**(2,884)**
Comprehensive income	¥ (125)	**¥ 99,569**
(Breakdown)		
Comprehensive income attributable to owners of the parent	¥ (889)	**¥ 99,220**
Comprehensive income attributable to non-controlling interests	763	**348**

(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 he “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 provison 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 three months ended June 30, 2021, net sales increased by ¥3,192 million, cost of sales increased by ¥2,071 million, and operating income, ordinary income, and profit before income taxes increased by ¥1,121 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 first 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 three months from April 1 to 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 first three months from April 1 to June 30, 2021 is immaterial.

(Additional Information)

(Consolidated taxation system)

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

On March 31, 2020, the Accounting Standards Board of Japan (“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

Three months ended June 30, 2020

(Millions of yen)

	Dry bulk	Energy resource transport	Product logistics	Other	Total	Adjustments and eliminations	Consolidated
Revenues							
Operating revenues from customers	¥ 45,240	¥ 19,240	¥ 81,399	¥ 6,304	¥ 152,185	¥ -	¥ 152,185
Inter-group revenues and transfers	7	¥ -	1,724	10,043	11,775	(11,775)	-
Total revenues	¥ 45,248	¥ 19,240	¥ 83,124	¥ 16,347	¥ 163,960	¥ (11,775)	¥ 152,185
Segment profit (loss)	¥ (4,387)	¥ 1,623	¥ 2,999	¥ 199	¥ 434	¥ (1,443)	¥ (1,008)

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