

Growth of Customer Segment through Aggressive Expansion into Overseas Markets

Global management is a theme we have responded to in several management plans. We have promoted a decentralization of offices and management so as to be aligned with market diversity around the world, thereby attempting to develop more local-oriented business. In addition, to take better advantage of business opportunities in countries and regions with rapidly growing economies, we are increasingly delegating responsibility to overseas subsidiaries so that they might carry out sales activities that are more deeply rooted in local regions. We also launched a business organization which operates across the boundaries of groups in charge of Dry Bulk business in the headquarters. We are promoting expansion of overseas customer bases, carrying on business regardless of ship's size and cargo.

Seeking local-oriented sales activities

In 2001 we established a new subsidiary in Singapore, "K" Line Pte Ltd, with the intent of developing a locally-rooted independent marine transportation business which could more readily anticipate the needs of customers operating primarily in Asia and offer them unique services.

With continuing growth of the world economy in recent years, a company whose base is in Japan, such as "K" Line, may have an opportunity to do business in certain countries and regions where there is an imbalance between demand and supply of ship tonnage due to the emergence of demand for new vessels stemming from the rapid development and/or reduction of ship tonnage provided in those countries and regions.

We focus on such countries and develop our business there in a customer-driven and locally-aware manner, conducting sales activities in a more timely way by establishing Representative Offices and/or adding dry bulk sales capabilities to the local subsidiary, as the situation requires. "K" Line (India) Private Limited was established in April 2008 as a joint venture with an Indian company.



Party celebrating the launch of Indian shipping agency
"K" Line (India) Private Limited

Establishing a cross-section sales organization

In June 2006 we launched the Drybulk Project Business Division as a means of more proactively targeting overseas markets, one of the major topics addressed in "K" LINE Vision 2008+, our previous midterm management plan. Within "K" Line group, "K" Line Bulk Shipping (UK) Limited, our UK subsidiary, and "K" Line Pte Ltd, our Singapore subsidiary, have each carried on their own respective locally-rooted business. In addition to these companies, we established a lateral business organization in dry bulk business sector within our Tokyo headquarters to press ahead more aggressively with overseas sales.

In the past there sometimes were cases when, depending on the type of vessel or cargo, a business group would not be able to pursue new business, but with this powerful organization dedicated to overseas markets, pushing back the boundaries of organization and reporting directly to a vice president, with no obligation to achieve earning target or assigned fleet, we now have a comprehensive program to approach our targeted markets, regardless of type of vessel or cargo.

Since its launch, this division has dealt directly with customers to ensure that new business opportunities are not lost. It has targeted huge markets which require a focused approach. In particular, it has already succeeded in concluding several long-term contracts in India and Korea with bases now established in both countries.

Interview with Vice President Eiichi Suzuki

Proactive Targeting of Overseas Customers — Accomplishments of the Drybulk Project Business Division



In 2006 we set up the Drybulk Project Business Division within the dry bulk business sector at our Tokyo Head Office which is a dedicated unit to press forward with business activities across organizational boundaries. We asked Eiichi Suzuki, the Vice President in charge, to tell how the division was launched, its accomplishments during its first two years and future overseas business initiatives.

Q

Tell us how the Drybulk Project Business Division came to be set up at the head office.

A

Business groups of our dry bulk services are divided among three units: the Coal & Iron Ore Carrier Group; the Bulk Carrier Group; and the Thermal Coal, Woodchip and Pulp Group. Each group deals with its own kind of cargo, controlling and operating vessels for their respective type of cargo. That would pose absolutely no problem for work in existing markets but when breaking into new markets, cases arise where a single group cannot deal with all the types of cargo and vessels required. One example is cape-size ships assigned to the Coal & Iron Ore Carrier Group to carry thermal coal. In such cases the lack of a lateral organization could conceivably handicap us in approaching the opportunity aggressively.

The initial target was India where we had virtually no track record, and where our complete lack of understanding of what the possibilities were as to kinds of cargo or what types of ships might be required forced us to set up an organization across group boundaries. In order to allow the Drybulk Project Business Division to focus on sales and not be distracted with daily work such as ship management, it was set up to report directly to me, and took the approach that once a project was won it was assigned to one of the sales groups.

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Exactly what does the Drybulk Project Business Division do, and what has it accomplished?

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Since the objective of the unit is to break into new markets, the first thing we do is make frequent visits to local regions. At the time we had no representative in India. Given how important I believe it is to deepen customer relationships in face-to-face meetings on frequent trips, I directed the unit to travel to the country in question whenever an opportunity presented itself. To build a relationship of trust is so critical even though e-mail correspondence is well advanced. We discuss specific potential projects with whichever of the three groups mentioned earlier that expresses an interest and have them sign the contract, but if no group shows an interest, I make the final decision myself. After a bit of initial confusion, the three groups have been responding very positively.

Specific accomplishments include the conclusion with India's JSW Group of one COA (seven-year contract of affreightment) with a long-term consecutive voyage charter involving as many as 13 vessels; and contracts with a Korean steel and an electric power company for a long-term consecutive voyage charter involving four vessels.

We are very proud that these accomplishments have improved our standing in each country.

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It has been reported that the Drybulk Project Business Division, with its steady record of accomplishment, will be dissolved in July 2008. What is your approach going to be?

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We put the Drybulk Project Business Division into motion initially in order to break into the growth market in India, and in that regard we have already enjoyed a certain degree of success. In addition, we thought we could further raise our local presence by having an employee of the Drybulk Project Business Division continue his activities as a local representative, thus we set up a Representative Office in India in July 2007. In April 2008 we also established "K" Line (India) Private Limited through a merger with a local firm, and it is now functioning as an autonomous agency carrying out activities tailored to the local market.

Our approach going forward will be to assign each country and vessel type to one of the three Drybulk Services groups at the head office. At the country level, for instance, Vietnam will be handled by the Bulk Carrier Group and Taiwan by the Thermal Coal, Woodchip and Pulp Group; as to vessel type level, cape-size vessels will be handled by the Coal & Iron Ore Carrier Group and post-panamax by the Thermal Coal, Woodchip and Pulp Group. I believe this will break down the walls that existed between types of ship and cargo and be a positive force for winning new contracts overseas.

Also emerging are new approaches to developing our business overseas, such as joint ventures between our regional subsidiaries and local firms, which are already starting to run their businesses in ways truly attuned to local needs, including making their own decisions about ship management and operation. I would also like to further expand and build up our sales network, while ensuring that we strictly follow each country's rules and regulations. Setting up offices near our customers will allow us to build closer relationships of trust with them face-to-face, which we regard as the most important point in pursuing sales.