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**“K” LINE REPORT**  
**2022**  
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## ▶ About This Report

### Editorial Policy

The “K” LINE Group is an integrated logistics company that owns and operates various fleets tailored to worldwide marine transportation needs. We also engage in land transportation and warehousing businesses. The “K” LINE Group has defined the  Value (“K” LINE Value) as a symbol of its corporate value. In this “K” LINE REPORT, we explain  Value to a wide range of stakeholders, providing both financial and non-financial information. For more details on each of these initiatives, please visit our website (<https://www.kline.co.jp/en/>).

### Reporting Period

Fiscal 2021 (April 1, 2021–March 31, 2022)

Note: The report also includes some developments after April 2022.

### Scope of Reporting

In principle, this report covers the activities and data of Kawasaki Kisen Kaisha, Ltd., and its subsidiaries and affiliates, except where otherwise noted.

### Guidelines Referred to

- Integrated Reporting Framework
- ISO 26000
- Environmental Reporting Guidelines 2018, The Ministry of the Environment of Japan
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, The Ministry of Economy, Trade and Industry of Japan

### Forward-Looking Statements

The Company’s plans, strategies, and future financial results indicated in this report reflect the judgment made by its management based on information currently available and include risk and uncertainty factors. Consequently, the actual financial results may be different from the Company’s forecasts due to changes in the business environment, among other factors.



# Objective of the "K" LINE Group

New Corporate Principle, Vision, Values the "K" LINE Group Prizes

## Corporate Principle

### – : Trust from all over the world–

As a logistics company rooted in the shipping industry,  
we help make the lives of people more affluent.

## Vision

As a partner trusted by all its stakeholders, we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community.

## Values the "K" LINE Group Prizes

Providing safe and optimized services that put the customer first

Tireless attitude toward problem solving

Providing the value only "K" LINE can in pursuit of expertise

Relentless efforts to achieve innovation

Contributing to the global environment and a sustainable society

Respecting individuals and ensuring fair business activities by embracing diverse values



Message from the CEO



**Yukikazu Myochin**

President & CEO

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# In a new stage of management, the “K” LINE Spirit is a guide toward sustainable growth and improvements in corporate value.

The “K” LINE Group is committed to gaining the trust of all stakeholders, and will concentrate management resources in businesses that will drive growth in the future, while identifying logistics, centered on marine transportation, as the business domain where the Group can best leverage its strengths. “K” LINE aims to sustain growth and enhance corporate value by supporting social infrastructure around the world through partnerships with customers, while moving toward realizing low-carbon and carbon-free operations and society as a whole.

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## ■ A New Management Stage Based on Our Corporate Principle, Vision and Values

The “K” LINE Group has embarked on a new stage of management, realizing sweeping improvements in its financial position and earnings over the past two years, in fiscal 2020 and fiscal 2021. When we created the medium-term management plan, unveiled in May 2022, we thoroughly discussed our corporate principle, vision, and values in the context of where we wanted to be in the future, to act as a guide for managers and executive officers to share with the board members. In addition to internal discussions, we reflected on the views of our customers and exchanged opinions from diverse perspectives. As a result, we reaffirmed the importance of advancing growth strategies while balancing capital efficiency with financial stability, as well as our core business in marine transportation, while monitoring society’s move toward low-carbon and carbon-free initiatives and paying attention to environmental preservation. We decided to prioritize the allocation of limited management resources in businesses that will drive growth and concentrate our management resources in business domains where the Group can leverage its strengths.

There are still strong uncertainties in the business environment, such as geopolitical divisions and the emergence of rivals in Asia. International society has entered a transition phase for the energy mix, with initiatives to reduce greenhouse gas emissions, save energy, and switch to alternative fuels. We believe that responding to demand for new types of transportation will lead to sustained growth and improvement in our corporate value. While refining the specialized advantages of the “K” LINE Group in marine transportation, a cornerstone of social infrastructure, we are making a

commitment to enabling a smooth energy transition in society and in our own operations. With customers as our business partners, we will work together to realize a low-carbon and carbon-free society with the objective of reducing environmental impact and expanding Group earnings.

The “K” LINE Group is expected to provide added value by taking on new challenges without being bound to traditional concepts of transportation, identifying the needs of its customers and offering solutions for the problems they face. With this in mind, we aim to strengthen our ability to propose solutions by applying our organizational sales capabilities, with the sales division and technology division working together in unison to forge a true partnership with our customers.

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## ■ Key Highlights in Medium-Term Management Plan

### Introduction of Portfolio Management

In our new medium-term management plan, we have set forth a strategic course while clarifying the roles of each business unit based on a basic policy of concentrating management resources in business domains where the Group can best leverage its strengths. Specifically, we have redefined our business portfolio along two axes and five categories.

The first axis is market growth potential. The “K” LINE Group has identified businesses that will drive growth with consideration paid to long-term market growth potential, the Company’s own competitive advantages, and profitability. The second axis is partnerships with customers. The Company clearly categorized the strengths and roles of each business from the perspective of whether the business is one where it

will deepen partnerships with a relatively small number of specific customers, or whether the business entails broad dealings with diverse customers in various sectors.

During this analysis and discussion, we redefined and classified our own businesses into three categories of roles: “role of driving growth,” “role of supporting smooth energy source conversion and taking on new business opportunities,” and “role of contributing by enhancing profitability.” We defined the role of the containership business as “Supporting the business as a shareholder and stabilizing the earning base,” and the role of new businesses as “Expansion of new businesses in fields where “K” LINE can utilize its strengths.” Through portfolio management, the “K” LINE Group will optimize the allocation of limited management resources and build a system able to constantly examine the reshuffling of strategic assets.

### Three Businesses Will Drive Growth

Coal & iron ore carriers, car carriers and LNG carriers are the three businesses that we have singled out as growth drivers. We are aligning our initiatives with customers to adopt a low-carbon and carbon-free footprint in these three businesses with the aim of realizing growth by seizing this environmental movement as an opportunity. In addition to existing customers, the “K” LINE Group intends to win orders from new customers and achieve growth that is faster than the market average.

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**Aligning our initiatives with customers to adopt a low-carbon and carbon-free footprint, we view environmental measures as an opportunity for growth.**

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In the coal & iron ore carrier business, we are keen to fulfill the needs of overseas customers, such as the natural resource majors, in addition to our base of steelmaking customers in Japan, South Korea, and China, an area of strength. Amid strong needs to reduce greenhouse gas emissions, as a shipping company, “K” LINE can help customers reduce their Scope 3 emissions and by doing so, further strengthen its business relationships over the long term. We also aim to tap into needs for alternative fuel ships, such as LNG and ammonia.



The “K” LINE Group will solidify its position as a partner with its customers by steadily preparing alternative fuel ships and its fuel supply network, while at the same time enhancing its organizational sales capabilities, including environmental technologies, in the car carrier business, where there are strong needs for low-carbon and carbon-free transportation in the supply chain. In order to respond to changes in the industry structure, such as the advent of electric vehicles, “K” LINE is expanding its transportation base for existing customers and also taking a multifaceted approach to handling cargo, such as high & heavy cargo, while increasing transactions with new battery electric vehicle manufacturers by providing end-to-end logistics services for new vehicles.

In the LNG carrier business, “K” LINE is steadily taking advantage of business opportunities in LNG transportation, which is likely to see strong demand as an alternative energy during the transition period to carbon neutrality. In markets with growth potential, such as China, Malaysia, India, and Indonesia, the Company is keen to win projects by strongly promoting support on both the sales and safety navigation by reinforcing ship management functions and the sales structure at overseas bases.

### Revenue Targets

Based on our portfolio strategy, we target growth in revenue in our own businesses by prioritizing the allocation of management resources to the three businesses that will drive growth. In the containership business, as a

shareholder, "K" LINE intends to provide assistance, including necessary personnel, to improve the corporate value of these companies, with the ultimate aim of enhancing their corporate value through greater involvement in management and corporate governance. Balancing earnings from its own operations and that of the containership business, "K" LINE is committed to achieving its target for ordinary income of ¥140 billion by fiscal 2026, the final year of the medium-term management plan.

### Growth Investments Based on Cash Flow

"K" LINE plans to generate between ¥900 billion and ¥1 trillion in operating cash flow in total for the six years between fiscal 2021 and fiscal 2026. Using this operating cash flow, management will make the necessary investments in growth and ensure a healthy financial position. For cash flow in excess of optimal capital levels, the Company intends to flexibly return value to shareholders through additional dividends and share buybacks.

In the medium-term management plan, "K" LINE has budgeted ¥520 billion for investments, roughly 80% of which will be allocated to the three growth-driving businesses of coal & iron ore carriers, car carriers, and LNG carriers. Of the ¥520 billion total budget, around 60%, or ¥310 billion, will go to environmental investments with the objective of establishing a competitive edge in low-carbon and carbon-free business opportunities.

To execute up to ¥520 billion in investments, the Company will manage accounting by setting up responsible accounting management in each business. With a management structure centered on the cost of capital and cash flow, the "K" LINE Group has put into place a system that facilitates regular reviews of each business. The Group will maintain strong investment discipline, such as creating guidelines for investing in ships for each business, in order to avoid past mistakes where investments were made at greater-than-acceptable risk exposure.

### One Step Ahead in Value Creation with Low-Carbon and Carbon-Free Initiatives

For the environment, the "K" LINE Group intends to shift its own operations and society toward becoming low carbon and carbon free. As a partner with our customers, we aim to transition to new sources of energy. The "K" LINE Group has set its own target for reducing greenhouse gas emissions by 50% by 2030, a more ambitious target than the 40% reduction targeted by the International Maritime Organization (IMO). In April 2021, we reviewed our organization and

created the GHG Reduction Strategy Group, the GHG Reduction Strategy Committee and the Sustainability Management Promotion Committee, clarifying the direction of Groupwide initiatives to reduce emissions. Through this reorganization, key members from sales and technology divisions participate on these committees, strengthening our system for moving forward as a cohesive Group toward the targets set forth in the medium-term management plan. As a result, CO<sub>2</sub> emissions per ton-mile have been reduced from 7.21g-CO<sub>2</sub> per ton-mile in fiscal 2008, to 4.10g-CO<sub>2</sub> per ton-mile in fiscal 2021, a reduction of 43% versus our 50% reduction target for fiscal 2030.

Regarding the use of alternative fuels in ships, which mainly use heavy oil now, "K" LINE completed the construction of an LNG-fueled car carrier in 2021, and has placed orders for eight new LNG-fueled car carriers and one large LNG-fueled bulk carrier. In the 2020s, the Company plans to expand its fleet of LNG-fueled ships by launching approximately 40 vessels by 2030. "K" LINE has also commenced R&D into ammonia-fueled ships, with the aim of commercializing and introducing a zero-emissions vessel as early as possible in the 2020s.

Of the nearly 440 vessels operated by the "K" LINE Group, the Company owns around 180 vessels and charters over 250 vessels. Management examines and formulates specific plans for reducing greenhouse gas emissions from these vessels. In addition to installing energy-saving equipment, such as the Seawing system, on vessels, we intend to roll out the Kawasaki Integrated Maritime Solutions integrated ship management system, which is essential for optimizing the economical routing of ships, for all core vessels, including medium- and long-term chartered ships in addition to our own vessels. Through these initiatives, the "K" LINE Group will quantitatively measure the outcomes of its initiatives to reduce greenhouse gas emissions, and take further steps to reduce its environmental footprint.

CDP is an international non-profit organization that actively strives to realize a sustainable economy. For six consecutive years, CDP has given "K" LINE an "A List" rating for its leadership in climate change. Only four companies in Japan, including "K" LINE, have received this "A List" rating for six years in a row, recognizing the Company's leading efforts to reduce environmental impact today and in the past. With a steady drumbeat of progress, "K" LINE will fulfill its responsibilities as a key transportation infrastructure company and pioneer efforts that are one step, even half a step, ahead of the competition in order to drive business expansion and the creation of new value.

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## ■ Creation of Value through Deeper Partnerships

The key to value creation is deepening our partnerships with customers and various other internal and external partners. Taking the development of alternative fuel ships as an example, shipbuilding companies lead the development of technologies, and in the actual development process, it is essential that we feed through our knowledge and experience from the standpoint of a user that operates the ship. As various innovations take place around the world, our partnerships have become increasingly important.

Opportunities to create value through deeper partnerships are rapidly increasing, such as in digital transformation (DX) that includes the use of voluminous data obtained from Kawasaki Integrated Maritime Solutions, the building of a supply chain for alternative fuels such as LNG, ammonia, and hydrogen, and support vessels needed for the construction, maintenance and management of offshore wind power generation facilities planned on a large scale in Japan. In DX, for example, "K" LINE is accelerating collaborations with various partners to introduce condition-based management with breakdown prediction and detection, reform workstyles on ships with the use of digital technologies, and assist safe ship navigation with AI-driven automated control technologies. Using Kawasaki Integrated Maritime Solutions, which has big data on as many as 2,000 data points, we ensure safe ship operations and optimize the economics of fleet operations. Through initiatives like this, the "K" LINE Group intends to maximize the use of its intangible assets. Combining the strengths of the "K" LINE Group with those of its partners, we aim to create immense value through synergies.

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**Combining the strengths of the "K" LINE Group with those of its partners, we aim to create immense value through synergies.**

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## ■ Strengthening Region-Focused Organizational Sales Capabilities with Three Bases

In 2022, the "K" LINE Group announced plans to create and strengthen its safety and quality management system that consists of three bases in the U.S., Europe and Singapore, with the intention of deepening partnerships with customers, as stated in its medium-term management plan. Instead of management being based in Japan, as before, the "K" LINE Group is moving toward a global management structure while offering support for safety and quality in transportation in order to facilitate business expansion in growing markets. A majority of the natural resource majors have set up bases in Singapore in particular, a city where business transaction information is concentrated, and its significance has increased in our aim to expand business with customers in business domains that will drive growth going forward. Furthermore, demand for transportation is likely to strengthen and diversify in the Asia region, especially China, Malaysia, India and Indonesia. In order to bolster our operations in this region, we will ensure high-quality transportation with thorough attention paid to all-important safety in fleet operations by establishing a global business management structure. At the same time, we will enhance our customer-focused organizational sales capabilities and strive to satisfy the needs of our various customers, including needs to reduce environmental load.

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## ■ Training Human Resources to Strengthen Organizational Capabilities, Using DX to Transform Business Model

The "K" LINE Spirit is an expression of our independence and autonomy, broad-mindedness, and enterprising spirit, the driving force behind the "K" LINE Group's growth and ability to take on new challenges. In order to realize our global business strategy, we must hire and train professionals with expertise in shipping company management and human resources with expertise in the environment and technologies, while respecting diverse value systems. By investing in human resources, the "K" LINE Group will



be able to increase the added value it provides to customers through its organization and sales, by refining its unique technologies and expertise while reinforcing the business foundation. We will continue to provide customers with industry-leading safety and quality by fusing together our organizational capabilities through the teamwork of individuals who embody the "K" LINE Spirit.

DX is essential for the growth of a company, and we need to improve our ability to implement DX on the front lines. We are training our employees in the finer details of DX on a continual and insightful basis, depending on the level necessary for their type of work and rank. In addition to the operating location of a vessel, it is becoming necessary to be able to provide real-time data on cargo volume and CO<sub>2</sub> emissions, for example. Through DX and other innovations, we aim to help our customers solve the issues they face.

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We will continue to provide customers with industry-leading safety and quality by fusing together our organizational capabilities through the teamwork of individuals who embody the "K" LINE Spirit.

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## ■ Reinforcement of Risk Management and Compliance Structure

Every day, new rules are created and various regulations are changed to deal with the COVID-19 pandemic and other infectious diseases, the economic decoupling of the U.S. and China as well as Europe and Russia, and the introduction of economic sanctions on Russia for its invasion of Ukraine. Under these circumstances, it is imperative that we have a Groupwide compliance structure. The "K" LINE Group is responding carefully to this situation, reinforcing its check functions in compliance. Regarding cybersecurity, which has seen greater threats in recent years, the Company has strengthened its monitoring system with outside experts and introduced cutting-edge technologies over the past year to counter cyber threats. We will continuously reassess the IT structure and systems of the

entire Group and work to improve IT governance.

Always guided by the "K" LINE Spirit, the "K" LINE Group has overcome many crises in its history spanning more than 100 years. However, I believe the "K" LINE Spirit will be even more important today as we enter a new management stage and effect sweeping improvements to the Company's financial position. Our long-term vision aims to sustain growth while viewing needs for low-carbon and carbon-free initiatives as opportunities for growth. We are facing a major turning point for not only the "K" LINE Group, but also the future of the entire marine transportation industry. We ask for the understanding and support of our stakeholders, and hope they look forward to the initiatives the "K" LINE Group will push forward in a new stage of management.



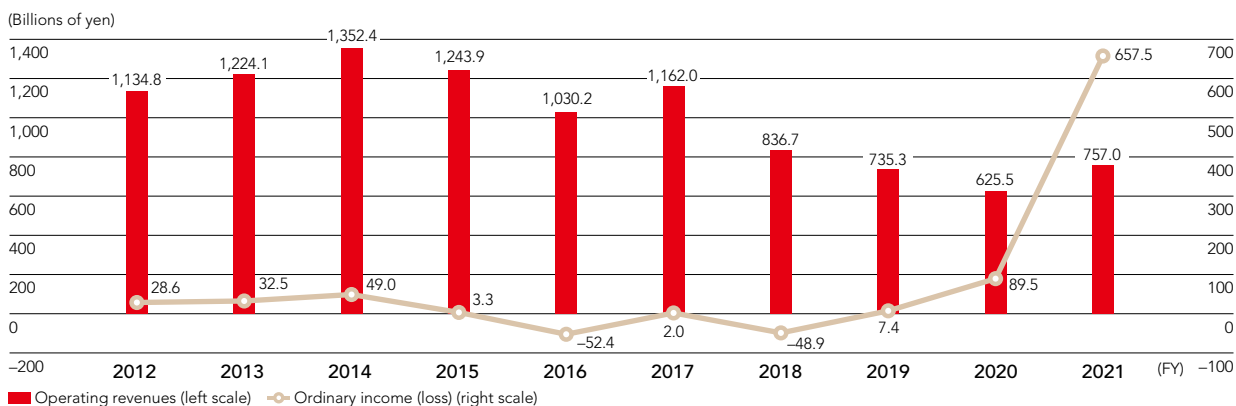
Yukikazu Myochin  
President & CEO



# Financial and ESG Highlights

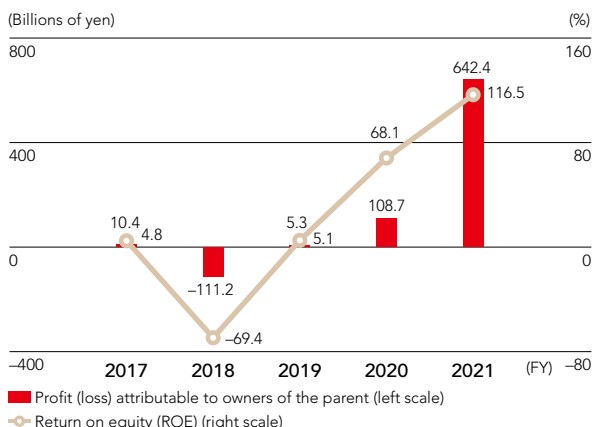
Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries

## Operating Revenues, Ordinary Income (Loss)



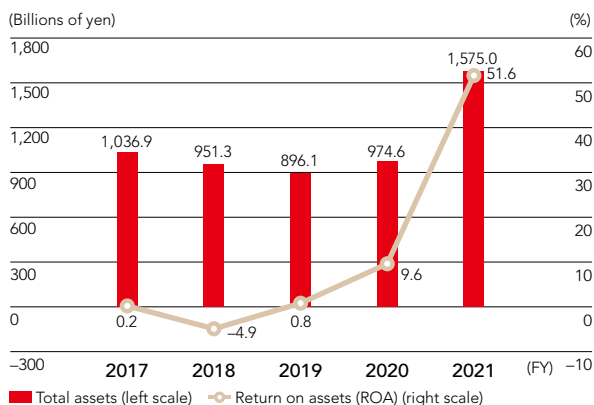
In fiscal 2021, as the post-pandemic recovery continued from the previous fiscal year, operating revenues increased 21.0% year on year, centered on dry bulk and car carrier businesses in "K" LINE's own businesses. Ordinary income rose sharply, to ¥657.5 billion, owing mainly to robust earnings at our equity-method affiliate Ocean Network Express Pte. Ltd. (ONE), thanks to high freight rates on all routes amid tighter supply-demand conditions for transportation that resulted from supply chain disruptions and brisk cargo movement.

## Profit (Loss) Attributable to Owners of the Parent, Return on Equity (ROE)



In spite of the structural reforms of unprofitable businesses and fleet, return on equity (ROE) jumped to 116.5% and profit attributable to owners of the parent increased considerably, reflecting brisk earnings at ONE and extraordinary income from the sale of shares held in Century Distribution Systems, Inc., a logistics company in the United States.

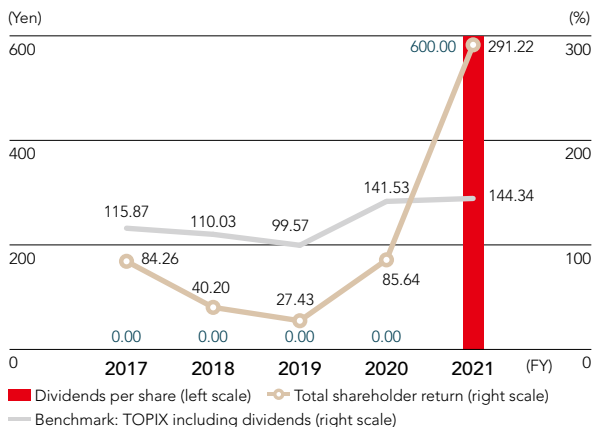
## Total Assets, Return on Assets (ROA)\*



In fiscal 2021, return on assets (ROA) increased significantly, to 51.6% year on year, due to the marked growth in ordinary income.

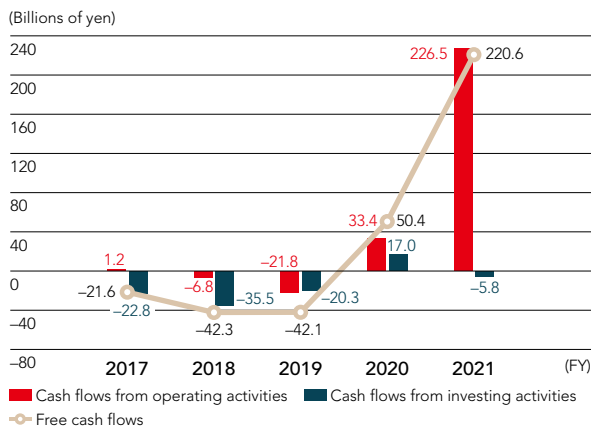
\* "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018), etc., has been applied from the beginning of fiscal 2018, and applied retroactively to total assets and return on assets for fiscal 2017 for recalculation.

## Dividends per Share, Total Shareholder Return (TSR)



In fiscal 2021, the Company distributed a dividend of ¥600 per share, resuming dividend payments. Total Shareholder Return (TSR) improved substantially year on year.

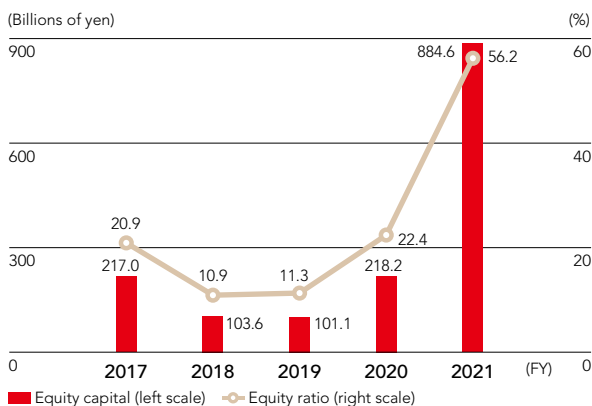
## Cash Flows



In fiscal 2021, net cash provided by operating activities was significant, owing to profit before income taxes and interest and dividend income. As a result, free cash flow was a positive ¥220.6 billion.

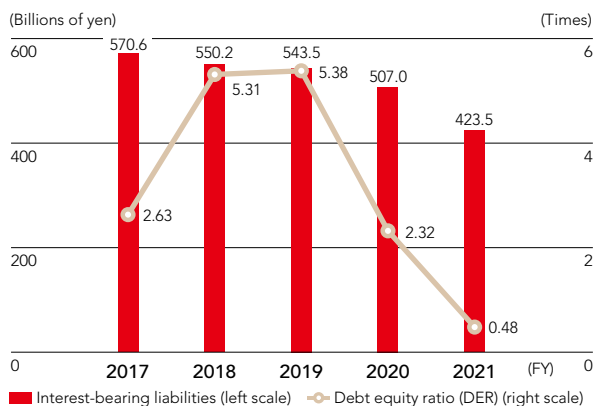
Note: Rounded to the nearest ¥0.1 billion (except for dividends per share and TSR)

### Equity Capital, Equity Ratio



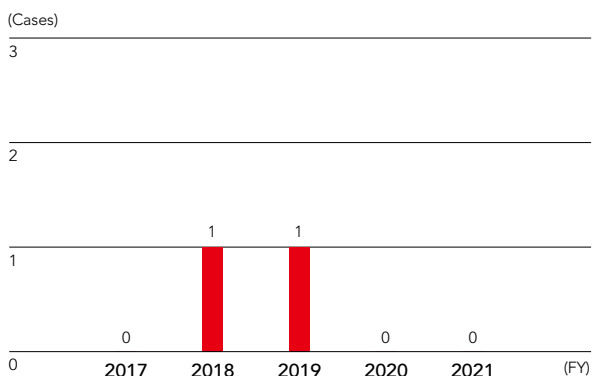
In fiscal 2021, equity capital grew steeply, thanks to the increase in profit attributable to owners of the parent, etc. Consequently, at the end of the fiscal year equity capital has been roughly four times compared with its level at the previous fiscal year-end, to reach ¥884.6 billion. The equity ratio improved significantly, to 56.2%.

### Interest-Bearing Liabilities, Debt Equity Ratio (DER)



In fiscal 2021, interest-bearing liabilities was ¥423.5 billion, and the debt equity ratio (DER) improved sharply, to 0.48 times, due to the strong accumulation of equity capital.

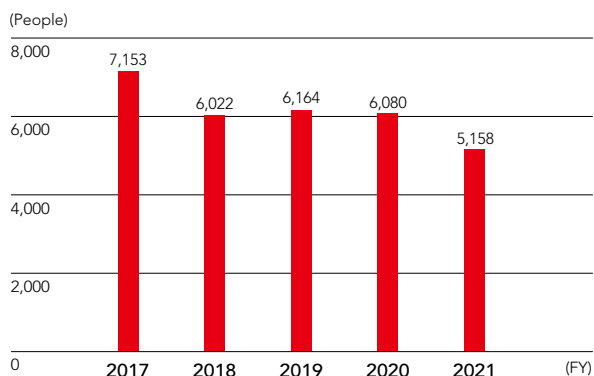
### Number of Major Accidents\*



In conducting shipping business, establishing and maintaining safety in navigation is an unending mission. Over the past five years, two oil spills have resulted from one grounding and one collision. In both cases, we took appropriate measures to minimize damage.

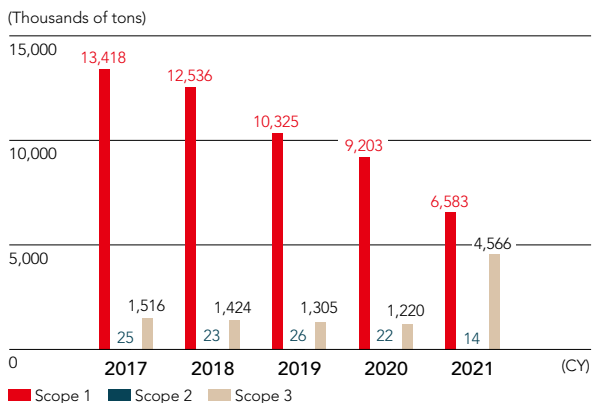
\* The target range is our consolidated range, which corresponds to 100% of sales.

### Number of Employees (Consolidated)



We seek to secure and train outstanding human resources with the technical and specialized skills needed to support our business portfolio.

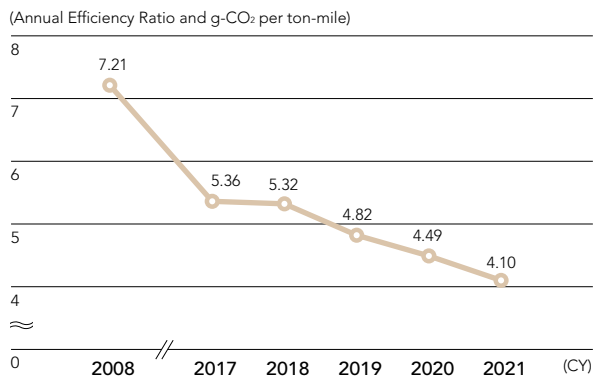
### Greenhouse Gas Emissions\* (Scopes 1, 2, 3)



CO<sub>2</sub> emissions are calculated based on the "K" LINE Group's fuel and electricity consumption, and third-party certification is obtained for these calculations. The scope of aggregation has been revised from 2021. Vessels not under our operations are excluded for Scope 1 and container vessels are included for Scope 3.

\* The scope of calculation is "K" LINE's scope of consolidation, which corresponds to almost 100% of sales.

### Greenhouse Gas Emissions per Deadweight Ton-Mile



In 2020, we formulated a revised version of "K" LINE Environmental Vision 2050. We have aligned our CO<sub>2</sub> emission efficiency indicators with the targets of the International Maritime Organization (IMO) by setting 2008 as a base year and calculating AER.\* The scope of aggregation has been revised from 2021. Vessels not under our operations are excluded. In 2021, our GHG emissions per deadweight ton-mile were 43.1% lower than those of 2008.

\* The average CO<sub>2</sub> emissions from a vessel per deadweight ton-mile (1,852 meters)

# History of Management Plans

## Fiscal 2017-2019 "Revival for Greater Strides"

### Business Environment

- After a long slump caused by the oversupply of tonnage that became evident in fiscal 2012, the marine transportation market finally hit bottom and began to recover.
- An alliance of major companies was formed to deal with oversupply on the containership market, and the alliance continued alongside the formation of a new alliance of the three majors in 2017.
- Environmental regulations were tightened, including for SOx emissions.

### Strategy Highlights and Key Measures

#### Changes in business portfolio strategy

- Revise business portfolio via selective concentration, focus on reallocation of management resources
- Rapidly cancel and dispose orders placed for charter ships at high cost prior to the financial crisis
- Expand stable earnings businesses by increasing medium- and long-term contracts
- Set up ¥30 billion strategic investment budget for three years, scrutinize investment projects to improve financial position

#### Advancement of business management and strengthening of function-based strategies

- Introduce quantitative assessment of risks and returns for each investment project to better control risk exposure in business and manage risks and returns
- Strengthen customer relationship management (CRM) by returning to the basics of focusing on customers while marshalling the strengths of the "K" LINE Group

#### Stepping up efforts in ESG

- Reinforce corporate governance
- Maintain world-leading safety in navigation, focus on environmental measures and CSR

### Major Outcomes and Issues for Next Management Plan

- As an equity-method affiliate of "K" LINE, Ocean Network Express (ONE) commenced operations in April 2018 as a new business entity combining the containership operations and the overseas container terminal operations of Kawasaki Kisen, Mitsui O.S.K. Lines, and Nippon Yusen.
- Scaled down businesses subject to market forces by withdrawing from heavy lift ship and petroleum product ship operations, expanded stable earnings based on medium- and long-term contracts for LNG ships, etc.
- Developed and started applying methods for measuring risks and returns across all businesses
- As a part of efforts to improve environmental initiatives, decided to build LNG-fueled ships and introduce an automatic kite system to harness the power of the wind
- Launched DRIVE GREEN NETWORK as an environmental management system, integrated the management of environmental preservation activities across the "K" LINE Group
- Increased the number of outside directors, and reduced cross-shareholdings
- Achieved ROA of more than 6% in stable earnings businesses, the basis for management, but did not achieve targets for quickly restoring dividends and an equity ratio of 20%

## Fiscal 2020

- COVID-19 pandemic that emerged at the end of fiscal 2019 had a major impact on the global economy
- Container transportation demand expanded strongly, especially on Asia-North America routes, due to the sharp increase in stay-at-home demand amid city lockdowns introduced by national governments in Europe and the U.S.

## Dealt with conditions during the pandemic

- Optimized fleet size: Expanded scale of earnings by optimizing fleet size based on demand in order to strengthen competitiveness in businesses subject to market forces, while maintaining and expanding stable earnings businesses
- Scrutinized investments more closely: Kept total investment amount within operating cash flow (¥250 billion over five years)
- Worked to secure liquidity and expand equity: Secured liquidity, including commitment lines, equivalent to more than three months of sales, and expanded equity by selling and disposing of ships and other assets

## Strengthened and accelerated measures to address key issues

- Deployed AI and digital technologies that support safety, the environment, and quality
- Advanced growth strategy by reinforcing technological and sales capabilities

- Reduced fleet by 25 ships
- Achieved equity capital of ¥150 billion ahead of schedule (originally targeted around 2025) as a result of non-core businesses divestitures and strong earnings improvement at ONE
- Completed construction on first LNG-fueled car carrier for our fleet
- Introduced internal carbon pricing (ICP) system
- Revised the "K" LINE Environmental Vision 2050

## Fiscal 2021

- Lockdowns of local cities continued as new variants of COVID-19 took hold even while society, economies, and people's lifestyles adjusted to the pandemic
- Supply chain disruptions continued with semiconductor shortages

## Refine four-business pillars

- In our own operations in dry bulkers, energy resource transport, car carriers, logistics, and short sea and coastal vessels, accelerated global development with a focus on Asia, and examined initiatives in growth domains
- Continued to scrutinize investments: Kept total investments of ¥250 billion (including ¥100 billion for environment-related investments) over the five years starting in fiscal 2021 to within the scope of operating cash flow, and examined investments in new growth fields after improving financial soundness

## Improve competitiveness of containership operations

- Continued to support and advise ONE on achieving its growth strategy from a shareholder's perspective

- Improved the equity ratio, achieved ordinary income of at least ¥50 billion, ROE of at least 10%
- Optimized fleet ahead of schedule through structural reforms with withdrawals from unprofitable ships and businesses
- Raised profitability by improving ship efficiency
- Achieved profitability in all segments
- Launched support vessel business for offshore wind power generation projects
- Revised targets in "K" LINE Environmental Vision 2050 with aim of achieving net-zero greenhouse gas emissions
- Need to draw up concrete growth strategy for own businesses while viewing the movement toward low-carbon and carbon-free business operations as a business opportunity, and need to clarify capital policy for improving corporate value

# Medium-Term Management Plan

(Fiscal 2022 – Fiscal 2026)

## Overview of the Long-Term Management Vision and Medium-Term Management Plan

### ▶ “K” LINE Group’s Business Environment and the Long-Term Management Vision

#### Changes in the market environment

- Global economic trends such as rising resource prices and inflation
- Separation of economic zones and transformation of supply chains due to geopolitical factors
- Highly unpredictable market conditions and freight market trends
- Soaring demand in emerging countries in Asia and elsewhere



#### Changes in the vessel investment environment

- Even greater awareness of vessel safety and service quality
- Transition from vessels powered by heavy bunker fuel oil to those using alternative fuels
  - Necessity of new shipbuilding investment to benefit from rapidly advancing vessel technologies
  - Increasing importance of operational and management capabilities for alternative fuel vessels
- Rapid changes in global environmental regulations



#### Low-carbon and carbon-free society

- Societal energy mix transformation, including the development of infrastructure for new fuel supply chains
- Increasing demand for low-carbon and carbon-free transport and impact on heavy bunker fueled vessels
- Advances in operation optimization and energy-saving based on digital technologies



In order for the “K” LINE Group to maintain the trust of all stakeholders, we will focus management resources on businesses that play a leading role in growth. The aim is to realize low-carbon and carbon-free business operations and in society as a whole through the construction and development of partnerships with customers who can share growth opportunities. We are looking to promote sustainable growth and improve our corporate value.



Promoting low-carbon and carbon-free business operations and in society as a whole, while enhancing our corporate value



Concentration of management resources on organizational roles that drive growth



Partnerships with customers who can share growth opportunities

Working with customers to respond to changes in the business environment and to needs in the energy mix transition

Heavy oil fueled vessels

LNG fueled vessels

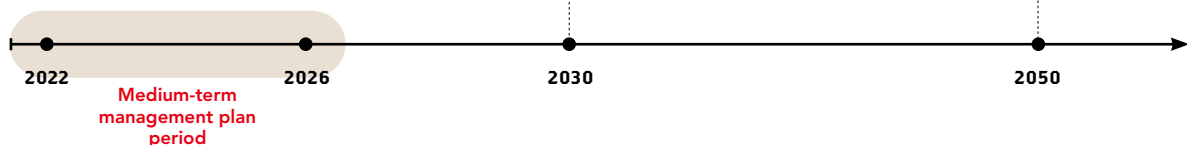
Zero carbon emission vessels

### “K” LINE Environmental Vision 2050 Blue Seas for the Future



**2030**  
Aiming for CO<sub>2</sub> emissions efficiency improvement of 50%, surpassing the IMO target of 40% (compared with 2008)

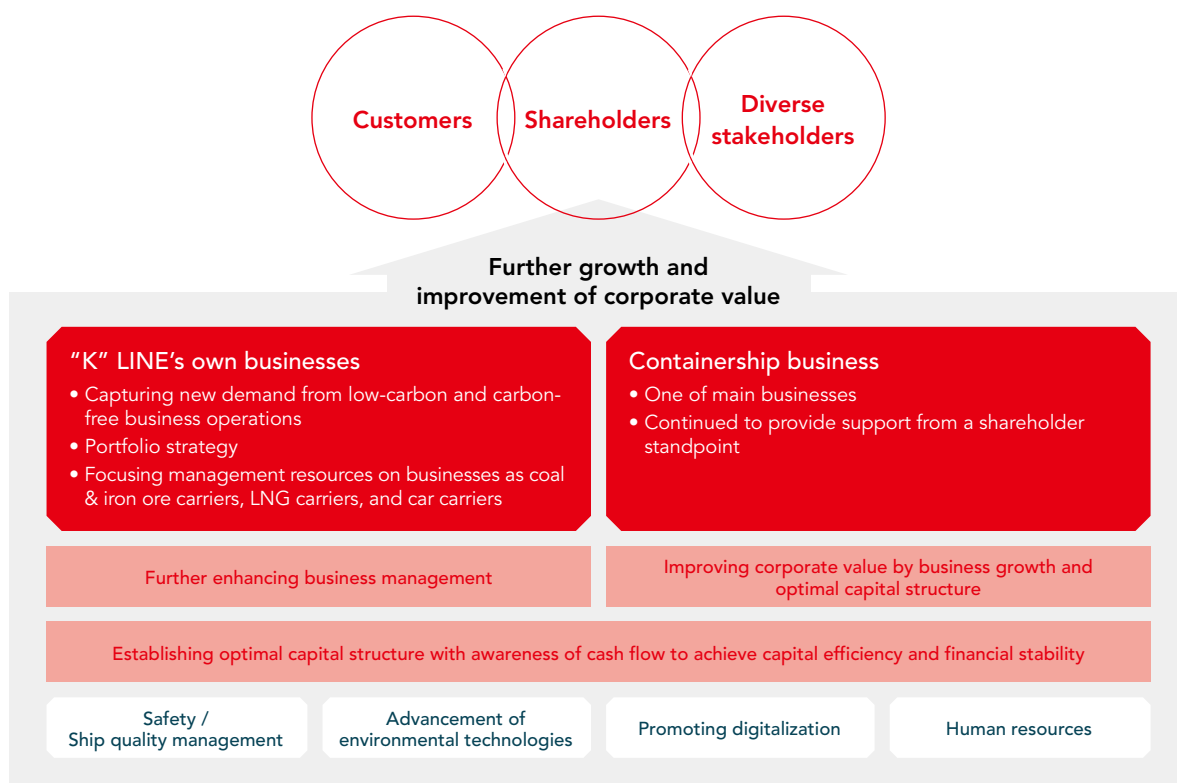
**2050**  
Taking on the challenge of net-zero greenhouse gas emissions, surpassing the IMO target of halving total emissions



## ▶ Outline of Medium-Term Management Plan Fiscal 2022

Under the fiscal 2022 medium-term management plan, we see the challenge of entering new business domains that contribute to the achievement of a low-carbon and carbon-free society as business opportunities, and we have formulated strategies to drive growth. The key to realizing this is portfolio management, which concentrates the allocation of management resources on the three businesses that are the driving force of growth. At the same time, we

have been engaged in creating a firm business base that supports the promotion of business strategies. Furthermore, the containership business, which is a vital business division of the Group, continues to support the sustainable growth and development of ONE as a shareholder. Moreover, we aim to maximize shareholder value by implementing cash allocation with an awareness of the optimal capital structure and capital efficiency.



## ▶ KPIs for Business Management

ROE	Profitability Target	Optimal Capital Structure
Sustainably achieve ROE of <b>more than 10%</b>	Profitability of "K" LINE's own businesses will be the same as that of containership business in fiscal 2026 <b>Ordinary income: ¥140.0 billion</b>	Achieve a good balance between optimization of capital efficiency and financial strength, which allows strategic funding

**Policy of Shareholders' Return**

**¥400.0–500.0 billion in the period of this Medium-Term Management Plan**

To promote shareholders' return, 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.

## STRATEGY 01. Business Strategy

Business	Role	Strategic direction
 <p>Role of driving growth</p>	<ul style="list-style-type: none"> <li>• Coal &amp; iron ore carriers</li> <li>• Car carriers</li> <li>• LNG carriers</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability</li> <li>• Securing market share with existing and new customers</li> <li>• Achieving growth that surpasses market growth</li> </ul>
 <p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>• Thermal coal</li> <li>• VLGC / VLCC</li> </ul>	<ul style="list-style-type: none"> <li>• Transforming our business structure while helping customers transform their energy mix</li> <li>• Business risk minimization</li> <li>• Responding to demand for alternative fuels</li> </ul>
 <p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>• Bulk carriers</li> <li>• Short sea and coastal</li> <li>• Port / Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening resistance to market fluctuation and securing stable income</li> <li>• Business strategy seeking synergy</li> <li>• Asset-light strategy (bulk carriers)</li> </ul>
 <p>Role of supporting the business as a shareholder and stabilizing the earning base</p>	<ul style="list-style-type: none"> <li>• Containerships</li> </ul>	<ul style="list-style-type: none"> <li>• Stabilizing Groupwide earnings</li> <li>• Maximizing corporate value through ongoing human resource support and involvement in management governance</li> </ul>
 <p>Expansion of new businesses in fields where "K" LINE can utilize its strengths</p>	<ul style="list-style-type: none"> <li>• Offshore support vessel for wind power generation installations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding business areas where "K" LINE's capabilities can be utilized and advanced</li> <li>• Pursuing synergies between "K" LINE and our subsidiary companies</li> </ul>



To achieve well-balanced capital allocation in response to the characteristics of each existing business, the "K" LINE Group has redefined the business portfolio and the roles of each of the following five areas: three existing "K" LINE businesses, the containership business, and new businesses. Based on these roles, this plan precisely sets out a strategic direction, clarifies the target market and customers, as well as priority issues, and promotes concrete initiatives.

Main market and customer needs	Top management priority	Input
<p><b>Coal &amp; iron ore carriers</b> Existing customers with a focus on Japan and Asia, major resources companies with demand for environmentally friendly transport, etc.</p> <p><b>Car carriers</b> Existing finished vehicle OEMs, emerging-economy BEV shippers with the aim of capturing increasing demand for BEV transport, high and heavy cargo transport</p> <p><b>LNG carriers</b> Future growth markets such as Asia and the United States, existing customers such as those in Qatar, which offer the largest business scale, local customers in China, Malaysia, India, and Indonesia</p>	<p><b>Coal &amp; iron ore carriers</b> Growth investment and operational system development to meet customer demand in the environmental context for LNG and ammonia-fueled transportation</p> <p><b>Car carriers</b> Strengthen profitability by enhancing "K" LINE's presence among shipping routes and shippers, improving the sales system to capture BEV customers in emerging economies and further boosting stable earnings by launching end-to-end automotive logistics services</p> <p><b>LNG carriers</b> Responding to customer demand by increasing the number of vessels, and enhancing the local sales system to capture demand in Asia</p>	<p><b>Cash</b> Investment in LNG / ammonia-fueled vessel; Maintain environmentally friendly fleet by introducing the Seawing system; Investing in carriers compatible with high and heavy cargoes; Implementing end-to-end service business investment</p> <p><b>HR</b> Increasing sales staff, marine engineers, operators including augmentation of global sites</p>
<p>Shift to alternative fuels by the existing customer base, mainly domestic customers</p>	<p>Maintain and improve high service quality; Maintain ship management and operation system</p> <p>Supporting energy mix conversion through proactive sales proposals and by capturing new energy transport demand</p>	<p><b>Vessels</b> Developing a fleet capable of transporting new energy fuels based on customer needs</p> <p><b>HR</b> Maintaining and enhancing the capabilities of crew members for the transport of new energy</p>
<p><b>Bulk carriers</b> Enhancing our customer base in the Asian region</p> <p><b>Short sea and coastal / Port / Logistics</b> Demand for the modal shift in Japan and to provide multilayered services both on Ocean and Coastal routes</p>	<p><b>Bulk carriers</b> Enhancing our customer base, improve vessel deployment efficiency and resistance to market fluctuation, promoting asset-light strategy</p> <p><b>Short sea and coastal / Port / Logistics</b> Boosting synergies between affiliated companies by utilizing their strengths and pursuing synergies with businesses that can drive growth</p>	<p><b>Bulk carriers</b> Expanding asset management and business sites in Singapore</p> <p><b>Short sea and coastal / Port / Logistics</b></p> <ul style="list-style-type: none"> <li>• Efficiently and thoroughly use existing assets</li> <li>• Strengthening synergies with affiliated companies</li> <li>• Strengthening and expanding completed automobile logistics business developed to regions</li> </ul>
<p>—</p>	<p>Continue providing support and advice to ONE as a shareholder</p> <p><b>Governance</b> Capital efficiency to improve corporate value and management with an awareness of ROE</p> <p><b>IR</b> Communicate to ensure that ONE's corporate value can be appreciated by stakeholders</p>	<p><b>HR support</b> Providing human resources for both senior management and operations to ONE</p>
<p>Renewable energy business Fuel conversion business</p>	<p>Further enhancing the Group's comprehensive capabilities and supporting next-generation operations including support vessel service by "K" Line Wind Service, Ltd. (KWS), for wind power generation installations</p>	<p>Providing investment, human resources, and expertise by "K" LINE, Kawasaki Kinkai Kisen, and domestic Group companies</p>

## STRATEGY 02. Business Base

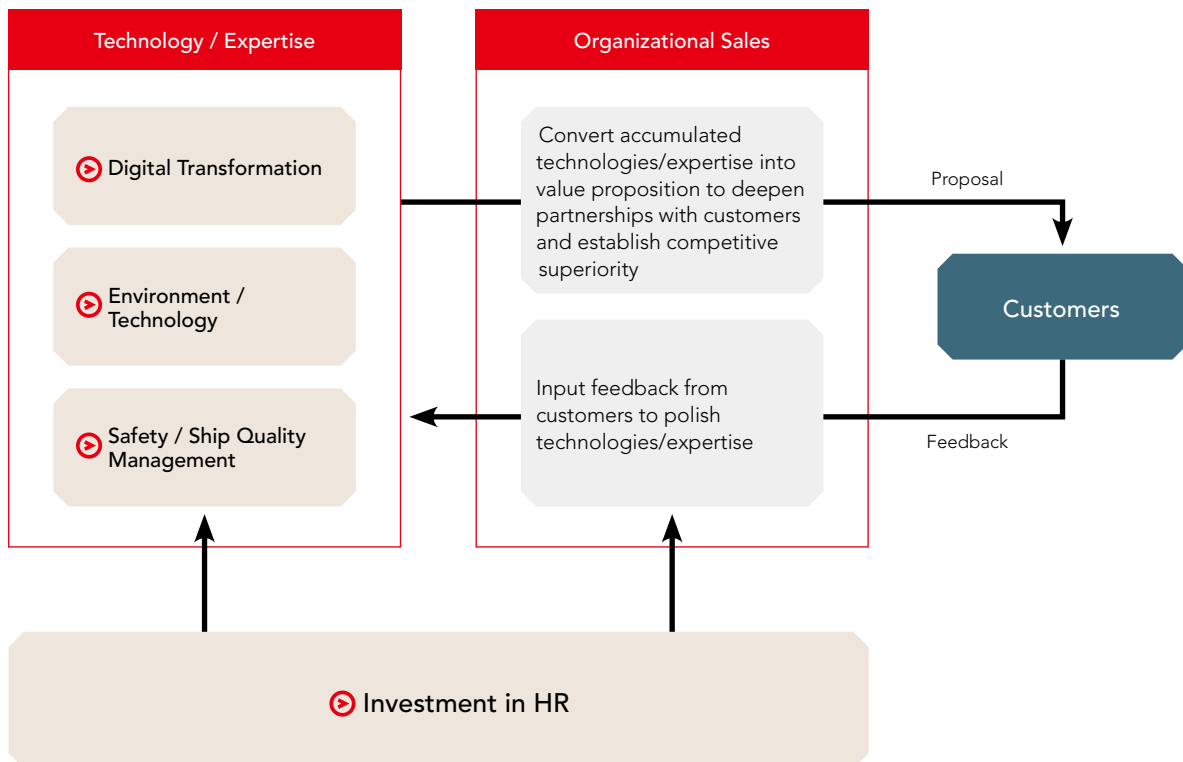
### ► Big Picture of Functional Strategy

In order to further solidify progress on its business strategy, “K” LINE aims to make its business foundation more advanced by managing environmental issues, technologies, safety, and ship quality; investing in human resources; and transforming digitally.

Investing in human resources is the starting point of this transformation. We are keen to hire and develop executive human resources with expertise, in shipping company management, human resources with environmental technology expertise and human resources for business transformation, while training existing human resources in order to further refine our specialization in marine transportation, the main strength of the “K” LINE Group, and improve our ability to propose solutions to customers. Going

beyond the fulfillment of customer needs, “K” LINE can establish a competitive advantage by evolving and advancing the added value it offers in light of customer needs through its unique technologies and specialized knowledge in the environment, technologies, safety, and ship quality management.

At the same time, “K” LINE is advancing business transformation with new technologies and the use of data and digital technologies, refining its core values in safety, the environment, and quality, and strengthening its organizational structure that spans safety and quality management, deployed for business development around the world, with the ultimate aim of increasing support for customers and improving corporate value.



## ➤ Investment in HR

**Securing the quality and quantity of human resources for each business portfolio while embracing diverse values**

- Hiring and developing executive human resources with expertise in shipping company management and accelerating business growth
- Hiring and developing human resources with environmental technology expertise and continually providing customers with industry-leading safety and service quality
- Hiring and training human resources for business transformation, and promoting this transformation by utilizing digital technology



▶ P28-31 Special Feature 03 Human Resource Strategy That Supports Sustained Growth

## ➤ Digital Transformation

**Further advancing the digitalization of information and administrative processes as well as vessels, enhancing the core values of safety, environmental conservation and quality through the utilization of data and digital technologies, and increasing the added value of our services to further strengthen competitiveness**

- Sharing information with customers and facilitating the visualization of information, such as cargo data and CO<sub>2</sub> emissions
- Reducing lead times and costs, as well as optimizing and improving the safety of loading and unloading operations by analyzing the loading and unloading work of crew with IoT devices and AI
- Initiatives to automate ship navigation and reform workstyles on ships by creating a crew decision-making support system



▶ P42-45 Pursuit of Innovation through DX

## ➤ Environment / Technology and Safety / Ship Quality Management

**Continuing initiatives to pursue new technologies while also enhancing measures for technology investigation and verification in preparation for implementation. Enhancing organization system which covers safety and quality management in both worldwide marine transport businesses and regional businesses (LNG bunkering business and support business for wind power generation installations)**

- Expanding adoption of energy-saving technologies such as Seawing kite systems to achieve low-carbon and carbon-free operations while developing new energy-saving technologies
- Rebuilding our integrated vessel operation and performance management systems (Kawasaki Integrated Maritime Solutions), including further development of automated operations and adoption of Bearing's AI technology
- Development of ship quality management system by three sites in the U.S., Europe and Singapore
- Development of monitoring safety navigation and engine diagnosis center utilizing Kawasaki Integrated Maritime Solutions
- Development of local-based customer support system by each site as regional head



▶ P24-25 Special Feature 01 Developing Ammonia-Fueled Vessels as Business Opportunities

▶ P26-27 Special Feature 02 Realizing Shift to Low-Carbon Ship Operations by Seawing

▶ P38-39 Strategy of "K" LINE Environmental Vision 2050

▶ P40-41 TCFD-Based Information Disclosure

▶ P36-37 Safety in Navigation and Cargo Operations

## STRATEGY 03. Capital Policy

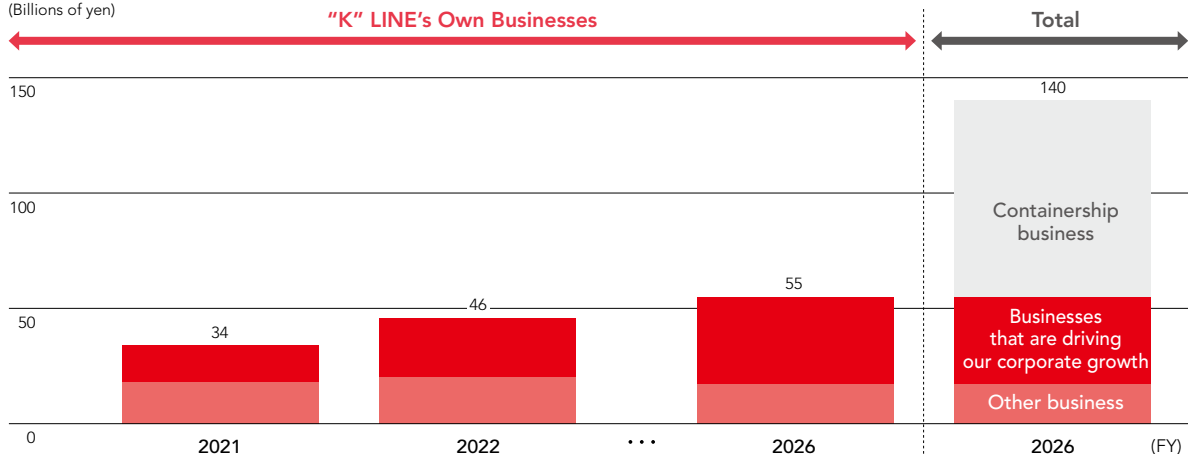
### ▶ Profitability Targets

Among “K” LINE’s own businesses, we will achieve growth that exceeds the market growth rate in the three businesses responsible for driving growth. We will also expand stable profit in the businesses with the role of supporting a smooth energy source conversion and taking on new business opportunities and

the role of contributing by enhancing profitability. Through this, we aim to achieve ¥55.0 billion in ordinary income for “K” LINE’s own businesses in fiscal 2026 and a combined ordinary income of ¥140.0 billion for the containership business.

### Ordinary Income

(Billions of yen)



### ▶ Cash Allocation

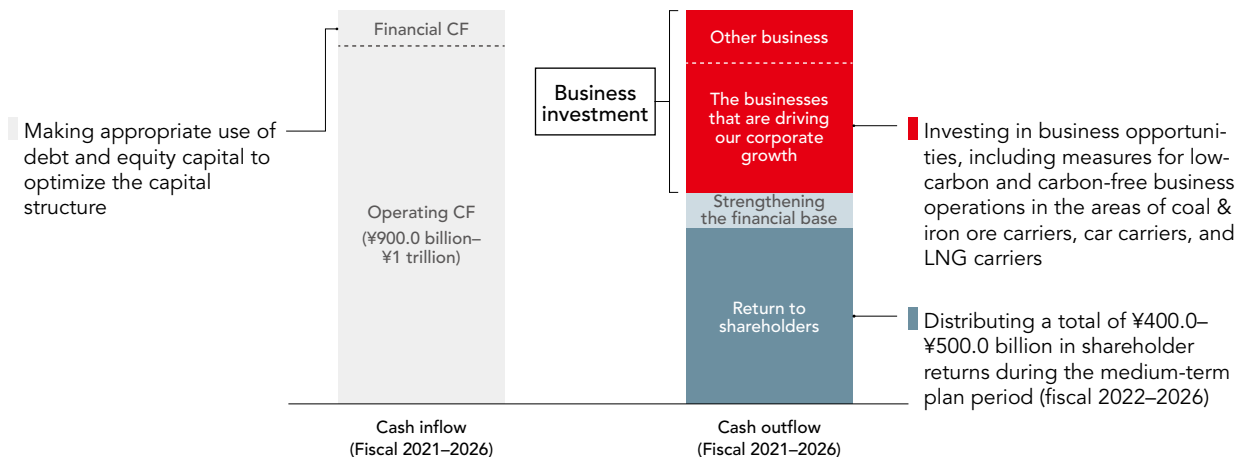
Based on our expectation of between ¥900.0 billion and ¥1 trillion in net cash provided by operating activities from fiscal 2021 to fiscal 2026, we will execute growth investments, strive to optimize capital efficiency, and work to maintain and enhance our financial foundation. We will also strategically provide shareholder returns from the perspective of an optimized capital structure.

In the coal & iron ore carrier, car carrier, and LNG carrier businesses, each of which are responsible for driving growth, we will execute growth investments,

including those related to the shift toward low-carbon and carbon-free operations.

With regard to debt, we will promote refinancing using more competitive funds and strive to utilize debt in a highly appropriate manner, thereby reinforcing our financial foundation.

Additionally, we will allocate a portion of funds that exceeds an appropriate amount of capital to shareholder returns, including via the proactive acquisition of treasury stock, giving consideration to our level of cash flows.

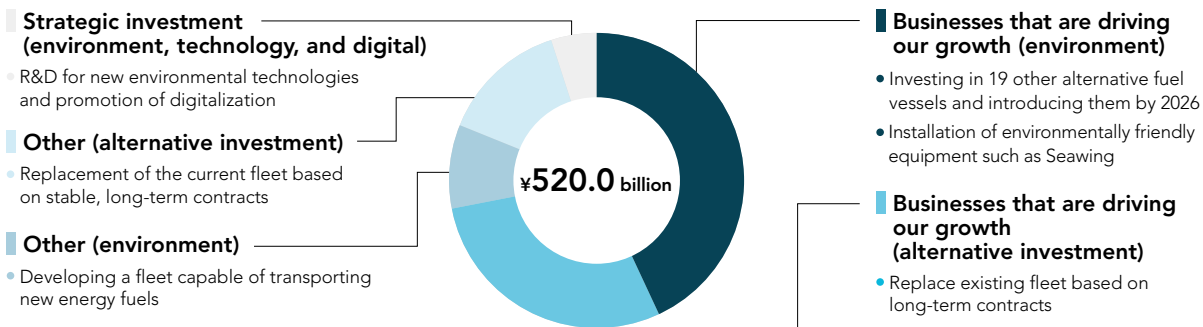


## ▶ Investment Plan

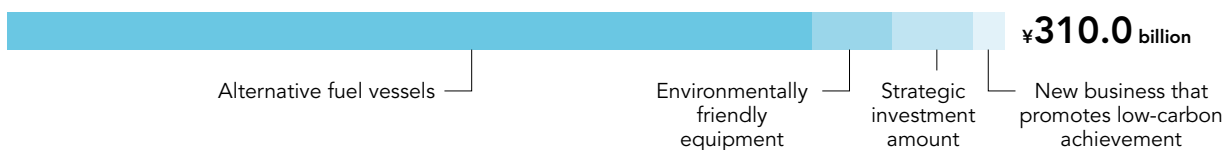
We plan to invest a cumulative ¥520.0 billion over the five years between fiscal 2022 and fiscal 2026. As well as investing approximately 80% of business investments in the three businesses with the role of driving

growth, we will focus on investment in strengthening the environment and technology to meet the needs of low-carbon and carbon-free business operations and establish a competitive advantage.

- Investment plan that focuses on the environment and the role of driving growth



- As part of the environmental investment, ¥275.0 billion will go toward "K" LINE's low-carbon and carbon-free measures, and ¥35.0 billion will be used to promote low-carbon and carbon-free measures for society.



## ▶ Return to Shareholders

We plan to implement shareholder returns of ¥400.0 billion to ¥500.0 billion over the five-year period of the medium-term management plan. Based on cash inflow and the progress of business investment for each fiscal year, we will flexibly implement basic dividends, additional dividends, and share buybacks

for the part of capital that exceeds optimal capital, after ensuring financial soundness. After fiscal 2022, for which the dividend forecast has already been announced, we will disclose the dividend policy in the annual earnings forecasts for each fiscal year.

## ▶ Further Advancement of Business Management

"K" LINE is strengthening cash flow management by assessing its ability generate cash flow in the future and clarifying responsibilities of each business while being mindful of the cost of capital. "K" LINE is also reinforcing portfolio management by coming up with measures in a timely manner, such as business reshuffling, while monitoring the cost of capital and profits on a cash basis in the management of each business and when deciding to execute investments.

Moreover, by introducing responsible accounting management practices for each business, "K" LINE is able to better assess its ability to generate cash flow in

the future, evaluate its investment plans and asset (balance sheet) management, and examine the income statements of each business. At the same time, the Company is clarifying roles and responsibilities and evaluating operational management by strengthening the management of each business.

"K" LINE has created and uses guidelines for investing in ships in each business, executes investments after drawing up plans and prior assessments, and then follows up with post-investment evaluations with the objective of increasing the precision of business investment management.

▶ P20-23 Message from the CFO

## Message from the CFO



**Yukio Toriyama**

Representative Director  
Senior Managing Executive Officer

“

To enhance corporate value, “K” LINE will pursue three goals: maximize earnings after cost of capital through business portfolio strategies, improve credit ratings by maintaining financial stability, and achieve an optimal capital structure while increasing shareholder value through shareholder returns.

”

### ▶ Business Environment and Performance in Fiscal 2021

In fiscal 2021, operating revenues increased ¥131.5 billion year on year, to ¥757.0 billion; ordinary income jumped ¥568.0 billion, to ¥657.5 billion; and profit attributable to owners of the parent soared ¥533.7 billion, to ¥642.4 billion.

The main factor driving these record-high earnings was the booming containership market. “K” LINE posted ¥640.9 billion of equity in earnings of unconsolidated subsidiaries and affiliates in fiscal 2021, with profit attributable to owners of the parent at equity-method affiliate Ocean Network Express (ONE) increasing five-fold

compared with fiscal 2020. Similarly, all “K” LINE’s own businesses, and dry bulk and car carriers in particular, witnessed a recovery in transport demand leading to profitability.

These results greatly exceeded initial earnings forecasts because the containership market, where freight rates rose to unprecedented levels in fiscal 2020, remained strong in fiscal 2021. Originally, we assumed the containership market in fiscal 2021 would normalize to pre-pandemic levels similar to fiscal 2019; however, freight rates remained high due to ongoing supply chain disruptions, including supply constraints caused by port congestion, leading to higher earnings than initially forecast.

## Operating Results by Segment

(Billions of yen)

Business segment	Fiscal 2021			Vs. fiscal 2020	
	1H	2H	Full year	Full year	Change
Upper row: Operating revenues					
Lower row: Ordinary income					
Dry Bulk	131.6	144.9	276.5	182.0	94.5
	5.9	17.9	23.7	-9.1	32.9
Energy Resource Transport	42.8	46.9	89.7	77.6	12.1
	0.8	3.9	4.8	1.1	3.7
Product Logistics	178.0	202.2	380.2	339.7	40.5
	238.1	402.7	640.8	104.5	536.3
Containership	20.9	20.9	41.7	42.2	-0.4
	235.5	388.3	623.8	103.8	520.0
Others	5.2	5.4	10.6	26.2	-15.6
	-0.1	-0.0	-0.1	1.1	-1.2
Adjustment	—	—	—	—	—
	-6.7	-5.0	-11.7	-8.1	-3.6
Total	357.6	399.4	757.0	625.5	131.5
	238.0	419.5	657.5	89.5	568.0



Additional information about the business forecasts and management plan is available on the following webpage.  
[Home > Investor Relations > IR Library > Financial Report](#)

## ▶ Review of the Fiscal 2021 Management Plan

In fiscal 2021, "K" LINE made progress in its business performance as well as fleet optimization and business structural reforms, which have been promoted since fiscal 2020. Specifically, we disposed of a total of 28 unprofitable vessels during fiscal 2021, including the sale of six offshore support vessels following the dissolution of our offshore support vessel business in the North Sea that had been performing poorly. This move enabled us to complete our planned fleet reduction three years ahead of schedule, targeting 52 vessels over five years starting in fiscal 2020. We expect fleet size optimization to continue contributing to improved profitability from fiscal 2022 onward.

Under record-high earnings backed by vigorous market conditions, we did not miss any opportunity to dispose of unprofitable vessels and withdraw from unprofitable businesses that we could call negative legacies of the past. With regard to strengthening our financial position, which has been recognized as a particularly urgent issue in the fiscal 2021 management plan, this resulted in the early achievement of the fiscal 2030 equity capital target, doubling the target in monetary terms. Due to these factors, the equity ratio was 56%, a 45 percentage-point improvement compared with pre-pandemic levels in fiscal 2019.

In light of this performance and our financial condition, in fiscal 2021 we resumed dividend payments for the first time in six years since fiscal 2015. In addition to a basic dividend of ¥300,\* which we will strive to provide stably in fiscal 2022 onward, we added an additional dividend of ¥300\* in consideration of growth investment allocations and our enhanced financial base from cash inflows, amounting to a total dividend of ¥600\* per share and a total payout of more than ¥56.0 billion.

\* Amounts are on a pre-stock split basis. "K" LINE plans to conduct a 3-for-1 common stock split on October 1, 2022, to further expand its investor base and increase stock liquidity by reducing the Company's stock price per investment unit.

## ▶ Fiscal 2022 Management Plan Strategic Scenario

Having achieved a sound financial position at present, "K" LINE has entered a new stage of management. Freeing ourselves from the stage when we did not have a choice but to pour energy into sorting out negative legacies of the past, we are now at a stage at which we can leverage lessons learned to utilize capital effectively and formulate and implement growth strategies to realize forward-looking corporate value enhancements.

What growth strategy should the "K" LINE Group pursue in this new stage of management? How can we

leverage Group strengths and structure our business portfolio in ways that we grow more rapidly than the growth rate of the overall shipping industry market? We created the Future Creation Project, a Groupwide endeavor spanning approximately one year during which we thoroughly discussed the answers to these questions and other matters. These actions resulted in a strategy focused on growth through stronger, more extensive partnerships with influential customers in stable, industry-leading positions and the creation of new partnerships. To this end, it is essential we engage in low-carbon and carbon-free initiatives, which hold the key to future partnerships with customers, as well as enhance environmental capabilities that are economically competitive. Accordingly, the “K” LINE Group has adopted a policy focused on strengthening business competitiveness and concentrating the allocation of management resources on three businesses—coal & iron ore carriers, car carriers, and LNG carriers—which are expected to drive growth among “K” LINE’s own businesses where low-carbon and carbon-free operations can be sources of a competitive advantage.

As CFO, my role is to realize a well-defined strategic scenario supported by the execution of financial management. I will maintain an optimal capital structure and a constant awareness of cash flows, achieving capital efficiency and financial stability. In the next section, I will provide additional details on profitability targets, cash allocation policies based on those targets, growth investments, and return to shareholders, comprising the core of cash allocation.

### Profitability Targets

Viewing low-carbon and carbon-free efforts as business opportunities, the Group aims to expand profits in “K” LINE’s own businesses that play a role in driving growth. At the same time, we will continue to position the containership business as one of our most important business segments, where we will strengthen governance and provide support for human resources and IR as a major shareholder in ONE with the aim of achieving combined ordinary income of ¥140.0 billion in both the containership and “K” LINE’s own businesses in fiscal 2026, the final year of the medium-term management plan.

To achieve this goal, the success of our business portfolio strategy will be tested in the growth of “K” LINE’s own businesses other than the containership business. We intend to gradually expand “K” LINE’s own businesses, which in fiscal 2021 accounted for less than 10% of ordinary income, to ¥70.0 billion, equivalent to one-half the targeted ¥140.0 billion in ordinary income, to improve the

balance of profitability between “K” LINE’s own businesses and the containership business. Approximately two-thirds of this ¥70.0 billion will stem from three businesses that will be vital in driving growth: coal & iron ore carriers, car carriers, and LNG carriers.

Further, the outlook for the containership business is formulated based on the assumption that containership freight rates, which remain high due to ongoing supply chain slowdowns, will fall to pre-pandemic levels by the end of the fiscal year. There are some concerns that the containership market will deteriorate going forward due to the current increase in orders for containerships and the anticipated expansion of newly built ship supplies in 2023. At the same time, to encourage GHG emission reductions the Energy Efficiency Existing Ship Index (EEXI) and carbon intensity indicators (CII) for existing vessels are scheduled to take effect in 2023, it is expected that containerships unable to comply with these regulations will be withdrawn from the market. As a result, net supply is expected to increase only about 3% compared with fiscal 2021, with the impact on the market expected to be somewhat limited.

### Cash Allocation

In this section, I will provide an overview of how we apportion cash and other assets generated with an explanation of cash allocation policies.

Based on the profitability target for ordinary income of ¥140.0 billion, operating cash flows, which comprise the bulk of cash inflows, are expected to reach ¥900.0 billion to ¥1.0 trillion over the five-year period from fiscal 2021 to 2026. This amount is in addition to cash flows from financing activities, which are expected to account for approximately 10% of cash flows overall. The medium-term management plan sets the cost of capital—the hurdle rate for investments—at 10%, reflecting our current policy of borrowing interest-bearing liability with procurement costs well below 10% to reduce the weighted average cost of capital.

Regarding cash outflows, we plan to allocate an approximate total of ¥520.0 billion for business investments, with the highest priority placed on growth investments, which are described below. We also intend to maintain a strong financial base, as well as a certain amount of retained earnings as needed, with the aim of acquiring and maintaining long-term, single-A credit ratings.

“K” LINE plans to allocate ¥400 billion to ¥500 billion, the difference between the above cash inflows and outflows, to shareholder returns.



## Growth Investments

The Group plans to invest a cumulative total of approximately ¥520.0 billion during the medium-term management plan period, of which approximately 80%, or ¥370.0 billion, will be focused in the coal & iron ore, car, and LNG carrier businesses. At the same time, if we categorize this ¥520.0 billion into environmental and general investments, approximately 60% will be allocated to environmental investments, mainly to increase vessels using LNG, LPG, ammonia, and other alternative fuels, with the remaining 40% allocated to general investments.

This ¥520.0 billion investment was calculated by accumulating projects likely to be implemented at present that can be expected to generate stable earnings over the medium to long term, centered on investments in the three businesses that will play a leading role in driving the abovementioned growth. At the same time, this investment plan does not include projects that have yet to be finalized or new projects set to begin in the second half of medium-term management plan or later. Going forward, we intend to proactively pursue new projects satisfying the requirements of our medium-term management plan and investment policy. Accordingly, investment budgets and cumulative investment amounts may increase beyond current assumptions.

## Return to Shareholders

From fiscal 2022 onward, we will maintain efforts to provide stable basic dividends, while flexibly providing additional dividends or share buybacks. In addition to paying a dividend of ¥300\* per share, the same amount as in fiscal 2021, our initial policy for fiscal 2022 was to pay out additional dividends totaling more than ¥100.0 billion. Subsequently, at the financial results briefing for the first quarter of fiscal 2022, we announced increases in current-year interim and year-end dividend forecasts, from ¥150\* per share to ¥300\* per share, respectively, for a total dividend of ¥600\* per share and a total additional return of more than ¥100.0 billion. We will continue to review the details and timing of this additional return of more than ¥100.0 billion, taking into account future trends in cash inflows and business investments. Between fiscal 2023 and fiscal 2026, we will make investments contributing to the enhancement of corporate value and ensure financial stability. Our policy for earnings in excess of requisite equity capital will be to provide additional returns at the appropriate time using the appropriate means in light of cash flow conditions.

\* Amount based on pre-stock split basis  
In order to further expand the investor base by reducing the Company's stock price per investment unit, and to increase share liquidity, the Company conducted a 3-for-1 stock split of common stock on October 1, 2022.

## Further Advancement of Business Management

Under the Further Advancement of Business Management project, we instituted risk-return management to quantify business risks and recover capital costs. However, this mainly targeted overall Company and individual investment projects, as we were awaiting the development of sophisticated management tools for business divisions.

Under the new medium-term management plan centered on portfolio strategy, it will become increasingly necessary to determine the value of each business, make investment decisions, and when required consider reshuffling our business portfolio. To this end, we decided to launch the Further Advancement of Business Management project to thoroughly understand the status of business in each division based on capital costs and total cash output appropriate for the role of each business. In addition to traditional P&L statements, we created new balance sheets and cash flow statements for each business and launched a management accounting system that can analyze business indicators as necessary in each business division based on financial statements to maximize income after capital costs and optimize business assets in each business division.

Taking a different perspective, strengthening managerial accounting at the business division level can be considered human resource development aimed at supporting business management advances. I believe one critical role of the CFOs is to develop and enhance human resources with the knowledge, skills, and experience necessary for promoting the establishment of management centered on capital efficiency and cash flows.

In fiscal 2022, the year in which we embarked on a new medium-term management plan, "K" LINE will enhance corporate value through the pursuit of three goals: maximize earnings after cost of capital through business portfolio strategies, improve credit ratings by maintaining financial stability, and achieve an optimal capital structure while increasing shareholder value through shareholder returns.

As the "K" LINE Group takes on the unprecedented challenge of advancing to a new management stage and maximizing corporate value, we sincerely appreciate your continued support.

# SPECIAL FEATURE 01

## Developing Ammonia-Fueled Vessels as Business Opportunities



**We will build a firm base in a value chain that supports the utilization of alternative fuels and work to strengthen our competitiveness in anticipation of the future.**

### Toyohisa Nakano

Executive Officer in charge of  
GHG Reduction Strategy

**Q.**

**What role does ammonia, an alternative to fossil fuels, play in realizing one of the new targets of the “K” LINE Environmental Vision 2050, namely, the challenge of achieving net-zero greenhouse gas emissions?**

**A.** Under the medium-term management plan, which we announced in May 2022, the “K” LINE Group is currently accelerating the introduction of vessels fueled by liquefied natural gas (LNG) and liquefied petroleum gas (LPG), with the aim of promoting the shift to a low-carbon and carbon-free footprint of the Company and society. However, LNG and LPG are also fossil fuels and emit CO<sub>2</sub> emissions when consumed as fuel, although comparatively less than conventional heavy oil. Meanwhile, a significant feature of ammonia is that it does not emit CO<sub>2</sub> emissions, even when burned. Accordingly, we expect ammonia to become a vital type of fuel in achieving net-zero greenhouse gas emissions. In this light, the International Energy Agency\*<sup>1</sup> has disclosed future projections for achieving net-zero emissions around the world\*<sup>2</sup> with approximately 80% of vessels converted to alternative fuels by 2050, with ammonia making up roughly 46% of said vessels.

\*1 An international agency that covers all aspects of energy policies, in which members of the Organization for Economic Co-operation and Development participate

\*2 International Energy Agency, “Net Zero by 2050: A Roadmap for the Global Energy Sector,” May 2021

**Q.**

**What kinds of initiatives is “K” LINE promoting in the realization of ammonia-fueled vessels?**

**A.** We are currently promoting numerous projects related to creating a supply chain for supplying ammonia as a fuel for vessels, in addition to the development of ammonia-fueled vessels. We are forming partnerships with companies and organizations both inside and outside Japan in the form of joint studies and joint councils.

The development of hardware technology (vessels that utilize alternative fuels) is led by shipbuilding companies and manufacturers of engines for vessels. However, fuel conversion cannot be realized by vessel development alone, since the use of alternative fuels, not just ammonia, for vessel operations requires an infrastructure capable of supplying these fuels. In other words, fuel conversion requires a viewpoint spanning the entire value chain—from manufacture to transportation, supply, and use. With this in mind, the “K” LINE Group collaborates with various companies and organizations to engage in the development of vessels that use alternative fuels and in the creation of a supply network.

The GHG Reduction Strategy Group, which was established in April 2021, is leading internal GHG reduction initiatives, including ammonia-related ones, from a technological perspective in collaboration with other such groups. Additionally, the GHG Reduction Strategy Committee, chaired by the

By supporting customers' carbon-neutrality initiatives, "K" LINE aims to help contribute to the targets of the United Nations Sustainable Development Goals related to expanding renewable energy use (target 7.2), improving efficiency in natural resource use (targets 9.4 and 12.2), and mitigating climate change (target 13.3).



president & CEO, was established in October 2021 to reinforce the system for strategically engaging in fuel conversion.

**Q.**

**Could you please describe the major progress and results to date on currently ongoing ammonia-related projects?**

**A.** On the supply side of the value chain, we are currently involved in the commercialization of ammonia bunkering vessels in Singapore. And as a member of joint councils comprising several multinational companies and organizations, we are also examining safety-related issues regarding ammonia-fueled vessels and fuel supply.

Regarding the development of vessels, we are participating in a joint project on the development of ammonia-fueled vessels, which was selected for the Green Innovation Fund by the Japanese Ministry of Trade, Economy and Industry, with the aim of socially implementing ammonia-fueled, cape-size bulk carriers by 2028 at the latest. We have also received approval for concept designs for ammonia-fueled car carriers from ClassNK, a ship classification society.

Regarding transportation, the core business of "K" LINE, the Company is currently progressing with the construction of LPG-fueled very large gas carriers (VLGCs), which can transport both LPG and ammonia.

As a member of the ammonia-related value chain, "K" LINE is providing the insight and knowledge it has hitherto built up in the marine transportation of ammonia and the LNG bunkering business while collaborating with various partners in order to contribute to the promotion of

low-carbon and carbon-free initiatives. Doing so entails extending our attention to trends in the global market through such collaboration from the perspective of flexibly acquiring business opportunities.

**Q.**

**What is your outlook for the future?**

**A.** It has already been reported that engines fueled by ammonia will be complete in 2024, which has brought into view the development of ammonia-fueled vessels as hardware. Customer needs for reducing greenhouse gas emissions throughout the value chain are growing more and more pronounced, creating the perfect environment for the added value of marine transportation through vessels fueled by ammonia and other alternative fuels. New measures are currently being considered, including the energy efficiency existing ships index and the carbon-intensity indicator, which are both slated for introduction from 2023; and market-based measures, which are currently being debated by the International Maritime Organization for promoting the reduction of GHG emissions from international marine transportation. When such measures are introduced in the future, the development of ships and fleets preferred by customers will directly lead to the competitiveness of marine transportation companies. To realize sustainable growth by viewing low-carbon and carbon-free initiatives as a business opportunity, we intend to actively move forward with the conversion to ammonia and other alternative fuels.



Rendered image of ammonia-fueled vessel

# SPECIAL FEATURE 02

## Realizing Shift to Low-Carbon Ship Operations by Seawing



**We will contribute to a shift to low carbon by reducing greenhouse gas emissions through the utilization of wind energy, a renewable energy source, in marine transportation.**

### Shingo Kameyama

General Manager, Advanced Technology Group

**Q.**

**The development of Seawing, which is equipment for utilizing wind power, appears to be progressing. What exactly is Seawing?**

**A.** Seawing is a wind power propulsion system that utilizes the driving force of wind to gain traction by letting out a large kite that is attached to the bow of a vessel. Seawing flies at 300 meters, where the wind is much stronger than at sea level and gusts are much more stable. The aim of Seawing is to reduce the greenhouse gas emissions associated with ship operations by using wind. In December 2022, we plan to begin operation of a cape-size bulk carrier equipped with the first Seawing unit and will subsequently introduce it to another cape-size bulker and three post-Panamax bulkers.

A feature of Seawing is that its operation is fully automated, from deployment of the kite and flight management to storage after use. Furthermore, since the kite is operated with only one button, there is no additional burden on ship crew members. Another feature is the Seawing's high versatility in terms of the types of vessels it can be installed on, which extends to even existing ships. While wind propulsion technology exists, such as sails and rotors, the range of ships it can be installed on is limited. The Seawing, however, overcomes more of these limitations.

**Q.**

**Could you please explain the effects of reductions regarding greenhouse gas emissions and costs?**

**A.** Compared with vessels fueled by heavy oil, we expect to reduce greenhouse gas emissions by approximately 20% on large bulk carriers equipped with Seawing; however, this depends on the route and speed of the vessel. The maritime shipping business as a whole is currently exploring a conversion from heavy oil to alternative fuels, with the aim of achieving the targets set by the International Maritime Organization for reducing the volume of greenhouse gas emissions by over 50% by 2050 (compared with 2008). However, to expand the use of alternative fuels, a supply network needs to be developed. Meanwhile, the advantage of Seawing is that "K" LINE can independently and proactively advance initiatives for reducing greenhouse gas emissions without waiting for the realization of such an environment.

Reducing greenhouse gas emissions naturally means that less fuel is used for that purpose, which leads to a reduction in fuel costs. The use of alternative fuels instead of heavy oil is expected to expand in the future, but the price of these fuels will undoubtedly be higher than that of heavy oil. In this light, the introduction of Seawing also has value from the perspective of energy conservation and reducing energy costs.

By engaging in low-carbon and carbon-free efforts within the Group and in society through the enhancement of resource use efficiency and utilization of green technology (target 9.4), "K" LINE aims to help contribute to the targets of the United Nations Sustainable Development Goals related to expanding renewable energy use (target 7.2) and mitigating climate change (target 13.3).



**Q.**

**How are you collaborating with Airseas, which is leading the development of Seawing?**

**A.** Our collaboration with Airseas goes back to 2017. At the time, Seawing was still in its conceptual phase. We were impressed by Airseas' commitment to innovation that utilizes advanced flight technology developed by the company, which was recently spun off from the aircraft manufacturer Airbus. Since the project has taken shape, "K" LINE has been in repeated dialogue with Airseas, which is proceeding with the technological development of Seawing, to give advice on hull structure and actual ship operations from a user perspective and support their efforts to obtain the official ship classification required for ship equipment. After witnessing the testing of Seawing on wide plains in France, we signed a contract for the first unit in 2019 and signed a technology development agreement in July 2022. The technology development agreement aims to maximize the functions of Seawing by integrating "K" LINE operational technology and various operational data collected via Kawasaki Integrated Maritime Solutions, an integrated vessel operation and performance management system, with Airseas' advanced flight technology.

performance of wind power equipment installed on vessels varies depending on the route and the wind at any given time. Thus, it had been extremely difficult to agree on a common global calculation method for quantifying such performance. Accordingly, we put together a proposal formulated by Japan, in cooperation with Japan's Ministry of Land, Infrastructure, Transport and Tourism and domestic affiliated organizations, for a calculation method to quantify energy-saving performance utilizing wind power by leveraging insight and data acquired during Seawing's development process. This was submitted to the International Maritime Organization's Marine Environment Protection Committee. At the meeting of said committee held in November 2021, the inclusion of wind propulsion systems in EEDI\* requirements was approved, meaning that such systems officially gained international recognition. The fact that a calculation method has been designed to take advantage of the characteristics of high-altitude wind used by Seawing has been a significant result.

\* Energy efficiency design index. This differentiates the fuel performance of vessels by creating an index for the CO<sub>2</sub> emissions for one ton of cargo transported one mile.

**Q.**

**What milestones have you achieved in the process of developing Seawing so far?**

**A.** The biggest turning point was acquiring international recognition of Seawing's ability to reduce greenhouse gas emissions. It is obvious such international recognition is not possible without the approval of the International Maritime Organization regarding the energy-saving performance of equipment installed on a vessel and the attendant reduction in greenhouse gas emissions. Measuring the energy-saving

**Q.**

**What have you gained from the development of Seawing?**

**A.** The biggest accomplishment we have gained is raising customers' expectations. We have received inquiries from numerous customers about the progress of Seawing, when it will come into operation, and if it can be installed on their vessels. We have strongly reaffirmed that getting closer to becoming the preferred company of customers can only occur by broadening our horizons beyond Japan and having an open and proactive mindset to incorporate original ideas and new technologies generated by some of the 7.9 billion people around the world.



Rendered image of Seawing-equipped vessel

# SPECIAL FEATURE 03

## Human Resource Strategy That Supports Sustained Growth



**Akihiro Fujimaru**

Executive Officer  
In charge of Marine Sector



**Shingo Kogure**

Managing Executive Officer  
Responsible for General Affairs, Human Resources Unit

**"K" LINE reinforces organizational sales capabilities and ensures safe vessel operation and navigation by strengthening human resources that support our business portfolio and through the strategic assignment of personnel.**

**Q.**

**Could you please describe the organizational structure for human resource management at the "K" LINE Group?**

**Kogure** For onshore workers and maritime personnel, "K" LINE takes a different approach to human resource management in hiring, training, evaluations, and compensation. Onshore employees are not that different from the employees of companies in other sectors, for example, working in sales departments as a point of contact with customers or in management departments overseeing functions that support management and business operations. In addition, onshore employees are engaged in work unique to a marine transportation company, for example, chartering vessels from ship owners, and supporting vessels navigating the open seas by providing timely information. The ship technical and ship sector units support and manage the technical side, from the ordering of ships to construction.

**Fujimaru**

The "K" LINE Group has around 6,500 seafarers of various nationalities who operate ships, such as captains, chief engineers, deck and engine officers as well as other crew members such as deck and engine ratings, including ship clerk. Some employees are maritime technical personnel who work onshore to support fleet operations. We have just under 350 Japanese maritime technical personnel, representing only 5% of our total seafaring workforce. The majority are crew members of other nationalities who are recruited through ship management companies and are assigned to vessels operated by the "K" LINE Group. It is necessary to have a system separate to that of onshore workers in order to manage all of these officers and maritime technical personnel, assigning them to the right job in the right location, including some onshore positions.

By engaging in securing and developing human resources and improving the working environment, "K" LINE aims to help contribute to the targets of the United Nations Sustainable Development Goals related to Decent Work and Economic Growth (targets 8.3, 8.8), Gender Equality (targets 5.5, 8.5), and Quality Education (target 4.4).



Q.

**In the medium-term management plan, "K" LINE plans to invest in human resources with the intention of training and securing human resources who can support the business portfolio. What kind of human resources need to be trained and secured, given the future direction of the business portfolio?**

**Kogure** First of all, we need to ensure we have enough personnel and then enhance their skills. Aware that we have entered a new management stage, we are changing gears to secure a sufficient number of employees in order to support business expansion.

Specifically, we are increasingly the number of people regularly hired straight out of school at the parent company. In 2022, we launched a mid-career hiring program that runs throughout the entire year. While maintaining our basic approach to hiring generalists and assigning them to a number of different departments in order to help them gain diverse experience and skills, we also plan to increase the hiring of technical human resources who have skills and knowledge in digital technologies and other technologies that can help marine transportation become low carbon and carbon free. In addition to newly hiring personnel with these qualifications and knowledge, we are improving the literacy of digital transformation (DX) through training and a cross-organizational project called "D+," intending to facilitate our business transformation (BX).

**Fujimaru** We expect maritime technical personnel to also acquire skills in digital technologies. In maritime operations, marine and mechanical engineers have played a vital role. As digital technologies catch on in the future and the autonomous operation and navigation of vessels come closer to being a reality, it will be necessary to strengthen system engineering, including system control and cybersecurity. Regrettably, it is not realistic to hire digital engineers as seafarers. We are therefore evaluating not only the building of a remote support system with digital engineers located onshore but also the introduction of a platform for crew members to learn system engineering and digital technologies within a short period of time.

Q.

**The medium-term management plan also mentions "strengthen organizational sales capabilities." How does this relate to the human resource strategy?**

**Kogure** As a business strategy, our medium-term management plan calls for contributing to a low-carbon and carbon-free society through businesses that will drive growth and for engaging in the fuel conversion business and the offshore support vessel business in the renewable energy field, including offshore wind power generation, as new business domains. To win a customer's confidence as a partner in these areas, "K" LINE needs human resources with advanced knowledge and experience so as to precisely explain to customers how it can provide added value. I think we will see an increasing number of cases where sales activities will involve traditional sales personnel paired with onshore technical workers with backgrounds in the environmental, digital, and shipbuilding technologies we mentioned earlier.

**Fujimaru** "K" LINE is strengthening the hiring of onshore workers with technical backgrounds and encouraging sales personnel to learn new technologies. There may be more situations in which maritime technical personnel assume the role of a salesperson. For example, in the LNG bunkering business we are tackling as a new business field, specialized know-how and experience will give us a competitive advantage in sales.



**To win a customer's confidence as a partner, "K" LINE needs human resources with advanced knowledge and experience so as to precisely explain to customers how it can provide added value.**



**One responsibility of the functional strategy department is to put a structure in place that can provide safe transportation and high-quality services needed by the sales department.**

**Kogure** To leverage our organizational capabilities, onshore workers and maritime personnel with advanced knowledge and experience in various fields may see more collaboration opportunities as needed.

**Fujimaru** The maritime communications environment is said to be 10 to 15 years behind onshore communications systems. If communications can be sped up to the same speed as onshore offices with more low-orbit satellites, it might be possible to increase onshore support for fleet operations and navigation. If we can expand onshore support, it would lighten the workloads of crew members and potentially change the way they work considerably. For crew members who spend months at a time working and living on ships, improvements in living environments and changes in workstyles on ships can directly translate into safer fleet operations. For this reason, it is also an extremely important aspect of fulfilling our mission as a corporate group.

**Kogure** Returning to the topic of strengthening our sales capabilities, “K” LINE needs to set up bases for sales and ship management in locations such as Singapore, where global customers are concentrated, while assigning more human resources to such locations in order to enhance its approach to non-Japanese customers in the dry bulk business and LNG carrier business.

**Fujimaru** One responsibility of the functional strategy department is to put a structure in place that can provide safe transportation and high-quality services needed by the sales department. It is important to establish a structure that is one step

ahead of the sales department. Accordingly, one of our ship management companies started operations in Singapore this October 2022. Beyond having customers who have bases in Asia, Singapore also boasts advanced IT and DX sectors. Thus, we are keen to set up a presence there to get ahead with the newest trends.

**Q.**

**Can you talk about the issues and initiatives related to increasing the diversity of onshore workers and maritime personnel?**

**Fujimaru** The career plans of maritime technical personnel generally entail aiming for a management position related to fleet safety at an onshore location or assuming a maritime position such as ship captain or chief engineer, after spending years accumulating experience in both maritime and onshore work environments. However, in new businesses such as support vessels for offshore wind power generation, we will need human resources with skills and knowledge different from those gained through experience with marine transportation carrying large amounts of cargo on large-scale ships. In other words, the time has come for employees to forge new career paths, instead of aiming to be captain or chief engineer of a large ship. While advancing our human resource strategy to realize our business strategy, we are reforming our personnel systems to align with changes in value systems and life stages, and we will take steps to come up with solutions for management-related issues concerning maritime technical personnel, from among a high percentage of women quit for other jobs.

**Kogure** Although the ratio of women in management positions is still only 7% overall, we have made progress promoting women in onshore positions, and we aim to increase this ratio to 15% within five years. Being in the ocean shipping business, the “K” LINE Group needs to diversify its human resources at the parent company and improve the diversity and inclusion of its human resources globally, including locally hired personnel at overseas locations. As a future initiative, we intend to update our frameworks so that the talented local personnel we hire and train are motivated to pursue careers, because said personnel are key to proposing solutions to non-Japanese customers and strengthening our local bases.

To realize sustained growth, it is also vital that we continue to strengthen and update the organizational culture of the “K” LINE Group. We will share the “K” LINE Spirit—which embodies independence and autonomy, broadmindedness, and an enterprising spirit—with all employees, regardless of whether they are onshore workers or maritime personnel, through training and dialogue.



COMMENT

Onshore Workers



**Fuyuka Sakurai**

Corporate Planning Division

I joined “K” LINE in 2017 and worked for three years in fleet management in the coal & iron ore department and for one year in sales. I was then reassigned to the corporate planning department in 2021, where I am now in charge of administrative work related to income and budgeting, as well as systems-related work.

In the coal & iron ore department, I needed to acquire broad knowledge, starting with knowledge of ship structures, as well as basic knowledge of international norms, laws, and regulations, such as contracts for the operation of ships. Through on-the-job training, I was able to broaden my knowledge on a daily basis, and by taking advantage of training opportunities, such as one for practical know-how, provided by the Company, I was able to learn more specialized knowledge and improve the quality of my work.

In the corporate planning department, one needs to have specialized knowledge of accounting and finance to help formulate management plans for the entire Company. For this reason, I have taken part in voluntary in-house training in accounting and rank-based training, such as problem-solving training, to learn and refine the knowledge and skills useful for my work.

In addition to this, to learn even more specialized knowledge, I have the opportunity to participate in outside training courses with my manager’s recommendation in order to study theoretical and practical aspects of business investment criteria and financial strategy, as well as other knowledge that has a direct impact on my daily work. By proactively participating in in-house and outside training, I will continue to acquire knowledge that will boost my own career prospects.

Lately, in-house training opportunities have increased for DX and IT-related topics. I plan on improving my skills in these areas by starting out with basic courses and then working my way up, so that I can help advance DX across the Company as a part of the fiscal 2022 medium-term management plan.

COMMENT

Technical Personnel



**Joefel Macabale**

Captain

I was a “K” LINE scholar when I worked on my first vessel as a cadet in 2002. I rose through the ranks and became third officer in 2006 before being promoted to second officer in 2008. With “K” LINE’s career program and my determination to gain a promotion, I became chief officer in 2010. After years of service as head of the deck department, I acquired the qualifications to finally become a master mariner in 2018.

Being a master mariner is no easy task. I have immense responsibility for the safety and efficiency of the crew, as well as for the cargo, the vessel, and the marine environment. At the same time, I must ensure that the voyage is completed with minimum delay and expenditure and that all management policies are fully complied with.

Looking back at my first few years of serving at sea, I found myself in tough and very challenging situations. I must maintain both my work dedication and sanity. I have come to realize that the lives and safety of onboard personnel greatly depend on every single person you work with.

According to data, more than 80% of marine accidents are caused by human error. I believe that a comprehensive understanding of the working and living environment on ships is essential for developing an effective safety management system.

Good communication between the ship’s owner and the master also makes for a good working environment. Newer vessels should also be considered as they require less maintenance, more advanced technologies, and better living conditions.

“K” LINE recognizes all of this and provides guidance and support for safe navigation and mental well-being. Work and rest hour regulations, the Safety Report System, recreational activities, and daily online contact with family or loved ones are some of the developments that I believe give motivation and strength. Ensuring a good working environment helps us prioritize safety and raise safety awareness of all people working on board.



# SPECIAL FEATURE 04

## Accelerating Business Development Abroad by Reinforcing Safety and Quality Management



**We support region-based business activities and promoting the creation of a global system for safety and quality management based on ship management companies that integrate maritime technology functions.**

### Kiyotaka Aya

Senior Managing Executive Officer  
Supervising Marine Sector, Chief Safety Officer (CSO)

#### Q.

**In addition to restructuring the safety and quality management system set out in the medium-term management plan, you announced the establishment of a ship management company in Singapore. What are the aims of these actions?**

**A.** Under the medium-term management plan, we set forth safety and quality management by creating a system built around three bases (the United States, Europe, and Singapore). The aim is to create a system that supports the safe operation of “K” LINE vessels around the world 24 hours a day, regardless of the time difference. The establishment of a ship management company in Singapore is the first step.

From 2020, during the spread of COVID-19, “K” LINE adopted the slogan “no vessel is left alone.” In other words, there is constant and uninterrupted support for ships at sea from onshore bases. As the development of digital technology has put the commercialization of autonomous ships into focus, creating a system for monitoring and supporting the safe operation of vessels from onshore bases, not just carrying out safety management of individual ships, is the key for the shipping business in the future.

#### Q.

**What exactly is the role of the ship management company in Singapore?**

**A.** A ship management company plays a vital role in the safe navigation of vessels, namely, the maintenance and management of the ship’s hull as hardware, the management of marine transportation quality, the hiring of maritime personnel, and the management of the manning of vessels. K MARINE SHIP MANAGEMENT PTE. LTD., which was established in Singapore, aims to help create new businesses, such as an alternative-fuel-supply business, and cultivate maritime technical personnel, as well as continuing the management of oil tankers, LPG carriers, and LNG carriers, which has been thus far carried out by “K” Line Energy Ship Management Co., Ltd., in Japan.

Basically, at “K” LINE we appoint supervisors from senior officers, who have many years of experience on board “K” LINE-operated ships, to lead the management of each vessel. Given the fact that over 90% of our crew members are from outside Japan, the establishment of a ship management company in Singapore creates an ideal employment environment for non-Japanese employees, which transcends geographical borders and language barriers, thereby representing a huge advantage. Developing new businesses, such as those that deal with decarbonization, requires insight that is different from seamanship—the skills and knowledge required for operating vessels—which is gained offshore. Having this ship management company in Singapore enables us to flexibly outsource or hire new personnel.

By engaging in shipping safety and quality management, including human resource management, “K” LINE aims to help contribute to the targets of the United Nations Sustainable Development Goals related to preventing marine pollution (target 14.1), mitigating climate change (target 13.3), and protecting labor rights (target 8.8).



Additionally, Singapore is the largest bunkering port in the world and is at the forefront of initiatives to promote the shift to alternative fuels for low-carbon and carbon-free marine transportation. Some examples of this include a ship management project for ship-to-ship LNG bunkering vessels, which began in 2021, and an ammonia bunkering vessel project for ships, for which joint studies began in 2022 as a member of a consortium.\* We will support the expansion of projects in Asia by concentrating the art of seamanship in K MARINE SHIP MANAGEMENT.

\* For more information on the project that aims to establish an ammonia supply chain for bunkering, please refer to the following press release: [https://www.kline.co.jp/en/news/Liquefied\\_gas/Liquefied\\_gas-5420946834818750503/main/0/link/220513EN.pdf](https://www.kline.co.jp/en/news/Liquefied_gas/Liquefied_gas-5420946834818750503/main/0/link/220513EN.pdf)

**Q.**

**Is safety and quality management related to the strengthening of proposal capabilities and organizational sales capabilities?**

**A.** “K” LINE originally gained trust from its customers by prioritizing safety in navigation and transportation quality, and I believe that thorough management of vessel and transportation quality directly leads to the reinforcement

of proposal capabilities. The existence of ship management companies that possess the track record and personnel with a deep understanding of customer issues and needs is a huge advantage when making high-value-added proposals. Oil majors and resource majors have set up regional offices in Singapore, so we hope to contribute to the reinforcement of “K” LINE’s approach to such customers and the resolution of their issues.

Going forward, we expect to launch individual projects in each country and region in which we operate around the world, similar to the LNG bunkering vessel management project and ammonia bunkering vessel project in Singapore. Ship management companies are a contact point for such projects and play a role in accurately addressing customer needs for low-carbon and carbon-free marine transportation through a region-based customer support system. Accordingly, at our base in Singapore, we will accumulate experience and knowledge as preparation to create organizations in three bases, including Europe and the United States, as set out in the medium-term management plan.

**Examples of Business Development Abroad**

**Participating in Joint Carbon Capture and Storage Study in Malaysia: Aiming to Contribute to Net-Zero CO<sub>2</sub> Emissions in Malaysia and Asia**



























“K” LINE participated in a joint carbon capture and storage study in Malaysia together with Japan Petroleum Exploration Co., Ltd., JGC CORPORATION, and Petroliaam Nasional Berhad (PETRONAS), with the aim of contributing to net-zero CO<sub>2</sub> emissions in Malaysia and Asia. This study will include the capture, storage, and transportation of CO<sub>2</sub> from PETRONAS LNG terminals; a survey looking into suitable locations for CO<sub>2</sub> storage underground and its technological and economic examinations, as well as feasibility studies ascertaining the possibility of receiving CO<sub>2</sub> from outside Malaysia in the future; and a study of related legal systems. Through these activities, we will contribute to the achievement of decarbonization in Asia, which is the aim of the Asia Energy Transition Initiative.\*









\* The Japanese government’s initiative announced in May 2021, which aims to simultaneously achieve sustainable economic growth and carbon neutrality in Asia

**Launching Collaborative Research on Decarbonization with Emirates Global Aluminium**

We launched joint research with Emirates Global Aluminium PJSC (Dubai), with whom we have had a working relationship for over 40 years, which began from transportation via Panamax and handy-size vessels, aimed at reducing greenhouse gas emissions in the marine transportation of both companies. We will exchange technology and knowledge and contribute to reducing the greenhouse gas emissions of our respective customers and society with our common goal of achieving net-zero emissions by 2050. By aiming to reduce our environmental impact and contribute to society together with customers, “K” LINE will maintain and expand its base of stable businesses and earnings while further strengthening partnerships.

# Management Strategies and ESG / CSR Management

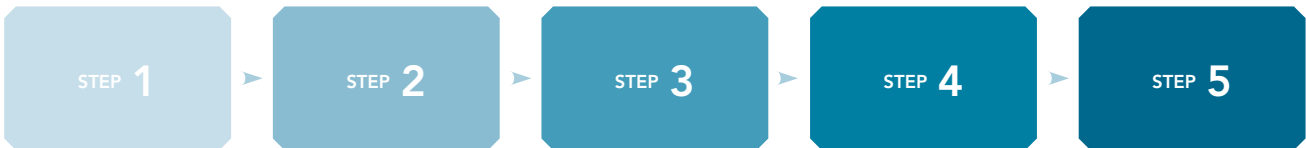
Basic CSR policy	Priority themes / Material issues	Key initiatives	Related SDGs	
Building a management structure that emphasizes social responsibility	 <b>Corporate governance</b> Establishment of a management structure that responds to the demands of society	<ul style="list-style-type: none"> <li>Introduce a unit supervisory system</li> <li>Introduce the Nomination Advisory Committee and Remuneration Advisory Committee</li> <li>Appoint outside directors (ratio of independent outside directors: raising to one-third)</li> </ul>		
	 <b>Stakeholder engagement</b> Promotion of dialogue with stakeholders	<ul style="list-style-type: none"> <li>Engage in investor relations in Japan and overseas</li> <li>Provide full disclosure</li> <li>Share feedback from shareholders and investors with managers and throughout the Company</li> <li>Open dialogue and collaborate with NPOs and NGOs</li> <li>Be a signatory of the United Nations Global Compact</li> </ul>		
Managing the impact of our business activities	<div style="border-left: 1px dashed red; padding-left: 5px;">                     Most important issues                 </div>	 <b>Environmental preservation</b> Reinforcement of environmental management Environment-friendly business activities	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions and improve emission efficiency (the challenge of achieving net-zero GHG emissions)</li> <li>Promote the transport and supply of new energy for a low-carbon society</li> <li>Reduce the shipping operation's impact on the sea and air, including zero oil spills</li> <li>Step up our activities and support for public environmental improvement efforts</li> </ul>	       
		 <b>Safety in navigation and cargo operations</b> Prevention of major accidents	<ul style="list-style-type: none"> <li>Enhance the safety management system</li> <li>Strengthen the ship management system</li> <li>Secure and train maritime technical personnel</li> </ul>	  
	 <b>Human rights</b> Prevention of discrimination Respect for basic labor rights Prevention of forced labor and child labor	<ul style="list-style-type: none"> <li>Formulate the "K" LINE Group Basic Policy on Human Rights</li> <li>Implement human rights due diligence</li> </ul>	  	
	 <b>Labor practices</b> Prevention of excessive working hours Promotion of diverse workstyles Improvement of occupational health and safety	<ul style="list-style-type: none"> <li>Become a certified Health &amp; Productivity Management Outstanding Organization (large enterprise category) in 2022</li> <li>Have received a Kurumin "next-generation" mark in 2020 as a company supporting childcare</li> <li>Renew our certification as a leading company for prevention of seafarer labor accidents</li> </ul>	 	
	 <b>Compliance</b> Prevention of corruption Prevention of anti-competitive behavior	<ul style="list-style-type: none"> <li>Create a system to prevent competition law violation recurrence</li> <li>Create a bribery prevention system</li> <li>Create a system for compliance with economic sanctions</li> <li>Enhance the internal reporting system</li> <li>Expand our educational programs</li> </ul>		
	 <b>Risk management</b> Business continuity plans (BCPs) to respond to large-scale disasters Enhancement of response capabilities for major accidents Crisis and risk management system	<ul style="list-style-type: none"> <li>Launch a BCP for the COVID-19 pandemic</li> <li>Conduct response drills for a large-scale accident</li> <li>Have the Crisis Management Committee and the Management Risk Committee apply the PDCA cycle to risk management</li> </ul>		

Basic CSR policy	Priority themes / Material issues	Key initiatives	Related SDGs
Creating new values	 <b>Human resource development</b> Improvement of corporate culture Development of global leaders Promotion of diversity	<ul style="list-style-type: none"> <li>Expand and strengthen position-based training</li> <li>Create new training systems, including onboard training for all employees and accounting and finance training</li> <li>Introduce a headquarters work program for non-Japanese seafarers</li> </ul>	
	 <b>Innovation</b> New value proposals through reduction of environmental burden and improvement of service quality	<ul style="list-style-type: none"> <li>Use Kawasaki Integrated Maritime Solutions to enhance our safety and environmental performance</li> <li>Install the Seawing automated kite system on ships to harness natural energy</li> <li>Introduce LNG-fueled car carriers</li> </ul>	
	 <b>Community involvement and development</b> Assistance in recovery / reconstruction from natural disasters Promotion of social contribution activities utilizing corporate resources	<ul style="list-style-type: none"> <li>Donate to areas affected by natural disasters</li> <li>Collaborate with free cargo transport operations to emerging countries</li> </ul>	
	 <b>Employment creation and skills development</b> Support for education and employment creation	<ul style="list-style-type: none"> <li>Host ship and training center tours for children and teachers</li> <li>Send lecturers to maritime education institutions to assist in the cultivation of future maritime technical personnel</li> </ul>	

### ▶ Process to Identify Materiality\*

The “K” LINE Group uses the following process and refers to international regulations and initiatives and Global Reporting Initiative (GRI) guidelines to identify important (material) issues.

\* Considering changes in social conditions and the business environment, we are currently reviewing our materiality, which will be announced in the second half of 2022.



#### Specify Themes Related to the “K” LINE Group’s Business Activities

The “K” LINE Group, through dialogue with internal and external stakeholders and by referring to OECD Guidelines for Multinational Enterprises, ISO 26000, GRI Guidelines, and other frameworks, has specified environmental and social themes that the Group’s operations around the world may affect or contribute to.

#### Select “Material Issues”

The Group has selected 10 of the themes identified in STEP 1 to prioritize in terms of the significance of their economic, environmental, and social impacts and the effects on stakeholder evaluations and decision-making. These themes and two additional themes deemed essential to establish the relevant management structure to address them have been designated “material issues” requiring action by the Group.

#### Formulate CSR Action Plans

The Group has set medium- and long-term targets for the 12 material issues designated in STEP 2 and formulates annual CSR Action Plans geared to each target.

#### Match with SDGs

The Group has aligned the CSR Action Plans outlined in STEP 3 with the 17 SDGs adopted by the United Nations in 2015 to ensure that the objectives are compatible.

#### Review

The Group semiannually reviews the progress of the CSR Action Plans, and revises or modifies them as necessary. At the end of each fiscal year, the Group evaluates the progress and results of the CSR Action Plans and, based on the progress toward the medium- and long-term goals and the social changes relevant to its businesses, formulates new plans for the next fiscal year.



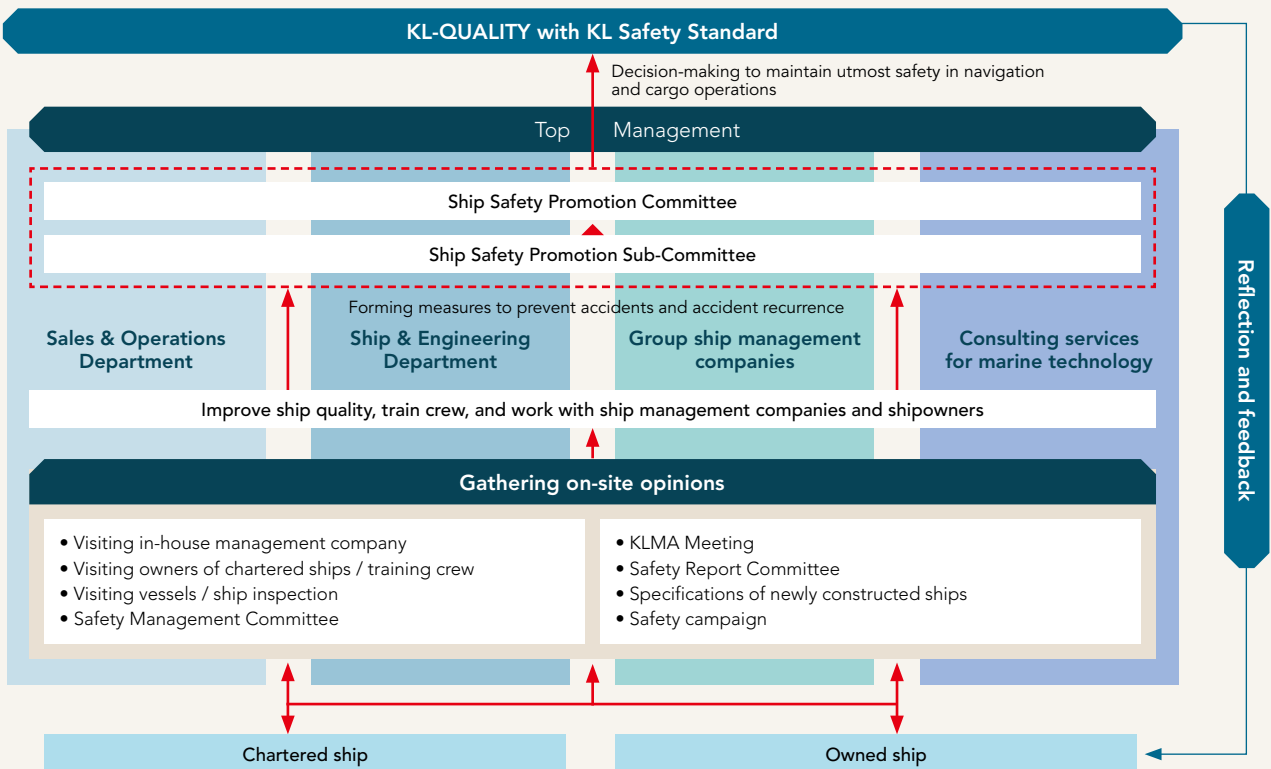
# Safety in Navigation and Cargo Operations

## Maintaining World-Leading Safety in Navigation and Cargo Operations

Safety in navigation and cargo operations is an immutable mission in a shipping business. The “K” LINE Group’s corporate principle and vision calls for “providing reliable and excellent services” and reflects our commitment to provide safe shipping operations for the benefit of society. The “K” LINE Group has three policy pillars: enhancing the safety management system, strengthening the ship management system, and securing and training maritime technical personnel.

### Enhancing Management Structures for Ensuring Safety in Navigation

The Ship Safety Promotion Committee, chaired by the president & CEO, is the top decision-making body covering operational safety. The committee determines accident prevention and safety measures for all ships operated by the Company—including owned, chartered, and entrusted vessels—and handles everything from basic policy formulation to the implementation of measures under the system shown below.



### Strengthening the Ship Management System

Through in-house ship management companies that share our corporate principle, we provide higher-quality, safer, and more secure services by making full use of our expertise with regard to different vessel types.

Ship Management Company	Vessel Type
K MARINE SHIP MANAGEMENT PTE. LTD.	Oil tanker, LPG carrier, LNG carrier
“K” Line Ship Management (Singapore) Pte. Ltd.	Containership
“K” Line LNG Shipping (UK) Limited	LNG carrier
“K” Line RoRo Bulk Ship Management Co., Ltd.	Car carrier, dry bulk carrier
Stargate Shipmanagement GmbH	Car carrier

## Establishment of New Companies

Based on the 2022 medium-term management plan, with the aim of providing high-quality and trusted ship management services, establishing a region-based customer support system, and flexibly responding to diversifying needs, "K" LINE has strengthened its global functional strategy structure that encompasses maritime technology, human resources, and regional bases, which are the business domains of ship management companies.

### Establishment of K MARINE SHIP MANAGEMENT PTE. LTD.

K MARINE SHIP MANAGEMENT PTE. LTD. has been established in Singapore, and the management of oil tankers, LPG carriers, and LNG carriers has been transferred from "K" Line Energy Ship Management Co., Ltd. In addition, as one of the global bases that support the activities of our business divisions in Asia, we will accelerate efforts to become carbon free and introduce digital transformation technology.

### Establishment of "K" Line Marine Solutions Co., Ltd.

"K" Line Marine Techno Service Co., Ltd., which operates the maritime consulting business for the "K" LINE Group, was renamed "K" Line Marine Solutions Co., Ltd., on July 1, 2022. Furthermore, our maritime technical functions—which were previously dispersed among the Safety and Ship Quality Management Division and each business division—have been consolidated into the new company for responding adroitly and flexibly to newly arising needs, such as maritime support for existing businesses, consulting services for new businesses that are required to strengthen Companywide efforts, troubleshooting related to new technologies such as LNG and NH3 fuel engines, and the provision of training of seafarers.

## "K" ARE Program

The "K" ARE Program is an initiative focused on the non-technical skills required to ensure safety in navigation and cargo operation. Through this program, we aim to foster a corporate culture in which failures can be used positively by removing the barriers between employees of different ranks under normal circumstances and cultivating workplace environments that facilitate the open reporting and sharing of failures. Moreover, we are encouraging unity among all employees, ranging from frontline staff to management both onshore and at sea, in our efforts to foster a culture of safety, reduce accidents attributable to human error, and eliminate serious accidents.

## Safety Campaign

"K" LINE holds an annual Safety Campaign under the theme of "safety in navigation and environmental preservation," during which onshore and maritime employees join hands to share opinions and confirm actual conditions, in order to advance a concerted Companywide effort to improve safety awareness in areas that extend beyond ship hulls and equipment. During the COVID-19 pandemic, online meeting systems were used to facilitate two-way communication and brisk exchanges of opinion between onshore and maritime employees.





# Strategy of "K" LINE Environmental Vision 2050

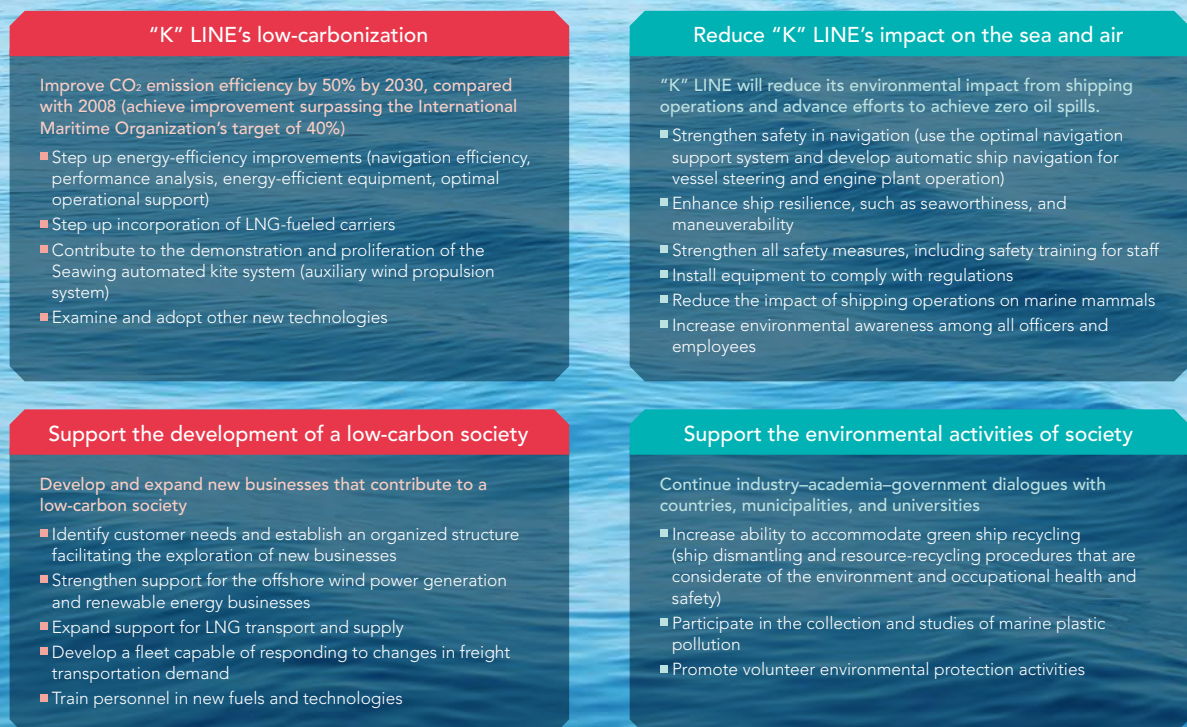
Under our corporate principle of helping enrich the lives of people as an integrated logistics company that focuses on marine transportation, we are taking on the mission of "Blue Seas for the Future" and striving to contribute to the global environment and a sustainable society. In November 2021, in order to reinforce initiatives to combat climate change, the Group revised its 2050 targets in the "K" LINE Environmental Vision 2050—Blue Seas for the Future—its long-term vision for the environment. In accordance with this revision, we are taking on the challenge of raising our target even further, to net-zero greenhouse gas (GHG) emissions by 2050.

## 2050 Targets in Environmental Vision



In June 2021, the Group announced a revised "K" LINE Environmental Vision 2050, and we will continue making steady progress with the action plan for 2030 set out in this vision.

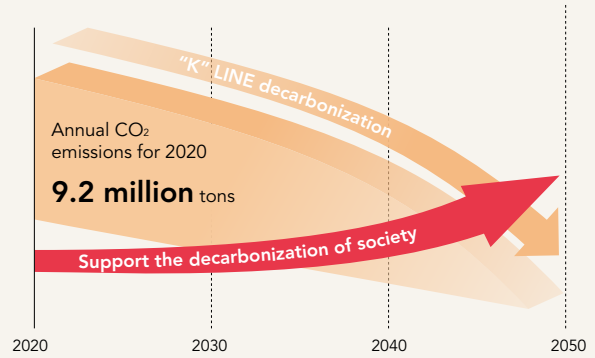
## ▶ 2030 Interim Milestones and Action Plan



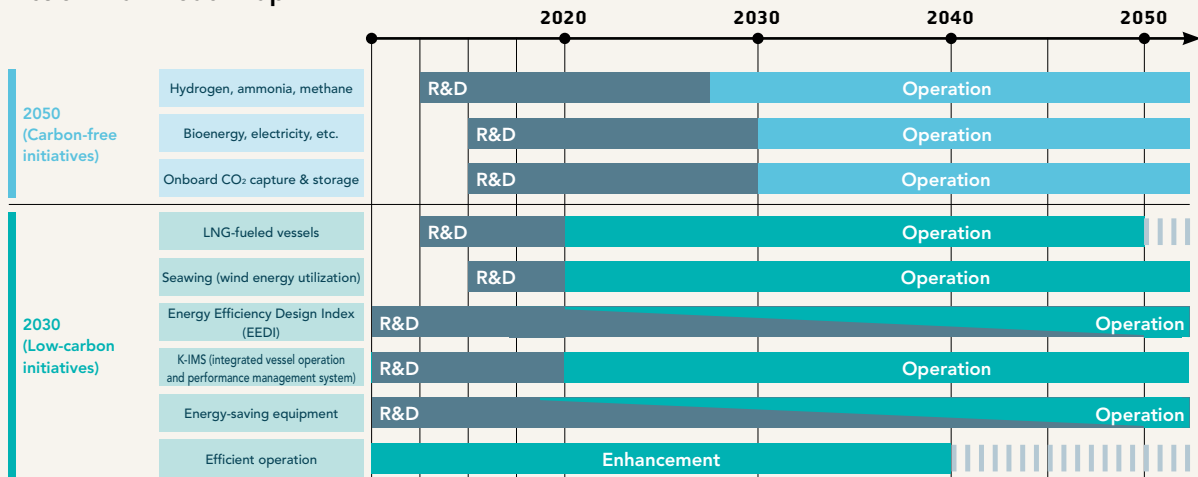


## ▶ Aim for Net-Zero GHG Emissions by 2050

In the second half of the 2020s, we aim to introduce zero-emission vessels powered by new fuels, and we will not only reinforce initiatives for reducing our in-house GHG emissions but also actively work toward a carbon-free society. These initiatives include support for projects related to the renewable energy field, such as offshore wind power, transportation of new energy sources, and CO<sub>2</sub> transportation. Supporting and promoting the transition to a carbon-free society, such as the concepts mentioned above, is a major opportunity to open up new domains for the shipping business.



### Action Plan Road Map



## Message from the Executive Officer in Charge of Environmental Affairs

In May 2022, the “K” LINE Group released the new fiscal 2022 medium-term management plan. Under this new management plan, management formulated a growth strategy to contribute to the realization of a low-carbon and carbon-free society by taking on new business domains as a business opportunity, based on the target in its new environmental vision, namely, to achieve net-zero greenhouse gas emissions by 2050. The Group is keen to strengthen initiatives to reduce its own greenhouse gas emissions, aiming to launch zero-emission ships that use new fuels in the late 2020s. In addition, the Group will aggressively support businesses that help society become low carbon and carbon free, such as support ships for renewable energy projects, including offshore wind power generation; the transportation of new types of energy, such as hydrogen and ammonia; and the transportation of captured CO<sub>2</sub>.

We believe that supporting and advancing society toward a low-carbon and carbon-free future will present major opportunities to expand into new business domains for marine transportation. Through these initiatives, “K” LINE aims to be a company always chosen by all stakeholders, by reducing its environmental footprint, moving toward a sustainable society, and continuing to improve corporate value.



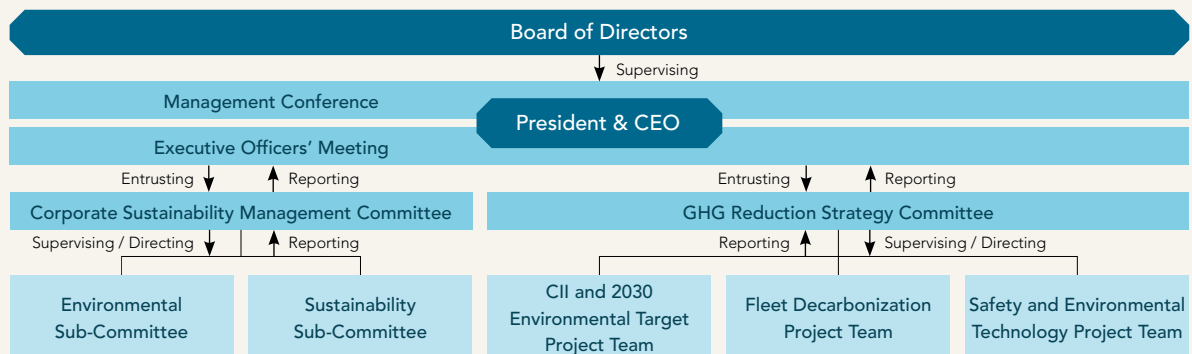
**Noriaki Yamaga**  
Managing Executive Officer



# TCFD-Based Information Disclosure

## ▶ Environmental Governance

In April 2021, the “K” LINE Group updated the promotion system for sustainability. Moreover, the Corporate Sustainability Management Committee is enhancing corporate value by reviewing and formulating a promotion system for the “K” LINE Group’s sustainability management. The GHG Reduction Strategy Committee formulates and coordinates the implementation of GHG reduction strategies, centered on fuel conversion across the Group. These two committees, chaired by the president & CEO, function as places to hold strategic discussions. The Environmental Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee, is responsible for operating the environmental management system formulated in accordance with the “K” LINE Group Environmental Policy and the standards of the International Organization for Standardization (ISO). The subcommittee is also responsible for promoting environmental preservation activities.



## ▶ Overview of Strategy

In the fiscal 2022 medium-term management plan unveiled in May 2022, with the aims of sustaining growth and improving corporate value, the “K” LINE Group is committed to smoothly transitioning to other sources of energy for its own use and use by society, on the path to achieving a low-carbon and carbon-free society. We will steadily advance initiatives while leveraging our advantages and co-creating with customers and business partners.

## Low-Carbon and Carbon-Free Initiatives at “K” LINE (Fuel Conversion) —

### Adoption of LNG-fueled vessels

- Delivered LNG-fueled car carrier *CENTURY HIGHWAY GREEN* in March 2021
- Approximately 25% to 30% reduction in CO<sub>2</sub> emissions by using LNG fuel
- Approximately 40 LNG-fueled vessels will be added to our fleet by 2030

### Initiatives to promote ammonia-fueled vessels

- Participating in joint project for the development of ammonia-fueled vessels adopted by the Green Innovation Fund
- The project aims to deploy implementation of ammonia-fueled cape-size bulk carriers into society as soon as possible or by 2028. We will develop propulsion systems and hulls and acquire and operate such vessels ahead of other countries.

Related pages: ▶ P24–25 Special Feature 01 Developing Ammonia-Fueled Vessels as Business Opportunities



## Low-Carbon and Carbon-Free Initiatives at “K” LINE (New Technologies) —

### “LNG-fueled large bulk carrier + Seawing” — Utilization of renewable energy

- Seawing, an automated kite system developed by Airseas which was spun off from Airbus, will be installed on a large LNG-fueled bulk carrier scheduled to be delivered in 2024
- CO<sub>2</sub> emissions reduction effect  
LNG fuel (25% to 30%) + Seawing (20%) = 45% to 50% emissions reduction

Related pages: ▶ P26–27 Special Feature 02 Realizing Shift to Low-Carbon Ship Operations by Seawing



## Supporting the Shift to Low-Carbon and Carbon-Free Society



### The "K" LINE Group's offshore wind power support services business

- Established "K" Line Wind Service, Ltd. (KWS), in June 2021
- KWS specializes in offshore wind power projects with the comprehensive strengths of the "K" LINE Group
- KWS will play a central role in the "K" LINE Group as a platform for business development in the offshore wind power field
- By pursuing operation and suitable vessel design for Japanese waters, we aim to contribute to the development of a new cluster of maritime industries for offshore wind power in Japan



### Hydrogen transportation

- Participating in the Hydrogen Energy Supply-Chain Technology Research Association (HySTRA), which promotes relevant technology creation and demonstration. The aim of our participation is to build a carbon-free hydrogen supply chain consisting of hydrogen production, transport, storage, and utilization.
- We have completed a demonstration of a CO<sub>2</sub>-free energy supply chain between Australia and Japan. Hydrogen made in Australia from brown coal was transported to Japan using the world's first liquefied hydrogen carrier, *SUISO FRONTIER*.

In 2019, the "K" LINE Group achieved many intermediate milestones in the "K" LINE Environmental Vision 2050, which was formulated in 2015. At the same time, we recognized the need to address the impact from climate change and the growing movement toward achieving carbon free, amid changes in the business environment and customer expectations since the vision was created. In order to reaffirm the Group's course going forward, we conducted a scenario analysis based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

 <https://www.kline.co.jp/en/csr/group/booklet>

## Major Risks and Opportunities

– Negative aspects (risks) + Positive aspects (opportunities)

Transition Risks Need for low-carbon operations Society's need for low-carbon goods	Physical Risks Need to enhance safety in navigation	Other Factors Response to stricter environmental regulations, demand for clean transportation, and social issues
	Acute risks: Natural disasters (more typhoons and cyclones, intensifying natural disasters) Chronic risks: Changes in the natural environment (rising sea levels, changes in the land environment, changes in ocean environment)	
– Higher operating costs from a carbon tax and rising natural resource prices	– (Acute) Increased potential of an oil spill accident	– Decreased profits from higher operating and capital costs
– Decreased asset value of existing ships	– (Acute) Higher costs for vessels and cargo damage	– Negative impact on marine ecosystems
– Higher R&D and installation costs	– (Chronic) Higher port fees and insurance rates	
+ Reduced carbon tax burden from decarbonizing operations	+ (Acute) Safer and more reliable services, protection of customers and Company assets	+ A cleaner environment and ecosystem
+ Favorable customer evaluations for decarbonizing operations	+ (Acute) Increased shipping demand due to quick disaster response capability	
+ Development of leading expertise from early adoption of new technologies	+ (Chronic) Increased transportation demand for disaster prevention-related construction machinery and plants	+ Increased stakeholder trust

## Metrics and Targets

### Aim for net-zero GHG emissions by 2050

#### 2030 interim milestones

"K" LINE low-carbon transition	Improve CO <sub>2</sub> emission efficiency by 50% by 2030 (compared with 2008 levels)
Support development of a low-carbon society	Transport and supply new energy for a low-carbon society

#### 2050 targets

"K" LINE decarbonization	Take on the challenge of net-zero GHG emissions
Support the decarbonization of society	Be a transporter and supplier of new energy



# Pursuit of Innovation through DX

## ▶ Outline of “K” LINE’s Digital Transformation (DX) Strategy

In its medium-term management plan, unveiled in May 2022, “K” LINE set forth the objective to evolve into a Group that increases value added in line with the specific needs of customers, honing the unique technologies and specializations of the “K” LINE Group. “K” LINE is advancing DX as a specific functional strategy of this objective.

A central facet of “K” LINE’s DX strategy is to refine its core values of safety, the environment, and quality by deploying digital technologies and updating its DX foundation. The aim is to enhance safety, the environment, and quality, the sources of the Company’s competitiveness, and improve the value-added of its services. We aim to increase corporate value while deepening our relationships with customers by building competitive advantages through the creation of new value, and transforming our business with environmental and digital technologies.

As for upgrades to our DX platform, we are reviewing existing work processes, strengthening cybersecurity measures on ships and on land, and digitizing ship operations, which have been behind our progress on digitizing land operations. On this platform, we are broadening the scope for using data and digital technologies, advancing the digitalization of information, work processes, and ships, and polishing our competitiveness in the creation of new value based on this DX platform. We are setting up specialized organizations to advance our DX strategy and to hire and train human resources. We will execute measures in line with this strategy and strengthen our competitiveness while continuously updating our strategies to reflect the latest trends in technology.

“K” LINE formulated and unveiled its DX strategy in December 2021, and was selected as a DX-certified operator in April 2022 by the national certification initiative together with the Ministry of Economy, Trade and Industry, based on the Act on Facilitation of Information Processing.

## ▶ DX Promotion Structure

Integrating the AI / Digitalization Strategy Group with the Information System Group, the Company created the Digitalization Strategy Group (DSG) with 16 members in February 2022. This put into place a structure for advancing DX, while updating and applying its security policies and secure IT infrastructure and consolidating knowledge of IT and digitalization that had been spread around the Company. We aim to reinforce our competitiveness by advancing DX and applying the knowledge of external partners, in addition to integrating the IT resources and knowledge of the “K” LINE Group.

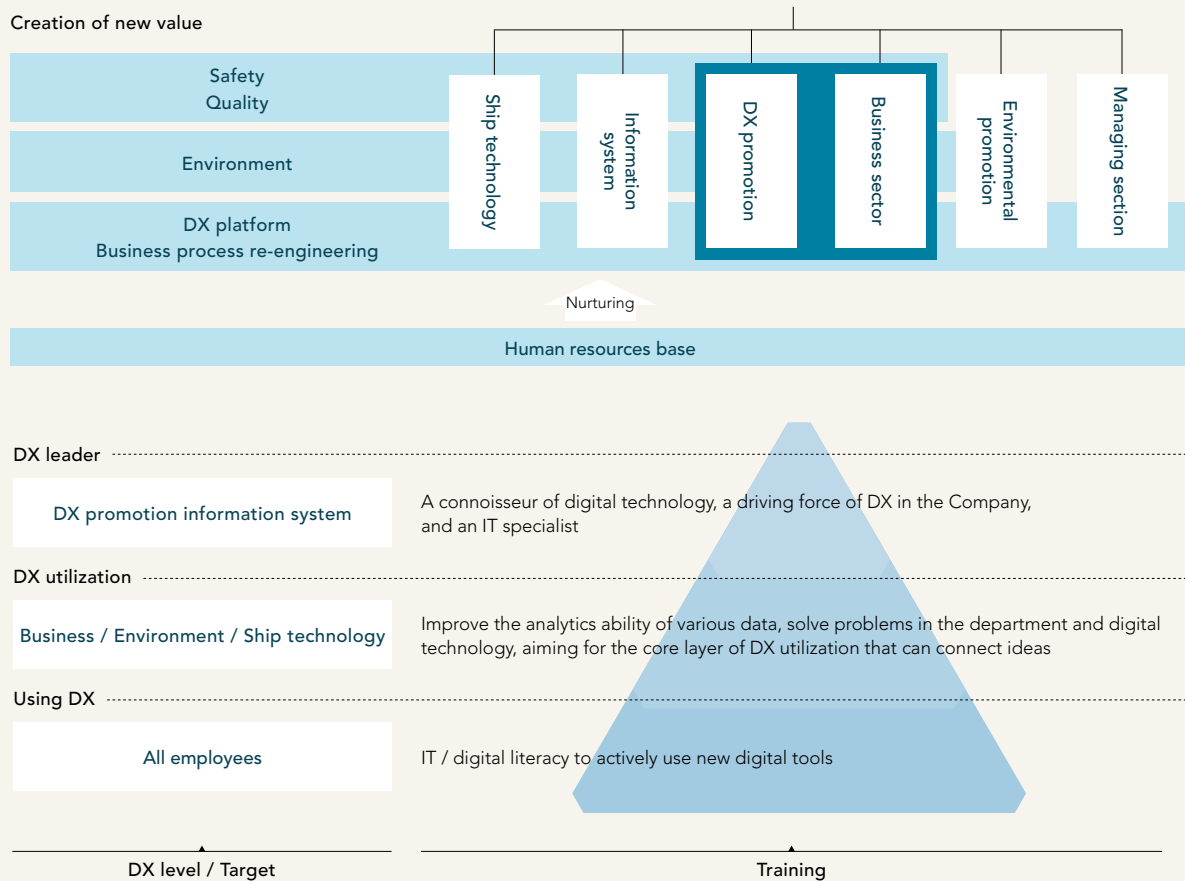
## ▶ DX Human Resource Development

DX needs to take hold at business sites before DX can become a growth driver. IT human resources, which are key to making DX work, are often lumped together in discussions, but we did not always clearly articulate our vision for applying the specific skills and acquired knowledge of staff needed at the operational level. Although employees have undergone internal training, it was limited to general knowledge about IT.

“K” LINE aims to advance DX further and came up with measures to train employees, who will be responsible for the actual work, in the finer details of DX. In order to instill the DX strategy across the Group, “K” LINE is strengthening its core DX personnel who are able to communicate effectively with digital engineers, and is promoting these human resources as an essential step in sharpening its competitiveness.

The “K” LINE Group is keen to train three layers of human resources, namely human resources who will be the driving force behind DX and keep up with trends in IT and cybersecurity technologies, human resources who are analysts able to envision the use of ship operations data and who will lead the application of DX in all layers of the organization, and human resources able to proactively adopt digital technologies to improve work processes. We will assign these DX personnel to positions within each department of our organization.

More specifically, since May 2022, the Company has offered DX training seminars called “K” LINE D+ Salon for employees in charge of DX who were appointed by each unit and group. Around 20 people participate in the five-day seminar at a time. We expanded the scope of employees eligible for the training, and a total of 100 people took the course. We expect these graduates of the program to lead internal initiatives in DX as the layer of personnel in our organization with an understanding of the finer details of DX.



### Comment from a DX Trainee

**Eri Noguchi**

Technical & Quality Management Team, Car Carrier Quality and Operations Group

In our training, we learned not only the latest digital technologies, but also how to identify issues in existing work and come up with ideas for applying new digital technologies to fix these issues. Before the COVID-19 pandemic, we were not familiar with Microsoft Teams application, but it became an essential work tool these past three years. Likewise, there might be some unknown aspect of digital technology (D) that could be a way to solving work-related issues. More people at the Company are taking personal responsibility for work-related issues and seeking out solutions with various technologies, and ideas for using technologies leads to small transformations (X) that become digital transformations (DX). I am also on the lookout for technological solutions to issues, and will strive to nimbly come up with outside-the-box ideas and create new value.



## ▶ Example of DX Measures

“K” LINE is using data and digital technologies to advance information and work processes as well as the digitalization of ships. The Company is polishing its three core values of safety, the environment, and quality with the aim of improving added value. Below, we introduce some examples of this initiative.

### “K”-Assist Project: Digital for Safety

The “K”-Assist project stands for “K” LINE Autonomous Ship with Safe and Intelligent Supporting Technology. “K” LINE launched this project as an initiative that aims to firmly maintain safety with highly intelligent ships. Drawing on four fields, this project proactively incorporates know-how and technologies from not only the marine transportation and shipbuilding industries, but also from other industries. Our aim is to establish autonomous ship navigation technology that increases safety further and lightens workloads on crew.

Among the four fields, in support for sentry duty and ship navigation, ship operators have traditionally followed a set of procedures, starting with situational awareness to information processing, risk assessment, action decision-making, and finally operating the ship. Using artificial intelligence (AI) and other technologies, we are developing systems that will display information and recommend courses of action for ship operations.

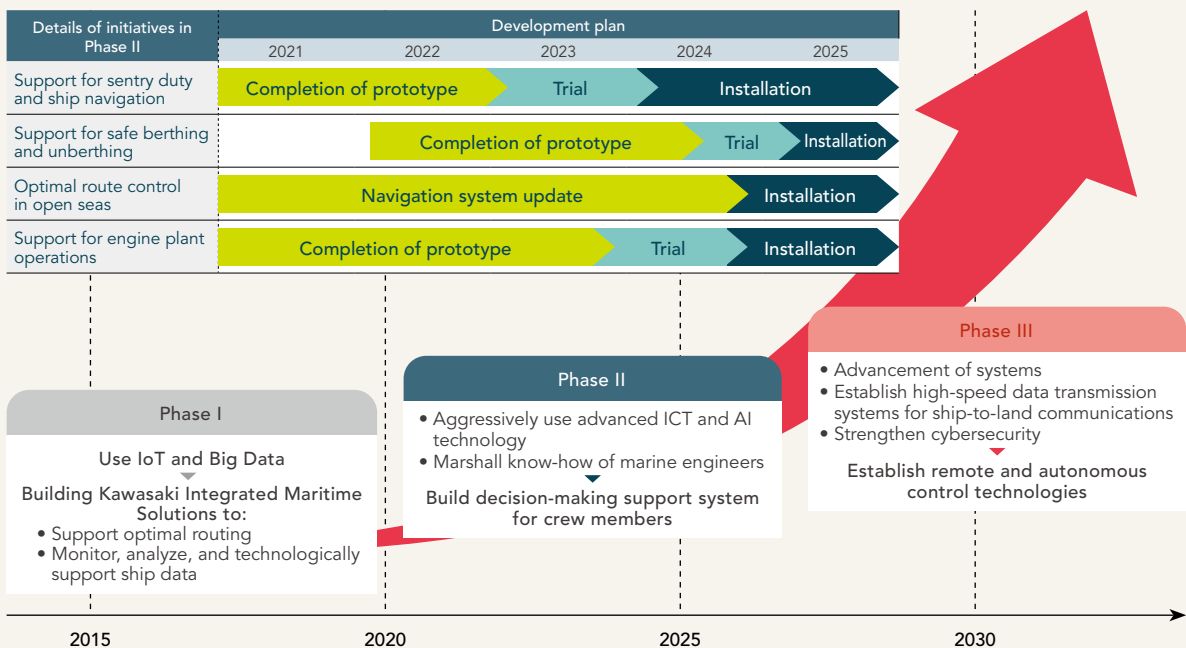
In support for safe berthing and unberthing, we are developing information display systems for ship operators that use a high-precision ship position prediction model that takes into account various external forces that work on the ship hull. Our aim is to increase the sophistication of safe berthing and unberthing operations, including controlling mooring winches.

In the field of optimal route control in actual sea surroundings, our systems will support the selection of ship routes using a model of ship sway characteristics and actual conditions in actual sea surroundings.

In support for engine plant operations, we aim to support optimal operations of engine plants, forecast and diagnose breakdowns, and monitor operating conditions through the use of advanced AI technologies to analyze an abundance of plant operations data gathered with Kawasaki Integrated Maritime Solutions.\*

In Phase II of the “K”-Assist project, we plan to build a decision-making support system for crew members after conducting trials on land and sea.

\* An integrated ship operation and performance management system with functions for shore-to-ship operations management, monitoring the state of operations of engine plants, and analyzing ship performance



## Use of Kawasaki Integrated Maritime Solutions:

### Digital for the Environment

The Kawasaki Integrated Maritime Solutions integrated ship operations and performance management system gathers ship operations data from each ship and monitors in real time not only their propulsion performance and engine plant status, but also their CO<sub>2</sub> emissions and other environmental aspects. In 2021, "K" LINE introduced the latest AI analysis technology, which has raised the precision of performance assessments. Using up-to-date data on the weather and sea conditions, as well as a physical performance analysis model of each ship, our optimal ship operations support systems calculate recommended routes for ships, enabling safe and economical ship navigation while reducing the burden on the environment.

### Automatic Plan Creation and Sharing System

#### for Loading Iron Ore and Coal: Digital for Quality

"K" LINE is developing an automated cargo stowage planning system for loading iron ore and coal cargo in order to satisfy diverse customer requirements (loading port, discharging port, volume of each cargo, and ship's cargo hold designation) and various restrictions (draft, bow and stern trim conditions such as difference of draft, hull strength, etc.). The aim of this system is to maximize cargo volume, optimize stowage plan and reduce onboard work of ship's officers. Currently, ship officers and maritime technical personnel use their knowledge and expertise to calculate and select best stowage plan for each voyage, but in this project, by utilizing the latest mathematical optimization technologies, we have seen good results from testing a system for automatically creating cargo stowage loading plans in a shorter amount of time while maintaining the same quality as veteran maritime technical personnel.

### ▶ Cybersecurity

"K" LINE continues to reinforce its cybersecurity. We have adopted the latest technologies, rolling out security monitoring systems and strengthening the security of our communications networks and endpoints, such as PCs and servers. Worldwide, "K" LINE is deploying multifactor authentication and increasing the level of security in account management and authentication. Management has clarified roles and responsibilities in cybersecurity across the "K" LINE Group, and it has built a system for accurately responding to cyber incidents and sharing information about malware and vulnerabilities. In addition to technological countermeasures, we are training employees on cybersecurity to foster a security-first mindset, and we are advancing DX based on safe, secure, and robust IT infrastructure. As a security measure for ships operated and managed by the "K" LINE Group, in July 2022, we installed on ships a cyberattack response platform and security monitoring services that use AI.

# Corporate Governance

## Aiming for Sustainable Growth and Grater Corporate Value

### Directors (As of June 23, 2022)



#### Yukikazu Myochin

Representative Director,  
President & CEO

Term of office as director: 6 years  
Number of the Company's shares held: 14,400 shares

Born in March 1961  
Apr 1984 Joined the Company  
Jan 2010 General Manager of Containerships Business Group  
Apr 2011 Executive Officer  
Apr 2016 Managing Executive Officer  
Jun 2016 Director, Managing Executive Officer  
Apr 2018 Representative Director,  
Senior Managing Executive Officer  
Apr 2019 Representative Director, President & CEO (Current)



#### Atsuo Asano

Representative Director,  
Vice President Executive Officer

Term of office as director: 4 years  
Number of the Company's shares held: 14,900 shares

Born in February 1961  
Apr 1983 Joined the Company  
Oct 2009 General Manager of Coal & Iron Ore Carrier Group  
Apr 2010 Executive Officer, General Manager of Coal & Iron Ore Carrier Group  
Apr 2012 Executive Officer  
Apr 2014 Managing Executive Officer  
Apr 2018 Senior Managing Executive Officer  
Jun 2018 Director, Senior Managing Executive Officer  
Apr 2019 Representative Director,  
Senior Managing Executive Officer  
Jun 2020 Representative Director,  
Vice President Executive Officer (Current)



#### Yukio Toriyama

Representative Director,  
Senior Managing Executive Officer

Term of office as director: 3 years  
Number of the Company's shares held: 12,400 shares

Born in November 1959  
Apr 1983 Joined the Company  
Apr 2010 General Manager of Port Business Group  
Apr 2011 Executive Officer,  
General Manager of Accounting Group  
Jun 2011 Director, Executive Officer,  
General Manager of Accounting Group  
Apr 2012 Director, Executive Officer  
Apr 2014 Director, Managing Executive Officer  
Jun 2016 Managing Executive Officer  
Apr 2019 Senior Managing Executive Officer  
Jun 2019 Representative Director, Senior Managing Executive Officer (Current)



#### Kazuhiko Harigai

Representative Director,  
Senior Managing Executive Officer

Term of office as director: 3 years  
Number of the Company's shares held: 15,100 shares

Born in July 1960  
Apr 1983 Joined the Company  
Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group  
Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group  
Apr 2012 Executive Officer  
Apr 2013 Managing Executive Officer  
Apr 2019 Senior Managing Executive Officer  
Jun 2019 Director, Senior Managing Executive Officer  
Jun 2020 Representative Director, Senior Managing Executive Officer (Current)



#### Yasunari Sonobe

Director, Senior Managing Executive Officer

Term of office as director: 2 years  
Number of the Company's shares held: 2,200 shares

Born in March 1959  
Apr 1982 Joined the Company  
Jan 2005 Managing Director of "K" Line European Sea Highway Services GmbH, Bremen  
Apr 2009 General Manager of Corporate Planning Group  
Apr 2012 Executive Officer  
Apr 2015 Managing Executive Officer,  
President of "K" LINE AMERICA, INC.  
Apr 2019 Senior Managing Executive Officer  
Jun 2020 Director, Senior Managing Executive Officer (Current)





### Keiji Yamada

#### Independent & Lead Outside Director

Term in office as outside director: 3 years  
Number of the Company's shares held: 0 shares

Born in April 1954  
Apr 1977 Joined Ministry of Home Affairs (currently Ministry of Internal Affairs and Communications)  
Jul 1982 Superintendent of Amakusa Tax Office, National Tax Agency  
Jul 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture  
Sep 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization  
Apr 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture  
Jan 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs  
Jul 1992 Counsellor, Cabinet Legislation Bureau  
Jul 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)  
Aug 1999 Director, General Affairs Department, Kyoto Prefecture  
Jun 2001 Vice-Governor, Kyoto Prefecture  
Apr 2002 Governor, Kyoto Prefecture (retired in April 2018)  
Apr 2011 President, National Governors' Association (Ditto)  
Apr 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Jun 2019 Outside Director of the Company (Current)  
Mar 2020 Outside Audit & Supervisory Board Member, HORIBA, Ltd. (Current)  
Apr 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Nov 2020 Outside Director, TOSE CO., LTD. (Current)  
Apr 2021 Trustee, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)  
Jun 2021 Outside Director, Nitto Pharmaceutical Holdings, Ltd. (Current)



### Ryuhei Uchida

#### Outside Director

Term in office as outside director: 3 years  
Number of the Company's shares held: 0 shares

Born in October 1977  
Apr 2002 Joined Mitsubishi Corporation  
Dec 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment  
Dec 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current)  
Jun 2019 Outside Director of the Company (Current)



### Kozue Shiga

#### Independent & Outside Director

Term in office as outside director: 2 years  
Number of the Company's shares held: 1,000 shares

Born in November 1948  
Nov 1967 Joined Japan Airlines Co., Ltd.  
Apr 1993 Commissioned as public prosecutor  
Apr 1998 Registered with Daiichi Tokyo Bar Association  
Aug 1999 Established Shiga Law Office  
Oct 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)  
Jun 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)  
Jun 2015 Outside Director, Ricoh Leasing Company, Ltd. (retired in June 2020)  
Jun 2016 Outside Audit & Supervisory Board Member of the Company (retired in June 2020)  
Jan 2019 Of Counsel, Shiraishi Sogo Law Office (retired in June 2022)  
Jun 2020 Outside Director of the Company (Current)  
Jul 2022 Joined Oka-Parnerts Law Office (Current)



### Tsuyoshi Kameoka

#### Independent & Outside Director

Term in office as outside director: 1 year  
Number of the Company's shares held: 300 shares

Born in October 1956  
Apr 1979 Joined Shell Sekiyu K.K.  
Apr 2003 International Oil Products Trading Division Manager, Showa Shell Sekiyu K.K.  
Apr 2005 Senior Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.  
Mar 2006 Executive Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.  
Nov 2008 Executive Officer and General Manager of Head Office Marketing Department, Showa Shell Sekiyu K.K.  
Mar 2009 Corporate Executive Officer of Marketing Division, Showa Shell Sekiyu K.K.  
Mar 2013 Executive Officer Vice President, Oil Business COO, Showa Shell Sekiyu K.K.  
Mar 2015 President & Representative Director, Group CEO, Energy Solution Business COO, Showa Shell Sekiyu K.K.  
Apr 2019 Vice Chairman and Representative Director, and Vice Chairman and Executive Officer, Idemitsu Kosan Co., Ltd.  
Jun 2020 Special Advisor, Idemitsu Kosan Co., Ltd. (retired in June 2022)  
Jun 2021 Outside Director of the Company (Current)  
Apr 2022 Trustee and Councilor, Kwansai Gakuin Educational Foundation (Current)

### Director Skill Matrix

	Expertise and experience				
	Corporate management & strategy	Legal & risk management	Finance & accounting	Technology	Global
Yukikazu Myochin	●	●			●
Atsuo Asano	●			●	●
Yukio Toriyama	●	●	●		●
Kazuhiko Harigai	●				●
Yasunari Sonobe	●				●
Keiji Yamada		●			●
Ryuhei Uchida	●		●		●
Kozue Shiga		●			●
Tsuyoshi Kameoka	●	●			●

# Corporate Governance

Aiming for Sustainable Growth and Grater Corporate Value

## Audit & Supervisory Board Members / Executive Officers (As of June 23, 2022)

### Audit & Supervisory Board Members



#### Kunihiko Arai

Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 3 years

Number of the Company's shares held: 3,900 shares

Born in November 1959

Apr 1982 Joined the Company

Aug 2001 General Manager, "K" LINE PTE LTD, Trade Management Division

Jul 2012 Representative in Beijing, China (Representative Office closed in December 2012)

Managing Director of K LINE (CHINA) LTD. (retired in June 2019)

Jan 2014 Managing Director of "K" LINE (HONG KONG) LIMITED (retired in January 2019)

Apr 2015 Managing Executive Officer of the Company

Apr 2019 Special Advisor of the Company

Jun 2019 Audit & Supervisory Board Member of the Company (Current)



#### Yutaka Akutagawa

Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 1 year

Number of the Company's shares held: 0 shares

Born in February 1966

Apr 1988 Joined The Dai-Ichi Kangyo Bank, Ltd.

Apr 2013 Joint General Manager, Corporate Banking Coordination Division (Large Corporations), Mizuho Bank, Ltd., and Joint General Manager, Corporate Banking Coordination Division (Large Corporations), Mizuho Corporate Bank, Ltd.

Jul 2013 Joint General Manager, Corporate Banking Coordination Division (Large Corporations), Mizuho Bank, Ltd.

Apr 2014 General Manager, Corporate Banking Division No. 4, Mizuho Bank, Ltd.

Apr 2017 Executive Officer and General Manager, Corporate Banking Department No. 4, Mizuho Bank, Ltd.

Apr 2018 Executive Officer and General Manager, Corporate Institutional Banking Department, Mizuho Trust & Banking Co., Ltd.

Apr 2019 Managing Executive Officer in charge of Banking, Mizuho Bank, Ltd.

Apr 2020 Managing Executive Officer in charge of Banking, Head of Area, Mizuho Bank, Ltd. (retired in March 2021)

Apr 2021 Business Advisor of the Company

Jun 2021 Audit & Supervisory Board Member of the Company (Current)



#### Atsumi Harasawa

Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 3 years

Number of the Company's shares held: 0 shares

Born in August 1967

Apr 1992 Joined Japan Airlines Co., Ltd. (resigned in March 2004)

Dec 2009 Registered with Tokyo Bar Association Joined Sonderhoff & Einsel Law and Patent Office (resigned in June 2014)

Jun 2014 Joined Digital Arts Inc. (resigned in March 2015)

Apr 2015 Joined Yamasaki & Partners (resigned in October 2016)

Nov 2016 Partner, Igarashi Watanabe & Esaka Law Office (Current)

Apr 2018 Outside Auditor, Lawson Bank, Inc. (Current)

Jun 2019 Audit & Supervisory Board Member of the Company (Current)

Jun 2020 Outside Director, Ricoh Leasing Company, Ltd. (Current)

Sep 2020 Outside Auditor, GiXo Ltd. (Current)



#### Shinsuke Kubo

Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 2 years

Number of the Company's shares held: 400 shares

Born in March 1956

Apr 1979 Joined Sanwa & Co. (currently known as Deloitte Touche Tohmatsu LLC)

Mar 1982 Registered as Certified Public Accountant

Jun 1998 Representative Partner, Tohmatsu & Co. (currently known as Deloitte Touche Tohmatsu LLC)

Sep 2017 Retired from Deloitte Touche Tohmatsu LLC

Oct 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)

Jan 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (retired in December 2020)

May 2018 Representative Partner, Kyoei Accounting Office (Current)

Jun 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)

Jun 2020 Audit & Supervisory Board Member of the Company (Current)

### Executive Officers

#### Yukikazu Myochin

President & CEO

#### Atsuo Asano

Vice President Executive Officer

Assistant to President & CEO, Responsible for Dry Bulk Carriers Unit, In charge of Bulk Carrier and Drybulk Planning, Responsible for Marine Sector, Advanced Technology, Ship Technical, GHG Reduction Strategy Unit

#### Yukio Toriyama

Senior Managing Executive Officer

Responsible for CFO Unit (Corporate Planning, Research, Corporate Sustainability, Environment Management, IR and Communication, Finance, Accounting, Taxation), Legal, Corporate Legal Risk & Compliance Unit, CFO (Chief Financial Officer)

#### Kazuhiko Harigai

Senior Managing Executive Officer

Responsible for Energy Transportation Business Unit

#### Yasunari Sonobe

Senior Managing Executive Officer

Responsible for Product Logistics Business Unit (Car Carriers, Logistics, Port, Short Sea and Coastal Business and Affiliated Business)

#### Kiyotaka Aya

Senior Managing Executive Officer

Supervising Marine Sector, CSO (Chief Safety Officer)

#### Daisuke Arai

Managing Executive Officer

Responsible for Containerships Business Unit, Digitalization Strategy Unit, CIO (Chief Information Officer)

#### Makoto Arai

Managing Executive Officer

Supervising Legal, Corporate Legal Risk & Compliance Assistance to Internal Audit, CCO (Chief Compliance Officer)

#### Shingo Kogure

Managing Executive Officer

Responsible for General Affairs, Human Resources Unit

#### Takenori Igarashi

Managing Executive Officer

In charge of Car Carrier Business, Car Carrier Planning & Development, Car Carrier Quality and Operations

#### Noriaki Yamaga

Managing Executive Officer

In charge of Corporate Planning, Research, Corporate Sustainability, Environmental Management, IR and Communication

#### Keiji Kubo

Managing Executive Officer

In charge of Logistics, Port and Affiliated Business

#### Yuji Asano

Managing Executive Officer

In charge of Finance, Accounting, Taxation

#### Michitomo Iwashita

Executive Officer

Supervising Ship Technical, GHG Reduction Strategy In charge of Electricity and Offshore Business, Advanced Technology

#### Masatoshi Taguchi

Executive Officer

In charge of Coal & Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning & Operation

#### Toyohisa Nakano

Executive Officer

In charge of Ship Technical, GHG Reduction Strategy General Manager of Ship Technical Group

#### Satoshi Kanamori

Executive Officer

In charge of LNG, Carbon-Neutral Promotion

#### Akihiro Fujimaru

Executive Officer

In charge of Marine Sector

#### Hisashi Nakayama

Executive Officer

In charge of Tankers, Fuel Strategy & Procurement

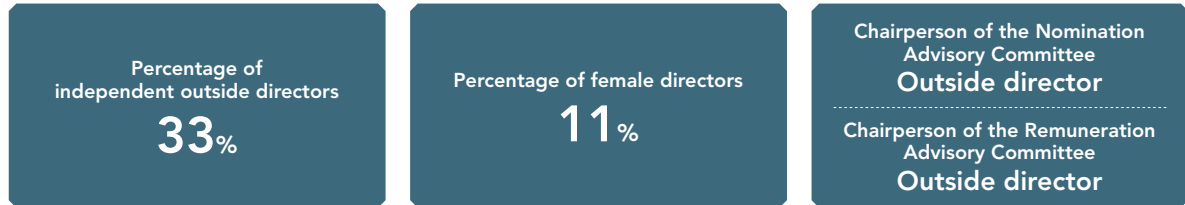
#### Fumiyoshi Sato

Executive Officer

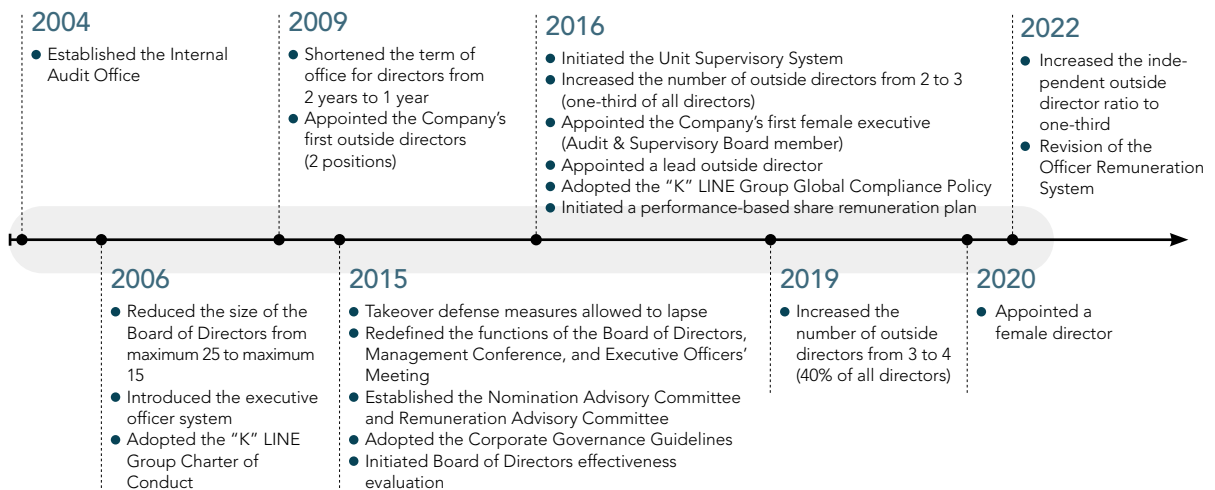
In charge of Legal, Corporate Legal Risk & Compliance, General Manager of Legal Group and Corporate Legal Risk & Compliance Group

## Overview of Corporate Governance

"K" LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and commitment to its shareholders and stakeholders and to achieve sustainable growth. While thoroughly enforcing its corporate ethics across the entire Group, "K" LINE will continue developing an organic and effective governance framework, strengthening its earning and financial structures, and enhancing its corporate value.

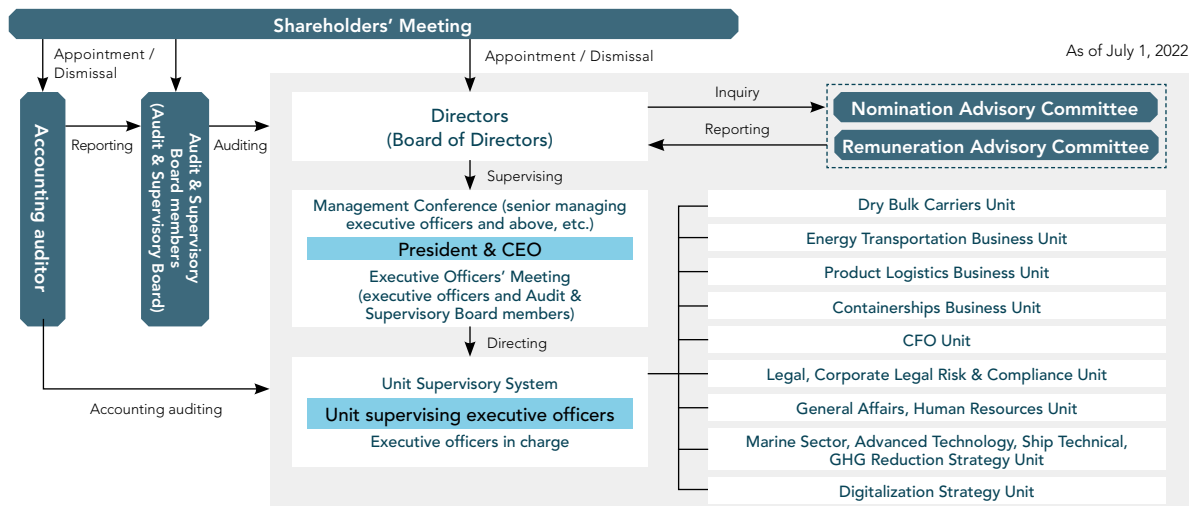


### ▶ Corporate Governance Reform



### ▶ Corporate Governance Structure

The Board of Directors and the Audit & Supervisory Board construct, apply, and monitor the corporate governance system, and several committees and other offices contribute to enhancing the system.



## Corporate Governance

### Aiming for Sustainable Growth and Grater Corporate Value

#### ► Appointment of Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives in order to enhance corporate value over the medium and long terms. Outside directors should possess broad experience and insight that enable them to monitor operational execution while also being of strong character and highly aware of the importance of compliance with laws and social norms. In addition to these qualities, outside directors are expected to be able to fulfill the following roles and duties.

- Provide advice on business policies and business improvement based on their knowledge and experience with the aim of promoting sustainable corporate growth and increases in corporate value over the medium to long term
- Oversee management through important decision-making by the Board of Directors
- Monitor conflicts of interest between the Company and its management or controlling interests, etc.
- Appropriately represent the views of stakeholders on the Board of Directors from a standpoint independent from management and controlling interests
- Evaluate management's performance as needed and express views, as members of the Nomination Advisory Committee and the Remuneration Advisory Committee, on management nominations and remuneration (outside directors designated as independent directors only)

#### ► Basis for Outside Officer Appointments

	Name	Basis of appointment and expected role
Outside directors	Keiji Yamada	Mr. Yamada was appointed as an outside director in June 2019 to utilize his broad experience, personal networks, and insight gained from his years in positions heading public administrative bodies to contribute to the management of the Company. He is appropriately fulfilling his role by proactively offering input at meetings of the Board of Directors and overseeing operational execution as a member of the Nomination Advisory Committee and the chairperson of the Remuneration Advisory Committee. Mr. Yamada is expected to continue to fulfill this role.
	Ryuhei Uchida	Mr. Uchida was appointed as an outside director in June 2019 to utilize his broad experience and insight related to corporate value improvement to contribute to the management of the Company. It has been judged that having Mr. Uchida proactively offer input from the perspective of shareholders at meetings of the Board of Directors and provide oversight of management and operational execution will contribute to shareholder interests and improved corporate governance for the Group. Mr. Uchida is expected to continue to fulfill this role.
	Kozue Shiga	Ms. Shiga has professional knowledge and experience as a lawyer, has served as an outside director and outside Audit & Supervisory Board member at several listed companies, and was appointed as an outside Audit & Supervisory Board member of the Company in June 2016 and then as an outside director in June 2020. She is appropriately performing her duties based on her robust experience and broad perspective by proactively offering input at meetings of the Board of Directors and overseeing operational execution through her activities as the chairperson of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee. Ms. Shiga is expected to continue to fulfill this role.
	Tsuyoshi Kameoka	Mr. Kameoka was appointed as an outside director in June 2021 to utilize his broad experience and insight related to corporate management to contribute to the management of the Company. He is expected to appropriately fulfill a role of offering insight at meetings of the Board of Directors and overseeing operational execution based on this broad experience and insight.
	Name	Basis of appointment
Outside Audit & Supervisory Board members	Atsumi Harasawa	Ms. Harasawa has extensive professional knowledge and experience as a lawyer and in the transportation sector as a maintenance technician who contributed to safe flight operations at Japan Airlines Co., Ltd. Her presence as an outside Audit & Supervisory Board member enhances Board diversity and the effectiveness of audits through an independent perspective.
	Shinsuke Kubo	Mr. Kubo is a certified accountant with wide-ranging experience and knowledge of auditing through positions at auditing firms in Japan and overseas, supporting companies seeking to list on stock exchanges, and related to corporate reorganization and M&A. He was appointed as an outside Audit & Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

#### ► Establishment of Nomination Advisory Committee and Remuneration Advisory Committee

As a company structured with an Audit & Supervisory Board, "K" LINE voluntarily established a Nomination Advisory Committee and a Remuneration Advisory Committee to enhance the function of the Board of Directors.

The committees are composed of independent outside directors, Chairperson of the Board, and President & CEO. The independent outside directors on each committee nominate and select an independent outside director to serve as their committee chairperson.

#### ► Memberships of Committees (As of July 2022)

Nomination Advisory Committee		Remuneration Advisory Committee	
Chairperson	Kozue Shiga	Chairperson	Keiji Yamada
Members	Keiji Yamada, Tsuyoshi Kameoka, Yukikazu Myochin	Members	Kozue Shiga, Tsuyoshi Kameoka, Yukikazu Myochin

The Nomination Advisory Committee and the Remuneration Advisory Committee are membered by a majority of outside directors designated as independent directors.

## ▶ Numbers of Meetings and Attendance for the Board of Directors, Audit & Supervisory Board, Nomination Advisory Committee, and Remuneration Advisory Committee

### Meetings Attended / Meetings Held (Fiscal 2021)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Yukikazu Myochin	18/18	—	8/8	6/6
Atsuo Asano	18/18	—	—	—
Yukio Toriyama	18/18	—	—	—
Kazuhiko Harigai	18/18	—	—	—
Yasunari Sonobe	18/18	—	—	—
Makoto Arai	18/18	—	—	—
Seiichi Tanaka*1	5/5	—	3/3	3/3
Keiji Yamada	18/18	—	8/8	6/6
Ryuhei Uchida	18/18	—	—	—
Kozue Shiga	18/18	—	8/8	6/6
Tsuyoshi Kameoka*2	13/13	—	5/5	3/3
Kunihiko Arai	18/18	16/16	—	—
Yutaka Akutagawa*2	13/13	12/12	—	—
Atsumi Harasawa	18/18	16/16	—	—
Shinsuke Kubo	18/18	16/16	—	—
Tsuyoshi Yamauchi*1	5/5	4/4	—	—

\*1 Retired in June 2021

\*2 Appointed in June 2021

## ▶ Officer Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates and determines the structure and level of compensation and reports its counsel to the Board. Director remuneration comprises a monthly remuneration, performance-based compensation, and the Board Benefit Trust (BBT) Performance-based Share Remuneration Plan. BBT compensation is linked to the Company's total shareholder return (TSR) to provide incentives for directors to contribute to the medium- and long-term growth in earnings and corporate value. See below for an overview of the remuneration system.

Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Directors	(1) Monthly remuneration	Fixed remuneration	Remuneration is determined in accordance with position	Within ¥600 million/year
	(2) Bonuses based on consolidated performance*	Variable remuneration	Linked to the degree of achievement of consolidated performance targets and individual performance evaluations in single fiscal years	
	(3) Performance-based share remuneration (BBT)*		Linked to the Company's medium- to long-term total shareholders return (TSR) TSR = Rate of increase of the Company's shares over a fixed period + Dividend rate over the fixed period (Total dividend ÷ Initial share price)	
Audit & Supervisory Board members	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board members	Within ¥12 million/month

\* Limited to executive directors

## ▶ Training for Officers

Attending officers	Timing of implementation	Content
Newly appointed officers	Within three months of taking office	Providing opportunities to attend seminars on legal responsibilities pertaining to the Companies Act and the Financial Instruments and Exchange Act, etc.
All officers	Yearly	Training related to compliance in such areas as competition law, insider trading regulations, and anti-bribery
Outside directors / Outside Audit & Supervisory Board members	Upon appointment	Explanations about the Group's business, financial, and organizational status, as well as the management status, operating environment, and business issues from heads of relevant divisions or executive officers in charge

## Corporate Governance

### Aiming for Sustainable Growth and Grater Corporate Value

#### ▶ Audit & Supervisory Board

Audit & Supervisory Board members attend Board of Directors' meetings, the Executive Officers' Meeting, and other important meetings to verify that the decision-making process is appropriate and fair. The members gather and examine information on the status of business execution and assets through periodic meetings with representative directors, outside directors, accounting auditors, internal audit divisions, and others; hearings with executive officers responsible for business units; and the review of important documents. In accordance with the Companies Act, Audit & Supervisory Board members also monitor and inspect the establishment and operational status of corporate group internal control systems as well as audits conducted by accounting auditors.

Outside Audit & Supervisory Board members conduct audits objectively from a neutral standpoint, expressing opinions at conferences and meetings based on their knowledge as lawyers or certified public accountants.

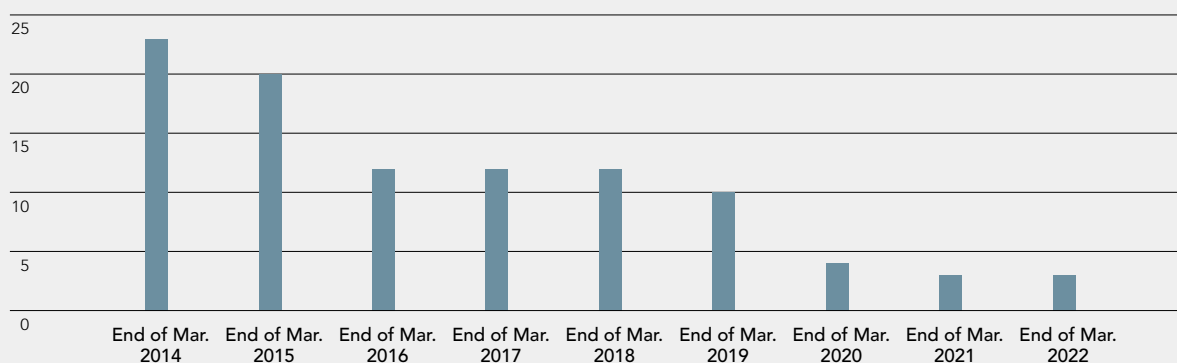
#### Cross-Shareholding Policy

In accordance with the "K" LINE Corporate Governance Guidelines, the Board of Directors carefully examines cross-shareholdings of listed shares at least once per year to verify the purpose, economic rationale, and appropriateness of individual holdings. In examining economic rationale, the Board will consider liquidating shares if returns from the holdings have fallen below the cost of shareholders' equity in a given fiscal year.

The Company has been reducing cross-shareholdings, and as of March 31, 2022, the number of cross-shareholdings of listed shares was three.

#### Cross-shareholdings

(Holdings)



#### Specified investment shares

Issues	FY2021	FY2020	Purpose of holding, quantitative effect of holding, and reason for increase in number of shares	Holds "K" LINE shares
	Shares	Shares		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
JFE Holdings, Inc.	5,062,170	5,062,170	As JFE Holdings is a major shipper in the Dry Bulk segment, "K" LINE continues to hold shares in JFE Holdings to enhance long-term and sustainable growth by maintaining and strengthening its business relationship with this company.	No
	8,722	6,899		
Kawasaki Heavy Industries Ltd. (KHI)	1,001,699	1,001,699	As KHI is a collaborator in the field of advanced technologies and a major shipbuilding business partner in the Dry Bulk, Energy Resource Transport, and Product Logistics segments, "K" LINE continues to hold KHI shares to enhance long-term and sustainable growth by maintaining and strengthening its business relationship with this company.	Yes
	2,229	2,746		
Kamigumi Co., Ltd.	118,404	118,404	"K" LINE continues to hold Kamigumi shares to enhance long-term and sustainable growth by maintaining and strengthening its business relationship with this company in light of transactions in the Product Logistics segment, the co-establishment of a holding company, and other factors.	Yes
	260	248		

Notes 1. If the holder of "K" LINE shares is a holding company, the number of shares held by major subsidiaries (number of shares actually held) is indicated.  
2. As it is difficult to quantify the effect of shareholdings, the method used to verify the rationale behind said holdings is described. The "K" LINE Board of Directors verifies the appropriateness of individual holdings on a fiscal year-end basis.

## ► Board Evaluation

As “K” LINE believes an effective corporate governance function is essential for sustainable growth and enhancing corporate value over the medium to long term, the Board of Directors conducts self-evaluations on Board effectiveness each year, with the results disclosed in a timely and appropriate manner. Independent third-party evaluations are conducted once every three years, with the latest third-party evaluation conducted in fiscal 2021.

### Progress in Addressing Issues Raised by the Fiscal 2020 Evaluation

#### ■ Promoting Corporate Sustainability

Evaluations confirmed that internal frameworks are well developed, discussions are substantial, and sustainability monitoring is functioning sufficiently. Regarding climate change issues in particular, sufficient responses are being made to address issues directly linked to business. As sustainability-related demands are increasing throughout the world year by year, the Company will maintain efforts in this area going forward.

#### ■ Strengthening Group Governance

Evaluations confirmed improvements from the previous year, with sufficient discussions held by the Board of Directors and reporting systems between executives and the Board functioning properly. The substantial impact of the containership business integrated into Ocean Network Express Pte. Ltd. on Group performance has reaffirmed the importance of major shareholder monitoring and governance enhancements.

#### ■ Improving Medium- to Long-Term Capital Policy Discussions

Due to rapid changes in the business environment, including a significant improvement in containership business integration company profitability, the Company recognizes the increasing importance of a medium- to long-term capital policy, which is being discussed in detail through the process of formulating the new medium-term management plan.

#### ■ Redoubling Efforts to Enhance Cybersecurity

Evaluations confirmed that adequate responses were made due to priority improvement measures that were taken over the past year, including the formulation of basic cybersecurity policies and the creation of a framework utilizing the expertise of outside consultants. As cybersecurity issues are evolving at an increasingly rapid pace, the Company will continue to strengthen its response to cyber threats.

### Fiscal 2021 Evaluation

#### ■ Method for Evaluating Board Effectiveness

The evaluation for fiscal 2021 under review was conducted by an independent third-party evaluation firm that interviewed all directors and Audit & Supervisory Board members.

#### ■ Analysis of Board Effectiveness and Overview of Evaluation Results

We have determined that the following strengths noted in the fiscal 2020 evaluation have been maintained and were reinforced in the year under review.

- Continuous engagement in governance reforms and improvements
- Cooperative atmosphere fostered under the leadership of the chairperson
- Appropriate decision-making process within the execution of business and supervision of prompt execution
- Appropriate monitoring by diverse outside directors
- Proactive discussions about capital efficiency, including asset portfolio revisions
- Constructive dialogues with shareholders

In the fiscal year under review, we evaluated the status of initiatives related to items added in the June 2021 revision of the Corporate Governance Code, determining that sustainability is being sufficiently addressed. At the same time, we recognized the need for further discussions, such as following up on progress under the management plan. These points have been identified as issues to be further addressed to improve governance in the future.

### Going Forward

Although the Board of Directors has determined that effectiveness is properly maintained at present, continuous improvements will be made to ensure a more effective Board, including:

- Following up on medium-term management plan progress
- Holding discussions on the medium- to long-term capital policy
- Strengthening Group governance
- Engaging shareholders in constructive dialogue
- Clarifying the succession plan formulation process

## Corporate Governance

### Aiming for Sustainable Growth and Grater Corporate Value

## Messages from Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives to enhance corporate value over the medium and long terms. The Company's current outside directors were asked for their honest opinions in response to the questions on page 55.



### Keiji Yamada

Outside Director

**A1**

The most important point is to be aware that rather than simply developing tools, digital transformation involves changing social structures.

Although we won't see an immediate shift from GAFA to decentralized autonomous organizations (DAO) and the metaverse, when DX itself shifts to make the supply chain more seamless, the shipping industry may also begin changing.

It has taken about five years for Mobility as a Service (MaaS) to take shape in the automotive world. Our current medium-term management plan does not look that far ahead in terms of the form that flexible maritime transportation methods will take. I hope young people will bear this in mind.

**A2**

At universities, there is growing interest in interdisciplinary studies (intermediate areas of study between disciplines). This is also referred to as a fusion of arts and sciences. Undoubtedly, such intermediate areas between business divisions will emerge at "K" LINE along with business division independence. We will closely monitor how this will unfold during the implementation phase of the medium-term management plan.

**A3**

My impression is that the Company's decision-making processes are discussed quite thoroughly in a step-by-step process, from business divisions to the Executive Officer's Meeting, and then the Board of Directors. However, it would be ideal if a corporate culture could be created where an independent and decentralized organization—not even necessarily a DAO—is established and Board of Directors' discussions determined the direction of the Company on the basis of these discussions. While I have laid out some theoretical points, I personally look forward to a time when young employees directly approach the Board of Directors and say, "This project is interesting and I absolutely want to go ahead with it."



### Ryuhei Uchida

Outside Director

**A1**

The major points discussed in formulating the medium-term management plan include redefining the Company's direction based on the "K" LINE corporate principle and vision, strengthening the business portfolio strategy through the concentrated allocation of management resources, and devising a capital policy with an awareness of the optimal capital structure. In addition, specialized external resources were also used to vigorously discuss these points at Board meetings.

I participated in discussions based on the recognition that allocating management resources to areas where we can leverage our strengths and the ongoing pursuit of capital efficiency improvements are important for enhancing corporate value.

**A2**

Our financial position has improved significantly as we transition from management that abided challenging environments to a stage where management proactively seeks to enhance corporate value.

Sufficiently investing in business opportunities where we can leverage our strengths, including the transition to a carbon-free society, is critical. To this end, it is essential we maintain and enhance investment discipline, which has become more robust in recent years through business management advances.

While current business performance remains solid due to favorable market conditions, we believe it is important to practice disciplined management to achieve medium- and long-term goals without being influenced by short-term changes in the external environment, while earning the trust of our stakeholders.

**A3**

Conflicts of interest that may arise between shareholders and executive officers are an important corporate governance issue.

It is crucial that the Board of Directors recognizes its fiduciary responsibilities to shareholders by engaging in appropriate decision-making and monitoring to enhance corporate value over the medium to long term, and in this respect I think we need to deepen our understanding.

From the perspective of improving corporate governance, the Board of Directors should deliberate and advance initiatives that are necessary for transforming its central role from management recommendations to management monitoring with the aim of creating an even more effective Board of Directors.



**Q1**

What points were discussed by the Board of Directors in formulating the new medium-term management plan (including function strategies related to the environment, human resources, digital transformation, etc.), and what was your specific input?

**Kozue Shiga**

Outside Director

**A1**

I believe the key point was to thoroughly reexamine where we stand and clarify the Group's ideal positioning. With perseverance and composure cultivated in the process of implementing fundamental reforms to "K" LINE's financial structure, we focused on how to maintain steady progress despite the rapidly changing business environment. We also engaged in long, detailed discussions pertaining to being more open to maritime transport as a way forward. Regarding contributions to low-carbon/carbon-free societies and DX, we took advantage of every opportunity to receive detailed explanations from departmental experts to ensure a solid understanding of how the Group can achieve these objectives.

**A2**

Simply put—I think it is important that we not forget our original intentions. In formulating the medium-term management plan, we solicited opinions from young employees who will play leading roles in "K" LINE's business going forward and firmly reflect those opinions in the medium-term management plan. To compensate for a lack of experience in forming opinions among young employees, we also incorporated the thorough guidance and advice of professional consultants. In implementing a medium-term management plan formulated in this way, we constantly bear in mind the potential for earning a greater degree of trust from Group stakeholders as we engage in monitoring from the perspective of remaining mindful of plan objectives and principles and ensuring our actions are consistent with those objectives.

**A3**

I think the key is becoming more proactive. Of course, this is also a priority given current conditions, as there is still a gap between the time available to outside officers for reviewing information on individual matters compared with the time available to Company officers. There is no denying that this is the source of differences in terms of the types of ideas that are generated. I think there is still room for improvement in terms of speeding things up, such as holding preliminary briefings, sending out materials prior to the briefings, and providing more opportunities for questions. Further, in addition to increasing the Board of Directors' diversity, rather than limiting discussions to those between Company and outside executive officers, I would like to see the establishment of an approach whereby heated discussions consistently take place among Company and outside directors and even the Board as a whole.

**Q2**

As we are now in the implementation phase of the medium-term management plan, what key points does the Board of Directors emphasize in terms of monitoring?

**Q3**

What are your thoughts on how Board discussions and decision-making processes could be improved going forward?

**Tsuyoshi Kameoka**

Outside Director

**A1**

In formulating the medium-term management plan, there were energetic discussions on improving profitability in the four pillar businesses to establish a balanced earnings structure in line with the container business, which at present contributes substantially to earnings. Through this process, we clarified specific measures to proactively address environmental issues to support the sustainable growth of society as a trusted partner to all stakeholders. I myself repeatedly advised the Executive Officers' Meeting to involve employees from each department in discussions during the strategy formulation process and to ensure that each employee is fully aware of strategy at the implementation stage.

**A2**

To steadfastly monitor the status of medium-term management plan implementation, it is important to first clarify differences in numerical targets, and if errors are large, to thoroughly analyze causal factors. We will also monitor countermeasure formulation and implementation by thoroughly verifying whether these factors are beyond the Company's control, whether forecasts made when the plan was formulated were incorrect, and whether the strategy itself was unrealistic.

Further, I hope to receive regular progress reports on items that are difficult to quantify, such as DX strategies and human resource development, and see more opportunities for direct dialogues with employees to confirm progress.

**A3**

Based on the results of annual evaluations of the Board of Directors' effectiveness, we have clarified issues and continue to take actions toward improvements. To realize further enhancements going forward, especially with regard to important matters, I believe efforts are necessary to facilitate more actionable discussions at Board of Directors' meetings by ensuring sufficient coordination with relevant departments ahead of meetings to secure enough time for preparation and deliberation.

# Realizing Responsible Corporate Behavior

## ▶ The United Nations Global Compact

"K" LINE has signed the United Nations Global Compact, a voluntary initiative in which companies and organizations act as good members of society and participate in the creation of a global framework for sustainable growth by demonstrating responsible and creative leadership. We have also joined the Global Compact Network Japan (GCNJ), a local network in Japan whose membership includes Japanese companies. Through the GCNJ's subcommittees, which are focused on specific themes, member companies and organizations actively conduct discussions and exchange information on approaches to initiatives and methods for proceeding with them. In fiscal 2021, we participated in the Human Rights Due Diligence (HRDD) Subcommittee, the Supply Chain Subcommittee, the GC's Internal Penetration Research Subcommittee, the Anti-Corruption Subcommittee, the ESG Subcommittee, and the Reporting Research Subcommittee. At meetings of subcommittees, we collected information on the latest trends and the initiatives of progressive companies in relation to each theme and, to the extent possible, shared information on our own initiatives.

## ▶ Ship-Dismantling and Resource-Recycling Procedures That Are Considerate of Environmental Preservation and Occupational Health and Safety

Vessels that have reached the end of their service lives are dismantled and become useful sources of metals, while their rebirth as products and services leads to the development of community life and employment.

As vessels differ in size and shape, mechanization and automation of dismantling work is difficult. Therefore, the majority of such work is done using labor-intensive methods. Moreover, this work must be conducted in ways that ensure occupational health and safety and protect the environment. Accordingly, "K" LINE has formulated Company regulations and other detailed regulations for dismantling ships. We select dismantling yards by inspecting the site and carrying out impact evaluations according to our own checklist, which assesses factors such as whether work is being carried out safely, whether substances harmful to humans or the environment are collected, and whether a negative impact on the surrounding environment is prevented or mitigated. Additionally, we monitor the work processes and constantly check that work is being carried out in consideration of safety and the environment.



## ▶ Our Efforts to Ensure Human Rights Due Diligence

In February 2022, we formulated the "K" LINE Group Basic Policy on Human Rights based on the UN Guiding Principles on Business and Human Rights.

This policy was formulated as a more concrete policy for respecting human rights, as set out in the "K" LINE Group Charter of Conduct, which is adhered to throughout the Group. The policy also stipulates that the Group will respect and comply with international norms and laws related to respecting human rights, as well as implementing human rights due diligence. Under this policy, we specified human rights issues that should be addressed as priorities in the Group's business activities. This was accomplished through a paper survey carried out in the first half of fiscal 2022 with Group companies both inside and outside Japan. We will address the identified issues for which measures need to be reinforced at each company and make improvements by implementing an action plan in the second half of fiscal 2022. "K" LINE aims to establish a PDCA cycle to promote initiatives for respecting the human rights of all stakeholders involved in the business activities of the Group.



## ▶ The Group's Compliance System

To provide guidance to the officers and employees of the Company and Group companies in the conduct of their day-to-day duties, in January 2017 we established the "K" LINE Group Global Compliance Policy, with which all officers and employees must comply. Also, the Compliance Committee, which is chaired by the president & CEO, deliberates on policies to ensure the compliance of the Company and Group companies as well as measures in response to compliance violations. Further, under the supervision of the chief compliance officer, the compliance system is being strengthened throughout our organization. In addition, to prevent compliance issues in the Group's domestic and overseas operations and detect and correct risks at an early stage, we have established the Hotline Desk and the Global Hotline Desk, which receive whistleblowing reports from officers and employees of the Company and its domestic and overseas Group companies.

### 1. Our Efforts to Ensure Compliance with the Anti-Monopoly Act

We ensure that executives and employees comply with the Regulation for Compliance with the Anti-Corruption Act. Furthermore, we are making efforts to ensure compliance awareness concerning competition laws by conducting a continuous training program and promotion of educational activities through a dedicated department. In addition, we conduct audits and monitor the state of implementation of compliance measures. With respect to contacts with competing companies, we strictly enforce regulations on prior reporting and approval depending on the nature of the contact, as well as recording and storing details of each contact.

### 2. Our Efforts to Prevent Bribery and Corruption

To effectively strengthen the prevention of bribery and corruption, we devote much effort to the prevention of corruption and bribery as a member of the Maritime Anti-Corruption Network (MACN), which is a global business network working toward the vision of a maritime industry free of corruption.



### 3. Our Efforts to Ensure Compliance with Economic Sanctions

In November 2019, we added individual policies on economic sanctions and anti-money laundering to the "K" LINE Group Global Compliance Policy. All officers and employees of the Company and Group companies are required to comply rigorously with regulations related to economic sanctions, anti-money laundering, and the prevention of terrorism financing that are applicable to the businesses of the "K" LINE Group.

### 4. Our Efforts to Protect Personal Information

To respond to more severe regulations related to protecting personal information around the world, we added Individual Policy IV Data Protection Law into the "K" LINE Group Global Compliance Policy in October 2021. Based on this policy, we are reinforcing efforts to handle personal information properly.

## ▶ Our Efforts to Raise Compliance Awareness

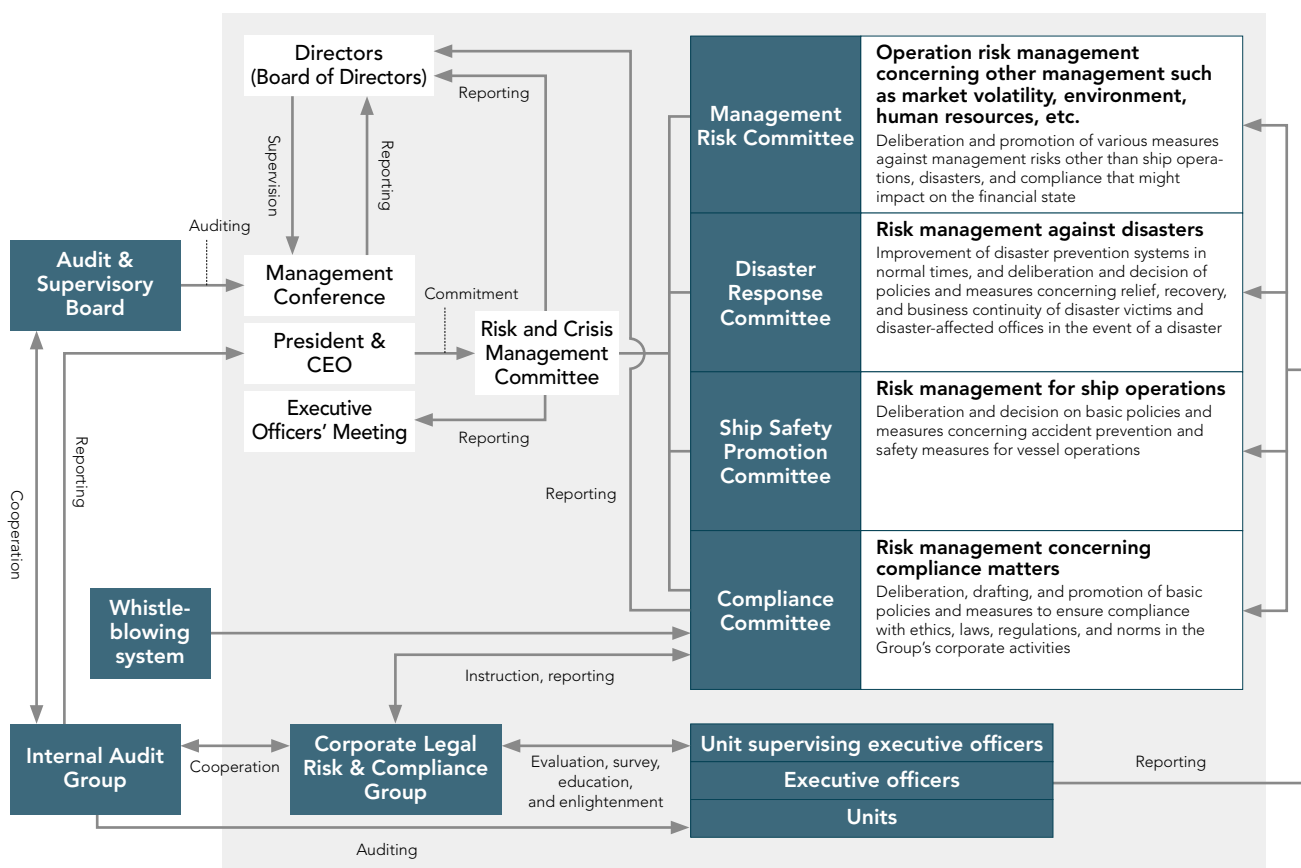
We set every November as "Compliance Month," when we distribute a message from the president to executives and employees of "K" LINE and its Group companies to remind them of the importance of compliance. We also hold compliance e-learning training, compliance seminars featuring lecturers invited from outside the Company, and position-based training.

# Risk Management

## ► Risk Management System

We have established a risk and crisis management system so that we can recognize and prepare for various risks in management and fulfill our corporate social responsibility even if risks materialize. We classify risks into four categories: risks associated with vessel operations, compliance risks, disaster risks, and other management-related risks. For each category of risk, we have established a dedicated committee. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president & CEO serves as the chairperson of all these committees, and their meetings are held regularly.

Led by the committees for the four aforementioned categories of risk, we regularly and continuously implement training for the purpose of risk management. As an example, we reinforce risk management through drills for large-scale accidents, participation in study sessions with other companies, and other measures. Further, we set every November as “Compliance Month” in order to achieve a deeper understanding of compliance.



## ► Ongoing BCP Formulation

The “K” LINE Group has established a business continuity plan (BCP) in preparation for impediments that could be caused by natural disasters or infectious diseases, including new strains of influenza. With respect for human life as our first priority, we aim to ensure business continuity and thereby meet the responsibility we have to support society’s lifelines. To this end, we are transferring the management of operations to regional offices in Japan and overseas, storing backup data in remote locations, and utilizing teleworking. In preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, we conduct regular evacuation drills and improve the BCP based on simulations of the scale and damage of such an earthquake. In these ways, we are making Companywide efforts to improve our disaster resilience.

## ▶ Risks Associated with the COVID-19 Pandemic and Our Measures in Response

"K" LINE has implemented a range of COVID-19 countermeasures. In the management of onshore operations, we expanded and enhanced teleworking and took thorough measures to prevent infection at offices. As for vessels and crew members, we monitored the health of crew members before they boarded vessels, issued an order requiring crew members to spend time in quarantine before boarding vessels, conducted PCR tests, and supplied anti-infection equipment and materials. In fiscal 2022, the Company's business operations may continue to be affected by unexpected events, such as the emergence of variants of viruses or the discovery of new strains. However, by reviewing measures taken over the past two years and in accordance with a response manual for future pandemics caused by viruses, including COVID-19, we will establish capabilities for maintaining business continuity even during emergencies. We will then take measures suited to each business.

## ▶ Risk of Large-Scale Accidents and Our Measures in Response

As rigorously ensuring the safety of vessel operations is one of our highest priorities, we are maintaining and heightening operational safety levels and crisis management capabilities. However, an unexpected accident, particularly one involving an oil spill or other major accidents leading to environmental pollution, could occur and have a negative impact on the Group's financial position and operating results. Furthermore, piracy losses, operation in areas affected by political unrest or military conflict, and the increased risk to vessels from terrorism could cause major damage to the Group's vessels and jeopardize the lives of crew members. This in turn could have a negative impact on the Group's safe operation of vessels, voyage planning, and management and overall marine transportation business. To counter the aforementioned risks, the Ship Safety Promotion Committee, chaired by the president & CEO, meets periodically to conduct multifaceted investigations and initiatives for all matters related to the safety of vessel operations. Also, we have prepared an *Emergency Response Manual*, which sets out the accident response measures to be taken in the event of an emergency, and we continually improve our accident responses by holding regular drills for responses to large-scale accidents.

## ▶ Fostering of a Risk Management Culture

To ensure thorough risk management within the Group, we identify Groupwide risks and work to address them through management and monitoring of information. At the beginning of each fiscal period, we specify and identify comprehensive risks. We determine serious issues to be addressed based on the effectiveness of the risk management system and key risks, and utilize a PDCA system to carry out regular reviews within each committee, perform re-assessments, and implement measures after re-evaluating risks.

To understand the impacts on our businesses in the case of sudden changes, such as geopolitical risks, in a timely manner, we not only carry out regular reviews to evaluate and identify risks but also gather the necessary information through related divisions, compile information on the expected impacts, and consider necessary measures.

Additionally, each business unit provides information on risk management throughout the PDCA cycle. Progress of risks and measures reported by each unit, as well as the serious issues and their countermeasures identified at the beginning of the fiscal year, are communicated internally on a daily basis through Board of Directors' meetings and the Executive Officers' Meeting.

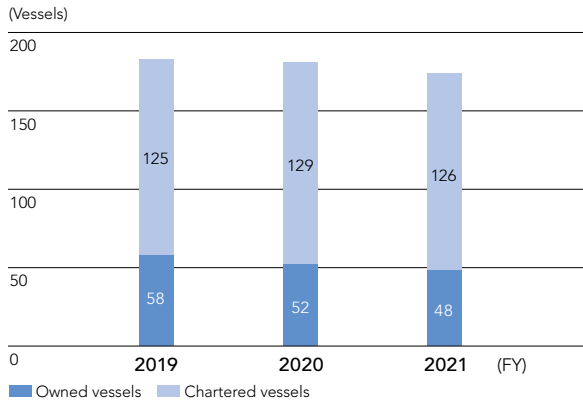
To encourage and reinforce an effective risk management culture throughout the organization, there are risk management sections in guidelines determined at each level of hierarchy, and we have created a personnel assessment system to ensure these standards are reflected. This assessment also has an impact on salary and promotions. Senior executives have a responsibility to implement risk management initiatives across the entire Company.

Furthermore, we enlighten employees on risk management by publishing other risk management regulations, BCP information, and other related information on the top page of our internal portal site.

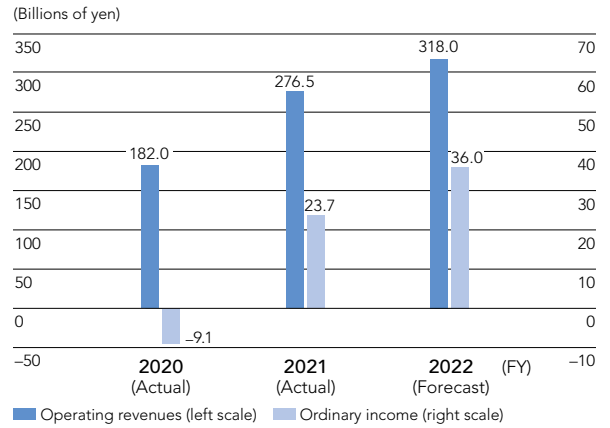
# At a Glance

Segment	Business	Business overview
<p>Dry Bulk</p>	<p>Coal &amp; Iron Ore Carrier Business / Bulk Carrier Business</p>	<p>We transport a large volume of dry bulk cargoes including iron ore, woodchip, grain, and coal. We are expanding our business internationally by actively engaging in transportation of cargoes bound for not only Japan but also China, India, and the Middle East, as well as trade between third countries within the Atlantic region. We are taking on the challenge of decarbonization such as wind power, LNG fuel, and biofuel.</p>
<p>Energy Resource Transport</p>	<p>Tanker Business / Fuel Business</p> <p>Electricity and Offshore Business</p> <p>LNG Carrier Business / Carbon-Neutral Promotion Business</p>	<p>We transport oil-related cargoes such as crude oil and liquefied petroleum gas (LPG). We have developed a global business for customers both in Japan and overseas since the completion of the first large tanker in 1935 and the first LPG tanker in 1974. In addition to procuring bunker fuel (heavy oil, marine diesel oil, LNG, biofuel, etc.) for "K" LINE fleets, we conduct LNG bunkering business, joint study of ammonia bunkering, and demonstration testing of liquefied hydrogen carriers aimed at enhancing fleet environmental performance.</p> <p>Our "Corona Series" of wide-beam, shallow-draft coal carriers, developed in-house in accordance with port restrictions of Japan's thermal power plants, provides safe and reliable transportation of coal mainly to power utility companies in Japan and Taiwan. In the offshore business, we participate in a drillship project off Brazil and a Floating Production, Storage and Offloading system (FPSO) off Ghana.</p> <p>In the LNG carrier business, we offer global transportation services of LNG, for which demand is increasing worldwide as an alternative fuel source, and provide service to customers with diversifying needs across the LNG value chain. In the carbon-neutral promotion business, we promote business development related to renewable energy including offshore wind power generation; carbon capture, utilization, and storage (CCUS); and alternative fuels.</p>
<p>Product Logistics</p>	<p>Car Carrier Business</p> <p>Logistics and Port Business</p> <p>Short Sea and Coastal Business</p> <p>Containership Business</p>	<p>Since introducing Japan's first pure car carrier (PCC) in 1970, we have continued to provide high-quality transportation service of passenger cars, trucks, and other vehicles. The business will further enhance its RORO cargo services (roll-on, roll-off cargo services using specialized handling equipment) based on knowledge honed over 50 years. An LNG-fueled car carrier was delivered in fiscal 2020 and we continue to perform optimal fleet management with special care for environmental concerns.</p> <p>We provide comprehensive logistics services to meet various customer needs for ocean cargo transportation as well as air cargo transportation, tugboats, land transportation, warehousing, and automotive logistics. In addition, we operate container terminals at four ports in Japan—Tokyo, Yokohama, Osaka, and Kobe.</p> <p>Kawasaki Kinkai Kisen Kaisha, Ltd., provides domestic marine transportation and ferry services. It operates passenger ferries, RORO vessels, dedicated limestone carriers for steel mills, dedicated thermal coal carriers for electric power utilities, and also general cargo carriers. It also operates general cargo and bulk carriers for cargo to and from Asia. Furthermore, it has entered the offshore support vessel operations around Japan to further enhance the business.</p> <p>In April 2018, the containership businesses of three Japanese shipping companies were integrated to form a new company, ONE. Drawing on its enhanced service route network, it provides stable, reliable, high-quality, and competitive services and is capable of swiftly adapting to changes in the environment.</p>
<p>Others</p>		<p>The "K" LINE Group also operates businesses engaging in ship management services, travel agency services, and real estate rental and administration services.</p>

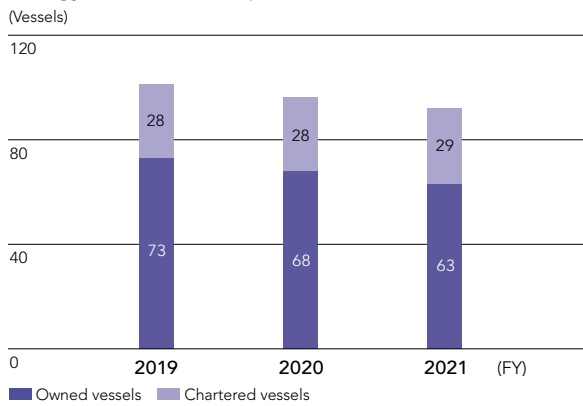
### Dry Bulk Fleet



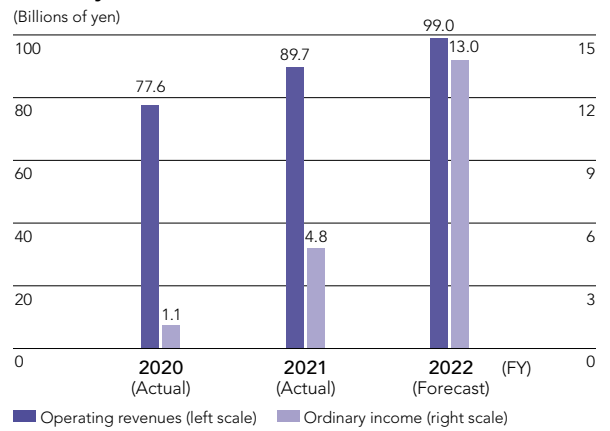
### Dry Bulk Operating Revenues, Ordinary Income



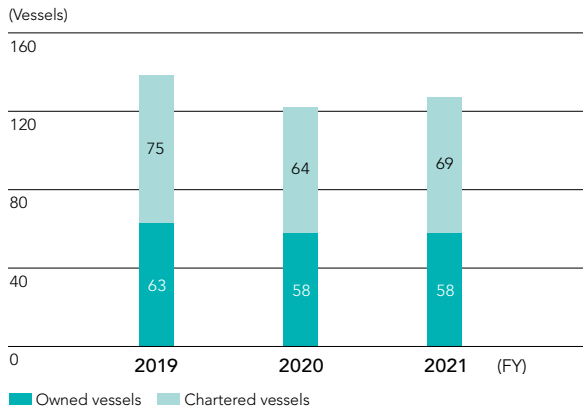
### Energy Resource Transport Fleet



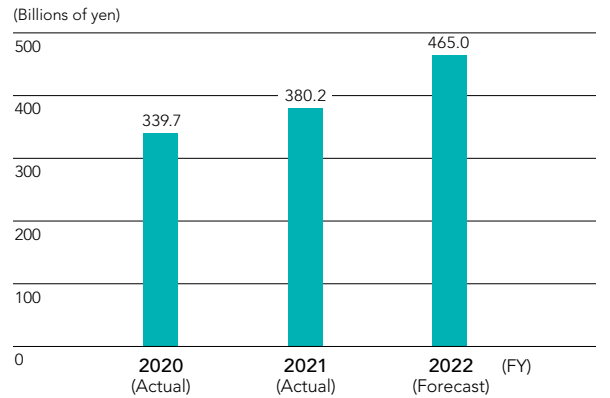
### Energy Resource Transport Operating Revenues, Ordinary Income



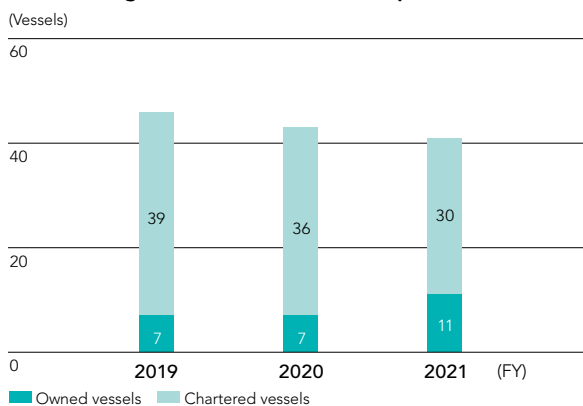
### Product Logistics Fleet (Excluding Containership)



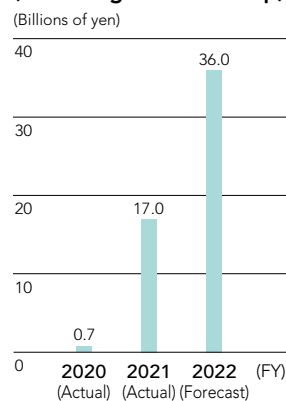
### Product Logistics Operating Revenues



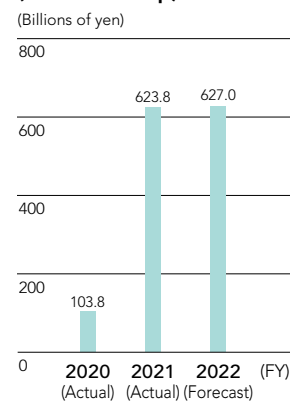
### Product Logistics Fleet (Containership)



### Product Logistics Ordinary Income (Excluding Containership)



### Product Logistics Ordinary Income (Containership)



Note: Fiscal 2022 forecasts for segment operating revenues and ordinary income reflect the forecast announced in August 2022.

# Business Overview

## > Dry Bulk



### Coal & Iron Ore Carrier Business

### Bulk Carrier Business

#### Atsuo Asano

Vice President Executive Officer  
Responsible for Dry Bulk Carriers Unit,  
In charge of Bulk Carrier and Drybulk Planning

### ► Overview of Fiscal 2021

#### Coal & Iron Ore Carrier Business

Seaborne trade in coal & iron ore was robust at the outset of the fiscal year with high levels of crude steel production in China and other countries. Toward the middle of the fiscal year, freight rates in the cape-size bulker market rose as tonnage supply contracted due to an increase in ships forced to wait outside ports in Far East Asia amid stricter COVID-19 restrictions around the world. In the second half of the fiscal year, transportation demand settled down as a result of the Chinese government restricting output of crude steel, and around the end of the fiscal year, prices softened as shipments declined due to bad weather at major iron ore production sites. For the entire fiscal year, however, market conditions were brisk overall, despite these fluctuations in demand.

#### Bulk Carrier Business

For Panamax- and handymax-size bulker, freight rates remained at levels far higher than initially expected, owing to a recovery in bulk cargo volume for thermal coal, for example, as economic activity picked back up, in addition to a sharp increase in demand for grain transportation to China. At ports around the world, restrictions on entering and leaving ports due to stricter protocols for COVID-19 caused ship congestion and created favorable market conditions, including the overflow of some container cargo to bulkers for transport.

"K" LINE worked to optimize the structure of its fleet, disposing of and returning unprofitable ships, while striving to maximize its profit-generating capabilities by maintaining and expanding its stable earnings base, and increasing the efficiency of vessel allocation.

### ► Medium-Term Market Conditions (Risks and Opportunities)

#### Coal & Iron Ore Carrier Business

Growth in overall transportation demand slowed down, but the supply-demand balance for ship tonnage should improve in the near term, owing to the retirement of vessels with poor fuel economy or are economically unable to comply with new safety and environmental regulations, as well as restraints on the speculative placing of orders for new ships. Meanwhile, the movement toward low-carbon and carbon-free supply chains is likely to create demand for LNG fuel, biofuel, and other alternative fuels for zero-emission vessels. As existing ships are replaced, technologies that lower fuel costs for existing ships are also likely to advance and become more sophisticated.

#### Bulk Carrier Business

For Panamax- and handymax-size bulker, demand for the bulk transport of grain and coal, mainly in emerging countries, looks likely to increase and remain strong, but attention should be paid to changes in coal transportation demand, which depends on government policies for fossil fuels in each country.

The supply of new ships is likely to remain limited as attention turns to compatibility with next-generation fuels. The supply-demand balance for vessel tonnage will probably tighten. For Panamax- and handymax-size bulker, "K" LINE intends to adopt energy-conserving equipment and biofuels and improve fleet efficiency in order to reduce environmental load while ensuring safe and reliable fleet operations and transportation.

### Dry Bulk (All Types) Fleet Ranking

(As of July 2022)

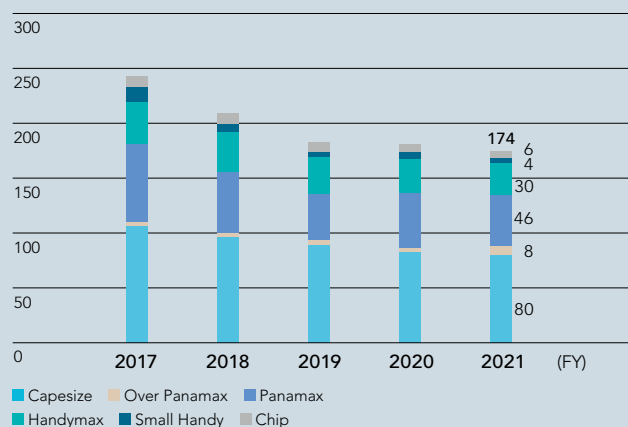
Ranking	Operator	100,000 DWT	Vessels
1	China COSCO Shipping	375.2	335
2	Fredriksen Group	142.5	104
3	Star Bulk Carriers	140.7	128
4	NYK	135.7	149
5	China Merchants	131.5	117
6	Berge Bulk	120.8	64
<b>7</b>	<b>"K" LINE</b>	<b>119.4</b>	<b>99</b>
8	Pan Ocean	115.1	82
9	CDB	103.9	117
10	ICBC	103.1	32

Note: Owned vessels and a part of chartered vessels

Source: Clarksons

### "K" LINE Dry Bulk Fleet

(Vessels)







Cape-size bulk carrier



Panamax bulk carrier




### Masatoshi Taguchi

Executive Officer

In charge of Coal & Iron Ore Carrier Business,  
Coal & Iron Ore Carrier Planning & Operation

## ► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
Coal & Iron Ore Carrier Business	 <p>Role of driving growth</p>	<ul style="list-style-type: none"> <li>• Maintain strong relationships with existing customers in Japan and across Asia, aim to maintain and expand earnings base while stably operating businesses</li> <li>• Aim to expand stable earnings by proactively tapping into environment-related demand at resource majors</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and expand stable earnings base while proactively responding to environmental needs of customers, invest in growth to meet demand for alternative-fuel vessels, such as LNG and ammonia fuels, and upgrade the quality of fleets</li> <li>• Increase and train key personnel in sales and ship operations in order to advance and develop the customer-centric sales structure, and strengthen environment-related marketing through assignment of maritime technical personnel</li> <li>• Maintain proper fleet size and crew compositions, control market exposure to maintain responsiveness to price fluctuations, and continue to strengthen resilience</li> </ul>
Bulk Carrier Business	 <p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>• Aim to transition to and strengthen a sustainable earnings business model resilient to fluctuations in market prices by improving resilience to market forces</li> <li>• Aim to further improve fleet allocation efficiency and reinforce the customer base in the Middle East, India, and Southeast Asia regions where the Company is strong</li> </ul>	<ul style="list-style-type: none"> <li>• Shift to an asset-light structure by aligning freight contracts with ship ownership (charter) contract timelines</li> <li>• Improve access to markets across Asia by expanding and augmenting functions at the Company's asset management and business operations center in Singapore</li> </ul>

## Topics

### Automated Kite System "Seawing" to Be Installed on Coal & Iron Ore Carrier

Five years have passed since we began examining the Seawing automated kite system, and about three and a half years have passed since we decided to implement the system. At last, the Seawing system will be installed on cape-size bulkers. Plans call for installing the system in December 2022, and after trial runs are completed, operations will start on the open seas in 2023.

Seawing is a propulsion assist system for ships that uses an automatic kite that unfolds from and flies in front of a ship, based on technologies developed by AIRSEAS, a company spun off from AIRBUS, a major aircraft manufacturer. This system is projected to cut CO<sub>2</sub> emissions by 20% when sailing. We also plan to install this system on an LNG-fueled cape-size bulker, which will complete construction in 2024.

In the dry bulk business, we aim to reduce greenhouse gases through research into alternative fuels for ships and energy-saving systems, such as harnessing the power of the wind.

# Energy Resource Transport



Tanker Business

Fuel Strategy & Procurement Business

## Hisashi Nakayama

Executive Officer  
In charge of Tankers,  
Fuel Strategy & Procurement

### Overview of Fiscal 2021

#### Tanker Business

Very large crude carriers (VLCCs) and very large liquefied petroleum gas carriers (VLGCs) contributed to our earnings, particularly through medium- and long-term charter contracts. We placed an order for one VLGC to fulfill a new charter contract.

#### Fuel Strategy & Procurement Business

In the LNG fuel supply business, we performed ship-to-ship bunkering of LNG fuel to LNG-fueled car carriers in the Chubu region. In Singapore, we commenced ship management of the LNG bunkering vessel FUELNG BELLINA, which is owned by FuelNG Pte Ltd, and performed ship-to-ship supply of LNG fuel. In the hydrogen business, we continued to conduct experiments with the CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA), and participated in various associations to create a hydrogen supply chain as well.

### Medium-Term Market Conditions (Risks and Opportunities)

#### Tanker Business

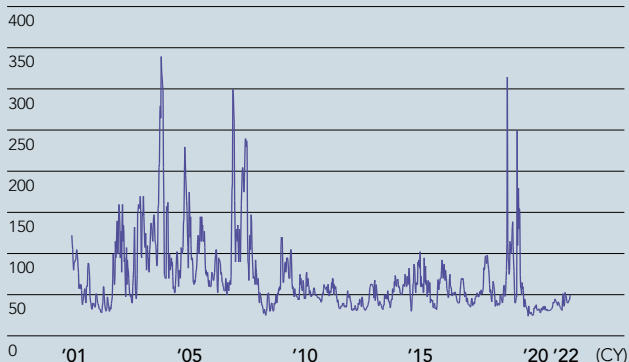
The transition from fuel oil to alternative fuels in VLCCs and VLGCs presents new earnings opportunities. At the same time, changes in demand for energy amid the movement toward low-carbon and carbon-free operations will have an impact on demand for marine transportation of crude oil and LPG. With that said, we expect demand for crude oil and LPG to recover in a post-pandemic world.

#### Fuel Strategy & Procurement Business

In the maritime industry, ships are gradually being transitioned from fuel oil to alternative fuels for the purpose of decarbonizing, leading to the greater use of LNG, biofuels, methanol, ammonia, and batteries to power vessels. At the same time, the bunkering business for these next-generation fuels has been expanded.

### Tanker Freight Index

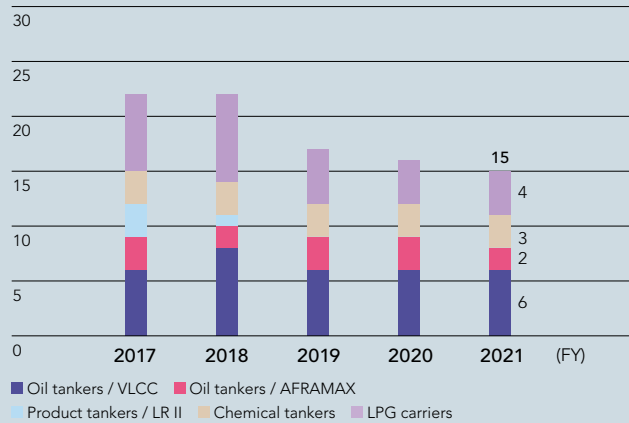
(Worldscale)



Source: Clarksons

### "K" LINE Tanker Fleet Scale

(Vessels)







Tanker



LPG carrier

► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
Tanker Business	 <p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>Continue to maintain and improve transportation quality and technologies for VLCCs and VLGs</li> <li>Maintain ship management system for managing alternative fuel ships and ships to meet new transportation demand such as ammonia</li> </ul>	<ul style="list-style-type: none"> <li>Respond to demand for alternative fuels on VLCCs and VLGs</li> </ul>
Fuel Strategy & Procurement Business	 <p>Expansion of new businesses in fields where "K" LINE can utilize its strengths</p>	<ul style="list-style-type: none"> <li>Continue initiatives in next-generation fuel procurement and bunkering operations</li> </ul>	<ul style="list-style-type: none"> <li>Expand LNG fuel and biofuel procurement and supply network</li> <li>Participate in bunkering business and build an ammonia bunkering base</li> </ul>

At the Vanguard of Value Creation

Topics

Participation in Joint Study of Ammonia Fuel Bunkering for Ships in Singapore

In April 2022, "K" LINE joined a consortium working toward the realization of ammonia fuel bunkering operations for ships in Singapore, the world's largest ship fuel bunkering base, and signed an agreement to accelerate joint research.

Ammonia is a promising alternative fuel for next-generation ships that has the potential to greatly reduce greenhouse gas emissions in the maritime industry, because ammonia does not emit CO<sub>2</sub> when incinerated. On May 6, 2022, the consortium received from the American Bureau of Shipping (ABS) an Approval in Principle (AIP) for the design of an ammonia bunkering vessel.

With the objective of realizing ammonia fuel bunkering for ships in the late 2020s, "K" LINE is jointly researching to contribute to this goal through specific knowledge gained from ship-to-ship LNG bunkering vessel management and its experience owning and managing ammonia carriers.



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# Energy Resource Transport



Electricity Business

Offshore Business

## Michitomo Iwashita

Executive Officer

Supervising Ship Technical, GHG Reduction Strategy  
In charge of Power & Marine Sector, Advanced Technology

### Overview of Fiscal 2021

#### Electricity Business

As economic activity picks back up in Japan, the operating rates of coal-fired power plants have increased to meet growing demand for electricity, resulting in an increase in the volume of coal used by these power plants. While a reliable source of earnings, the "K" LINE Group's fleet of ships have contributed to the safe and reliable transportation of coal, mainly based on medium- and long-term contracts, thanks to the flexible and efficient allocation of fleets in accordance with changes in demand at power stations.

#### Offshore Business

The floating production storage and offloading system (FPSO) business produced stable earnings through continuously high utilization rates based on a long-term contract in the project off Ghana. Our drillship business contributed to earnings from the smooth operation of a project off Brazil conducted under a long-term contract.

In the offshore support vessel business, where earnings have been struggling for a long time due to a slump in market conditions, "K" LINE decided to sell all vessels owned by consolidated subsidiaries and liquidate the business.

### Medium-Term Market Conditions (Risks and Opportunities)

#### Electricity Business

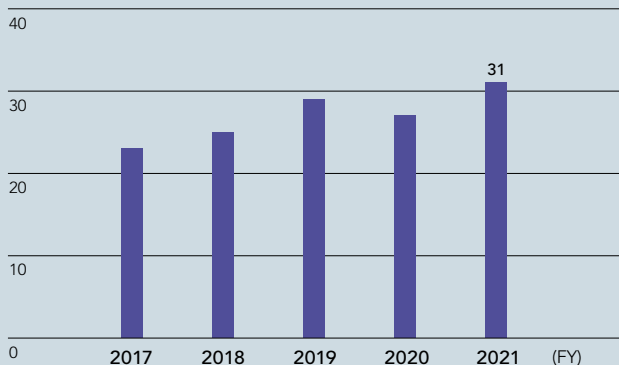
Amid concerns about shortages in electric power supply capacity due to the decommissioning of aging thermal power plants and delays restarting nuclear power plants, relatively new coal-fired power plants are likely to continue operating for some time while aiming to reduce CO<sub>2</sub> emissions. With the ultimate aim of becoming carbon neutral by 2050, demand is likely to emerge for the transportation of alternative fuels, such as ammonia and hydrogen, and liquified CO<sub>2</sub>, which is considered as the mode of transport for CCUS.

#### Offshore Business

Over the past five years, the amount of investment in the development of fossil fuels has halved in tandem with the global movement toward decarbonization. Energy prices have risen sharply after Russia invaded Ukraine and as economies have recovered from the pandemic, increasing the likelihood of a temporary rise in investment in the development of much-needed oil and gas reserves. However, the cost of developing and operating gas and oil fields in the ocean is higher than on land, so investment might stall if there are no clear prospects for a return on such investments over the long term.

### "K" LINE Thermal Coal Carrier Fleet

(Vessels)



### Progress in FPSO Business

#### For Ghana

- Steady operations

#### For Brazil

- Announced equity participation agreement in FPSO owning and chartering business for Marlim II project offshore Brazil (July 2020)
- FPSO Anna Nery naming ceremony held on June 8 (June 2022)
- Plan to officially participate in this project in 2023



FPSO John Agyekum Kufuor  
(Photograph provided by Yinson)



Thermal coal carrier



Floating production storage and offloading system (FPSO)

(Photograph provided by Yinson Holdings Berhad)

► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
Electricity Business	<p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>• Provide customers with a high-quality coal transportation service fleet, even during transition period in energy mix</li> <li>• Reduce CO<sub>2</sub> emissions from our own coal carriers by installing environmentally friendly equipment, centered on the Seawing system</li> <li>• Solve technical issues in order to meet new transportation demand for ammonia, hydrogen, and liquefied CO<sub>2</sub></li> </ul>	<ul style="list-style-type: none"> <li>• Switch to new ship designs that reduce CO<sub>2</sub> emissions and excel in energy conservation</li> <li>• Reduce lifecycle CO<sub>2</sub> emissions by installing Seawing system on existing ships</li> <li>• Conduct R&amp;D into hydrogen and liquefied CO<sub>2</sub> carriers, and upgrade fleet of ammonia carriers</li> </ul>
Offshore Business	<p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>• Create a stable earnings base while hedging against risks as necessary during transition phase in energy mix</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure stable earnings by maintaining high operating rates in existing businesses</li> </ul>

At the Vanguard of Value Creation

Topics

Build a Group Fleet with Environmental Systems That Lower Carbon Footprint

In Japan, the electrical power business environment has changed dramatically since the government proclaimed in 2020 the goal of becoming carbon neutral by 2050, and unveiling in 2021 targets for reducing greenhouse gas emissions by 46% by 2030 (compared with the fiscal 2013 level). However, due to a variety of factors, events occasionally occur that tighten the supply-demand balance for electricity in Japan. From July to September 2022, electric power companies asked customers to conserve electricity usage across the nation for the first time in seven years. With move toward realizing a carbon-free footprint, demand for the transportation of coal to coal-fired power plants is likely to decrease in the future. For the time being, however, coal-fired power plants will probably remain an important source of electricity from the standpoint of ensuring a reliable supply of electricity, while efforts are being made to reduce carbon emissions with biomass mixed-fuel incineration and improvement in power generation efficiency. While monitoring progress toward a carbon-free footprint, the "K" LINE Group intends to build a fleet of ships with environmental systems that reduce carbon emissions, in order to fulfill demand for the transportation of fuel for Japanese electric power companies and meet expectations for a lower carbon footprint.

# Energy Resource Transport



LNG Carrier Business

Carbon-Neutral Promotion Business

**Satoshi Kanamori**

Executive Officer  
In charge of LNG, Carbon-Neutral Promotion

## Overview of Fiscal 2021

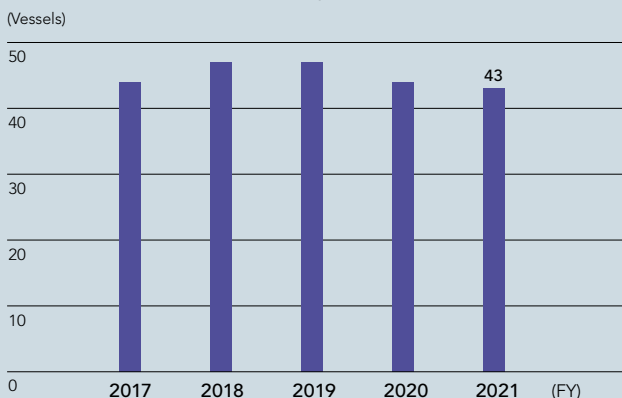
### LNG Carrier Business

In the LNG carrier business, utilization of existing vessels were favorable, and its earnings contributed to stable-earnings via medium- to long-term chartering contracts. We are moving forward with the construction of new vessels scheduled to be delivered after fiscal 2022 for some new projects. Among new projects, an expansion project in Qatar is included, where procurement of several dozen new ships is expected. We are also tackling to increase demand over the long term for LNG, centered on gas-producing countries and emerging countries.

### Carbon-Neutral Promotion Business

In addition to the LNG value chain, "K" LINE is proactively developing business related to support vessels for offshore wind power generation projects, and liquefied CO<sub>2</sub> carriers for CO<sub>2</sub> capture, use and storage (CCUS) projects. Regarding support vessels for offshore wind power generation projects, sales activities are performed by "K" Line Wind Service, Ltd. (KWS), a joint venture established with Kawasaki Kinkai Kisen Kaisha Ltd. Regarding liquefied CO<sub>2</sub> carriers, "K" LINE is engaging in R&D with partners while developing and building a demonstration vessel.

### "K" LINE LNG Carrier (Including Co-Owned)



## Medium-Term Market Conditions (Risks and Opportunities)

### LNG Carrier Business

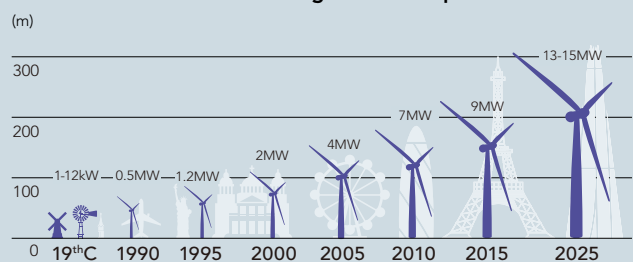
LNG will play a major role in the energy transition toward decarbonization. Demand for LNG is expected to peak in the 2040s. We expect demand remains firm and strong in the medium to long term, given the European Union is switching its energy policy back to natural gas and nuclear power after investing in renewable energy, and long-term (20-year) LNG procurement contracts are being signed in Asia, especially in China.

However, there is also a risk of stagnation in cargo movement on concerns about an increase in COVID-19 cases and major changes in the global economy due to a prolonged war between Russia and Ukraine.

### Carbon-Neutral Promotion Business

Regarding support vessels for offshore wind power generation projects, a variety of work vessels and transportation ships will be needed in Japan as the growth phase approaches for offshore wind power generation. Even more work vessels and transportation ships will be needed if floating-type wind power generation projects increase in offshore areas far away from land. CCUS is being considered by companies in various industries as one of the realistic solutions for becoming carbon neutral. There is considerable potential for marine transportation using liquefied CO<sub>2</sub> carriers, especially in Europe, Japan, and other parts of Asia. However, these projects also require the creation of rules and systems for implementing a series of environmental measures into society and efforts on schedule. It is therefore important to keep an eye on broader trends in society that affect this business environment.

### Evolution of Wind Turbine Heights and Output



Sources: Various; Bloomberg New Energy Finance





LNG carrier



Offshore support vessel

► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
LNG Carrier Business	 <p>Role of driving growth</p>	<ul style="list-style-type: none"> <li>With business expansion as the top priority, strengthening initiatives for existing businesses such as those in Qatar, which offers the largest business scale</li> <li>Strengthening customer bases in China, Malaysia, India, and Indonesia, markets with solid track records</li> <li>Acquiring opportunities in future growth markets, such as Asia and the United States</li> </ul>	<ul style="list-style-type: none"> <li>Expanding investment frameworks while flexibly responding to customer needs by increasing the number of vessels</li> <li>Building even closer relationships with customers by moving ship management sites to Singapore and enhancing the local sales system there to capture demand in Asia</li> </ul>
Carbon-Neutral Promotion Business	 <p>Expansion of new businesses in fields where "K" LINE can utilize its strengths</p>	<ul style="list-style-type: none"> <li>Focus on support vessels for offshore wind power generation projects and liquefied CO<sub>2</sub> carriers as new business fields where "K" LINE can leverage its strengths</li> <li>Pursue "K" LINE Group synergies in the support vessel business for offshore wind power generation projects</li> </ul>	<ul style="list-style-type: none"> <li>Provide services that leverage comprehensive Group capabilities at KWS (offshore support vessels, port services, tugboats, etc.)</li> <li>Develop business for liquefied CO<sub>2</sub> carriers by leveraging our accumulated knowledge in experimental vessels for NEDO's CCUS experiments</li> </ul>

At the Vanguard of Value Creation

Topics

**Completion of Construction on LNG Carriers *LAGENDA SURIA* and *LAGENDA SERENITY* for PETRONAS Group in Malaysia**

Hudong-Zhonghua Shipbuilding completed construction on two new LNG carriers for the PETRONAS Group, a national oil and gas company in Malaysia, in May and June 2022.

These two ships were commissioned based on a long-term fixed-period charter contract that the PETRONAS Group signed in January 2020, the first such agreement with a non-Malaysian shipping company. Named the *LAGENDA SURIA* and the *LAGENDA SERENITY*, the meaning of these names in Malaysian translates into "legend" (*LAGENDA*), "sun" (*SURIA*), and "stable" (*SERENITY*). Both ships will transport LNG from Bintulu Port, in Malaysia, for Shenergy Group, in China.

"K" LINE's growth strategy is to precisely respond to the changing needs of customers with the aim of tapping into expanding demand in Asia.

> Product Logistics



Car Carrier Business

**Takenori Igarashi**

Managing Executive Officer  
 In charge of Car Carrier Business,  
 Car Carrier Planning & Development,  
 Car Carrier Quality and Operations

► Overview of Fiscal 2021

On the global automobile market, production and shipments were adversely affected by shortages of semiconductors and auto parts, as well as Russia’s invasion of Ukraine. With a recovery well underway in the wake of the pandemic, global sales volume increased 4% year on year, to 80.26 million vehicles, and the marine transportation of automobiles expanded 12%, to 15.08 million vehicles.

The “K” LINE Group transported 2.89 million vehicles, an increase of about 12%, from 2.58 million vehicles in the previous fiscal year. Meanwhile, we improved the efficiency of fleet allocation, including restructuring the service network and fleet optimization, while restoring freight rates and tapping into growth markets. As a result of these efforts and initiatives to improve our earnings capacity and cost competitiveness, both sales and profits increased year on year.

► Medium-Term Market Conditions (Risks and Opportunities)

Although global sales volume has not returned to pre-pandemic levels, the passenger car market has been brisk, resulting in a stronger-than-expected recovery in marine transportation volume despite production cuts at automakers due to semiconductor shortages and Russia’s invasion of Ukraine. In addition, export demand from China is on the rise. We therefore expect supply-demand conditions to remain tight for a while. Stricter environmental regulations are having an impact on transportation capacity, and in the movement to become carbon neutral, we believe it will be important to secure an adequate level of transportation capacity and to optimize fleet size, including new ships.

The global automobile industry is undergoing a tectonic shift with the proliferation of electric vehicles. The “K” LINE Group aims to outpace market growth by keeping tabs on customer demand and upgrading its car carriers and transportation structure.

Car Carrier Fleet Ranking

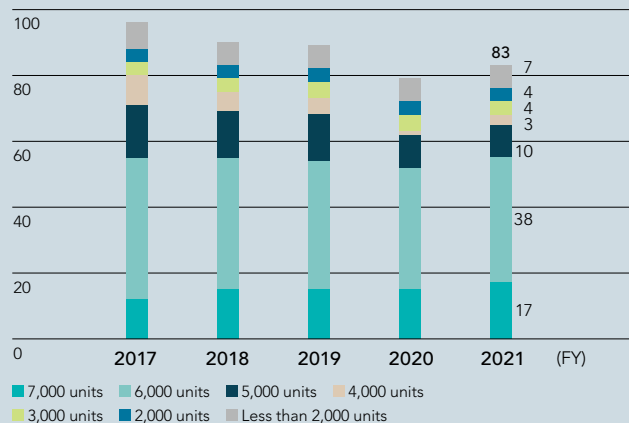
(As of April 2022)

Ranking	Operator	Vessels	Share of vessels	Capacity (units)	Share of capacity
1	WWL ASA	112	16.4%	762,686	18.9%
2	NYK	99	14.5%	606,706	15.0%
3	MOL	89	13.0%	534,909	13.2%
4	GLOVIS	84	12.3%	543,050	13.4%
<b>5</b>	<b>“K” LINE</b>	<b>72</b>	<b>10.5%</b>	<b>439,100</b>	<b>10.9%</b>
6	Grimaldi	59	8.6%	287,737	7.1%
7	HOEGH	40	5.9%	267,825	6.6%
8	TOYOFUJI	17	2.5%	74,900	1.9%
9	UECC (NYK+WWL)	11	1.6%	45,140	1.1%
10	Others	100	14.6%	480,495	11.9%
	Total	683	100.0%	4,042,548	100.0%

Source: Compiled by “K” LINE based on Hennes Shipping “AS Year Report”

“K” LINE Car Carrier Fleet

(Vessels)








LNG-fueled car carrier



Car carrier

► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Car Carrier Business</p> <div data-bbox="236 902 408 1066" style="text-align: center;">  <p>Role of driving growth</p> </div>		<ul style="list-style-type: none"> <li>Expanding customer base of existing finished vehicle OEMs and meeting demand for environmentally friendly transport</li> <li>Expanding business with emerging-economy BEV shippers with the aim of capturing increasing demand for BEV transport</li> <li>Continuing to expand cargo portfolio and increase high and heavy transportation capacity</li> </ul>	<ul style="list-style-type: none"> <li>Expand fleet of LNG-fueled car carriers and introduce next-generation zero-emissions ships and new technologies in order to achieve low-carbon and carbon-free targets</li> <li>In EX/DX, enhance presence and establish partnerships through proposal-based marketing in tune with customer requirements</li> <li>Improve the sales structure to capture BEV customers in emerging economies and further boosting stable earnings by launching end-to-end automotive logistics services</li> <li>Diversify cargo handled, including expansion of high and heavy cargoes</li> </ul>

At the Vanguard of Value Creation

Topics

**Operational Launch of Cutting-Edge Environmentally Friendly Yokohama Daikoku C-4 Terminal**

In fiscal 2022, the Yokohama Daikoku C-4 Terminal commenced operations as a completed automobile terminal for the “K” LINE Group, a first in Japan. This terminal features large-scale roofed facilities on the premises, and it can handle various kinds of cargo, such as oversized cargo and ultra-heavy cargo that does not fit inside containers.

Regarding environmental considerations, this facility has cutting-edge functions ranging from LED lighting at the port and electric work vehicles on the grounds, to the use of 100% renewable energy from wind power, for effectively zero CO<sub>2</sub> emissions. Moreover, the facility has automated entrance and exit gates that use digital technology and an advanced terminal management system. It is an embodiment of digital transformation (DX) using Internet of Things (IoT) technologies. “K” LINE will operate the terminal with the intention of providing customers with high-value-added services.

Product Logistics



Logistics and Port Business

Keiji Kubo

Managing Executive Officer  
In charge of Logistics, Port and Affiliated Business

► Overview of Fiscal 2021


In the domestic logistics and port business, container marine transportation demand and overall cargo handling volume at the Company's five largest domestic container terminals increased compared with the previous fiscal year. In the tugboat business, work volume recovered on stronger demand. The warehouse business also performed well, thanks to stronger container demand. In the international logistics business, our forwarding operations saw an increase in air cargo volume throughout the year amid continued strong demand for marine and air cargo transportation, as customers turned to air transportation in response to sea container unit shortages and a lack of space on sea vessels. In automobile logistics services, volumes handled decreased in tandem with a global decline in automobile production volume due to shortages of semiconductors. Overall demand for automobiles has plateaued and as production volume recovered in stages, volume handled in the automobile logistics services business has also increased.

► Medium-Term Market Conditions (Risks and Opportunities)

In the international logistics business, starting with our forwarding operations, demand has remained brisk lately in both marine and air transportation. However, the possibility of an economic recession in the U.S. has raised concerns about its impact on transportation demand. It is also necessary to monitor the impact on market prices from changes in supply-demand balance caused by the construction of many new containerships from 2024 onward.

Although port congestion has been lessening on the West Coast of North America, labor union negotiations are still ongoing to reach a deal between management and labor unions at ports on the West Coast of North America, which originally had a deadline of end-June 2022. If the negotiations continue to be drawn out, it could lead to supply chain disruptions again, which might have an impact on the Company's domestic logistics and port operations. "K" LINE will monitor future developments.

► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
Logistics and Port Business	 <p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>• Aim to improve profitability by strengthening revenue management with business revenue KPIs in collaboration with operating companies</li> <li>• Optimize the business portfolio by clarifying Group synergies and cash generation while evaluating and assessing each business in more detail</li> <li>• Aim to expand Group earnings by optimizing the management of each port and putting into place a system for receiving large vessels at domestic ports</li> </ul>	<ul style="list-style-type: none"> <li>• Decide to construct hybrid-electric tugboat at Group company Seagate Corporation in order to contribute to a low-carbon society</li> <li>• Advance initiatives in line with the "K" LINE Environmental Vision 2050, such as installing zero-emissions cargo handling equipment and using net-zero CO<sub>2</sub> emissions electricity derived from renewable energy sources at domestic terminals within the Group, in accordance with environmental measures for domestic ports being promoted by the Ministry of Land, Infrastructure and Transport to achieve decarbonization</li> </ul>

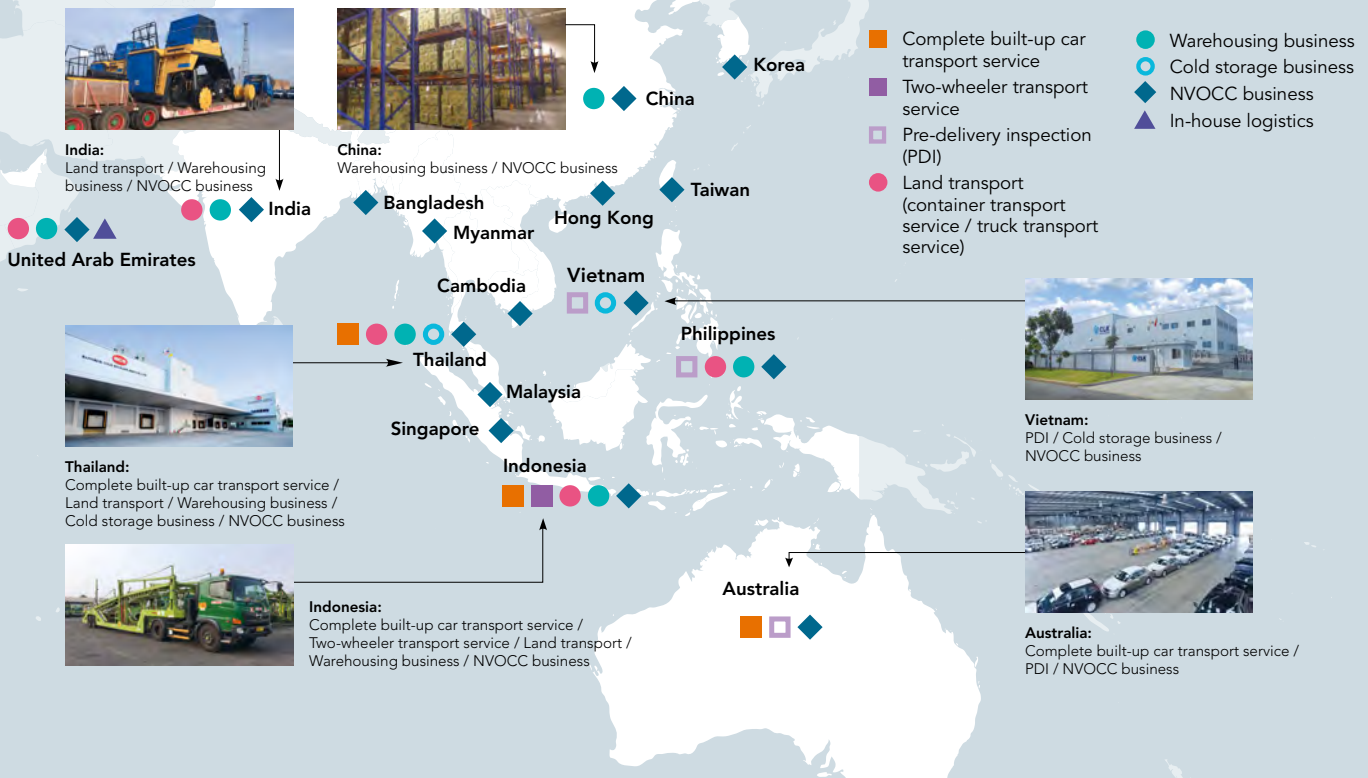


Trucks operated by a Group company in Thailand



Cold storage facility in Vietnam

## ▶ The Group's Locally Oriented Comprehensive Logistics Services in Asia



At the Vanguard of Value Creation

## Topics

### Kawasaki Kinkai Kisen, Ltd., Becomes a Wholly Owned Subsidiary

Since its founding in 1966, Kawasaki Kinkai Kisen, Ltd. has engaged in the three businesses of short sea, coastal, and ferry services, and in recent years, it has expanded the scope of its operations to include offshore support vessels. Although "K" LINE has focused on international shipping while Kawasaki Kinkai Kisen has concentrated on domestic shipping, turning Kawasaki Kinkai Kisen into a wholly owned subsidiary will allow the "K" LINE Group to consolidate its limited management resources and improve safety, environmental practices, and quality, while aiming to sustain growth together.

Both companies have united their futures in the same direction, aligning their management policies and medium- to long-term strategies in light of the rapidly increasing importance of introducing technologies for DX and the environment, with the expectation that the business environment will change, hastening modal shift and optimization in the management of crews of ships.

We will strengthen our sales capabilities by using the networks of both companies for customers who support electric power, steel, and energy infrastructure. Management at both companies will work closely together to expeditiously make decisions with the objective of increasing the corporate value of the "K" LINE Group through the development of technologies that support the environment, safety, and economical fleet operations, as well as deploy digital technologies and adopt next-generation fuels.



Ferry operated by Kawasaki Kinkai Kisen Kaisha, Ltd.

Short Sea and Coastal Business

Keiji Kubo

Managing Executive Officer  
In charge of Logistics, Port and Affiliated Business

► Overview of Fiscal 2021

There were unknown factors in play, such as the lingering impact from restrictions on people's movement due to the COVID-19 pandemic. In the short sea business, although cargo volume declined, both sales and profits increased because prices remained favorable and both freight income and charter fees expanded.


In the coastal business, Hachinohe–Muroran route service was suspended in February 2022 due to low numbers of customers during the pandemic. On other routes, cargo volume increased, resulting in growth in sales and profits. In the offshore support vessel (OSV) business, despite a decrease in ocean survey services, supply and salvage operations increased, resulting in higher operating rates and growth in sales, but profits declined due to an increase in depreciation from the completion of new ships.

► Medium-Term Market Conditions (Risks and Opportunities)

In the short sea business, favorable market conditions continued from the previous fiscal year. Demand for fuel used in biomass power generation is also likely to remain strong. In the coastal business, cargo movement is poised to increase as a result of expansion in the e-commerce market. Modal shift is likely to progress further due to shortages of truck drivers resulting from stricter regulations on their working hours, while environmental regulations have also been tightened. In the OSV business, the market is likely to expand for the offshore wind power generation business, which is ready to take off.

In the short sea business, economic sanctions imposed on Russia for its invasion of Ukraine have made it practically impossible to allocate vessels for the transport of Russian coal, which had been a key cargo. "K" LINE is therefore adjusting its ship tonnage and redirecting ships to other routes.

► Fiscal 2022 Medium-Term Management Plan

	Category	Strategic direction	Major initiatives and investment plans
Short Sea and Coastal Business	 <p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>In the short sea business, in addition to existing operations, aim to expand service areas while continuing to maintain the fleet optimization and monitor changes in demand as environmental regulations are tightened</li> <li>In the coastal business, accelerate modal shift in domestic coastal liners and ferries amid stronger environmental and labor regulations in Japan</li> <li>In the OSV business, in addition to existing operations, engage in vessel support operations for offshore wind power generation projects through "K" Line Wind Service, Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Launch two 40-type bulkers for biomass projects</li> <li>Increase capital investment in "K" Line Wind Service, Ltd., to advance offshore support vessel operations</li> </ul>

# Product Logistics



Containership



## Containership Business

### Daisuke Arai

Managing Executive Officer  
Responsible for Containerships Business Unit,  
Digitalization Strategy Unit, CIO (Chief Information Officer)


#### ► Overview of Fiscal 2021

In the first half, earnings improved at equity-method affiliate Ocean Network Express Pte. Ltd. (ONE), thanks to freight rates remaining at lofty levels amid tighter supply-demand conditions, which owed to brisk demand for transportation as more people shopped online while at home during the pandemic, against a backdrop of supply chain disruptions on a global scale owing to the COVID-19 pandemic. In the third quarter, supply chains were still being disrupted by port congestion and driver shortages for inland transportation routes amid brisk demand for transportation, especially in North America. In the fourth quarter, supply-demand conditions remained tight while supply chains were being disrupted, and ONE performance remained solid due to strong freight market conditions, despite seasonal factors such as the Chinese Lunar Year, the Russia-Ukraine war, and lockdowns in China. ONE made concerted efforts to work around supply chain disruptions, such as by maximizing the use of transportation space by operating emergency vessels and placing orders for new container boxes.

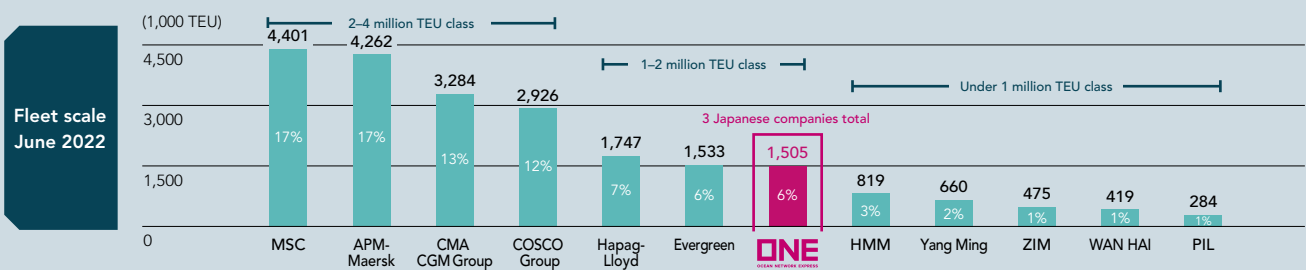
#### ► Medium-Term Market Conditions (Risks and Opportunities)

With congestion at some ports easing up, supply chain disruptions are gradually settling down. However, the outlook for the global economy has become increasingly uncertain, owing to the ongoing war between Russia and Ukraine, strong inflation around the world, and rising interest rates. Depending on future trends, the economic environment might continue to change and potentially have a major impact on demand for containership transportation. While it is extremely difficult to accurately forecast changes in the business environment, ONE will spare no effort in managing operations with a focus on safety in navigation and sustainability in order to reliably address demand for transportation at its customers.

#### ► Fiscal 2022 Medium-Term Management Plan

Category	Strategic direction	Major initiatives and investment plans
<b>Containership Business</b>  Role of supporting the business as a shareholder and stabilizing the earning base	<ul style="list-style-type: none"> <li>Management at ONE is focusing on capital efficiency and ROE to improve corporate value</li> <li>"K" LINE provides support by dispatching management and operations personnel in order to sustain growth and develop business at ONE</li> </ul>	<ul style="list-style-type: none"> <li>ONE continues to invest in ships with superior environmental performance in order to achieve decarbonization goals and maintain a scale of operations in tune with cargo growth</li> <li>Provide good-quality services to customers as an end-to-end logistics service provider by investing in terminals and other fields</li> <li>Strengthen customer services while aiming to expand e-commerce, such as with ONE QUOTE, with the objective of smoothly facilitating communications with customers</li> </ul>

### Containership Fleet Scale



Source: Compiled by "K" LINE based on Alphaliner

# 11-Year Financial and ESG Data

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries  
Years ended March 31

## The Evolution of Medium-Term Management Plans

## "K" LINE Vision 100 "Synergy for All and Sustainable Growth"

### New Challenges

### Bridge to the Future

		FY2011	FY2012	FY2013	FY2014
<b>Operating results (for the year)</b>	Operating revenues	¥ 972,310	¥1,134,771	¥1,224,126	¥1,352,421
	Operating income	(40,563)	14,886	28,854	47,988
	Ordinary income*4	(48,955)	28,589	32,454	48,980
	Profit attributable to owners of the parent	(41,351)	10,669	16,642	26,818
<b>Financial position (at year-end)</b>	Total assets	1,066,648	1,180,433	1,254,741	1,223,328
	Net assets	259,934	361,975	410,688	467,440
	Equity capital*5	242,572	340,571	388,837	441,531
	Interest-bearing liabilities	592,522	629,864	643,794	536,846
	Capital expenditures	239,196	134,554	93,377	89,501
	Depreciation and amortization	50,044	59,667	52,243	53,526
	Cash flows from operating activities	(2,908)	59,756	88,228	101,825
	Cash flows from investing activities	(83,233)	(27,212)	(5,113)	(11,177)
	Free cash flows	(86,142)	32,544	83,115	90,648
	Cash flows from financing activities	86,306	26,364	(26,634)	(119,253)
<b>Per share data*3</b>	Profit attributable to owners of the parent (¥)	(54.14)	12.07	17.75	28.60
	Net assets (¥)	317.59	363.18	414.66	471.10
	Cash dividends applicable to the year (¥)	—	2.50	4.50	8.50
	Dividend payout ratio (%)	—	20.7	25.4	29.7
<b>Management index</b>	Return on equity (ROE)*6 (%)	(15.5)	3.7	4.6	6.5
	Return on assets (ROA)*7 (%)	(4.7)	2.5	2.7	4.0
	Debt equity ratio (DER)*8 (Times)	2.44	1.85	1.66	1.22
	Equity ratio (%)	22.7	28.9	31.0	36.1
<b>Average during the period</b>	Exchange rate (¥ / US\$)	79	82	100	109
	Fuel oil price (US\$ / ton)	672	671	626	541
<b>Consolidated business data</b>	Vessels in operation*9	559	566	583	584
<b>Human resource data</b>	Consolidated employees	7,703	7,667	7,703	7,834
	Unconsolidated employees	664	659	652	676
	On land	486	481	478	504
	At sea	178	178	174	172
	Women (%)	22.9	22.8	24.4	25.4
	Persons with disabilities (%)	1.60	1.90	1.93	1.87
	Industrial accidents	On land At sea	0 0	0 1	0 3
<b>Management*10</b>	Directors	13	13	13	10
	Outside directors	2	2	2	2
	Audit & Supervisory Board members	5	5	4	4
	Outside Audit & Supervisory Board members	3	3	3	3
<b>Environmental data*11</b>	Fuel oil (thousands of tons)	3,949	3,966	3,651	3,646
	CO <sub>2</sub> emissions (thousands of tons)	12,298	12,352	11,377	11,360
	SO <sub>x</sub> emissions (thousands of tons)	214	209	190	182
	NO <sub>x</sub> emissions (thousands of tons)	323	319	292	283

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020) has been applied from the beginning of fiscal 2021. The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition.

\*1 Rounded down to the nearest million yen

\*2 "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018), etc., has been applied from the beginning of fiscal 2018, and applied retroactively to the total assets and return on assets for fiscal 2017 for recalculation.

\*3 The Company consolidated its common stock at a ratio of ten shares to one share, effective October 1, 2017. The above figures for profit attributable to owners of the parent per share and net assets per share have been calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year (April 1, 2016).

**K** Value for Our Next Century

FY2020  
Management  
Plan in Fiscal  
Year

FY2021  
Management  
Plan in Fiscal  
Year

—Action  
for Future—

Revival for Greater Strides

(Millions of yen)\*1

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
	¥1,243,932	¥1,030,191	¥1,162,025	¥ 836,731	¥735,284	¥625,486	¥ 756,983
	9,427	(46,037)	7,219	(24,736)	6,840	(21,286)	17,663
	3,338	(52,388)	1,962	(48,933)	7,407	89,498	657,504
	(51,499)	(139,478)	10,384	(111,188)	5,269	108,695	642,424
	1,115,223	1,045,209	1,036,886*2	951,261	896,081	974,608	1,574,960
	379,913	245,482	243,094	181,233	200,234	316,162	984,882
	355,375	219,484	217,010	103,576	101,095	218,193	884,634
	525,152	550,512	570,584	550,211	543,451	507,005	423,455
	116,592	68,048	101,105	97,911	81,148	45,332	43,442
	48,302	47,421	43,410	40,789	44,253	43,869	42,821
	39,635	(43,919)	1,167	(6,808)	(21,797)	33,397	226,460
	(29,569)	(24,881)	(22,813)	(35,493)	(20,286)	16,987	(5,848)
	10,066	(68,801)	(21,646)	(42,303)	(42,083)	50,384	220,611
	(14,835)	26,436	22,239	19,290	16,731	(34,845)	(116,001)
	(54.95)	(1,488.23)	111.13	(1,192.08)	56.50	1,165.34	6,887.54
	379.18	2,341.93	2,326.65	1,110.48	1,083.88	2,339.28	9,484.35
	5.00	—	—	—	—	—	600.00
	—	—	—	—	—	—	8.7
	(12.9)	(48.5)	4.8	(69.4)	5.1	68.1	116.5
	0.3	(4.8)	0.2*2	(4.9)	0.8	9.6	51.6
	1.48	2.51	2.63	5.31	5.38	2.32	0.48
	31.9	21.0	20.9	10.9	11.3	22.4	56.2
	121	109	111	111	109	106	112
	295	265	349	450	467	363	551
	575	560	554	520	468	442	434
	8,097	8,018	7,153	6,022	6,164	6,080	5,158
	716	735	724	756	767	769	794
	541	552	531	552	562	565	585
	175	183	193	204	205	204	209
	26.3	24.9	25.1	25.8	25.7	25.9	27.5
	1.94	2.29	2.40	2.05	1.96	1.82	2.09
	0	1	2	0	0	0	0
	0	1	1	1	0	0	0
	9	9	9	9	10	10	10
	2	3	3	3	4	4	4
	4	4	3	3	4	4	4
	3	2	2	2	2	2	2
	3,942	3,872	4,102	3,824	3,140	2,809	1,981
	12,300	12,079	12,797	11,932	9,800	8,762	6,175
	190	183	195	188	130	36	30
	290	274	284	262	203	181	118

\*4 Ordinary income consists of operating income and non-operating income or expense.

\*5 Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)

\*6 Return on equity: Profit attributable to owners of the parent / Equity capital

\*7 Return on assets: Ordinary income / Total assets

\*8 Debt equity ratio: Interest-bearing liabilities / Equity capital

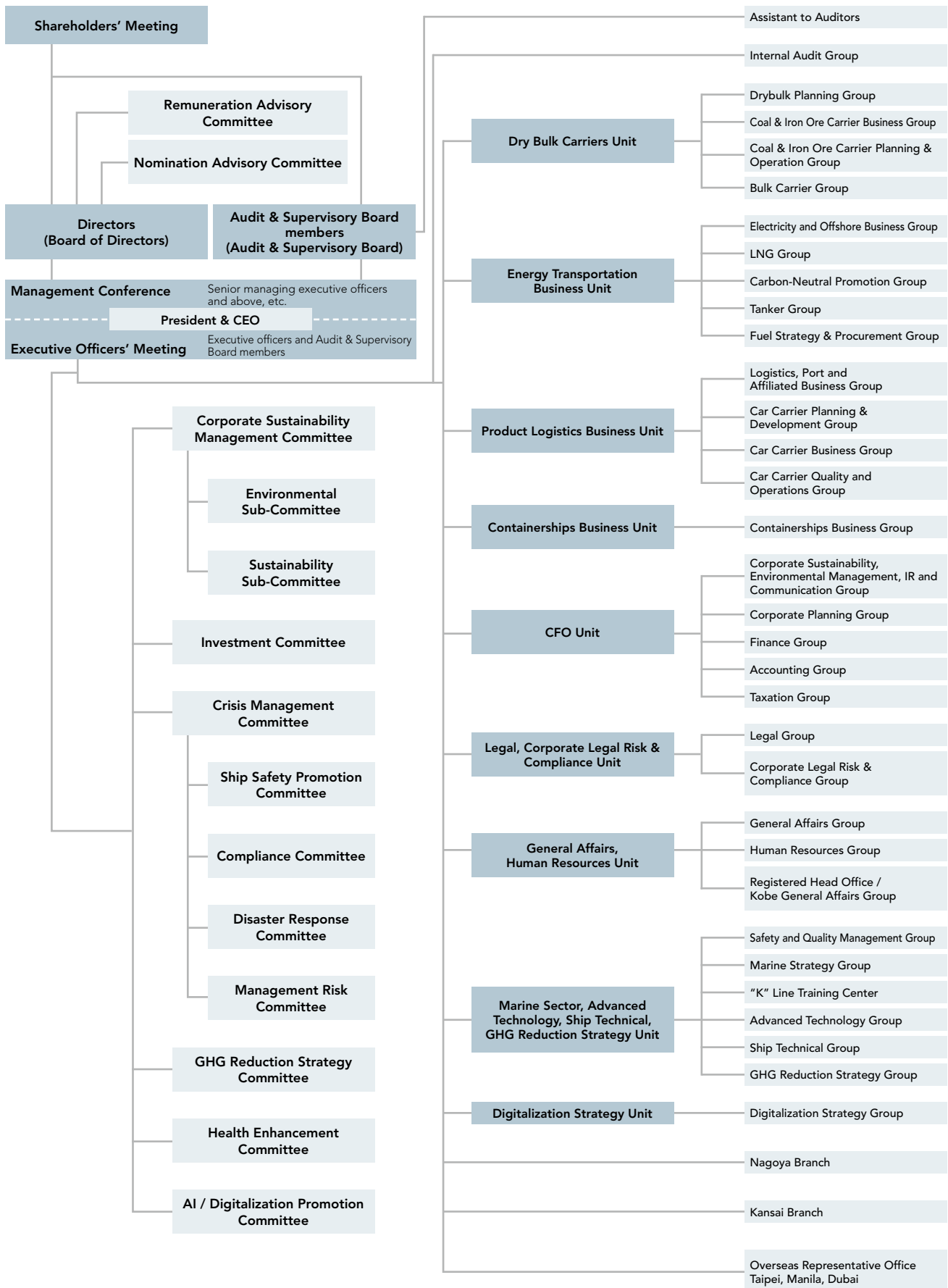
\*9 Includes project-use vessels owned by special purpose companies (SPCs)

\*10 For Kawasaki Kisen Kaisha, Ltd.

\*11 The scope of calculation changed in 2021, removing the Company's non-operating vessels from the scope of calculation. Figures are calculated on a calendar year basis.

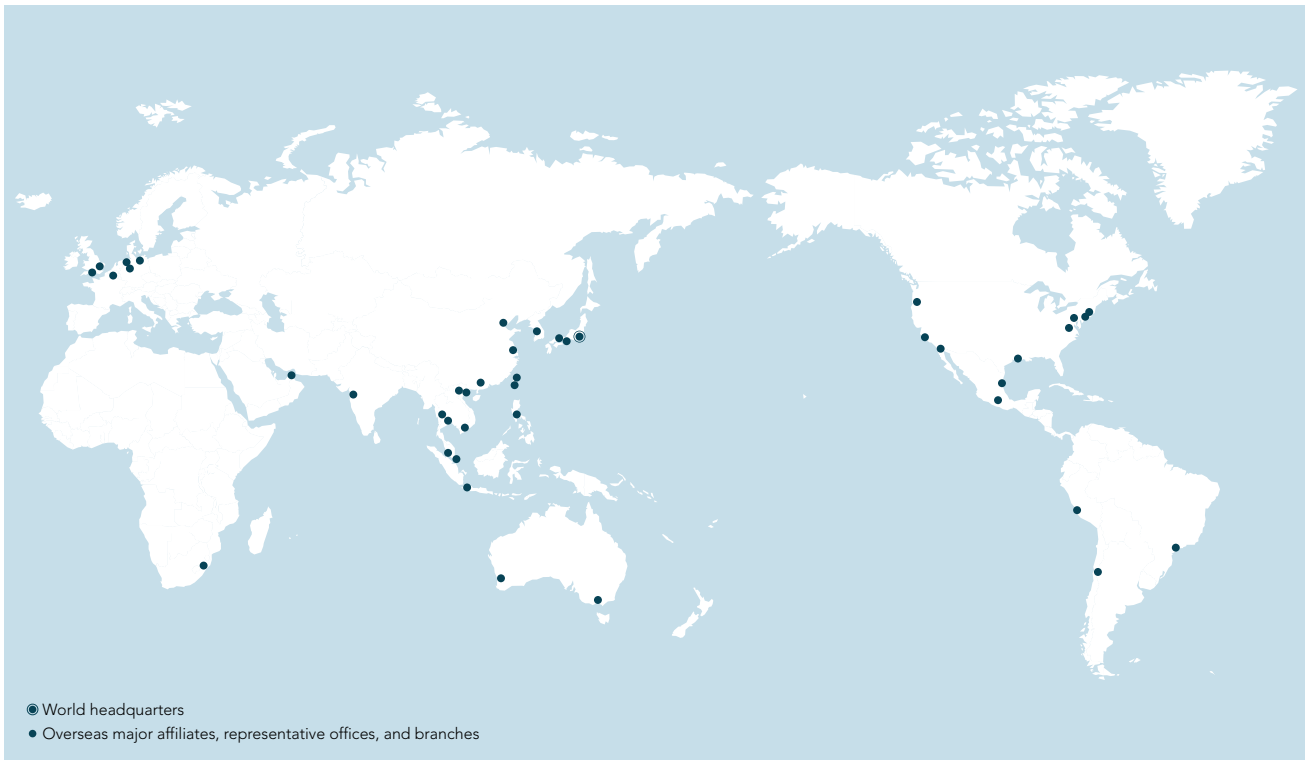
# Organization

(As of July 1, 2022)





# Global Network



## Japan

Tokyo (Head office)  
Kobe (Registered head office)  
Nagoya  
Kansai

## Europe

**Belgium**  
Antwerp

**Germany**  
Bremen  
Bremerhaven  
Hamburg

**U.K.**  
London  
Southampton

## Africa

**South Africa**  
Durban

## Middle East

**United Arab Emirates**  
Dubai

## Asia

**China**  
Guangzhou  
Shanghai  
Tianjin

**India**  
Mumbai

**Indonesia**  
Jakarta

**Korea**  
Seoul

**Malaysia**  
Shah Alam

**Philippines**  
Manila

## Singapore

Singapore

**Taiwan**  
Kaohsiung  
Taipei

**Thailand**  
Bangkok  
Laem Chabang

**Vietnam**  
Haiphong  
Hanoi  
Ho Chi Minh City

## Oceania

**Australia**  
Fremantle  
Melbourne

## North America

**U.S.A.**  
Baltimore  
Houston  
Los Angeles  
Lothian  
New York  
Portland  
Richmond  
San Francisco

## Central and South America

**Brazil**  
Sao Paulo

**Chile**  
Santiago

**Mexico**  
Altamira  
Mexico City

**Peru**  
Lima

# Major Subsidiaries and Affiliates\*1

(As of March 31, 2022)

Domestic	Company name	"K" LINE's ownership (%) <sup>*2</sup>	Paid-in capital (millions of yen) <sup>*3</sup>	Fiscal 2021 revenue (millions of yen) <sup>*3</sup>
Marine transportation	Kawasaki Kinkai Kisen Kaisha, Ltd.	51.0	2,368	43,746
	Asahi Kisen Kaisha, Ltd.	100.0	100	122
	★ Shibaura Kaiun Co., Ltd.	100.0	20	804
Ship management	"K" Line Energy Ship Management Co., Ltd.	100.0	75	12,791
	"K" Line RoRo Bulk Ship Management Co., Ltd.	100.0	400	36,160
Harbor transportation / Warehousing	Daito Corporation <sup>*4</sup>	100.0	842	23,992
	Nitto Total Logistics Ltd. <sup>*4</sup>	100.0	1,596	13,961
	Hokkai Transportation Co., Ltd.	80.1	60	11,980
	Seagate Corporation <sup>*4</sup>	100.0	270	6,869
	Nitto Tugboat Co., Ltd.	100.0	150	3,627
	★ Rinko Corporation	25.1	1,950	12,694
	KLKG Holdings, Co., Ltd.	51.0	10	1,401
Logistics	"K" Line Logistics, Ltd.	91.9	600	31,823
Land transportation	Japan Express Transportation Co., Ltd.	100.0	100	2,831
	Shinto Rikuun Kaisha, Ltd.	100.0	10	684
	Maizuru Kousoku Yusou Co., Ltd.	100.0	25	725
Travel business	"K" Line Travel, Ltd.	100.0	100	142
Holding company	★ Ocean Network Express Holdings, Ltd.	31.0	50	455
Other business	Shinki Corporation	85.5	80	2,571
	"K" Line Business Systems, Ltd.	100.0	40	946
	KMDS Co., Ltd.	100.0	40	1,218
	"K" Line Business Support, Ltd.	100.0	30	617
	Offshore Operation Co., Ltd.	72.1	26	1,417
	K Line Next Century GK	100.0	0	0

Domestic	Company name	"K" LINE's ownership (%) <sup>*2</sup>	Paid-in capital (millions) <sup>*3</sup>	Fiscal 2021 revenue (millions) <sup>*3</sup>
Marine transportation	"K" Line Pte Ltd	100.0	US\$41	US\$259
	"K" Line Bulk Shipping (UK) Limited	100.0	US\$33	US\$115
	"K" Line LNG Shipping (UK) Limited	100.0	US\$35	US\$97
	"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR90
	'K' Line (India) Shipping Private Limited	80.0	INR609	INR788
	K Line Offshore AS	100.0	NOK2,812	NOK268
	★ Northern LNG Transport Co., I Ltd.	49.0	US\$47	US\$21
	★ Northern LNG Transport Co., II Ltd.	36.0	US\$52	US\$21
	★ Ocean Network Express Pte. Ltd. <sup>*5</sup>	—	US\$3,000	US\$29,990
Shipping agency	"K" Line America, Inc.	100.0	US\$15	US\$14
	"K" Line (Australia) Pty Limited	100.0	A\$0.0001	A\$5
	"K" Line (Belgium) N.V.	51.0	EUR0.06	EUR1
	"K" Line Brasil Transportes Maritimos Ltda.	100.0	BRL1	BRL10
	K Line (China) Ltd.	100.0	CNY9	CNY26
	"K" Line Chile Ltda	100.0	US\$0.6	US\$8
	"K" Line (Deutschland) GmbH	100.0	EUR0.1	EUR7
	"K" Line (Europe) Limited	100.0	£0.01	£3

Overseas	Company name	"K" LINE's ownership (%) <sup>*2</sup>	Paid-in capital (millions) <sup>*3</sup>	Fiscal 2021 revenue (millions) <sup>*3</sup>
	"K" Line (Korea) Ltd.	100.0	KRW400	KRW16,313
	"K" Line Maritime (Malaysia) Sdn. Bhd.	100.0	MYR0.3	MYR1
	K Line Mexico SA de CV	100.0	MXN0.8	US\$1
	"K" Line Peru S.A.C.	100.0	PEN1	PEN3
	"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR8
	"K" Line (Taiwan) Ltd.	60.0	NT\$60	NT\$44
	K Line (Thailand) Ltd.	81.7	THB30	THB2,356
	"K" Line (Vietnam) Limited	100.0	US\$3	VND16,383
	PT. K Line Indonesia	49.0	IDR2,557	IDR28,763
	★ 'K' Line (India) Private Limited	50.0	INR60	INR508
<b>Ship management</b>	"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	US\$0.5	US\$61
<b>Logistics</b>	"K" Line Logistics (Hong Kong) Ltd.	100.0	HK\$8	HK\$159
	"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S\$1	S\$39
	K Line Logistics South East Asia Ltd.	99.9	THB73	THB2,308
	K Line Logistics (Thailand) Ltd.	86.5	THB20	THB1,831
	"K" Line Logistics (UK) Ltd.	100.0	£0.2	£6
	"K" Line Logistics (U.S.A.) Inc.	100.0	US\$0.3	US\$124
<b>Container repairing</b>	Bridge Chassis Supply LLC.	100.0	US\$7	US\$0
<b>Holding company</b>	Kawasaki (Australia) Pty. Ltd.	100.0	A\$4	A\$7
	"K" Line Holding (Europe) Limited	100.0	£45	£0
	"K" Line Drilling/Offshore Holding, INC.	100.0	US\$0.001	US\$0
<b>Other business</b>	"K" Line TRS S.A.	100.0	US\$0.006	US\$0
	★ "K" Line Auto Logistics Pty Ltd.	50.0	A\$67	A\$0.1

\*1 Includes main consolidated subsidiaries, equity-method subsidiaries, and equity-method affiliates

\*2 Includes holdings of subsidiaries

\*3 Rounded down to the nearest million

\*4 KLKG Holdings, Co., Ltd. owns the company.

\*5 Ocean Network Express Holdings, Ltd. owns 100% of the company.

★ Subsidiaries and affiliates accounted for by the equity method

¥: Japanese yen

NOK: Norwegian krone

KRW: Korean won

ZAR: South African rand

IDR: Indonesian rupiah

US\$: United States dollars

A\$: Australian dollars

MYR: Malaysian ringgit

NT\$: New Taiwan dollars

S\$: Singapore dollars

EUR: Euro

BRL: Brazil real

MXN: Mexican peso

THB: Thai baht

HK\$: Hong Kong dollars

INR: Indian rupee

£: Pounds sterling

PEN: Peruvian SOL

VND: Vietnamese dong

# Outline of the Company / Stock Information

## Outline of the Company

(As of March 31, 2022)

<b>Name</b>	Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
<b>Established</b>	April 5, 1919
<b>Paid-in capital</b>	¥75,457.64 million
<b>President</b>	Yukikazu Myochin (Effective from April 1, 2019)
<b>Employees</b>	On-land duty 585 At-sea duty 209 Unconsolidated total 794 Consolidated total 5,158
<b>Business lines</b>	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
<b>Offices</b>	
<b>Head office</b>	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001
<b>Registered head office</b>	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676
<b>Branches</b>	<b>Nagoya</b> Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585 <b>Kansai</b> Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676
<b>Overseas representative offices</b>	Taipei, Manila, Yangon, Dubai
<b>Overseas agents</b>	Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, Belgium, U.S.A., Mexico, Peru, Chile, Brazil, South Africa
<b>Affiliated companies (to be consolidated)</b>	27 (domestic), 264 (overseas)

## Stock Information

(As of March 31, 2022)

<b>Authorized</b>	200,000,000 shares of common stock
<b>Issued</b>	93,938,229 shares of common stock
<b>Number of shareholders</b>	35,039
<b>Shareholder registry administrator</b>	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
<b>Listing of shares</b>	Tokyo (First Section*) * Tokyo Stock Exchange Prime Market from April 4, 2022

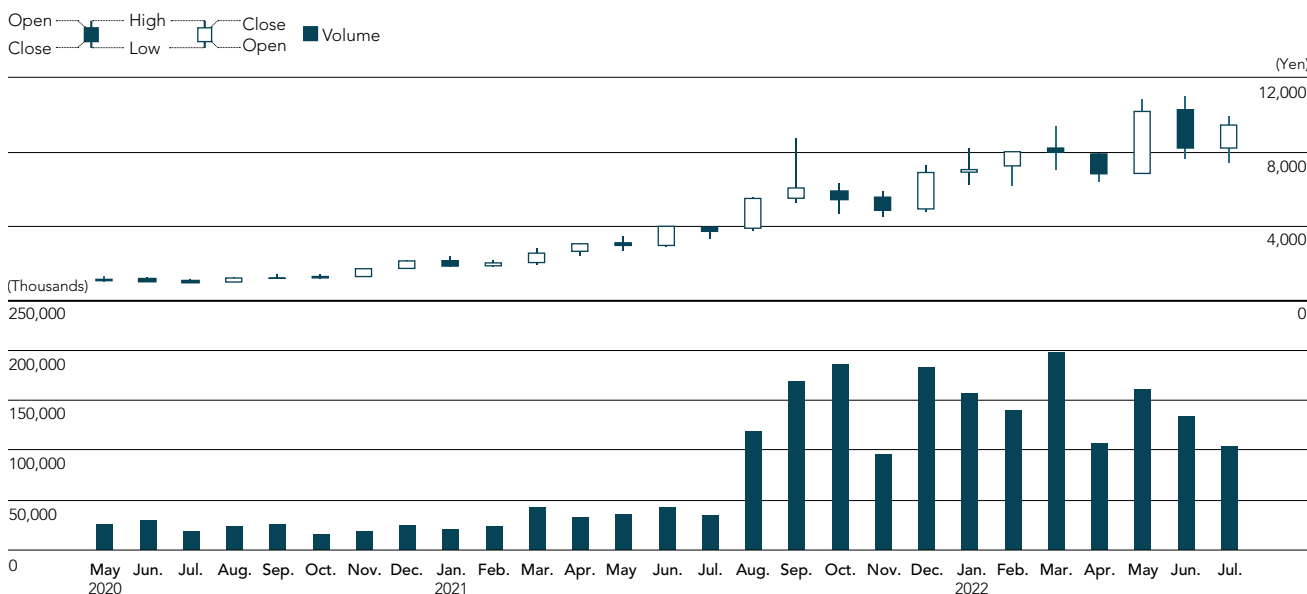
## Major Shareholders

(As of March 31, 2022)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
ECM MF	10,716	11.43
GOLDMAN SACHS INTERNATIONAL	10,596	11.30
The Master Trust Bank of Japan, Ltd. (trust account)	10,540	11.24
MLI FOR SEGREGATED PB CLIENT	5,651	6.02
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	5,149	5.49
CGML PB CLIENT ACCOUNT / COLLATERAL	4,841	5.16
Custody Bank of Japan, Ltd. (trust account)	3,714	3.96
IMABARI SHIPBUILDING CO., LTD.	2,352	2.50
Custody Bank of Japan, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	2,035	2.17
Mizuho Bank, Ltd.	1,868	1.99

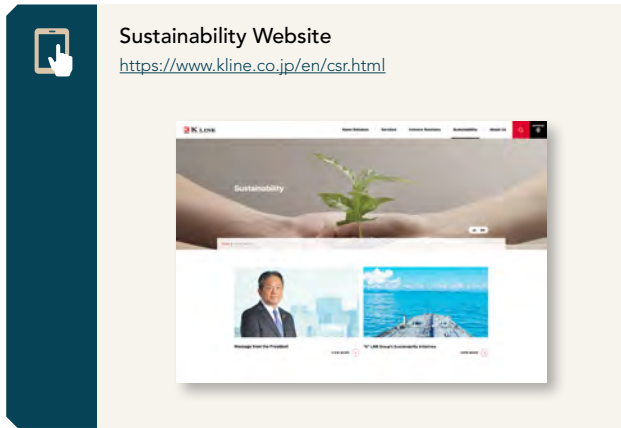
Note: Percentage of shares held is calculated excluding treasury stock (197,459 shares).

## Stock Price Range and Trading Volume (Tokyo Stock Exchange)



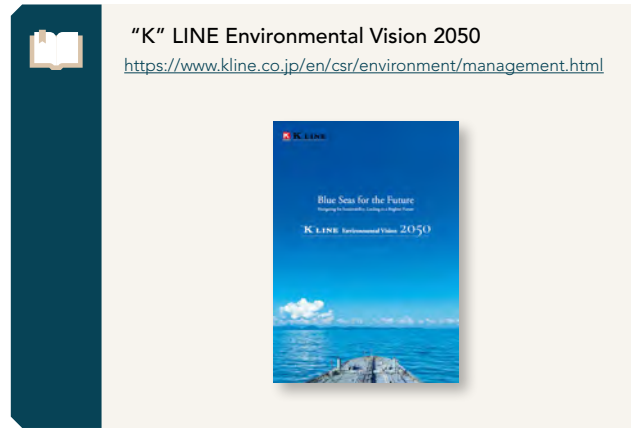
## "K" LINE's Website

In addition to this report, more information is available on "K" LINE's website, including the Charter of Conduct for "K" LINE Group companies and environmental data.



### Sustainability Website

<https://www.kline.co.jp/en/csr.html>



### "K" LINE Environmental Vision 2050

<https://www.kline.co.jp/en/csr/environment/management.html>



### Sustainability Booklet

<https://www.kline.co.jp/en/csr/group/booklet.html>



### FACTBOOK

<https://www.kline.co.jp/en/ir/library/fact.html>

## External Recognition

In recognition of our CSR and ESG initiatives, "K" LINE has been selected as a component in Socially Responsible Investment (SRI) and ESG indices used all over the world.

- Dow Jones Sustainability Asia / Pacific Index
- FTSE4Good
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- THE MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
- S&P / JPX Carbon Efficient Index

In recognition of our disclosure of climate change information and efforts to reduce greenhouse gases, we have been selected for the CDP Climate Change A List for six consecutive years and for the Supplier Engagement Leaderboard for four consecutive years.

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



**FTSE Blossom  
Japan Index**



**FTSE Blossom  
Japan Sector  
Relative Index**

2022 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)





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Uchisaiwaicho 2-chome,  
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<https://www.kline.co.jp/en/>