"K" LINE
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Printed in Japan

"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 K Value ("K" LINE Value) as a symbol of its corporate value. In this "K" LINE REPORT, we explain K 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

– K: 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

Yukikazu Myochin
President & CEO

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.

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.

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.

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

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_2 emissions per ton-mile have been reduced from 7.21g-CO_2 per ton-mile in fiscal 2008, to 4.10g-CO_2 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.

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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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.

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_2 emissions, for example. Through DX and other innovations, we aim to help our customers solve the issues they face.

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.

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.

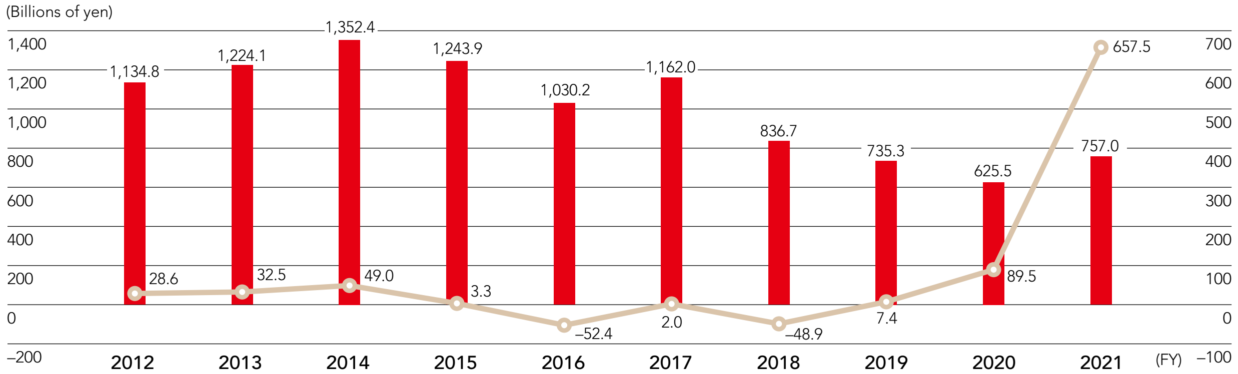
Always guided by the "K" LINE Spirit, the "K" LINE Group has overcome many crises in its history spanning more than 100 years. However, I believe the "K" LINE Spirit will be even more important today as we enter a new management stage and effect sweeping improvements to the Company's financial position. 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

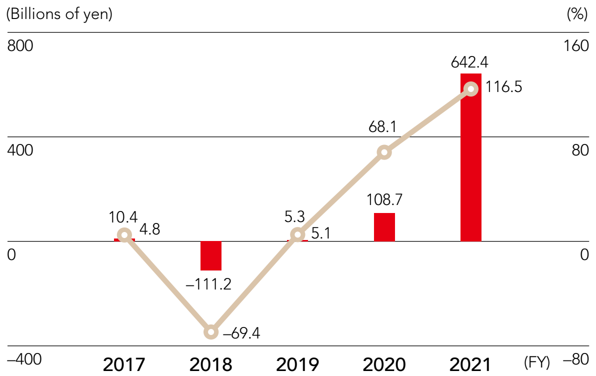
Operating Revenues, Ordinary Income (Loss)



Operating revenues (left scale) Ordinary income (loss) (right scale)

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.

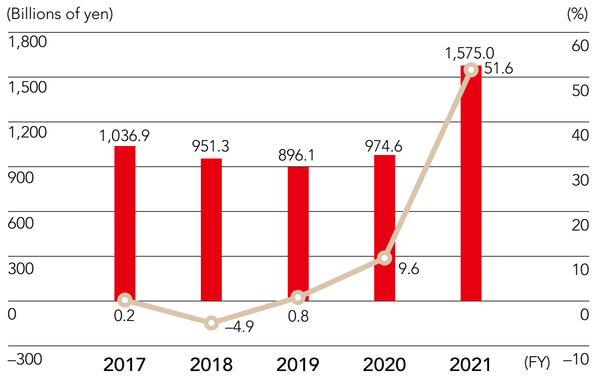
Profit (Loss) Attributable to Owners of the Parent, Return on Equity (ROE)



Profit (loss) attributable to owners of the parent (left scale)
Return on equity (ROE) (right scale)

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)*

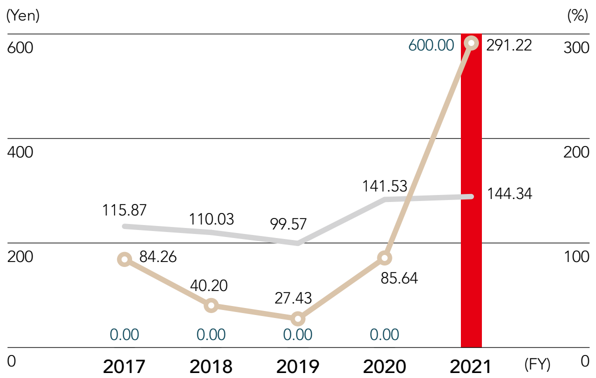


Total assets (left scale) Return on assets (ROA) (right scale)

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.

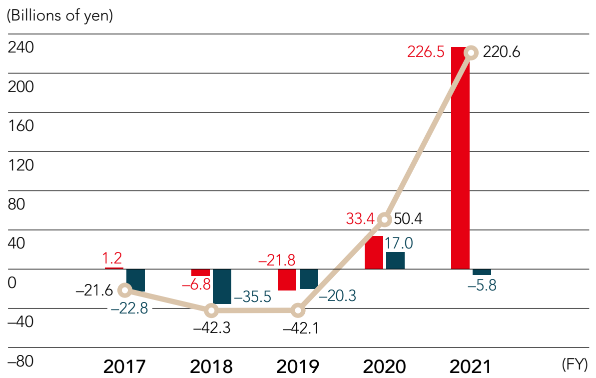
Dividends per Share, Total Shareholder Return (TSR)



Dividends per share (left scale) Total shareholder return (right scale)
Benchmark: TOPIX including dividends (right scale)

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

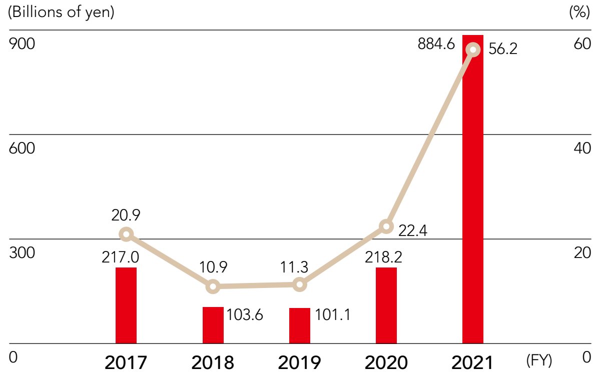


Cash flows from operating activities Cash flows from investing activities
Free cash flows

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)

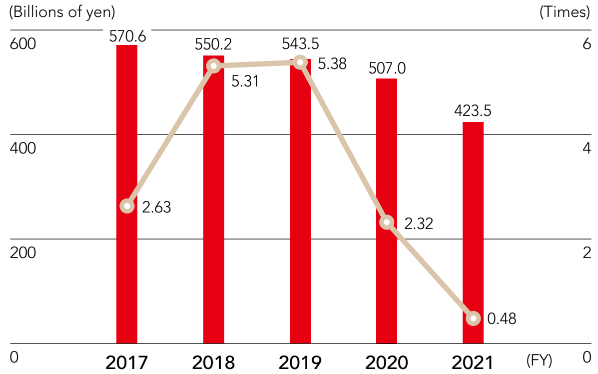
Equity Capital, Equity Ratio



Equity capital (left scale) Equity ratio (right scale)

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%.

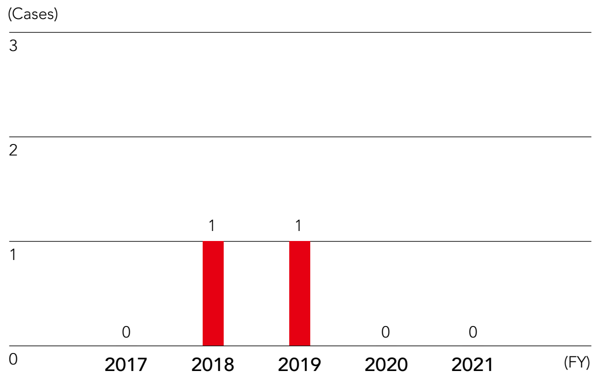
Interest-Bearing Liabilities, Debt Equity Ratio (DER)



Interest-bearing liabilities (left scale) Debt equity ratio (DER) (right scale)

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.

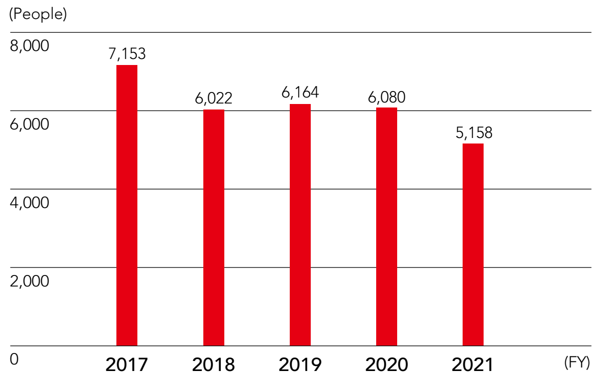
Number of Major Accidents*



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.

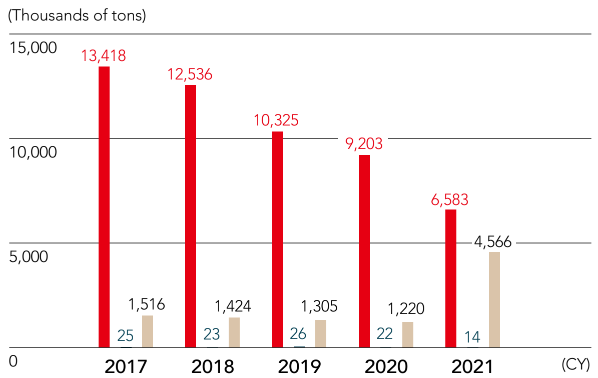
* The target range is our consolidated range, which corresponds to 100% of sales.

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)

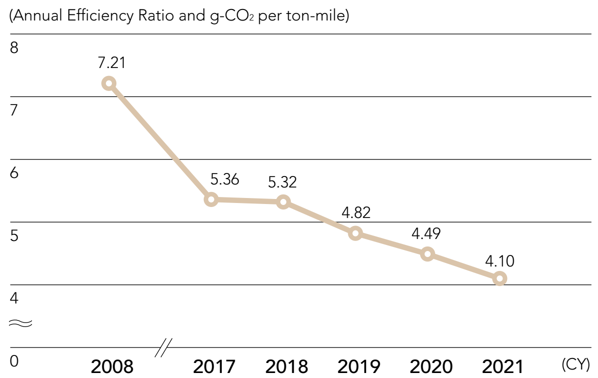


Scope 1 Scope 2 Scope 3

CO_2 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_2 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_2 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

Business Environment

- 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.

Strategy Highlights and Key Measures

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

Major Outcomes and Issues for Next Management Plan

- 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

Business Environment

- 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

Strategy Highlights and Key Measures

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

Major Outcomes and Issues for Next Management Plan

- 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 emissions vessels

"K" LINE Environmental Vision 2050 Blue Seas for the Future

2030
Aiming for CO_2 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

2022 — 2026 — 2030 — 2050

Medium-term management plan period

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.

Customers | Shareholders | Diverse stakeholders

Further growth and improvement of corporate value

"K" LINE's own businesses
- Capturing new demand from low-carbon and carbon-free business operations
- Portfolio strategy
- Focusing management resources on businesses as coal & iron ore carriers, LNG carriers, and car carriers

Containership business
- One of main businesses
- Continued to provide support from a shareholder standpoint

Further enhancing business management

Improving corporate value by business growth and optimal capital structure

Establishing optimal capital structure with awareness of cash flow to achieve capital efficiency and financial stability

Safety / Ship quality management | Advancement of environmental technologies | Promoting digitalization | Human resources

KPIs for Business Management

ROE	Profitability Target	Optimal Capital Structure
Sustainably achieve ROE of **more than 10%**	Profitability of "K" LINE's own businesses will be the same as that of containership business in fiscal 2026 **Ordinary income: ¥140.0 billion**	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

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.

	Business	Role	Strategic direction	Main market and customer needs	Top management priority	Input
Role of driving growth	• Coal & iron ore carriers • Car carriers • LNG carriers	• Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability • Securing market share with existing and new customers • Achieving growth that surpasses market growth	• Concentrated allocation of management resources	**Coal & iron ore carriers** Existing customers with a focus on Japan and Asia, major resources companies with demand for environmentally friendly transport, etc. **Car carriers** Existing finished vehicle OEMs, emerging-economy BEV shippers with the aim of capturing increasing demand for BEV transport, high and heavy cargo transport **LNG carriers** 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	**Coal & iron ore carriers** Growth investment and operational system development to meet customer demand in the environmental context for LNG and ammonia-fueled transportation **Car carriers** 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 **LNG carriers** Responding to customer demand by increasing the number of vessels, and enhancing the local sales system to capture demand in Asia	**Cash** 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 **HR** Increasing sales staff, marine engineers, operators including augmentation of global sites
Role of supporting smooth energy source conversion and taking on new business opportunities	• Thermal coal • VLGC / VLCC	• Transforming our business structure while helping customers transform their energy mix	• Business risk minimization • Responding to demand for alternative fuels	Shift to alternative fuels by the existing customer base, mainly domestic customers	Maintain and improve high service quality; Maintain ship management and operation system Supporting energy mix conversion through proactive sales proposals and by capturing new energy transport demand	**Vessels** Developing a fleet capable of transporting new energy fuels based on customer needs **HR** Maintaining and enhancing the capabilities of crew members for the transport of new energy
Role of contributing by enhancing profitability	• Bulk carriers • Short sea and coastal • Port / Logistics	• Strengthening resistance to market fluctuation and securing stable income • Business strategy seeking synergy	• Asset-light strategy (bulk carriers)	**Bulk carriers** Enhancing our customer base in the Asian region **Short sea and coastal / Port / Logistics** Demand for the modal shift in Japan and to provide multilayered services both on Ocean and Coastal routes	**Bulk carriers** Enhancing our customer base, improve vessel deployment efficiency and resistance to market fluctuation, promoting asset-light strategy **Short sea and coastal / Port / Logistics** Boosting synergies between affiliated companies by utilizing their strengths and pursuing synergies with businesses that can drive growth	**Bulk carriers** Expanding asset management and business sites in Singapore **Short sea and coastal / Port / Logistics** • Efficiently and thoroughly use existing assets • Strengthening synergies with affiliated companies • Strengthening and expanding completed automobile logistics business developed to regions
Role of supporting the business as a shareholder and stabilizing the earning base	• Containerships	• Stabilizing Groupwide earnings	• Maximizing corporate value through ongoing human resource support and involvement in management governance	—	Continue providing support and advice to ONE as a shareholder **Governance** Capital efficiency to improve corporate value and management with an awareness of ROE **IR** Communicate to ensure that ONE's corporate value can be appreciated by stakeholders	**HR support** Providing human resources for both senior management and operations to ONE
Expansion of new businesses in fields where "K" LINE can utilize its strengths	• Offshore support vessel for wind power generation installations, etc.	• Expanding business areas where "K" LINE's capabilities can be utilized and advanced	• Pursuing synergies between "K" LINE and our subsidiary companies	Renewable energy business Fuel conversion business	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	Providing investment, human resources, and expertise by "K" LINE, Kawasaki Kinkai Kisen, and domestic Group companies

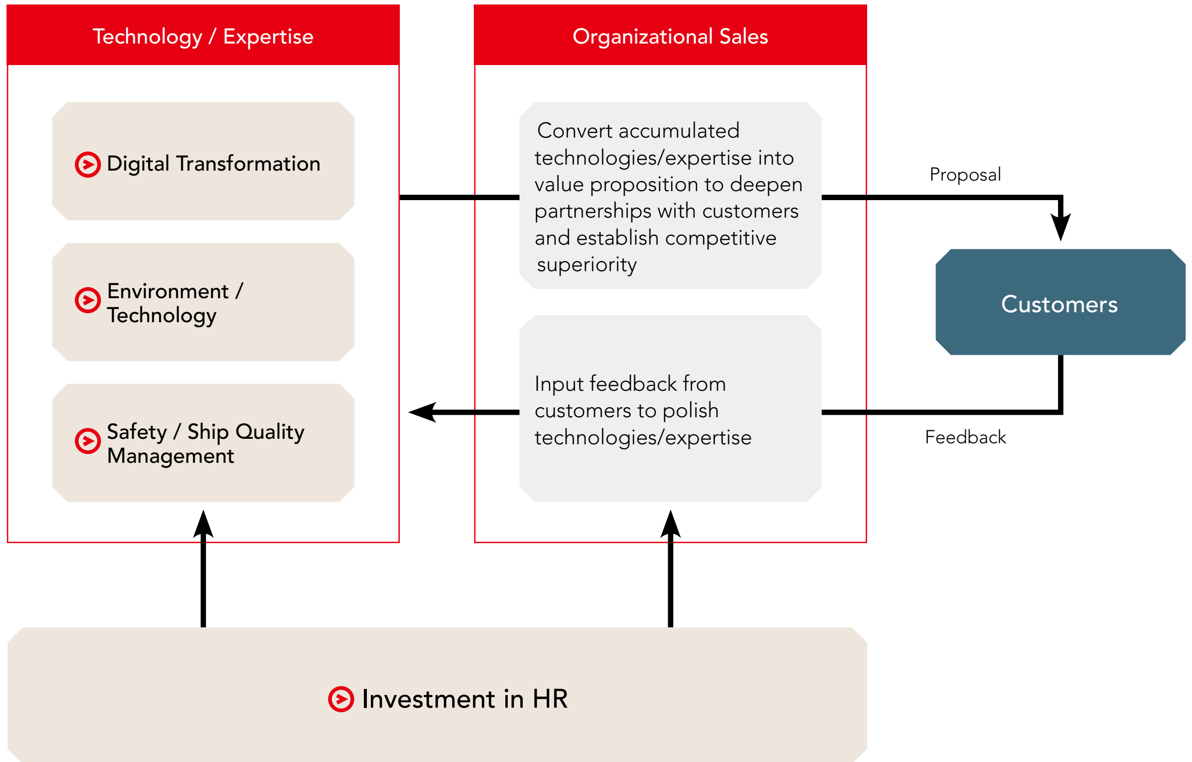
STRATEGY 02. Business Base

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_2 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

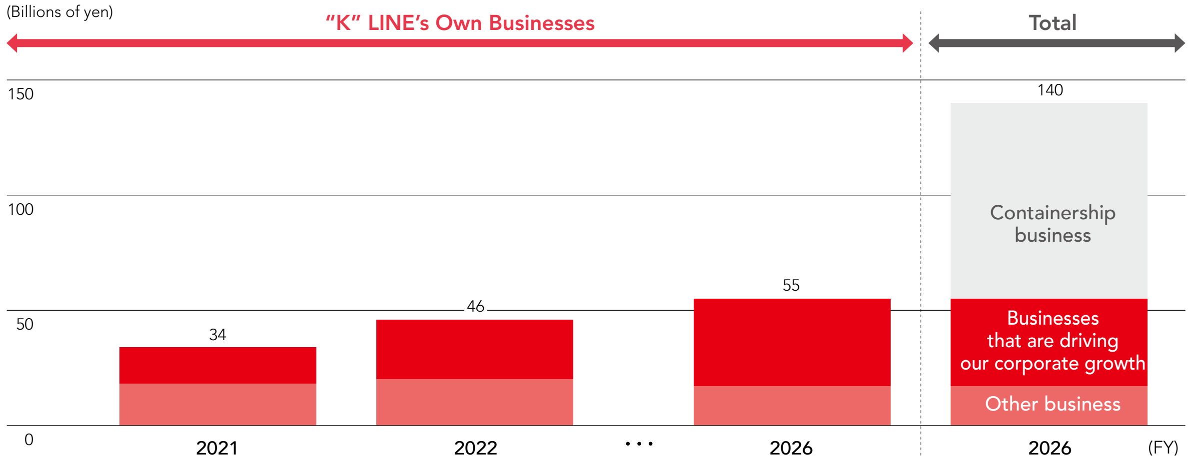
P24–25 Special Feature 01 Developing Ammonia-Fueled Vessels as Business Opportunities
P26–27 Special Feature 02 Realizing Shift to Low-Carbon Ship Operations by Seawing
P38–39 Strategy of "K" LINE Environmental Vision 2050
P40–41 TCFD-Based Information Disclosure
P36–37 Safety in Navigation and Cargo 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)



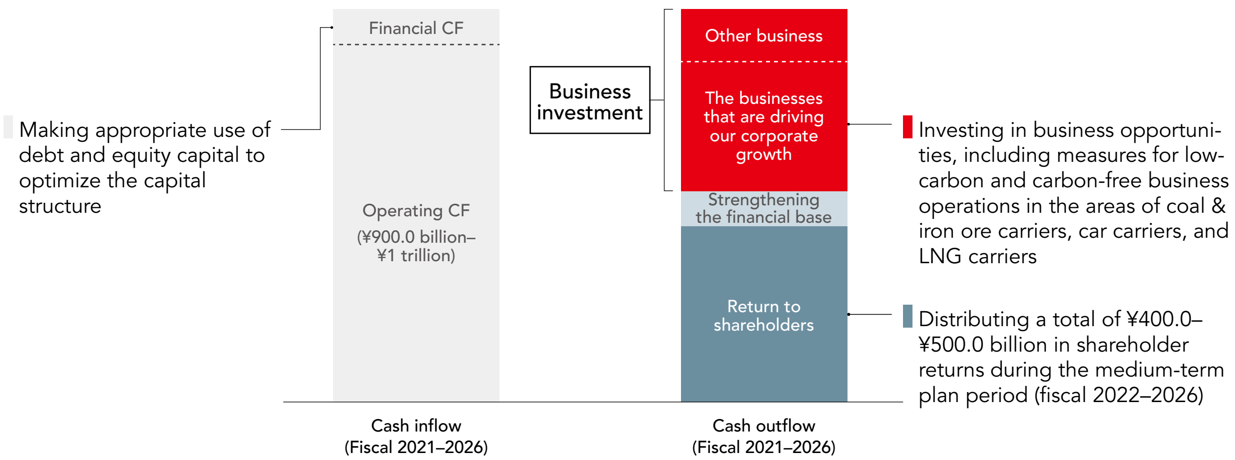
Cash Allocation

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.

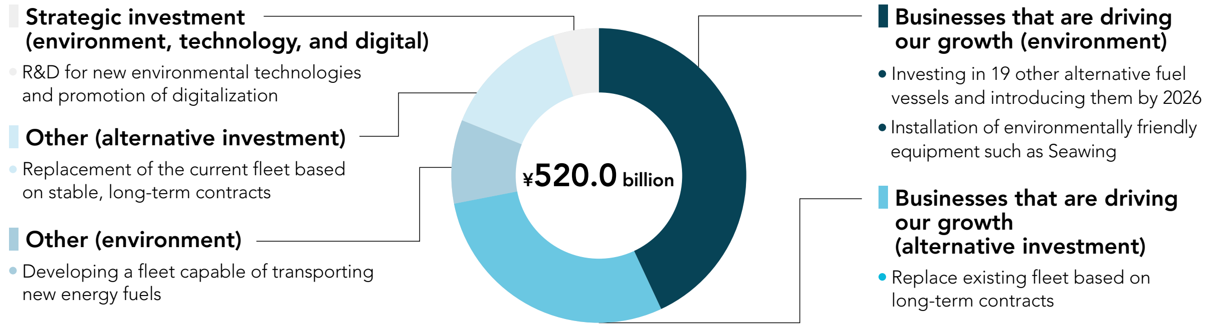
Additionally, we will allocate a portion of funds that exceeds an appropriate amount of capital to shareholder returns, including via the proactive acquisition of treasury stock, giving consideration to our level of cash flows.



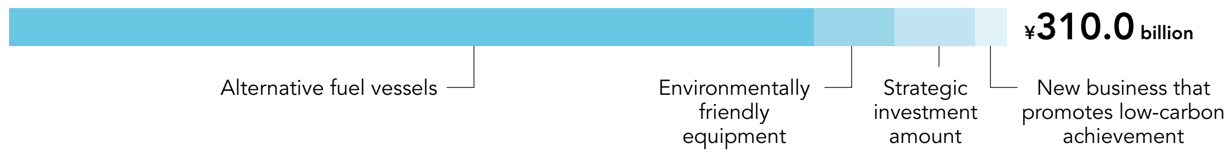
Investment Plan

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

Operating Results by Segment

(Billions of yen)

Business segment Upper row: Operating revenues Lower row: Ordinary income	Fiscal 2021 1H	Fiscal 2021 2H	Fiscal 2021 Full year	Vs. fiscal 2020 Full year	Vs. fiscal 2020 Change
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

> **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.

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

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).

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_2 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_2 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*[1] has disclosed future projections for achieving net-zero emissions around the world*[2] 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 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.

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 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_2 emissions for one ton of cargo transported one mile.

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

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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.

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. 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.

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.

SPECIAL FEATURE 03 || Human Resource Strategy That Supports Sustained Growth

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 a 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

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_2 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 Petroliam Nasional Berhad (PETRONAS), with the aim of contributing to net-zero CO_2 emissions in Malaysia and Asia. This study will include the capture, storage, and transportation of CO_2 from PETRONAS LNG terminals; a survey looking into suitable locations for CO_2 storage underground and its technological and economic examinations, as well as feasibility studies ascertaining the possibility of receiving CO_2 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.