



**"K" LINE REPORT**  
**2023**



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### 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 2022 (April 1, 2022–March 31, 2023)

Note: The report also includes some developments after April 2023.

### 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.

# Objective of the "K" LINE Group

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

### 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.



## Values of the “K” LINE Group

Our medium-term management plan, unveiled in May 2022, was formulated after extensive discussions about our corporate principle, vision, prized values, and future direction of the Group based on the future creation project, a guide for all Group executives and employees to follow into the future as we embark on a new stage of management. Below, we share some of the messages we have heard about our prized values that diverse personnel on the front lines around the world share and put into practice, based on our new medium-term management plan.

### Onshore Personnel



**Itsuki Nakamura**

Digitalization Strategy Group, DX Promotion Team

In the maritime transportation industry, the knowledge and workload required of specialists have risen in tandem with the increasing level of safety and environmental standards. As one approach to address these challenges, we have developed a new system, a project in which I personally took part. Watching as the project team united together and had heated discussions, I genuinely felt that an uncompromising attitude toward problem-solving has permeated the entire “K” LINE Group.



**Tang Tang**

LNG Group, LNG Team No. 2

I am currently involved in an international project with stakeholders from Malaysia, Singapore, China, and Japan. Although there are times when I sense a gap in our approaches and ways of thinking about issues, our goal remains the same. I am mindful to act as a cushion between these gaps and take the lead, as I believe this approach earns the trust of our customers and leads to more business opportunities.



**Keigo Hoshi**

Dispatched to K Line (Thailand) Ltd.

One principle I highly value in my sales role is to always offer alternative solutions to complex requirements. When it becomes a challenge to meet all customer expectations, I believe that it is crucial not to leave the challenge unanswered but to make every possible effort. This is because the level of trust gained from the customer is significantly different, regardless of the outcome. In fact, I have received comments from customers, such as “because you show a cooperative attitude until the end, we feel comfortable consulting with you on any issue,” which gives me the confidence that my approach is indeed correct.



**Kazuhiro Nakajima**

Dispatched to Ocean Network Express Pte. Ltd.

During the COVID-19 pandemic, when many companies dealt with disruptions in their logistics, I worked diligently to maintain services in the operations department of ONE, along with our alliance partners. Significant delays occurred, and there were numerous instances when the internal priorities of our organization did not align with those of our partners. However, through daily communication, we were able to understand each other’s differences and, as a result, rapidly come up with satisfactory solutions to fix delays. I felt the importance of persistent negotiation, even in situations where interests are complex and intertwined.





**Takahiro Otaki**

Coal & Iron Ore Carrier Business Group, Coal & Iron Ore Team No. 1

In the Coal & Iron Ore Carrier Business where I belong, we work to solve issues through a group established with our major customers for joint research in decarbonization. We conduct sales activities in close collaboration with technical departments to analyze economic viability and customer issues, and make sales proposals with a higher level of specialized insight. I feel that an attitude of continuous adaptation in our approach to work has permeated the team, as we share long-term goals with our customers and endeavor to advance problem-solving that provides higher added value.



**Natalie Cristine Kisner**

"K" Line Brasil Transporters Maritimos Ltda. / High & Heavy-Project Cargo Commercial

We have faced challenges such as the global RoRo space shortage including Brazil. We tackled these issues head on and sincerely, and by responding to our customers' requests including offering the best alternative, we secured and strengthened the bond and trust between carrier and customer thanks to an environment where everyone can work equally and energetically regardless of gender or nationality, which is one of the factors that generate ideas. Our growth, especially in H&H, is paying off not only in numbers but also in market recognition.

**Offshore Personnel**



**Kazue Kito**

Advanced Technology Group, Marine Technical Innovation Team

While there are different sizes and numbers of people working at a company or on a ship, both entail organizations driven by people operating on the same principles. At the Tokyo head office, a diverse range of executives and employees work from the top to the bottom of the ranks. This is the same on a ship, where various crew members, including the captain and chief engineer, work together as an organization. I understand that neither a company nor a ship can be driven by one person alone. Therefore, I value the connections I make with the people I encounter, whether they are fellow crew members on the same ship, team members, or individuals within a group.



**Meiki Murakami**

Dispatched to "K" Line RoRo Bulk Ship Management Co., Ltd.

In my role as a deck and engine officer, when equipment malfunctions on the ship, I diligently investigate the root cause and work to prevent its recurrence. Moreover, we do not just solve the issue on our own ship; we also share lessons learned with other ships and introduce case studies in training sessions to heighten the collective awareness of problem-solving among crews. I truly believe that it is this unyielding attitude to resolving issues, held by the crew who work day and night on the ship, that enables the safe operation of "K" LINE Group vessels.

# "K" LINE Group's Six Capitals

The "K" LINE Group's management capital lies in technologies for safety in navigation and cargo operations and expertise accumulated over many years. We possess human resources and organizations that transform these capabilities into value that meets the unique needs of our customers. As a result, the strong partnerships we have forged with acquired customers are important capital assets that underpin our business activities. Fusing these capital assets leads to growth for the "K" LINE Group and greater corporate value. We aim to augment these assets in accordance with our corporate philosophy: "As a logistics company rooted in the shipping industry, we help make the lives of people more affluent."



## Financial Capital

**Maintaining both capital efficiency and financial soundness based on an awareness of optimal capital structure and cash flow**

The "K" LINE Group unveiled its medium-term management plan in May 2022, having observed major improvements to its financial position on the strength of increased earnings. The Company announced plans to proactively return value to shareholders, while monitoring cash flow for the portion of capital that exceeded requirements for investing to enhance corporate value and maintain a healthy financial position. In the first fiscal year of the medium-term management plan, earnings were higher than forecasted, mainly in our own businesses. Management is reviewing its outlook for operating cash flow through 2026, investment plans, and targets for shareholder returns. We are committed to advancing further business management by introducing management indicators for each business with the cost of capital in mind.

▶ P.18-23 Message from the CFO

## Human Capital

**People and organizations that continuously support logistics infrastructure in global society**

Hiring and training personnel who support all-important safety in fleet navigation, lead change, and sustain growth in our businesses, and capably address changes, in the business environment is an issue of utmost importance to the "K" LINE Group. We strive to create a work environment where employees with diverse values can thrive and apply their abilities.

▶ P.38-39 Safety / Ship Quality Management  
▶ P.50-53 Human Resources

## Equipment Capital

**Fleet with appropriate flexibility to manage business strategy**

Having completed structural reforms by 2021, the "K" LINE Group has been advancing various initiatives under the new medium-term management plan. These include focusing on the growing coal & iron ore carrier, car carrier, and LNG carrier businesses, introducing environmentally friendly ships such as LNG and ammonia carriers, replacing existing vessels, strengthening cost-competitiveness through fleet upsizing, ensuring fleet flexibility in light of the risk of a retreat in demand, and organizing fleets capable of meeting diverse transportation needs, including high & heavy cargo. We are also promoting the development and introduction of environmentally friendly systems, such as Seawing and Kawasaki Integrated Maritime Solutions.

▶ P.12-17 Medium-Term Management Plan FY2022  
▶ P.24-31 Progress and Strategies in Three Growth-Driving Businesses  
▶ P.40-45 Advancement of Environmental Technologies  
▶ P.68-83 Business Overview

Theme of enhancing functional strategy



Theme of enhancing functional strategy



## Direction of Functional Strategy to Manage Business Strategy



**Environment-Technology**  
Continuing initiatives to pursue new technologies while also enhancing measures for technology investigation and verification in preparation for implementation



**Digital Transformation**  
Enhancing the core values of safety, environmental conservation, and quality through the utilization of data and digital technology and increasing the added value of our services



**Safety-Ship Quality Management**  
Enhancing the organization system, which covers safety and quality management in both worldwide marine transport businesses and regional businesses



**HR-Organization**  
While embracing diverse values, securing the quality and quantity of human resources for each business portfolio



### Intellectual Capital

#### Evolving environment-technology-innovation

The "K" LINE Group is keen to provide top-class industry solutions by addressing environmental needs for a low-carbon and carbon-free footprint not only at "K" LINE but also among customers and throughout society; developing zero-emission vessels, including the establishment of a fuel supply network; and deploying advanced digital technologies for autonomous navigation, breakdown prediction, and energy conservation. Through these initiatives, we are refining our core values in safety, quality, and the environment.

- ▶ P.38-39 Safety / Ship Quality Management
- ▶ P.40-45 Advancement of Environmental Technologies
- ▶ P.48-49 Digital Transformation
- ▶ P.50-53 Human Resources

Theme of enhancing functional strategy



### Social and Relationship Capital

#### Solid customer base and partnerships backed by experience

Building on a customer base established through our track record of safe transportation, we aim to strengthen relationships with customers who share our view that low-carbon and carbon-free initiatives are a growth opportunity. In addressing social issues such as decarbonization, we participate in councils and joint research with both domestic and international partners. We are also revising our materiality with the intention of becoming a more trusted partner for all stakeholders.

- ▶ P.12-17 Medium-Term Management Plan FY2022
- ▶ P.24-31 Progress and Strategies in Three Growth-Driving Businesses
- ▶ P.32-53 The "K" LINE Group's Materiality

Theme of enhancing functional strategy



### Natural Capital

#### Contributing to the preservation of maritime environments

As a company for which oceans, a form of natural capital, are its business area, we strive to balance our ongoing developments and contributions to a sustainable society. Under the "K" LINE Environmental Vision 2050, we are committed to reducing environmental impacts, such as moving toward low-carbon and carbon-free operations and society as a whole, and conserving biodiversity.

- ▶ P.38-39 Safety / Ship Quality Management
- ▶ P.40-45 Advancement of Environmental Technologies

Theme of enhancing functional strategy





# Message from the CEO



Yukikazu Myochin

President & CEO

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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.



### Stronger and Faster Changes in the Business Environment

The business environment surrounding the "K" LINE Group has been changing significantly. Russia's invasion of Ukraine, economic division caused by tensions between the United States and China, global inflationary pressures in the wake of the pandemic, central banks tightening their monetary policies to combat inflation, the accompanying risk of an economic recession, as well as soaring energy and commodity prices, which have prompted countries to flexibly reassess their energy policies—all of these events have led to an unprecedentedly rapid pace and amplitude of change in the business environment. Labor shortages have manifested not just in Japan but around the world. The fast pace of interest rate hikes has fostered concerns about their impact on consumer behavior. Recently, we more often hear words such as "decoupling" (economic division) and "de-risking" (risk aversion). Amid the global economy's steady expansion since the early 2000s, there have been emerging movements toward the creation of economic blocs. Looking ahead, it is essential that we consider the impact that supply chain reassessments will have on international logistics.

In the maritime transportation business, which treats the world as its market, it is difficult to avoid the impact of economic fluctuations, geopolitical risks, commodity prices, and foreign exchange rates. The key lies in how to minimize these impacts while continuing to grow sustainably and maximizing profits. Given the changes in the business environment and various risks, particularly from the perspective of demand in the maritime transportation business, maintaining a keen eye on the impact from these changes is crucial. We need to keep our antennae raised high to gauge global trends, while staffing our businesses with personnel who are capable of responding quickly to change.

### Trends in Environmental Regulations for International Shipping

Regarding environmental regulations, in addition to traditional regulatory approaches led by the International Maritime Organization (IMO), such as the Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) for ocean-going vessels that mandate the reduction of greenhouse gas (GHG) emissions from ships, new economic approaches akin to carbon border taxes are emerging to promote low-carbon and carbon-free shipping in various regions. In Europe, plans call for introducing the European Union Emissions Trading System (EU-ETS) from 2024, and the FuelEU Maritime system from 2025, which is aimed at encouraging the use of decarbonized fuels in shipping. This adds an extra economic burden on the maritime transportation industry.

Even within the IMO, momentum is strengthening for further GHG emission reductions. At the 80th session of the Marine Environment Protection Committee (MEPC 80) held in July 2023, its international shipping GHG emission reduction target was revised from "50% reduction by 2050" to "net-zero GHG emissions by 2050." Additionally, new interim goals were set for the use of zero-emission fuels by 2030 and for reductions leading up to net-zero GHG emissions by 2050.

Going forward, these parties will continue to discuss medium- to long-term measures to achieve decarbonization through economic and regulatory approaches, with the intention of introducing these measures from 2027. As the economic burden associated with GHG emissions is likely to increase, the entire international shipping sector will be expected to step up its efforts at decarbonization. This will probably include accelerating the development of new energy-saving and zero-emission technologies, as well as establishing a supply chain for next-generation fuels. GHG emissions increasingly need

## Message from the CEO



to be reduced not only in product manufacturing but also at shipping companies, a key part of supply chains, in order to comply with demands to reduce Scope 3 emissions. We will focus more on such collaborative efforts with our customers in the future.

### Seizing Low-Carbon and Carbon-Free Initiatives as Business Opportunities

The “K” LINE Group has set a goal in its “K” LINE Environmental Vision 2050 to improve CO<sub>2</sub> emission efficiency by 50% by 2030 (compared with 2008) and to achieve net-zero GHG emissions by 2050. Regarding our interim target for 2030, on the hardware side, we are advancing the adoption of various energy-saving equipment, including the introduction of alternative fuel ships, such as those powered by LNG fuel, and harnessing wind power through technologies like Seawing. On the software side, we are actively utilizing navigation information as big data to optimize economic navigation. We see a clear path toward reaching these goals.

To achieve net-zero emissions by 2050, “K” LINE is exploring multiple options for fuels, including ammonia, hydrogen, synthetic methane, biofuels, and methanol. The widespread use of new fuel ships will require not only hardware readiness but also the creation of a supply chain to reliably provide fuel. This necessitates collaboration within the maritime industry as well as with

external partners in industries such as energy to create a reliable fuel supply network. Although a definitive direction has not yet been set for new fuel adoption, we are casting a wide net in order to broaden our options and collaborating with external partners to work toward a low-carbon and carbon-free for both ourselves and society at large.

As the need for reducing environmental impact continues to rise, the “K” LINE Group takes the view that its own low-carbon and carbon-free initiatives, and that for society, are business opportunities. While preparing to meet future demand for transporting new forms of energy, like ammonia and hydrogen, as a new business initiative, “K” LINE has entered into a charter contract for two 7,500m<sup>3</sup> liquefied CO<sub>2</sub> carriers with Norway’s Northern Lights, which is launching the world’s first full-scale carbon dioxide capture and storage (CCS) project.

The new ships will be handed over in 2024. As a world pioneer, “K” LINE will handle the maritime transportation of liquefied CO<sub>2</sub> for this CCS value chain project.

By leveraging the strengths we have cultivated through the maritime transportation business to advance low-carbon and carbon-free efforts, we aim to grow together with our customers while also contributing to society by reducing environmental impact. In doing so, we will deepen the relationships of trust with our customers, achieve sustainable growth with this strong customer base, further enhance our ability to generate cash flow, and ultimately improve our corporate value.

### Review of Performance in Fiscal 2022

In fiscal 2022, “K” LINE achieved record-high operating revenues of ¥942.6 billion, operating income of ¥78.8 billion, ordinary income of ¥690.8 billion, and profit attributable to owners of the parent of ¥694.9 billion. First, operating income improved ¥61.1 billion compared with the previous fiscal year, mainly due to stronger transport demand in the dry bulk segment and higher earnings in the product logistics segment, including the car carrier business. Turning to ordinary income, backed by robust cargo demand, market conditions remained brisk for the containership business operated by equity-method affiliate Ocean Network Express (ONE) in the first half of the fiscal year. In the second half,



however, short-term market conditions softened due to an increase in ship tonnage operating rates as demand declined, especially on Asia-Europe and Asia-North America routes, and the improvement of supply chain disruptions. As a result, ordinary income rose ¥33.3 billion, reaching a record high, shored up by "K" LINE's own businesses, even though results were not as strong as in fiscal 2021. In total for "K" LINE's own businesses, centered on the car carrier business, where the supply-demand balance improved and earning power increased, ordinary income more than doubled, from ¥45.5 billion to ¥94.0 billion. Excluding a one-off boost of ¥14.7 billion, from foreign exchange factors, ordinary income still expanded ¥33.8 billion, demonstrating that "K" LINE's own businesses are a strong profit driver within the three growth-driving businesses of coal & iron ore carriers, car carriers, and LNG carriers.

### Outlook for the Containership Business

In the containership business, the overheated market conditions of the past two years are gradually returning to a more sustainable level. Our equity-method affiliate ONE has passed the five-year mark since its establishment and is transitioning from a formative period to a growth phase. Our impression is that ONE has achieved a level of profitability that rivals its competitors. The ¥110 billion in synergies that we initially anticipated from the integration are also solidly manifesting. As the containership market returns from an overheated state to a normal market environment, ONE must integrate into its business and investment plans ways to further strengthen ONE's advantages. Until now, all vessel assets have been owned by "K" LINE, Nippon Yusen, and Mitsui O.S.K. Lines, and chartered to ONE. As ships owned by these three companies are gradually retired, ONE needs to procure its own fleet of cost-competitive vessels, secure capacity and terminals in line with market growth, and aim to maintain and strengthen cost-competitiveness while maximizing earning power. ONE is advancing initiatives to properly raise funds as an operating company as it enhances capital efficiency. As a shareholder, "K" LINE will strongly support ONE in these endeavors.

### Investment Policy and Optimization of Capital Efficiency

Viewing environmental measures an opportunity for business growth, the "K" LINE Group's basic policy is to steadily accumulate earnings over the medium and long

terms through the building of strong relationships based on trust with its customers by providing services that contribute to the low-carbon and carbon-free movement for both the Company and society as a whole. Our policy has not changed in terms of allocating approximately 80% of investments to the three growth-driving businesses of coal & iron ore carriers, car carriers, and LNG carriers. For investments in the environment, we plan to invest in measures that contribute to reducing environmental impact, allocating about 60% of the total investment amount to alternative fuel vessels and various energy-saving equipment. The maritime transportation industry inevitably faces market volatility due to external factors, and, when making investments, enhancing market resilience is a necessity by maintaining an investment discipline that takes such risks of fluctuation into account. First and foremost, it is important to make disciplined investment decisions based on real demand, premised on customer needs, while considering the timing of the investments and risk scenarios. Additionally, in the three growth-driving businesses, the time horizon for growth and volatility varies from one business to another. For instance, in LNG carriers, medium- to long-term contracts that exceed 10 to 15 years are the norm, whereas in the car carrier business, contract periods are relatively shorter, and there are greater variances in risks and returns. By combining these three businesses with different characteristics, we appropriately manage exposure to market conditions and provide services that meet customer needs, including for low-carbon and carbon-free. Through these initiatives, we aim to reduce volatility and accumulate stable earnings.

The "K" LINE Group has advanced the management of its businesses with a focus on risk management, taking into account past lessons such as the excessive ordering of ships during the market boom before the collapse of Lehman Brothers. As a result, the concept of risks and returns has further permeated the entire Group, taking into account the cost of capital and capital efficiency. To further advance business management, we have introduced responsible accounting management in each business from 2023. While being aware of the cost of capital in each business, we will outline our vision for corporate value and growth strategy, and work diligently to increase corporate value through the optimization of capital efficiency and the maximization of cash flow.

Due to the significant improvement in performance over the past two years, "K" LINE's balance sheet has become more robust and shareholders' equity has rapidly improved. As a result, not only has the Company's share price risen, but total shareholder return (TSR) has also significantly exceeded the TOPIX average, thanks to

## Message from the CEO

more emphasis placed on shareholder returns. However, when looking at our price-to-book ratio (P/B ratio), it can be said that our share price has not yet caught up with the pace of improvement on the balance sheet. To ensure that our corporate value is properly assessed and reflected in the share price, we must build on our past performance and demonstrate that the execution of our business strategy and growth strategy outlined in the medium-term management plan will translate into stronger cash flows in the future. Moreover, we will take a flexible approach to improving shareholder returns, including share buyback, as a way to utilize accumulated capital while optimizing capital efficiency, in addition to growth investments. One of the most important tasks we can do is carefully explain these initiatives through ongoing dialogues with the market.

### Safety in Navigation, Transportation Quality and Environmental Technology—the Wellspring of Our Competitive Advantages—and the Supporting Personnel

Among our initiatives focused on in the field of maritime transport, safety in navigation is what is expected first and foremost of “K” LINE. Next, we are expected to provide high-quality transportation and take steps to protect the environment. It is the combination of our efforts to fulfill these three expectations that leads to competitive advantages. What is crucial here are ship management capabilities that promote safety in navigation, as well as the operational capabilities of the ships that are indispensable for achieving optimal economic navigation and reducing environmental impact. Foreign nationals make up 97% of the crew on the Group’s vessels in operation, and we aim to enhance our ability to navigate safely by consistently securing and nurturing excellent crew members. In terms of transport quality, our trained crew and engineers, who have cultivated expertise and maritime skills in cargo transportation and environmental technologies, work closely with our sales teams to build customer-focused support structures, not only in Japan but at all our bases around the world. The commercialization of zero-emission ships and the adaptation of new fuels like ammonia, hydrogen, and methanol are significant challenges in the field of ship operations. We must develop new rules and guidelines from scratch and, at the same time, focus on securing and educating crew members with an eye on adapting to new fuels. To meet these needs, we are installing the latest systems while building a global ship management system at three locations—Singapore, the United States,

and Europe. Working closely with sales to provide customer-oriented services, as a first step, we established a new company in Singapore in the previous year to strengthen the organization.

Recognizing that the “K” LINE Group is a custodian of infrastructure for global society, we require human resources who can flexibly adapt to changes in the business environment and lead in the sustainable growth and transformation of our businesses. We are committed to ensuring both quantity and quality in our human resources and their development. We place particular emphasis on the hiring and development of maritime professionals who can manage Company operations in the future. To this end, we make every effort to enrich our skill and management training program, and are supportive of career development with clear objectives, as seen in our restart of onboard training that facilitates practical, hands-on learning. In addition, “K” LINE has been providing all employees with DX training in light of the rapid development of digital technologies that can increase work efficiency and also transform business. We have created high-level definitions of DX talents, with DX users as the employees who rely on digital technology to improve their daily work efficiency, DX appliers as the employees who can draw on digital technology to solve issues in their own departments, and DX leaders as those who can engage in discussions on an equal footing with external experts. Setting clear goals, we are committed to the development and expansion of our human resources.

### Identification of Materiality for Both Social Contributions and Corporate Value Enhancement

In fiscal 2022, the “K” LINE Group reviewed the materialities that it identified in 2014 and newly identified 12 material issues in five areas. The previous material issues were identified based on various guidelines related to corporate social responsibility (CSR). However, this review included not just the traditional CSR perspective, but also considered alignment with the business strategies and perspectives on value creation in our medium-term management plan. As material issues essential to enhancing both our social contributions and corporate value, based on internal discussions, we identified material issues associated with the five areas of management base, safety / ship quality management, advancement of environmental technologies, digital transformation and human resources.

Regarding governance, “K” LINE has revised the composition of its Board of Directors in a bid to reinforce

supervisory functions from an independent, impartial, and objective standpoint. At the same time, we clarified the skills and diversity that the Board of Directors should possess, reviewing the skill matrix while considering alignment with the aforementioned materialities. Moreover, in order to invigorate discussions and increase the effectiveness of the Board of Directors, we are setting aside more time for agenda items related to medium- to long-term business plans, business policies, and the allocation of key business resources. Separate from the Board of Directors, we hold management strategy meetings for focused deliberations on these key policies.

The "K" LINE Group believes that diversity is a source of its competitive advantage, and encourages personnel with diverse values to maximize their abilities in a safe and conducive work environment. We create employment environments where employees of Group companies, working at local companies or affiliates in over 20 countries worldwide, can excel while respecting each other's diversity. At the head office, we have put into place support systems for childcare that exceed legal guidelines, fostering an environment conducive to work, irrespective of gender or life stage. We also promote employees to management positions based on their abilities, irrespective of gender. With the aim of fostering a sense of unity with staff who are foreign nationals, we restarted "K" LINE UNIVERSITY, a training program for Group employees worldwide, after an eight-year hiatus.

in order to achieve ahead of schedule our target of ¥140 billion in ordinary income by fiscal 2026, the final year of our medium-term management plan. As for our environmental initiatives to promote low-carbon and carbon-free businesses, I sense that employees are even more aware of value creation in the context of not only contributions to society but also capital efficiency and the cost of capital that takes risks into account.

Unified together as a Group, we will strive to create both social value and economic value in line with our corporate principle: "K" LINE—Trust from all over the world. 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.



**Yukikazu Myochin**  
President & CEO

### Heightened Awareness of Value Creation

Over the past two years, the business environment changed considerably for the better for the "K" LINE Group, as shown by the significant improvement in its performance, including its financial position. There is a palpable sense of urgency in the air within the Company, as we realize that we have ascended to a higher stage of management and that there are numerous challenges ahead. With regard to initiatives in our new medium-term management plan, all employees are keenly aware of the need to understand what our strengths are, and what needs to be honed to enhance our competitive advantages and provide added value to customers. Everyone is also focused on what needs to be done





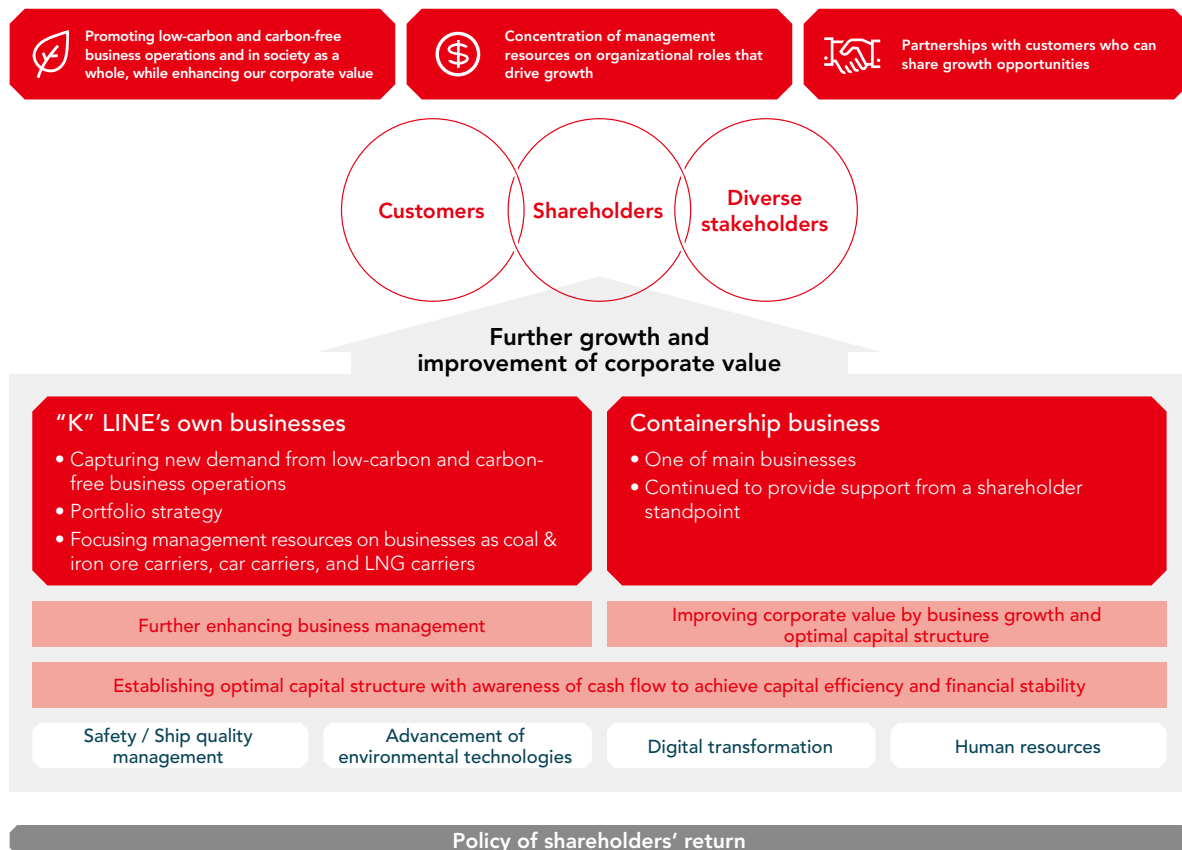
# Medium-Term Management Plan

(Fiscal 2022–Fiscal 2026)

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

### ► Overview of the Long-Term Management Vision and Medium-Term Management Plan (Business Strategy, Business Base, Capital Policy)

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.



The basic dividend for the remaining period of the medium-term management plan (fiscal 2022–fiscal 2026) will be ¥120 per share, and the total return amount over the medium-term management plan period will be at least ¥500.0 billion. In fiscal 2023, along with the additional dividend of ¥80 per share, we acquired 11,676,000 shares with a total value of ¥56.2 billion by October 18.

By FY2026, we plan to continue returning ¥53.8 billion or more as an additional return in a responsive way.

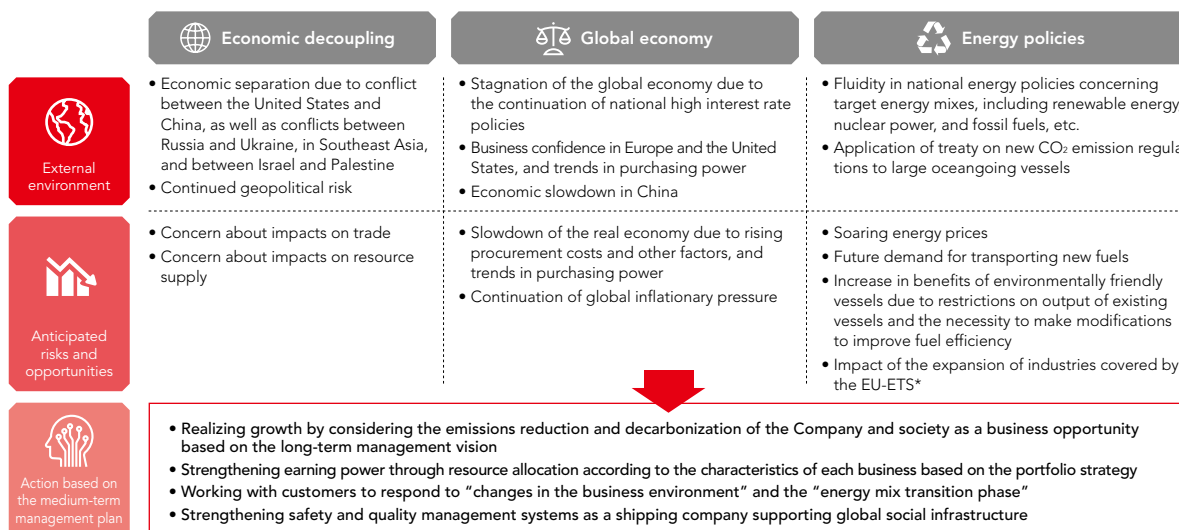
We are promoting shareholders' return, including share buyback regarding an excess of appropriated equity capital, by awareness of the optimal capital structure, securing of investment (required) to enhance corporate value, and strengthening the stability of the financial basis.

Based on its fiscal 2022 medium-term management plan, the “K” LINE Group is advancing its business strategy, reinforcing its business base, and following its capital policy to tap into growth opportunities presented by changes in the global community, along with shifts in “K” LINE’s own operations and society toward becoming low-carbon and carbon-free. Specifically, we are concentrating management resources in the three businesses of coal & iron ore carriers, car carriers, and LNG carriers, which we have positioned as growth drivers, and continuously supporting Ocean Network

Express (ONE) as a shareholder as it grows and develops the containership business. Through investments in human resources, the Group is reinforcing its business foundations and carrying out functional strategies to strengthen technologies, specializations, and organizational sales capabilities—the sources of its competitive advantage. In order to realize these strategies, the “K” LINE Group is executing a capital policy based on capital efficiency and financial soundness with a mind to optimizing its capital structure.

## ► Changes in the Business Environment and Action Based on the Medium-Term Management Plan

The global business environment will remain uncertain due to factors such as economic decoupling, continued concerns about downward pressure on the global economy, and energy policy developments in various countries.



\* EU-ETS: EU Emissions Trading System

Since the outset of 2022, the business environment has been murky amid a decoupling of the economy against a background of increasing geopolitical risks, rising interest rates to combat increased inflationary pressures, and fluidity in government policy on energy in search of an energy mix that facilitates the movement toward

low-carbon and carbon-free footprints. The "K" LINE Group is improving its resilience to market forces by allocating resources in accordance with its portfolio strategy, which leverages its strengths, and continues to increase corporate value by advancing initiatives outlined in the medium-term management plan.

## ► KPIs for Business Management

	ROIC	ROE	Earnings targets
FY2022 (Result)	29%	58%	Ordinary income ¥690.8 billion (of which, ¥83.3 billion was derived from "K" LINE's own businesses)
FY2026 (Target)	6.0–7.0%	More than 10%	Ordinary income ¥140.0 billion
Current progress and response policy	<p>○</p> <ul style="list-style-type: none"> <li>We will achieve sustainable growth by implementing an internal management system using business-specific financial KPIs (ROIC, EVA, etc.). The aim is to maximize corporate value during the medium-term management plan period through a project for further advancement of business management.</li> </ul>	<p>○</p> <ul style="list-style-type: none"> <li>Surpassing targets due to improved performances of the containership business as well as "K" LINE's own businesses.</li> <li>During the period of the medium-term management plan, we aim to sustainably achieve the target while maintaining an awareness of capital efficiency, including the further strengthening of "K" LINE's own businesses.</li> </ul>	<p>◎</p> <ul style="list-style-type: none"> <li>Good performance in the product logistics segment is currently being maintained.</li> <li>Efforts will be made for steady target achievement ahead of schedule during the medium-term management plan period through improvements in "K" LINE's own businesses.</li> </ul>






Price book-value ratio (PBR): aim for 1.0 or more

Based on the medium-term management plan, we will promote the enhancement of earning power and strive to further improve corporate value by maintaining capital efficiency and financial soundness with an awareness of optimal capital structure and cash allocation.

Under the fiscal 2022 medium-term management plan, the "K" LINE Group targets sustainable return on equity (ROE) of at least 10%, ordinary income of ¥140 billion in fiscal 2026, and earnings growth in its own businesses. We are committed to achieving our target of ¥140 billion for ordinary income ahead of schedule

by improving our own businesses. Through a project to increase the sophistication of corporate management, our aim is to sustain growth by strengthening our business-based corporate management structure with an awareness of the cost of capital by utilizing corporate management KPIs for maximizing corporate value.

## 02. Business Strategy

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

Progress on specific initiatives in our functional strategy to strengthen the business foundation is explained in the Materiality section on [P.32–53](#).

The "K" LINE Group has been strengthening portfolio management as a business strategy in its medium-term management plan. Management has drawn up strategic directions based on five categories of roles, including the three roles for its own existing businesses, namely the "role of driving growth," "role of supporting smooth energy source conversion and taking on new business opportunities," and "role of contributing by enhancing profitability," in addition to the containership business and new business domains. Management has laid out specific measures and clarified priority issues along with targeted markets and customers.

## FY2022 progress and achievements

## Priority issues after FY2023

**Coal & Iron Ore**

We strengthened our partnerships with target customers, starting with environmental initiatives, centered on steel mills in Japan and South Korea. Progress has been made in establishing a customer-oriented sales structure in India and the Middle East. By optimizing internal and long-term chartered vessel capacity, we have enhanced our responsiveness and resilience to changes in market conditions.

**Car Carriers**

We expanded our transportation capacity by addressing demand from existing finished vehicle OEMs and demand for high & heavy cargo. By basing our operations on a strong customer base and designing routes and maintaining fleets accordingly, we promote sustainable growth with a solid customer base together with balanced route design and fleet development.

**LNG Carriers**

The "K" LINE Group expanded business by securing a total of 12 long-term charter contracts in Qatar, its largest customer. The Company also entered into several long-term charter contracts with the Petronas Group, in Malaysia.

For thermal coal carriers, very large crude carriers (VLCCs), and liquefied petroleum gas (LPG) carriers, we promoted operations based on medium- to long-term contracts, ensuring stable revenue.

**Bulk Carriers**

The "K" LINE Group achieved asset-light operations through structural reforms. Ongoing measures to improve efficiency in operations and ship allocation has led to lower operating costs.

**Short Sea and Coastal / Port / Logistics**

Profitability improved in the logistics and port business, as well as short sea and coastal shipping following a withdrawal from unprofitable routes.

Amid robust cargo demand, freight rates remained high, resulting in increased ordinary income and net income for ONE.

We began to collaborate with Penta-Ocean Construction in ship management and other matters in the field of offshore wind power construction and maintenance. We also further participated in the liquefied CO<sub>2</sub> transport business, as well as the hydrogen and ammonia transport business.

**Coal & Iron Ore**

While expanding the rollout of Seawing, the "K" LINE Group will strengthen its ship management structure and step up investments in growth to expand the fleet in response to demand for reducing GHG emissions, such as ships fueled by LNG and ammonia.

**Car Carriers**

We will continue to maintain the fleet and address customer demands pertaining to environmental measures, such as reducing GHG emissions. We will also focus on the establishment of a transportation system for battery electric vehicles (BEVs) and on capturing related transportation demand.

**LNG Carriers**

The "K" LINE Group continued to increase the number of vessels to match customer demand and strengthen its customer base in emerging regions, including China, Malaysia, India, and Indonesia.

We aim to lock onto new energy demand by maintaining and enhancing transportation quality technology, and updating ship management and operational systems to cater to new transportation demand.

**Bulk Carriers**

We will continue efforts to increase profitability through appropriate management of market exposure and improvements in vessel allocation efficiency.

**Short Sea and Coastal / Port / Logistics**

The "K" LINE Group will acquire reliable cargo, such as through medium- to long-term contracts for biomass fuel transportation, and promote collaboration aimed at creating synergy within the Group.

We will continue to support ONE as it steadily carries out business operations through agile responses to trends in market demand.

Advancements also continue in the offshore support vessel for wind power generation business and the liquefied CO<sub>2</sub> transport business—such as by participating in the world's first full-scale carbon dioxide capture and storage (CCS) project, Northern Lights—as well as the hydrogen and ammonia transport business.



### 03. Capital Policy

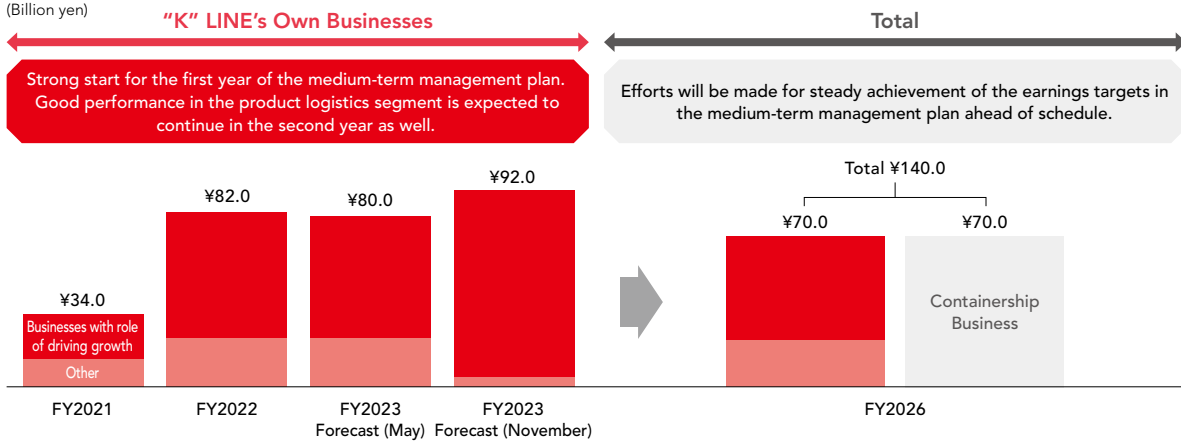
#### Profitability Target and Results

In fiscal 2022, among our own businesses, the three businesses positioned as growth drivers grew steadily. As a result, the “K” LINE Group reported solid earnings, effectively achieving ahead of schedule its income target for a single fiscal year, with ordinary income reaching ¥82.0 billion. Fiscal 2022 marked an

excellent start as the inaugural year of our medium-term management plan. We will continue to work toward reliably achieving ahead of schedule our target for ordinary income of ¥140 billion, and then to maintain and expand ordinary income.

#### Ordinary Income / Loss

(Billion yen)



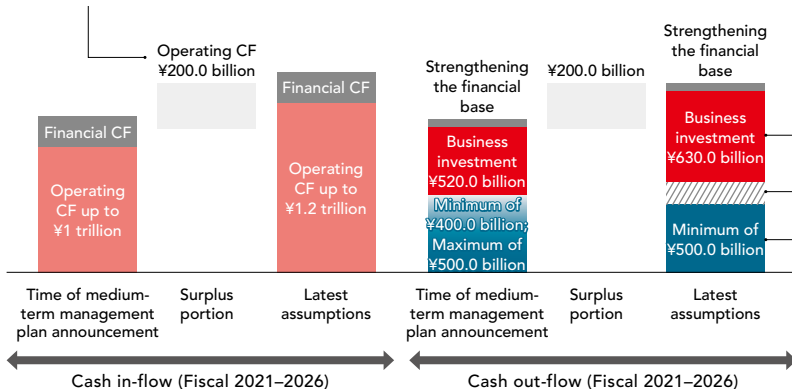
Note: The allocation method for SG&A expenses has been partially changed from FY2023. FY2022 actual figures for comparison were also created using the method after the change.

#### Cash Allocation

As a result of improvement in fiscal 2022 earnings, the Company expects operating cash flow from fiscal 2021 through fiscal 2026 to exceed its target of ¥1 trillion, which was set at the formulation of the medium-term management plan, by ¥200 billion, for a total of ¥1.2 trillion. With this larger-than-expected cash flow, management intends to increase business investments for improving corporate value by ¥110

billion and raise the minimum amount of total returns for shareholders by at least ¥100 billion. Accordingly, our cash allocation plan as of fiscal 2023 calls for ¥630 billion in total business investments over the five-year period starting in fiscal 2022 and a minimum of ¥500 billion for shareholder returns. The “K” LINE Group will continue to maintain its financial position.

Operating cash flow (CF) is expected to increase by ¥200.0 billion compared with the initial plan announcement due to improved performance.



#### Approach to resource allocation for surplus cash flow

When using the generated cash, we will strive for a balance between investment in growth and shareholder returns.

Due to factors such as exchange rate fluctuation effects and new investment opportunities, we plan to invest ¥630.0 billion from the cash flow increase of ¥110.0 billion compared with the time of the medium-term management plan announcement.

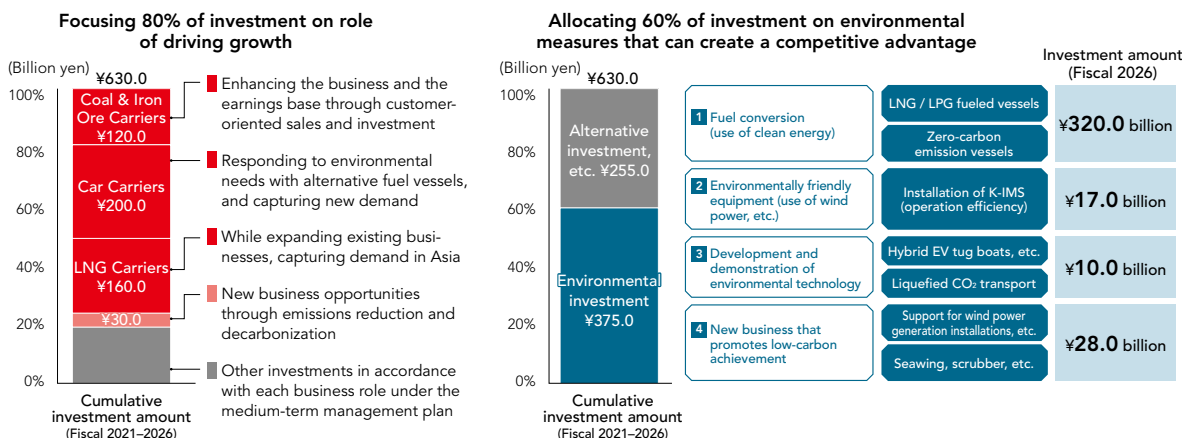
Investment / shareholder returns

We plan to return ¥500.0 billion or more to shareholders thanks to the operating cash flow surplus (minimum raised by more than ¥100.0 billion from ¥400.0 billion).

## Business Investment Plan

Over the five-year period from 2022 to 2026, the "K" LINE Group plans to invest ¥630 billion, an increase of ¥110 billion from the ¥520 billion originally planned at the formulation of the medium-term management plan. This ¥110 billion increase reflects the overshoot in operating cash flow in fiscal 2022. Based on our medium-term management plan, investments will focus on growth drivers and environmental measures while exercising investment discipline in view of risks

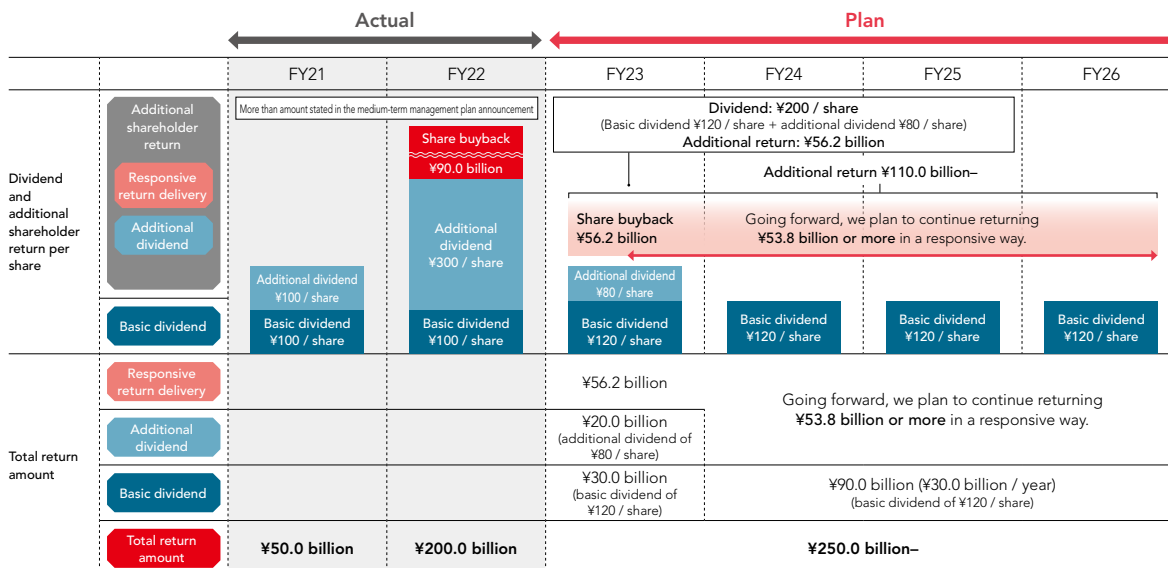
and returns according to business characteristics and objectives. The "K" LINE Group will concentrate about 80% of the total business investment amount in the three businesses positioned as growth drivers. Roughly 60% of the total business investment amount will be in environment-related initiatives that help maintain and strengthen a competitive advantage while addressing needs for moving toward realizing a low-carbon and carbon-free footprint.



## Returns to Shareholders

The "K" LINE Group has increased its target for total returns to shareholders during the medium-term management plan to at least ¥500 billion, including the ¥250 billion already returned to shareholders during fiscal 2021 and fiscal 2022. The Company plans to return at least ¥250 billion to shareholders from fiscal 2023 onward, and has increased the basic dividend to ¥120 per share. Moreover, the Company plans additional shareholder returns of around ¥110 billion from fiscal 2023 onward. Management decided

to buy back up to 11,676,000 shares for a maximum of ¥60.0 billion in fiscal 2023. "K" LINE acquired 11,676,000 shares of its stock for ¥56.2 billion between August 3 and October 18, 2023. The "K" LINE Group plans to increase dividends per share by ¥80 and distribute an annual dividend of ¥200 per share in fiscal 2023. Management will steadily and promptly consider additional shareholder returns based on various metrics, such as trends in earnings, the business environment, and capital efficiency.



Notes 1. Dividend amounts are after taking the effect of the stock split implemented on October 1, 2022, into consideration.

2. "K" LINE acquired 11,676,000 shares of its stock for ¥56.2 billion between August 3 and October 18, 2023.

# Message from the CFO



**Yukio Toriyama**

Representative Director,  
Senior Managing Executive Officer

Based on our medium-term management plan, we are maximizing corporate value by maintaining capital efficiency and financial soundness with an awareness of the optimal capital structure and cash allocation, while enhancing our earning power.

## Position of Medium-Term Management Plan in Fiscal 2022

The Group's medium-term management plan currently underway covers a five-year period from fiscal 2022 to fiscal 2026. The main points of this plan can be summarized as the following three items:

- 1 Based on our portfolio strategy, we concentrate the allocation of management resources in the three growth-driving businesses (coal & iron ore carriers, car carriers, and LNG carriers), while viewing low-carbon and carbon-free initiatives as business opportunities.
- 2 Always aware of the optimal capital structure and cash flow, we balance improvement in capital efficiency with maintaining financial soundness.
- 3 We invest in growth and proactively return value to shareholders in our aim to maximize corporate value.

In carrying out these policies, we have set and disclosed the following quantitative targets and plans.

Operating cash flow	¥1,200 billion (total for fiscal 2021 to fiscal 2026)
Ordinary income	¥140 billion (end of fiscal 2026)
Business investment	¥630 billion (total for fiscal 2022 to fiscal 2026)
Return on invested capital (ROIC)	6.0–7.0% (end of fiscal 2026)
Shareholder returns	¥500 billion or more (total for fiscal 2022 to fiscal 2026)
Price book-value ratio (P/B ratio)	1.0 times or higher

We came up with an aggressive business strategy and capital policy that assumes sustainable growth in future cash flows. This is because we believe that the "K" LINE Group has reached the next management stage where we see growth opportunities in addressing environmental needs, along with reforms to our business structure, which has been advancing for several years, as a result of the following initiatives.

- 1 Economies of scale from the integration of the container-ship business have been larger than we had anticipated.
- 2 Through structural reforms in our own businesses, we optimized our fleets and withdrew from unprofitable businesses.
- 3 Having completed a Group-wide assessment, we are now confident in our ability to expand the earning base in three growth-driving businesses by tapping into customer demand for environmental solutions with the Group's technological capabilities and organizational sales capabilities.

In the maritime transportation industry in the 2010s, costly ships ordered in large numbers around the time that Lehman Brothers collapsed became stranded assets due to rapid and sharp deterioration in shipping market conditions, which led to the bankruptcy of major container-ship companies and well-known dry bulk carrier companies. "K" LINE also booked massive extraordinary losses and decided to dispose of uneconomical tonnage, causing its equity ratio to fall to 10.9% as of the end of fiscal 2018. Due to these circumstances, under the previous medium-term management plan, management had no choice but to prioritize measures to restore depleted shareholders' equity and dispose of risk assets, but eliminated this negative legacy through its own efforts. The medium-term management plan was a watershed moment in our corporate history, as we returned to the basics of fulfilling our duty as an operating company to improve corporate value, with management drawing up a concrete business growth strategy and capital policy.

### Review of Performance in Fiscal 2022 and Outlook for Profitability Target

As shown below, in fiscal 2022, the initial year of our medium-term management plan, we were able to achieve all of our primary management targets for fiscal 2026 ahead of schedule.

	Fiscal 2026 Medium-term target	Fiscal 2022 Actual
Earnings targets	Ordinary income (own businesses)	¥70.0 billion / ¥83.3 billion
	Ordinary income (containership business)	¥70.0 billion / ¥607.4 billion
	Total	¥140.0 billion / ¥690.8 billion
Return on equity (ROE)*1	At least 10%	58%
ROIC*2	6.0-7.0%	29%

\*1 ROE = Profit attributable to owners of the parent / equity capital

\*2 ROIC = Profit attributable to owners of the parent / (equity capital + interest-bearing debt)

ROIC includes the off-balance-sheet charter hire of ¥500.0 to ¥600.0 billion. The equity ratio is 57-59%, including the off-balance-sheet charter hire at the end of fiscal 2022.

For fiscal 2023 onward, we expect steady growth in ordinary income from our own businesses based on medium- to long-term contracts, a strength of the "K" LINE Group, now that we have completed optimizing the fleet and withdrawing from unprofitable businesses. We therefore saw a strong likelihood that our targets for fiscal 2026 would be achieved ahead of schedule. Meanwhile, Ocean Network Express (ONE), our equity-method affiliate that manages the containership business, booked a high level of net income (US\$14,997 million) in fiscal 2022. Accordingly, "K" LINE's containership business posted ordinary income of ¥607.4 billion, reflecting its 31% stake in ONE. However, we must note that there were one-off factors at play in the fiscal 2022 earnings of the containership business, namely shortages of capacity in supply chains, and changes in consumer behavior around the world due to the pandemic (from spending on experiences to physical items), which led to favorable ocean freight rates. Now that supply chains have recovered, profit levels in fiscal 2023 are in the process of returning to normal.

Although containership market conditions declined from the fiscal 2022 level after supply chains returned to normal, conditions (freight volumes and rates) are unlikely to deteriorate significantly below the levels seen in fiscal 2019 before the pandemic struck. One key factor in our post-pandemic earnings estimates for the containership business is how much ONE can boost profits. Based on these market assumptions, we estimate that ONE can generate around US\$2.0 billion in net income annually with its current scale of fleet operations. Based on the foreign exchange rate assumption when we drew up the medium-term management plan, assuming ONE can generate net income of US\$2.0 billion in line with our estimate, we forecast that ONE will contribute ¥70.0 billion to ordinary income in our containership business in fiscal 2026.

### Outline of Capital Policy and Progress

The essence of our capital policy lies in the setting of targets for cash allocation and cash management. As such, we aim to maximize corporate value by appropriately allocating the cash flow generated under our earning plan among three elements: business investments, shareholder returns and internal reserves for financial soundness.

#### » Our Approach to Cash Allocation

From 2021 to 2026, we see the potential to generate a total of ¥1.2 trillion in cash flow from operating activities, which makes up the majority of our cash inflow. Should operating cash flow decrease below our forecast, we can supplement cash as needed through cash flow from financing activities. On the cash outflow side, business investment is our highest priority, with planned



## Message from the CFO

expenditures totaling ¥630 billion over the five-year period from fiscal 2022 to fiscal 2026. While internal reserves to ensure financial soundness are essential for the continued existence of the Group, we believe only a limited amount of the newly generated operating cash flow of ¥1.2 trillion will be allocated to internal reserves for now, as our current needs are adequately covered by existing cash and deposits.

After securing the necessary funds for the aforementioned cash outflows, the remaining cash on hand will, in principle, be returned to shareholders. At this juncture, management plans to proactively distribute an appropriate dividend and flexibly buy back stock with the objective of enhancing shareholder value by more than ¥500 billion in total over the five-year period of the medium-term management plan. In the event that cash inflows exceed cash outflows, management will reevaluate whether the excess amount should be allocated to business investments or shareholder returns, taking into consideration future earnings and progress on investment plans.

When returning value to shareholders, one approach is to pre-determine a payout ratio and decide the amount of shareholder returns based on the net income of each fiscal year. The reason why "K" LINE does not adopt this payout ratio method stems from practical considerations in light of its business structure. Specifically, ONE, which makes a significant contribution to our profits, is not a wholly owned subsidiary but rather an equity-method affiliate. According to accounting rules, while the net income of equity-method affiliate ONE (equivalent to our 31% stake) is directly reflected on the consolidated income statement of "K" LINE, on the other hand ONE's balance sheet is not reflected in "K" LINE's consolidated balance sheet. In other words, only when ONE distributes its cash as a dividend, "K" LINE is allowed to recognize the cash that ONE generated on its own balance sheet as cash on hand and retained earnings. Since "K" LINE returns value to its shareholders using cash as the upper limit on distributable amounts calculated from retained earnings, it is more realistic and makes more sense to calculate the source of these funds as "K" LINE's consolidated cash flow from operating activities, which includes dividends received from ONE, and not the net income that ONE puts on its consolidated income statement.

### » Investment Plans

Under our current investment plans, we intend to invest a total of ¥630 billion over the five years of the medium-term management plan. Based on our portfolio growth strategy, roughly 80% of this total investment will be concentrated in the three growth-driving businesses. Below, we break down the amount of investment in each business.

The total investment amount of ¥630 billion will be reviewed as progress is made on our investment plans.

Coal & iron ore carrier business	¥120 billion
Car carrier business	¥200 billion
LNG carrier business	¥160 billion
New business opportunities related to low-carbon and carbon-free initiatives	¥30 billion
Alternative investments and other medium-term investments	¥120 billion
<b>Total</b>	<b>¥630 billion</b>

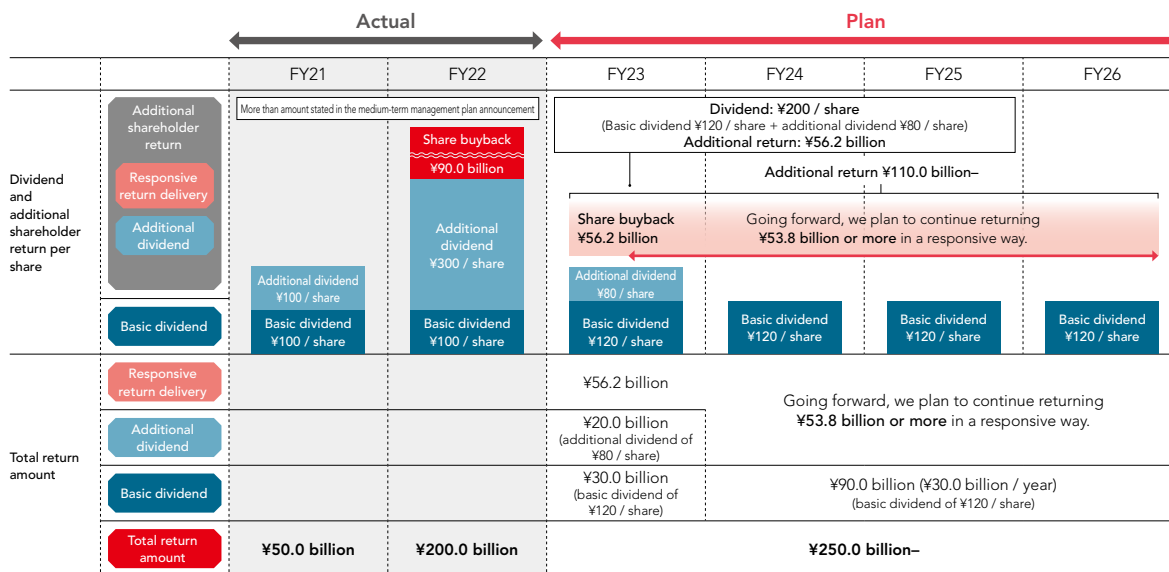
### » Returns to Shareholders

"K" LINE announced its current policy on shareholder returns, based on dividends and share buyback, along with results for the first quarter of fiscal 2023, which were released in August 2023.

In fiscal 2023, "K" LINE aims to distribute an annual dividend of ¥200 per share, unchanged from its previous announcement in May 2023. This represents an additional dividend of ¥80 per share for fiscal 2023 on top of the basic dividend of ¥120 per share that we plan to pay each year from fiscal 2023 to fiscal 2026. On October 18, 2023, "K" LINE finished buying back 11,676,000 shares, for a total of ¥56.2 billion. When we released results at the end of fiscal 2022, we announced plans to distribute a dividend of ¥200 per share and buy back at least ¥50 billion worth of our stock. With an eye on increasing the amount of additional returns, our aim is to meet shareholder expectations for both income gains and capital gains by flexibly buying back stock up to this full amount. Management increased the upper limit of the share buyback program to ¥60 billion in order to be able to buy back this number of shares even if the acquisition price per share rises during the buyback period.

On August 4, 2023, "K" LINE bought approximately 53% of this total number of shares in the buyback program through ToSTNeT-3, the off-auction own share repurchase trading platform. We acquired the remaining number of shares, up to the upper limit of the allotted funds, by October 18 on the stock market. Management has not changed its shareholder return policy, including for proactively and flexibly buying back shares while monitoring cash flow and when appropriate levels of capital are exceeded.

Note: "K" LINE acquired 11,676,000 shares of its stock for ¥56.2 billion by October 18, 2023.



Notes: 1. Dividend amounts are after taking the effect of the stock split implemented on October 1, 2022, into consideration.  
2. "K" LINE acquired 11,676,000 shares of its stock for ¥56.2 billion between August 3 and October 18, 2023.

## Further Advancement of Business Management

### » Phase 1

#### Advancement of Business Management (Fiscal 2016 to Fiscal 2022)

In fiscal 2016, we began to examine ways for the advancement of business management in Phase 1 of this project. Back then, the shipping market was in a slump, so we explored ways to manage risks and returns with an emphasis on measuring and mitigating risks in the maritime transportation business as a Group issue.

- 1 Establish methods to quantify and visualize business risks in maritime transportation.
- 2 Build a Companywide structure for overall equity capital to exceed total business risk.
- 3 Institute investment discipline that ensures returns in excess of any business risks that materialize on an individual business project basis.

Considering the qualitative nature of wide-ranging business risks, we decided to narrow our focus initially to the two most impactful and frequent risks in the maritime transportation industry: market fluctuations and depreciation in the value of owned vessels. For the former, we quantified the maximum loss in the event of a worst-case scenario for the shipping market, and for the latter, we quantified the maximum valuation loss in the event of a worst-case scenario in vessel asset depreciation. We then developed statistical models for each type of vessel to shed more light on these risks.

The visualized quantity of business risk becomes the amount of damage to equity capital if the risk materializes as a loss. For this reason, whether or not attainable returns are commensurate with business risks is a crucial factor in our investment decisions. To assess the maximum extent that quantified business risks could impair equity capital, we incorporated the quantified amount of business risk into the formula for calculating the weighted average cost of capital (WACC). We then decided to compare WACC to the "K" LINE return on invested capital ("K" RIC) and "K" LINE Value after Cost of Shareholders equity ("K" VaCS) for each business project. Here, the quantified amount of business risk serves as the hurdle rate for evaluating whether potential returns are commensurate with the business risks.

Furthermore, upon tabulating the results of the aforementioned analysis, "K" LINE gains a better view of the total amount of business risks across the entire Company. By comparing this risk to our backstop of equity capital, we have now reached a stage where we are able to conduct comprehensive risk management for the entire Company. Under Phase 1 of this project, each business has effectively utilized risk-return management methods based on pay-back periods in their decisions on new investments and whether to carry on in existing businesses. These management methods have also become more accurate day by day, and the expanded scope of their application has contributed to the Group's recovery in earnings.

# Message from the CFO

## » Phase 2

### Further Advancement of Business Management (Fiscal 2023 Onward)

Further advancement of business management is currently being internally implemented in stages from fiscal 2023, after system design wrapped up in fiscal 2022. While Phase 1 focused on individual projects as well as the Company as a whole, the aim in Phase 2 is to manage business divisions with clearly defined roles and characteristics as laid out in the medium-term management plan. Our objective is to optimize capital efficiency and enhance our ability to generate future cash flows. Phase 2 consists of the following three subprojects.

#### 1 Project for Establishing Business Management Financial Statements for Each Business = Introduction of Business-Based Responsible Accounting Management System

In order to formulate and dynamically manage detailed objectives for capital efficiency and operating cash flows in each business, it is essential to not only have income statements showing the income and expenses of the business over a certain period, but also create and analyze balance sheets that present the capital structure of each business and their cash flow statements. We have thus decided to create new financial statements (all three) for each business. Based on these financial statements for each business, we will identify key performance indicators (KPIs), such as highly precise business-specific WACC, business-specific ROIC and business-specific EVA.

By comparing and analyzing these KPIs, management aims to create a business-based responsible accounting management system that enables precise and swift decision-making on whether each business is appropriately operating its invested capital at a return that exceeds both the cost of capital and business risks, thereby maximizing capital efficiency and cash flow, and contributing to the creation of corporate value.

Under this business-based responsible accounting management system, each business is considered an independent business entity, which necessitates drawing a clear distinction between the responsibilities of business departments and corporate departments. We have therefore redefined the roles and responsibilities of corporate departments as the organization ultimately responsible for optimizing the business portfolio through cross-business initiatives, such as optimal resource allocation and financing for the entire Group. Additionally, management has increased the ratio of overhead costs allocated to business segments that had been mainly shouldered by the corporate departments, which entailed clarifying costs. Business segments are now not only responsible for increasing their own EVA (i.e.

improving their own corporate value), but also for generating EVA in sufficient amounts to offset the negative weight of cost centers in corporate departments, which are unable to create profits due to their roles and responsibilities.

#### 2 Project for Advancing Business Value Management

While the aforementioned financial statement project will provide functions for precisely analyzing and evaluating the annual performance of business activities, a separate mechanism is needed to address different time-horizon events that affect corporate value, such as the medium- to long-term returns and gains from the sale of retired vessels. To this end, management is examining ways to calculate the value of each business using the discounted cash flow (DCF) method, calculating free cash flow for each business based on various simulations. By tabulating these calculations of business value, management will be able to analyze ways to maximize the corporate value of the entire Group through the optimal allocation of business resources in each business. This data will serve as the foundation for formulating a portfolio strategy for the next generation.

#### 3 Project for Advancing Investment Management

In Phase 1, we established a risk-return management system for investments. In this project, we are updating this system to conform to our current investment discipline of “restraint during prosperous times and strategic moves during market downturns.” First, to maintain restraint when selecting investments during prosperous times, management has raised the hurdle rate for returns on investments. In addition to increasing the WACC (included in the calculation of the hurdle rate) to a level that exceeds both the cost of capital and the amount of business risk, we have newly calculated a target ROIC spread that requires the EVA spread on investment projects to be in positive territory. This revised WACC, with the added target ROIC spread, will serve as the new hurdle rate for investment decisions.

Meanwhile, to strategically screen investments during market downturns, we have reviewed our investment decision-making flow. For investment projects where profitability is below the aforementioned hurdle rate, but hold high strategic significance in terms of acquiring customers and also have the potential for returns in excess of the project-specific revised WACC before applying the target ROIC spread, we allow for investment decisions to be made based on thoughtful consideration and deliberation via a committee comprising representatives from not just the business departments but also several other departments.

## Addressing Environmental Issues as a Business Opportunity

Lately, to address environmental issues, there has been a growing emphasis on regulatory measures, which include strengthening mandated reductions of GHG emissions from ocean-going vessels, as well as economic measures, such as the social implementation of carbon pricing systems to ensure their efficacy.

The International Maritime Organization (IMO), a special agency of the United Nations, revised in 2023 its target for reducing GHG emissions by 2050, from a 50% reduction in emissions compared with 2008, to net-zero emissions. As a specific measure, the IMO launched two sets of regulations in January 2023. The first set, the Energy Efficiency Existing Ship Index (EEXI), requires the prior inspection and certification of a ship's fuel economy. The second set, the Carbon Intensity Indicator (CII) rating system, checks the fuel efficiency of vessels over the previous year. Additionally, the IMO has decided to adopt a fee-based system related to GHG emissions by 2025, to be applied starting from 2027.

Within the Fit for 55 framework, a comprehensive policy package aimed at reducing GHG emissions in the European Union (EU), the EU plans to introduce in stages the EU Emissions Trading System (EU-ETS) from January 2024, which will require ships operating within the EU to report their GHG emissions and will mandate the purchase of European Union Allowance (EUA), a securitized GHG emission allowance. Furthermore, as a program in the Fit for 55 framework, FuelEU Maritime will commence in January 2025 as a system for regulating GHG emissions from ships, imposing an obligation to progressively reduce GHG emissions from vessels relative to 2020 levels and imposing fines for failures to reduce emissions in line with targets. Furthermore, under FuelEU Maritime, beginning in 2030, ships berthed within the EU region will be prohibited from burning fuel to generate electricity, mandating that ships are supplied with electricity from onshore power supply, with any infractions resulting in fines.

In June 2023, in the United States legislators moved to introduce to the Senate two bills that target GHG emissions from ocean-going ships, the International Maritime Pollution Accountability Act, as an economic measure, and the Clean Shipping Act, as a regulatory measure that was also submitted to the House of Representatives.

While we had anticipated a strengthening in environmental regulations, the starting year is earlier than we expected. Moreover, it appears that the economic penalties of failing to meet the set regulatory standards, or of violating them, will be significant. One potential problem that has emerged is that a plethora of local rules might

create an excessive burden on international shipping. On the other hand, assuming ammonia-fueled ships, which are viewed as the main contenders for achieving zero GHG emissions, are commercialized from 2025, and hydrogen-fueled ships from 2030, the immediate, practical response to environmental regulations will inevitably be to offset environmental impact through monetary means (penalties from economic measures). This means that reducing GHG emissions in the shipping industry will have not only high social significance in terms of preserving the environment, but also real economic consequences in terms of lowering costs in the form of penalties paid and the purchase of emission allowances for unavoidable emissions in shipping.

In light of these circumstances, the shipping industry is likely to bear an even greater responsibility in the future. We anticipate that the industry will collaborate with external partners, such as cargo owners and the energy sector, to establish a supply network for new fuels, build a global transportation system that complies with environmental regulations, and ensure a fair distribution of the environmental costs. "K" LINE is committed to contributing to society in these ways and views the rapid and substantial progress in low-carbon and carbon-free initiatives as a significant business opportunity. In line with this, we will further strengthen our business strategy to grow in collaboration with environmentally conscious customers, while aiming to maximize corporate value.





# SPECIAL FEATURE

## 01



### Progress and Strategies in Three Growth-Driving Businesses

#### ▶ Coal & Iron Ore Carrier Business

#### Fumiteru Otsuki (Left)

General Manager, Coal & Iron Ore Carrier Planning & Operation Group

#### Takeshi Mikami (Center)

General Manager, Coal & Iron Ore Carrier Business Group

#### Kentaro Tanaka (Right)

"K" Line (India) Private Limited

We are further strengthening collaborative relationships with our customers through organizational sales in response to new transportation demand and the continuation of safe vessel operation and navigation.

#### Source of Competitive Advantages: Safety in Navigation and Development of Safety Personnel

"We will strengthen our competitive edge by offering solutions tailored to customer needs through the specialized knowledge of our maritime technical personnel," says Fumiteru Otsuki of Coal & Iron Ore Carrier Planning & Operation Group.

Our customers in the coal & iron ore carrier business are located around the world, including in key regions such as East Asia, centered on Japan, South Korea, and China, as well as the broader Asia region, including India, the Middle East, and Southeast Asia, and extending further to North America and Europe. "K" LINE aims to maintain and expand its earnings base by sharpening its price competitiveness, proposal capabilities, sales capabilities, and on-site responsiveness while adding to its track record of safety in navigation as it meets customer expectations.

In our environmental initiatives, operation technologies and personnel are key to safety in navigation. The skills

being required of our maritime technical personnel differ from the past, in the context of alternative-fuel vessels, such as LNG, ammonia, methanol, and hydrogen, as well as new transportation technologies that allow us to satisfy new transportation demand through technological innovations. Such innovations include direct reduced iron as an indispensable input for low-carbon steelmaking processes, and carbon dioxide capture and storage (CCS) emitted from steel plants. To remain the preferred choice of our customers, we will continue to refine the quality of our transportation services and ensure safety in navigation while training personnel, leveraging the accumulated knowledge of our maritime technical personnel and people working in ship technical divisions, along with our robust network with numerous partners.

"At present, the common needs of our customers involve environmental considerations and efforts toward

decarbonization. Steel is a fundamental material used in all industries, and that will never change. However, the raw materials and production technologies are evolving. Our role is to meet the new transportation demand that accompanies these changes," says Takeshi Mikami of Coal & Iron Ore Carrier Business Group.

"Safety in navigation and advanced transportation services are essential for

continuing transactions with our customers over the long term. "K" LINE has a high ratio of long-term chartered vessels that are managed and crewed by Group companies. Through the Group's vessel management and crew deployment, "K" LINE is able to retain crew members for vessels operated by the Group and train crew who are well-versed in the specifics of customer ports, cargo, and voyages. Consistent

efforts in crew training and welfare have also contributed to these outcomes. Additionally, building relationships based on trust through activities such as vessel inspections and information sharing on safety in navigation with shipowners, with whom we have long maintained friendly relationships, leads to higher quality in safe navigation, thereby contributing to our competitive advantage." (Otsuki)

## Strengthening Communication with Customers through Organizational Sales

India and the Middle East are among the regions driving future growth in the coal & iron ore carrier business. Particularly, the Indian market is expected to grow at an annual rate of 6% through 2030. "K" LINE has already secured medium- to long-term contracts from customers in India and the Middle East, establishing a solid customer base. Moving forward, we will deepen relationships with our customers and enhance profitability through the strengthening of our sales structure and the development of environmentally friendly fleets. Through organizational sales, where experts from the environmental

and technical divisions work alongside sales representatives to make proposals, we will meet the increasingly sophisticated needs of our customers, such as the reduction of Scope 3 GHG emissions, in addition to ensuring safe transportation.

Under the medium-term management plan, we are strengthening relationships with major resource companies. Previously, short-term and market-linked contracts were the norm with these resource majors. Recently, however, opportunities have increased for medium- to long-term contracts as we consider transitioning to

alternative fuel vessels with decarbonization in mind. We will also enhance our environmental measures and aim to acquire more medium- to long-term contracts. Singapore in particular is a region where we aim to strengthen our sales structure, as it plays a crucial role in building relationships with customers. "By directly visiting the offices of our customers and having in-person communications, we can gain more information and a deeper understanding of their needs. Singapore is a hub for resource majors in Asia, and having a base there is highly meaningful." (Mikami)

## Capturing Growth in the Indian Market through Proposal-Based Sales

"One of our initiatives in the rapidly growing regions of India and the Middle East is joint research with JSW Steel, of India, aimed at decarbonization. In this joint research, we have a common goal of achieving net-zero GHG emissions by 2050, and are exploring new technologies and alternative fuels in maritime transport. New initiatives like this are the result of years of steady effort. Our business dealings with JSW Steel began in 2006. Customer needs have changed significantly since the global economic crisis in 2008, and we have spared no effort in continuing to satisfy those needs. As a result, "K" LINE is now in a position to compete for a top share of JSW Steel's maritime transport volume. India is expected to expand its volume of steel production. We aim to strengthen the relationship of trust that we have built with our customers through proposal-based organizational

sales that incorporate specialized knowledge, on the path to realizing added value creation and growth," says Kentaro Tanaka, who is stationed in Mumbai, India.

We have been deepening our relationships of trust with customers in other regions as well. In July 2022, we established a council for joint research into decarbonization with Emirates Global Aluminium, of the United Arab Emirates (UAE), and in March 2023, we signed a memorandum to establish a council to jointly promote research and initiatives aimed at decarbonization with Anglo American. "We have received similar inquiries, especially about environmental measures, from a number of customers. Through these initiatives, we aim to build even stronger partnerships while meeting the decarbonization needs of our customers." (Mikami)

Continuing the efforts we have made so far in improving safety in navigation and transportation services is paramount for sustaining growth. Our goal is to continue growing through organizational sales and close relationships with customers, while also contributing to the reduction of environmental impact alongside our customers. "We take pride in the relationships of trust we have built over a long history with shipowners and shipyards, as well as our safety in navigation and the quality of our operational and vessel management. We have gained experience and built trust while addressing the stringent needs of world-class customers. We believe that we can satisfy the needs of this new era by leveraging our unique technical and proposal capabilities, even in a changing business environment." (Otsuki)

# SPECIAL FEATURE

## 02



### Progress and Strategies in Three Growth-Driving Businesses

#### ▶ Car Carrier Business

#### Daimon Ogura (Left)

Car Carrier Business Group  
Manager, RORO Marketing Team

#### Heiner Thomsen (Center)

"K" Line (Deutschland)  
GmbH (Hamburg, Germany)  
Director

#### Clemens Heide (Right)

"K" Line (Deutschland)  
GmbH (Hamburg, Germany)  
Manager, Business Development  
Strategy

Against a backdrop of robust market conditions, "K" LINE is achieving growth by tapping into transportation needs for oversized cargo, such as railway cars and wind power generation equipment.

#### Driving Growth in Niche High-Margin Businesses

High & Heavy (H&H) cargo is a collective term for oversized and overweighted cargo that cannot be loaded into normal containers. This includes construction and agricultural machinery, large buses and trucks, railway cars, plant equipment, power transformation equipment, conveyor belts, wire cables, large steel products, and blades for wind power generation turbines and so on. Because the types of cargo are diverse, accurate market data does not exist. However, it is estimated that approximately 20% of the cargo loaded onto car carriers falls under the H&H cargo category. H&H transportation volume has been steadily increasing over the past few years.

Daimon Ogura of the RORO Marketing Team says, "Only about 700

vessels worldwide are engaged in the Deep-Sea RORO ocean transportation of H&H cargo. Considering that there are more than 60,000 commercial vessels in the world, it can be said that this is a niche segment. In this context, "K" LINE has built a solid market position with a leading share in Atlantic trade, and it also has a certain presence on Asia-Pacific Ocean routes. In addition to robust market conditions, H&H cargo, which requires advanced transportation know-how, has high margins on a per-cargo basis. The H&H cargo business has achieved profit targets in the medium-term management plan ahead of schedule. Furthermore, we aim for a 5–10% increase in profits by fiscal 2026."

#### Barriers to Entry Formed by Specialized Hard and Soft Resources

Although market conditions are robust, there are barriers to entry for new companies. This is because special resources

are needed in terms of both hard and soft aspects of the business when handling H&H cargo, especially what is

known as Break Bulk cargo, which does not move on its own. Specifically, the strength of the deck and ramp, and the structure / configuration with fewer pillars inside the hold, are essential. Additionally, specialized loading and unloading equipment, Roll-Trailer, are required. During the loading operation, various factors outside the scope of desktop calculations must also be considered. These factors include the shape, packing, and weight of the cargo, which is different each time, as well as the port environment, the seaworthiness of the vessel, and the handling skills of on-site personnel. The

expertise and know-how of maritime technical personnel, backed by experience, are key. Furthermore, a global network of partners is indispensable to providing comprehensive services worldwide.

The "K" LINE Group has been a pioneer in focusing on H&H since the 2000s and has accumulated the various insights necessary for safely transporting H&H cargo. This includes advancing the design of new vessels compatible with H&H cargo, investing in loading and unloading equipment, and building an organization. Our strength lies in formulating meticulous transport plans, proposing them to

our customers, and executing them—these capabilities are highly evaluated by our customers," says Heiner Thomsen of our German subsidiary, which is the hub for handling H&H cargo in the Atlantic region. His colleague Clemens Heide also points out the importance of being able to reliably provide services. "In 2021 and 2022, when maritime freight rates rose to historic levels, some competitors prioritized other types of cargo over H&H cargo for short-term profits. "K" LINE continued to satisfy the transportation needs of its existing customers equally, and that has led to the trust we cherish from our customers today."

## Arrival of Opportunities for Developing New Customers

Demand is likely to expand for H&H cargo transportation in fields that contribute to a carbon-free society. This is evident in the growing demand for transportation related to wind power as renewable energy rapidly proliferates, as well as the increase in railway infrastructure updates and new projects as railways are reevaluated as a green means of transportation, particularly in

Europe. For "K" LINE, this means maintaining and strengthening the H&H customer base that it has built in the construction, agriculture, and mining sectors, while increasing opportunities to approach a more diverse set of customers.

"Particularly in the area of railway transportation, since receiving our first order to ship rolling stock manufactured

by a Japanese company to the United Kingdom in the 2010s, we have been focusing on developing new business opportunities while honing our expertise. These efforts are beginning to bear fruit, and we are currently participating in several railway transport projects," says Thomsen in anticipation of future growth.

## Strengthening the Earning Base through Incremental Efforts

To seize these opportunities, we are planning further investments in the development of larger vessel designs capable of carrying heavier and larger H&H cargo, as well as high-specification large vessels and specialized loading equipment with enhanced safety and load-bearing capabilities. However, such hardware investments are only one of our measures to expand revenue.

"Improvements made through the sum of incremental efforts, such as thorough facility management, improving the accuracy of vessel operations, developing professional / specialized personnel, and careful negotiation of transportation contracts with customers, are also indispensable for strengthening our earning base," says Ogura. "There have been cases where responsiveness to small transport needs has led to business transactions with new

customers. Meeting a wide range of needs through flexible, regular shipping services expands business opportunities," Heide also points out. "A majority of the consignees of H&H cargo place great importance on receiving their cargo safely by a set deadline. Timely and safe vessel operation and navigation are vital in avoiding project delays and losses in customer operations. We

are aware of the role we play in supporting global projects with significant social impact, and we aim to gain the trust of our customers by committing to safe, high-quality navigation and cargo transport, which will lead to stable earnings over the medium to long term." (Ogura)





# SPECIAL FEATURE 03



## Progress and Strategies in Three Growth-Driving Businesses

### ▶ LNG Carrier Business



### Takuji Murayama

General Manager, LNG Group

— We contribute to stability in revenue by focusing on acquiring long-term contracts based on our track record of safety in LNG transportation over 40 years.

### Pursuing Steady Growth through a Focus on Long-Term Contracts

As the use of LNG expands for realizing carbon neutrality, global demand for LNG is forecasted to increase from approximately 400 million tons in 2022, to around 750 million tons by 2040. In recent years, orders for new vessels have been brisk in anticipation of this growth in demand, and, as of 2023, outstanding orders seem to be at just over 300 vessels. On the other hand, of the approximately 650 LNG carriers in operation worldwide, about 300 are older vessels with issues in fuel efficiency and transport capacity, and will probably be gradually retired. Considering the replacement demand associated with these retirements, the supply-demand balance for vessel tonnage looks likely to remain tight for the foreseeable future.

“Our LNG carrier business has helped to stabilize revenues for the entire “K” LINE Group by consistently recording operating profits for the past 10 years, thanks to sales activities

focused on long-term contracts, amid fluctuating market conditions,” says Takuji Murayama of the LNG Group. “Under the medium-term management plan announced in 2022, there has been no change in our business policy of targeting long-term demand, even as the market as a whole is expanding. Since the dawn of LNG carrier transportation 40 years ago, we have been supporting the energy supply chain and serving as part of the social infrastructure through safe and reliable transportation. With customers who have signed long-term contracts of 15 or 20 years, these relationships extend over 20 years when including the construction period for new vessels based on the contracts. We recognize that meeting the needs of existing customers has been the foundation of our trust and reputation. We believe that maintaining safety and high quality in the future will translate into steady growth for the “K” LINE Group.”

## Focusing on Training Personnel to Support Safety in Navigation

In line with our basic policy of fleet development to match long-term contract acquisitions, "K" LINE has planned and carried out investments of approximately ¥160 billion in the LNG carrier business during the medium-term management plan. Including chartered vessels, the number of our operating vessels is set to expand, from 43 at the end of fiscal 2022, to 67 by fiscal 2026, and to more than 75 by fiscal 2030. To address the issue of increasing the number of maritime technical personnel and onshore personnel in tandem with the expansion of the fleet, we are advancing human resource development at the "K" LINE Maritime Academy, our maritime technical training facilities located in the Philippines, India, and other countries. Additionally,

since May 2022, we have been working on securing and training maritime technical personnel in Singapore with an eye on new fuel adoption.

"Our track record of safety in navigation spanning over 40 years is our best selling point, and we have received high praise from customers in the energy transportation sector, where safety is the highest priority," says Murayama. "Securing and training personnel in navigation safety is highly significant in terms of value creation for "K" LINE." LNG carriers, which transport natural gas liquefied to the ultra-low temperature of -162°C, are required to have a higher level of safety and vessel management capabilities than other type of vessels. Customers require documentation on what could be described as a

"resume" proving that the crew members aboard have sufficient experience. Maintaining and strengthening a system capable of meeting such stringent requirements is essential for sustaining our competitive advantages. Our basic policy is to train the crew for the vessels we operate, and we are able to maintain high-quality services thanks to the many crew members on board who are well-acquainted with our policies and operations. Amid pressing needs to secure a pool of maritime technical personnel, we are laying the groundwork in Singapore to ensure a sustainable system capable of safe and high-quality transportation, focusing on Japanese maritime technical personnel while also securing outstanding foreign maritime experts."

## Customer-Oriented Sales Approach to Our Clients

For customers in emerging countries that are eyeing full-scale LNG imports in the future, "K" LINE is committed to steady relationship-building through study sessions, information exchange via organizational sales, as well as providing technical and regulatory advice related to LNG maritime transport. Going back to 2013, "K" LINE signed contracts for two vessels for INPEX in the Ichthys LNG project, in Western Australia. "K" LINE had been selected by INPEX as the partner for its vessel study since around 2006 and conducted numerous study sessions. Although these study sessions were entirely separate from the vessel procurement bids, we were ultimately able to secure a contract on our own. "K" LINE has also entered into long-term fixed-period charter contracts for three medium-sized vessels to be completed between 2022 and 2023 with Malaysia's state-owned company, the PETRONAS Group. There was a period when PETRONAS had chartered one of our available vessels for two years, and our responsiveness to its needs during that period led to this major contract.

"Our customers in the Asian region, including the PETRONAS Group, often prefer a close relationship where they can easily reach out to us or consult with us on minor matters," says Murayama. "With the establishment of K LINE MARINE & ENERGY PTE. LTD. (KME) in Singapore in June 2023, we have integrated vessel management and sales functions to strengthen the organizational sales system. This has enabled us to offer customized proposals tailored to individual needs of customers and prompt support to customers in neighboring countries."

In August and November 2022, we concluded a long-term fixed-period charter contract for 12 LNG carriers with Qatar's state-owned energy company, QatarEnergy LNG. This was the outcome of a relationship built on trust through many years of safe navigation since the dawn of LNG transportation.

In May 2023, "K" LINE won a long-term contract from Diamond Gas International (DGI), a 100% subsidiary of Mitsubishi Corporation. This is another example where appreciation of our quality vessel management and safety

navigation technology in past projects has led to larger business transactions. "There was also that time when a customer in an emerging country sought our advice on vessel operations when constructing an LNG terminal. Handling our customers' needs with care and satisfying these needs can serve as a starting point for major new business in the future. We believe that steadily building a trustworthy relationship as a partner and constantly sowing the seeds for future growth leads to sustainable business growth," adds Murayama.



LNG carrier LAGENDA SETIA

# SPECIAL FEATURE 04



## New Businesses That Leverage Our Strengths

- ▶ Liquefied CO<sub>2</sub> Transport Business



### Jun Sasaki

General Manager, Carbon-Neutral Promotion Group

— We aim to establish a position in the transportation of liquefied CO<sub>2</sub>, which contributes to a carbon-free society, by leveraging our strengths in liquefied gas transportation.

### New Markets Created by Demand for CO<sub>2</sub> Transport

A global consensus is emerging for the phased reduction of GHG emissions, including CO<sub>2</sub>, to achieve carbon neutral by 2050. In this context, various initiatives are advancing, such as spreading renewable energy and developing technologies for utilizing new energy sources like hydrogen and ammonia, while carbon dioxide capture and storage (CCS) is also gaining attention lately.

CCS assumes that CO<sub>2</sub> needs to be transported from its source to storage locations. Along with pipelines, maritime transport of liquefied CO<sub>2</sub> is likely to become a major means of transportation. According to the International Energy Agency (IEA), the annual reduction of CO<sub>2</sub> through CCS is estimated to reach approximately 5.4 billion tons per annum in 2050.

“Even if we assume that maritime transport will handle only a certain portion of this annual 5.4 billion tons of CO<sub>2</sub>, around 200 new liquefied CO<sub>2</sub> carriers will be needed by the mid-2030s to meet this demand,” says Jun Sasaki from the Carbon-Neutral Promotion Group. CCS is considered a practical solution to support GHG emission reductions and realize a circular economy. It is at the stage where an entire value chain is being established for separating and capturing CO<sub>2</sub>, and then transporting liquefied CO<sub>2</sub> via pipelines or vessels for underground storage. “With an eye on establishing a position in this emerging market, we see an opportunity to offer new maritime services for the transport of liquefied CO<sub>2</sub> for our customers with whom we have had the pleasure of doing business so far, and we will proactively work toward this goal,” adds Sasaki.

## World-First CCS Project Taking on Norway

Our venture into new business domains has materialized through our participation in a world-first project to establish a full-fledged CCS value chain in Norway. We have entered into a long-term contract for two liquefied CO<sub>2</sub> carriers that will commence operations in 2024 with Northern Lights\*, which aims to build a commercial CCS value chain based in Norway. "While vessels currently exist for transporting CO<sub>2</sub> for food and industrial purposes, the two carriers being newly built for this project will be the world's first vessels for commercial CCS operations," explains Sasaki.

"K" LINE has been involved in a wide range of liquefied gas vessel construction and operations, putting into service LPG and LNG carriers in 1974 and 1983, respectively. In 2006, we were involved in Norway's first Snohvit LNG

export project and have earned recognition from the oil and gas majors, as well as our customers in the electric power and gas sectors. Furthermore, since 2021, we have participated in R&D and demonstration projects related to CO<sub>2</sub> maritime transport by Japan's New Energy and Industrial Technology Development Organization (NEDO). "K" LINE has also been engaged in the development of liquefied CO<sub>2</sub> storage and transportation technology under low-temperature and low-pressure conditions, which are key to the social implementation of large-scale CO<sub>2</sub> transportation. Along with external partners, including our customers, we are actively involved in various projects aimed at constructing CCS value chains. "We believe that our early involvement in demonstration projects, as well as our

proven track record of providing transportation services to Northern Lights sponsors Equinor, Shell, and Total, led to our winning of this contract," adds Sasaki.

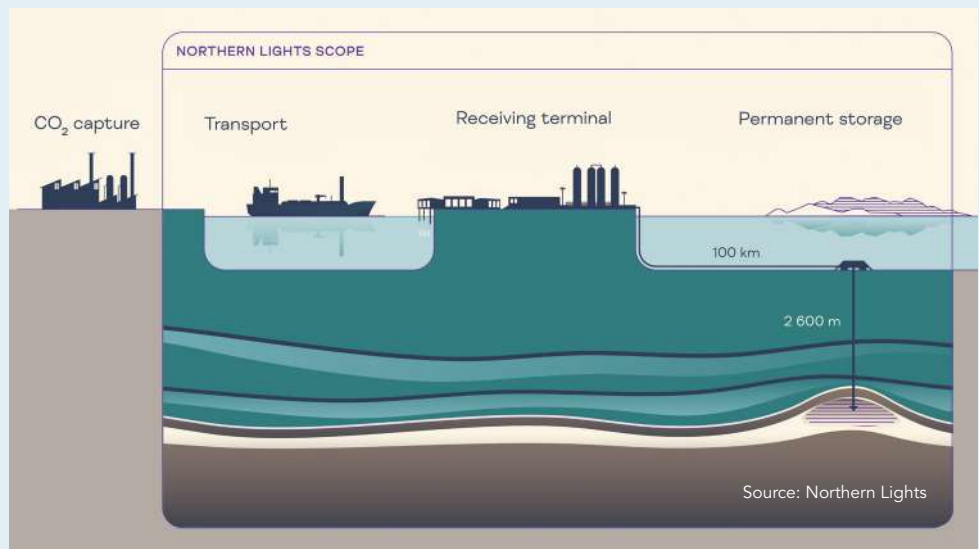
Ship management for the Northern Lights project is being handled by "K" Line LNG Shipping (UK) Limited, which has experience managing LNG vessels in mainly the Atlantic Ocean region. This company is based in London, which is geographically close to Norway and not significantly affected by time differences, offering advantages for ship management. Plans are in place for sharing and accumulating organizational know-how, including personnel exchanges, among our three bases in London, Tokyo, and Singapore, the ship management hub for Asia.

## Building New Value Chains with Customers and Partners

"Viewing CCS as one of the solutions for decarbonization, industries with needs for liquefied CO<sub>2</sub> transportation range widely, including electric power and gas, steel, petrochemicals, papermaking, and cement. Most of these industries are already our customers in existing lines of business, and there is potential for further expansion in future business dealings," anticipates Sasaki in regard to the growth prospects of the business. "Opportunities have increased considerably for visiting customers both domestically and overseas, in collaboration with sales representatives from other departments, and sharing ideas and proposals about liquefied CO<sub>2</sub> transport. Even in new domains such as this, we understand that there are needs for stable logistics over the long term," adds Sasaki.

The liquefied CO<sub>2</sub> carrier market looks likely to gradually emerge in Europe in the late 2020s, centered primarily on relatively short-distance transport, and then reach a certain market scale in the Asia-Pacific region by the 2030s. Leveraging our long-standing expertise and track record in

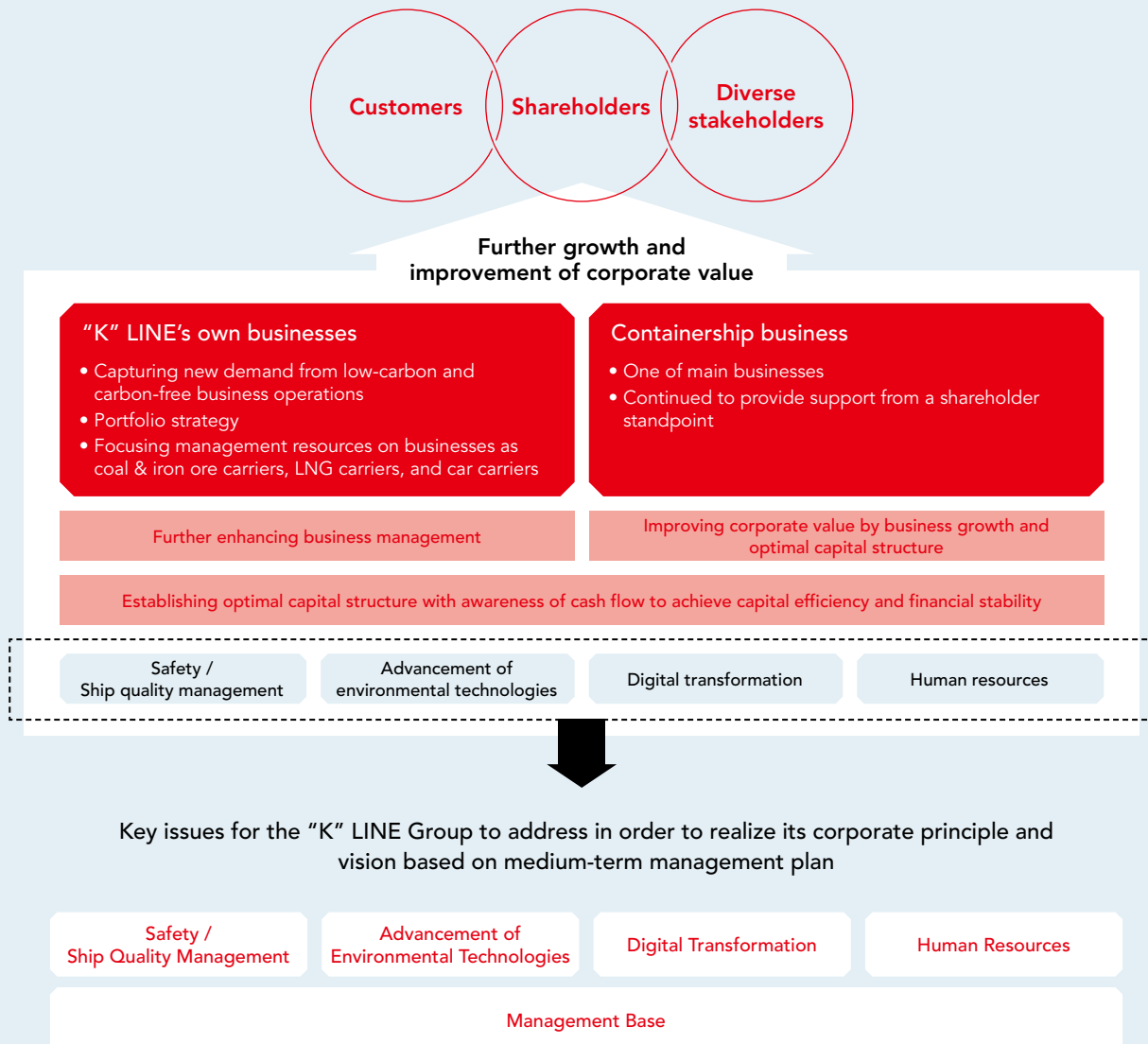
the transportation of liquefied gases, we aim for business growth as a key player in value chains that contribute to GHG emissions reduction, having been chosen as partners right from the developmental stages of pioneering projects.



# Materiality

## The “K” LINE Group’s Materiality

In fiscal 2022, the “K” LINE Group reviewed its previous materiality and identified 12 new material issues across five areas. In this part, we summarize our newly identified material issues and have included pages for each materiality where we explain our initiatives and progress.



These 12 material issues have been categorized into five areas, including safety / ship quality management, advancement of environmental technologies, digital transformation, and human resources—the four pillars of our functional strategy for a solid business foundation to realize the business strategies set forth in our medium-term management plan—and management base, which serves as the foundation of the four pillars (see the next page for details). The Group positions materiality as a set of key issues to be addressed in order to realize its corporate principle and vision, contribute to solutions for social issues, and achieve sustained growth and improve corporate value under the medium-term management plan.



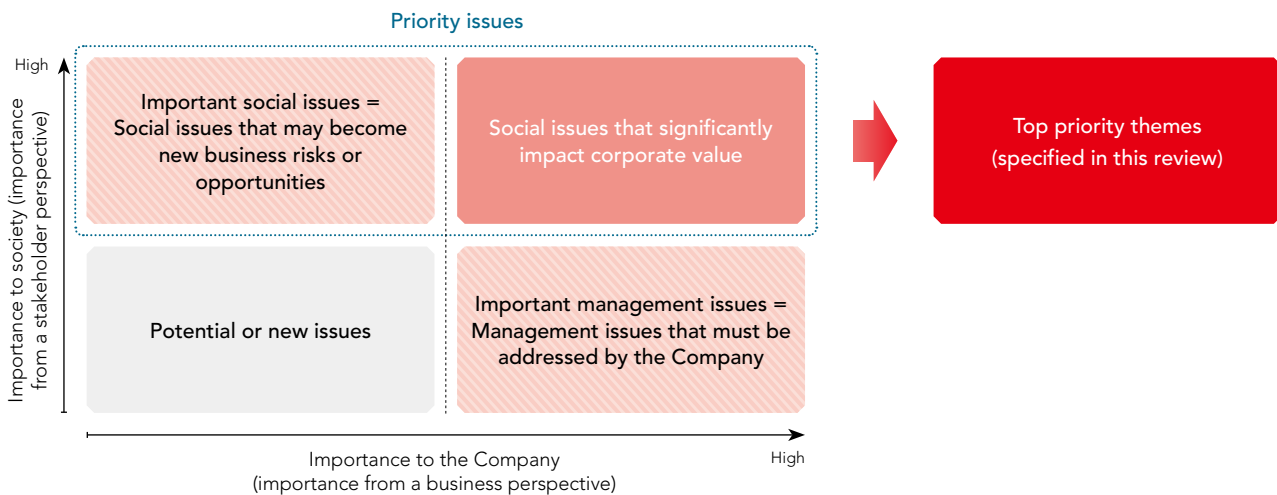
# Material Issues and Related SDGs

Category	Material Issues (Actions for resolving social issues)	Related SDGs
Management base	Respect for human rights <span>▶ P.36</span>	
	Reinforcement of corporate governance <span>▶ P.54</span>	
	Promotion and reinforcement of compliance <span>▶ P.37</span>	
Safety / Ship quality management	Promotion of safety in navigation and cargo operations <span>▶ P.38</span>	
Advancement of environmental technologies	"K" LINE low-carbon and carbon-free transition <span>▶ P.41</span>	
	Supporting the development of a low-carbon and carbon-free society <span>▶ P.42</span>	
	Reducing "K" LINE's impact on the sea and air to zero <span>▶ P.44</span>	
	Promotion of innovation <span>▶ P.46</span>	
	Reinforcement of response to digital transformation (DX) <span>▶ P.48</span>	
Human resources	Diversity & inclusion <span>▶ P.51</span>	
	Shaping of working environment and promotion of health management <span>▶ P.52</span>	
	The securing and development of human resources <span>▶ P.50</span>	

## Background

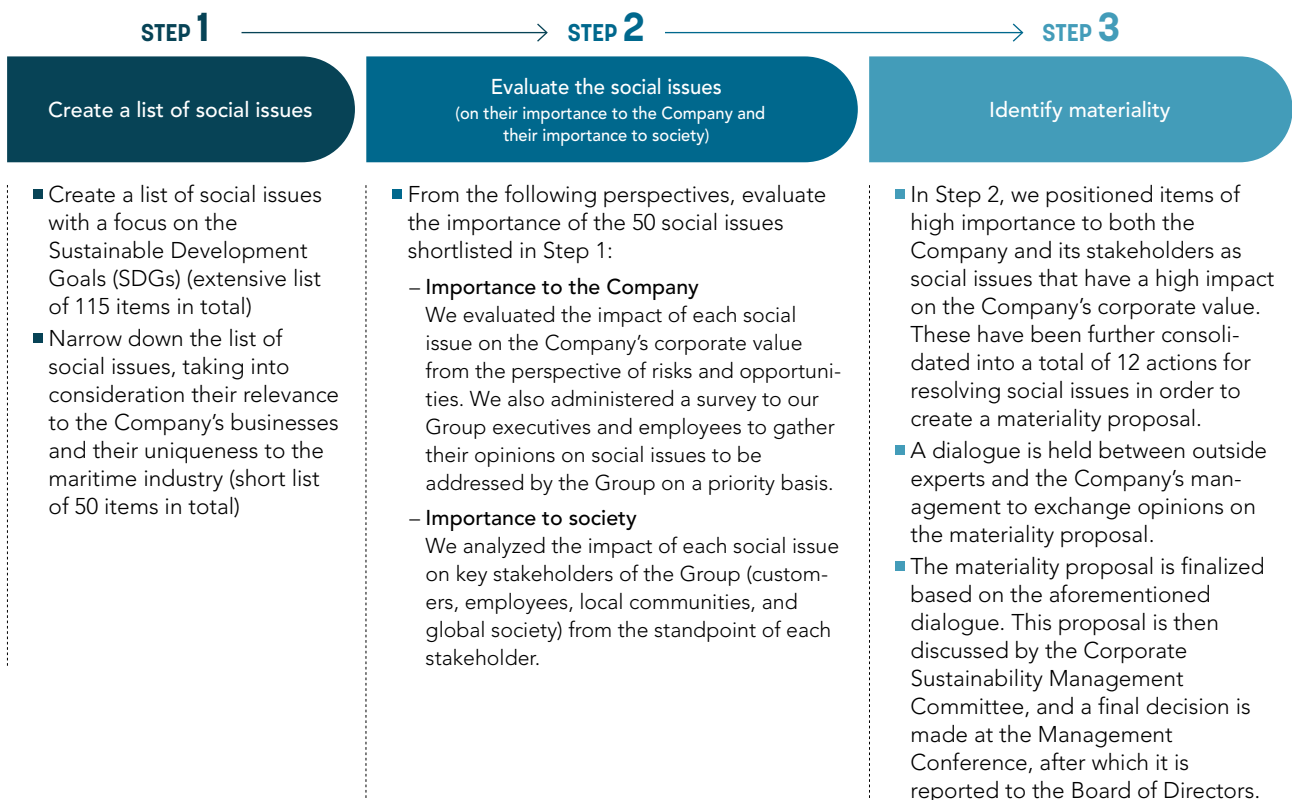
When reviewing its materiality in fiscal 2022, in addition to viewpoints of traditional corporate social responsibility (CSR), the Company analyzed and evaluated its materialities from two perspectives: importance to the Company (importance from a business perspective) and importance to society (importance from a stakeholder perspective), while also considering their alignment with business

strategy and value creation. The “K” LINE Group’s previous materiality was identified by referring to various sources of guidance related primarily to CSR, including ISO 26000 and the OECD Guidelines for Multinational Enterprises. This review, however, was conducted in light of changes to the business environment and social conditions that arose over the subsequent eight years.



## Steps for Analyzing Materiality

In the latest review, we conducted materiality analysis using the following three steps:



## Sustainability Governance

Amid global changes in values and behavior, as well as increasing awareness of the need to reduce the burden of climate change on the environment, the Company considers sustainability management a priority issue for enhancing corporate value over the medium to long term and discusses the issue as necessary at Board of Directors' meetings. To strengthen our management focus on these issues, we have established the Corporate Sustainability Management Committee and the GHG Reduction Strategy Committee, chaired by the president & CEO.

The Corporate Sustainability Management Committee is enhancing corporate value by reviewing and formulating a promotion system for the "K" LINE Group's sustainability management.

For the newly identified materialities, we clarified the divisions responsible for each issue. The general managers of each business group are members of the Sustainability

Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee. The Sustainability Sub-Committee monitors the implementation of initiatives related to materialities and regularly reports on their progress to the Corporate Sustainability Management Committee.

The Environmental Sub-Committee is responsible for operating the Environmental Management System (EMS). The GHG Reduction Strategy Committee formulates strategies for reducing GHG emissions, with a focus on fuel conversion for the Group among urgent environmental issues. It also creates and implements comprehensive response strategies, as well as policies related to adopting technologies, such as equipment selection, and preparations for smooth operations.

Under this governance structure, the "K" LINE Group advances effective sustainability management.

## Message from the Executive Officer in Charge



### Noriaki Yamaga

Managing Executive Officer  
Responsible for Corporate  
Sustainability, Environment  
Management, IR and Communication  
Unit, In charge of Corporate Planning,  
Research

The "K" LINE Group aims for sustainable growth and greater corporate value by supporting the infrastructure of the global community, as a partner trusted by all its stakeholders. The Group is pursuing its mission as an infrastructure that supports people's livelihoods and the economy, contributing to a sustainable society, and incorporates sustainability management that values perspectives on the sustainability of the environment, society, and economy. The Group aims to increase corporate value while balancing contributions to solutions for social issues and the ongoing development of the Group.

In fiscal 2022, the Group reviewed its materiality that forms the core of its measures to advance sustainability management. This review was conducted to clarify the link between the materiality and corporate growth and value creation. The newly identified 12 material issues across five areas have been organized in reflection of the functional strategies in our medium-term management plan, with clarification of their relationship to our corporate principle and vision. Furthermore, we have clearly identified the divisions responsible for each materiality and strengthened progress management for our initiatives. Through our initiatives in materiality, we will promote sustainability management, realize our corporate principle and vision, and continuously create both economic and social value.

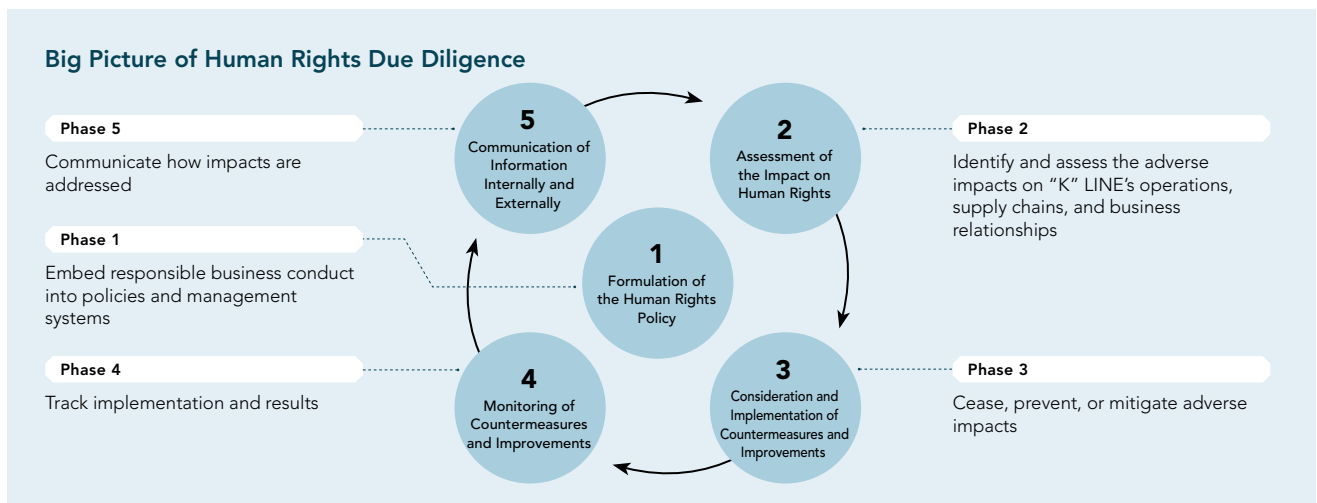
Management Base

# Respect for Human Rights

The “K” LINE Group stipulates Respect for Human Rights at the start of its Charter of Conduct. The Group is a signatory of the United Nations Global Compact and has expressed its support for the principles related to human rights and labor. The “K” LINE Group Basic Policy on Human Rights was drawn up based on the United Nations’ Guiding Principles on Business and Human Rights. Management is committed to conducting human rights due diligence.

## Human Rights Due Diligence System

Based on the “K” LINE Group Basic Policy on Human Rights formulated in 2022, under the supervision of the Corporate Sustainability Management Committee and the direction of the executive officer responsible for corporate sustainability, the Corporate Sustainability, Environment Management, IR and Communication Group has become in charge of implementing human rights due diligence, including the drawing up of measures as well as analysis and assessment of human rights risks related to the business activities of the “K” LINE Group.



## Assessment of Human Rights Impacts and Priority Issues

We implemented the following to understand the apparent and latent adverse impacts arising in relation to the “K” LINE Group’s business activities in fiscal 2022.

1. Conducted paper survey at Group companies in Japan and overseas
2. Analysis of survey results and identification of weak points
3. Examination of priority issues and countermeasures in response to the results of 2.

As a result of the aforementioned, we identified the following as priority issues that should be addressed.

Target Rights Holders	Priority Issue
Employees of “K” LINE and Group companies	Health and safety
	Prevention of harassment
	Prevention of excessive overtime

In fiscal 2023, the scope was expanded to include the supply chain, and we began to evaluate impacts on human rights and identify priority issues.

# Promotion and Reinforcement of Compliance

## The Group's Compliance System

To provide guidance to the officers and employees of the Company and Group companies in the conduct of their day-to-day duties, in January 2017 we established the "K" LINE Group Global Compliance Policy, with which all officers and employees must comply. Also, the Compliance Committee, which is chaired by the president & CEO, deliberates on policies to ensure the compliance of the Company and Group companies as well as measures in response to compliance violations. Further, under the

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

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

### Our Efforts to Ensure Compliance with Economic Sanctions

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

## Our Efforts to Raise Compliance Awareness

We set every November as "Compliance Month," when we distribute a message from the president to executives and employees of "K" LINE and its Group companies to remind them of the importance of compliance. We also

### Number of reports and consultations via the Hotline system

	FY2020	FY2021	FY2022
Reports	1	1	3
Consultations	1	3	0

supervision of the chief compliance officer, the compliance system is being strengthened throughout our organization. In addition, to prevent compliance issues in the Group's domestic and overseas operations and detect and correct risks at an early stage, we have established the Hotline Desk and the Global Hotline Desk, which receive whistleblowing reports from officers and employees of the Company and its domestic and overseas Group companies.

### Our Efforts to Prevent Bribery and Corruption

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

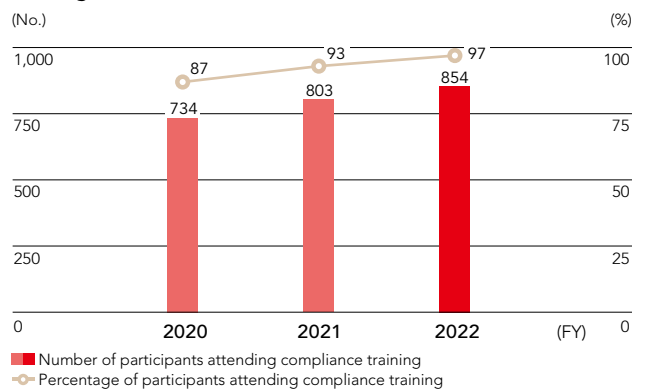


### Our Efforts to Protect Personal Information

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

hold compliance e-learning training, compliance seminars featuring lecturers invited from outside the Company, and position-based training.

### Number and percentage of participants attending compliance training





Safety / Ship Quality Management

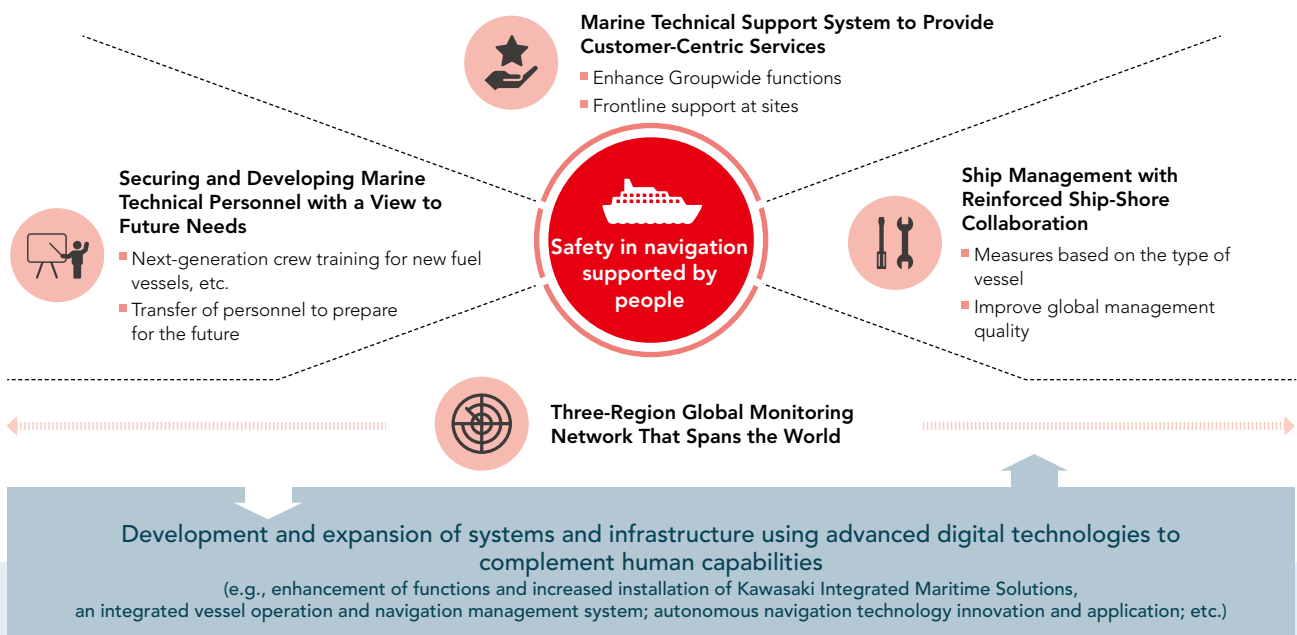
## Promotion of Safety in Navigation and Cargo Operations

We believe that the most crucial factor for safety in navigation is human capabilities. To achieve safety in navigation, it is essential to secure and develop competent human resources, strengthen the marine technical support system that ensures close customer relations, and establish and operate the global safety management network. Furthermore, to achieve high levels of safety and quality in transportation, it is necessary to promote the digitization of experience through advanced digital technologies in order to complement human capabilities. Drawing on both human capabilities and advanced digital technologies, we will strengthen the global monitoring system and provide safe and optimized services, with priority given to our customers.

### Safety in Navigation and Cargo Operations Based on “Human Capabilities”

Building a solid system for safety in navigation with safety and quality management that leverages human capabilities—the strength of the “K” LINE Group—complemented with advanced digital technologies

“K” LINE’s values Providing safe and optimized services that put the customers first



The “K” LINE Group augments its people-driven structure for ensuring safety in navigation and cargo operations by maintaining and upgrading its systems and infrastructure with advanced and digital technologies.

 <p><b>Marine Technical Support System to Provide Customer-Centric Services</b></p> <p>While reinforcing Groupwide functions, the “K” LINE Group is promoting a global customer-centric service support system and strengthening its marine technical support system in the regions.</p>	 <p><b>Securing and Developing Marine Technical Personnel with a View to Future Needs</b></p> <p>With a view to the future, the “K” LINE Group secures and develops diverse human resources capable of adapting to new environmental technologies, alternative fuels, etc.</p>	 <p><b>Ship Management with Reinforced Ship-Shore Collaboration</b></p> <p>In ship management, the “K” LINE Group is promoting management that is based on the type of ship and strengthening ship-shore collaboration, while improving the quality of global ship management.</p>	 <p><b>Three-Region Global Monitoring Network That Spans the World</b></p> <p>The “K” LINE Group is promoting a global monitoring network in three regions that comprehensively spans the world, allowing the Group to maintain 24-hour safety support for its fleet sailing anywhere in the world as well as to respond to emergencies.</p>
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## Cutting-Edge Digital Technologies That Complement the Power of People

### Kawasaki Integrated Maritime Solutions

The Kawasaki Integrated Maritime Solutions is our integrated vessel operation and performance management system. Kawasaki Integrated Maritime Solutions gathers navigation data from each vessel as big data that is analyzed by AI to diagnose propulsion performance in a bid to improve fuel economy and reduce greenhouse gas emissions. Kawasaki Integrated Maritime Solutions also

features functions that assist with ship navigation optimization by calculating route recommendations based on data about weather and maritime conditions and performance analysis models for each vessel. In this way, Kawasaki Integrated Maritime Solutions supports the safe and economical operation of ships.

### K-Assist Project

The K-Assist Project is a moniker for all of our technology development projects related to the autonomous navigation of vessels. In the four fields of support for lookout duty and ship navigation, support for safe berthing and unberthing, optimal route control in actual sea surroundings, and support for engine plant operations, the "K" LINE Group is advancing developments that will lead to

their practical realization in the future by incorporating knowledge and technologies from not only the marine transportation and shipbuilding industries, but also other industries. In order to realize advanced safety and quality that the "power of people" alone cannot achieve, we are actively utilizing AI and other cutting-edge technologies while advancing DX on ships.

### Cybersecurity Certifications for Ships

In recent years, data has been increasingly used to improve safety and quality, and internet connections are used to share vessel navigation data from ship to shore. It has also become necessary to upgrade ICT equipment and networks on ships as a result of improvements in satellite data transmission capacity. With a view to increased potential cyber risks as ship-to-shore internet

connectivity evolves, ship management companies that belong to the "K" LINE Group have obtained Cybersecurity Management System (CSMS) certifications from Nippon Kaiji Kyokai (ClassNK) since 2020. We continue efforts to enhance our ability to respond to cyber risks on ships.

## Message from the CSO



### Kiyotaka Aya

Senior Managing Executive Officer  
Responsible for Marine Sector Unit,  
CSO (Chief Safety Officer)

The "K" LINE Group has earned the trust of its customers by deeply understanding their challenges and needs, and by prioritizing safety in navigation and transportation quality.

In light of customer needs for the low-carbon and carbon-free transition of marine transportation, around the world we expect unique projects to be launched that closely align with specific countries or regions, such as the ship management business of LNG fuel supply vessels in Singapore or the ammonia fuel supply business.

By offering region-specific customer support, we continue to accurately understand customer needs and provide high-value-added proposals and services. To do so, we intend to further strengthen our organization to ensure safety in navigation and manage transportation quality, based on our ship management expertise that includes a wealth of experience and competent human resources.

Initially, from our base in Singapore, we will strengthen our approach to customers, such as oil and resource majors, accumulate experience and expertise through contributions to problem-solving, and translate this into the development of a global network that includes Europe and the United States, as declared in our medium-term management plan.

## Advancement of Environmental Technologies

### Environmental

Under our corporate principle of helping to enrich the lives of people as an integrated logistics company that focuses on marine transportation, we are taking on the mission of “Blue Seas for the Future.” As a partner trusted by all stakeholders, we aim to sustain growth and improve corporate value, while supporting the infrastructure of global society.

#### Objective of the “K” LINE Group

Refine the environmental response expertise / solutions with customers and partners to lead the entire shipping industry by establishing sustainable competitive advantages to be balanced with earnings growth

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

In order to strengthen our initiatives for climate change measures, in November 2021, we revised the 2050 targets in the “K” LINE Environmental Vision 2050, our long-term environmental guideline. We set an even higher target for achieving net-zero greenhouse gas (GHG) emissions by 2050.



Challenge of achieving net-zero GHG emissions  
<https://www.kline.co.jp/en/sustainability/environment/management.html#002>

##### Low-carbon and carbon-free initiatives at “K” LINE

Take on the challenge of net-zero GHG emissions  
Improve CO<sub>2</sub> emission efficiency by 50% compared with 2008

##### Support the shift to a low-carbon and carbon-free society

Be the transporter and supplier of new energy

##### Reduce “K” LINE’s impact on the sea and air to zero

Zero oil spills

##### Support the environmental activities of society

Be the industry leader in ecosystem protection

## Message from the Executive Officer in Charge



#### Noriaki Yamaga

Managing Executive Officer  
Responsible for Corporate Sustainability, Environment Management, IR and Communication Unit, In charge of Corporate Planning, Research

Based on the targets in our environmental vision, namely the challenge of achieving net-zero GHG emissions by 2050, we are formulating growth strategies that view contributions to a low-carbon and carbon-free society as business opportunities. In the late 2020s, the “K” LINE Group aims to introduce zero-emission ships and, through its own GHG emission reduction initiatives, contribute to the realization of low-carbon and carbon-free maritime transport in customer value chains.

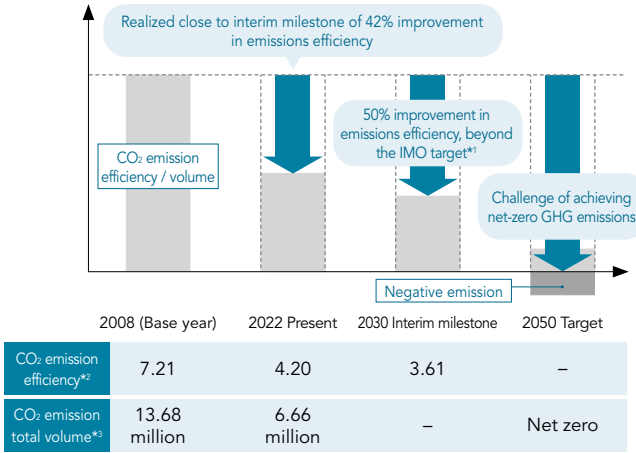
Furthermore, the “K” LINE Group is leveraging its accumulated strengths in the development of support vessels for offshore wind power generation, transporting new types of energy, such as hydrogen and ammonia, and meeting demand for the maritime transport of captured and liquefied CO<sub>2</sub>. In these ways, we are proactively engaging in businesses that contribute to a low-carbon and carbon-free society.

We are also committed to the conservation of biodiversity. Recognizing the impact of maritime transport on the atmosphere, marine environment, and ecosystems, we take responsibility as a maritime operator to minimize these impacts.

Through these initiatives, we are keen to reduce environmental impact while maintaining our own economic value. By continuously improving our corporate value while striving toward a sustainable society, we aim to be a company that is consistently favored by all stakeholders.

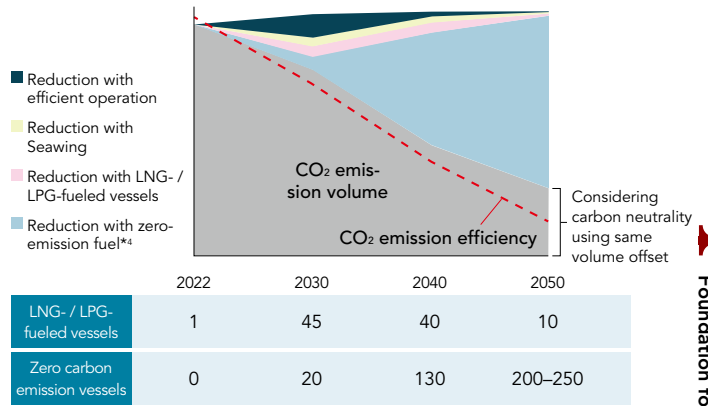
## "K" Line Low-Carbon and Carbon-Free Targets and Progress

We are examining specific issues, such as vessel fleet management, with an eye on 2050, while verifying road maps and progress toward the attainment of 2030 medium-term milestones and "K" LINE Environmental Vision 2050.



\*1 IMO has set the target of 40% or more CO<sub>2</sub> emissions reduction by 2030 (per transport volume vs. 2008), a 5-10% ratio for zero-emission fuel usage by 2030, and net-zero GHG emissions by 2050.  
 \*2 Unit: g-CO<sub>2</sub>/ton-mile

"K" Line CO<sub>2</sub> emission (Scope 1 + 2)



\*3 Total volume of Scope 1 + 2, unit: ton  
 \*4 Ammonia, hydrogen, methanol, and bio-fuel, etc.  
 Note: The road map is based on "K" LINE's assumption on the development of related technology and infrastructure, related regulation, and economics as of today and is subject to change depending on future trends.

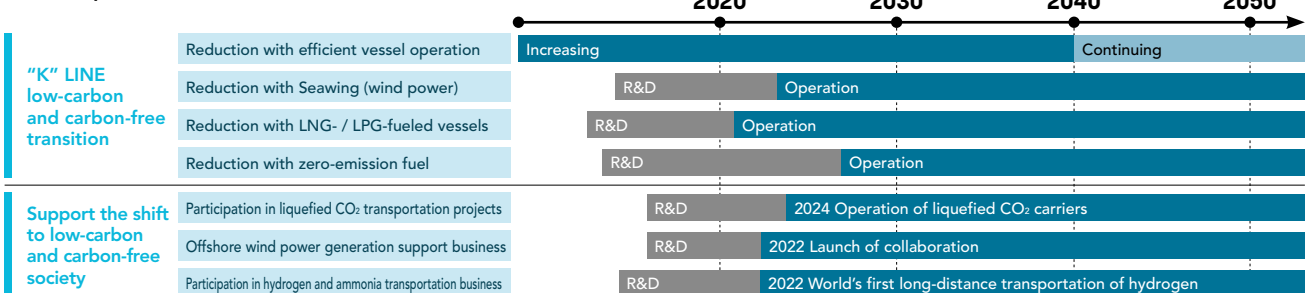
## Summary of Low-Carbon and Carbon-Free Initiatives

The "K" LINE Group is taking steps to reduce GHG emissions in order to achieve low-carbon and carbon-free itself and throughout society and will invest a total of ¥375 billion by 2026 to establish competitive advantages while meeting needs for low-carbon and carbon-free operations.

			Investment amount (-2026)	GHG emissions reduction effect	KPI for measuring progress
"K" LINE low-carbon and carbon-free transition	Fuel conversion (use of clean energy)	LNG- / LPG-fueled vessels	¥320.0 billion	20-30% reduction vs. previous vessels	Number of LNG- / LPG-fueled vessels
		Zero-emission vessels		Zero emission	Number of zero-emission vessels
	Environmentally friendly equipment (use of wind power, etc.)	Seawing, scrubber, etc.	¥17.0 billion	20% reduction vs. previous vessels	Number of ships with Seawing (-50 ships, 2030)
Development and demonstration of environmental technology	Installation of K-IMS (operation efficiency)	¥10.0 billion	3-5% reduction vs. previous vessels	100% <sup>*5</sup> installation of K-IMS on owned / medium- to long-term chartered vessels	
	Hybrid EV tugboats, etc.		-		
Support the development of a low-carbon and carbon-free society	New business that promotes low-carbon achievement	Liquefied CO <sub>2</sub> transport	¥28.0 billion	-	Consider based on business characteristics (as of 2023, two liquefied CO <sub>2</sub> vessels have been decided on to be operated)
		Support for wind power generation installations, etc.			

\*5 Already installed on owned vessels in operation. K-IMS is planned to be basically installed on all newly built vessels. By the end of fiscal 2023, K-IMS will be installed on all medium- to long-term chartered vessels (excluding short-term chartered vessels).  
 Note: KPIs are based on "K" LINE's assumption on the development of related technology and infrastructure, related regulation, and economics as of today and are subject to change depending on future trends.

### Road Map for "K" LINE Low-Carbon and Carbon-Free Initiatives



## Advancement of Environmental Technologies

### Low-Carbon and Carbon-Free Initiatives at “K” LINE

We will continue to pursue new technology and strengthen our response, from study and demonstration to implementation, and aim to improve corporate value by establishing sustainable competitive advantages while expanding earnings.

#### Fuel conversion / Use of clean energy

##### Ammonia-fueled vessel

- In November 2022, Kawasaki Kisen Kaisha, Ltd. (“K” LINE), together with ITOCHU Corporation, Nihon Shipyard Co., Ltd., MITSUI E&S Co., Ltd., and NS United Kaiun Kaisha, Ltd., obtained an Approval in Principle (AIP) from Nippon Kaiji Kyokai (ClassNK) for the design of an ammonia-fueled vessel (200,000 deadweight ton class bulk carrier).
- The acquisition of the AIP is an important milestone for the social implementation of ammonia-fueled vessels, a new challenge for the maritime industry, and also an important step toward the further promotion of the integrated project being advanced by partner companies to develop ammonia-fueled vessels and create a global ammonia supply chain.
- “K” LINE and partners aim to take delivery of the vessel and begin its social implementation in 2026.



Ammonia-Fueled Bulk Carrier Obtained AIP from Classification Society ClassNK  
[https://www.kline.co.jp/en/news/Liquefied\\_gas/Liquefied\\_gas-8731262537944512636/main/0/link/221128%20EN.pdf](https://www.kline.co.jp/en/news/Liquefied_gas/Liquefied_gas-8731262537944512636/main/0/link/221128%20EN.pdf)

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

The “K” LINE Group participates in projects that help decarbonize society by leveraging its accumulated abundance of experience and expertise in the maritime transportation business.

#### Contribute to negative emission technology—participating in liquefied CO<sub>2</sub> transport business

##### Demonstration Test Ship for Liquefied CO<sub>2</sub> Transportation Launched in March 2023

- The “K” LINE Group participates in the CCUS\*<sup>1</sup> R&D and Demonstration Related Project / Large-scale CCUS Demonstration in Tomakomai / Demonstration Project on CO<sub>2</sub> Transportation, which NEDO\*<sup>2</sup> opened to applications in fiscal 2021. The “K” LINE Group, along with ENAA, NGL, and Ochanomizu University, will engage in research and development and prepare to carry out transportation tests.
- Using its extensive experience in ocean-going liquefied gas vessels, and experience in the demonstration testing of liquefied hydrogen transportation ships, “K” LINE carried out a safety assessment of transportation and loading for the liquefied CO<sub>2</sub> demonstration test ship and is preparing an operation manual.
- The vessel will be delivered in the second half of 2023.



Launch ceremony

NEDO Demonstration Project: Demonstration Test Ship for Liquefied CO<sub>2</sub> Transportation Has Been Launched  
<https://www.kline.co.jp/en/news/carbon-neutral/cf>

\*1 CCUS is an abbreviation for carbon capture, utilization, and storage. It refers to technologies for capturing, effectively utilizing, and storing emitted CO<sub>2</sub>.

\*2 NEDO is an abbreviation for the New Energy and Industrial Technology Development Organization. It is a national R&D institution that creates innovations through the development of technologies needed for a sustainable society.

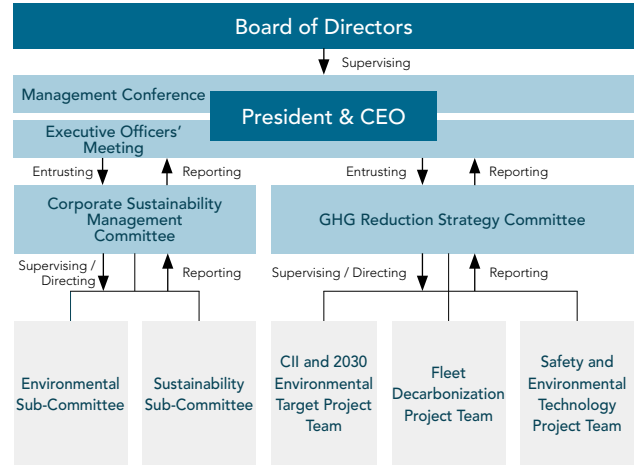
In December 2022, “K” LINE entered into long-term contracts with Northern Lights for two liquefied CO<sub>2</sub> vessels.



# TCFD-Based Information Disclosure

## Environmental Governance

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



## Overview of Strategy

In the fiscal 2022 medium-term management plan unveiled in May 2022, with the aims of sustaining growth and improving corporate value, the "K" LINE Group is committed to smoothly transitioning to other sources of energy for

its own use and use by society, on the path to achieving a low-carbon and carbon-free society. We will steadily advance initiatives while leveraging our advantages and co-creating with customers and business partners.

Related pages: ▶ P.40-41

## Major Risks and Opportunities

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

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

## Metrics and Targets

Aim for net-zero GHG emissions by 2050

### 2030 interim milestones

#### "K" LINE low-carbon transition

Improve CO<sub>2</sub> emission efficiency by 50% by 2030 (compared with 2008 levels)

#### Support development of a low-carbon society

Transport and supply new energy for a low-carbon society

### 2050 targets

#### "K" LINE decarbonization

Take on the challenge of net-zero GHG emissions

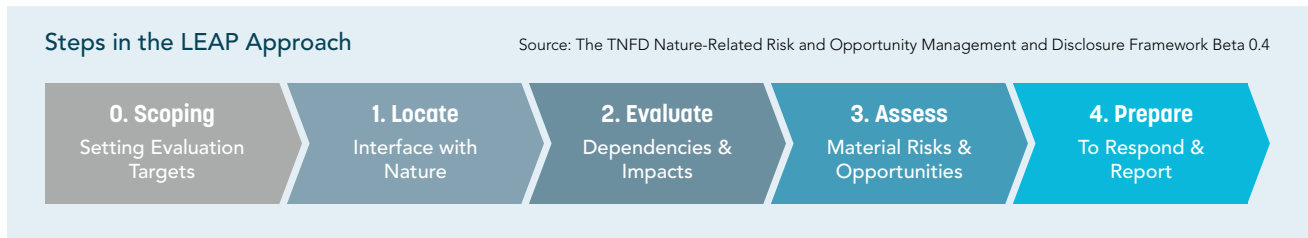
#### Support the decarbonization of society

Be a transporter and supplier of new energy

**Advancement of Environmental Technologies**

**Initiatives in Biodiversity**

As our business is dependent on natural capital, mainly from the ocean, not only climate change issues but also biodiversity conservation efforts, especially in the ocean, are some of the most important themes for our business activities. “K” LINE has endorsed the Taskforce on Nature-Related Financial Disclosures (TNFD) framework. Therefore, in order to assess and examine proper responses to environmental risks and nature-related economic impacts in our operations, we have adopted the LEAP approach based on TNFD guidance.

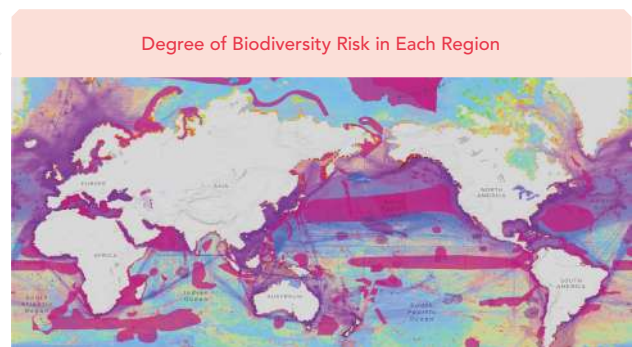
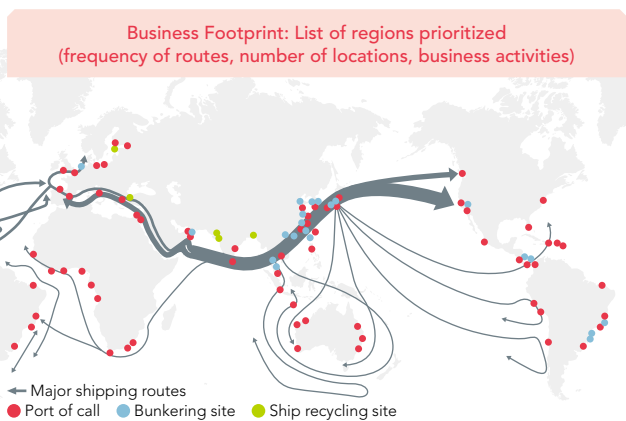


Our steps to disclosure in accordance with the LEAP approach are as shown above. At the Scoping/Locate steps, considering the footprint of our operations and their relationship to nature, we have identified regions for analysis in light of the importance of ecological integrity, biodiversity, and water stress (mainly the degree of marine pollution). In the Evaluate step, we used the “ENCORE”<sup>\*1</sup> tool to analyze our dependency and impact on natural capital in these identified regions. In the Assess/Prepare

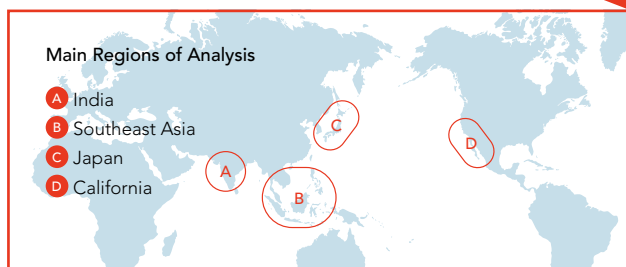
steps, we identified risks and opportunities, while cross-checking our business activities with the key dependence/impact items identified in each region during the Evaluate step. We then revised our goals and strategies based on this evaluation.

<sup>\*1</sup> In the natural capital field, the Natural Capital Finance Alliance, an international financial industry organization, jointly developed this analytical tool for assessing dependency and impacts on nature along with UNEP-WCMC (World Conservation Monitoring Center).

**0. Scoping** **1. Locate** **Interactions between Our Business Activities (Shipping Business) and Nature**



UN Biodiversity Lab Analytical tools to support conservation and sustainable development assessments and impact efforts by the United Nations Biodiversity Laboratory (UNBL)



We selected priority areas for each of our business sites and operation locations, cross-checked against sea areas with high biodiversity risks, based on the frequency of port calls by our vessels, and analyzed each of our businesses with a focus on the core maritime transportation business. The four regions listed on the left are the main areas we focused on in our analysis.

## 2. Evaluate Dependencies and Impacts

In each of the regions selected for Locate, we evaluated the degree of dependence and impacts of the nature-related aspects of our businesses.

### Analysis of a company's dependence / impact on ecosystem services

The ENCORE tool was used to examine nature-related dependencies and impacts in the analyzed sectors and their potential dependencies and impacts on natural capital, and to analyze and evaluate the scope and degree of each dependency and impact and its details in relation to ecosystem services.

### Analysis of the criticality of dependence / impact targets and identification of high priority dependence / impact targets

A detailed analysis of dependencies and impacts on nature in each region was conducted using the ENCORE tool filter for elements closely related to ecosystem services that are highly dependent and impacted by the project.

## 3. Assess

## 4. Prepare

## Assessments of Material Business Risks and Opportunities, Preparations to Respond and Report

"K" LINE has identified four materialities, namely oil pollution, atmospheric impacts (GHG, SOx, and NOx), prevention of marine organism migration, and impact on mammals, as risks and opportunities related to its businesses that are shared across the selected regions. We have drawn up responses and targets for each of these materialities.

### Oil pollution

Impacts: Water pollutants, Marine ecosystem use

It is necessary to provide compensation to fishery-related businesses and neighboring countries due to the occurrence of accidents in marine transportation, which cause oil pollution and affect the marine ecosystem and reduce the catch of fishery resources. Additionally, oil pollution associated with demolishing needs to be addressed.

Target

### Zero oil pollution accidents

Reinforcement of safe operation measures, hull strengthening, human resource development, strengthening of safety measures, strengthening of green ship recycling response, etc.

### Atmospheric impacts (GHG, SOx, and NOx)

Dependence: Climate regulation

Impact: Emissions to the atmosphere

Increased GHG, SOx, and NOx emissions due to vessel operations and stricter emissions regulations at the operator level will result in increased response costs. Increased emissions of SOx and NOx, which cause photochemical smog and acid rain, will damage social reputations among suppliers and stakeholders.

Target

### Reduction and minimization of impact on the surrounding environment

Promote initiatives to prevent air pollution and reduce GHG emissions: slow steaming, use of low-sulfur fuels, introduction of SOx scrubbers, introduction of NOx reduction equipment, etc.

### Prevention of marine organism migration

Impact: Marine ecosystem use

The discharge of ballast water and the migration of organisms attached to the bottom of the vessel could affect the aquatic ecosystem of the area, leading to a collapse of the ecosystem of fishery resources and affecting the local fishing industry, which could result in the need for fisheries compensation. It could also create a threat to the conservation of endangered species and could result in lawsuits from the target countries and NGOs.

Target

### Reduction and minimization of impact on the surrounding environment

Ballast water treatment system installation rate of 100% by June 2024, etc.

### Impact on mammals

Impacts: Marine ecosystem use, Disturbances

Vessel operations may cause collisions with whales and other marine mammals, resulting in physical harm to the creatures. In addition, undersea noise can harm communication between marine organisms, cause stress, and adversely affect the ecosystem. In a worst-case scenario, if the noise causes harm or stress to marine organisms, resulting in death, the project may be sued by neighboring countries or NGOs, and public notoriety may be spread.

Target

### Reduction and minimization of impact on the surrounding environment

Reducing the impacts of vessel operations on marine mammals: participation in California's Slow Travel Program to Protect Whales

We have been implementing concrete initiatives\*2 to preserve biodiversity in each region based on our environmental targets and action plans in the "K" LINE Environmental Vision 2050. Based on a comprehensive understanding of natural capital, we intend to strengthen the management of risks and opportunities through the introduction of the LEAP approach. While promoting coexistence with nature, we are stepping up our efforts to build a sustainable future. Referring to the beta version

(version 4) of the framework, "K" LINE reflects in this documentation its current assessments, analysis, and information based on data verified by Socotec Certification Japan Co., Ltd. In order to respond to future changes, we are constantly evaluating and disclosing information.

\*2 For details, please refer to our website: Home > Sustainability > Environmental > Reducing "K" LINE's Impact on the Sea and Air

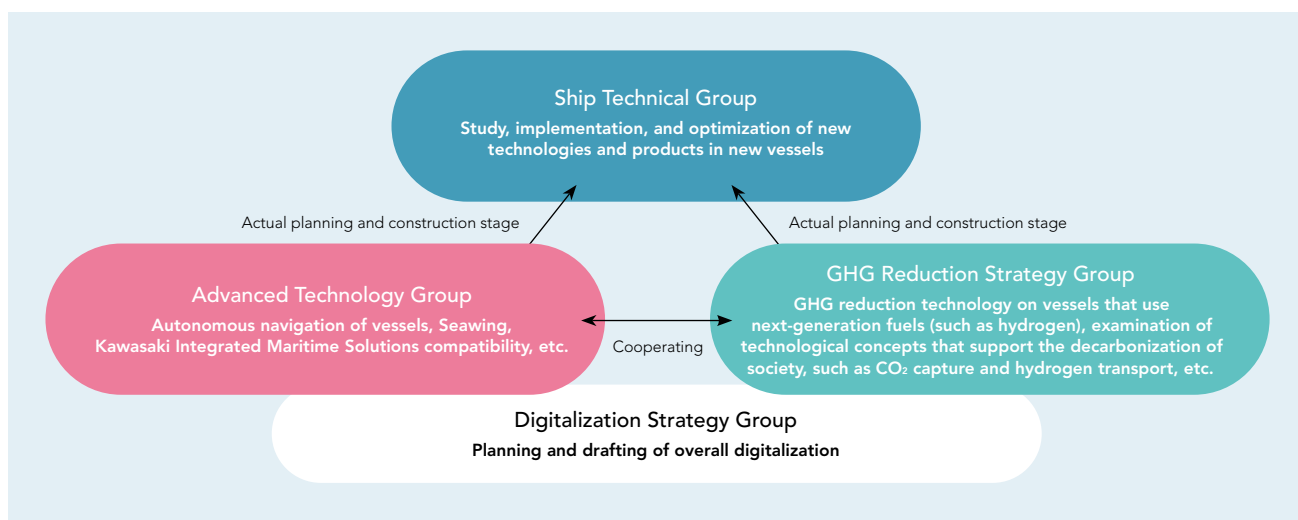


[https://www.kline.co.jp/en/sustainability/environment/impact\\_mitigation.html](https://www.kline.co.jp/en/sustainability/environment/impact_mitigation.html)

## Advancement of Environmental Technologies / Digital Transformation

### Promotion of Innovation

The “K” LINE Group places great importance on providing new value to customers and society through the enhancement of safety, the environment, and quality. Leveraging the expertise we have cultivated over the years, we are committed to balancing profitability and environmental conservation through the development of maritime transport services using customer-oriented, innovative technologies and through the support of new businesses. Centered on three core organizations—the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group—the “K” LINE Group is dedicated to technological development that contributes to strengthening competitiveness and enhancing corporate value. We are promoting these initiatives in collaboration with the Digitalization Strategy Group to accelerate innovation.



#### Approach

For the “K” LINE Group, refining our unique strengths of safety, environmental performance, and quality to provide new value to customers and society is an important issue. In addition to the expertise accumulated over many years, we will work together with our business partners to introduce new hardware and software technology, develop innovative customer-oriented technology, provide technical support for new businesses, and carry out appropriate energy management, including performance management, for all of “K” LINE’s vessels in operation. As a result, we have been promoting “K” LINE’s differentiation strategy and increase in profitability by improving the Group’s added value and environmental preservation by reducing fuel costs and CO<sub>2</sub> emissions.

Furthermore, we will refine the Group’s core values and boost competitiveness through initiatives for both the pursuit of new technology and the strengthening of our response from study and demonstration to implementation.

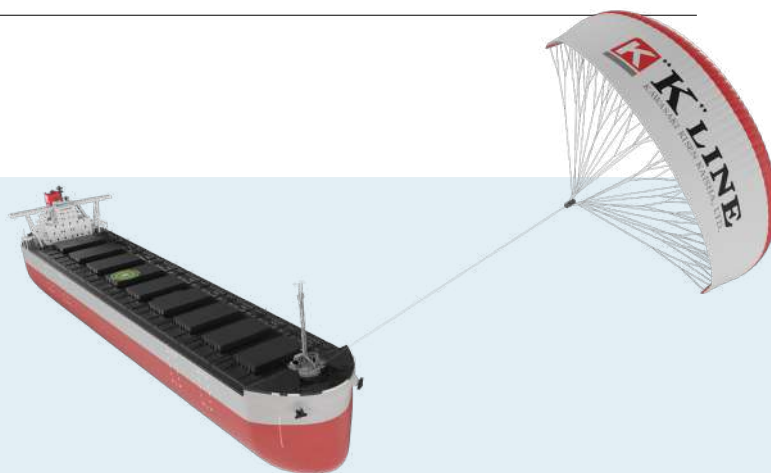
#### Promotion System

“K” LINE is engaged in technological research and development that contributes to strengthening competitiveness and enhancing corporate value to promote innovation, which is the central focus of the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group.

The Advanced Technology Group carries out initiatives related to new technology that has not been commercialized or generalized and technology that utilizes big data, such as the development of autonomous vessels, and AI analysis of navigation data gathered from its fleet of ships. The GHG Reduction Strategy Group carries out research and development on maritime transportation services that use GHG reduction technology, such as CO<sub>2</sub> capture technology, and alternative fuel technologies, such as ammonia and hydrogen. The GHG Reduction Strategy Group also carries out research and development on services that support the reduction of GHG emissions in society, such as CO<sub>2</sub> and hydrogen transportation. The Ship Technical Group is responsible for all aspects of the study and implementation of new technologies and products in new vessels.

These groups work in collaboration with the Digitalization Strategy Group, which plans and drafts strategies for digitalization, and promote innovation that contributes to enhancing “K” LINE’s corporate value.

# Seawing



Seawing is a wind power propulsion system that utilizes wind force 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 stronger than at sea level and gusts are much more stable. The aim of Seawing is to reduce the GHG emissions associated with ship operations by using wind. The first Seawing was retrofitted on our cape-size bulk carrier, and we plan to commence flight tests from this autumn with an eye on achieving actual operations. After conducting commissioning and several flight tests onboard, we plan to begin normal operation of the first Seawing unit. We will subsequently install Seawing units on another cape-size bulk carrier 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 a simple button on the bridge, there is no additional burden on ship crew members for operating the kite. Another feature is the Seawing's high flexibility in terms of the types of vessels it can be installed on, which even extends to existing ships.

## Reductions of GHG Emissions and Fuel Costs

Compared with vessels only fueled by heavy oil, we expect to reduce GHG emissions by approximately 20% on large bulk carriers equipped with Seawing, but this depends on the vessel type, the route, and the 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 GHG emissions to zero by around 2050. However, to expand the use of alternative fuels, a worldwide supply network needs to be developed. Meanwhile,

the advantage of Seawing is that "K" LINE can independently and proactively advance initiatives for reducing GHG emissions without waiting for the realization of such circumstances.

Lowering GHG 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 new fuels would be higher than that of heavy oil. In this light, the installation of Seawing also has value.

## Installation of First Unit

The installation work for the first unit was carried out as a retrofit project on a cape-size bulk carrier operated by the "K" LINE Group. As this was a first-time experience for the shipyard, adequate discussions and clarifications were held prior to the start of the project to work through questions and concerns one by one. We were fully prepared, with three "K" LINE engineers stationed on-site to closely manage the project. Cooperating with

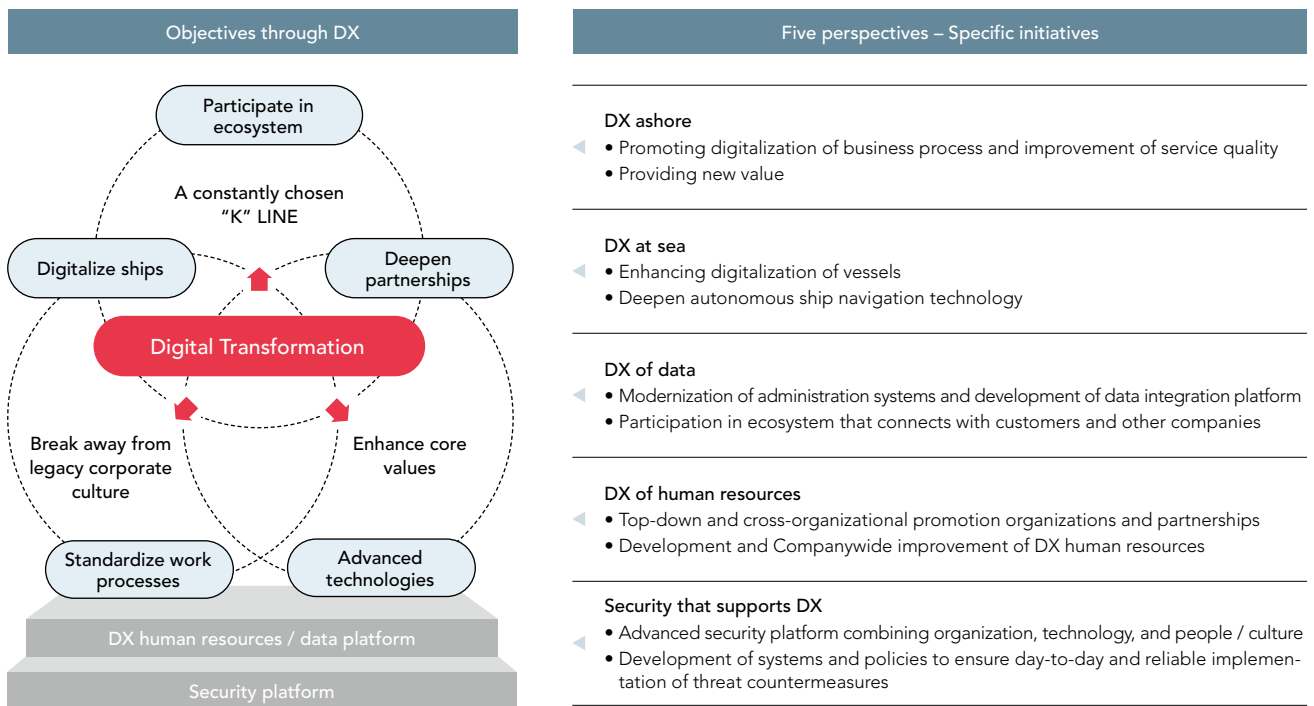
French engineers dispatched from Seawing manufacturer Airseas, we were able to complete the installation work on schedule without any incidents or accidents. Thanks to the sufficient experience and technical expertise we have accumulated in new shipbuilding projects and retrofitting projects, "K" LINE has successfully completed the first installation project of Seawing.



Digital Transformation

## Strengthening Our Approach to DX

In the medium-term management plan unveiled in May 2022, the “K” LINE Group embarked on a path of transformation and evolution to increase the added value it offers in matching the unique needs of its customers, while refining the exclusive technologies and expertise of the Group. We are advancing DX initiatives as a part of our functional strategy to achieve these goals. Under our DX Strategy 2023 unveiled in December 2022, we are executing strategies from five perspectives that we deem vital, and by dividing each strategy into three stages, we are committed to steadily advancing DX initiatives and honing our competitiveness.






### Future of Maritime Transport and DX

### COMMENT



**Toshihide Ozaki**  
General Manager of Digitalization Strategy Group

Maritime transport is a crucial industry that supports social infrastructure, and one that has not been that visible to the general consumer. With the eco-systemization of the entire supply chain through DX and the promotion of open innovation in the maritime industry, we believe there will be more opportunities for maritime transport to gain prominence in society. Instead of remaining behind the scenes, we must actively seek collaboration and co-creation with other companies and industries. Beyond transporting goods by ship, we believe activities and businesses that transcend the traditional framework of maritime transport will increase through contributions to the environment and safety using ship and ocean data, or through enhanced data coordination primarily in areas surrounding ships and logistics. While we focus on maritime transport as our core business, we are boldly taking an open, flexible, and agile approach to concepts and actions without being bound by stereotypes, traditional business practices, and legacies. The notion of what maritime business should be and what constitutes its business area needs to be redefined. DX is about achieving transformation through the use of digital technology. No matter how much digitalization progresses, people will play an increasingly important role as a result of DX. I am excited about this interesting era.

	STAGE 1	STAGE 2	STAGE 3
	<p><b>Digitalization of business processes</b></p> <p>We are enhancing partnerships with "K" LINE Group customers by advancing the visualization of information, such as cargo data and CO<sub>2</sub> emissions, as a part of efforts to visualize and share information. We are turning tacit knowledge into explicit knowledge and improving efficiency and safety.</p>	<p><b>Improvement and homogenization of service quality</b></p> <p>In addition to providing support for optimal sea routing of individual vessels, we aim to improve the customer experience through more advanced and homogeneous quality in services by leveraging digital technology, while promoting low-carbon and carbon-free efforts by optimizing vessel allocation across the entire fleet.</p>	<p><b>Creation of new value</b></p> <p>We intend to further deepen our partnerships with customers by acquiring the ability to quickly adjust to changes in the business environment and society, and by creating and offering new value that has not existed before through the use of data and digital technology.</p>
	<p><b>Digitalization of vessels</b></p> <p>We are advancing digitalization of onboard operations and the collection and utilization of vessel data not only to improve operational efficiency on board and reduce the burden on crew members but also as a basis for generating new added value and improved transportation quality.</p>	<p><b>Establishment of DX at sea</b></p> <p>With the goal of establishing autonomous control technology, we are further improving safety in navigation by using cutting-edge technologies, such as sensing technology, digital twins, and ship AI. We are also working on creating an environment where advanced data analysis can be performed onboard as well.</p>	<p><b>System advancement</b></p> <p>We aim to create autonomous vessels in the future while reducing the burden on crew members and maintaining safety in navigation by integrating accumulated expertise in safety in navigation over the years with advanced digital technologies, such as failure prediction and diagnostic technologies.</p>
	<p><b>IT modernization / Development of data integration platform</b></p> <p>We are modernizing our IT systems based on an assessment of Group IT assets and promoting the development and utilization of a data integration platform that facilitates external data collaboration.</p>	<p><b>External data collaboration / Data-driven decision-making</b></p> <p>We aim to establish a system that enables data-driven, rapid decision-making, from management to the front lines, by building a framework for acquiring, analyzing, and utilizing not only our own data but also open-source data and data from other companies.</p>	<p><b>Participation in cross-organizational ecosystem</b></p> <p>The "K" LINE Group aims to contribute to solutions for social issues and further deepen partnerships through participation in a cross-organizational ecosystem that connects with customers and various internal and external partners through inter-company data collaboration and utilization.</p>

## DX of Human Resources

Based on our DX strategy, we implement a DX training program for employees to acquire necessary skills and knowledge. Specifically, we will strengthen the "driving layer" of personnel that lead business transformation with knowledge of the latest technology, IT, and security. We are also training the "utilization layer" of 100 employees

with the ability to plan and advance initiatives using data and digital technology. Furthermore, we aim to improve the skill level of "user" personnel (all employees) who can utilize digital tools to solve problems. Through these efforts, we aim to further instill DX and strengthen our competitiveness.

## Security That Supports DX

We created a road map for security measures in 2021 and have been continually working to strengthen our cybersecurity. Security measures need to be implemented not just within the Company but the Group. We have therefore clarified responsibilities and roles across the Group and are building a security system that can respond accurately to cyber incidents. We have introduced measures that incorporate the latest technologies, strengthening the

security of endpoints such as PCs and servers and communication networks, as well as implementing multifactor authentication and monitoring systems. The "K" LINE Group is working globally to mitigate security risks on servers. In addition to technical measures, we will promote DX with a safe, secure, stable, and resilient IT infrastructure and foster a culture that prioritizes security through security training and awareness activities.

Human Resources

# Overall Human Resource Management

At “K” LINE, we are committed to securing and developing personnel who can not only lead business growth and transformation but also quickly respond to changes in the business environment. In accordance with the portfolio needs of each business, we are advancing both the

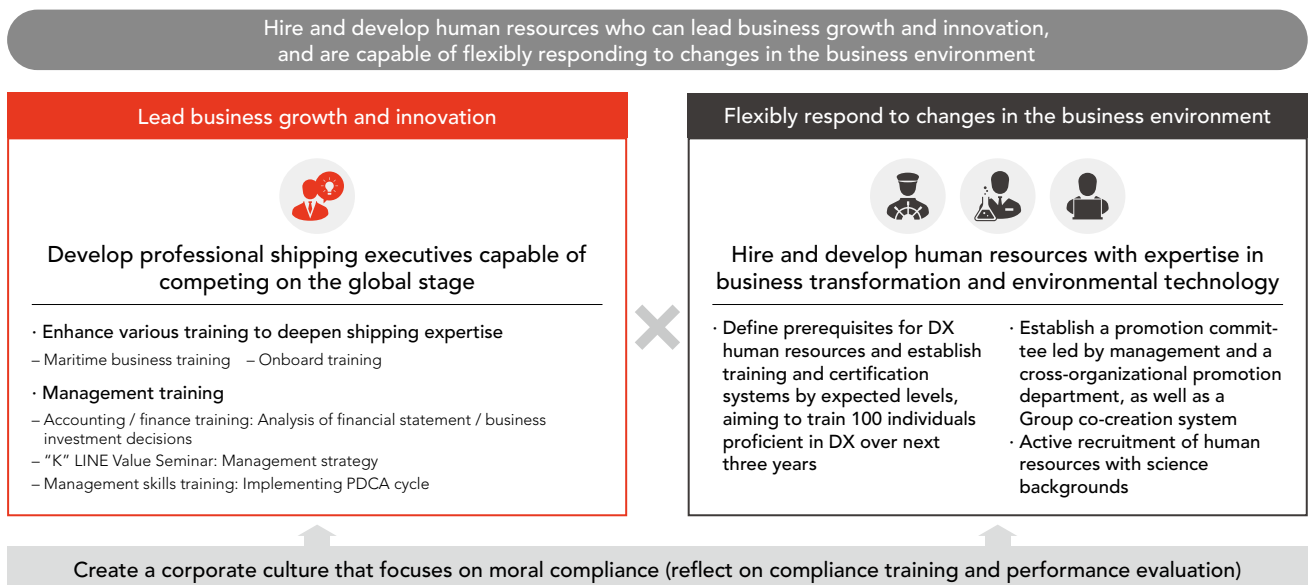
quantitative and qualitative acquisition and development of talent. Simultaneously, we are striving to create a work environment where diverse personnel can flourish and fully utilize their abilities.



## The Securing and Development of Human Resources

As a globally trusted company, “K” LINE engages in the quantitative and qualitative acquisition and development of human resources in line with the needs of each business portfolio, as set forth in its medium-term management plan to improve corporate value, social value, and economic value. In terms of talent acquisition, we hire mid-career professionals throughout the year in addition to recruiting new college graduates. The personnel we hire are assigned to the three core growth-driving businesses

and are also evenly distributed to the corporate divisions that support our business foundation. We approach personnel training from two perspectives: nurturing professional shipping executives who will lead the sustainable growth and transformation of the business while valuing a culture that emphasizes morals and compliance, and developing business transformation personnel as well as environmental and engineering talent who can flexibly respond to changes in the business environment.



**Annual Training Hours (Onshore and Offshore)**

FY2020	20,577 hours
FY2021	21,595 hours
FY2022	35,146 hours

**Total Expenditures for Training**

FY2020	¥85 million
FY2021	¥99 million
FY2022	¥114 million

# Promotion of Diversity & Inclusion

## Onshore Initiatives

### Philosophy and Policy

In addition to actively hiring mid-career professionals, "K" LINE is committed to recruiting new graduates, irrespective of nationality, educational background, gender, and job type (administrative or technical), in a bid to secure personnel with a diverse range of values. Furthermore, we are taking various measures to promote diversity and inclusion (D&I), such as encouraging men to

participate in childcare; enhancing support systems for women before, during, and after maternity leave; making mid-career hiring available throughout the year; fostering and strengthening collaboration between onshore and offshore employees; and cultivating a sense of unity and integration with foreign national staff through the "K" LINE UNIVERSITY.

### Measures: Diversity

We set a goal to have 15% of managerial positions filled by women by fiscal 2026. To help female employees autonomously continue their careers after having to change their work styles due to life events, we endeavor to maintain their connections with the Company during childcare leave, engage in dialogue after they return from maternity leave, and promote managerial training aimed at fostering an understanding inside the Company on balancing work with

childcare. Additionally, we are committed to securing diverse talent through year-round mid-career hiring. We provide explanations to prospective employees based on their individual circumstances and desires, thereby facilitating a better understanding of the career paths open to mid-career hires and increasing their retention rate. The ratio of managers among mid-career hires is 18%, exceeding the ratio among existing employees.

## Initiatives for D&I at Sea

### Philosophy and Policy

"K" LINE has a long history and track record in implementing maritime human resource policies that are responsive to the times, with a special focus on D&I among international seafaring crew. In addition to recruiting that acknowledges and respects differences in gender, nationality, ethnicity, culture, and language,

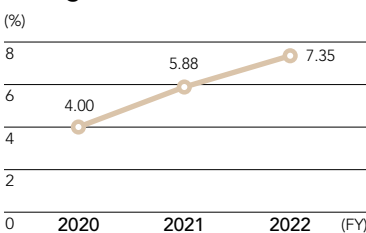
we have established crew training centers around the world to support career development aimed at achieving excellence in skills and abilities. Moving forward, we will continue to strive to improve crew satisfaction and performance, as well as to build better relationships based on trust.

### Measures: Diversity

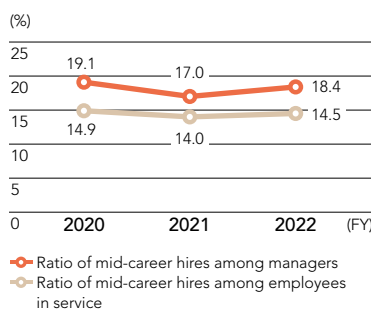
To balance the improvement of employee diversity with the safe operation of ships, we are promoting an environment in which diverse values are mutually respected. Specifically, we are undertaking various initiatives such as hosting seminars where crew

members of different nationalities gather, deploying multi-language telemedicine advice services, and offering leadership enhancement programs to foster teamwork.

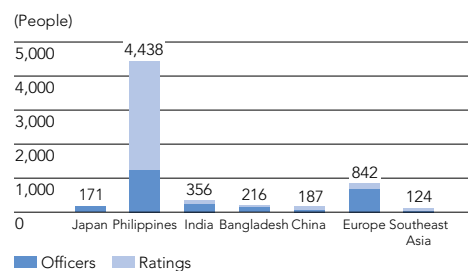
**Percentage of Women in Management Positions**



**Ratio of Mid-Career Hires**



**Crew Members by Nationality**



Human Resources

# Shaping of Working Environment and Promotion of Health Management

## Philosophy and Policy

As a logistics company rooted in the shipping industry, the “K” LINE Group engages in business activities based on its corporate principle of helping make the lives of people more affluent. The provision of safe and optimal services is essential to fulfilling this corporate principle, and this in turn cannot be possible unless individuals involved in the business maintain their physical and mental health and maximize their capabilities at all times. In addition, Respect for Human Rights, outlined in the Charter of Conduct for the “K” LINE Group, which is the code of conduct observed across the

entire Group, stipulates that “we respect human rights both domestically and internationally, as well as show respect for the personality, individuality, and diversity of Group employees, while striving to make work environments safe and more conducive to work, toward achieving a sense of fulfillment and abundance.” Adhering to our morals and complying with laws and regulations are essential to realizing these goals, so they have been incorporated into our personnel training and evaluation systems, with the intention of cultivating a culture that prioritizes morality and compliance.

### Shaping of Working Environment

Measures: i) Childcare Leave

“K” LINE has created a childcare leave system that exceeds legal requirements. In addition, to encourage the participation of men in childcare, our own childcare system allows up to 10 days of leave for men. Following the revision of the Childcare and Family Care Leave Act in 2022, “K” LINE has notified employees of its various systems and encourages more men to take paternity leave.

Measures: ii) Compliance

(Harassment prevention seminars)

“K” LINE has set up consultation desks for sexual harassment and power harassment, and disseminates information about consultation methods through the Company’s internal portal site and posters. We have also put into place a system for swiftly solving any problems, while giving the utmost consideration to privacy. Furthermore, we hold annual harassment prevention seminars for our executives and employees.

### Promotion of Health Management

Measures: iii) Physical / Mental Health

“K” LINE has been stepping up measures to prevent overwork and is promoting more reasonable working hours in collaboration with management teams. We conduct training for managers about the relationship between overwork and health. In addition, we have implemented a system where, if an employee’s overtime exceeds a certain threshold, a notification is automatically sent to their immediate supervisor. This helps us stay up to date on employee

work hours and share such data with management teams, who provide monthly reports to the Board of Directors. We also support the mental and physical well-being of our employees in various ways, such as annual stress checks, holding mental health seminars for executives and employees, and offering an Employee Assistance Program (EAP) as an external consultation service.

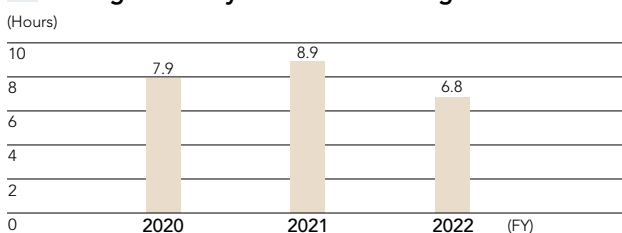
#### Childcare Leave Participation Rate (Including Paternity Leave for Men)

	Men	Women
FY2020	30.0%	85.7%
FY2021	31.4%	114.3%
FY2022	88.5%	84.6%

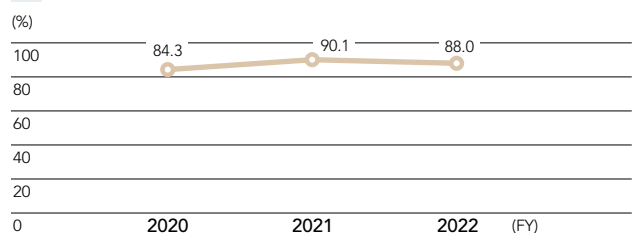
#### Harassment Prevention Seminar Participation Rate

FY2020	86.7%
FY2021	— (The seminars did not target all employees, but limited participation was offered to specific management positions.)
FY2022	87.3%

#### Average Monthly Overtime Working Hours



#### Stress Check Examination Rate





# COMMENTS

Voices of Employees

## Onshore Employee



K Line (China) Ltd.

**Hongcheng Zhang**

I joined Kawasaki Kisen in 2016 and spent my first two years gaining experience in vessel management-related duties within the Ship Management Group. In 2018, I was transferred to the car carrier division, where I was responsible for the operational management and sales of car carriers. Since April 2022, I have been seconded to K Line (China) Ltd., where I am currently in charge of the sales and marketing of car carriers in China. In the fleet management

supervisory group, it has been essential to have specialized knowledge related to ships in order to perform my duties. I regularly received on-the-job training from senior team members on various aspects of the job, such as the hull structures of different types of vessels and ship management contracts, which allowed me to acquire a broad range of knowledge through daily work.

As the years have passed since I joined the Company, so has the complexity of the work I handle. This has required even more extensive knowledge and experience. To meet these demands, I have taken maritime practical skill training to acquire the general foundational understanding necessary for maritime transport. Additionally, through the training programs available to employees at different levels, such as goal-setting and problem-solving training, I have

been able to improve not only industry-specific knowledge but also skills like logical thinking needed for task execution.

Since being seconded to K Line (China) Ltd., this is the first time I have been entrusted with managerial responsibilities. I have been able to acquire the knowledge I need to succeed in this role, thanks to the availability of managerial training for local overseas staff, because I needed to learn the skills for supervising and training subordinates while involving local staff in getting the work done.

Amid the movement toward low-carbon and carbon-free initiatives in the shipping industry in recent years, I intend to continue acquiring relevant knowledge through internal and external training opportunities in order to meet the environmental needs of customers.

## Offshore Employee



K LINE MARINE & ENERGY PTE. LTD.

**Misa Matsuno**

After joining Kawasaki Kisen in 2008, I accumulated seafaring experience as a junior officer\*2. I had my first experience in a shore-based role in 2015, and after that, I served aboard LPG and LNG carriers as a chief officer. I am currently working in my second stint of onshore work.

During my time on board as a junior officer, I had opportunities to study for higher-level positions, gradually preparing myself for service as a chief officer. I was able to work on

improving my maritime skills and knowledge through various training programs during my time off. The extensive support I received from management companies before and after boarding was a significant emotional and physical boost. Above all, the daily work support I received from my senior and junior colleagues aboard ships has become my greatest strength. The experience of serving as chief officer aboard various types of vessels, such as LNG carriers, LPG carriers, tankers, containerships, and car carriers, has been a vital opportunity for advancing my career.

In my previous offshore roles, I worked in the Marine Human Resources Group, handling tasks related to the recruitment and development of foreign personnel, as well as labor-related duties. Being involved in securing and developing foreign personnel who are

indispensable in ship operations was a meaningful experience for me, because I had worked alongside foreign crew members as an officer. Starting in July 2023, I was assigned to K LINE MARINE & ENERGY PTE. LTD., a newly established entity in Singapore. I am involved in launching and managing the company, which will take on functions that include safety and quality management of ships, as well as securing and training crew members who can handle new fuels and technologies. Leveraging the insights I have gained from both my seafaring experience and onshore roles, I aim to further develop my own skills, contribute to the training of the next generation of crew members, and ensure safety in navigation at "K" LINE.

\*2 Third officer, second officer

# Corporate Governance

## Aiming for Sustainable Growth and Greater Corporate Value

### Directors (As of June 23, 2023)



#### Yukikazu Myochin

**Representative Director,  
President & CEO**

Term of office as director: 7 years  
Number of the Company's shares held: 45,600 shares  
Born in March 1961  
Apr 1984 Joined the Company  
Jan 2010 General Manager of Containerships Business Group  
Apr 2011 Executive Officer  
Apr 2016 Managing Executive Officer  
Jun 2016 Director, Managing Executive Officer  
Apr 2018 Representative Director, Senior Managing Executive Officer  
Apr 2019 Representative Director, President & CEO (Current)



#### Atsuo Asano

**Representative Director,  
Vice President Executive Officer**

Term of office as director: 5 years  
Number of the Company's shares held: 46,300 shares  
Born in February 1961  
Apr 1983 Joined the Company  
Oct 2009 General Manager of Coal & Iron Ore Carrier Group  
Apr 2010 Executive Officer, General Manager of Coal & Iron Ore Carrier Group  
Apr 2012 Executive Officer  
Apr 2014 Managing Executive Officer  
Apr 2018 Senior Managing Executive Officer  
Jun 2018 Director, Senior Managing Executive Officer  
Apr 2019 Representative Director, Senior Managing Executive Officer  
Jun 2020 Representative Director, Vice President Executive Officer (Current)



#### Yukio Toriyama

**Representative Director,  
Senior Managing Executive Officer**

Term of office as director: 4 years  
Number of the Company's shares held: 38,500 shares  
Born in November 1959  
Apr 1983 Joined the Company  
Apr 2010 General Manager of Port Business Group  
Apr 2011 Executive Officer, General Manager of Accounting Group  
Jun 2011 Director, Executive Officer, General Manager of Accounting Group  
Apr 2012 Director, Executive Officer  
Apr 2014 Director, Managing Executive Officer  
Jun 2016 Managing Executive Officer  
Apr 2019 Senior Managing Executive Officer  
Jun 2019 Representative Director, Senior Managing Executive Officer (Current)



#### Kazuhiko Harigai

**Representative Director,  
Senior Managing Executive Officer**

Term of office as director: 4 years  
Number of the Company's shares held: 47,300 shares  
Born in July 1960  
Apr 1983 Joined the Company  
Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group  
Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group  
Apr 2012 Executive Officer  
Apr 2013 Managing Executive Officer  
Apr 2019 Senior Managing Executive Officer  
Jun 2019 Director, Senior Managing Executive Officer  
Jun 2020 Representative Director, Senior Managing Executive Officer (Current)



#### Keiji Yamada

**Independent & Lead Outside Director**

Term in office as outside director: 4 years  
Number of the Company's shares held: 300 shares  
Born in April 1954  
Apr 1977 Joined Ministry of Home Affairs (currently Ministry of Internal Affairs and Communications)  
Jul 1982 Superintendent of Amakusa Tax Office, National Tax Agency  
Jul 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture  
Sep 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization  
Apr 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture  
Jan 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs  
Jul 1992 Counsellor, Cabinet Legislation Bureau  
Jul 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently Ministry of Land, Infrastructure, Transport and Tourism)  
Aug 1999 Director, General Affairs Department, Kyoto Prefecture  
Jun 2001 Vice-Governor, Kyoto Prefecture  
Apr 2002 Governor, Kyoto Prefecture (retired in April 2018)  
Apr 2011 President, National Governors' Association (retired in April 2018)  
Apr 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Jun 2019 Outside Director of the Company (Current)  
Mar 2020 Outside Audit & Supervisory Board Member, HORIBA, Ltd. (Current)  
Apr 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Nov 2020 Outside Director, TOSE CO., LTD. (Current)  
Apr 2021 Trustee, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)  
Jun 2021 Outside Director, Nitto Pharmaceutical Holdings, Ltd. (Current)



#### Ryuhei Uchida

**Outside Director**

Term in office as outside director: 4 years  
Number of the Company's shares held: 0 shares  
Born in October 1977  
Apr 2002 Joined Mitsubishi Corporation  
Dec 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment  
Dec 2012 Joined Effissimo Capital Management Pte Ltd., Director (Current)  
Jun 2019 Outside Director of the Company (Current)



### Kozue Shiga

#### Independent & Outside Director

Term in office as outside director: 3 years  
 Number of the Company's shares held: 3,200 shares  
 Born in November 1948  
 Nov 1967 Joined Japan Airlines Co., Ltd.  
 Apr 1993 Commissioned as public prosecutor  
 Apr 1998 Registered with Daiichi Tokyo Bar Association  
 Aug 1999 Established Shiga Law Office  
 Oct 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)  
 Jun 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)  
 Jun 2015 Outside Director, Ricoh Leasing Company, Ltd. (retired in June 2020)  
 Jun 2016 Outside Audit & Supervisory Board Member of the Company (retired in June 2020)  
 Jan 2019 Of Counsel, Shiraishi Sogo Law Office (retired in June 2022)  
 Jun 2020 Outside Director of the Company (Current)  
 Jul 2022 Joined Oka-Partners Law Office (Current)



### Koji Kotaka

#### Independent & Outside Director

Term in office as outside director: —  
 Number of the Company's shares held: 0 shares  
 Born in May 1958  
 Apr 1987 Joined Sato and Tsuda Law Office (retired in March 1988)  
 Aug 1990 Joined Goldman Sachs Japan Co., Ltd.  
 Nov 1998 Managing Director, Goldman Sachs Japan Co., Ltd.  
 Nov 2006 Partner, Goldman Sachs Japan Co., Ltd. (retired in November 2008)  
 Nov 2009 Counsel, Nishimura & Asahi (retired in December 2010)  
 Jan 2011 Representative Attorney, Koji Kotaka & Associates (Current)  
 Sep 2012 Senior Advisor, Apollo Global Management LLC (Current)  
 Jun 2013 Outside Director, Monex Group, Inc. (retired in June 2018)  
 Feb 2016 Outside Director, LINE Corporation (retired in February 2021)  
 Mar 2018 Outside Director, Kenedix, Inc. (retired in March 2021)  
 Mar 2021 Member of the Management Committee, Kenedix, Inc. (Current)  
 May 2022 Senior Advisor, Greenhill & Co., Japan Ltd. (Current)  
 Jun 2023 Outside Director of the Company (Current)



### Hiroyuki Maki

#### Independent & Outside Director

Term in office as outside director: —  
 Number of the Company's shares held: 0 shares  
 Born in November 1980  
 Aug 2004 Representative Director, Melco Asset Management Limited (retired in October 2006)  
 Nov 2006 Representative Director, Melco Asset Management Pte. Ltd. (retired in September 2007)  
 Oct 2007 Representative Director, MAM PTE. LTD (retired in May 2014)  
 Jun 2011 Director, Melco Holdings Inc.  
 Jun 2014 President & CEO, Melco Holdings Inc. (Current)  
 May 2018 President & CEO, Buffalo Inc. (Current)  
 May 2020 President & CEO, Buffalo IT Solutions Inc. (retired in May 2023)  
 Oct 2020 President & CEO, Melco Financial Holdings Inc. (retired in April 2023)  
 May 2021 President & CEO, BIOS Corporation (retired in May 2022)  
 May 2022 Director, Shimadaya Corporation (Current)  
 Jun 2022 Outside Director, Saison Information Systems Co., Ltd. (retired in June 2023)  
 Jun 2023 Outside Director of the Company (Current)

## Director Skill Matrix

While aiming for sustainable growth and improvement in medium- to long-term corporate value, the Board of Directors has the duty and responsibility to properly supervise the management of the "K" LINE Group, where the mission is to support people's affluent lives as vital infrastructure in the global community.

We have identified the skills (knowledge, experience, abilities, etc.) required of the Board of Directors based on our materialities (priority issues) in our aim to enhance the functions of the Board of Directors with a thoughtful combination of these skills while considering diversity in the composition of the Board members.

	Expertise and experience							
	Corporate Management & Strategy	Legal & Risk Management	Finance & Accounting	Human Resources & Labor	Safety & Quality	Environment & Technology	Global	Sales & Marketing
Yukikazu Myochin	●	●		●	●	●	●	●
Atsuo Asano	●			●	●	●	●	●
Yukio Toriyama	●	●	●	●	●		●	
Kazuhiro Harigai	●				●	●	●	●
Keiji Yamada		●		●	●	●	●	
Ryuhei Uchida	●		●				●	
Kozue Shiga		●		●			●	
Koji Kotaka		●	●				●	
Hiroyuki Maki	●		●	●		●	●	●

# Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

## Audit & Supervisory Board Members / Executive Officers (As of June 23, 2023)

### Audit & Supervisory Board Members



#### Kunihiko Arai

##### Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 4 years

Number of the Company's shares held: 12,400 shares

Born in November 1959

Apr 1982 Joined the Company  
Aug 2001 General Manager, "K" LINE PTE LTD, Trade Management Division  
Jul 2012 Representative in Beijing, China (Representative Office closed in December 2012)  
Managing Director of K LINE (CHINA) LTD. (retired in June 2019)  
Jan 2014 Managing Director of "K" LINE (HONG KONG) LIMITED (retired in January 2019)  
Apr 2015 Managing Executive Officer of the Company  
Apr 2019 Special Advisor of the Company  
Jun 2019 Audit & Supervisory Board Member of the Company (Current)



#### Makoto Arai

##### Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 0 years

Number of the Company's shares held: 35,400 shares

Born in May 1959

Apr 1983 Joined the Company  
Oct 2010 General Manager of IR & PR Group  
Jul 2013 General Manager of Legal Group  
Sep 2013 General Manager of Legal Group  
Apr 2014 Executive Officer  
Apr 2018 Managing Executive Officer  
Jun 2020 Director, Managing Executive Officer  
Jun 2022 Managing Executive Officer  
Apr 2023 Special Advisor  
Jun 2023 Audit & Supervisory Board Member of the Company (Current)



#### Atsumi Harasawa

##### Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 4 years

Number of the Company's shares held: 200 shares

Born in August 1967

Apr 1992 Joined Japan Airlines Co., Ltd. (resigned in March 2004)  
Dec 2009 Registered with Tokyo Bar Association  
Joined Sonderhoff & Einsel Law and Patent Office (resigned in June 2014)  
Jun 2014 Joined Digital Arts Inc. (resigned in March 2015)  
Apr 2015 Joined Yamasaki & Partners (resigned in October 2016)  
Nov 2016 Partner, Igarashi Watanabe & Esaka Law Office (Current)  
Apr 2018 Outside Auditor, Lawson Bank, Inc. (Current)  
Jun 2019 Audit & Supervisory Board Member of the Company (Current)  
Jun 2020 Outside Director, Ricoh Leasing Company, Ltd. (Current)  
Sep 2020 Outside Auditor, GiXo Ltd. (Current)



#### Shinsuke Kubo

##### Outside Audit & Supervisory Board Member

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

Number of the Company's shares held: 1,600 shares

Born in March 1956

Apr 1979 Joined Sanwa & Co. (currently Deloitte Touche Tohmatsu LLC)  
Registered as Certified Public Accountant  
Mar 1982 Representative Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
Jun 1998 Representative Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
Sep 2017 Retired from Deloitte Touche Tohmatsu LLC  
Oct 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)  
Jan 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (retired in December 2020)  
May 2018 Representative Partner, Kyohei Accounting Office (Current)  
Jun 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)  
Jun 2020 Audit & Supervisory Board Member of the Company (Current)

### Executive Officers

#### Yukikazu Myochin

President & CEO

#### Atsuo Asano

Vice President Executive Officer

Assistant to President & CEO, Responsible for Drybulk Carriers Unit, In charge of Bulk Carriers

#### Yukio Toriyama

Senior Managing Executive Officer

Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation), CFO (Chief Financial Officer)

#### Kazuhiko Harigai

Senior Managing Executive Officer

Responsible for Energy Transportation Business Unit

#### Kiyotaka Aya

Senior Managing Executive Officer

Responsible for Marine Sector Unit, CSO (Chief Safety Officer)

#### Shingo Kogure

Senior Managing Executive Officer

Responsible for General Affairs, Human Resources, Legal, Corporate Legal Risk & Compliance Unit

#### Takenori Igarashi

Managing Executive Officer

Responsible for Product Logistics Business Unit (Car Carriers)

#### Noriaki Yamaga

Managing Executive Officer

Responsible for Corporate Sustainability, Environment Management, IR and Communication Unit, In charge of Corporate Planning, Research

#### Keiji Kubo

Managing Executive Officer

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

#### Michitomo Iwashita

Managing Executive Officer

Responsible for Advanced Technology, Ship Technical, GHG Reduction Strategy Unit, Digitalization Strategy Unit, In charge of Electricity and Offshore Business

#### Masatoshi Taguchi

Managing Executive Officer

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

#### Satoshi Kanamori

Managing Executive Officer

In charge of LNG, Carbon-Neutral Promotion

#### Akihiro Fujimaru

Managing Executive Officer

CEO of K LINE MARINE & ENERGY PTE. LTD.

#### Yutaka Akutagawa

Managing Executive Officer

In charge of Finance, Accounting, Taxation

#### Hisashi Nakayama

Executive Officer

In charge of Tankers, Fuel Strategy & Procurement

#### Fumiyoshi Sato

Executive Officer

In charge of General Affairs, Legal, Corporate Legal Risk & Compliance, Assistance to Internal Audit, CCO (Chief Compliance Officer)

#### Hiroshi Uchida

Executive Officer

In charge of Digitalization Strategy, CIO (Chief Information Officer)

#### Shingo Kameyama

Executive Officer

In charge of Advanced Technology, General Manager of Advanced Technology Group, Technical Support for Marine Sector Unit

#### Shingo Ikeda

Executive Officer

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

#### Shinya Tamaki

Executive Officer

In charge of Human Resources, General Manager of Human Resources Group

#### Haruhiko Sugimoto

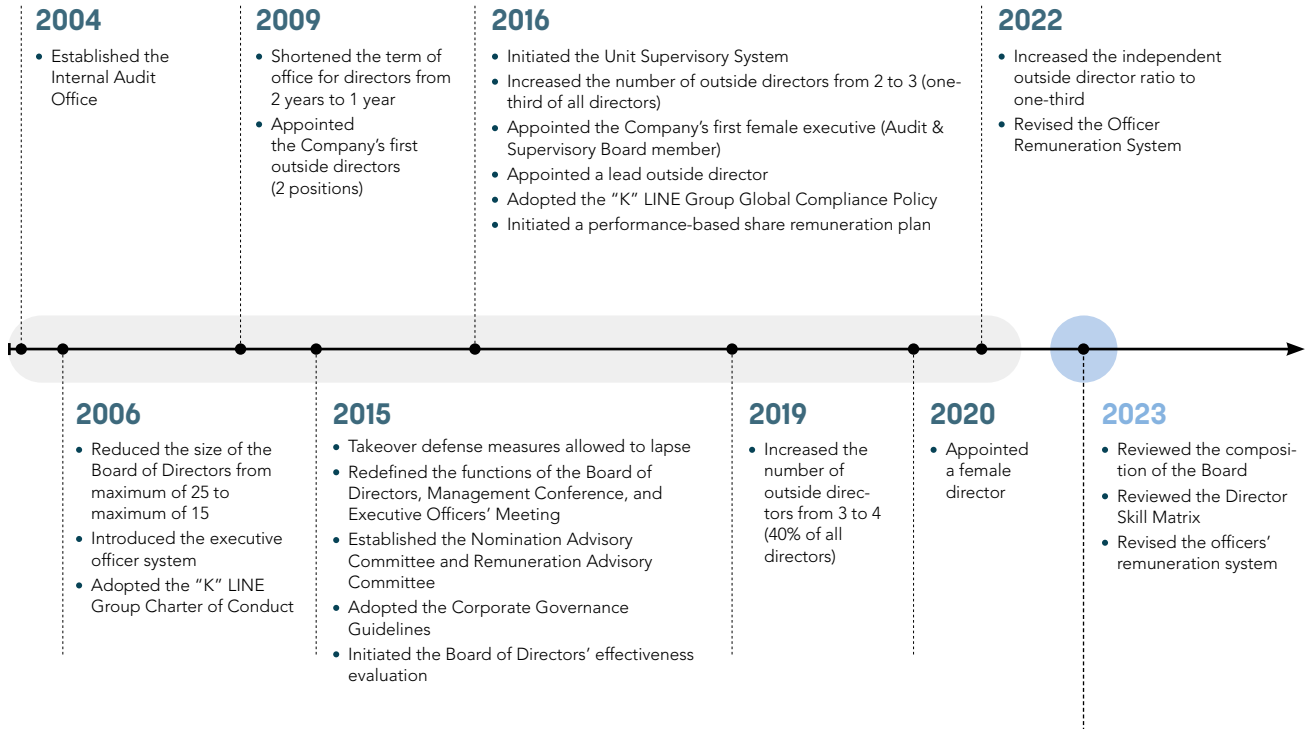
Executive Officer

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

## Key Initiatives to Enhance Corporate Governance

“K” LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and commitment to its shareholders and stakeholders and to achieve sustainable growth. While thoroughly enforcing its corporate ethics across

the entire Group, “K” LINE will continue developing an organic and effective governance framework, strengthening its earning and financial structures, and enhancing its corporate value.



### Review the Composition of the Board

- Reinforce the independence of the supervisory function by increasing the ratio of outside directors on the Board

**Before review**

Outside Directors: 44%

**After review**

Outside Directors: 55%

4 out of 5 are independent outside directors

### Review the Director Skill Matrix

- Clarify the diversity of the composition of the Board by reviewing items based on materiality identified as our priority issues

	FY2022	FY2023
Corporate management & strategy	✓	✓
Legal & risk management	✓	✓
Finance & accounting	✓	✓
Human resources & labor	—	✓
Safety & Quality	—	✓
Technology*	✓	—
Environment & Technology	—	✓
Global	✓	✓
Sales & Marketing	—	✓

\* Technology has been moved to Environment & Technology as a part of the review.

### Revise the Officers' Remuneration System

- Further focus on medium- to long-term performance-based remuneration (stock) to further align its value with shareholders
- Introduce new KPI for business performance-based remuneration
  - Short-term incentive (STI): Introduced safety factor (serious maritime accidents) as negative indicator
  - Long-term incentive (LTI): Link with ROE and CO<sub>2</sub> emission rate in addition to relative Total shareholder return (TSR)

Component	Before (%)	After (%)
Fixed	72%	48%
STI	21%	20%
LTI	7%	32%
<b>Total Performance-based</b>	<b>28%</b>	<b>52%</b>

Performance-based ratio is over 50%



## Corporate Governance

### Aiming for Sustainable Growth and Greater Corporate Value

#### ► Appointment of Outside Directors

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

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

#### ► Basis for Outside Officer Appointments

	Name	Basis of appointment and expected role
Outside directors	Keiji Yamada	Mr. Yamada was appointed as an outside director in June 2019 to utilize his broad experience, personal networks, and insight gained from his years in positions heading public administrative bodies to contribute to the management of the Company. He is appropriately fulfilling his role by proactively offering input at meetings of the Board of Directors and overseeing operational execution as a member of the Nomination Advisory Committee and the chairperson of the Remuneration Advisory Committee. Mr. Yamada is expected to continue to fulfill this role.
	Ryuhei Uchida	Mr. Uchida was appointed as an outside director in June 2019 to utilize his broad experience and insight related to corporate value improvement to contribute to the management of the Company. It has been judged that having Mr. Uchida proactively offer input from the perspective of shareholders at meetings of the Board of Directors and provide oversight of management and operational execution will contribute to shareholder interests and improved corporate governance for the Group. Mr. Uchida is expected to continue to fulfill this role.
	Kozue Shiga	Ms. Shiga has professional knowledge and experience as a lawyer, has served as an outside director and outside Audit & Supervisory Board member at several listed companies, and was appointed as an outside Audit & Supervisory Board member of the Company in June 2016 and then as an outside director in June 2020. She is appropriately performing her duties based on her robust experience and broad perspective by proactively offering input at meetings of the Board of Directors and overseeing operational execution through her activities as the chairperson of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee. Ms. Shiga is expected to continue to fulfill this role.
	Koji Kotaka	In addition to being a lawyer, Mr. Kotaka has experience as a director in a broad range of industries including real estate, securities, investment banking, and IT. He was appointed as an outside director of the "K" LINE Group in June 2023. The Company expects him to draw on his abundant experience in law, finance and accounting, and his broad insight, which also includes investment and IR, to appropriately fulfill his role as an outside director, making suggestions at Board of Directors' meetings and supervising the execution of business.
	Hiroyuki Maki	Mr. Maki is the president and CEO of Melco Holdings Inc., which is mainly engaged in IT-related and food businesses, and the president and director of its subsidiaries. He was appointed as an outside director of the "K" LINE Group in June 2023 in order to leverage his extensive experience and knowledge in group management for the benefit of management at the "K" LINE Group. The Company expects him to draw on his abundant experience as a corporate manager and broad insight in the IT and digital realm to appropriately fulfill his role of making suggestions at Board of Directors' meetings and supervising the execution of business as an outside director of the "K" LINE Group.
	Name	Basis of appointment
Outside Audit & Supervisory Board members	Atsumi Harasawa	Ms. Harasawa has extensive professional knowledge and experience as a lawyer and in the transportation sector as a maintenance technician who contributed to safe flight operations at Japan Airlines Co., Ltd. Her presence as an outside Audit & Supervisory Board member enhances Board diversity and the effectiveness of audits through an independent perspective.
	Shinsuke Kubo	Mr. Kubo is a certified accountant with wide-ranging experience and knowledge of auditing through positions at auditing firms in Japan and overseas, supporting companies seeking to list on stock exchanges, and related to corporate reorganization and M&A. He was appointed as an outside Audit & Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

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

"K" LINE voluntarily established a Nomination Advisory Committee and a Remuneration Advisory Committee to enhance the function of the Board of Directors.

The committees are composed of independent outside directors, the chairperson of the Board (currently vacant),

and the president & CEO. The independent outside directors on each committee nominate and select an independent outside director to serve as their committee chairperson.

#### ► Memberships of Committees (As of July 2023)

Nomination Advisory Committee	
Chairperson	Kozue Shiga
Members	Keiji Yamada, Koji Kotaka, Hiroyuki Maki, Yukikazu Myochin

Remuneration Advisory Committee	
Chairperson	Keiji Yamada
Members	Kozue Shiga, Koji Kotaka, Hiroyuki Maki, Yukikazu Myochin

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

Meetings Attended / Meetings Held (Fiscal 2022)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Yukikazu Myochin	19/19	—	14/14	9/9
Atsuo Asano	19/19	—	—	—
Yukio Toriyama	19/19	—	—	—
Kazuhiko Harigai	19/19	—	—	—
Yasunari Sonobe	19/19	—	—	—
Keiji Yamada	19/19	—	14/14	9/9
Ryuhei Uchida	19/19	—	—	—
Kozue Shiga	19/19	—	13/14	8/9
Tsuyoshi Kameoka	18/19	—	14/14	9/9
Makoto Arai*	6/6	—	—	—
Kunihiko Arai	19/19	15/15	—	—
Yutaka Akutagawa	19/19	15/15	—	—
Atsumi Harasawa	19/19	15/15	—	—
Shinsuke Kubo	18/19	15/15	—	—

\* Retired in June 2022

## ▶ Officer Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates the structure and level of compensation and reports its counsel to the Board. Director remuneration comprises (i) a monthly remuneration (monetary), (ii) short-term performance-based remuneration (monetary), and (iii) medium- to long-term performance-based

remuneration (stock). The medium- to long-term performance-based remuneration (stock) is mainly linked to the Company's total shareholder return (TSR) to improve effectiveness and strengthen incentives for directors to target medium- and long-term growth in corporate value, while aiming to align our values more closely to those of shareholders. An overview of the remuneration system is as follows.

Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Director	1. Monthly remuneration (monetary)	Fixed remuneration	Determined in accordance with position.	Up to ¥800 million / year (of which ¥111 million is for outside directors)  Over the four fiscal years from FY ended March 31, 2021, up until FY ending March 31, 2024 1) Amount contributed to the trust by the Company: ¥2,400 million 2) Maximum points awarded to directors in any one fiscal year: 1,200,000 points (equivalent to 1,200,000 shares)
	2. Short-term performance-based remuneration (monetary)*1	Variable remuneration	Linked to achievement of consolidated performance targets and individual performance evaluation in a single year. Apply negative indicator when serious maritime accident occurs.	
	3. Medium- to long-term performance-based remuneration (stock)*1		Linked to our medium- and long-term TSR*2, return on equity (ROE), and ESG (Improvements in CO <sub>2</sub> emissions efficiency) indicators*3 *2 TSR = Percentage increase in our share price over a certain period + Percentage of dividends over a certain period (Total dividends / Initial share price) *3 The composition ratio for TSR indicators: ROE indicators: ESG indicators is set at 90:5:5.	
Audit & Supervisory Board member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board members	Up to ¥12 million / month

\*1 Limited to executive directors

## ▶ Training for Officers

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

# Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

## ► Audit & Supervisory Board

Audit & Supervisory Board members attend Board of Directors' meetings, the Executive Officers' Meeting, and other important meetings to verify that the decision-making process is appropriate and fair. The members gather and examine information on the status of business execution and assets through periodic meetings with representative directors, outside directors, accounting auditors, internal audit divisions, and others; hearings with executive officers responsible for business units; and the review of

important documents. In accordance with the Companies Act, Audit & Supervisory Board members also monitor and inspect the establishment and operational status of corporate group internal control systems as well as audits conducted by accounting auditors.

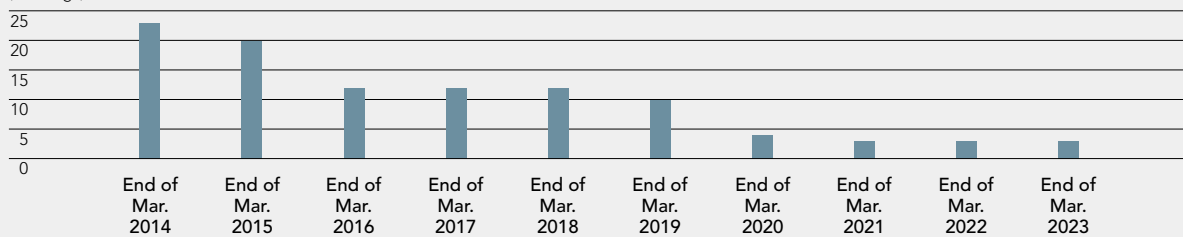
Outside Audit & Supervisory Board members conduct audits objectively from a neutral standpoint, expressing opinions at conferences and meetings based on their knowledge as lawyers or certified public accountants.

### Cross-Shareholding Policy

In accordance with the "K" LINE Corporate Governance Guidelines, the Board of Directors carefully examines cross-shareholdings of listed shares at least once per year to verify the purpose, economic rationale, and appropriateness of individual holdings. In examining economic rationale, the Board will consider liquidating shares if returns from the holdings have fallen below the cost of shareholders' equity in a given fiscal year. The Company has been reducing cross-shareholdings, and as of March 31, 2023, the number of cross-shareholdings of listed shares was three.

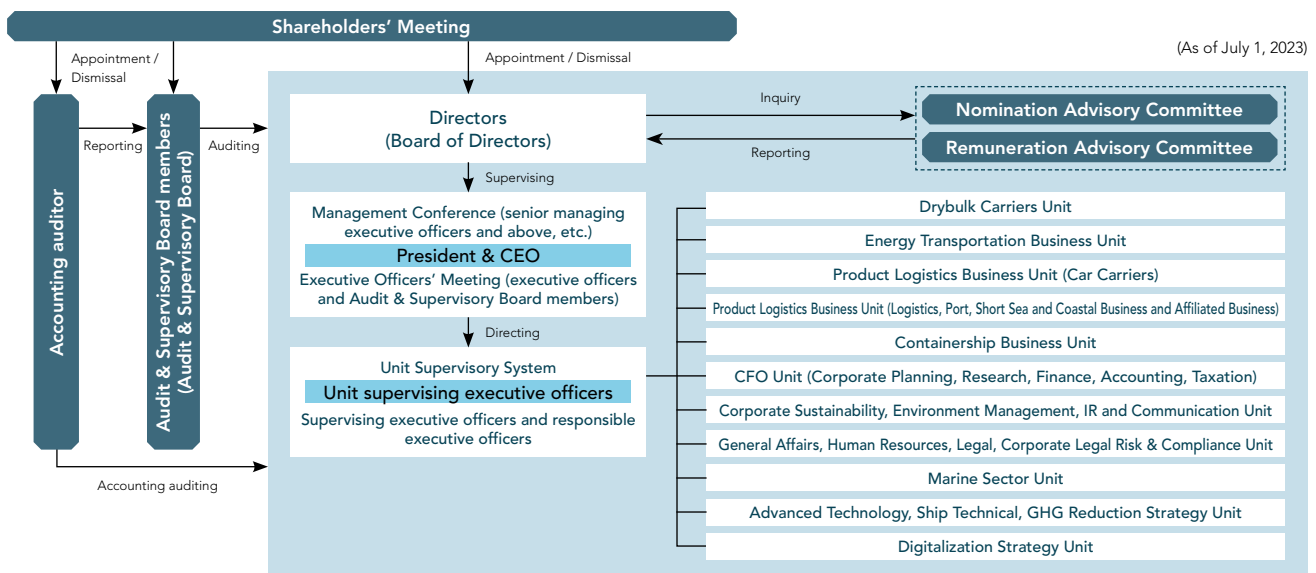
#### Cross-shareholdings

(Holdings)



## ► Corporate Governance Structure

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



## ▶ Board Evaluation

Based on the belief that effective corporate governance is essential for sustainable growth and enhancing corporate value over the medium to long term, we analyze and evaluate the effectiveness of the Board of Directors each year and disclose the results in a timely and proper manner.

### Progress in Addressing Issues Raised by the Fiscal 2021 Evaluation

#### ■ Follow-Up on Progress of Management Plans

The evaluation improved compared with the previous year. One comment in the evaluation stated that it will become increasingly important for the Board of Directors to focus on topics aligned with the fiscal 2022 medium-term management plan. We will continue to follow up on progress to achieve the plan.

#### ■ Discussion of Medium- to Long-Term Capital Policy

Evaluations confirmed that discussions of capital policy have deepened while advancing the formulation and execution of the fiscal 2022 medium-term management plan. The need to continue discussing capital policy was also recognized.

#### ■ Strengthening Group Governance

The importance of strengthening governance and monitoring was re-acknowledged and discussed, particularly for the containership business integrated into Ocean Network Express.

#### ■ Constructive Dialogues with Shareholders

This score was significantly higher than for the previous evaluation. It was noted that various opinions and perspectives obtained through dialogue with shareholders and investors are regularly shared at meetings of the Board of Directors, which thoughtfully considered them in capital policy and other measures.

#### ■ Clarification of Succession Plan Formulation Process

The Remuneration Advisory Committee was evaluated as having had sufficient deliberation.

### Fiscal 2022 Evaluation

#### ■ Method for Evaluating Board Effectiveness

A self-evaluation of the effectiveness of the Board of Directors in fiscal 2022 was conducted with a follow-up discussion by the Board of Directors based on the results of a questionnaire for all directors and auditors.

#### ■ Summary of Results of Self-Analysis and Evaluation of Effectiveness of Board of Directors

The overall score was higher than in the previous fiscal year. The Board of Directors was evaluated as functioning effectively overall. In particular, it was noted that the following points contribute to the effective functioning of the Board of Directors and led to a higher pace of year-on-year improvement.

- Sufficient deliberation time; broad-minded and constructive discussions
- Discussions of issues in the previous year's effectiveness evaluation; improvements in these issues
- Discussions of the Group's potential risks, countermeasures, and crisis management systems
- Follow-up on the progress of management plans
- Constructive dialogues with shareholders and investors, and feedback provided to the Board of Directors
- Discussions and settings of performance-based remuneration that motivates directors to maximize medium- to long-term corporate value
- Sufficient deliberation by the Remuneration Advisory Committee about the formulation of succession plans and selection criteria

On the other hand, it came to light that there is room for deeper discussions on topics such as the utilization of data and digital technology. These points have been identified as issues to be further addressed to improve governance in the future.

### Fiscal 2023 Issues in Light of Above

To further increase the effectiveness of the Board of Directors, continuous improvements will be made to ensure a more effective Board, including:

- Following up on medium-term management plan progress (ongoing issue)
- Holding discussions on the medium- to long-term capital policy (ongoing issue)
- Strengthening Group governance (ongoing issue)
- Creation of value using data and digital technology

## Corporate Governance

### Aiming for Sustainable Growth and Greater Corporate Value

#### Messages from Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives to enhance corporate value over the medium and long terms. The Company's current outside directors were asked for their honest opinions in response to the questions on page 63.



**Keiji Yamada**  
Outside Director

##### A1.

Having just ended the first year of the five-year medium-term management plan, I believe the real evaluation is yet to come. The management plan sets clear goals and outlines a forward-looking growth strategy, rather than a conservative one aimed at catching up from setbacks in the past. I would like to see young people, who will be responsible for our future, take the lead in actively implementing the plan. While the PDCA cycle of the plan is being rotated mainly by the corporate administrative divisions, the Observe, Orient, Decide and Act (OODA) loop is becoming increasingly important at the operational level to flexibly

and swiftly respond to rapid changes in the social environment. I hope the leaders will strive to execute the management plan, while aligning these two loops effectively together.

##### A2.

The pace of change in the social environment, which is one underlying assumption in the management plan, has exceeded expectations in some regards, and progress on the newly reviewed material issues may not go as planned. Constant monitoring is necessary. In terms of human resources, the rapidly aging population is having a measurable and rapid impact on social infrastructure. Regarding women's empowerment, the employment rate for women may have reached a plateau, and given the pace of promotion so far, it may no longer be possible to maintain competitiveness. In the realm of DX, generative AI, which was not a topic when the medium-term management plan was formulated, will bring dramatic

changes to life as we know it. The speed of change in environmental technology could also exceed expectations. I would like management to always be observant and take care when judging situations, while reviewing important issues.

##### A3.

The medium-term management plan is ultimately just a plan. It is important to not superficially adhere to the plan, and for each department to constantly pursue what it means to be a trusted partner, as stated in the plan. By revising the contents of the plan as appropriate for the current situation and monitoring progress, the Company can avoid the risk of the plan itself becoming outdated. As an outside director, I believe my role includes pointing out any obsolete parts of a management plan, even if it has already been approved. I hope my position on this matter is well understood.



**Ryuhei Uchida**  
Outside Director

##### A1.

On top of a tailwind in the containership business, management's efforts in their own businesses have led to better earnings in recent years. The strategic initiatives set out in the current medium-term management plan are also being steadily implemented, and the results of these initiatives are expected to manifest in the future.

I believe that the Company's policies, such as concentrating management resources on the three business fields driving growth, strengthening collaboration with customers in decarbonization efforts, and shareholder returns with capital discipline in mind, have all contributed to share

price gains that have outstripped competitors.

As management continues to effectively advance these strategic initiatives and realizes an optimal capital structure at an early stage, I expect ongoing improvements in corporate value and further enhancement in shareholder value.

##### A2.

To be a globally trusted company, it is essential that the "K" LINE Group addresses social problems and issues that are important to stakeholders. From the perspective of improving corporate value, it is crucial to address issues that could significantly impact the business foundation and earnings, and to turn these challenges into growth opportunities.

As an outside director representing shareholders, I believe it is important to quantitatively verify initiatives not only from the perspective of contributions to the environment and society, but also from an

economic standpoint, such as whether they can contribute to earnings without taking on excessive business risks.

##### A3.

A trend among shipping companies has been that when earnings improve and cash on hand becomes abundant, they place orders for new high-priced ships, engage in M&A, and make excessive investments in fields outside their areas of expertise. These investments later become negative legacies, and often lead to substantial losses. In light of favorable earnings in recent years, shipping companies seem to have abundant funds and a strong desire to invest, exposing them to risks associated with excessive investment, as in the past.

While investment is essential for improving corporate value, I believe it is important to make disciplined investments and appropriate judgments based on factors such as ship supply and demand and technological innovations.



- Q1.** How do you evaluate the progress made in the first year of the fiscal 2022 medium-term management plan, particularly in terms of the content and speed of strategic initiatives?
- Q2.** In fiscal 2022, the “K” LINE Group re-identified 12 material issues (important sustainability issues) in five areas: management base, safety / ship quality management, advancement of environmental technologies, digital transformation, and human resources. Tell us about your expectations and points to consider as the Company addresses these material issues going forward?
- Q3.** What is your outlook for the business environment during the medium-term management plan, and what specific risks do you think the Company should pay attention to?
- Q4.** Could you please share your aspirations upon assuming the position of outside director?



**Kozue Shiga**  
Outside Director

**A1.**

At the financial results briefing, management disclosed its progress on the medium-term management plan. I believe that both the content of the initiatives and the sense of speed are commendable. Certainly, the business environment continues to be uncertain, and some fluctuations in individual numerical targets are inevitable. Therefore, I think management must take a long-term view on these matters. What is most important is that all employees work together to achieve the goals of the medium-term management plan, and I find it encouraging to see more evidence this is happening at this time.

**A2.**

These five areas should be addressed as important issues by any company, and I would like to see the Company take initiatives that are one step ahead of other companies. Particularly in the area of human resources, I believe that initiatives reflecting the historical background of a company and the characteristics of the shipping industry are important. At the “K” LINE Group, it has been only about 20 years since it started hiring women in earnest for career-track positions, so the promotion of women to managerial positions is still in its early stages. I hope that this will be a good opportunity for the Company to take proactive measures, not just to achieve formal numerical targets but also from the perspective of the impact these measures will have in the future.

**A3.**

Looking back at recent global events, changes in the business environment have continued to surprise. The COVID-19 pandemic, the Russia-Ukraine war, and the acceleration in global warming are events that have exceeded common sense and the imagination of people living in modern society. This clearly demonstrates that relying solely on past experience will not provide a clear answer when choosing and deciding on ways to address these issues. Going forward, it is indeed possible that such unforeseeable changes in the environment could occur again, and as a company the “K” LINE Group must establish a resilient business foundation, gather reliable information, and adopt a flexible approach to thinking about events.



**Koji Kotaka**  
Outside Director

**A4.**

I began my career as a foreign relations lawyer and later moved into investment banking, where I advised on raising capital and M&A. Currently, I am involved in corporate investment in the private equity industry. One common theme across these roles has been the enhancement of corporate value. I intend to apply the insights I have gained over the years to consider how to improve value for shareholders of the “K” LINE Group in the medium to long term, especially given the volatile business environment and cyclicity of earnings. I understand that the role of an outside director involves two fundamental elements: supervising the management team in their day-to-day operations and contributing to strategic planning. In addition, I plan to continuously monitor the accuracy of financial information as well as the soundness of financial and risk management systems, always from the perspective of shareholders. Furthermore, I intend to be actively involved in communication as a bridge that conveys messages from the management team to the capital markets through investor relations.



**Hiroyuki Maki**  
Outside Director

**A4.**

The “K” LINE Group has evolved as a corporation responsible for the global lifeline of maritime shipping. Of note, the company where I serve as representative director specializes in wireless network products and services as its core business. The commonality between these two companies lies in providing added value to customers in areas essential for everyday life, albeit in different business domains. I strongly feel a shared sense of social mission between the two entities.

With this in mind, I aim to fulfill my role as an outside director while leveraging the experience and insights I have gained through my career in corporate management. I intend to contribute to the sustainable growth of the “K” LINE Group and the long-term improvement of shareholder value for all stakeholders who share the same philosophy.

# Risk Management

## ► Risk Management System

The “K” LINE Group has established a risk and crisis management system based on our vision and values. We established this system so that we can recognize and prepare for various risks in management and fulfill our corporate social responsibility even if risks materialize.

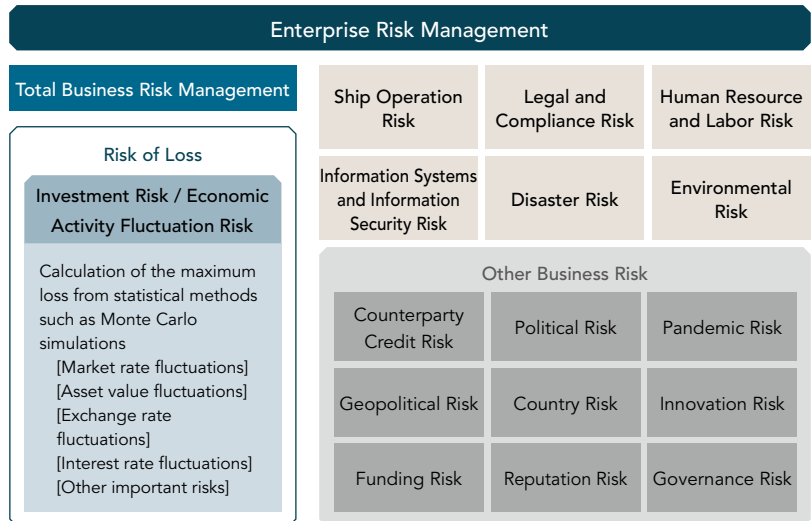
In addition to general corporate risks, such as legal

compliance and human resource and labor management, the “K” LINE Group prepares for operational risks. These include the safety aspects of operating ships to securely and reliably transport our customers’ cargo, as well as various market fluctuations, given that our business is exposed to the impact of the global economy.

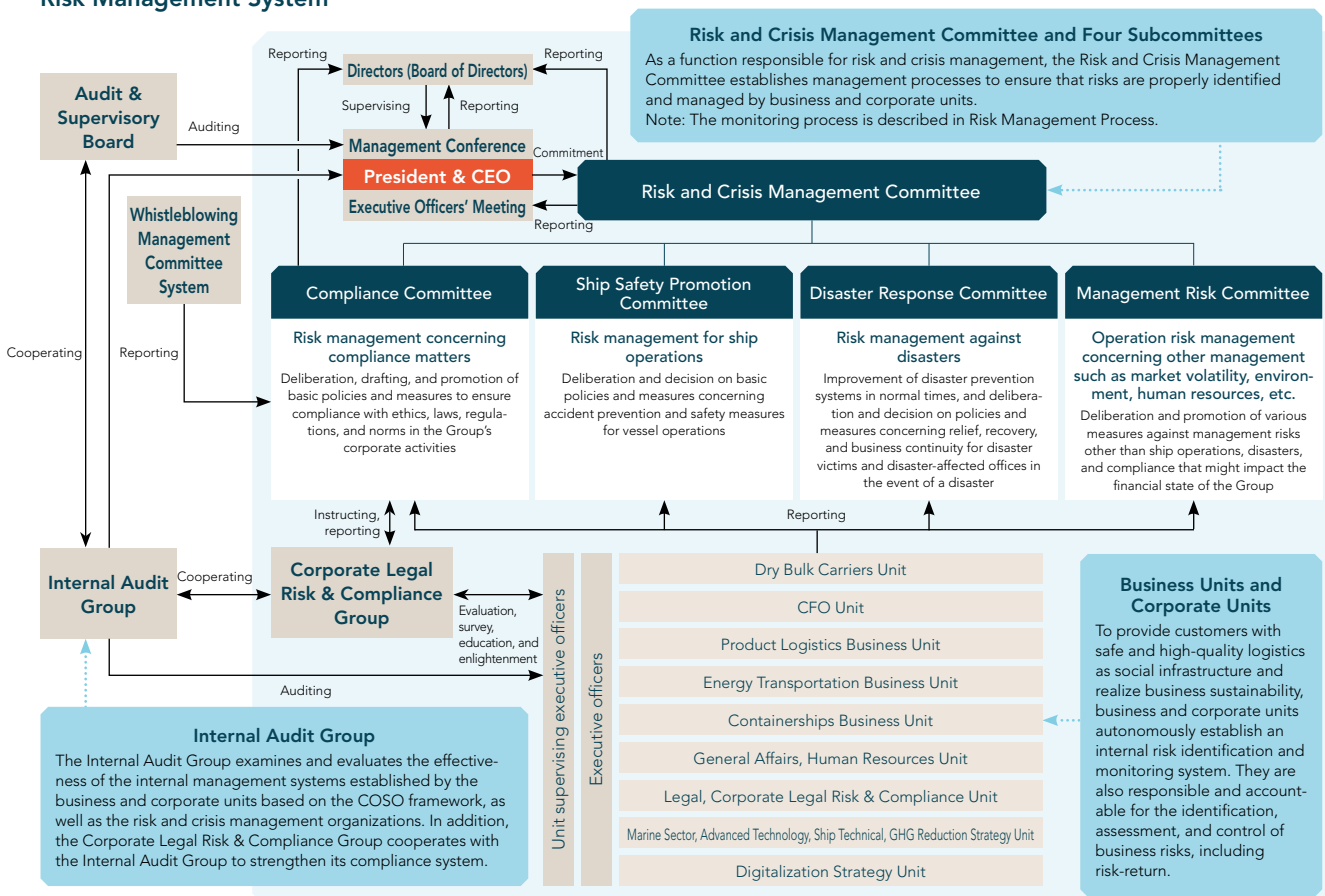
### Business Risk-Return Management

We control the estimated maximum losses within consolidated shareholders’ equity and pursue both stability and growth by maintaining the proper size of investments. We measure business risk as the estimated maximum loss for each business utilizing statistical methods such as Monte Carlo simulations.

The risks facing the Company’s businesses are varied and diverse. Total business risk management targets any “risk of loss” that would lead to capital impairment. The risks not subject to total business risk management shall be controlled by each business unit, and enterprise risk management shall be managed by the Risk and Crisis Management Committee and its subordinate organizations.



### Risk Management System



The major risks recognized by the “K” LINE Group have been categorized into four types: risks associated with vessel operations, compliance risks, disaster risks, and other management-related risks. For each category of risk, we have established a dedicated committee. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president & CEO serves as the chairperson of all these committees and convenes meetings quarterly, even during normal times, in a bid to strengthen risk management. November of

each year is designated “Compliance Month” to thoroughly raise awareness of the importance of compliance.

To promote and strengthen an effective risk management culture throughout the organization, our code of conduct, which is defined for each hierarchical level, includes items on risk management. Human resource evaluation systems have been designed to reflect these standards, which in turn affect salaries and promotions. Senior executives bear the responsibility for implementing Companywide initiatives related to risk management.

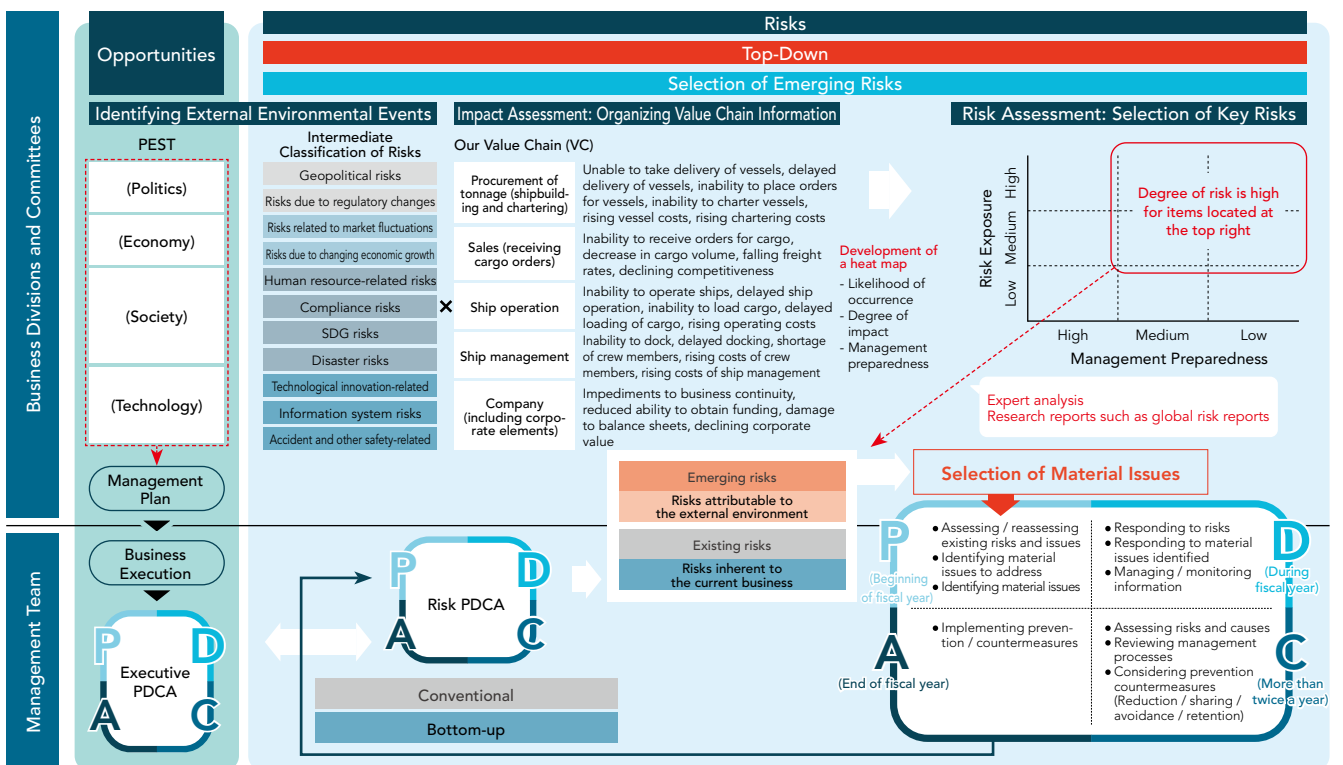
## ► Risk Management Process

To ensure thorough risk management within the Group, we identify Groupwide risks and work to address them through management and monitoring of information. At the end of each fiscal period, we re-evaluate risks, specify and identify comprehensive risks, and determine serious risks to be addressed based on the effectiveness of the risk management system and our key risks. We then utilize a PDCA system to carry out regular reviews within each committee, perform re-assessments, and implement measures accordingly. Under this PDCA structure, we respond to risks in a multi-layered manner, combining a bottom-up approach where each committee reassesses, discovers, and identifies risks, with a top-down approach that assesses changing megatrends and other emerging risks that have not yet manifested but are of growing importance. Changing megatrends pose not only risks but also opportunities. Working from a PEST (politics, economy, society, and technology) analysis when formulating business strategies for the following fiscal year, we accurately apply our recognition of

megatrends to business strategies while assessing and responding to the latest changes in risk trends. This enables us to address both risks and opportunities without omission.

More specifically, we envision risk scenarios that are the product of different combinations of PEST elements of the value chain in each of our businesses. Once the management team has organized the likelihood of occurrence, degree of impact, and state of readiness for each risk, we create a heat map. We then obtain external insight through expert analysis and research reports, while identifying issues to watch for, and select material issues in conjunction with risk identification based on a bottom-up approach.

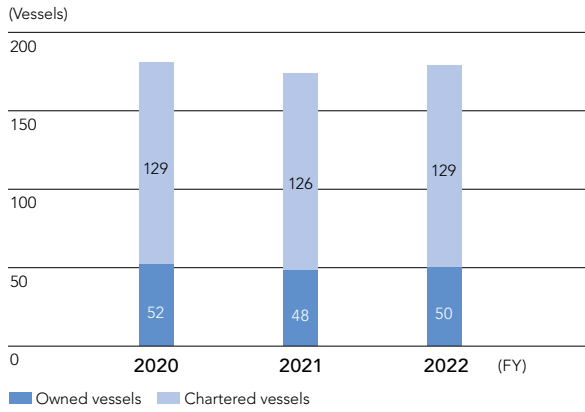
Additionally, each business unit provides information on risk management throughout the PDCA cycle. Progress of risks and measures reported by each unit, as well as the serious issues and their countermeasures identified at the beginning of the fiscal year, are communicated internally on a daily basis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



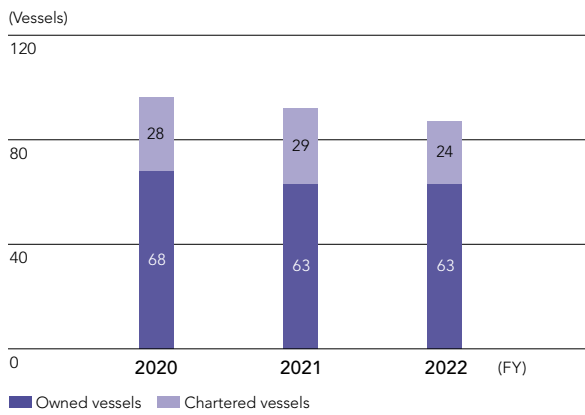
# At a Glance

Segment	Business	Business overview
Dry Bulk	Coal & Iron Ore Carrier Business / Bulk Carrier Business	 <p>We transport a large volume of dry bulk cargoes, including iron ore, steel products, woodchip, grain, and coal. We are expanding our business internationally by actively engaging in the transportation of cargoes bound for not only Japan but also South Korea, China, India, and the Middle East, as well as trade between other countries within the Atlantic region. We are taking on the challenge of low-carbon and carbon-free, such as wind power, biofuel, LNG fuel, and methanol / ammonia fuel.</p>
Energy Resource Transport	Tanker Business / Fuel Business  Electricity and Offshore Business  LNG Carrier Business / Carbon-Neutral Promotion Business	 <p>We transport oil-related cargoes, such as crude oil and liquefied petroleum gas (LPG). We have developed a global business for customers both in Japan and overseas with the completion of the first large tanker in 1935, the first LPG carrier in 1974, and the first LPG / heavy oil dual fuel and LPG / ammonia carriers in 2023. In addition to procuring bunker fuel (heavy oil, marine diesel oil, LNG, biofuel, etc.) for "K" LINE fleets, we conduct LNG bunkering business, joint study of ammonia bunkering, and demonstration examinations of liquefied hydrogen carriers aimed at enhancing fleet environmental performance.</p>  <p>Our "Corona Series" of wide-beam, shallow-draft coal carriers, developed in-house in accordance with port restrictions of Japan's thermal power plants, provides safe and reliable transportation of coal mainly to power utility companies in Japan and Taiwan. In the offshore business, we participate in a drillship project off Brazil and a floating production storage and offloading system (FPSO) off Ghana.</p>  <p>In the LNG carrier business, we offer global transportation services of LNG, for which demand is increasing worldwide as an alternative fuel source, and provide service to customers with diversifying needs across the LNG value chain. In the carbon-neutral promotion business, we promote business development related to renewable energy, including offshore wind power generation; carbon capture and storage; and alternative fuels.</p>
Product Logistics	Car Carrier Business  Logistics and Port Business  Short Sea and Coastal Business  Containership Business	 <p>Since developing and operating Japan's first pure car carrier (PCC) in 1970, we have continued to globally develop high-quality transportation services for passenger cars, trucks, and other vehicles. The business will further enhance its RORO cargo services (roll-on, roll-off cargo services using specialized handling equipment) based on knowledge honed over 50 years. An LNG-fueled car carrier was delivered in fiscal 2020, and we continue to perform optimal fleet management with special care for environmental concerns.</p>  <p>We provide comprehensive logistics services to meet various customer needs for ocean cargo transportation as well as air cargo transportation, tugboats, and transportation, warehousing, and automotive logistics. In addition, we operate container terminals at four ports in Japan—Tokyo, Yokohama, Osaka, and Kobe.</p>  <p>Kawasaki Kinkai Kisen Kaisha, Ltd., provides domestic marine transportation and ferry services. It operates ferries, RORO vessels, dedicated limestone carriers for steel mills, dedicated thermal coal carriers for electric power utilities, and also general cargo carriers. It also operates general cargo and bulk carriers for cargo to and from Asia. Furthermore, it has entered into offshore support vessel operations around Japan to further enhance the business.</p>  <p>In April 2018, the containership businesses of three Japanese shipping companies were integrated to form a new company, Ocean Network Express (ONE). Drawing on its enhanced service route network covering more than 120 countries with a fleet of 218 containerships (1.68 million TEU) in August 2023, ONE provides highly reliable and rapid international transportation services.</p>
Others		<p>The "K" LINE Group also operates businesses engaging in ship management services, travel agency services, and real estate rental and administration services.</p>

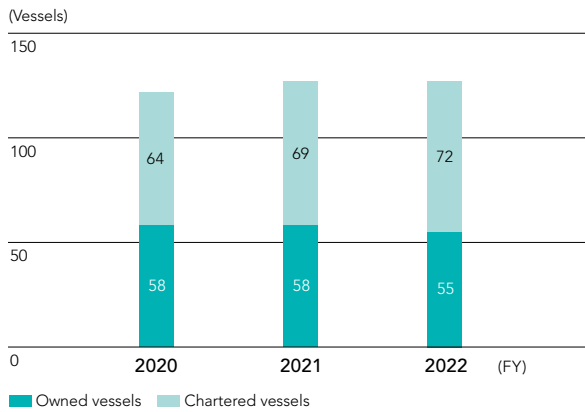
### Dry Bulk Fleet



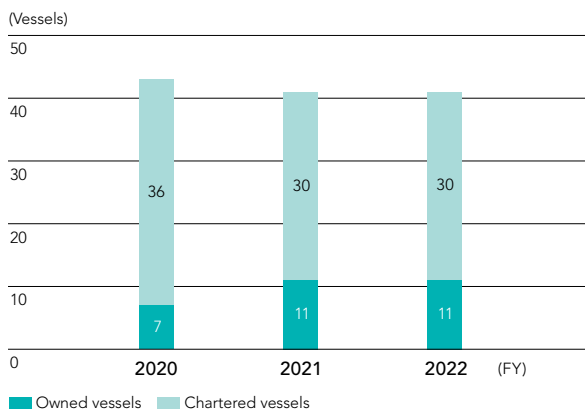
### Energy Resource Transport Fleet



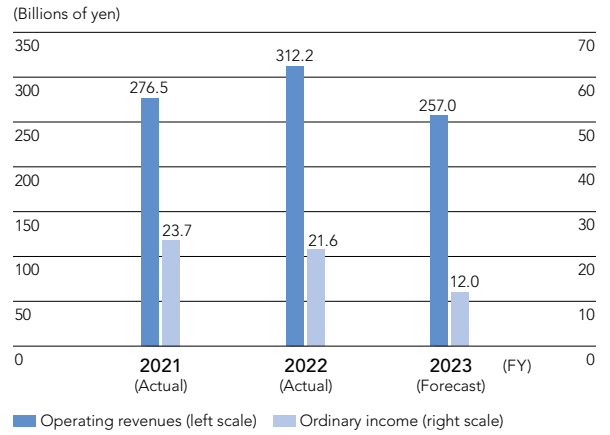
### Product Logistics Fleet (Excluding Containership)



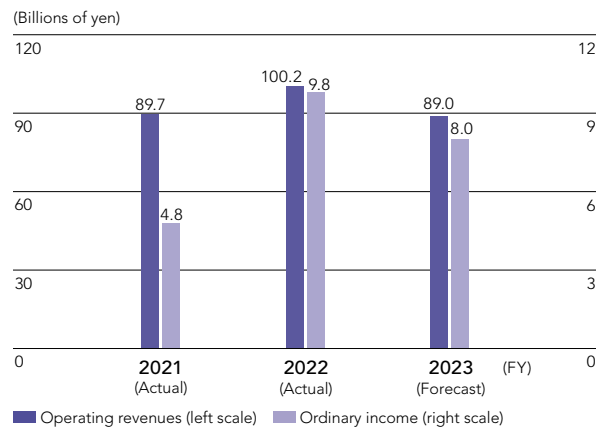
### Product Logistics Fleet (Containership)



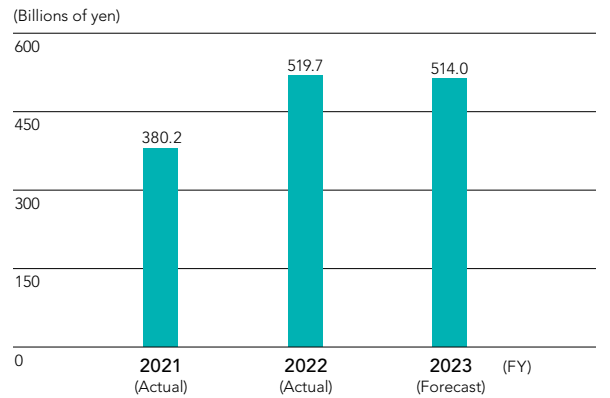
### Dry Bulk Operating Revenues, Ordinary Income



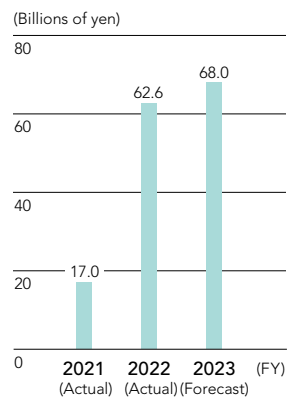
### Energy Resource Transport Operating Revenues, Ordinary Income



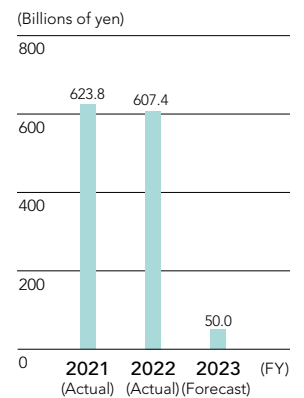
### Product Logistics Operating Revenues



### Product Logistics Ordinary Income (Excluding Containership)



### Product Logistics Ordinary Income (Containership)



Note: Fiscal 2023 forecasts for segment operating revenues and ordinary income reflect the forecast announced in May 2023.



# Business Overview

## Dry Bulk

Coal & Iron Ore Carrier Business

Bulk Carrier Business



### Atsuo Asano

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



### Masatoshi Taguchi

Managing Executive Officer  
In charge of Coal & Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning & Operation, and Drybulk Planning

### Overview of Fiscal 2022

#### Coal & Iron Ore Carrier Business

Looking at market conditions for cape-size bulkers, at the start of the fiscal year, tonnage supply remained tight due to ships being forced to wait outside congested ports amid COVID-19 restrictions. From the middle to the end of the year, while port congestion eased, market conditions softened as demand fell for transporting raw materials to China, where domestic demand weakened amid ongoing zero-COVID measures. Near the end of the year, prices increased on expectations for a recovery in steel demand as China ended its zero-COVID policy and enacted measures to stimulate the economy. Despite ups and downs, demand was generally brisk throughout the year. To maintain and expand our stable revenue base, we strengthened our relationships with cargo owners, including initiatives directed at carbon-free operations.

#### Bulk Carrier Business

The market for Panamax and handy-size vessels softened as port congestion eased in China and demand decreased for transporting coal to India and steel to Europe at the beginning of the year. From the middle to the end of the year, prices declined as demand fell for coal transportation, despite increasing for grain transportation to China. However, prices were higher compared with the start of the year, as with the market for cape-size bulkers. We aimed to optimize the structure of the fleet by taking an asset-light approach to the core fleet. At the same time, we worked to maximize the fleet's profit-generating capabilities by maintaining and expanding its stable earnings base, and increasing the efficiency of vessel allocation.

### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

#### Coal & Iron Ore Carrier Business

Over the medium term, growth in overall transportation demand has slowed down, but the supply-demand balance for ship tonnage should improve, owing to the retirement of vessels that are economically unable to comply with new environmental regulations, as well as restraints on the speculative placing of orders for new ships. Meanwhile, the movement toward a low-carbon and carbon-free society is likely to create demand for alternative fuels for vessels. As existing ships are replaced with new fuel ships, technologies that lower fuel costs for existing ships are also expected to advance. "K" LINE aims to maintain and expand its earnings base and stabilize operations by maintaining robust relationships with its existing customers in Japan and broader Asia, and proactively addressing environment-related demand, including from the resource majors.

#### Bulk Carrier Business

For Panamax and handy-size vessels, demand for the transportation of grain and nonferrous metals, mainly in emerging countries, looks likely to increase and remain strong, but attention must be given to changes in coal transportation demand in each country. With the supply of new ships expected to remain limited, as with cape-size vessels, the supply-demand balance for vessel tonnage will probably tighten. "K" LINE is keen to improve profitability by further increasing vessel allocation efficiency and strengthening its customer base in the Middle East, India, and Southeast Asia region, in addition to Japan, with a fleet of ships that is highly resilient to market conditions and able to sustainably generate earnings.

### Dry Bulk (All Types) Fleet Ranking

(As of June 2023)

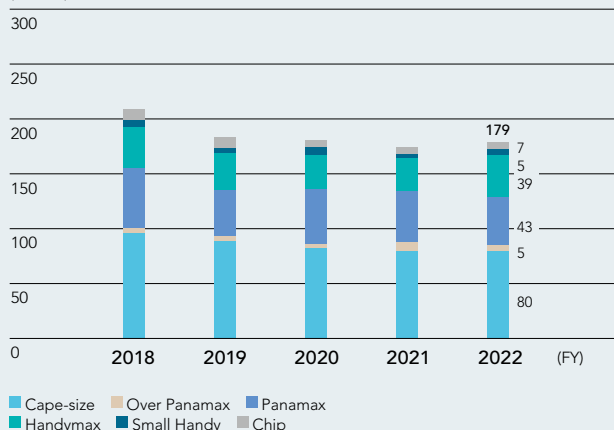
Ranking	Operator	100,000 DWT	Vessels
1	China COSCO Shipping	373.6	335
2	Fredriksen Group	146.5	104
3	China Merchants	140.6	113
4	Star Bulk Carriers	138.9	127
5	NYK	134.3	147
6	Berge Bulk	126.3	67
7	"K" LINE	119.1	98
8	Pan Ocean	113.8	80
9	ICBC	113.1	36
10	Mitsui O.S.K. Lines	102.2	84

Note: Owned vessels and a part of chartered vessels

Source: Clarksons

### "K" LINE Dry Bulk Fleet

(Vessels)





Cape-size Bulk Carrier CAPE SATSUKI



Panamax Bulk Carrier LIN MIARAK

► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Coal & Iron Ore Carrier Business	<p>Role of driving growth</p>	<ul style="list-style-type: none"> <li>We have established collaborative committees with JSW Steel (a leading Indian steel company), EGA (a major Middle Eastern aluminum company), and Anglo American (a resource major) and began joint research to promote decarbonization</li> <li>In addition to the commercial department, we have built an organizational business development structure that includes the technical and environmental departments, aiming to further strengthen and develop customer-focused, consultative sales activity</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to deepen our strong relationships with existing customers in Japan, broader Asia, India, and the Middle East, thereby maintaining and developing a stable revenue base</li> <li>Through the realization of jointly developed zero-emission ships and the installation of Seawing wind propulsion assist equipment, we are keen to proactively assist our customers with their environmental initiatives and aim to maintain and expand our base for customer-oriented business</li> </ul>
Bulk Carrier Business	<p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>In order to augment asset management and business operations' center functions, we transferred some Panamax and Handy-size vessels owned by the Group to Singapore, and improved access to growing markets across Asia while reorganizing sales and vessel allocation operations</li> <li>We have made progress on new shipbuilding and chartering in the short to medium term while aiming to reduce environmental impact. Concurrently, we have shifted to an asset-light structure by aligning the timelines of freight contracts and ship ownership (charter) contracts</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to promote an asset-light structure, and aim to strengthen a business model that facilitates reliable profit generation, even when market conditions fluctuate, by increasing resilience to market conditions</li> <li>We intend to strengthen our customer base and further improve vessel allocation efficiency while also advancing the acquisition of environmentally friendly cargo, such as reduced iron and wood pellets</li> </ul>

TOPICS

Commercialization of Draft Survey Application Utilizing AI-OCR

In the dry bulk business, we have been challenging ourselves to create new businesses through the promotion of DX, led primarily by our young and mid-career employees as DX navigators since September 2021. Various ideas have led to advances in DX, including the commercialization of an application for measuring a ship's draft. In dry bulkers, the weight of the cargo is measured by visually verifying the ship's draft in centimeter increments. However, erroneous measurements due to waves causing sea level fluctuations have led to issues in vessel operations. To solve this problem, we took advantage of AI-OCR technology to develop and commercialize an app that can make more accurate draft readings by eliminating the influence of waves by filming the sea surface and the draft mark over a certain period of time using a smartphone. In this business, we will continue to actively advance initiatives to realize the ideas of our younger employees through DX.

# Energy Resource Transport



## Hisashi Nakayama

Executive Officer  
In charge of Tankers,  
Fuel Strategy & Procurement

Tanker Business

Fuel Strategy & Procurement Business

### Overview of Fiscal 2022

#### Tanker Business

We safely operate very large crude carriers (VLCCs), very large liquefied petroleum gas carriers (VLGCs), and AFRAMAX crude oil carriers (through our subsidiary in Singapore), mainly under medium- and long-term charter contracts and contract of affreightment (COA) arrangements. These operations have provided a boost to earnings and contributed to the stable supply of crude oil and LPG. In June, we took ownership of a dual-fuel large-scale LPG carrier that was built at Kawasaki Heavy Industries' Sakaide Works, adding the carrier to our fleet in the tanker business.

#### Fuel Strategy & Procurement Business

In the LNG fuel supply business, we performed bunkering of LNG fuel to LNG-fueled car carriers in the Chubu region. In Singapore, we commenced ship management of the LNG bunkering vessel FUELNG BELLINA, which is owned by FueLNG Pte Ltd, and supplied LNG fuel. In the hydrogen business, we conducted experiments with the CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA), and provided technical support for the specifications of liquefied hydrogen carriers in the Liquefied Hydrogen Supply Chain Commercialization Demonstration Project promoted by the Green Innovation Fund. We participated in various associations to create a hydrogen supply chain as well.

### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

#### Tanker Business

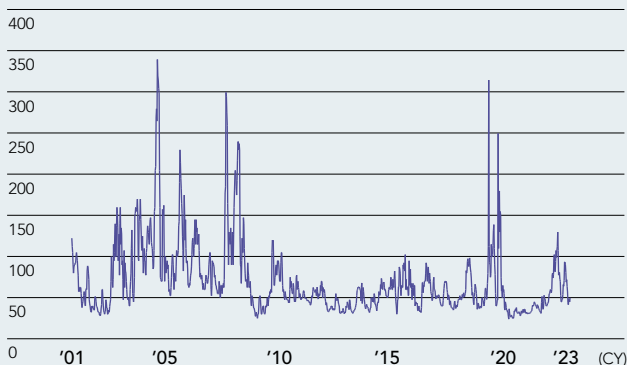
Demand for transporting crude oil and LPG is likely to remain robust. We see new business opportunities in supporting the transition from traditional heavy oil-fueled ships to environmentally friendly ships, especially in the VLCC and VLGC categories. Furthermore, global efforts toward low-carbon emissions and carbon-free are also changing the demand structure for energy. "K" LINE is working toward securing future demand for transporting new forms of energy.

#### Fuel Strategy & Procurement Business

In the maritime transportation industry, the transition from heavy oil-fueled ships to next-generation fuel ships is progressing in line with the decarbonization goals set by the International Maritime Organization (IMO). In addition to LNG and biofuels, methanol, ammonia, and battery propulsion are being introduced for powering vessels. At the world's major ship fuel supply ports, the supply business for next-generation fuels has been expanding. "K" LINE is committed to both procuring next-generation fuels for its own fleet and supplying such fuels at key ports.

### Tanker Freight Index

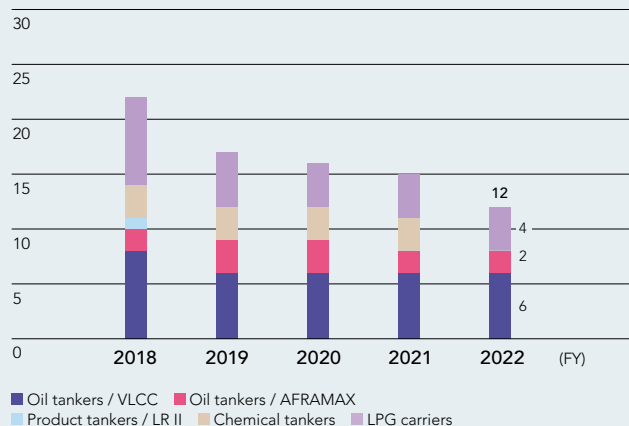
(World scale)



Source: Clarksons

### "K" LINE Tanker Fleet Scale

(Vessels)







Tanker KISOGAWA



LPG / Ammonia Carrier AXIS RIVER

► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Tanker Business	 <p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>Maintained and improved transportation quality and technologies for VLCCs and VLGCs</li> <li>Maintained ship management system for managing environmentally compliant vessels, such as dual-fuel ships, and ships to meet new transportation demand such as for ammonia</li> </ul>	<ul style="list-style-type: none"> <li>Respond to demand for introducing dual-fuel VLCCs and VLGCs</li> </ul>
Fuel Strategy & Procurement Business	 <p>Expansion of new businesses in fields where "K" LINE can utilize its strengths</p>	<ul style="list-style-type: none"> <li>Continued LNG fuel supply business</li> <li>Examined creation of ammonia bunkering base</li> </ul>	<ul style="list-style-type: none"> <li>Expand LNG fuel and biofuel procurement and supply network</li> <li>Participate in bunkering business and build an ammonia bunkering base</li> </ul>

**TOPICS**

**Completion of New Dual-Fuel LPG / Ammonia Carrier**

The large LPG carrier (VLGC) that was under construction at Kawasaki Heavy Industries' Sakaide Works has been delivered. Going forward, this vessel will operate under a term charter contract with the customer, contributing to the stable supply of LPG while generating revenue. The vessel is designed as a dual-purpose ship for the transport of both LPG and ammonia, catering to the expected increase in demand for liquid ammonia transport.

# Energy Resource Transport



## Michitomo Iwashita

Managing Executive Officer

Responsible for Advanced Technology, Ship Technical, GHG Reduction Strategy Unit, Digitalization Strategy Unit, In charge of Electricity and Offshore Business

Electricity Business

Offshore Business

### Overview of Fiscal 2022

#### Electricity Business

With limited restarts of nuclear power plants in Japan, coal-fired power plants remained an important source of electricity on par with LNG-fired power plants. As more renewable energy power generation is installed, seasonal fluctuations in the operating rates of power plants have become amplified. Our fleet of ships has contributed to the stable supply of electricity through flexible vessel allocation that matches changes in demand for coal, and has added to stable earnings through medium- to long-term transportation contracts.

#### Offshore Business

The floating production storage and offloading system (FPSO) business produced stable earnings through continuously high utilization rates based on a long-term charter contract for the production of crude oil and LNG in the Offshore Cape Three Point (OCTP) zone approximately 60 kilometers southwest of Ghana. Moreover, our drillship business contributed to earnings from the smooth operation of a project in the pre-salt layer zone off the coast of Rio de Janeiro, Brazil, conducted under a long-term charter contract.

"K" LINE withdrew from the offshore support vessel business operated by an overseas subsidiary according to schedule in September 2022.

### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

#### Electricity Business

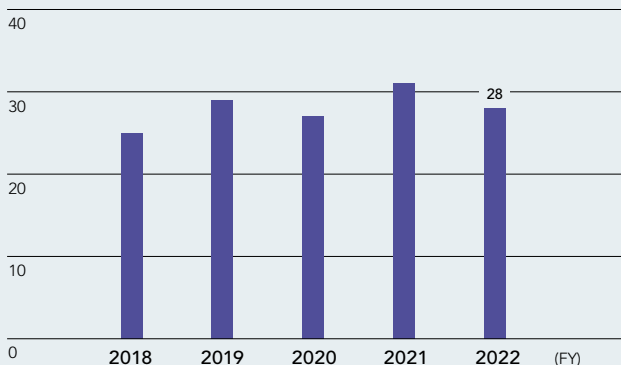
In the context of a carbon-free society, although coal-fired power generation is being phased out, starting with inefficient power plants, due to its substantial emissions of CO<sub>2</sub>, we believe coal will continue to be used at high-efficiency power plants in order to ensure a reliable supply of electricity, while efforts are made to cut CO<sub>2</sub> emissions. With the ultimate aim of becoming carbon neutral by 2050, demand is likely to emerge for the transportation of alternative fuels, such as ammonia and hydrogen, as well as liquefied CO<sub>2</sub>, which is being considered as the mode of transport for CCUS.

#### Offshore Business

The global decarbonization movement has led to a decline in investments for the development of fossil fuels in recent years. Moreover, there is a risk that new projects will be suspended when crude oil prices are weak because this worsens the profitability of offshore gas and oil field development. Lately, however, conditions have been strong for FPSO and drill ships thanks to a plateauing in crude oil prices, and they are likely to remain robust. We are currently in a transition period for changes in the energy mix. "K" LINE aims to build a stable earnings base by engaging in business while hedging against risks as necessary.

### "K" LINE Thermal Coal Carrier Fleet

(Vessels)



### Progress in FPSO Business

#### For Ghana

- Steady operations

#### For Brazil

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



FPSO John Agyekum Kufuor (Photograph provided by Yinson Holdings Berhad)







Thermal Coal Carrier CORONA ZENITH



Floating Production Storage and Offloading System (FPSO)  
 (Photograph provided by Yinson Holdings Berhad)

► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Electricity Business	 <p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>• Provided customers with a high-quality coal transportation service fleet, even during transition period in energy mix</li> <li>• Decided to install the Seawing system on three of our own coal carriers</li> <li>• Advanced R&amp;D in ammonia carriers</li> </ul>	<ul style="list-style-type: none"> <li>• Switch to new ship designs that meet transportation demand and reduce CO<sub>2</sub> emissions</li> <li>• Reduce lifecycle CO<sub>2</sub> emissions by installing Seawing system on existing ships</li> <li>• Conduct R&amp;D into hydrogen and liquefied CO<sub>2</sub> carriers, and build fleet of ammonia carriers</li> </ul>
Offshore Business	 <p>Role of supporting smooth energy source conversion and taking on new business opportunities</p>	<ul style="list-style-type: none"> <li>• Ensured stable earnings by maintaining high operating rates in existing businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Aim to ensure stable revenues and maintain high operating rates in existing participation projects while further strengthening relationships with key partners</li> <li>• Formally participate in FPSO projects in Brazil and achieve stable operations, and aim to further increase stable revenues by exploring new opportunities</li> </ul>

TOPICS

Progress on Planned Participation in FPSO Project in Brazil

With the intention of formally participating in this project from an early stage, "K" LINE has been in discussions with parties related to the FPSO project for the Marlim field off the coast of Brazil after it concluded an investment participation agreement in July 2020. The vessel was named FPSO Anna Nery in a naming ceremony held in June 2022. After the completion of the conversion work for FPSO, the vessel was moved to the waters off Brazil, where installation work was performed locally. Oil and gas production commenced on May 7, 2023.

# Energy Resource Transport



## Satoshi Kanamori

Managing Executive Officer  
In charge of LNG, Carbon-Neutral Promotion

### LNG Carrier Business

#### Overview of Fiscal 2022

In the LNG carrier business, the utilization of existing vessels was favorable, and its earnings contributed to stable earnings via medium- to long-term chartering contracts. We are moving forward with the construction of new vessels scheduled to be delivered after fiscal 2023 for some new projects. Among new projects, an expansion project in Qatar is included, where the procurement of several dozen new ships is expected. We are also tackling to increase demand over the long term for LNG, centered on gas-producing countries and emerging countries.

Specifically, two 79,960 m<sup>3</sup> membrane-type LNG vessels were completed in China by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., in China in May and June, and they were delivered without incident to PETRONAS LNG Ltd., a subsidiary of the Malaysian state-owned oil and gas company PETRONAS Group.

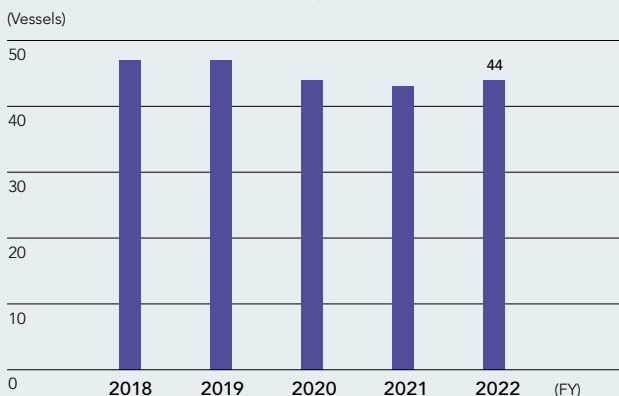
Additionally, we have concluded long-term time charter contracts and shipbuilding contracts for a total of 12 LNG vessels for QatarEnergy LNG, the state-owned energy company of Qatar. (For details, please refer to TOPICS.)

#### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

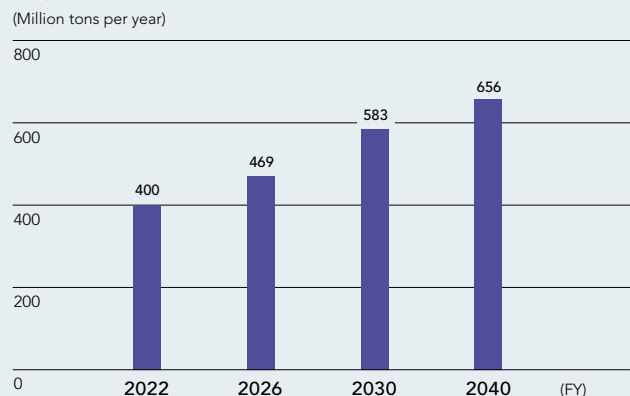
LNG continues to play a major role in the energy transition toward carbon-free. Demand for LNG is expected to peak in the 2040s. We expect demand to remain firm and strong in the medium to long term, given the European Union is switching its energy policy back to natural gas and nuclear power after investing in renewable energy, and long-term (20-year) LNG procurement contracts are being signed in Asia, especially in China. However, there is also a risk of stagnation in cargo movement based major changes in the global economy due to the prolonged war between Russia and Ukraine, as well as deteriorating relations between the United States and China.

We will prioritize the expansion of existing businesses, particularly in Qatar, where we boast our largest business scale. To strengthen our customer base in Malaysia and other emerging regions where we have built a track record, we will enhance our integrated maritime and land support systems. Focusing on long-term, stable projects that are in demand in the LNG business, we aim to capture market share in the future growth markets of China, India, and Southeast Asia.

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



#### Projected Demand for LNG



Source: S&P Global Commodity Insights



LNG Carrier PACIFIC BREEZE



LNG Carrier LAGENDA SURIA

► **Medium-Term Management Plan FY2022**

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
LNG Carrier Business	 <p>Role of driving growth</p>	<ul style="list-style-type: none"> <li>Acquired long-term charter contracts for a total of 12 vessels with QatarEnergy LNG, the state-run energy company of Qatar, which boasts the largest business scale</li> <li>Signed long-term charter contracts for multiple vessels, including two medium-sized vessels that we announced in October 2020, building on our track record in emerging regions, with the Malaysian state-owned energy company PETRONAS Group</li> </ul>	<ul style="list-style-type: none"> <li>In addition to expanding business in Qatar, we will focus on strengthening our customer base in emerging regions where growth looks likely, aiming for growth after the medium-term management plan ends</li> <li>As a part of reinforcing one of “K” LINE’s strengths—integrated customer support combining technology and sales—we have established a new base for ship management in Singapore and stationed maritime technical personnel in China, accelerating our expansion into China, India, and Southeast Asia</li> </ul>

**TOPICS**

**“K” LINE Enters into Long-Term Time Charter with QatarEnergy LNG for Five Newbuilding LNG Vessels**

Through our joint venture companies\*1, we have entered into long-term time charter agreements with QatarEnergy LNG, the state-run energy company in Qatar, for a total of 12 LNG carriers (174,000 m<sup>3</sup> membrane type). At the same time, “K” LINE signed one agreement to build five of these new vessels for Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., in China, and another agreement to build seven new vessels for Hyundai Heavy Industries Co., Ltd., in South Korea. QatarEnergy LNG is one of the world’s largest LNG producers and plans to use these 12 new vessels to transport LNG around the world. The newly built vessels will be equipped with X-DF 2.1 iCER\*2, which will contribute to the reduction of GHG emissions and ease environmental impact by lowering fuel consumption during operations.

\*1 The companies include “K” LINE, together with Nippon Yusen Kabushiki Kaisha, China LNG Shipping (Holdings) Limited, and MISC Berhad, through its wholly owned subsidiary, Portovenere and Lerici (Labuan) Pte Ltd.

\*2 X-DF 2.1 iCER is a low-speed dual-fuel engine with gas at low pressure.

# Energy Resource Transport



## Satoshi Kanamori

Managing Executive Officer  
In charge of LNG, Carbon-Neutral Promotion

Carbon-Neutral Promotion Business

### Overview of Fiscal 2022

In the field of liquefied CO<sub>2</sub> carriers involved in carbon dioxide capture and storage (CCS)—a concept for capturing and storing CO<sub>2</sub> emitted during the use of hydrocarbons excavated from under the ground—“K” LINE has secured a long-term charter contract for the world’s first full-scale commercial transport for CCS that is launching in Europe (the Northern Lights project). Additionally, we have initiated several business feasibility studies for constructing CCS value chains with prominent domestic and international carbon capture and storage companies. The construction of a demonstration ship in Japan is also on schedule for completion by the end of 2023.

In the field of offshore wind power support vessels, Group company “K” Line Wind Service, Ltd. (KWS), has begun to collaborate with major customers and engage in some international projects in addition to wind power projects across Japan, which will ramp up in the late 2020s. In the LNG value chain business, in light of global instability, the advantages of LNG as a transition energy have been reaffirmed. We have engaged in sales activities while being mindful of the synergies with our LNG carrier business.

### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

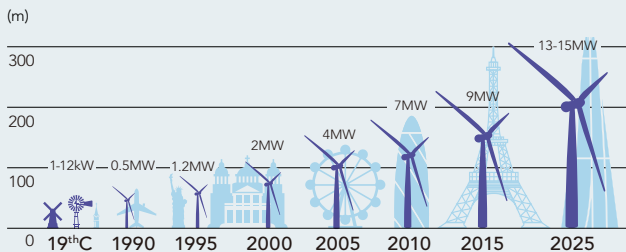
Europe is taking the lead in the field of liquefied CO<sub>2</sub> carriers, and we aim to gain insights and expand our presence through the Northern Lights project, which will begin in 2024. Through commercialization studies with various customers, we aim to expand business in the Asia-Pacific region, including Japan, in the second half of the 2020s. We are also engaged in risk diversification and stable business management by sharing knowledge through partnerships with influential partners.

For offshore wind power support vessels, we aim to achieve profitability at an early stage, and then focus on securing long-term contracts in the O&M phase and strengthening our presence in fields related to floating structures by leveraging Group strengths. Our aim is to grow these support vessels into a stable business.

In the LNG value chain business, we expect solid demand in mainly Southeast Asia. We will make full use of our bases, including Singapore, and diversify our LNG-related businesses.

Both of these businesses align with the priority issues that major customers have identified. Through active partnering to solve these issues, we are keen to share opportunities for growth.

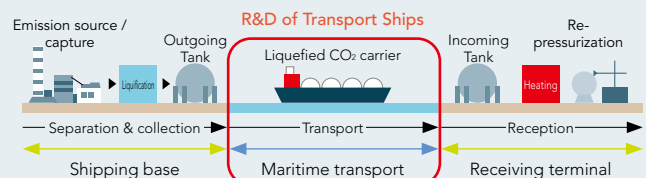
### Evolution of Wind Turbine Heights and Output



Sources: Various; Bloomberg New Energy Finance

### R&D and Demonstration Testing of CO<sub>2</sub> Carriers for CCUS

Since 2021, “K” LINE, along with Nippon Gas Line Co., Ltd., and Ochanomizu University, have been engaged in research and development aimed at the social integration of liquefied CO<sub>2</sub> maritime transport. This R&D effort is associated with publicly funded projects led by the New Energy and Industrial Technology Development Organization (NEDO) at the behest of the Engineering Advancement Association of Japan. Namely, these projects are for “CCUS R&D and Demonstration Related Project / Large-scale CCUS Demonstration in Tomakomai / Demonstration Project on CO<sub>2</sub> Transportation / R&D and Demonstration Project for CO<sub>2</sub> Marine Transportation.” We are responsible for assessing safety and setting technical guidelines for the demonstration vessels during transportation and cargo handling operations.



Note: The above diagram is from Ministry of Economy, Trade and Industry materials.




Offshore support vessel AKATSUKI with wind turbine



Image of the demonstration test ship for LCO<sub>2</sub> transportation  
Mitsubishi Shipbuilding Co., Ltd. (all rights reserved)

► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Carbon-Neutral Promotion Business	 <p>Expansion of new businesses in fields where "K" LINE can utilize its strengths</p>	<ul style="list-style-type: none"> <li>• "K" LINE entered into long-term contracts with Northern Lights for two liquefied CO<sub>2</sub> vessels for the world's first full-scale CCS project</li> <li>• Steady progress has been made on construction of the NEDO demonstration vessel for liquefied CO<sub>2</sub> transport and feasibility studies for CCS projects with key customers and partners</li> <li>• We signed a memorandum of understanding with Penta-Ocean Construction in the field of offshore wind power construction and maintenance through KWS</li> </ul>	<ul style="list-style-type: none"> <li>• Initiatives are underway for expanding the liquefied CO<sub>2</sub> transport business in Europe, commercializing business, and creating high value added in the Asia-Pacific region</li> <li>• In the field of offshore wind power support vessels, we have secured both domestic and international projects, and KWS has launched the support vessel business</li> <li>• We are participating in LNG value chain projects that contribute to value added in the LNG carrier business</li> </ul>

TOPICS

**Partnership in Offshore Wind Power Support Vessel Business  
—Collaboration in Ship Management in Offshore Wind Power Construction and Maintenance Field—**

In August 2022, KWS announced it had signed a memorandum of understanding regarding cooperation with Penta-Ocean Construction, a leader in marine civil engineering and offshore wind power construction. This partnership has been possible thanks to our track record of collaboration with Penta-Ocean Construction through Group company Kawasaki Kinkai Kisen Kaisha Ltd.'s offshore support vessel *KAIKO*, among others. It embodies our policies set out in the current medium-term management plan, while leveraging strengths in existing businesses and exploring new business domains by sharing growth opportunities with customers.

Together, we will contribute to the carbon-free of society by satisfying diverse demand through our network of Group companies, with KWS at the core, involved in offshore support vessels, port cargo handling, and heavy freight transportation in the broad realm of offshore wind power generation.



# Product Logistics



## Takenori Igarashi

Managing Executive Officer

Responsible for Product Logistics Business Unit (Car Carriers)

### Car Carrier Business

#### Overview of Fiscal 2022

Although sales for the global automobile market continued to recover from the impact of COVID-19, production and shipments were adversely affected by shortages of semiconductors and auto parts, supply chain disruptions, higher commodity prices, and rising inflation. Global sales volume decreased 2% year on year, to 78.9 million vehicles, and the marine transportation of automobiles fell 4%, to 14.48 million vehicles.

Tapping into growth markets, the "K" LINE Group transported 3.19 million vehicles, an increase of about 11%, from 2.89 million vehicles in the previous fiscal year. Meanwhile, we continued to improve the efficiency of fleet allocation and operation, while restoring freight rates. As a result of these efforts and initiatives to improve our earnings capacity and cost-competitiveness, both sales and profits increased year on year.

#### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

Automobile sales volume is anticipated to return to pre-pandemic levels around 2024 or 2025, as semiconductor and parts supply constraints have eased up recently in automobile production. We expect sales volume to remain brisk over the medium term, as the world's population expands and economies grow. Maritime transport demand is also likely to rise sharply, driven not only by the recovery in sales volume, but also by a sharp increase in exports from China, despite downside risks, such as an unexpected economic recession or progress toward local production centered on electric vehicles.

On the other hand, the number of newly constructed car carriers will significantly increase in 2024 and 2025. However, supply-demand conditions are likely to remain tight for a while, due to the need for reduced operation speeds resulting from environmental regulations, and the early retirement of older vessels that burn heavy fuel oil. Furthermore, high vessel prices and fuel conversion have raised the hurdle to placing new orders for car carriers. We are closely watching industry trends in new vessel orders.

Under these circumstances, "K" LINE will enhance business competitiveness by maintaining a competitive fleet through measures such as decarbonization, tapping into demand for high & heavy cargo, and upsizing for improved transport efficiency. We will also ensure appropriate flexibility to prepare for future changes in transport demand, thereby achieving both business sustainability and potential for growth.

#### Car Carrier Fleet Ranking

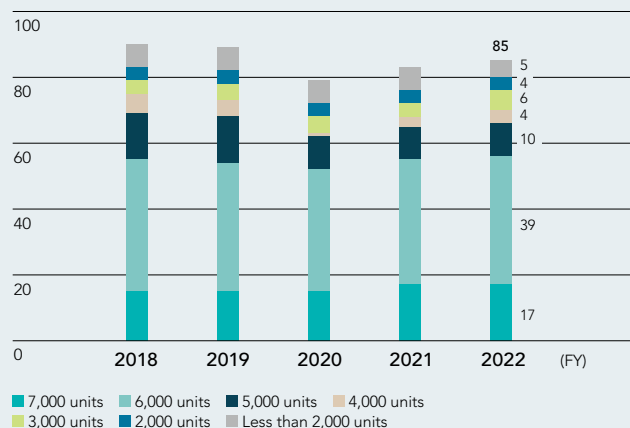
(As of April 2023)

Ranking	Operator	Vessels	Share of vessels	Capacity (RT)	Share of capacity
1	WWO ASA	115	16.9%	776,556	19.2%
2	NYK	104	15.2%	638,106	15.8%
3	MOL	88	12.9%	525,859	13.0%
<b>4</b>	<b>"K" LINE</b>	<b>77</b>	<b>11.3%</b>	<b>462,087</b>	<b>11.4%</b>
5	GLOVIS	75	11.0%	490,630	12.2%
6	Grimaldi	53	7.8%	255,692	6.3%
7	HOEGH	36	5.3%	248,515	6.2%
8	TOYOFUJI	16	2.3%	70,000	1.7%
9	ZIM	14	2.1%	70,070	1.7%
	Others	104	15.2%	500,428	12.4%
	Total	682	100.0%	4,037,943	100.0%

Source: Compiled by "K" LINE, based on Hesses Shipping "AS Year Report"

#### "K" LINE Car Carrier Fleet

(Vessels)



Note: Includes short-term chartered vessels and Group company-operated vessels




LNG-fueled Car Carrier CENTURY HIGHWAY GREEN



Car Carrier POLARIS HIGHWAY

► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Car Carrier Business	 Role of driving growth	<ul style="list-style-type: none"> <li>Met growth in demand and secured transportation capacity for existing OEMs</li> <li>Established stable and efficient transportation structure while updating standard operating procedures (SOP) for BEV transportation</li> <li>Encouraged growth in high &amp; heavy transportation volume by expanding transportation capacity. Transportation volume increased about 12% in fiscal 2022 compared with fiscal 2021</li> </ul>	<ul style="list-style-type: none"> <li>While aligning the size of the fleet with the outlook for transport demand, “K” LINE is strengthening its fleet of LNG-fueled vessels and introducing next-generation zero-emission vessels and new technologies to achieve low-carbon and carbon-free goals. We have already decided to procure and build 10 LNG-fueled vessels from the second half of fiscal 2023 to fiscal 2025</li> <li>By establishing a system that can reliably and efficiently transport BEVs, we can consistently respond to medium- to long-term new cargo demand while maintaining our high-quality transport services</li> <li>We have accumulated expertise by handling a wide range of cargo for more than 20 years, including demand for special types of cargo, and we have also expanded transport volume. We have been actively investing in enhancing our transport equipment. For our new vessel plans, we are considering the development of deck configurations that can accommodate even higher and heavier cargo</li> </ul>

TOPICS

**Reorganization Aimed at Unearthing Customer Demand and Improving Collaboration with Internal Dedicated Environmental Departments**

To enhance environmental responsiveness, the most important issue in the car carrier business, “K” LINE set up a specialized team in August 2022 with the aim of strengthening collaboration with internal dedicated environmental departments for discovering customer demand. This specialized team oversees departmental organizational sales and serves as a liaison function both inside and outside the company. As a pilot model for organizational sales, the team has accumulated experience in even more specialized dialogues by participating in direct negotiations with not only the sales representatives but also the internal dedicated environmental departments, with the cooperation of client manufacturers.

Going forward, as the movement toward decarbonization accelerates in the automobile industry as well as the maritime transportation industry, starting with leading European countries we will require even more technical and specialized knowledge for future dialogues with customers. To that end, we need to make the internal organization function more organically. From April 2023, we are further restructuring the organization with the intention of balancing growth through revenue opportunities in environmental load reduction initiatives with contributions to a low-carbon and carbon-free society.

# Product Logistics



## Keiji Kubo

Managing Executive Officer

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

Logistics and Port Business

### Overview of Fiscal 2022

In the forwarding operation of the international logistics business, transport demand for maritime and air cargo decreased due to a slowdown in consumer spending and a decline in cargo volume as a result of excess inventories in consumer countries from the second half of fiscal 2022. Additionally, market conditions have been in a lull, as disruptions to the logistics supply chain have gradually come to an end. In the automobile logistics business, the number of vehicles in storage and handled for land transport increased year on year, owing to an increase in transportation volume, which is linked to brisk demand for automobiles, and the alleviation of semiconductor and auto parts shortages across the market.

In domestic logistics and port business, there was a year-on-year decrease in demand for container maritime transport and handling volume at our five largest domestic container terminals. In the tugboat business, we worked to improve profitability, while work volume remained strong for containerships and car carriers. Handling volume in the warehouse business remained strong, as we drew in new customers while maintaining existing ones.

### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

In the forwarding operation of the international logistics business, the decline in cargo volume since the second half of 2022 has affected the supply-demand balance in the containership market, triggering a decline in market freight rates. In the medium term, market conditions should improve as inventories are gradually cleared and cargo volume increases.

Our strategic direction for the logistics business, based on the medium-term management plan, is to refine our earning power by steadily increasing profitability and enhancing functionality in the logistics realm, centered on maritime transport. Additionally, as customer needs change in the future, we will reinforce our network function in response to these changing needs.

In the domestic logistics and port business, in order to improve profitability, we have decided to relocate the Kobe Port container terminal to prepare for the acceptance of larger ships. As part of our environmental initiatives, we are also adopting near-zero-emission rubber-tired gantry cranes (RTGs) at the Tokyo Port container terminal, which are more fuel-efficient than the existing hybrid types.

### ► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Logistics and Port Business	<p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>• Clarified policy to optimize logistics business portfolio; endeavored to improve Group's corporate value from two perspectives: profitability and functionality</li> <li>• Set up a working group with Kawasaki Kinkai Kisen Kaisha Ltd. and aimed to create synergies within the Group through environment and DX initiatives and operational streamlining</li> <li>• In the port business, aimed to optimize port management and prepare a system for receiving large ships, while expanding Group revenues</li> </ul>	<ul style="list-style-type: none"> <li>• In the logistics business, we aim to achieve the best portfolio that combines both profitability and functionality by assessing the future prospects of each business and implementing necessary actions</li> <li>• We will execute the various plans of the working group with Kawasaki Kinkai Kisen Kaisha Ltd. In addition, we aim to enhance corporate value across the Group by deepening collaboration among all affiliated companies</li> <li>• In the port business, we aim to maximize earnings through the rationalization of management at each port, while also advancing environmental measures with an eye on decarbonization</li> </ul>



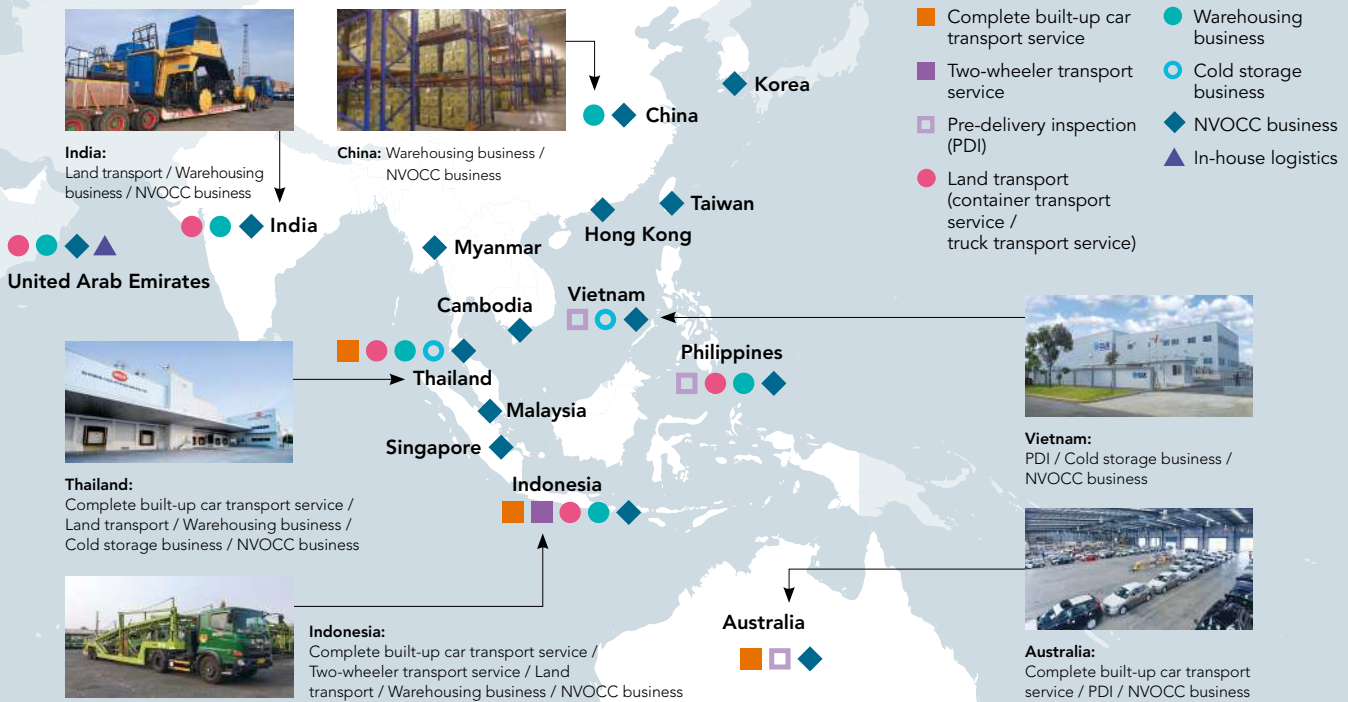
Trucks operated by a Group company in Thailand



Cold storage facility in Bangkok

At the Vanguard of Value Creation

► The Group's Locally Oriented Comprehensive Logistics Services in Asia



TOPICS

Relocation to High-Spec Container Terminal in Kobe Port

"K" LINE currently uses the Port of Kobe Rokko Island RC4-5 container terminals leased from Kobe-Osaka International Port Corporation. Talks with Kobe-Osaka International Port Corporation and Mitsui O.S.K. Lines have resulted in the conclusion of a basic written agreement on the relocation from the RC4-5 container terminals to PC14-17 container terminals, among the PC13-17 container terminals of the southern pier in the Port of Kobe Port Island (Stage 2) area, which is currently undergoing construction for expansion and functional reinforcement. We are coordinating the timing of the relocation with the parties involved by the end of fiscal 2025, at which time the construction will be completed. The relocation will enhance the specifications of the terminals, thereby providing an environment where large container ships can be accepted at the Kobe Port. With the relocation, we intend to offer shipping companies and customers more flexibility for berth arrangements and for more convenience with transship containers.



# Product Logistics



## Keiji Kubo

Managing Executive Officer

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

Short Sea and Coastal Business

Containership Business

### Overview of Fiscal 2022

#### Short Sea and Coastal Business

In fiscal 2022, Japan's economy experienced moderate growth due to factors such as rising raw material and energy prices stemming from the Russia-Ukraine war.

In the short sea business, transportation volume for Russian coal significantly decreased compared with the previous year, while transportation volumes for steel products and biomass fuels remained robust. Although market conditions peaked around March 2022 and then gradually declined, conditions remained favorable.

In the coastal business, the easing of movement restrictions in the wake of the COVID-19 pandemic led to a significant recovery in the number of passenger cars and travelers. On the other hand, the volume of freight transportation remained roughly on par with the previous year.

In the offshore support vessel (OSV) business, the operating rate exceeded that of the previous year, reflecting an increase in salvage operations.

### Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

#### Short Sea and Coastal Business

In the short sea business, "K" LINE has been exposed to a downturn in market conditions. However, we will continue to strengthen our sales organization to capture robust demand for biomass fuel transportation, monitor changes in demand trends due to stricter environmental regulations, maintain the fleet, and aim to expand our commercial rights.

In the coastal business, while cargo movement looks weak due to rising prices, "K" LINE will concentrate on improving earnings by raising freight rates with the understanding of customers and cargo owners in order to counter increasing operations costs, especially personnel costs. Additionally, we will encourage a modal shift to coastal maritime transportation in Japan, as environmental and labor regulations are tightened in the logistics sector (known as the 2024 problem).

In the OSV business, in addition to our existing operations, we will conduct sales activities aimed at winning new contracts, such as CCS transportation and survey and support services for offshore wind power generation projects through "K" Line Wind Service, Ltd. (KWS).

### ► Medium-Term Management Plan FY2022

	Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
Short Sea and Coastal Business	<p>Role of contributing by enhancing profitability</p>	<ul style="list-style-type: none"> <li>Decided to launch two 40-type bulkers for biomass projects, replacing 13-type general cargo ship in March 2023</li> <li>Increased capital investment in KWS, to advance offshore support vessel operations</li> </ul>	<ul style="list-style-type: none"> <li>In the short sea business, in addition to existing operations, aim to expand businesses while continuing to maintain fleet optimization and monitor changes in demand as environmental regulations are tightened</li> <li>In the coastal business, encourage modal shift to domestic coastal maritime transportation amid strict environmental and labor regulations in Japan</li> <li>In the OSV business, in addition to existing operations, undertake vessel support operations for offshore wind power generation projects through KWS</li> </ul>

### TOPICS

#### Initiatives in Safety, Environment, and Quality in Short Sea and Coastal Business

In terms of business development related to the environment, "K" LINE has invested in the biomass power generation business. Additionally, for our efforts toward CO<sub>2</sub> reduction in domestic transportation, for two consecutive years we have received the Logistic Environment Award from the Japan Association for Logistics and Transport. To address social issues, such as labor shortages and lightening labor burdens, we are participating in the Nippon Foundation's autonomous ship navigation project MEGURI 2040. Furthermore, we operate the KUNIKI 68, a next-generation cargo ship that was developed with the aim of improving labor conditions for crew while reducing GHG emissions, based on the concept of an energy-conserving ship conceived in conjunction with the Ministry of Land, Infrastructure, Transport and Tourism as a part of the Ministry of the Environment's Fiscal 2022 Regional Revitalization and Cross-Sector Carbon Neutral Technology Development and Demonstration Project.





Ferry operated by Kawasaki Kinkai Kisen Kaisha, Ltd.



Container ship ONE INNOVATION

## Overview of Fiscal 2022

### Containership Business

In the first half of the year, Ocean Network Express (ONE) was adversely affected by factors including the lockdown in Shanghai due to the spread of COVID-19. However, cargo demand remained strong.

Additionally, supply chain disruptions persisted worldwide, and freight rates remained at high levels, resulting in favorable earnings.


In the second half, as supply chains normalized, supply volumes recovered. However, alongside a buildup of inventories, primarily in Europe and the United States, consumers became less inclined to spend due to inflation and rising interest rates. ONE made efforts to save costs, such as reducing services in tandem with declining demand. Although cargo movement lacked vigor and freight rates decreased, ONE's overall earnings for the year were good, backed by the favorable conditions in the first half.

## Market Outlook and Strategic Direction Based on the Medium-Term Management Plan

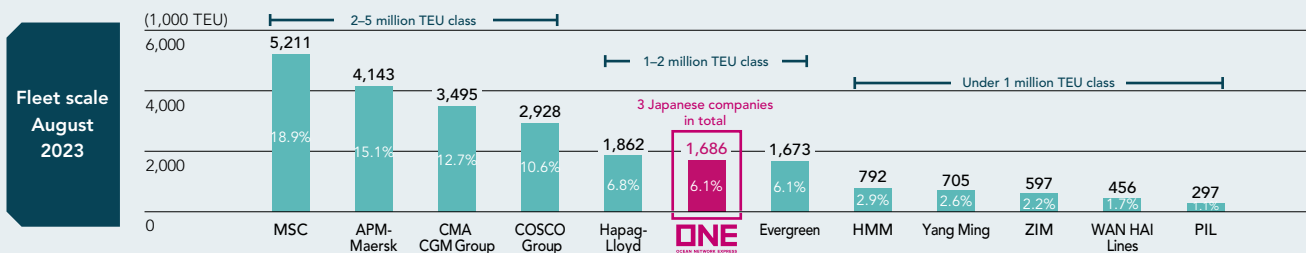
### Containership Business

Even after the COVID-19 pandemic quieted down, containership demand has been fluctuating significantly due to the lingering effects of global supply chain disruptions, changes in consumer behavior from goods to experiences, and shifts in trade patterns due to rising international tensions. The importance of fleet optimization and innovations in operational technology through digitalization is also increasing, as we enter a transition period toward decarbonization. For ONE to continue meeting demand for transportation from its customers, we must continue to respond appropriately to the ever-changing business environment and operate the business with a focus on safety in navigation and sustainability.

## ► Medium-Term Management Plan FY2022

Category	Progress in 2022 based on five roles in management plan	Plan for 2023 onward based on five roles in management plan
<b>Containership Business</b>  Role of supporting the business as a shareholder and stabilizing the earnings base	<ul style="list-style-type: none"> <li>ONE demonstrated industry-leading competitiveness in a favorable business environment, enhancing our corporate value</li> <li>We upgraded large vessels to excel in terms of both environmental responsiveness and economic efficiency</li> <li>For ONE to grow, we continued to provide human resource support in both management and operations</li> </ul>	<ul style="list-style-type: none"> <li>ONE is leading the industry in decarbonization goals and continues to implement measures aimed at achieving net-zero emissions by 2050</li> <li>To sustain growth and enhance competitiveness, we are steadily executing investments in ships and containers in line with growth in cargo demand and alternative demand</li> <li>We are expanding e-commerce, including ONE QUOTE, and investing in digitalization to improve customer satisfaction and operational efficiency</li> </ul>

## Containership Fleet Scale



Source: Compiled by "K" LINE, based on Alphaliner

# 11-Year Financial Data

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

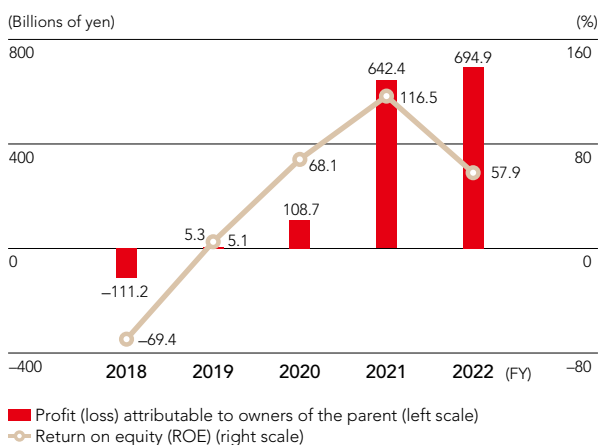
## Evolution of the Medium-Term Management Plans

“K” LINE Vision 100 “Synergy for All and Sustainable Growth”

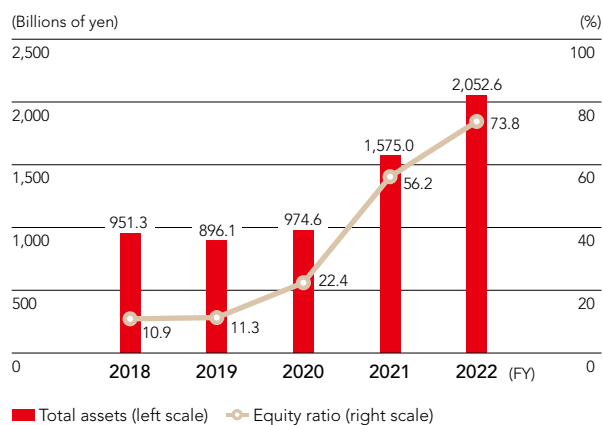
Bridge to the Future

		FY2012	FY2013	FY2014	FY2015
<b>Operating results (for the year)</b>	Operating revenues	¥1,134,771	¥1,224,126	¥1,352,421	¥1,243,932
	Operating income	14,886	28,854	47,988	9,427
	Ordinary income*4	28,589	32,454	48,980	3,338
	Profit attributable to owners of the parent	10,669	16,642	26,818	(51,499)
<b>Financial position (at year-end)</b>	Total assets	1,180,433	1,254,741	1,223,328	1,115,223
	Net assets	361,975	410,688	467,440	379,913
	Equity capital	340,571	388,837	441,531	355,375
	Interest-bearing liabilities	629,864	643,794	536,846	525,152
	Capital expenditures	134,554	93,377	89,501	116,592
	Depreciation and amortization	59,667	52,243	53,526	48,302
	Cash flows from operating activities	59,756	88,228	101,825	39,635
	Cash flows from investing activities	(27,212)	(5,113)	(11,177)	(29,569)
	Free cash flows	32,544	83,115	90,648	10,066
	Cash flows from financing activities	26,364	(26,634)	(119,253)	(14,835)
<b>Per share data*3</b>	Profit attributable to owners of the parent (¥)	40	59	95	(183)
	Net assets (¥)	1,211	1,382	1,570	1,264
	Cash dividends applicable to the year (¥)	8	15	28	17
	Dividend payout ratio (%)	20.7	25.4	29.7	—
<b>Management index</b>	Return on equity (ROE) (%)	3.7	4.6	6.5	(12.9)
	Return on assets (ROA) (%)	2.5	2.7	4.0	0.3
	Debt equity ratio (DER) (Times)	1.85	1.66	1.22	1.48
	Equity ratio (%)	28.9	31.0	36.1	31.9
<b>Average during the period</b>	Exchange rate (¥ / US\$)	82	100	109	121
	Fuel oil price (US\$ / ton)	671	626	541	295
<b>Consolidated business data</b>	Vessels in operation*4	566	583	584	575

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



## Total Assets, Equity Ratio



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

\*1 Rounded down to the nearest million yen.

**K Value for our Next Century**

—Action  
for Future—

Revival for Greater Strides

FY2020  
Management Plan  
in Fiscal Year

FY2021  
Management Plan  
in Fiscal Year

FY2022  
Management Plan  
in Fiscal Year

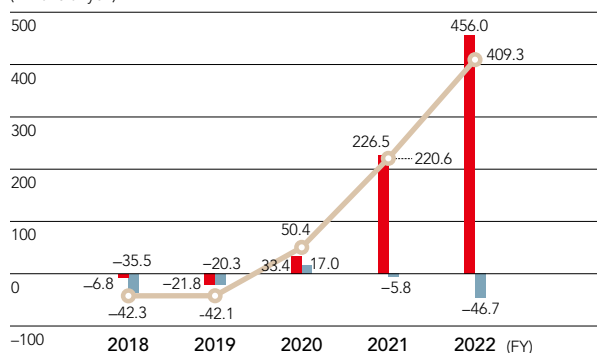
(Millions of yen)\*1

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
¥1,030,191	¥1,162,025	¥836,731	¥735,284	¥625,486	¥756,983	<b>¥942,606</b>
(46,037)	7,219	(24,736)	6,840	(21,286)	17,663	<b>78,857</b>
(52,388)	1,962	(48,933)	7,407	89,498	657,504	<b>690,839</b>
(139,478)	10,384	(111,188)	5,269	108,695	642,424	<b>694,904</b>
1,045,209	1,036,886*2	951,261	896,081	974,608	1,574,960	<b>2,052,616</b>
245,482	243,094	181,233	200,234	316,162	984,882	<b>1,546,679</b>
219,484	217,010	103,576	101,095	218,193	884,634	<b>1,515,399</b>
550,512	570,584	550,211	543,451	507,005	423,455	<b>351,692</b>
68,048	101,105	97,911	81,148	45,332	43,442	<b>71,827</b>
47,421	43,410	40,789	44,253	43,869	42,821	<b>42,396</b>
(43,919)	1,167	(6,808)	(21,797)	33,397	226,460	<b>456,049</b>
(24,881)	(22,813)	(35,493)	(20,286)	16,987	(5,848)	<b>(46,745)</b>
(68,801)	(21,646)	(42,303)	(42,083)	50,384	220,611	<b>409,304</b>
26,436	22,239	19,290	16,731	(34,845)	(116,001)	<b>(300,790)</b>
(496)	37	(397)	19	388	2,296	<b>2,571</b>
781	776	370	361	780	3,161	<b>6,128</b>
—	—	—	—	—	200	<b>400</b>
—	—	—	—	—	8.7	<b>15.6</b>
(48.5)	4.8	(69.4)	5.1	68.1	116.5	<b>57.9</b>
(4.8)	0.2*2	(4.9)	0.8	9.6	51.6	<b>38.1</b>
2.51	2.63	5.31	5.38	2.32	0.48	<b>0.23</b>
21.0	20.9	10.9	11.3	22.4	56.2	<b>73.8</b>
109	111	111	109	106	112	<b>135</b>
265	349	450	467	363	551	<b>769</b>
560	554	520	468	442	434	<b>434</b>

Corporate Data

**Cash Flows**

(Billions of yen)

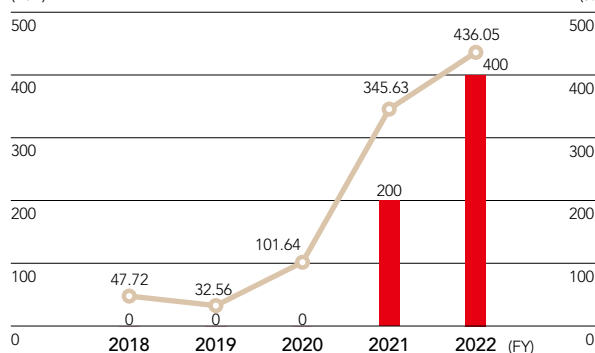


■ Cash flows from operating activities  
■ Cash flows from investing activities —○— Free cash flows

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

(Yen)

(%)



■ Dividends per share (left scale) —○— Total shareholder return (right scale)

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

\*3 Adjusted to reflect the October 1, 2017, common stock consolidation (10 to 1) and October 1, 2022, stock split (1 to 3) (rounded to the nearest yen).

\*4 Includes project-use vessels owned by special purpose companies (SPCs).

# ESG Data Summary

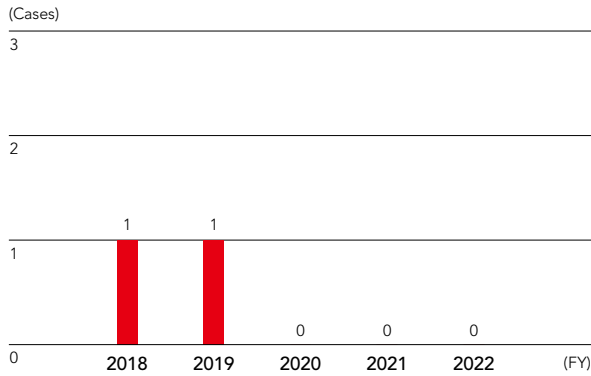
		FY2018	FY2019	FY2020	FY2021	FY2022	
<b>Human Resource Data</b>	Consolidated employees	6,022	6,164	6,080	5,158	<b>4,918</b>	
	Unconsolidated employees	756	767	769	794	<b>804</b>	
	On land	552	562	565	585	<b>597</b>	
	At sea	204	205	204	209	<b>207</b>	
	Women (%)	25.8	25.7	25.9	27.5	<b>29.10</b>	
	Persons with disabilities (%)	2.05	1.96	1.82	2.09	<b>1.71</b>	
	Industrial accidents On land	0	0	0	0	<b>0</b>	
	Industrial accidents At sea	1	0	0	0	<b>1</b>	
<b>Management*1</b>	Directors	9	10	10	10	<b>9</b>	
	Outside directors	3	4	4	4	<b>4</b>	
	Audit & Supervisory Board members	3	4	4	4	<b>4</b>	
	Outside Audit & Supervisory Board members	2	2	2	2	<b>2</b>	
<b>CO<sub>2</sub> Emissions of "K" LINE Group*2</b>	Scope 1 (thousands of tons)	12,536	10,325	9,203	6,583	<b>6,650</b>	
	Scope 2 (thousands of tons)	Location basis	27	26	25	14	<b>12</b>
		Market basis	23	26	22	14	<b>10</b>
	Scope 3 (thousands of tons)	1,424	1,305	1,220	4,566	<b>4,506</b>	
<b>Environmental Data for "K" LINE's Vessels*3</b>	Fuel oil	3,824	3,140	2,809	1,981	<b>1,924</b>	
	CO <sub>2</sub> emissions (thousands of tons)	11,932	9,800	8,762	6,175	<b>5,997</b>	
	SOx emissions (thousands of tons)	188	130	36	30	<b>29</b>	
	NOx emissions (thousands of tons)	262	203	181	118	<b>118</b>	
<b>Environmental Data per Transportation Unit for "K" LINE's Vessels*3</b>	Input of energy	Fuel oil (g / ton-mile)	1.65	1.51	1.39	1.31	<b>1.34</b>
		Lub. oil (g / ton-mile)	0.014	0.013	0.012	0.012	<b>0.012</b>
	Volume of CO <sub>2</sub> emissions (gram-CO <sub>2</sub> /ton-mile)	All types of vessels	5.32	4.82	4.49	4.10	<b>4.20</b>
	Volume of SOx emissions (gram-SOX/ton-mile)	All types of vessels	0.08	0.067	0.022	0.02	<b>0.02</b>
	Volume of NOx emissions (gram-NOX/ton-mile)	All types of vessels	0.112	0.097	0.089	0.078	<b>0.082</b>
<b>Training</b>	Cost of training per employee (¥)	Onshore	100,000	58,000	63,107	107,000	<b>97,092</b>
		Seafarer	359,804	283,794	198,652	154,664	<b>263,880</b>
	Average training per employee (Days)	Onshore	10	10	10	0.5	<b>3.4</b>
		Seafarer	23	19	9	8	<b>12</b>
	Average training per employee (Hours)	Onshore	50	50	50	13	<b>24.1</b>
		Seafarer	184	152	73	64	<b>96</b>

\*1 For Kawasaki Kisen Kaisha, Ltd.

\*2 The scope of data aggregation has been revised from 2021. Vessels not under our operations are excluded from Scope 1 calculations. Container vessels are included in Scope 3. In 2022, we reported 348 tons of biogenic CO<sub>2</sub> emissions from biofuel categorized in Outside of Scopes. Figures are calculated on a calendar-year basis.

\*3 The scope of calculation changed in 2021, removing the Company's non-operating vessels from the scope of calculation. Figures are calculated on a calendar-year basis.

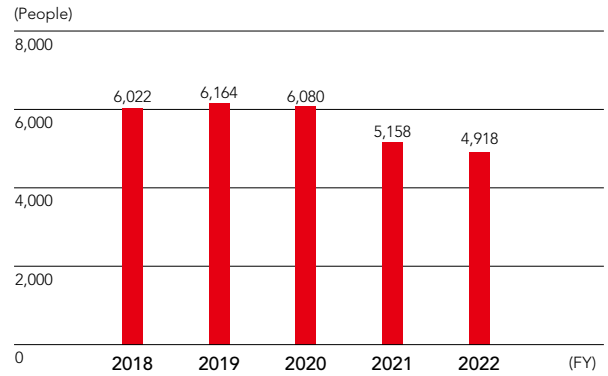
### Number of Major Accidents\*



Safety in navigation and cargo operations is an immutable mission in running a shipping business. 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.

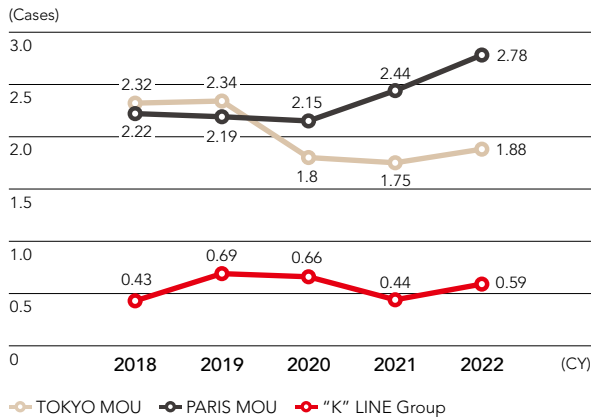
\* The scope of calculation is "K" LINE's scope of consolidation, which corresponds to 100% of sales.

### 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.

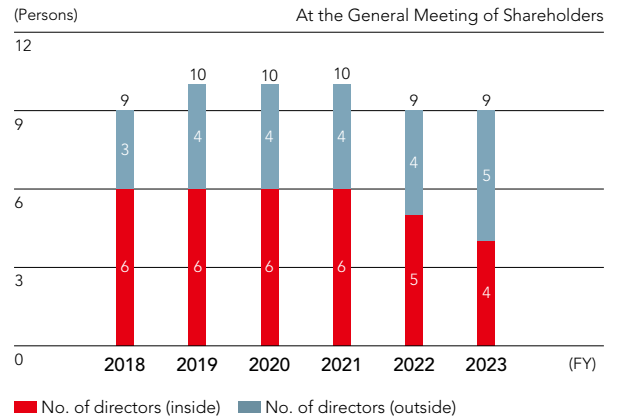
### Average Deficiencies per Port State Controls (PSCs)



Port State Control (PSC) is a safety inspection of foreign ships conducted by port states to verify that the condition of the ship complies with the requirements of international regulations. The number of deficiencies with "K" LINE Group vessels per PSCs is well below the average number of deficiencies in the main regions.

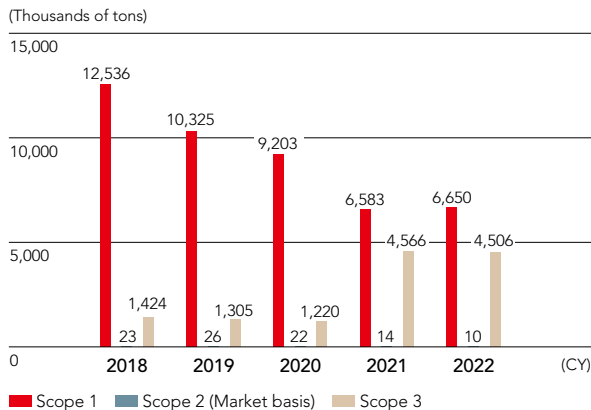
\* TOKYO MOU: PSC organization in Asia-Pacific region  
 \* PARIS MOU: PSC organization in European and North Atlantic region

### Board of Directors (Inside and Outside)



In fiscal 2023, the composition of the Board of Directors was reviewed with the intention of enhancing the Board of Directors' supervisory functions for business execution. Outside directors form a majority on the Board of Directors. Based on identified materialities, the skill matrix of the Board of Directors was reviewed to ensure diversity.

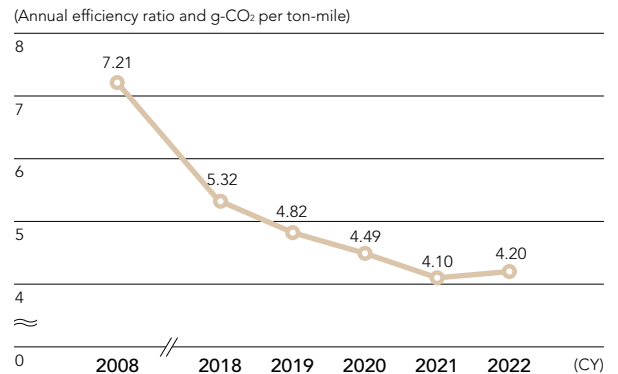
### Greenhouse Gas (GHG) Emissions\* (Scopes 1, 2, 3)



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

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

### Greenhouse Gas (GHG) Emissions per Deadweight Ton-Mile



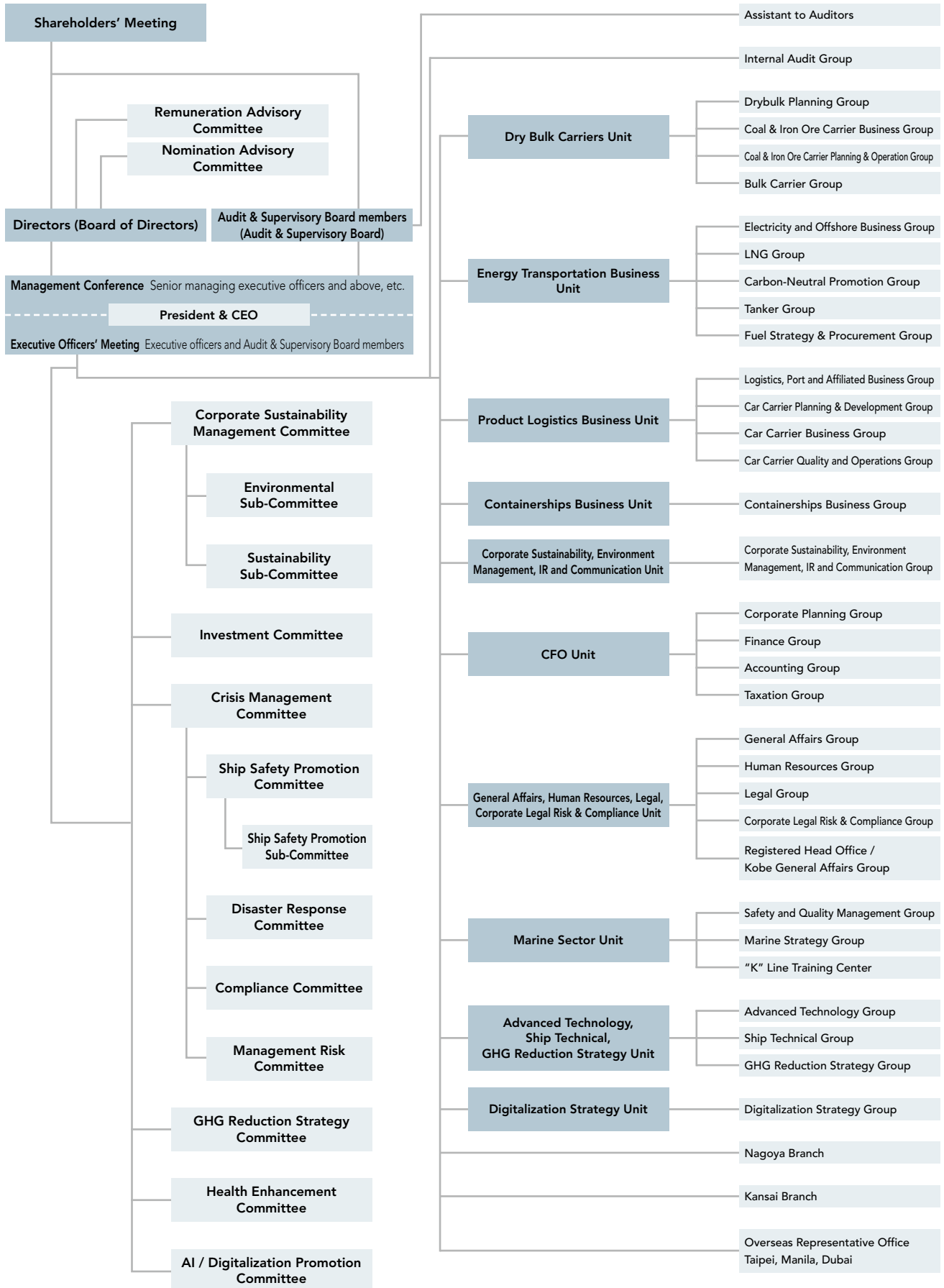
In 2020, we formulated a revised version of "K" LINE Environmental Vision 2050. We have aligned our CO<sub>2</sub> emission efficiency indicators with the targets of the International Maritime Organization (IMO) by setting 2008 as a base year and calculating AER.\* The scope of aggregation has been revised from 2021. Vessels not under our operations are excluded. In 2022, our GHG emissions per deadweight ton-mile were 41.7% lower than those of 2008.

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



# Organization

(As of July 1, 2023)



# Global Network



## Japan

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

## Europe

**U.K.**  
London  
Southampton

**Germany**  
Bremen  
Bremerhaven  
Hamburg

**Belgium**  
Antwerp

## Africa

**South Africa**  
Durban

## Middle East

**United Arab Emirates**  
Dubai

## Asia

**India**  
Mumbai

**Indonesia**  
Jakarta

**Korea**  
Seoul

**Taiwan**  
Kaohsiung  
Taipei

**Singapore**  
Singapore

**Thailand**  
Bangkok  
Laem Chabang

## China

Shanghai  
Tianjin

**Philippines**  
Manila

**Vietnam**  
Haiphong  
Hanoi  
Ho Chi Minh City

**Malaysia**  
Shah Alam

## Oceania

**Australia**  
Melbourne

## North America

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

## Central and South America

**Chile**  
Santiago

**Brazil**  
Sao Paulo

**Peru**  
Lima

**Mexico**  
Mexico City

# Major Subsidiaries and Affiliates

(As of March 31, 2023)

Domestic	Company name	"K" LINE's ownership (%) <sup>*3</sup>	Paid-in capital (millions of yen) <sup>*3</sup>	Fiscal 2022 revenue (millions of yen) <sup>*3</sup>
Marine transportation	Kawasaki Kinkai Kisen Kaisha, Ltd.	100.0	2,368	49,781
	Asahi Kisen Kaisha, Ltd.	100.0	100	113
	★ Shibaura Kaiun Co., Ltd.	100.0	20	705
Ship management	"K" Line Marine Solutions Co., Ltd.	100.0	10	681
	"K" Line RoRo Bulk Ship Management Co., Ltd.	100.0	400	46,511
Harbor transportation / Warehousing	Daito Corporation <sup>*4</sup>	100.0	842	25,519
	Nitto Total Logistics Ltd. <sup>*4</sup>	100.0	1,596	14,711
	Hokkai Transportation Co., Ltd.	80.1	60	12,430
	Seagate Corporation <sup>*4</sup>	100.0	270	7,387
	Nitto Tugboat Co., Ltd.	100.0	150	4,010
	★ Rinko Corporation	25.1	1,950	10,357
	KLKG Holdings, Co., Ltd.	51.0	10	1,775
Logistics	"K" Line Logistics, Ltd.	96.0	600	33,391
Land transportation	Japan Express Transportation Co., Ltd.	100.0	100	3,056
	Shinto Rikuun Kaisha, Ltd.	100.0	10	650
	Maizuru Kousoku Yusou Co., Ltd.	100.0	25	843
Travel business	"K" Line Travel, Ltd.	100.0	100	431
Holding company	★ Ocean Network Express Holdings, Ltd.	31.0	50	477
Other business	"K" Line Business Systems, Ltd.	100.0	40	1,044
	KMDS Co., Ltd.	100.0	40	1,344
	"K" Line Business Support, Ltd.	100.0	30	662
	Offshore Operation Co., Ltd.	72.1	26	1,417
	K Line Next Century GK	100.0	0	0

Overseas	Company name	"K" LINE's ownership (%) <sup>*3</sup>	Paid-in capital (millions of yen) <sup>*3</sup>	Fiscal 2022 revenue (millions of yen) <sup>*3</sup>
Marine transportation	"K" Line Pte Ltd	100.0	US\$41	US\$273
	"K" Line Bulk Shipping (UK) Limited	100.0	US\$33	US\$98
	"K" Line LNG Shipping (UK) Limited	100.0	US\$35	US\$82
	"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR115
	'K' Line (India) Shipping Private Limited	80.0	INR609	INR694
	★ Northern LNG Transport Co., I Ltd.	49.0	US\$47	US\$23
	★ Northern LNG Transport Co., II Ltd.	36.0	US\$52	US\$23
	★ Ocean Network Express Pte. Ltd. <sup>*5</sup>	—	US\$3,000	US\$29,218
Shipping agency	"K" Line America, Inc.	100.0	US\$15	US\$15
	"K" Line (Australia) Pty Limited	100.0	A\$0.0001	A\$5
	"K" Line (Belgium) N.V.	51.0	EUR0.06	EUR1
	"K" Line Brasil Transportes Maritimos Ltda.	100.0	BRL1	BRL10
	K Line (China) Ltd.	100.0	CNY9	CNY37
	"K" Line Chile Ltda	100.0	US\$0.6	US\$9
	"K" Line (Deutschland) GmbH	100.0	EUR0.1	EUR8
	"K" Line (Europe) Limited	100.0	£0.01	£2

Overseas	Company name	"K" LINE's ownership (%) <sup>*3</sup>	Paid-in capital (millions of yen) <sup>*3</sup>	Fiscal 2022 revenue (millions of yen) <sup>*3</sup>
	"K" Line (Korea) Ltd.	100.0	KRW400	KRW15,023
	"K" Line Maritime (Malaysia) Sdn. Bhd.	100.0	MYR0.3	MYR1
	K Line Mexico SA de CV	100.0	MXN0.8	US\$4
	"K" Line Peru S.A.C.	100.0	PEN1	PEN3
	"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR9
	"K" Line (Taiwan) Ltd.	60.0	NT\$60	NT\$276
	K Line (Thailand) Ltd.	81.7	THB30	THB2,446
	"K" Line (Vietnam) Limited	100.0	VND8,055	VND15,608
	PT. K Line Indonesia	49.0	IDR2,557	IDR47,252
	★ 'K' Line (India) Private Limited	50.0	INR60	INR669
<b>Ship management</b>	"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	US\$0.5	US\$73
	K Marine Ship Management Pte. Ltd.	100.0	US\$4.0	US\$44
<b>Logistics</b>	"K" Line Logistics (Hong Kong) Ltd.	100.0	HK\$8	HK\$119
	"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S\$1	S\$35
	K Line Logistics South East Asia Ltd.	99.9	THB73	THB28
	K Line Logistics (Thailand) Ltd.	86.5	THB20	THB1,495
	"K" Line Logistics (UK) Ltd.	100.0	£0.2	£7
	"K" Line Logistics (U.S.A.) Inc.	100.0	US\$0.3	US\$117
<b>Container repairing</b>	Bridge Chassis Supply LLC.	100.0	US\$7	US\$0
<b>Holding company</b>	Kawasaki (Australia) Pty. Ltd.	100.0	A\$4	A\$7
	"K" Line Holding (Europe) Limited	100.0	£45	£0
	"K" Line Drilling/Offshore Holding, INC.	100.0	US\$0.001	US\$0
<b>Other business</b>	★ "K" Line Auto Logistics Pty Ltd.	50.0	A\$67	A\$1

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

\*2 Includes holdings of subsidiaries.

\*3 Rounded down to the nearest million.

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

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

★ Subsidiaries and affiliates accounted for by the equity method.

¥: Japanese yen

US\$: United States dollars

EUR: Euro

INR: Indian rupee

A\$: Australian dollars

BRL: Brazil real

CNY: Chinese renminbi

£: Pounds sterling

KRW: Korean won

MYR: Malaysian ringgit

MXN: Mexican peso

PEN: Peruvian SOL

ZAR: South African rand

NT\$: New Taiwan dollars

THB: Thai baht

VND: Vietnamese dong

IDR: Indonesian rupiah

HK\$: Hong Kong dollars

S\$: Singapore dollars

# Outline of the Company / Stock Information

## Outline of the Company

(As of June 30, 2023)

<b>Name</b>	Kawasaki Kisen Kaisha, Ltd. ("K" LINE)						
<b>Established</b>	April 5, 1919						
<b>Paid-in capital</b>	¥75,457.64 million						
<b>President</b>	Yukikazu Myochin (Effective from April 1, 2019)						
<b>Employees</b>	On-land duty 643 At-sea duty 209 Unconsolidated total 852 Consolidated total 5,480						
<b>Business lines</b>	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land, and air transportation, Harbor transportation, etc.						
<b>Offices</b>	<table border="0"> <tr> <td><b>Head office</b></td> <td>Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001</td> </tr> <tr> <td><b>Registered head office</b></td> <td>Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676</td> </tr> <tr> <td><b>Branches</b></td> <td> <p>Nagoya Nagoya International Center Building, 47-1, Nagoya 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585</p> <p>Kansai Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676</p> </td> </tr> </table>	<b>Head office</b>	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001	<b>Registered head office</b>	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676	<b>Branches</b>	<p>Nagoya Nagoya International Center Building, 47-1, Nagoya 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585</p> <p>Kansai Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676</p>
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<b>Overseas representative offices</b>	Taipei, Manila, Dubai						
<b>Overseas agents</b>	Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, Belgium, U.S.A., Mexico, Peru, Chile, Brazil, South Africa						
<b>Affiliated companies (to be consolidated)</b>	27 (domestic), 257 (overseas)						

## Stock Information

(As of March 31, 2023)

<b>Authorized</b>	600,000,000 shares of common stock
<b>Issued</b>	250,712,389 shares of common stock
<b>Number of shareholders</b>	70,640
<b>Shareholder registry administrator</b>	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
<b>Listing of shares</b>	Tokyo Stock Exchange (Prime Market)

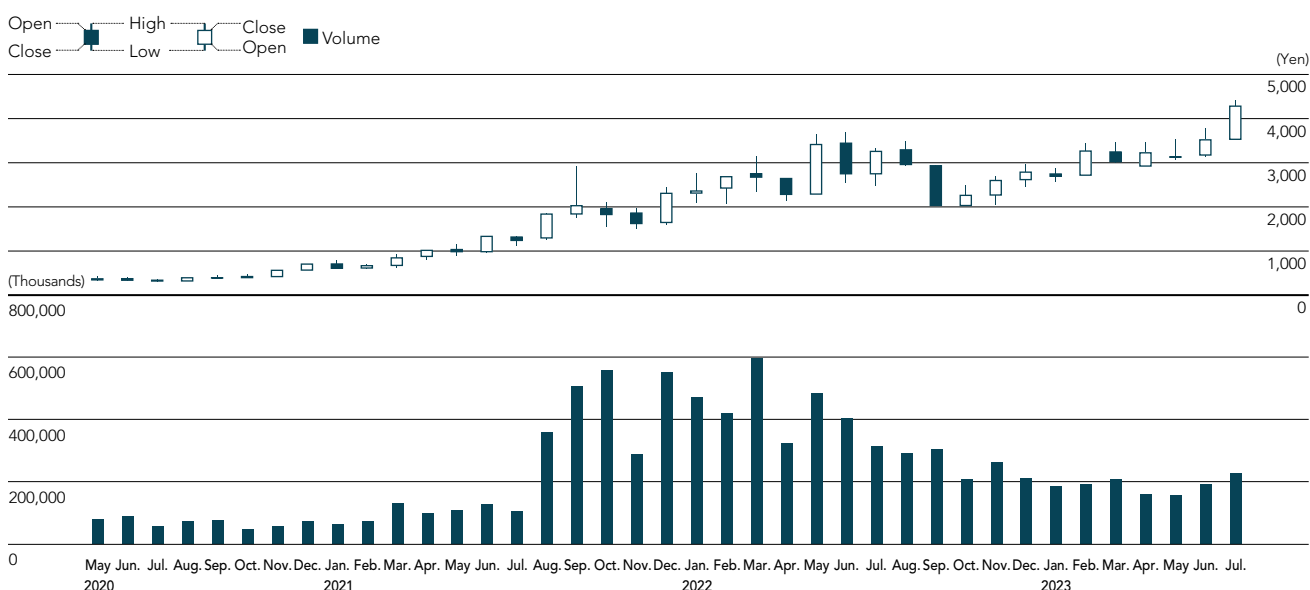
## Major Shareholders

(As of March 31, 2023)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
ECM MF	32,149	12.92
The Master Trust Bank of Japan, Ltd. (trust account)	24,296	9.77
GOLDMAN SACHS INTERNATIONAL	17,892	7.19
MLI FOR SEGREGATED PB CLIENT	16,954	6.81
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	15,300	6.15
CGML PB CLIENT ACCOUNT/COLLATERAL	14,125	5.68
IMABARI SHIPBUILDING CO., LTD.	7,062	2.84
Custody Bank of Japan, Ltd. (trust account)	5,937	2.38
Mizuho Bank, Ltd.	4,911	1.97
Sompo Japan Insurance Inc.	4,405	1.77

Note: Figures for share ownership breakdown do not include treasury stock (2,068,542 shares).

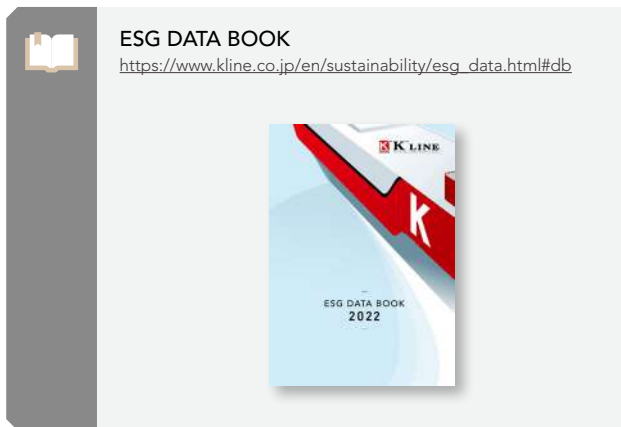
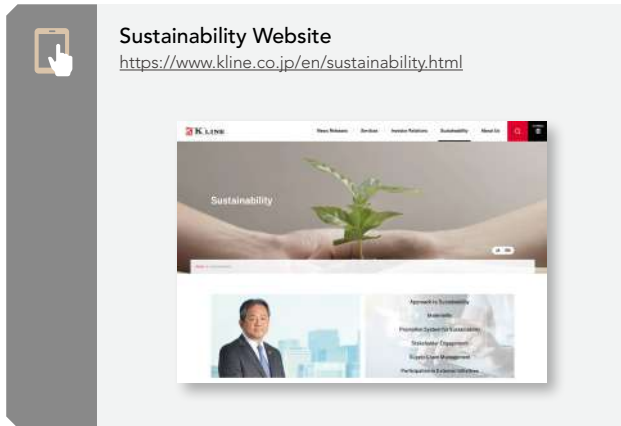
## Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Note: On October 1, 2022, "K" LINE conducted a 3-for-1 common stock split. Stock prices and trading volumes prior to this date have been adjusted to post-split values.



## "K" LINE's Website



## External Recognition

Our sustainability and ESG initiatives have been highly praised by external entities. "K" LINE has been selected as a constituent of major ESG investment indices all over the world, and has been recognized with various awards.

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

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





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