



# C. Management Plan C-1 : Positioning of Management Plan

This plan begins in FY2020 and maps "K" Line Group's direction through the mid-2020s or even beyond

The plan assumes that the business environment surrounding "K" Line will change dramatically, including factors related to the novel coronavirus (COVID-19) crisis; the plan, therefore, includes specific business policies and initiatives to cope with current challenges, as well as financial forecasts, for the first two years of the plan (FY2020 and FY2021)

- For FY2022 and beyond, financial targets have been set for mid-2020s and the end of the 2020s
- Future financial targets will be revised annually moving forward



- C-2 : Review of Previous Medium-term Management plan "Revival for Greater Strides"
- Rebuilding Portfolio Strategy
- Advancement of Management and Function-specific Strategies
- ESG Initiatives •-----
- Return to profit in three years from FY2017
- ROA (ordinary income) in stable •------ ( income businesses
- Ratio of Shareholders' equity

Dividend Policy •-----

Spun off Containership Business, withdrew from Heavy Lifter and Product Tanker Businesses, and reorganized domestic Port Business

Established structures for quantifying the risk associated with each business and class of vessel, and for measuring levels of risk as guidelines for investment decisions

Conducted environmental activities in accordance with "K" Line Environmental Vision 2050, implemented K-IMS combining safety and environmental initiatives, and introduced automated power kites and other cutting-edge technologies

Posted a loss in FY2018 due to missteps in launching ONE, deteriorated market conditions, and implementation of structural reforms

Achieved 6% ROA for stable-income business

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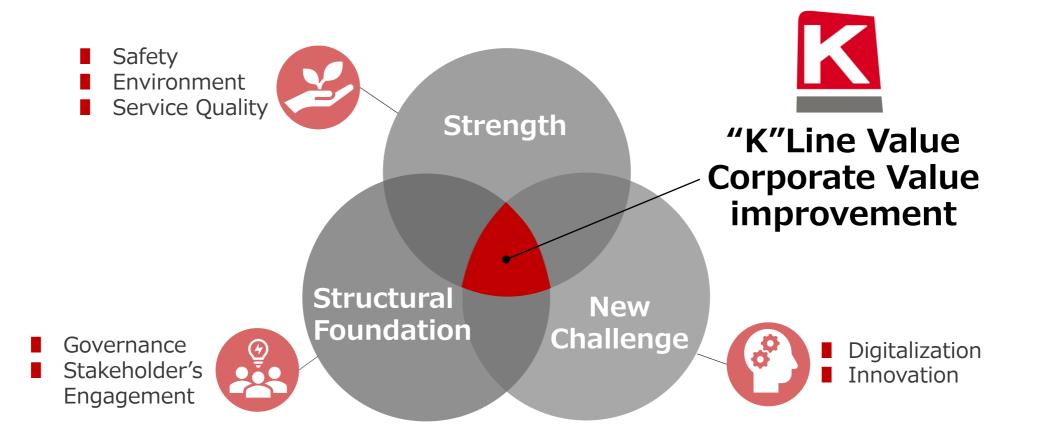
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Failed to achieve mid-20s % equity ratio target due to lower profitability and implementation of structural reforms

Initiatives to enhance financial strength and stabilize the business foundation are ongoing, and continued efforts will be made to reinstate dividend payments as early as possible

## C-3 : Corporate Vision $\sim$ 🔀 :trust from all over the world $\sim$

Aiming to be the company of choice among its stakeholders, continually growing as a professional logistics enterprise focused on maritime shipping



K LINE

# C. Management Plan C-4 : Post-COVID-19 External Environment

#### **Global environment**

- Transformation of global values, behaviors, at faster pace
  - Contactless society and behaviors become the new norm (changes to behaviors, economic values, and people/goods movements)
  - Rising importance of environmental, AI, and digitalization initiatives
  - Higher geopolitical uncertainty resulting from COVID-19

#### Changing customer business environment

- Steelmaker manufacturing structure trends
- Global, domestic energy policy trends
- Automotive industry trends such as connected, autonomous, shared, electrified (CASE) vehicles
- Possible rise of trade protectionism linked to U.S.-China relations
- Supply chain changes due to risk dispersion to cope with unexpected events (local production for local consumption, repatriation of manufacturing, etc.)
- Capital investment constraints
- Gradual increase in global population continues
- Global economy to return to growth path in medium term
- Maritime shipping to continue to grow

#### Maritime shipping environment

- Risk & Opportunity
  - Changes to customers' business environments and needs
  - Supply source diversification and change
  - Strengthening and accelerating environmental initiatives
  - Accelerating service differentiation using AI/digitalization
  - Rising awareness of safety, quality
  - Improvement of contactless services





### C-5: Forwarding to Growth in Corporate Value (Business Policy in FY2020 and FY2021)

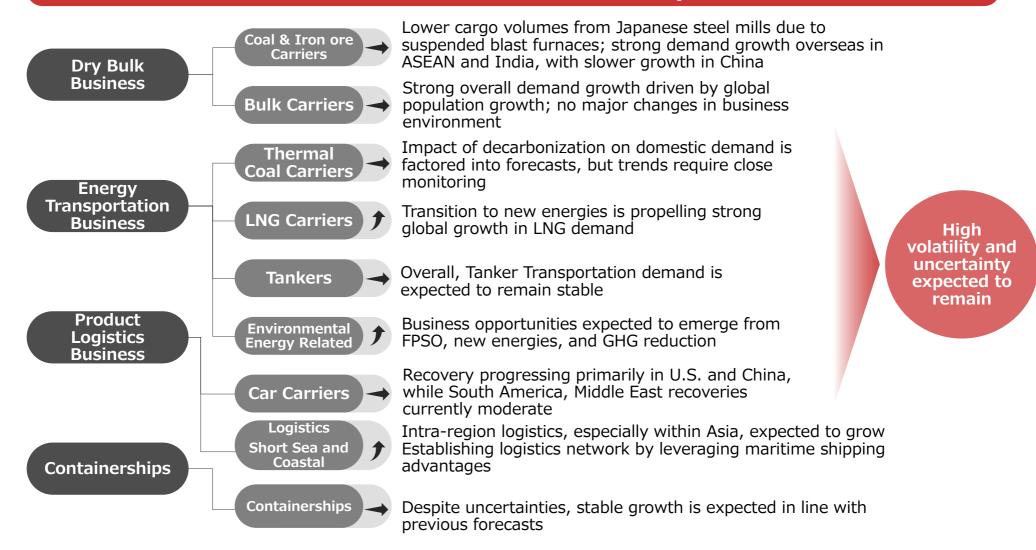
- Firmly protecting our business in the short term
  - Pursuing business scale rather than fleet scale -
  - Rationalize fleet scale
  - Refocus investments
- Firmly addressing priorities
  - Expand and accelerate safety, environment, and quality initiatives
  - Strengthen technical and sales capabilities to drive growth strategies

### Secure liquidity on hand and expand capital base

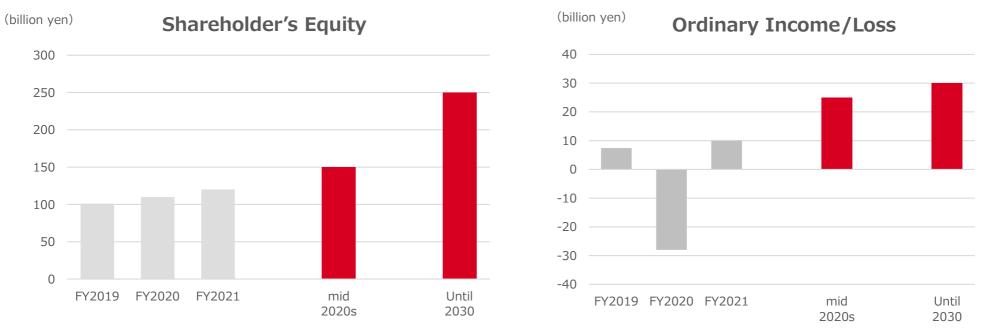
- Secure liquidity: Equal to more than three months' revenues, including commitment line
- Expand capital base: Sell and dispose of vessels and other assets
- Set detailed strategies and thoroughly implement progress management

# **C-6 : Medium-term Business Environment Forecast**

Currently, the demand decline caused by the COVID-19 crisis is expected to bottom out in the first half of FY2020 and will recover after the second half of FY2020 or beyond.



## C-7: FY2020 & FY2021 Ordinary Income/Loss and Shareholders' Equity Forecasts; Medium- and Long-term Targets

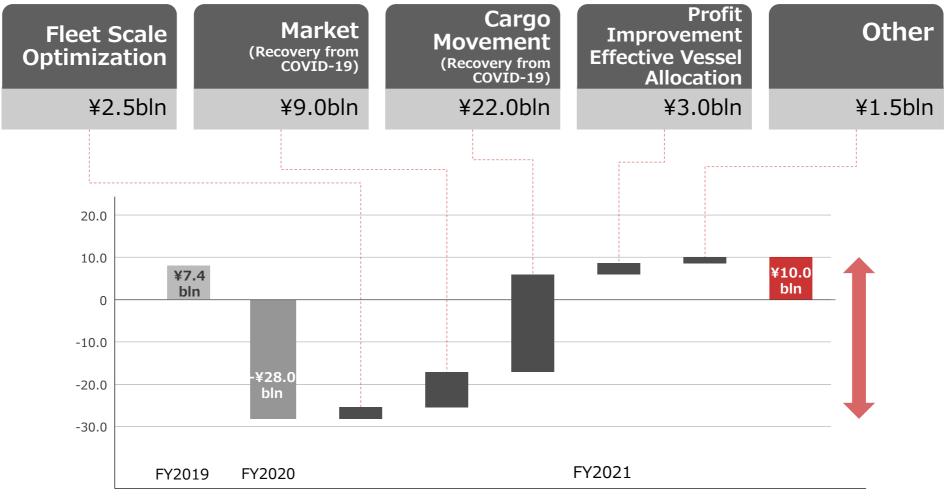


- FY2020 ordinary loss of 28.0 billion yen forecast, while net income expected to break even after asset sales, among others
- FY2021 ordinary income and net income expected to improve to 10.0 billion yen level
- Mid-2020s medium-term target of ordinary income of 25.0 billion yen
- Mid-2020s medium-term target of more than 150.0 billion yen in shareholders' equity through steady improvement; shareholders' equity ratio target of 20%
- FY2030 targets: ordinary income of 30.0 billion, shareholders' equity of 250.0 billion yen, shareholders' equity ratio of 30%



### C-8 : Profit Improvement Factors toward FY2021(Versus FY2020)

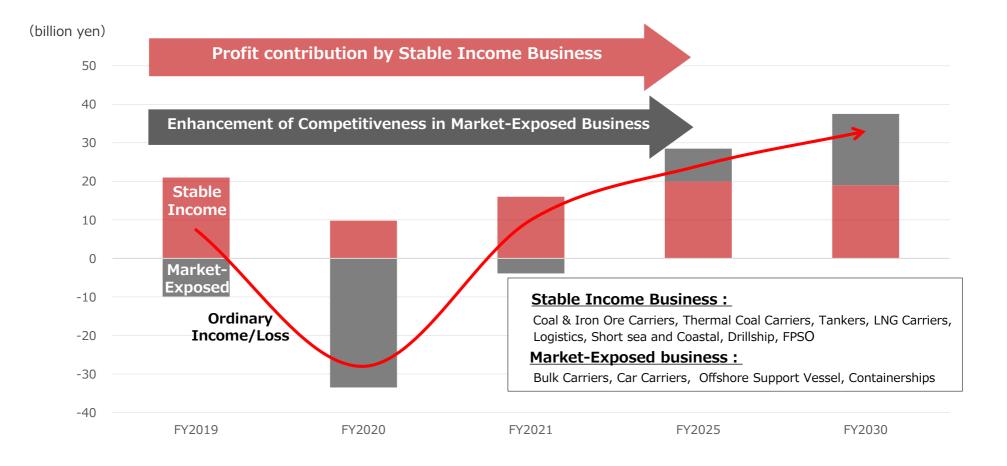
Recovery from tentative demand deterioration but full-scale recovery to be after FY2022 and beyond



• Results expected to rebound to FY2019 levels before further recovery in FY2022 and beyond

# C-9 : Budget Plan : Image of Ordinary Income/Loss

- Stable Income Business : Gradual increase in stable profits
- Market-Exposed Business : Increase profit further through fleet scale optimization
- Containerships Business : Hire income from ONE will decline as chartered vessels are gradually returned, while ONE's business will transition to a market condition model





# C-10 : Fleet Scale Optimization

- Fleet scale is adjusted and optimized to meet demand and expand our revenue in order to maintain and expand Stable-Income business and enhance competitiveness of Market-Exposed Business
- Fleet reduction plan of more than 20 vessels in FY2020, including Cape-size, Panamax-and smaller-size bulkers, Woodchip carriers, Thermal coal carriers, and Car carriers
- Fleet scale will continue to be optimized in FY2021 and beyond
- Long-term fixed core fleet scale trends

	FY2020 (a)	FY2025 (b)	(a)-(b)
Stable Income Business	166	158	- 8
Market-Exposed Business	186	142	- 44
Total	352	300	- 52

#### KAWASAKI KISEN KAISHA, ETD.

# C-11 : Investment Strategy (5-year plan)

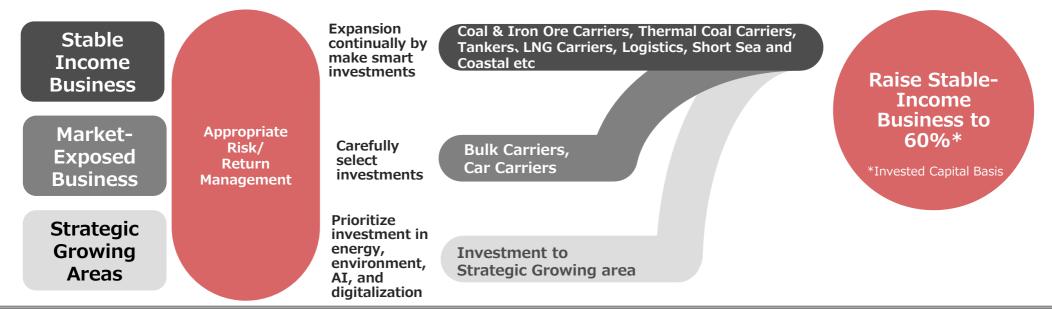
- Restrain total investment to within Operating Cash Flow
  - 250.0 billion yen over 5 years in total
  - Refocus investment into Stable-Income Business

#### Prioritize investment into Stable-Income Business

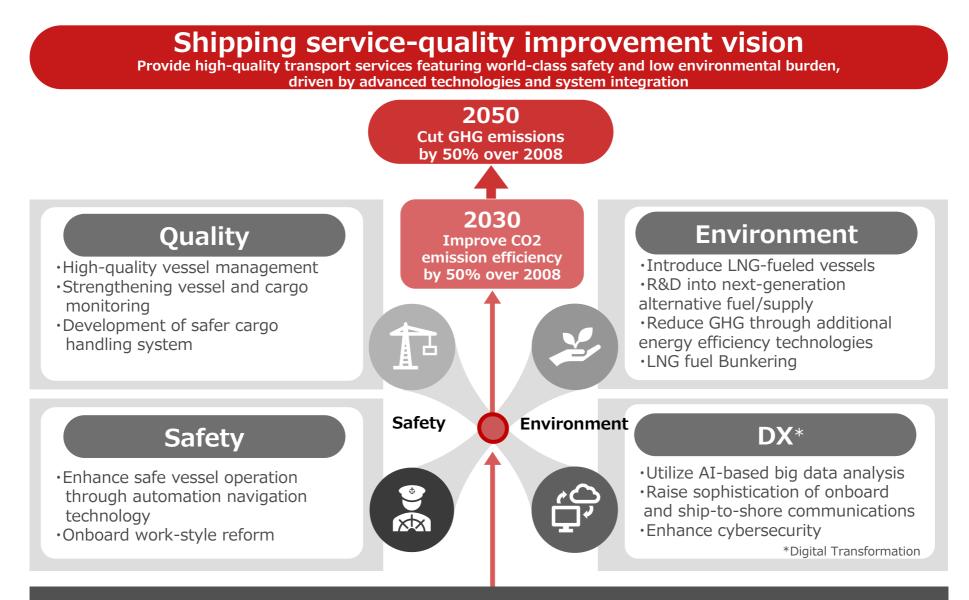
- Gradually build up LNG carrier contracts
- Make steady investments to pursue long-term stable-income contracts in existing businesses (Dry Bulk, Car Carrier, Energy Resource Transport)

#### Investment in strategic growth areas

- Expand green energy-related businesses (FPSO, renewable energy, GHG reduction-related businesses) (energy resources)
- Invest in environment-related business leveraging AI and digitalization strengths



#### **C-12**: Initiatives for Strategic Growing Areas~Safety/Environment/Quality~

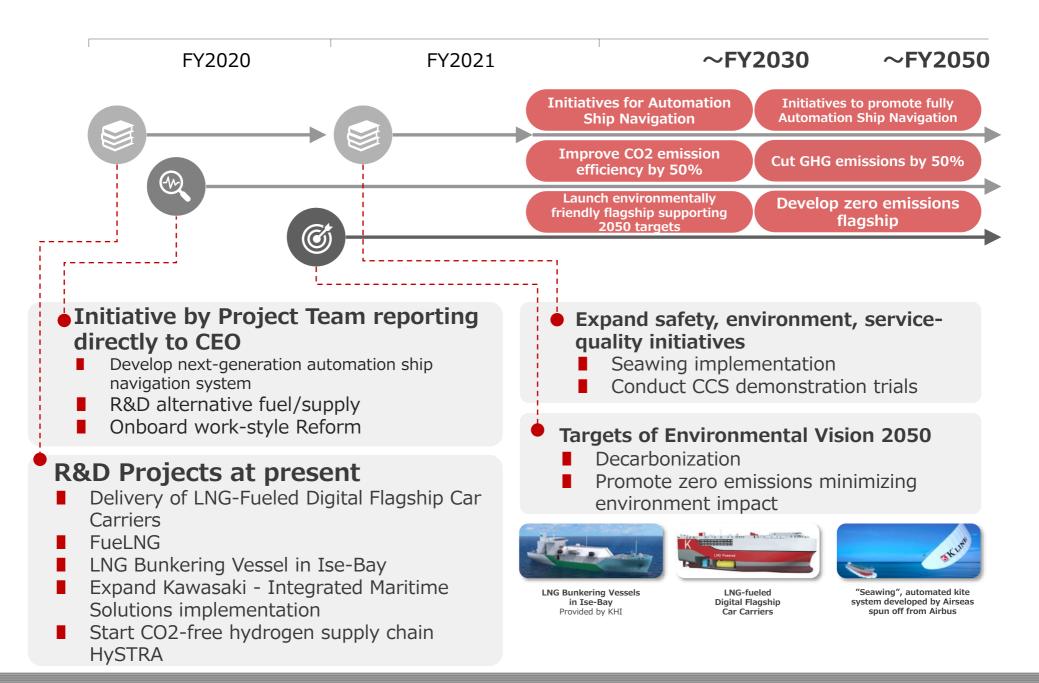


#### "K" LINE Environmental Vision 2050

**K** LINE



# **C-13 : Specific Initiatives**



# C-14 : Business Strategy

#### Corporate

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Strategies matching characteristics of each business unit       Energy Resource Transport         Car Carriers       Continue rationalizing routes to form optimal network matching customers' demand trends         Strategies matching characteristics of each business unit       Continue rationalizing routes to form optimal network matching customers' demand trends         Strategies matching characteristics of each business unit       Continue rationalizing routes to form optimal network matching customers' demand trends         Strategies matching characteristics of each business unit       Continue rationalizing routes to form optimal network matching customers' demand trends         Strategies matching characteristics of each business unit       Continue rationalizing routes to form optimal network matching customers' demand trends         Strategies 	Dry Bulk	<ul><li>added-value services</li><li>Reduce exposure and develop market exposed business which is both flexible and competitive</li></ul>	
<ul> <li>matching characteristics of each business unit</li> <li>Car Carriers</li> <li>Continue rationalizing routes to form optimal network matching customers' demand trends</li> <li>Take initiatives to support safe vessel operation and high-quality transport while optimizing the RORO supply chain</li> <li>Develop global organization capable of rapidly adjusting to changes in social and transport demand trends</li> <li>Strengthen global group management led by head office</li> <li>Generate distinctive logistics services available only from marine transport company</li> <li>Develop comprehensive logistics services integrating logistics consulting functions</li> <li>Fully support enhancement of ONE's competitiveness by providing superior vessels and personnel</li> <li>Support ONE's business operations and medium- and long-term growth as its shareholder</li> <li>Enhance ONE's competitiveness by introducing best practices, expanding customer services, and raising</li> </ul>	Strategies matching characteristics of each business unit       Car Carriers         Logistics · Short Sea and Coastal	<ul> <li>the bases of differentiation, to remain the shipping company of choice among customers and enable meticulous service offerings</li> <li>Enter LNG fuel, LPG fuel and other next-generation fuel markets and launch new businesses</li> <li>Enter offshore wind power, solar power, CCS, carbon credit, and other new businesses linked to renewable</li> </ul>	
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