



# Business Briefing

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May 26th, 2023

## AGENDA

### Opening

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Car Carrier Business

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Coal & Iron Ore Carrier Business

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LNG Carrier Business

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Sustainability Management

# Today's Objective

**Briefing on the growth strategy for growth-driver businesses and sustainability management, which are particularly important for the medium-term improvement of shareholder value**

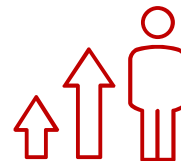
Covered in the Financial highlights brief report for FY2022



## Capital Policy

Medium-term shareholder returns

Covered in this Business Briefing



## Growth Strategy

Sustainable earnings growth and creation of source of funds for medium-term shareholder returns



## Sustainability Management

Achievement of economic and social values

**Medium-term Improvement of Shareholder Value**

# Today's Agenda

Topic	Presenter	
● <b>Opening</b>	President & CEO	Yukikazu Myochin
● <b>Car Carrier Business</b>	Managing Executive Officer	Takenori Igarashi
● <b>Coal &amp; Iron Ore Carrier Business</b>	Vice President Executive Officer	Atsuo Asano
● <b>LNG Carrier Business</b>	Senior Managing Executive Officer	Kazuhiko Harigai
● <b>Sustainability Management</b>	President & CEO	Yukikazu Myochin

# Objective of the “K” Line Group

**Contribute to all stakeholders by improving corporate value**

Goals to achieve through Corporate Principle and Vision

**Economic Value**



**Social Value**

Corporate Principle

~ trust from all over the world ~ 

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

## Medium-term Management Plan

**Long-term**

**Management Vision :**

As part of efforts to maintain sustainable growth and enhance corporate value, we are committed to smoothly switching to other forms of energy for our company and society. We will promote the realization of a low-carbon/decarbonized society.

### Business Growth

Portfolio Strategy

Growth Strategy for the three businesses with role of driving growth and focusing management resources

### Optimal Capital Policy

Establishing optimal capital structure with awareness of cash flow

Cash Allocation

## Materiality

Safety/Quality

Environment/  
Technology

Promote Digitalization

Human Resources

Management Base

# Earnings targets and performance progress

Focusing on businesses with role of driving growth, we will work to achieve our earnings targets ahead of schedule.

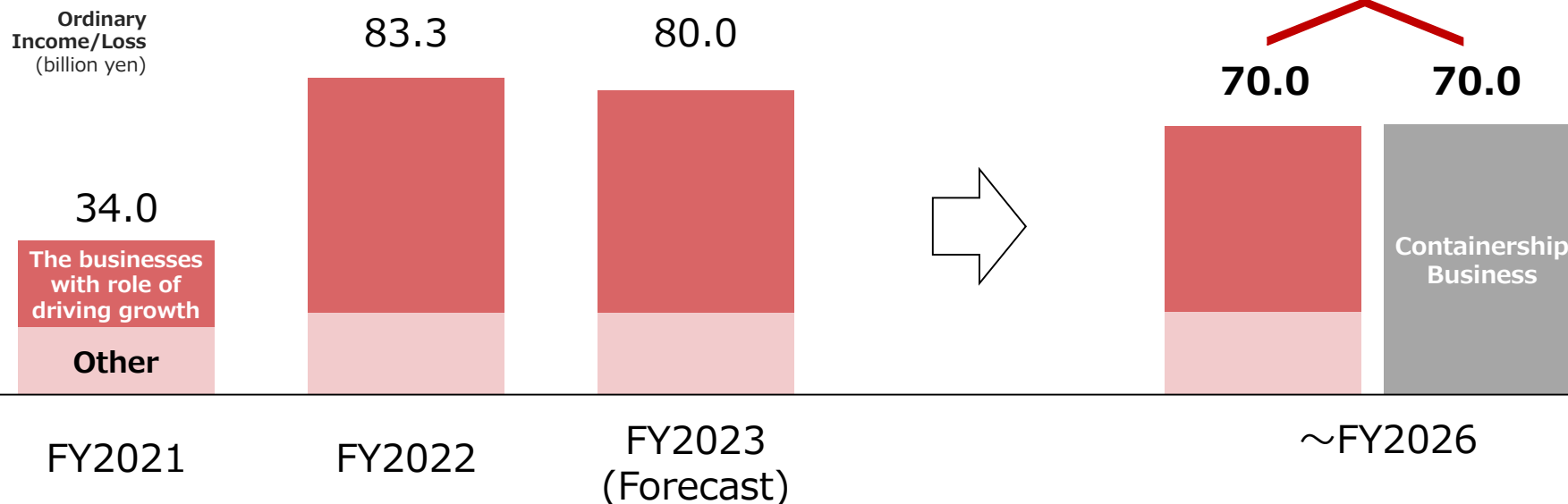
“K” Line’s Own Businesses

Total

Strong start for the first year of the medium-term management plan. Good performance in the product logistics segment is expected to continue in the second year as well.

Efforts will be made for steady achievement of the earnings targets in the medium-term management plan ahead of schedule.

Ordinary Income/Loss (billion yen)



# Business Strategy : Importance and progress of each business

## Working on initiatives specific to each business according to its role under the medium-term management plan



### Role of driving growth

#### Coal & Iron Ore Carriers

Smooth advancement of enhancement of partnerships with target customers based on environmental measures.  
In addition, making progress on fleet development that can lead to greater market responsiveness and resilience.

#### Car Carriers

Enhancing and expanding the business base and preparing for the launch eco-friendly vessels.

#### LNG Carriers

In addition to business expansion in Qatar, where our largest customer is, we will make steady progress on strengthening our customer base in emerging regions where growth is expected.



- Role of supporting smooth energy source conversion and taking on new business opportunities

#### Thermal Coal

Implementing proposal-based sales and building long-term relationships with customers in order to help them reduce emissions and decarbonize.

#### VLGC・VLCC

Carbon reduction and elimination initiatives based on collaboration with customers.

#### Bulk Carriers

Transforming the profit structure by enhancing market resilience and expanding the customer base in Asia.

#### Short Sea and Coastal Port/Logistics

Having completed the conversion of Kawasaki Kinkai Kisen into a wholly owned subsidiary, we created and further enhanced synergies among group companies by utilizing their expertise.



- Role of contributing by enhancing profitability

#### Containerships

While taking the shareholder standpoint, securing capacity in line with market growth and improving profitability by maintaining and enhancing cost competitiveness.






- Expansion of new business in fields where "K" LINE can utilize its strengths

#### Projects for emissions reduction and decarbonization

In addition to progress on the establishment of "K" Line Wind Service (KWS), investigations are continuing concerning the provision of ammonia fuel for ships, and demonstration projects involving CCS as well as CO2 transport.

# Business Strategy : Positioning of Growth-Driver Businesses

Businesses with the role of driving growth are businesses that can be expected to achieve sustainable growth and demonstrate our strengths, at the same time, whose characteristics such as timeline for realizing growth or volatility are varies. By combining these as a portfolio, we aim to realize both the merits of selection and concentration and the reduction of risks due to excessive concentration.

Business Characteristics	Car Carriers 	Coal & Iron Ore Carriers 	LNG Carriers 
Timeline for realizing growth	Short-term (~FY2026)		Long-term (~FY2030)
Volatility	mid		low
Contract Period	Short- to medium-term		Long-term
Route Network	Worldwide (ex-Far East +Atlantic)	Worldwide (Particularly strong in the Middle East/India route)	— (depends on customer's (charterer's) needs)
Operator/Shipowner	Operator	Operator / Shipowner	Shipowner

## "K" Line Strengths

**Differentiation with environmental measures**

	(In addition to development of alternative fuel vessels in response to customer demand and stricter regulations, promote use of environmentally friendly equipment)		(Joint technology development with partners such as alternative fuel vessel and automatic kite systems)		(Use latest environmentally-friendly vessels through discussion with customers)
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**Customer-Oriented**

	(Build mutual trust with customers based on stable capacity supply)		(Signed an MOU with multiple customers concerning joint research and comprehensive discussions on decarbonization measures)		(Provide customer-oriented support that combines ship management and sales)
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**Capturing growth market**

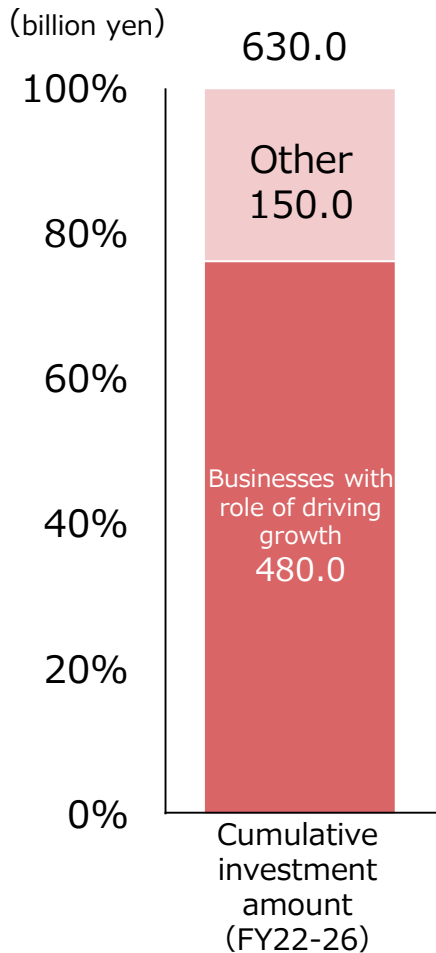
	(Capture solid demand including for high-and-heavy cargo)		(Capture expansions of cargo demand to India and Middle East)		(Capture increasing demand from emerging regions)
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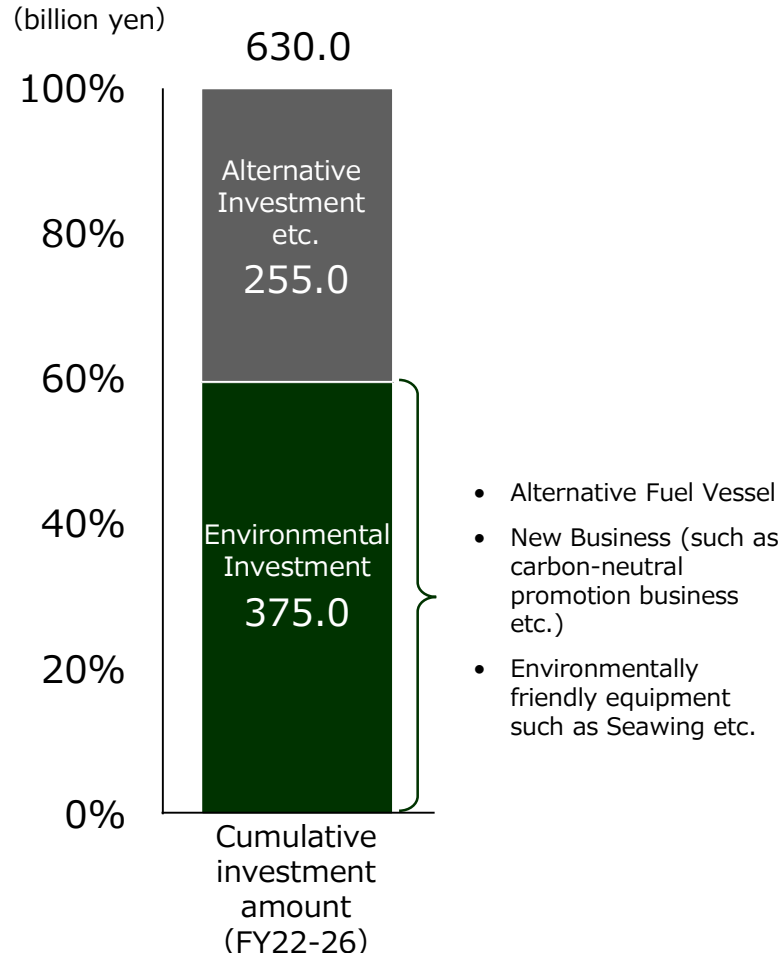
# Concept of Investment

**Aiming to achieve both “continuous development of “K” Line Group” and “contribution to a sustainable society”, focusing on investments that contribute to improving corporate value**

## Focusing 80% of investment on role of driving growth



## Concentrating more than half of investments in environment



## Concept of investment discipline

- Pursuing disciplined investment based on the principle of achieving both “earnings growth” and “contribution to society as a whole.”
- Ensuring “Customer first” rather “Investment first”, Planning investment based on customer requests and needs.
- As a result, achieving goal for environmental measures that “K” Line group has set and leading realization of sustainable society.
- At the same time, we will achieve 6.0~7.0% of ROIC.

## AGENDA

Opening

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**Car Carrier Business**

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Coal & Iron Ore Carrier Business

---

LNG Carrier Business

---

Sustainability Management

# Index



**1.**  
Business  
Characteristics

**2.**  
Market Trends

**3.**  
Business  
Strategy

**4.**  
Investment  
Plan

**5.**  
Targets and  
Progress

## Characteristics of Car Carrier Business

1. Business Characteristics

2. Market Trends

3. Business Strategy

4. Investment Plan

5. Targets and Progress

Car carrier business is supported by solid demand, based on trusting relationship with customers, requiring balanced responsiveness to fluctuation in supply and demand.

### Business supported by solid demand



- Number of auto sales is recovering from the decrease due to COVID-19 pandemic and will be stable over medium-term
- Marine transport volume is expected to increase mainly in specific routes.

### Business with direct interaction between shipping company and customers



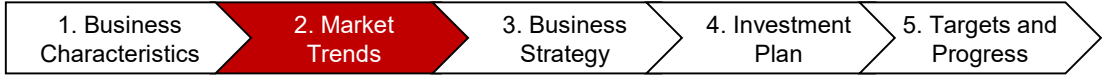
- Number of customers for main cargo is limited; comprise important part of the supply chain for the customers
- Business development based on mutual trust with each customer and the shipping company is indispensable

### Business that requires preparation for fluctuation in supply and demand



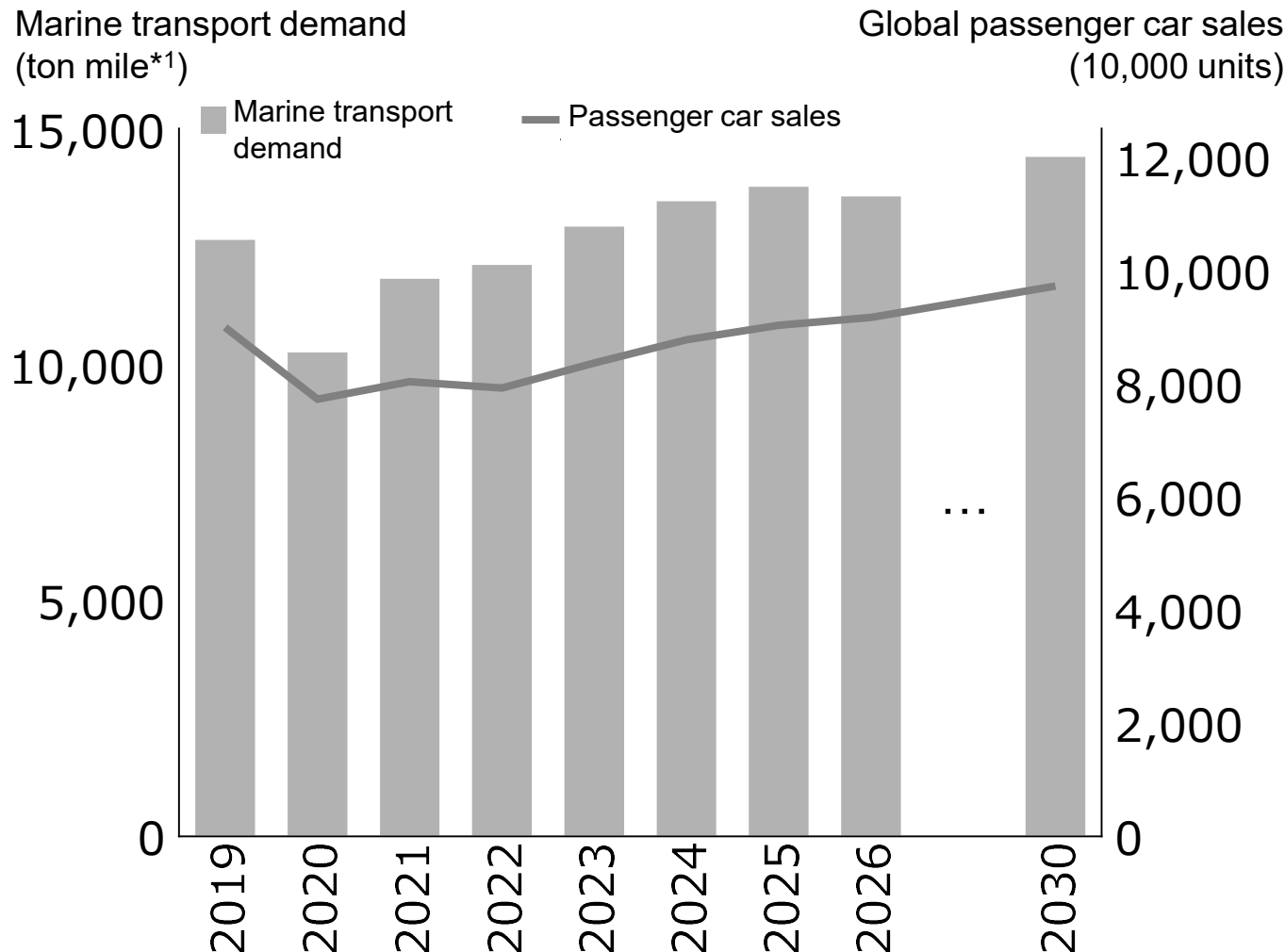
- Transportation demand fluctuate greatly depending on factors such as the economic trend; securing flexibility including preparation for deterioration is essential
- Thus, composing fleet that addresses both long-term supply chain stability and short-term economic fluctuations

# Demand Outlook



Marine transport demand is expected to increase by about 14% by 2026 with the recovery and growth of auto sales, with solid growth expected to 2030

## Marine transport demand forecast



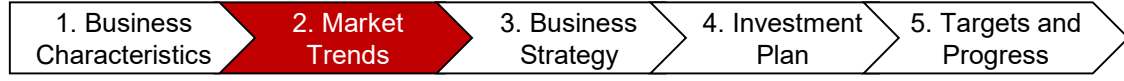
## Key points

- **Auto sales:**
  - Recovering from the decrease due to COVID-19 pandemic and this recovery phase will continue until 2024–2025
  - Growth will be sustained to 2030 with the global population growth and economic development
- **Marine transport demand:**
  - Demand for marine transport is increasing with increase in export from China, in addition to increasing auto sales
  - Risk of decrease in demand due to worse than expected recession and development in local production centered in BEV\*2

Source: Based on database of S&P

\*1 Indicator calculated by multiplying the volume of cargo transport (ton) by transport distance (mile) \*2 BEV: Battery Electric Vehicle

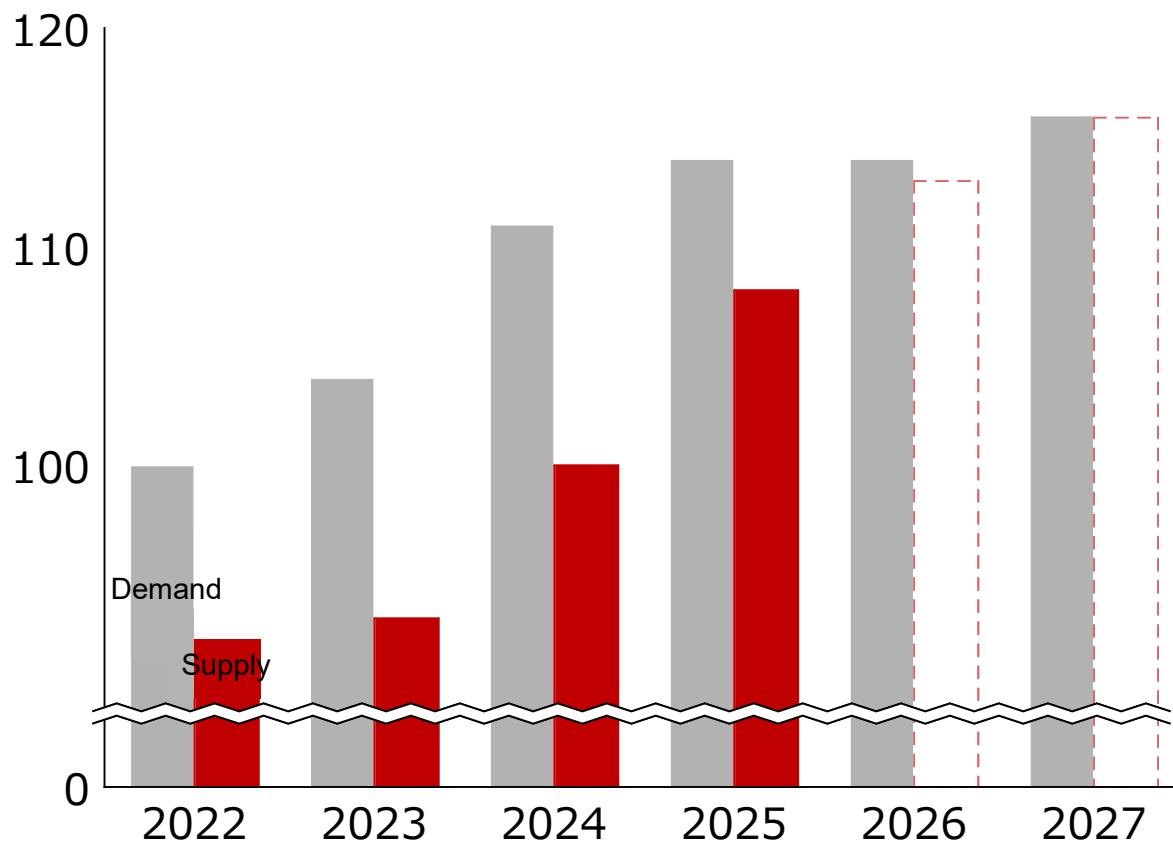
# Supply and Demand Outlook



The industry is gradually introducing new vessels, but supply shortage is expected to continue until around 2025. Additional orders for new vessels centering on eco-friendly ships will continue for 2026 onwards, with the supply and demand expected to balance and stabilize towards 2027

## Supply-demand gap forecast

Supply/demand gap indicator  
(demand for 2022 as 100)



**[Actualized supply trend]**

- Supply will increase due to the completion of ordered ships and additional new ship orders to resolve current shortage
- New ships will mainly be using new fuels (LNG for the time being) in response to the decarbonization needs of the customers and stricter environmental regulations
- Due to the impact of environmental regulations (CII, etc.), transport capacity is decreasing for heavy oil fueled vessels (slow steaming, retirement of aged vessels)

**[Potential supply trend]**

- [Increase] Increase in additional orders for new ships due to the current supply shortage
- [Decrease] Stricter environmental regulations resulting in more-than-expected decline in transport capacity of heavy oil fuel vessels
- [Decreasing factor] Stalling ship building orders due to uncertainties surrounding zero-emission vessels\* and concerns over declining demand

Source: Based on database of S&P, industrial papers and broker information  
\*Zero-emission vessels: Vessels using ammonia, hydrogen, methanol and bio-fuel as its fuel

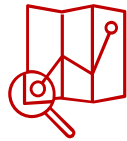
## Business Strategy Overview



Promote sustainable growth with strong customer base together with balanced route design and fleet development

Appropriately balance the market demand for transport to build route/contract mix and fleet that meets customer demand

### Route design

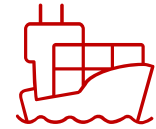


Restore and maintain rates to realize sustainable business management



Establish stable route network for business development with sustainability and growth potential

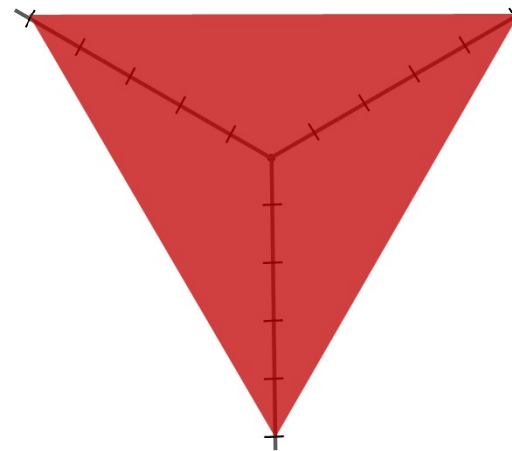
### Fleet development



Develop a competitive fleet such as with decarbonization, capturing high-and-heavy\*, and increasing the size of vessels to improve transport efficiency



Development of fleet with appropriate flexibility to prepare for future fluctuation of transport demand



### Strong customer base



Enhance relationship with customers with expected long-term business development and growth and build a stronger mutual relationship by offering **stable and sustainable transport service**



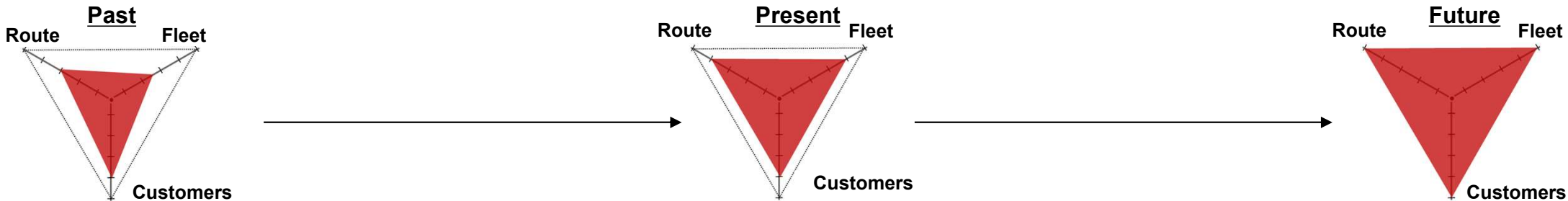
Enhance **promotion of environmental sales / high & heavy sales with accumulated expertise** to respond to increasingly sophisticated customer demands

\*H&H: High & Heavy cargo

## Business Strategy Progress and Outlook

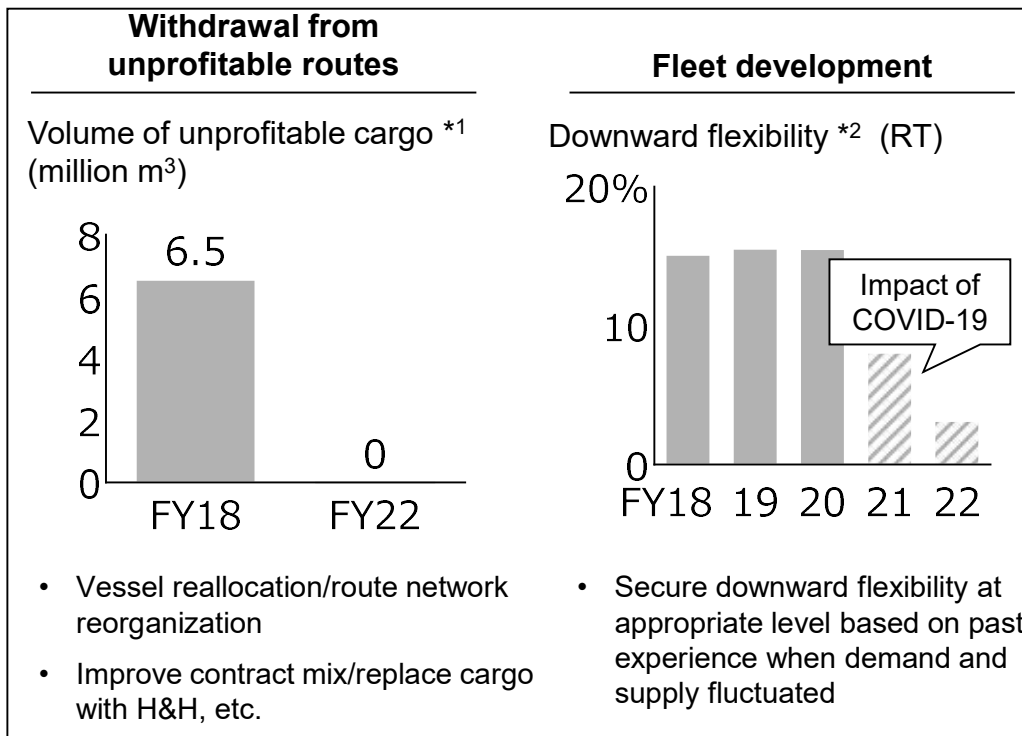


Recovered the balance between route, fleet, and customers through profitability achieved with modified route design based on strong customer base and development of appropriate fleet and overcome the weakness in business development. Aiming to maintain the balance for growth



### Recovery of the balance

### Growth with the balance



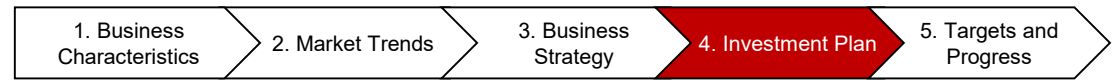
- Developing the size of fleet aligned with transport demand outlook
- Securing fleet flexibility to prepare for fluctuation in supply and demand  
→ achieve sustainability and growth potential for business

- Route network aligned with customer demand and optimized contract mix  
→ achieve sustainable route profitability and growth potential
- Respond to decarbonization needs
- increased size of vessels and improved H&H loading capacity  
→ enhance competitiveness by developing competitive fleet

\*1 Cargoes under "K" Line's B/L only \*2 Deep sea vessel only



## Investment Policy / Plan



Develop a competitive fleet for balanced growth with disciplined investment to promote realizing sustainable business management

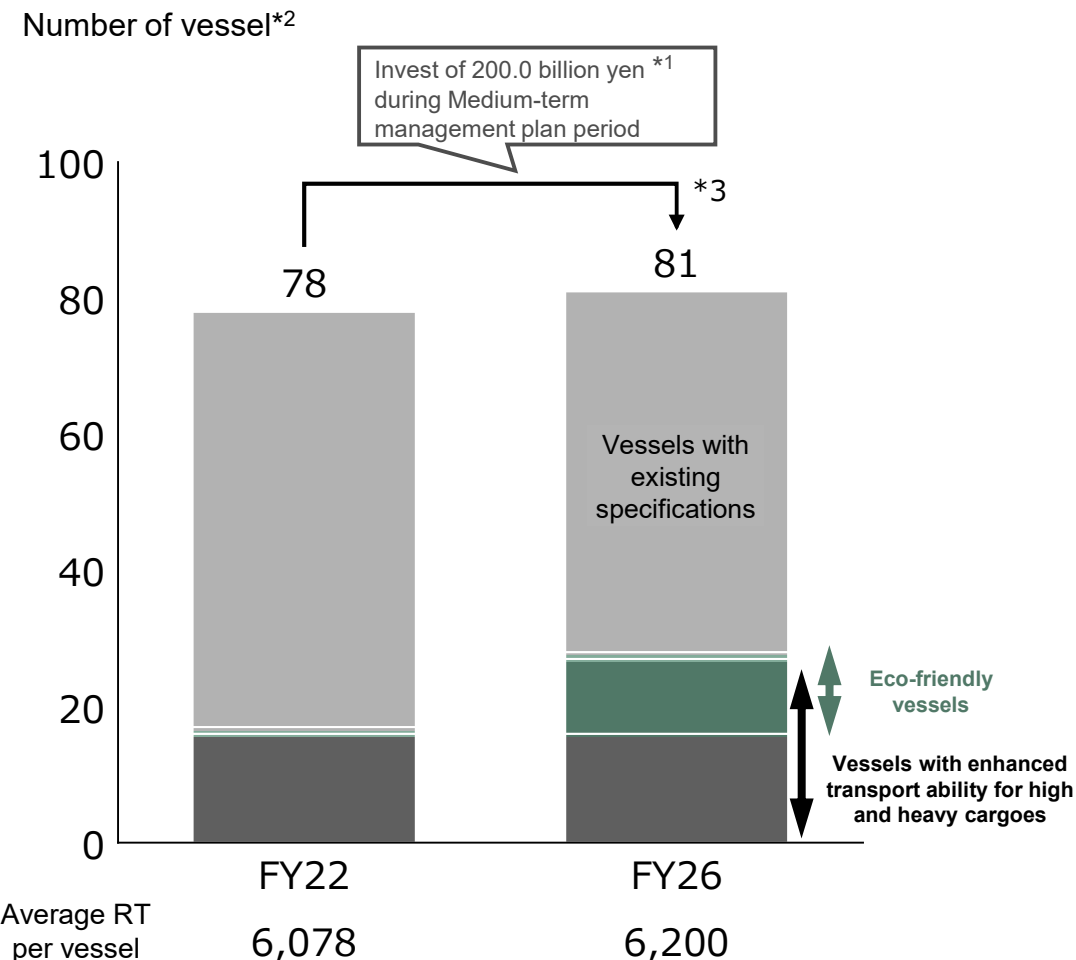
### Concept of Investment discipline

- Fleet size matching customer base**  
Capture demand while aiming at appropriate fleet size both in quality and quantity aligned with customer base
- Flexible fleet prepared for fluctuation in supply and demand**  
Securing flexibility looking ahead a balance of age of vessels and owned vessel ratio

### Fleet enhancement policy

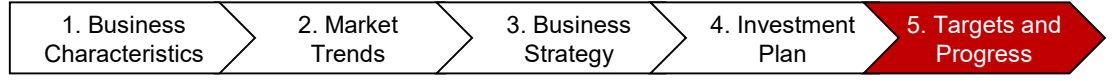
- Environmental measures**  
Develop LNG-fueled vessels for now, and utilize other alternative fuel vessels and environmentally friendly equipment
- High & Heavy loading capacity**  
Expanding on equipment and deck configuration for more high and heavy cargoes
- Upsizing vessels**  
Capturing merits derived from further upsizing of existing vessel type

### Change in fleet composition



\*1 Including 60.0-billion-yen investment to the vessels scheduled to be delivered after FY27; \*2 Deep sea vessel only; \*3 difference of 3 vessels from FY22 to FY26 is the net figure which subtract decrease due to retirement etc. from gross increase.

# Target and Progress for Key Indicators



Setting 56 million m<sup>3</sup> as target for transport volume in FY26. For FY30, forecasting further transport volume.

Recovery of the balance

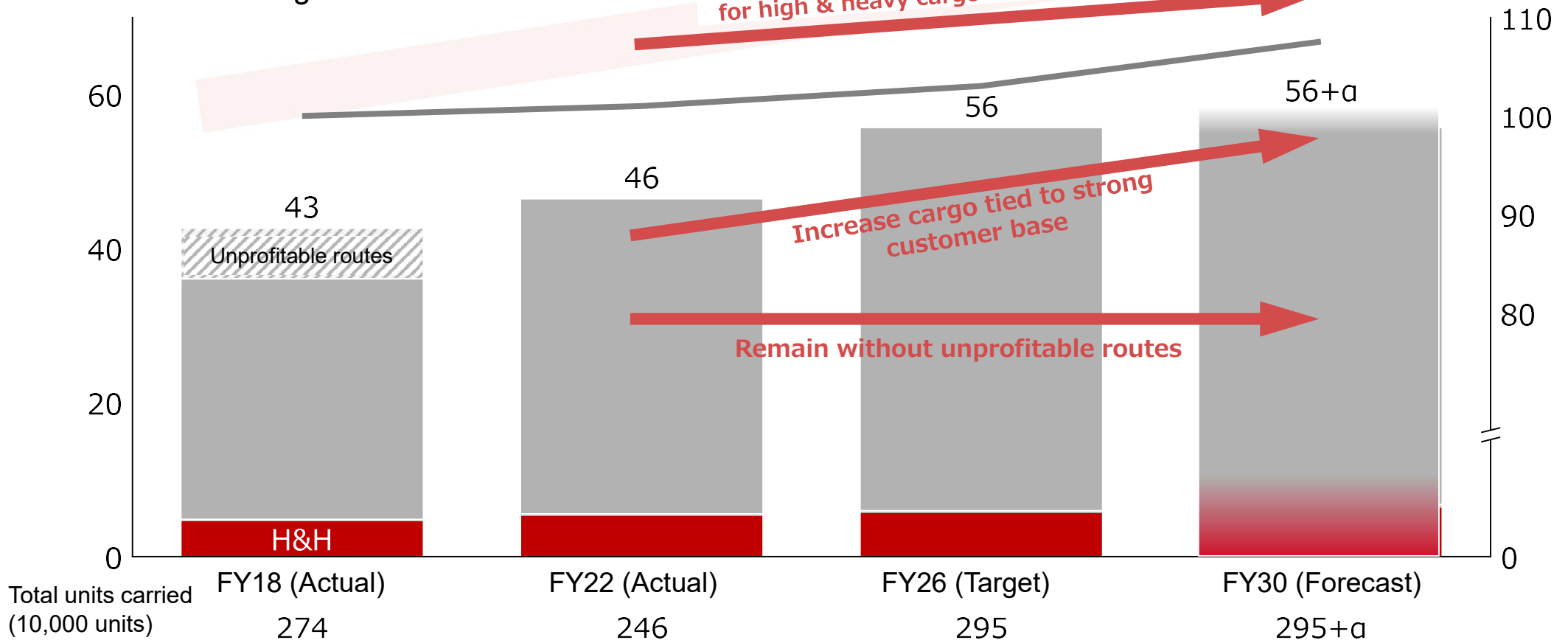
Growth with the balance

Transport volume (million m<sup>3</sup>)

— Average RT

Develop competitive fleet with environmental measures, enhanced loading/transport capacity for high & heavy cargo and upsizing of vessel

Average RT (FY2018 as 100)



Increase cargo tied to strong customer base

Remain without unprofitable routes

\* Cargoes under "K" Line's B/L only

# Key Points of Briefing

1

Build a **strong customer base** by creating **mutually trusting relationship** by leveraging the **strength of customer-oriented sales** in a market involving direct interaction between customers and shipping company to meet our social mission to support the supply chain for the auto industry

2

Aim at **balanced growth** by through **balanced management** with **route design and fleet development** based on strong customer base

3

Realize **sustainable business management** based on **solid demand** and **capturing environmental measures and H&H cargo** as business opportunities

## AGENDA

Opening

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Car Carrier Business

---

**Coal & Iron Ore Carrier Business**

---

LNG Carrier Business

---

Sustainability Management

# Index



**1.**  
Business  
Characteristics

**2.**  
Market Trends

**3.**  
Business  
Strategy

**4.**  
Investment  
Plan

**5.**  
Targets and  
Progress

## Characteristics of Coal & Iron Ore Carrier Business

1. Business Characteristics

2. Market Trends

3. Business Strategy

4. Investment Plan

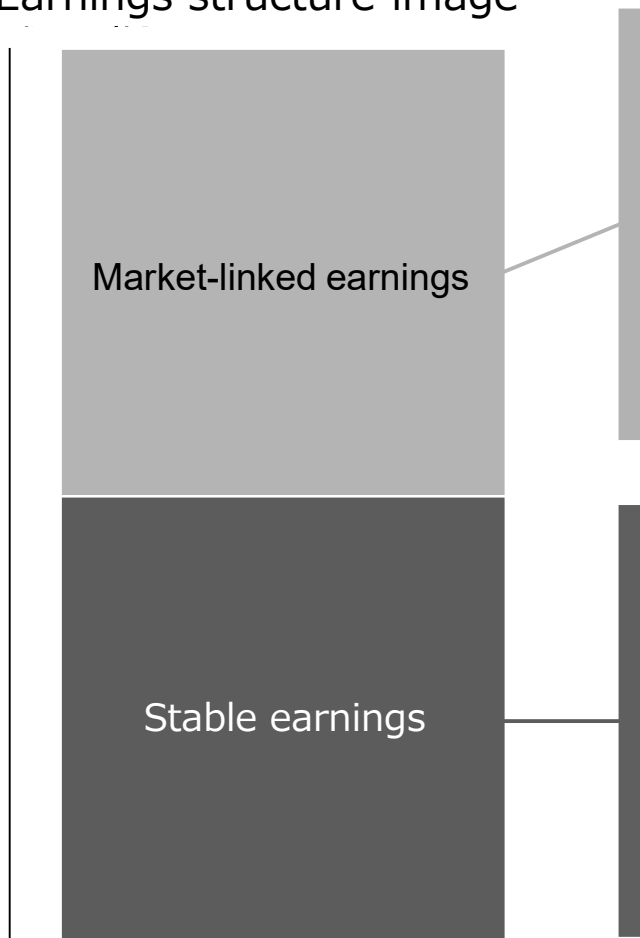
5. Targets and Progress

Coal & iron ore carrier business has significantly different contract formats based on customer attributes and region, etc., and can be largely categorized into stable earnings and market-linked earnings

### Earnings structure of coal & iron ore carrier business

### Features of earning types

#### Earnings structure image



**Contract period:** Short-term (around 1–3 years)

**Main customers:** Major resources companies, etc.

**Transaction format:** Mainly through bidding

**Rate level:** Mainly determined through bidding with competitors, and fluctuate based on supply/demand and market conditions

**Selection factor:** Particularly based on pricing; safe and stable operation record

**Contract period:** Medium- to long-term

**Main customers:** Japanese and Korean steel mills

**Transaction format:** Nominated tender by small number of bidders or negotiated contract

**Rate level:** Mainly determined through negotiation; medium- to long-term stable level

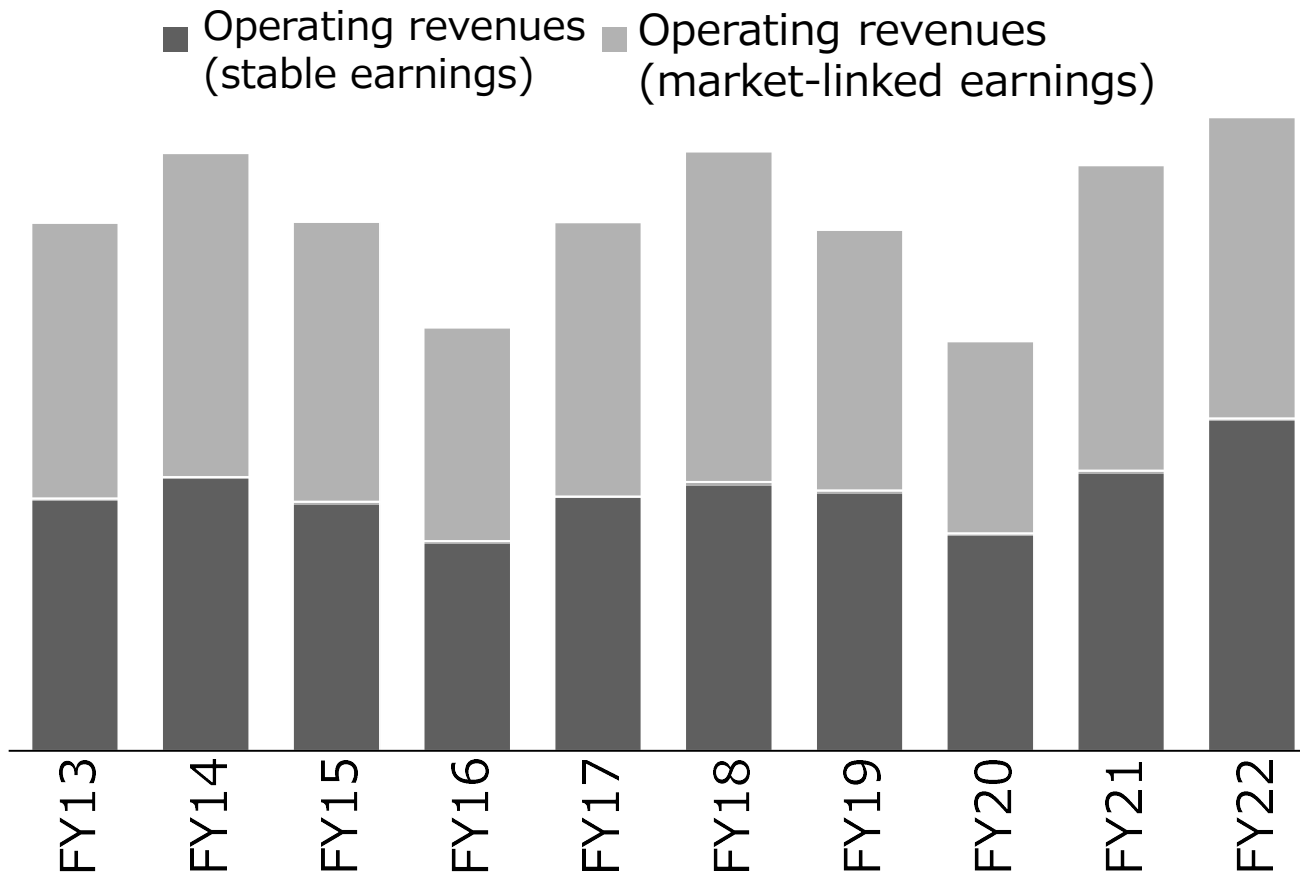
**Selection factor:** Particularly based on long-term safe and stable operation record through transactions

# Coal & Iron Ore Carrier Business's Earnings Structure



Contributed to earnings by accumulating market-linked earnings such as from major resources companies on top of the long-term stable earnings base such as from Japanese and Korean steel mills

## "K" Line operating revenue by cargo type



## Key points

- Structured with market-linked earnings added on the stable earnings base
- Earnings increase when rates are high for market-linked earnings, and profit is deteriorated when there is larger-than-expected fall in rates for market-linked earnings
- "Increasing stable earnings" and "volatility measures for market-linked earnings" is essential for enhancing profitability and stability

## Volatility Measures



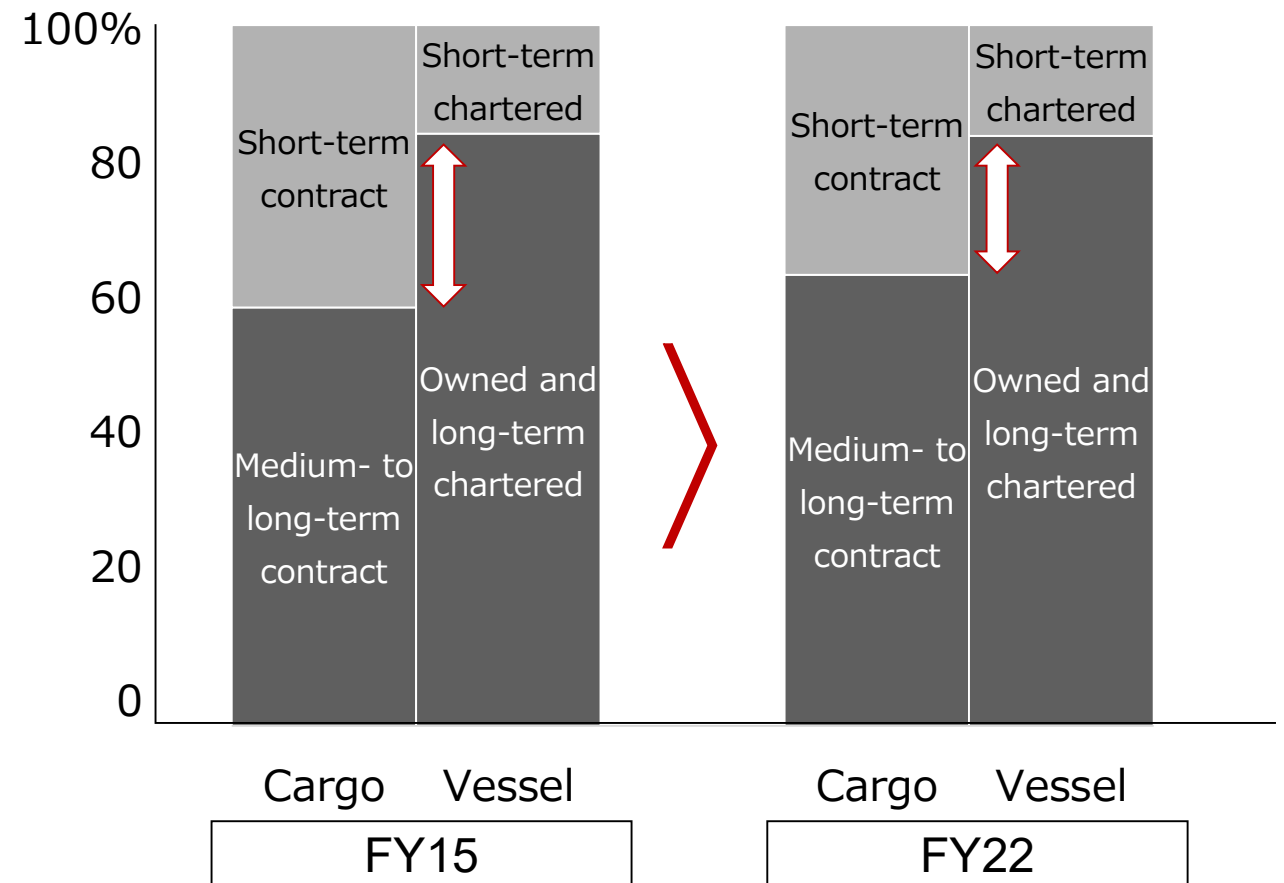
Promote earnings stability in addition to enhancing profitability with fleet development that balances the long/short of the cargo contract and the fleet composition

### Framework for enhancing/stabilizing profitability

- Enhancement/stabilization of profitability can be achieved with vessel procurement that matches the cargo contract period
  - Operation at appropriate cost can be achieved by using own/medium- to long-term chartered vessel for medium- to long-term contract cargo (= earnings enhancement)
  - Fleet contraction in response to market deterioration can be achieved by using short-term chartered vessel for short-term contract cargo (= stabilization)

### The balance of short- and long-term cargo contracts and fleet composition

Number of vessels operated by "K" Line (%)



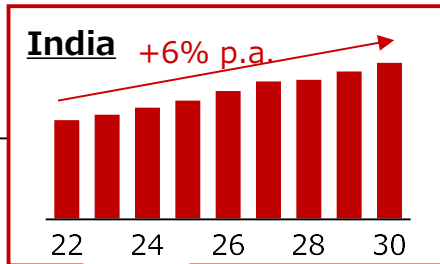


## Demand Outlook

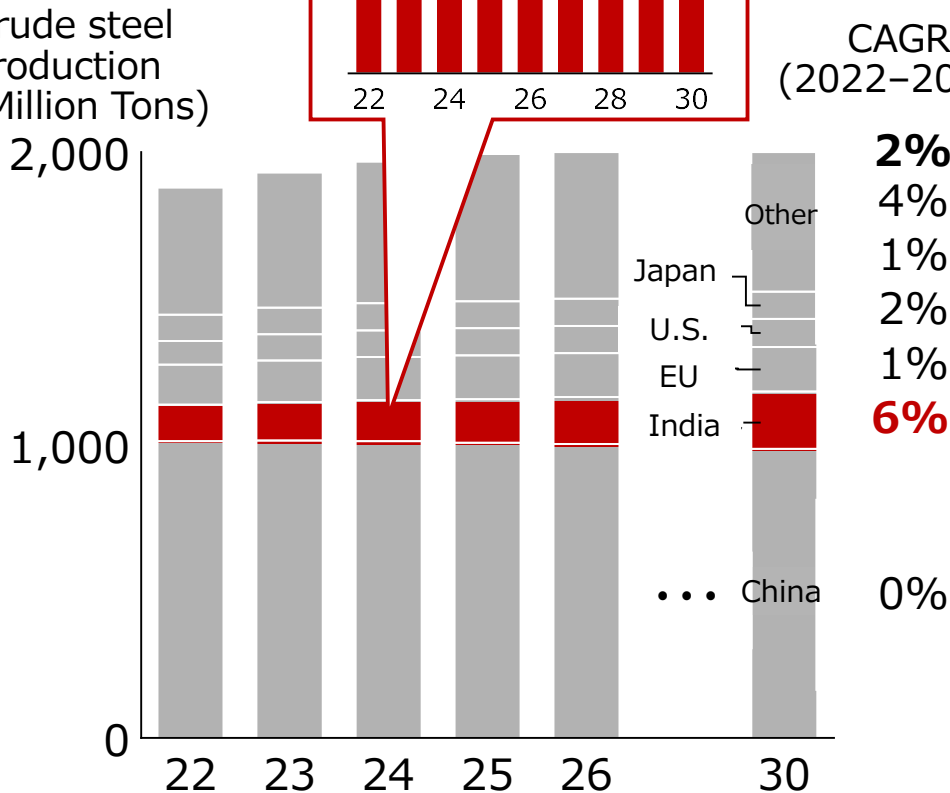


Marine transport volume has entered a demand recovery period from mid-2023; overall volume is flat to slight increase with emerging regions such as India driving the market

### Crude steel production volume

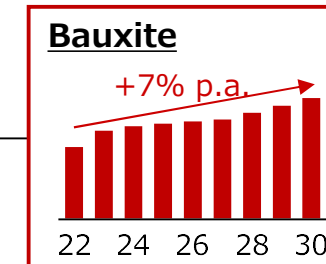


CAGR (2022-2030)



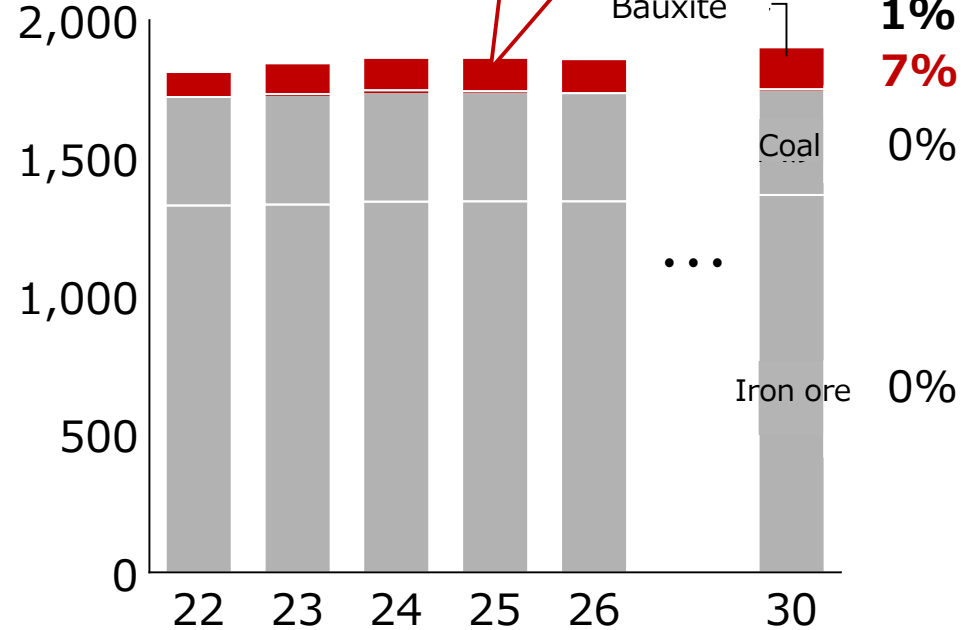
Crude steel production by China is flat, but overall market production is expected to increase slightly due to increased production by India, etc.

### Cape size vessel marine transport volume



CAGR (2022-2030)

Marine transport volume by material (Million Tons)



Iron ore/coal transport volume is flat, but overall volume is expected to increase slightly due to increased demand for bauxite

## Supply and Demand Gap Outlook



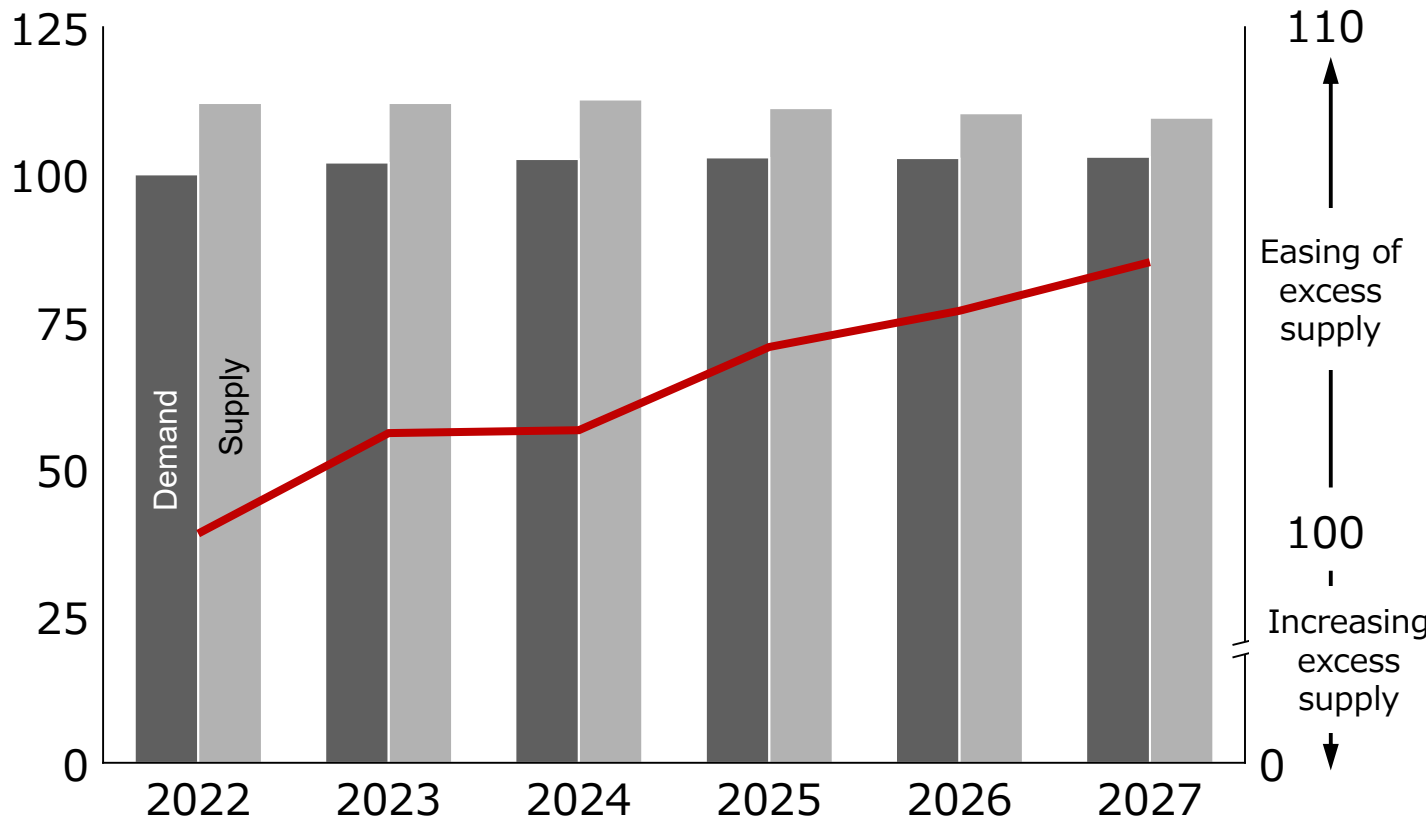
Supply is expected to remain flat to slightly decrease due to the effect of environmental regulation in addition to scrapping of aged vessels and limited new ship building orders, resulting in tightening of supply and demand

### Supply-demand gap forecast (Cape size vessels)

### Background for decrease in supply

Supply/demand indicator (demand for 2022 as 100)

Supply/demand gap indicator (gap ratio\*\* for 2022 as 100)



• **Decrease in number of vessels:**

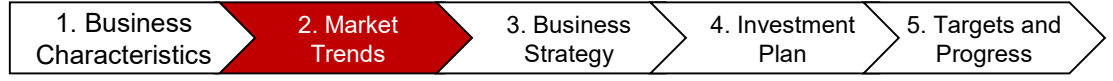
- Retirement of large number of ships particularly built in 2010-2012 is expected
- Direction of fuel conversion is uncertain, and the market environment is difficult to place ship building orders for ships using new fuels

• **Speed limit based on environmental regulations:**

- Substantial supply decreased due to the effect of speed limit to a certain degree by environmental regulations.

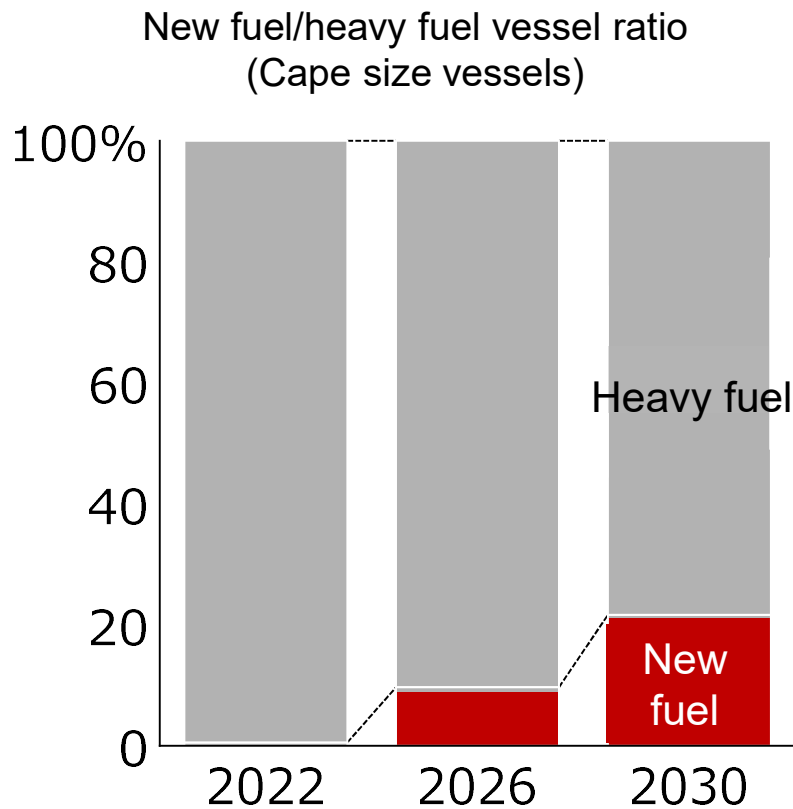
\*Demand indicator / supply indicator (%)  
Source: Based on database of Clarkson and IHS

## Outlook for Expansion of Eco-friendly Vessels



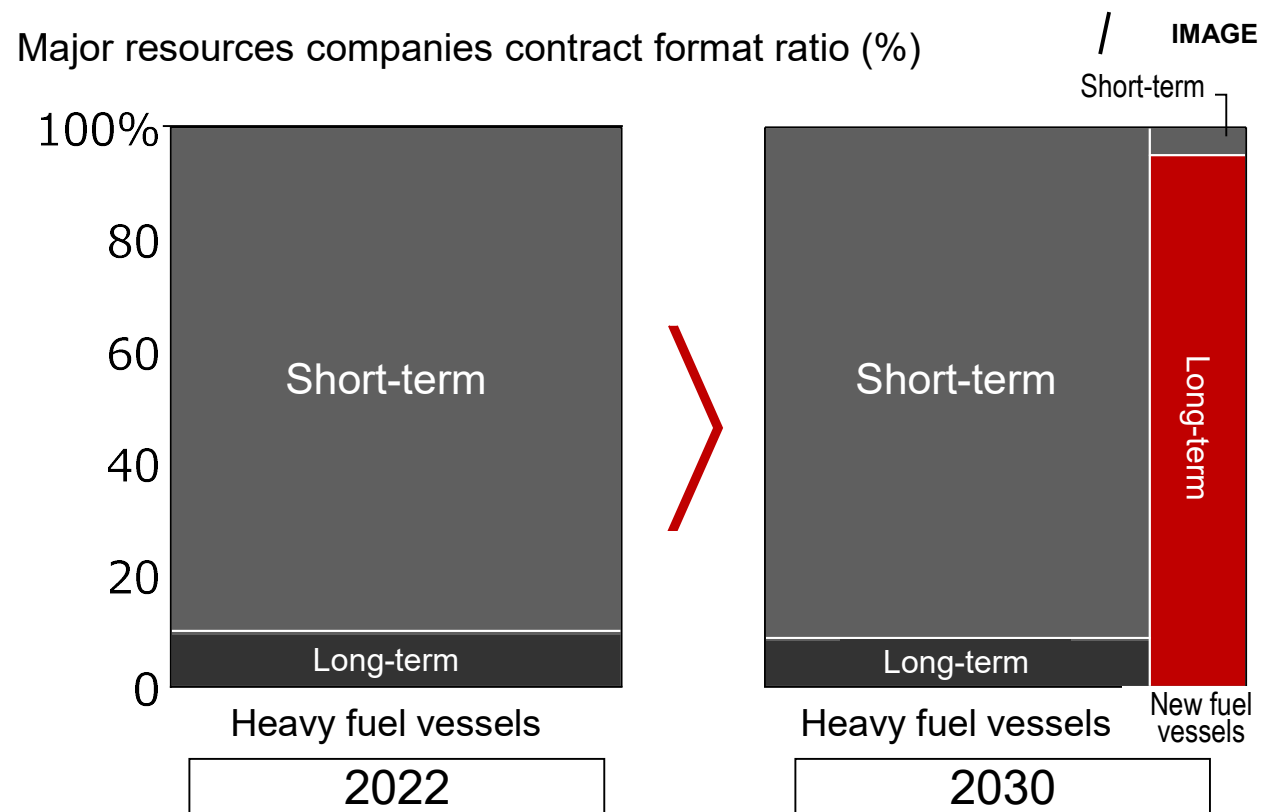
Demand for new fuel vessels have increased in all segments across Japanese and Korean steel mills, other overseas mills and major resources companies, with major resources companies who used mainly short-term contracts previously now mostly using long-term contracts for new fuel vessels

### Shift to new fuel vessels



Ratio of new fuel vessels increased due to the increased customer needs for GHG measures

### New fuel vessels promoting longer contracts



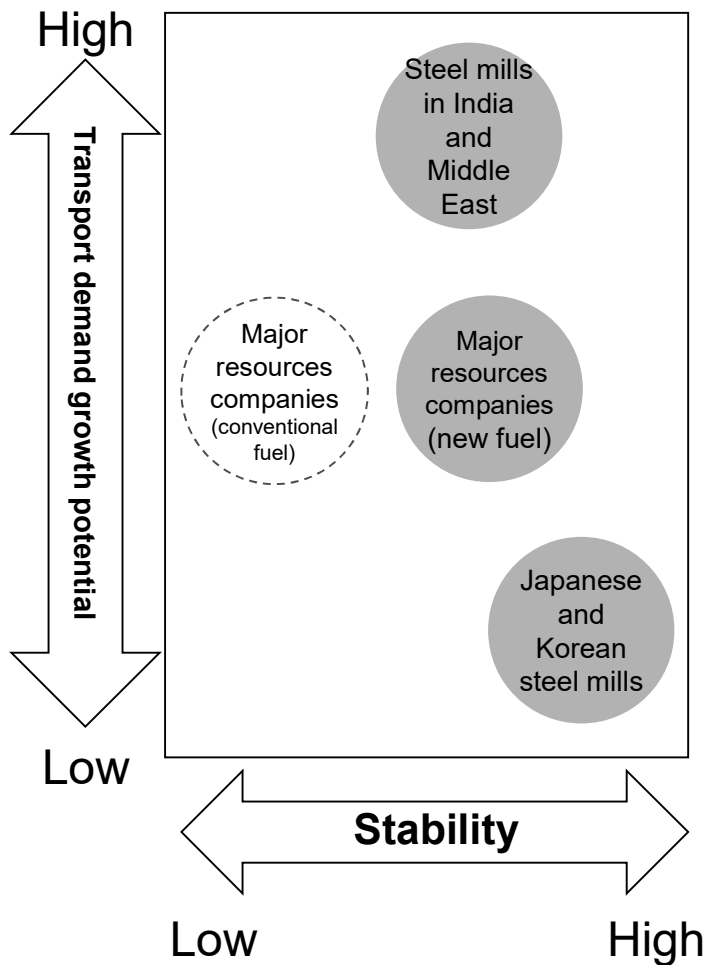
Until the new fuel vessels fill the market, both shippers and shipping companies will require certain level of commitment. Consequently, longer contracts are expected for major resources companies who previously mainly used short-term contracts

## Business Strategy Overview



Aim at sustainable earnings growth by maintaining earnings base from Japanese and Korean steel mills and securing long-term contracts from mills in growth market of India and Middle East leveraging customer- and environment-oriented sales

### Customer positioning



### "K" Line's focus areas

- Maintain earnings base with Japanese and Korean steel mills**
  - Market:** Stable market mainly using medium- to long-term contracts
  - Winning Factors:** Operating record, front-line response capability, new fuel vessels
  - Measures:** Develop eco-friendly fleet
- Maintain and strengthen earnings base with steel mills in India and Middle East**
  - Market:** Many contracts are market-linked but "K" Line has captured medium- to long-term contracts
  - Winning Factors:** Operating record, environmental response capabilities (vessels, sales)
  - Measures:** Develop eco-friendly fleet, build organizational/environmental sales system, deepen customer relationship with organizational/environmental sales targeting existing customers

*Long-term partnership with industry-leading customers including JSW and EGA*
- Secure medium- to long-term contracts with major resources companies**
  - Market:** Stable market with longer contracts due to the shift to new fuel vessels
  - Winning Factors:** Operating record, environmental response capabilities (vessels, sales)
  - Measures:** Develop eco-friendly fleet, build organizational/environmental sales system, deepen customer relationship with organizational/environmental sales targeting existing customers

*Technology and customer-oriented environmental proposal capability leveraging the expertise on energy resource transport*

## Environment-Oriented Sales



**Aim at sustainable earnings growth by expanding stable earnings base and improving transport efficiency through enhancement of collaborations for decarbonization with steel mills in India and Middle East and major resources companies and development of transport technology to reduce environmental impact**

### Environment-oriented sales progress and results



#### Enhance collaboration for decarbonization:

Signed MOU with overseas steel mills and major resources companies concerning joint research and comprehensive discussions on decarbonization measures

**JSW Steel**  
(Steel mill in India)

**EGA**  
(Steel mill in Middle East)

**AngloAmerican**  
(Major Resources company)



#### Develop transport technology for reducing environmental impact:

Invest in environmental technology to achieve zero emission

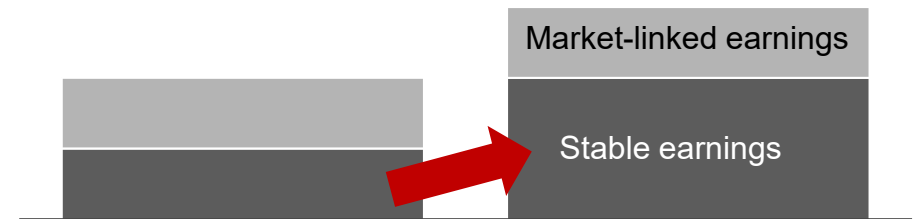
**Jointly developed ammonia fueled vessel obtained an Approval in Principle (AiP)**

**R&D for utilizing automatic kite systems**

### Expected effects

#### Expansion of stable earnings base:

Capture long-term stable contract leveraging environmental measures

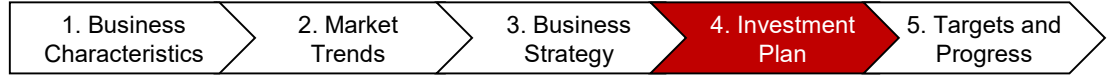


#### Improve transport efficiency:

Minimize ballast voyage operation and improve transport efficiency by improving route connectivity through expansion of customer base for major routes

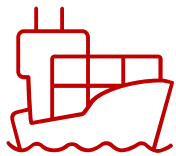


## Investment Policy / Plan



Aim to develop a competitive fleet at appropriate cost by thorough management of fleet size, procurement cost, and ownership format

### Investment approach (Asset Management Guidelines)



- **Fleet size management:** Avoid speculative up-front investments and make ship investments aligned with expected transport demand to be captured

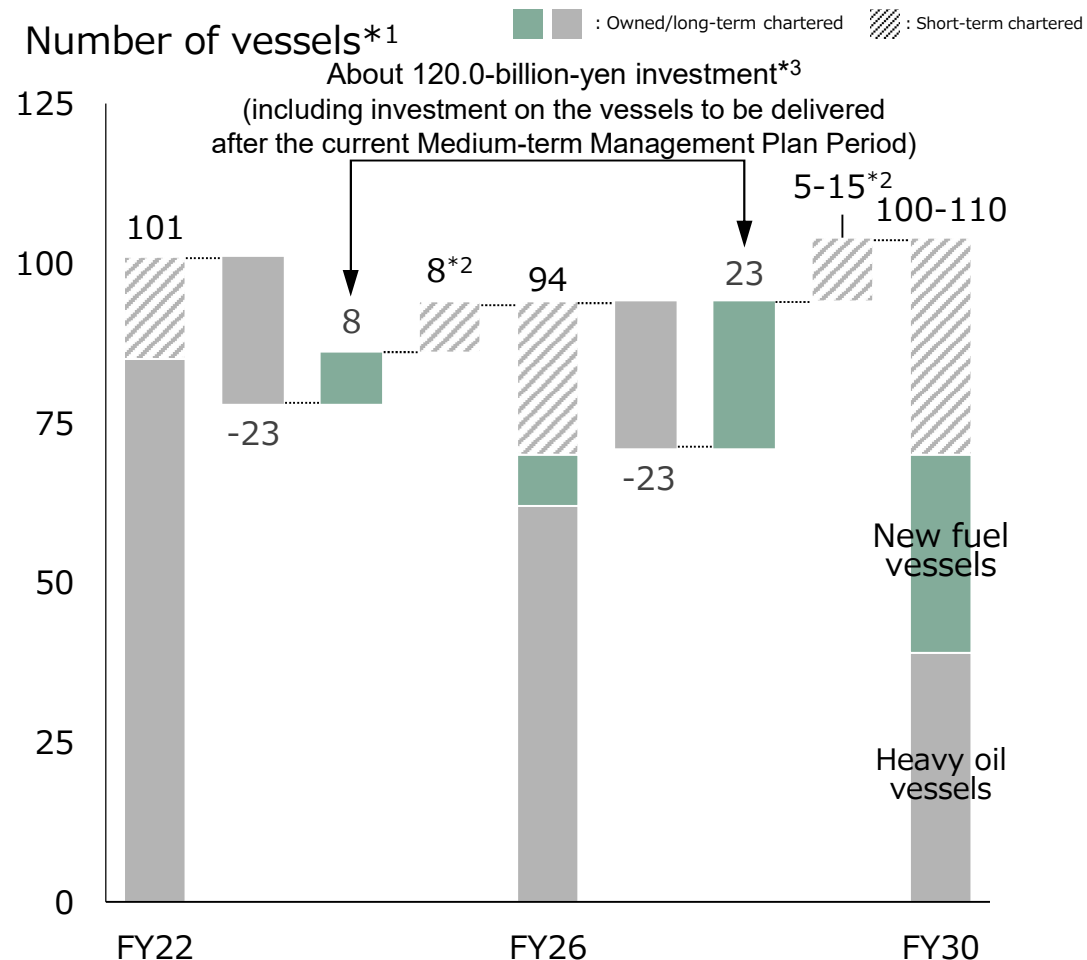


- **Procurement cost management:** Arrange vessels within the guideline on ship price, such as by strategically controlling investment when ship prices increase



- **Ownership format management:** Aim at a fleet that balances the advantage of low cost of ship ownership and the advantage of improved market resilience and asset efficiency of using chartered vessels

### Fleet development plan (FY22–30)

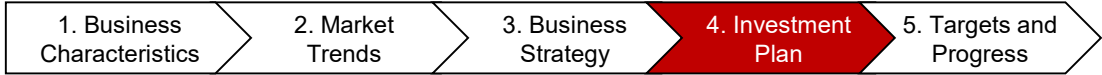


\*1 Summarized based on the time of delivery

\*2 Net increase which subtract decrease due to redelivery of vessel etc. from gross increase.

\*3 Investment amount during the current Medium-term Management Plan period up to FY26

# Asset Efficiency



Realize high asset efficiency in addition to market resilience by building new fuel ships required for sustainable earnings growth and developing a fleet that combines chartered vessels

/ IMAGE

## Operating revenues



- Aim at growth with new fuel vessels in addition to existing vessels
  - Japanese and Korean steel mills: Maintain share by capturing the demand for shift to eco-friendly vessels
  - Steel mills in India and Middle East: Increase share with organizational and environmental sales
  - Major resources companies: Secure long-term contracts by capturing the environmental demand

### Operating Revenues

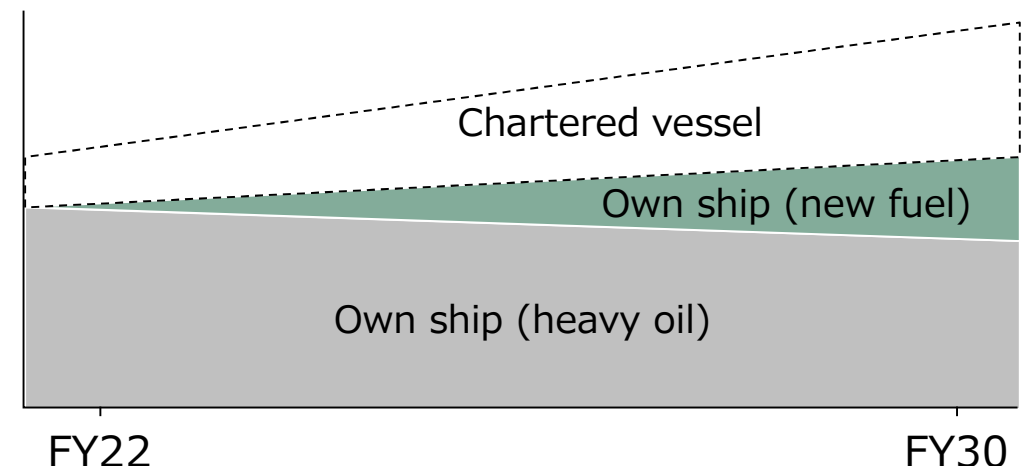


## Assets



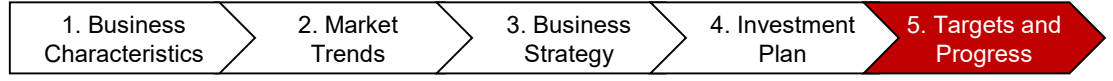
- Develop a flexible and appropriate fleet using chartered vessels
  - Own ship: Promote shift of focus from heavy oil fueled ships to new fuel vessels that contribute to growth
  - Chartered vessels: Ensure market resilience by securing certain number of short- to medium-term chartered vessels

### Assets

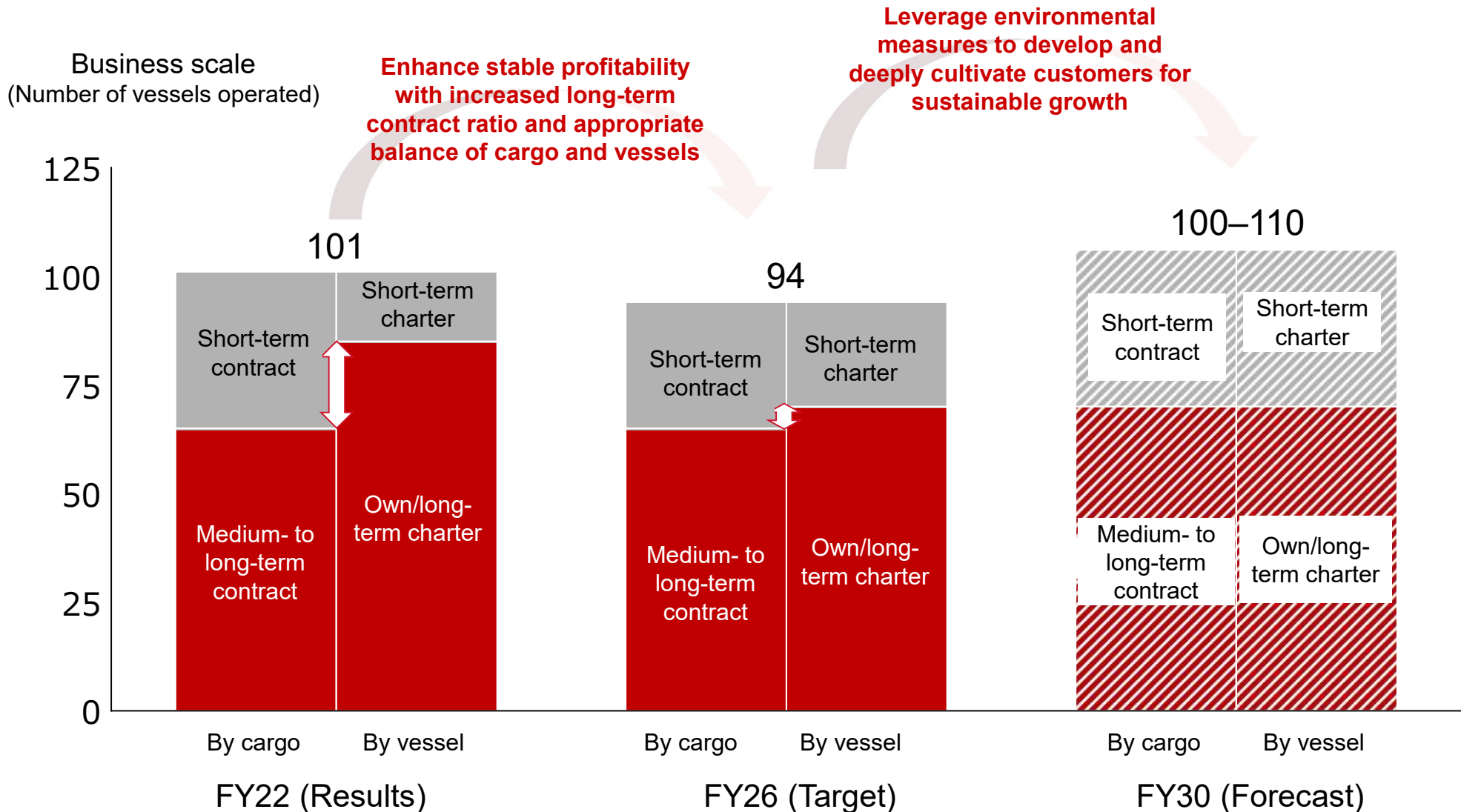


Note: All logos, trademarks, and brand names are the property of the owners

# Target and Progress for Key Indicators



Making steady progress to achieve the Medium-term Management Plan targets; aim at sustainable earnings growth for FY26 onward





# Key Points of Briefing

1

Realize **sustainable earnings growth** by increasing medium- to long-term contracts **with steel mills in India and Middle East that are expected to grow and major resources companies** in addition to the long-standing relationship with Japanese and Korean steel mills

2

Further enhance **customer- and environment-oriented sales** with **disciplined investment in eco-friendly vessels** and **enhancement of organization and human resources in India and Middle East region**

3

Realize **high asset efficiency** with fleet development using lightened asset. Secure **flexible fleet size and align the balance of short- and long-term cargo contracts and fleet composition to enhance market resilience**

## AGENDA

Opening

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Car Carrier Business

---

Coal & Iron Ore Carrier Business

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**LNG Carrier Business**

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Sustainability Management

# Index



**1.**  
Business  
Characteristics

**2.**  
Market Trends

**3.**  
Business  
Strategy



**4.**  
Investment  
Plan

**5.**  
Targets and  
Progress

# Strategic Category of LNG Carrier Business



"K" Line aims at "long-term stable" strategy leveraging customer-oriented capabilities and focusing on energy resource companies and users

	Our Strategy Long-term Stable	Short-term Market
<b>Contract Period</b>	Long-term	Short- to medium-term
<b>Main Customers</b>	Focus on energy resource companies and users	Focus on portfolio players* and traders
<b>Ship Ordering</b>	Order at the time of securing a project	Speculative advanced orders
<b>Ship Ownership</b>	Joint ownership with partners	Sole ownership (control from ship building to sale)
<b>Period to Earnings Contribution</b>	Long-term (requires time for sales and ship building)	Medium-term
	 <b>Relationship with customers/partners and capability for responding to customer needs are the key</b>	 <b>Ship preparation and quick decision making on timing of order are the key</b>

\*Major energy companies and trading companies with multiple LNG projects and suppliers pursuing risk diversification and efficient operation

## Earnings structure of LNG carrier business

1. Business Characteristics

2. Market Trends

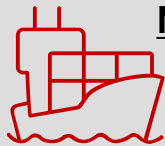
3. Business Strategy

4. Investment Plan

5. Targets and Progress

Maintained profitability regardless of market conditions for the past decade, contributing as an earnings base for the entire "K" Line

## Earnings structure of LNG carrier business



Number of contracted vessels

**Stable**

- During the past decade, several projects started/completed, but fleet of LNG carriers remained stable at 40–50

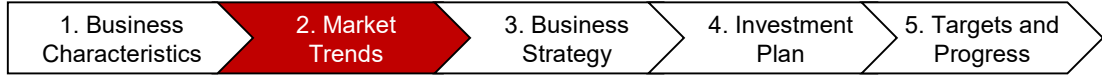


Earnings per vessel

**Long-term stable**

- With long-term stable customer strategy, about 95% of fleet have long-term contracts of 10 years or more
- Earnings per project differ depending on the share of ownership but most projects have maintained profitability due to the long-term contract

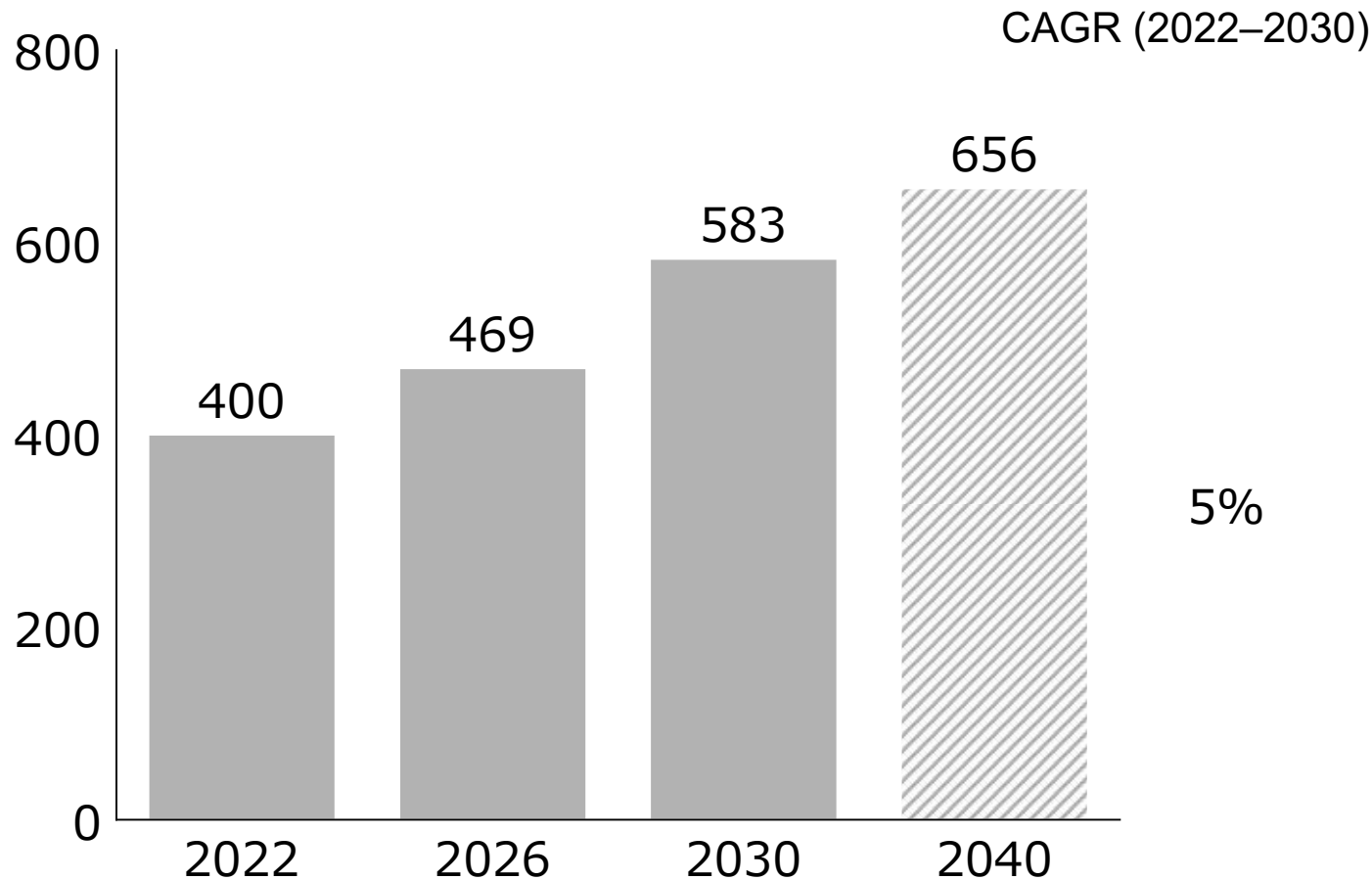
# LNG Demand Outlook



LNG demand is expected to increase steadily to 2030, 2040 due to the increase in demand by emerging countries and the timing of expansion of alternative energies

## LNG demand forecast

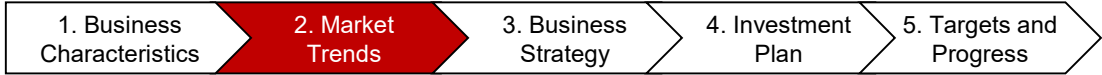
Global LNG demand (Million Tons p.a.)



## Expectations for LNG demand

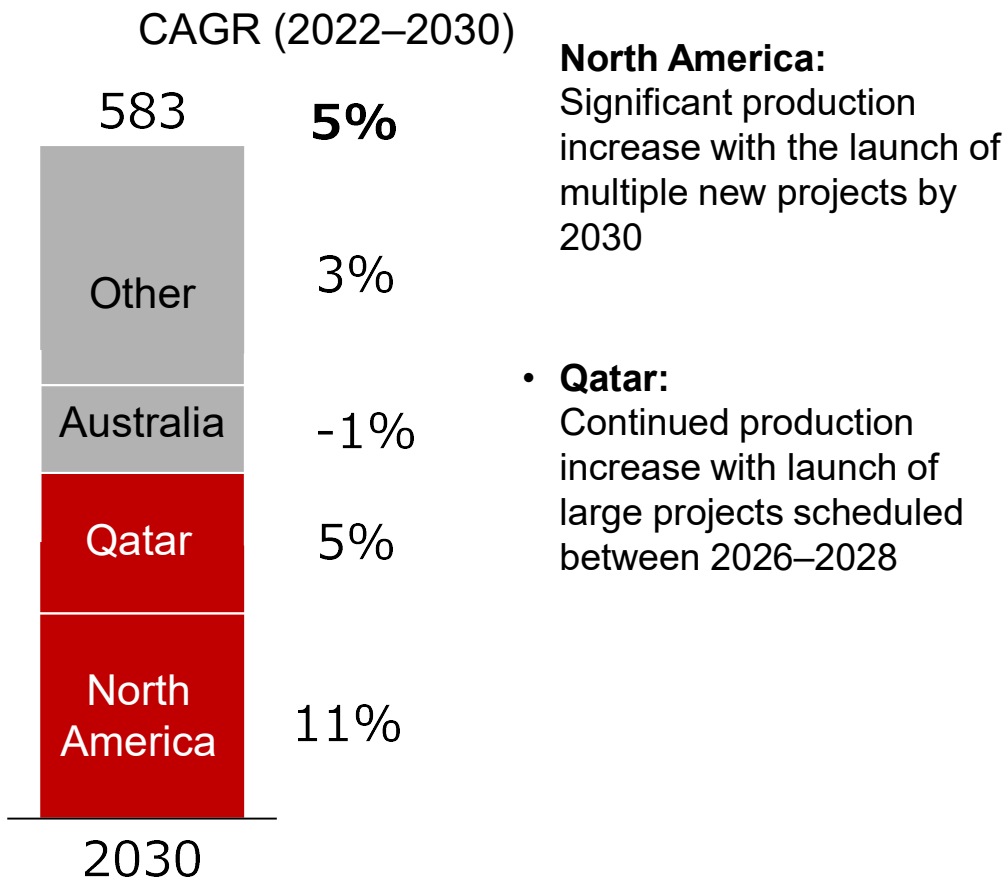
- Increased global energy consumption with economic growth mainly in emerging countries
- Demand for LNG as transition energy is expected to steadily increase to around 2040 due to the decarbonization trend

# LNG production and consumption forecast by region

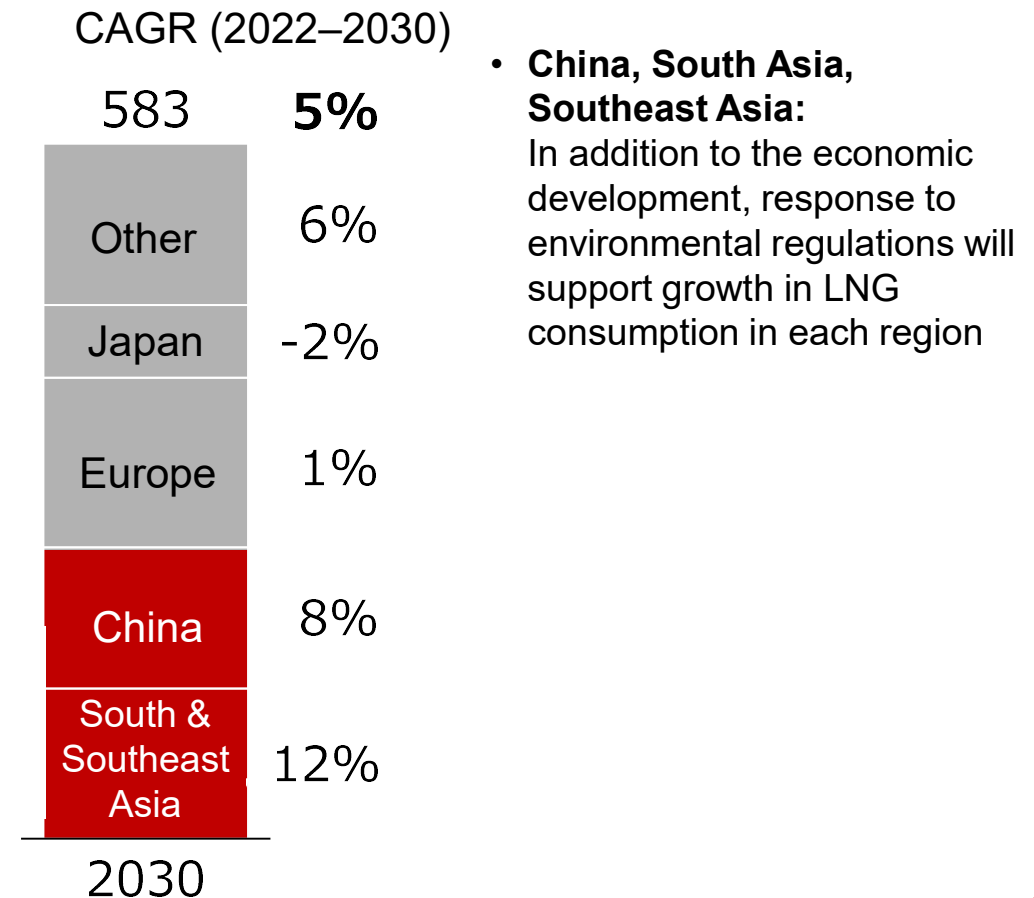


Production increase in North America and Qatar, consumption is expected to increase mainly in emerging regions such as China, South Asia and Southeast Asia.

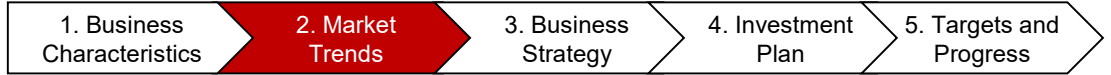
**Production forecast by region  
(Million Tons p.a., 2030)**



**Consumption forecast by region  
(Million Tons p.a., 2030)**

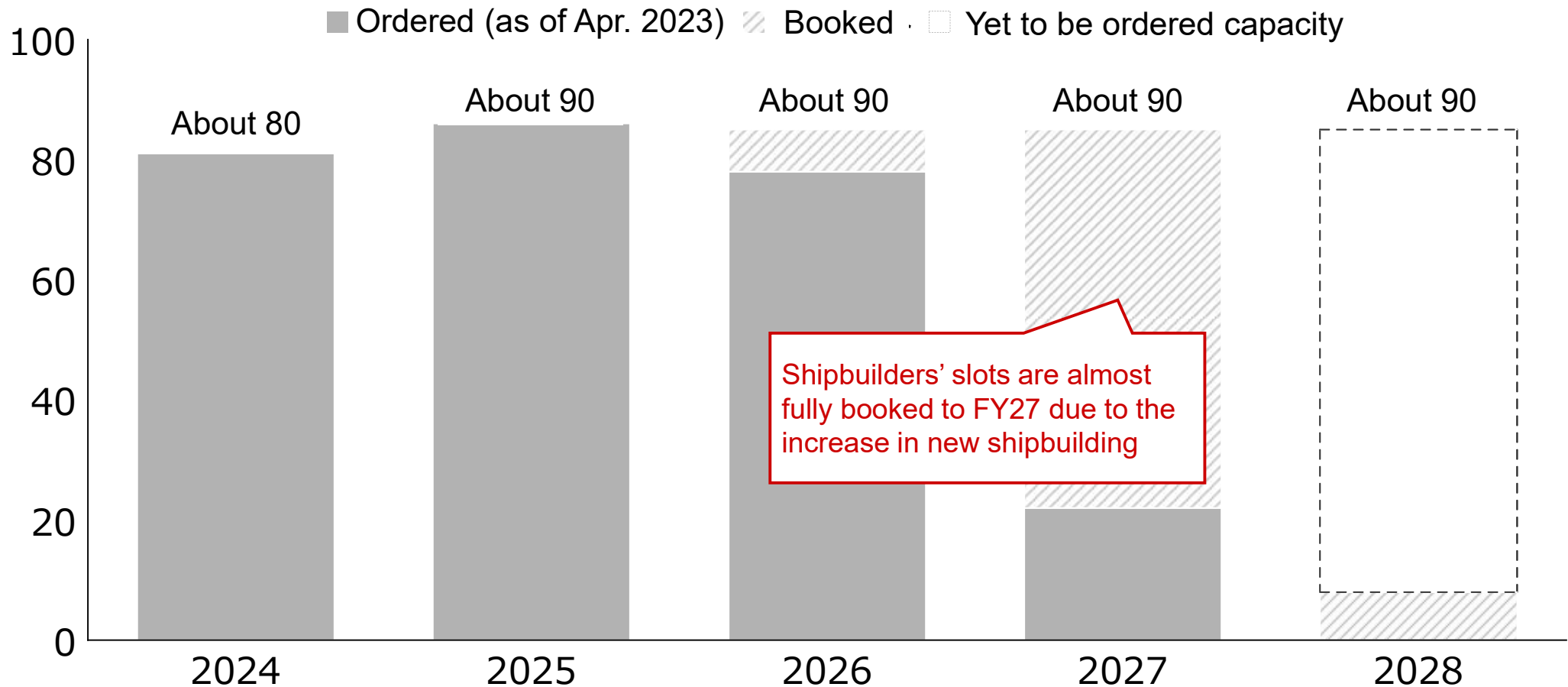


## Vessel Supply and Demand Outlook



Order for new ships are increasing with expectation for solid growth of LNG transport demand, resulting in tight shipbuilding capacity

LNG vessel building capacity (vessels)





## "K" Line Business Strategy



Basic concept is to work with trusted partners to increase the share of business for each customer through customer-oriented sales  
 Maintain and expand market share in Qatar and aim to capture market share in emerging regions by leveraging the expertise



### Maintain/expand market share in Qatar



### capture market share in emerging regions

Customer characteristics

Certain expansion of demand for LNG carriers and long-term contracts remain possible (+business relationship with "K" Line that stretch back decades )

Increased LNG demand and transport volume expected with economic growth

Winning factors

- Ship management and safety management capabilities from the past
- Track record

- Ship management and safety management capabilities
- Response to local contents in each country

Measures

- Maintain safe operation and quality ship management

- Enhance customer-oriented support at sea and on land by sales and ship management through newly established Singapore site

## Latest Progress



Successful long-term contract with QatarEnergy which offers the largest business scale, and making progress in building results such as with PETRONAS in emerging regions

### Maintain/expand market share in Qatar (example of QatarEnergy)



### Capture market share in emerging regions (example of PETRONAS)



#### Reason for the win

Long-term relationship with existing projects, resulting in appreciation of our expertise and safe/optimal operation services

Deeply cultivate customer relationship by providing superior transport quality and transport/ship management expertise through chartering a vessel managed by "K" Line

#### Latest results

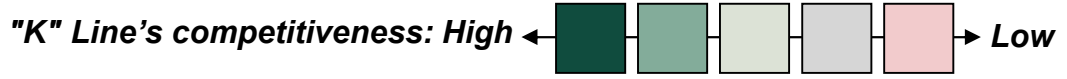
Signed long-term time charter contracts for a total of 12 vessels between August and November 2022.

Signed long-term time charter contracts for multiple vessels, starting with two medium-sized ships announced in October 2020

## Enhance System for Emerging Regions



As part of "K" Line's strength of customer support that combines technology and sales, established ship management site in Singapore and deployed permanent marine superintendents in China, accelerating business in China, India, and Southeast Asia



### Shipping company selection criteria

### "K" Line's competitiveness

### Emerging region initiatives



Ship management record

**Industry top level:**  
Appreciation of quality of ship management and crew by key customers in industry



Response to local contents

**Room for improvement:**  
Experience with cooperation with partners in some regions, but room for improvement

Enhance capabilities to respond to local contents such as crew development through network and ship management with partners and deployment of permanent marine superintendents



Capabilities for responding to customer needs and making proposals

**Industry top level:**  
Provide customer-oriented flexible services

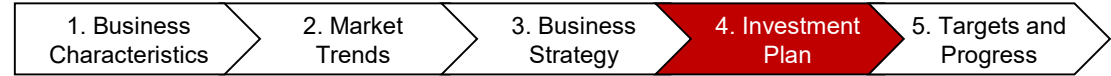
Established ship management site in Singapore and realized further service differentiation by combining ship management and sales to improve understanding of customer needs through region- and customer-oriented approach



Pricing

**Industry average level:**  
Comparable to main competitors

# Investment Policy / Plan



Planning investment of about 160.0 billion yen during the Medium-term Management Plan period by making investment decisions based on risk minimization by focusing on long-term stable projects

## Investment approach



### Focus on long-term stable return

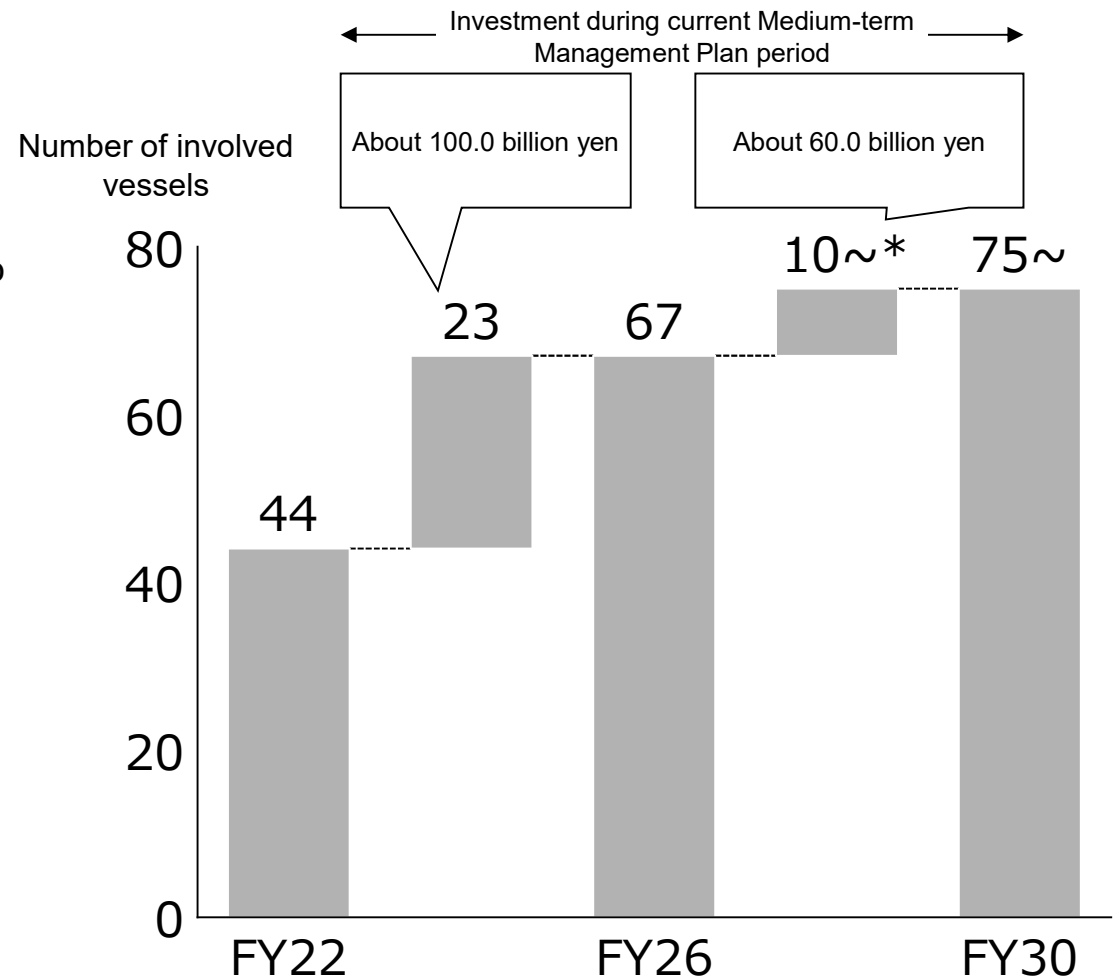
Focus on low-risk, long-term stable projects due to the positioning of LNG carrier business



### Investment at time of securing project

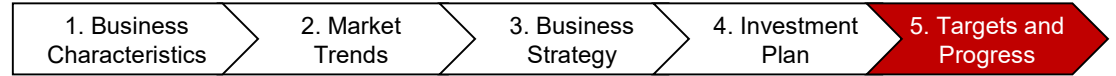
Avoid risk of free vessels by placing shipbuilding orders when long-term contract project is secured instead of speculative advanced orders

## Number of vessel delivery (FY22–30)



\*Figure calculated by deducting the decrease in sale/scraping of ships due to expiration of a project, etc., from the number of new ships built

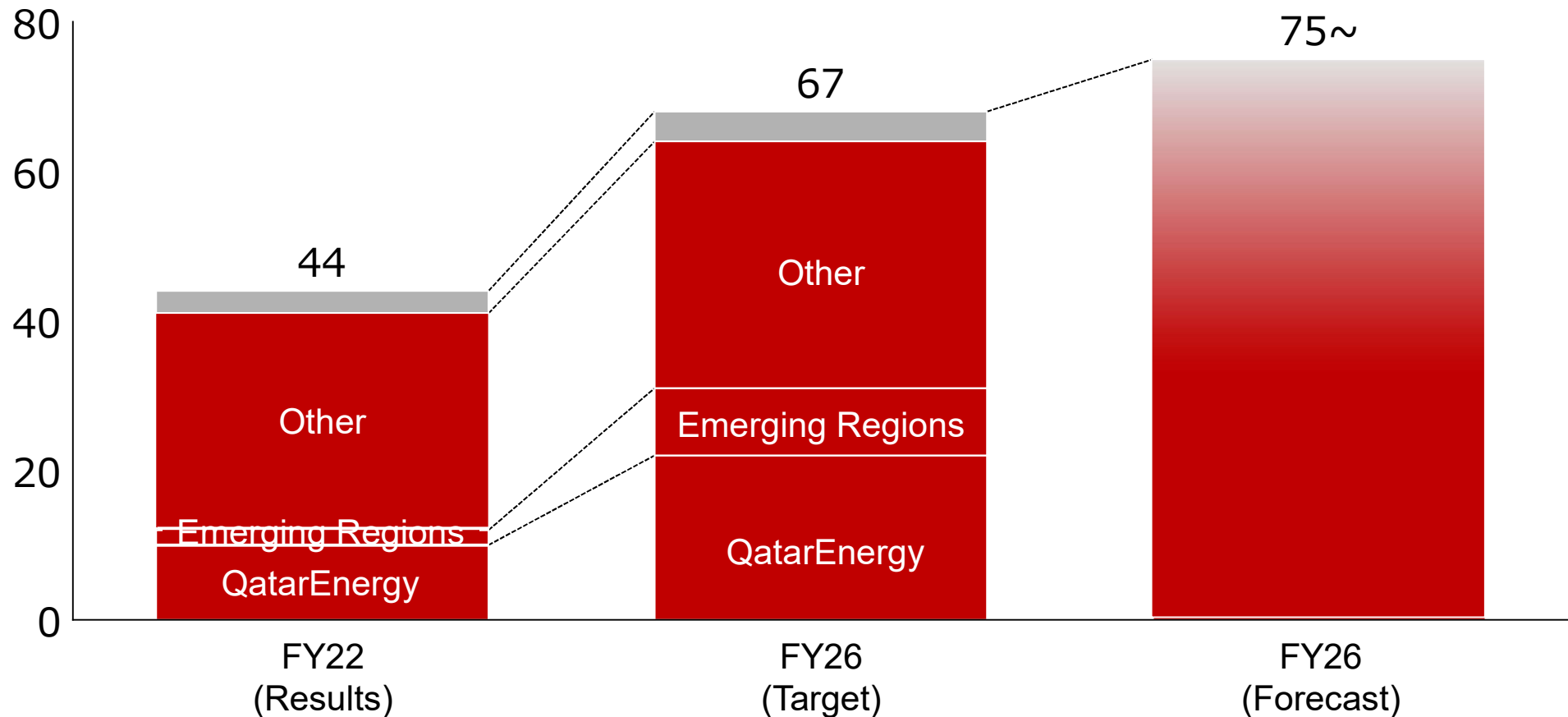
# Targets and Progress for Key Indicators



In addition to business expansion in Qatar, making steady progress on strengthening customer base in emerging regions where growth is expected. Moreover, preparation of vessels towards FY30 is making progress, with aims for growth beyond the Medium-term Management Plan period

Number of vessels in fleet

■ 10-year or longer contracts ■ Less than 10-year contracts



# Key Points of Briefing

1

**Stable earnings contribution** during and after the Medium-term Management Plan period through **long-term stable** business model that prepares ships based on long-term contracts with specific customers


2

Aim at **medium- to long-term increase in the size of earnings contribution** by focusing on long-term stable contracts and capturing demand in emerging regions such as Qatar

3

Improve competitiveness by continued enhancement of **customer-oriented support at sea and on land** with sales and ship management

# Latest Results: “K” Line concluded long-term charter agreement with Diamond Gas International Pte. Ltd.


NEWS LETTER

May 15, 2023  
Kawasaki Kisen Kaisha, Ltd.

**“K” LINE Concludes Long-Term Time Charter Agreement with Diamond Gas International Pte. Ltd. for One New LNG Vessel**

Kawasaki Kisen Kaisha, Ltd. (“K” LINE) is pleased to announce the signing of a 15-year long-term time charter contract (with an option to extend the contract up to 10 additional years) with Mitsubishi Corporation subsidiary Diamond Gas International Pte. Ltd. (DGI) on May 12th. “K” LINE has also concluded a shipbuilding contract with Samsung Heavy Industries Co., Ltd. (Samsung) for a 174,000 m<sup>3</sup> LNG carrier.

This is the first long-term time charter contract between DGI and “K” LINE involving a newly built vessel. The plan is for this new vessel to be engaged in LNG transportation around the world beginning in the second half of 2026. This vessel will be equipped with an ME-GA\* engine and achieve the reduction of environmental impact through the reduction of fuel consumption during operation.

In the 40 years since the delivery of the first Japanese LNG carrier, Bishu Maru, in 1983, “K” LINE has been establishing its expertise in LNG transportation and developing a worldwide network. The signing of the new contracts is a successful result of “K” LINE’s abundant experience supervising vessel construction, its high-quality ship management, and its ability to boast the highest level of safety in its commercially optimized operations.

In our Medium-Term Management Plan published in May 2022,\*\* “K” LINE has positioned the LNG business as one of its top priority areas for future investment. “K” LINE will continue to expand its long-term contracts and accommodate the growing demand for energy by responding to the diverse needs of its customers.

\*1 ME-GA Engine: a low-speed dual-fuel engine using low-pressure gas  
 \*\*2 Medium-Term Management Plan (Released on May 9th, 2022)  
<https://www.kline.co.jp/en/ir/management/strategy.html>

Vessel Specifications

Shipyard	Samsung Heavy Industries Co., Ltd.
Delivery	Second half of 2026
LOA	Approx. 290 m
Beam	45.8 m
Tank Capacity	174,000 m <sup>3</sup>
Propulsion System	ME-GA
Speed	19.5 kn

川崎汽船株式会社

※社外への環境経営推進・IR・広報グループ

**KAWASAKI KISEN KAISHA, LTD.**

Corporate Sustainability, Environment Management,  
IR and Communication Group

News release on May 15, 2023

## Outline of new time charter agreement

- We concluded 15-year long-term time charter contract (with an option to extend the contract up to 10 additional years) with Diamond Gas International Pte. Ltd. (DGI), which is Mitsubishi Corporation’s wholly owned subsidiary, for one new LNG vessel.
- This is the first long-term time charter contract between DGI and “K” Line involving a newly built vessel, and this is a successful result of “K” Line’s high-quality ship management and its ability to boast the highest level of safety in its commercially optimized operation.
- The vessel will be equipped with an ME-GA\* engine and achieve the reduction of environmental impact through the reduction of fuel consumption during operation.

\* a low-speed dual-fuel engine using low-pressure gas

## AGENDA

Opening

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Car Carrier Business

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Coal & Iron Ore Carrier Business

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LNG Carrier Business

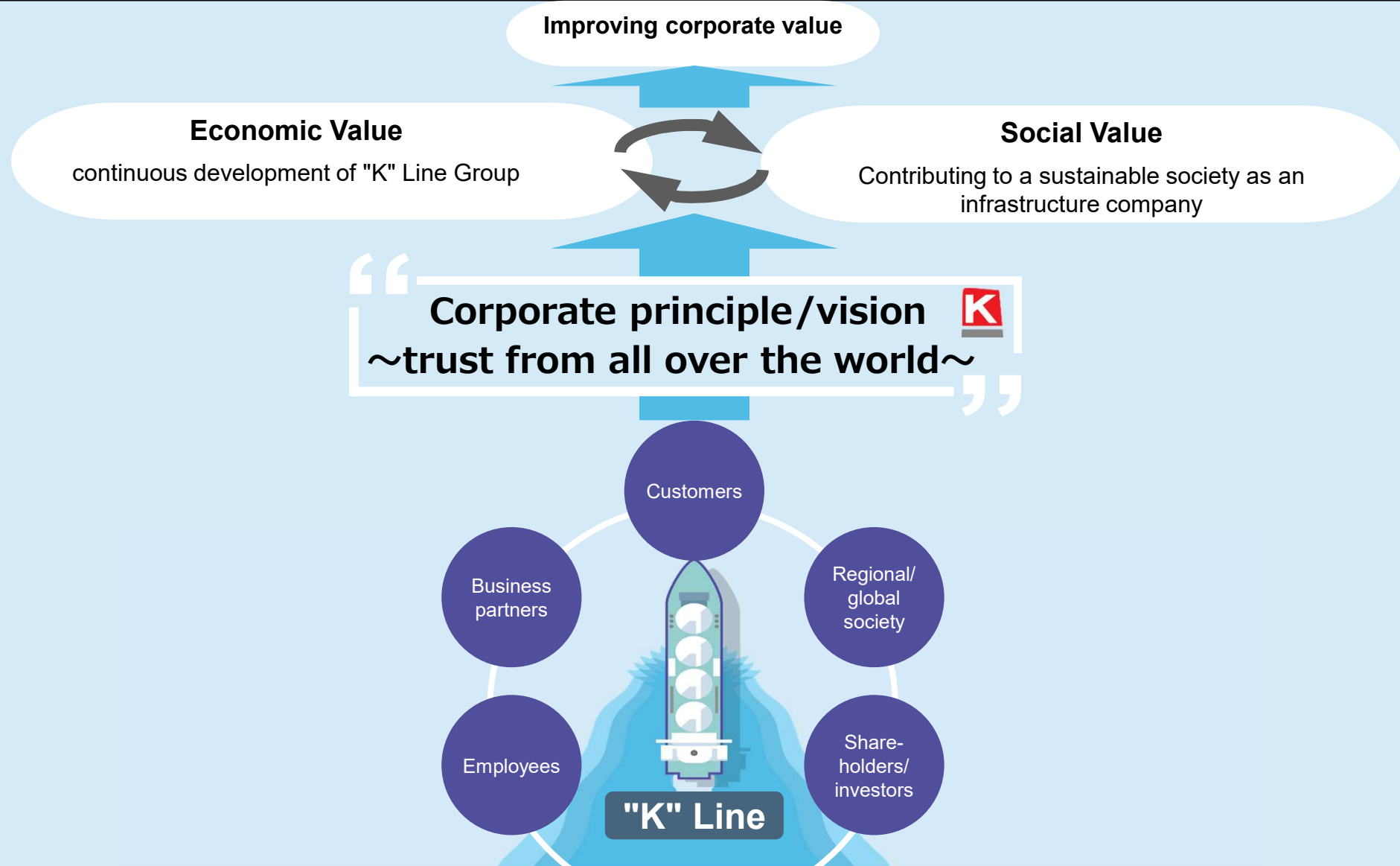
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**Sustainability Management**



# Vision of "K" Line's Sustainability Management

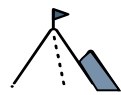
Sustainable creation of economic and social values by balancing out continuous development of "K" Line Group and contribution to sustainable society to realize our corporate principle/vision



# "K" Line's Sustainability Management

To realize corporate principle/vision, promote sustainability management with "Materiality" at the core.

Goals



Vision of "K" Line's Sustainability Management

Materiality

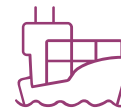


"Environment/  
Technology"



Environmental protection  
rooted in low-  
carbon/decarbonization

"Safety/Quality"



Safe operation

"Human Resources"



Recruiting and developing  
human resources

Management Base

Enhance Corporate Governance



System and  
Framework



Promotion System

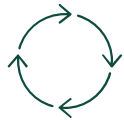
Technology/Digitalization

Alliance/Partnership

# 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 advantage to be balanced with earnings growth

## "K" Line low-carbon/decarbonization



Fuel conversion



Environmentally friendly equipment (use of wind power, etc.)



Development and demonstration of environmental technology



New business that contribute to low-carbon



Biodiversity initiatives

## Low-carbon/decarbonized society

## Zero environmental impact on sea and air



**Contribute to customers**

Contribute to low-carbon/decarbonized marine transport in the customers' value chain

**Balance environmental investment and earnings growth**

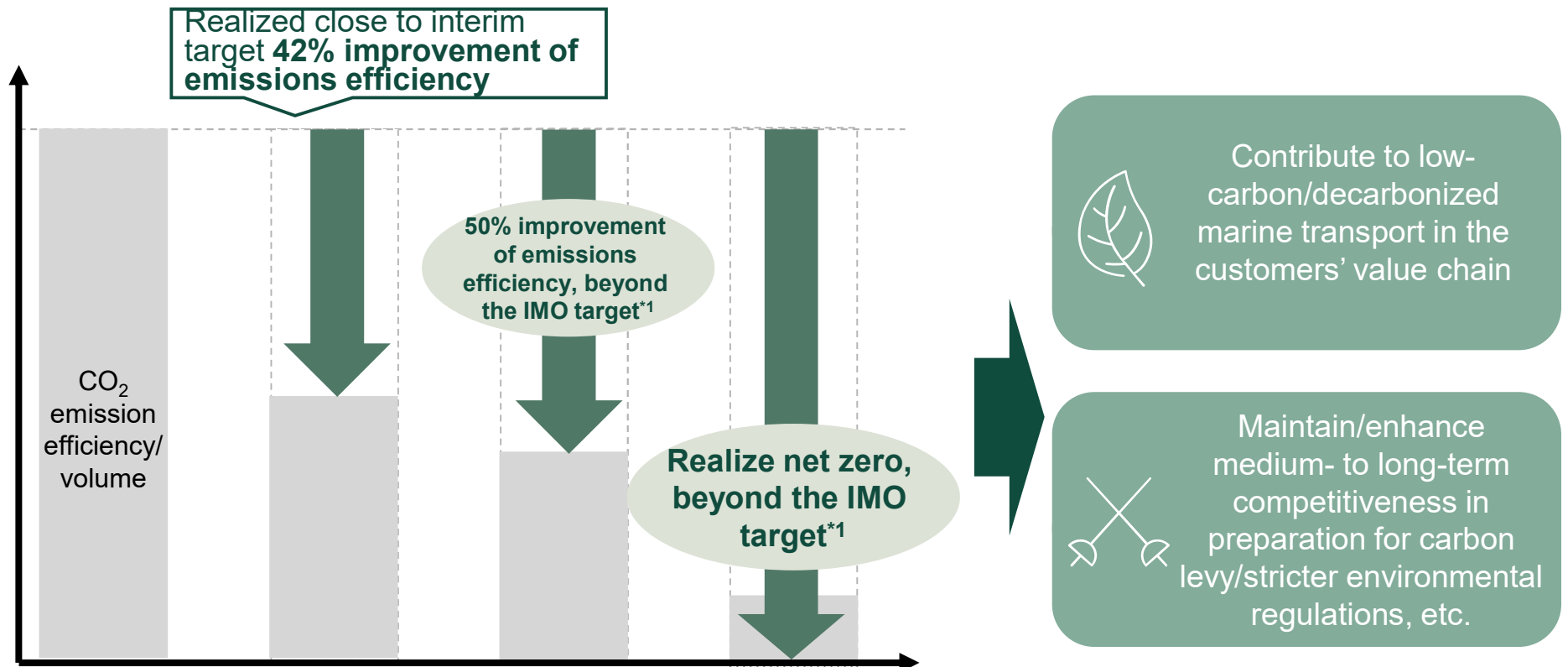
Balance active investment that lead environmental response demanded by society and earnings growth

**Contribute to entire society**

Contribute to realization of sustainable society as the transporter and supplier of new energy

# "K" Line Low-carbon/decarbonization Targets

Aim at unique target beyond the IMO standards presented in "K" Line Environmental Vision 2050 to realize competitive advantage through industry-leading active environmental measures



CO<sub>2</sub> emission efficiency\*2

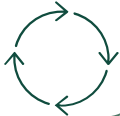



CO<sub>2</sub> emission total volume\*3

	2008 (Base year)	2022 Present	2030 Interim target	2050 Target
CO <sub>2</sub> emission efficiency*2	7.21	4.20	3.61	—
CO <sub>2</sub> emission total volume*3 (ten thousand)	1,368	666	—	Net zero

\*1 IMO has set the target of 40% or more CO<sub>2</sub> emissions reduction by 2030 (per transport volume vs 2008), 50% or more GHG emissions reduction by 2050, and zero emissions as early as possible during this century  
 \*2 unit: g-CO<sub>2</sub>/ton-mile, \*3 Total volume of Scope 1+ 2, unit: ton

# Summary of Low-carbon/decarbonization Initiatives

Promoting emission reduction measures for “K” Line low-carbon/decarbonization and low-carbon/decarbonized society.  
Invest total of 375.0 billion yen by 2026

			Investment amount (-2026)	GHG emissions reduction effect	KPI for measuring progress
"K" Line low-carbon/decarbonization	<b>1 Fuel conversion (use of clean energy)</b> 	LNG-/LPG-fueled vessels	320.0 billion yen	20–30% reduction vs previous vessels	Number of LNG-/LPG- fueled vessels
		Zero carbon emission vessels		Zero emission	Number of zero-emission vessels
	<b>2 Environmentally friendly equipment (use of wind power, etc.)</b> 	Seawing, scrubber, etc.	17.0 billion yen	20% reduction vs previous vessels	Number of ships with Seawing (-50 ships, 2030)
"K" Line low-carbon/decarbonization	<b>3 Development and demonstration of environmental technology</b> 	Installation of K-IMS (operation efficiency)	10.0 billion yen	3–5% reduction vs previous vessels	100%* installation of K-IMS to owned / medium- to long-term chartered vessels
		Hybrid EV tug boats, etc.		-	
Low-carbon/decarbonized society	<b>4 New business that promotes low-carbon achievement</b> 	Liquefied CO <sub>2</sub> transport	28.0 billion yen	-	Consider based on business characteristics (as of 2023, two liquefied CO <sub>2</sub> vessel have been decided to be operated)
	Support for wind power generation installations etc.				

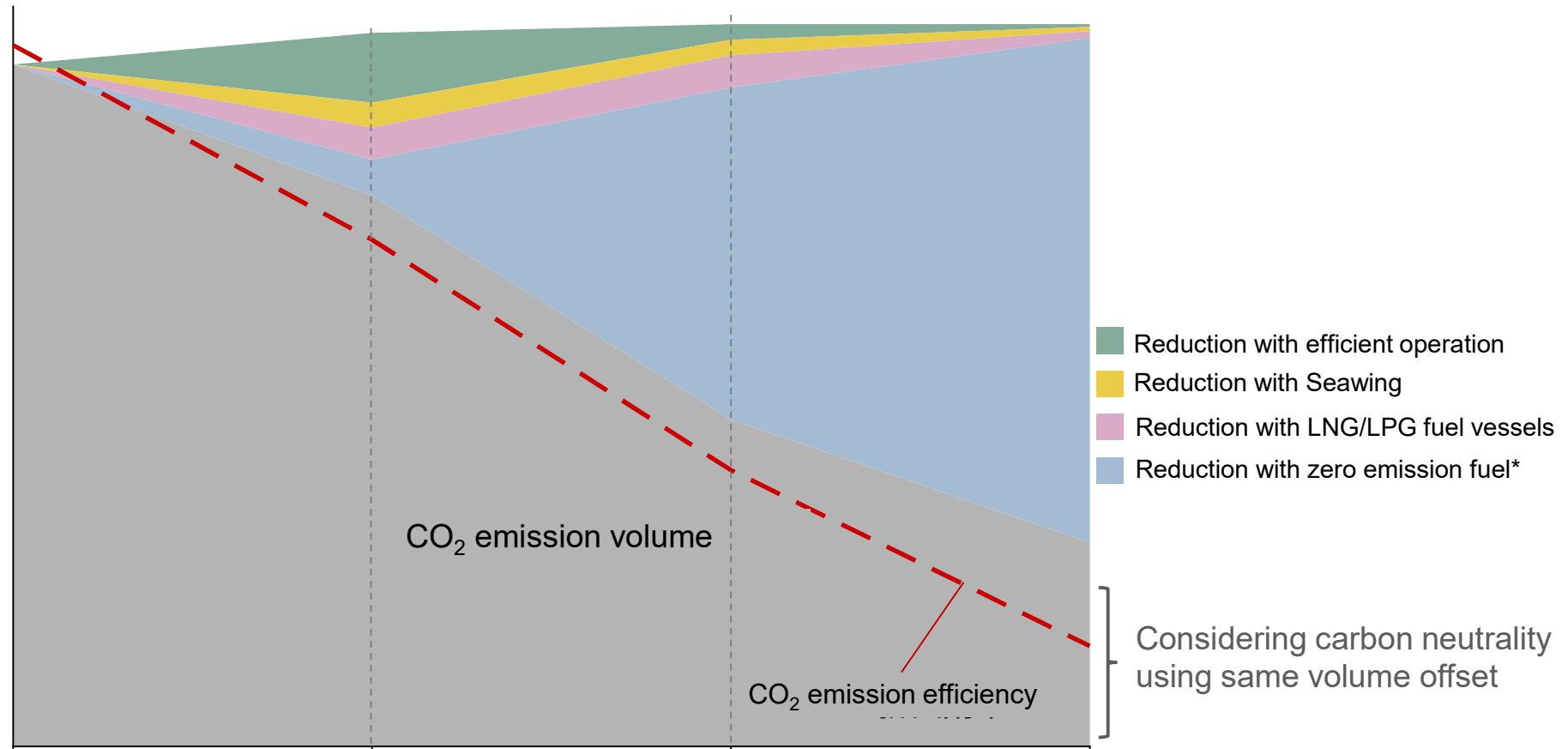
\*Already installed to owned vessels in operation. K-IMS is planned to be basically installed to all the newly built vessels. By the end of FY23, K-IMS will be installed to all medium- to long-term chartered vessels (excluding short-term chartered vessels)

Note :KPIs are based on “K” Line’s assumption on development of related technology and infrastructure, related regulation and economics as of today and subject to change depending on future trends.

# Road Map for "K" Line Low-carbon/decarbonization

Path and achievement of 2030 targets have become clear. Promote detailed review toward 2050

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



	2022	2030	2040	2050
LNG/LPG fueled vessels	1	45	40	10
Zero carbon emission vessels	0	20	130	200-250

\* ammonia, hydrogen, methanol and bio-fuel etc.

Note :The road map based on "K" Line's assumption on development of related technology and infrastructure, related regulation and economics as of today and subject to change depending on future trends.

## Initiatives for Low-carbon/decarbonized Society

Leverage the abundance of expertise accumulated through marine transportation business to participate in businesses that contribute to low-carbon/decarbonized society

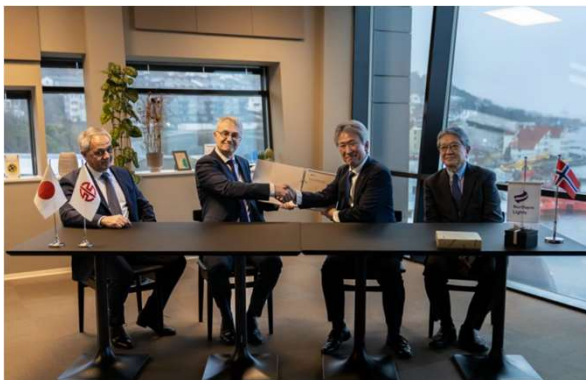
### Participating in liquefied CO<sub>2</sub> transport business

#### ● Contribute to negative emission technology

- Liquefied CO<sub>2</sub> transport vessels are an important part of value chain for realizing CCS

#### ● Participating in CCS projects

- Participating in the world's first full-scale carbon capture and storage (CCS) project with Northern Lights, operating liquefied CO<sub>2</sub> ships from 2024
- Participating in liquefied CO<sub>2</sub> transport demonstration with the Engineering Advancement Association of Japan, Nippon Gas Line Co., Ltd., and Ochanomizu University to realize CCS



Signing ceremony with Northern Lights

### Offshore support vessel business for offshore wind power installations

#### ● Contribute to offshore wind power installations

- Participating in offshore wind farm support and transport vessels business leveraging abundance of expertise accumulated through offshore support and transport vessels businesses

#### ● Initiatives to support offshore wind farms

- Launched collaboration with Penta-Ocean Construction on ship management and other activities in the field of offshore wind power construction and maintenance in 2022
- Adopted as NEDO's offshore wind cost reduction demonstration project



Offshore support vessel "Kaiko"

### Participating in hydrogen and ammonia transport business

#### ● Contribution to building the value chain

- Transport business is an important part of the value chain in realizing zero carbon emission vessels

#### ● Initiatives for building a supply network

- Participating in CO<sub>2</sub>-free Hydrogen Energy Supply-chain Technology Research Association (HySTRA) which aims to create a hydrogen supply chain and conducted the world's first long distance marine transport demonstration in February 2022
- Obtained an Approval in Principle (AiP) for joint research with Maersk A/S and others on ammonia fuel supply vessel (May 2022)



Image of ammonia fuel supply vessel

## Initiatives on Biodiversity

Aim for zero environmental impact on sea and air and be the industry leader in biodiversity protection

### KPIs for Biodiversity

Zero oil spill accidents

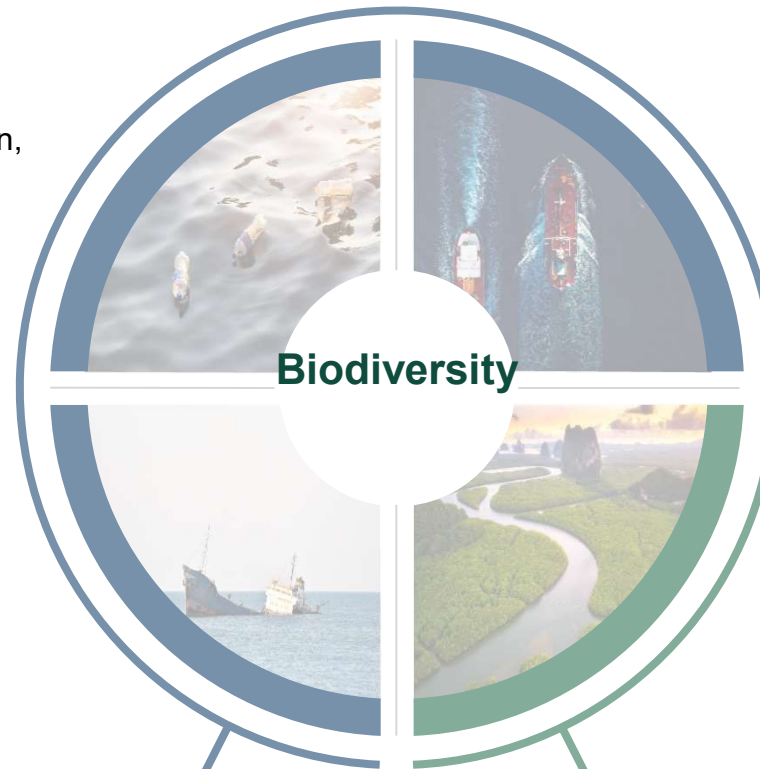
100% ballast water treatment system installation by June 2024

#### Avoid/minimize marine pollution

- Promote initiatives for zero oil spill accidents (strengthen safety in navigation, enhance ship resilience)

#### Reuse/conversion of resources with recycling

- Send employees to ship recycling dismantling yard for assessment such as to prevent emission of pollutants
- Promote minimization of waste and recycling for businesses at sea and on land



#### Reduce/minimize environmental impact

- Install SOx/NOx reducing equipment/fuel
- Use environmentally friendly low friction paint
- Appropriate treatment of ballast water
- Participating in vessel speed reduction program in California, U.S., to protect whales

#### Recovery and preservation of environment/ecosystem through collaboration/cooperation with society

- Joint research on marine plastic waste with Tokyo University of Marine Science and Technology
- Collaboration with the NPO Chiba University Students Committee for Environmental Management System on Satoyama preservation and clean up of seashores

From negative to zero

From zero to positive

As a part of TNFD disclosure, planning to disclose result of risk assessment by July



# Target and Objective for Safety in Navigation

As the most essential responsibility of "K" Line, putting customers first, provide industry leading safe and optimal service with unique safety and quality policy as a guideline that surpasses legal requirements

## Establish safe, reliable and high-quality navigation

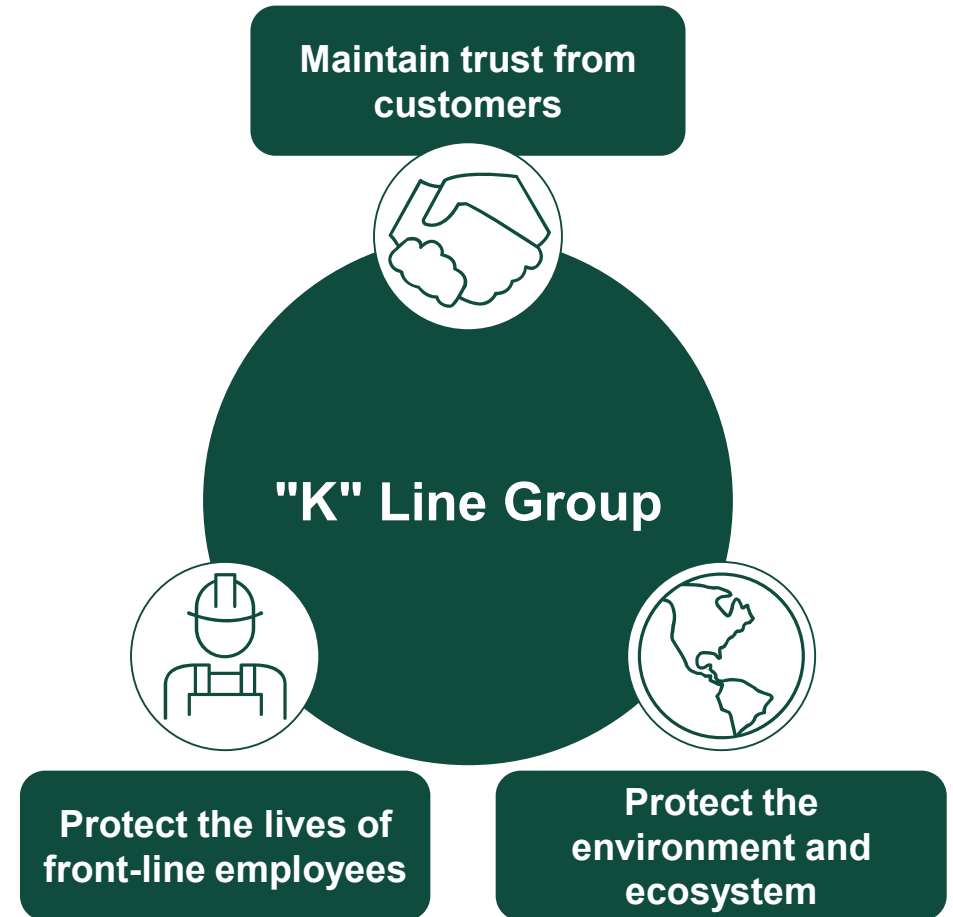
### KPIs for safety in navigation



Zero serious maritime accidents



Less than 10-hour delay time due to mechanical failure (per vessel p.a.)



# Summary of Initiatives for Enhancing the System for Safety in Navigation

Build a solid system for safety in navigation with safety and quality management leveraging the “human capabilities” which is the strength of “K” Line, complemented with advanced digital technology



**"K" Line's values**

Providing safe and optimized services that put the customer first.

## Customer-oriented marine superintendent support system



- Enhance group-wide functions
- Front-line support by sites

## Recruiting and educating crews in preparation for the future

- Next-generation crew development in response to new fuel vessels, etc.
- Transfer of personnel to prepare for the future



## Ship management with enhanced collaboration at sea and land

- Measures corresponding to characteristics of vessels
- Improve global management quality



Global monitoring system that comprehensively covers all seas using three bases

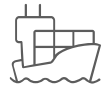


Development and expansion of systems and infrastructure using advanced digital technology to supplement human capabilities

(E.g., Enhancement of functions and increased installation of K-IMS, an integrated vessel operation and performance management systems, autonomous navigation technology innovation and application etc.)

# Safety in Navigation Initiatives Supported by People

Develop “people” who are central to supporting safety in navigation and “people” to play the central role in building and operating the standards and systems to ensure safety



## Safety in navigation supported by people



**Recruiting and educating crews in preparation for the future**



**Customer-oriented marine superintendent support system**



**Ship management with enhanced collaboration at sea and land**



**Global monitoring system that comprehensively covers all seas using three bases**

● **Next-generation crew development**

- Enhance simulator and training responding to new technology (obtained the first certification\* in Japan)
- Develop qualified personnel for new fuel vessels and transfer technology

● **Transfer of personnel to prepare for the future**

- Expand opportunities to utilize marine superintendents regardless of at sea, on land, or nationality
- Utilize crew with liquefied gas technology for liquefied CO<sub>2</sub> transport business



Simulator training

● **Enhance group-wide functions**

- Centralize the previously fragmented marine superintendent function and build a group-wide support system (K LINE Marine Solutions)

● **Front-line support by sites**

- Enhance response to customers with global business
- Enhance support by shifting from Tokyo-based support to region-based support closer to the front-line



Singapore’s Senior Minister of State for Finance and Transport attended the ceremony

● **Measures corresponding to characteristics of vessels**

- Capture the customers needs and realize marine superintendent support aligned with vessel type and route characteristics aiming at accurate proposals including collaboration

● **Improve global management quality**

- Improve management method with comprehensive and centralized management
- Apply unique standard (safety equipment KL-DNA and quality policy KL-QUALITY)

● **Real time monitoring**

- Establish 24X7 real-time monitoring sites in Asia, Europe and Americas
- Support navigation corresponding to the vessel status and change in weather/maritime conditions

● **Emergency response**

- Support emergency response and coordination between the headquarters and ship management company

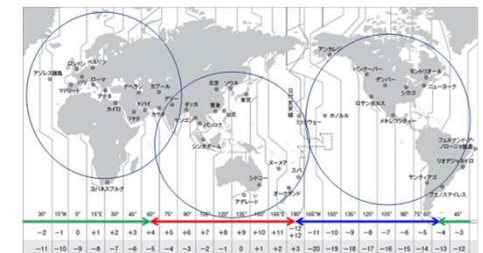


Image of global monitoring system with three bases

\*A new course built based on the "K" Line Maritime Academy’s ship simulator was certified by Nippon Kaiji Kyokai, Japan (“Class NK”) as Ship Simulator and Bridge Teamwork training course

## Development and Expansion of Systems and Infrastructure Using Advanced Digital Technology

In addition to reducing work burden with navigation support, apply advanced digital technology in areas of monitoring, prediction, and prevention to complement “human capabilities” and realize enhanced safety in navigation



### Navigation support

- Calculate optimal route for safety and fuel efficiency
- Support navigation decision for safe operation

AIMS\*1



### Monitoring

- Reduce work burden with automated recording
- Detect abnormalities
  - Monitoring of vessel/equipment performance
  - Monitoring of operation performance

SPAS\*3

EP-Monitor\*4



### Prediction/ prevention

- Failure prediction/diagnosis
- Operating condition monitoring

CBM\*5

Integrated vessel operation and performance management system “K-IMS”



Install on ships

Installation of K-IMS is expanding to chartered vessels in addition to owned vessels, aiming at installation on all vessels except some short-term charter vessels

“K”-Assist project for realizing autonomous navigation

(Promote demonstration of advanced autonomous navigation and feedback accumulated technologies such as failure prediction and diagnosis navigation to existing vessels)



### Cyber Security

In response to increasing cyber risks, introduced protection for high-speed large-volume communication between vessels and onshore facilities and hyper attack response facility/monitoring services, and acquired security certification

\*1: Accident Information Management System; \*2: Optimum Navigation System; \*3: Ship Performance Analyzing System; \*4: Engine Plant Monitor; \*5: Condition Based Maintenance

# Objective for Recruiting and Developing Human Resources

Through relentless effort as a business in charge of basic infrastructure for the global society, lead the sustainable growth and innovation and flexibly respond to changes in the business environment



## Human Resources Management

Hire and develop quality and quantity of human resources corresponding to the demands of each business portfolio

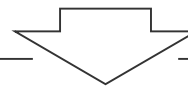
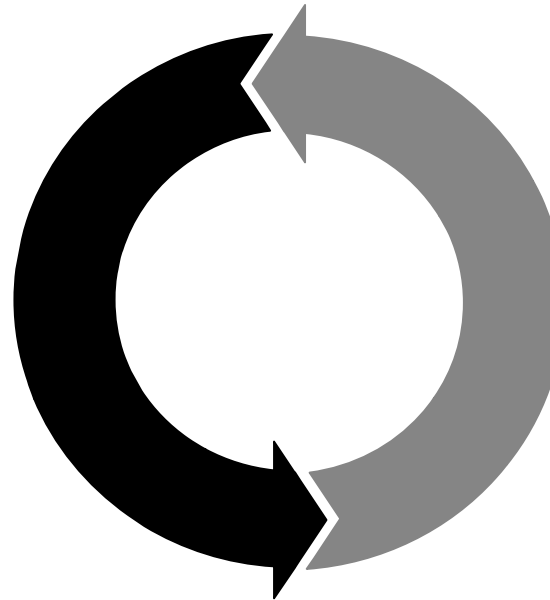
- Professionals shipping executive
- Human resources with expertise in business transformation
- Human resources with expertise in environment and technologies
- Create a corporate culture that focuses on moral compliance



## Diversity & Inclusion

Establish safe and comfortable environment

Establish an environment where diverse personnel can play active roles and make full use of their skills



## KPI for recruiting and developing human resources

### Diversity

Female employees comprising 15% of managerial positions

Ratio of mid-career hires among managers/employees in service

### Occupational Safety

Average monthly overtime working hours within 40 hours per employee

More than 20% male employees taking childcare leave

### Health Management

Over 90% stress check examination rate

# Human Resources Management

Hire and develop human resources who can lead business growth and innovation, and are capable of flexibly responding to change in business environment

## Lead business growth and innovation



### Develop professional shipping executives capable of competing on the global stage

- Enhance various training to deepen shipping expertise
  - Maritime business training
  - Onboard training
- Management training
  - Accounting/finance training: Analysis of financial statement/business investment decisions
  - "K" Line Value Seminar: Management strategy
  - Management skills training: Implementing PDCA cycle



## Flexibly respond to changes in the business environment



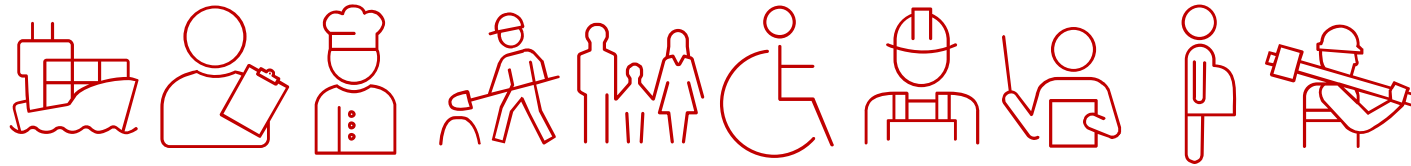
### Hire and develop human resources with expertise in business transformation and environmental technology

- Hire and develop DX human resources who can lead resolving challenges both at sea and on land by digital technology
- Design and implement DX training per achievement level for all employees (develop 100 DX utilizers in the next 1 year)
- Establish a promotion committee led by management and a cross-organizational promotion department, as well as a group co-creation system
- Active recruitment of human resources with science backgrounds

Create a corporate culture that focuses on moral compliance (reflect on compliance training and performance evaluation)

# Diversity & Inclusion/Establishment of Safe and Comfortable Environment

Aim at a safe and comfortable environment where onshore and offshore personnel with diverse values and different nationality, gender can make full use of their skills



## Diversity & Inclusion

- Diversity
  - Declared to secure diversity and eliminate discrimination based on nationality and gender in the Charter of Conduct
  - Development of foreign crew through "K" Line Maritime Academy ("K" Line Group seafarer's training facility located in Manila, Philippines) (foreigners comprise about 97% of crew on Group controlled vessels)
  - Promoting active participation of women by enhancing support system before/during/after childcare leave
  - Secure diverse human resources by mid-career hiring throughout the year
- Inclusion
  - Offshore/onshore collaboration; right resources in right places
  - Creation of sense of unity and fusion of foreign national staff through "K" Line University



## Establishment of safe and comfortable environment

- Safe workplace
  - Prevention of overwork through manager training and establishment of overtime work monitoring system
- Support flexible workstyle reflecting life style
  - Teleworking system
  - Childcare leave surpassing legal requirements
  - Childcare leave for fathers ("K" Line's unique system)
- Employee health promotion activities
  - Health promotion-related e-learning

## Enhancement of Corporate Governance

Strengthen corporate governance to reinforce the supervisory function and enhance effectiveness of the Board of Directors to improve corporate value

### Our vision

- The Board of Directors have a “supervisory function” on the business execution by directors and executive officers and “decision making function” for important business execution
- "K" Line will aim to ensure steady implementation of the management strategy and management plan by securing the decision-making function and reinforcing the supervisory function of the Board of Directors to achieve medium- to long-term improvement of corporate value

### Enhancement of the “supervisory function” of the Board

Review the composition of the Board

Enhance the Nomination and Remuneration Advisory Committees

Revise the officers’ remuneration system

Review the Director Skill Matrix

Clarify the succession planning process

Board of Directors Effectiveness Evaluation



### Enhance rigorous discussion and effectiveness of the Board

Review of agendas for the Board of Directors  
(focus on medium- to long-term business policy and important management resource allocation, etc.)

Outside directors’ participation in management strategy meetings



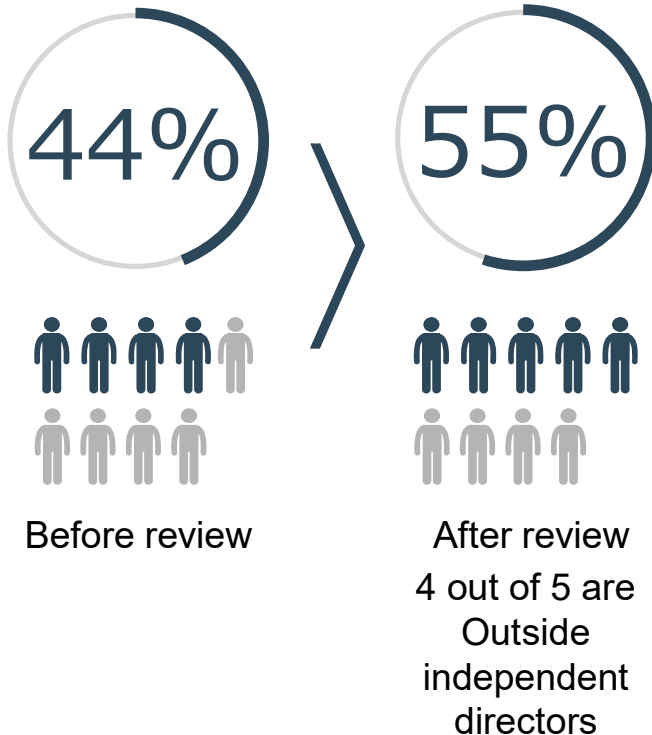
# Key Initiatives to Enhance Corporate Governance

Review the composition of the Board of Directors to enhance independence of the supervisory function and ensure diversity of skills, and develop incentives and frameworks that support improvement of corporate value and sustainable growth



Review the composition of the Board

- Reinforce the independence of the supervisory function by increasing the ratio of Outside Directors on the Board



Review the Director Skill Matrix

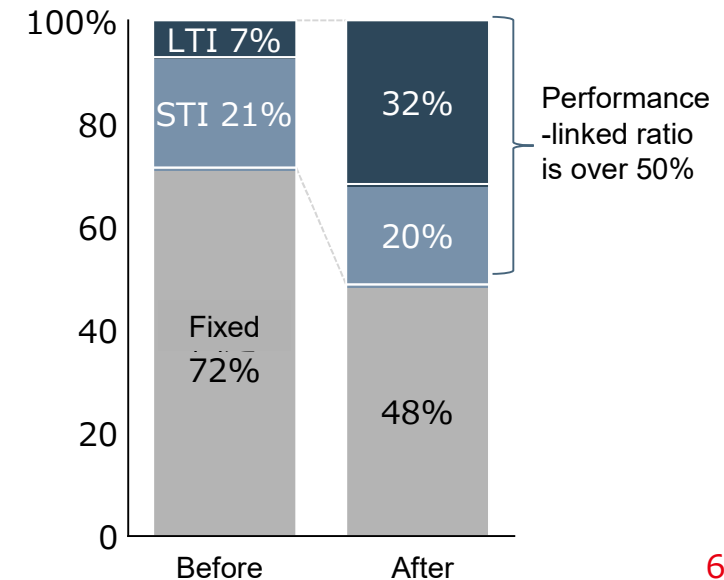
- Clarify the diversity of the composition of the Board by reviewing items based on materiality identified as our priority issues

	FY2022	FY2023
Corporate management & strategy	✓	✓
Legal & risk management	✓	✓
Finance & accounting	✓	✓
Human resources and labor	-	✓
Safety and quality	-	✓
Technology*	✓	-
Environment and technology	-	✓
Global	✓	✓
Sales and marketing	-	✓



Revise the officers' remuneration system

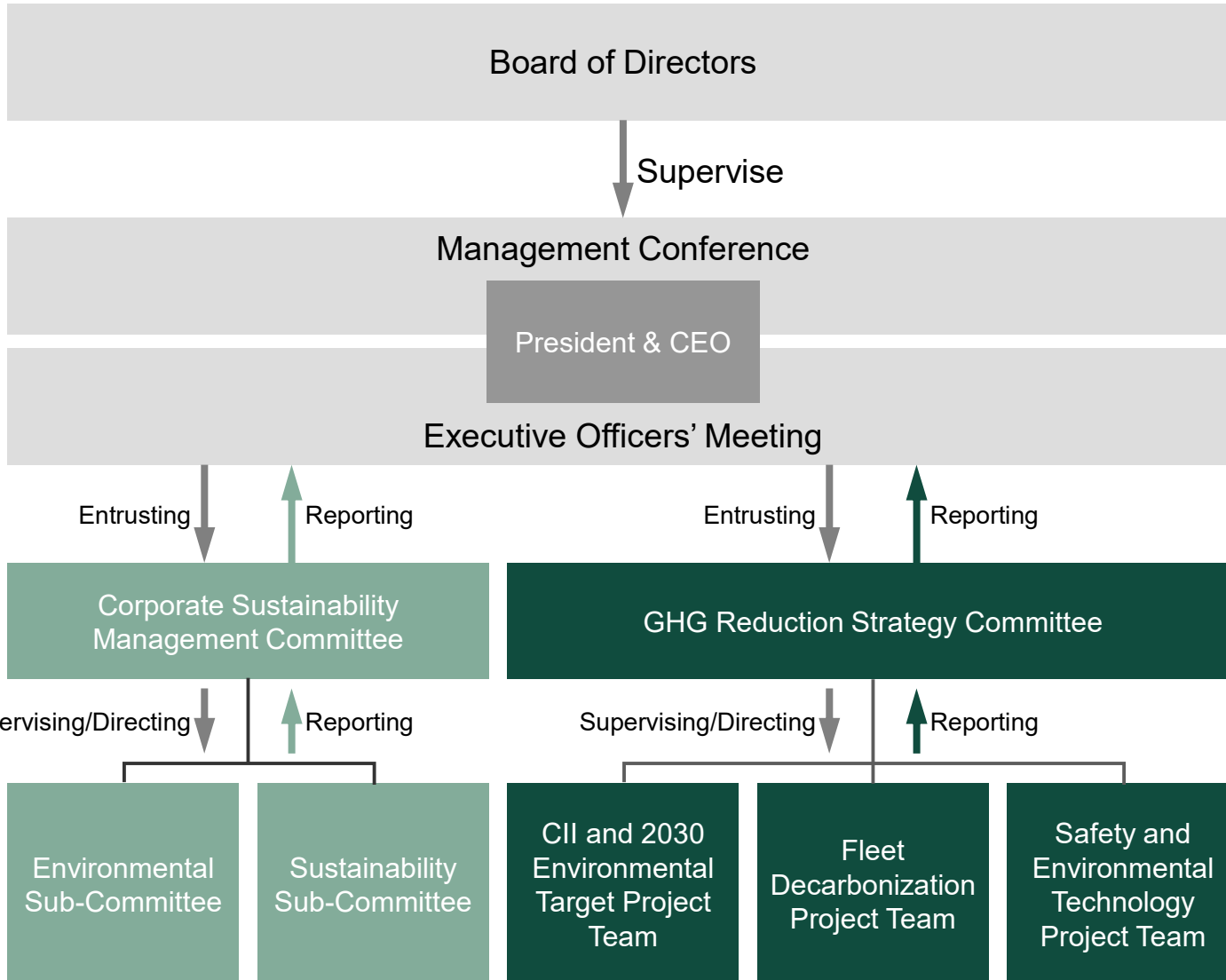
- Further focus on medium- to long-term business performance-linked remuneration to further align their value with shareholders
- Introduce new KPI for business performance-linked remuneration
  - Short-term indicators (STI): Introduced safety factor (serious maritime accidents) as negative indicator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



\* Technology has been categorized to Environment and technology as a part of the review

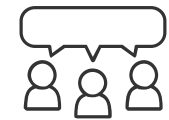
# Sustainability Management Promotion System

Build a system for "K" Line management to responsibly promote establishment and realization of sustainable growth strategy



### Reflect on management decision making

- Management decision making with sustainability perspective



### Sustainability Strategy Review System

- Corporate Sustainability Management Committee establishes strategies and measures that contribute to the sustainable corporate value improvement
- GHG Reduction Strategy Committee makes expert decision and establishes measures on the urgent issue of climate change, including on technology

## KPI and Milestones for Sustainability Management (Results/Targets)

Theme	Category	KPI	FY22	Target	
Environmental protection rooted in low-carbon/ decarbonization	Result indicators	CO <sub>2</sub> emission efficiency (vs 2008)	42% improvement	50% reduction by 2030	
		Total CO <sub>2</sub> emission volume (vs 2008)	51% reduction	Achieve net zero by 2050	
	Decarbonization	Fuel conversion	Number of LNG/LPG fueled vessels introduced*1	1 vessel	2030: 45, 2040: 40, 2050:10
			Number of ammonia/hydrogen fueled vessels introduced*1	0 vessel	2030: 20, 2040: 130, 2050: 200-250
		Wind power and others	Installation of Seawing*1	0 vessel	2030: 50 vessels
		operation efficiency	Installation of K-IMS to owned / medium- to long-term charter vessels	85%	100%*2
	Biodiversity	Marine pollution	Oil spill accidents	0 case	Zero oil spill accidents
		Reduce impact	Installation ballast water treatment systems	94%	100% by June 2024
	Safety in navigation	Accidents	Serious maritime accidents	0 case	Zero serious maritime accidents
		Delay	delay time due to mechanical failure	11.56h per vessel p.a.	10h per vessel p.a.
Recruiting and developing human resources	Active participation by diverse personnel	Gender	Female employees comprising of managerial positions	7.4%	15% (by FY27)*3
		Recruitment format	Ratio of mid-career hires among managers	18.4%	-
			Ratio of mid-career hires among employees in service	14.5%	-
	Occupational safety	Labor	Average monthly overtime working hours	6.8 hours	Within 40 hours*3
		Flexible workstyle	Ratio of male employees taking childcare leave	88.5%	20%*3
	Health management	Mental	Stress check examination rate	88.0%	90%

\*1 KPIs are based on "K" Line's assumption on development of related technology and infrastructure, related regulation and economics as of today and subject to change depending on future trends.

\*2 Already installed to owned vessels in operation. K-IMS is planned to be basically installed to all the newly built vessels. By the end of FY23, K-IMS will be installed to all medium- to long-term chartered vessels (excluding short-term chartered vessels)

\*3 Source: "Action Plan to Promote the Active Participation of Women and Support Raising of the Next Generation Children" established on April 1, 2022

# The 12 material issues identified in FY2022

Category	Material issues (actions for resolving social issues)	Related SDGs
<b>Management base</b>	Respect for human rights	  
	Reinforcement of corporate governance	 
	Promotion and reinforcement of compliance	
<b>Safety/Ship quality management</b>	Promotion of safety in navigation and cargo operations	  
<b>Advancement of environmental technologies</b>	“K” LINE low-carbon and carbon-free transition	     
	Supporting the development of a low-carbon and carbon-free society	    
	Reducing “K” LINE’s impact on the sea and air to zero	     
	Promotion of innovation	       
<b>Digital transformation</b>	Reinforcement of response to digital transformation (DX)	       
	Diversity & inclusion	  
<b>Human resources</b>	Shaping of working environment and promotion of health management	   
	The securing and development of human resources	 