

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

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

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



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

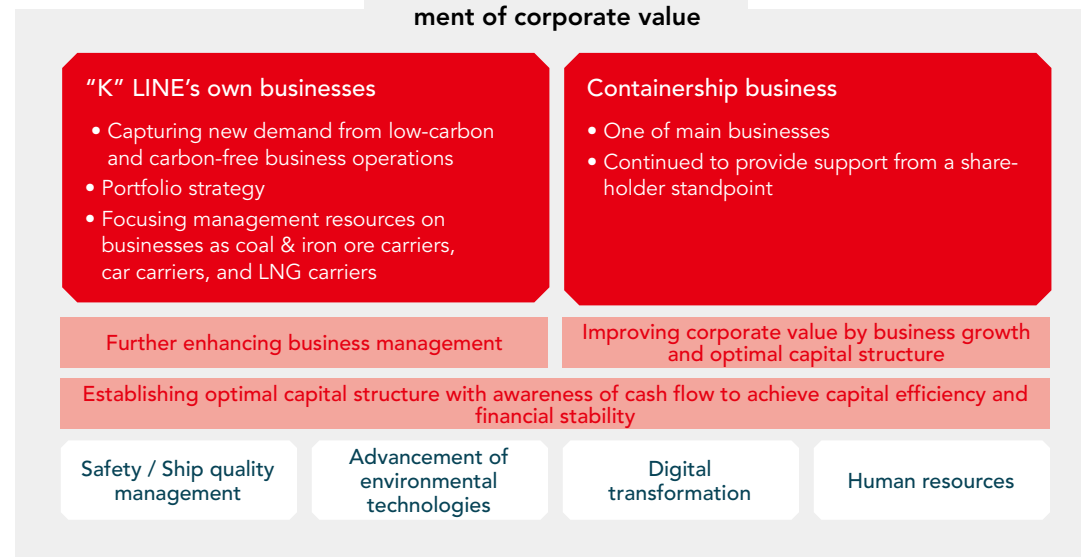
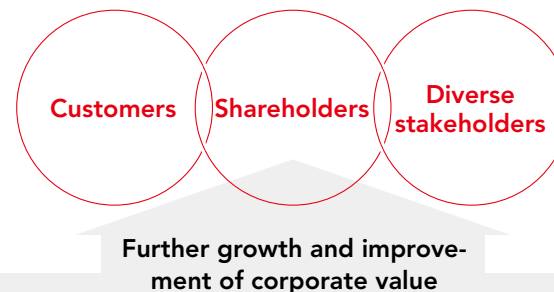


Concentration of management resources on organizational roles that drive growth



Partnerships with customers who can share growth opportunities

Based on its fiscal 2022 medium-term management plan, the "K" LINE Group is advancing its business strategy, reinforcing its business base, and following its capital policy to tap into growth opportunities presented by changes in the global community, along with shifts in "K" LINE's own operations and society toward becoming low-carbon and carbon-free. Specifically, we are concentrating management resources in the three businesses of coal & iron ore carriers, car carriers, and LNG carriers, which we have positioned as growth drivers, and continuously supporting Ocean Network Express (ONE) as a shareholder as it grows and develops the containership business. Through investments in human resources, the Group is reinforcing its business foundations and carrying out functional strategies to strengthen technologies, specializations, and organizational sales capabilities—the sources of its competitive advantage. In order to realize these strategies, the "K" LINE Group is executing a capital policy based on capital efficiency and financial soundness with a mind to optimizing its capital structure.



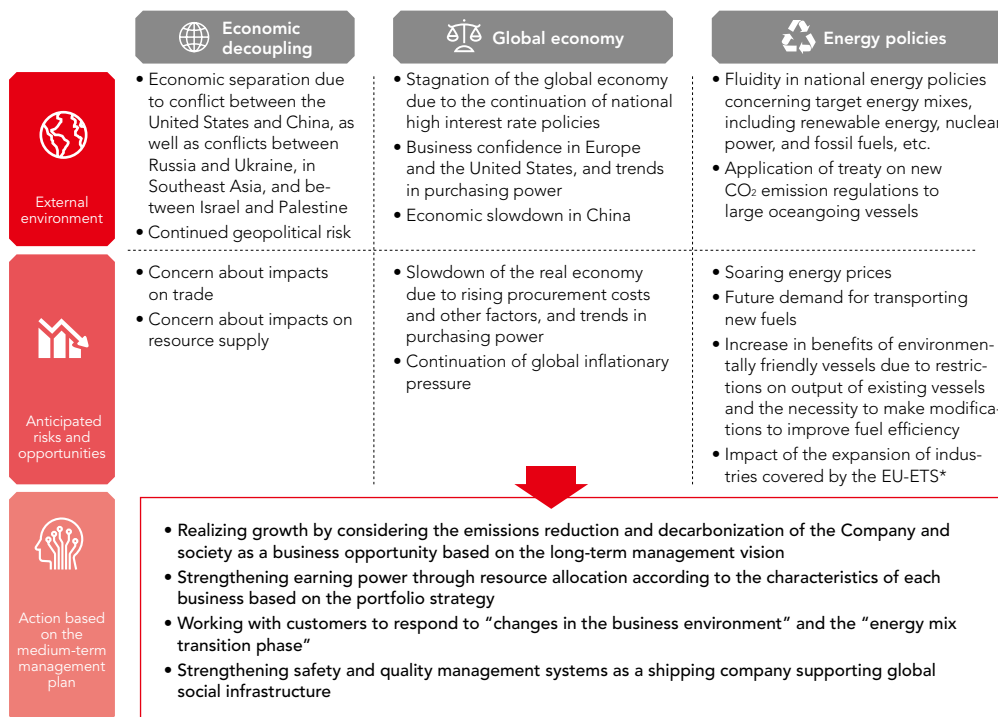
Policy of shareholders' return

The basic dividend for the remaining period of the medium-term management plan (FY2023–FY2026) will be ¥120 per share, and the total return amount over the medium-term management plan period will be at least ¥500.0 billion. In fiscal 2023, we have completed a share buyback of 11,676,000 shares with a total value of ¥56.2 billion. Moreover, we have announced an additional dividend of ¥130 per share for fiscal 2023 and fiscal 2024. We are continuing to investigate the total return amount of ¥500.0 billion or more. In May 2024, we plan to announce the shareholder return policy for the remaining medium-term management plan period for fiscal 2024 and onwards.

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

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

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



\* EU-ETS: EU Emission Trading System

Since the outset of 2022, the business environment has been murky amid a decoupling of the economy against a background of increasing geopolitical risks, rising interest rates to combat increased inflationary pressures, and fluidity in government policy on energy in search of an energy mix that facilitates the movement toward low-carbon and carbon-free footprints. The "K" LINE Group is improving its resilience to market forces by allocating resources in accordance with its portfolio strategy, which leverages its strengths, and continues to increase corporate value by advancing initiatives outlined in the medium-term management plan.

## KPIs for Business Management

Under the fiscal 2022 medium-term management plan, the "K" LINE Group targets sustainable return on equity (ROE) of at least 10%, ordinary income of ¥140 billion in fiscal 2026, and earnings growth in its own businesses. We are committed to achieving our target of ¥140 billion for ordinary income ahead of schedule by improving our own businesses. Through a project to increase the sophistication of corporate management, our aim is to sustain growth by strengthening our business-based corporate management structure with an awareness of the cost of capital by utilizing corporate management KPIs for maximizing corporate value.




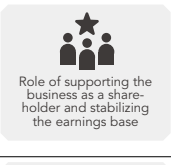

	ROIC	ROE	Earnings targets
FY2022 (Result)	29%	58%	<b>Ordinary income</b> <b>¥690.8 billion</b> (of which, ¥83.3 billion was derived from "K" LINE's own business)
FY2026 (Target)	6.0–7.0%	More than 10%	<b>Ordinary income</b> <b>¥140.0 billion</b>
Current progress and response policy	○ We will achieve sustainable growth by implementing an internal management system using business-specific financial KPIs (ROIC, EVA, etc.). The aim is to maximize corporate value during the medium-term management plan period through a project for further advancement of business management.	○ Surpassing targets due to improved performances of the containership business as well as "K" LINE's own businesses.  ● During the period of the medium-term management plan, we aim to sustainably achieve the target while maintaining an awareness of capital efficiency, including the further strengthening of "K" LINE's own businesses.	● Good performance in the product logistics segment is currently being maintained.  ● Efforts will be made for steady target achievement ahead of schedule during the medium-term management plan period through improvements in "K" LINE's own businesses.

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

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

**Business Strategy**

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

Business	Role	Strategic direction	FY2022 progress and achievements	Priority issues after FY2023
 <ul style="list-style-type: none"> <li>• Coal &amp; Iron Ore Carriers</li> <li>• Car Carriers</li> <li>• LNG Carriers</li> </ul>	<ul style="list-style-type: none"> <li>• Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability</li> <li>• Securing market share with existing and new customers</li> <li>• Achieving growth that surpasses market growth</li> </ul>	<ul style="list-style-type: none"> <li>• Concentrated allocation of management resources</li> </ul>	<p><b>Coal &amp; Iron Ore</b></p> <p>We strengthened our partnerships with target customers, starting with environmental initiatives, centered on steel mills in Japan and South Korea. Progress has been made in establishing a customer-oriented sales structure in India and the Middle East. By optimizing internal and long-term chartered vessel capacity, we have enhanced our responsiveness and resilience to changes in market conditions.</p> <p><b>Car Carriers</b></p> <p>We expanded our transportation capacity by addressing demand from existing finished vehicle OEMs and demand for high &amp; heavy cargo. By basing our operations on a strong customer base and designing routes and maintaining fleets accordingly, we promote sustainable growth with a strong customer base together with balanced route design and fleet development.</p> <p><b>LNG Carriers</b></p> <p>The "K" LINE Group expanded business by securing a total of 12 long-term charter contracts in Qatar, its largest customer. The Company also entered into several long-term charter contracts with the Petronas Group, in Malaysia.</p>	<p><b>Coal &amp; Iron Ore</b></p> <p>While expanding the rollout of Seawing, the "K" LINE Group will strengthen its ship management structure and step up investments in growth to expand the fleet in response to demand for reducing GHG emissions, such as ships fueled by LNG and ammonia.</p> <p><b>Car Carriers</b></p> <p>We will continue to maintain the fleet and address customer demands pertaining to environmental measures, such as reducing GHG emissions. We will also focus on the establishment of a transportation system for battery electric vehicles (BEVs) and on capturing related transportation demand.</p> <p><b>LNG Carriers</b></p> <p>The "K" LINE Group continued to increase the number of vessels to match customer demand and strengthen its customer base in emerging regions, including China, Malaysia, India, and Indonesia.</p>
 <ul style="list-style-type: none"> <li>• Thermal Coal</li> <li>• VLGC / VLCC</li> </ul>	<ul style="list-style-type: none"> <li>• Transforming our business structure while helping customers transform their energy mix</li> </ul>	<ul style="list-style-type: none"> <li>• Business risk minimization</li> <li>• Responding to demand for alternative fuels</li> </ul>	<p>For thermal coal carriers, very large crude carriers (VLCCs), and liquefied petroleum gas (LPG) carriers, we promote operations based on medium- to long-term contracts, ensuring stable revenue.</p>	<p>We aim to lock onto new energy demand by maintaining and enhancing transportation quality technology, and updating ship management and operational systems to cater to new transportation demand.</p>
 <ul style="list-style-type: none"> <li>• Bulk Carriers</li> <li>• Short Sea and Coastal</li> <li>• Port / Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening resistance to market fluctuation and securing stable income</li> <li>• Business strategy seeking synergy</li> </ul>	<ul style="list-style-type: none"> <li>• Asset-light strategy (Bulk Carriers)</li> </ul>	<p><b>Bulk Carriers</b></p> <p>The "K" LINE Group achieved asset-light operations through structural reforms. Ongoing measures to improve efficiency in operations and ship allocation has led to lower operating costs.</p> <p><b>Short Sea and Coastal / Port / Logistics</b></p> <p>Profitability improved in the logistics and port business, as well as short sea and coastal shipping following a withdrawal from unprofitable routes.</p>	<p><b>Bulk Carriers</b></p> <p>We will continue efforts to increase profitability through appropriate management of market exposure and improvements in vessel allocation efficiency.</p> <p><b>Short Sea and Coastal / Port / Logistics</b></p> <p>The "K" LINE Group will acquire reliable cargo, such as through medium- to long-term contracts for biomass fuel transportation, and promote collaboration aimed at creating synergy within the Group.</p>
 <ul style="list-style-type: none"> <li>• Containerships</li> </ul>	<ul style="list-style-type: none"> <li>• Stabilization of Groupwide earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Maximizing corporate value through ongoing human resource support and involvement in management governance</li> </ul>	<p>Amid robust cargo demand, freight rates remained high, resulting in increased ordinary income and net income for ONE.</p>	<p>We will continue to support ONE as it steadily carries out business operations through agile responses to trends in market demand.</p>
 <ul style="list-style-type: none"> <li>• Projects for emissions reduction and decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of business areas where "K" LINE's capabilities can be utilized and advanced</li> </ul>	<ul style="list-style-type: none"> <li>• Pursuing synergies between "K" LINE and our subsidiary companies</li> </ul>	<p>We began to collaborate with Penta-Ocean Construction in ship management and other matters in the field of offshore wind power construction and maintenance. We also further participated in the liquefied CO<sub>2</sub> transport business, as well as the hydrogen and ammonia transport business.</p>	<p>Advancements also continue in the offshore support vessel for wind power generation business and the liquefied CO<sub>2</sub> transport business—such as by participating in the world's first full-scale carbon dioxide capture and storage (CCS) project, Northern Lights—as well as the hydrogen and ammonia transport business.</p>

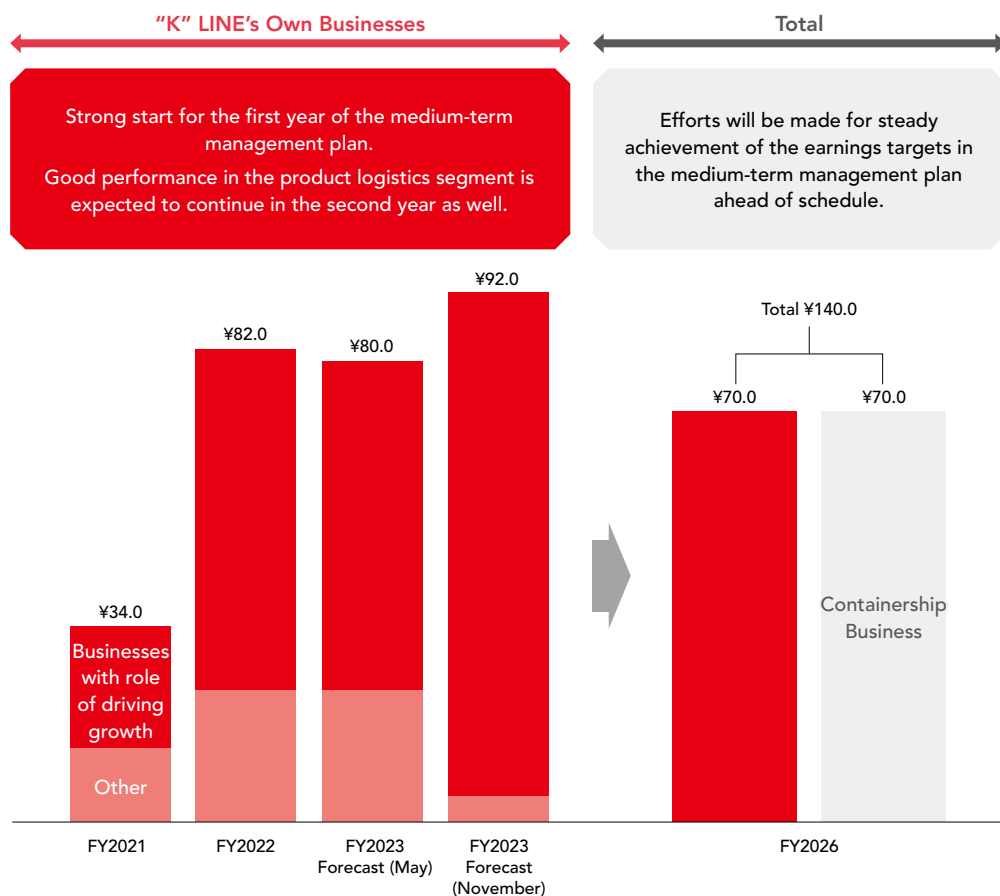
Capital Policy

Profitability Target and Results

In fiscal 2022, among our own businesses, the three businesses positioned as growth drivers grew steadily. As a result, the "K" LINE Group reported solid earnings, effectively achieving ahead of schedule its income target for a single fiscal year, with ordinary income reaching ¥82.0 billion. Fiscal 2022 marked an excellent start as the inaugural year of our medium-term management plan. We will continue to work toward reliably achieving ahead of schedule our target for ordinary income of ¥140.0 billion, and then to maintain and expand ordinary income.

Ordinary Income / Loss

(Billion yen)

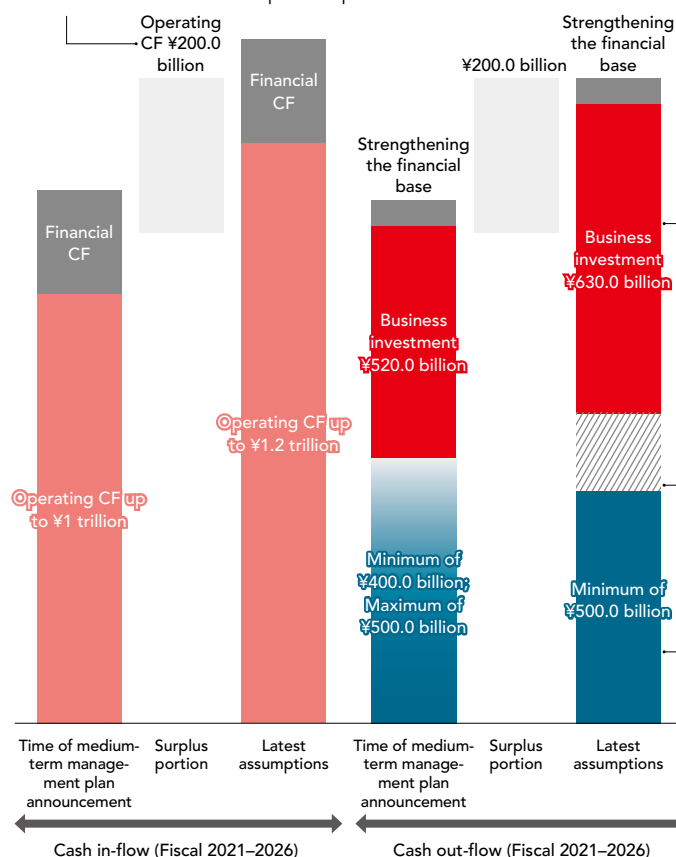


Note: The allocation method for SG&A expenses has been partially changed from FY2023. FY2022 actual figures for comparison were also created using the method after the change.

Cash Allocation

As a result of improvement in fiscal 2022 earnings, the Company expects operating cash flow from fiscal 2021 through fiscal 2026 to exceed its target of ¥1 trillion, which was set at the formulation of the medium-term management plan, by ¥200 billion, for a total of ¥1.2 trillion. With this larger-than-expected cash flow, management intends to increase business investments for improving corporate value by ¥110 billion and raise the minimum amount of total returns for shareholders by at least ¥100 billion. Accordingly, our cash allocation plan as of fiscal 2023 calls for ¥630 billion in total business investments over the five-year period starting in fiscal 2022 and a minimum of ¥500 billion for shareholder returns. The "K" LINE Group will continue to maintain its financial position.

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



Approach to resource allocation for surplus cash flow

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

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

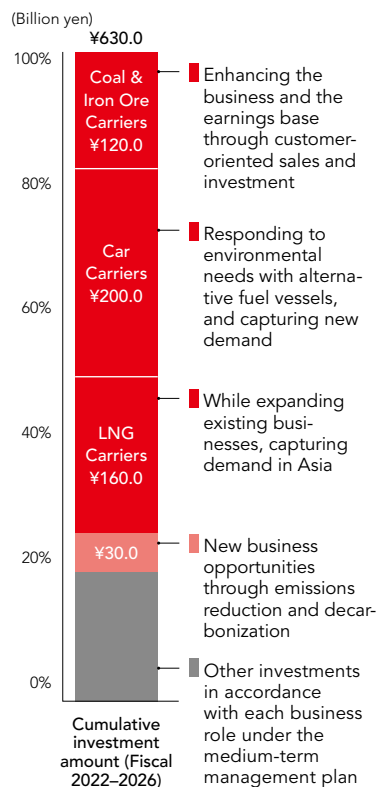
Investment / shareholder returns

We plan to return ¥500 billion or more to shareholders thanks to the operating cash flow surplus (minimum raised by more than ¥100.0 billion from ¥400.0 billion).

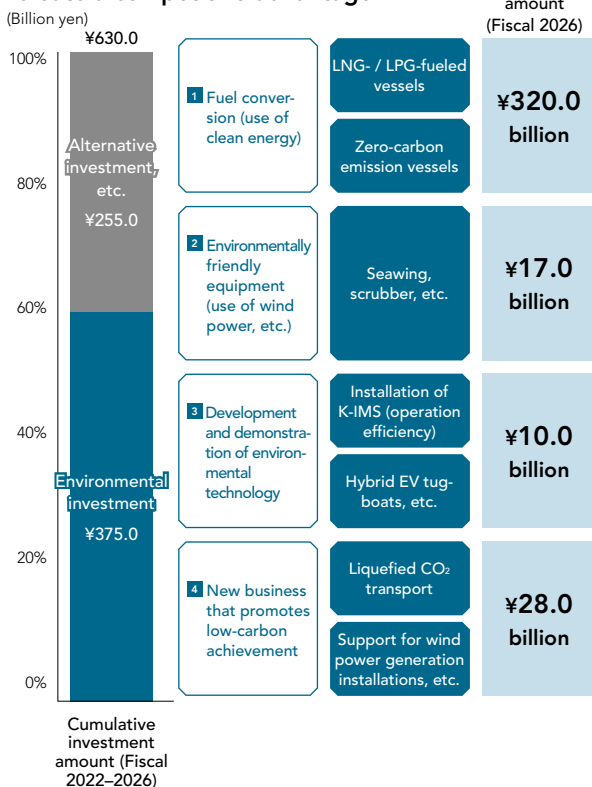
▶ Business Investment Plan

Over the five-year period from fiscal 2022 to 2026, the "K" LINE Group plans to invest ¥630 billion, an increase of ¥110 billion from the ¥520 billion originally planned at the formulation of the medium-term management plan. This ¥110 billion increase reflects the overshoot in operating cash flow in fiscal 2022. Based on our medium-term management plan, investments will focus on growth drivers and environmental measures while exercising investment discipline in view of risks and returns according to business characteristics and objectives. The "K" LINE Group will concentrate about 80% of the total business investment amount in the three businesses positioned as growth drivers. Roughly 60% of the total business investment amount will be in environment-related initiatives that help maintain and strengthen a competitive advantage while addressing needs for moving toward realizing a low-carbon and carbon-free footprint.

Focusing 80% of investment on role of driving growth



Allocating 60% of investment on environmental measures that can create a competitive advantage



▶ Returns to Shareholders

The "K" LINE Group has a target for total returns to shareholders during the medium-term management plan at least ¥500 billion, including the ¥250 billion already returned to shareholders during fiscal 2021 and fiscal 2022. The Company plans to return at least ¥250 billion to shareholders from fiscal 2023 onward, and has increased the basic dividend to ¥120 per share. In fiscal 2023, the Company has completed share buy-back of 11,676,000 shares with a total value of ¥56.2 billion as additional shareholder returns. Also, the Company revised its dividend forecast for fiscal 2023 and fiscal 2024, with a revised additional dividend of ¥130 per share, resulting in an annual dividend of ¥250 per share. Management will continue to consider active shareholder returns based on investment for growth and cash allocation that takes into account the optimal capital structure, and plan to make an announcement on an update in May 2024.

		Actual		Plan		
		FY2021-2022	FY2023	FY2024	FY2025	FY2026
Dividend and additional shareholder return per share	Additional shareholder return	<ul style="list-style-type: none"> <li>We are continuing to investigate the total return amount of ¥500.0 billion or more.</li> <li>In May 2024, we plan to announce the shareholder return policy for the remaining medium-term management plan period for FY2024 and onward.</li> </ul>				
	Responsive return delivery		Share buy-back ¥56.2 billion			
	Additional dividend					
	Basic dividend					
Total return amount	Responsive return delivery		¥56.2 billion			
	Additional dividend		¥31.0 billion (¥130 / share)	¥31.0 billion (¥130 / share)		
	Basic dividend		¥29.0 billion (¥120 / share)	¥87.0 billion (¥29.0 billion / year) (Basic dividend ¥120 / share)		
	<b>Total return amount</b>	<b>¥250.0 billion</b>		<b>¥250.0 billion-</b>		

\* The amount of the dividend is based on shares before the stock split (each share of common stock owned by shareholders to be split into three shares per share), which has an effective date of April 1, 2024.

Business Base

▶ "K" LINE Group's Six Capitals

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

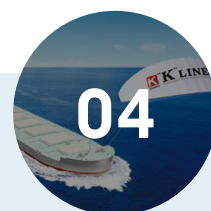
Direction of Functional Strategy to Manage Business Strategy

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

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

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

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



Financial Capital

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

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

Human Capital

People and organizations that continuously support logistics infrastructure in global society

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

Equipment Capital

Fleet with appropriate flexibility to manage business strategy

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

Intellectual Capital

Evolving environment · technology · innovation

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

Social and Relationship Capital

Solid customer base and partnerships backed by experience

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

Natural Capital

Contributing to the preservation of maritime environments

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

Theme of enhancing functional strategy



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