

Financial Highlights Brief Report for Fiscal Year 2022

May 8th, 2023



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A. Financial Highlights for Fiscal Year 2022

A-1 : Financial Results for FY2022

Financial Results FY2022

(billion yen)

Operating Revenues and Profit/Loss	FY2022							FY2021	
	1Q	2Q	1H	3Q	4Q	2H	Total (a)	Total (b)	(a)-(b)
Operating Revenues	228.5	254.4	482.9	245.9	213.8	459.7	942.6	756.9	185.6
Operating Income/Loss	18.9	34.1	53.0	27.6	-1.7	25.9	78.8	17.6	61.1
Ordinary Income/Loss	267.4	300.1	567.5	74.4	48.9	123.3	690.8	657.5	33.3
Net Income/Loss Attributable to Owners of Parent	266.6	298.8	565.4	72.8	56.6	129.4	694.9	642.4	52.4
Exchange Rate(¥/\$)	¥126.49	¥136.64	¥131.56	¥143.98	¥133.17	¥138.57	¥135.07	¥112.06	¥23.01
Bunker Price(/MT)	\$821	\$878	\$850	\$727	\$650	\$688	\$769	\$551	\$218

Key Factors (year-on-year comparison)

- Operating income increased mainly due to higher transportation demand in the Dry Bulk segment and economic recovery following the end of the COVID-19 pandemic in the Product Logistics segment including Car Carrier Business.
- Containership Business operated by equity-method affiliate OCEAN NETWORK EXPRESS PTE. LTD. (ONE) posted higher ordinary and net income as market conditions were at a high level in the first half. This was amid robust cargo demand, in addition to the impact of exchange rate fluctuations.

Key Financial Indicator

(billion yen)

Indicators	FY2022 (c)	FY2021 (d)	(c)-(d)
Equity Capital	1,515.3	884.6	630.7
Interest-Bearing Liability	351.6	423.5	-71.9
DER	23%	48%	-25 points
Equity Ratio	74%	56%	18 points

Shareholder's return

Dividend : The year-end dividend forecast for the period under review is 300 yen per share. When combined with the interim dividend of 100 yen per share, the full-year dividend is expected to be 400 yen per share. (Based on shares after stock split*1)

Share buy-back : "K" LINE acquired 35.236 million of its own common shares between November 8, 2022 and March 24, 2023. As of March 29, 2023, 33.536 million of these shares have been cancelled, which is equal to 11.80% of the Company's total issued shares before this cancellation *2.

*1 The note is made taking the effect of stock split implemented on October 1, 2022 into consideration.

*2 For the details, please refer to "Notice Regarding Completion of Cancellation of Treasury Stock" announced on March 29, 2023.

A-2 : Financial Results for FY2022 by Segment

Financial Results for FY2022 by Segment

(billion yen)

Business Segment (Upper row: Operating Revenues) (Lower row: Ordinary Income/Loss)	FY2022							FY2021	
	1Q	2Q	1H	3Q	4Q	2H	Total (e)	Total (f)	(e)-(f)
Dry Bulk	84.6	87.0	171.6	76.2	64.5	140.7	312.2	276.4	35.7
	15.0	10.9	26.0	-2.9	-1.4	-4.3	21.6	23.7	-2.1
Energy Resource Transport	24.7	26.0	50.8	26.2	23.2	49.4	100.2	89.7	10.4
	5.8	3.3	9.2	0.1	0.5	0.6	9.8	4.7	5.0
Product Logistics	115.7	138.9	254.6	141.3	123.8	265.1	519.7	380.1	139.5
	248.8	288.1	536.9	79.0	54.1	133.1	670.0	640.8	29.2
Containership	11.9	12.5	24.4	12.8	12.0	24.8	49.3	41.7	7.6
	238.0	266.0	504.0	60.7	42.8	103.5	607.4	623.8	-16.4
Other	3.4	2.5	5.9	2.2	2.1	4.3	10.3	10.5	-0.2
	0.1	0.4	0.5	0.0	0.2	0.2	0.8	-0.1	0.9
Adjustment	-	-	-	-	-	-	-	-	-
	-2.4	-2.6	-5.0	-1.9	-4.6	-6.5	-11.4	-11.7	0.2
Total	228.5	254.4	482.9	245.9	213.8	459.7	942.6	756.9	185.6
	267.4	300.1	567.5	74.4	48.9	123.3	690.8	657.5	33.3

Key Factors by Segment (year-on-year comparison)

▶ Dry Bulk

- Although demand in the dry bulk market remained strong in the first half, it decreased in the second half. This stemmed from stagnating cargo movements caused by the zero-COVID measures in China. Towards the end of the fiscal year, the market conditions for both Cape and Panamax and smaller sizes entered a recovery phase. This was based on expectations of an economic recovery after China's zero-COVID policy was eliminated.

▶ Energy Resource Transport

- LNG Carrier, Thermal Coal Carrier, VLCC (Very Large Crude Carrier) and LPG Carrier Businesses secured stable profits backed by medium- to long-term charter contracts.

▶ Product Logistics

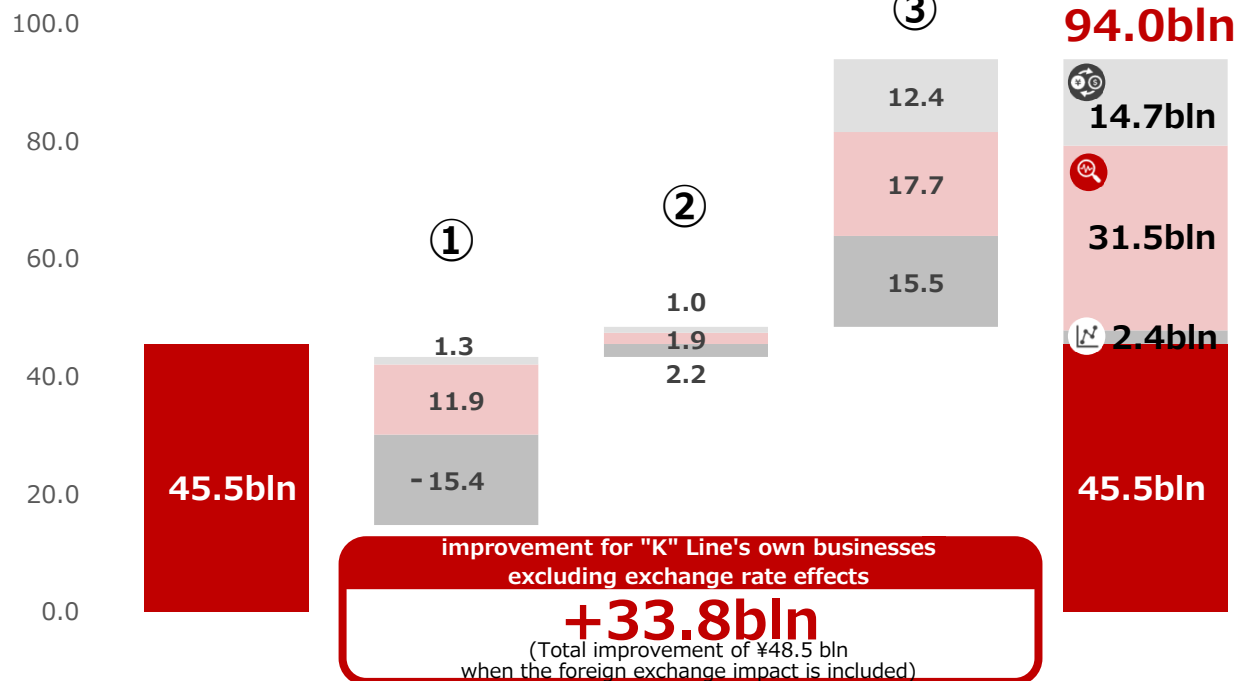
- In Car Carrier Business, although carmakers in part saw affects to production and delivery due to factors such as the semiconductor and automotive parts shortage, our earnings rose thanks to an improvement in vessel operation efficiency and profitability as robust cargo demand continued.
- ONE showed strong performance in the first half thanks to high freight rates. Short-term rates fell in the second half of the year along with supply chain normalization, which caused a recovery in the supply of ships and a decline in transport demand. Nevertheless, ONE's full-year performance remained as strong as in the previous year.

A. Financial Highlights for Fiscal Year 2022

A-3 : Key Factors of Improvement for "K" Line's Own Businesses in FY2022 (Full-year results comparison with the previous year)

FY2021	Dry Bulk	Energy Resource Transport	Product Logistics (excl. Containership)	FY2022
	-2.1bln	5.0bln	45.6bln	

Ordinary Income/Loss (billion yen)



Exchange rate impact
14.7bln

- Dry Bulk : 1.3bln
- Energy Resource Transport : 1.0bln
- Product Logistics : 12.4bln

Own Business Profitability improvement
31.5bln

- Effect of business measures*1:28.1bln
- Effect of structural reform:3.3bln

Market conditions, other
2.4bln

- Dry Bulk: -15.4bln
- Energy Resource Transport: 2.2bln
- Product Logistics: 15.5bln

① Dry Bulk

- Results were seen from efforts to realize fleet optimization through structural reforms, along with measures to maintain efficient vessel deployment and reduce operating costs.
- Expanding stable earnings by acquiring new medium- to long-term contracts based on a stronger customer-oriented sales system.

② Energy Resource Transport

- Ensuring stable earnings through medium- to long-term contracts.
- Enhancing profitability by withdrawing from unprofitable businesses.

③ Product Logistics (excl. Containership)

Car Carriers

- Profitability improved due to rate restorations.
- Improving fleet competitiveness by securing large size vessel.
- Cargo volumes continued their post-pandemic recovery, and the tight supply and demand situation remains.
- Results were seen based on efforts to strategically pursue new and high-and-heavy cargo*3 contracts, while maintaining space for existing cargo.
- Profitability improved thanks to continuing efforts to enhance vessel operation efficiency, mainly through route rationalization.

Short sea and coastal/Port /Logistics

- Improvements were seen in the short sea and coastal / logistics businesses.
- In addition to market demand remaining high for the short sea and coastal business in particular, profitability improved due to measures such as withdrawal from unprofitable routes.

*1 acquisition of new contracts, ship allocation efficiency etc. *2 including impact of oil prices. *3 Oversized cargo such as construction and agricultural machinery, and rail vehicles

B. Forecasts and Initiatives for Fiscal Year 2023

B- 1 : Forecasts for FY2023 and Key Factors

■ Forecasts for FY2023

(billion yen)

Operating Revenues and Profit/Loss	FY2023			FY2022	
	1H Forecast	2H Forecast	Total (g)	Total (h)	(g)-(h)
Operating Revenues	434.0	436.0	870.0	942.6	-72.6
Operating Income/Loss	43.0	42.0	85.0	78.8	6.2
Ordinary Income/Loss	66.0	64.0	130.0	690.8	-560.8
Net Income/Loss Attributable to Owners of Parent	62.0	58.0	120.0	694.9	-574.9
Exchange Rate(¥/\$)	¥125.59	¥125.00	¥125.29	¥135.07	-¥9.77
Bunker Price(/MT)	\$656	\$701	\$679	\$769	-\$91

■ Key Factors (year-on-year comparison)

- ▶ Operating income is expected to increase by 6.2 billion yen compared to FY2022. This is based on steady performance anticipated for Car Carrier Business, despite the softening of the dry bulk market.
- ▶ Ordinary income is expected to be 130.0 billion yen as the containership market gradually stabilizes when compared to FY2022.

■ Key factor assumption

- ▶ Yen-US\$ exchange rate ¥125.29/\$ (average for FY2023)
- ▶ Bunker price \$679/MT
- ▶ Market assumption
Please refer to Appendix

■ Estimates sensitivity (12 months)

- ▶ Yen-US\$ rate: each ¥1 weaker (stronger) adds (subtracts) ± ¥1.5bln
- ▶ Bunker price: each \$10/MT down (up) adds (subtracts) ± ¥0.1bln

*Exchange rate fluctuations related to equity in earnings of subsidiaries, "ONE" is included.

■ Shareholder's return

- ▶ The planned shareholder return for FY2023 is 200 yen per share, which is a basic dividend of 120 yen per share plus an additional dividend of 80 yen per share.
- ▶ An additional shareholder return of 50.0 billion yen (min.) is planned for fiscal 2023.

→ details : C-6 [Capital Policy] : Return to Shareholders (pg.17)

B- 2 : Forecasts for FY2023 by Segment

Forecasts for FY2023 by Segment

(billion yen)

Business Segment <small>(Upper row : Operating Revenues) (Lower row: Ordinary Income/Loss)</small>	FY2023			FY2022	
	1H Forecast	2H Forecast	Total (i)	Total (j)	(i)-(j)
Dry Bulk	131.0	126.0	257.0	312.2	-55.2
	6.0	6.0	12.0	21.6	-9.6
Energy Resource Transport	44.0	45.0	89.0	100.2	-11.2
	3.0	5.0	8.0	9.8	-1.8
Product Logistics	254.0	260.0	514.0	519.7	-5.7
	61.0	57.0	118.0	670.0	-552.0
Containership	26.0	25.0	51.0	49.3	1.7
	27.0	23.0	50.0	607.4	-557.4
Other	5.0	5.0	10.0	10.3	-0.3
	0.0	0.0	0.0	0.8	-0.8
Adjustment	-	-	-	-	-
	-4.0	-4.0	-8.0	-11.4	3.4
Total	434.0	436.0	870.0	942.6	-72.6
	66.0	64.0	130.0	690.8	-560.8

Key Factors by Segments (year-on-year comparison)

▸ Dry Bulk

- The Cape market is expected to remain firm. This is based on anticipated tightening of supply and demand as economic activity gathers speed in China, and on limited capacity to complete new vessels.
- The “K” Line Group will continue to improve its profitability by appropriately managing market exposure and enhancing vessel deployment efficiency.

▸ Energy Resource Transport

- LNG Carrier, Thermal Coal Carrier, VLCC (Very Large Crude Carrier), and LPG Carrier Businesses are expected to secure stable profits backed by medium- to long-term charter contracts.

▸ Product Logistics

- While geopolitical risks and the possibility of global economic stagnation remain for Car Carrier Business, vehicle production and shipments are expected to continue recovering from the previous year due to a greater supply of semiconductors and auto parts. We will continue to promote various measures such as increasing high-and-heavy cargo volume. At the same time, we will maintain fleet and vessel deployment flexibility allowing rapid response to changes in global economic trends and cargo movements.
- For Containership Business, freight rates are expected to settle down as supply chains normalize. Uncertainty in the global economy is predicted to continue, based on worldwide inflation and soaring energy prices, rising interest rates especially in the United States, and geopolitical risks in Europe and Asia. ONE will maintain steady business operations, while monitoring the economic environment and taking responsive measures based on demand trends.

* Oversized cargo such as construction and agricultural machinery, and rail vehicles

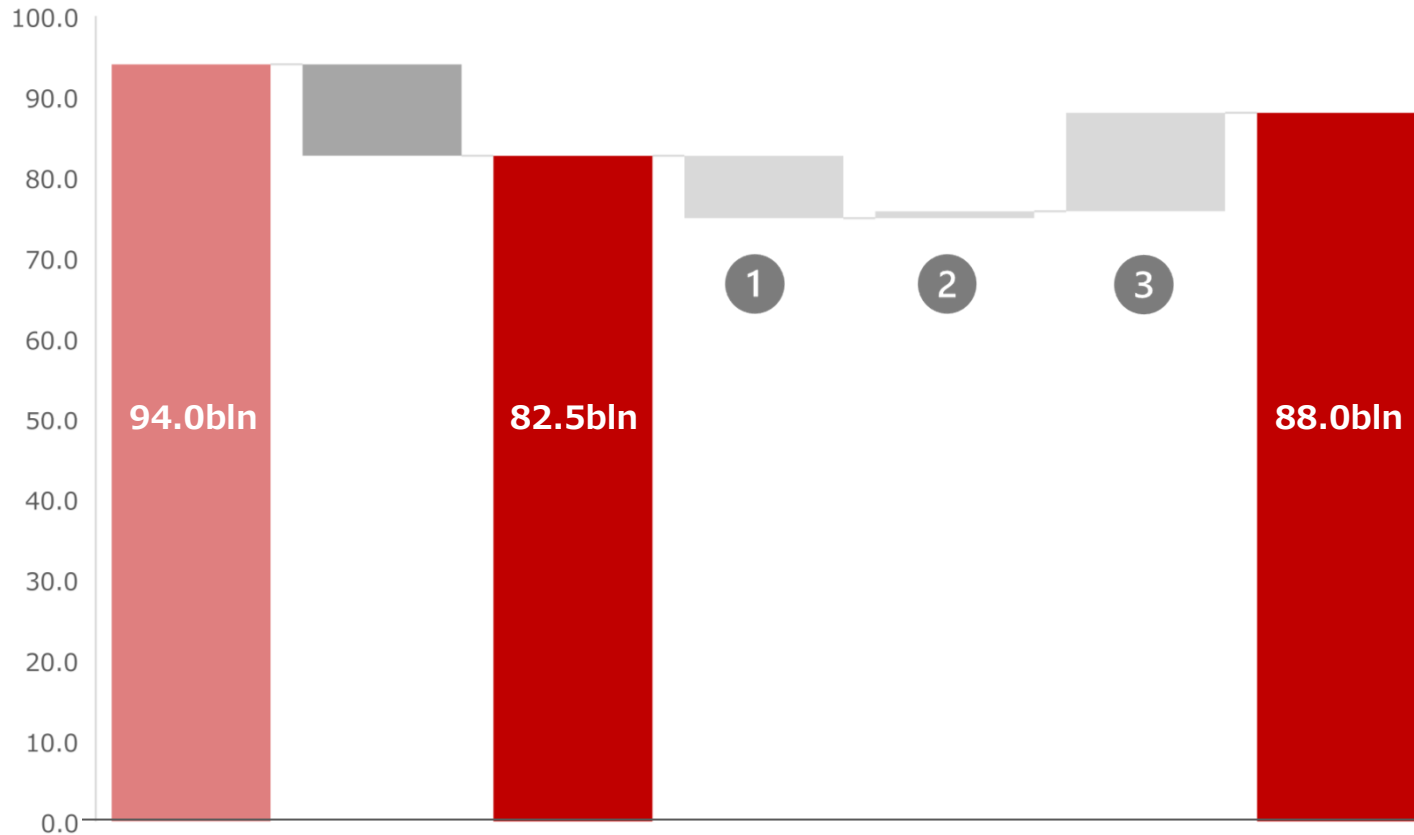
B. Forecasts and Initiatives for Fiscal Year 2023

B-3 : Key Factors for "K" Line's Own Businesses

in FY2023 (Full-year results comparison with the previous year)

FY2022	Temporary Factors *	FY2022 (excl. Temporary Factors)	Dry Bulk	Energy Resource Transport	Product Logistics (excl. Containership)	FY2023 Forecast
	-11.5bln		-7.7bln	0.8bln	12.4bln	

Ordinary Income/Loss (billion yen)



1 Dry Bulk

- We will secure stable earnings by continuing and increasing the number of medium- to long-term contracts.
- To counter the impact of the softening dry bulk market, we will work on profitability improvement measures, such as enhancing vessel operation efficiency and reducing costs.
- Given the growing need for environmental measures, we will actively promote sales activities that make the most of our strong business foundation and high transport service quality. We will expand stable earnings by adding more medium- to long-term contracts and implement appropriate risk control.

2 Energy Resource Transport

- "K" Line will ensure stable earnings through medium- to long-term contracts.

3 Product Logistics (excl. Containership)

Car Carriers

- Improving profitability through rate restorations
- We will continue efforts to optimize our fleet and enhance vessel operation and deployment efficiency
- While geopolitical risks and the possibility of global economic stagnation remain for the automobile sales market worldwide, vehicle production and shipments are expected to continue recovering from the previous year due to a greater supply of semiconductors and auto parts.

Short sea and coastal/Port /Logistics







- In the Coastal and Short Sea business, earnings are expected to deteriorate due to worsening market and cargo conditions. Nevertheless, we will strive to secure stable cargo business including medium- to long-term contracts for biomass fuel transport.
- Promoting business through collaboration among our subsidiary companies to utilize their knowledge and experience and to create synergies between businesses within the Group

* Temporary factors include the impact of exchange rate fluctuations and changes in the method for allocating general and administrative expenses and other charges.

C. Status and Progress of Medium-term Management Plan

C-1 : Changes in the business environment

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

	 Economic decoupling	 Global economy	 Energy policies
External Environment 	<ul style="list-style-type: none"> • Economic separation due to conflict between the United States and China, as well as Russia's war in Ukraine • Continued geopolitical risk 	<ul style="list-style-type: none"> • Unstable economic conditions due to interest rates rising and remaining at high levels • Continued emergence of negative economic forecasts, including the IMF's lowering of its economic growth outlook 	<ul style="list-style-type: none"> • Fluidity in national energy policies concerning target energy mixes, including renewable energy, nuclear power, and fossil fuels, etc. • Application of treaty on new CO2 emission regulations to large ocean-going vessels
Anticipated Risks and Opportunities 	<ul style="list-style-type: none"> • Concern about impacts on trade • Concern about impacts on resource supply 	<ul style="list-style-type: none"> • Slowdown of the real economy due to rising procurement costs and other factors, and the negative impact on purchasing power • Continuation of global inflationary pressure 	<ul style="list-style-type: none"> • Soaring energy prices • Future demand for transporting new fuels • Increase in benefits of environmentally friendly vessels due to restrictions on output of existing vessels and the necessity to make modifications to improve fuel efficiency • Impact of the expansion of industries covered by the EU-ETS*
Action Based on the Medium-term Management Plan 	<ul style="list-style-type: none"> • Realizing growth by considering the emissions reduction and decarbonization of the Company and society as a business opportunity based on the long-term management vision • Strengthening earning power through resource allocation according to the characteristics of each business based on the portfolio strategy • Working with customers to respond to "changes in the business environment" and the "energy mix transition phase" • Strengthening of safety and quality management systems as a shipping company supporting global social infrastructure 		

* EU-ETS : EU Emission Trading System

C- 2 [Capital Policy] : Capital Policy Progress

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

Improving corporate value by proactively returning profits to shareholders after investing for growth



Cash Allocation

- Performance under the current five-year medium-term plan will be based on the improvement of “K” Line’s own businesses with a focus on the Product Logistics segment. According to the latest earnings forecast, **cumulative operating cash flow is expected to exceed the forecast made at the beginning of fiscal 2022 by more than 200.0 billion yen.**
- The plan is to return to shareholders operating cash flow that exceeds the initial forecast, **by distributing at least 500.0 billion yen during the period of the medium-term plan. This will be done after implementing the business investment necessary to improve corporate value.** Also, We will always maintain awareness of the optimal capital structure and ensure capital efficiency and financial soundness.



Initiatives to further raise the level of our business management are part of our capital policies. Through these efforts, we will enhance and promote our business portfolio and cash flow management with the aim of improving the price-to-book ratio. This will be done by adopting business-specific management indicators (ROIC, EVA, etc.) that promote awareness of capital costs.



Business Investment Plan

- Investments necessary to improve corporate value will be made without relaxing investment discipline. **Approximately 80% of the total funds will be allocated mainly to the businesses with the role of driving growth, and an investment increase of about 110.0 billion yen is planned during the period of the medium-term plan.**
- **Approximately 60% of these funds will be allocated to environmental investments,** and we will strive to gain a competitive advantage by seizing the opportunity to promote emissions reduction and decarbonization measures.



Shareholder Return Policy

Return Delivery Plan

Return Policy

- Thanks to surplus operating cash flow, **we have raised our planned total shareholder returns during the period of the medium-term plan to a minimum of 500.0 billion yen.** This revises the scope of our previous plan, namely, from a minimum of 400.0 billion yen to a maximum of 500.0 billion yen. (For fiscal 2021-22, 250.0 billion yen of the total have been returned to shareholders. For fiscal 2023-26, 250.0 billion yen or more will be returned.)

Dividend

- **The basic dividend** for the remainder of the medium-term plan period (fiscal 2023-26) **will be 120 yen per share**
- In fiscal 2023, we plan to pay a **dividend of 200 yen per share with an additional dividend of 80 yen per share.**

Additional Shareholder returns

The period of the medium-term management plan
FY2023

- Additional shareholder returns of 110.0 billion yen are planned for the remainder of the medium-term management plan period.
- Of the total, at least 50.0 billion yen is earmarked for distribution in fiscal 2023.

Always maintaining awareness of optimal capital structure and cash allocation according to the medium-term management plan, along with capital efficiency and financial soundness, and striving to further enhance corporate value

C-3 [Capital Policy] : Earnings targets and performance progress

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

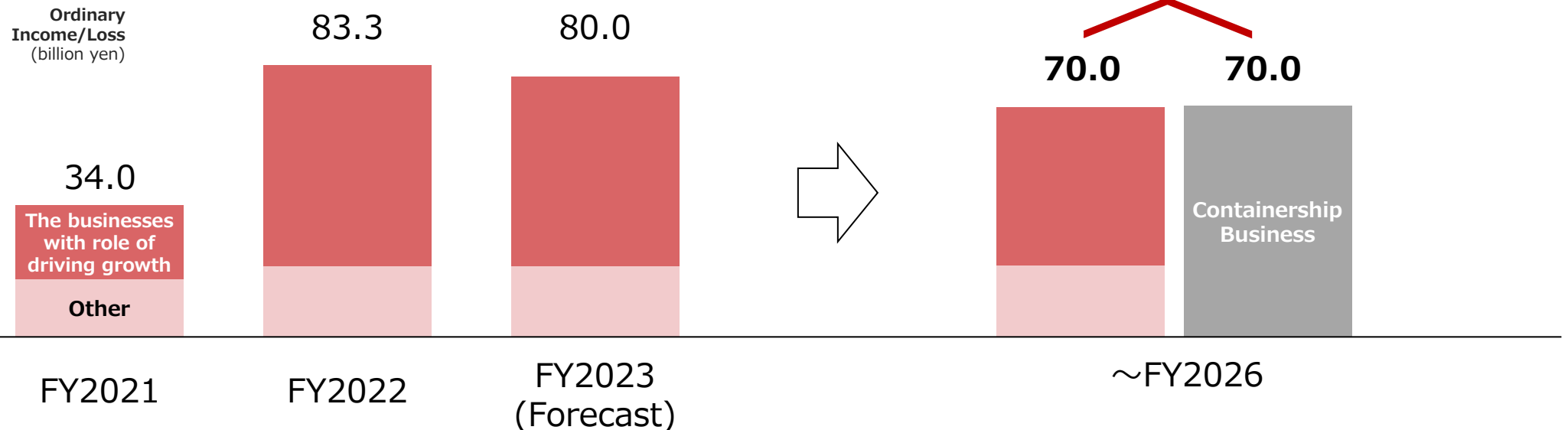
"K" Line's Own Businesses

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)



C-4 [Capital Policy] : Cash Allocation

Since the medium-term management plan was announced, we now expect to exceed planned operating cash flow by 200.0 billion yen during the medium-term management plan period.

We plan to provide shareholder returns of 500.0 billion yen or more after making business investments necessary to improve corporate value.

Operating cash flow is expected to increase by 200.0 billion yen compared to initial plan announcement due to improved performance.

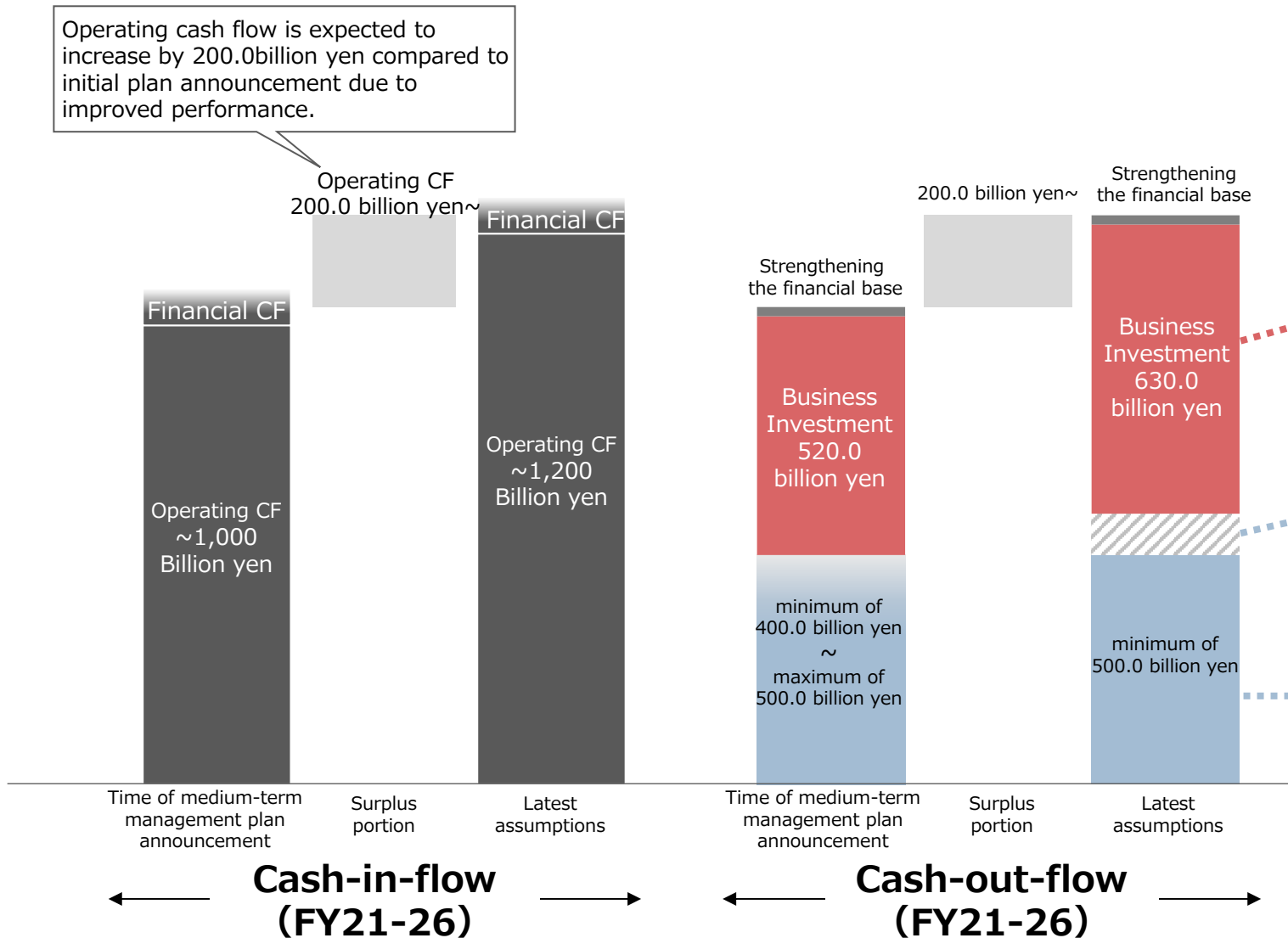
Approach to resource allocation for surplus cash flow

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 yen from the cash flow increase of 110.0 billion yen** compared to the time of the medium-term management plan announcement.

investment / shareholder returns

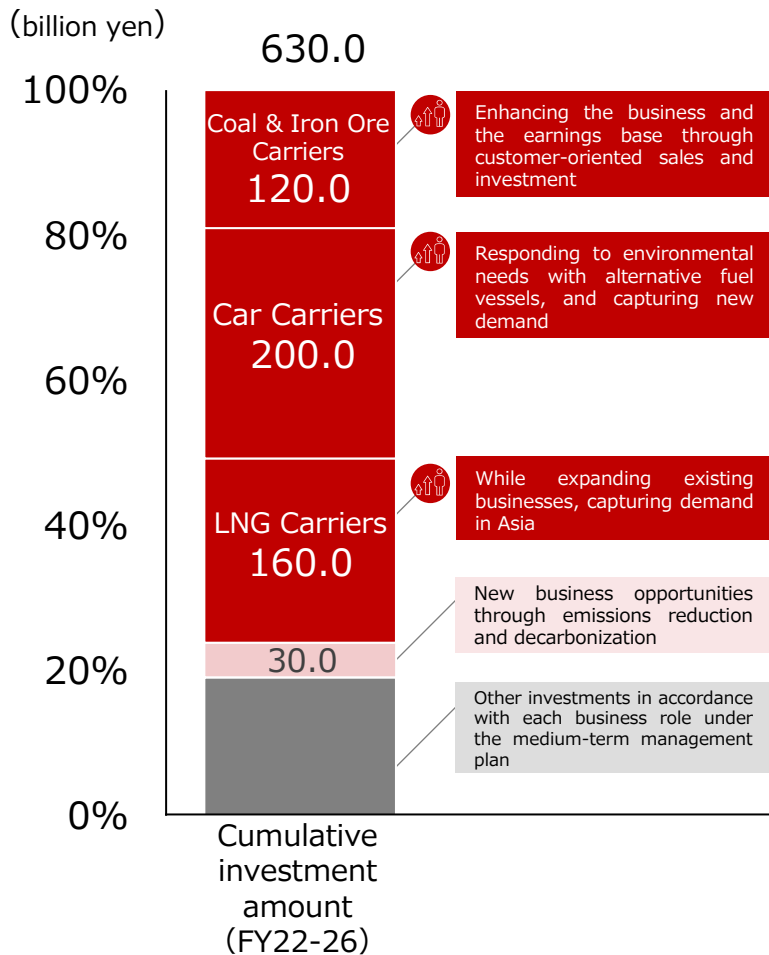
We plan to return 500.0 billion yen or more to shareholders thanks to the operating cash flow surplus (**minimum raised by more than 100.0 billion yen** from 400.0 billion yen).



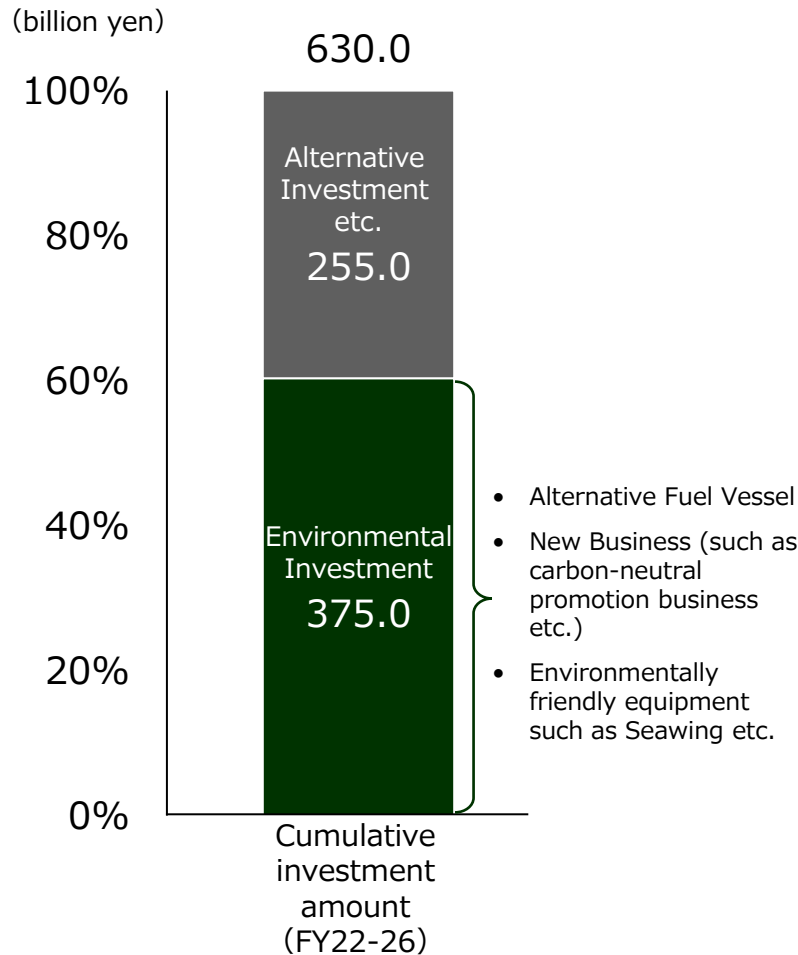
C- 5 [Capital Policy] : Business Investment Plan

Based on the medium-term management plan, investment will focus on the role of driving growth and environmental measures. We will exercise investment discipline by considering risks and returns according to business or purpose before making investments.

Focusing 80% of investment on role of driving growth



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

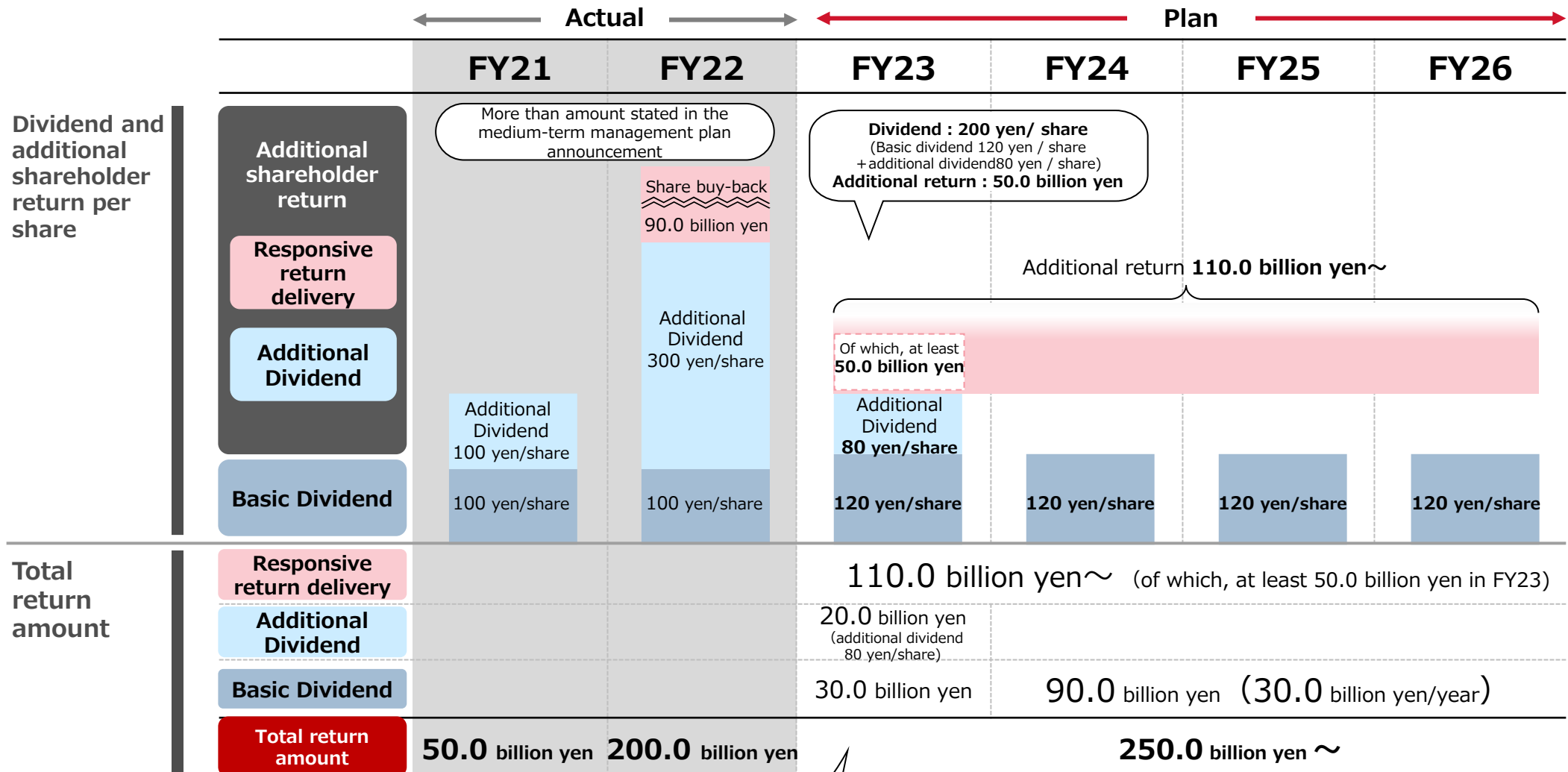


Business investment policy

- To invest discreetly during good times and to invest strategically during bad times
- Creating a well-balanced portfolio of investments while monitoring demand and vessel price trends
- Based on the medium-term management plan, we will promote steady earnings improvement using a disciplined investment plan that focuses on growth-drivers and environmental measures.
- Maintaining and enhancing the competitiveness of our other businesses by pairing them with environmental investments in accordance with their designated roles.
- Based on the above, the total planned investment amount is 630.0 billion yen, which is 110.0 billion yen more than the initial figure under the medium-term management plan. By maintaining investment discipline, we will ensure awareness of risks and returns as well as cost of capital and make investments only after scrutinizing the profitability of each investment project.

C- 6 [Capital Policy] : Return to Shareholders

The basic dividend for the remaining period of the medium-term management plan will be 120 yen per share, and the total return amount over the medium-term management plan period will be at least 500.0 billion yen.
 In fiscal 2023, along with the additional dividend of 80 yen per share, an additional return of at least 50.0 billion yen is planned.






* Amounts of dividends are based on shares after stock split

The fiscal 2023 dividend forecast includes an interim dividend of 100 yen per share and a year-end dividend of 100 yen per share

C-7 [Capital Policy] : Further Advancement of Business Management Target for each KPI

Steady progress on earnings targets using management indicators

Based on the growth results, we will strive to achieve the ordinary income target of 140.0 billion yen, which was set under the medium-term management plan, ahead of schedule.

	ROIC*	ROE	Earnings targets
FY2022 (Result)	29%	58%	Ordinary income 690.8 billion yen <small>(of which, 83.3 billion yen was derived from "K" Line's own business)</small>
FY2026 (Target)	6.0~7.0%	More than 10%	Ordinary income 140.0 billion yen
Current progress and response policy	 <ul style="list-style-type: none"> 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. 	 <ul style="list-style-type: none"> Surpassing targets due to improved performance of both Containership Business and "K" Line's own businesses. During the period of the medium-term management plan, we aim to sustainably achieve the target while maintaining awareness of capital efficiency, including further strengthening of "K" Line's own businesses. 	 <ul style="list-style-type: none"> 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 improvement of "K" Line's own businesses.

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

C-8 [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.



Role of supporting the business as a shareholder and stabilizing the earning base



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.

C-9 [Business Strategy] : Coal & Iron Ore Carriers - Growth Strategy Progress

Smooth advancement of enhancement of partnerships with target customers based on environmental measures. Progress is also being made on the fleet improvement, which should lead to greater resilience and responsiveness to changing market conditions. Planning is being carried out for stable business promotion.

Enhancing measures for target markets and customers base

Resilience and responsiveness to changing market conditions

Maintaining and strengthening relationships with Japanese and Korean steel mills

Environment-oriented sales activities targeting steel mills in India and the Middle East

Environment-oriented sales activities targeting resource majors

Measures

Proactive response to customer demand for environmental measures.

Advancing our customer-oriented sales system by strengthening environmental sales capabilities in Asia, while also investing for growth and establishing a vessel operation system to meet the demand for marine transport powered by alternative fuels.

Proper fleet development and exposure control.

Progress

Progress on measures for emissions reduction and decarbonization, including a stronger response with steel mill companies to the trend toward procurement of direct reduced iron.

Began joint research with EGA concerning decarbonization, and signed contracts for expansion of JSW India routes.

Signed an MOU with Anglo American concerning joint research and comprehensive discussions on decarbonization measures.

Strengthening resilience and responsiveness to market fluctuation risk by promoting vessel deployment based on cargo contract periods, and optimizing internal and long-term chartered vessel capacity



• Direct reduced iron: A new thoroughly low-carbon technology for direct reduction of iron is gaining attention. It involves raw material of an electric furnace for which oxygen has been removed from iron ore (iron oxide).

C-10【Business Strategy】 : Car Carriers - Growth Strategy Progress

Enhancing business profitability by implementing various measures under the medium-term management plan. While further enhancing profitability, promoting environmental measures and strengthening market resilience at the same time.

Enhancing measures for target markets and customers base

enhancing profitability

Existing finished vehicle OEMs*

Capturing BEV* transport demand

High & Heavy*

Measures

Enhancing the transport base for existing finished vehicle OEMs and introducing eco-friendly ships.

Preparing a BEV transport system and capturing new BEV transport demand.

Expanding market share among high-and-heavy vehicle customers

Increasing earnings through rate restorations, and by bolstering unprofitable contracts and routes.



Progress

Securing transport capacity for existing finished vehicle OEMs. Moreover, we will prepare for the introduction of additional eco-friendly ships from 2024 onward.

Preparations to secure a stable BEV transport system and to capture new BEV transport demand.

Increasing in high-and-heavy transport volume based on greater high-and-heavy transport capacity.

Route network reorganization has been completed. Amid strong demand for marine transport, freight rates are being restored and profitability is improving.



*BEV: Battery Electric Vehicle. *OEM: Original Equipment Manufacturing. * High& Heavy: Oversized cargo such as construction and agricultural machinery, and rail vehicles

C-11【Business Strategy】 : LNG Carriers - Growth Strategy Progress

In addition to business expansion in Qatar, location of our largest business scale, we are making steady progress on strengthening our customer base in emerging regions where growth is expected.

Enhancing measures for target markets and customers base

Expansion of business base in Qatar

strengthening customer base
in emerging regions

Measures

Securing unfinalized projects during the period of the medium-term management plan, through our first-class ship management quality and safety management capabilities, and using our business relationships that stretch back decades

Moving the ship management site to Singapore and building close relationships with customers and partners by strengthening the sales system there

Progress

Signed long-term time charter contracts for a total of 12 vessels with QatarEnergy in August and November 2022. Aiming to further increase the number of contracted vessels.

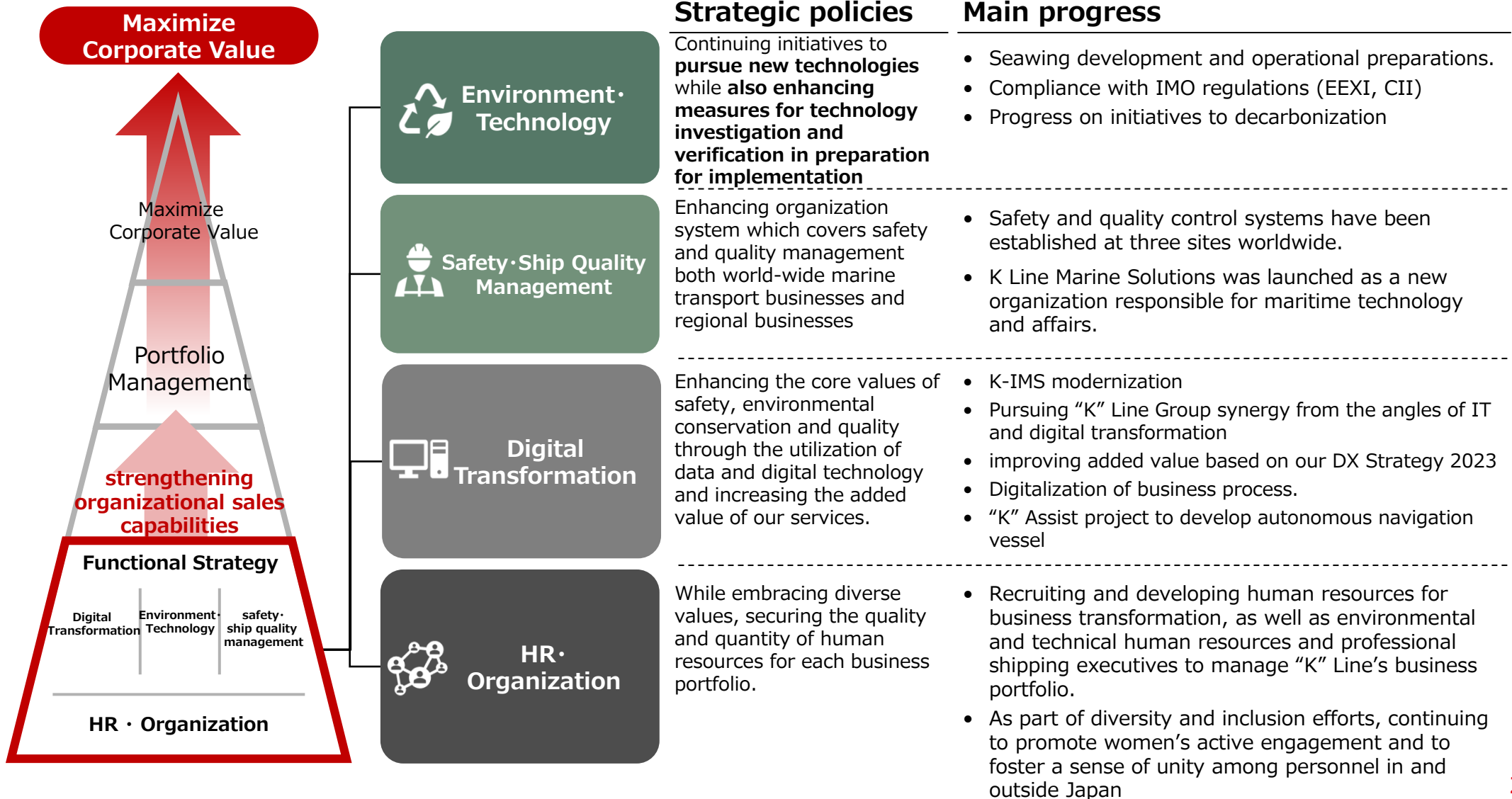
Signed long-term time charter contracts for multiple vessels with PETRONAS, which recognized our service quality and ship management expertise.



C. Status and Progress of Medium-term Management Plan

C-12[Functional Strategy] : Progress overview

The measures of each function are progressing as planned to achieve targets. We will maximize corporate value by enhancing the basic functional strategies and strengthening organizational sales capabilities.



C. Status and Progress of Medium-term Management Plan

C-13【Functional Strategy】 : Main progress



Environment・Technology



above : unfolded/ inflated kite for test
below : Deck System installed

- **Steady progress on Seawing development and operational preparations.**
 - Using kite for trial, we have completed automated unfolding/folding test, and primary flight test. Continuing with development.
 - Deck system installation to the first vessel has been completed at the end of 2022. Planning to start trial on the vessel in accordance with progress of development mentioned above.
- **Compliance with IMO regulations (EEXI, CII) is also progressing smoothly**
 - A system for CII monitoring using K-IMS has been created, and continuous monitoring has begun.
- **Progress on initiatives to decarbonization.**
 - Jointly developed ammonia fueled Cape size bulker and car carrier vessel obtained an Approval in Principle (AiP) from Classification Society Class NK.
 - Aiming to take delivery of ammonia fueled Cape size bulker and social implementation in 2026.



Safety・Ship Quality Management

- **K Marine Ship Management began full-scale operations in Singapore**
 - Ship management of all the energy transport vessels has been transferred by the end of December 2022.
 - Promoting continuity of ship management and high response to customers by diversifying supervision system.
- **K Line Marine Solutions was launched as a new organization responsible for maritime technology and affairs**
 - Maritime technical functions, which were previously dispersed among the safety and ship quality management division and each business divisions, have been consolidated.
 - By promoting retired marine superintendent or external human resource, we enhance marine technical support system and respond to diverse ways of working at the same time.



Digital Transformation

- **Promoting smooth K-IMS modernization**
 - Enhancing transferring K-IMS's whole data infrastructure to the cloud, insourcing program development and extensibility. (K-IMS is a system group to collect, accumulate and analyze important data related operating vessels)
- **Pursuing “K” Line Group synergy from the angles of IT and digital transformation**
 - Functional enhancement/formation of IT subsidiary and optimizing the Group's IT/DX resources.
- **Based on the 3 stages and 5 perspectives of our DX Strategy 2023, improving added value as a source of competitiveness**
 - For DX on land, in addition to DX on sea, with aim of 100% digitalization of data, we will improve our add value by reforming communication infrastructure and transforming communication culture, with the idea that data, business process digitalization is source of competitiveness.



Photo : Global IT meeting, to enhance interactive communication among DX personnel in “K” Line Group.



HR・Organization

- **Steadily recruiting and developing human resources for business transformation, as well as environmental and technical human resources and professional shipping executives to manage “K” Line’s business portfolio**
 - Quantity : Increasing recruitment of new graduate and employing experienced personnel through out the year. Assigning mainly to the three businesses with role of driving growth.
 - Quality : We enhanced trainings for organization management, finance literacy and utilizing digital technologies.
- **As part of diversity and inclusion efforts, continuing to foster a sense of unity among personnel in and outside Japan**
 - Progress were seen on framing and expanding system to support balancing work and family life, career development and promoting supportive work climate in order to organize an environment so that we can promote women’s active engagement.

C-14 Further Advancement of Business Management

Establishing a business management system that promotes awareness of capital costs and cash flows for each business

Having each business adopt responsible accounting management

Establishing a business management system that promotes awareness of capital costs and cash flows for each business

Maintaining and strengthening investment discipline by adopting business investment management



Group-wide management (led by corporate division)

Enhancing financial management and promoting group-wide optimization, including group-wide capital structure and business portfolios



Business division management (led by business divisions)

Enhancing management of business activities as well as assets and liabilities

Investment discipline management from a group-wide perspective

Creating an investment plan for growth



Utilizing as an indicator for portfolios and business policies



Creating risk scenarios for each business or project

Business management based on KPIs for each business



Checking investment progress on a regular basis



Performing investment based on careful selection of projects that can help improve corporate value

Introduction planned for fiscal 2023

Reference: Schedule for Business Briefings

As stated in the financial results briefing materials for the second quarter of fiscal 2022, we plan to hold a business briefing in the near future

- Subject** : Explanation of the Group's three growth-driver businesses and our sustainability management
- Materials** : The briefing materials and archive will be made available on our website.

Briefing on our
sustainability
management

Briefing on our three
growth-driver
businesses

TOPICS

Presenter

- sustainability management President & CEO Yukikazu Myochin
- Coal & iron ore carrier business Vice President Executive Officer Atsuo Asano
- LNG carrier business Senior Managing Executive Officer Kazuhiko Harigai
- Car carrier business Managing Executive Officer Takenori Igarashi

| Appendix

Market Results and Assumptions/ Market Exposure

■ Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
CAPE	\$21,600	\$13,700	\$14,900	\$9,150	\$14,750	\$19,000	\$22,000	\$22,000	\$10,000	\$18,250
PANAMAX	\$25,300	\$15,850	\$14,700	\$10,000	\$16,350	\$15,500	\$15,500	\$16,500	\$14,500	\$15,500
HANDYMAX	\$28,900	\$19,750	\$14,850	\$10,150	\$18,300	\$14,500	\$14,500	\$14,500	\$12,500	\$14,000
SMALL HANDY	\$27,550	\$18,700	\$15,050	\$9,700	\$17,650	\$12,000	\$13,000	\$13,000	\$11,000	\$12,250

■ Tanker Market Results and Assumption

World Scale (WS)	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
VLCC	46	71	95	65	69	55	55	55	55	55
(Middle East/Japan)	△\$3,250	\$32,250	\$66,200	\$50,350	\$36,400	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000
AFRAMAX	167	214	254	206	210	152	125	166	166	152
(South Asia/Japan)	\$18,000	\$35,500	\$55,000	\$57,650	\$41,550	\$35,000	\$25,000	\$40,000	\$40,000	\$35,000

■ Transition of Fleet Scale

Vessel Type	FY2020	FY2021	FY2022
CAPE	86	88	85
Panamax and smaller size	88	80	87
Wood Chip Carriers	7	6	7
Total	181	174	179
VLCC	6	6	6
LPG Carriers	4	4	4
Other Tankers	6	5	2
Thermal Coal Carriers	26	31	28
LNG Carriers	44	43	44
Total	86	89	84

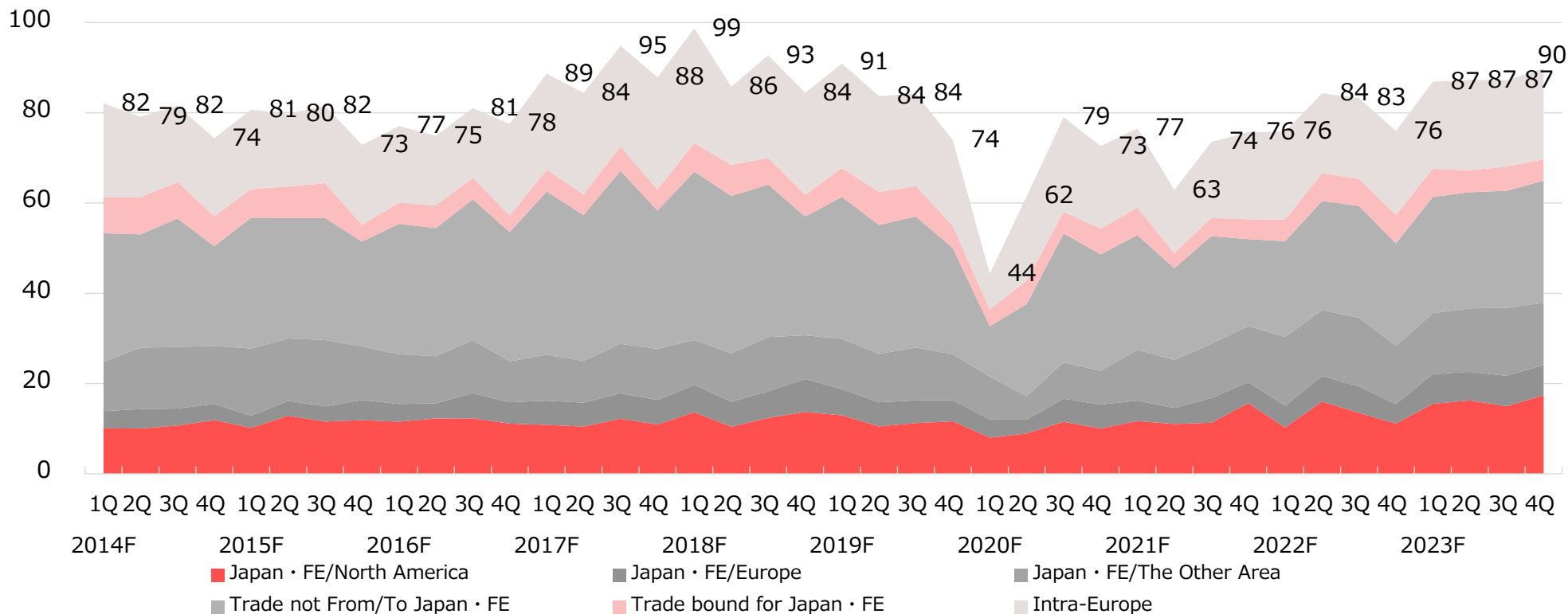
■ FY2023 : Market Exposure

Vessel Type	Market Exposure
CAPE	23%
Panamax and smaller size	16%
Wood Chip Carriers	0%
VLCC	0%
LPG Carriers	0%
Thermal Coal Carriers	4%

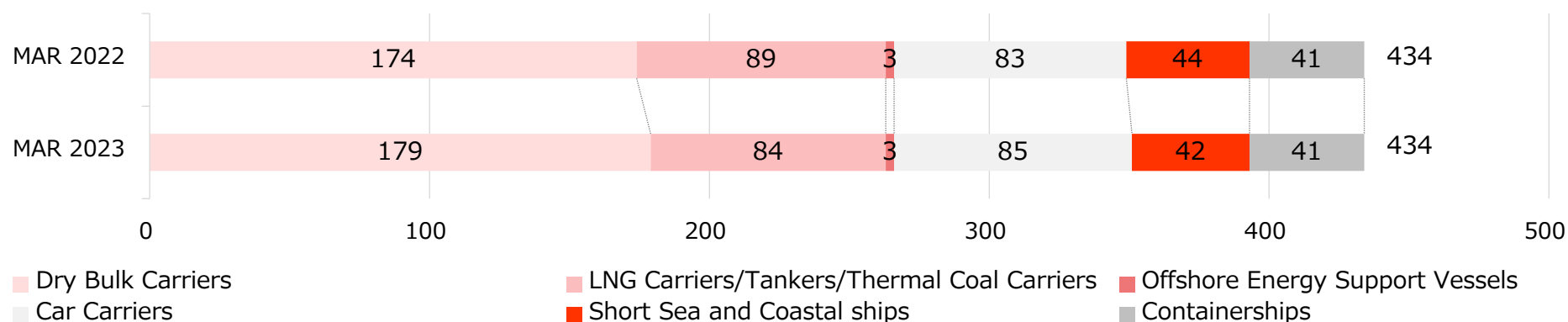
Car Carriers Total Units Carried by Service Routes

Total Units Carried (1,000 units)	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
Outbound	303	362	346	283	1,295	356	367	368	379	1,469
Homebound	48	62	60	63	232	63	49	54	48	212
Others	212	242	248	227	929	258	257	260	271	1,046
Intra-Europe	195	177	179	186	737	193	200	191	201	785
Total Units Carried	758	843	832	760	3,193	869	872	872	898	3,512
Number of Fleet	87	87	86	86	86	87	87	87	87	87

(10,000 Units)



"K" Line Group Fleet Composition



Type of Vessel	MAR 2023						MAR 2022	
	Owned		Chartered		Total		合計	
	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	50	6,119,663	129	16,509,739	179	22,629,402	174	22,490,344
Thermal Coal Carriers	8	702,507	20	1,805,786	28	2,508,293	31	2,762,433
LNG Carriers	43	3,590,640	1	77,163	44	3,667,803	43	3,652,067
Tankers	9	1,869,817	3	410,808	12	2,280,625	15	2,381,297
Drillship	1	-	0	-	1	-	1	-
FPSO	1	-	0	-	1	-	1	-
LNG Bunkering Vessel	1	2,431	0	-	1	2,431	1	2,431
Car Carriers	31	439,338	54	974,458	85	1,413,796	83	1,362,224
Short Sea and Coastal Ships	24	234,374	18	171,304	42	405,678	44	489,046
Containerships	11	849,856	30	2,970,195	41	3,820,051	41	3,820,051
Total	179	13,808,626	255	22,919,453	434	36,728,079	434	36,959,893

* The number of owners vessels includes co-owned vessels, and deadweight tonnage includes share of other companies' ownership in co-owned vessels.

* Includes flagships and spot and/or short-term activities at the end of term.

"K" Line Group Vessels in Operation/New Building Delivery Schedule

■ "K" Line Group Vessels in Operation

Segment	Business/Vessel Types	Mar-22	Mar-23	
Dry Bulk	CAPE	80	80	
	OVER PANAMAX	8	5	
	PANAMAX	46	43	
	HANDYMAX	30	39	
	SMALL HANDY	4	5	
	CHIP	6	7	
	Total		174	179
Energy Resource Transport	VLCC	6	6	
	AFRAMAX	2	2	
	Chemical Tankers	3	0	
	LPG Carriers	4	4	
	Total	15	12	
	LNC Carriers	43	44	
	Thermal Coal Carriers	31	28	
	Drillship	1	1	
	FPSO	1	1	
	LNG Bunkering Vessel	1	1	
	Total	92	87	
Product Logistics	7,000 Units	17	17	
	6,000 Units	38	39	
	5,000 Units	10	10	
	4,000 Units	3	4	
	3,000 Units	4	6	
	2,000 Units	4	4	
	~2,000 Units	7	5	
	Total	83	85	
	Containerships	14,000TEU	12	12
		8,000TEU	13	13
		5,500TEU	4	4
		4,200TEU	7	7
		1,700TEU	5	5
		1,200TEU	0	0
	Total	41	41	
Short Sea and Coastal Ships	44	42		
Total	168	168		
Grand Total		434	434	

■ New Building Delivery Schedule

竣工隻数	2023	2024	2025
CAPE	3	2	
OVER PANAMAX	1		
PANAMAX		1	
HANDYMAX	1	1	
LPG Carriers	1		
LNG Carriers	1		6
FPSO	1		
Liquefied CO2 vessel		2	
Car Carriers (7,000 Unit)	1	4	3
Short Sea and Coastal Ships	2	2	
Total	11	12	9

[Disclaimer]

Information contained in this material is provided solely for informational purposes and is not an offer or a solicitation of an offer to buy or sell securities.

You are requested to make investment decisions using your own judgment.

[Forward-looking statements]

This material contains forward-looking statements concerning future plans and forecast, these statements are based on information currently available.

Furthermore, "K" LINE therefore cautions readers that actual results may differ materially from economic conditions, supply and demand in the shipping industry, price of bunker, foreign currency exchange rates.

