Financial Highlights Brief Report for Fiscal Year 2023

May 7th, 2024

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Index

A. Financial Highlights for Fiscal Year 2023

A-１ : Financial Results for FY2023

Financial Results FY2023

(billion yen)

Operating Revenues and Profit/Loss	FY2023							FY2022	
	1Q	2Q	1H	3Q	4Q	2H	Total (a)	Total (b)	(a)-(b)
Operating Revenues	222.2	236.7	458.9	256.3	246.9	503.3	962.3	942.6	19.6
Operating Income/Loss	19.6	25.0	44.6	25.4	14.6	40.1	84.7	78.8	5.9
Ordinary Income/Loss	49.1	36.1	85.2	13.2	37.2	50.5	135.7	690.8	-555.0
Net Income/Loss Attributable to Owners of Parent	38.5	24.6	63.1	10.8	30.7	41.5	104.7	694.9	-590.1
Exchange Rate(¥/$)	¥135.81	¥144.05	¥139.93	¥148.72	¥146.68	¥147.70	¥143.82	¥135.07	¥8.75
Bunker Price(/MT)	$609	$602	$605	$645	$624	$635	$620	$769	-$149

Key Factors (year-on-year comparison)

- Operating income increased despite the softening of the dry bulk market, as steady performance was achieved for Car Carrier Business.
- Ordinary and net income declined due to the performance of Containership Business operated by equity-method affiliate OCEAN NETWORK EXPRESS PTE. LTD. (ONE), as the tightness of the containership market eased due to sluggish cargo movement growth and an increase in deliveries of new ships, along with market conditions being in the process of normalization.

Key Financial Indicator

(billion yen)

Indicators	FY2023 (c)	FY2022 (d)	(c)-(d)
Equity Capital	1,591.9	1,515.3	76.5
Interest-Bearing Liability	287.7	351.6	-63.9
DER	18%	23%	-5 points
Equity Ratio	75%	74%	2 points

Shareholder's return

Dividend : The expected year-end dividend is 150 yen per share, as announced in February 2024.
When combined with the interim dividend of 100 yen per share, the full year dividend is expected to be 250 yen per share.
(Based on shares before the stock split*)

➡ details : C-6

* The amounts before stock split implemented on April 1, 2024 are shown.

A-2 : Financial Results for FY2023 by Segment

Financial Results for FY2023 by Segment

(billion yen)

Business Segment (Upper row: Operating Revenues) (Lower row: Ordinary Income/Loss)	FY2023							FY2022	
	1Q	2Q	1H	3Q	4Q	2H	Total (e)	Total (f)	(e)-(f)
Dry Bulk	72.5	65.0	137.5	78.7	78.7	157.4	295.0	312.2	-17.2
	1.5	1.3	2.8	-1.1	1.9	0.7	3.6	19.1	-15.5
Energy Resource Transport	23.6	27.8	51.4	29.5	25.9	55.5	106.9	100.2	6.7
	2.4	2.7	5.2	-0.4	3.2	2.7	7.9	9.0	-1.1
Product Logistics	123.1	141.4	264.6	145.7	139.8	285.5	550.1	519.7	30.3
	45.9	33.9	79.8	16.8	34.4	51.2	131.1	669.9	-538.7
Containership	10.2	19.0	29.2	15.4	14.5	30.0	59.3	49.3	10.0
	25.5	10.7	36.2	-2.4	14.2	11.8	48.1	608.8	-560.6
Other	2.8	2.4	5.3	2.3	2.4	4.7	10.1	10.3	-0.2
	0.7	0.3	1.1	0.1	0.1	0.2	1.4	0.8	0.6
Adjustment	-	-	-	-	-	-	-	-	-
	-1.6	-2.2	-3.8	-1.9	-2.5	-4.4	-8.3	-8.0	-0.2
Total	222.2	236.7	458.9	256.3	246.9	503.3	962.3	942.6	19.6
	49.1	36.1	85.2	13.2	37.2	50.5	135.7	690.8	-555.0

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

Dry Bulk

- The sluggish market conditions of the previous fiscal year continued into the first half. In the second half however, conditions improved due to increased transport of bauxite and Brazilian ore, a recovery in demand for grain shipment, and the impact of drought restrictions for the Panama Canal.
- Income decreased year on year due to the delayed effects of contracts signed in the previous fiscal year and temporary factors.

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.
- Meanwhile, income decreased year on year due to factors such as the reorganization of vessels in operation conducted in the previous fiscal year.

Product Logistics

- In Car Carrier Business, the recovery trend continued as supply shortages for semiconductors and auto parts eased, along with a gradual decrease in their impact on vehicle production and shipments.
- We continue efforts to restore freight rates and improve operational efficiency.
- For Containership Business, the market surplus of vessels absorbed starting in the fourth quarter, thanks to vessels detouring around the Cape of Good Hope because of conditions in the Middle East, and short-term freight rates rose to a certain extent. However, sluggish cargo movements and increased deliveries of new vessels through the end of the third quarter led to a softening of supply and demand and a prolonged stagnation in the short-term freight rate market. As a result, income significantly decreased year on year.

*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.

B. Forecasts and Initiatives for Fiscal Year 2024

B- 1 : Forecasts for FY2024 and Key Factors

Forecasts for FY2024

(billion yen)

Operating Revenues and Profit/Loss	FY2024 1H Forecast	FY2024 2H Forecast	FY2024 Total (g)	FY2023 Total (h)	FY2023 (g)-(h)
Operating Revenues	494.0	486.0	980.0	962.3	17.7
Operating Income/Loss	51.0	42.0	93.0	84.7	8.3
Ordinary Income/Loss	81.5	53.5	135.0	135.7	-0.7
Net Income/Loss Attributable to Owners of Parent	77.0	43.0	120.0	104.7	15.3
Exchange Rate(¥/$)	¥141.90	¥140.00	¥140.95	¥143.82	-¥2.87
Bunker Price(/MT)	$636	$643	$640	$620	$20

Key Factors (year-on-year comparison)

- Operating income is expected to improve by 8.3 billion yen compared to the FY2023 result. This was due to strong performance in Car Carrier Business and Dry Bulk.
- Although there is a certain degree of uncertainty in “K” Line’s own businesses and Containership Business, we currently expect ordinary income to remain close to the level of the previous fiscal year, at 135.0 billion yen.
- Net income is expected to increase by 15.3 billion yen year-on-year due to the absence of one-time impacts.

Key factor assumption

- Yen-US$ exchange rate ¥140.95/$ (average for FY2024)
- Bunker price $640/MT
- Market assumption
  Please refer to Appendix

Estimates sensitivity (12 months)

- Yen-US$ rate: each ¥1 weaker(stronger) adds (subtracts) ± ¥1.5 bln
- Bunker price: each $10/MT down (up) adds (subtracts) ± ¥0.01 bln

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

Shareholder’s return

Dividend : The annual dividend forecast for FY2024 is 85 yen/share. This includes a basic dividend of 40 yen/share and an additional dividend of 45 yen/share (43.3 yen/share announced in February 2024).
(Based on shares after the stock split *1)

Share buy-back : We plan to repurchase the Common stock of “K” Line up to 100.0 billion yen and total number of shares of common stock of “K” Line up to 39,556,000 (max.) shares during FY2024.

➡ details : C-6

*1 : The note is made taking the effect of stock split implemented on April 1, 2024 into consideration.

B-２：Forecasts for FY2024 by Segment

Forecasts for FY2024 by Segment

(billion yen)

Business Segment (Upper row: Operating Revenues) (Lower row: Ordinary Income/Loss)	FY2024 1H Forecast	FY2024 2H Forecast	FY2024 Total (i)	FY2023 Total (j)	FY2023 (i)-(j)
Dry Bulk	160.0	148.0	308.0	295.0	13.0
	8.0	7.0	15.0	3.6	11.4
Energy Resource Transport	44.0	46.0	90.0	106.9	-16.9
	1.0	4.0	5.0	7.9	-2.9
Product Logistics	285.0	287.0	572.0	550.1	21.9
	75.0	45.0	120.0	131.1	-11.1
Containership	32.0	30.0	62.0	59.3	2.7
	37.0	8.0	45.0	48.1	-3.1
Other	5.0	5.0	10.0	10.1	-0.1
	0.0	0.0	0.0	1.4	-1.4
Adjustment	-	-	-	-	-
	-2.5	-2.5	-5.0	-8.3	3.3
Total	494.0	486.0	980.0	962.3	17.7
	81.5	53.5	135.0	135.7	-0.7

Dry Bulk

- Although there are concerns such as the anticipated level of Chinese economic recovery and geopolitical risks, market conditions are expected to remain firm. Cargo movements are steady, and the vessel supply and demand balance is expected to improve over the medium term.
- We expect 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 secured stable profits backed by medium- to long-term charter contracts.

Product Logistics

- In Car Carrier Business, although there are concerns in the global automobile sales market about the possibility of a global economic recession and geopolitical risks, vehicle production and shipments are expected to remain steady.
- We will continue efforts to optimize our fleet and enhance vessel operation and deployment efficiency.
- In Containership Business, the number of new ship deliveries is reaching its peak, and supply continues to exceed demand. Meanwhile, the tight supply and demand situation is expected to continue due to ongoing detouring around the Cape of Good Hope because of conditions in the Middle East.
- ONE is closely monitoring economic conditions and responding flexibly to changes in ocean transport demand.

C. Status and Progress of the Medium-term Management Plan

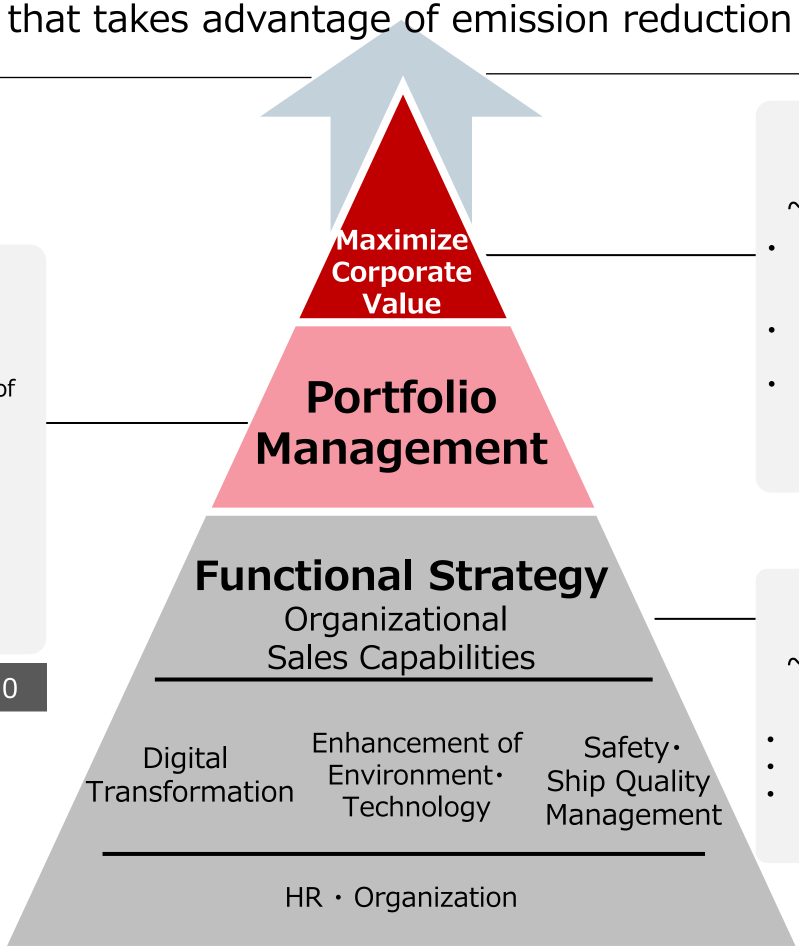
C-1 : Key Points of the Medium-term Management Plan

We will steadily implement the capital policy, business strategy, and functional strategy outlined in the Medium-term Management Plan to achieve further growth and improvement of corporate value.

Further growth and improvement of corporate value

We have raised the Medium-term Management Plan target for ordinary income from 140.0 billion yen to 160.0 billion yen, with the aim of achieving 250.0 billion yen + α by 2030.

Achieving growth by investing in environmental initiatives and businesses with the role of driving growth *1.
This is based on a growth strategy that takes advantage of emission reduction and decarbonization opportunities.



Business Strategy

~Enhancing profitability~

- Raising the ordinary income target for the final year of the Medium-term Management Plan
- Growth strategy using emissions reduction and decarbonization as opportunities
- Investment concentrated on the "role of driving growth" and "environment"
- Initiatives for improvement on business portfolio
- Continually investigating measures for achieving dramatic growth

➡ details : C-8～10

Capital Policy

~Realizing maximization of corporate value~

- Optimal capital structure (Aiming for both financial soundness with an awareness of business risks and capital efficiency)
- Cash allocation (optimizing growth investment and shareholder's return)
- Further enhancement of business management (executive management, investment management, and business value management for each business)

➡ details : C-2～7

Functional Strategy

~Strengthening of business strategy through synergies between businesses~

- Polishing up technology and expertise
- Organizational sales capabilities
- Securing and developing quantity and quality of human resources

➡ details : C-11～12

*1 : role of driving growth : Coal & Iron Ore Carriers、Car Carriers and LNG Carriers

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C-2【Capital Policy】: Capital Policy Progress and Corporate Value Improvement

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.

Enhancing earning power

- We are making **steady progress toward our ordinary income target** of **140.0 billion yen** during the Medium-term Management Plan period and have **raised the target value for FY2026 to 160.0 billion yen.**
- We now expect **Operating CF 1.4 trillion yen** during the Medium-term Management Plan period, as profit growth meeting the capital cost based on the business strategy in the Medium-term Management Plan.

Operating CF **1.4** trillion yen

Investment plan (promotion of investment for growth)

- Making investments necessary to improve corporate value **without relaxing investment discipline**, and securing **investment cash flow of 740.0 billion yen**
- We will achieve growth by enhancing businesses serving the role of driving growth, and by promoting environmental investment taking advantage of emissions reduction and decarbonization opportunities based on business and functional strategies.

Investing CF **740.0** billion yen

Optimal capital structure

- We will strive to balance capital efficiency with financial soundness based on an awareness of business risks. At the same time, we will continue to operate our business with an awareness of capital efficiency, along with cash allocation for growth investments and shareholder returns.
- In order to achieve an optimal capital structure, we need to continue to investigate the level of capital required for "K" Line's own businesses and Containership Business.

Business risk
Financial soundness
Capital efficiency

Shareholder return policy

- Plan to **return to shareholders a cumulative total of 700.0 billion yen or more during the Medium-term Management Plan period (200.0 billion yen more than the amount announced in February 2024)**
- **Adding more than 50.0 billion yen to the cumulative dividend amount over the remainder of the Medium-term Management Plan period, we plan annual dividend for FY2024: 85 yen/share (1.7 yen/share increase); and for FY2025/26: 85 yen/share (45 yen/share increase)**
- **During the remainder of the Medium-term Management Plan period,** we plan to **provide total additional returns of 150.0 billion yen, on a flexible basis.**

Shareholder return **700.0** billion yen~

For corporate value improvement

- We aim to sustainably achieve **ROE of 10% or more** by strengthening earning power and improving capital efficiency, and to **maintain and improve the PBR of 1.0 or more**, keeping in mind reduction of capital costs and **PER enhancement** by cultivating further expectation for growth.
- With the aim of further improvement on governance and improving corporate value through management reform by enhancing the functions of the board of directors in determining and supervising management policies and strengthening management capability such as the management team in prompt decision-making on business execution etc., we will start preparing for the transition to **the "Company with Nominating Committee, etc." board model**.
- Through IR activities, we will promote dialogue with stakeholders and further raise awareness of our business growth strategy among investors.

PBR maintain/ improve 1.0 or more

Promoting Further Advancement of Business Management

- Started managing business-specific KPIs based on business-specific responsibility accounting, as part of business management with an awareness of capital costs and cash flows
- Strengthening business portfolio management and management with emphasis on cash flow
- Introducing financial statements for each business that take into account the characteristics of our business. We aim to maximize corporate value by flexibly operating the PDCA cycle using KPIs that are conscious of capital costs such as CF, WACC, ROIC, and EVA etc. for each business.

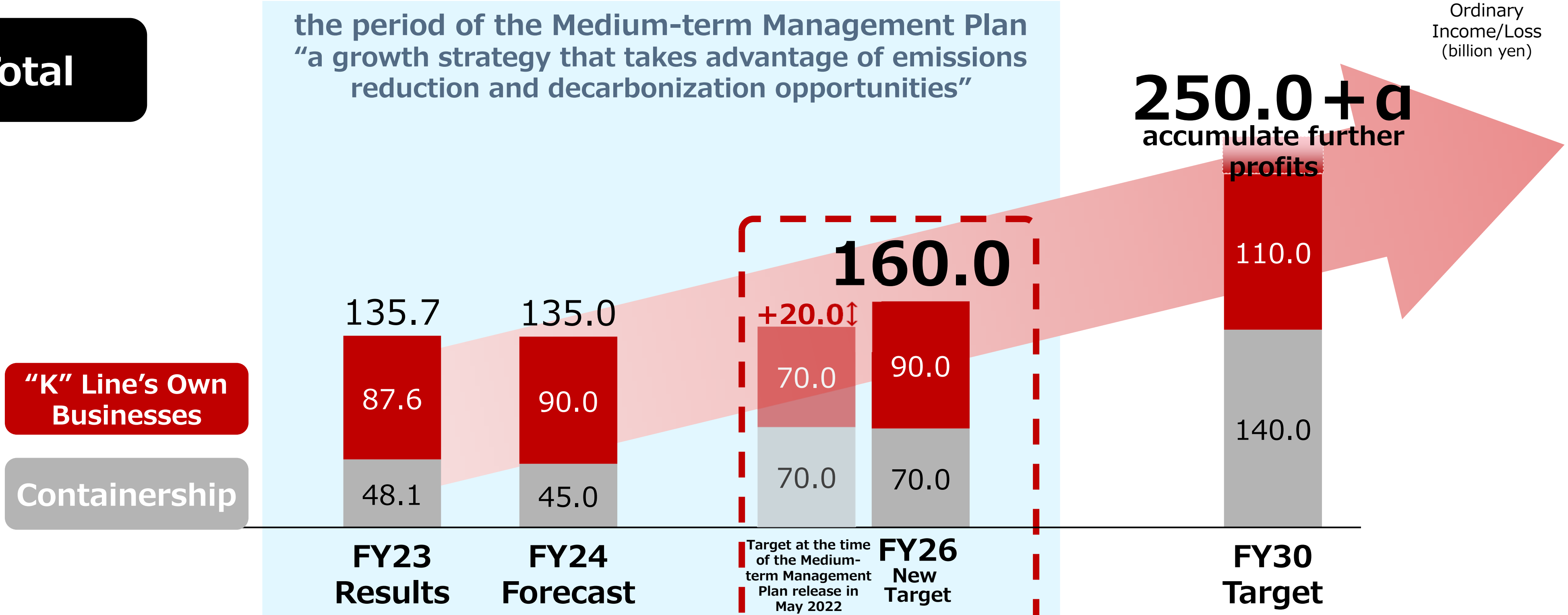
ROIC 6.0~7.0% (FY26 Target)

C-3【Capital Policy】: Raising ordinary income target based on a plan to enhance profitability

Steady progress towards the Medium-term Management Plan target of 140.0 billion yen for ordinary income, mainly through efforts by our growth-driver businesses. Aiming for 160.0 billion yen in FY2026, the final year of the Medium-term Management Plan, and then 250.0 billion yen + α in FY2030.

Total

the period of the Medium-term Management Plan
"a growth strategy that takes advantage of emissions reduction and decarbonization opportunities"



Ordinary Income target	Expect to achieve the target of 140.0 billion yen ahead of schedule through efforts by the three businesses that will drive growth	Final fiscal year target raised to 160.0 billion yen	Aiming for 250.0 billion yen + α

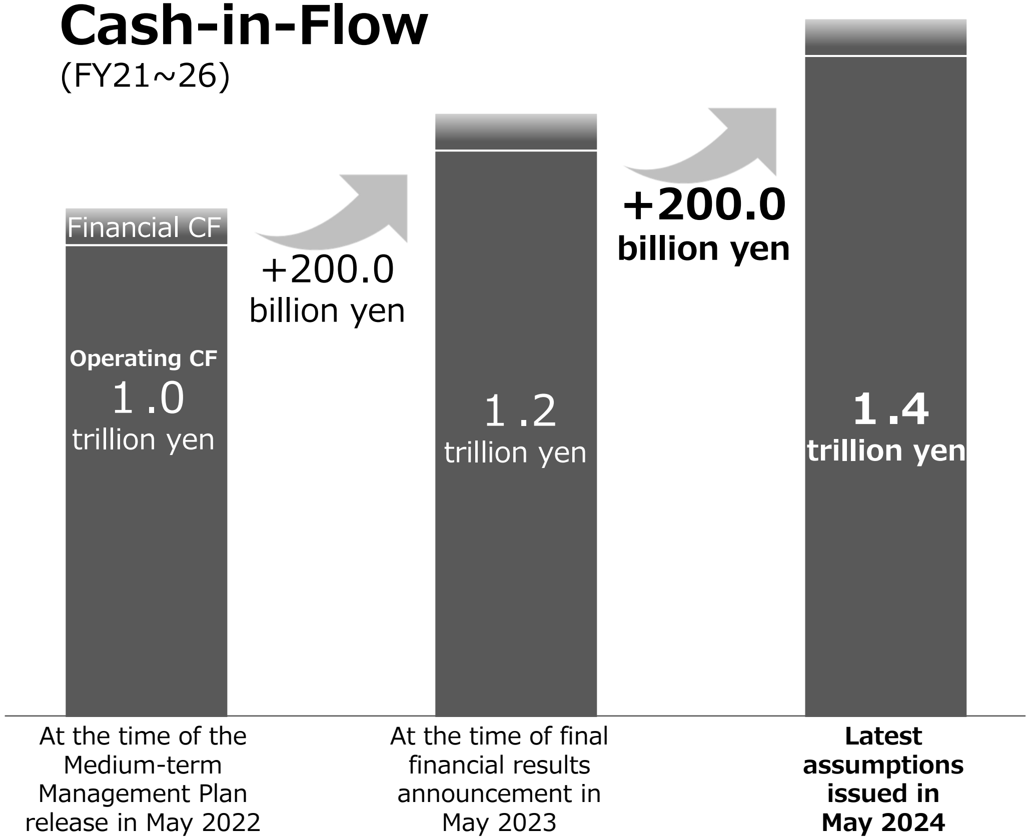
Main measures

- Investment in "businesses with the role of driving growth"× "environmental initiatives"
- Continually investigating measures for dramatic growth
- Initiatives aimed at business portfolio optimization

C-4【Capital Policy】: Cash Allocation

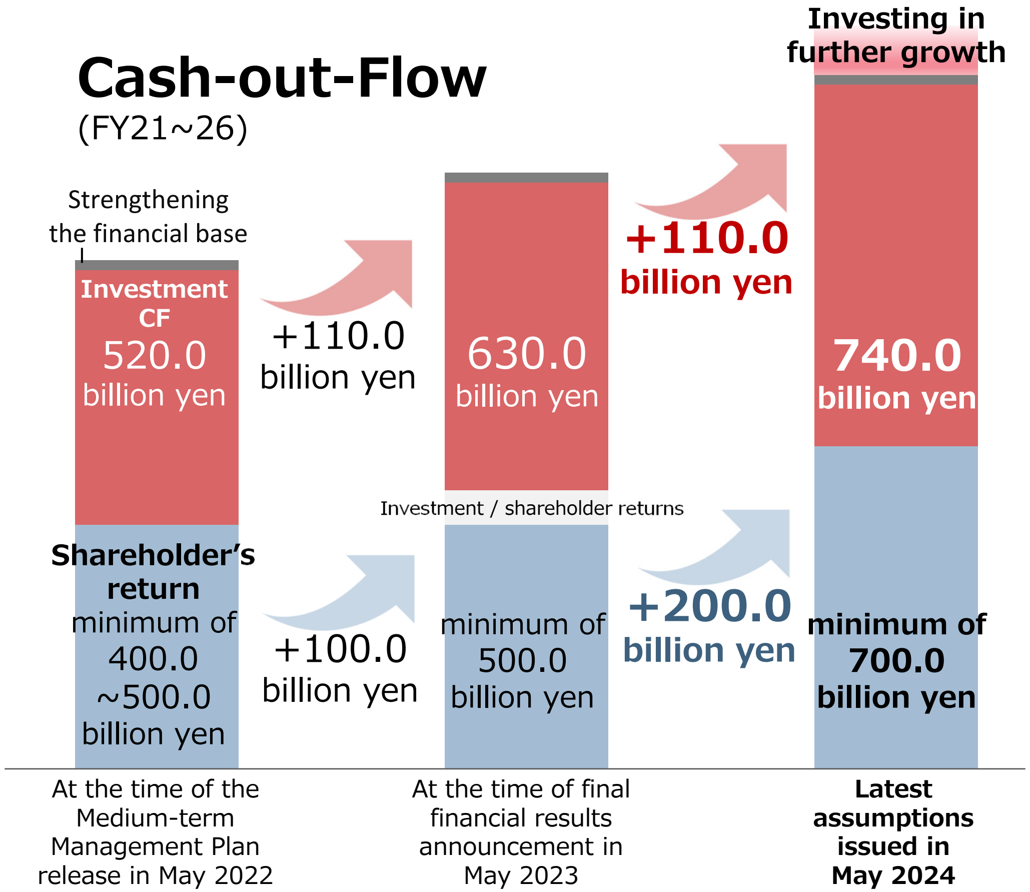
Operating cash flow is expected to increase by 200.0 billion yen from the figure announced in May 2023, reaching 1.4 trillion yen
Based on the concept of optimal capital structure, striving for a balance between investment in growth and shareholder returns when using generated cash
During the Medium-term Management Plan period, we plan to invest 740.0 billion yen in our businesses and distribute more than 700.0 billion yen to shareholders

Cash-in-Flow
(FY21~26)



Operating cash flow is expected to improve by 200.0 billion yen from the figure announced in May 2023

Cash-out-Flow
(FY21~26)



The plan is to increase investment cash flow by 110.0 billion yen from the figure announced in May 2023, **reaching 740.0 billion yen**

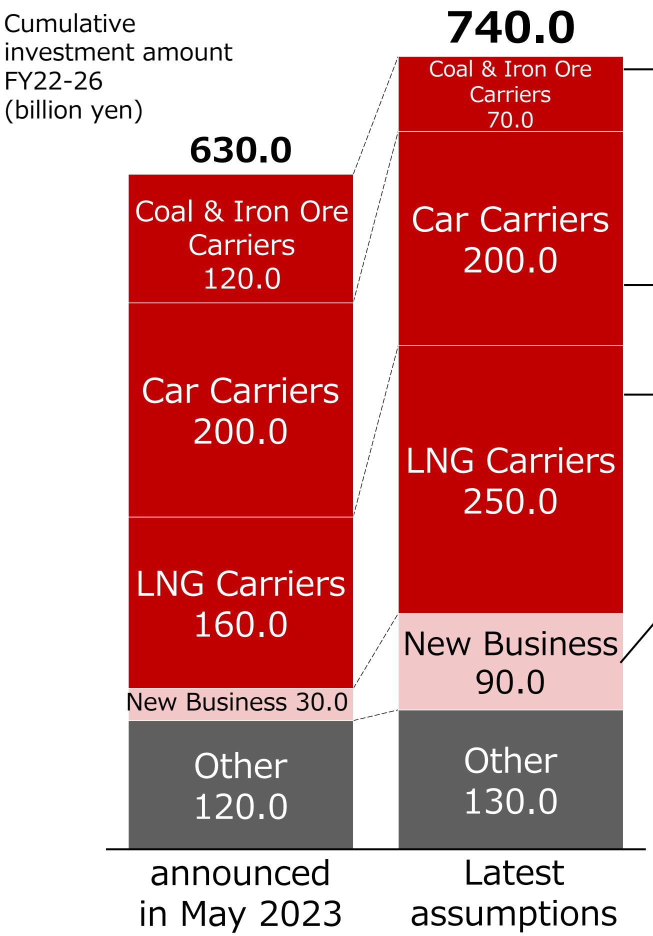
Given the upward trend in operating cash flow, we **plan to increase shareholder's return by 200.0 billion yen** from the figure announced in May 2023, **reaching 700.0 billion yen or more**

C-5【Capital Policy】：Business Investment Plan

Based on the Medium-term Management Plan, with the focus on the role of driving growth and environmental initiatives, we will exercise investment discipline by considering risk and return in line with our business and objectives and will invest discreetly during good times and strategically during bad times.

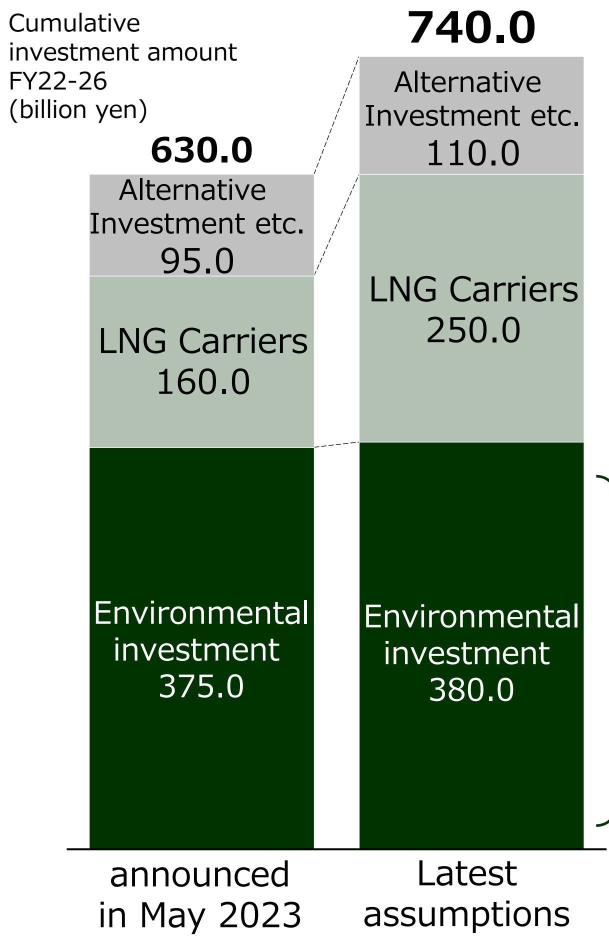
- **The plan is to increase investment cash flow for the Medium-Term Management Plan period by 110.0 billion yen from the figure announced in May 2023, reaching 740.0 billion yen** (of which 460.0 billion yen has been confirmed)

Investing 70% in businesses with the role of driving growth and 10% in new business opportunities



- The demand for transport using environmentally friendly vessels is delay in the industry and investment is expected to appear mainly after the Medium-term Management Plan period.
- Progressing according to plan
- Accumulating contracts in response to strong demand for alternative fuels
- We will accumulate stable earnings over the medium to long term by increasing investment in new business areas where we can leverage our strengths (liquefied CO2 transport vessels, offshore support vessels for offshore wind power installations and new fuel transport vessels such as hydrogen/ ammonia transport vessels)

Investing 50% in environmental initiatives (80% if LNG carriers are included) → Establishing a competitive advantage



- Alternative Fuel Vessel
- Vessels to transport new fuels such as ammonia
- New businesses that help reduce carbon emissions, such as liquefied CO2 transport ships
- Environmentally friendly equipment such as Seawing etc.

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C-6【Capital Policy】: Return to Shareholder

Increasing the amount of dividends and flexible/responsive shareholder returns for FY24-26, we will raise our total shareholder returns during the Medium-term Management Plan period to 700.0 billion yen or more, and actively carry out appropriate dividends and flexible/responsive share buy-backs to increase shareholder value.

Dividend

FY2024

Full-year dividend forecast

Current announcement : 85 yen/share

(announced in February 2024 : 83.33 yen/share)

interim dividend 42.5 yen/share, year-end dividend 42.5 yen/share

FY2025～26

Full-year dividend forecast

Current announcement : 85 yen/share

(announced in February 2024 : 40 yen/share)

*The dividends amounts are stated based on shares after the stock split (each share of common stock has been split into 3 shares) effective April 1, 2024.

Responsive additional return delivery

FY2024

Share buy-back

Current announcement : up to 100.0 billion yen, 39,556,000 shares (max.)

- Share buy-back method : Purchase on the Tokyo Stock Exchange through off-auction own share buy-back trading (ToSTNeT-3) and Auction market
- Period : From May 8, 2024 to July 31, 2024
- In principle, the shares to be repurchased will be cancelled

During the Medium-term Management Plan (FY2024-26)

More flexible/responsive additional return delivery

Current announcement : 50.0 billion yen or more

Actual ← Plan →

		FY21～22	FY23	FY24	FY25	FY26
Dividend and additional shareholder return per share	Additional shareholder return / Responsive return delivery		Share buy-back 56.2 billion yen	Responsive additional return delivery 50.0 billion yen～ / Share buy-back 100.0 billion yen (max.)		
	Additional Dividend		Additional Dividend 43 yen/share	Additional Dividend 45 yen/share	Additional Dividend 45 yen/share	Additional Dividend 45 yen/share
	Basic Dividend		Basic Dividend 40 yen/share	Basic Dividend 40 yen/share	Basic Dividend 40 yen/share	Basic Dividend 40 yen/share
Total return amount	Responsive return delivery	91.4 billion yen	56.2 billion yen	150.0 billion yen～		
	Additional Dividend / Basic Dividend	158.6 billion yen	60.0 billion yen (83 yen/share)	61.0 billion yen (85 yen/share)	61.0 billion yen (85 yen/share)	61.0 billion yen (85 yen/share)
	Total return amount	250.0 billion yen	116.2 billion yen	333.0 billion yen～		

Total return amount during the Medium-term Management Plan period : 700.0 billion yen or more

During the period of the Medium-term Management Plan, we will continue to monitor performance trends, always be aware of the optimal capital structure, ensure the investments necessary to improve corporate value, and maintain financial soundness. Moreover, regarding the portion exceeding the appropriate capital, we will actively consider shareholder returns, including share buy-back, based on cash flow.

C-７【Capital Policy】: Further Advancement of Business Management Target for each KPI

Based on the performance, we updated the ordinary income target under the Medium-term Management Plan. We are aiming for more capital efficiency-conscious management

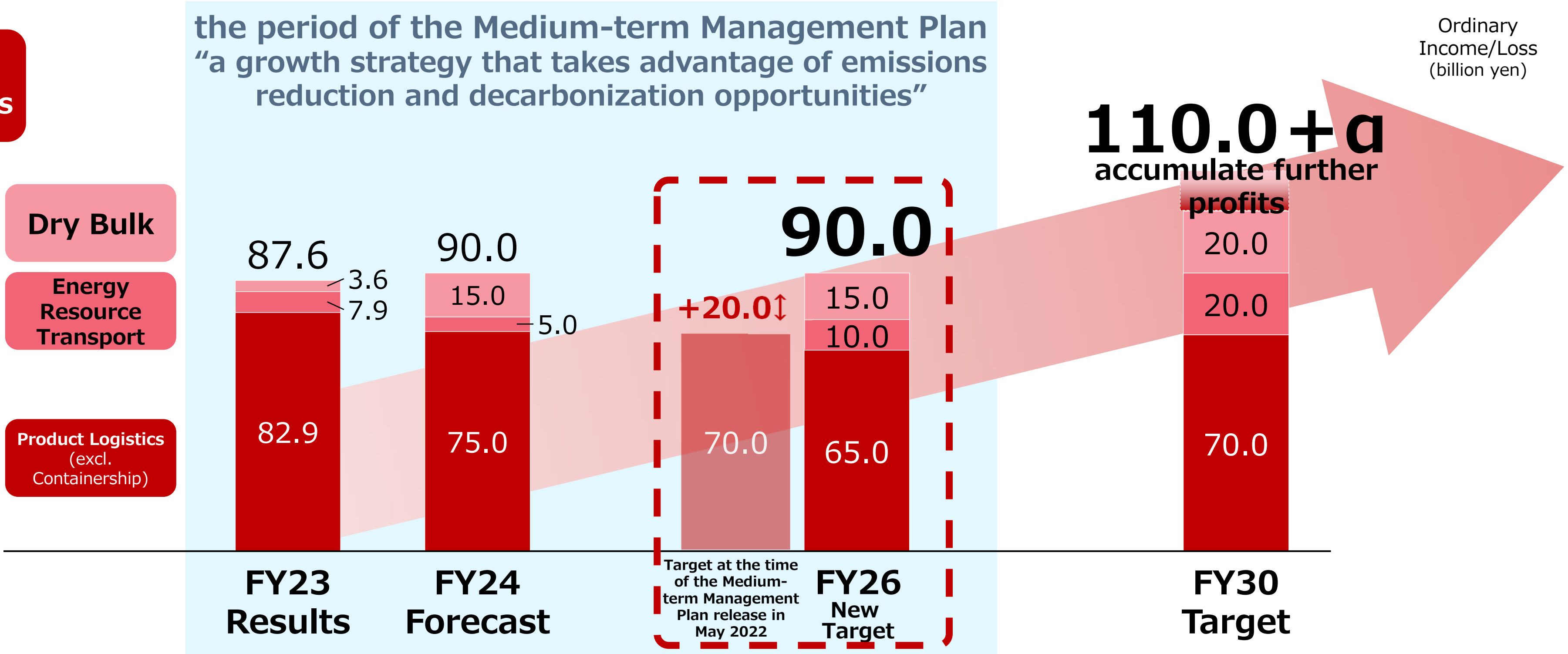
	ROIC*	ROE	Earnings targets
FY2023 (Result)	**5%**	**6.7%**	**Ordinary income** **135.7 billion yen** (of which, 87.6 billion yen was derived from "K" Line's own businesses)
FY2026 (Target)	**6.0~7.0%**	**More than 10%**	**New Ordinary income** **160.0 billion yen** (of which, 90.0 billion yen to be derived from "K" Line's own businesses)
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.	△ • Target progress based on improved performance of "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 initiatives for business portfolio enhancement	◎ • **Target updated based on good progress already made** • Enhancing profitability through investment in environmental initiatives and businesses with the role of driving growth • Continually investigating measures for achieving dramatic growth

*ROIC includes off-balance-sheet charter hire of 600.0 to 700.0 billion yen. Equity ratio is 57-59%, including off-balance-sheet charter hire at the end of fiscal 2023.

C-8【Business Strategy】: Growth Strategy for "K" Line's Own Businesses

Based on a growth strategy that takes advantage of emissions reduction and decarbonization opportunities, we will achieve growth by enhancing the profitability of businesses with the role of driving growth and new business fields.

"K" Line's Own Businesses



Major fluctuation factors FY30 vs FY23	**Dry Bulk**	**Coal & Iron Ore Carriers** Bulk Carriers	**Increasing profitability and stable long-term contracts by leveraging customer relationships and environmental measures to maintain and expand the customer base**
	Energy Resource Transport	**LNG Carriers,** Thermal coal carriers, VLGC･VLCC and **new business area**	Integrating technology and sales to **meet customer needs and increase the number of long-term contracts** **Enhancing profitability in new business** in fields where "K" Line can utilize its strengths
	Product Logistics (excl. Containership)	**Car Carriers** Short Sea and Coastal Port/Logistics	**Increasing profitability by capturing environmental demand for car carriers** Boosting profitability in the business areas of Short Sea and Coastal, Ports, and Logistics
Measures for Discontinuous dramatic Growth			**Continually investigating measures to achieve discontinuous dramatic growth in businesses** that can leverage "K" Line's strengths

＊Total of ordinary profit include adjustment.

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C-9【Business Strategy】: Importance and progress of each business

By implementing measures for each business according to its role under the Medium-term Management Plan, we aim to achieve the new earnings targets by FY2026 and FY2030, with an eye toward efficiency.

Role	Business	Measures
Role of driving growth	**Coal & Iron Ore Carriers**	We are strengthening relationships with steel mills in India and the Middle East expected to experience growth in future along with major resource companies, while leveraging customer-oriented and environmental sales to maintain and strengthen relationships with Japanese and Korean steel mills.
	Car Carriers	Against a backdrop of robust demand, we have perceived environmental measures and high-and-heavy cargo*1 to be opportunities and realized sustained business management.
	LNG Carriers	We are teaming up with reliable partners and expanding long-term contracts to meet customers' needs through "K" Line's strength of customer support combining maritime technology and sales.
Role of supporting smooth energy source conversion and taking on new business opportunities	Thermal Coal	While meeting the demand for transporting the fossil fuels that will still be needed during the transition to green energy, we will implement proposal-based sales and build long-term relationships with customers in order to help them reduce their emissions and decarbonize.
	VLGC・VLCC	
Role of contributing by enhancing profitability	Bulk Carriers	In addition to increasing vessel deployment efficiency, and maintaining and expanding our customer base in Japan and the rest of Asia, we will improve and develop our sales outside Japan, and increase profitability by raising the proportion of light assets in our fleet.
	Short Sea and Coastal Port/Logistics	Along with improving profitability in the business areas of Short Sea and Coastal, Ports, and Logistics, we will promote synergies between these areas by leveraging the knowledge of the relevant Group companies.
Role of supporting the business as a shareholder and stabilizing the earning base	Containerships	Releasing the business plan, ONE 2030 Maximizing corporate value through senior management involvement in governance measures and ongoing support for human resources from a shareholder perspective
Expansion of new business in fields where "K" LINE can utilize its strengths	Projects for emissions reduction and decarbonization	By utilizing "K" Line's decades of experience and expertise, the Group is entering new business areas that help reduce emissions and promote the decarbonization of society. These include liquefied CO_2 transport and support vessels for offshore wind turbines.

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

C. Status and Progress of the Medium-term Management Plan

C-10【Business Strategy】: Three businesses that will drive growth and new business areas : Growth strategy progress

Coal/Iron Ore

With the aim of sustained earnings growth, we will secure long-term contracts with steel mills in India and the Middle East expected to experience growth in future along with major resource companies, while leveraging customer-oriented and environmental sales to maintain and strengthen relationships with Japanese and Korean steel mills.

- Maintaining and strengthening relationships with partners by proactively responding to the environmental concerns of our Japanese and Korean steel mill customers
- After signing a basic agreement with a major resource company for joint research and comprehensive consultation on decarbonization initiatives, we are holding regular decarbonization meetings with this partner and accelerating efforts to implement measures.
- Memorandum signed for the joint development of a 200,000 deadweight ton class bulk carrier fueled by ammonia*1
- Aiming to expand fleet to 110 ships by FY2030

Car Carriers

Against a backdrop of robust demand, we have perceived environmental measures and high-and-heavy cargo to be opportunities and realized sustained business management.

- Building strong relationships with existing finished vehicle OEMs by providing reliable and sustainable transport services
- Further strengthen attraction of high-and-heavy cargo to match increase in high-and-heavy cargo capacity
- Developing a competitive fleet offering flexibility in order to expand transport capacity and achieve targets for emissions reduction and decarbonization
- Promoting the implementation of next-generation zero-emission vessels and new technologies towards FY2030 target achievement

LNG Carrier

To achieve growth through expansion of stable earnings, we will team up with reliable partners and expand long-term contracts to meet customers' needs through "K" Line's strength of customer support combining maritime technology and sales.

- Signed an agreement with a shipbuilder for construction of an LNG carrier, and concluded a long-term time charter contract with Diamond Gas International Pte. Ltd.
- Concluded shipbuilding contracts and long-term time charter contracts for 4 LNG carriers with QatarEnergy
- As demand for transitional fuels such as LNG increases, we plan to expand our fleet to 75 vessels or more in FY2030, mainly through long-term charter contracts.

New Business Areas

With the aim of accumulated stable profits over the medium to long term, we plan to enter new business areas contributing to reducing emissions and decarbonization of society by utilizing the abundant experience and expertise developed in the maritime shipping industry based on the Medium-term Management Plan.

- Liquefied CO_2 transport business: Signed a charter contract with NL *2 for a third LCO2 vessel. World's first transportation of liquified CO2 for CCS *3 purposes scheduled to begin this year

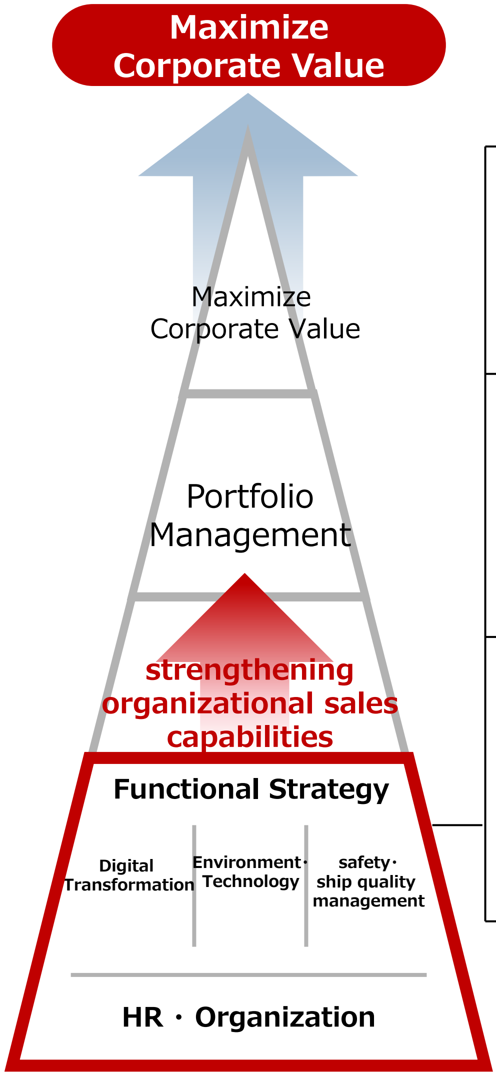
- Offshore wind turbine support vessel business: KWS*4 and shipbuilder Japan Marine United Corporation (JMU) have obtained approval in principle to build a dedicated vessel for mooring floating offshore wind turbines.

- Participation in hydrogen/ammonia transport business: Delivery of a dual-fuel LPG/ammonia carrier for Gyxis Corporation

*1 : memorandum of understanding (MOU) regarding joint development efforts for the commercialization of ammonia-fueled ships among "K" Line, ITOCHU Corporation, Nihon Shipyard Co., Ltd., MAN Energy Solutions, Mitsui E&S Co., Ltd., and NS United Kaiun Kaisha, Ltd. *2 : NL: Northern Lights JV DA、*3 : CCS: Carbon Capture and Storage、*4 : KWS: "K" Line Wind Service, Ltd

C-11【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.**



	Strategic policies	Main progress
Environment・Technology	Continuing initiatives to **pursue new technologies** while **also enhancing measures for technology investigation and verification in preparation for implementation**	• Promoting decarbonization through initiatives for new zero emission (ZE) ships • Taking over Seawing business and accelerating technology establishment • Responding to and promoting initiatives for environmental regulations and carbon pricing • External evaluation of "K" Line's environmental initiatives (CDP, etc.)
Safety・Ship Quality Management	**Enhancing organization system which covers safety and quality management** both world-wide marine transport businesses and regional businesses	• Recruiting and training high-quality seafarers • Customer-oriented maritime technical support • Competitive ship management (utilizing KONeCT*1) • Comprehensive system for safety, ship quality control and collaboration
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.	• DX Strategy 2024 announced (December 21, 2023) • Under its DX Strategy 2024, "K" Line will promote digital transformation strategies in five important areas: DX on land, DX at sea, data DX, human resources DX, and security to safeguard DX.
HR・Organization	While embracing diverse values, **securing the quality and quantity of human resources** for each business portfolio.	• Continually 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 • As part of diversity and inclusion efforts, continuing to foster a sense of unity among personnel in and outside Japan

*1 : KONeCT: "K" Line Group's next-generation total ship management system utilizing digital technology

C-12【Functional Strategy】: Main progress

Environment・Technology

- **Promoting decarbonization through initiatives for new zero emission (ZE) ships**
  - On September 12, 2023, we agreed to collaborate with other companies by investing in JSE Ocean, Ltd. Jointly exploring the operation of the world's first large liquefied hydrogen carrier by 2024, along with the development of a marine transportation business scheme
  - Together with ITOCHU, Nihon Shipyard, Mitsui E&S, and NS United Kaiun Kaisha, "K" Line signed a memorandum of understanding with MAN Energy Solutions regarding joint development efforts aimed at the commercialization of ammonia-fueled ships.
- **Taking over Seawing business and accelerating technology establishment**
  - After establishing a new company in France, OCEANICWING S.A.S., on January 18, 2024, we took over the automated Seawing kite system business from AIRSEAS on February 15.
  - Aiming to enhance and accelerate efforts to establish Seawing technology and commercialize it
- **Responding to and promoting initiatives for environmental regulations and carbon pricing**
  - Initiatives for the EU Emissions Trading System (EU-ETS), which took effect in January 2024, and the FuelEU Maritime regulation, which will be implemented in January 2025
- **External evaluation of "K" Line's environmental efforts (CDP, etc.)**
  - Recognized as a Supplier Engagement Leader by CDP for six consecutive years

Digital Transformation

- **DX Strategy 2024 announced (December 21, 2023)**
  - Enhancing the core values of safety, environmental conservation, and quality through the utilization of data and digital technology and by increasing the added value of our services as a source of competitiveness.
- **Under its DX Strategy 2024, "K" Line will promote digital transformation strategies in five important areas**
  - **DX on land**: Promote digitalization of operations, improve service quality, respond to customer needs and social issues, provide new value, and strengthen customer partnerships
  - **DX at sea**: Achieve overall optimal operation by utilizing our integrated vessel operation and performance management system K-IMS, a set of systems for collecting, storing, and analyzing important data from ships in operation.
  - Reduce the burden on seafarers and maintain safe navigation by enhancing operational support and increasing the sophistication level of implemented systems
  - **Data DX**: Complete digitalization of operations to enable full data utilization and introduce relevant technology. Create new value by participating in a business ecosystem that connects "K" Line to customers and other companies.
  - **Human resources DX**: Develop human resources with DX expertise, enhance the DX promotion system, and implement IT and DX measures across the "K" Line Group
  - **Security to safeguard DX**: Maintain security using advanced infrastructure, systems, and management

Safety・Ship Quality Management

- **Recruiting and training high-quality seafarers**
  - In order to enhance "K" Line's global safety and quality control system, KME*1 was established in Singapore in June 2023, and part of the head office operations were transferred there.
  - Training began in the Philippines to allow employees to become qualified for handling low flash point fuels such as LNG
- **Customer-oriented maritime technical support**
  - Assigned additional personnel to sites in Singapore, China, Philippines, and India, etc., and also hired local marine engineers.
- **Competitive ship management**
  - Developed KONeCT and switched to this next-generation ship management system utilizing digital technology
  - Began ship management operations in Bulgaria in January 2024 to accommodate the expanding number of LNG fueled ships
- **Comprehensive system for safety, ship quality control and collaboration**
  - August 2023: Signed MOU with NAVTOR for joint development of a ship monitoring system

HR・Organization

- **Continually 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**
  - "K" Line will continue to ensure adequate personnel numbers through new graduate recruitment and mid-career recruitment. We will increase personnel with overall balance maintenance in mind, while focusing on the three businesses that play a role in driving growth.
  - Conducting employee training to improve organizational management skills, financial literacy, and DX expertise, etc. Resuming onsite training such as onboard and ship handling simulator training
- **As part of diversity and inclusion efforts, continuing to foster a sense of unity among personnel in and outside Japan**
  - Introducing new perspectives by bringing in diverse human resources through mid-career recruitment
  - Boosting recruitment of women and expanding programs to support employees through different stages of their lives
  - KLU*3 sessions held for the first time in eight years to foster a sense of unity with staff at locations outside Japan

＊1 : KME(K LINE MARINE & ENERGY PTE. LTD.)、*2 : KLU ("K"LINE UNIVERSITY、, which provides training at the head office in Japan to core staff from overseas subsidiaries)

KAWASAKI KISEN KAISHA, LTD.

C-13 : 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

External Environment

Economic decoupling

- **Economic separation due to conflict between the United States and China, Russia's war in Ukraine, conditions in East Asia and the Middle East**
- Continued **geopolitical risk**
- **Countries with uncertain political situations in 2024**

Global economy

- Stagnation of the global economy due to the continuation of national high interest rate policies
- Business confidence in Europe and the United States, and trend in purchasing power
- **Slowdown of the Chinese economy**

Energy policies

- **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

Economic decoupling

- Concern about impacts on trade
- Concern about impacts on resource supply
- **Long-term avoidance of the Suez Canal due to security crisis in the Red Sea and resulting shipping detours around the Cape of Good Hope**

Global economy

- 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

Energy policies

- 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
- Start of the EU Emissions Trading System (EU ETS) in January 2024 and its expansion to other regions

Action Based on the Medium-term Management Plan

- 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

Reference: Schedule for Business Briefings

As stated in the financial results briefing materials for the third quarter of fiscal 2023, we plan to hold a business briefing in the near future

Subject

- Explanation of our three businesses with the role of driving growth and new business areas where "K" Line can expand into by leveraging its strengths

Materials

- The briefing materials and archive will be made available on our website.

TOPICS		Presenter	
Opening Remarks		President & CEO	Yukikazu Myochin
Role of driving growth	Car carrier business	Senior Managing Executive Officer	Takenori Igarashi
Role of driving growth	Coal & iron ore carrier business	Managing Executive Officer	Masatoshi Taguchi
Role of driving growth	LNG carrier business	Managing Executive Officer	Michitomo Iwashita
Expansion of new businesses in fields where "K" LINE can utilize its strengths	Businesses that contribute to emissions reduction and decarbonized society	Managing Executive Officer	Satoshi Kanamori
Closing Remarks		Senior Managing Executive Officer	Noriaki Yamaga

Appendix

Market Results and Assumption/ Market Exposure

Dry Bulk Market Results and Assumption

Dry Bulk Market	FY2023					FY2024				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
CAPE	$15,550	$13,400	$28,150	$24,300	$20,300	$24,000	$25,000	$25,000	$14,000	$22,000
PANAMAX	$10,900	$10,550	$14,800	$14,100	$12,600	$15,000	$15,000	$15,000	$13,000	$14,500
HANDYMAX	$10,750	$10,050	$14,150	$12,950	$11,950	$14,500	$14,500	$14,500	$12,500	$14,000
SMALL HANDY	$10,400	$8,850	$12,850	$12,000	$11,000	$12,500	$12,500	$12,500	$10,500	$12,000

Tanker Market Results and Assumption

World Scale (WS)	FY2023					FY2024				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
VLCC	59	50	61	61	58	57	57	57	57	57
(Middle East/Japan)	$43,450	$30,150	$43,950	$44,750	$40,600	$30,000	$30,000	$30,000	$30,000	$30,000
AFRAMAX	159	124	159	147	147	150	150	180	180	165
(South Asia/Japan)	$42,650	$25,150	$38,350	$35,250	$35,350	$30,000	$30,000	$40,000	$40,000	$35,000

Transition of Fleet Scale

Vessel Type	FY2021	FY2022	FY2023
CAPE	88	85	86
Panamax and smaller size	80	87	95
Wood Chip Carriers	6	7	11
Total	**174**	**179**	**192**
VLCC	6	6	6
LPG Carriers	4	4	5
Other Tankers	5	2	2
LNG Carriers	43	44	46
Thermal Coal Carriers	31	28	25
Total	**89**	**84**	**84**

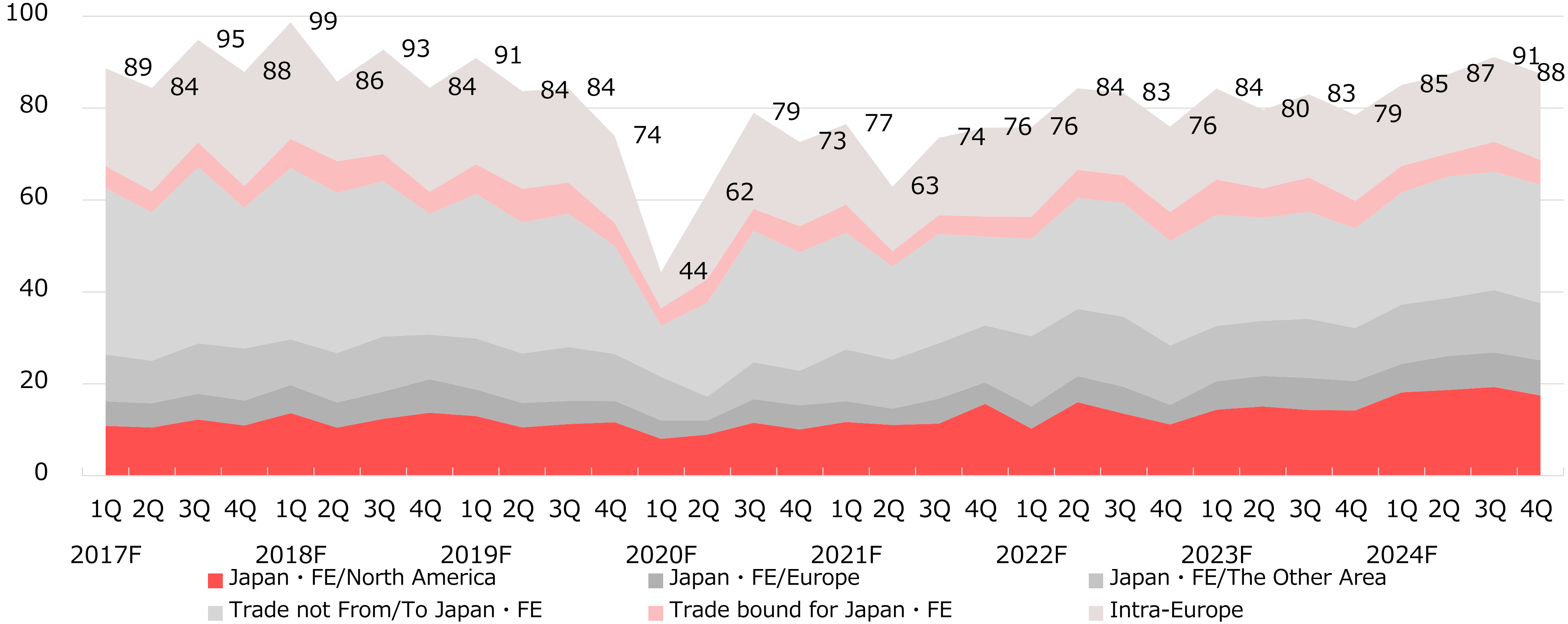
FY2024 : Market Exposure

Vessel Type	Market Exposure
CAPE	15%
Panamax and smaller size	16%
Wood Chip Carriers	0%
VLCC	0%
LPG Carriers	0%
Thermal Coal Carriers	16%

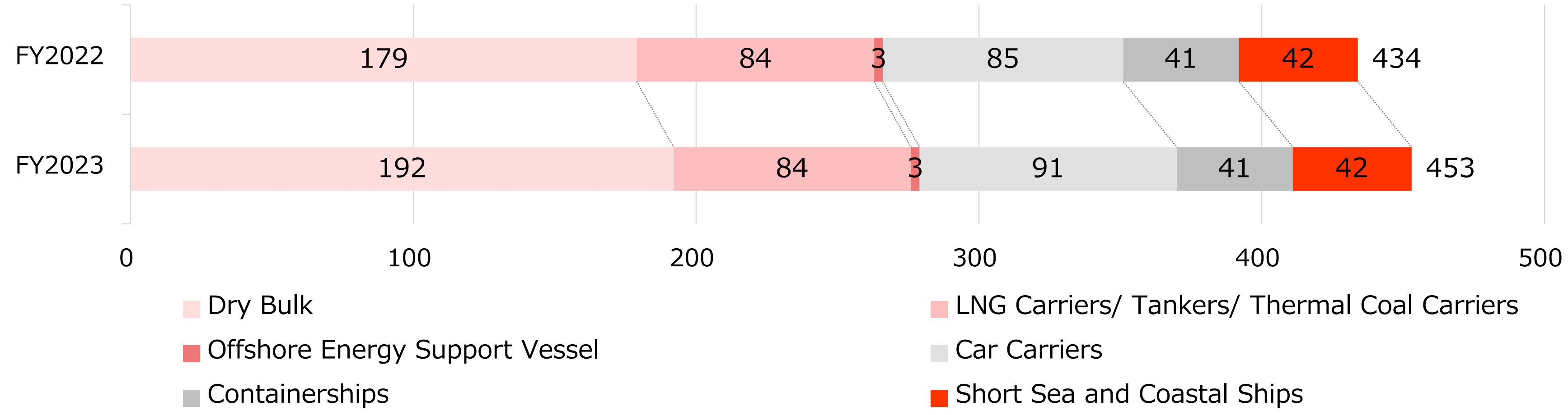
Car Carriers Total Units Carried by Service Routes

Total Units Carried (1,000 units)	FY2023					FY2024				
	1Q	2Q	3Q	4Q	Total	1Q Forecast	2Q Forecast	3Q Forecast	4Q Forecast	Forecast
Outbound	326	337	341	321	1,325	372	387	404	376	1,539
Homebound	76	63	75	60	274	58	50	65	54	226
Others	242	225	233	217	917	244	265	257	258	1,024
Intra-Europe	198	171	181	187	737	176	172	184	188	721
Total Units Carried	842	796	830	785	3,254	850	873	911	875	3,510
Number of Fleet	87	88	87	91	91	92	92	94	93	93

(10,000 Units)



“K” Line Group Fleet Composition



	FY2023						FY2022	
	Owned		Chartered		Total		Total	
Type of Vessel	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)	No.	DWT(MT)
Dry Bulk	52	6,284,338	140	17,388,141	192	23,672,479	179	22,629,402
Tankers	11	2,228,808	2	108,320	13	2,337,128	12	2,280,625
LNG Carriers	44	3,636,087	2	153,909	46	3,789,996	44	3,667,803
Thermal Coal Carriers	9	791,371	16	1,450,522	25	2,241,893	28	2,508,293
Drilship	1	-	0	-	1	-	1	-
FPSO	1	-	0	-	1	-	1	-
LNG Bunkering Vessel	1	2,431	0	-	1	2,431	1	2,431
Car Carriers	32	456,088	59	1,071,990	91	1,528,078	85	1,413,796
Containerships	11	849,856	30	2,970,195	41	3,820,051	41	3,820,051
Short Sea and Coastal Ships	23	178,484	19	167,300	42	345,784	42	405,678
合計	185	14,427,463	268	23,310,377	453	37,737,840	434	36,728,079

* The number of owned 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 Type		FY2022	FY2023
Dry Bulk		CAPE	85	86
		PANAMAX	43	49
		HANDYMAX	39	36
		SMALL HANDY	5	10
		CHIP	7	11
	Total		**179**	**192**
Energy Resource Transport	Tankers	VLCC	6	6
		AFRAMAX	2	2
		LPG Carriers	4	5
		Total	12	13
	LNG Carriers		44	46
	Thermal Coal Carriers		28	25
	Drillship		1	1
	FPSO		1	1
	LNG Bunkering Vessels		1	1
	Total		**87**	**87**
Product Logistics	Car Carriers	7,000 Units	17	18
		6,000 Units	39	44
		5,000 Units	10	11
		4,000 Units	4	3
		3,000 Units	6	6
		2,000 Units	4	4
		~2,000 Units	5	5
		Total	85	91
	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		42	42
	Total		**168**	**174**
Grand Total			**434**	**453**

New Building Delivery Schedule

Number of Vessel	2024	2025	2026
CAPE	2		2
PANAMAX	2	1	2
HANDYMAX	1	2	3
LNG Carriers		6	13
Thermal Coal Carriers			1
FPSO	1		
Liquefied CO2 Vessel	2	1	
Offshore Support Vessel	1		
Car Carriers (7,000 Units)	5	6	
Short Sea and Coastal Ships	3		
Total	17	16	21

【Disclaimer】
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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.

“K” LINE
KAWASAKI KISEN KAISHA, LTD.