

"K" LINE REPORT 2024



Message

~ **K**: trust from all over the world ~

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

This is the corporate principle of the “K” LINE Group.

We will create social and economic value mainly through low-carbon and carbon-free efforts and support the infrastructure of global society as a partner trusted by all stakeholders while contributing to the realization of a sustainable society, thereby improving corporate value.



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About This Report

Editorial Policy

The "K" LINE Group is a logistics company rooted in the shipping industry that owns and operates various fleets tailored to worldwide marine transportation needs.

The "K" LINE REPORT in fiscal 2024, which corresponds to the turning point of the medium-term management plan, explains to stakeholders such as shareholders and investors the progress and future direction of the "K" Line Group's capital policy, business strategy, and functional strategy stated in the medium-term management plan and also introduces the Group's sustainability efforts focusing on environmental conservation and safety in navigation.

For more details on each of these efforts, please visit our website (<https://www.kline.co.jp/en/>).

Reporting Period

Fiscal 2023 (April 1, 2023–March 31, 2024)

Note: The report also includes some developments after April 2024.

Scope of Reporting

In principle, this report covers the activities and data of Kawasaki Kisen Kaisha, Ltd., and its subsidiaries and affiliates, except where otherwise noted.

Guidelines Referred to

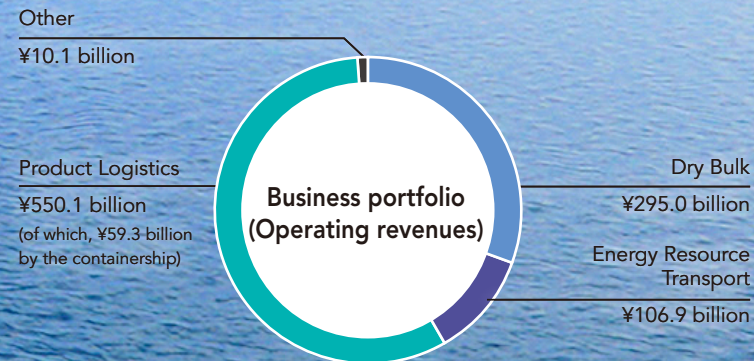
- Integrated Reporting Framework, The IFRS Foundation
- ISO 26000

- Environmental Reporting Guidelines 2018, The Ministry of the Environment of Japan

- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, The Ministry of Economy, Trade and Industry of Japan

Forward-Looking Statements

The Company's plans, strategies, and future financial results indicated in this report reflect the judgment made by its management based on information currently available and include risk and uncertainty factors. Consequently, the actual financial results may be different from the Company's forecasts due to changes in the business environment, among other factors.



Operating revenues (consolidated)

¥962.3 billion

Ordinary income

¥135.7 billion

Total assets

¥2.1094 trillion

Number of business locations

278
(25 in Japan, 253 overseas)

Number of vessels in operation

453

Number of employees (consolidated)

5,464

Number of major accidents

0 cases

Efficiency improvement of CO₂ emissions per deadweight ton-mile


44% reduction
(compared with 2008)

At a Glance

Present State of the "K" LINE Group

At a Glance | Present State of the "K" LINE Group


Dry Bulk



Business:
Coal & Iron Ore Carrier Business / Bulk Carrier Business

We transport a large volume of dry bulk cargoes, including iron ore, steel products (steel stock), woodchip, grain, and coal. We are expanding our business internationally by actively engaging in transportation of cargoes bound for not only Japan but also South Korea, China, India, and the Middle East, as well as trade between other countries within the Atlantic region. We are taking on the challenge of low-carbon and carbon-free, such as wind power, biofuel, LNG fuel, and methanol / ammonia fuel.

Energy Resource Transport



Business:
Tanker Business / Fuel Business

In the Tanker business, we have developed a global business for customers both in Japan and overseas who transport crude oil and LPG. In addition to procuring bunker fuel (heavy oil, marine diesel oil, LNG, biofuel, etc.) for "K" LINE fleets, we conduct LNG bunkering business, joint study of ammonia bunkering, and demonstration examinations of liquefied hydrogen carriers aimed at enhancing fleet environmental performance.

Energy Resource Transport



Business:
Electricity and Offshore Business

Our "Corona Series" of wide-beam, shallow-draft coal carriers, developed in-house in accordance with port restrictions of Japan's thermal power plants, provides safe and reliable transportation of coal mainly to power utility companies in Japan and Taiwan. In addition to developing new vessels with lower fuel consumption, we are also working to reduce environmental impacts by using wind power for propulsion. In the Offshore business, we are participating in a drillship project off Brazil and a floating production, storage and offloading (FPSO) system off Brazil and Ghana.


Energy Resource Transport



Business:
LNG Carrier Business / Carbon Solution Business

In the LNG carrier business, we offer global transportation services of LNG, for which demand is increasing worldwide as an alternative fuel source, and provide service to customers with diversifying needs across the LNG value chain. In the Carbon solution business, we promote the liquefied CO₂ carrier business and offshore wind power support vessel business (offshore support vessels and transport vessels).

Product Logistics



Business:
Car Carrier Business

Since developing and operating Japan's first pure car carrier (PCC) in 1970, we have continued to globally develop high-quality transportation services for passenger cars, trucks, and other vehicles. In addition, based on some 55 years of knowledge, we will also strengthen our High & Heavy (high and heavy cargoes such as construction machinery, agricultural machinery, and railway cars) transportation. An LNG-fueled car carrier was delivered in fiscal 2020, and we continue to perform optimal fleet management with special care for environmental concerns.


Product Logistics



Business:
Logistics and Port Business

We provide comprehensive logistics services to meet various customer needs for ocean cargo transportation as well as air cargo transportation, tugboats, and transportation, warehousing, and automotive logistics. In addition, we operate car carrier and container terminals at four ports in Japan—Tokyo, Yokohama, Osaka, and Kobe.


Product Logistics



Business:
Short Sea and Coastal Business

Kawasaki Kinkai Kisen Kaisha, Ltd. operates a wide variety of vessels, such as coastal vessels to / from Asia, including fuel transport vessels for biomass power plants; RORO vessels and ferries to promote modal shifts in Japan; and dedicated limestone carriers for steel and dedicated coal carriers for electric power. Furthermore, it has entered into offshore support vessel operations around Japan to further enhance the business.


Product Logistics



Business:
Containership Business

In April 2018, the containership businesses of three Japanese shipping companies were integrated to form a new company, OCEAN NETWORK EXPRESS PTE. LTD. (ONE). Drawing on its enhanced service route network covering more than 120 countries with a fleet of 235 containerships (1.84 million TEU) as of the end of March 2024, ONE provides highly reliable and rapid international transportation services.

Others



Business:
Others

The "K" LINE Group also operates businesses engaging in ship management services, travel agency services, and real estate rental and administration services.

Objective of the "K" LINE Group

Corporate Principle

~ Trust from all over the world ~

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

Vision

As a partner trusted by all its stakeholders, we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community.

Values the "K" LINE Group Prizes

Providing safe and optimized services that put the customer first	Tireless attitude toward problem solving	Providing the value only "K" LINE can in pursuit of expertise
Relentless efforts to achieve innovation	Contributing to the global environment and a sustainable society	Respecting individuals and ensuring fair business activities by embracing diverse values

Our Values

Values of the "K" LINE Group

To promote the management and execution of business under a unified sense of purpose, the "K" LINE Group has established corporate principles and a specific vision as well as various values as the foundations for its executives.

This page introduces how our prized values are interpreted and practiced in daily tasks by the Group's diverse personnel at the forefront of global operations.



Providing safe and optimized services that put the customer first

Takuro Saito

On Secondment to K LINE MARINE & ENERGY PTE. LTD.

When I board a ship as Chief Officer, responsible for cargo, I strive to create a work environment where crew members can work together for safe operations to reliably deliver customers' cargo to destinations.

Even in the unprecedented and globally challenging circumstances of the COVID-19 pandemic, we were able to overcome these difficulties by strong seamanship and outstanding maritime skills of our crew.

I once again felt the power of teamwork and was reaffirmed in the fact that it is our core strength.

Tireless attitude toward problem solving

Atsushi Hosokawa

Car Carrier Business Group, Australia Asia Team

I communicate closely with customers and pay attention to gain insight into the essence of each request I receive. For car carriers, which involve various factors such as spaces, schedules, and shipping freight, customers' requests vary widely.

With the environment in which we offer services being always different, I face customers with sincerity to propose the best solution obtained by combining our resources, and make efforts to provide shipments that will please customers.

Providing the value only "K" LINE can in pursuit of expertise

Naoya Takata

Advanced Technology Group, Energy & Performance Management Team

I am tasked with understanding fuel efficiency, vessel performance and the state of vessel hull fouling on the basis of data obtained from ships, which is utilized to manage ship operations.

When I observe something strange about the data, taking advantage of my experience as an engineer, I investigate the matter thoroughly, while simultaneously considering the on-site situation. Then, in cooperation with the vessel and management company, we work to resolve problems and maintain high data quality.

As a result, it improves the usefulness of Kawasaki Integrated Maritime Solutions, used by the whole "K" LINE Group, and contributes to improved economic efficiency and safe operations, which ultimately bestows me with a sense of fulfillment.

Relentless efforts to achieve innovation

Asuka Hayashi

Carbon Solution Business Group, CCS Business Team

The Carbon Solution Business Group to which I belong provides various customers with liquefied CO₂ transportation in the CCS business.

The fledgling CCS business needs to provide new value that is not only limited to transportation but also relates to the entire value chain.

We work together beyond the boundaries of departments so that in a new business area, we can be a supporter of the value chain as a partner from the development stage, taking advantage of the strength of our liquefied gas transportation business.

We will continue to try to realize a carbon-free society in coordination with our technical sector, marine workers, and customers.

Contributing to the global environment and a sustainable society

Chen Yi Ping

General Affairs Division, Digital & Green Initiative / "K" Line Pte Ltd

Concerning environmental conservation, achieving a multi-win scenario is the best outcome.

Juggling between safe working conditions, efficient usage of resources and service excellence experience we turn to drone delivery technology to reduce boat launch usage for delivery of items.

This paradigm shifts significantly decarbonised and streamline operations that would otherwise be prone to risk, significant time consumption and high carbon emission.

Respecting individuals and ensuring fair business activities by embracing diverse values

Yuki Tamura

On Secondment to OCEAN NETWORK EXPRESS PTE. LTD.

I took part in developing a compliance framework at the time of establishment of OCEAN NETWORK EXPRESS PTE. LTD. (ONE).

Together with management, we conducted activities to raise awareness about the Credo/Code of Conduct of ONE, and implemented programs based on the characteristics of departments taking a risk based approach. This was done to better translate everyone's awareness about compliance into daily business processes, specifically through dialogue with management, departments at headquarters, and regional companies.







In addition, to set a tone from the top, the management level themselves communicated their goals and expectations to its staff.

I am now in another business unit in ONE, doing my part to ensure that our business activities continue to be trusted by stakeholders.

"K" LINE Group's Six Capitals

"K" LINE Group's Six Capitals

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

 <p>Financial Capital</p>	<p>Enhancing of power and maintaining both capital efficiency and financial soundness based on an awareness of optimal capital structure and cash flow</p> <p>Capital Policy → P.15</p>	<p>The "K" LINE Group unveiled its medium-term management plan in May 2022, having observed major improvements to its financial position through business improvements. The Company announced plans to proactively return value to shareholders, while monitoring cash flow for the portion of capital that exceeded requirements for investing to enhance corporate value and maintain a healthy financial position. Now, in the third fiscal year of the medium-term management plan, earnings are higher than forecasted, mainly in our own businesses. Management will review its outlook for operating cash flow through 2026, investment plans, and targets for shareholder returns. We are committed to advancing business management by introducing management indicators for each business while keeping the cost of capital in mind.</p>	<p>Consolidated total assets.....¥2.1 trillion Equity capital¥1.59 trillion Interest-bearing liabilities¥287.7 billion Equity ratio75% DER.....18%</p>
 <p>Human Capital</p>	<p>People and organizations that continuously support logistics infrastructure in global society</p> <p>Functional Strategy → P.19 Safety & Ship Quality Management → P.45 HR & Organization → P.56-59</p>	<p>Hiring and training personnel who support all-important safety in fleet navigation, lead change, and sustain growth in our businesses, and capably address changes, in the business environment is an issue of utmost importance to the "K" LINE Group. We strive to create a work environment where employees with diverse values can thrive and apply their abilities.</p>	<p>Number of consolidated employees5,464 Percentage of foreign crew members.....97.4%</p>
 <p>Equipment Capital</p>	<p>Fleet with appropriate flexibility to manage business strategy</p> <p>Medium-Term Management Plan → P.14-19 Safety & Ship Quality Management → P.45 Environment & Technology → P.46-53</p>	<p>The "K" LINE Group has been advancing various initiatives to achieve the newly set revenue and expenditure targets for fiscal years 2026 and 2030. These include focusing on the growing coal & iron ore carrier, car carrier, and LNG carrier businesses, introducing environmentally friendly ships such as LNG and ammonia carriers, participating in new business areas contributing to society's low-carbon and carbon-free transition, replacing existing vessels, strengthening cost-competitiveness through fleet upsizing, ensuring fleet flexibility in light of the risk of a retreat in demand, and organizing fleets capable of meeting diverse transportation needs, including High & Heavy cargo.</p>	<p>Property, plant, and equipment (vessels)¥319,329 million Number of vessels in operation453 Operating tonnage37,737,840 D/T</p>
 <p>Intellectual Capital</p>	<p>Evolving environment / technology / innovation</p> <p>Safety & Ship Quality Management → P.45 Environment & Technology → P.46-53 Digital Transformation → P.54-55 HR & Organization → P.56-59</p>	<p>The "K" LINE Group is keen to provide top-class industry solutions by addressing environmental needs for a low-carbon and carbon-free footprint not only at "K" LINE but also among customers and throughout society; by developing zero-emission vessels, including the establishment of a fuel supply network; and by deploying advanced digital technologies for autonomous navigation, breakdown prediction, and environmentally friendly systems such as Seawing and Kawasaki Integrated Maritime Solutions. Through these initiatives, we are refining our core values in safety, quality, and the environment.</p>	<p>Percentage of installation of Kawasaki Integrated Maritime Solutions on owned / medium- to long-term chartered vessels 90%</p>
 <p>Social and Relationship Capital</p>	<p>Solid customer base and partnerships backed by experience</p> <p>Medium-Term Management Plan → P.14-19 Safety & Ship Quality Management → P.45 Environment & Technology → P.46-53 Digital Transformation → P.54-55 HR & Organization → P.56-59</p>	<p>Building on a customer base established through our track record of safe transportation, we aim to strengthen relationships with customers who share our view that low-carbon and carbon-free initiatives are a growth opportunity. In addressing social issues such as decarbonization, we participate in councils and joint research with both domestic and international partners. The liquefied CO₂ transportation business aims to contribute to carbon neutrality, taking advantage of know-how and safe operation experience nurtured through the liquefied gas carrier business of the "K" LINE Group and partnership with existing customers.</p>	<p>Number of countries in which the Company operates 23 Net sales by region Japan 90.0% U.S. 1.3% Europe 3.2% Asia 5.4% Other 0.2% Number of affiliated companies ... 27 (domestic) 253 (overseas)</p>
 <p>Natural Capital</p>	<p>Contributing to reduction in environmental impact on the sea and air</p> <p>Functional Strategy → P.19 Safety & Ship Quality Management → P.45 Environment & Technology → P.46-53</p>	<p>As a company for which oceans, a form of natural capital, are its business area, we strive to balance our ongoing developments and contributions to a sustainable society. Under the "K" LINE Environmental Vision 2050, we are committed to reducing environmental impacts, such as moving toward low-carbon and carbon-free operations and society as a whole, and conserving biodiversity and the atmospheric environment.</p>	<p>Number of LNG / LPG-fueled carriers in operation 3 Efficiency improvement of CO₂ emissions per deadweight ton-mile 44% reduction (compared with 2008)</p>

Message from the CEO



Yukikazu Myochin

President & CEO



Toward Sustainable Growth for the "K" LINE Group

|| The Medium-Term Management Plan
|| has been Progressing Smoothly

In May 2022, we released the medium-term management plan that covers the five-year period through fiscal 2026. We are now in the third fiscal year, which is the halfway point of the plan. In fiscal 2022 and 2023, we steadily worked on the measures laid out in the medium-term management plan and managed to exceed the targets in both our own businesses and the containership business, partly helped by market conditions and exchange rates. In light of our progress so far, we raised the ordinary income target for the final fiscal year of the medium-term management plan from ¥140.0 billion to ¥160.0 billion in May 2024. We also set the target for fiscal 2030, after the end of the current medium-term management plan, to over ¥250.0 billion as we ramp up our efforts.

The medium-term management plan calls for working with customers on low-carbon and carbon-free initiatives, and in our own businesses, focusing management resources on three businesses that play a leading role in growth—specifically, coal & iron ore carrier, car carrier, and LNG carrier businesses—based on a portfolio strategy of capitalizing on our strengths. In the containership business, an important business unit for the Group, we are promoting the continued growth and development of OCEAN NETWORK EXPRESS PTE. LTD. (ONE) by providing continuous personnel support and strengthening involvement in

management governance in our role as a shareholder. Liquefied CO₂ carriers, offshore wind power support vessels, and other projects are underway as new businesses where we can leverage our Group's marine transportation-focused expertise, experience, and knowledge to contribute to low-carbon and carbon-free transportation.

Reducing GHG emissions is a major task facing us as an international maritime transportation company, and promoting the transition to low-carbon and carbon-free solutions and making efforts to reduce our environmental impact will also help resolve customers' own problems. In marine transportation, we will continue to achieve growth by addressing customers' needs as business opportunities, including new energy sources such as hydrogen and ammonia, development of new transport technologies such as liquefied CO₂ transportation that supports carbon neutrality efforts, serving transportation demand, and support vessels supporting the construction and maintenance of offshore wind power. We will meet the expectations of our diverse stakeholders by building and developing partnerships with customers with which we can share growth opportunities, promoting our own initiatives and society's efforts to be low-carbon and carbon-free, and pursuing continued growth of the Group and the enhancement of corporate value.

Value that Only the "K" LINE Group can Create

The "K" LINE Group's corporate principle is to help make the lives of people more affluent as a logistics company rooted in the shipping industry, and we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community as a partner trusted by all our stakeholders.

The global shipping industry is always greatly influenced by the political and economic situation in the world. For more than a century, the "K" LINE Group has overcome many major changes and hardships in the business environment. Under the "K" LINE Spirit—"enterprising spirit", "free and broad-mindedness" and "independence and autonomy"—we have been committed to providing new value through approaches free from the past in order to always pay attention to and meet customers' needs.

For Japan's first pure car carrier (PCC), the TOYOTA MARU No. 10 built in 1970, we made major changes to the traditional mindset to drastically improve schedule stability, loading / unloading efficiency, and safety. We have always strived to lead the industry in providing new value, including Japan's first LNG carrier BISHU MARU, which serves demand for transportation of new energy sources, and the CORONA Series, a wide shallow-draft vessel that serves as a basic hull for electric-coal transportation.

In 2021, we completed CENTURY HIGHWAY GREEN, a car carrier using LNG fuel that reduces CO₂ emissions by 25% to 30% compared to conventional heavy oil. Since that milestone, we have actively promoted the development of LNG fuel ships that help reduce environmental impact during the transitional period.



In 2024, CAPE HAYATE entered service as the first LNG-fueled cape-size bulk carrier. Currently, nine carriers are scheduled to enter service by the end of fiscal 2024, mainly car carriers and a cape-size bulk carrier that transports iron ore raw materials.

We participated in the world's first demonstration test of a liquefied hydrogen carrier; worked to introduce next-generation ammonia-fueled ships; and conducted CCS (carbon dioxide capture and storage) projects as a member responsible for liquefied CO₂ marine transportation. Among these is the world's first full-scale CCS project by Northern Lights JV DA, a Norwegian company, in which we are the first shipping company in the world to participate.

In all of these cases, our own and society's efforts to become low-carbon and carbon-free represent growth opportunities that we can grasp, forming partnerships with our customers to provide new value and enhance corporate value.

Three Businesses that play a leading role in growth and Expansion of Stable Revenue Bases

The three businesses that play a leading role in growth are all expected to see continual growth and enable us to capitalize on our strengths. Risk sensitivity to changes in the business environment, such as the time scale for growth and market fluctuations, varies depending on the business, combining businesses based on short- and medium-term contracts and businesses mainly based on long-term fixed contracts. In the marine transportation business, which is unavoidably affected by the economic situation and market fluctuations, we seek to strengthen resilience and reduce volatility by combining these three businesses into a single portfolio, despite their different time scales for growth and different business risks, in order to grow a stable revenue base for our own businesses.

In the coal & iron ore carrier business, we are further strengthening long-standing relationships with steel companies in Japan and Korea while leveraging customer-oriented approaches and environmental sales. At the same time, we are deepening relationships with forecasted growth markets in India and the Middle East as well as with major international resource corporations, gaining a foothold with our high-quality transport services and low-carbon and carbon-free initiatives.

In the car carrier business, we are striving to further improve profitability by reducing environmental impact,

such as reorganizing the route network to meet customers' needs and introducing more environmentally friendly ships, and by capturing a wide range of demand for products requiring transportation technology, including general commercial vehicles and H&H (High & Heavy) cargo (heavy loads, large construction machinery, railway vehicles, etc.).

In the LNG carrier business, LNG is attracting attention as a clean and eco-friendly transitional energy source, and demand for it is expected to grow in Southeast Asia and India in addition to the traditional markets of Japan, Korea, China, Europe, and the United States. Our high-quality vessel management and safe and stable service have been our focus and are highly regarded, and thanks to them our earnings are growing as we steadily secure new projects and contracts.

The containership business, a major pillar for us along with our own businesses, is highly sensitive to changes in transportation demand due to geopolitical risks, economic conditions, and other factors. In 2018, we launched ONE and achieved economies of scale through business integration, thereby bolstering our business foundations. Moving forward, we will continue to strengthen support as a shareholder in terms of personnel and governance to ensure continued growth and development of ONE, so that we can further improve profitability through the best practices of the three companies, enhance competitiveness through proper fleet development, and reduce risks.



Strengthening New Business Areas

Multiple projects are well under way in the three businesses that play a leading role in growth, as well as in the new business areas we are focusing on to transition to low-carbon and carbon-free. In Norway this autumn, a Northern Lights JV DA project for the world's first full-scale CCS (Carbon dioxide Capture and Storage: Collecting and storing carbon dioxide [CO₂]) will be launched, and we will be the first ever shipping company to participate. This project, in which CO₂ is collected from cement factories and thermal power plants in the European region and then transported, stored, and injected into depleted gas fields, is expected to lead to the transportation of 800,000 tons of liquefied CO₂ per year in its first stage. Our Group will undertake the operation and vessel management of a total of three liquefied CO₂ carriers. During our

preparations for the transportation of liquefied CO₂, our Group has participated in projects that include technological considerations and rulemaking in marine transportation, taking advantage of our wealth of accumulated know-how and record of safe operations in the transportation of LNG, LPG, and various other liquefied gases. Many of the customers to which we have strong ties in the marine transportation business are looking at CCS to achieve carbon neutrality, and our Group will also be able to satisfy and contribute to customers' needs through such initiatives. By accumulating knowledge and experience in liquefied CO₂ transportation through these projects, we will pursue further expansion first in the European market, then aim to win CCS business in Japan and the rest of Asia, which we are considering after Europe.

In Japan as well, the development of offshore wind power generation projects is proceeding at full swing toward the realization of carbon neutrality in 2050. Offshore support vessels are indispensable for marine geological surveys and maintenance management of offshore wind power generation facilities, which are developed along with the development. Our Group has accumulated safe and high-quality operational expertise domestically and internationally over many years in these areas. Based on this expertise, "K" Line Wind Service, Ltd., our joint venture with Kawasaki Kinkai Kisen Kaisha, Ltd., will serve demand in Japan and Asia in cooperation with domestic and overseas partners.

In addition to these new businesses, there is also a need to adapt to transportation technology for newly emerging energy sources and next-generation

alternative fuels. Safely incorporating alternative fuels such as LNG, ammonia, and methanol in place of heavy oil, which has been the mainstream vessel fuel for a century, and adapting to demand for transporting new forms of energy requires a major investment of management resources into not only development and construction of vessels but also creation of new rules and guidelines and hiring and training of crew members. We are working on both the hiring and training of maritime technical personnel in Japan as well as the further expansion of training facilities in the Philippines and India, so that Filipino and Indian personnel who are working as crew members in Group-operated vessels can learn the necessary mariner skills and receive training.

Investment Planning in the Medium-Term Management Plan Period

Planned investment for the period covered by the medium-term management plan was originally set at ¥520.0 billion in the first fiscal year of the medium-term management plan and then revised to ¥630.0 billion last year. In May of this year, it has been further raised to ¥740.0 billion. We will concentrate a little over 70 percent of this investment in the three businesses with role of driving growth (i.e., coal & iron ore carrier, car carrier, and LNG carrier businesses), and direct nearly 10 percent toward new business areas (liquefied CO₂ carriers, offshore wind power support vessels, transporting new forms of energy sources such as hydrogen / ammonia carriers) in which we can leverage our strengths, thereby building the foundation for stable earnings in the medium and long term. In terms of environmental response, we will direct nearly 60 percent of total investment toward alternative fuel

vessels centering on the three businesses, new businesses contributing to the achievement of a low-carbon and carbon-free society, and a variety of environmentally friendly additions including the automated kite system Seawing, thereby helping Kawasaki Kisen achieve continued growth while contributing to a sustainable society. We will observe investment discipline and steadily implement investment that is restrained when the market is good and strategic when the market is bad in order to improve our Group's corporate value.

Strengths Unique to the "K" LINE Group and Functional Strategy

Critical key points in the medium-term management plan are the strengthening of three functions—safety and ship quality management, environment and technology, and digital transformation—as well as bolstering human resources and organizations that support them in order to further improve the strengths of the "K" LINE Group.

In terms of safety and ship quality management, safe operation comes first for a shipping company, and a continuous and thorough approach is required. While accumulating measures that ensure safe daily operations on the front lines, we divide the world into three parts—Asia, Europe, and the Americas—and put in place a global monitoring structure that integrates systems in order to build a framework that can offer 24-hour support to our vessels operated throughout the world. To strengthen customer-oriented marine technical support that can serve the needs of customers that are active around the world, we established K LINE MARINE & ENERGY PTE. LTD. in Singapore and

assigned marine technical staff as well as sales staff to overseas bases in China, the Philippines, India, and elsewhere. We are working to strengthen functions so that we can ensure safe operations, improve transportation quality, and respond to requests for environmental technology. Under "K" Line Maritime Academy (KLMA), a Group hub for securing and training marine engineers, we have expanded and strengthened hubs for training marine engineers around the world including Japan, the Philippines, India, and Europe. We continue to train excellent crew and marine engineers who inherit our safety culture and transportation quality, developed over many years, by thoroughly implementing safety education programs both during training and in the field on vessels as well.

In the environment and technology area, there is an accelerated shift underway toward a new mix of energy sources with more low-carbon and carbon-free transportation. The International Maritime Organization (IMO) has set a new goal of achieving net-zero carbon



emissions around 2025 and revealed regulations related to this goal, while in Europe, the EU Emissions Trading Scheme (EU ETS) is a new regional regulation being implemented that imposes fees on CO₂ emissions from marine transportation, so initiatives to reduce GHG emissions are an urgent issue. We are also accelerating our own response to these issues. On the software side, we are working to reduce GHG emissions by introducing the integrated vessel operation / performance management system Kawasaki Integrated Maritime Solutions, which uses big data to calculate recommended safe routes that minimize fuel consumption and finds optimized economical routes that cut CO₂ emissions by about 3% to 5%. This system will be introduced on not only our own vessels but on all vessels we operate, including long-term chartered vessels. On the hardware side, we are working to establish technology for and commercialize the automated kite system Seawing, which aims to achieve a substantial reduction in fuel consumption using wind power, in addition to adopting existing technologies that are the latest in energy conservation, including air lubrication systems, bearing power generation, and energy-saving bottom paint for vessels. We also began working to introduce biofuels that can be burned in existing vessels in addition to the next-generation fuels ammonia and methanol, all of which are alternatives to heavy oil. We are promoting a company-wide environmental strategy in order to select the best fuel for us from the various choices available.

On the digital transformation front, we released a new DX strategy late last year that is intended to refine our core values of safety, environmental conservation, and quality, and to utilize data and digital technology to increase the added value as a source of competitive strength. For DX at sea, which is also related to the environment and technology, we are working to achieve

optimized operations through AI-based analysis of operational information from vessels and big data such as meteorological and oceanographic information, as well as the prediction of technical malfunctions in machinery and improvement of on-board working conditions using IT. We support not only economically optimal operations but also safe operations. In terms of DX ashore, developments in generative AI and other new technologies will greatly impact how we work, and in that context, we are working to increase the IT literacy of the entire company by enriching digital transformation training courses so that new approaches are possible. For example, officers and employees can make use of such new technologies immediately without falling behind, boosting operational efficiency and providing added value to customers.

As for human resources and organizations, we are working to first secure the quality and quantity required for business growth while working to train human resources that can help strengthen the three functions that we set as priority issues. We intend to actively train personnel who can offer solutions by first thoroughly considering what customers want and what value the Company can provide to them, then develop and realize such solutions through teamwork with Group members. Sometimes this will mean actively approaching domestic and overseas partners, going on-site themselves, considering solutions thoroughly, and taking action through good teamwork to help improve corporate value. Although roles and perspectives may differ, it is also important to respect and understand each other, work together in concert with each other, and to be ready to follow through in order to expand our businesses globally. As an operator of a business that is greatly affected by changes in the business environment such as the economic situation, energy policies, development of new technologies, and

trade policies, we are required to always pay attention to such changes and to take action without being afraid of change. In order to promote diversity and inclusion, in November of last year, we resumed "K" LINE UNIVERSITY, our training program at headquarters run by managerial staff and candidates from overseas local subsidiaries that was suspended during the COVID-19 pandemic, in addition to promoting core staff from overseas subsidiaries and conducting personnel exchanges with the Tokyo headquarters as a way to develop a sense of unity with global staff. To further promote global business expansion mainly in Asia, where growth is expected in the future, we will focus more on the development of human resources.

The four points covered above as functional strategy are pursued as key issues (materialities) for us to realize our principle and vision, and to achieve sustainable growth and greater corporate value.

|| To All Stakeholders

In May 2024, our Group set new targets of ¥160.0 billion in ordinary income in fiscal 2026 and over ¥250.0 billion in fiscal 2030. We will work to achieve these targets through steady, disciplined investments built on the two pillars of container ships and our own businesses.

In addition to raising ordinary income targets, we have upwardly revised our cumulative operating cash flow forecast for the medium-term management plan period from ¥1.2 trillion to ¥1.5 trillion. After reviewing and increasing the investment cash flow necessary for future growth, we raised the shareholder return target during the medium-term management plan period from over ¥500 billion to over ¥740 billion. We will strive to

further improve corporate value and aim to maintain and improve a price-book value ratio of more than one by making investments necessary for growth, maintaining financial soundness, flexibly implementing shareholder returns for any capital exceeding the appropriate level based on cash flow, and improving capital efficiency.

Our Group will continue to pursue sustainable growth and greater corporate value while further improving the knowledge, skills, and technologies we have developed as a marine transportation company, and seeking growth opportunities through partnerships with customers that can collaborate with us on low-carbon and carbon-free activities, thereby contributing to help make the lives of people more affluent as a logistics company rooted in the shipping industry.

President & CEO

明 珍 幸 一



Medium-Term Management Plan

Key Points of the Medium-Term Management Plan

Further Growth and Improvement of Corporate Value

We have raised the medium-term management plan target for ordinary income from ¥140.0 billion to ¥160.0 billion, with the aim of achieving ¥250.0 billion + 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 emissions reduction and decarbonization opportunities.

*1. Coal & Iron Ore Carrier Business, Car Carrier Business, and LNG Carrier Business

Maximize Corporate Value

Capital Policy

➔ P.15 – 16

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 (establishing 3 business management financial statements for each business, more advanced business value management and implementing more advanced investment management)

Portfolio Management

Business Strategy

➔ P.17 – 18

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 inorganic growth

Functional Strategy

Functional Strategy

➔ P.19

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

Organizational Sales Capabilities

Digital Transformation

➔ P.54 – 55

Enhancement of Environment & Technology

➔ P.46 – 53

Safety & Ship Quality Management

➔ P.45

HR & Organization

➔ P.56 – 59

KPIs for Business Management

	ROIC*	ROE	Earnings targets
FY2023 (Result)	5%	6.7%	Ordinary income ¥135.7 billion (of which, ¥87.6 billion was derived from "K" LINE's own businesses)
FY2026 (Target)	6.0 ~ 7.0%	10% or more	New Ordinary income ¥160.0 billion (of which, ¥90.0 billion to be derived from "K" LINE's own businesses)
Current progress and response policy	Fair	Fair	Excellent
	<ul style="list-style-type: none"> • We will aim to 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"> • 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 	<ul style="list-style-type: none"> • 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 inorganic growth

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

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

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

Under the fiscal 2022 medium-term management plan, the "K" LINE Group targeted a return on equity (ROE) of at least 10%, ordinary income of ¥140.0 billion in fiscal 2026, and earnings growth in its own businesses. Regarding the medium-term target for ordinary income in fiscal 2026, we have revised the target upward from ¥140.0 billion to ¥160.0 billion, taking into account improvements in our own businesses, with a view to achieving stable and accelerated progress. Looking ahead to 2030, we aim for ¥250.0 billion + α . We will continue aiming for sustainable achievement of a 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.

Capital Policy

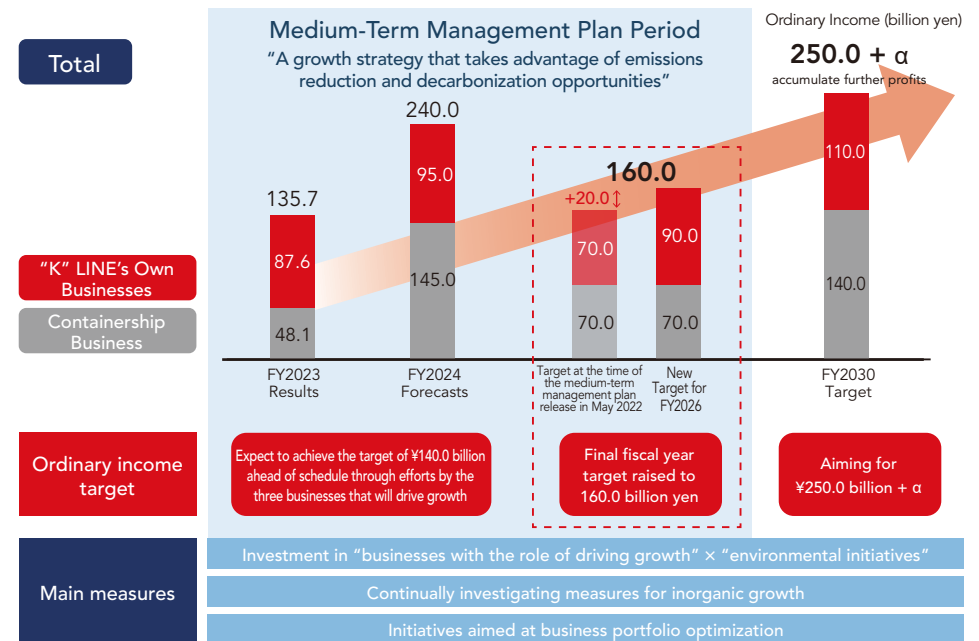
Capital Policy Progress and Corporate Value Improvement

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.

<p>Enhancing earning power</p>	<p>Operating CF 1.5 trillion yen</p>	<ul style="list-style-type: none"> The ordinary income target for FY2026, the final year of the current Medium-term Management Plan, was raised to 160.0 billion yen in May 2024, while the full-year ordinary income forecast for FY2024 is 240.0 billion yen (up 20.0 billion yen from the figure announced in Aug 2024) We now expect Operating CF 1.5 trillion yen during the Medium-term Management Plan period, due to profit growth meeting the capital cost based on the Medium-term Management Plan 	<p>Further Advancement of Business Management</p> <p>ROIC 6.0 ~ 7.0% (FY2026 Target)</p> <ul style="list-style-type: none"> Establishing 3 business management financial statements for each business More advanced business value management Implementing more advanced investment management 					
<p>Investment plan (promotion of investment for growth)</p>	<p>Investing CF 740.0 billion yen</p>	<ul style="list-style-type: none"> Making investments necessary to improve corporate value without relaxing investment discipline, and securing Investing CF 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 						
<p>Optimal capital structure</p>	<p>Business risk, Financial soundness, and Capital efficiency</p>	<ul style="list-style-type: none"> Aiming for both financial soundness with an awareness of business risks, and capital efficiency In order to consider an optimal capital structure, we continue verifying the level of capital required for "K" Line's own businesses and Containership Business. 						
<p>Shareholder return policy</p>	<p>Shareholder return 730.0 billion yen or more</p>	<p>Shareholder Return Policy</p> <ul style="list-style-type: none"> Our policy is to 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, based on cash flow Plan to return to shareholders a cumulative total of 730.0 billion yen or more during the Medium-term Management Plan period (up 30.0 billion yen from the figure announced in Aug 2024) The annual dividend forecast is 100 yen/share for FY2024 (an increase of 15 yen/share from the August 2024 announcement) and 85 yen/share for FY2025 and FY2026 <p>Returns in FY2024</p> <table border="1"> <tr> <td>Dividend</td> <td>• Including an additional dividend of 15 yen/share, the annual dividend forecast is 100 yen/share (interim and year-end dividends: 50.0 yen per share each)</td> </tr> <tr> <td>Share buy-back</td> <td>• A new share buy-back of 90.0 billion yen, or 36,000,000 shares, is planned to be carried out (from November 2024 to February 2025)*1</td> </tr> <tr> <td>Responsive return delivery</td> <td>• Based on the shareholder return policy, we plan to provide flexible additional returns</td> </tr> </table>		Dividend	• Including an additional dividend of 15 yen/share, the annual dividend forecast is 100 yen/share (interim and year-end dividends: 50.0 yen per share each)	Share buy-back	• A new share buy-back of 90.0 billion yen, or 36,000,000 shares, is planned to be carried out (from November 2024 to February 2025)*1	Responsive return delivery
Dividend	• Including an additional dividend of 15 yen/share, the annual dividend forecast is 100 yen/share (interim and year-end dividends: 50.0 yen per share each)							
Share buy-back	• A new share buy-back of 90.0 billion yen, or 36,000,000 shares, is planned to be carried out (from November 2024 to February 2025)*1							
Responsive return delivery	• Based on the shareholder return policy, we plan to provide flexible additional returns							
<p>For corporate value improvement</p>	<p>PBR return to/maintain/improve 1.0 or more</p>	<ul style="list-style-type: none"> We aim to sustainably achieve ROE of 10% or more by strengthening earning power and improving capital efficiency, and to return 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 improvement on governance and improving corporate value through management reform by further 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 are now 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 						

Raising Ordinary Income Target Based on a Plan to Enhance Profitability

In the medium-term management plan's second year, fiscal 2023, although the container shipping market was sluggish due to the easing of supply chain disruptions and supply pressure from the completion of new ships, our own businesses performed steadily, resulting in ¥135.7 billion. Thanks to the solid progress in strengthening the earning power of our own businesses, we increased our fiscal 2026 final year target by ¥20.0 billion, bringing it to ¥160.0 billion, with a focus on our own businesses.



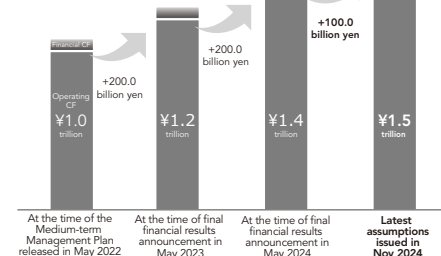
*1 In addition to the share buy-back of 90.8 billion yen conducted from May to July 2024, an additional buy-back will be implemented

Capital Policy

Cash Allocation

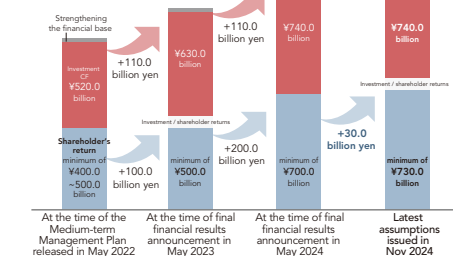
This is the current state of our cash allocation under our capital policy. Regarding cash in-flow (operating cash flow), the initial medium-term management plan estimated between ¥900.0 billion and ¥1 trillion. However, this was now expected to reach approximately ¥1.5 trillion. Based on the concept of optimal capital structure, the generated cash will be allocated and implemented during the medium-term management plan period, with ¥740.0 billion directed toward business investments and ¥730.0 billion or more toward shareholder returns, ensuring a balance between the two.

Cash-in-Flow
(FY2021 to FY2026)



■ Operating cash flow is expected to improve by 100.0 billion yen from the amount announced in May 2024 due to improved business performance

Cash-out-Flow
(FY2021 to FY2026)



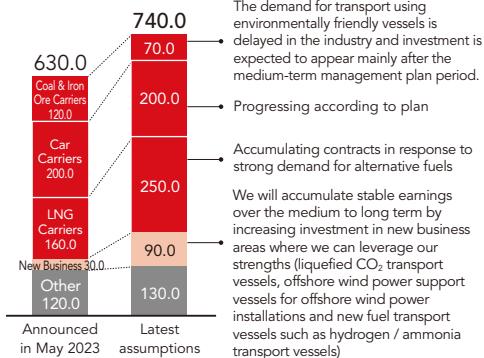
■ Investment cash flow necessary for enhancing corporate value is planned at 740.0 billion yen
 ■ Given the upward trend in operating cash flow, we plan to increase shareholder's returns by 30.0 billion yen from the amount announced in May 2024, bringing the total to 730.0 billion yen or more

Business Investment Plan

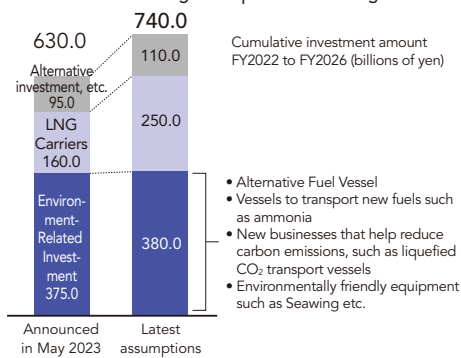
Based on the medium-term management plan, with the focus on the role of driving growth and environmental initiatives, we will exercise investment discipline by considering risk and return in line with our business and objectives and will invest discreetly during good times and strategically during bad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

The plan is to increase investment cash flow for the medium-term management plan period by ¥110.0 billion from the figure announced in May 2023, reaching ¥740.0 billion (of which ¥460.0 billion has been confirmed)

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



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



Cumulative investment amount FY2022 to FY2026 (billions of yen)

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

Returns to Shareholders

With the new additional returns, the total return amount during the Medium-term Management Plan period has been updated from 700.0 billion yen to 730.0 billion yen or more. We will actively carry out appropriate dividends and flexible/responsive share buy-backs to increase shareholder value. 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.

Dividends

FY2024

Full-year dividend forecast
 Current announcement: **¥100/share**
 (interim and year-end: ¥50/share each)

Previous announcement: 85 yen/share
 (interim and year-end: 42.5 yen/share each)

FY2025 to 2026

Full-year dividend forecast
 Current announcement: **¥85/share**
 (interim and year-end: ¥42.5/share each)

Responsive Additional Return Delivery

FY2024

Share buy-back
 Current announcement
Up to 90.0 billion yen, or 36,000,000 shares
 *In addition to the share buy-back of 90.8 billion yen conducted from May to July 2024, an additional buy-back will be implemented

- Share buy-back method: Purchase on the Tokyo Stock Exchange through off-auction own share buy-back trading (ToSTNet-3) and Auction market
- Share buy-back period: from November 6, 2024 to February 28, 2025
- In principle, the shares to be repurchased will be cancelled

FY2024~26 (during the Medium-term Management Plan)
 Based on our shareholder return policy and while taking cash flow into account, we plan to provide flexible additional returns


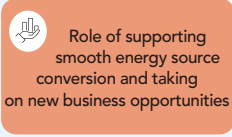
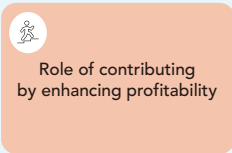
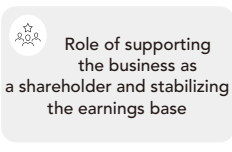
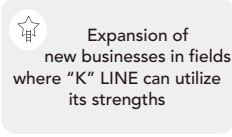
	Actual		Plan			
	FY21~22	FY23	FY24	FY25	FY26	
Dividend and additional shareholder return per share	Additional shareholder return Responsive return delivery Additional Dividend Basic Dividend			Responsive additional return delivery		
			Share buy-back 56.2 billion yen	Share buy-back 90.0 billion yen (plan)		
			Additional Dividend 43 yen/share ^{*1}	Share buy-back 90.8 billion yen (completed)	Additional Dividend 45 yen/share	Additional Dividend 45 yen/share
			Basic Dividend 40 yen/share ^{*1}	Additional Dividend 60 yen/share Basic Dividend 40 yen/share	Basic Dividend 45 yen/share Basic Dividend 40 yen/share	Basic Dividend 45 yen/share Basic Dividend 40 yen/share
Total return amount ^{*2}	Responsive return delivery Additional Dividend Basic Dividend Total return amount			90.0 billion yen (plan) 90.0 billion yen (completed)		
				plan to provide flexible additional returns		
				70.0 billion yen (100 yen/share)	60.0 billion yen (85 yen/share)	60.0 billion yen (85 yen/share)
		250.0 billion yen	120.0 billion yen	360.0 billion yen ~		
			Total return amount during the Medium-term Management Plan period: 730.0 billion yen or more			

^{*1} The amounts are stated based on shares after stock split implemented on April 1, 2024

^{*2} Total return amount is rounded to the nearest 10 billion yen

Business Strategy

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

Corresponding Businesses	Role	Strategic Direction	FY2023 Progress and Achievements	Priority Issues After FY2024
 <p>Role of driving growth</p> <ul style="list-style-type: none"> • Coal & Iron Ore Carriers • Car Carriers • LNG Carriers 	<ul style="list-style-type: none"> • Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability • Securing market share with existing and new customers • Achieving growth that surpasses market growth 	<ul style="list-style-type: none"> • Concentrated allocation of management resources 	<p>Coal & Iron Ore Carriers The strategies for maintaining and expanding our stable earnings base, strengthening organizational sales capabilities in India, the Middle East, and Singapore, and controlling the fleet portfolio are progressing smoothly.</p> <p>Car Carriers Measures to improve profitability, such as freight rate recovery, expansion of H&H transport volumes, and enhancing operational efficiency, are progressing smoothly. Investments aimed at growth, including the construction of environmentally-friendly new vessels, are being executed as planned.</p> <p>LNG Carriers We are steadily accumulating long-term stable earnings projects, including an additional contract with QatarEnergy. As customers' fleet procurement plans become more concrete, we have increased our investment plans (with approximately 60% already confirmed).</p>	<p>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.</p> <p>Car Carriers Against a backdrop of robust demand, we have perceived environmental measures and H&H cargo*1 to be opportunities and realized sustained business management.</p> <p>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.</p>
 <p>Role of supporting smooth energy source conversion and taking on new business opportunities</p> <ul style="list-style-type: none"> • Thermal Coal • VLGC / VLCC 	<ul style="list-style-type: none"> • Transforming our business structure while helping customers transform their energy mix 	<ul style="list-style-type: none"> • Business risk minimization • Responding to demand for alternative fuels 	<p>We aim to lock onto new energy demand by maintaining and enhancing transportation quality technology, and updating ship management and operational systems to cater to new transportation demand.</p>	<p>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.</p>
 <p>Role of contributing by enhancing profitability</p> <ul style="list-style-type: none"> • Bulk Carriers • Short Sea and Coastal • Port / Logistics 	<ul style="list-style-type: none"> • Strengthening resistance to market fluctuation and securing stable income • Business strategy seeking synergy 	<ul style="list-style-type: none"> • Asset-light strategy (Bulk Carriers) 	<p>Bulk Carriers We will continue efforts to increase profitability through appropriate management of market exposure and improvements in vessel allocation efficiency.</p> <p>Short Sea and Coastal / Port / Logistics Promoting business through collaboration among Group companies by leveraging expertise and experience, aimed at creating synergies within Group operations.</p>	<p>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 strengthening fleet resilience to market fluctuations.</p> <p>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.</p>
 <p>Role of supporting the business as a shareholder and stabilizing the earnings base</p> <ul style="list-style-type: none"> • Containerships 	<ul style="list-style-type: none"> • Stabilization of Groupwide earnings 	<ul style="list-style-type: none"> • Maximizing corporate value through ongoing human resource support and involvement in management governance 	<p>We will continue to support ONE as it steadily carries out business operations through agile responses to trends in market demand.</p>	<p>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.</p>
 <p>Expansion of new businesses in fields where "K" LINE can utilize its strengths</p> <ul style="list-style-type: none"> • Projects for emissions reduction and decarbonization 	<ul style="list-style-type: none"> • Expansion of business areas where "K" LINE's capabilities can be utilized and advanced 	<ul style="list-style-type: none"> • Pursuing synergies between "K" LINE and our subsidiary companies 	<p>Advancements also continue in the offshore support vessel for wind power generation business and the liquefied CO₂ transport business—such as by participating in the world's first full-scale carbon dioxide capture and storage (CCS) project, Northern Lights—as well as the hydrogen and ammonia transport business.</p>	<p>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 CO₂ transport and offshore wind power support vessels.</p>

Ongoing investigation of options for strategic replacement of business assets

*1. High & Heavy. Oversized cargo such as construction and agricultural machinery, and rail vehicles.

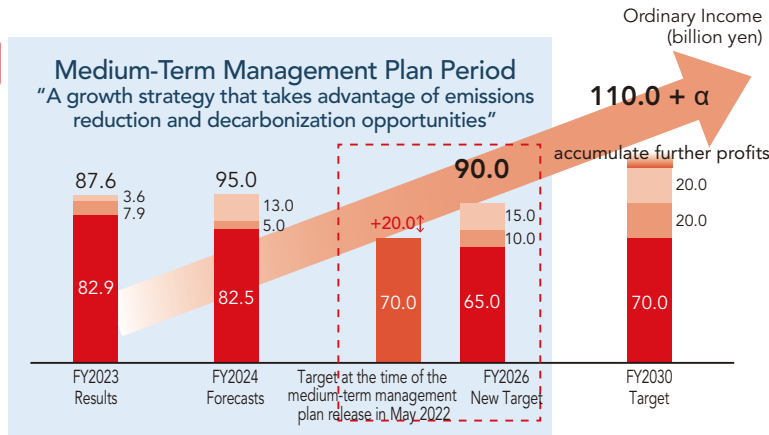
Business Strategy

Growth Strategy for "K" Line's Own Businesses

The medium-term management plan is progressing smoothly, and we have revised the ordinary income target for our own businesses to ¥90.0 billion for fiscal 2026, the final year of the medium-term management plan (an increase of ¥20.0 billion from the announcement of the plan), and to ¥110.0 billion + α for fiscal 2030. Based on a growth strategy that takes advantage of emissions reduction and decarbonizing opportunities, each business will achieve growth according to its respective role, including the role of driving growth and new business areas.

"K" LINE's Own Businesses

- Dry Bulk
- Energy Resource Transport
- Product Logistics (excluding containers)



Note: Total of ordinary income includes adjustment.

Major fluctuation factors FY2030 vs FY2023	Dry Bulk	Coal & Iron Ore Carriers and 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 (excluding containers)	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 Inorganic Growth			Continually investigating measures to achieve inorganic growth in businesses that can leverage "K" Line's strengths

Three Businesses that Will Drive Growth and New Business Areas: Growth Strategy Progress

Coal / Iron Ore

Our business strategy is progressing smoothly in terms of maintaining and expanding a stable earnings base, strengthening organizational sales capabilities, and controlling the fleet portfolio

- "CAPE HAYATE," our first Capesize bulk carrier powered primarily by LNG, has been delivered, marking a step forward in "K" LINE's transition to more environmentally friendly vessels
- We anticipate a fleet of 100 to 110 vessels by FY2030

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 our strength of customer support combining maritime technology and sales

- Following last year's 12 vessels, we concluded additional shipbuilding contracts and long-term time charter contracts for 4 LNG carriers with QatarEnergy
- As demand for transitional fuels such as LNG increases, our fleet of 65 vessels planned for FY2026 is nearly confirmed, and we plan to expand our fleet to 75 vessels or more by FY2030, mainly through long-term charter contracts

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

- We are enhancing strong relationships with existing finished vehicle OEMs by providing reliable and sustainable transport services
- We are strengthening our capabilities for high-and-heavy cargo handling based on enhanced transportation capacity and specialized equipment
- We aim to bolster fleet competitiveness and flexibility through emissions reduction and decarbonization as well as by building larger vessel types. Five LNG-fueled car carriers have already been delivered
- Promoting the implementation of next-generation zero-emission vessels and new technologies towards FY2030 target achievement

New Business Areas

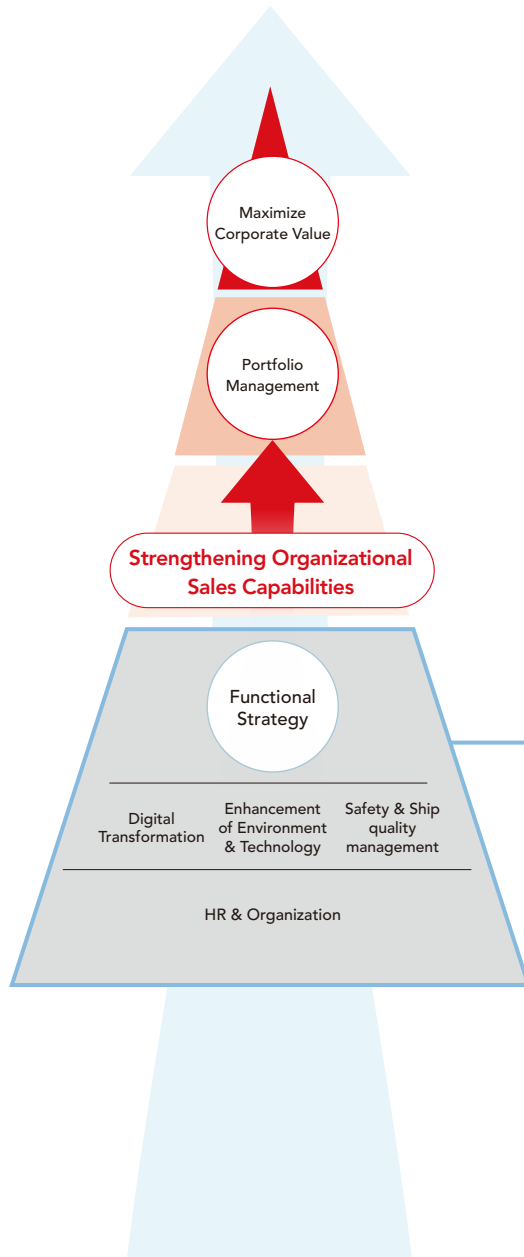
With the aim of accumulating stable profits over the medium to long term, we plan to enter new business areas contributing to reducing emissions and decarbonization of society by utilizing the abundant experience and expertise developed in the maritime shipping industry based on the Medium-term Management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





- Liquefied CO₂ transport business: Signed a charter contract with NL*2 for a third LCO₂ vessel. World's first transportation of liquefied CO₂ for CCS*3 purposes scheduled to begin this year
- Offshore wind turbine support vessel business: KWS*4 and EGS*5 have established EKGS*6 for marine geological survey operations. The geological survey vessel "EK HAYATE" has commenced operations

*1. High&Heavy: Oversized cargo such as construction and agricultural machinery, and rail vehicles
 *2. NL: Northern Lights *3. CCS: Carbon Capture and Storage *4. KWS: "K" Line Wind Service, Ltd.
 *5. JMU: Japan Marine United Corporation

Functional Strategy

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 / responses
 Environment & Technology → P.46 – 53	Continuing initiatives to pursue new technologies while also enhancing measures for technology investigation and verification in preparation for implementation	<ul style="list-style-type: none"> 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 → P.45	Enhancing the organization system, which covers safety and quality management in both worldwide marine transport businesses and regional businesses	<ul style="list-style-type: none"> 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 <p><small>*1. KONECT: The "K" Line Group's next-generation total ship management system utilizing digital technology</small></p>
 Digital Transformation → P.54 – 55	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	<ul style="list-style-type: none"> 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 → P.56 – 59	While embracing diverse values, securing the quality and quantity of human resources for each business portfolio	<ul style="list-style-type: none"> 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 promote the active participation of women and foster a sense of unity among personnel in and outside Japan

Message from the CFO



Noriaki Yamaga

Director,
Senior Managing
Executive Officer, CFO

We are on our quest to achieve further elevated management goals.

Under advanced management method that lead to sustainable value, we will promote growth strategies with a focus on capital efficiency.

Update on Fiscal 2023 Performance and the Medium-Term Management Plan

Although fiscal 2023 saw a decline in profits, ordinary income reached ¥135.7 billion, the third-highest amount achieved in our history as a company. With the favorable containership market of the past two years settling down, we feel that our focus on our own businesses has begun to bear fruit. After spinning off the containership business, strengthening our own businesses was a challenge, but key segments such as coal & iron ore carriers, car carriers, and LNG carriers progressed beyond expectations, resulting in nearly ¥90.0 billion in profits from our own businesses. This year's ordinary income is expected to reach ¥240.0 billion, surpassing the ¥160.0 billion target set for fiscal 2026, the final year of the medium-term management plan.

		FY2026 Medium-term target	FY2023 Actual
Earnings targets	Ordinary income (own businesses)	¥90.0 billion	¥87.6 billion
	Ordinary income (containership business)	¥70.0 billion	¥48.1 billion
	Ordinary income (groupwide)	¥160.0 billion	¥135.7 billion
	Rate of return on equity (ROE)	At least 10%	6.7%
	ROIC	6.0 to 7.0%	5.0%

Operating cash flow during the medium-term management plan period from fiscal 2022 to fiscal 2026 is also expected to increase by ¥300.0 billion compared to the May 2023 forecast, reaching ¥1.5 trillion. Toward the final fiscal year of our medium-term management plan, we will advance further business management by implementing business-specific financial KPIs (such as ROIC and EVA), aiming for sustainable growth while maintaining capital efficiency. We are also aware of the need to utilize our increased capital effectively to further improve capital efficiency and boost profit.

Objectives of the New Business Investment Plan

The Group places emphasis on businesses that play a leading role in growth, such as coal & iron ore carriers, car carriers, and LNG carriers, and environmental initiatives taking advantage of emissions reduction and carbon-free opportunities, maintaining disciplined investments that take into account the business's risk characteristics. In times of economic prosperity, we remain restrained, while in periods of market downturn, we implement strategic investments.

In the first fiscal year of the medium-term management plan, the investment plan was set at ¥520.0 billion over the plan period, revised to ¥630.0 billion last year, and this year, it has been further raised to ¥740.0 billion. This increase reflects our careful re-examination, as operating cash flow during the medium-term management plan period is expected to increase from the previous May 2023 forecast.

As a result, we plan to allocate ¥520.0 billion, which is 70% of the investment, to the three growth-driving businesses.

The largest increase in investment was for LNG carriers, which increased from ¥160.0 billion to ¥250.0 billion to capture the rising demand for transition energy toward carbon-free, based on long-term contracts. Investments of ¥200.0 billion in car carriers, mainly for environmentally friendly vessels, are progressing as planned. Investments in coal & iron ore carriers have been reduced from ¥120.0 billion to ¥70.0 billion during the medium-term management plan period; this adjustment reflects a postponement of investment timing to match customer demand. While it will take more time to assess environmentally friendly vessels and new fuels, our commitment to meeting customer demand remains unchanged, and we do not intend to reduce future investment amounts.

Furthermore, we plan to invest 90 billion yen in new carbon-neutral businesses such as liquified CO₂ transport and offshore wind power, areas where our strengths can be leveraged. These efforts aim to create new cash flow, capitalizing on opportunities related to low-carbon and carbon-free.

The revised investment plan primarily focuses on projects targeting organic growth. This time, we raised our ordinary income target for the final year of the medium-term management plan from the previous ¥140.0 billion to ¥160.0 billion, and we have also announced plans to raise this to ¥250.0 billion + α by fiscal 2030. The breakdown of ordinary income projected for fiscal 2030 includes ¥140.0 billion from the containership business and ¥110.0 billion + α from our own businesses. However, to achieve the " α " target, we are also considering measures for inorganic growth, such as M&A.

	Announced in May, 2023	Latest assumptions
Coal & Iron Ore Carrier Business	¥120.0 billion	¥70.0 billion
Car Carrier Business	¥200.0 billion	¥200.0 billion
LNG Carrier Business	¥160.0 billion	¥250.0 billion
New Business	¥30.0 billion	¥90.0 billion
Other business	¥120.0 billion	¥130.0 billion
Total	¥630.0 billion	¥740.0 billion

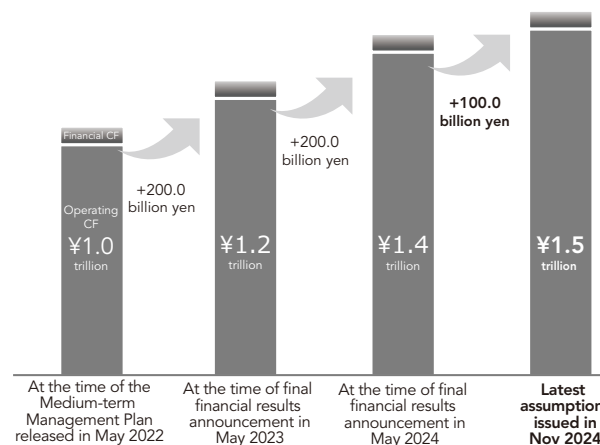


Our Approach to Capital Policy

The Group's policy is to ensure the investments necessary for enhancing corporate value and maintaining financial soundness, while actively and flexibly implementing shareholder returns for any capital exceeding the appropriate level, based on cash flow.

The annual dividend forecast for fiscal 2024 is ¥100 per share, consisting of a base dividend of ¥40 per share and an additional dividend of ¥60 per share. In fiscal 2024, we also carried out agile shareholder returns through a buyback of 39,556,000 treasury shares, valued at ¥90.9 billion, with the cancellation thereof completed by August. For fiscal 2025 and fiscal 2026, the remaining medium-term management plan

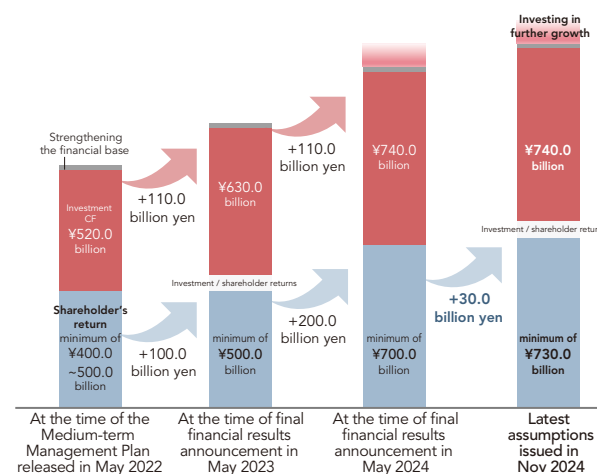
Cash-in-Flow (FY2021 to FY2026)



period, we plan to maintain the annual dividend of ¥85 per share as in fiscal 2024, and we are planning additional agile returns during the medium-term management plan period. Moving forward, we will maintain a balanced shareholder return, mindful of various shareholders and investors expecting both income and capital gains.

We believe that maintaining an optimal capital structure is crucial for covering various risks surrounding our business, such as geopolitical risks and economic fluctuations, while ensuring financial soundness that enables competitive funding and balancing capital efficiency. To further enhance corporate value, we will focus on achieving an optimal balance between the two, conducting the necessary investments for growth while actively returning surplus to shareholders to improve capital efficiency.

Cash-out-Flow (FY2021 to FY2026)



Regarding the Further Advancement of Business Management

Thanks to improved performance, the Group has achieved a fundamental improvement in our financial structure, allowing us to move to a new stage as a corporate group. We will continue disciplined growth, aiming even higher. As we chart our growth story, stakeholders are asking us to demonstrate initiatives for corporate value in a way that is quantitative, objective, and easy to understand. One of the key initiatives in our management reforms is the promotion of the advanced management project, which involved building methods for quantifying business risks (return hurdle rates commensurate with business risks) and establishing comprehensive risk management approaches, while working to improve precision and expand the scope of application. Currently, we are in phase 2 of our project, focusing on Further Advancement of Business Management by preparing business-specific balance sheets, income statements, and cash flow statements, optimizing our portfolio while considering financial KPIs (ROIC, EVA, etc.), and being conscious of capital costs.

Management Focused on Capital Costs

The Group is working to strengthen earning power and improve capital efficiency to maintain and enhance our PBR of 1.0x or more. In March 2023, the Tokyo Stock Exchange issued a request to listed companies to improve their PBR from below 1.0x. In response, our Group has set a target of achieving a PBR of 1.0x or more by the first quarter of August 2023.

(As of August 30, 2024)

PBR is determined by stock prices and, therefore, by the market, making it a very important indicator in evaluating our Group's corporate value and gaining shareholder trust. We recognize the need to maximize our efforts in initiatives to improve PBR. PBR can be expressed as PER (Price Earnings Ratio) x ROE (Return on Equity), and we must increase both market growth expectations and capital efficiency. We will further enhance PBR by promoting growth strategies that leverage low-carbon and carbon-free opportunities, such as responding to new zero-emission vessels and continuing to improve capital efficiency.

It is also crucial to convey these initiatives accurately and promptly to the market. The Group is increasing its investor relations (IR) activities more than ever before, holding more meetings with domestic and international investors and securities analysts, while also actively expanding IR activities aimed at individual shareholders. Moving forward, we will continue to communicate the Group's growth story and scenarios for enhancing corporate value through various channels.

To All Stakeholders

While there are many companies engaged in maritime transportation around the world, the Group's strengths lie in our corporate culture that embraces new challenges to flexibly offer solutions by fully integrating our customers' needs into our business, as reflected in the "K" LINE Spirit of "enterprising spirit", "free and broad-mindedness" and "independence and autonomy". The decision to raise our medium-term

management plan targets is also a reflection of this corporate culture. We will continue to promote growth strategies under advanced management while maintaining capital efficiency and financial soundness, and actively returning value to shareholders, striving to be a company that meets and exceeds the expectations of all our stakeholders.



Messages from Outside Directors

To strengthen the supervisory functions of management, "K" LINE has made the majority of the Board of Directors outside directors, who oversee management from diverse perspectives to enhance corporate value.

Current outside directors shared their candid views on the progress of the fiscal 2022 medium-term management plan and the challenges toward enhancing the Company's corporate value.



Front row, from the left: **Keiji Yamada, Takako Masai**

Back row, from the left: **Koji Kotaka, Ryuhei Uchida, Hiroyuki Maki**

Aiming to be the Cornerstone of "Collaboration" that Contributes to the Future of Society



Keiji Yamada

Independent Outside
Director

My area of expertise lies in understanding changes in social conditions from an administrative perspective. The most significant achievement of our fiscal 2022 medium-term management plan is the consensus reached among the management team about the future. I believe that the progress of the plan should be evaluated by the executive members, rather than the outside directors. As an outside director, I focus on issues that may not have been fully addressed in the medium-term management plan. These include how "K" LINE's management will reflect social changes such as our declining birthrate and aging society and the rapid increase of foreign nationals, as well as social innovations like robotics, MaaS, the metaverse, and generative AI. When considering the future of society, we are presented with two paths: concentration leading to division and decline, or decentralization leading to collaboration and growth. Of course, the latter is the preferable vision for society. Since transportation, especially maritime transportation, is the cornerstone of societal "collaboration," how the Company responds to change is crucial for society. How we establish a state of "collaboration" in society could offer solutions to geopolitical crises and ideological conflicts. Moving forward, I hope the Company will play a significant role not only in logistics but also in the flow of information, human exchange, and in green transformation (GX)-related areas that form the foundation of the SDGs. From a human perspective, as the Company operates globally, improving diversity is more important than ever for adapting to a rapidly changing business environment. I look forward to further changes and will continue to support them.

The Company's Board of Directors is moving in a positive direction. When I took office six years ago, the Company was in a very difficult financial situation that forced the Board of Directors into a defensive stance. As the Company's financial situation has improved significantly, discussions about the future have become livelier and more animated, and debates about the Company's future have become more specific than ever before. With that, discussions became more enthusiastic, and I believe this situation, where numerous ideas are being debated, is evidence that the Company is moving in a positive direction. Outside directors are, by nature, outsiders. However, as internal discussions become more lively, opinions providing an outside perspective become even more valuable. I remind myself that my opinions must become more valuable to the Company's management.

The Board of Directors: Advancing Toward a New Stage



Ryuhei Uchida
Outside Director

Regarding the progress of the fiscal 2022 medium-term management plan, it is very pleasing to see that self-directed efforts aimed at enhancing corporate value, coupled with favorable market conditions, have resulted in performance and cash flow beating our targets. It appears that the strategic initiatives outlined in the medium-term management plan are making steady progress, and we look forward to seeing their impact in the future. The combination of strategies such as concentrating management resources on business fields driving growth, strengthening collaboration with customers in decarbonization efforts, and shareholder returns with capital discipline in mind, along with the governance enhancement of appointing a majority of outside directors to the Board, have all contributed to an increase in share price that has outstripped our competitors. However, since we are only in the third year of the

medium-term management plan, I expect that we will continue to effectively promote our strategic initiatives and sustainably increase corporate value.

In order for the Company to enhance its corporate value, we must actively make disciplined investments. Reaffirming our policy of being restrained during favorable market conditions and strategically investing during downturns, I believe it is crucial to focus management resources on our strong marine transportation business, regardless of short-term market and financial fluctuations. The containership business, which is heavily influenced by market fluctuations, occupies a significant portion of our corporate value structure. I expect that we will not only focus on our own businesses but also strongly push for value creation at OCEAN NETWORK EXPRESS PTE. LTD. (ONE) from a shareholder position, thereby promoting the sustainable enhancement of corporate value.

Since I joined the Board of Directors, the atmosphere of the Board has changed. When I was appointed in 2019, financial results were sluggish and the low equity ratio raised concerns about financial soundness, so discussions often focused on how to navigate through tough times. Later, business structure reforms were successful in building a solid financial foundation, and now we are at a new management stage, actively working on growth strategies and capital policies aimed at enhancing corporate value. Under the leadership of President & CEO Myochin, active discussions have also taken place on topics such as growth strategies for each business, portfolio strategy, optimal capital structure, and governance. The increased proportion of outside directors on the Board has strengthened our ability to hold discussions from a diverse range of perspectives. The Board of Directors has made significant progress toward enhancing corporate value.

Building a Governance Structure that Enhances Shareholder Value



Koji Kotaka
Independent Outside
Director

As we conclude fiscal 2023, we have already reached the halfway point of the fiscal 2022 medium-term management plan. We are currently achieving our quantitative targets ahead of the plan. I am grateful for the efforts of the management and employees.

However, favorable market conditions have benefitted us up to this point, and we are anticipating more challenging circumstances that will require even greater diligence in the remaining period. The three core businesses driving growth have progressed smoothly, allowing us to establish a structure that delivers stable performance with room for further growth. Although performance has been steady, we have not yet achieved our desired balance sheet structure, an important challenge that remains on the road ahead. I strongly hope to see the realization of our optimal business portfolio and capital structure within the remaining period of the medium-term management plan.

Over the past few years, much of "K" LINE's stock prices have trended favorably, with strong performance enabling effective shareholder return strategies. The Company's performance is heavily influenced by market conditions. Moving forward, there are several challenges to enhancing corporate value in a stable manner. We must first reduce business volatility to lessen the impact of market conditions. To achieve this, the three core businesses driving the growth of our own businesses (Coal & Iron Carriers, Ore Carriers, Car Carriers, and LNG Carriers) must become more central to our business portfolio. To improve our valuation in the stock market, it is crucial to improve margins in all businesses and increase the multiples that drive stock prices. I expect further optimization of the business portfolio and capital structure to achieve this.

It has been over a year since I joined the Board of Directors as an independent outside director. I have gained an understanding of the Company's business and management challenges, and I am now able to participate deeply in Board discussions. I believe that the balance between the precision of the business strategies presented by executives and the expertise of outside directors has enabled meaningful discussions to take place at Board meetings. As for future challenges, there is a need to clarify the division of roles between swift, flexible business execution and Board oversight, especially as we consider transitioning to a company with committees. It is essential to establish an optimal system of checks and balances between management and the Board of Directors to create a more efficient governance structure that enhances shareholder value.

Messages from Outside Directors

Leveraging Market Trust to Implement Bold Structural Reforms**Hiroyuki Maki**Independent Outside
Director

In terms of "K" LINE's performance, it is clear that we have already exceeded the fiscal 2024 plan for ordinary income, which was raised to ¥160.0 billion in May 2024 as the target for fiscal 2026.

Although external factors have provided a favorable tailwind, particularly in the container shipping market, I believe the Company's management efforts should be duly recognized for achieving the target as promised and nearing the halfway point of the fiscal 2022 medium-term management plan.

On the other hand, recent economic and financial fluctuations in the business environment have heightened the risks facing management. I hope that the Company will maintain its current safe lead toward the fiscal 2026 goals, ensuring preparedness for unforeseen circumstances while achieving the various targets of the medium-term management plan.

I believe the biggest challenge facing the Company in its pursuit of enhanced corporate value is its structure that tends to create a gap between cash flow and profit. This gap is caused by significant equity income from businesses other than our own businesses. I recognize this as a major issue to be addressed when considering the optimal equity ratio moving forward, without easing up on aggressive shareholder returns. In fiscal 2023, the Company achieved remarkable total shareholder return (TSR), even compared to domestic peers. With strong confidence from the capital market, I expect the Company to boldly embark on structural reforms.

This marks my second year as an outside director for "K" LINE. Looking back on the past year, I have felt that discussions at our Board of Directors' meetings are more focused than ever on enhancing corporate value, with a strong atmosphere of aiming for further value maximization. This is evident from the fact that the Company introduced a series of new policies in fiscal 2023 that differed from previous approaches in a short amount of time. Specifically, we have expanded our response to the Corporate Governance Code by clearly stating in our disclosure materials that we aim to "maintain and improve ROE of 10% or more and PBR of 1.0x or more." We have officially declared our consideration of transitioning to a company with committees to strengthen governance. As an outside director, I aim to ensure that the Company not only announces these policies but also steadily implements them.

Leveraging Corporate Culture to Become a Leading Group in the Shipping Business**Takako Masai**Independent Outside
Director

I was appointed as an outside director of "K" LINE in June 2024. I have built my career primarily in the financial markets divisions of domestic and foreign banks. Subsequently, as a member of a bank's executive team, I was involved in financial and economic research and risk management. I was also appointed by the government as a Policy Board member of the Bank of Japan, where I had the opportunity to be involved in policy decisions and deciding on the role of the central bank. Through these experiences, I have dealt with financial crises both domestically and internationally, handled customer relations, and collaborated with multinational teams at foreign financial institutions. Currently, I serve as the chairperson of an institute that explores the framework of financial markets and the direction of the new economic society associated with advancements in digital finance. I hope to contribute to discussions in the Company's Board of Directors' meetings by

leveraging my experience and expertise.

When I look at the Company's corporate culture, I feel the strong commitment to sustainable value creation. Over its more than 100-year history, the Company has cultivated a corporate culture represented by the "K" LINE Spirit, that is independence and autonomy, free and broad-mindedness, and enterprising spirit. This corporate culture enables us to adapt flexibly to new changes and achieve strong results. For example, thanks to our advanced efforts in energy transition, the international non-profit organization CDP has recognized us for eighth consecutive years on the "A List" for climate change, establishing our position as a global leader in the environmental field. However, from a management perspective, the Company's broad-mindedness in embracing new challenges could increase volatility in a time of significant macroeconomic changes. I recognize that the Company must now strive to balance boldness with stability in embracing new challenges.

The Company is currently enhancing corporate value as one of its core pillars in line with the fiscal 2022 medium-term management plan. However, looking at the external environment, we are in a period of structural change driven by digital transformation (DX) and low-carbon and carbon-free transition, and uncertainty is on the rise. To enhance corporate value in such an environment, flexible thinking and actions that break free from past conventions are required, and the Company possesses the corporate culture to achieve this. I expect the Company to leverage its culture while further strengthening management capabilities, becoming a more resilient corporate group leading a new shipping business that is right for the times.

Updating Three Businesses That Will Drive Growth and New Business

In "K" LINE's medium-term management plan announced in May 2022, we positioned three businesses—coal & iron ore carrier, car carrier, and LNG carrier—as growth drivers. Additionally, we aim to expand into new businesses in fields where "K" LINE can utilize its strengths, with a focus on low-carbon and carbon-free initiatives. Here, we will cover the latest topics related to these businesses.

Coal & Iron Ore Carrier Business

Delivery of CAPE HAYATE,
a Capesize Bulk Carrier fueled
by LNG, for JFE Steel
Corporation



In May 2024, the 210,000 dwt ton cape-size bulker CAPE HAYATE fueled by LNG (Liquefied Natural Gas), which had been under construction at the Tsu shipyard of Japan Marine United Co., Ltd. was delivered to "K" LINE.

It is the first capesize bulk carrier in "K" LINE to be equipped with a dual-fuel diesel engine that utilizes LNG as its primary fuel. LNG fuel is expected to reduce emissions of carbon dioxide (CO₂), a greenhouse gas (GHG), by 25% to 30%, emissions of sulfur oxide (SO_x), which cause air pollution, by almost 100%, and emissions of nitrogen oxide (NO_x) by approximately 75%, which meets the IMO Tier III NO_x regulations, as compared to conventional vessels using heavy fuel oil. It is equipped with the latest dual-fuel electronic control engine, 7X62DF-2.1 iCER by WinGD, which will reduce methane slip when using LNG fuel.

"K" LINE will also install Seawing, an automated kite system utilizing wind power. By combining Seawing with LNG fuel, we expect to reduce CO₂ emissions by 45% to 50%. It will be engaged in the carrying of steel raw materials for JFE Steel Corporation under a long-term consecutive voyage charter contract. "K" LINE aims to help make the entire marine transportation portion of the customer's supply chain carbon-free. The coal & iron ore carrier business places particular emphasis on customer-oriented strategy and environmental response, and we will continue to work together with our customers to advance low-carbon and carbon-free efforts to be chosen as a partner.

Car Carrier Business

Preparing Competitive
Environmentally
Friendly Ships



In the car carrier business, we are actively introducing environmentally friendly ships in line with basic customer demands for low-carbon and carbon-free transportation. We are steadily introducing LNG-fueled car carriers into our services, starting with the CENTURY HIGHWAY GREEN, our first LNG-fueled car carrier, delivered in March 2021. In August 2024, NEREUS HIGHWAY, a car carrier with a capacity of 7,000 vehicles, was delivered. The vessel is mainly fueled by liquefied natural gas (LNG) and was constructed by CHINA MERCHANTS JINLING SHIPYARD (JIANGSU) CO., LTD. This is the first LNG-fueled vessel that "K" LINE placed an order for from a Chinese shipyard. We plan to introduce a total of seven environmentally friendly ships by the end of fiscal 2024, with a total of 13 new vessels by the final year of the medium-term management plan in fiscal 2026.

In April 2024, we conducted our first trial use of marine B100 biofuel, supplied by global energy management company World Fuel Services, on car carrier "APOLLON HIGHWAY" operated by "K" LINE. Marine biofuel has the potential to become an environmentally friendly alternative fuel, able to reduce CO₂ by 80 to 90% in the well-to-wake (from fuel generation to consumption) process without changing current engine specifications.

Based on projected customer demand for carbon-free value in the latter half of this decade, and driven by carbon pricing through mechanisms such as emissions trading in Europe, we will increase investment in environmentally friendly vessels and co-create with customers a competitive completed vehicle transportation service that aims to become carbon neutral.

Updating Three Businesses That Will Drive Growth and New Business

	Corresponding Businesses	Role	Strategic Direction
Role of driving growth	Coal & Iron Ore Carrier Business	Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability	Concentrate allocation of management resources
	Car Carrier Business	Securing market share with existing and new customers	
	LNG Carrier Business	Achieving growth that surpasses market growth	
Expansion of new businesses in fields where "K" LINE can utilize its strengths	Carbon Solutions Business	Expansion of business areas where "K" LINE's capabilities can be utilized and advanced	Pursuing synergies between "K" LINE and our subsidiary companies

LNG Carrier Business

"K" LINE Enters into Long-Term Time Charter with QatarEnergy for Four Newbuilding LNG Vessels

In March 2024, "K" LINE, through our joint venture companies, executed four long-term Time Charter contracts with QatarEnergy. At the same time, the joint venture companies have executed Shipbuilding contracts for four new 174,000m³ LNG carriers.

QatarEnergy, the world's largest LNG producer, is pursuing large-scale procurement of new LNG carriers as it expands production capacity. The four vessels were contracted in addition to 12 vessels secured in 2022.

The newbuilding vessels will be equipped with X-DF2.2 iCER, VCR, and other energy-saving devices which will contribute to the reduction of GHG emissions and easing environmental impact by lowering fuel consumption during operation. Additionally, they will obtain OCCS-Ready notation from a classification society by conducting an evaluation for future installation of OCCS, in anticipation of further GHG reduction. "K" LINE will further strengthen our business relationship with QatarEnergy through the conclusion of this contract. In the LNG carrier business, we have successfully increased the number of long-term and stable earnings contracts, including the additional contracts with QatarEnergy. The total fleet will have increased from 46 at the end of fiscal year 2023 to 65 when the present medium-term management plan ends in fiscal year 2026. Going forward, we will continue to enhance "K" LINE's strength of customer support that combines our strengths in maritime technology and sales in addition to improving understanding of customer needs through nationwide and customer-oriented approach and delivering customized services.

Carbon Solutions Business

Initiatives for Liquefied CO₂ Transport



Along with efforts such as utilizing new energy sources like hydrogen and ammonia, we are also focusing our attention on carbon capture and storage (CCS) for achieving carbon neutrality. CCS assumes the transport of CO₂ from the emission source to storage locations, and expectations are high for the maritime transport of liquefied CO₂.

In February 2024, "K" LINE signed Bare Boat Charter and Time Charter contracts with Norway's Northern Lights JV DA for the management of liquefied CO₂ vessels. The vessels managed by "K" LINE will total three, following the two scheduled for delivery in 2024. Our London-based subsidiary, "K" LINE LNG Shipping (UK) Ltd., will manage these three vessels, facilitating the transportation of liquefied CO₂ from Northern Lights customers based in Norway, Denmark, and Netherlands, to Northern Lights' CO₂ receiving terminal in Øygarden, Norway, where the CO₂ will be injected into the offshore reservoir for safe and permanent storage.

In September 2024, we, along with seven other companies*, signed a contract with Japan Organization for Metals and Energy Security (JOGMEC) for the commissioning of design work related to the Carbon Capture and Storage (CCS) project to inject and store CO₂ emitted from multiple industries in Japan, including the Seto Inland Sea area, in offshore Sarawak, Malaysia, which is one of the public solicitations regarding the Request for Proposals on the Japanese Advanced CCS Projects in fiscal year 2024.

We will leverage our accumulated know-how, stable operation track record, and partnerships with existing customers accumulated in the liquified gas transport business to make contributions to carbon neutrality.

* Japan Petroleum Exploration Co., Ltd., JGC Holdings Corporation, JFE Steel Corporation, Mitsubishi Gas Chemical Co., Inc., Mitsubishi Chemical Corporation, The Chugoku Electric Power Co., Inc., NIPPON GAS LINE Co., Ltd., and "K" LINE