

Dry Bulk

Coal & Iron Ore Carrier Business



Masatoshi Taguchi
 Managing Executive Officer
 Responsible for Dry Bulk Carriers Unit,
 In charge of Coal & Iron Ore Carrier
 Business, Coal & Iron Ore Carrier
 Planning & Operation, Dry Bulk
 Planning



Cape-size Bulk Carrier CAPE BROLGA



Cape-size Bulk Carrier CAPE HAYATE

Overview of Fiscal 2023

Looking at the market conditions for cape-size bulkers, while steady cargo movements of iron ore—the major dry bulk cargo for China—continued, from the beginning to the middle of the fiscal year, the slower-than-expected recovery of the Chinese economy became evident. This, combined with the easing of port congestion, led to a loosening of the supply-demand balance, resulting in a persistently weak market. The market began to rise from the middle of the fiscal year as the situation in the Red Sea region deteriorated and vessels being increasingly rerouted away from the region tightened vessel supply along with the recovery of bauxite transport demand from Guinea after the rainy season. Towards the end of the calendar year, the supply-demand balance in the Atlantic region became tight, and a surge in demand for vessels ahead of the year-end led the market to spike and then fall back at the beginning of the new calendar year. Towards the end of the fiscal year, favorable weather in Brazil supported the continued smooth shipment of iron ore, and increased port congestion in the Far East due to bad weather led to another rise in the market. Overall, despite fluctuations, the market maintained an upward trend throughout the fiscal year.

To maintain and expand a stable revenue base, we strived to strengthen relationships with cargo owners, including efforts towards carbon-free, appropriately managed market exposure, and worked to reduce operating costs and increase the efficiency of fleet allocation.

Strengths and Strategic Direction Based on the Medium-Term Management Plan

Through our commitment to safe operation, we will continue to provide high-quality transportation services to our long-standing customers, while maintaining and expanding strong business relationships. In addition, we aim to capitalize on the demand for the transition to zero-emission fuel vessels, such as LNG-fueled ships, as well as ammonia and methanol, to expand our market share in coal and iron ore transportation. Additionally, the demand for the transportation of direct reduced iron, which supplements iron ore and coking coal in the steelmaking process to reduce greenhouse gas emissions, is expected to rise. We will establish the technology necessary for the safety in long-distance marine transportation of these materials and accumulate the necessary expertise. We will steadily expand our business activities in the broader Asian regions, such as India and the Middle East, where there is growing demand for raw materials for steel-making. By increasing the efficiency of vessel allocation, we will strengthen our earning power and competitiveness, thereby expanding earnings and growing the business. To systematically expand our sales activities in the broader Asian region, we will strengthen our overseas business bases in Singapore, India, and other locations, further enhancing our ability to respond swiftly to customer needs and market changes.

Understanding the External Environment

Risks

- The risk of a slowdown in the demand growth of iron ore and coking coal due to a decline in domestic demand in developed countries and the peak-out in China's crude steel production.
- The risk of a decline in transport demand of iron ore and coking coal in the mid- to long-term as carbon-free measures in the steel industry lead to a shift from traditional iron ore to direct reduced iron as the primary raw material.
- The risk of continued limitations on the flexibility to renew cape-size bulkers due to rising costs from inflation and the stagnation of shipbuilding capacity.

Opportunities

- Increased vessel demand on a ton-mile basis due to shipments from newly developed mines and strong demand for bauxite, particularly from long-distance sources such as West Africa.
- Improvement in the supply-demand balance in the medium term as speculative orders for new ships are limited on the back of environmental regulations, and the retirement of overaged vessels is expected.
- The demand for the transition to decarbonized and low-carbon fuels ships is expected to grow, requiring more advanced ship management and operational management technologies than ever before.

Cape-size Fleet Ranking

(As of June 2024)

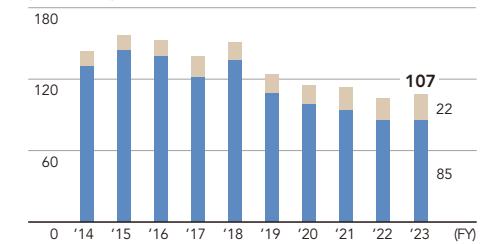
Ranking	Operator	100,000 DWT	Vessels
1	China COSCO Shipping	227.8	91
2	Berge Bulk	123.9	56
3	Fredriksen Group	117.0	62
4	ICBC	108.5	33
5	Winning Intl	98.0	51
6	Pan Ocean	87.8	34
7	Angelicoussis Group	85.5	46
8	China Merchants	82.8	29
9	"K" LINE	77.0	39
10	H-Line Shipping	76.8	37

Note: Includes owned vessels and a part of chartered vessels.

Source: Clarksons

Cargo volume carried by "K" LINE Dry Bulk Carriers

(Million tons)



Note: The figures from fiscal 2017 exclude the results carried by the Electricity Business and Offshore Business.

Dry Bulk

Bulk Carrier Business



Kenichiro Matsui
Executive Officer
In charge of Bulk Carriers



Panamax Bulk Carrier SCARLET OAK



Supramax Bulk Carrier SPRING AURA

Overview of Fiscal 2023

The market for Panamax and handy-size vessels declined from the beginning to the middle of the fiscal year due to a decrease in coal and steel transport demand to remote destinations such as Europe on the back of high inventory levels, and a decrease in grain transport demand under weaker grain procurement owing to a decline in grain futures prices and a decrease in transport demand to China owing to delayed South American grain harvests. From middle of the fiscal year, the onset of the grain shipping season on the U.S. West Coast and Gulf region led to increased port congestion. This, combined with rising demand for coal transport from Indonesia to China and India in the Pacific region, helped push the market upward. Towards the end of the fiscal year, the prolonged drought at the Panama Canal and an increase in vessels being rerouted away from the Red Sea region tightened the supply-demand balance. This, along with rising rates in the cape-size bulkers and container markets, led to further increases in the Panamax and handy-size vessel market.

We aimed to optimize the structure of the fleet by taking an asset-light approach to the core fleet. At the same time, we worked to maximize our earning power by maintaining and expanding its stable earning base, and increasing efficiency in fleet allocation.

Understanding the External Environment

Risks

- Uncertainty of the economic outlook of China, a major consumer of bulk cargo, and the rising geopolitical risks and their potential impact on transport demand.
- The risk of declining demand for thermal coal transport due to policies of coal use in various countries.

Opportunities

- The stable increase in transport demand for dry bulk cargo such as grain, fertilizer, construction materials, and other goods, driven by the expansion of the global economy and population growth in emerging countries.
- The expansion of new transport demand, such as direct reduced iron, biomass, and other materials required for raw material and fuel conversion by existing customers.
- Improvement in the supply-demand balance in the medium term as speculative orders for new ships are limited on the back of environmental regulations, and the retirement of overaged vessels is expected.

Strengths and Strategies for Achieving the Medium-Term Management Plan

"K" LINE is building a fleet with strong market resilience and a sustainable earning structure. In addition to Japan, we are strengthening our customer base in regions where we have a strong presence, such as the Middle East, India, and Southeast Asia. We will also strive to acquire new cargo required to reduce environmental impacts, such as direct reduced iron and wood pellets, while further enhancing our efficiency in fleet allocation. To enhance asset management and expand our operational capabilities, we have transferred some Panamax and Handy-size vessels owned by the Group to Singapore, reorganized our sales and fleet allocation operations and strengthened our access to growing markets across broader Asia. We aim to further strengthen and expand our business overseas to maximize our earning power and improve profitability.

Dry Bulk (All Types) Fleet Ranking

(As of June 2024)

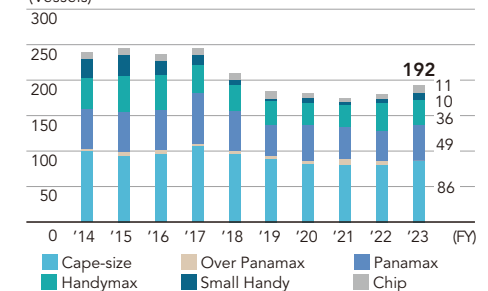
Ranking	Operator	100,000 DWT	Vessels
1	China COSCO Shipping	360.1	320
2	Fredriksen Group	152.3	107
3	Star Bulk Carriers	150.9	157
4	NYK	132.1	143
5	Berge Bulk	128.8	68
6	China Merchants	120.2	99
7	"K" LINE	117.9	96
8	Pan Ocean	114.4	76
9	ICBC	113.0	39
10	China Dev Bank (CDB)	109.1	124

Note: Includes owned vessels and a part of chartered vessels.

Source: Clarksons

"K" LINE Dry Bulk Fleet

(Vessels)



Note: The cape-size in fiscal 2023 includes the number of Over Panamax vessels.

Energy Resource Transport

Tanker Business



Hisashi Nakayama
Executive Officer
In charge of Tankers, Fuel Strategy & Procurement



Tanker TONEGAWA



LPG / Ammonia Carrier AXIS RIVER

Overview of Fiscal 2023

Under the safe operation of very large crude carriers (VLCCs) and very large liquefied petroleum gas carriers (VLGCs), we worked on the renewal of medium- and long-term charter contracts, achieving stable earnings, while contributing to the stable supply of crude oil and LPG.

Our subsidiary in Singapore, which operates AFRAMAX crude oil carriers, also generated earnings while contributing to the stable supply of crude oil centered around contracts of affreightment (COA) under safe operations.

In June 2023, a dual-fuel large-scale LPG carrier was delivered and added to our fleet at the Sakaide Works of Kawasaki Heavy Industries Ltd.

Strengths and Strategies for Achieving the Medium-Term Management Plan

Demand for transporting crude oil and LPG is likely to remain robust.

Amid this stable cargo movement, while ensuring safe operations, we view supporting the transition to environmentally compliant vessels for VLCCs and VLGCs as a new business opportunity.

The global efforts toward low-carbon and carbon-free are changing the demand structure for energy. We will collaborate with our existing energy-related clients to support current energy supplies while preparing for the maritime transportation of next-generation energy sources, such as ammonia, methanol, and liquefied hydrogen, positioning ourselves to capture future transport demand for transporting new forms of energy.

Understanding the External Environment

Risks

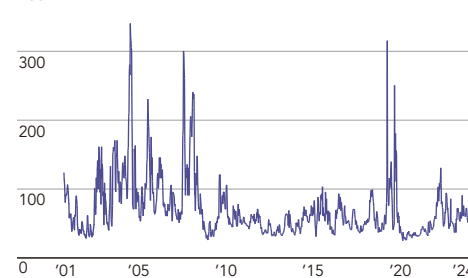
- Decline in maritime transport demand due to expanded OPEC production cuts.
- Slowdown in maritime transport demand growth due to delays in oil and natural gas exploration investments.
- Decline in demand for crude oil and LPG due to a global economic downturn.
- Reduction in demand for crude oil and LPG due to the accelerated transition to renewable energy.

Opportunities

- Increase in ton-miles and vessel demand due to heightened geopolitical risks.
- Growth in maritime transport demand due to increased U.S. shale production.

Tanker Freight Index

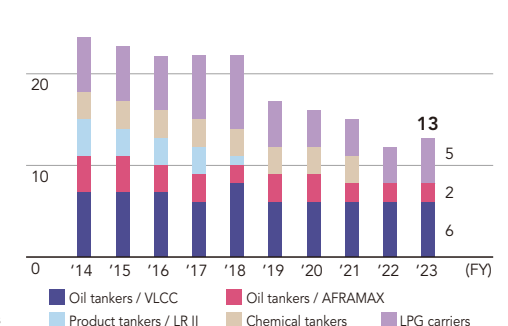
(World scale)



Source: Clarksons

"K" LINE Tanker Fleet Scale

(Vessels)



Energy Resource Transport

Fuel Strategy & Procurement Business



Hisashi Nakayama
Executive Officer
In charge of Tankers, Fuel Strategy & Procurement



LNG Bunkering Vessel KAGUYA
(Image provided by Kawasaki Heavy Industries, Ltd.)



Concept image of 160,000 m³ scale liquefied hydrogen carrier
(Image provided by Kawasaki Heavy Industries, Ltd.)

Overview of Fiscal 2023

In the fuel procurement for "K" LINE vessels, in addition to the supply of conventional heavy oil and lubricants, we have steadily increased the adoption of next-generation fuels such as LNG and biofuels, ensuring their stable supply. We will also continue to explore the future introduction of other next-generation fuels such as ammonia, methanol, bio-LNG, and synthetic LNG.

In the LNG bunkering business, we performed bunkering of LNG fuel to LNG-fueled car carriers in the Chubu region. Additionally, in Singapore, we commenced ship management of the LNG bunkering vessel FUELING BELLINA, owned by FuelNG Pte Ltd, and supplied LNG fuel. In both Japan and Singapore, the increase in LNG-fueled vessels led to more supply opportunities, contributing to the stable supply of LNG, a clean energy source. In the hydrogen business, we made a collaboration agreement by acquiring equity through a third-party allotment in JSE Ocean, Ltd., a subsidiary of Japan Suiso Energy, Ltd. (JSE). Through JSE Ocean, we aim to establish maritime transportation for liquefied hydrogen in a commercial-scale international hydrogen supply chain.

Understanding the External Environment

Risks

- Delays in the transition to next-generation fuels due to increased costs.
- Delays in new investments for building next-generation fuel supply chains due to global inflation.

Opportunities

- In the maritime transportation industry, the transition from heavy oil to next-generation fuels such as LNG, biofuels, methanol, ammonia, and battery propulsion is progressing in line with the carbon-free goals set by the IMO.
- At the world's major ship fuel supply ports, the supply business for next-generation fuels has been expanding.
- The shift toward low and carbon-free societies is expected to generate demand for the transportation of hydrogen and ammonia.

Strengths and Strategies for Achieving the Medium-Term Management Plan

To address decarbonization within the Company and society, we will continue introducing next generation fuels while maintaining LNG bunkering business in Japan and Singapore. Furthermore, to advance decarbonization within the Company and society, we will leverage our experience in the LNG bunkering business to establish ammonia bunkering bases and participate in the ammonia bunkering business. We also aim to participate in the transportation business for hydrogen and ammonia to meet societal needs for these energy sources.

Hydrogen and Ammonia Transport Business

In September 2023, we agreed on capital participation in JSE Ocean, Ltd., a subsidiary of Japan Suiso Energy, Ltd., which is expected to own liquefied hydrogen carriers (see the image above right), and collaboration with them.

Through JSE Ocean, Ltd., we will jointly study a marine transportation business scheme for liquefied hydrogen in a commercial-scale global hydrogen supply chain.

Also, we will focus on hydrogen and ammonia transportation projects for electric power, gas, oil companies, and other industries.

LNG Bunkering Business

- Commencement of LNG bunkering business in the Chubu region through a joint venture company with JERA Co. Inc. (JERA), Toyota Tsusho Corporation, Nippon Yusen Kabushiki Kaisha (NYK), and "K" LINE in October 2020.
- Commencement of technical management of Singapore's first LNG bunkering vessel FUELING BELLINA owned by FuelNG Pte Ltd* from February 2021.
- LNG bunkering vessel KAGUYA made ship-to-ship LNG fuel supply to our LNG-fueled car carrier CENTURY HIGHWAY GREEN in March 2021.

* A joint venture of the LNG bunkering business of Keppel Offshore & Marine Ltd (Keppel O&M) and Shell Eastern Petroleum (Pte) Ltd.

Energy Resource Transport

Electricity Business

Offshore Business



Michitomo Iwashita
 Managing Executive Officer
 Responsible for Energy Transportation Business Unit, Advanced Technology, Ship Technical, GHG Reduction Strategy Unit, In charge of Electricity and Offshore Business



FPSO John Agyekum Kufuor
 (Photograph provided by Yinson Holdings Berhad)



Thermal Coal Carrier CORONA CITRUS

Overview of Fiscal 2023

Electricity Business

With continued limited restarts of nuclear power plants in Japan, coal-fired power plants remained an important source of electricity on par with LNG-fired power plants. On the other hand, with the expansion of highly variable renewable energy sources, such as solar and wind power, the operating rate of coal-fired power plants has become more volatile, and they are increasingly being used as middle-power sources for load adjustment. In response to the fluctuating operating rates, the flexibility in fuel procurement became critical. We contributed to the stable supply of electricity through flexible vessel allocation, leveraging the scale of our fleet, while also securing stable earnings through medium- to long-term transport contracts.

Offshore Business

The floating production storage and offloading system (FPSO) business produced stable earnings through continuously high utilization rates based on a long-term charter contract for the production of crude oil and LNG in the Offshore Cape Three Point (OCTP) zone approximately 60 kilometers southwest of Ghana. Moreover, our drillship business contributed to stable earnings from the smooth operation of a project in the pre-salt layer zone 200 kilometers off the coast of Rio de Janeiro, Brazil, conducted under a long-term charter contract.

Strengths and Strategies for Achieving the Medium-Term Management Plan

Electricity Business

In the context of a carbon-free society, although coal-fired power generation is being phased out, starting with inefficient power plants, we believe coal will continue to be used at high-efficiency power plants in order to ensure a reliable supply of electricity, while efforts are made to cut CO₂ emissions. We will continue to provide high-quality coal transport services that meet our customers' demands while advancing the construction of environmentally efficient new vessels and working on reducing environmental impacts through the use of wind power and other technologies. In the future, the introduction of alternative fuels such as ammonia and hydrogen, as well as CCUS (Carbon Capture, Utilization, and Storage), is expected to progress, and we will address the transport demand for these alternative fuels and liquefied CO₂.

Offshore Business

There is a risk that offshore gas and oil field developments will become unprofitable and new projects will stall during period of low crude oil prices. However, due to the global trend of carbon-free and the suppression of development investments in fossil fuels, crude oil prices are currently remaining high, and the markets for FPSOs (floating production storage and offloading units) and drillships are expected to remain firm going forward. We are currently in a transitional period of energy mix conversion, but we will pursue business while implementing necessary risk hedging, aiming to build a stable earnings base.

Understanding the External Environment

Risks

Electricity Business

- A sharp decline in coal demand due to the transition to a decarbonized society.
- A rise in new shipbuilding costs due to surging energy and labor costs.

Offshore Business

- An increase in vessel compliance costs due to stricter environmental regulations.

Opportunities

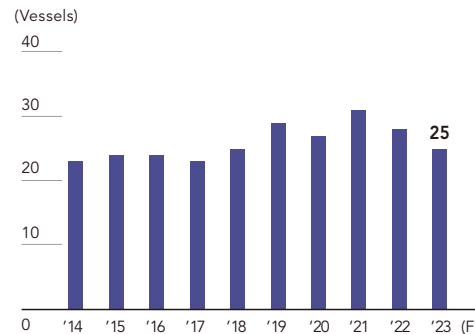
Electricity Business

- An expansion of new transport demand driven by the introduction of alternative fuels such as ammonia and hydrogen, as well as CCUS (Carbon Capture, Utilization, and Storage).

Offshore Business

- A tightening of vessel supply and demand due to limited new investment.

"K" LINE Thermal Coal Carrier Fleet (Including Co-Owned)



Floating Production Storage and Offloading (FPSO) System

- Floating production storage and offloading system
- In 2017, an agreement was made on an FPSO owning and chartering business for an oil and gas field situated offshore Ghana.
- From 2017, chartering began for Eni Ghana Exploration and Production Ltd. (15-year long-term).
- The system is producing oil at Offshore Cape Three Point Block (OCTP), approximately 60 kilometers southwest of Ghana.
- In June 2024, we officially joined the FPSO ownership and chartering business for the Marlim II Project situated offshore Brazil.

Energy Resource Transport

LNG Carrier Business



Satoshi Kanamori
Managing Executive Officer
In charge of LNG, Carbon Solution Business



LNG Carrier BISHU MARU



LNG carrier LAGENDA SETIA

Overview of Fiscal 2023

In the LNG carrier business, existing vessels were operated smoothly without major incidents, and it contributed to the stable earnings through medium- to long-term charter contracts. Among new projects, in addition to moving forward with the construction of newbuilding vessels scheduled to be delivered from the next fiscal year onward, we advanced our efforts to meet demand for long-term charters, which are a main target for "K" LINE, including the second phase of the Qatar expansion project following the first phase in the previous fiscal year. Specifically, the third and final newly built 79,960 m³ membrane-type LNG carrier for Petronas LNG Ltd., a subsidiary of PETRONAS Group, Malaysia's state-owned oil and gas company, was delivered in September by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. in China, establishing a service fleet of three vessels. Additionally, we have signed a long-term charter contract with Diamond Gas International Pte. Ltd., a Singapore-based subsidiary of Mitsubishi Corporation. For the second phase of the Qatar expansion plan, following the 12 vessels of the first phase, we have concluded long-term charter contracts for an additional four vessels.

Strengths and Strategies for Achieving the Medium-Term Management Plan

With the steady increase in LNG demand, the demand for long-term and stable LNG carrier transport is also forecasted to expand steadily towards 2040. The LNG carrier business is positioned to grow in parallel with market expansion.

"K" LINE has established expertise of LNG transportation and developed its worldwide network for over 40 years. "K" LINE's strengths are a world-class ship management track record over many years along with customer-oriented service and solutions capabilities. We are honing these strengths while focusing on expanding our sales network and improving our ship management quality. Through collaboration between our technical and commercial departments, we are working on our growth strategy to secure contracts and improve our earnings at a faster pace.

Regarding our investment plan, we have already achieved the original investment targets under the medium-term management plan. To enhance the long-term and stable earnings of "K" LINE's business portfolio, we are expanding the scale of investment, aiming to expanding our fleet from the current 46 vessels to 65 vessels by 2026, and more than 75 vessels by 2030. As a longer-term goal, we are targeting 100 vessels.

To achieve our fleet expansion target, we will focus on maintaining and increasing "K" LINE's market share with existing customers and developing new customers. To achieve this, we are aiming to secure contracts for newly planned projects with important existing customers such as Qatar and PETRONAS, including the need to replace old tonnages. To develop new customers, we will capture new LNG demands mainly bound for China, India, Southeast Asia and other emerging regions, as well as cargos originating from the world's largest production market, North America.

Understanding the External Environment

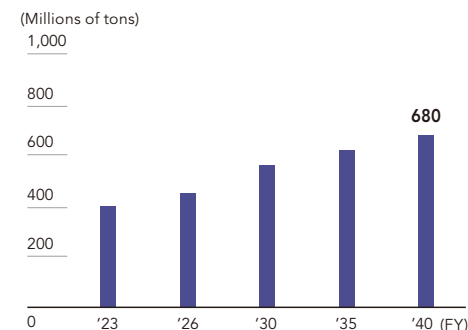
Risks

- Stagnation of new LNG projects due to U.S. energy policies.
- Decline in LNG demand due to the global economic downturn and accelerated shift to renewable energy.

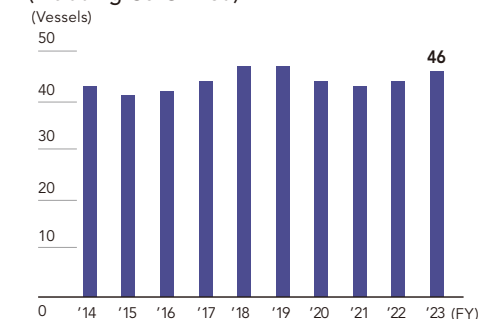
Opportunities

- Increase in long-term contracts due to rising geopolitical risks.
- Increase demand for replacing older vessels due to various regulations (EEXI/CII and EU-ETS, etc.).

Projected Demand for LNG



"K" LINE LNG Carrier Fleet (Including Co-Owned)



Energy Resource Transport

Carbon Solution Business



Satoshi Kanamori
Managing Executive Officer
In charge of LNG, Carbon Solution Business



Offshore Support Vessel AKATSUKI



Northern Lights Liquefied CO₂ Carrier
(Image provided by Northern Lights JV DA)

Overview of Fiscal 2023

In the field of Carbon dioxide Capture and Storage (CCS), we secured a long-term charter contract for the world's first full-scale commercial transport for a CCS project (Northern Lights), continuing from the previous fiscal year and expanding our fleet under management to three vessels.

Domestically, a demonstration test ship for large-scale liquefied CO₂ transportation, in which "K" LINE also participates, was completed, kicking off various tests and operations. Based on these achievements, studies on projects with major domestic and international CCS operators have further progressed.

In offshore wind power support vessels, our Group company "K" Line Wind Service, Ltd. (KWS) has worked on both domestic and international projects.

In the LNG value chain business, we conducted sales activities with an awareness of the advantages of LNG as a transition energy in light of global instability.

Strengths and Strategies for Achieving the Medium-Term Management Plan

With Europe leading the field of liquefied CO₂ carriers, we aim to gain insights and expand our presence through the Northern Lights project, which will begin in 2024. Through commercialization studies with various customers, we aim to expand our business in the Asia-Pacific region, where the field is expected to grow significantly in the latter half of the 2020s.

Understanding the External Environment

Risks

- Trends in the institutional design (policies and rules) related to low and zero-carbon in various countries.
- Project delays or reviews due to changes in the socio-economic environment, such as the above trends and inflation.

Opportunities

- Improvement of the business environment through policy progress and increased social awareness aimed at realizing a low and zero-carbon society.
- Increased demand for the LNG value chain business and further CCS projects, driven by the reassessment of transition energy sources like natural gas.

Even in Japan, the public and private sectors are increasing efforts towards commercialization of CCS, with the establishment of relevant laws, including governmental support for its spread and expansion and a licensing system for operators. To this end, we will actively contribute from the perspective of maritime transportation of liquefied CO₂.

Additionally, by sharing expertise through partnerships with key partners, we will work on risk diversification and stable business management.

For offshore wind power support vessels, after achieving profitability at an early stage for each project, we aim to secure long-term contracts in the offshore wind construction and maintenance fields, strengthen our floating platform support vessel business, where our Group's strengths can be leveraged, and respond meticulously to related demand for offshore marine surveys, with the goal of growing into a stable business.

In the LNG value chain business, we expect solid demand mainly in Southeast Asia. We will make full use of our bases, including Singapore, and focus on diversifying LNG-related businesses by pursuing synergies with our LNG carrier business, including the effective use of second-hand vessels.

Both of these businesses align with the priority issues that major customers have identified. Through active partnering to solve these issues, we are keen to share opportunities for growth.

COLUMN

The CCS Project in Offshore Sarawak, Malaysia Selected as an "Advanced CCS Projects" by JOGMEC

A CCS project off the coast of Sarawak, Malaysia, undertaken by nine companies* including "K" LINE, has been selected as an "Advanced CCS Project" by the Japan Organization for Metals and Energy Security (JOGMEC).

This project involves the separation, capture, and liquefaction of CO₂ emitted from steelworks, power plants, and chemical plant in Japan, as well as the maritime transport of CO₂, including marine transportation from the Seto Inland Sea area to Sarawak, injection, and storage. The necessary infrastructure and costs for constructing this entire CCS value chain will be assessed. Together with our partners, we will enhance the feasibility of these promising projects and contribute to the construction of a decarbonized society.

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

Product Logistics

Car Carrier Business



Takenori Igarashi
Senior Managing Executive Officer
Responsible for Product Logistics Business Unit (Car Carriers), Digitalization Strategy Unit



Car Carrier POLARIS HIGHWAY



LNG-fueled Car Carrier CENTURY HIGHWAY GREEN

Overview of Fiscal 2023

The global automobile sales market continued its recovery trend as the impact on production and shipments due to the shortage of semiconductors and auto parts gradually decreased, resulting in a year-on-year increase of about 9%, with approximately 86 million vehicles sold. Maritime transport of automobiles on the "deep sea" increased by about 10% to approximately 16 million vehicles. Within this context, the number of vehicles transported by the "K" LINE Group, including intra-European transport, increased by about 2% from 3.19 million vehicles in the previous fiscal year to 3.25 million vehicles. In addition, we continued to improve the efficiency of fleet allocation and operation, while restoring freight rates. As a result of these efforts and initiatives to improve our earnings capacity and cost-competitiveness, both sales and profits increased year on year. Investments aimed at growth, including building new environmentally friendly ships, are being executed as planned.

Strengths and Strategies for Achieving the Medium-Term Management Plan

Although concerns remain over the impact of global economic recession risks on shipping volumes and operational restrictions due to geopolitical risks, global passenger car production and shipments are expected to remain steady. While the pace of growth in battery electric vehicle (BEV) sales has slowed slightly recently, the global share of BEV sales is expected to reach approximately 40% by 2030. The expansion of BEV sales may affect both the reduction of maritime transport demand due

to local production and the creation of new transport demand. However, in the base scenario, maritime transport demand is expected to grow by approximately 8% between 2023 and 2030.

Under these circumstances, we will maintain the "Route-Fleet-Customer" balanced strategy to customers, fleet, and routes, while steadily implementing key measures to ensure both the sustainability and growth of our business.

In maintaining and expanding our customer base, we will provide stable and sustainable services, responding to the increasing demand of our core customers. As for new markets, we will actively expand into the growing export markets from China and Mexico, as well as the emerging export market from India. Furthermore, we aim to increase the volume of high and heavy cargoes by more than 10% by 2030.

Regarding route design, we will strengthen our existing route network, one of our key strengths, and work on improvements to cover new cargo flows, including those from India.

In fleet development, we will enhance our competitiveness by increasing the capacity for high and heavy cargoes that exceed conventional limits, and by enlarging vessels to increase cargo capacity. We will also continue to develop competitive environmentally friendly ships, working toward a competitive, low-carbon, and carbon-free fleet.

Understanding the External Environment

Risks

- The impact of future global economic trends and decoupling on regulations affecting the export and import of finished vehicles.
- The potential changes in transport routes and patterns due to the advancement of local BEV production.
- Constraints on safe shipping and the impact on maritime cargo movement due to geopolitical risks.

Opportunities

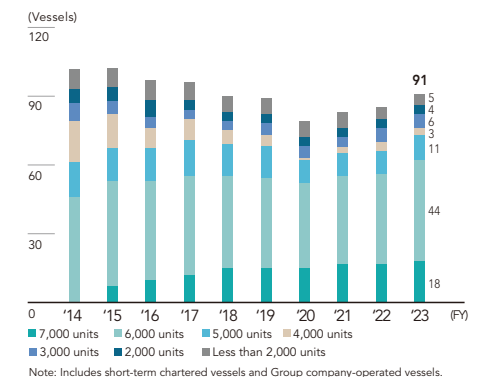
- The promotion of low-carbon and decarbonization through the development of environmentally friendly vessels and the creation of new business models.
- Expansion of business scale by capturing the increasing demand in new growth markets, such as exports from China, India, and Mexico.
- Capturing high and heavy cargoes by improving transport technology and vessel capacity in car carriers.

Car Carrier Fleet Ranking

Ranking	Operator	Vessels	Vessels Share	Capacity (units)	Share of capacity
1	WVO AS	110	15.6%	748,871	17.9%
2	NYK	108	15.4%	668,806	16.0%
3	MOL	90	12.8%	540,559	12.9%
4	"K" LINE	82	11.7%	503,438	12.0%
5	GLOVIS	73	10.4%	481,540	11.5%
6	Grimaldi	57	8.1%	280,580	6.7%
7	HOEGH	35	5.0%	241,615	5.8%
8	ZIM	16	2.3%	81,340	1.9%
9	TOYOFUJI	16	2.3%	70,000	1.7%
	Others	116	16.5%	573,635	13.7%
	Total	703	100.0%	4,190,384	100.0%

Source: Compiled by "K" LINE, based on Hoesung Shipping "AS Year Report"

"K" LINE Car Carrier Fleet



Product Logistics

Logistics and Port Business



Keiji Kubo
 Managing Executive Officer
 Responsible for Product Logistics Business Unit (Logistics, Port, Short Sea and Coastal Business and Affiliated Business), Containerships Business Unit



Tugboat AKEBONO



Automobile logistics business in Australia

Overview of Fiscal 2023

The forwarding operation of the international logistics business experienced sluggish conditions from the beginning of the year due to reduced shipment volumes resulting from inventory adjustments in consumer countries and a slowdown in personal consumption. The declining trends in both maritime and air transport demand continued. In the automobile logistics business, despite ongoing vessel delays in Australia, high demand for automobiles led to an increase in transport volumes, resulting in a year-on-year rise in the number of vehicles handled and stored.

In the domestic logistics and port business, there was a year-on-year decrease in handling volume at our five largest domestic container terminals. In the tugboat business, the number of operations for container ships and car carriers remained strong. In the warehouse business, handling volumes remained stable, supported by our existing customer base.

Strengths and Strategies for Achieving the Medium-Term Management Plan

To achieve the goals of the medium-term management plan, we are focusing on enhancing functionality and improving stable profitability in the logistics business, which is centered around maritime transport. We are reviewing our business portfolio to further strengthen our earning power. Specifically, we are leveraging our global network, knowledge, and experience to offer solutions for the changing logistics needs of our customers around the world, building a more

customer-focused organization that can contribute to the shipping business. In the domestic logistics and port business, we are preparing to move the container terminal at Kobe Port from Rokko Island to Port Island to enhance profitability and accommodate larger vessels. In the tugboat and warehouse businesses, we are working to improve profitability and expand our customer base. At the Tokyo Port container terminal, we are introducing near-zero-emission rubber-tired gantry cranes (RTGs) to improve fuel efficiency in line with environmental considerations.

Understanding the External Environment

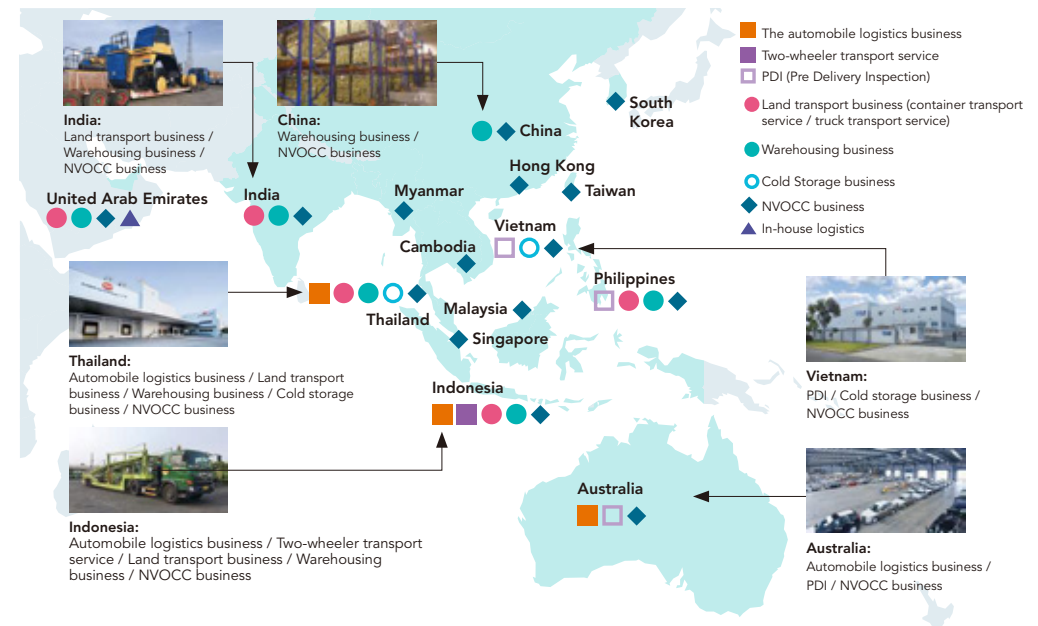
Risks

- Cost increases due to environmental measures requested by customers and the passing of these costs.
- Performance fluctuations caused by supply chain disruptions due to instability in regions like the Gulf of Aden or global climate change (e.g., Panama Canal drought).
- Changes in behavior of export/import companies and economic recessions due to prolonged inflation or yen depreciation.

Opportunities

- Entry into new logistics businesses related to carbon neutrality, such as offshore wind power generation.
- Potential shift to air cargo due to recent tight container ship space.
- Modal shift to coastal shipping in response to the "2024 problem" becoming prominent.

The Group's Locally Oriented Comprehensive Logistics Services in Asia



Product Logistics

Short Sea and Coastal Business



Keiji Kubo
 Managing Executive Officer
 Responsible for Product Logistics Business Unit (Logistics, Port, Short Sea and Coastal Business and Affiliated Business), Containerships Business Unit



Ferry operated by Kawasaki Kinkai Kisen Kaisha, Ltd. Silver Princess



Ferry operated by Kawasaki Kinkai Kisen Kaisha, Ltd. Silver Tiara

Overview of Fiscal 2023

In the short sea business, new cargo contracts for steel transportation and stable biomass fuel transport volumes were secured. On the other hand, bulk transport saw a significant year-on-year decrease in total transport volumes due to the cessation of Russian coal transportation, a major cargo.

In the coastal business of ferry transport, while numbers of passengers and cars increased during peak periods, truck loading volumes fell below the previous year's levels due to weakened consumption from rising prices and decreased purchasing opportunities through online shopping. On our regular shipping route to Hokkaido, transport volumes declined due to operational disruptions from rough weather, decreased demand from product price hikes by manufacturers, and reduced dairy and agricultural yields due to heat waves. On our Kyushu route, although there were expectations for a modal shift to maritime transport ahead of the "2024 problem" related to truck driver working conditions, transport volumes fell below the previous year due to sluggish cargo movement. In the tramp shipping sector, the number of docked days increased, and long-term periodic inspections at thermal power plants led to a year-on-year decline in transport volumes.

In the offshore support vessel (OSV) business, overall operating rates remained on par with the previous year due to marine survey projects for methane hydrate, supply operations, and tugboat support.

Understanding the External Environment

Risks

- In the short sea business, during market fluctuations, we will continue to properly manage exposure and work on improving operational efficiency and cost reduction.
- In the coastal business, ferry transport will enhance vessel facilities in response to changing cargo trends, such as the launch of air cargo services, and capture new customer needs.
- In the OSV business, due to expected delays in the commercialization of offshore wind power projects, we will also address carbon capture and storage (CCS) projects, where new demand is anticipated.

Opportunities

- In the short sea business, we will continue to maintain the fleet in response to biomass fuel transport demand trends. Additionally, we will expand our market area through participation in power generation projects.
- In the coastal business, amid strengthened environmental regulations and working hour regulations for truck drivers, we will promote a modal shift to coastal shipping within Japan.
- In the OSV business, we will work on supporting offshore wind power projects through "K" Line Wind Service, Ltd. (KWS).

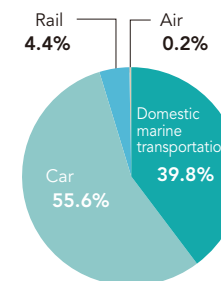
Strengths and Strategies for Achieving the Medium-Term Management Plan

In the short sea business, significant increases in outbound steel transportation volumes are expected due to new contracts. Additionally, inbound biomass fuel transport volumes are expected to increase with the commencement of operations at a new power plant.

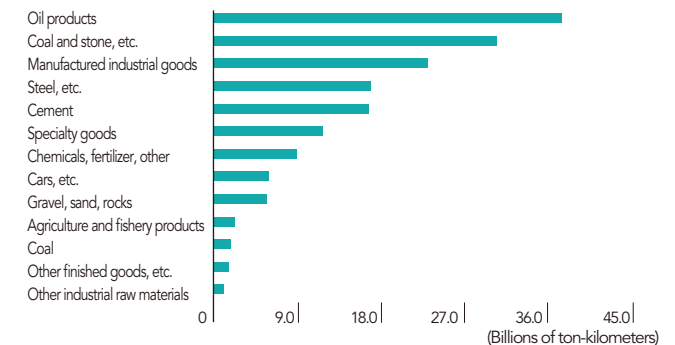
In the coastal business, although truck loading volumes are expected to fall below the previous fiscal year's levels, we will work to maintain volumes by attracting customers from other outlets. Additionally, we will actively promote passenger car and passenger sales to capture the strong post-COVID passenger demand. For our regular shipping route to Hokkaido, an increase in construction materials is expected, but due to reduced demand from rising prices, overall transport volumes are expected to decrease. We will target power cargo to enhance cargo collection efforts. On our Kyushu route, we will work to increase the cargo volume per voyage due to a reduction in the number of sailings, while also improving profitability by adjusting fares and chartering surplus vessels to other routes. In tramp shipping, we will closely monitor customer responses to environmental requirements and proceed with vessel maintenance plans to ensure continued transport. In the general cargo sector, we will focus on improving profitability by securing new projects and enhancing operational efficiency, with a base in domestic timber transport.

In the OSV business, in addition to our existing operations, we will work to capture projects, such as support services for offshore wind power generation through "K" Line Wind Service, Ltd. and survey services for CCS projects.

Coastal shipping accounts for about 40% of domestic cargo



Coastal shipping accounts for about 40% of domestic cargo



Product Logistics

Containership Business



Keiji Kubo
 Managing Executive Officer
 Responsible for Product Logistics Business Unit (Logistics, Port, Short Sea and Coastal Business and Affiliated Business), Containerships Business Unit



Container ship ONE INNOVATION



Container ship ONE HONOLULU

Overview of Fiscal 2023

Until Q3 of FY2023, the business environment for OCEAN NETWORK EXPRESS PTE. LTD. (ONE) saw strong cargo movement to North America, with steady personal consumption, while in Europe, prolonged inflation led to stagnant personal consumption, coupled with tightening monetary policy, which applied downward pressure on the economy, resulting in an overall lack of significant recovery in cargo movements. Additionally, on the supply side, the completion of new ships worsened the supply-demand conditions, resulting in a continued slump in the short-term freight rate market. However, in Q4, the situation in the Middle East led to a shift of sailing routes from the Suez Canal to a detour via the Cape of Good Hope. The increased sailing distances associated with the route change boosted vessel demand and absorbed excess capacity, resulting in improved supply-demand conditions and a rise in short-term freight rates. ONE responded swiftly to minimize supply chain disruptions caused by the Middle East situation and worked to maximize operational efficiency through flexible management of vessel capacity and transport equipment in response to cargo movements. Nevertheless, revenue and profits declined year-on-year for the full fiscal year.

Strengths and Strategies for Achieving the Medium-Term Management Plan

Since its establishment, ONE has achieved world-class profitability in just five years. It has now shifted towards sustainable growth and, as part of its second phase, aims to become one of the world's leading container shipping companies. In March 2024, ONE announced its new medium-term management plan, ONE 2030. ONE has established five concrete strategic pillars for achieving sustainable growth: Green Strategy, Digital Strategy, Talent Strategy, Financial Strategy, and Global Strategy. At the same time, the business environment remains uncertain due to the prolonged situation in the Middle East, increasing international tensions, and the large-scale completion of new ships. ONE will continue to closely monitor the ever-changing business environment, ensuring agile and efficient operations while diligently supporting customers' transport needs.

The containership business remains a vital business segment for "K" LINE, and as a shareholder, we support ONE's business, playing a crucial role in stabilizing our earning base. We will continue to strengthen our support through governance enhancements by focusing more on capital efficiency, financing, and ROE, as well as by providing talent in both management and operations to ensure sustainable growth and development.

Understanding the External Environment

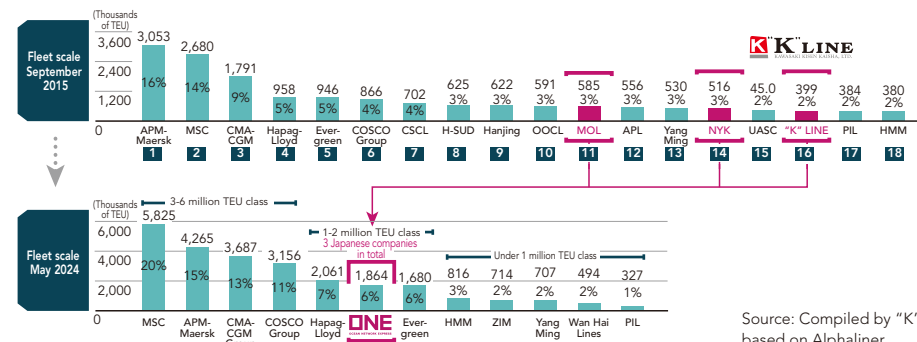
Risks

- Impact on international trade from the worsening situation in the Red Sea and the prolonged war in Ukraine.
- Slowdown in China's economy and the impact of tariff increases due to U.S.-China trade friction.
- Increase in vessel supply due to the large-scale completion of new ships that has continued since last year.
- Potential supply chain disruptions due to labor disputes on the U.S. East Coast and in Europe.

Opportunities

- Business opportunities in economically developing regions such as India, South America, Africa, and Asia.
- Matching customer needs with advanced initiatives towards achieving net-zero decarbonization.
- Further operational efficiency through the promotion of digitalization.
- Opportunities to build value chains supporting the containership business, such as container terminals.

Containership Fleet Scale



Source: Compiled by "K" LINE, based on Alphaliner