



How will we respond to changes in the external environment and to management risks?

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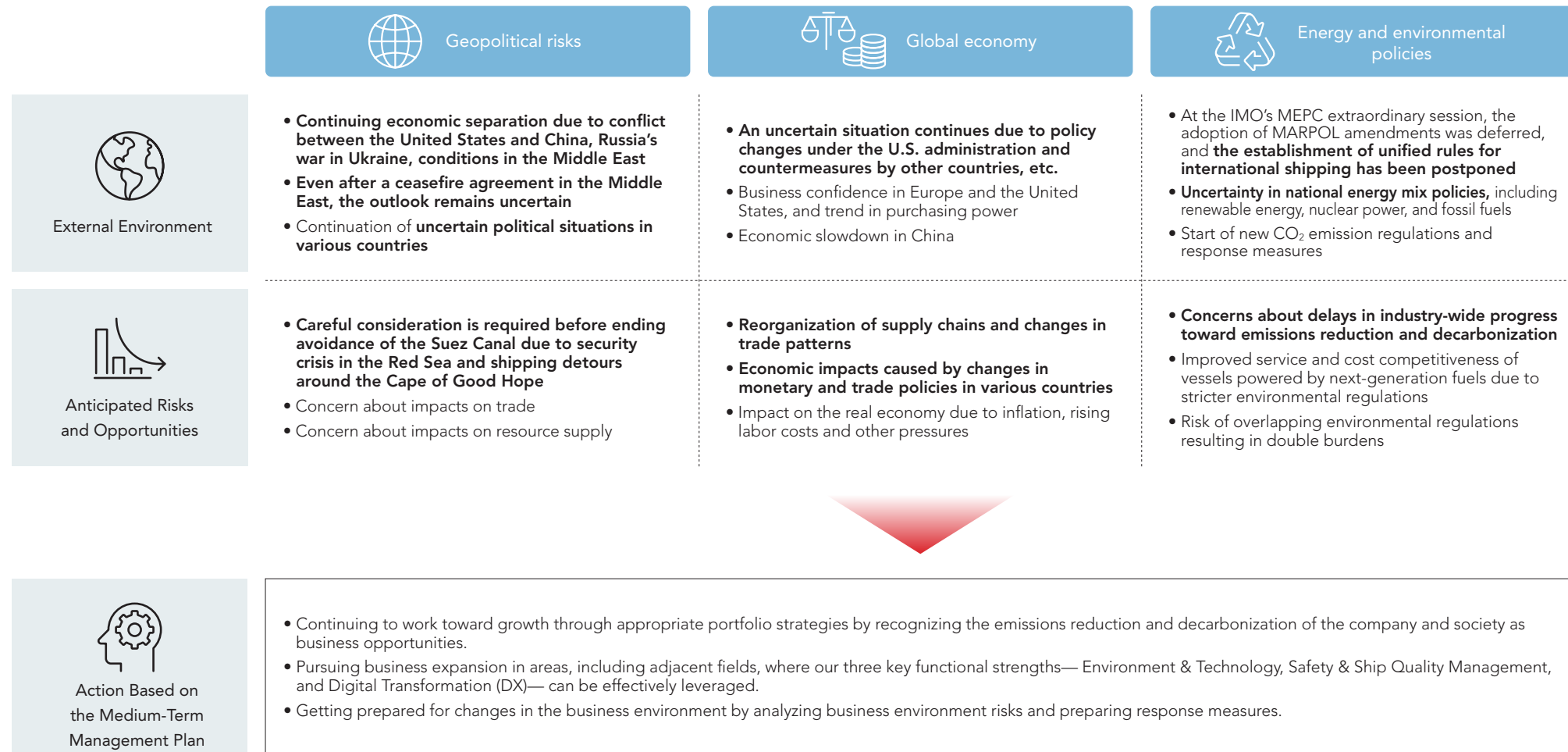
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Changes in the Business Environment

Below is a description of changes in the medium- to long-term business environment surrounding the "K" LINE Group. The global business environment will remain uncertain due to factors such as emerging geopolitical risks, continued concerns about downward pressure on the global economy, and energy policy developments in various countries.



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Shipping Industry Environment

Below is a description of external environments expected to affect the "K" LINE Group in the near term. The business environment remains uncertain, due to policy changes by the U.S., countermeasures by China and other countries in response, and avoidance of the Suez Canal due to the situation in the Middle East, etc. (As of November 2025)

		U.S. tariff policy	USTR-imposed countermeasures targeting China-related vessels	The situation in the Middle East
Overview		<ul style="list-style-type: none"> The United States decided to raise tariffs on most major trading partners, while Japan and the U.S. agreed to apply reciprocal tariff rates of 15% on most items, effective August 2025, with some exceptions. At the U.S.-China talks on October 30, both sides agreed to postpone the implementation of the additional tariffs originally delayed to another year, or to partially cancel them. 	<ul style="list-style-type: none"> As a measure to counter China's shipbuilding support policies, the U.S. plans to impose port charges on foreign-built ships calling at U.S. ports. For Car Carriers, larger port charges than previously announced started being applied on October 14. In response to the U.S. measures, China also began imposing port charges on U.S.-related vessels calling at Chinese ports starting the same day. Subsequently, as a result of the U.S.-China talks on October 30, information has been received that both measures have been postponed for one year. 	<ul style="list-style-type: none"> Although a ceasefire agreement between Israel and the Islamic organization Hamas has been reached, a complete ceasefire has not yet been achieved, and the situation remains unpredictable.
Response of shipping companies		<ul style="list-style-type: none"> The impact on national economies and corporate supply chains requires continued monitoring. Short- to medium-term fleet adjustments in line with cargo demand. Review of services and vessel deployments in line with changes in trade patterns. 	<ul style="list-style-type: none"> The industry will continue to make proposals to U.S. authorities for a review of this system in coordination with the Japanese government. New orders to Chinese shipyards are being considered as appropriate. 	<ul style="list-style-type: none"> Return to the Suez Canal will be contingent on confirming safety, and the timing of resumption is currently uncertain. Depending on the situation, instability in the Strait of Hormuz is also a concern, requiring attention to safe navigation.
Impact on our business performance	"K" LINE's own Businesses	<ul style="list-style-type: none"> Impacts vary depending on the cargo and services of each business Dry Bulk: For Coal & Iron Ore Carriers under medium- to long-term contracts, the impact is expected to be limited. Panamax and smaller sizes will see varied impacts depending on cargo, but the overall effect is expected to remain limited. LNG Carriers: No short-term impact is expected due to medium- to long-term contracts. Car Carrier: The number of vehicles exported to the U.S. was virtually unaffected in the first half of FY2025. It is expected to decline somewhat in the second half. 	<ul style="list-style-type: none"> Impacts vary depending on the cargo and services of each business. Dry Bulk: The impact -including China's counter measures- is expected to remain limited. LNG Carrier: The impact -including China's counter measures- is expected to be negligible. Car Carriers: Although the measures were expected to affect virtually all car carriers, if postponed, it is expected to result in no impact on FY2025 performance. 	<ul style="list-style-type: none"> Impacts vary depending on the services of each business. Dry Bulk: Limited impacts expected as the effect of avoiding the Suez Canal has been to tighten shipping capacity by about 1-2%. LNG Carriers: No short-term impact is expected due to medium- to long-term contracts. Car Carriers: Impacts are expected as avoidance of the Suez Canal is estimated to have tightened shipping capacity by around 5-6%.
	Containership Business	<ul style="list-style-type: none"> We expect a certain level of impact, as cargo to/from the U.S. accounts for just under 20% of the world's cargo. Adjustments are being made to vessel deployment and services. 	<ul style="list-style-type: none"> Implementing measures to avoid U.S. port calls by China built vessels. 	<ul style="list-style-type: none"> The effect of avoiding the Suez Canal has been to tighten shipping capacity by about 10%. When the Suez Canal passage resumes, there is a possibility of an increase in the scrapping of aged vessels.

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