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We will support "K" LINE's growth from a financial and capital policy perspective, striving to become a resilient shipping company capable of navigating even the roughest seas to continue growing.

Yutaka Akutagawa
Senior Managing Representative Executive Officer



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A Warm and Open Corporate Culture

I joined "K" LINE in 2021 as an Audit & Supervisory Board member and became Managing Executive Officer in charge of Finance, Accounting, and Taxation in June 2023. Before joining the Company, I mainly worked in corporate banking, supporting a wide range of clients in developing business and financial strategies. Upon joining "K" LINE, the first thing that struck me was the high volatility of the maritime industry. This industry is heavily influenced by geopolitical risks, global economic trends, and fluctuations in exchange and interest rates. In such a this environment, I recognized the importance of shaping our financial and business portfolio strategies. In the four years since joining the Company and assuming the role of CFO, I always return to these fundamentals and keep them firmly in mind.

The impression I had of "K" LINE during my time in banking and the reality I found after joining were quite different. In 2021, the world and the company were still mired in the COVID-19 pandemic and striving for financial recovery. Given the prolonged period of challenging business conditions, I had assumed the Company might be somewhat inward-looking. However, after working together, I found that everyone was positively engaged in their work in a very warm and open corporate culture. I feel that this openness and warmth is one of "K" LINE's most important characteristics and a key driver of the Company's strength.



Our Financial Position Has Recovered, and Now Our Focus is on Improving Capital Efficiency

Our current PBR (Price-to-Book Ratio) is below 1.0 and an urgent priority is to bring it above 1.0 as soon as possible, followed by maintaining and further improving this level. I believe it is positive that the Tokyo Stock Exchange's focus on PBR has generated momentum toward improving capital efficiency. In our capital-intensive industry, where asset structures differ significantly from other sectors, aiming for a 2.0x- or 3.0x PBR is not realistic in the short term. Nevertheless, our immediate goal is to achieve a PBR of at least 1.0.

During the COVID-19 pandemic, our containership business unexpectedly generated strong profits, resulting in a dramatic improvement in our financial position. On a book-value basis, our equity ratio now stands at approximately 76%, or in the 58% to 60% range when including off-balance-sheet lease obligations under the new accounting standards. With quantitative issues around capital largely resolved, the challenge we face today lies in improving its quality. In other words, capital efficiency.

In this context, our ONE (Ocean Network Express) initiatives are particularly important. As shareholders, we must support ONE's growth while simultaneously improving our capital efficiency. The containership business accounts for a large portion of our invested capital and earnings composition, with ordinary income for FY2024 totaling approximately ¥300.0 billion, around ¥100.0 billion from our own businesses and roughly ¥200.0 billion from the containership business. Given our heavy dependence on the containership segment, which is much more volatile than other businesses, it is also essential to transform our business portfolio by expanding "K" LINE's own businesses.

We position our three own businesses—coal & iron ore carrier business, car carrier business, and LNG carrier business—as the role of driving growth. The coal & iron ore carrier business provides stable earnings through dedicated vessel contracts serving steel mills in Japan and Korea. The car carrier business has been steadily generating stable profits in recent years, in line with our medium-term management plan investments. The LNG carrier business requires especially long investment and recovery periods, so in some respects, we may not have fully conveyed our vision for its future profit growth, including scale and time horizon. Insufficient communication of these strengths may also be affecting our PER (price-earnings ratio). We intend to provide clear explanations so the market better understands and values each business's characteristics. PBR equals PER times ROE (return on equity), so we must ensure that both our growth prospects and capital efficiency are accurately recognized by the market.

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Preparing for Future Growth through Funding and Risk Management Upgrades

In February 2023, we regained an external credit rating of A (JCR: A-), and we have issued corporate bonds for three consecutive years since then, demonstrating that our financing structure is both stable and competitive. Securing further funding is essential to executing our growth strategy. Shipbuilding projects inherently require long-term financing. To obtain long-term, stable, low-cost funding, it is increasingly important to maintain sound financial health, build strong relationships with financial institutions, and diversify funding sources.

Managing and mitigating risks from foreign-exchange and interest-rate fluctuations are also key priorities. Most of our cash inflows and outflows are denominated in U.S. dollars, while shareholder returns are made in yen. Managing this mismatch, and particularly the impact of exchange-rate fluctuations, is a significant challenge. As we have entered an era of rising interest rates, we are once again emphasizing management of interest-rate risk, which had been of lesser concern in recent years.



Capital-Cost Awareness is Essential for a Capital-Intensive Business

Awareness of capital cost is now deeply embedded throughout the Company. When business units make investments, such as building new vessels, they do so on the premise that returns are expected to exceed the Weighted Average Cost of Capital (WACC). We aim for an ROE of 10% or higher and therefore must secure returns that exceed the WACC, including a premium above the cost of equity and debt financing.

Simply increasing leverage is not the answer to lowering WACC. Instead, business units are required to find creative ways to enhance profitability and control costs.

In recent years, we have advanced our management framework to incorporate ROIC (return on invested capital) and EVA (economic value added) as key performance metrics. We emphasize improving profitability relative to invested capital, with a strong focus on WACC of business. For a capital-intensive industry like ours, profitability relative to invested capital is more important than sales margin.

Risk-return profiles differ across businesses: long-term, contract-based operations such as LNG carrier business tend to be exposed to lower risk and offer correspondingly lower returns, while other businesses carry higher risks but can achieve higher returns. We monitor WACC and ROIC for each segment and use these insights to make management decisions such as business portfolio restructuring.

Personally, I place great importance on ensuring whether we are making appropriate investments to secure future growth. Investment is essentially a result of our operating activities. The foundation of business growth lies in the number of high-quality investment opportunities we can capitalize on that meet internal criteria. Ensuring that these necessary investments are properly executed is a critical aspect of management control.

I'm also a firm believer in the importance of a system to properly assess the initiatives and performance of each business unit. Even in a market-driven industry, initiatives that minimize downturns in a declining market or outperform peers during upturns should be recognized; these are manifestations of strong management capability. We intend to build such mechanisms within our organization.

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Growth Investments Guided by Cash Allocation Discipline

At the start of the current medium-term management plan, we set a total investment cash flow target of ¥520.0 billion. This figure was raised to ¥740.0 billion in May 2024, but after a thorough review of progress, it was again revised to ¥610.0 billion as of May 2025. The reduction reflects delays in certain projects and cash inflow from asset sales, etc., but we have ensured that all essential investments are being executed as planned.

Shipyard slots are booked years in advance, making it difficult to place large orders, and delivery lead times are generally three to four years. Ship prices also remain high, and placing large-scale orders under such conditions is risky. Given this environment, we must pursue a flexible investment strategy that includes not only organic growth but also stronger partnerships, alliances, and M&A. We will consider strategic collaborations and M&A to enhance fleet competitiveness and transport capabilities, thereby accelerating our growth without relaxing investment discipline.



While Ensuring the Necessary Investments for Growth and Maintaining Financial Soundness, We Will Proactively and Flexibly Return Value to Shareholders

During the current medium-term management plan, our shareholder return target was increased from ¥750.0 billion or more announced in February 2025 to ¥800.0 billion or more in May 2025. Through discussions with investors and analysts, we have gained recognition as a company firmly committed to shareholder returns. We will continue to focus on maintaining an optimal capital structure, ensuring investments necessary for enhancing corporate value and financial soundness, and allocating any excess capital proactively and flexibly toward shareholder returns while taking cash flow into consideration.

Questions about the optimal capital structure, which balances financial soundness with capital efficiency, often arise in earnings briefings, particularly regarding specific numerical targets. In our case, a large portion of our fixed assets consists of investment securities in ONE, which also has a significant impact on our earnings and cash flows. This structural characteristic makes it difficult to define a single numerical benchmark. However, please rest assured that we manage our capital efficiency and financial soundness with utmost discipline and care. We will continue to support "K" LINE's growth from a financial and capital policy perspective, striving to remain a resilient shipping company capable of navigating even the roughest seas.

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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 during the medium-term management plan period: ¥1.5 trillion</p>	<ul style="list-style-type: none"> Against the ordinary income target of ¥160.0 billion for FY2026, the final year of the current medium-term management plan, the full-year ordinary income forecast for FY2025 is ¥100.0 billion Operating CF during the medium-term management plan period is expected to be ¥1.5 trillion 		<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 during the medium-term management plan period: ¥610.0 billion</p>	<ul style="list-style-type: none"> We will continue to make necessary investments to enhance corporate value while maintaining investment discipline. Investing CF during the medium-term management plan period is expected to be ¥610.0 billion 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 ¥800.0 billion or more</p>	<p>Shareholder return policy</p> <p>Returns in FY2025–26</p> <p>Dividends</p> <p>Responsive additional return delivery</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 The total return amount during the medium-term management plan period is expected to be ¥800.0 billion or more FY2025: Annual dividend of ¥120 per share planned FY2026: Annual dividend of ¥100 per share planned Taking the business environment into account, we are continuing to review responsive additional shareholder return measures of ¥50.0 billion or more during the medium-term management plan period announced in May 2025. 	
<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 improving governance and 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 transitioned to the "Company with Nominating Committee, etc." on March 28, 2025 Through IR activities, we will promote dialogue with stakeholders and further raise awareness of our business growth strategy among investors 		

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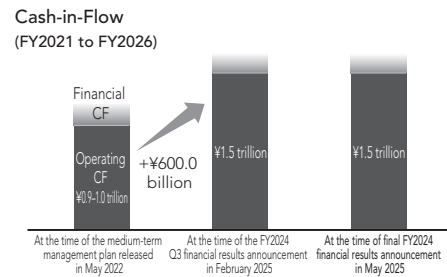
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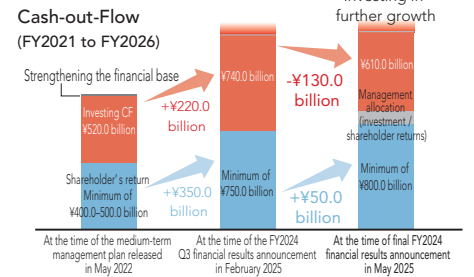
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Cash Allocation

This is the current state of our cash allocation under our capital policy. Regarding cash in-flow (operating cash flow), the medium-term management plan initially estimated between ¥900.0 billion and ¥1.0 trillion. This was later improved by ¥600.0 billion, with the latest figure now projecting an operating cash flow of 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 ¥610.0 billion directed toward business investments and ¥800.0 billion or more toward shareholder returns, ensuring a balance between the two.



■ Based on the latest performance forecast, operating CF is expected to be ¥1.5 trillion.



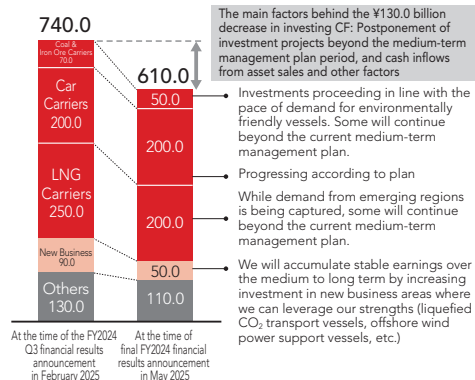
■ Due to delays into the period beyond the current medium-term management plan and asset disposals, investing CF is planned to be ¥610.0 billion.
 ■ Based on the shareholder return policy, shareholder returns are planned to be ¥800.0 billion or more.

Business Investment Plan

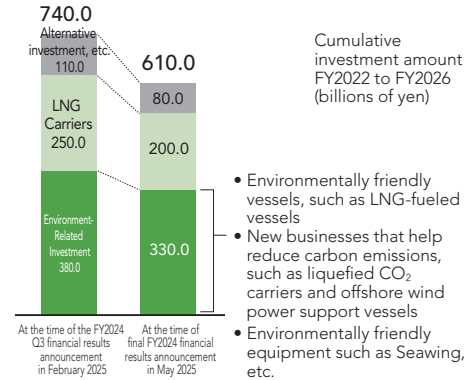
Based on the medium-term management plan, with the focus on the role of driving growth and environmental initiatives, we will exercise investment discipline by considering risk and return in line with our business and objectives and will invest discreetly during good times and strategically during bad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

The plan is to decrease investing CF for the medium-term management plan period by ¥130.0 billion from the figure announced in February 2025, reaching ¥610.0 billion (of which ¥500.0 billion has been confirmed)

Investing 75% in businesses with the role of driving growth and 10% in new business opportunities



Investing 55% in environmental initiatives (90% if LNG carriers are included) → Establishing a competitive advantage



Cumulative investment amount FY2022 to FY2026 (billions of yen)

- Environmentally friendly vessels, such as LNG-fueled vessels
- New businesses that help reduce carbon emissions, such as liquefied CO₂ carriers and offshore wind power support vessels
- Environmentally friendly equipment such as Seawing, etc.

Returns to Shareholders

The total return amount during the medium-term management plan period is planned to be ¥800.0 billion or more. We are continuing to actively carry out appropriate dividends and responsive share buy-backs to increase shareholder value.

For FY2025 and FY2026, in addition to annual dividends of ¥120 per share and ¥100 per share respectively, we plan to conduct a responsive additional return delivery of ¥50.0 billion or more.

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

Dividends

Annual dividend forecast

FY2025: ¥120/share

FY2026: ¥100/share

(interim and year-end dividends: ¥60/share each in FY2025)

Responsive Additional Return Delivery

FY2025 to FY2026 (during the medium-term management plan)

Taking the business environment into consideration, we are continuing to review responsive additional shareholder return measures of ¥50.0 billion or more during the medium-term management plan period announced in May 2025

	Actual		Plan	
	FY21-FY23	FY24	FY25	FY26
Dividend and additional shareholder return per share				
Responsive additional return delivery		¥75.2 billion	Taking the business environment into consideration and based on the shareholder return policy, going forward, we are considering... ¥50.0 billion or more responsive additional return delivery	
Share buy-back		¥90.8 billion	¥120/share	¥100/share
Additional dividend		¥60/share	¥80/share	¥60/share
Basic dividend		¥40/share	¥40/share	¥40/share
Total return amount*				
Share buy-back		¥170.0 billion	¥50.0 billion or more responsive additional return delivery	
Additional dividend		¥70.0 billion (¥100/share)	¥80.0 billion (¥120/share)	¥60.0 billion (¥100/share)
Basic dividend				
Total return amount	¥370.0 billion	¥240.0 billion	¥190.0 billion or more	
			Total return amount during the medium-term management plan period: ¥800.0 billion or more	

* Total return amount is rounded to the nearest ¥10 billion

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