“K” LINE Vision 100

FY 2008 – 2011 “K” LINE Group Medium-term Management Plan

Today's Agenda

Background of revisions to "K" LINE Vision 2008^{+}

Theme of 100th-Anniversary Vision "K" LINE Vision 100

- Synergy for all and sustainable growth

"K"LINE Vision 100: business environment and business strategies

- Business environment
- Business strategies
- Numerical targets

Background of revisions to "K" LINE Vision 2008+

Background of revisions to “K” LINE Vision 2008 +
Business-performance trends and overview

Numerical targets for FY 2008 achieved one year in advance thanks to negative factors such as rising fuel and other costs being offset by factors such as business expansion and strong dry bulk market

(Unit: billion yen)

	FY2004 (actual)	FY2005 (actual)	FY2006 (actual)	FY2007 (actual)	FY2008 (planned)	Achievement
Operating revenues	828.4	940.8	1,855.0	1,331.0	1,100.0	◎
Ordinary income	107.2	88.6	63.9	125.9	110.0	◎
Net income	59.9	62.4	51.5	83.0	70.0	◎
ROA	18%	13%	8%	13%	11%	◎
ROE	40%	28%	17%	24%	19%	◎
Interest-bearing debt	239.2	278.2	326.2	329.4	350.0	◎
Shareholders' equity	181.3	257.8	344.8	355.8	400.0	○
Equity ratio	30%	34%	38%	37%	39%	○
DER	132%	108%	95%	92%	88%	○
Payout ratio	16%	17%	21%	20%	20%	◎

◎Achieved ahead of schedule ○Target achieved

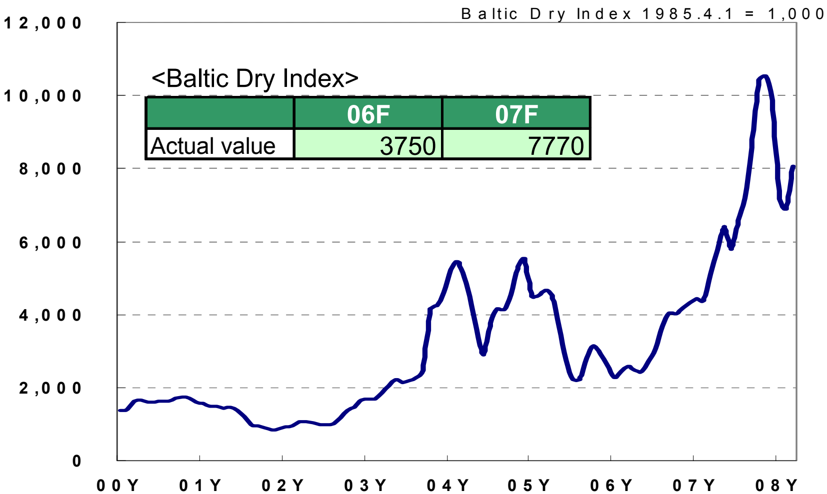
Achieving initial targets for mid-2010’s (sales of 1.5 trillion yen and ordinary income of 150 billion yen) is also feasible.

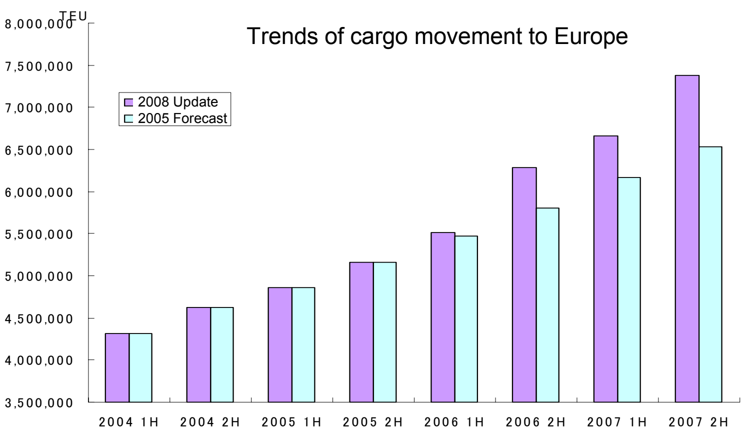
Background of revisions to "K" LINE Vision 2008 +

Dramatic changes in the business environment: positive factors

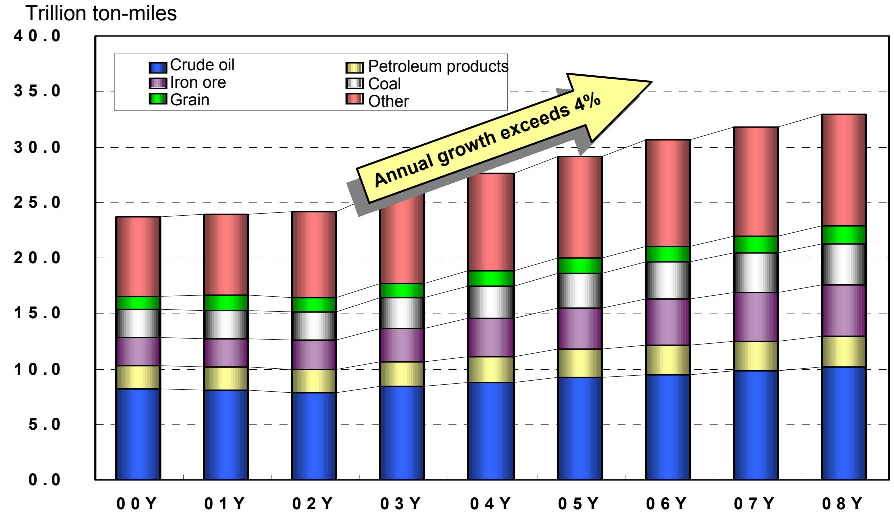
Unprecedented increases in dry bulk market

⇒ **Moves at rates far higher than initially planned**





Growth in seaborne trade volume surpassing assumptions



Notes: 1. Source: Fearnleys Review 2. 2007 – 2008 figures are estimates

- **Rate of growth of container shipments to Europe:**

  Planned: 12% range in 2006-2007; actual: 17% in 2006, 19% in 2007

- **Growth in automotive shipments and shortage of auto vessels**

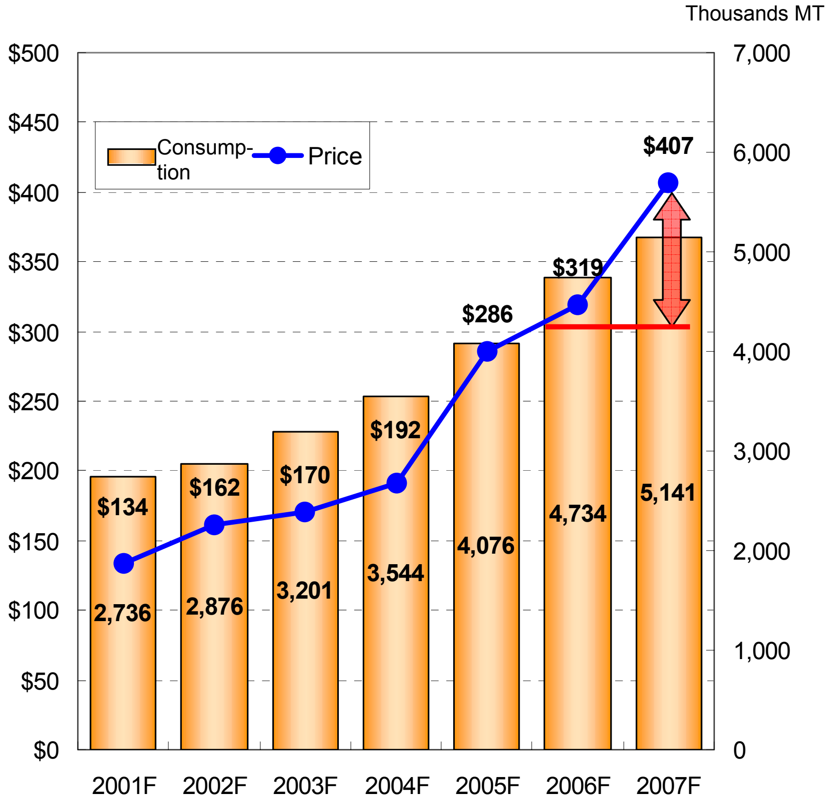
  Growth in exports from Japan and diversification of trilateral shipments

- **Rapid growth in bulk shipments (growing steel demand)**

  Projected world crude-steel production for 2007: increased from 1.19 billion tons to 1.34 billion tons

Background of revisions to “K” LINE Vision 2008 +
Dramatic changes in the business environment: negative factors

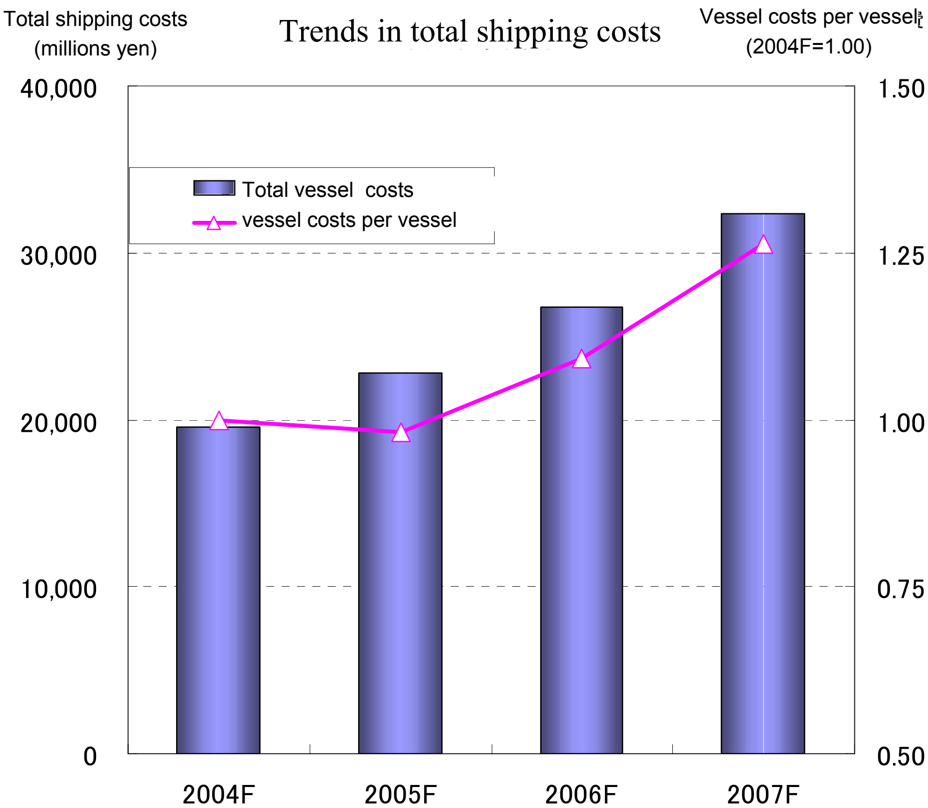
Rising fuel-oil prices



Change in fuel-oil price:

Planned: 300/MT => $407/MT

Rising vessel costs



100th-Anniversary Vision
“K”LINE Vision 100

1919 - 2019

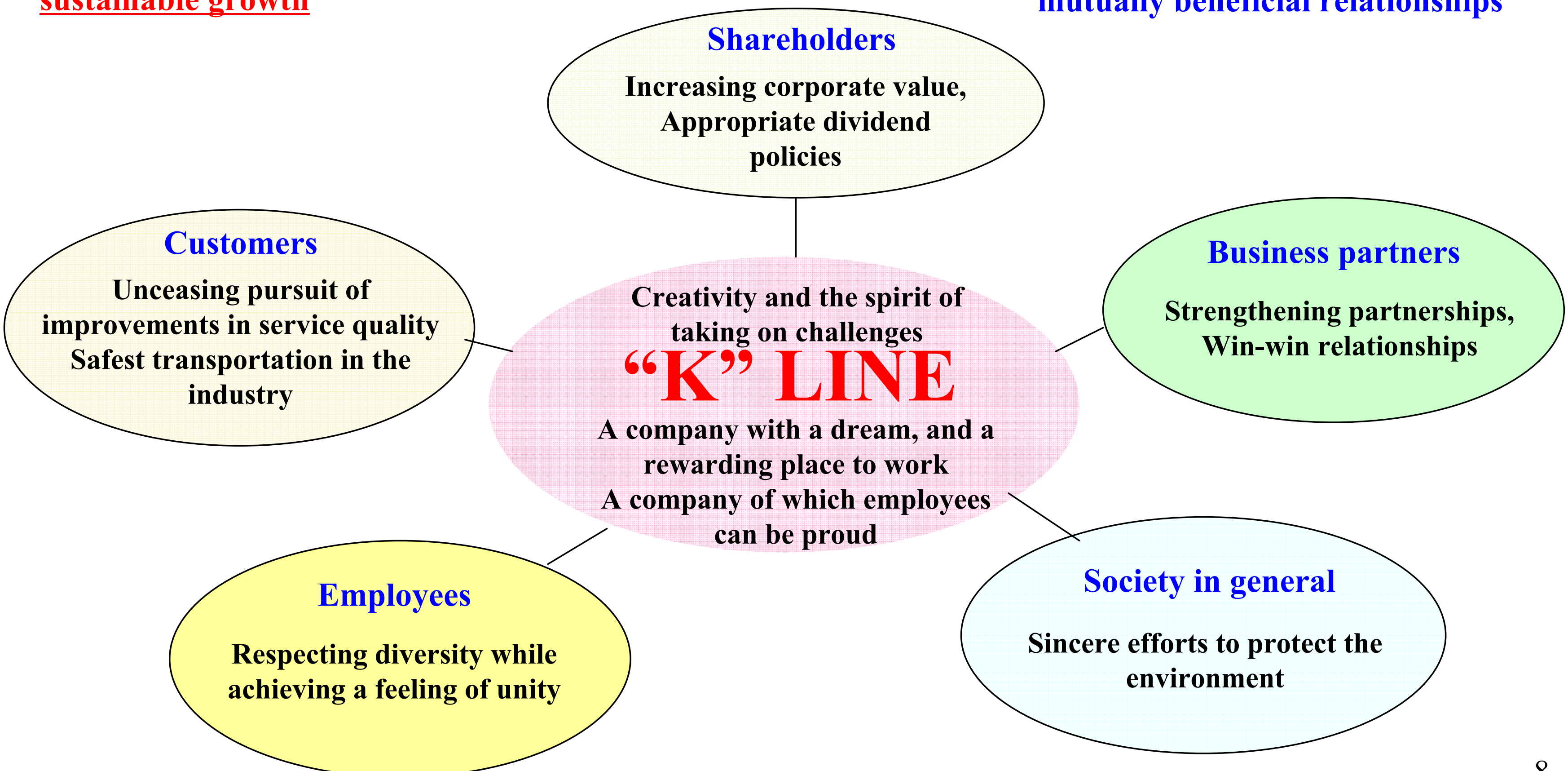
Toward the 100th Anniversary of the Company's founding (2019)

Theme of "K" LINE Vision 100

Theme: Synergy for all and sustainable growth

Achieving synergy for all stakeholders and sustainable growth

"Synergy for all" refers to mutually beneficial relationships



"K" LINE Vision 100
Efforts toward synergy for all and sustainable growth

- **Activities to promote environmental protection**
- **Stable and safe ship operation administration structure**
- **Borderless Management Through the Best and Strongest Organization**
- **Proper allocation of strategic investment and management resources**
- **Improvement of corporate value and complete risk management**

"K" LINE Vision 100
Efforts toward synergy for all and sustainable growth

Activities to promote environmental protection

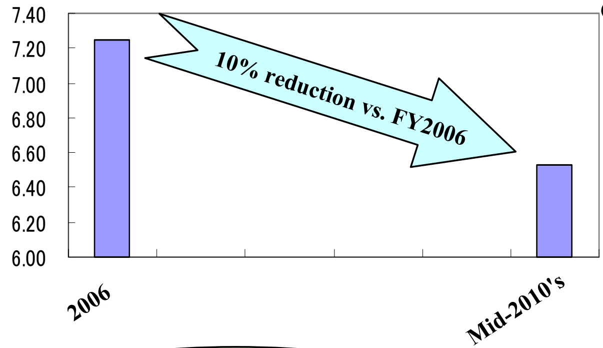
Environmental target:

Emissions of CO_2, SOXs, and NOXs, halon per shipping ton-mile

Target for mid-2010s:

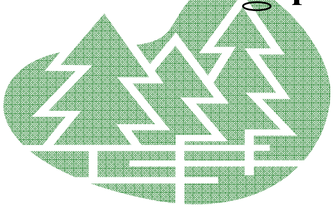
10% reduction vs. 2006

CO_2 emissions per shipping ton-mile



Other activities:

- ○Planting trees
- ○Green Power Partnership



Clean seas

Appropriate management of ballast water

Use of new paints

100% double-hulled tankers

Protecting fuel tanks

Preventing global warming

Appropriate navigation speeds

Use of energy-conservation systems

Effective use of exhaust energy

Use of natural energy sources

Clean air

Expanding use of cleaner fuels

Expanding use of exhaust processing equipment

Expanding installation of electronically controlled engines

Use of land-based power sources

Adoption of hybrid cargo-handling equipment

Environmental Team upgraded to Environmental Management Division on July 1: Making every effort toward improving the earth's environment

Stable and safe ship operation administration structure

Efforts toward synergy for all and sustainable growth

[Borderless Management Through the Best and Strongest Organization]

- ○ Accelerating borderless management through the spread of the "K" Line Standards
- ○ Strengthening overall abilities by bringing together Group knowledge and expertise
- ○ Dramatic improvements in worker productivity
- ○ A bright, vibrant workplace
- ○ Industry-leading competitive strength

"K" LINE Vision 100
Efforts toward synergy for all and sustainable growth

Proper allocation of strategic investment and management resources

Toward a fleet size of approximately 900 vessels in FY 2019: investing approximately 1.18 trillion yen on 180 vessels over the period 2008 - 2011

(Unit：vessels)

Vsssel type	End of FY2007	Fleet improvement plans					End of FY2011	Mid-2010's	End of 2019 (100th anniv.)
		FY2008	FY2009	FY2010	FY2011	Four-year plan			
Container	99	4	15	15	9	43	132	Approx. 750-ship fleet	Approx. 900-ship fleet
Dry Bulker	169	13	16	16	20	65	225		
Car Carrier	102	4	10	8	5	27	106		
LNG	34	14	1	0	0	15	48		
Oil Tanker	28	4	5	0	4	13	45		
Heavy Lift	15	3	1	3	0	7	18		
Offshore	0	0	0	3	3	6	6		
Other	52	2	0	1	1	4	60		
Total	499	44	48	46	42	180	640		

○ **Establishing a stable profitability structure in existing businesses:**
Aggressive investment toward strengthening foundations in container, car carrier, and bulk sectors
Energy transportation sector: strengthening profitability through efforts focused on new shipping demand

○ **Growing new businesses into profitable ones**
Heavy lift: building the top state-of-the-art fleet in the industry
Offshore business: assigning the latest offshore support vessels to the North Sea and expanding size and target waters of this business

○ **Advancing investment based on internal financial rules**

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Efforts toward synergy for all and sustainable growth

Improvement of corporate value and complete risk management

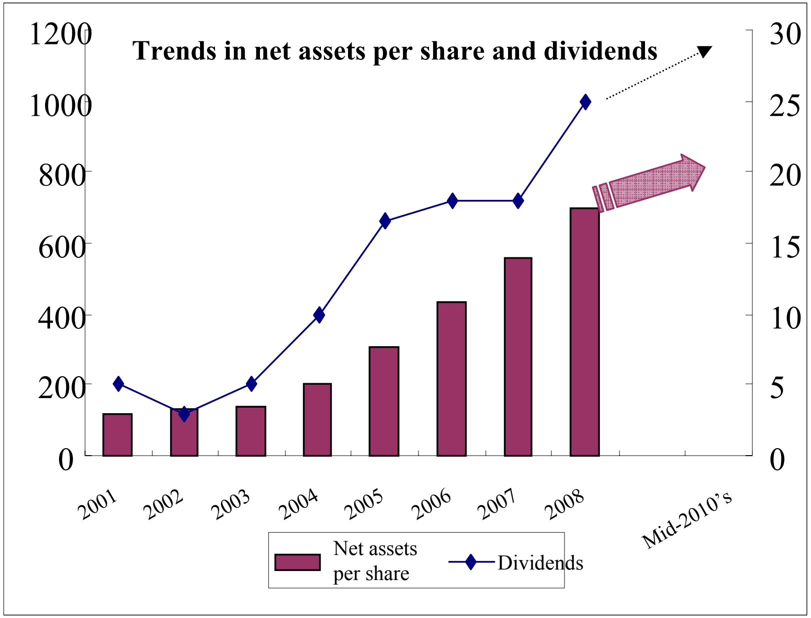
Dividend policy:

•Allocation to capital investment, etc.

•Enhancing corporate quality => retention of funds

•Maximizing returns to shareholders

Payout ratio: aiming at a ratio of 25% in 2011 with a goal of 30% for the mid-2010s, and gradually increasing this ratio



Risk management

(i) Disaster response and business continuity plans

(ii) Responding to potential risks

Market risk:

Global recession due to U.S. credit crunch

Changes in market rates due to changes in demand-supply relationship

Inflation risk:

Rising ship costs, charter costs, ship-management costs, and fuel-oil prices

Exchange-rate risk:

Effects of exchange rates (falling value of the dollar) on revenues and expenditures

HR risk:

Shortages of experienced personnel and seafarer

Risk of hostile takeover:

Risk of hostile takeover due to falling stock prices

Safety/environmental risks:

Risks of oil spills and marine pollution

Disaster risk:

Large-scale earthquakes, new strains of influenza

“K” LINE Vision 100

- Business Strategies -

Business strategies for the coming four years in preparation for the 100th Anniversary (2019)

“K” LINE Vision 100

Mid- to long-term (2010s) forecasts for management environment

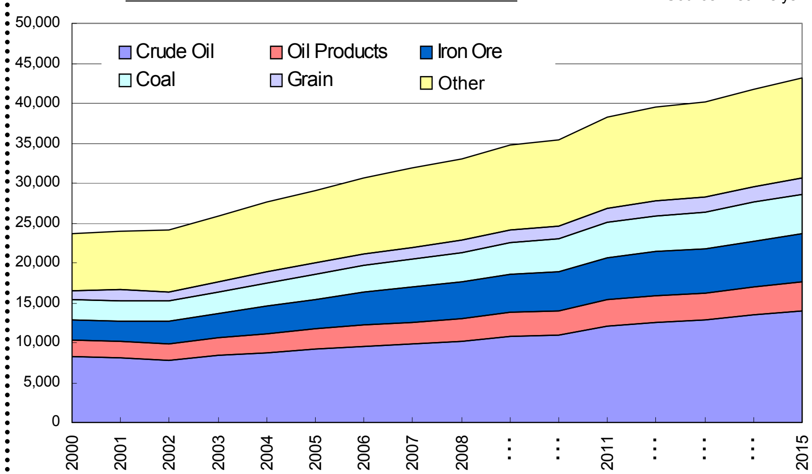
Global macroeconomic environment

- Multipolarization of economy (BRICs and VISTA), rapid growth in India
- Continued growth in consumption due to population growth and living-standard improvements
- Continued high resource demand (in particular for coal)
- Diversification of targets for investment of abundant surplus capital worldwide
- Growth of environmental businesses

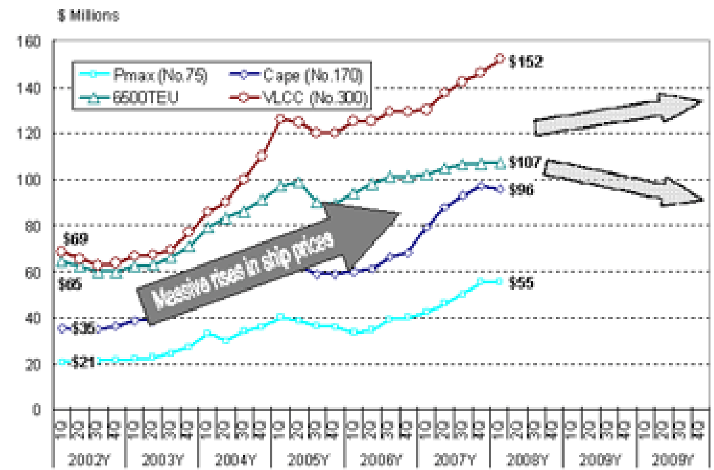
Trends in marine transportation

- Diversification of seaborne trade and continued increase in ton-miles
- Trend toward slower pace of vessel supply over the mid- to long term (due to crew shortages and rising costs such as those of shipbuilding, vessel management, and fuel oil)
- Shutout of maritime companies with inadequate safety and environmental measures

Trends in world seaborne trade volume



Rising ship prices



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Mid-term business strategies: containership business

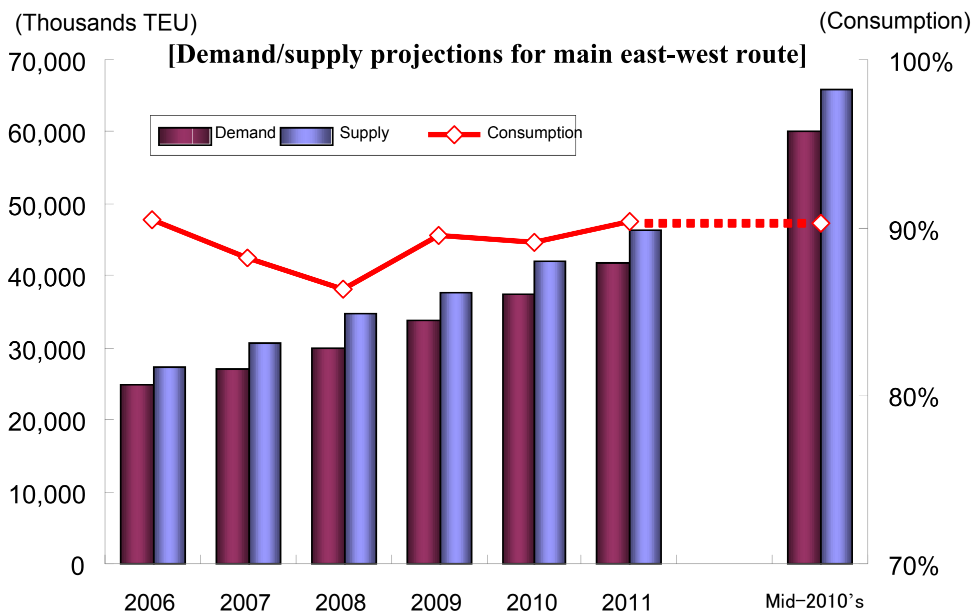
[Business environment]

Continued growth of the container-vessel market

- Worldwide population growth and specialization of production
- Growing purchasing power of emerging markets and oil-producing nations

[Container cargo movement forecasts]

Route	2007F	2008F	2009F	2010F	2011F
Asia – N. America	1%	1%	7%	5%	5%
Asia – Europe	19%	15%	15%	15%	10%
East-west route average	9%	8%	9%	8%	8%



[Business strategies]

- Responding to globalization of customer base through expansion of service network (growth of business on north-south routes and in emerging markets)
- Strengthening competitive abilities through continued fleet and terminal improvements
- Pursuit of safe operation with a focus on environmental protection

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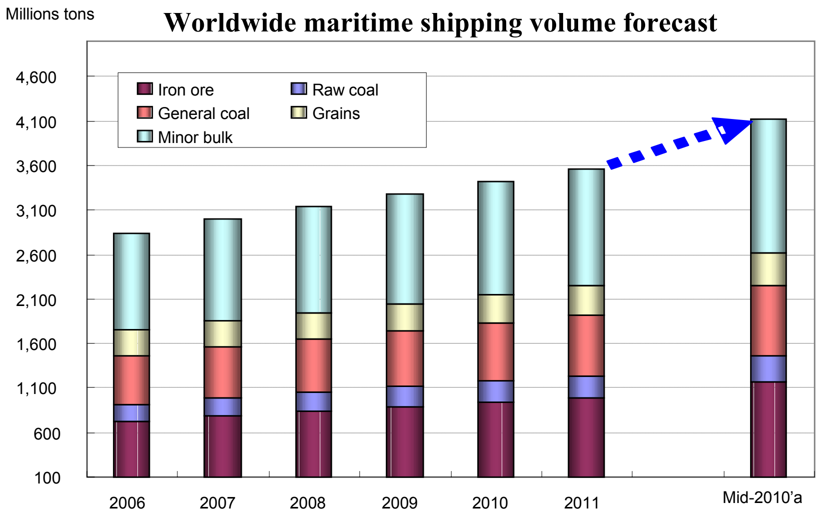
Mid-term business strategies: dry bulk carrier business

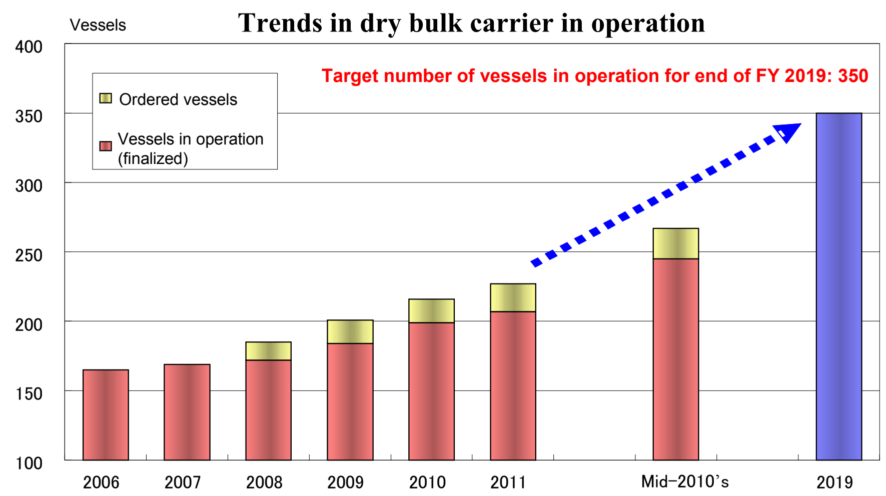
[Business environment]

- **Continued growth in dry bulk carrier demand**
  - ◆ Dramatic growth in shipping of resources due to rapid economic growth in emerging markets
  - ◆ Infrastructure improvements unable to keep up with increased demand: chronic congestions
  - ◆ Use of more remote sources of resources and grains: growth in ton-miles



[Business strategies]

- **Acceleration of global business development: advancing into Asia, Europe, and the Middle East market**
- **Differentiation through provision of high-quality services capable of responding to diverse customer needs**
- **Aggressive fleet expansion**



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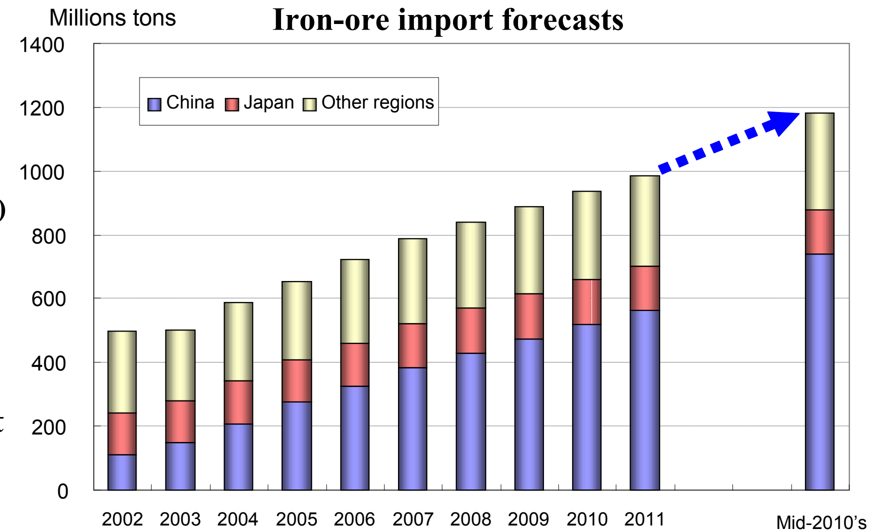
Mid-term business strategies: dry bulk carrier business (Coal and Iron Ore Carrier)

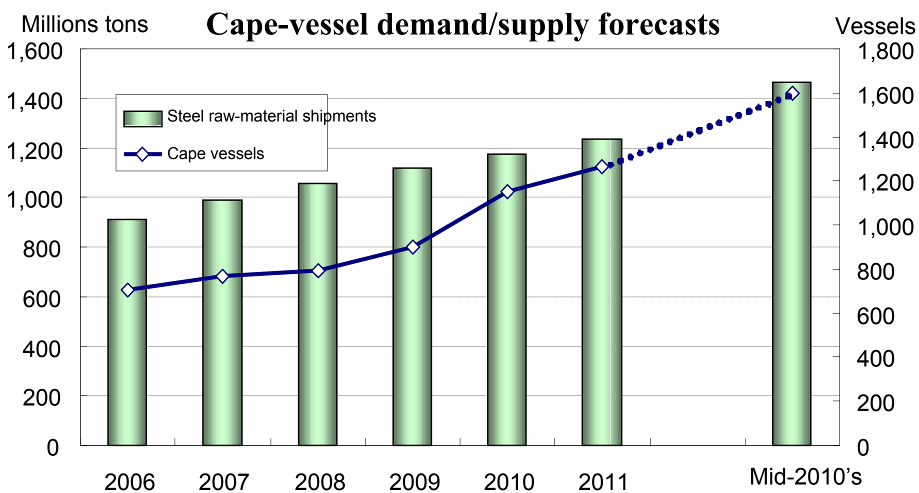
[Business environment]

- Continued growth in global crude-steel production:
  - 2006: 1.25 billion tons (including 420 million tons in China)
  - 2007: 1.34 billion tons (including 490 million tons in China)
  - 2011: 1.6 billion tons (including 600 - 700 million tons in China)
- Increasing Chinese iron-ore imports
  - 2007: 380 million tons
  - 2011: 500 - 600 million tons
- India, Brazil, Eastern Europe, Middle East:
  - Increased demand for steel products: increased shipment of steel raw materials



[Business strategies]

- One of the world's top operators of cape size bulkers
  - 100 vessels in operation
  - Aiming at a worldwide market share of 10% in steel raw-material shipments
- Global business development
  - Strengthening of overseas facilities in London, Singapore, Shanghai, India, South Korea, etc.
- Strengthening stable profitability structure through mid- to long-term contracts
- Increasing market-linked ratio



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Mid-term business strategies: dry bulk carrier business (Bulk Carrier)

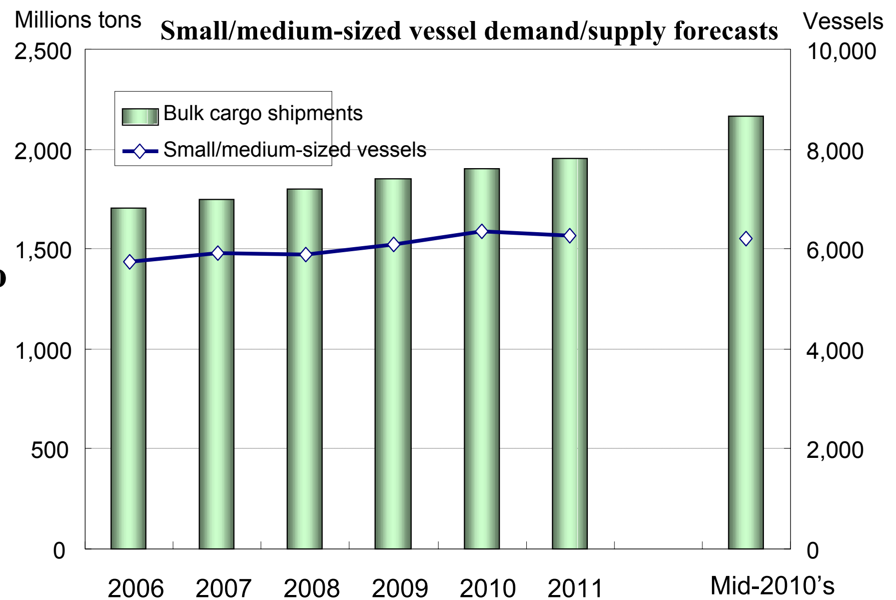
[Business environment]

- Growth of general coal imports in emerging markets
- Increase in shipments of steel products due to construction of new blast furnaces in raw-material-producing countries
- Increase in shipments of grains due to population growth and living-standard improvements
- Increase in demand for high-quality vessels due to aging of Small Handy bulkers

[Business strategies]

- Provision of high-quality services through state-of-the-art fleet improvements
- Advancing business into Atlantic waters and expanding in Asia
- Growth of ratio of mid- and long-term contracts
- Growth in cross trade of steel products and half-finished products

Small/medium-sized vessel demand/supply forecasts



(Cargo movements: Thermal coal, grains, minor bulk)

* **Panamax and Handymax are expected to be dismantled after 27 tonnage years, and Small Handy is expected to be dismantled after 30 tonnage years.**

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Mid-term business strategies: dry bulk carrier business (Thermal Coal , woodchip and Pulp Carrier)

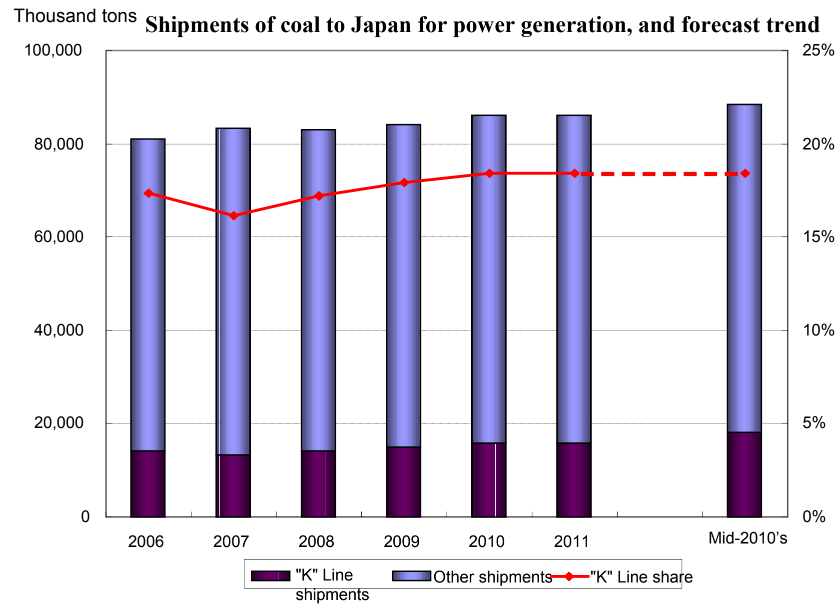
[Business environment]

- **Size of thermal coal market in Japan: 75 - 85 million tons**
- **Growth in thermal coal shipments on a global scale**
- **Growth in demand for woodchip carriers for China**
- **Growth in new lightweight-cargo shipments such as soy cake in the Atlantic**

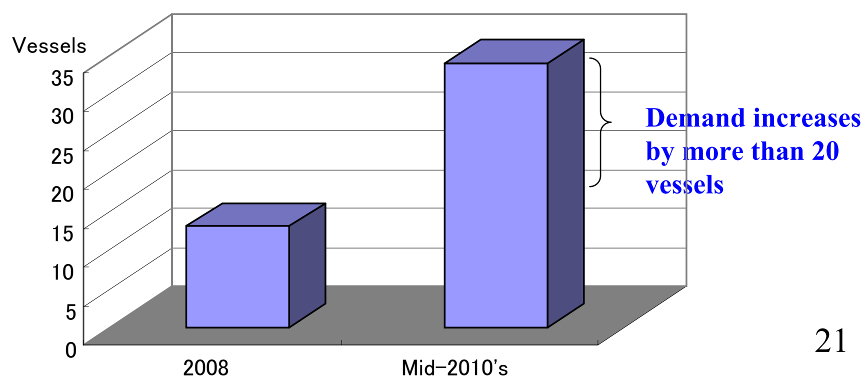
[Business strategies]

- **Expansion of one of the world's largest post-Panamax free fleets, centered on Corona-type vessels**
- **As part of the coal supply chain, developing a ship management structure directly linked to safe operation, and expanding the competitive high-quality fleet**
- **Expansion of shipment volume to domestic power companies and advancing into shipments of thermal coal to Asia and Europe**
- **Overseas expansion focused on woodchip shipments on cross trades**
- **Obtaining new lightweight cargo business using woodchip vessels**

Shipments of coal to Japan for power generation, and forecast trend



Overseas chip vessel/COA demand forecasts



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Mid-term business strategies: Car Carrier

[Business environment]

- Continuous growth in global auto-sales market
  - 2008: 70 million vehicles
  - 2011: 81 million vehicles
  - Mid-2010's: approx. 90 million vehicles

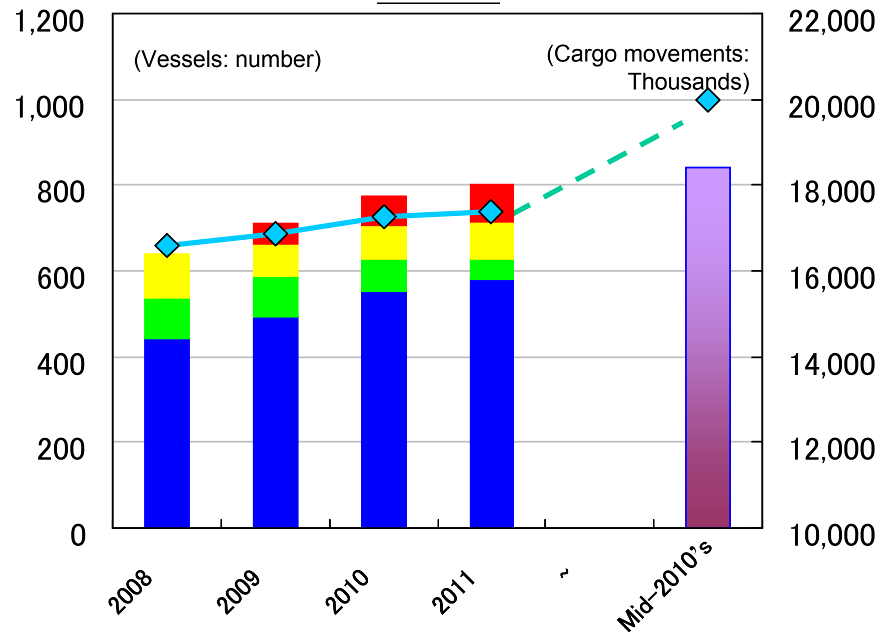
- Continuous growth in global shipments
  - 2008: 16.6 million vehicles
  - 2011: 17.4 million vehicles
  - Mid-2010's: approx. 20 million vehicles

[Business strategies]

World-leading service quality and improvements to and expansion of route network

1. Reexamining safety- and quality-management rules, and providing high-quality products that can earn customers' trust
2. Advancing environmental-protection efforts together with customers
3. Fleet and service-network improvements in response to growing demand
4. Aggressive and flexible responses to new customer needs in emerging markets and elsewhere

Worldwide vessels and cargo movements forecasts



		2008	2009	2010	2011	Mid-2010's	
Number forecast	Total	638	711	772	803	840	(vessels)
Excluding vessels of 30 tonnage years or more		638	664	706	713		(vessels)

1. The number of vessels is a simple sum of the vessel numbers of each car carrier operated in the market.
2. Vessels (left axis): Categorized by tonnage years
   - Under 20 tonnage years or more
   - 20 tonnage years or more
   - 25 tonnage years or more
   - 30 tonnage years or more
3. Cargo movements (right axis): Polygonal curve

“K” LINE Vision 100

Mid-term business strategies: Energy Transportation and Oil Tanker

[Business environment]

- Continued growth in demand for shipment of energy resources
- Removal of single-hull tankers in stages
- Increased demand for petroleum and chemical products transportation and diversifying trade
- High demand for shift to clean energy, to protect the environment
- Increased demand for deep-sea oil and gas field development
- Increased demand for energy-storage facilities

[Business strategies]

- Positioning safe transportation as the greatest brand strength
- Business concept: stable revenues over the long term
- Expansion of business domains

  Development and promotion of the following businesses to expand business domains from LNG and crude-oil shipment and to increase revenue opportunities and synergy effects:

  - CNG, chemicals
  - Offshore support vessels, drilling ships, FPSO, FSRU/SRV,
- Organizational enhancement

  Establishing the Energy Transportation Business Development Group in July 2008 to improve results and increase speed of strategic businesses and business expansion in fields such as CNG and chemicals

"K" LINE Vision 100

Mid-term business strategies: energy transportation and tanker business (LNG Carrier)

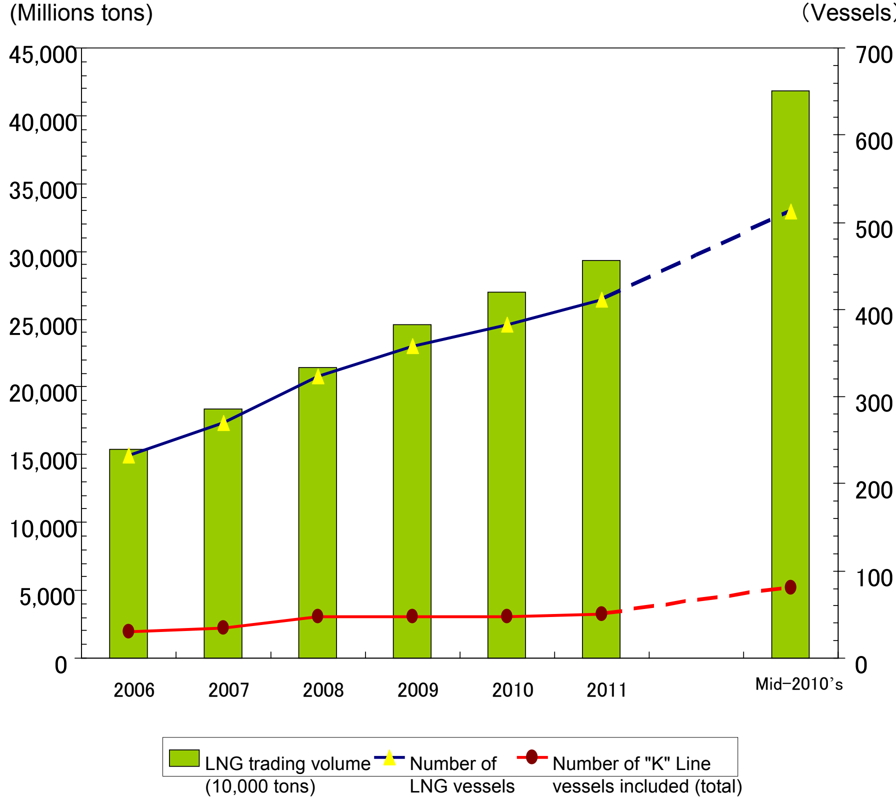
[Business environment]

- Continued growth in LNG demand worldwide
- Delay of implementation of LNG projects
- Rising LNG price, price differential among regions
- Increase in spot cargo and short- to mid-term chartering
- Globalization of LNG transactions

[Business strategies]

- Securing long-term stable profitability with expansion of ships owned and managed
- Establishment and strengthening of a global business structure (sales and ship management)
- Aggressive efforts in the areas of gas-field development and upstream/downstream businesses, such as CNG vessels

LNG demand/supply forecasts



Source:
LNG demand and the number of vessels: Poten & Partners and "K" LINE forecasts

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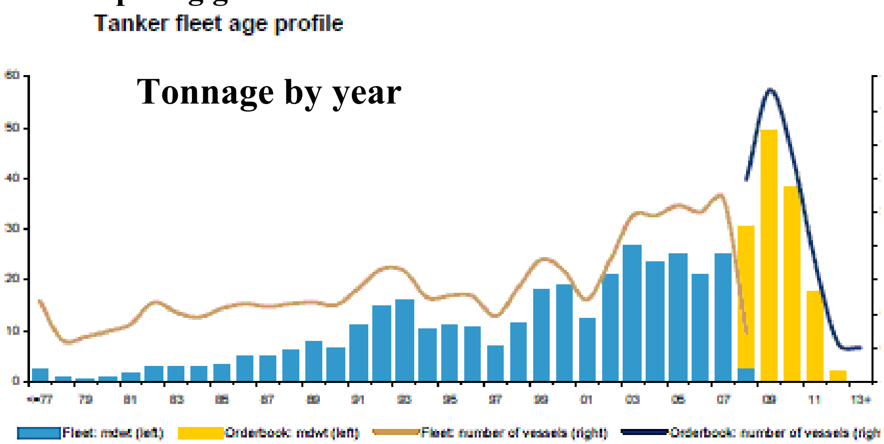
Mid-term business strategies: energy transportation and tanker business (oil tanker segment)

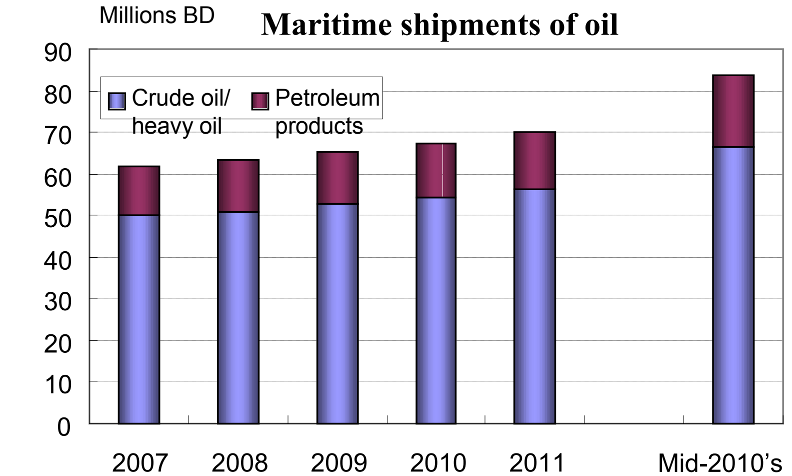
[Business environment]

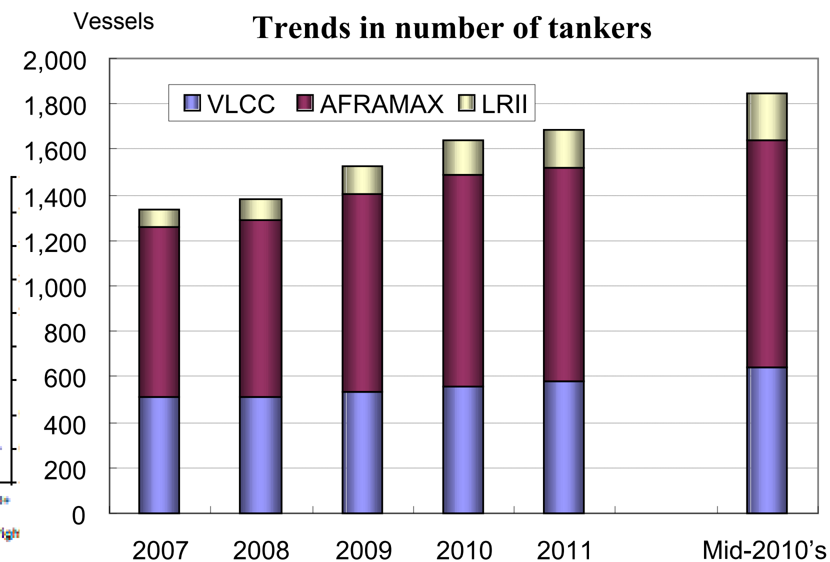
- Continued growth in oil demand
- Increased needs for high-quality services focused on safety and the environment
- Risk of excess vessel supply < booming trend in demand over the medium term

[Business strategies]

- VLCC: Efforts directed at overseas customers (major oil companies, etc.)
- AFRAMAX: Further strengthening of existing presence
- Product tankers: Globalization of service areas
- LPG vessels: Expansion into transportation of liquid gases in general (not including LNG) in addition to LPG
- Chemical tankers: Expansion into new businesses anticipating growth in demand







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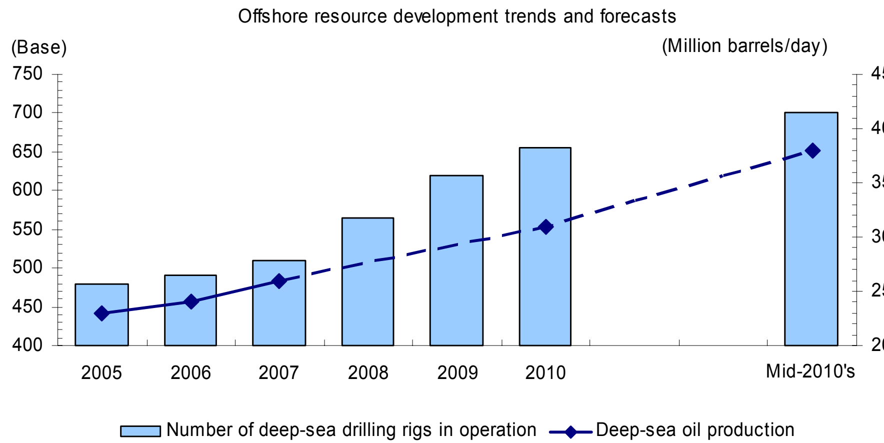
Mid-term business strategies: energy transportation and tanker business (offshore vessel segment)

[Business environment]

- Enlivening offshore resource development
- Expansion of marine resource development to deepwater and far-offshore areas
- Demand for environmentally-sensitive vessel specifications
- Promotion of demand for replacement of aged vessels



Source: OSC/Platou and “K” LINE forecasts

[Business strategies]

- Introducing the latest large vessels to the North Sea
- Establishing a foundation for the Company's brand
- Expanding fleet size and waters when service is provided
- Supported by high quality ship operation and management services

“K” LINE Vision 100
Mid-term business strategies: heavy lift business

[Business environment]

- **Continued strong demand for construction of petrochemical plants in oil-producing nations, backed by abundant oil money**
- **Growing demand for construction of new nuclear power plants as one means of fighting global warming**
- **Concerns about market softening due to completion of a large number of heavy-cargo ships in 2010 and later**

However, firm demand for shipment of very heavy cargo will continue

[Business strategies]

- **Improving our state-of-the-art heavy cargo ship fleet, being in the world’s top class**
- **Pursuing synergies with K Line Offshore AS, utilizing offshore vessels**

New vessels:
20-knot speed, with environmental protection equipment

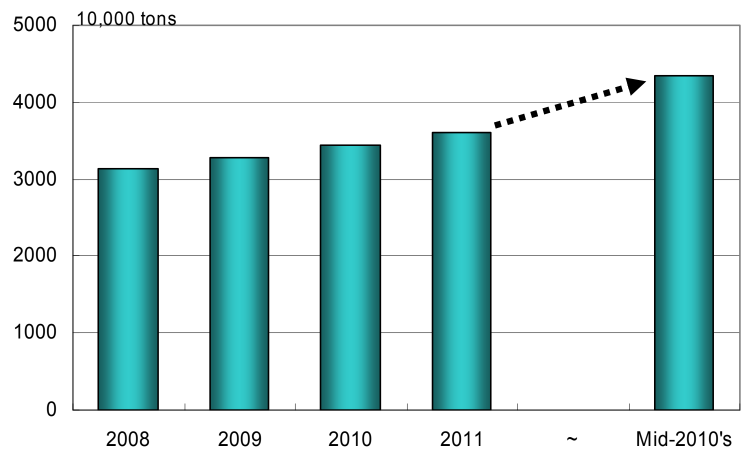
- **Model 176: four vessels with lift capacity of 1400 tons (Feb./April/Oct. 2008 and Jan. 2009)**
- **Model 179: four vessels with lift capacity of 2000 tons (April/June/Oct./Dec. 2010)**
  Offshore specifications

"K" LINE Vision 100
Mid-term business strategies: logistics business

[Business environment]

- Continued steady growth of logistics business worldwide
- Acceleration of consolidation
- Intensification of competition among logistics firms, including integrators
- Dramatic changes in logistics needs in areas such as SCM
- Increased expectations and demands for environmental efforts in the logistics business

Worldwide air cargo shipment demand forecast



[Business strategies]

- Project development anticipating logistics needs
- Global partnerships with customers
- Providing locally oriented services
- Shifting to a logistics group powered by "K" Line Logistics
- Increasing the speed of strengthening the business infrastructure, through business and capital tie-ups

Seeds of new businesses, directed toward the mid-2010’s and our 100th Anniversary

- Compressed natural gas (CNG) carrier
- Upstream/downstream energy-related businesses
- Environmental businesses (exhaust control, research into next-generation vessel propulsion systems, etc.)
- Ship repair business

“K” LINE Vision 100: numerical targets

Performance/financial targets

(Unit: billion yen)

	FY2007	FY2008	FY2009	FY2010	FY2011
Operating revenues	1,331.0	1,340.0	1,450.0	1,600.0	1,750.0
Ordinary income	125.9	121.0	135.0	145.0	160.0
Net income	83.0	78.0	85.0	95.0	105.0
ROA	13%	12%			10% or higher
Shareholder's equity	355.8	426.0			680.0 or higher
Equity ratio	37%	37%			40% or higher
DER	93%	100%			85% or lower
Interest-bearing debt/ operating CF	2.3	4.2			3.5 or lower
Payout ratio	20%	22%			25%

Mid- 2010’s: sales of 2.2 trillion yen
100th-Anniversary Vision: sales of approx. 3 trillion yen

“K” LINE Vision 100: numerical targets

Assumptions of this plan

	FY2007 (actual)	FY2008 (planned)	FY2009 (planned)	FY2010 (planned)	FY2011 (planned)
Baltic Dry Index	7770	6900	5500	4100	3500
CAPE (US$/day)	125,000	100,000	80,000	60,000	50,000
PMAX (US$/day)	60,000	60,000	50,000	30,000	25,000
HMAX (US$/day)	48,000	50,000	40,000	25,000	25,000
VLCC (WS)	95	100	100	100	110
Exchange rate (YEN/US$)	115	100			
Bunker rate (US$/MT)	407	520 (Oil price: US$100/bbl at Dubai)			

Sensitivity on profit and loss (FY 2008)

Change in exchange rate :	1 yen/US $	⇒	profit/loss change in approx. 1.4 billion yen
Change in bunker price :	US$10/MT	⇒	profit/loss change in approx. 2.6 billion yen
Market (dry bulk) change :	US$1,000/day	⇒	profit/loss change in approx. 1.7 billion yen