

C. Management Plan

C-1 : Positioning of Management Plan

- This plan begins in FY2020 and maps “K” Line Group’s direction through the mid-2020s or even beyond
- The plan assumes that the business environment surrounding “K” Line will change dramatically, including factors related to the novel coronavirus (COVID-19) crisis; the plan, therefore, includes specific business policies and initiatives to cope with current challenges, as well as financial forecasts, for the first two years of the plan (FY2020 and FY2021)
- For FY2022 and beyond, financial targets have been set for mid-2020s and the end of the 2020s
- Future financial targets will be revised annually moving forward

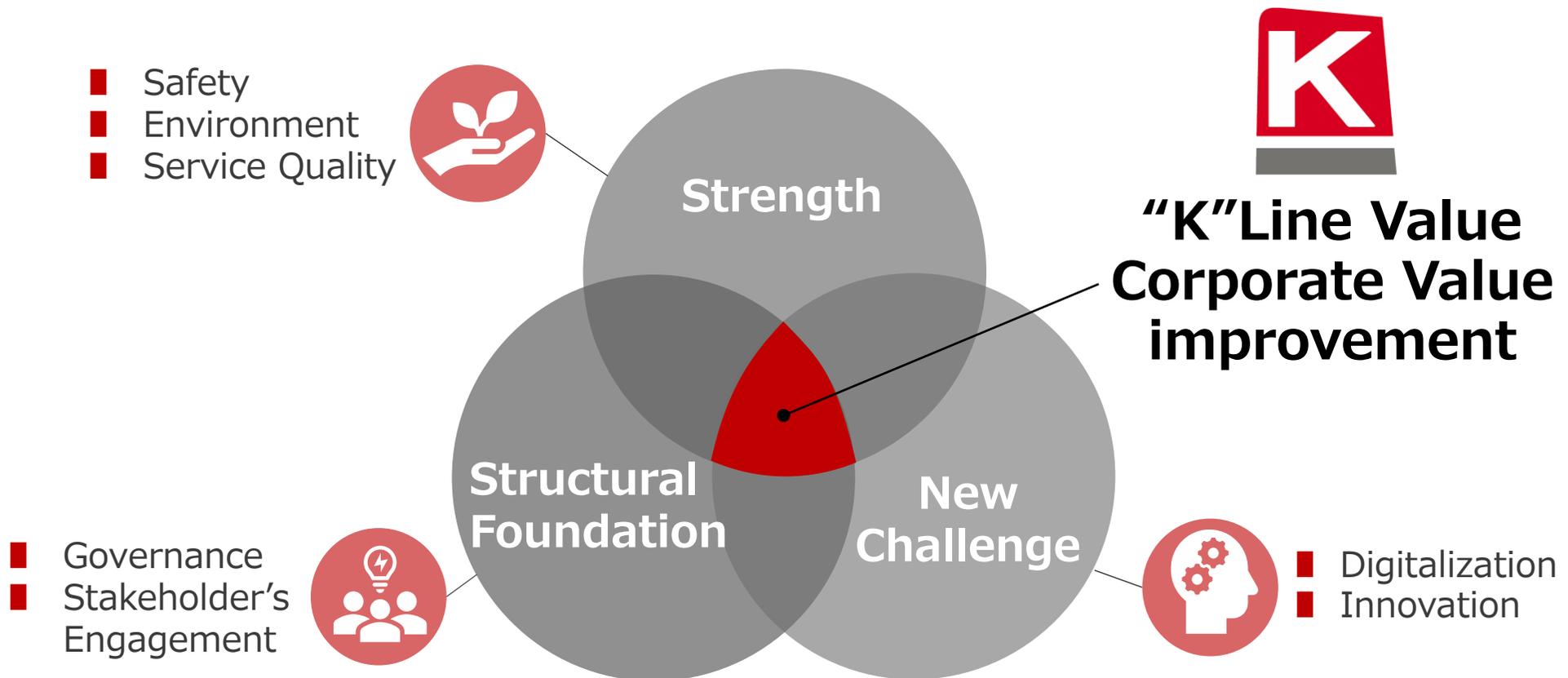
C-2 : Review of Previous Medium-term Management plan

“Revival for Greater Strides”

- Rebuilding Portfolio Strategy ●-----○ Spun off Containership Business, withdrew from Heavy Lifter and Product Tanker Businesses, and reorganized domestic Port Business
- Advancement of Management and Function-specific Strategies ●-----○ Established structures for quantifying the risk associated with each business and class of vessel, and for measuring levels of risk as guidelines for investment decisions
- ESG Initiatives ●-----○ Conducted environmental activities in accordance with “K” Line Environmental Vision 2050, implemented K-IMS combining safety and environmental initiatives, and introduced automated power kites and other cutting-edge technologies
- Return to profit in three years from FY2017 ●-----× Posted a loss in FY2018 due to missteps in launching ONE, deteriorated market conditions, and implementation of structural reforms
- ROA (ordinary income) in stable income businesses ●-----○ Achieved 6% ROA for stable-income business
- Ratio of Shareholders’ equity ●-----× Failed to achieve mid-20s % equity ratio target due to lower profitability and implementation of structural reforms
- Dividend Policy ●-----× Initiatives to enhance financial strength and stabilize the business foundation are ongoing, and continued efforts will be made to reinstate dividend payments as early as possible

C-3 : Corporate Vision ~ **K**:trust from all over the world ~

- Aiming to be the company of choice among its stakeholders, continually growing as a professional logistics enterprise focused on maritime shipping



C-4 : Post-COVID-19 External Environment

Global environment

- Transformation of global values, behaviors, at faster pace
 - Contactless society and behaviors become the new norm (changes to behaviors, economic values, and people/goods movements)
 - Rising importance of environmental, AI, and digitalization initiatives
 - Higher geopolitical uncertainty resulting from COVID-19

Maritime shipping environment

- Risk & Opportunity
 - Changes to customers' business environments and needs
 - Supply source diversification and change
 - Strengthening and accelerating environmental initiatives
 - Accelerating service differentiation using AI/digitalization
 - Rising awareness of safety, quality
 - Improvement of contactless services

Changing customer business environment

- Steelmaker manufacturing structure trends
- Global, domestic energy policy trends
- Automotive industry trends such as connected, autonomous, shared, electrified (CASE) vehicles
- Possible rise of trade protectionism linked to U.S.-China relations
- Supply chain changes due to risk dispersion to cope with unexpected events (local production for local consumption, repatriation of manufacturing, etc.)
- Capital investment constraints

- Gradual increase in global population continues
- Global economy to return to growth path in medium term
- Maritime shipping to continue to grow

C-5 : Forwarding to Growth in Corporate Value (Business Policy in FY2020 and FY2021)

- Firmly protecting our business in the short term
 - Pursuing business scale rather than fleet scale -
 - ▶ Rationalize fleet scale
 - ▶ Refocus investments

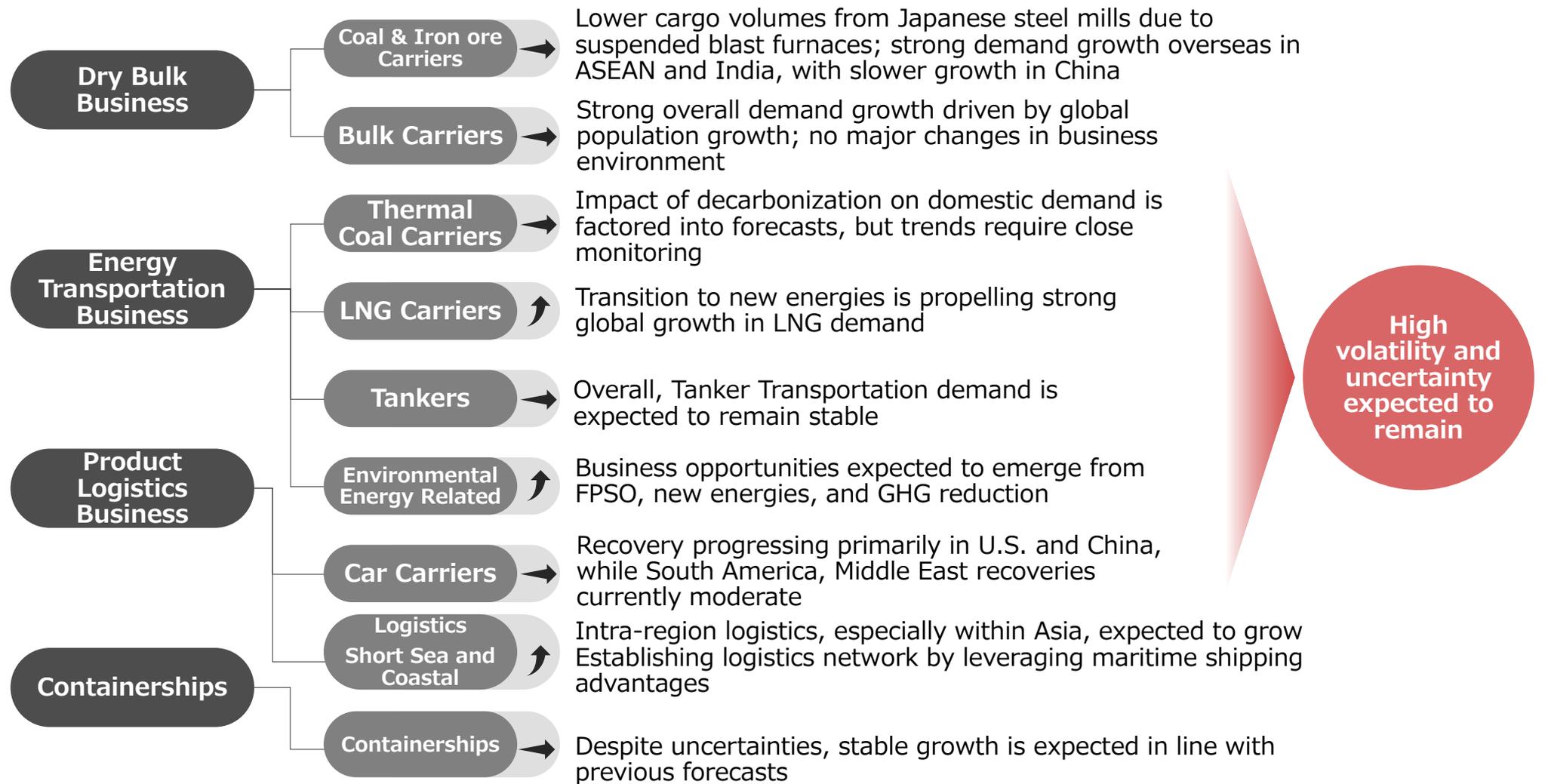
- Firmly addressing priorities
 - ▶ Expand and accelerate safety, environment, and quality initiatives
 - ▶ Strengthen technical and sales capabilities to drive growth strategies

- Secure liquidity on hand and expand capital base
 - ▶ Secure liquidity: Equal to more than three months' revenues, including commitment line
 - ▶ Expand capital base: Sell and dispose of vessels and other assets

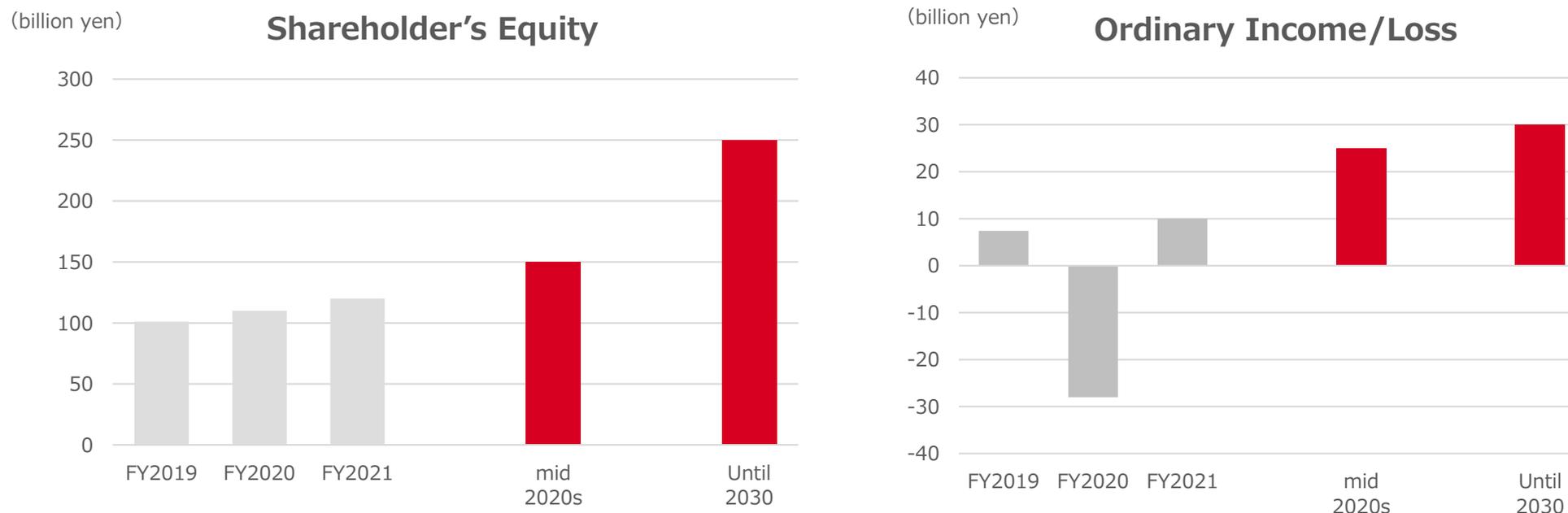
- Set detailed strategies and thoroughly implement progress management

C-6 : Medium-term Business Environment Forecast

Currently, the demand decline caused by the COVID-19 crisis is expected to bottom out in the first half of FY2020 and will recover after the second half of FY2020 or beyond.



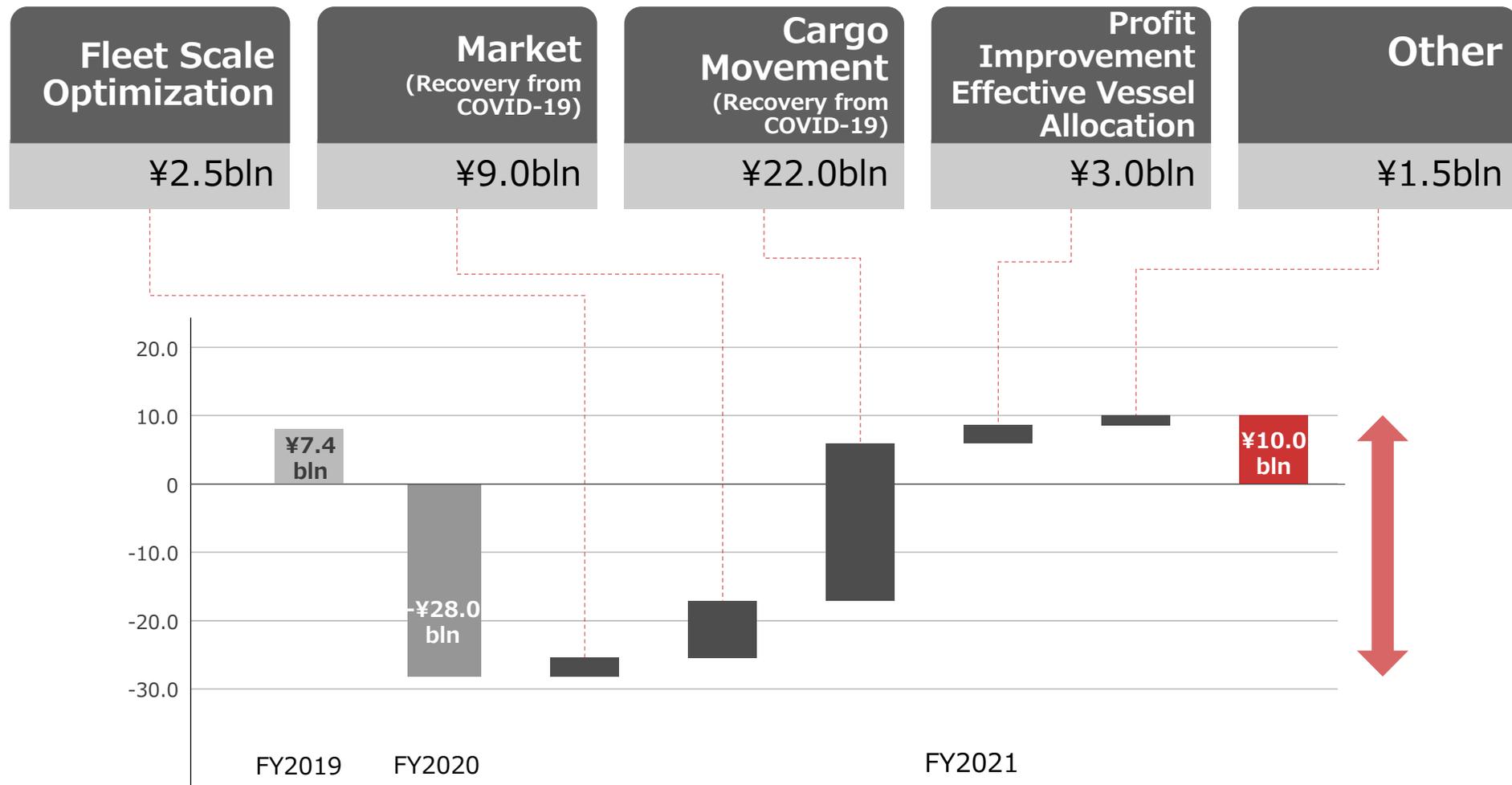
C-7 : FY2020 & FY2021 Ordinary Income/Loss and Shareholders' Equity Forecasts; Medium- and Long-term Targets



- FY2020 ordinary loss of 28.0 billion yen forecast, while net income expected to break even after asset sales, among others
- FY2021 ordinary income and net income expected to improve to 10.0 billion yen level
- Mid-2020s medium-term target of ordinary income of 25.0 billion yen
- Mid-2020s medium-term target of more than 150.0 billion yen in shareholders' equity through steady improvement; shareholders' equity ratio target of 20%
- FY2030 targets: ordinary income of 30.0 billion, shareholders' equity of 250.0 billion yen, shareholders' equity ratio of 30%

C-8 : Profit Improvement Factors toward FY2021(Versus FY2020)

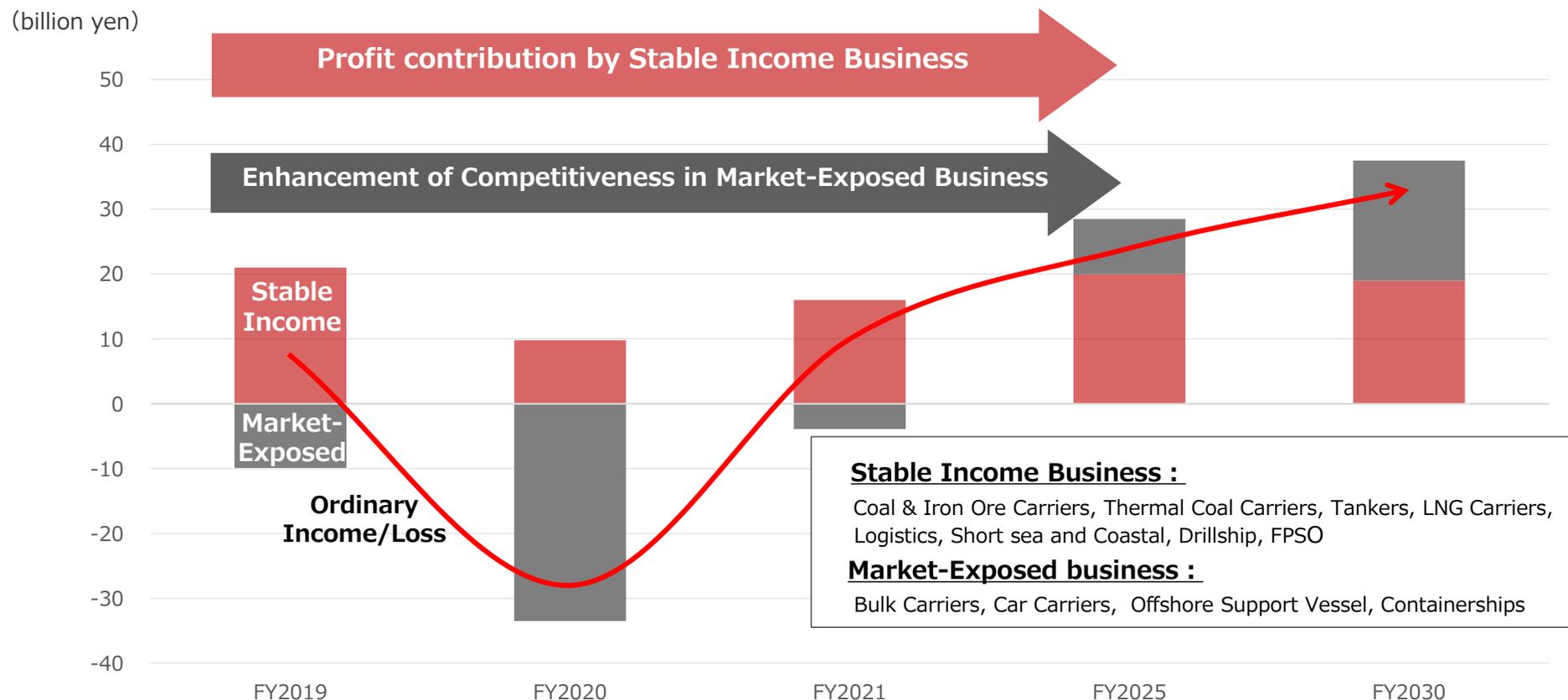
- Recovery from tentative demand deterioration but full-scale recovery to be after FY2022 and beyond



▸ Results expected to rebound to FY2019 levels before further recovery in FY2022 and beyond

C-9 : Budget Plan : Image of Ordinary Income/Loss

- Stable Income Business : Gradual increase in stable profits
- Market-Exposed Business : Increase profit further through fleet scale optimization
- Containerships Business : Hire income from ONE will decline as chartered vessels are gradually returned, while ONE's business will transition to a market condition model



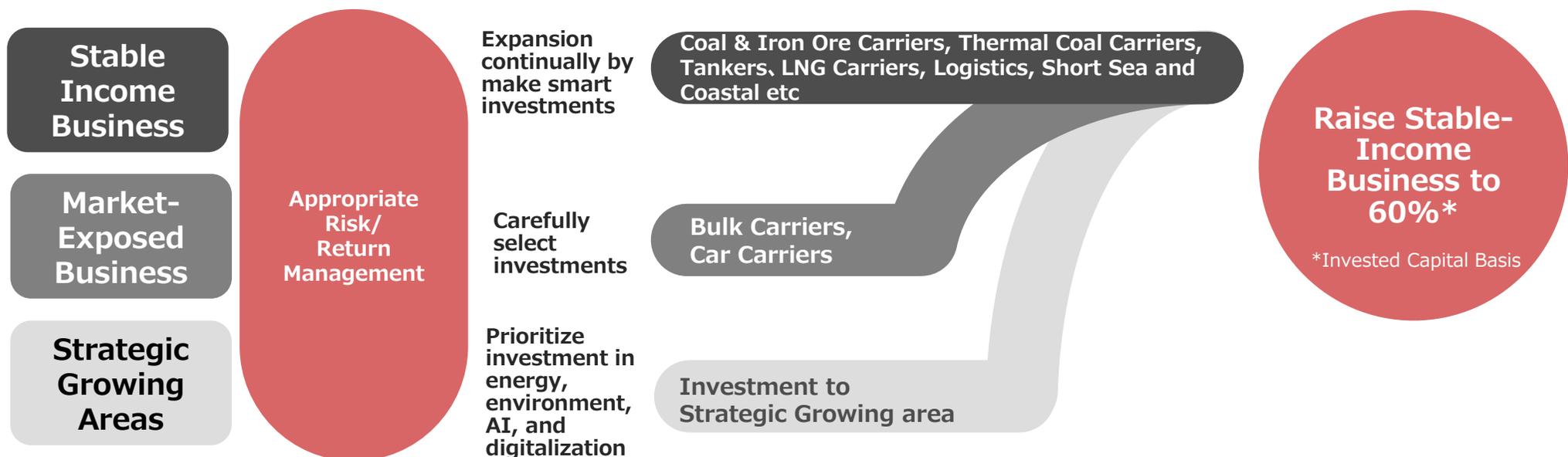
C-10 : Fleet Scale Optimization

- Fleet scale is adjusted and optimized to meet demand and expand our revenue in order to maintain and expand Stable-Income business and enhance competitiveness of Market-Exposed Business
- Fleet reduction plan of more than 20 vessels in FY2020, including Cape-size, Panamax-and smaller-size bulkers, Woodchip carriers, Thermal coal carriers, and Car carriers
- Fleet scale will continue to be optimized in FY2021 and beyond
- Long-term fixed core fleet scale trends

	FY2020 (a)	FY2025 (b)	(a)-(b)
Stable Income Business	166	158	- 8
Market-Exposed Business	186	142	- 44
Total	352	300	- 52

C-11 : Investment Strategy (5-year plan)

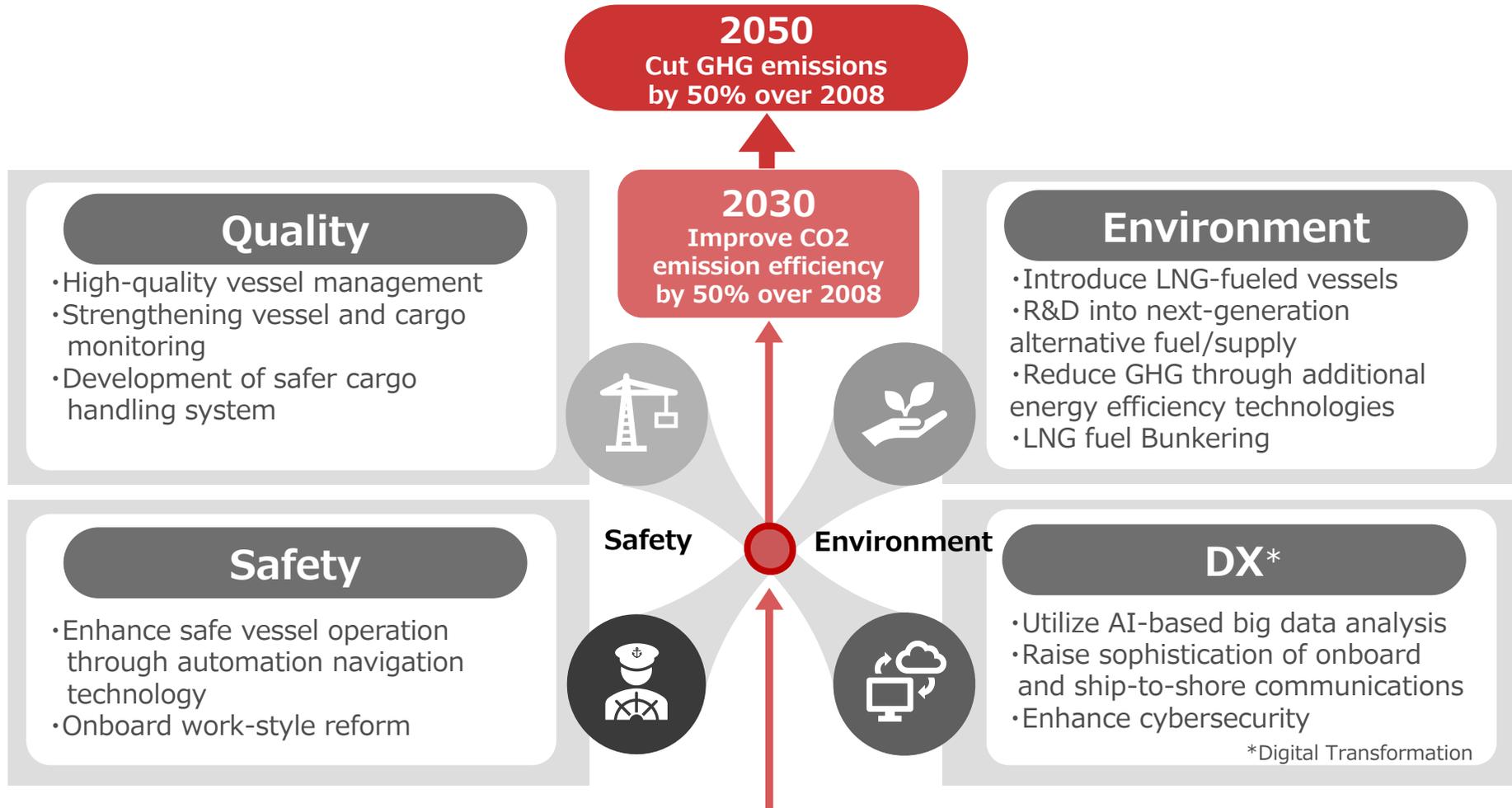
- **Restrain total investment to within Operating Cash Flow**
 - ▶ 250.0 billion yen over 5 years in total
 - ▶ Refocus investment into Stable-Income Business
- **Prioritize investment into Stable-Income Business**
 - ▶ Gradually build up LNG carrier contracts
 - ▶ Make steady investments to pursue long-term stable-income contracts in existing businesses (Dry Bulk, Car Carrier, Energy Resource Transport)
- **Investment in strategic growth areas**
 - ▶ Expand green energy-related businesses (FPSO, renewable energy, GHG reduction-related businesses) (energy resources)
 - ▶ Invest in environment-related business leveraging AI and digitalization strengths



C-12 : Initiatives for Strategic Growing Areas~Safety/Environment/Quality~

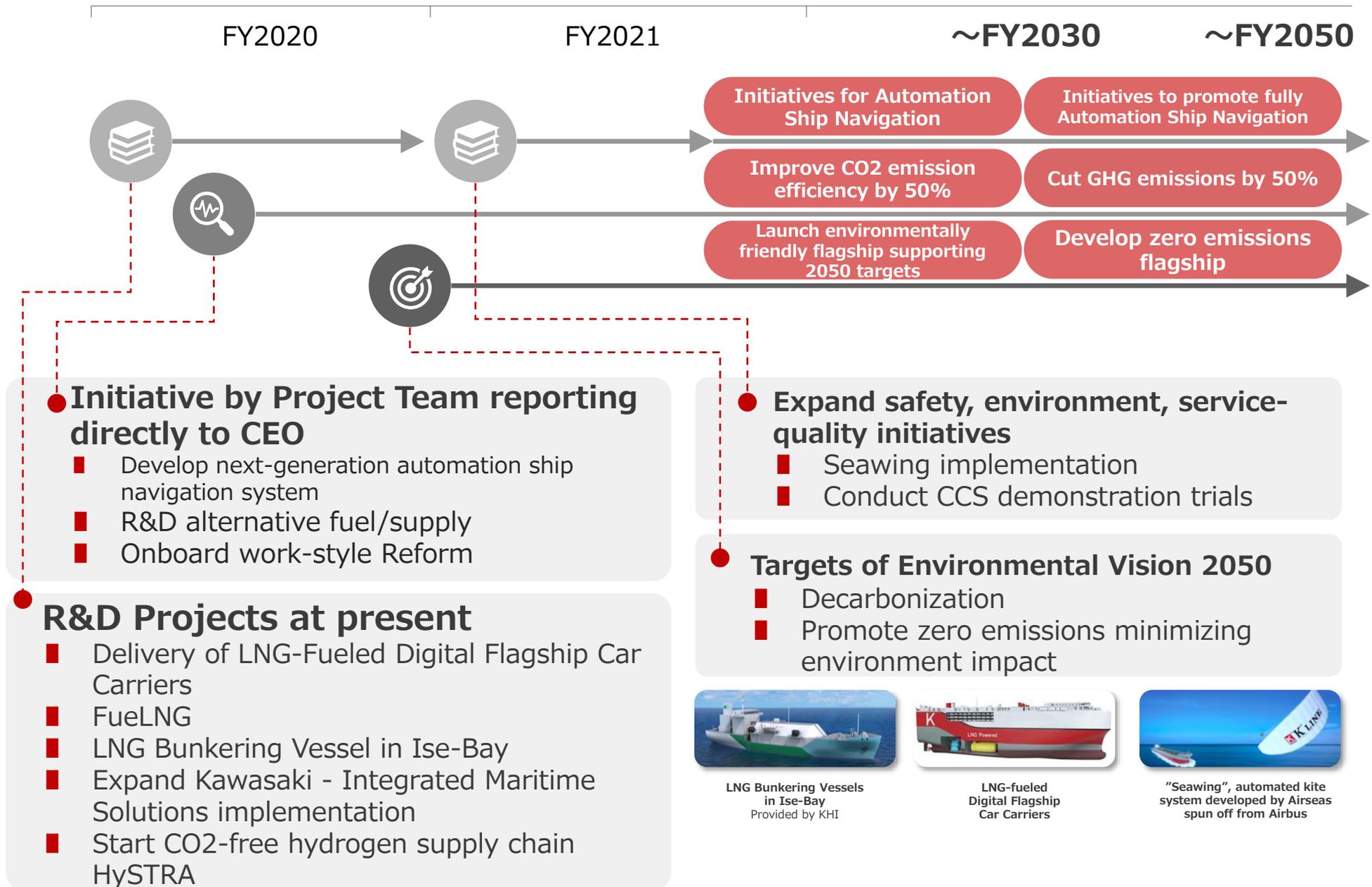
Shipping service-quality improvement vision

Provide high-quality transport services featuring world-class safety and low environmental burden, driven by advanced technologies and system integration



“K” LINE Environmental Vision 2050

C-13 : Specific Initiatives



C-14 : Business Strategy

Corporate

<ul style="list-style-type: none"> ■ 「Safe vessel operation」 ■ 「Enhanced ship management」 ■ 「Environmental initiatives」 	<p>Promote safe vessel operation even further to be continually chosen as customers' choice</p> <p>Strengthen vessel management system to integrate sea and land services and promote safe transport</p> <p>Fleet management and offer services to reduce greenhouse gas (GHG) and support achievement of environmental vision</p>
<ul style="list-style-type: none"> ■ 「Portfolio-restructure」 ■ 「AI and digitalization measures」 	<p>Portfolio restructure by managing and analyzing accumulated business data to improve profitability</p> <p>Enhance business competitiveness through digitalization and other new technologies in vessel operation and management</p>
<ul style="list-style-type: none"> ■ 「Enhanced proposal-based sales」 ■ 「Enhanced overseas network」 	<p>Enhance proposal-based sales to offer customers more attractive services</p> <p>Enhance functions of offices around the world and improve coordination to share global data and capture business opportunities</p>

