"K" LINE
KAWASAKI KISEN KAISHA, LTD.

"K" LINE REPORT 2024



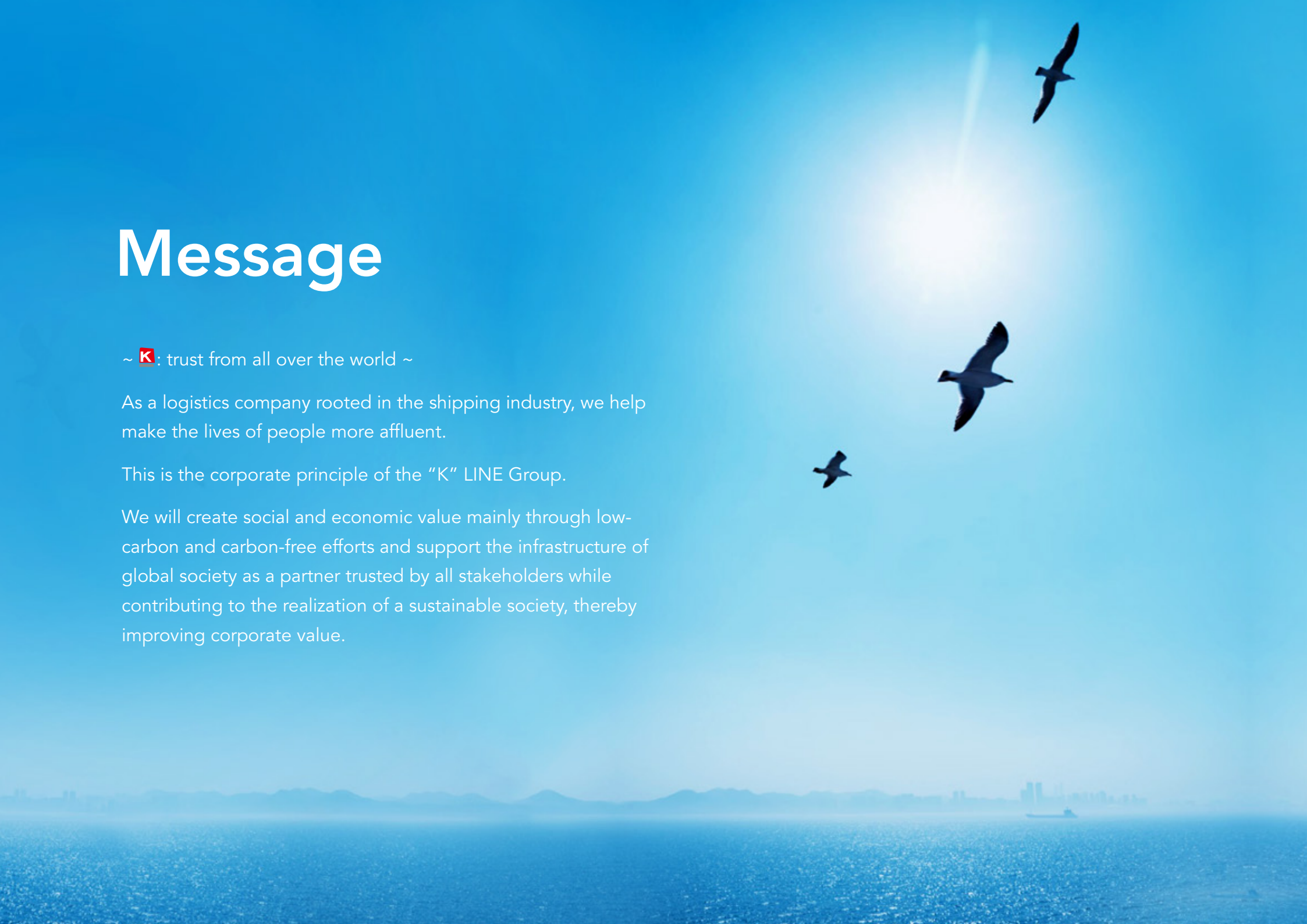
Message

~ K: trust from all over the world ~

As a logistics company rooted in the shipping industry, we help make the lives of people more affluent.

This is the corporate principle of the “K” LINE Group.

We will create social and economic value mainly through low-carbon and carbon-free efforts and support the infrastructure of global society as a partner trusted by all stakeholders while contributing to the realization of a sustainable society, thereby improving corporate value.





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About This Report

Editorial Policy
The "K" LINE Group is a logistics company rooted in the shipping industry that owns and operates various fleets tailored to worldwide marine transportation needs.
The "K" LINE REPORT in fiscal 2024, which corresponds to the turning point of the medium-term management plan, explains to stakeholders such as shareholders and investors the progress and future direction of the "K" Line Group's capital policy, business strategy, and functional strategy stated in the medium-term management plan and also introduces the Group's sustainability efforts focusing on environmental conservation and safety in navigation.
For more details on each of these efforts, please visit our website (https://www.kline.co.jp/en/).

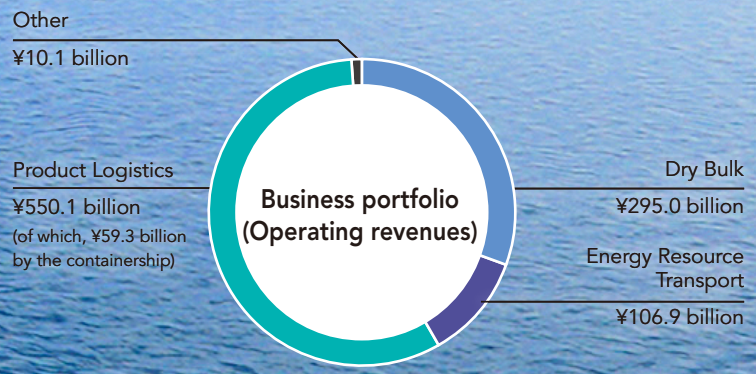
Reporting Period
Fiscal 2023 (April 1, 2023–March 31, 2024)
Note: The report also includes some developments after April 2024.

Scope of Reporting
In principle, this report covers the activities and data of Kawasaki Kisen Kaisha, Ltd., and its subsidiaries and affiliates, except where otherwise noted.

Guidelines Referred to
- Integrated Reporting Framework, The IFRS Foundation
- ISO 26000
- Environmental Reporting Guidelines 2018, The Ministry of the Environment of Japan
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, The Ministry of Economy, Trade and Industry of Japan

Forward-Looking Statements
The Company's plans, strategies, and future financial results indicated in this report reflect the judgment made by its management based on information currently available and include risk and uncertainty factors. Consequently, the actual financial results may be different from the Company's forecasts due to changes in the business environment, among other factors.





Operating revenues (consolidated)	Ordinary income	Total assets	Number of business locations
¥962.3 billion	¥135.7 billion	¥2.1094 trillion	278 (25 in Japan, 253 overseas)

Number of vessels in operation	Number of employees (consolidated)	Number of major accidents	Efficiency improvement of CO_2 emissions per deadweight ton-mile
453	5,464	0 cases	44% reduction (compared with 2008)

At a Glance

Present State of the "K" LINE Group

At a Glance | Present State of the "K" LINE Group

Dry Bulk



Business:

Coal & Iron Ore Carrier Business / Bulk Carrier Business

We transport a large volume of dry bulk cargoes, including iron ore, steel products (steel stock), woodchip, grain, and coal. We are expanding our business internationally by actively engaging in transportation of cargoes bound for not only Japan but also South Korea, China, India, and the Middle East, as well as trade between other countries within the Atlantic region. We are taking on the challenge of low-carbon and carbon-free, such as wind power, biofuel, LNG fuel, and methanol / ammonia fuel.

Energy Resource Transport



Business:

Tanker Business / Fuel Business

In the Tanker business, we have developed a global business for customers both in Japan and overseas who transport crude oil and LPG. In addition to procuring bunker fuel (heavy oil, marine diesel oil, LNG, biofuel, etc.) for "K" LINE fleets, we conduct LNG bunkering business, joint study of ammonia bunkering, and demonstration examinations of liquefied hydrogen carriers aimed at enhancing fleet environmental performance.

Energy Resource Transport



Business:

Electricity and Offshore Business

Our "Corona Series" of wide-beam, shallow-draft coal carriers, developed in-house in accordance with port restrictions of Japan's thermal power plants, provides safe and reliable transportation of coal mainly to power utility companies in Japan and Taiwan. In addition to developing new vessels with lower fuel consumption, we are also working to reduce environmental impacts by using wind power for propulsion. In the Offshore business, we are participating in a drillship project off Brazil and a floating production, storage and offloading (FPSO) system off Brazil and Ghana.

Energy Resource Transport



Business:

LNG Carrier Business / Carbon Solution Business

In the LNG carrier business, we offer global transportation services of LNG, for which demand is increasing worldwide as an alternative fuel source, and provide service to customers with diversifying needs across the LNG value chain. In the Carbon solution business, we promote the liquefied CO_2 carrier business and offshore wind power support vessel business (offshore support vessels and transport vessels).

Product Logistics



Business:

Car Carrier Business

Since developing and operating Japan's first pure car carrier (PCC) in 1970, we have continued to globally develop high-quality transportation services for passenger cars, trucks, and other vehicles. In addition, based on some 55 years of knowledge, we will also strengthen our High & Heavy (high and heavy cargoes such as construction machinery, agricultural machinery, and railway cars) transportation. An LNG-fueled car carrier was delivered in fiscal 2020, and we continue to perform optimal fleet management with special care for environmental concerns.

Product Logistics



Business:

Logistics and Port Business

We provide comprehensive logistics services to meet various customer needs for ocean cargo transportation as well as air cargo transportation, tugboats, and transportation, warehousing, and automotive logistics. In addition, we operate car carrier and container terminals at four ports in Japan–Tokyo, Yokohama, Osaka, and Kobe.

Product Logistics



Business:

Short Sea and Coastal Business

Kawasaki Kinkai Kisen Kaisha, Ltd. operates a wide variety of vessels, such as coastal vessels to / from Asia, including fuel transport vessels for biomass power plants; RORO vessels and ferries to promote modal shifts in Japan; and dedicated limestone carriers for steel and dedicated coal carriers for electric power. Furthermore, it has entered into offshore support vessel operations around Japan to further enhance the business.

Product Logistics



Business:

Containership Business

In April 2018, the containership businesses of three Japanese shipping companies were integrated to form a new company, OCEAN NETWORK EXPRESS PTE. LTD. (ONE). Drawing on its enhanced service route network covering more than 120 countries with a fleet of 235 containerships (1.84 million TEU) as of the end of March 2024, ONE provides highly reliable and rapid international transportation services.

Others



Business:

Others

The "K" LINE Group also operates businesses engaging in ship management services, travel agency services, and real estate rental and administration services.

Objective of the "K" LINE Group

Corporate Principle

~ Trust from all over the world ~

As a logistics company rooted in the shipping industry, we help make the lives of people more affluent.

Vision

As a partner trusted by all its stakeholders, we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community.

Values the "K" LINE Group Prizes

Providing safe and optimized services that put the customer first	Tireless attitude toward problem solving	Providing the value only "K" LINE can in pursuit of expertise
Relentless efforts to achieve innovation	Contributing to the global environment and a sustainable society	Respecting individuals and ensuring fair business activities by embracing diverse values

Our Values

Values of the "K" LINE Group

To promote the management and execution of business under a unified sense of purpose, the "K" LINE Group has established corporate principles and a specific vision as well as various values as the foundations for its executives.

This page introduces how our prized values are interpreted and practiced in daily tasks by the Group's diverse personnel at the forefront of global operations.








Providing safe and optimized services that put the customer first

Takuro Saito
On Secondment to K LINE MARINE & ENERGY PTE. LTD.

When I board a ship as Chief Officer, responsible for cargo, I strive to create a work environment where crew members can work together for safe operations to reliably deliver customers' cargo to destinations.

Even in the unprecedented and globally challenging circumstances of the COVID-19 pandemic, we were able to overcome these difficulties by strong seamanship and outstanding maritime skills of our crew.

I once again felt the power of teamwork and was reaffirmed in the fact that it is our core strength.

Tireless attitude toward problem solving

Atsushi Hosokawa
Car Carrier Business Group, Australia Asia Team

I communicate closely with customers and pay attention to gain insight into the essence of each request I receive. For car carriers, which involve various factors such as spaces, schedules, and shipping freight, customers' requests vary widely.

With the environment in which we offer services being always different, I face customers with sincerity to propose the best solution obtained by combining our resources, and make efforts to provide shipments that will please customers.

Providing the value only "K" LINE can in pursuit of expertise

Naoya Takata
Advanced Technology Group, Energy & Performance Management Team

I am tasked with understanding fuel efficiency, vessel performance and the state of vessel hull fouling on the basis of data obtained from ships, which is utilized to manage ship operations.

When I observe something strange about the data, taking advantage of my experience as an engineer, I investigate the matter thoroughly, while simultaneously considering the on-site situation. Then, in cooperation with the vessel and management company, we work to resolve problems and maintain high data quality.

As a result, it improves the usefulness of Kawasaki Integrated Maritime Solutions, used by the whole "K" LINE Group, and contributes to improved economic efficiency and safe operations, which ultimately bestows me with a sense of fulfillment.

Relentless efforts to achieve innovation

Asuka Hayashi
Carbon Solution Business Group, CCS Business Team

The Carbon Solution Business Group to which I belong provides various customers with liquefied CO_2 transportation in the CCS business.

The fledgling CCS business needs to provide new value that is not only limited to transportation but also relates to the entire value chain.

We work together beyond the boundaries of departments so that in a new business area, we can be a supporter of the value chain as a partner from the development stage, taking advantage of the strength of our liquefied gas transportation business.

We will continue to try to realize a carbon-free society in coordination with our technical sector, marine workers, and customers.

Contributing to the global environment and a sustainable society

Chen Yi Ping
General Affairs Division, Digital & Green Initiative / "K" Line Pte Ltd

Concerning environmental conservation, achieving a multi-win scenario is the best outcome.

Juggling between safe working conditions, efficient usage of resources and service excellence experience we turn to drone delivery technology to reduce boat launch usage for delivery of items.

This paradigm shifts significantly decarbonised and streamline operations that would otherwise be prone to risk, significant time consumption and high carbon emission.

Respecting individuals and ensuring fair business activities by embracing diverse values

Yuki Tamura
On Secondment to OCEAN NETWORK EXPRESS PTE. LTD.

I took part in developing a compliance framework at the time of establishment of OCEAN NETWORK EXPRESS PTE. LTD. (ONE).

Together with management, we conducted activities to raise awareness about the Credo/Code of Conduct of ONE, and implemented programs based on the characteristics of departments taking a risk based approach. This was done to better translate everyone's awareness about compliance into daily business processes, specifically through dialogue with management, departments at headquarters, and regional companies.

In addition, to set a tone from the top, the management level themselves communicated their goals and expectations to its staff.

I am now in another business unit in ONE, doing my part to ensure that our business activities continue to be trusted by stakeholders.

"K" LINE Group's Six Capitals

"K" LINE Group's Six Capitals

The "K" LINE Group's management capital lies in technologies for safety in navigation and cargo operations and expertise accumulated over many years. We possess human resources and organizations that transform these capabilities into value that meets the unique needs of our customers. As a result, the strong partnerships we have forged with acquired customers are important capital assets that underpin our business activities. Fusing these capital assets leads to growth for the "K" LINE Group and greater corporate value. We aim to augment these assets in accordance with our corporate principle: "As a logistics company rooted in the shipping industry, we help make the lives of people more affluent."

Financial Capital	**Enhancing of power and maintaining both capital efficiency and financial soundness based on an awareness of optimal capital structure and cash flow** Capital Policy ➡ P.15	The "K" LINE Group unveiled its medium-term management plan in May 2022, having observed major improvements to its financial position through business improvements. The Company announced plans to proactively return value to shareholders, while monitoring cash flow for the portion of capital that exceeded requirements for investing to enhance corporate value and maintain a healthy financial position. Now, in the third fiscal year of the medium-term management plan, earnings are higher than forecasted, mainly in our own businesses. Management will review its outlook for operating cash flow through 2026, investment plans, and targets for shareholder returns. We are committed to advancing business management by introducing management indicators for each business while keeping the cost of capital in mind.	**Consolidated total assets**.....¥2.1 trillion **Equity capital**.....¥1.59 trillion **Interest-bearing liabilities**.....¥287.7 billion **Equity ratio**.....75% **DER**.....18%
Human Capital	**People and organizations that continuously support logistics infrastructure in global society** Functional Strategy ➡ P.19 Safety & Ship Quality Management ➡ P.45 HR & Organization ➡ P.56-59	Hiring and training personnel who support all-important safety in fleet navigation, lead change, and sustain growth in our businesses, and capably address changes, in the business environment is an issue of utmost importance to the "K" LINE Group. We strive to create a work environment where employees with diverse values can thrive and apply their abilities.	**Number of consolidated employees**.....5,464 **Percentage of foreign crew members**.....97.4%
Equipment Capital	**Fleet with appropriate flexibility to manage business strategy** Medium-Term Management Plan ➡ P.14-19 Safety & Ship Quality Management ➡ P.45 Environment & Technology ➡ P.46-53	The "K" LINE Group has been advancing various initiatives to achieve the newly set revenue and expenditure targets for fiscal years 2026 and 2030. These include focusing on the growing coal & iron ore carrier, car carrier, and LNG carrier businesses, introducing environmentally friendly ships such as LNG and ammonia carriers, participating in new business areas contributing to society's low-carbon and carbon-free transition, replacing existing vessels, strengthening cost-competitiveness through fleet upsizing, ensuring fleet flexibility in light of the risk of a retreat in demand, and organizing fleets capable of meeting diverse transportation needs, including High & Heavy cargo.	**Property, plant, and equipment (vessels)**.....¥319,329 million **Number of vessels in operation**.....453 **Operating tonnage**.....37,737,840 D/T
Intellectual Capital	**Evolving environment / technology / innovation** Safety & Ship Quality Management ➡ P.45 Environment & Technology ➡ P.46-53 Digital Transformation ➡ P.54-55 HR & Organization ➡ P.56-59	The "K" LINE Group is keen to provide top-class industry solutions by addressing environmental needs for a low-carbon and carbon-free footprint not only at "K" LINE but also among customers and throughout society; by developing zero-emission vessels, including the establishment of a fuel supply network; and by deploying advanced digital technologies for autonomous navigation, breakdown prediction, and environmentally friendly systems such as Seawing and Kawasaki Integrated Maritime Solutions. Through these initiatives, we are refining our core values in safety, quality, and the environment.	**Percentage of installation of Kawasaki Integrated Maritime Solutions on owned / medium- to long-term chartered vessels** 90%
Social and Relationship Capital	**Solid customer base and partnerships backed by experience** Medium-Term Management Plan ➡ P.14-19 Safety & Ship Quality Management ➡ P.45 Environment & Technology ➡ P.46-53 Digital Transformation ➡ P.54-55 HR & Organization ➡ P.56-59	Building on a customer base established through our track record of safe transportation, we aim to strengthen relationships with customers who share our view that low-carbon and carbon-free initiatives are a growth opportunity. In addressing social issues such as decarbonization, we participate in councils and joint research with both domestic and international partners. The liquefied CO_2 transportation business aims to contribute to carbon neutrality, taking advantage of know-how and safe operation experience nurtured through the liquefied gas carrier business of the "K" LINE Group and partnership with existing customers.	**Number of countries in which the Company operates** ..... 23 **Net sales by region** ..... Japan 90.0% U.S. 1.3% Europe 3.2% Asia 5.4% Other 0.2% **Number of affiliated companies** ... 27 (domestic) 253 (overseas)
Natural Capital	**Contributing to reduction in environmental impact on the sea and air** Functional Strategy ➡ P.19 Safety & Ship Quality Management ➡ P.45 Environment & Technology ➡ P.46-53	As a company for which oceans, a form of natural capital, are its business area, we strive to balance our ongoing developments and contributions to a sustainable society. Under the "K" LINE Environmental Vision 2050, we are committed to reducing environmental impacts, such as moving toward low-carbon and carbon-free operations and society as a whole, and conserving biodiversity and the atmospheric environment.	**Number of LNG / LPG-fueled carriers in operation** ..... 3 **Efficiency improvement of CO_2 emissions per deadweight ton-mile** ..... 44% reduction (compared with 2008)

Message from the CEO



Yukikazu Myochin

President & CEO

Toward Sustainable Growth for the "K" LINE Group

The Medium-Term Management Plan has been Progressing Smoothly

In May 2022, we released the medium-term management plan that covers the five-year period through fiscal 2026. We are now in the third fiscal year, which is the halfway point of the plan. In fiscal 2022 and 2023, we steadily worked on the measures laid out in the medium-term management plan and managed to exceed the targets in both our own businesses and the containership business, partly helped by market conditions and exchange rates. In light of our progress so far, we raised the ordinary income target for the final fiscal year of the medium-term management plan from ¥140.0 billion to ¥160.0 billion in May 2024. We also set the target for fiscal 2030, after the end of the current medium-term management plan, to over ¥250.0 billion as we ramp up our efforts.

The medium-term management plan calls for working with customers on low-carbon and carbon-free initiatives, and in our own businesses, focusing management resources on three businesses that play a leading role in growth—specifically, coal & iron ore carrier, car carrier, and LNG carrier businesses—based on a portfolio strategy of capitalizing on our strengths. In the containership business, an important business unit for the Group, we are promoting the continued growth and development of OCEAN NETWORK EXPRESS PTE. LTD. (ONE) by providing continuous personnel support and strengthening involvement in

management governance in our role as a shareholder. Liquefied CO_2 carriers, offshore wind power support vessels, and other projects are underway as new businesses where we can leverage our Group's marine transportation-focused expertise, experience, and knowledge to contribute to low-carbon and carbon-free transportation.

Reducing GHG emissions is a major task facing us as an international maritime transportation company, and promoting the transition to low-carbon and carbon-free solutions and making efforts to reduce our environmental impact will also help resolve customers' own problems. In marine transportation, we will continue to achieve growth by addressing customers' needs as business opportunities, including new energy sources such as hydrogen and ammonia, development of new transport technologies such as liquefied CO_2 transportation that supports carbon neutrality efforts, serving transportation demand, and support vessels supporting the construction and maintenance of offshore wind power. We will meet the expectations of our diverse stakeholders by building and developing partnerships with customers with which we can share growth opportunities, promoting our own initiatives and society's efforts to be low-carbon and carbon-free, and pursuing continued growth of the Group and the enhancement of corporate value.

Value that Only the "K" LINE Group can Create

The "K" LINE Group's corporate principle is to help make the lives of people more affluent as a logistics company rooted in the shipping industry, and we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community as a partner trusted by all our stakeholders.

The global shipping industry is always greatly influenced by the political and economic situation in the world. For more than a century, the "K" LINE Group has overcome many major changes and hardships in the business environment. Under the "K" LINE Spirit—"enterprising spirit", "free and broad-mindedness" and "independence and autonomy"—we have been committed to providing new value through approaches free from the past in order to always pay attention to and meet customers' needs.

For Japan's first pure car carrier (PCC), the TOYOTA MARU No. 10 built in 1970, we made major changes to the traditional mindset to drastically improve schedule stability, loading / unloading efficiency, and safety. We have always strived to lead the industry in providing new value, including Japan's first LNG carrier BISHU MARU, which serves demand for transportation of new energy sources, and the CORONA Series, a wide shallow-draft vessel that serves as a basic hull for electric-coal transportation.

In 2021, we completed CENTURY HIGHWAY GREEN, a car carrier using LNG fuel that reduces CO_2 emissions by 25% to 30% compared to conventional heavy oil. Since that milestone, we have actively promoted the development of LNG fuel ships that help reduce environmental impact during the transitional period.



In 2024, CAPE HAYATE entered service as the first LNG-fueled cape-size bulk carrier. Currently, nine carriers are scheduled to enter service by the end of fiscal 2024, mainly car carriers and a cape-size bulk carrier that transports iron ore raw materials.

We participated in the world's first demonstration test of a liquefied hydrogen carrier; worked to introduce next-generational ammonia-fueled ships; and conducted CCS (carbon dioxide capture and storage) projects as a member responsible for liquefied CO_2 marine transportation. Among these is the world's first full-scale CCS project by Northern Lights JV DA, a Norwegian company, in which we are the first shipping company in the world to participate.

In all of these cases, our own and society's efforts to become low-carbon and carbon-free represent growth opportunities that we can grasp, forming partnerships with our customers to provide new value and enhance corporate value.

Three Businesses that play a leading role in growth and Expansion of Stable Revenue Bases

The three businesses that play a leading role in growth are all expected to see continual growth and enable us to capitalize on our strengths. Risk sensitivity to changes in the business environment, such as the time scale for growth and market fluctuations, varies depending on the business, combining businesses based on short- and medium-term contracts and businesses mainly based on long-term fixed contracts. In the marine transportation business, which is unavoidably affected by the economic situation and market fluctuations, we seek to strengthen resilience and reduce volatility by combining these three businesses into a single portfolio, despite their different time scales for growth and different business risks, in order to grow a stable revenue base for our own businesses.

In the coal & iron ore carrier business, we are further strengthening long-standing relationships with steel companies in Japan and Korea while leveraging customer-oriented approaches and environmental sales. At the same time, we are deepening relationships with forecasted growth markets in India and the Middle East as well as with major international resource corporations, gaining a foothold with our high-quality transport services and low-carbon and carbon-free initiatives.

In the car carrier business, we are striving to further improve profitability by reducing environmental impact, such as reorganizing the route network to meet customers' needs and introducing more environmentally friendly ships, and by capturing a wide range of demand for products requiring transportation technology, including general commercial vehicles and H&H (High & Heavy) cargo (heavy loads, large construction machinery, railway vehicles, etc.).

In the LNG carrier business, LNG is attracting attention as a clean and eco-friendly transitional energy source, and demand for it is expected to grow in Southeast Asia and India in addition to the traditional markets of Japan, Korea, China, Europe, and the United States. Our high-quality vessel management and safe and stable service have been our focus and are highly regarded, and thanks to them our earnings are growing as we steadily secure new projects and contracts.

The containership business, a major pillar for us along with our own businesses, is highly sensitive to changes in transportation demand due to geopolitical risks, economic conditions, and other factors. In 2018, we launched ONE and achieved economies of scale through business integration, thereby bolstering our business foundations. Moving forward, we will continue to strengthen support as a shareholder in terms of personnel and governance to ensure continued growth and development of ONE, so that we can further improve profitability through the best practices of the three companies, enhance competitiveness through proper fleet development, and reduce risks.



Strengthening New Business Areas

Multiple projects are well under way in the three businesses that play a leading role in growth, as well as in the new business areas we are focusing on to transition to low-carbon and carbon-free. In Norway this autumn, a Northern Lights JV DA project for the world's first full-scale CCS (Carbon dioxide Capture and Storage: Collecting and storing carbon dioxide [CO_2]) will be launched, and we will be the first ever shipping company to participate. This project, in which CO_2 is collected from cement factories and thermal power plants in the European region and then transported, stored, and injected into depleted gas fields, is expected to lead to the transportation of 800,000 tons of liquefied CO_2 per year in its first stage. Our Group will undertake the operation and vessel management of a total of three liquefied CO_2 carriers. During our

preparations for the transportation of liquefied CO_2, our Group has participated in projects that include technological considerations and rulemaking in marine transportation, taking advantage of our wealth of accumulated know-how and record of safe operations in the transportation of LNG, LPG, and various other liquefied gases. Many of the customers to which we have strong ties in the marine transportation business are looking at CCS to achieve carbon neutrality, and our Group will also be able to satisfy and contribute to customers' needs through such initiatives. By accumulating knowledge and experience in liquefied CO_2 transportation through these projects, we will pursue further expansion first in the European market, then aim to win CCS business in Japan and the rest of Asia, which we are considering after Europe.

In Japan as well, the development of offshore wind power generation projects is proceeding at full swing toward the realization of carbon neutrality in 2050. Offshore support vessels are indispensable for marine geological surveys and maintenance management of offshore wind power generation facilities, which are developed along with the development. Our Group has accumulated safe and high-quality operational expertise domestically and internationally over many years in these areas. Based on this expertise, "K" Line Wind Service, Ltd., our joint venture with Kawasaki Kinkai Kisen Kaisha, Ltd., will serve demand in Japan and Asia in cooperation with domestic and overseas partners.

In addition to these new businesses, there is also a need to adapt to transportation technology for newly emerging energy sources and next-generation alternative fuels. Safely incorporating alternative fuels such as LNG, ammonia, and methanol in place of heavy oil, which has been the mainstream vessel fuel for a century, and adapting to demand for transporting new forms of energy requires a major investment of management resources into not only development and construction of vessels but also creation of new rules and guidelines and hiring and training of crew members. We are working on both the hiring and training of maritime technical personnel in Japan as well as the further expansion of training facilities in the Philippines and India, so that Filipino and Indian personnel who are working as crew members in Group-operated vessels can learn the necessary mariner skills and receive training.

Investment Planning in the Medium-Term Management Plan Period

Planned investment for the period covered by the medium-term management plan was originally set at ¥520.0 billion in the first fiscal year of the medium-term management plan and then revised to ¥630.0 billion last year. In May of this year, it has been further raised to ¥740.0 billion. We will concentrate a little over 70 percent of this investment in the three businesses with role of driving growth (i.e., coal & iron ore carrier, car carrier, and LNG carrier businesses), and direct nearly 10 percent toward new business areas (liquefied CO_2 carriers, offshore wind power support vessels, transporting new forms of energy sources such as hydrogen / ammonia carriers) in which we can leverage our strengths, thereby building the foundation for stable earnings in the medium and long term. In terms of environmental response, we will direct nearly 60 percent of total investment toward alternative fuel vessels centering on the three businesses, new businesses contributing to the achievement of a low-carbon and carbon-free society, and a variety of environmentally friendly additions including the automated kite system Seawing, thereby helping Kawasaki Kisen achieve continued growth while contributing to a sustainable society. We will observe investment discipline and steadily implement investment that is restrained when the market is good and strategic when the market is bad in order to improve our Group's corporate value.

Strengths Unique to the "K" LINE Group and Functional Strategy

Critical key points in the medium-term management plan are the strengthening of three functions—safety and ship quality management, environment and technology, and digital transformation—as well as bolstering human resources and organizations that support them in order to further improve the strengths of the "K" LINE Group.

In terms of safety and ship quality management, safe operation comes first for a shipping company, and a continuous and thorough approach is required. While accumulating measures that ensure safe daily operations on the front lines, we divide the world into three parts—Asia, Europe, and the Americas—and put in place a global monitoring structure that integrates systems in order to build a framework that can offer 24-hour support to our vessels operated throughout the world. To strengthen customer-oriented marine technical support that can serve the needs of customers that are active around the world, we established K LINE MARINE & ENERGY PTE. LTD. in Singapore and

assigned marine technical staff as well as sales staff to overseas bases in China, the Philippines, India, and elsewhere. We are working to strengthen functions so that we can ensure safe operations, improve transportation quality, and respond to requests for environmental technology. Under "K" Line Maritime Academy (KLMA), a Group hub for securing and training marine engineers, we have expanded and strengthened hubs for training marine engineers around the world including Japan, the Philippines, India, and Europe. We continue to train excellent crew and marine engineers who inherit our safety culture and transportation quality, developed over many years, by thoroughly implementing safety education programs both during training and in the field on vessels as well.

In the environment and technology area, there is an accelerated shift underway toward a new mix of energy sources with more low-carbon and carbon-free transportation. The International Maritime Organization (IMO) has set a new goal of achieving net-zero carbon



emissions around 2025 and revealed regulations related to this goal, while in Europe, the EU Emissions Trading Scheme (EU ETS) is a new regional regulation being implemented that imposes fees on CO_2 emissions from marine transportation, so initiatives to reduce GHG emissions are an urgent issue. We are also accelerating our own response to these issues. On the software side, we are working to reduce GHG emissions by introducing the integrated vessel operation / performance management system Kawasaki Integrated Maritime Solutions, which uses big data to calculate recommended safe routes that minimize fuel consumption and finds optimized economical routes that cut CO_2 emissions by about 3% to 5%. This system will be introduced on not only our own vessels but on all vessels we operate, including long-term chartered vessels. On the hardware side, we are working to establish technology for and commercialize the automated kite system Seawing, which aims to achieve a substantial reduction in fuel consumption using wind power, in addition to adopting existing technologies that are the latest in energy conservation, including air lubrication systems, bearing power generation, and energy-saving bottom paint for vessels. We also began working to introduce biofuels that can be burned in existing vessels in addition to the next-generation fuels ammonia and methanol, all of which are alternatives to heavy oil. We are promoting a company-wide environmental strategy in order to select the best fuel for us from the various choices available.

On the digital transformation front, we released a new DX strategy late last year that is intended to refine our core values of safety, environmental conservation, and quality, and to utilize data and digital technology to increase the added value as a source of competitive strength. For DX at sea, which is also related to the environment and technology, we are working to achieve optimized operations through AI-based analysis of operational information from vessels and big data such as meteorological and oceanographic information, as well as the prediction of technical malfunctions in machinery and improvement of on-board working conditions using IT. We support not only economically optimal operations but also safe operations. In terms of DX ashore, developments in generative AI and other new technologies will greatly impact how we work, and in that context, we are working to increase the IT literacy of the entire company by enriching digital transformation training courses so that new approaches are possible. For example, officers and employees can make use of such new technologies immediately without falling behind, boosting operational efficiency and providing added value to customers.

As for human resources and organizations, we are working to first secure the quality and quantity required for business growth while working to train human resources that can help strengthen the three functions that we set as priority issues. We intend to actively train personnel who can offer solutions by first thoroughly considering what customers want and what value the Company can provide to them, then develop and realize such solutions through teamwork with Group members. Sometimes this will mean actively approaching domestic and overseas partners, going on-site themselves, considering solutions thoroughly, and taking action through good teamwork to help improve corporate value. Although roles and perspectives may differ, it is also important to respect and understand each other, work together in concert with each other, and to be ready to follow through in order to expand our businesses globally. As an operator of a business that is greatly affected by changes in the business environment such as the economic situation, energy policies, development of new technologies, and

trade policies, we are required to always pay attention to such changes and to take action without being afraid of change. In order to promote diversity and inclusion, in November of last year, we resumed "K" LINE UNIVERSITY, our training program at headquarters run by managerial staff and candidates from overseas local subsidiaries that was suspended during the COVID-19 pandemic, in addition to promoting core staff from overseas subsidiaries and conducting personnel exchanges with the Tokyo headquarters as a way to develop a sense of unity with global staff. To further promote global business expansion mainly in Asia, where growth is expected in the future, we will focus more on the development of human resources.

The four points covered above as functional strategy are pursued as key issues (materialities) for us to realize our principle and vision, and to achieve sustainable growth and greater corporate value.

To All Stakeholders

In May 2024, our Group set new targets of ¥160.0 billion in ordinary income in fiscal 2026 and over ¥250.0 billion in fiscal 2030. We will work to achieve these targets through steady, disciplined investments built on the two pillars of container ships and our own businesses.

In addition to raising ordinary income targets, we have upwardly revised our cumulative operating cash flow forecast for the medium-term management plan period from ¥1.2 trillion to ¥1.5 trillion. After reviewing and increasing the investment cash flow necessary for future growth, we raised the shareholder return target during the medium-term management plan period from over ¥500 billion to over ¥740 billion. We will strive to further improve corporate value and aim to maintain and improve a price-book value ratio of more than one by making investments necessary for growth, maintaining financial soundness, flexibly implementing shareholder returns for any capital exceeding the appropriate level based on cash flow, and improving capital efficiency.

Our Group will continue to pursue sustainable growth and greater corporate value while further improving the knowledge, skills, and technologies we have developed as a marine transportation company, and seeking growth opportunities through partnerships with customers that can collaborate with us on low-carbon and carbon-free activities, thereby contributing to help make the lives of people more affluent as a logistics company rooted in the shipping industry.

President & CEO

明珍幸一



Medium-Term Management Plan

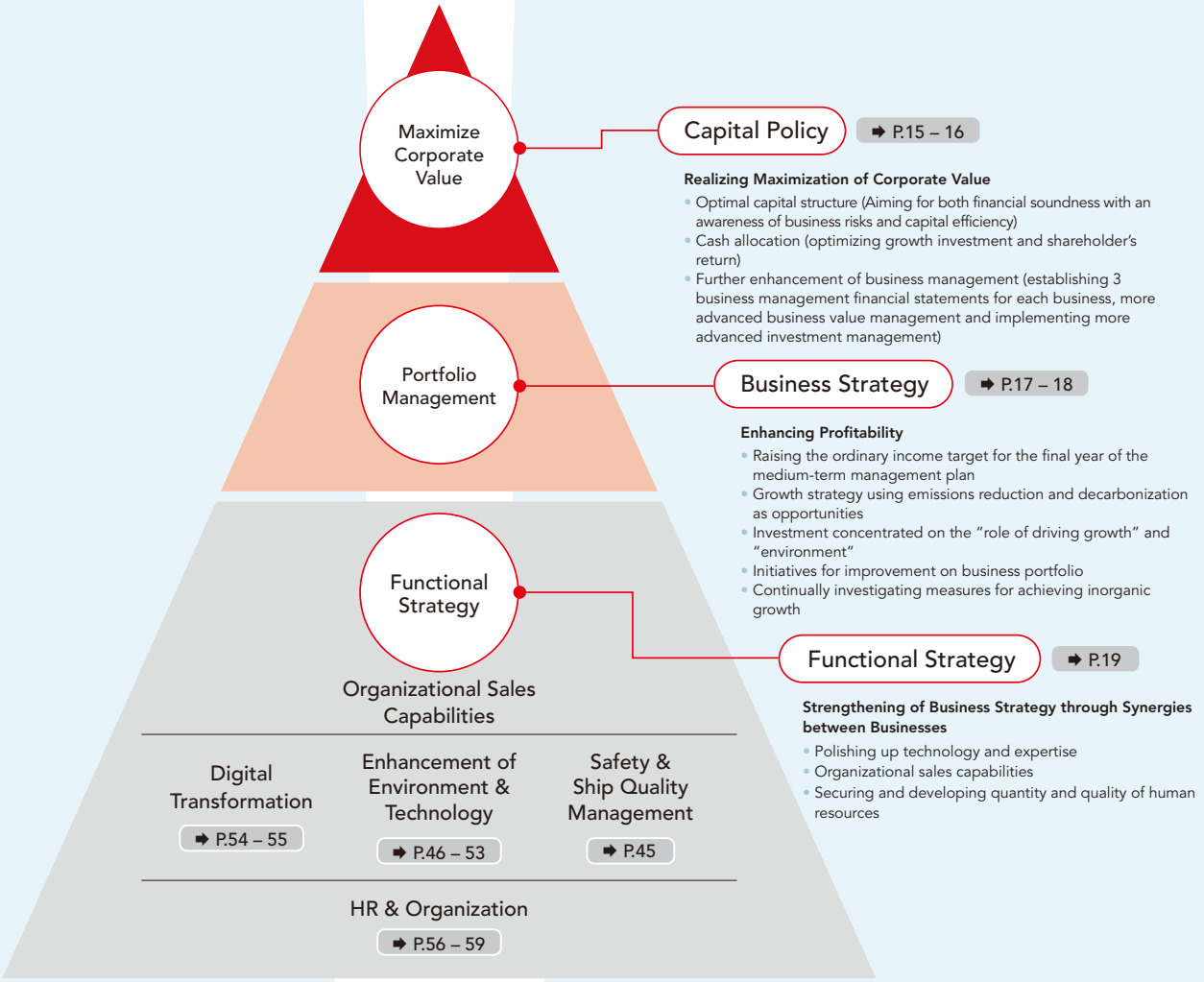
Key Points of the Medium-Term Management Plan

Further Growth and Improvement of Corporate Value

We have raised the medium-term management plan target for ordinary income from ¥140.0 billion to ¥160.0 billion, with the aim of achieving ¥250.0 billion + α by 2030.

Achieving growth by investing in environmental initiatives and businesses with the role of driving growth*1. This is based on a growth strategy that takes advantage of emissions reduction and decarbonization opportunities.

*1. Coal & Iron Ore Carrier Business, Car Carrier Business, and LNG Carrier Business



KPIs for Business Management

	ROIC*	ROE	Earnings targets
FY2023 (Result)	5%	6.7%	Ordinary income ¥135.7 billion (of which, ¥87.6 billion was derived from "K" LINE's own businesses)
FY2026 (Target)	6.0 ~ 7.0%	10% or more	**New** Ordinary income ¥160.0 billion (of which, ¥90.0 billion to be derived from "K" LINE's own businesses)
Current progress and response policy	Fair • We will aim to achieve sustainable growth by implementing an internal management system using business-specific financial KPIs (ROIC, EVA, etc.). The aim is to maximize corporate value during the medium-term management plan period through a project for further advancement of business management.	Fair • Target progress based on improved performance of "K" Line's own businesses • During the period of the medium-term management plan, we aim to sustainably achieve the target while maintaining awareness of capital efficiency, including initiatives for business portfolio enhancement	Excellent • **Target updated based on good progress already made** • Enhancing profitability through investment in environmental initiatives and businesses with the role of driving growth • Continually investigating measures for achieving inorganic growth

* ROIC includes off-balance-sheet charter hire of ¥600.0 to ¥700.0 billion. Equity ratio is 57–59%, including off-balance-sheet charter hire at the end of fiscal 2023.

Price book-value ratio (PBR): aim for 1.0 or more

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.

Under the fiscal 2022 medium-term management plan, the "K" LINE Group targeted a return on equity (ROE) of at least 10%, ordinary income of ¥140.0 billion in fiscal 2026, and earnings growth in its own businesses. Regarding the medium-term target for ordinary income in fiscal 2026, we have revised the target upward from ¥140.0 billion to ¥160.0 billion, taking into account improvements in our own businesses, with a view to achieving stable and accelerated progress. Looking ahead to 2030, we aim for ¥250.0 billion + α. We will continue aiming for sustainable achievement of a ROE of 10% or more by strengthening earning power and improving capital efficiency, and 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.

Capital Policy

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.

Enhancing earning power

Operating CF 1.5 trillion yen

- **The ordinary income target** for FY2026, the final year of the current Medium-term Management Plan, was raised to **160.0 billion yen** in May 2024, while **the full-year ordinary income forecast for FY2024 is 240.0 billion yen (up 20.0 billion yen from the figure announced in Aug 2024)**
- We now expect **Operating CF 1.5 trillion yen during the Medium-term Management Plan period**, due to profit growth meeting the capital cost based on the Medium-term Management Plan

Investment plan (promotion of investment for growth)

Investing CF 740.0 billion yen

- Making investments necessary to improve corporate value without relaxing investment discipline, and securing **Investing CF of 740.0 billion yen**
- 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

Optimal capital structure

Business risk, Financial soundness, and Capital efficiency

- 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.

Further Advancement of Business Management

ROIC 6.0 ~ 7.0% (FY2026 Target)

- Establishing 3 business management financial statements for each business
- More advanced business value management
- Implementing more advanced investment management

Shareholder return policy

Shareholder return 730.0 billion yen or more

Shareholder Return Policy

- **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**
- Plan to **return to shareholders a cumulative total of 730.0 billion yen or more during the Medium-term Management Plan period (up 30.0 billion yen from the figure announced in Aug 2024)**
- The annual dividend forecast is **100 yen/share for FY2024 (an increase of 15 yen/share from the August 2024 announcement)** and 85 yen/share for FY2025 and FY2026

Returns in FY2024

Dividend

- **Including an additional dividend of 15 yen/share, the annual dividend forecast is 100 yen/share (interim and year-end dividends: 50.0 yen per share each)**

Share buy-back

- **A new share buy-back of 90.0 billion yen, or 36,000,000 shares, is planned to be carried out (from November 2024 to February 2025)**[*1]

Responsive return delivery

- **Based on the shareholder return policy, we plan to provide flexible additional returns**

For corporate value improvement

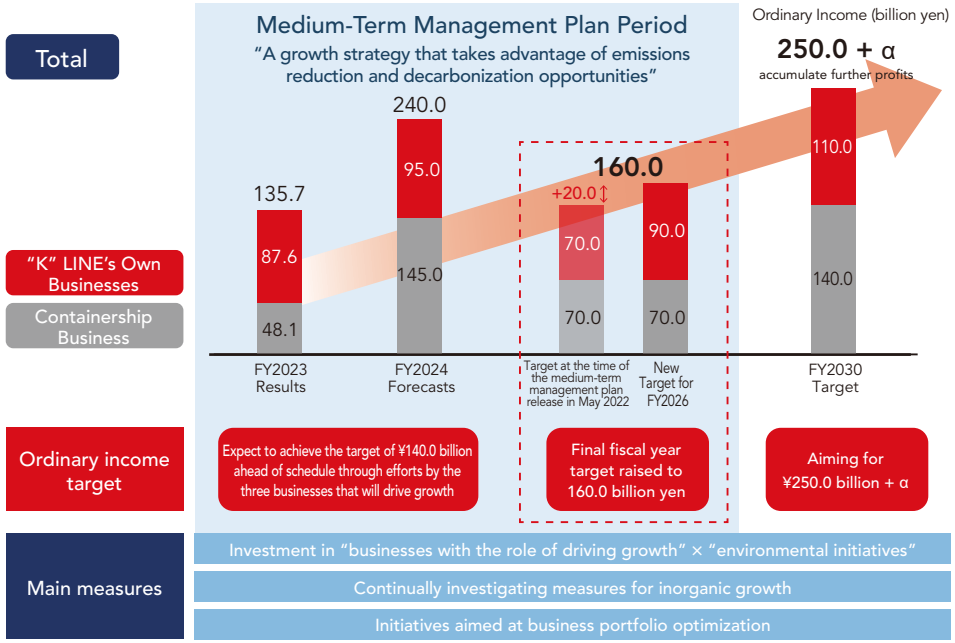
PBR return to/maintain/improve 1.0 or more

- 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 improvement on governance and improving 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 are now preparing for the transition to the "Company with Nominating Committee, etc." board model
- Through IR activities, we will promote dialogue with stakeholders and further raise awareness of our business growth strategy among investors

*1 In addition to the share buy-back of 90.8 billion yen conducted from May to July 2024, an additional buy-back will be implemented

Raising Ordinary Income Target Based on a Plan to Enhance Profitability

In the medium-term management plan's second year, fiscal 2023, although the container shipping market was sluggish due to the easing of supply chain disruptions and supply pressure from the completion of new ships, our own businesses performed steadily, resulting in ¥135.7 billion. Thanks to the solid progress in strengthening the earning power of our own businesses, we increased our fiscal 2026 final year target by ¥20.0 billion, bringing it to ¥160.0 billion, with a focus on our own businesses.

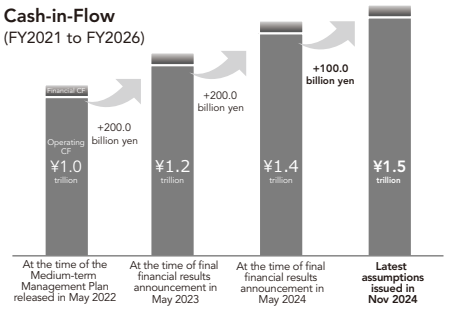


Capital Policy

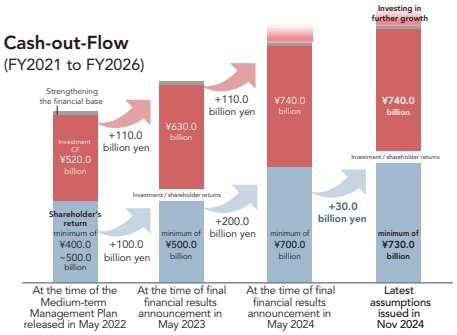
Cash Allocation

This is the current state of our cash allocation under our capital policy. Regarding cash in-flow (operating cash flow), the initial medium-term management plan estimated between ¥900.0 billion and ¥1 trillion. However, this was now expected to reach 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 ¥740.0 billion directed toward business investments and ¥730.0 billion or more toward shareholder returns, ensuring a balance between the two.

Cash-in-Flow
(FY2021 to FY2026)



Cash-out-Flow
(FY2021 to FY2026)



■ **Operating cash flow is expected to improve by 100.0 billion yen** from the amount announced in May 2024 due to improved business performance

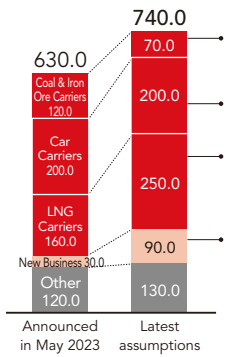
■ **Investment cash flow** necessary for enhancing corporate value is planned at **740.0 billion yen**
■ Given the upward trend in operating cash flow, **we plan to increase shareholder's returns by 30.0 billion yen** from the amount announced in May 2024, **bringing the total to 730.0 billion yen or 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 increase investment cash flow for the medium-term management plan period by ¥110.0 billion from the figure announced in May 2023, reaching ¥740.0 billion (of which ¥460.0 billion has been confirmed)

Investing **70% in businesses with the role of driving growth and 10% in new business opportunities**



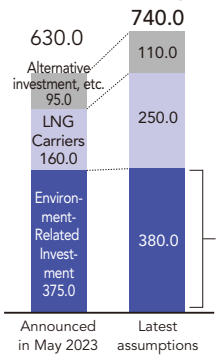
The demand for transport using environmentally friendly vessels is delayed in the industry and investment is expected to appear mainly after the medium-term management plan period.

Progressing according to plan

Accumulating contracts in response to strong demand for alternative fuels

We will accumulate stable earnings over the medium to long term by increasing investment in new business areas where we can leverage our strengths (liquefied CO_2 transport vessels, offshore wind power support vessels for offshore wind power installations and new fuel transport vessels such as hydrogen / ammonia transport vessels)

Investing **50% in environmental initiatives (80% if LNG carriers are included)**
→ Establishing a competitive advantage



Cumulative investment amount FY2022 to FY2026 (billions of yen)

- Alternative Fuel Vessel
- Vessels to transport new fuels such as ammonia
- New businesses that help reduce carbon emissions, such as liquefied CO_2 transport vessels
- Environmentally friendly equipment such as Seawing etc.

Returns to Shareholders

With the new additional returns, the total return amount during the Medium-term Management Plan period has been updated from 700.0 billion yen to 730.0 billion yen or more. We will actively carry out appropriate dividends and flexible/responsive share buy-backs to increase shareholder value. 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

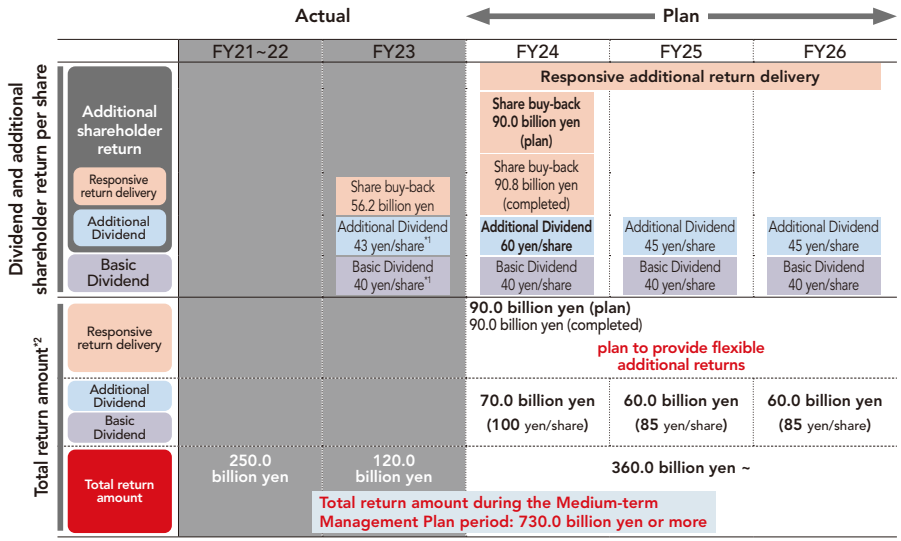
FY2024
Full-year dividend forecast
Current announcement: ¥100/share
(interim and year-end: ¥50/share each)
Previous announcement: 85 yen/share
(interim and year-end: 42.5 yen/share each)

FY2025 to 2026
Full-year dividend forecast
Current announcement: ¥85/share
(interim and year-end: ¥42.5/share each)

Responsive Additional Return Delivery

FY2024
Share buy-back
Current announcement
Up to 90.0 billion yen, or 36,000,000 shares
*In addition to the share buy-back of 90.8 billion yen conducted from May to July 2024, an additional buy-back will be implemented
- Share buy-back method: Purchase on the Tokyo Stock Exchange through off-auction own share buy-back trading (ToSTNet-3) and Auction market
- Share buy-back period: from November 6, 2024 to February 28, 2025
- In principle, the shares to be repurchased will be cancelled

FY2024~26 (during the Medium-term Management Plan)
Based on our shareholder return policy and while taking cash flow into account, **we plan to provide flexible additional returns**



*1 The amounts are stated based on shares after stock split implemented on April 1, 2024
*2 Total return amount is rounded to the nearest 10 billion yen

Business Strategy

The "K" LINE Group has been strengthening portfolio management as a business strategy in its medium-term management plan. Management has drawn up strategic directions based on five categories of roles, including the three roles for its own existing businesses, namely the "role of driving growth," "role of supporting smooth energy source conversion and taking on new business opportunities," and "role of contributing by enhancing profitability," the two roles for the Containership Business and new business domains. Management has laid out specific measures and clarified priority issues along with targeted markets and customers.

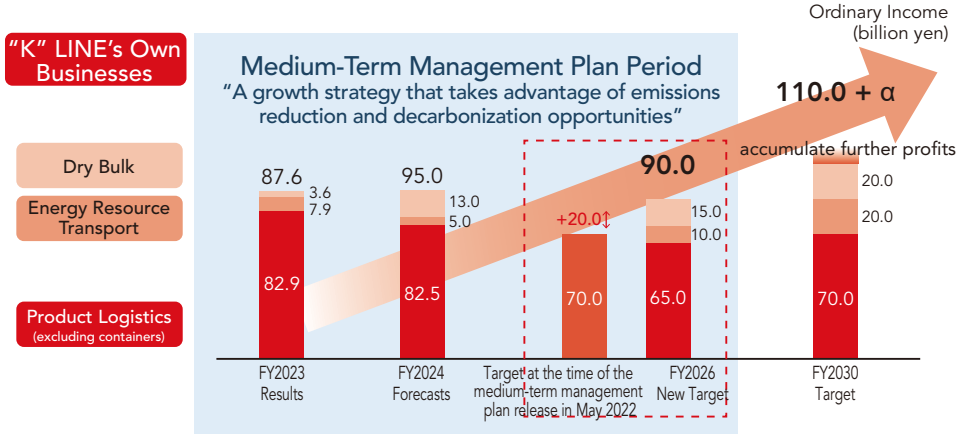
Corresponding Businesses		Role	Strategic Direction	FY2023 Progress and Achievements	Priority Issues After FY2024
Role of driving growth	• Coal & Iron Ore Carriers • Car Carriers • LNG Carriers	• Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability • Securing market share with existing and new customers • Achieving growth that surpasses market growth	• Concentrated allocation of management resources	**Coal & Iron Ore Carriers** The strategies for maintaining and expanding our stable earnings base, strengthening organizational sales capabilities in India, the Middle East, and Singapore, and controlling the fleet portfolio are progressing smoothly. **Car Carriers** Measures to improve profitability, such as freight rate recovery, expansion of H&H transport volumes, and enhancing operational efficiency, are progressing smoothly. Investments aimed at growth, including the construction of environmentally-friendly new vessels, are being executed as planned. **LNG Carriers** We are steadily accumulating long-term stable earnings projects, including an additional contract with QatarEnergy. As customers' fleet procurement plans become more concrete, we have increased our investment plans (with approximately 60% already confirmed).	**Coal & Iron Ore Carriers** We are strengthening relationships with steel mills in India and the Middle East expected to experience growth in future along with major resource companies, while leveraging customer-oriented and environmental sales to maintain and strengthen relationships with Japanese and Korean steel mills. **Car Carriers** Against a backdrop of robust demand, we have perceived environmental measures and H&H cargo*1 to be opportunities and realized sustained business management. **LNG Carriers** We are teaming up with reliable partners and expanding long-term contracts to meet customers' needs through "K" Line's strength of customer support combining maritime technology and sales.
Role of supporting smooth energy source conversion and taking on new business opportunities	• Thermal Coal • VLGC / VLCC	• Transforming our business structure while helping customers transform their energy mix	• Business risk minimization • Responding to demand for alternative fuels	We aim to lock onto new energy demand by maintaining and enhancing transportation quality technology, and updating ship management and operational systems to cater to new transportation demand.	While meeting the demand for transporting the fossil fuels that will still be needed during the transition to green energy, we will implement proposal-based sales and build long-term relationships with customers in order to help them reduce their emissions and decarbonize.
Role of contributing by enhancing profitability	• Bulk Carriers • Short Sea and Coastal • Port / Logistics	• Strengthening resistance to market fluctuation and securing stable income • Business strategy seeking synergy	• Asset-light strategy (Bulk Carriers)	**Bulk Carriers** We will continue efforts to increase profitability through appropriate management of market exposure and improvements in vessel allocation efficiency. **Short Sea and Coastal / Port / Logistics** Promoting business through collaboration among Group companies by leveraging expertise and experience, aimed at creating synergies within Group operations.	**Bulk Carriers** In addition to increasing vessel deployment efficiency, and maintaining and expanding our customer base in Japan and the rest of Asia, we will improve and develop our sales outside Japan, and increase profitability by strengthening fleet resilience to market fluctuations. **Short Sea and Coastal / Port / Logistics** Along with improving profitability in the business areas of Short Sea and Coastal, Ports, and Logistics, we will promote synergies between these areas by leveraging the knowledge of the relevant Group companies.
Role of supporting the business as a shareholder and stabilizing the earnings base	• Containerships	• Stabilization of Groupwide earnings	• Maximizing corporate value through ongoing human resource support and involvement in management governance	We will continue to support ONE as it steadily carries out business operations through agile responses to trends in market demand.	Releasing the business plan, ONE 2030. Maximizing corporate value through senior management involvement in governance measures and ongoing support for human resources from a shareholder perspective.
Expansion of new businesses in fields where "K" LINE can utilize its strengths	• Projects for emissions reduction and decarbonization	• Expansion of business areas where "K" LINE's capabilities can be utilized and advanced	• Pursuing synergies between "K" LINE and our subsidiary companies	Advancements also continue in the offshore support vessel for wind power generation business and the liquefied CO_2 transport business—such as by participating in the world's first full-scale carbon dioxide capture and storage (CCS) project, Northern Lights—as well as the hydrogen and ammonia transport business.	By utilizing "K" Line's decades of experience and expertise, the Group is entering new business areas that help reduce emissions and promote the decarbonization of society. These include liquefied CO_2 transport and offshore wind power support vessels.

Ongoing investigation of options for strategic replacement of business assets

*1. High & Heavy. Oversized cargo such as construction and agricultural machinery, and rail vehicles.

Growth Strategy for "K" Line's Own Businesses

The medium-term management plan is progressing smoothly, and we have revised the ordinary income target for our own businesses to ¥90.0 billion for fiscal 2026, the final year of the medium-term management plan (an increase of ¥20.0 billion from the announcement of the plan), and to ¥110.0 billion + α for fiscal 2030. Based on a growth strategy that takes advantage of emissions reduction and decarbonizing opportunities, each business will achieve growth according to its respective role, including the role of driving growth and new business areas.



Note: Total of ordinary income includes adjustment.

Major fluctuation factors FY2030 vs FY2023	Dry Bulk	**Coal & Iron Ore Carriers** and Bulk Carriers	**Increasing profitability and stable long-term contracts by leveraging customer relationships and environmental measures to maintain and expand the customer base**
	Energy Resource Transport	**LNG Carriers,** Thermal Coal Carriers, VLGC / VLCC, and **New Business Area**	Integrating technology and sales to **meet customer needs and increase the number of long-term contracts** **Enhancing profitability in new business** in fields where "K" Line can utilize its strengths
	Product Logistics (excluding containers)	**Car Carriers** Short Sea and Coastal Port / Logistics	**Increasing profitability by capturing environmental demand for car carriers** Boosting profitability in the business areas of Short Sea and Coastal, Ports, and Logistics
Measures for Inorganic Growth			**Continually investigating measures to achieve inorganic growth** in businesses that can leverage "K" Line's strengths

Three Businesses that Will Drive Growth and New Business Areas: Growth Strategy Progress

Coal / Iron Ore

Our business strategy is progressing smoothly in terms of maintaining and expanding a stable earnings base, strengthening organizational sales capabilities, and controlling the fleet portfolio

- "CAPE HAYATE," our first Capesize bulk carrier powered primarily by LNG, has been delivered, marking a step forward in "K" LINE's transition to more environmentally friendly vessels
- We anticipate a fleet of 100 to 110 vessels by FY2030

LNG Carrier

To achieve growth through expansion of stable earnings, we will team up with reliable partners and expand long-term contracts to meet customers' needs through our strength of customer support combining maritime technology and sales

- Following last year's 12 vessels, we concluded additional shipbuilding contracts and long-term time charter contracts for 4 LNG carriers with QatarEnergy
- As demand for transitional fuels such as LNG increases, our fleet of 65 vessels planned for FY2026 is nearly confirmed, and we plan to expand our fleet to 75 vessels or more by FY2030, mainly through long-term charter contracts

Car Carriers

Against a backdrop of robust demand, we have perceived environmental measures and high-and-heavy cargo*1 to be opportunities and realized sustained business management

- We are enhancing strong relationships with existing finished vehicle OEMs by providing reliable and sustainable transport services
- We are strengthening our capabilities for high-and-heavy cargo handling based on enhanced transportation capacity and specialized equipment
- We aim to bolster fleet competitiveness and flexibility through emissions reduction and decarbonization as well as by building larger vessel types. Five LNG-fueled car carriers have already been delivered
- Promoting the implementation of next-generation zero-emission vessels and new technologies towards FY2030 target achievement

New Business Areas

With the aim of accumulating stable profits over the medium to long term, we plan to enter new business areas contributing to reducing emissions and decarbonization of society by utilizing the abundant experience and expertise developed in the maritime shipping industry based on the Medium-term Management Plan

- Liquefied CO_2 transport business: Signed a charter contract with NL*2 for a third LCO_2 vessel. World's first transportation of liquified CO_2 for CCS*3 purposes scheduled to begin this year
- Offshore wind turbine support vessel business: KWS*4 and EGS*5 have established EKGS*6 for marine geological survey operations. The geological survey vessel "EK HAYATE" has commenced operations

*1. High&Heavy: Oversized cargo such as construction and agricultural machinery, and rail vehicles
*2. NL: Northern Lights *3. CCS: Carbon Capture and Storage *4. KWS: "K" Line Wind Service, Ltd.
*5. JMU: Japan Marine United Corporation

Functional Strategy

The measures of each function are progressing as planned to achieve targets. We will maximize corporate value by enhancing the basic functional strategies and strengthening organizational sales capabilities.



	Strategic policies	Main progress / responses
Environment & Technology P.46 – 53	**Continuing initiatives to pursue new technologies while also enhancing measures** for technology investigation and verification in preparation for implementation	• Promoting decarbonization through initiatives for new zero emission (ZE) ships • Taking over Seawing business and accelerating technology establishment • Responding to and promoting initiatives for environmental regulations and carbon pricing • External evaluation of "K" LINE's environmental initiatives (CDP, etc.)
Safety & Ship Quality Management P.45	**Enhancing the organization system, which covers safety and quality management** in both worldwide marine transport businesses and regional businesses	• Recruiting and training high-quality seafarers • Customer-oriented maritime technical support • Competitive ship management (utilizing KONeCT*1) • Comprehensive system for safety, ship quality control and collaboration *1. KONeCT: The "K" Line Group's next-generation total ship management system utilizing digital technology
Digital Transformation P.54 – 55	**Enhancing the core values of safety, environmental conservation, and quality through the utilization of data and digital technology and** increasing the added value of our services	• DX Strategy 2024 announced (December 21, 2023) • Under its DX Strategy 2024, "K" Line will promote digital transformation strategies in five important areas: DX on land, DX at sea, data DX, human resources DX, and security to safeguard DX.
HR & Organization P.56 – 59	While embracing diverse values, **securing the quality and quantity of human resources** for each business portfolio	• Continually recruiting and developing human resources for business transformation, as well as environmental and technical human resources and professional shipping executives to manage "K" Line's business portfolio • As part of diversity and inclusion efforts, continuing to promote the active participation of women and foster a sense of unity among personnel in and outside Japan

Message from the CFO



Noriaki Yamaga

Director,
Senior Managing
Executive Officer, CFO

We are on our quest to achieve further elevated management goals.
Under advanced management method that lead to sustainable value, we will promote growth strategies with a focus on capital efficiency.

Update on Fiscal 2023 Performance and the Medium-Term Management Plan

Although fiscal 2023 saw a decline in profits, ordinary income reached ¥135.7 billion, the third-highest amount achieved in our history as a company. With the favorable containership market of the past two years settling down, we feel that our focus on our own businesses has begun to bear fruit. After spinning off the containership business, strengthening our own businesses was a challenge, but key segments such as coal & iron ore carriers, car carriers, and LNG carriers progressed beyond expectations, resulting in nearly ¥90.0 billion in profits from our own businesses. This year's ordinary income is expected to reach ¥240.0 billion, surpassing the ¥160.0 billion target set for fiscal 2026, the final year of the medium-term management plan.

		FY2026 Medium-term target	FY2023 Actual
Earnings targets	Ordinary income (own businesses)	¥90.0 billion	¥87.6 billion
	Ordinary income (containership business)	¥70.0 billion	¥48.1 billion
	Ordinary income (groupwide)	¥160.0 billion	¥135.7 billion
Rate of return on equity (ROE)		At least 10%	6.7%
ROIC		6.0 to 7.0%	5.0%

Operating cash flow during the medium-term management plan period from fiscal 2022 to fiscal 2026 is also expected to increase by ¥300.0 billion compared to the May 2023 forecast, reaching ¥1.5 trillion. Toward the final fiscal year of our medium-term management plan, we will advancing further business management by implementing business-specific financial KPIs (such as ROIC and EVA), aiming for sustainable growth while maintaining capital efficiency. We are also aware of the need to utilize our increased capital effectively to further improve capital efficiency and boost profit.

Objectives of the New Business Investment Plan

The Group places emphasis on businesses that play a leading role in growth, such as coal & iron ore carriers, car carriers, and LNG carriers, and environmental initiatives taking advantage of emissions reduction and carbon-free opportunities, maintaining disciplined investments that take into account the business's risk characteristics. In times of economic prosperity, we remain restrained, while in periods of market downturn, we implement strategic investments.

In the first fiscal year of the medium-term management plan, the investment plan was set at ¥520.0 billion over the plan period, revised to ¥630.0 billion last year, and this year, it has been further raised to ¥740.0 billion. This increase reflects our careful re-examination, as operating cash flow during the medium-term management plan period is expected to increase from the previous May 2023 forecast.

As a result, we plan to allocate ¥520.0 billion, which is 70% of the investment, to the three growth-driving businesses.

The largest increase in investment was for LNG carriers, which increased from ¥160.0 billion to ¥250.0 billion to capture the rising demand for transition energy toward carbon-free, based on long-term contracts. Investments of ¥200.0 billion in car carriers, mainly for environmentally friendly vessels, are progressing as planned. Investments in coal & iron ore carriers have been reduced from ¥120.0 billion to ¥70.0 billion during the medium-term management plan period; this adjustment reflects a postponement of investment timing to match customer demand. While it will take more time to assess environmentally friendly vessels and new fuels, our commitment to meeting customer demand remains unchanged, and we do not intend to reduce future investment amounts.

Furthermore, we plan to invest 90 billion yen in new carbon-neutral businesses such as liquified CO_2 transport and offshore wind power, areas where our strengths can be leveraged. These efforts aim to create new cash flow, capitalizing on opportunities related to low-carbon and carbon-free.

The revised investment plan primarily focuses on projects targeting organic growth. This time, we raised our ordinary income target for the final year of the medium-term management plan from the previous ¥140.0 billion to ¥160.0 billion, and we have also announced plans to raise this to ¥250.0 billion + α by fiscal 2030. The breakdown of ordinary income projected for fiscal 2030 includes ¥140.0 billion from the containership business and ¥110.0 billion + α from our own businesses. However, to achieve the "+ α" target, we are also considering measures for inorganic growth, such as M&A.

	Announced in May, 2023	Latest assumptions
Coal & Iron Ore Carrier Business	¥120.0 billion	¥70.0 billion
Car Carrier Business	¥200.0 billion	¥200.0 billion
LNG Carrier Business	¥160.0 billion	¥250.0 billion
New Business	¥30.0 billion	¥90.0 billion
Other business	¥120.0 billion	¥130.0 billion
Total	¥630.0 billion	¥740.0 billion



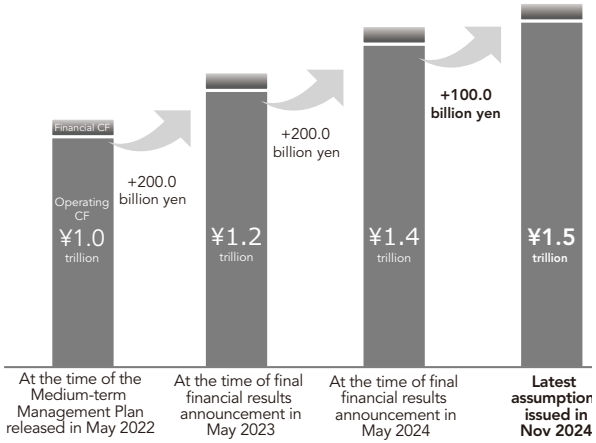
Our Approach to Capital Policy

The Group's policy is to ensure the investments necessary for enhancing corporate value and maintaining financial soundness, while actively and flexibly implementing shareholder returns for any capital exceeding the appropriate level, based on cash flow.

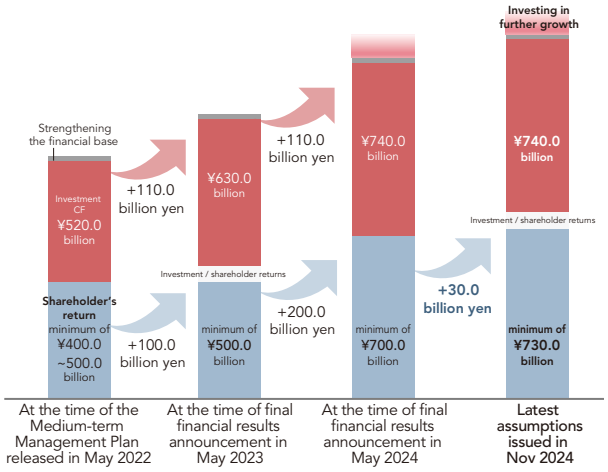
The annual dividend forecast for fiscal 2024 is ¥100 per share, consisting of a base dividend of ¥40 per share and an additional dividend of ¥60 per share. In fiscal 2024, we also carried out agile shareholder returns through a buyback of 39,556,000 treasury shares, valued at ¥90.9 billion, with the cancellation thereof completed by August. For fiscal 2025 and fiscal 2026, the remaining medium-term management plan period, we plan to maintain the annual dividend of ¥85 per share as in fiscal 2024, and we are planning additional agile returns during the medium-term management plan period. Moving forward, we will maintain a balanced shareholder return, mindful of various shareholders and investors expecting both income and capital gains.

We believe that maintaining an optimal capital structure is crucial for covering various risks surrounding our business, such as geopolitical risks and economic fluctuations, while ensuring financial soundness that enables competitive funding and balancing capital efficiency. To further enhance corporate value, we will focus on achieving an optimal balance between the two, conducting the necessary investments for growth while actively returning surplus to shareholders to improve capital efficiency.

Cash-in-Flow (FY2021 to FY2026)



Cash-out-Flow (FY2021 to FY2026)



Regarding the Further Advancement of Business Management

Thanks to improved performance, the Group has achieved a fundamental improvement in our financial structure, allowing us to move to a new stage as a corporate group. We will continue disciplined growth, aiming even higher. As we chart our growth story, stakeholders are asking us to demonstrate initiatives for corporate value in a way that is quantitative, objective, and easy to understand. One of the key initiatives in our management reforms is the promotion of the advanced management project, which involved building methods for quantifying business risks (return hurdle rates commensurate with business risks) and establishing comprehensive risk management approaches, while working to improve precision and expand the scope of application. Currently, we are in phase 2 of our project, focusing on Further Advancement of Business Management by preparing business-specific balance sheets, income statements, and cash flow statements, optimizing our portfolio while considering financial KPIs (ROIC, EVA, etc.), and being conscious of capital costs.

Management Focused on Capital Costs

The Group is working to strengthen earning power and improve capital efficiency to maintain and enhance our PBR of 1.0x or more. In March 2023, the Tokyo Stock Exchange issued a request to listed companies to improve their PBR from below 1.0x. In response, our Group has set a target of achieving a PBR of 1.0x or more by the first quarter of August 2023.
(As of August 30, 2024)

PBR is determined by stock prices and, therefore, by the market, making it a very important indicator in evaluating our Group's corporate value and gaining shareholder trust. We recognize the need to maximize our efforts in initiatives to improve PBR. PBR can be expressed as PER (Price Earnings Ratio) x ROE (Return on Equity), and we must increase both market growth expectations and capital efficiency. We will further enhance PBR by promoting growth strategies that leverage low-carbon and carbon-free opportunities, such as responding to new zero-emission vessels and continuing to improve capital efficiency.

It is also crucial to convey these initiatives accurately and promptly to the market. The Group is increasing its investor relations (IR) activities more than ever before, holding more meetings with domestic and international investors and securities analysts, while also actively expanding IR activities aimed at individual shareholders. Moving forward, we will continue to communicate the Group's growth story and scenarios for enhancing corporate value through various channels.

To All Stakeholders

While there are many companies engaged in maritime transportation around the world, the Group's strengths lie in our corporate culture that embraces new challenges to flexibly offer solutions by fully integrating our customers' needs into our business, as reflected in the "K" LINE Spirit of "enterprising spirit", "free and broad-mindedness" and "independence and autonomy". The decision to raise our medium-term management plan targets is also a reflection of this corporate culture. We will continue to promote growth strategies under advanced management while maintaining capital efficiency and financial soundness, and actively returning value to shareholders, striving to be a company that meets and exceeds the expectations of all our stakeholders.



Messages from Outside Directors

To strengthen the supervisory functions of management, "K" LINE has made the majority of the Board of Directors outside directors, who oversee management from diverse perspectives to enhance corporate value.
Current outside directors shared their candid views on the progress of the fiscal 2022 medium-term management plan and the challenges toward enhancing the Company's corporate value.



Front row, from the left: **Keiji Yamada, Takako Masai**
Back row, from the left: **Koji Kotaka, Ryuhei Uchida, Hiroyuki Maki**

Aiming to be the Cornerstone of "Collaboration" that Contributes to the Future of Society



Keiji Yamada

Independent Outside Director

My area of expertise lies in understanding changes in social conditions from an administrative perspective. The most significant achievement of our fiscal 2022 medium-term management plan is the consensus reached among the management team about the future. I believe that the progress of the plan should be evaluated by the executive members, rather than the outside directors. As an outside director, I focus on issues that may not have been fully addressed in the medium-term management plan. These include how "K" LINE's management will reflect social changes such as our declining birthrate and aging society and the rapid increase of foreign nationals, as well as social innovations like robotics, MaaS, the metaverse, and generative AI. When considering the future of society, we are presented with two paths: concentration leading to division and decline, or decentralization leading to collaboration and growth. Of course, the latter is the preferable vision for society. Since transportation, especially maritime transportation, is the cornerstone of societal "collaboration," how the Company responds to change is crucial for society. How we establish a state of "collaboration" in society could offer solutions to geopolitical crises and ideological conflicts. Moving forward, I hope the Company will play a significant role not only in logistics but also in the flow of information, human exchange, and in green transformation (GX)-related areas that form the foundation of the SDGs. From a human perspective, as the Company operates globally, improving diversity is more important than ever for adapting to a rapidly changing business environment. I look forward to further changes and will continue to support them.

The Company's Board of Directors is moving in a positive direction. When I took office six years ago, the Company was in a very difficult financial situation that forced the Board of Directors into a defensive stance. As the Company's financial situation has improved significantly, discussions about the future have become livelier and more animated, and debates about the Company's future have become more specific than ever before. With that, discussions became more enthusiastic, and I believe this situation, where numerous ideas are being debated, is evidence that the Company is moving in a positive direction. Outside directors are, by nature, outsiders. However, as internal discussions become more lively, opinions providing an outside perspective become even more valuable. I remind myself that my opinions must become more valuable to the Company's management.

The Board of Directors: Advancing Toward a New Stage



Ryuhei Uchida
Outside Director

Regarding the progress of the fiscal 2022 medium-term management plan, it is very pleasing to see that self-directed efforts aimed at enhancing corporate value, coupled with favorable market conditions, have resulted in performance and cash flow beating our targets. It appears that the strategic initiatives outlined in the medium-term management plan are making steady progress, and we look forward to seeing their impact in the future. The combination of strategies such as concentrating management resources on business fields driving growth, strengthening collaboration with customers in decarbonization efforts, and shareholder returns with capital discipline in mind, along with the governance enhancement of appointing a majority of outside directors to the Board, have all contributed to an increase in share price that has outstripped our competitors. However, since we are only in the third year of the medium-term management plan, I expect that we will continue to effectively promote our strategic initiatives and sustainably increase corporate value.

In order for the Company to enhance its corporate value, we must actively make disciplined investments. Reaffirming our policy of being restrained during favorable market conditions and strategically investing during downturns, I believe it is crucial to focus management resources on our strong marine transportation business, regardless of short-term market and financial fluctuations. The containership business, which is heavily influenced by market fluctuations, occupies a significant portion of our corporate value structure. I expect that we will not only focus on our own businesses but also strongly push for value creation at OCEAN NETWORK EXPRESS PTE. LTD. (ONE) from a shareholder position, thereby promoting the sustainable enhancement of corporate value.

Since I joined the Board of Directors, the atmosphere of the Board has changed. When I was appointed in 2019, financial results were sluggish and the low equity ratio raised concerns about financial soundness, so discussions often focused on how to navigate through tough times. Later, business structure reforms were successful in building a solid financial foundation, and now we are at a new management stage, actively working on growth strategies and capital policies aimed at enhancing corporate value. Under the leadership of President & CEO Myochin, active discussions have also taken place on topics such as growth strategies for each business, portfolio strategy, optimal capital structure, and governance. The increased proportion of outside directors on the Board has strengthened our ability to hold discussions from a diverse range of perspectives. The Board of Directors has made significant progress toward enhancing corporate value.

Building a Governance Structure that Enhances Shareholder Value



Koji Kotaka
Independent Outside Director

As we conclude fiscal 2023, we have already reached the halfway point of the fiscal 2022 medium-term management plan. We are currently achieving our quantitative targets ahead of the plan. I am grateful for the efforts of the management and employees.

However, favorable market conditions have benefitted us up to this point, and we are anticipating more challenging circumstances that will require even greater diligence in the remaining period. The three core businesses driving growth have progressed smoothly, allowing us to establish a structure that delivers stable performance with room for further growth. Although performance has been steady, we have not yet achieved our desired balance sheet structure, an important challenge that remains on the road ahead. I strongly hope to see the realization of our optimal business portfolio and capital structure within the remaining period of the medium-term management plan.

Over the past few years, much of "K" LINE's stock prices have trended favorably, with strong performance enabling effective shareholder return strategies. The Company's performance is heavily influenced by market conditions. Moving forward, there are several challenges to enhancing corporate value in a stable manner. We must first reduce business volatility to lessen the impact of market conditions. To achieve this, the three core businesses driving the growth of our own businesses (Coal & Iron Carriers, Ore Carriers, Car Carriers, and LNG Carriers) must become more central to our business portfolio. To improve our valuation in the stock market, it is crucial to improve margins in all businesses and increase the multiples that drive stock prices. I expect further optimization of the business portfolio and capital structure to achieve this.

It has been over a year since I joined the Board of Directors as an independent outside director. I have gained an understanding of the Company's business and management challenges, and I am now able to participate deeply in Board discussions. I believe that the balance between the precision of the business strategies presented by executives and the expertise of outside directors has enabled meaningful discussions to take place at Board meetings. As for future challenges, there is a need to clarify the division of roles between swift, flexible business execution and Board oversight, especially as we consider transitioning to a company with committees. It is essential to establish an optimal system of checks and balances between management and the Board of Directors to create a more efficient governance structure that enhances shareholder value.

Leveraging Market Trust to Implement Bold Structural Reforms



Hiroyuki Maki

Independent Outside Director

In terms of "K" LINE's performance, it is clear that we have already exceeded the fiscal 2024 plan for ordinary income, which was raised to ¥160.0 billion in May 2024 as the target for fiscal 2026.

Although external factors have provided a favorable tailwind, particularly in the container shipping market, I believe the Company's management efforts should be duly recognized for achieving the target as promised and nearing the halfway point of the fiscal 2022 medium-term management plan.

On the other hand, recent economic and financial fluctuations in the business environment have heightened the risks facing management. I hope that the Company will maintain its current safe lead toward the fiscal 2026 goals, ensuring preparedness for unforeseen circumstances while achieving the various targets of the medium-term management plan.

I believe the biggest challenge facing the Company in its pursuit of enhanced corporate value is its structure that tends to create a gap between cash flow and profit. This gap is caused by significant equity income from businesses other than our own businesses. I recognize this as a major issue to be addressed when considering the optimal equity ratio moving forward, without easing up on aggressive shareholder returns. In fiscal 2023, the Company achieved remarkable total shareholder return (TSR), even compared to domestic peers. With strong confidence from the capital market, I expect the Company to boldly embark on structural reforms.

This marks my second year as an outside director for "K" LINE. Looking back on the past year, I have felt that discussions at our Board of Directors' meetings are more focused than ever on enhancing corporate value, with a strong atmosphere of aiming for further value maximization. This is evident from the fact that the Company introduced a series of new policies in fiscal 2023 that differed from previous approaches in a short amount of time. Specifically, we have expanded our response to the Corporate Governance Code by clearly stating in our disclosure materials that we aim to "maintain and improve ROE of 10% or more and PBR of 1.0x or more." We have officially declared our consideration of transitioning to a company with committees to strengthen governance. As an outside director, I aim to ensure that the Company not only announces these policies but also steadily implements them.

Leveraging Corporate Culture to Become a Leading Group in the Shipping Business



Takako Masai

Independent Outside Director

I was appointed as an outside director of "K" LINE in June 2024. I have built my career primarily in the financial markets divisions of domestic and foreign banks. Subsequently, as a member of a bank's executive team, I was involved in financial and economic research and risk management. I was also appointed by the government as a Policy Board member of the Bank of Japan, where I had the opportunity to be involved in policy decisions and deciding on the role of the central bank. Through these experiences, I have dealt with financial crises both domestically and internationally, handled customer relations, and collaborated with multinational teams at foreign financial institutions. Currently, I serve as the chairperson of an institute that explores the framework of financial markets and the direction of the new economic society associated with advancements in digital finance. I hope to contribute to discussions in the Company's Board of Directors' meetings by leveraging my experience and expertise.

When I look at the Company's corporate culture, I feel the strong commitment to sustainable value creation. Over its more than 100-year history, the Company has cultivated a corporate culture represented by the "K" LINE Spirit, that is independence and autonomy, free and broad-mindedness, and enterprising spirit. This corporate culture enables us to adapt flexibly to new changes and achieve strong results. For example, thanks to our advanced efforts in energy transition, the international non-profit organization CDP has recognized us for eighth consecutive years on the "A List" for climate change, establishing our position as a global leader in the environmental field. However, from a management perspective, the Company's broad-mindedness in embracing new challenges could increase volatility in a time of significant macroeconomic changes. I recognize that the Company must now strive to balance boldness with stability in embracing new challenges.

The Company is currently enhancing corporate value as one of its core pillars in line with the fiscal 2022 medium-term management plan. However, looking at the external environment, we are in a period of structural change driven by digital transformation (DX) and low-carbon and carbon-free transition, and uncertainty is on the rise. To enhance corporate value in such an environment, flexible thinking and actions that break free from past conventions are required, and the Company possesses the corporate culture to achieve this. I expect the Company to leverage its culture while further strengthening management capabilities, becoming a more resilient corporate group leading a new shipping business that is right for the times.

Updating Three Businesses That Will Drive Growth and New Business

In "K" LINE's medium-term management plan announced in May 2022, we positioned three businesses—coal & iron ore carrier, car carrier, and LNG carrier—as growth drivers. Additionally, we aim to expand into new businesses in fields where "K" LINE can utilize its strengths, with a focus on low-carbon and carbon-free initiatives. Here, we will cover the latest topics related to these businesses.

Coal & Iron Ore Carrier Business

Delivery of CAPE HAYATE, a Capesize Bulk Carrier fueled by LNG, for JFE Steel Corporation



In May 2024, the 210,000 dwt ton cape-size bulker CAPE HAYATE fueled by LNG (Liquefied Natural Gas), which had been under construction at the Tsu shipyard of Japan Marine United Co., Ltd. was delivered to "K" LINE.

It is the first capesize bulk carrier in "K" LINE to be equipped with a dual-fuel diesel engine that utilizes LNG as its primary fuel. LNG fuel is expected to reduce emissions of carbon dioxide (CO_2), a greenhouse gas (GHG), by 25% to 30%, emissions of sulfur oxide (SOx), which cause air pollution, by almost 100%, and emissions of nitrogen oxide (NOx) by approximately 75%, which meets the IMO Tier III NOx regulations, as compared to conventional vessels using heavy fuel oil. It is equipped with the latest dual-fuel electronic control engine, 7X62DF-2.1 iCER by WinGD, which will reduce methane slip when using LNG fuel.

"K" LINE will also install Seawing, an automated kite system utilizing wind power. By combining Seawing with LNG fuel, we expect to reduce CO_2 emissions by 45% to 50%. It will be engaged in the carrying of steel raw materials for JFE Steel Corporation under a long-term consecutive voyage charter contract. "K" LINE aims to help make the entire marine transportation portion of the customer's supply chain carbon-free. The coal & iron ore carrier business places particular emphasis on customer-oriented strategy and environmental response, and we will continue to work together with our customers to advance low-carbon and carbon-free efforts to be chosen as a partner.

Car Carrier Business

Preparing Competitive Environmentally Friendly Ships



In the car carrier business, we are actively introducing environmentally friendly ships in line with basic customer demands for low-carbon and carbon-free transportation. We are steadily introducing LNG-fueled car carriers into our services, starting with the CENTURY HIGHWAY GREEN, our first LNG-fueled car carrier, delivered in March 2021. In August 2024, NEREUS HIGHWAY, a car carrier with a capacity of 7,000 vehicles, was delivered. The vessel is mainly fueled by liquefied natural gas (LNG) and was constructed by CHINA MERCHANTS JINLING SHIPYARD (JIANGSU) CO., LTD. This is the first LNG-fueled vessel that "K" LINE placed an order for from a Chinese shipyard. We plan to introduce a total of seven environmentally friendly ships by the end of fiscal 2024, with a total of 13 new vessels by the final year of the medium-term management plan in fiscal 2026.

In April 2024, we conducted our first trial use of marine B100 biofuel, supplied by global energy management company World Fuel Services, on car carrier "APOLLON HIGHWAY" operated by "K" LINE. Marine biofuel has the potential to become an environmentally friendly alternative fuel, able to reduce CO_2 by 80 to 90% in the well-to-wake (from fuel generation to consumption) process without changing current engine specifications.

Based on projected customer demand for carbon-free value in the latter half of this decade, and driven by carbon pricing through mechanisms such as emissions trading in Europe, we will increase investment in environmentally friendly vessels and co-create with customers a competitive completed vehicle transportation service that aims to become carbon neutral.

Updating Three Businesses That Will Drive Growth and New Business

	Corresponding Businesses	Role	Strategic Direction
Role of driving growth	Coal & Iron Ore Carrier Business	Achieving growth by taking on environmental challenges as opportunities and turning these business areas into mainstays of Groupwide profitability	Concentrate allocation of management resources
	Car Carrier Business	Securing market share with existing and new customers	
	LNG Carrier Business	Achieving growth that surpasses market growth	
Expansion of new businesses in fields where "K" LINE can utilize its strengths	Carbon Solutions Business	Expansion of business areas where "K" LINE's capabilities can be utilized and advanced	Pursuing synergies between "K" LINE and our subsidiary companies

LNG Carrier Business

"K" LINE Enters into Long-Term Time Charter with QatarEnergy for Four Newbuilding LNG Vessels

In March 2024, "K" LINE, through our joint venture companies, executed four long-term Time Charter contracts with QatarEnergy. At the same time, the joint venture companies have executed Shipbuilding contracts for four new 174,000m^3 LNG carriers.

QatarEnergy, the world's largest LNG producer, is pursuing large-scale procurement of new LNG carriers as it expands production capacity. The four vessels were contracted in addition to 12 vessels secured in 2022.

The newbuilding vessels will be equipped with X-DF2.2 iCER, VCR, and other energy-saving devices which will contribute to the reduction of GHG emissions and easing environmental impact by lowering fuel consumption during operation. Additionally, they will obtain OCCS-Ready notation from a classification society by conducting an evaluation for future installation of OCCS, in anticipation of further GHG reduction. "K" LINE will further strengthen our business relationship with QatarEnergy through the conclusion of this contract. In the LNG carrier business, we have successfully increased the number of long-term and stable earnings contracts, including the additional contracts with QatarEnergy. The total fleet will have increased from 46 at the end of fiscal year 2023 to 65 when the present medium-term management plan ends in fiscal year 2026. Going forward, we will continue to enhance "K" LINE's strength of customer support that combines our strengths in maritime technology and sales in addition to improving understanding of customer needs through regionwide and customer-oriented approach and delivering customized services.

Carbon Solutions Business

Initiatives for Liquefied CO_2 Transport



Along with efforts such as utilizing new energy sources like hydrogen and ammonia, we are also focusing our attention on carbon capture and storage (CCS) for achieving carbon neutrality. CCS assumes the transport of CO_2 from the emission source to storage locations, and expectations are high for the maritime transport of liquefied CO_2.

In February 2024, "K" LINE signed Bare Boat Charter and Time Charter contracts with Norway's Northern Lights JV DA for the management of liquefied CO_2 vessels. The vessels managed by "K" LINE will total three, following the two scheduled for delivery in 2024. Our London-based subsidiary, "K" LINE LNG Shipping (UK) Ltd., will manage these three vessels, facilitating the transportation of liquefied CO_2 from Northern Lights customers based in Norway, Denmark, and Netherlands, to Northern Lights' CO_2 receiving terminal in Øygarden, Norway, where the CO_2 will be injected into the offshore reservoir for safe and permanent storage.

In September 2024, we, along with seven other companies*, signed a contract with Japan Organization for Metals and Energy Security (JOGMEC) for the commissioning of design work related to the Carbon Capture and Storage (CCS) project to inject and store CO_2 emitted from multiple industries in Japan, including the Seto Inland Sea area, in offshore Sarawak, Malaysia, which is one of the public solicitations regarding the Request for Proposals on the Japanese Advanced CCS Projects in fiscal year 2024.

We will leverage our accumulated know-how, stable operation track record, and partnerships with existing customers accumulated in the liquified gas transport business to make contributions to carbon neutrality.

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

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.

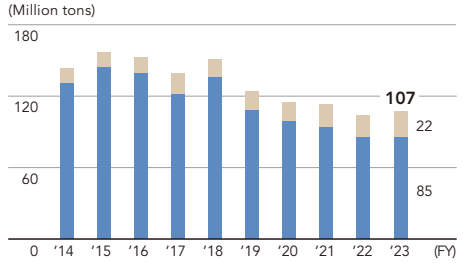
Cape-size Fleet Ranking

(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



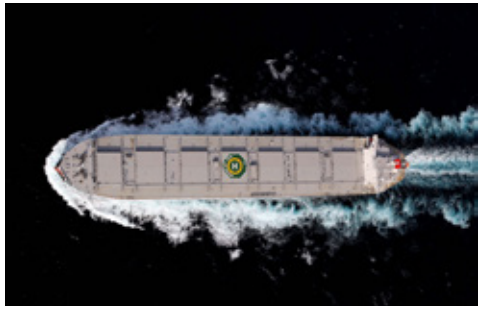
Note: The figures from fiscal 2017 exclude the results carried by the Electricity Business and Offshore Business.

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.

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.

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.

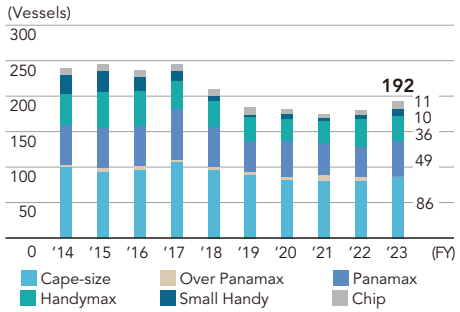
Dry Bulk (All Types) Fleet Ranking

(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



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

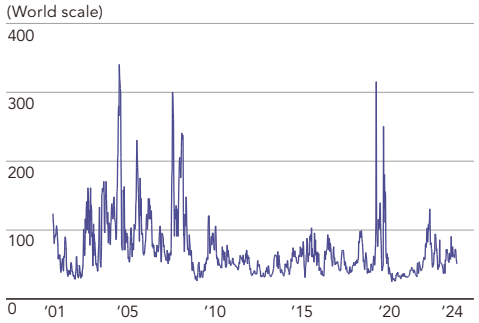
Risks

- 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

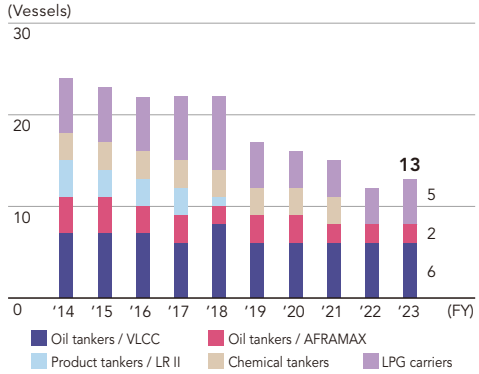
- Increase in ton-miles and vessel demand due to heightened geopolitical risks.
- Growth in maritime transport demand due to increased U.S. shale production.

Tanker Freight Index



Source: Clarksons

"K" LINE Tanker Fleet Scale



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	Opportunities
• 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.	• 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 FUELNG 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 CO_2 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 CO_2.

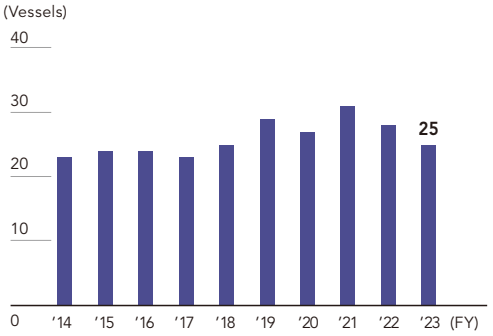
Offshore Business

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	Opportunities
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.	**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.

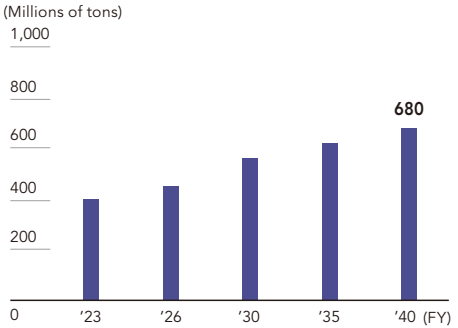
Regarding our investment plan, we have already achieved the original investment targets under the medium-term management plan. To enhance the long-term and stable earnings of "K" LINE's business portfolio, we are expanding the scale of investment, aiming to expanding our fleet from the current 46 vessels 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.

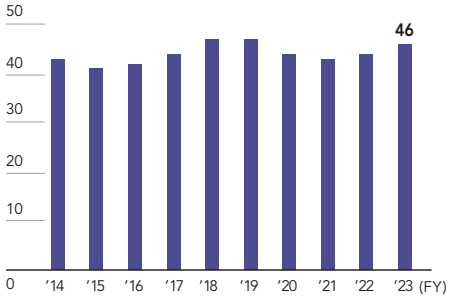
Understanding the External Environment

Risks	Opportunities
• 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.	• 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 CO_2 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 CO_2 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 CO_2 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	Opportunities
• 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.	• 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 CO_2.

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 CO_2 emitted from steelworks, power plants, and chemical plant in Japan, as well as the maritime transport of CO_2, 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

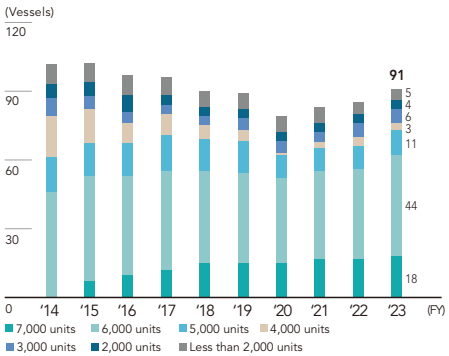
- The promotion of low-carbon and decarbonization through the development of environmentally friendly vessels and the creation of new business models.
- Expansion of business scale by capturing the increasing demand in new growth markets, such as exports from China, India, and Mexico.
- Capturing high 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	WWO 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 Hesnes Shipping "AS Year Report"

"K" LINE Car Carrier Fleet



Note: Includes short-term chartered vessels and Group company-operated vessels.

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.

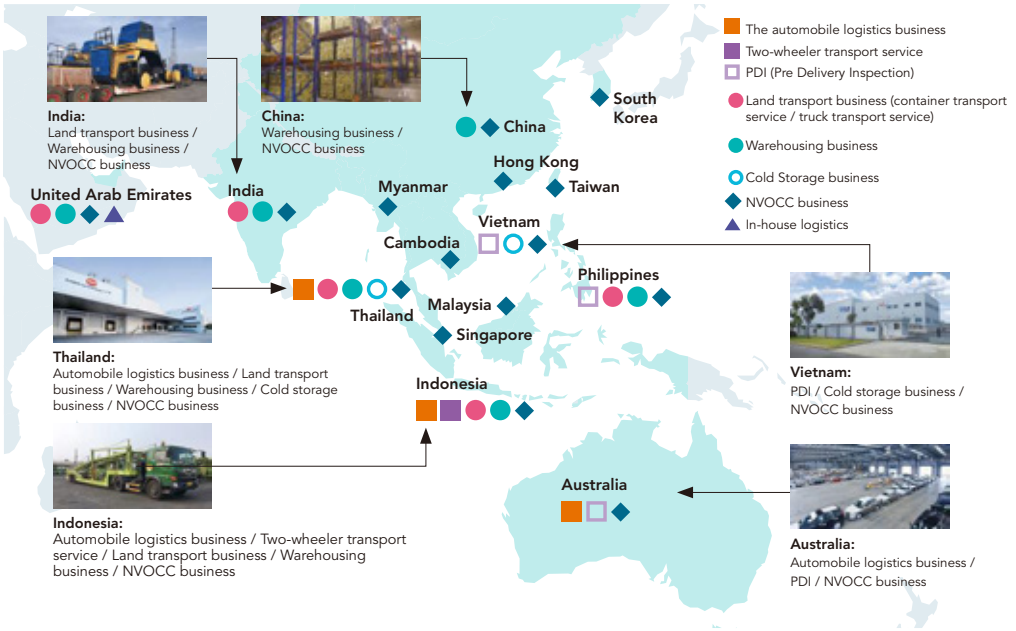
Strengths and Strategies for Achieving the Medium-Term Management Plan

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	Opportunities
• 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.	• 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.

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.

Understanding the External Environment

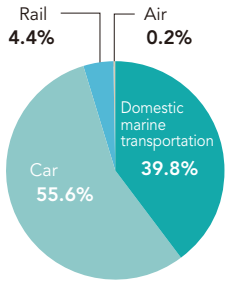
Risks

- 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.

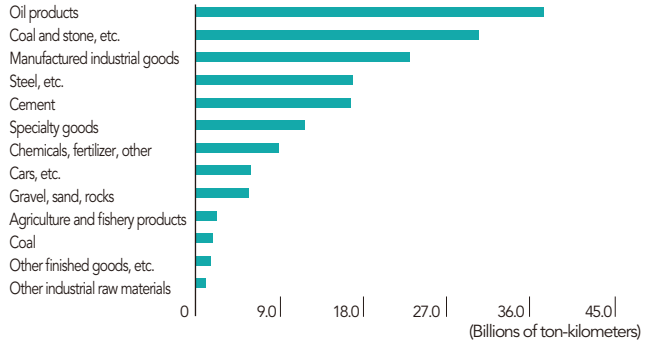
Opportunities

- 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).

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

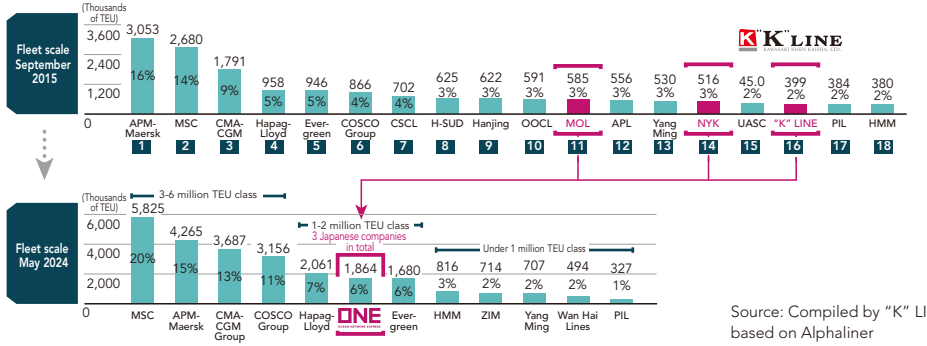
Risks

- 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

The "K" LINE Group's Materiality

As a part of identifying, evaluating, and managing sustainability-related risks and opportunities, we review and re-assess Materiality (key sustainability issues) as necessary. Our Group's most recent review in fiscal 2022 identified 12 new material issues. These are categorized into five areas, including safety / ship quality management, advancement of environmental technologies, digital transformation, and human resources—the four pillars of our functional strategy for a solid business foundation to realize the business strategies set forth in our medium-term management plan—and management base, which serves as the foundation of the four pillars (see below for details). The Group positions materiality as a set of key issues to be addressed in order to realize its corporate principle and vision, contribute to solutions for social issues, and achieve sustained growth and improve corporate value under the medium-term management plan.

Material Issues and Related SDGs

Category	Material Issues (Actions for resolving social issues)	Related SDGs
Management base	Respect for human rights P.43	
	Reinforcement of corporate governance P.63	
	Promotion and reinforcement of compliance P.44	
Safety / Ship quality management	Promotion of safety in navigation and cargo operations P.45	
Advancement of environmental technologies	"K" LINE low-carbon and carbon-free transition P.46	
	Supporting the development of a low-carbon and carbon-free society P.47	
	Reducing "K" LINE's impact on the sea and air to zero P.46	
	Promotion of innovation P.52	
Digital transformation	Reinforcement of response to digital transformation (DX) P.54	
Human resources	The securing and development of human resources P.56	
	Diversity & inclusion P.57	
	Shaping of working environment and promotion of health management P.59	

Process to Identify Materiality

When identifying materialities, the Group referred to various sources of guidance related primarily to corporate social responsibility (CSR), including ISO 26000 and the OECD Guidelines for Multinational Enterprises. While considering Sustainable Development Goals (SDGs) and other social issues, we analyzed and evaluated materiality from the two perspectives of importance to the Company (importance from a business perspective) and importance to society (importance from a stakeholder perspective), in addition to factors such as their alignment with our business strategy and their impact on value creation.



Steps for Analyzing Materiality

STEP 1 Create a list of social issues

- Create a list of social issues with a focus on the Sustainable Development Goals (SDGs) (extensive list of 115 items in total)
- Narrow down the list of social issues, taking into consideration their relevance to the Company's businesses and their uniqueness to the maritime industry (short list of 50 items in total)

STEP 2 Evaluate the social issues (on their importance to the Company and their importance to society)

- From the following perspectives, evaluate the importance of the 50 social issues shortlisted in Step 1:
  - **Importance to the Company**
    We evaluated the impact of each social issue on the Company's corporate value from the perspective of risks and opportunities. We also administered a survey to our Group officers and employees to gather their opinions on social issues to be addressed by the Group on a priority basis.
  - **Importance to society**
    We analyzed the impact of each social issue on key stakeholders of the Group (customers, investors, employees, local communities, and global society) from the standpoint of each stakeholder.

STEP 3 Identify materiality

- In Step 2, we positioned items of high importance to both the Company and its stakeholders as social issues that have a high impact on the Company's corporate value. These have been further consolidated into a total of 12 actions for resolving social issues in order to create a materiality proposal.
- A dialogue is held between outside experts and the Company's management to exchange opinions on the materiality proposal.
- The materiality proposal is finalized based on the aforementioned dialogue. This proposal is then discussed by the Corporate Sustainability Management Committee, and a final decision is made at the Management Conference, after which it is reported to the Board of Directors.

KPIs Related to Material Issues

The Group sets goals and indicators (KPIs) that are aligned with each materiality theme and monitors progress.
As in the previous years, for fiscal 2024, we have set single-year targets after evaluating the progress made in the previous fiscal year. We will continue our efforts to achieve the medium- to long-term targets.

Category	Material Issues	KPIs related to Material Issues						
		Medium- to Long-term Goals (Aspirations)	Themes		KPIs	Medium- to Long-term Targets	FY2024 Targets	Achievement Status in FY2023
Management base	Respect for human rights	To establish systems to respect the human rights of all stakeholders associated with the business activities of the "K" LINE Group as well as to prevent human rights violations.	Respect for human rights in the supply chain	Raising supplier awareness	Percentage of supplier surveys conducted	Covering the top 80% of transaction value by 2026	Covering the top 50% of transaction value	Not implemented
			Human rights awareness	Raising internal awareness	Percentage of participants taking e-learning courses on human rights	Overall participation rate: 100%	Overall participation rate: 90% or higher	Participation rate: in-house: 89.2%, Group companies in Japan: 86.4%, Group companies overseas: 93.1%
	Reinforcement of corporate governance	To exercise functions of the Board of Directors to make decision-maikng and supervision of management policies, and to carry out business execution based on those policies in a timely and appropriate manner, in order to increase medium- to long-term corporate value.	Compliance with the Principles of Japan's Corporate Governance Code (CG Code)	Principles of CG Code	Compliance ratio of CG Code principles required for listed companies on Prime Market of Tokyo Stock Exchange	Continues 100% compliance	Continues 100% compliance	Continued 100% compliance
			Continuous improvement of the board of directors effectiveness	Board of directors effectiveness	Implementation and disclosure of the board of directors effectiveness evaluation	Ongoing implementation on an annual basis	Conducting effectiveness evaluation through interviews	Conducted effectiveness evaluation by questionnaire method and released the results to the press
				Board of directors effectiveness	Periodic review of issues set out in the board of directors effectiveness evaluation	Ongoing quarterly reviews and feedback to the Board of Directors	Conduct quarterly reviews and provide feedback to the Board of Directors	Conducted 4 reviews (July and October 2023, February and April 2024)
	Promotion and reinforcement of compliance	To conduct business activities with integrity, with officers and employees of the "K" LINE Group having a high awareness of compliance.	Thorough compliance with laws and regulations	Result indicators	Number of serious compliance violations	0 cases	0 cases	0 cases
			Raising awareness on compliance	Raising internal awareness	Percentage of participants attending compliance training	Overall participation rate: 100%	Overall participation rate: 90% or higher	Achieved 90% or more
Safety / Ship quality management	Promotion of safety in navigation and cargo operations	To establish both the global monitoring system and the region-based support and to prevent accidents by continuously strengthening its safe operation management system with both "human power" and "advanced / digital technology".	Accidents		Serious maritime accidents	0 cases	0 cases	0 cases
			Delay		Delay time due to mechanical failure	10h per vessel p.a.	10h per vessel p.a.	5.92h per vessel p.a.
Advancement of environmental technologies	"K" LINE low-carbon and carbon-free transition	To Implement initiatives to promote "K" LINE decarbonation as well as to support the decarbonization of society in order to meet the challenge of achieving net zero GHG emissions by 2050 as defined in "K" LINE environmental vision.	"K" LINE decarbonization	Result indicators	CO_2 emission efficiency (vs 2008)	50% reduction by 2030	Proceed with initiatives based on medium- to long-term targets	Improved by 44%
					Total CO_2 emission volume (vs 2008)	Achieve net zero by 2050		Reduced by 52%
				Fuel conversion	Number of LNG-fueled vessels introduced	2030: 35, 2040: 35, 2050: 10		3 vessels
					Number of ammonia- / hydrogen-fueled vessels introduced	2050: 200-250		0 vessels
	Supporting the development of a low-carbon and carbon-free society		Decarbonization of society	Environmental preservation activities	Number of forest conservation activities conducted	Once per year	Once per year	Once per year
	Reducing "K" LINE's impact on the sea and air to zero	To minimize the environmental impact on the sea and air through biodiversity conservation initiatives such as prevention of oil pollution incidents and air pollution as well as the installation of ballast water treatment system.	Biodiversity	Marine pollution	Oil spill accidents	0 cases	0 cases	0 cases
				Reduce impact	Installation of ballast water treatment systems	100% by June 2024	100%	99%
Digital transformation	Promotion of innovation	To materialize reduction of the environmental impacts by introduction of fuel-efficient vessels with advanced energy-saving technology.	Low-carbonization	Introduction of new state-of-the-art vessels	EEDI regulation values for new vessels ordered by the end of the year	EEDI Phase 3 and more	Aim to achieve 100% of EEDI Phase 3 or higher for new vessels ordered by the end of the year.	100%
				Wind power and others	Installation of "Seawing"	2030: 50 vessels	Proceed with initiatives based on medium- to long-term targets	0 vessels
				Operation efficiency	Installation of Kawasaki Integrated Maritime Solutions to owned / medium- to long-term charter vessels	100%		90%
	Reinforcement of response to digital transformation (DX)	To establish systems in which all officers and employees have a sense of ownership in DX so as to take the initiative in promoting DX led in the front lines.	Development of DX human resources	Humen resource development	Number of certified DX utilizers	100 personnel by the end of FY2025	40 personnel	Started during the period
Human resources	Diversity & inclusion	To conduct group and mid-carrier hiring of employees of diverse nationalities, educational backgrounds, genders, and work areas (administrative or technical), and to respect diversity generated as a result. In addition, to further promote diversity by encouraging male employees to participate in childcare, and by fostering and integrating a sense of unity with staff at overseas subsidiaries through "K" LINE UNIVERSITY.	Active participation by diverse personnel	Gender	Female employees comprising of managerial positions	15% (by FY2026)	-	6.8%
				Recruitment format	Ratio of mid-career hires among managers	-	-	16.5%
					Ratio of mid-career hires among employees in service	-	-	14.9%
	Shaping of working environment and promotion of health management	To positively consider personality, individuality and diversity of members of the "K" LINE Group and to improve work safety and conditions to offer them comfort and affluence.	Occupational safety	Labor	Average monthly overtime working hours	Within 40 hours*	-	7.4hrs
				Flexible workstyle	Ratio of male employees taking childcare leave	20%*	-	77.8%
			Health management	Mental well-being	Stress check examination rate	90%	90.0%	92.1% (Onshore Personnel)/ 74.3% (Seafarers)
	The securing & development of human resources	To engage in the quantitative and qualitative acquisition and development of human resources in line with the needs of each business portfolio in order to improve corporate value, social and economic value, and to hire mid-career professionals throughout the year in addition to recruiting new graduates. To develop human resources from the perspectives of "human resources who can lead sustainable growth and transformation of the business" and "human resources who can flexibly respond to changes in the business environment."	Active participation by diverse personnel	Recruitment format	Ratio of mid-career hires among managers	-	-	16.5%
					Ratio of mid-career hires among employees in service	-	-	14.9%
				Humen resource development	Training cost per employee (Onshore personnel)	-	199 thousand yen	171 thousand yen

* As of April 1, 2022, the target was set in the Action Plan to Promote the Active Participation of Women and Support the Development of the Next Generation Children, but has been achieved ahead of schedule. Currently considering setting targets for FY2025 and beyond.

Sustainability Management

In its Vision, the "K" LINE Group aims for sustainable growth and greater corporate value by supporting the infrastructure of the global community, as a partner trusted by all its stakeholders. To fulfill this mission, it is important to create social value by contributing to the resolution of societal issues while balancing the Company's economic value. The core philosophy of the "K" LINE Group's sustainability management is to leverage the comprehensive capabilities we have cultivated in the marine transportation industry, while working alongside our partners, to realize initiatives that balance the sustainability of the Company, society, and the environment.

Promotion System

Amid global changes in values and behavior, as well as increasing awareness of the need to reduce the burden of climate change on the environment, the "K" Line Group considers sustainability management a priority issue for enhancing corporate value over the medium to long term and discusses the issue as necessary at Board of Directors' meetings. To strengthen our management focus on these issues, we have established the Corporate Sustainability Management Committee and the GHG Reduction Strategy Committee, chaired by the president & CEO.

The Corporate Sustainability Management Committee is enhancing corporate value by reviewing and formulating a promotion system for the "K" LINE Group's sustainability management.

The general managers of each business group, who are heads of the relevant departments responsible for the material issues identified by the Group, are members of the Sustainability Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee. The Sustainability Sub-Committee monitors the implementation of initiatives related to materialities and regularly reports on their progress to the Corporate Sustainability Management Committee.

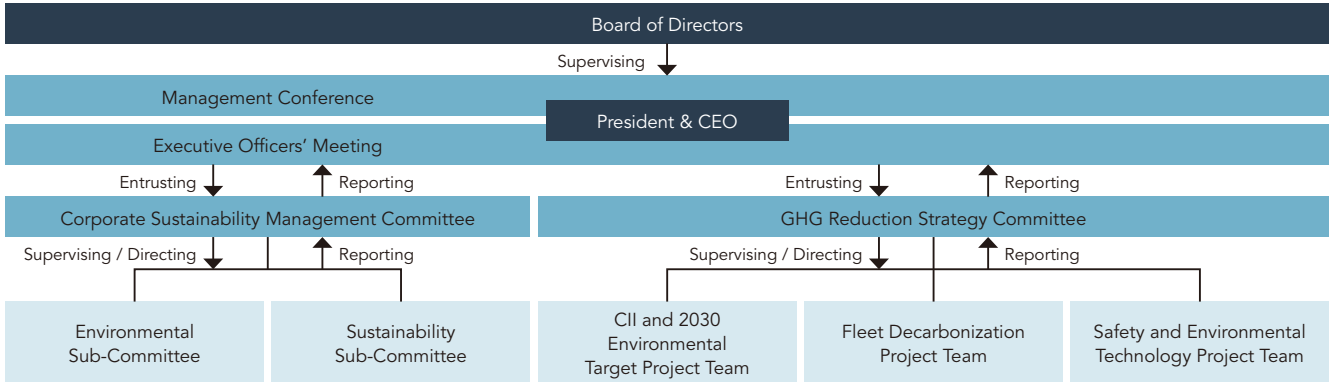
The Environmental Sub-Committee, another sub-committee, is responsible for operating the environmental management system (EMS) formulated in accordance with the "K" LINE Group Environmental Policy and the standards of the International Organization for Standardization (ISO). The subcommittee is also responsible for promoting other environment-related activities.

The GHG Reduction Strategy Committee formulates strategies for reducing GHG emissions, with a focus on fuel conversion for the Group among urgent environmental issues. It also creates and implements comprehensive response strategies, as well as policies related to adopting technologies, such as equipment selection, and preparations for smooth operations.

Under this governance structure, the "K" LINE Group advances effective sustainability management.

(FY2023 Committee Meetings)

- Corporate Sustainability Management Committee: 3 times
- Environmental Sub-Committee: 2 times
- Sustainability Sub-Committee: 3 times
- GHG Reduction Strategy Committee: 4 times



Message from the Executive Officer in Charge



Noriaki Yamaga
Senior Managing Executive Officer, Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation, Corporate Sustainability, Environment Management, IR and Communication), In charge of Corporate Sustainability, Environment Management, IR and Communication, CFO (Chief Financial Officer)

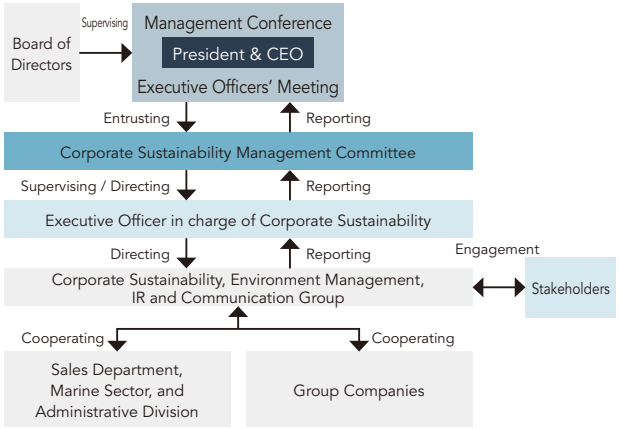
By contributing to sustainability (environmental, social, and economic sustainability), the Group is committed to enhancing corporate sustainability through Sustainability Management, an essential perspective for our Group, which has been a key player in social infrastructure. International shipping generates approximately 900 million tons of CO_2 emissions, equivalent to the emissions of a country like Germany. As a company that operates primarily in shipping, we view environmental and social challenges, such as climate change, as opportunities to enhance corporate value by generating both social and economic value. We believe this leads to earning the trust of all stakeholders. Moving forward, the Group will continue to actively engage in sustainability efforts, contributing to the preservation of the global environment and the realization of a sustainable society while pursuing growth opportunities and enhancing corporate value.

Respect for Human Rights

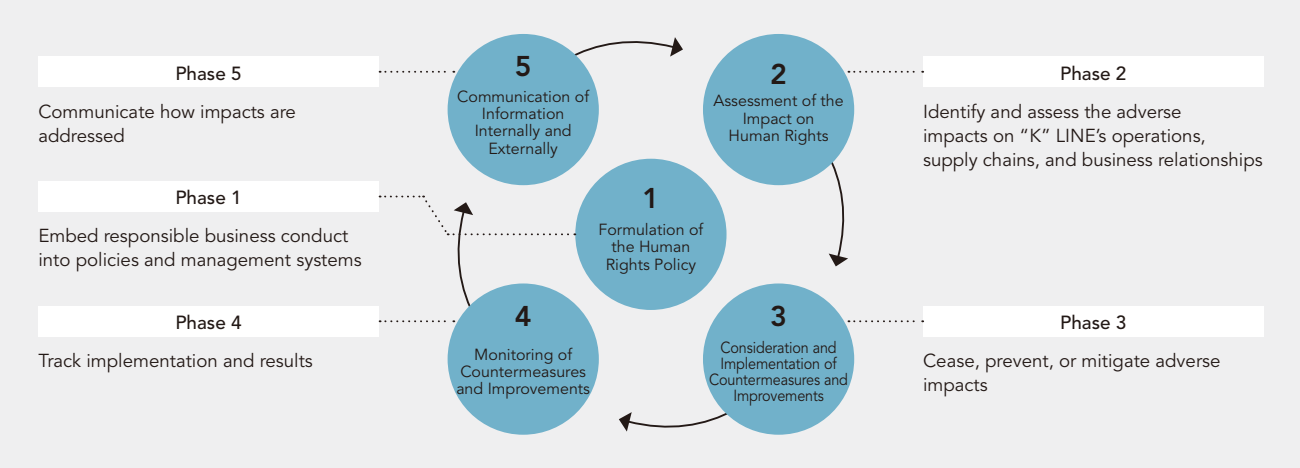
The "K" LINE Group stipulates Respect for Human Rights at the start of its Charter of Conduct. The Group is a signatory of the United Nations Global Compact and has expressed its support for the principles related to human rights and labor. The "K" LINE Group Basic Policy on Human Rights was drawn up based on the United Nations' Guiding Principles on Business and Human Rights. Management is committed to conducting human rights due diligence.

Human Rights Due Diligence System

Based on the "K" LINE Group Basic Policy on Human Rights formulated in 2022, under the supervision of the Corporate Sustainability Management Committee and the direction of the executive officer responsible for corporate sustainability, the Corporate Sustainability, Environment Management, IR and Communication Group has become in charge of implementing human rights due diligence, including the drawing up of measures as well as analysis and assessment of human rights risks related to the business activities of the "K" LINE Group.



Big Picture of Human Rights Due Diligence



Assessment of Human Rights Impacts and Priority Issues

The "K" LINE Group has been accelerating its human rights due diligence efforts since fiscal 2022, conducting a human rights impact assessment on employees of the Company and its Group companies in the first fiscal year, and identifying priority issues while considering countermeasures. In the period from fiscal 2023 to the first half of fiscal 2024, we extended the scope to the supply chain, and implemented the following:

1. Analysis of the current status of the Company's procurement-related initiatives
2. Consideration of revisions to procurement policies and supplier guidelines
3. Consideration of the implementation framework for sustainable procurement

From the second half of fiscal 2024 onwards, as part of sustainable procurement, we plan to intensify human rights due diligence within the supply chain by revising and disseminating procurement policies and supplier guidelines, while also conducting human rights impact assessments through surveys.

Promotion and Reinforcement of Compliance

The Group's Compliance System

To provide guidance to the officers and employees of the Company and Group companies in the conduct of their day-to-day duties, in January 2017 we established the "K" LINE Group Global Compliance Policy, with which all officers and employees must comply. Also, the Compliance Committee, which is chaired by the president & CEO, deliberates on policies to ensure the compliance of the Company and Group companies as well as measures in response to compliance violations. Further, under the supervision of the chief compliance officer (CCO), the compliance system is being strengthened throughout our organization. In addition, to prevent compliance issues in the Group's domestic and overseas operations and detect and correct risks at an early stage, we have established the Hotline Desk and the Global Hotline Desk, which receive whistleblowing reports from officers and employees of the Company and its domestic and overseas Group companies.

Our Efforts to Ensure Compliance with the Anti-Monopoly Act

We ensure that officers and employees comply with the Regulation for Compliance with the Anti-Monopoly Act. Furthermore, we are making efforts to ensure compliance awareness concerning competition laws by conducting a continuous training program and promotion of educational activities through a dedicated department. In addition, we conduct audits and monitor the state of implementation of compliance measures. With respect to contacts with competing companies, we strictly enforce regulations on prior reporting and approval as well as recording and storing details of each contact.

Our Efforts to Prevent Bribery and Corruption

To effectively strengthen the prevention of bribery and corruption, we devote much effort to the prevention of corruption and bribery as a member of the Maritime Anti-Corruption Network (MACN), which is a global business network working toward the vision of a maritime industry free of corruption.

Our Efforts to Ensure Compliance with Economic Sanctions

In November 2019, we added individual policies on economic sanctions and anti-money laundering to the "K" LINE Group Global Compliance Policy. All officers and employees of the Company and Group companies are required to comply rigorously with regulations related to economic sanctions, anti-money laundering, and the prevention of terrorism financing that are applicable to the businesses of the "K" LINE Group.

Our Efforts to Protect Personal Information

To respond to more stringent regulations related to protecting personal information around the world, we added the Individual Policy IV Data Protection Law to the "K" LINE Group Global Compliance Policy in October 2021. Based on this policy, we are reinforcing efforts to handle personal information properly.

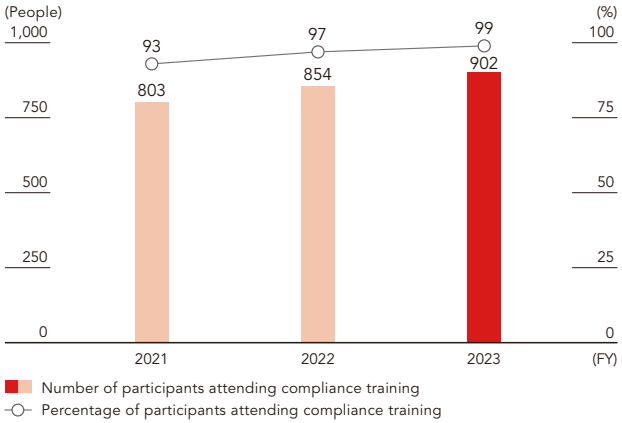
Our Efforts to Raise Compliance Awareness

We set every November as "Compliance Month," when we distribute a message from the president to officers and employees of "K" LINE and its Group companies to remind them of the importance of compliance. We also hold compliance e-learning training on topics such as competition law and anti-corruption, compliance seminars featuring lecturers invited from outside the Company, and position-based training.

Number of reports and consultations via the Hotline system

	FY2021	FY2022	FY2023
Reports	1	3	5
Consultations	3	0	1

Number and percentage of participants attending compliance training



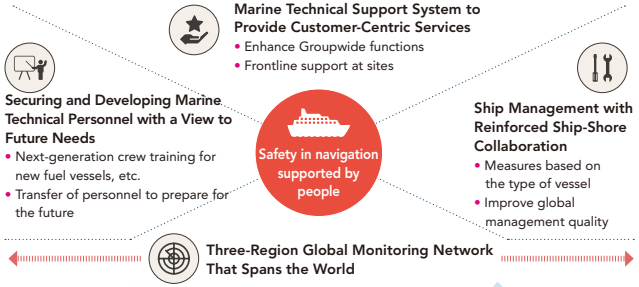
Promotion of Safety in Navigation and Cargo Operations

We believe that the most crucial factor for safety in navigation is human capabilities. To achieve safety in navigation, it is essential to leverage human capabilities by securing and developing competitive human resources, establishing a customer-oriented maritime support and creating a global safety management structure. Moreover, to enhance safety and transportation quality, it is necessary to supplement human capabilities with advanced technology which makes the experience and knowledge more visible. By strengthening our safety and quality management structure with the dual support of human capabilities and technology, we will continue to provide safe and optimal services with a customer-first approach.

Safety in Navigation and Cargo Operations Based on "Human Capabilities"

Building a solid system for safety in navigation with safety and quality management that leverages human capabilities–the strength of the "K" LINE Group–complemented with advanced digital technologies

"K" LINE's values Providing safe and optimized services that put the customers first



Development and expansion of systems and infrastructure using advanced digital technologies to complement human capabilities
(e.g., enhancement of functions and increased installation of Kawasaki Integrated Maritime Solutions, an integrated vessel operation and navigation management system; autonomous navigation technology innovation and application; etc.)

The "K" LINE Group augments its people-driven structure for ensuring safety in navigation and cargo operations by maintaining and upgrading its systems and infrastructure with advanced and digital technologies.

Marine Technical Support System to Provide Customer-Centric Services

While reinforcing Groupwide functions, the "K" LINE Group is promoting a global customer-centric service support system and strengthening its marine technical support system in the regions.

Securing and Developing Marine Technical Personnel with a View to Future Needs

With a view to the future, the "K" LINE Group secures and develops diverse human resources capable of adapting to new environmental technologies, alternative fuels, etc.

Ship Management with Reinforced Ship-Shore Collaboration

In ship management, the "K" LINE Group is promoting management that is based on the type of vessel and strengthening ship-shore collaboration, while improving the quality of global ship management.

Three-Region Global Monitoring Network That Spans the World

The "K" LINE Group is promoting a global monitoring network in three regions that comprehensively spans the world, allowing the Group to maintain 24-hour safety support for its fleet sailing anywhere in the world as well as to respond to emergencies.

Cutting-Edge Digital Technologies That Complement the Power of People

K-Assist Project

The K-Assist Project is a technology development project related to automated ship operation. It covers three fields: support for sentry duty and ship navigation, support for safe berthing and unberthing, and support for engine plant operations. The Advanced Safety Berthing / Unberthing Assistance System automatically detects any outside force applied to the hull when entering or leaving a port. Use of a ship motion model to predict ships' future positions with high accuracy is expected to enable safer ship maneuvering in the future. The amount of tensile force applied to mooring lines during berthing varies greatly based on cargo loading status, and in the past, it was not possible to attain a quantitative measurement of that tensile force while aboard the ship. To address this, we jointly developed and installed the Tension Monitoring System for Mooring Line that enables the digital visualization of tensile force applied to mooring lines to improve safety relative to the past while simultaneously lowering crew member workload.

Optimum Weather Routing System

Climate change in recent years has resulted in an uptick in typhoons, explosive cyclogenesis ("weather bombs"), and other weather events even out of season, with more problems being caused by stormy weather. To avoid such problems and ensure safe ship operation, it is important to set up proper routes based on weather and ocean condition forecasts.

We support the safe and economical operation of ships using the KAWASAKI Integrated Maritime Solutions Navigating System for Optimal Navigation, which makes route recommendations based on operational performance models for each vessel with weather forecast.

MESSAGE FROM THE CSO



Kiyotaka Aya
Senior Managing Executive Officer
Responsible for Marine Sector Unit
CSO (Chief Safety Officer)

The "K" LINE Group provides services to customers with safety in navigation and transportation quality as our business principle. As the demand for low-carbon and carbon-free transition measures increases, we are promoting the implementation of new technologies to meet these challenges. With personnel capable to resolve new challenges and maximizing our ship management experience, we are strengthening the safety and quality management system based on our global three-hub structure, as outlined in our medium-term management plan. And simultaneously, we are developing customer support in localized areas. We aim to continue to be a trusted partner for our customers through providing higher value-added proposals and services for a wide range of customer's needs including environmental issues. To achieve this goal, we continuously strengthen our global organization to enhance safe navigation and transportation quality.

Advancement of Environmental Technologies

Environment

Under our corporate principle of helping to enrich the lives of people as an integrated logistics company that focuses on marine transportation, we are taking on the mission of "Blue Seas for the Future." As a partner trusted by all stakeholders, we aim to sustain growth and improve corporate value, while supporting the infrastructure of global society.

Objective of the "K" LINE Group

Refine the environmental response expertise / solutions with customers and partners to lead the entire shipping industry by establishing sustainable competitive advantages to be balanced with earnings growth.

"K" LINE Environmental Vision 2050

Blue Seas for the Future

In order to strengthen our initiatives for climate change measures, in November 2021, we revised the 2050 targets in the "K" LINE Environmental Vision 2050, our long-term environmental guideline. We set an even higher target for achieving net-zero greenhouse gas (GHG) emissions by 2050.

Challenge of achieving net-zero GHG emissions by 2050

"K" LINE Environmental Vision 2050: Long-Term Environmental Guidelines for 2050
https://www.kline.co.jp/en/sustainability/environment/management.html#002

Low-carbon and carbon-free initiatives at "K" LINE
Take on the challenge of net-zero GHG emissions
2030 interim milestones
Improve CO_2 emission efficiency by 50% compared with 2008

Support the shift to a low-carbon and carbon-free society
Be a transporter and supplier of new energy

Reduce "K" LINE's impact on the sea and air to zero
Zero oil spills

Support the environmental activities of society
Be the industry leader in ecosystem protection

"K" Line Low-Carbon and Carbon-Free Targets and Progress

We are examining specific issues, such as vessel fleet management, with an eye on 2050, while verifying road maps and progress toward the attainment of 2030 medium-term milestones in the "K" LINE Environmental Vision 2050.

	2008 (Base year)	2023	2030	2040	2050
CO_2 emission efficiency	7.21 g-CO_2 / ton-mile	4.04 g-CO_2 / ton-mile 44% improvement (compared to the base year)	3.61 g-CO_2 / ton-mile 50% improvement (compared to the base year)		
CO_2 emission total volume	13.68 million tons	6.56 million tons 52% improvement (compared to the base year of 2008)			Net zero
Number of LNG-fueled vessels deployed		To 2023: 1 vessel	2030: 35 vessels	2040: 35 vessels	2050: 10 vessels
Number of ammonia-fueled vessels, etc. deployed		To 2023: 0 vessels	Mid-2030s: 20 vessels	2040: 130 vessels	2050: 200 to 250 vessels
Number of ships with Seawing		To 2023: 0 vessels	2030: 50 vessels	2040: 50 vessels	2050: 50 vessels

Challenge of achieving net-zero GHG emissions by 2050

Summary of Low-Carbon and Carbon-Free Initiatives

The "K" LINE Group is taking steps to reduce GHG emissions in order to achieve low-carbon and carbon-free itself and throughout society and will invest a total of ¥380.0 billion by 2026 to establish competitive advantages while meeting needs for low-carbon and carbon-free operations. We keep continuing to work on both pursuing new technologies and strengthening response from study and demonstration to implementation.

Low-Carbon and Carbon-Free Initiatives at "K" LINE

Use of alternative fuels

Expanded introduction of LNG- / LPG-fueled vessels

- During the 2020s, we are expanding the introduction of LNG- / LPG-fueled ships, and are planning to have approximately 35 such vessels deployed by 2030

Introduction of zero-emission vessels, including ammonia-fueled vessels, and carbon-neutral fuels such as biofuels

- Planning to have approximately 20 such vessels deployed by the mid-2030s
- Currently considering the introduction of zero-carbon-emission fuels such as ammonia / hydrogen as well as synthetic and other carbon-neutral fuels
- Operated pilot voyage using B100 biofuel (marine biofuel made of 100% biodiesel) in May 2024

Support the shift of a Low-Carbon and Carbon-Free Society

Liquefied CO_2 Transportation Business

In the field of liquefied CO_2 carriers involved in carbon dioxide capture and storage (CCS)—a concept for capturing and storing CO_2 emitted during the use of hydrocarbons excavated from under the ground—"K" LINE has signed a long-term charter contract for the world's first full-scale commercial transport for CCS that is launching in Europe (the Northern Lights project).

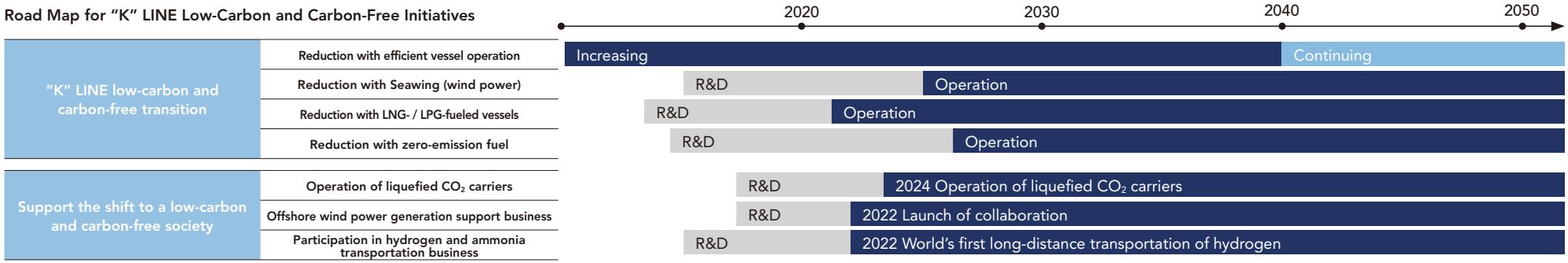
Northern Lights has ordered a fleet of four vessels, three of which will be managed by The "K" LINE Group. Northern Lights is dedicated to systematizing its know-how for medium-temperature, medium-pressure transportation. Additionally, we have conducted studies for constructing CCS value chains with leading domestic and international companies.

			Investment amount (2022 to 2026)	GHG emissions reduction effect	KPI for measuring progress
"K" LINE low-carbon and carbon-free transition	Fuel conversion (use of clean energy)	LNG- / LPG-fueled vessels	¥267.5 billion	20 to 30% reduction vs. previous vessels	Number of LNG- / LPG-fueled vessels
		Zero-emisison vessels		Zero emission	Number of zero-emission vessels
	Environmentally friendly equipment (use of wind power, etc.)	Seawing, etc.	¥21.0 billion	Up to 20% reduction vs. previous vessels Note: this depends on the speed of the vessel, the route, and season.	Number of ships with Seawing (around 50 vessels by 2030)
	Development and demonstration of environmental technology	Installation of Kawasaki Integrated Maritime Solutions (operation efficiency)	¥5.5 billion	3 to 5% or more reduction vs. previous vessels	100%*1 installation of Kawasaki Integrated Maritime Solutions on owned / medium- to long-term chartered vessels
		Hybrid EV tug boats, etc.		–	
Support the shift to a low-carbon and carbon-free society	New business that promotes low-carbon achievement	Liquefied CO_2 transport	¥72.0 billion	–	Consider based on business characteristics (three liquefied CO_2 vessels are scheduled to begin operations as of May 2024)
		Support for wind power generation installations, etc.			
Other environmental investments	–	–	¥14.0 billion	–	–

* Kawasaki Integrated Maritime Solutions will be installed as standard on newly built vessels, and has already been installed on vessels we own that are currently in operation.
By the end of fiscal 2024, installation of Kawasaki Integrated Maritime Solutions will be completed on all medium to long-term chartered vessels for which installation is planned (excluding short-term chartered vessels). To expand our fleet of vessels equipped with the system, we will continue, on an ad hoc basis, to add more ships to the list of vessels on which the system is to be installed.

Note: KPIs are based on "K" LINE's assumption on the development of related technology and infrastructure, related regulation, and economics as of today and are subject to change depending on future trends.

Road Map for "K" LINE Low-Carbon and Carbon-Free Initiatives



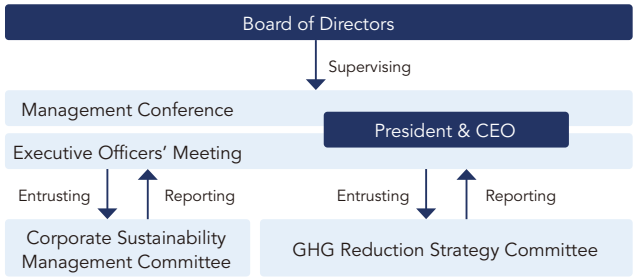
TCFD Framework-Based Information Disclosure

The "K" LINE Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2018 and adopted information disclosure activities based on the TCFD framework in 2019. In June 2020, we reviewed our "K" LINE Environmental Vision 2050, and performed a scenario analysis as proposed by the TCFD. In light of the results of this analysis, we identified issues to be addressed and revised some targets. Furthermore, in November 2021, we recognized global climate change countermeasures as an issue that must be strengthened by the entire international community, and we therefore set a higher challenge of net-zero GHG emissions by 2050. However, conditions are always changing, so to reflect the latest circumstances, we have recently reviewed our scenario analysis and also expanded our disclosures, with a focus on the analysis of financial impacts.

[TCFD Disclosure Link]
https://www.kline.co.jp/en/sustainability/environment/climate_change.html

Governance

Amid global changes in values and behavior, as well as increasing awareness of the need to reduce the burden of climate change on the environment, "K" LINE considers sustainability management a priority issue for enhancing corporate value over the medium to long term and discusses the issue as necessary at Board of Directors' meetings. The Corporate Sustainability Management Committee, chaired by the president & CEO, meets approximately once every two months, and works to enhance corporate value by evaluating and refining the system for promoting the Group's sustainability management. Another function of the committee is to identify climate-related risks and opportunities and monitor the progress of responses to them.



Overview of Strategy

Responses to Major Risks and Opportunities

Through internal surveys and interviews with relevant departments, we organized the likelihood, time of occurrence, and financial impact of risks and opportunities related to climate change, and analyzed their degree of importance for our business. After that, we identified each risk and opportunity, considered the implications for the businesses, and determined responses.

Risks and opportunities arising from changes in policies and regulations, reputation change among stakeholders, and changes in technology			Implications for business				
Types (root causes)	Events (qualitative factors)	Specific examples (quantitative factors)	Likelihood	Timing of occurrence	Financial impacts	Degree of importance for our business	Consideration of implications for business and responses (examples)
Changes in policies and regulations	Tougher EEDI and EEXI regulations Introduction of carbon taxes and emission trading, etc.	**Transition Risks:** Increased carbon tax costs, increased operational costs, and increased shipbuilding costs	High	Short to medium term	Medium	High	Aim to secure environmental superiority by enhancing operational efficiency through digital transformation (DX), expanding the use of LNG-fueled vessels and marine biofuels, and exploring the deployment of alternative fuel vessels using ammonia, methanol, hydrogen, etc. Consider accounting for the costs of carbon taxes and investments in alternative fuel vessels in revenue.
Reputation change among stakeholders	Reputation among customers	**Transition Risks / opportunities:** Reputation change due to delayed decarbonization efforts	Medium	Short to medium term	High	High	Disclose our various advanced environmental initiatives, including efforts to reduce GHG emissions, in a timely manner in our Integrated Report and on our website to showcase our low-carbon and decarbonization efforts.
Changes in technology	Adoption of new technologies on ships	**Opportunities:** Demand from decarbonization-related businesses	High	Short to medium term	Medium	High	In January 2024, we established OCEANICWING S.A.S. in France. This company, which has taken over the business of Airseas following its spinoff from Airbus, is focused on further enhancing and accelerating the development and commercialization of Seawing technology. Seawing is a new technology that can be installed on any type of vessel, including retrofitting existing ships, and we are considering deploying it on every kind of vessel.
Changes in market principles	Provision of low-carbon services	**Opportunities:** Demand from decarbonization-related businesses, increased cargo transportation volume	High	Short to medium term	High	High	Regarding the LCO_2 Transportation Business, we are taking part in a pilot project in Norway (contract for three vessels for Northern Lights), and two of the vessels are scheduled to participate in the world's first full-scale CCS value chain project from 2024. Build expertise and know-how, mainly in Europe.
Chronic or acute climate change including temperature rise, sea level rise, and extreme weather	Disruption of transportation routes, changes in transportation routes, load shifting or seawater exposure of cargo	**Physical Risks:** Increased risk of vessel damage, increased operational costs, elevated litigation risk, increased compensation payments	Low	Long term	Low	Low	Reduce risk of entering high-wave areas, ship rolling, and load shifting by using Kawasaki Integrated Maritime Solutions / NAVI to select the optimal route based on weather and sea-condition forecasts. Currently deploying an app for predicting specific rolling motions that could cause load shifting on container ships. Introduce a fleet monitoring system to enhance management for safe operations, such as avoidance of encounters with extreme weather.

Scenario Analysis

To assess the sustainability and resilience of our management strategy with respect to the long-term and uncertain issue of climate change, we consider three scenarios: 2.4°C Scenario, 1.7°C Scenario, and 1.4°C Scenario. We assess the quantitative financial impacts of risks and opportunities stemming from climate change in the event that they should actually materialize, and consider responses to them. Additionally, for physical risks, we analyze them under a scenario with an even higher temperature rise than 2.4°C (3.0°C or more, equivalent to RCP 8.0).

TCFD Framework-Based Information Disclosure

Assumptions for Scenario Analysis

2.4°C scenario (STEPS) This scenario assumes that measures currently being implemented to achieve the goals and objectives set by governments will remain in place, and that current policy stances will be maintained going forward (financial impact assessment: Under 2.5°C scenario).

1.7°C scenario (APS) This scenario takes into account all climate-related commitments of governments, including NDCs and long-term net-zero targets, and assumes that they will be fully achieved by the deadlines that have been set, such that all countries that have pledged to attain net zero will indeed do so (financial impact assessment: Under 2.0°C scenario).

1.4°C scenario (NZE) This scenario assumes that universal access to energy will be available by 2030, that air quality will be significantly improved, and that the key components of the UN's SDGs related to energy will be accomplished, such that net zero will be achieved by 2050 (financial impact assessment: Under 1.5°C scenario).

Assumptions / conditions for financial impact calculation

Exchange rate To eliminate the impact of currency fluctuations across different decades and scenarios, a uniform exchange rate of 1 USD = 120 JPY was used

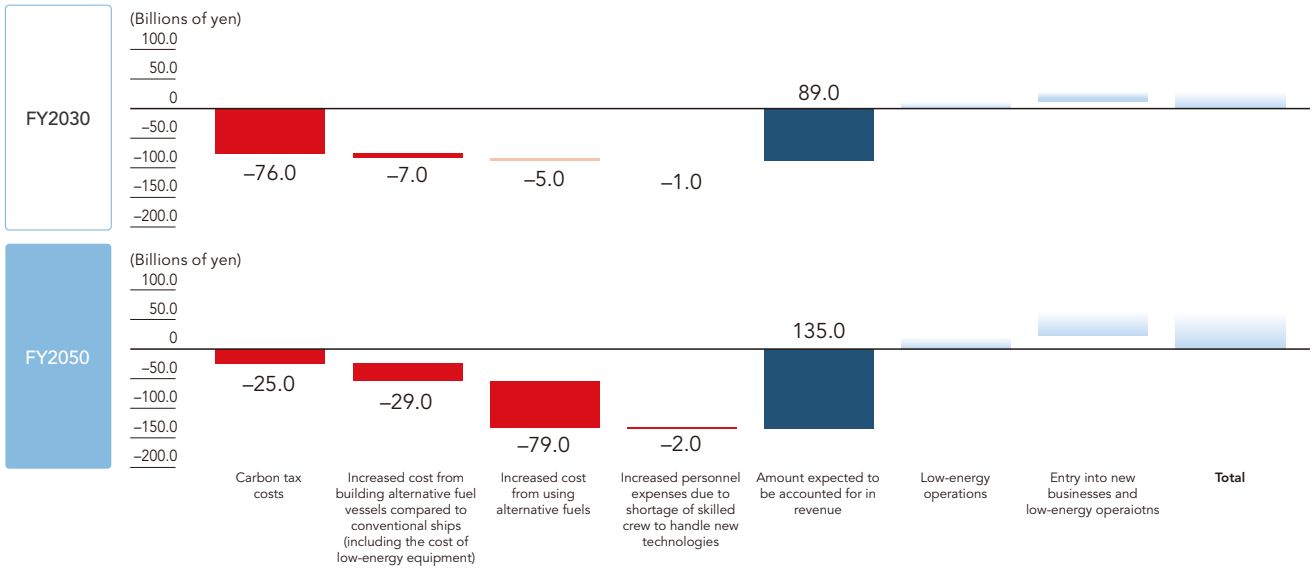
Fleet plan transition Our policy is to shift to alternative fuel vessels regardless of the scenario, thus fleet transition is the same for each scenario.

	Scenario	Unit	FY2030	FY2040	FY2050
Carbon price for each scenario	1.4°C (NZE)	USD/tCO_2	140	205	250
	1.7°C (APS)	USD/tCO_2	135	175	175
	2.4°C (STEPS)	USD/tCO_2	42	67	67
	Vessel type by fuel type	**Unit**	**FY2030**	**FY2040**	**FY2050**
Fleet plan transition	FO	Vessel	187	71	4
	LNG	Vessel	35	35	10
	NH3	Vessel	14	133	234

Results of the Financial Impact Assessment

We identified the following four factors as influences. The results of our estimation of financial impacts reiterated to us that regardless of the temperature scenario, if no action is taken to reduce and eliminate carbon use, negative impacts on our company will continuously occur over the long term. They also led us to recognize the quantitative impact of increased costs associated with low-carbon and decarbonization measures that we will incur under every scenario, and we realized that if we are to continue to develop the company's business and contribute to making people's lives more comfortable, we will need to get society as a whole to bear the increased costs of low-carbon and decarbonization measures that cannot be covered through in-house efforts alone by accounting for them in revenue.

Under 1.5°C Scenario



The "K" LINE Group is taking steps to reduce GHG emissions in order to achieve low-carbon and carbon-free itself and throughout society and will invest a total of ¥380.0 billion by 2026 in fuel conversion, installation of technology such as Seawing, and transport of liquified CO_2, etc., to establish competitive advantages while meeting needs for low-carbon and carbon-free operations.

Risk Management

We recognize the impact of external changes and the various risks our operations are exposed to, and we have established a risk management system that will enable us to fulfill our corporate social responsibilities even when risks materialize.

[TCFD Disclosure Link (P.30: Risk Management)]
https://www.kline.co.jp/en/sustainability/environment/climate_change.html

Metrics and Targets

As we move closer to 2030, we will be steadily executing an action plan to achieve the medium-term milestone goals set forth in the "K" LINE Environmental Vision 2050. And our new goal for 2050 is to achieve net-zero GHG emissions.

[TCFD Disclosure Link (P.33: Metrics and Targets)]
https://www.kline.co.jp/en/sustainability/environment/climate_change.html

Initiatives in Biodiversity

As our business is dependent on natural capital, mainly from the ocean, not only climate change issues but also biodiversity conservation efforts, especially in the ocean, are some of the most important themes for our business activities.

"K" LINE has endorsed the Taskforce on Nature-Related Financial Disclosures (TNFD) framework. Therefore, in order to assess and examine proper responses to environmental risks and nature-related economic impacts in our operations, we have adopted the LEAP approach based on TNFD guidance.

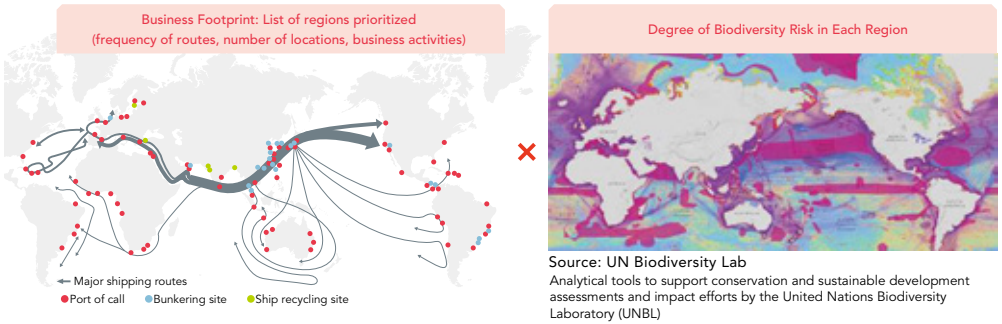
Steps in the LEAP Approach
Source: The TNFD Nature-Related Risk and Opportunity Management and Disclosure Framework Beta 0.4



Our steps to disclosure in accordance with the LEAP approach are as shown above. At the Scoping / Locate steps, considering the footprint of our operations and their relationship to nature, we have identified regions for analysis in light of the importance of ecological integrity, biodiversity, and water stress (mainly the degree of marine pollution). In the Evaluate step, we used the "ENCORE"*1 tool to analyze our dependency and impact on natural capital in these identified regions. In the Assess / Prepare steps, we identified risks and opportunities, while cross-checking our business activities with the key dependence / impact items identified in each region during the Evaluate step. We then revised our goals and strategies based on this evaluation.

*1. In the natural capital field, the Natural Capital Finance Alliance, an international financial industry organization, jointly developed this analytical tool for assessing dependency and impacts on nature along with UNEP-WCMC (World Conservation Monitoring Center).

0. Scoping 1. Locate — Interactions between Our Business Activities (Shipping Business) and Nature



Source: UN Biodiversity Lab
Analytical tools to support conservation and sustainable development assessments and impact efforts by the United Nations Biodiversity Laboratory (UNBL)



We selected priority areas for each of our business sites and operation locations, cross-checked against sea areas with high biodiversity risks, based on the frequency of port calls by our vessels, and analyzed each of our businesses with a focus on the core maritime transportation business. The four regions listed on the left are the main areas we focused on in our analysis.

2. Evaluate — Dependencies and Impacts

In each of the regions selected for Locate, we evaluated the degree of dependence and impacts of the nature-related aspects of our businesses.

Analysis of a company's dependence / impact on ecosystem services

The ENCORE tool was used to examine nature-related dependencies and impacts in the analyzed sectors and their potential dependencies and impacts on natural capital, and to analyze and evaluate the scope and degree of each dependency and impact and its details in relation to ecosystem services.

Analysis of the criticality of dependence / impact targets and identification of high priority dependence / impact targets

A detailed analysis of dependencies and impacts on nature in each region was conducted using the ENCORE tool filter for elements closely related to ecosystem services that are highly dependent and impacted by the project.

3. Assess 4. Prepare

Assessments of Material Business Risks and Opportunities, Preparations to Respond and Report

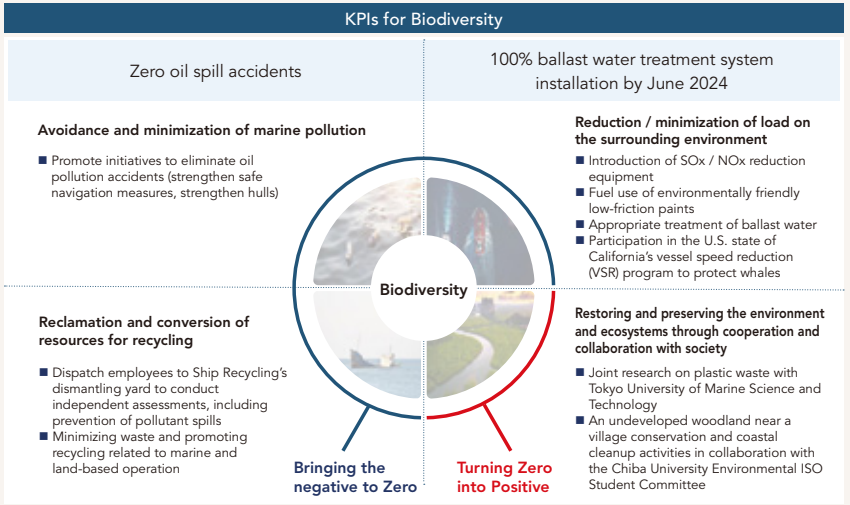
"K" LINE has identified four materialities, namely oil pollution, atmospheric impacts (GHG, SOx, and NOx), prevention of marine organism migration, and impact on mammals, as risks and opportunities related to its businesses that are shared across the selected regions. We have drawn up responses and targets for each of these materialities.

	Target
Impacts: Water pollutants, Marine ecosystem use **Oil pollution** It is necessary to provide compensation to fishery-related businesses and neighboring countries due to the occurrence of accidents in marine transportation, which cause oil pollution and affect the marine ecosystem and reduce the catch of fishery resources. Additionally, oil pollution associated with demolishing needs to be addressed.	**Zero oil pollution accidents** Reinforcement of safe operation measures, hull strengthening, human resource development, strengthening of safety measures, strengthening of green ship recycling response, etc.
Dependence: Climate regulation / Impact: Emissions to the atmosphere **Atmospheric impacts (GHG, SOx, and NOx)** Increased GHG, SOx, and NOx emissions due to vessel operations and stricter emissions regulations at the operator level will result in increased response costs. Increased emissions of SOx and NOx, which cause photochemical smog and acid rain, will damage social reputations among suppliers and stakeholders.	**Reduction and minimization of impact on the surrounding environment** Promote initiatives to prevent air pollution and reduce GHG emissions: slow steaming, use of low-sulfur fuels, introduction of SOx scrubbers, introduction of NOx reduction equipment, etc.
Impact: Marine ecosystem use **Prevention of marine organism migration** The discharge of ballast water and the migration of organisms attached to the bottom of the vessel could affect the aquatic ecosystem of the area, leading to a collapse of the ecosystem of fishery resources and affecting the local fishing industry, which could result in the need for fisheries compensation. It could also create a threat to the conservation of endangered species and could result in lawsuits from the target countries and NGOs.	**Reduction and minimization of impact on the surrounding environment** Ballast water treatment system installation rate 100%, etc.
Impacts: Marine ecosystem use, Disturbances **Impact on mammals** Vessel operations may cause collisions with whales and other marine mammals, resulting in physical harm to the creatures. In addition, undersea noise can harm communication between marine organisms, cause stress, and adversely affect the ecosystem. In a worst-case scenario, if the noise causes harm or stress to marine organisms, resulting in death, the project may be sued by neighboring countries or NGOs, and public notoriety may be spread.	**Reduction and minimization of impact on the surrounding environment** Reducing the impacts of vessel operations on marine mammals: participation in California's vessel speed reduction (VSR) program to protect whales

We have been implementing concrete initiatives to preserve biodiversity in each region based on our environmental targets and action plans in the "K" LINE Environmental Vision 2050. Based on a comprehensive understanding of natural capital, we intend to strengthen the management of risks and opportunities through the introduction of the LEAP approach. While promoting coexistence with nature, we are stepping up our efforts to build a sustainable future. Referring to the beta version (version 4) of the framework, "K" LINE reflects in this documentation its current assessments, analysis, and information based on data verified by Socotec Certification Japan Co., Ltd. In order to respond to future changes, we are constantly evaluating and disclosing information.

TOPICS

In order to reduce the environmental impact of our ship operations on the oceans and atmosphere to zero, we are already implementing various initiatives in each region from the viewpoint of biodiversity preservation as follows.



Participation in the TNFD Forum and Adopter Registration

In November 2023, we joined the Taskforce on Nature-related Financial Disclosures (TNFD) forum*1. Additionally, in March 2024, we registered as a "TNFD Adopter"*2 committing to adoption of the TNFD disclosure recommendations published in September 2023.



*1. The TNFD is an international initiative aimed at building a framework for appropriate assessments and disclosures of risks and opportunities related to natural capital and biodiversity. The TNFD Forum is a group of stakeholders consisting of business enterprises, financial institutions, research organizations, and other entities. It was set up for the purpose of supporting discussion at the TNFD to help build a framework. Please refer to the following website of the TNFD Forum for details.: https://tnfd.global/

*2. TNFD Adopters are companies and organizations that have registered on the TNFD website their intention to disclose information in accordance with the TNFD recommendations and are required to do so for either FY2024 or FY2025.
https://tnfd.global/engage/tnfd-adopters/

[TNFD Disclosure Link]
https://www.kline.co.jp/en/sustainability/environment/impact_mitigation.html

Promotion of Innovation

The "K" LINE Group places great importance on providing new value to customers and society through the enhancement of safety, the environment, and quality. Leveraging the expertise we have cultivated over the years, we are committed to balancing profitability and environmental conservation through the development of maritime transport services using customer-oriented, innovative technologies and through the support of new businesses. Centered on three core organizations—the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group—the "K" LINE Group is dedicated to technological development that contributes to strengthening competitiveness and enhancing corporate value. We are promoting these initiatives in collaboration with the Digitalization Strategy Group to accelerate innovation.

Approach

For the "K" LINE Group, refining our unique strengths of safety, environmental performance, and quality to provide new value to customers and society is an important issue. In addition to the expertise accumulated over many years, we will work together with our business partners to introduce new hardware and software technology, develop innovative customer-oriented technology, provide technical support for new businesses, and carry out appropriate energy management, including performance management, for all of "K" LINE's vessels in operation. As a result, we have been promoting "K" LINE's differentiation strategy and increase in profitability by improving the Group's added value and environmental preservation by improving fuel costs and reducing CO_2 emissions. Furthermore, we will refine the Group's core values and boost competitiveness through initiatives for both the pursuit of new technology and the strengthening of our response from study and demonstration to implementation.

Promotion System

"K" LINE is actively engaged in research and development of technology with a focus on three core organizations—the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group—with the aim of strengthening competitiveness and enhancing corporate value.

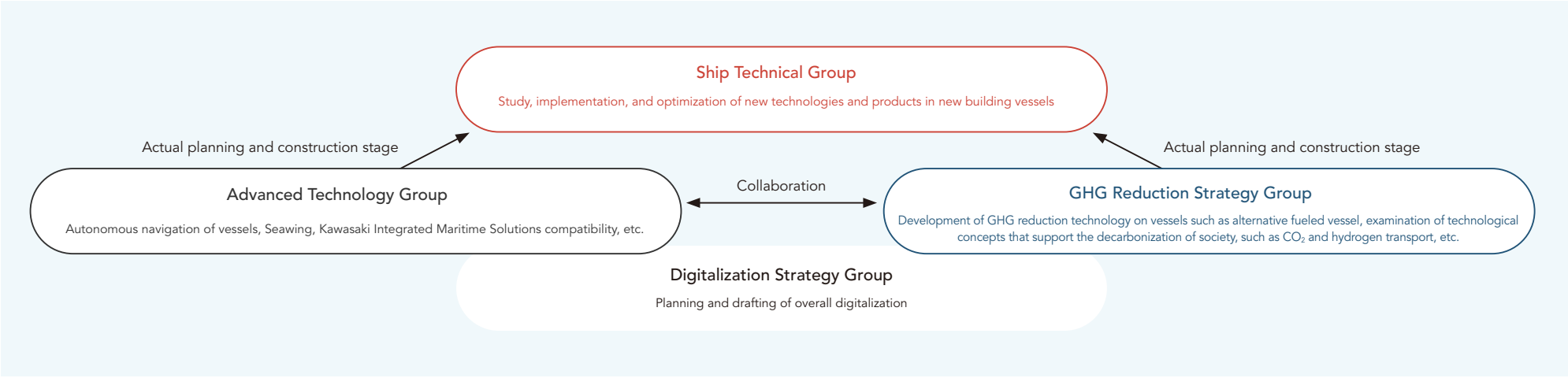
The Advanced Technology Group focuses on research into AI analysis and product development in uncharted areas, such as the utilization of big data and the development of automated ships. Through the development of these advanced technologies, we can enhance our competitiveness in the market.

The GHG Reduction Strategy Group is engaged in research and development of marine transport services utilizing alternative fuel technologies such as ammonia and hydrogen, as well as CO_2 capture technologies. Additionally, the group develops services that support society's decarbonization, such as CO_2 and hydrogen transport. In this way, we are introducing environmentally friendly technologies and contributing to the realization of a sustainable society.

The Ship Technical Group is responsible for considering the adoption of new technologies and products, as well as their implementation in new building vessels. By incorporating the latest technologies and design methods to improve vessel performance and efficiency, we provide high-quality products to our customers.

These groups work in collaboration with the Digitalization Strategy Group to drive innovative solutions that contribute to the enhancement of corporate value. By utilizing digital technology and data analysis, we are able to improve operational efficiency and respond flexibly to customer needs, strengthening our competitiveness.

We will continue to engage in the latest technology and research and development to flexibly adapt to changing market environments and achieve sustainable growth.



TOPICS

"Seawing" Automated Kite System



The automated kite system "Seawing" is a wind power propulsion system that utilizes wind force to gain traction by deploying out a large kite that is attached to the bow of a vessel. Seawing flies at 300 meters above sea level, where the wind is stronger. Seawing aims to reduce GHG emissions associated with ship operation by capturing winds and utilizing them for propulsion. The system is fully automated from deployment and flight management to storage of the kite after use. Operation is carried out with simple button controls from the bridge, minimizing the crew's workload for kite operations. Another feature is the Seawing's high flexibility in terms of the types of vessels it can be installed on, which even extends to retrofitting onto existing ships.

Changes in Development Promotion Structure of the Seawing

On January 18, 2024, we established OCEANICWING S.A.S in France, and on February 15, the Company succeeded the Seawing business that had been developed by Airseas (France).

We have dispatched both corporate and technical engineers to OCEANICWING S.A.S. to strengthen and accelerate efforts towards establishing Seawing's technology and commercialization.

Outline of the New Company

Company name	OCEANICWING S.A.S.
Head Office	Nantes, France
Date of Establishment	January 18, 2024
Launch of Operations	February 15, 2024

Reductions of GHG Emissions and Costs

Compared with conventional vessels only fueled by heavy oil, we expect to reduce large amount of GHG emissions on large bulk carriers equipped with Seawing, depending on the vessel type, the route, and the speed of the vessel.

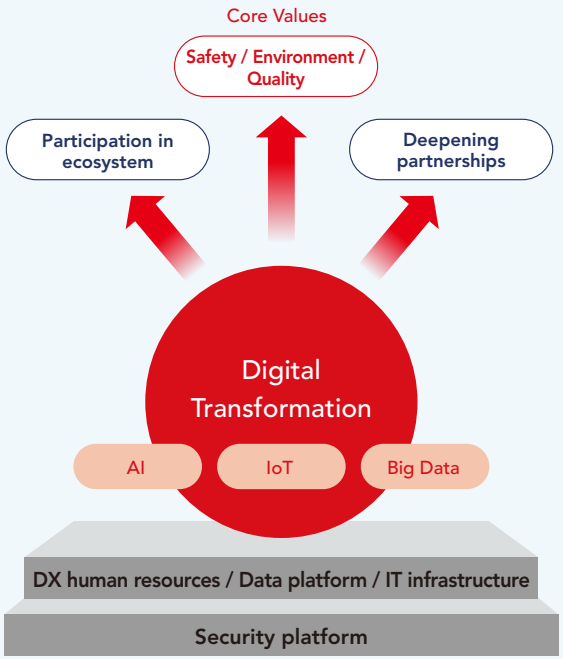
The maritime shipping business as a whole is currently exploring a conversion from heavy oil to alternative fuels. However, to expand the use of alternative fuels, a worldwide supply network needs to be developed. Meanwhile, the advantage of Seawing is that we can independently and proactively advance initiatives for reducing GHG emissions without waiting for the realization of such circumstances.

The use of alternative fuels instead of heavy oil is expected to expand in the future, but the price of these new fuels would be higher than that of heavy oil. In this light, the installation of Seawing also has value. Our environmental policy, "K" LINE Environmental Vision 2050: Blue Seas for the Future, sets a goal of a 50% improvement in CO_2 emissions efficiency by 2030 (compared to 2008), exceeding the International Maritime Organization's (IMO) goal of a 40% improvement, as well as a goal of net-zero GHG emissions by 2050. We will contribute to the realization of a low-carbon and carbon-free society through the development and introduction of environmental technologies such as "Seawing."

Digital Transformation (DX)

In its medium-term management plan unveiled in May 2022, the "K" LINE Group embarked on a path of transformation and evolution to increase the added value it offers in matching the unique needs of its customers, while refining the exclusive technologies and expertise of the Group. Under our DX Strategy, we are executing strategies from five perspectives that we deem vital, and by dividing each strategy into three stages, we are committed to steadily advancing DX initiatives and honing our competitiveness.

Objectives through DX



"K" LINE constantly chosen by customers

Five Perspectives: Specific Initiatives

DX ashore
- Promoting digitalization of business process and improving service quality
- Flexibly responding to customer demands and social issues
- Providing new value

DX at sea
- Enhancing digitalization of vessels
- Deepen autonomous ship navigation technology
- Lighting crew workloads and ensuring safety in navigation

DX of data
- Thorough collection of high-quality data and establishment of an infrastructure for its utilization
- Internal and external system linkage and data-driven decision-making
- Participation in ecosystem that connects with customers and other companies

DX of human resources
- Development and Companywide improvement of DX human resources
- Top-down and cross-organizational promotion system and enhancement of initiatives originating from front lines
- IT / DX promotion across the Group

Security that supports DX
- Advanced security platform combining organization, technology, and people / culture
- Development of systems and policies to ensure day-to-day and reliable implementation of threat countermeasures
- Continuous security advancement

The Significance of Strengthening DX Initiatives at "K" LINE



Toshihide Ozaki
General Manager of Digitalization Strategy Group

The IT / DX industry this year has been dominated by generative AI. We are also working to create a safe and secure environment where all employees can utilize generative AI, while aiming to implement generative AI into our business operations using our own data. As we approach the singularity where AI surpasses human intelligence, will AI take over human jobs? In the maritime world, we are tackling various challenges such as unmanned navigation, optimal ship allocation, and optimal cargo stowage. While parts of these jobs will be replaced by AI in the near future, humans will not disappear entirely from the maritime industry. Rather, a time will come when people effectively use AI, entrusting AI and systems with tasks that can be automated, while focusing on tasks that only humans can do.

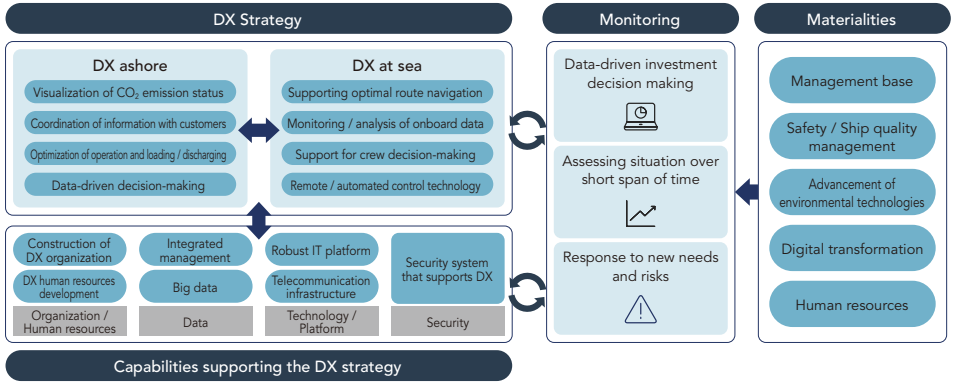
"K" Line has adhered to a strategy of maintaining a small, elite workforce, but at times this has become a constraint on resources. However, going forward, the focus will be on leveraging AI and systems to increase productivity and on how to use data to generate added value, which we believe will alleviate the constraints on manpower. It will be crucial for each individual in our small but elite workforce to enhance their IT / DX capabilities and master the use of AI.

By doing so, we will be able to demonstrate leadership in the ecosystemization of the entire supply chain and in the flow of open innovation within the maritime industry, continuously creating both social and economic value. An interesting era is emerging in which the importance of people will increase even more through DX.

Image of DX Promotion in Each Area

In line with the goals set out in our DX strategy, we are also strengthening the capabilities that support them. By monitoring the changes in material issues identified as key priorities for balancing the sustainability of the "K" LINE Group, society, and the environment, as well as the progress of DX, we will continue to flexibly and promptly update our DX strategy.

	STAGE 1	STAGE 2	STAGE 3
DX Ashore	**Digitalization of Business Processes** We are promoting thorough digitalization for data utilization, enhancing the visibility of information such as cargo details and CO_2 emissions, and advancing the development of a resilient IT environment for DX initiatives.	**Improvement and Homogenization of Service Quality** In addition to providing support for optimal sea routing of individual vessels, we aim to improve the customer experience through more advanced and homogeneous quality in services by leveraging digital technology, while promoting low-carbon and carbon-free efforts by optimizing vessel allocation across the entire fleet.	**Creation of New Value** We aim to further deepen customer partnerships by acquiring the flexibility to respond to customer demands and social needs, while utilizing data and digital technologies to create and deliver new value that did not previously exist.
DX at Sea	**Digitalization of Vessels** We are advancing digitalization of onboard operations and the collection and utilization of vessel data not only to improve operational efficiency on board and reduce the burden on crew members but also as a basis for generating new added value and improved transportation quality.	**Establishment of DX at Sea** With the goal of establishing autonomous control technology, we are further improving safety in navigation by using cutting-edge technologies, such as sensing technology, digital twins, and ship AI. We are also working on creating an environment where advanced data analysis can be performed onboard as well.	**System Advancement** We aim to create autonomous vessels in the future while reducing the burden on crew members and maintaining safety in navigation by integrating accumulated expertise in safety in navigation over the years with advanced digital technologies, such as failure prediction and diagnostic technologies.
DX of Data	**Standardization of business processes and Development of data utilization platform** We are completing the digitalization of business operations based on data utilization while also promoting the development and utilization of a data integration platform, leveraging the latest technologies such as generative AI.	**Internal and External System Linkage and Data-driven Decision-making** We aim to establish a system that enables data-driven, rapid decision-making, from management to the front lines, by building a framework for acquiring, analyzing, and utilizing not only our own data but also open-source data and data from other companies.	**Participation in Cross-organizational Ecosystem** The "K" LINE Group aims to further deepen partnerships and create new value for society and the maritime industry by participating in a cross-organizational ecosystem that connects various internal and external partners and customers through inter-company data collaboration and utilization.



DX of Human Resources

"K" LINE is implementing a digital talent training program aimed at acquiring the skills and knowledge necessary for DX talent in our shipping company. Specifically, we aim to train the "DX utilizers" of 100 employees with the ability to formulate and promote plans utilizing data and digital technologies, and 91 people are already participating in this training. Graduates of the "DX utilizers" program are encouraged to move to the next stage, which is the "DX leaders" that lead business transformation. We are also continuously working to develop "DX users" (all employees) who can utilize digital technologies to solve problems, aiming to elevate the overall level of the organization. We will strengthen our cross-organizational DX promotion structure centered on management and undertake bottom-up initiatives that focus on the front lines. We aim to create a co-creation system with stakeholders and advance IT / DX projects across the Group.

Security That Supports DX

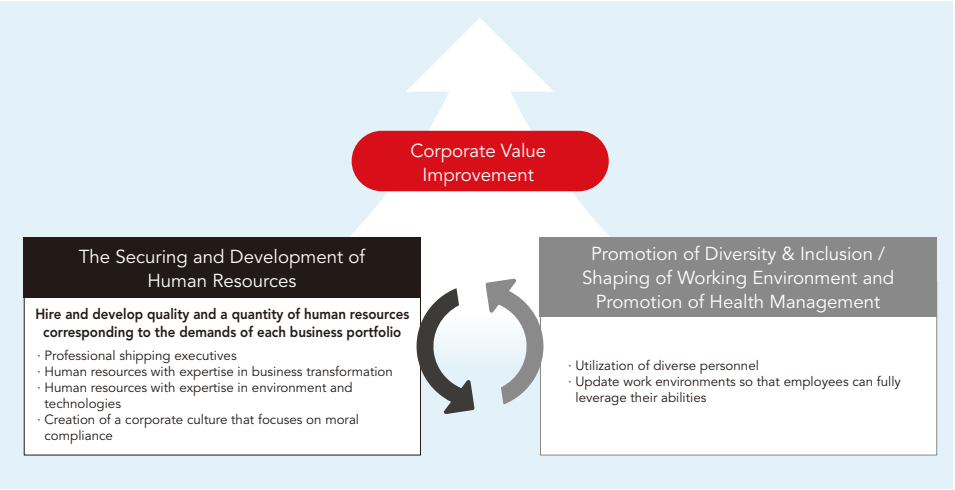
We have updated the security roadmap established in 2021 and formulated a Security Roadmap 2.0. Security measures need to be implemented not just within the Company but the Group. We have therefore clarified responsibilities and roles across the Group and are building a security system that can respond accurately to cyber incidents. We have introduced measures that incorporate the latest technologies, strengthening the security of endpoints such as PCs and servers and communication networks, as well as implementing multifactor authentication, monitoring systems, and risk mitigation measures for server security. Going forward, we plan to globally conduct security incident response training and other initiatives. In addition to technical measures, we will promote DX with a safe, secure, stable, and resilient IT infrastructure and foster a security-first culture through security training and awareness activities.

Human Resources

Overall Human Resource Management

At "K" LINE, we are committed to securing and developing personnel who can not only lead business growth and transformation but also quickly respond to changes in the business environment. In accordance with the portfolio needs of each business, we are advancing both the quantitative and qualitative acquisition and development of talent. Simultaneously, we are striving to create a work environment where diverse personnel can flourish and fully utilize their abilities.

Overall Overview



KPIs

KPIs for Human Resource Management

Diversity	Labor Safety	Health Management
Female employees comprising of managerial positions 15% (by the end of FY2026)	Average monthly overtime working hours Within 40 hours*	Stress check examination rate Over 90%
Training cost per employee per year ¥199,000	Ratio of male employees taking childcare leave Over 20%*	

* As of April 1, 2022, the target was set in the Action Plan to Promote the Active Participation of Women and Support the Development of the Next Generation Children, but has been achieved ahead of schedule. Currently considering setting targets for FY2025 and beyond.

The Securing and Development of Human Resources

As a globally trusted company, "K" LINE engages in the quantitative and qualitative acquisition and development of human resources in line with the needs of each business portfolio, as set forth in its medium-term management plan to improve corporate value, social value, and economic value. In terms of talent acquisition, we hire mid-career professionals throughout the year in addition to recruiting new college graduates. The personnel we hire are assigned to the three core growth-driving businesses and are also evenly distributed to the corporate divisions that support our business foundation. We approach personnel training from two perspectives: nurturing professional shipping executives who will lead the sustainable growth and transformation of the business while valuing a culture that emphasizes morals and compliance, and developing business transformation personnel as well as environmental and engineering talent who can flexibly respond to changes in the business environment.

Hire and develop human resources who can lead business growth and innovation, and are capable of flexibly responding to changes in the business environment

Lead business growth and innovation

Develop professional shipping executives capable of competing on the global stage

- Enhance various training to deepen shipping expertise
  – Maritime business training – Onboard training
- Management training
  – Accounting / finance training: Analysis of financial statement / business investment decisions
  – "K" LINE Value Seminar: Management strategy
  – Management skills training: Implementing PDCA cycle

Flexibly respond to changes in the business environment

Hire and develop human resources with expertise in business transformation and environmental technology

- Define prerequisites for DX human resources and establish training and certification systems by expected levels, aiming to train 100 individuals with DX Certification by the end of fiscal 2025
- Establish a promotion committee led by management and a cross-organizational promotion department, as well as a Group co-creation system
- Active recruitment of human resources with science backgrounds

Create a corporate culture that focuses on moral compliance (reflect on compliance training and performance evaluation)

Annual Training Hours (Onshore and Offshore)

FY2021	FY2022	FY2023
21,595 hours	35,146 hours	45,965 hours

Total Expenditures for Training

FY2021	FY2022	FY2023
¥99 million	¥114 million	¥192 million

Promotion of Diversity & Inclusion

Onshore Initiatives

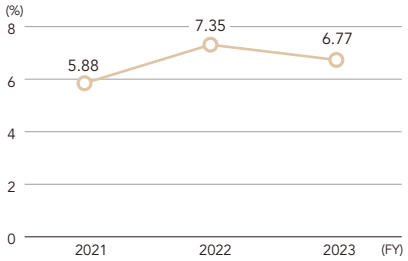
Philosophy and Policy

In addition to actively hiring mid-career professionals, "K" LINE is committed to recruiting new graduates, irrespective of nationality, educational background, gender, and job type (administrative or technical), in a bid to secure personnel with a diverse range of values. Furthermore, we are taking various measures to promote diversity and inclusion (D&I), such as encouraging men to participate in childcare; enhancing support systems for women before, during, and after maternity leave; making mid-career hiring available throughout the year; fostering and strengthening collaboration between onshore and offshore employees; and cultivating a sense of unity and integration with foreign national staff through the "K" LINE UNIVERSITY.

Measures: Diversity

We set a goal to have 15% of managerial positions filled by women by fiscal 2026. To help female employees autonomously continue their careers after having to change their work styles due to life events, we endeavor to maintain their connections with the Company during childcare leave, engage in dialogue after they return from maternity leave, and promote managerial training aimed at fostering an understanding inside the Company on balancing work with childcare. Additionally, we are committed to securing diverse talent through year-round mid-career hiring. We provide explanations to prospective employees based on their individual circumstances and desires, thereby facilitating a better understanding of the career paths open to mid-career hires and increasing their retention rate. The ratio of mid-career hires in managerial positions has reached 16.5%, surpassing the ratio of mid-career hires among employees in service.

Percentage of Women in Managerial Positions



Ratio of Mid-Career Hires



Initiatives at Sea

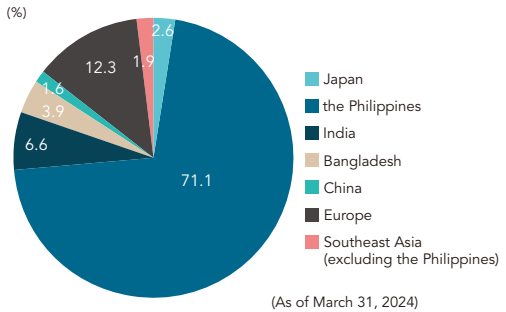
Philosophy and Policy

"K" LINE has a long history and track record in implementing maritime human resource policies that are responsive to the times, with a special focus on D&I among international seafarer. In addition to recruiting that acknowledges and respects differences in gender, nationality, ethnicity, culture, and language, we have established crew training centers around the world to support career development aimed at achieving excellence in skills and abilities. Moving forward, we will continue to strive to improve crew satisfaction and performance, as well as to build better relationships based on trust.

Measures: Diversity

On vessels, it is common for crew members of different nationalities to work together, and the same applies to maritime officers onshore who are engaged in vessel operations. In this context, we are promoting the creation of an environment that balances improving employee diversity with ensuring safe vessel operations. Specifically, we hold seminars in various countries to deepen mutual understanding among crew members of different nationalities. We also adopt multilingual services in the remote medical advisory system that connects ship and shore, thereby enhancing support for the diversity of crew members. Additionally, we implement leadership development programs to foster teamwork and increase inclusiveness among crew members. We will continue to promote initiatives that value individuality while being flexible toward diverse perspectives, fostering a respectful and cohesive organization rich in collaboration.

Percentage of Crew Members by Nationality



(As of March 31, 2024)

Our Initiatives for Promoting the Employment of Female Maritime officers and Improving Workplace Environments

In line with the International Maritime Organization's (IMO) "International Day for Women in Maritime," we held an online seminar on May 20, 2024, for female students at maritime educational institutions, focusing on our female marine engineers.

Female maritime officers at "K" LINE build their careers in various fields while adjusting to their respective lifestyles, whether working at sea, onshore (including overseas assignments), or through flexible, shorter working hours. Assignments are made regardless of gender, allowing individuals to fully utilize their skills and experience as deck officers or engineering officers.

Regarding life onboard, we strive to create environments that reflect the needs of female maritime officers, such as ensuring separate laundry rooms and stocking sanitary supplies, aiming to provide a comfortable living environment on the ship. Although there are no regulatory requirements, we equip the necessary sanitary supplies based on ideas from all female maritime officers.

For onboard workplace environments, we are working across the Company to make improvements for a better workplace. In terms of safety and diversity, we are working through various training programs to improve employee compliance awareness and create a harassment-free workplace. In particular, regarding harassment measures, both male and female staff are assigned to consultation desks to create an environment that allows employees an easy way to seek advice.

As part of our efforts to reform work styles at sea, we have established systems to accommodate the life events of maritime officers flexibly. Specifically, we have created a new system that allows employees to apply for temporary onshore assignments when sea duty becomes difficult due to childbirth, childcare, or nursing care. We also respect individual preferences regarding childcare leave, allowing them to take leave as they wish.

These initiatives aim to create an environment where all maritime officers can work with peace of mind, respond flexibly to individual life events, including family matters, and maintain a good work-life balance.





Voices of Female Maritime Officers

Female Captain



Eri Noguchi
Captain

I joined the company in 2007 as a Second Officer. After serving onboard and onshore, and taking childcare leave, I became the captain of the LNG Carrier LAGENDA SURIA in May 2024. As the captain, I am responsible for the vessel's final decisions, including during emergencies, navigating in ports and congested waters, communicating with external parties such as charterers, managing ship finances, and overseeing provisions.

When I joined, being both a mid-career hire and a female seafarer placed me in two minority categories, and it may have been difficult for some at the time. As I was always focused on the task at hand, I personally haven't experienced any significant inconveniences while onboard. However, when I was first appointed captain, I felt an overwhelming sense of joy, which made me realize that being a "woman" had drawn attention, both positively and negatively, and I had perhaps felt a certain amount of pressure, even unconsciously. Currently, there are 10 female seafarers at "K" LINE, working both at sea and onshore. I hope they will continue to build their careers naturally, without being constrained by their gender, and become role models for future generations.

Female Engineering Officer



Mina Momota
Third Engineer

I joined "K" LINE in 2023 and have served as a Third Engineer on LNG carriers. My main tasks include maintenance of the assigned equipment, handling troubleshooting, managing supplies, and participating in berthing and unberthing operations.

The rewarding part of being a seafarer is the sense of accomplishment when identifying and solving problems. On land, there are specialists in each field, but onboard, we only have about 20 crew members. Since we need to respond to situations at sea while receiving support from onshore, a broad range of knowledge is required.

As you rise in rank, the importance of the equipment you are responsible for increases, and technological advancements also change the knowledge and skills required at sea. Therefore, I am keen on developing flexible maritime skills to adapt to the changing times. Although shipping may be perceived as a male-dominated industry, in reality, I had many opportunities to interact with female seniors, and it has been a workplace where I feel comfortable asking questions. While nothing comes overnight, the joy of acquiring new knowledge is immense, and it is the moment when I feel glad to be a seafarer.

Shaping of Working Environment and Promotion of Health Management

Philosophy and Policy

As a logistics company rooted in the shipping industry, the "K" LINE Group engages in business activities based on its corporate principle of helping make the lives of people more affluent. The provision of safe and optimal services is essential to fulfilling this corporate principle, and this in turn cannot be possible unless individuals involved in the business maintain their physical and mental health and maximize their capabilities at all times. In addition, Respect for Human Rights, outlined in the Charter of Conduct for the "K" LINE Group, which is the code of conduct observed across the entire Group, stipulates that "the "K" Line Group will consistently respect human rights and we will positively consider personality, individuality and diversity of its corporate members and improve work safety and conditions to offer them comfort and affluence." Adhering to our morals and complying with laws and regulations are essential to realizing these goals, so they have been incorporated into our personnel training and evaluation systems, with the intention of cultivating a culture that prioritizes morality and compliance.

Shaping of Working Environment

Measures **i) Childcare Leave**

"K" LINE has created a childcare leave system that exceeds legal requirements. In addition, to encourage the participation of men in childcare, our own childcare system allows up to 10 days of leave for men. In preparation for the scheduled revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members in April 2025, we are reviewing various systems and preparing to inform the Company internally.

Measures **ii) Compliance (Harassment prevention seminars)**

"K" LINE has set up consultation desks for sexual harassment and power harassment, and disseminates information about consultation methods through the Company's internal portal site and posters. We have also put into place a system for swiftly solving any problems, while giving the utmost consideration to privacy. Furthermore, we hold annual harassment prevention seminars for our officers and employees.

Promotion of Health Management

Measures **iii) Physical / Mental Health**

"K" LINE has been stepping up measures to prevent overwork and is promoting more reasonable working hours in collaboration with management teams. We conduct training for managers about the relationship between overwork and health. In addition, we have implemented a system where, if an employee's overtime exceeds a certain threshold, a notification is automatically sent to their immediate supervisor. This helps us stay up to date on employee work hours and share such data with management teams, who provide monthly reports to the Board of Directors. We also support the mental and physical well-being of our employees in various ways, such as annual stress checks, holding mental health seminars for officers and employees, and offering an Employee Assistance Program (EAP) as an external consultation service.

Childcare Leave Participation Rate (Including Paternity Leave for Men)

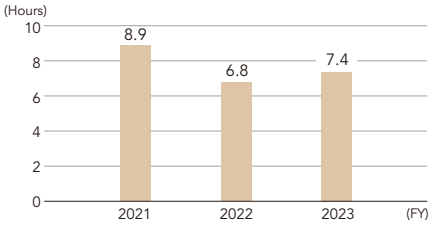
	Men	Women
FY2021	—*	100%
FY2022	88.5%	100%
FY2023	77.8%	100%

* Disclosure mandated from fiscal 2022.

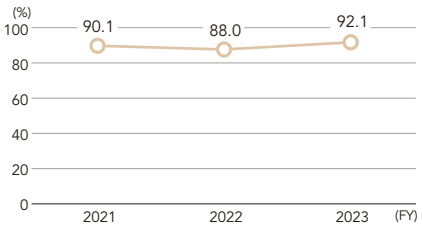
Harassment Prevention Seminar Participation Rate

FY2021	— (The seminars did not target all employees, but limited participation was offered to specific managerial positions.)
FY2022	87.3%
FY2023	99.1%

Average Monthly Overtime Working Hours



Stress Check Examination Rate



Corporate Governance Aiming for Sustainable Growth and Greater Corporate Value

Note: Number of the Company's shares held as of the end of May 2024.

Directors (As of June 21, 2024)



Yukikazu Myochin

Representative Director, President & CEO

Term in office as director: 8 years
Number of the Company's shares held: 141,000 shares

Born in March 1961
Apr 1984 Joined the Company
Jan 2010 General Manager of Containerships Business Group
Apr 2011 Executive Officer
Apr 2016 Managing Executive Officer
Jun 2016 Director, Managing Executive Officer
Apr 2018 Representative Director, Senior Managing Executive Officer
Apr 2019 Representative Director, President & CEO (Current)



Kazuhiko Harigai

Representative Director

Term in office as director: 5 years
Number of the Company's shares held: 144,600 shares

Born in July 1960
Apr 1983 Joined the Company
Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group
Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group
Apr 2012 Executive Officer
Apr 2013 Managing Executive Officer
Apr 2019 Senior Managing Executive Officer
Jun 2019 Director, Senior Managing Executive Officer
Jun 2020 Representative Director, Senior Managing Executive Officer
Apr 2024 Representative Director, Vice President Executive Officer (Current)



Noriaki Yamaga

Director

Term in office as director: -
Number of the Company's shares held: 6,573 shares

Born in December 1963
Apr 1986 Joined the Company
Apr 2011 General Manager of Containerships Business Management Group
Aug 2017 Director, OCEAN NETWORK EXPRESS PTE. LTD.
Apr 2020 Executive Officer of the Company
Apr 2021 Managing Executive Officer
Apr 2024 Senior Managing Executive Officer
Jun 2024 Director, Senior Managing Executive Officer (Current)



Keiji Yamada

Independent & Lead Outside Director

Term in office as outside director: 5 years
Number of the Company's shares held: 1,500 shares

Born in April 1954
Apr 1977 Joined Ministry of Home Affairs (currently Ministry of Internal Affairs and Communications)
Jul 1982 Superintendent of Amakusa Tax Office, National Tax Agency
Jul 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture
Sep 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization
Apr 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture
Jan 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs
Jul 1992 Counsellor, Cabinet Legislation Bureau
Jul 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently Ministry of Land, Infrastructure, Transport and Tourism)
Aug 1999 Director, General Affairs Department, Kyoto Prefecture
Jun 2001 Vice-Governor, Kyoto Prefecture
Apr 2002 Governor, Kyoto Prefecture (retired in April 2018)
Apr 2011 President, National Governors' Association (retired in April 2018)
Apr 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
Jun 2019 Outside Director of the Company (Current)
Mar 2020 Outside Audit & Supervisory Board Member, HORIBA, Ltd. (Current)
Apr 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
Nov 2020 Outside Director, TOSE CO., LTD. (Current)
Apr 2021 Trustee, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
Jun 2021 Outside Director, Nitto Pharmaceutical Holdings, Ltd. (Current)
Jun 2024 President, The Educational Corporation of Kyoto Sangyo University, Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)



Ryuhei Uchida

Outside Director

Term in office as outside director: 5 years
Number of the Company's shares held: 0 shares

Born in October 1977
Apr 2002 Joined Mitsubishi Corporation
Dec 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment
Dec 2012 Joined Effissimo Capital Management Pte Ltd., Director (Current)
Jun 2019 Outside Director of the Company (Current)



Koji Kotaka

Independent & Outside Director

Term in office as outside director: 1 year
Number of the Company's shares held: 31,500 shares

Born in May 1958
Apr 1987 Joined Sato and Tsuda Law Office (retired in March 1988)
Aug 1990 Joined Goldman Sachs Japan Ltd. (currently Goldman Sachs Japan Co., Ltd.)
Nov 1998 Managing Director, Goldman Sachs Japan Co., Ltd.
Nov 2006 Partner, Goldman Sachs Japan Co., Ltd. (retired in November 2008)
Nov 2009 Counsel, Nishimura & Asahi (retired in December 2010)
Jan 2011 Representative Attorney, Koji Kotaka & Associates (Current)
Sep 2012 Senior Advisor, Apollo Global Management LLC (Current)
Jun 2013 Outside Director, Monex Group, Inc. (retired in June 2018)
Feb 2016 Outside Director, LINE Corporation (retired in February 2021)
Mar 2018 Outside Director, Kenedix, Inc. (retired in March 2021)
Mar 2021 Member of the Management Committee, Kenedix, Inc. (Current)
May 2022 Senior Advisor, Greenhill & Co., Japan Ltd. (retired in December 2023)
Jun 2023 Outside Director of the Company (Current)



Hiroyuki Maki

Independent & Outside Director

Term in office as outside director: 1 year
Number of the Company's shares held: 0 shares

Born in November 1980
Aug 2004 Representative Director, Melco Asset Management Limited (retired in October 2006)
Nov 2006 Representative Director, Melco Asset Management Pte. Ltd. (retired in September 2007)
Oct 2007 Representative Director, MAM PTE. LTD (retired in May 2014)
Jun 2011 Director, Melco Holdings Inc.
Jun 2014 President & CEO, Melco Holdings Inc. (Current)
May 2018 President & CEO, Buffalo Inc. (Current)
May 2020 President & CEO, Buffalo IT Solutions Inc. (retired in May 2023)
Oct 2020 President & CEO, Melco Financial Holdings Inc. (retired in April 2023)
May 2021 President & CEO, BIOS Corporation (retired in May 2022)
May 2022 Director, Shimadaya Corporation (Current)
Jun 2022 Outside Director, Saison Information Systems Co., Ltd. (currently Saison Technology Co., Ltd.) (retired in June 2023)
Jun 2023 Outside Director of the Company (Current)



Takako Masai

Independent & Outside Director

Term in office as outside director: -
Number of the Company's shares held: 0 shares

Born in March 1965
Nov 1988 Joined Scotiabank, Tokyo
Jul 1989 Joined the Toronto-Dominion Bank, Tokyo
Mar 1998 Head of Financial Products Division, Tokyo Branch, Crédit Agricole Indosuez Bank (currently Crédit Agricole CIB)
May 2007 General Manager, Capital Markets Division, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
Apr 2013 Executive Officer, Head of Markets Research Department, Markets Sub-Group, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
Jul 2015 Executive Officer, General Manager of Markets Research Division, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
Jun 2016 Member of the Policy Board, Bank of Japan (retired in June 2021)
Jun 2021 Director, SBI Financial and Economic Research Institute Co., Ltd. (Current)
Jul 2021 Outside Director, Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation) (retired in June 2023)
Jul 2021 Outside Director, TOBISHIMA CORPORATION (Current)
Jul 2021 Advisory Board member of Sim Kee Boon Institute for Financial Economics (Current)
Aug 2021 Representative Director (currently Chairperson), SBI Financial and Economic Research Institute Co., Ltd. (Current)
Aug 2021 Outside Director, BlackRock Japan Co., Ltd. (retired in August 2023)
Apr 2022 Guest Professor, Jissen Women's University (Current)
Jun 2024 Outside Director of the Company (Current)

Director Skill Matrix

While aiming for sustainable growth and improvement in medium- to long-term corporate value, the Board of Directors has the duty and responsibility to properly supervise the management of the "K" LINE Group, where the mission is to support people's affluent lives as vital infrastructure in the global community. We have identified the skills (knowledge, experience, abilities, etc.) required of the Board of Directors based on our materialities (priority issues) in our aim to enhance the functions of the Board of Directors with a thoughtful combination of these skills while considering diversity in the composition of the Board members.

Name	Position	Expertise							
		Corporate Management & Strategy	Legal & Risk Management	Finance & Accounting	Human Resources & Labor	Safety & Quality	Environment & Technology	Global	Sales & Marketing
Yukikazu Myochin	Representative Director, President & CEO	●	●		●	●	●	●	●
Kazuhiko Harigai	Representative Director, Vice President Executive Officer (Assistant to President & CEO)	●				●	●	●	●
Noriaki Yamaga	Director, Senior Managing Executive Officer, Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation, Corporate Sustainability, Environment Management, IR and Communication), In charge of Corporate Sustainability, Environment Management, IR and Communication, CFO (Chief Financial Officer)	●	●	●			●	●	●
Keiji Yamada	Independent & Lead Outside Director, Chairperson of the Nomination Advisory Committee		●		●	●	●	●	
Ryuhei Uchida	Outside Director	●		●				●	
Koji Kotaka	Independent Outside Director, Chairperson of the Remuneration Advisory Committee		●	●				●	
Hiroyuki Maki	Independent Outside Director	●		●	●		●	●	●
Takako Masai	Independent Outside Director	●		●				●	●

Audit & Supervisory Board Members / Executive Officers

Note: Number of the Company's shares held as of the end of May 2024.

Audit & Supervisory Board Members (As of June 21, 2024)



Kunihiko Arai
Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 5 years
Number of the Company's shares held: 37,900 shares

Born in November 1959
Apr 1982 Joined the Company
Aug 2001 General Manager, "K" LINE PTE LTD, Trade Management Division
Jul 2012 Representative in Beijing, China (Representative Office closed in December 2012)
Managing Director of K LINE (CHINA) LTD. (retired in June 2019)
Jan 2014 Managing Director of "K" LINE (HONG KONG) LIMITED (retired in January 2019)
Apr 2015 Managing Executive Officer of the Company
Apr 2019 Special Advisor
Jun 2019 Audit & Supervisory Board Member (Current)



Makoto Arai
Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 1 year
Number of the Company's shares held: 151,700 shares

Born in May 1959
Apr 1983 Joined the Company
Oct 2010 General Manager of IR & PR Group
Jul 2013 General Manager of IR & PR Group, General Manager of Legal Group
Sep 2013 General Manager of Legal Group
Apr 2014 Executive Officer
Apr 2018 Managing Executive Officer
Jun 2020 Director, Managing Executive Officer
Jun 2022 Managing Executive Officer
Apr 2023 Special Advisor
Jun 2023 Audit & Supervisory Board Member (Current)



Atsumi Harasawa
Outside Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 5 years
Number of the Company's shares held: 1,200 shares

Born in August 1967
Apr 1992 Joined Japan Airlines Co., Ltd. (retired in March 2004)
Dec 2009 Registered with Tokyo Bar Association, Joined Sonderhoff & Einsel Law and Patent Office (retired in June 2014)
Jun 2014 Joined Digital Arts Inc. (retired in March 2015)
Apr 2015 Joined Yamasaki & Partners (retired in October 2016)
Nov 2016 Partner, Igarashi Watanabe & Esaka Law Office (Current)
Apr 2018 Outside Auditor, Lawson Bank Preparatory Company, Inc. (currently Lawson Bank, Inc.) (Current)
Jun 2019 Audit & Supervisory Board Member of the Company (Current)
Jun 2020 Outside Director, Ricoh Leasing Company, Ltd. (Current)
Sep 2020 Outside Auditor, GiXo Ltd. (Current)



Shinsuke Kubo
Outside Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 4 years
Number of the Company's shares held: 5,500 shares

Born in March 1956
Apr 1979 Joined Sanwa & Co. (currently Deloitte Touche Tohmatsu LLC)
Mar 1982 Registered as Certified Public Accountant
Jun 1998 Representative Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Sep 2017 Retired from Deloitte Touche Tohmatsu LLC
Oct 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)
Jan 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (retired in December 2020)
May 2018 Representative Partner, Kyoei Accounting Office (Current)
Jun 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)
Jun 2020 Audit & Supervisory Board Member of the Company (Current)

Executive Officers (As of August 1, 2024)

Yukikazu Myochin
President & CEO

Kazuhiko Harigai
Vice President Executive Officer
Assistant to President & CEO

Kiyotaka Aya
Senior Managing Executive Officer
Responsible for Marine Sector Unit, CSO (Chief Safety Officer)

Shingo Kogure
Senior Managing Executive Officer
Responsible for General Affairs, Human Resources, Legal, Corporate Legal Risk & Compliance Unit

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

Noriaki Yamaga
Senior Managing Executive Officer
Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation, Corporate Sustainability, Environment Management, IR and Communication), In charge of Corporate Sustainability, Environment Management, IR and Communication, CFO (Chief Financial Officer)

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

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

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, Drybulk Planning

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

Akihiro Fujimaru
Managing Executive Officer
CEO of K LINE MARINE & ENERGY PTE. LTD.

Yutaka Akutagawa
Managing Executive Officer
In charge of Finance, Corporate Planning, Research

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

Fumiyoshi Sato
Executive Officer
In charge of General Affairs, Legal, Corporate Legal Risk & Compliance, Assistance to Internal Audit, CCO (Chief Compliance Officer)

Hiroshi Uchida
Executive Officer
In charge of Digitalization Strategy, CIO (Chief Information Officer)

Shingo Ikeda
Executive Officer
In charge of Advanced Technology, Ship Technical, GHG Reduction Strategy, General Manager of Ship Technical Group, GHG Reduction Strategy Group

Shinya Tamaki
Executive Officer
In charge of Human Resources, General Manager of Human Resources Group

Haruhiko Sugimoto
Executive Officer
In charge of Car Carrier Business, Car Carrier Planning & Development, Car Carrier Quality and Operations

Kenichiro Matsui
Executive Officer
In charge of Bulk Carriers

Toshikazu Ito
Executive Officer
In charge of Accounting, Taxation, General Manager of Taxation Group

Key Initiatives to Enhance Corporate Governance

"K" LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and commitment to its shareholders and stakeholders and to achieve sustainable growth. While thoroughly enforcing its corporate ethics across the entire Group, "K" LINE will continue developing an organic and effective governance framework, strengthening its earning and financial structures, and enhancing its corporate value.

With the aim of improvement on governance and improving 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 are now preparing for the transition to the "Company with Nominating Committee, etc." board model.

2004
- Established the Internal Audit Office

2006
- Reduced the size of the Board of Directors from maximum of 25 to maximum of 15
- Introduced the Executive Officer System
- Adopted the "K" LINE Group Charter of Conduct

2009
- Shortened the term of office for directors from 2 years to 1 year
- Appointed the Company's first outside directors (2 positions)

2015
- Takeover defense measures allowed to lapse
- Redefined the functions of the Board of Directors, Management Conference, and Executive Officers' Meeting
- Establishment of Nomination Advisory Committee and Remuneration Advisory Committee
- Adopted the CORPORATE GOVERNANCE GUIDELINES
- Initiated the Board of Directors Effectiveness Evaluation

2016
- Initiated the Unit Supervisory System
- Increased the number of outside directors from 2 to 3 (one-third of all directors)
- Appointed the Company's first woman executive (Audit & Supervisory Board member)
- Appointed a lead outside director
- Adopted the "K" LINE Group Global Compliance Policy
- Initiated a performance-based share remuneration plan

2019
- Increased the number of outside directors from 3 to 4 (40% of all directors)

2020
- Appointed a woman director

2022
- Increased the ratio of independent outside directors to one-third of all directors
- Revised the Officers' Remuneration System

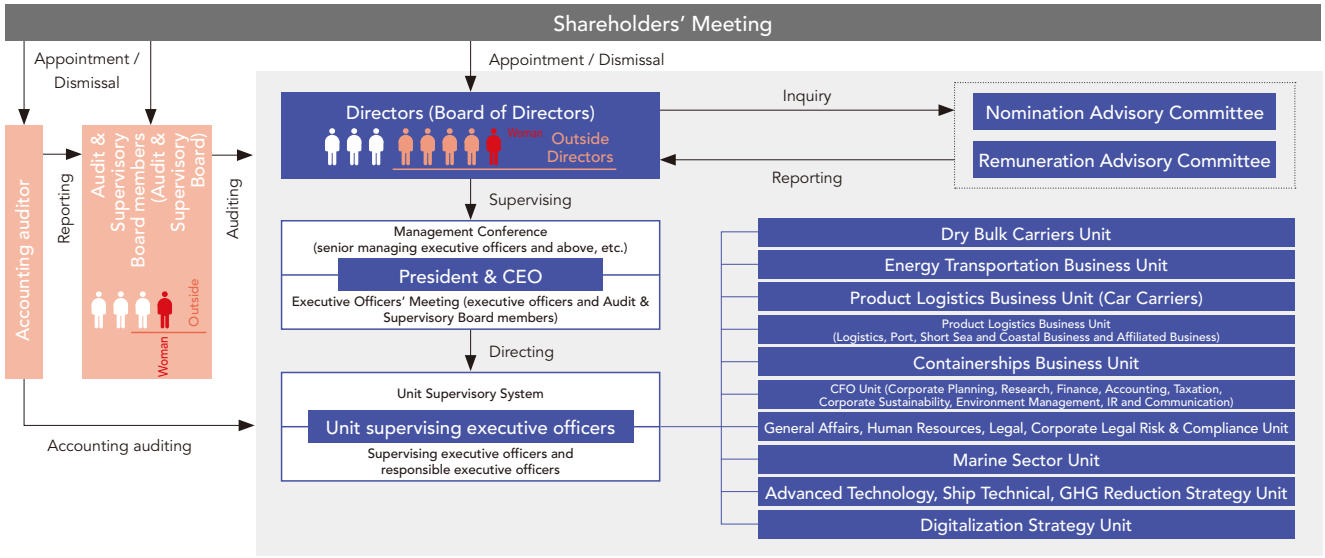
2023
- Revised the Officers' Remuneration System
- Reviewed the composition of the Board
- Reviewed the Director Skill Matrix

2024
- Increased the ratio of independent outside directors to one-half of all directors

Corporate Governance Structure Diagram

The Board of Directors and the Audit & Supervisory Board construct, apply, and monitor the corporate governance system, and several committees and other offices contribute to enhancing the system.

(As of June 21, 2024)



Key Points of Corporate Governance

Review of the Board Composition

- Reinforced the independence of the supervisory function by increasing the ratio of outside directors on the Board

As of June 2022
Outside Directors **44%**

As of June 2023
Outside Directors **55%**
4 out of 5 are independent outside directors

As of June 21, 2024
Outside Directors **62.5%**
4 out of 5 are independent outside directors

Review of the Director Skill Matrix

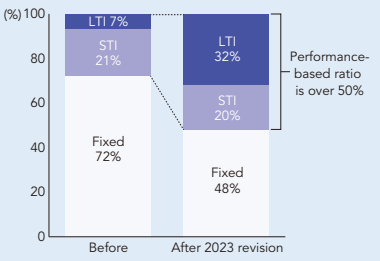
- Clarified the diversity of the composition of the Board by reviewing items based on materiality identified as our priority issues

	FY2022	FY2023
Corporate Management & Strategy	✓	✓
Legal & Risk Management	✓	✓
Finance & Accounting	✓	✓
Human Resources & Labor	–	✓
Safety & Quality	–	✓
Technology*	✓	–
Environment & Technology	–	✓
Global	✓	✓
Sales & Marketing	–	✓

* Technology has been moved to Environment & Technology as a part of the review.

Revision of the Officers' Remuneration System

- Further focused on medium- to long-term performance-linked remuneration (stock) to further align its value with shareholders
- Introduced new KPI for business performance-based remuneration
  - Short-term incentive (STI): Introduced safety factor (serious maritime accidents) as negative indicator
  - Long-term incentive (LTI): Link with ROE and CO_2 emission rate in addition to relative Total shareholder return (TSR)



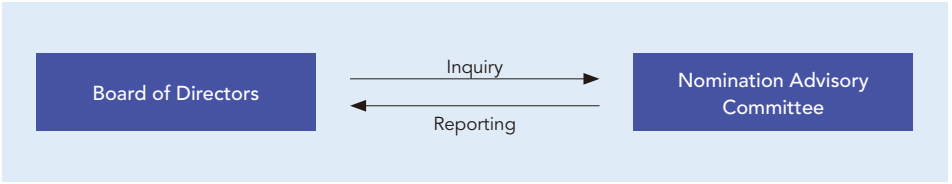
Appointment of Outside Officers

The Company actively appoints outside officers to take advantage of external perspectives in order to enhance corporate value over the medium to long term. Outside directors should possess broad experience and insight that enable them to monitor operational execution while also being of excellent character, moral virtue, and highly aware of the importance of compliance with laws and social norms. In addition to these qualities, outside directors are expected to be able to fulfill the following roles and duties.

- Provide advice on business policies and business improvement based on their knowledge and experience with the aim of promoting sustainable corporate growth and increasing corporate value over the medium to long term
- Oversee management through important decision-making by the Board of Directors
- Monitor conflicts of interest between the Company and its management or controlling interests, etc.
- Appropriately represent the views of stakeholders on the Board of Directors from a standpoint independent from management and controlling interests
- Evaluate management's performance as needed and express views, as members of the Nomination Advisory Committee and the Remuneration Advisory Committee, on management nominations and remuneration (outside directors designated as independent directors only)

Succession Planning

In the CORPORATE GOVERNANCE GUIDELINES established by the Company in 2015, Article 12 states that "the Board of Directors shall cause the Nomination Advisory Committee to deliberate on the draft version formulated each fiscal year by the incumbent president & CEO for the plan for his/her successor, receive the results of said deliberation, and confirm the reasonableness of the draft version." At the Nomination Advisory Committee, which focuses on independent outside directors and has an independent outside director as chairperson, we strive to sustainably increase corporate value by discussing the succession plan for the next president & CEO.



Basis for Outside Officer Appointments

	Name	Basis of appointment and expected role
Outside directors	Keiji Yamada	Mr. Yamada was appointed as an outside director in June 2019 to utilize his broad experience, personal networks, and insight gained from his years in positions heading public administrative bodies to contribute to the management of the Company. He is appropriately fulfilling his role by proactively offering input at meetings of the Board of Directors and overseeing operational execution as a member of the Nomination Advisory Committee and the chairperson of the Remuneration Advisory Committee. Mr. Yamada is expected to continue to fulfill this role.
	Ryuhei Uchida	Mr. Uchida was appointed as an outside director in June 2019 to utilize his broad experience and insight related to corporate value improvement to contribute to the management of the Company. It has been judged that having Mr. Uchida proactively offer input from the perspective of shareholders at meetings of the Board of Directors and provide oversight of management and operational execution will contribute to common shareholder interests and improved corporate governance for the Group. Mr. Uchida is expected to continue to fulfill this role.
	Koji Kotaka	Mr. Kotaka, in addition to being a lawyer, has experience working as a director in a broad range of industries including securities, investment banking, IT, and real estate. He was appointed as an outside director of the Company in June 2023. The Company expects him to draw on his abundant experience in law, finance and accounting, and his broad insight, which also includes investment and IR, to appropriately fulfill his role as an outside director, making suggestions at Board of Directors' meetings and supervising the execution of operation. Mr. Kotaka is expected to continue to fulfill this role.
	Hiroyuki Maki	Mr. Maki is the president and CEO of Melco Holdings Inc., which is mainly engaged in IT-related and food businesses, and the president and director of its subsidiaries. He was appointed as an outside director of the Company in June 2023 in order to leverage his extensive experience and knowledge in group management for the benefit of management at the "K" LINE Group. The Company expects him to draw on his abundant experience as a corporate manager and broad insight in the IT and digital realm to appropriately fulfill his role of making suggestions at Board of Directors' meetings and supervising the execution of operation as an outside director of the Company. Mr. Maki is expected to continue to fulfill this role.
	Takako Masai	Ms. Masai has driven work related to financial markets at both foreign and domestic banks and has also been involved in the formulation of monetary policy as a Policy Board Member at the Bank of Japan. She was appointed as an outside director of the Company in June 2024 to utilize her extensive experience in financial markets, expertise in financial economics, and insights into diversity to benefit the Company's management. The Company expects her to appropriately fulfill her role by drawing on this broad expertise to contribute to discussions at Board of Directors' meetings and to supervise operational execution.

	Name	Basis of appointment
Outside Audit & Supervisory Board members	Atsumi Harasawa	Ms. Harasawa has extensive professional knowledge and experience as a lawyer and in the transportation sector as a maintenance technician who contributed to safe flight operations at Japan Airlines Co., Ltd. Her presence as an outside Audit & Supervisory Board member enhances Board diversity and the effectiveness of audits through an independent perspective.
	Shinsuke Kubo	Mr. Kubo is a certified accountant with wide-ranging experience and knowledge of auditing through positions at auditing firms in Japan and overseas, supporting companies seeking to list on stock exchanges, and related to corporate reorganization and M&A. He was appointed as an outside Audit & Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

Number of Meetings and Attendance for the Board of Directors, Audit & Supervisory Board, Nomination Advisory Committee, and Remuneration Advisory Committee

Meetings Attended / Meetings Held (Fiscal 2023)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Yukikazu Myochin	**19**/19	-	**9**/9	**3**/3
Atsuo Asano	**19**/19	-	-	-
Yukio Toriyama	**19**/19	-	-	-
Kazuhiko Harigai	**19**/19	-	-	-
Keiji Yamada	**19**/19	-	**9**/9	**3**/3
Ryuhei Uchida	**19**/19	-	-	-
Kozue Shiga	**19**/19	-	**9**/9	**3**/3
Koji Kotaka*1	**14**/14	-	**6**/6	**1**/1
Hiroyuki Maki*1	**14**/14	-	**6**/6	**1**/1
Yasunari Sonobe*2	**5**/5	-	-	-
Tsuyoshi Kameoka*2	**5**/5	-	**2**/3	**2**/2
Kunihiko Arai	**19**/19	**14**/14	-	-
Makoto Arai*1	**14**/14	**11**/11	-	-
Atsumi Harasawa	**19**/19	**14**/14	-	-
Shinsuke Kubo	**18**/19	**14**/14	-	-
Yutaka Akutagawa*2	**5**/5	**3**/3	-	-

*1. Appointed in June 23, 2023
*2. Retired in June 23, 2023

Board of Directors

The Board of Directors is responsible for determining basic management policies, matters stipulated by law, and other important business matters, while also supervising the execution of duties by directors. The Board convenes at least once a month. Of the eight directors, five are outside directors, four of whom are independent outside directors. Audit & Supervisory Board members also attend the Board of Directors' meetings.

Specific Agendas Discussed at Meeting of the Board of Directors in Fiscal 2023

- Long-Term Management Vision and Medium-Term Management Plan
- Capital Policy (Business Investment Plan / Shareholders Return Policy, etc.)
- Business Strategy (Businesses that play a leading role in growth / Expansion of new business domains, etc.)
- Functional strategy (Human resources / Organization, Digital Transformation, etc.)
- Corporate governance (Board Evaluation / Officers' Remuneration, Composition of the Board, etc.)
- Group governance

Audit & Supervisory Board

The Audit & Supervisory Board formulates audit policies and audit plans, aiming to implement functional and agile audits. The Audit & Supervisory Board members, acting as an independent body, audit the execution of duties by directors through attendance at Board of Directors' and other important meetings and by reviewing important decision documents. The Audit & Supervisory Board members are supported by dedicated staff members.

Memberships of Committees (As of July 2024)

Nomination Advisory Committee

- Chairperson: Independent Outside Director Keiji Yamada
- Members: Independent Outside Directors Koji Kotaka, Hiroyuki Maki, Takako Masai, and President & CEO Yukikazu Myochin

The Nomination Advisory Committee is composed of all independent outside directors, the Chairperson of the Board, and the President & CEO. The committee deliberates on the validity of proposals for the appointment and dismissal of officers, succession plans for the President & CEO, and other matters referred by the Board of Directors.

Remuneration Advisory Committee

- Chairperson: Independent Outside Director Koji Kotaka
- Members: Independent Outside Directors Keiji Yamada, Hiroyuki Maki, Takako Masai, and President & CEO Yukikazu Myochin

The Remuneration Advisory Committee is composed of all independent outside directors, the Chairperson of the Board, and the President & CEO. The committee deliberates on matters referred by the Board of Directors, such as the design of the remuneration system, remuneration levels, and other matters related to remuneration for directors (and other officers).

Board Effectiveness Evaluation

Based on the belief that effective corporate governance is essential for sustainable growth and enhancing corporate value over the medium to long term, we analyze and evaluate the effectiveness of the Board of Directors each year and disclose the results in a timely and proper manner.

Progress in Addressing Issues Raised by the Fiscal 2022 Evaluation

- **Follow-up on the progress of the management plan**
  This is a theme that has been repeatedly discussed, but we assessed that such follow-ups were inadequate, and recognize that it is necessary to deepen such discussions further.
- **Discussions regarding the medium- to long-term capital policy**
  Concerning our efforts to improve corporate value over the medium to long term, there was a shared understanding that it is necessary to further narrow down the issues and delve deeper into discussions.
- **Strengthen group governance**
  Attention was drawn in particular to the issue of the strengthening of governance of the integrated containership business company (OCEAN NETWORK EXPRESS PTE. LTD.), and although efforts are being recognized and the situation is improving, it remains a significant issue that requires ongoing discussion.
- **Create value that utilizes data and digital technologies**
  Although the evaluation from the questionnaire survey was similar to the previous one, opinions calling for more proactive initiatives were observed, and we recognize that as an issue that requires continuous efforts.

Fiscal 2023 Effectiveness Evaluation

- **Method for evaluating Board effectiveness**
  A self-evaluation of the effectiveness of the Board of Directors in fiscal 2023 was conducted with a follow-up discussion by the Board of Directors based on the results of a questionnaire for all Directors and Audit & Supervisory Board Members.
- **Summary of results of evaluation of effectiveness of Board of Directors**
  As a result of discussions at the Board of Directors meeting based on the result of questionnaire, the Board of Directors was assessed to be functioned effectively overall. We determined the assessment was stable for the following points considered important for the effectiveness of the Board of Directors, and we believe such performances in these areas have led to the Board of Directors fulfilling its functions.
  - Sufficient deliberation time; broad-minded and constructive discussions
  - Discussions of issues in the previous year's effectiveness evaluation; improvements in these issues
  - Discussions of the Group's potential risks, countermeasures, and crisis management systems
  - Follow-up on the progress of management plans
  - Constructive dialogues with shareholders and investors, and feedback provided to the Board of Directors
  - Discussions and settings of performance-based remuneration that motivates directors to maximize medium- to long-term corporate value

On the other hand, it came to light that there is room for deeper discussions on topics such as the utilization of data and digital technologies. These points have been identified as issues to be further addressed to improve governance in the future.

Fiscal 2024 Issues in Light of the Above

To further increase the effectiveness of the Board of Directors, continuous improvements will be made to ensure a more effective Board, including:

- **Follow-up on the progress of management plan**
- **Discussions regarding the medium- to long-term capital policy**
- **Strengthen group governance**
- **Create value that utilizes data and digital technologies**

Officers' Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates the structure and level of compensation and reports its counsel to the Board. Director remuneration comprises (i) a monthly remuneration (monetary), (ii) short-term performance-based remuneration (monetary), and (iii) medium- to long-term performance-based remuneration (stock). The medium- to long-term performance-based remuneration (stock) is mainly linked to the Company's total shareholder return (TSR) to improve effectiveness and strengthen incentives for directors to target medium- and long-term growth in corporate value, while aiming to align our values more closely to those of shareholders. An overview of the remuneration system is as follows.

Category	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Director	(1) Monthly remuneration (monetary)	Fixed remuneration	Determined in accordance with position.	Up to ¥800 million / year (of which ¥111 million is for outside directors)
	(2) Short-term performance-based remuneration (monetary)*1	Variable remuneration	Linked to achievement of consolidated performance targets and individual performance evaluation in a single fiscal year. Apply negative indicator when serious maritime accident occurs.	
	(3) Medium- to long-term performance-based remuneration (stocks) "BBT"*1		Linked to our medium- and long-term TSR*2, return on equity (ROE), and ESG indicators (improvements in CO_2 emissions efficiency)*3	Over the four fiscal years from FY ending March 31, 2025, up until FY ending March 31, 2028 1) Amount contributed to the trust by the Company: ¥2,400 million 2) Maximum points awarded to directors in any one FY: 1.2 million points (equivalent to 1.2 million shares)
Audit & Supervisory Board member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board members	Up to ¥12 million / month

*1. Limited to executive directors

*2. TSR = Percentage increase in our share price over a certain period + Percentage of dividends over a certain period (Total dividends / Initial share price)

*3. The composition ratio for TSR indicators: ROE indicators: ESG indicators is set at 90:5:5.

Training for Officers

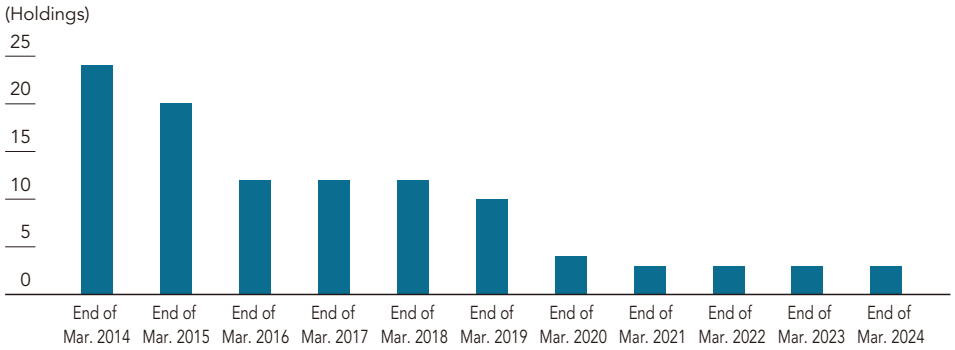
At "K" LINE, newly appointed officers shall receive training that primarily addresses the issues of legal liability and governance under the Companies Act, the Financial Instruments and Exchange Act, competition laws and other relevant acts. All internal officers also attend regular compliance seminars and training sessions, which cover insider trading and other issues. When outside officers take office, they are provided with explanations of such matters as the Group's business, organization, business environments and management issues. After their appointment they work to deepen their understanding through explanations of the Board of Directors agenda given in advance, participation in management strategy meetings, and explanations of individual projects provided by the department in charge, as well as by on-site inspections of vessels and other assets.

Targeted officers	Timing of implementation	Content
Newly appointed officers	Within three months of appointment	Conduct seminars on legal responsibilities pertaining to the Companies Act and the Financial Instruments and Exchange Act, etc.
All officers	Yearly	Receive training related to compliance in such areas as competition law, insider trading regulations, and anti-bribery
Outside directors / Outside Audit & Supervisory Board members	Upon appointment	Explanations about the Group's business, financial, and organizational status, as well as the management status, operating environment, and business issues from heads of relevant divisions or executive officers in charge

Cross-Shareholding Policy

In accordance with "K" LINE CORPORATE GOVERNANCE GUIDELINES, the Board of Directors carefully and comprehensively examines cross-shareholdings of listed shares at least once per year to verify the purpose, the necessity of business activities, the mid- to long-term economic rationale based on the capital cost, and appropriateness of individual holdings. In examining economic rationale, the Board will consider liquidating shares if returns from the holdings have fallen below the cost of shareholders' equity in a given fiscal year. The Company has been reducing cross-shareholdings, and as of March 31, 2024, the number of cross-shareholdings of listed shares was three.

Cross-shareholdings



Risk Management

Enterprise Risk Management

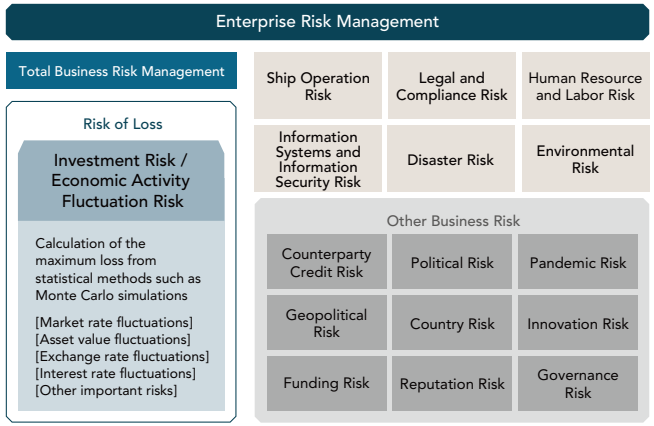
"K" LINE Group has established a risk management system to recognize changes in the external environment and various management risks, and to fulfill our corporate social responsibility even when risks materialize.

In addition to general corporate risks, such as legal compliance and human resource and labor management, the "K" LINE Group prepares for operational risks. These include the safety aspects of operating ships to securely and reliably transport our customers' cargo, as well as various market fluctuations, given that our business is exposed to the impact of the global economy.

Total Business Risk Management

We control the estimated maximum losses within consolidated shareholders' equity and pursue both stability and growth by maintaining the proper size of investments. We measure business risk as the estimated maximum loss for each business utilizing statistical methods such as Monte Carlo simulations.

The risks facing the Company's businesses are varied and diverse. Total business risk management targets any "risk of loss" that would lead to capital impairment. The risks not subject to total business risk management shall be controlled by each business unit, and enterprise risk management shall be managed by the Risk and Crisis Management Committee and its subordinate organizations.

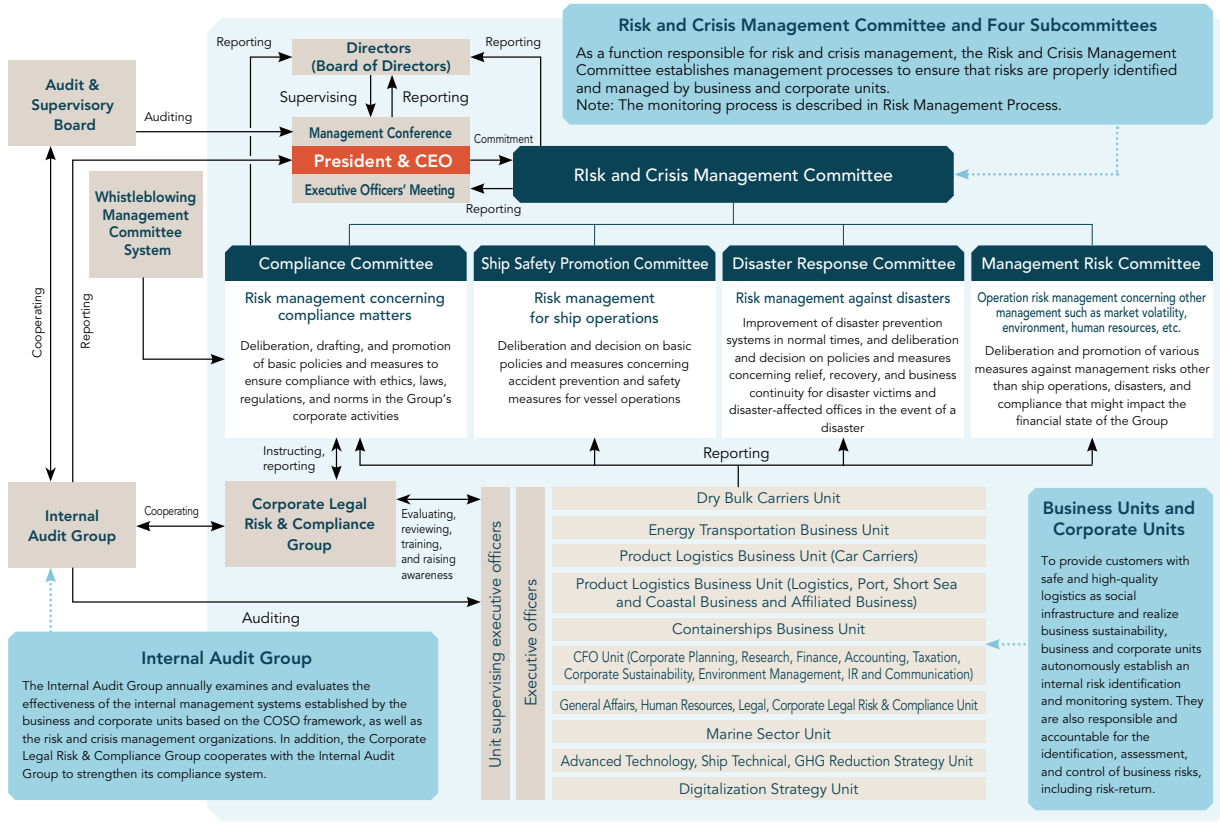


Risk Management System

The main categories recognized by the "K" Line Group are classified into four categories: risks associated with vessel operations, compliance-related risks, disaster risks, and other management-related risks, and corresponding committees have been established to address the risks in each category. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president serves as the chair of all these committees, with meetings held quarterly even during normal times to strengthen risk management. The four major risk management committees conduct regular and ongoing training activities to promote risk management. One example of such activities is the implementation of large-scale accident drills and participation in risk management workshops held by other companies. November of each year is designated "Compliance Month" to thoroughly raise awareness of the importance of compliance.

To promote and strengthen an effective risk management culture throughout the organization, our code of conduct, which is defined for each hierarchical level, includes items on risk management. Human resource evaluation systems have been designed to reflect these standards, which in turn affect salaries and promotions. Senior executives bear the responsibility for implementing Companywide initiatives related to risk management.

Risk Management Structure



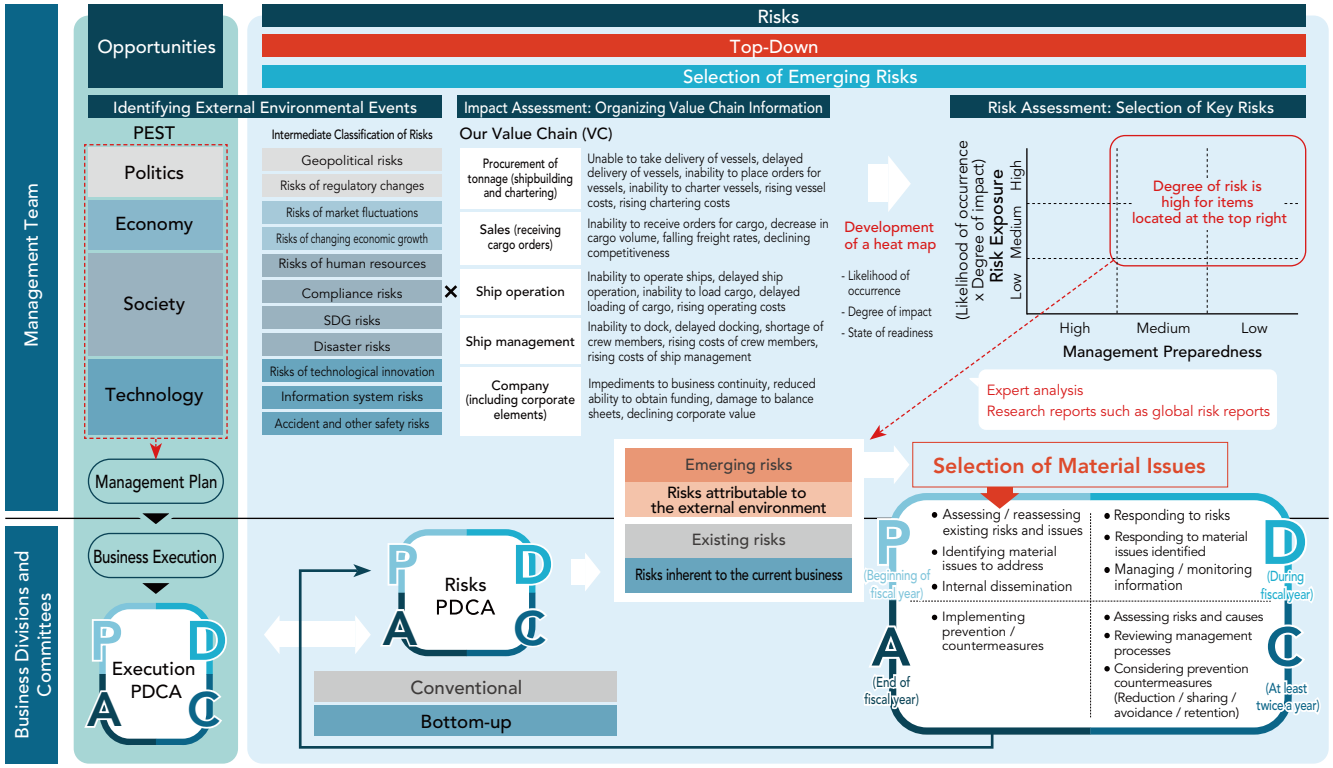
Risk Management Process

To ensure thorough risk management within the Group, we identify Groupwide risks and work to address them through management and monitoring of information. At the end of each fiscal period, we re-evaluate risks, specify and identify comprehensive risks, and determine serious risks to be addressed based on the effectiveness of the risk management system and our key risks. We then utilize a PDCA system to carry out regular reviews within each committee, perform re-assessments, and implement measures accordingly. Under this PDCA structure, we respond to risks in a multi-layered manner, combining a bottom-up approach where each committee reassesses, discovers, and identifies risks, with a top-down approach that assesses changing megatrends and other emerging risks that have not yet manifested but are of growing importance. Changing megatrends pose not only risks but also opportunities. Working from a PEST analysis* when formulating business strategies for the following fiscal year, we accurately apply our recognition of megatrends to business strategies while assessing and responding to the latest changes in risk trends. This enables us to address both risks and opportunities without omission.

More specifically, we envision risk scenarios that are the product of different combinations of PEST elements of the value chain in each of our businesses. Once the management team has organized the likelihood of occurrence, degree of impact, and state of readiness for each risk, we create a heat map. We then obtain external insight through expert analysis and research reports, while identifying issues to watch for, and select material issues in conjunction with risk identification based on a bottom-up approach.

Additionally, each business unit provides information on risk management throughout the PDCA cycle. Progress of risks and measures reported by each unit, as well as the serious issues and their countermeasures identified at the beginning of the fiscal year, are communicated internally on a daily basis through Board of Directors' meetings and the Executive Officers' Meeting.

* PEST analysis is a framework for analyzing the impact on a company from identified threats in the external environment in four categories: politics, economy, society, and technology.



11-Year Financial Data

Kawasaki Kisen Kaisha, Ltd. and consolidated subsidiaries Fiscal Years ended March 31

Evolution of the medium-term management plans	"K" LINE Vision 100 "Synergy for All and Sustainable Growth" Bridge to the Future	K Value for our Next Century —Action for Future—	K Value for our Next Century Revival for Greater Strides	FY2020 Management Plan in Fiscal Year	FY2021 Management Plan in Fiscal Year	FY2022 Medium-Term Management Plan in Fiscal Year

(Millions of yen)*1

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating results (for the year)	Operating revenues	¥1,224,126	¥1,352,421	¥1,243,932	¥1,030,191	¥1,162,025	¥836,731	¥735,284	¥625,486	¥756,983	¥942,606	¥962,300
	Operating income	28,854	47,988	9,427	(46,037)	7,219	(24,736)	6,840	(21,286)	17,663	78,857	84,763
	Ordinary income	32,454	48,980	3,338	(52,388)	1,962	(48,933)	7,407	89,498	657,504	690,839	135,796
	Profit attributable to owners of the parent	16,642	26,818	(51,499)	(139,478)	10,384	(111,188)	5,269	108,695	642,424	694,904	104,776
Financial position (at year-end)	Total assets	1,254,741	1,223,328	1,115,223	1,045,209	1,036,886*2	951,261	896,081	974,608	1,574,960	2,052,616	2,109,432
	Net assets	410,688	467,440	379,913	245,482	243,094	181,233	200,234	316,162	984,882	1,546,679	1,624,600
	Equity capital	388,837	441,531	355,375	219,484	217,010	103,576	101,095	218,193	884,634	1,515,399	1,591,926
	Interest-bearing liabilities	643,794	536,846	525,152	550,512	570,584	550,211	543,451	507,005	423,455	351,692	287,782
	Capital expenditures	93,377	89,501	116,592	68,048	101,105	97,911	81,148	45,332	43,442	71,827	85,857
	Depreciation and amortization	52,243	53,526	48,302	47,421	43,410	40,789	44,253	43,869	42,821	42,396	45,360
	Cash flows from operating activities	88,228	101,825	39,635	(43,919)	1,167	(6,808)	(21,797)	33,397	226,460	456,049	203,095
	Cash flows from investing activities	(5,113)	(11,177)	(29,569)	(24,881)	(22,813)	(35,493)	(20,286)	16,987	(5,848)	(46,745)	(66,911)
	Free cash flows	83,115	90,648	10,066	(68,801)	(21,646)	(42,303)	(42,083)	50,384	220,611	409,304	136,184
	Cash flows from financing activities	(26,634)	(119,253)	(14,835)	26,436	22,239	19,290	16,731	(34,845)	(116,001)	(300,790)	(223,727)
Per share data*3	Earnings (loss) per share (EPS) (¥)	20	32	(61)	(165)	12	(132)	6	129	765	857	145
	Book-value per share (BPS) (¥)	461	523	421	260	259	123	120	260	1,054	2,043	2,252
	Cash dividends applicable to the year (¥)	5	9	6	-	-	-	-	-	67	133	83
	Dividend payout ratio (%)	25.4	29.7	-	-	-	-	-	-	8.7	15.6	57.4
Management index	Return on equity (ROE) (%)	4.6	6.5	(12.9)	(48.5)	4.8	(69.4)	5.1	68.1	116.5	57.9	6.7
	Return on assets (ROA) (%)	2.7	4.0	0.3	(4.8)	0.2*2	(4.9)	0.8	9.6	51.6	38.1	6.5
	Debt equity ratio (DER) (Times)	1.66	1.22	1.48	2.51	2.63	5.31	5.38	2.32	0.48	0.23	0.18
	Equity ratio (%)	31.0	36.1	31.9	21.0	20.9	10.9	11.3	22.4	56.2	73.8	75.5
Average during the period	Exchange rate (¥ / US$)	100	109	121	109	111	111	109	106	112	135	144
	Fuel oil price (US$ / ton)	626	541	295	265	349	450	467	363	551	769	620
Consolidated business data	Vessels in operation*4	583	584	575	560	554	520	468	442	434	434	453

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 31, 2020) has been applied from the beginning of fiscal 2021. The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations are subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition.

*1. Rounded down to the nearest million yen.

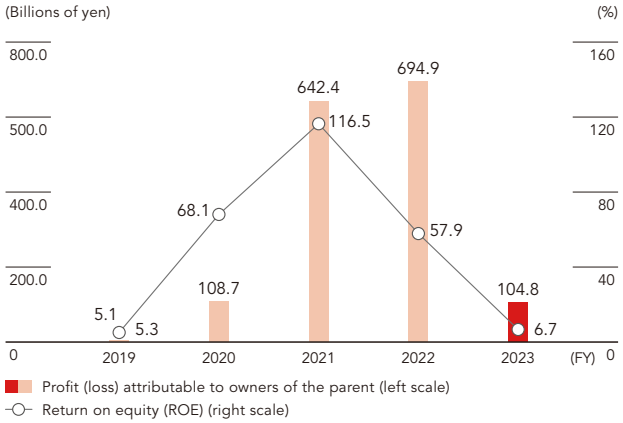
*2. Partial Amendments to the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued on February 16, 2018) has been applied from the beginning of fiscal 2018, and applied retroactively to the total assets and return on assets for fiscal 2017 for recalculation.

*3. Adjusted to reflect the October 1, 2017, common stock consolidation (10 to 1), October 1, 2022, and April 1, 2024, stock split (1 to 3) (rounded to the nearest yen).

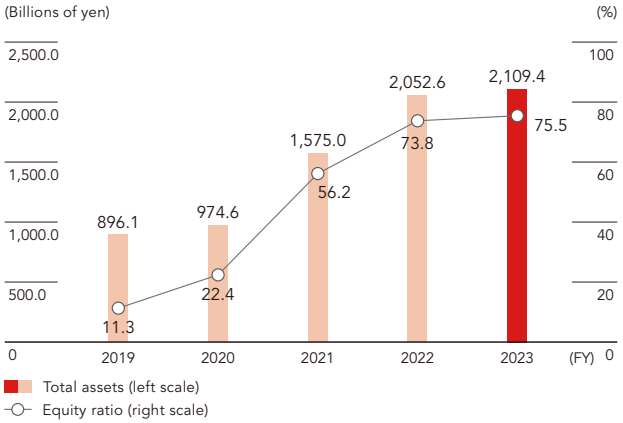
*4. Includes project-use vessels owned by special purpose companies (SPCs).

Financial Highlights

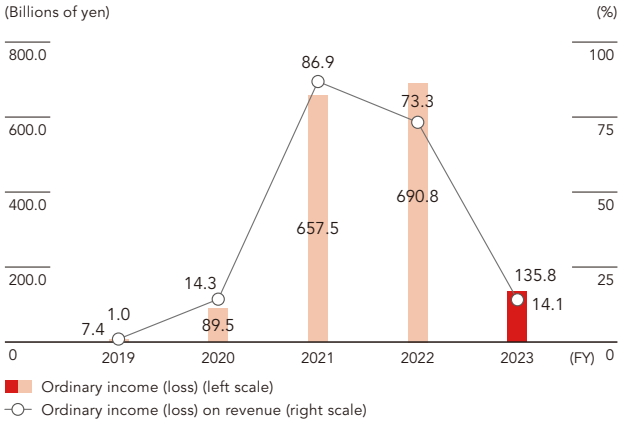
Profit (Loss) Attributable to Owners of the Parent, Return on Equity (ROE)



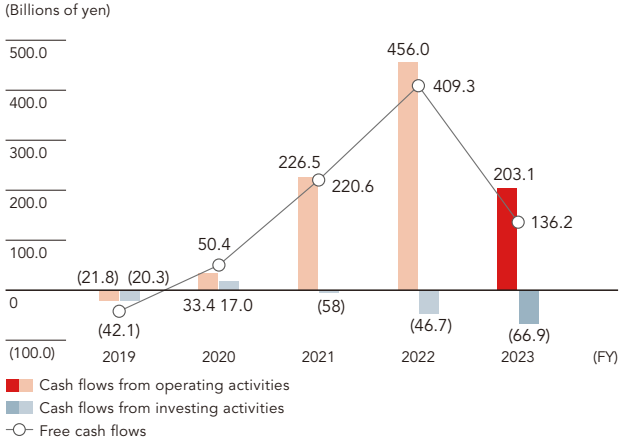
Total Assets, Equity Ratio



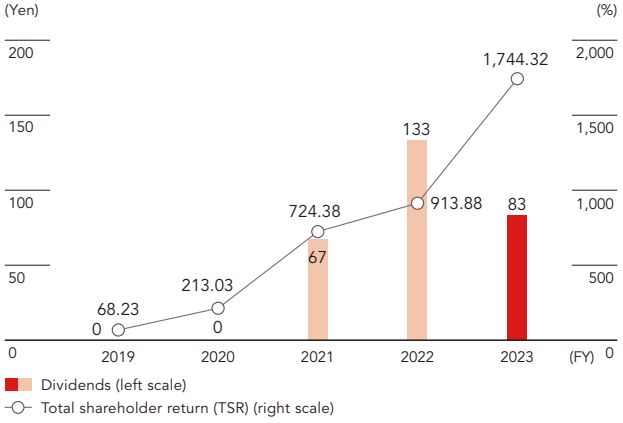
Ordinary Income (Loss), Ordinary Income (Loss) on Revenue



Cash Flows

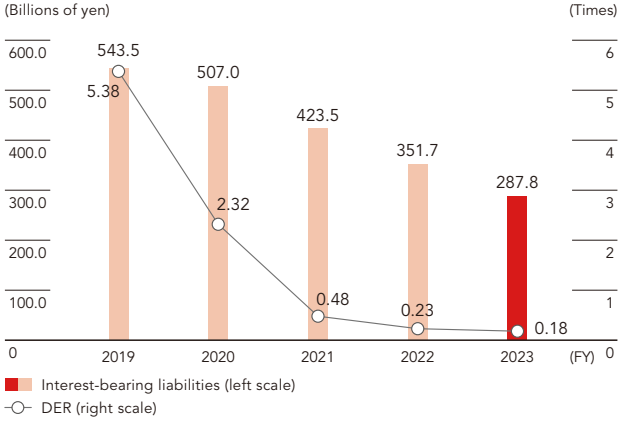


Dividends per Share, Total Shareholder Return (TSR)



Note: Adjusted to reflect the October 1, 2017, common stock consolidation (10 to 1), October 1, 2022, and April 1, 2024, stock split (1 to 3) (rounded to the nearest yen).

Interest-Bearing Liabilities, Debt Equity Ratio (DER)



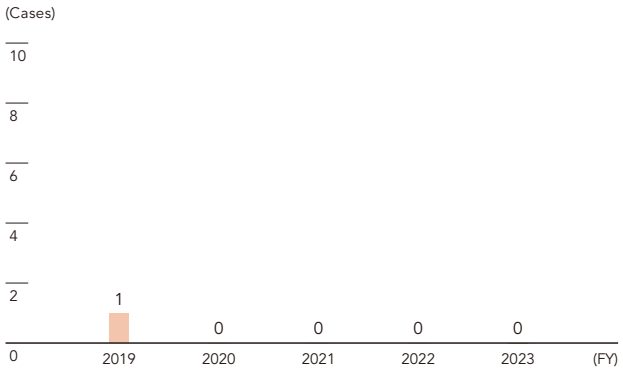
ESG Data Summary

			FY2019	FY2020	FY2021	FY2022	FY2023
Human Resource Data	Consolidated employees		6,164	6,080	5,158	4,918	5,012
	Unconsolidated employees		767	769	794	804	847
	On land		562	565	585	597	635
	At sea		205	204	209	207	212
	Women (%)		25.7	25.9	27.5	29.1	29.0
	Persons with disabilities (%)		1.96	1.82	2.09	1.71	2.11
	Number of occupational accidents		0	0	0	1	1
Management*1	Directors		10	10	10	9	9
	Outside directors		4	4	4	4	5
	Audit & Supervisory Board members		4	4	4	4	4
	Outside Audit & Supervisory Board members		2	2	2	2	2
CO_2 emissions of "K" LINE Group*2	Scope 1 (thousands of tons)		10,325	9,203	6,583	6,650	6,551
	Scope 2 (thousands of tons)	Location basis	26	25	14	12	10
		Market basis	26	22	14	10	8
	Scope 3 (thousands of tons)		1,305	1,220	4,566	4,506	4,028
Environmental Data of "K" LINE's Vessels*3	Fuel oil (thousands of tons)		3,140	2,809	1,981	1,924	1,898
	CO_2 emissions (thousands of tons)		9,800	8,762	6,175	5,997	5,914
	SOx emissions (thousands of tons)		130	36	30	29	30
	NOx emissions (thousands of tons)		203	181	118	118	117
Environmental Data per Transportation Unit of "K" LINE's Vessels*4	Input of energy	Fuel oil (g / ton-mile)	1.51	1.39	1.31	1.34	1.29
		Lub. oil (g / ton-mile)	0.013	0.012	0.012	0.012	0.012
	Volume of CO_2 emissions (gram-CO_2/ton-mile)	All types of vessels	4.82	4.49	4.10	4.20	4.04
	Volume of SOx emissions (gram-SO_x/ton-mile)	All types of vessels	0.067	0.022	0.020	0.020	0.020
	Volume of NOx emissions (gram-NO_x/ton-mile)	All types of vessels	0.097	0.089	0.078	0.082	0.080
Training	Cost of training per employee (¥)	Onshore	58,000	63,107	107,000	97,092	171,454
		Seafarer	283,794	198,652	154,664	263,880	393,407
	Average training per employee (Days)	Onshore	10	10	1	3	3
		Seafarer	19	9	8	12	20
	Average training per employee (Hours)	Onshore	50	50	13	24	21
		Seafarer	152	73	64	96	160

*1. For Kawasaki Kisen Kaisha, Ltd.
*2. The scope of aggregation is revised from 2021. Vessels not under our operations are excluded from Scope 1 calculations. Container vessels are included in Scope 3.
In 2023, we reported 1,783 tons of biogenic CO_2 emissions from biofuel categorized in Outside of Scopes. Figures are calculated on a calendar-year basis.
*3. The scope of aggregation is revised from 2021. Vessels not under our operations are excluded. Figures are calculated on a calendar-year basis.
*4. Index for transporting one ton of cargo one nautical mile (1,852 meters). Based on the ship's DWT (deadweight tonnage)

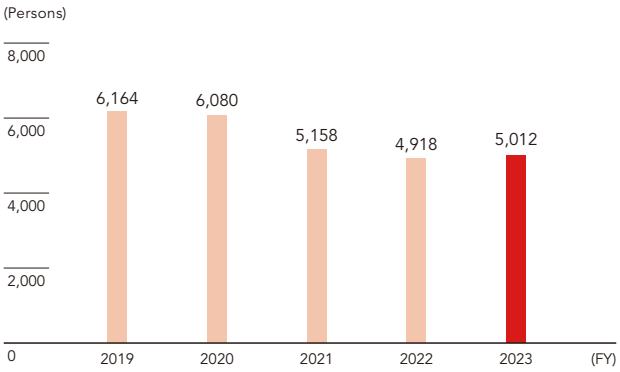
Non-Financial Highlights

Number of Major Accidents*

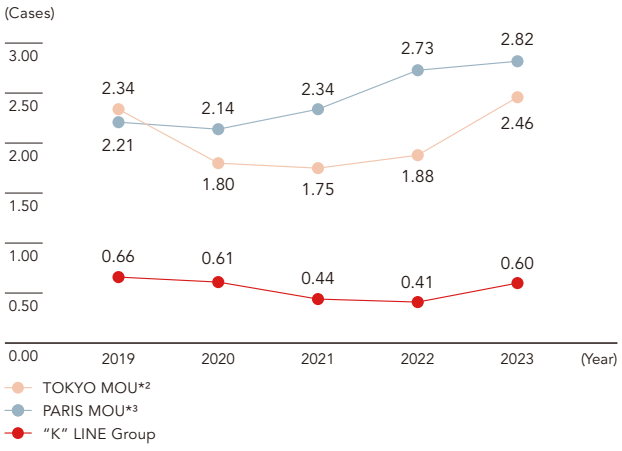


* The scope of calculation is "K" LINE's scope of consolidation, which corresponds to 100% of sales.

Number of Employees (Consolidated)



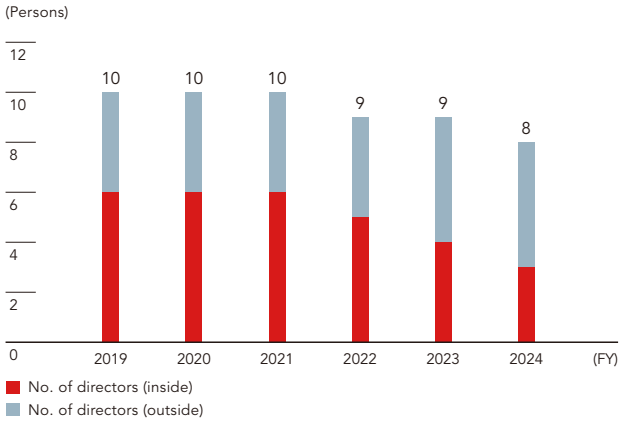
Average Deficiencies per Port State Controls (PSCs)*1



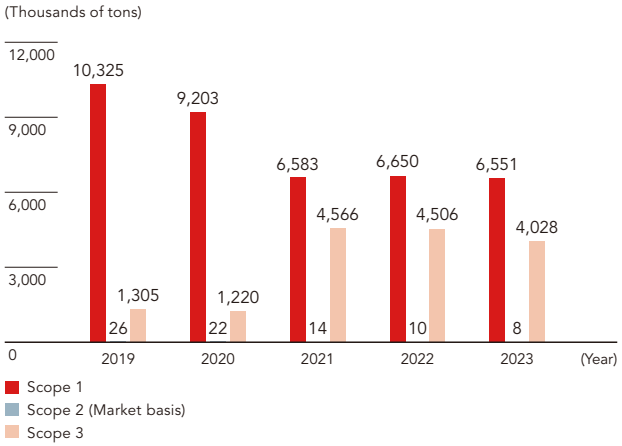
Port State Control (PSC) is a safety inspection of foreign ships conducted by port states to verify that the condition of the ship complies with the requirements of international regulations. Inspectors enter ships to inspect whether they comply with various international regulations. The number of deficiencies with "K" LINE Group vessels per PSCs is well below the average number of deficiencies in the main regions.

*1. The scope of calculation is "K" LINE's scope of consolidation, which corresponds to 100% of sales.
*2. TOKYO MOU: PSC organization in Asia-Pacific region
*3. PARIS MOU: PSC organization in European and North Atlantic region

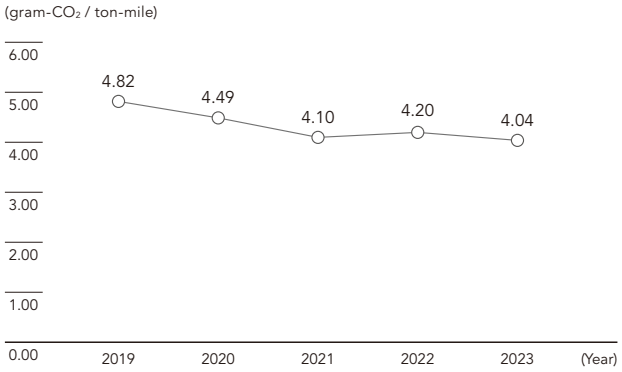
Board of Directors



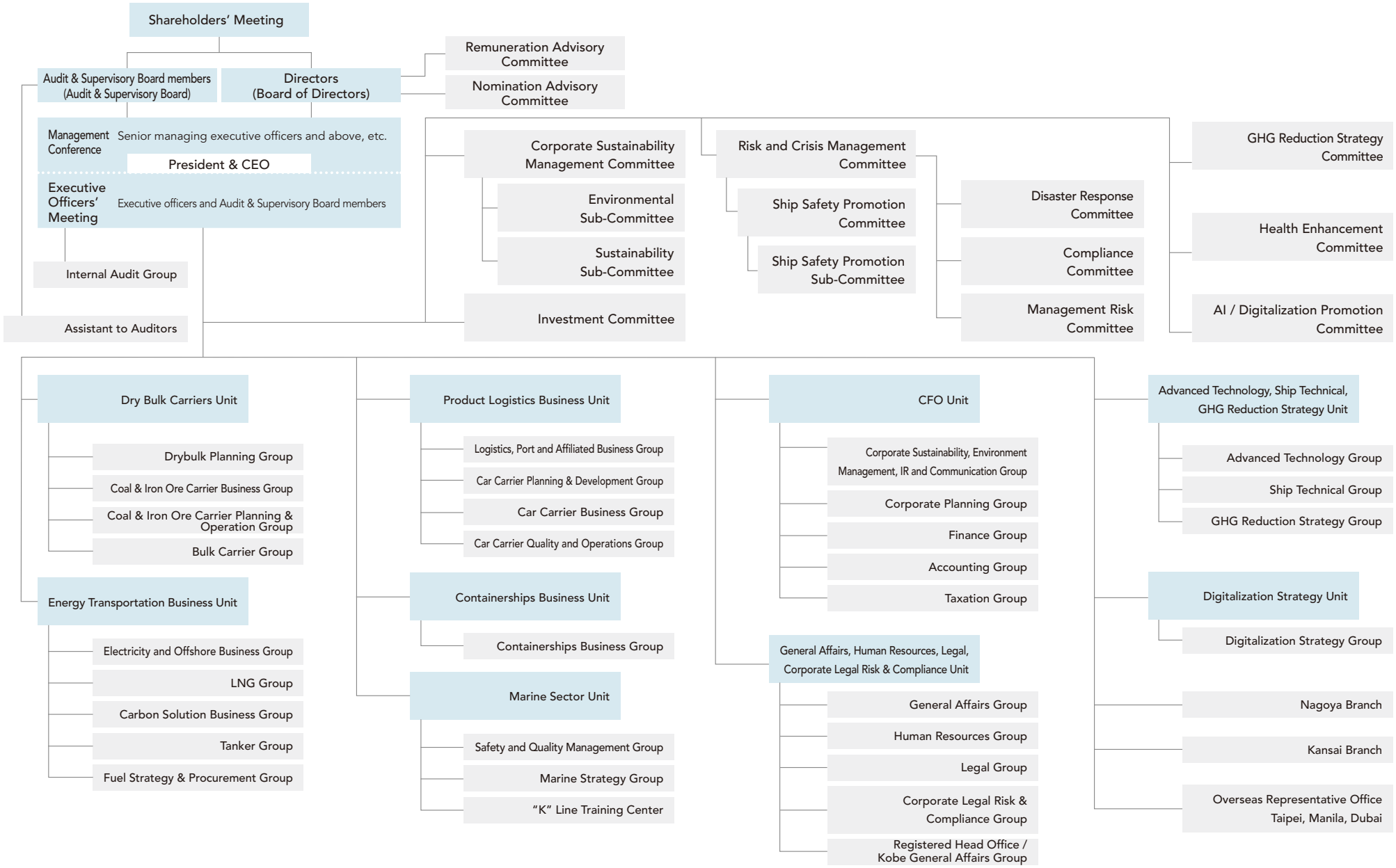
CO_2 Emissions



CO_2 Emissions per Deadweight Ton-Mile (gram-CO_2 / ton-mile)



Organization



Global Network



Japan
- Tokyo (Head office)
- Kobe (Registered head office)
- Nagoya
- Kansai

Europe
- U.K.
  - London
  - Southampton
- Germany
  - Bremen
  - Bremerhaven
  - Hamburg
- Belgium
  - Antwerp
- France
  - Nantes

Africa
- South Africa
  - Durban

Middle East
- United Arab Emirates
  - Dubai

Asia
- India
  - Mumbai
- Indonesia
  - Jakarta
- Korea
  - Seoul
- Taiwan
  - Kaohsiung
  - Taipei
- Singapore
  - Singapore
- Thailand
  - Bangkok
  - Laem Chabang
- China
  - Shanghai
  - Tianjin
- Philippines
  - Manila
- Vietnam
  - Haiphong
  - Hanoi
  - Ho Chi Minh City
- Malaysia
  - Shah Alam

Oceania
- Australia
  - Melbourne

North America
- U.S.A.
  - Baltimore
  - Houston
  - Los Angeles
  - Lothian
  - New York
  - Portland
  - Richmond
  - San Francisco

Central and South America
- Chile
  - Santiago
- Brazil
  - Sao Paulo
- Peru
  - Lima
- Mexico
  - Mexico City

Major Subsidiaries and Affiliates*1 (As of March 31, 2024)

Domestic		Company name	"K" LINE's ownership (%)*2	Paid-in capital*3 (millions of yen)	FY2023 revenue*3 (millions of yen)
Marine transportation		Kawasaki Kinkai Kisen Kaisha, Ltd.	100.0	2,368	42,908
		Asahi Kisen Kaisha, Ltd.	100.0	100	114
	★	Shibaura Kaiun Co., Ltd.	100.0	20	670
Ship management		"K" Line Marine Solutions Co., Ltd.	100.0	10	1,296
		"K" Line RoRo Bulk Ship Management Co., Ltd.	100.0	400	53,037
Harbor transportation / Warehousing		Daito Corporation*4	100.0	842	24,359
		Nitto Total Logistics Ltd.*4	100.0	1,596	14,278
		Hokkai Transportation Co., Ltd.	80.1	60	11,207
		Seagate Corporation*4	100.0	270	7,496
		Nitto Tugboat Co., Ltd.	100.0	150	4,420
	★	Rinko Corporation	26.5	1,950	13,110
		KLKG HOLDINGS, Co., Ltd.	51.0	10	2,517
Logistics		"K" Line Logistics, Ltd.	96.0	600	23,710
Land transportation		Japan Express Transportation Co., Ltd.	100.0	100	2,668
		Shinto Rikuun Kaisha, Ltd.	100.0	10	660
		Maizuru Kousoku Yusou Co., Ltd.	100.0	25	790
Travel business		"K" Line Travel, Ltd.	100.0	100	691
Holding company	★	Ocean Network Express Holdings, Ltd.	31.0	50	204
Other business		"K" Line Business Systems, Ltd.	100.0	40	1,106
		KMDS Co., Ltd.	100.0	40	1,376
		"K" Line Business Support, Ltd.	100.0	30	676
		Offshore Operation Co., Ltd.	72.1	26	2,289

*1. Includes main consolidated subsidiaries, equity-method subsidiaries, and equity-method affiliates.
*2. Includes holdings of subsidiaries.
*3. Rounded down to the nearest million.
*4. KLKG HOLDINGS, Co., Ltd. owns the company.
*5. Ocean Network Express Holdings, Ltd. owns 100% of the company.
★ Subsidiaries and affiliates accounted for by the equity method.

Overseas		Company name	"K" LINE's ownership (%)*2	Paid-in capital*3 (millions of yen)	FY2023 revenue*3 (millions of yen)
Marine transportation		"K" Line Pte Ltd	100.0	US$41	US$233
		"K" Line Bulk Shipping (UK) Limited	100.0	US$35	US$37
		"K" Line LNG Shipping (UK) Limited	100.0	US$40	US$105
		"K" Line European Sea Highway Services GmbH	100.0	EUR5	EUR123
		'K' Line (India) Shipping Private Limited	80.0	INR609	INR689
	★	Northern LNG Transport Co., I Ltd.	49.0	US$47	US$24
	★	Northern LNG Transport Co., II Ltd.	36.0	US$52	US$24
	★	Ocean Network Express Pte. Ltd.*5	-	US$3,000	US$14,515
Shipping agency		"K" Line America, Inc.	100.0	US$15	US$15
		"K" Line (Australia) Pty Limited	100.0	A$0.0001	A$5
		"K" Line (Belgium) N.V.	51.0	EUR0.06	EUR1
		"K" Line Brasil Transportes Maritimos Ltda.	100.0	BRL1	BRL12
		K Line (China) Ltd.	100.0	CNY9	CNY43
		"K" Line Chile Ltda	100.0	US$0.60	US$5
		"K" Line (Deutschland) GmbH	100.0	EUR0.1	EUR9
		"K" Line (Europe) Limited	100.0	£0.01	£3
		"K" Line (Korea) Ltd.	100.0	KRW400	KRW12,028
		"K" Line Maritime (Malaysia) Sdn. Bhd.	40.0	MYR0.3	MYR1
		K Line Mexico SA DE CV	100.0	MXN0.8	US$8
		"K" Line Peru S.A.C.	100.0	PEN1	PEN4
		"K" Line Shipping (South Africa) Pty Ltd	51.0	ZAR0.0001	ZAR11
		"K" Line (Taiwan) Ltd.	60.0	NT$60	NT$72
		K Line (Thailand) Ltd.	81.7	THB30	THB2,157
		"K" Line (Vietnam) Limited	100.0	VND8,055	VND17,782
		PT. K Line Indonesia	49.0	IDR2,557	IDR49,128
	★	'K' Line (India) Private Limited	50.0	INR60	INR586
Ship management		"K" Line Ship Management (Singapore) Pte. Ltd.	100.0	US$4	US$66
		K Marine Ship Management Pte. Ltd.	100.0	US$8	US$166
Logistics		"K" Line Logistics (Hong Kong) Limited	100.0	HK$8	HK$76
		"K" Line Logistics (Singapore) Pte. Ltd.	100.0	S$1	S$14
		K Line Logistics South East Asia Ltd.	99.9	THB73	THB28
		K Line Logistics (Thailand) Ltd.	86.5	THB20	THB1,028
		"K" Line Logistics (UK) Limited	100.0	£0.2	£5
		"K" Line Logistics (U.S.A.) Inc.	100.0	US$0.3	US$70
Container repairing		Bridge Chassis Supply LLC.	100.0	US$7	US$0
Holding company		Kawasaki (Australia) Pty. Ltd.	100.0	A$4	A$7
		"K" Line Holding (Europe) Limited	100.0	£45	£0
		"K" Line Drilling/Offshore Holding, INC.	100.0	US$0.001	US$0
Other business	★	"K" Line Auto Logistics Pty Ltd.	50.0	A$67	A$327

US$: United States dollars
EUR: Euro
INR: Indian rupee
£: Pounds sterling
A$: Australian dollars
BRL: Brazil real
CNY: Chinese renminbi
PEN: Peruvian SOL
KRW: Korean won
MYR: Malaysian ringgit
MXN: Mexican peso
VND: Vietnamese dong
ZAR: South African rand
NT$: New Taiwan dollars
THB: Thai baht
IDR: Indonesian rupiah
HK$: Hong Kong dollars
S$: Singapore dollars

Outline of the Company / Stock Information

Outline of the Company

(As of June 30, 2024)

Company name		Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Established		April 5, 1919
Paid-in capital		¥75,457.64 million
President		Yukikazu Myochin (Effective from April 1, 2019)
Employees		On-land duty 683 At-sea duty 226 Unconsolidated total 909 Consolidated total 5,570
Business lines		Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land, and air transportation, Harbor transportation, etc.
Offices	Head office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001
	Registered head office	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676
	Branches	Nagoya Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585 Kansai Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-325-8727 Fax: (+81) 78-393-2676
Overseas representative offices		Taipei, Manila, Dubai
Overseas agents		Korea, China, Taiwan, Thailand, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, U.K., Germany, Belgium, France, U.S.A., Mexico, Peru, Chile, Brazil, South Africa
Affiliated companies (to be consolidated)		27 (domestic), 253 (overseas)

Stock Information

(As of March 31, 2024)

Authorized	600,000,000 shares of common stock
Issued	238,242,689 shares of common stock
Number of shareholders	73,107
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Listing of shares	Tokyo Stock Exchange (Prime Market)

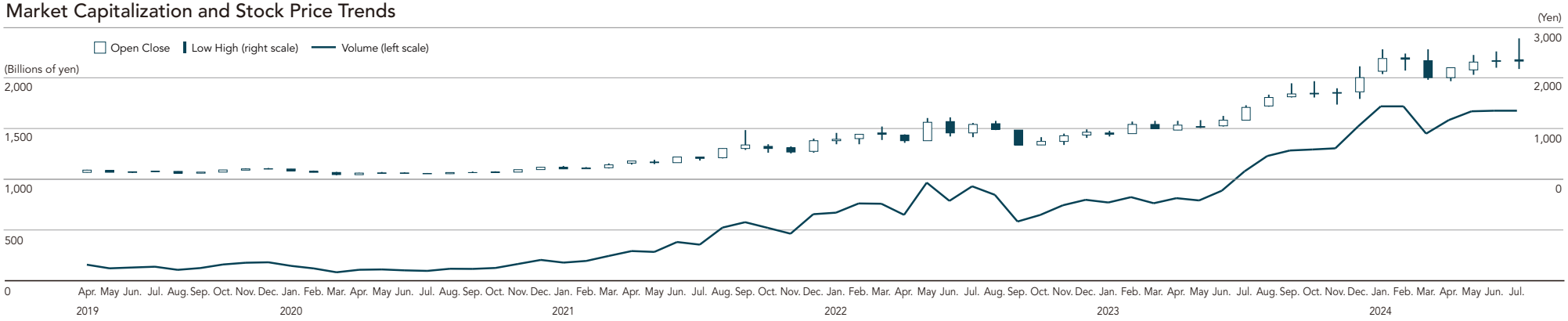
Major Shareholders

(As of March 31, 2024)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
ECM MF	32,149	13.51
The Master Trust Bank of Japan, Ltd. (trust account)	22,262	9.35
MLI FOR SEGREGATED PB CLIENT	16,954	7.12
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	15,300	6.43
CGML PB CLIENT ACCOUNT/COLLATERAL	14,125	5.93
Suntera (Cayman) Limited as trustee of ECM Master Fund	13,238	5.56
Custody Bank of Japan, Ltd. (trust account)	6,644	2.79
IMABARI SHIPBUILDING CO., LTD.	5,652	2.37
SMBC Nikko Securities Inc.	5,308	2.23
Mizuho Bank, Ltd.	4,755	1.99

Note: Figures for share ownership breakdown do not include treasury stock (370,480 shares).

Market Capitalization and Stock Price Trends



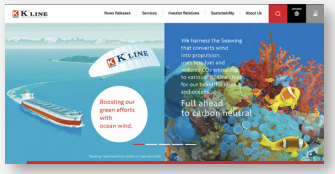
Note: Adjusted to reflect the October 1, 2022, and April 1, 2024, stock split (1 to 3)

"K" LINE's ESG and Sustainability Disclosure / External Recognition

"K" LINE's Website

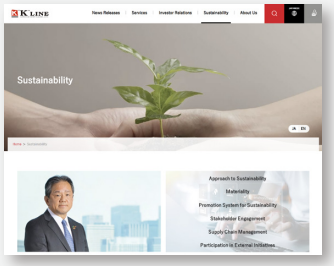
The "K" LINE Official Website

https://www.kline.co.jp/en/index.html



Sustainability Website

https://www.kline.co.jp/en/sustainability.html



ESG DATA BOOK

https://www.kline.co.jp/en/sustainability/esg_data.html



FACTBOOK

https://www.kline.co.jp/en/ir/library/fact.html



"K" LINE Environmental Vision 2050

https://www.kline.co.jp/en/sustainability/environment/management.html



External Recognition

Our sustainability and ESG initiatives have been highly praised by external entities. "K" LINE has been selected as a constituent of major ESG investment indices all over the world, and has been recognized with various awards.

- Dow Jones Sustainability Asia / Pacific Index
- FTSE4Good Index
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- THE MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
- S&P / JPX Carbon Efficient Index

In recognition of our disclosure of climate change information and efforts to reduce greenhouse gases, we have been selected for the CDP Climate Change A List for eight consecutive years and for the Supplier Engagement Leaderboard for six consecutive years.

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX Carbon Efficient Index

CDP DISCLOSURE INSIGHT ACTION A LIST 2023 CLIMATE

CDP SUPPLIER ENGAGEMENT LEADER 2023

"K" LINE
KAWASAKI KISEN KAISHA, LTD.

Iino Building, 1-1, Uchisaiwaicho 2-chome,
Chiyoda-ku, Tokyo 100-8540, Japan

Phone: (+81) 3-3595-5000 (Switchboard)
https://www.kline.co.jp/en/

UD FONT
We use easy-to-read characters
based on the concept of
Universal Design (UD).