January 6, 2025
Kawasaki Kisen Kaisha, Ltd.

2025 New Year's Message from the President

Preparing for Coming Changes with an Unwavering Medium- to Long-Term Perspective

The New Year Message delivered by Yukikazu Myochin, President & CEO
at "K" LINE Tokyo Head Office on January 6, 2025 is posted below.

To everyone in the "K" LINE Group, I would like to wish you and your families a Happy New Year. I hope that you were able to spend an enjoyable year-end and New Year period, and that you are ready to start 2025 feeling refreshed.

Looking back on the global situation last year, the situation in the Red Sea had a serious impact on international shipping and supply chains overall. The materialization of geopolitical risks in the Middle East region posted a threat to the safe navigation of commercial vessels navigating the Red Sea, forcing vessels to deviate and go via the Cape of Good Hope to ensure the safety of vessels and their crews. There will also be a change in administrations as a result of the US presidential election, and major changes to trade and energy policies are expected. It will be important to carefully monitor the impact on the economy and how supply chains and demand for maritime transport will change going forward. While there will be heightened uncertainty surrounding geopolitical risks, we will keep a close watch on demand through our partnerships with customers and take this opportunity to thoroughly manage our exposure and strengthen our resilience to market conditions in order to prepare for short-term fluctuations in demand and market conditions.

Meanwhile, turning attention to environmental regulations affecting maritime shipping, from January 2024 the emissions trading scheme within the European Union, the EU Emissions Trading System (EU ETS), was formally introduced, and in 2025 this will be followed by the new introduction of FuelEU Maritime. Even the International Maritime Organization (IMO) has finally gotten into full swing discussing measures on the introduction of further action encouraging the switch from conventional fossil fuel-driven vessels to zero emission vessels in order to cut the greenhouse gas emissions generated by international shipping. In the United States, however, there are expectations that the change in administrations will result in major revisions to low-carbon and carbon-free trends. At the global scale, I believe the major trend of reducing greenhouse gas emissions will persist, but with regional variations and shifts in timelines expected, we are looking to steadily pursue initiatives to reduce our environmental impact from a medium- to long-term perspective without being swayed by short-term developments.

Meanwhile, last year "K" LINE reached the mid-way point of its five-year medium-term management plan that was started in FY2022. This fiscal year, we expect to generate ordinary income of 240 billion yen for the full year, far exceeding our target ordinary income of 160 billion yen for FY2026, the final year of the plan. We have also raised our forecast cumulative operating cash flow over the period of the medium-term management plan from an initial 1 trillion yen to 1.5 trillion yen in November 2024. We are also promoting the investments needed to enhance corporate value without lessening our investment discipline, raising our planned investments over the course of the medium-term management plan to 740 billion yen, up from an initial 520 billion yen. Amid a turbulent business environment surrounding maritime shipping, let's remember the need to "restraint during prosperous times and strategic moves during market downturns," adopting a disciplined approach to investments that will lead to the growth of "K" LINE while maintaining financial soundness and improving corporate value. Additionally, we have similarly adjusted our total shareholder return target to 730 billion yen or more. For this fiscal year, we plan to increase the dividend by 15 yen per share to 100 yen and, in addition to the share buy-back of 90.8 billion yen conducted from May to July, we plan to conduct additional share buy-backs during FY2024, up to 90 billion yen or 36 million shares, starting in November. While maintaining financial soundness and always being aware of the optimal capital structure, we will actively consider shareholder returns regarding the portion exceeding the appropriate capital, based on cash flow.

While we benefited from factors such as market conditions and exchange rates, it was the day-to-day efforts of each officer and employee that allowed us to achieve solid performance in "K" LINE's own businesses, particularly in the three growth-driving businesses. At the same time, we also managed to improve the resilience of the container shipping business. Each of these businesses made progress exceeding their targets. In addition to efforts to improve our fleet with environmentally friendly vessels for the car carriers and coal & iron ore carriers and the expansion of LNG carriers based on medium- to long-term agreements, in the logistics business "K" LINE LOGISTICS, LTD. has implemented a capital alliance with Kamigumi Co., Ltd. In terms of new businesses that leverage the strengths of "K" LINE, we have been steadily planting seeds for future growth. Examples include liquified CO2 carriers with the world's first full-scale CCS project with Northern Lights which began full operations under "K" LINE's operation and ship management after taking delivery of the first vessel in November last year, and the launch of the Japanese-flagged geological survey vessel EK HAYATE by EK Geotechnical Survey LLC.

Further strengthening the three functions that represent "K" LINE's strengths, namely safety & ship quality management, environment & technology and digital transformation, along with the human resources & organization to support them, are vital keys in implementing our medium-term management plan.
Safety in navigation and cargo operations is our top priority for a shipping company, requiring thorough, ongoing efforts of this nature. Last year was another period of zero major accidents for "K" LINE, and this is another achievement attributable to the highly aware efforts of all officers and employees, including shipboard crew. We have been integrating our ship management

systems to put in place a global monitoring framework and have made progress developing a structure enabling us to support “K” LINE vessels operating around the world 24/7, year-round. Amid demands to acquire new technologies including support for new fuels, we will make further improvements to our training centers in Manila and India to secure and cultivate talented crew.

In the area of the environment & technology, the “K” LINE Group is also speeding up efforts to implement ammonia and methanol as next-generation zero emission fuels to replace heavy oil and introduce biofuels compatible with our existing vessels, as part of our goal to achieve net-zero greenhouse gas emissions by 2050. In addition, we are working on the research and adoption of various energy-saving technologies and are directing efforts to establish technologies and commercialize Seawing, an automated kite system that aims to reduce fuel consumption by harnessing wind power. We are also combining hardware aspects with the software side to advance environmental strategies company-wide as part of digital transformation efforts. For example, we operate Kawasaki Integrated Maritime Solutions, our integrated ship operation and performance management system to consolidate operational information from our vessels and data on weather and oceanographic conditions. This allows us to prepare various options and use optimal solutions for our services.

Lastly in terms of human resources & organization, we are working to secure the human resources that are needed for business growth both in terms of quantity and quality, striving to cultivate talent who will enable us to strengthen the three functions “K” LINE is tackling as its priorities. To further expand our global business with a focus on Asia due to its future growth prospects, we will place an even greater focus on developing our core human resources, including local staff.

2025 is the year of the wood snake according to the Chinese zodiac. The “wood” part represents proceeding through twists and turns despite difficulties, and the “snake” here is associated with a snake shedding its skin to grow stronger, thus symbolizing “rebirth and transformation.” Together, the wood snake signifies “steadily achieving things through sustained effort.” Amid rapidly changing social conditions, we need to thoroughly consider what our customers are seeking and what value we can provide, and then present them with solutions. Let’s demonstrate teamwork in developing those solutions with other members of the “K” LINE Group, pursue growth opportunities through partnerships with customers over the medium- and long-term, and strive to achieve sustainable growth while maximizing corporate value.

I would like to end these remarks by extending my best wishes for the health and well-being of all our officers, employees, overseas staff and crew members, as well as their families, and for the safe operation of our vessels.

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