IINO Kaiun Kaisha, Ltd. develops new mid-term management plan, aiming for growth through business portfolio management and the challenge of achieving carbon neutrality.

This is a transcript of our FY2022 financial results and new mid-term management plan presentation, which was announced on 10 May 2023.

Speaker: Yusuke Otani, President and Representative Director
Company Name: IINO Kaiun Kaisha, Ltd. "IINO LINES" (Stock Code: 9119)

Contents

Hello everyone, I'm Yusuke Otani, President and Representative Director of IINO LINES. Thank you for joining our briefing today.

I'll start by briefing you on our fiscal 2022 financial results, followed by our full-year performance forecast and market outlook for fiscal 2023. I'll then review the progress we made with our previous mid-term management plan and discuss our new mid-term management plan: "The Adventure to Our Sustainable Future". Since we only have limited time today, I'll only be covering the most important points.

Financial Results by Consolidated and Segments

Consolidated Financial Results (100 Million Yen)

	FY2022	FY2021	Year on Year Difference	%
Revenue	1,413.2	1,041.0	372.2	+35.8%
Operating Profit	198.4	75.2	123.1	+163.6%
Ordinary Profit	206.8	94.3	112.5	+119.2%
Net Income	226.8	125.3	101.5	+81.1%
Exchange Rate (/$)	¥135.07	¥112.06	+23.01	-
Bunker Price (/MT)*1	US$802.0	US$558.0	+244	-

*1 Compliant fuel oil (Very Low Sulfur Fuel Oil)

Financial Results by Segments (100 Million Yen)

	FY2022	FY2021	Year on Year Difference	%
Revenue	1,413.2	1,041.0	372.2	+35.8%
Oceangoing Shipping	1,179.8	825.5	354.3	+42.9%
Short-sea / Domestic Shipping	105.0	95.4	9.7	+10.2%
Real Estate	129.3	122.5	6.8	+5.5%
Operating Profit	198.4	75.2	123.1	+163.6%
Oceangoing Shipping	154.4	28.6	125.8	+439.8%
Short-sea / Domestic Shipping	5.9	5.1	0.8	+15.6%
Real Estate	38.0	41.5	▲3.5	▲8.4%

Now, our fiscal 2022 results. Net sales and each profit line were all up sharply year on year, with profits reaching record highs. The Shipping Business achieved significantly higher profit, particularly the Chemical Tanker, Dry Bulk Carrier, and Large Gas Carrier divisions. This was due to depreciation of the yen in addition to our efficient securing of cargo orders as freight rates, which are linked to market conditions, rose.

However, Real Estate Business operating profit was down year on year due to increased utility costs and other administrative expenses. For further details, please refer to the “Supplementary Report for Financial Results of FY2022”, released at the same time as our consolidated financial report.

Forecasts for FY2023

Consolidated Financial Forecasts (100 Million Yen)

	FY2023 Forecast			FY2022 Result		
	1H	2H	Full Year	Full Year	Difference	%
Revenue	610	620	1,230	1,413	▲ 183	▲ 13.0%
Operating Profit	61	56	117	198	▲ 81	▲ 41.0%
Ordinary Profit	55	56	111	207	▲ 96	▲ 46.3%
Net Income	50	50	100	227	▲ 127	▲ 55.9%
Exchange Rate (/$)	¥125.00	¥125.00	¥125.00	¥135.07	-	-
Bunker Price (/MT)*1	$700	$700	$700	US$802	-	-
Market assumption of Dry Bulk: Panamax ($/day)	-	-	$14,750	US$16,274*3	-	-
Market assumption of Dry Bulk: Small Handy ($/day)*2	-	-	$13,500	US$14,647*3	-	-

*1 Compliant fuel oil (Very Low Sulfur Fuel Oil)
*2 Assumption of the vessel type was changed from the current forecast.
*3 Results of Pacific Round (Source: Tramp Data Service)

Sensitivity on Ordinary Profit

Exchange rate (Full Year)*:
per 1 Yen/$ Change

136 Million Yen / Full Year

*Excluding foreign exchange gains/losses

Ratio of market exposure (Spot*1) in fleet
(As of Mar.9, 2023 Forcast, to be updated in every 2Q/4Q)

VLCC	0%
Chemical Tankers*2	25%
Large LPG Carriers	14%
Large LNG Carriers*3	0%
Panamax and Small Handy Dry Bulk Carriers	43%
Dedicated Carriers	0%

*1 Contract on a per-voyage basis. (Not long-term)
*2 Not including time charter and other vessels
*3 The calculation includes 1 owned vessel, 24 LNG carriers are jointly owned or involved in the portfolio companies

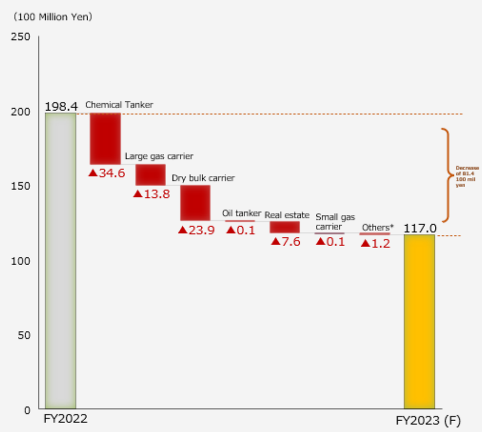
Now I’ll go over our performance forecast and market outlook for fiscal 2023.This slide shows our forecast for fiscal 2023. We’re forecasting full-year net sales of ¥123 billion, with operating profit of ¥11.7 billion, ordinary profit of ¥11.1 billion, and net income of ¥10 billion.

It was a very difficult forecast to prepare, but we anticipate decreases in both sales and profits due to our expectation that market conditions for chemical tankers, large LPG carriers, and dry bulk carriers, which were favorable in the previous fiscal year, will see a downturn due to the global economic slowdown.

Operating Profit (FY2022 vs FY2023 Forecasts (As of Mar. 9))

Operating Profit Changes Year on Year (100 Million Yen)

Oil Tanker	▲0.1	Continue to keep our fleet to long-term contracts.
Chemical Tanker	▲34.6	Market conditions are expected to remain strong, but down from the previous year.
Large Gas Carrier	▲13.8	In addition to increased docking costs, VLGC market conditions are expected to decline.
Dry Bulk Carrier	▲23.9	Market conditions are expected to improve moderately with the recovery of the Chinese economy, but are forecasted to decrease from the previous fiscal year
Small Gas Carrier	▲0.1	Continue to keep our fleet to the existing contracts
Real Estate	▲7.6	Office floor occupancy rate remains at a high level, however, repair expense and management costs are expected to increase.

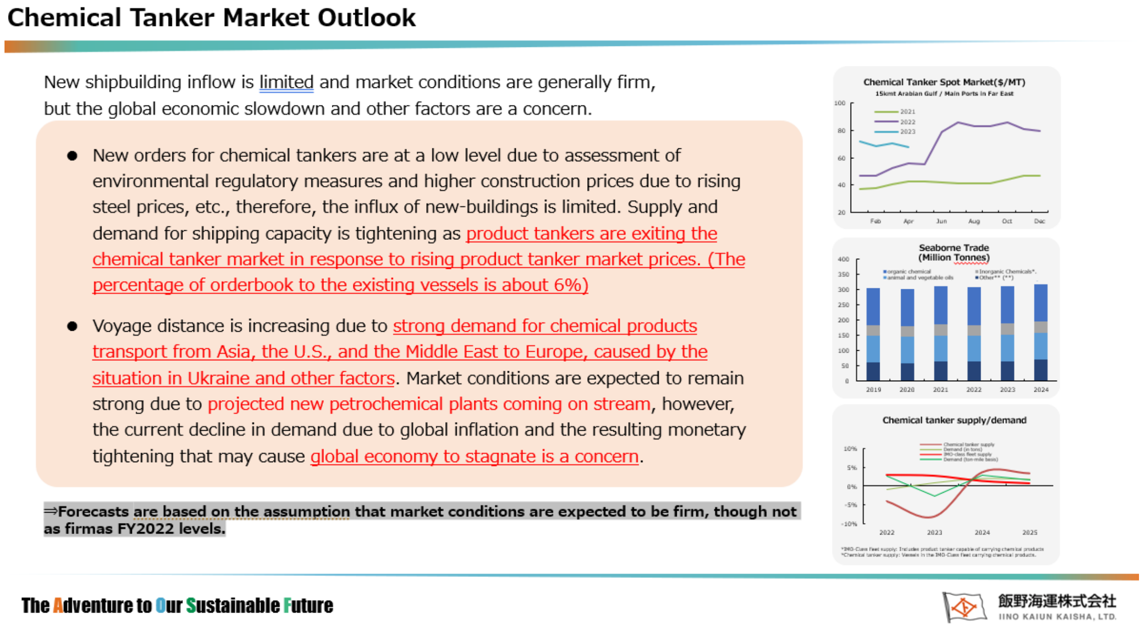


*Foreign exchange effects, etc. are allocated to each segment.

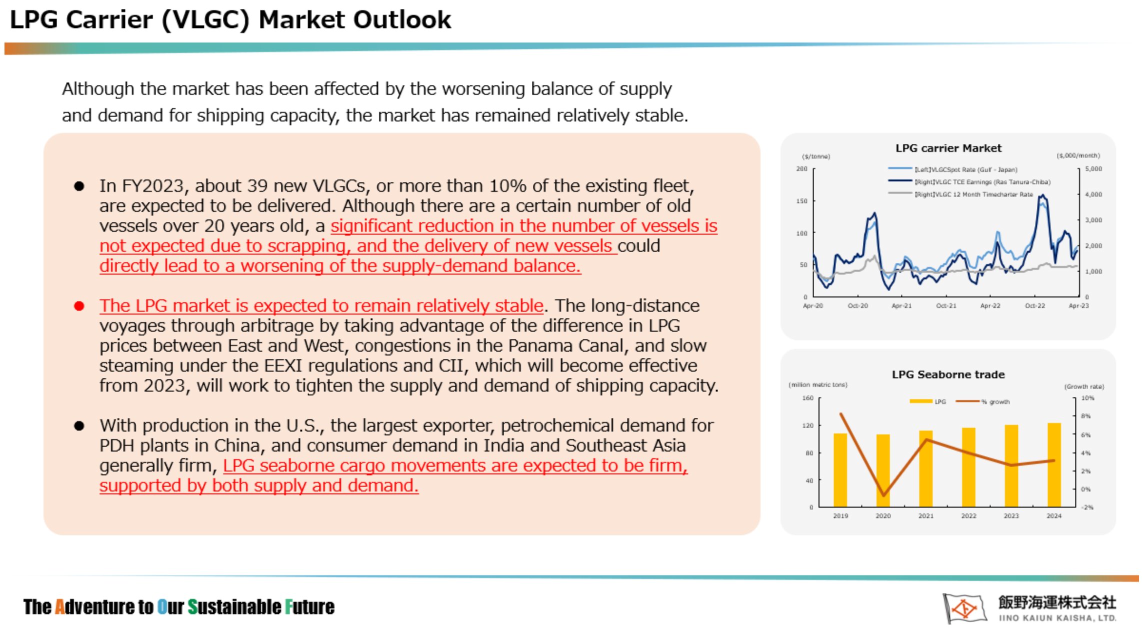
This slide shows the difference between our operating profit result for fiscal 2022 and our forecast for fiscal 2023. We expect operating profit for fiscal 2023 to be ¥8.14 billion lower than the fiscal 2022 result.

There are three main factors for this expected decrease. Firstly, although we expect market rates for chemical tankers to remain firm, we anticipate that they'll be lower than in the previous fiscal year. Secondly, we foresee a gradual recovery in market rates for dry bulk carriers as the Chinese economy recovers, but expect them to also be lower than in the previous fiscal year. Lastly, for large LPG carriers, we anticipate a decline in VLGC market rates combined with an increase in docking costs.

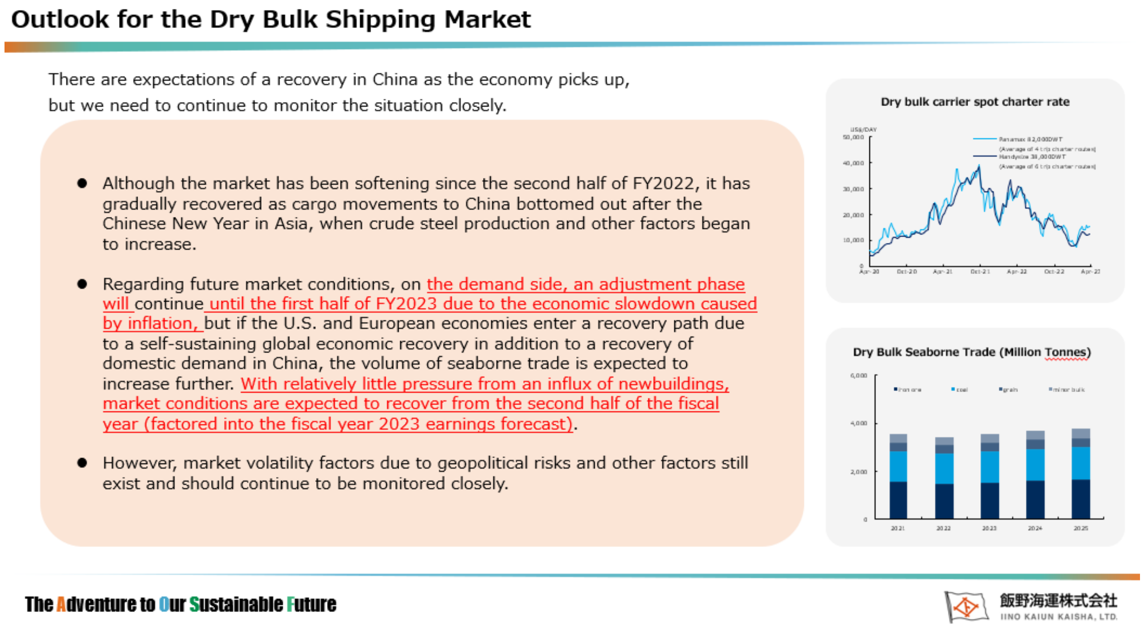
Although we expect a downturn in market conditions, we'll continue pursuing efficient vessel deployment and operation, while striving to improve profitability.



I'll now explain our outlook for chemical tankers, large LPG carriers, and dry bulk carriers, which are all impacted by market fluctuations. Firstly, chemical tankers. Although the influx of newbuilds is currently limited, concerns remain over constraints on logistics due to stagnation of the global economy. We expect firm market conditions in fiscal 2023, although perhaps not as firm as in fiscal 2022.

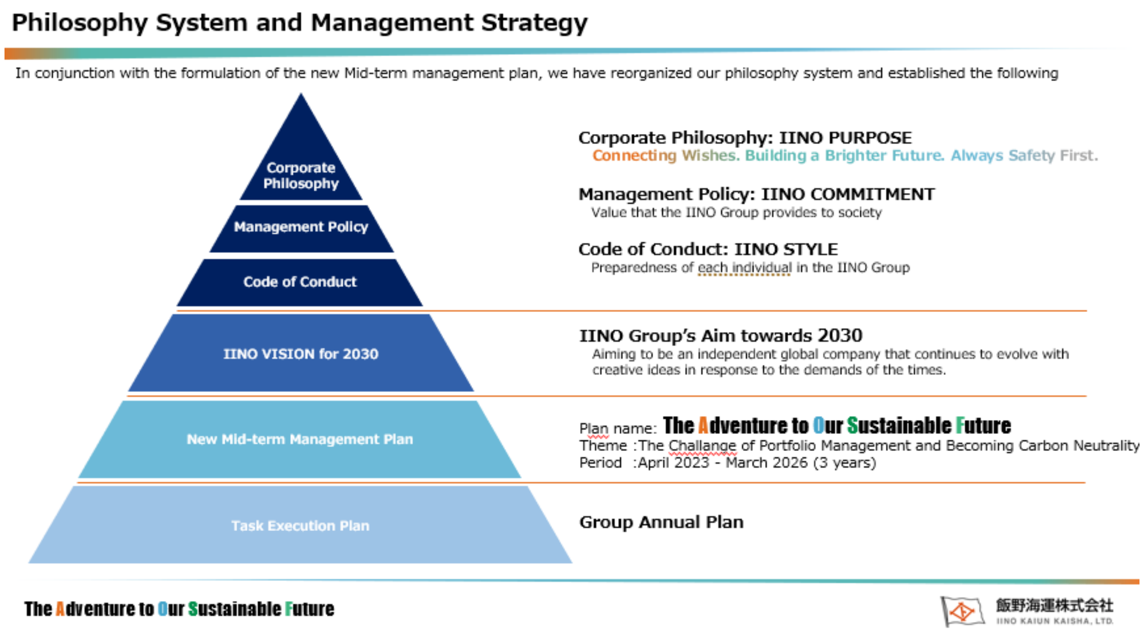


Next, the large LPG carrier market outlook. The number of newbuild orders is increasing, and the equivalent of more than 10% of existing vessel tonnage is expected to be completed in fiscal 2023. While there are concerns about a deterioration in the balance of vessel tonnage supply and demand, the LPG supply and demand balance is solid, and market conditions are expected to remain firm.



Lastly, the outlook for the dry bulk carrier market. The economic slowdown means we expect it to remain stagnant in the first half of fiscal 2023, but gradually recover from the second half. That is, however, dependent on a recovery of the Chinese economy. We post the latest information on market conditions for chemical tankers, dry bulk carriers, and large LPG carriers on our website around the middle of each month, so please refer to our website as well.

I'll now explain our new mid-term management plan.



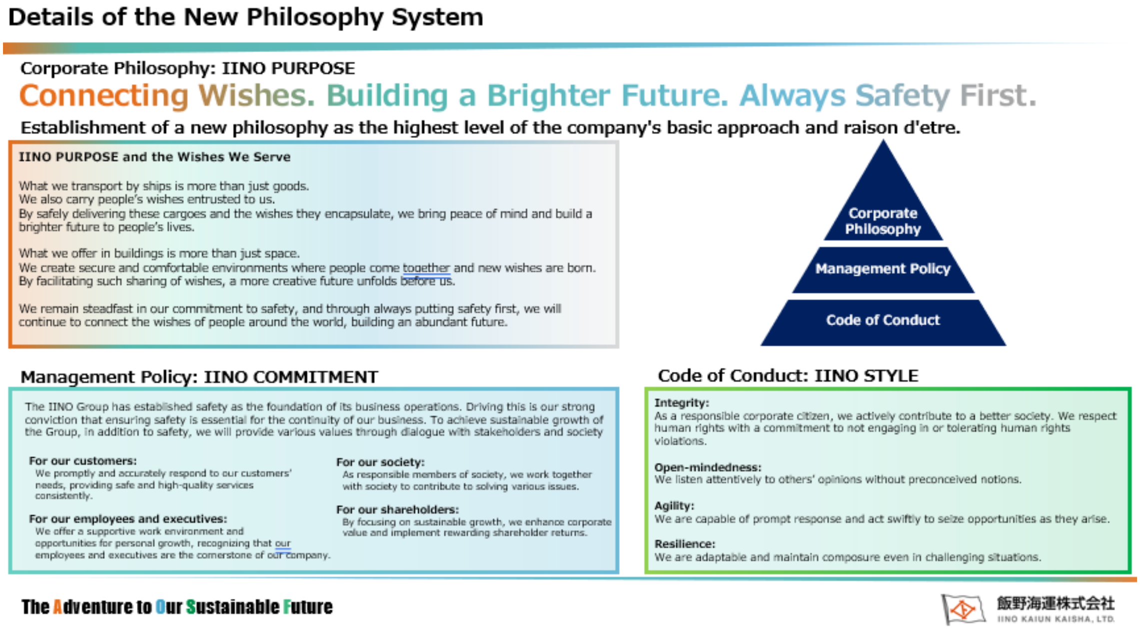
First, to ensure our management plan is aligned with current trends and the perspectives of our company officers and employees, we opted to revise our corporate philosophy for the first time in a decade, as part of our management plan development process.

We revised our philosophy firstly because growing geopolitical risks, such as the "New Cold War" and the situation in Ukraine, are causing rapid changes to the logistics patterns of our Shipping Business.

And, in our Real Estate Business, remote work and other new ways of working became established during the pandemic, and we recognized the need to take a fresh look at IINO Group's mission and the value we provide to society.

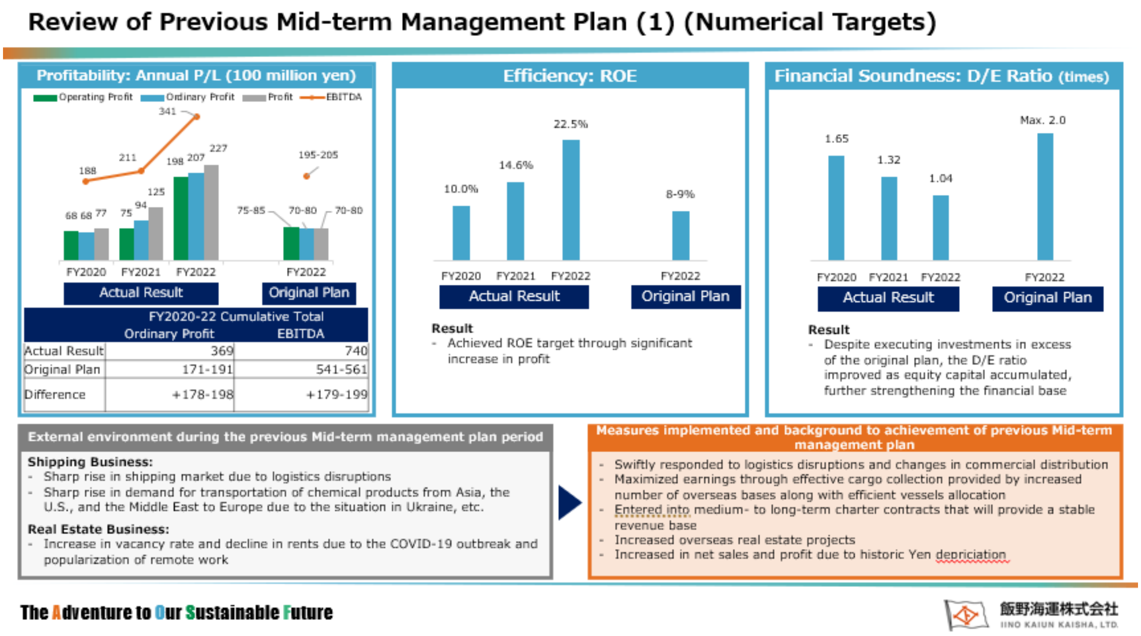
To shift towards a human capital-focused management approach where diversity is embraced, we decided to establish a new philosophy that can be shared by everyone in IINO Group.

In drafting our new mid-term management plan, we took survey responses from company officers and employees, customer satisfaction surveys, findings from discussions with IINO Group stakeholders, and deliberations with IINO Group members into account.



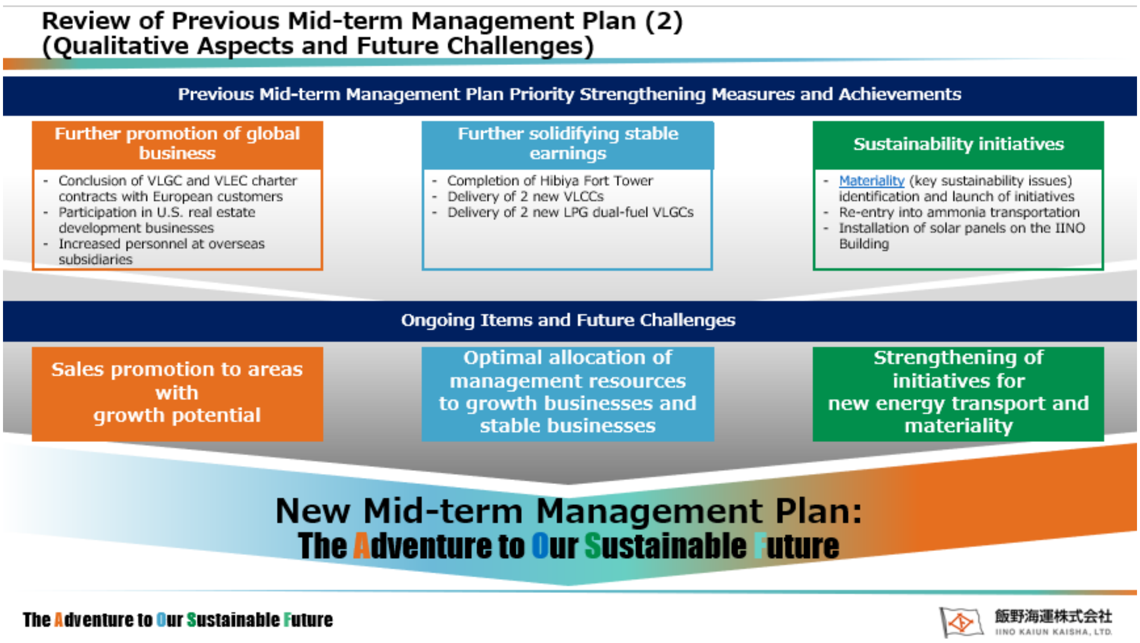
People in each stakeholder segment, including customers and investors, indicated the importance they attach to societal issues such as environmental and human rights issues. While helping to address these of course goes without saying, we concluded that we ought to place the highest priority on ensuring safety. As a reflection of our commitment to safety, we included the phrase "always safety first" in the Corporate Philosophy, IINO PURPOSE, as the very top of our philosophy pyramid.

We also recognize that our mission as a company is to focus on people's hopes and reflect these in our work to help create a richer future through our provision of shipping and real estate facilities.



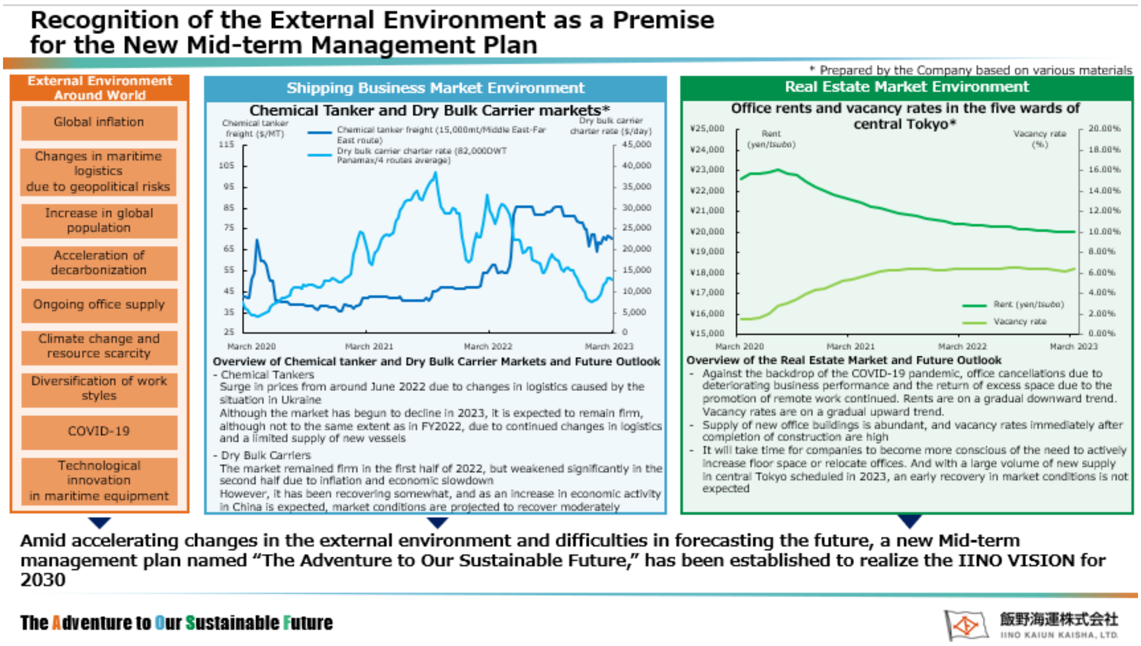
Now I'll briefly review our progress with the numerical targets and key enhancement measures of our previous mid-term management plan: "Be Unique and Innovative.: The Next Stage – Towards 2030".

We managed to reach the Group-wide numerical targets we set at the start of fiscal 2020, although some divisions did not achieve all of their targets. Rapid changes in the business environment due to the pandemic and the conflict in Ukraine, among other factors, have proved to be a tailwind for us. In fiscal 2021, there was an upturn in the dry bulk carrier and gas carrier markets, and we also recorded extraordinary income from vessel sales. Furthermore, in fiscal 2022, we achieved record-high profits for the second consecutive year due to the depreciation of the yen and the rise in market rates for the chemical tanker division.



Our evaluation of progress with the three key enhancement measures is that it was generally in line with plans. The main achievements are listed on this slide. In addition, we reviewed these achievements and identified areas that we'll continue working on as well as future issues to address.

We took these factors into consideration when formulating our new mid-term management plan. We'll leverage our now robust financial foundation to efficiently allocate management resources with a focus on growth businesses. We'll also continue advancing our sustainability initiatives and further reinforce our response to material societal issues.



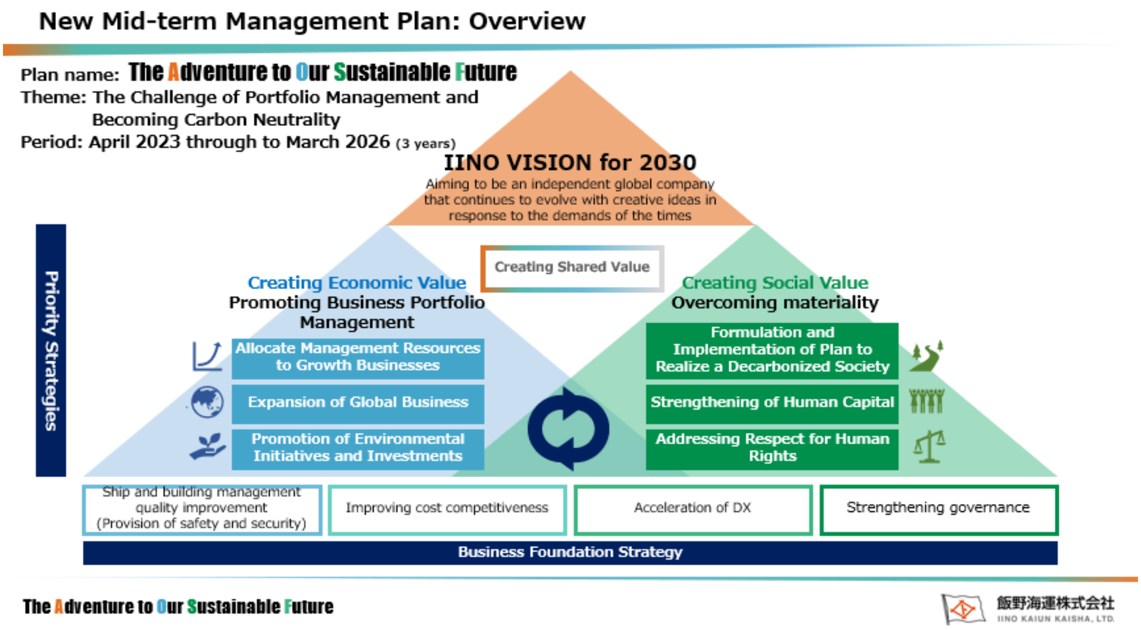
Next, our new mid-term management plan: “The Adventure to Our Sustainable Future”. The title reflects our desire to make the necessary preparations, boldly embrace challenges, and embark on an adventure towards a sustainable future for all stakeholders, despite the frantic pace of changes in the external environment and the difficulty of predicting what lies ahead.

“Adventure” can be associated with risk and danger. However, we used it in the title to signify our determination to boldly take on challenges despite the volatile market conditions, as we make a new start in fiscal 2023 under our new plan following our record-high profits in fiscal 2022. The shipping market is characterized by ups and downs, and we cannot expect smooth sailing in these unpredictable times.

It’s not our intention to take risks recklessly, however. We have inherited the IINO DNA of prudent management, and there will be no change in our stance of responding to the demands of the times, as set forth in the IINO VISION.

This slide shows the external environment-related factors we considered when formulating our new plan. Significant changes in the global external environment, such as the pandemic and conflict in Ukraine, have brought about changes to marine transport logistics and these in turn have led to increases in shipping market rates.

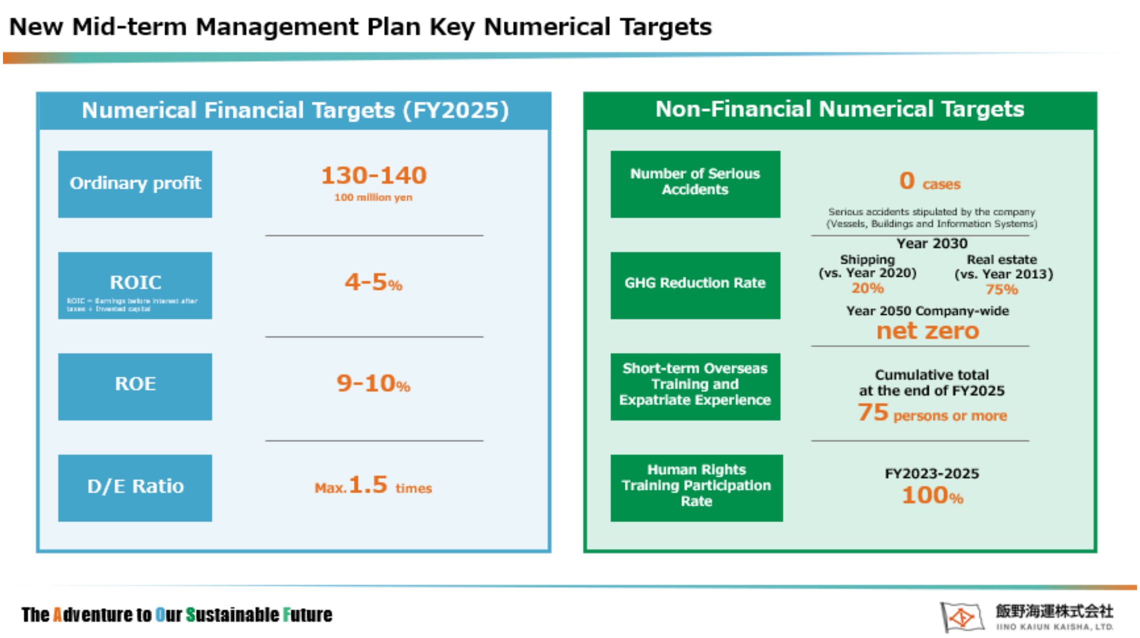
Changes in the external environment such as soaring vessel prices, accelerating decarbonization efforts, and shifts in demand for office space, have resulted in skyrocketing goods prices, the adoption of new technologies, and further significant vessel price inflation. We therefore need to be more cautious than ever in making investments. We’ve developed priority strategies and a business infrastructure strategy aimed at sustaining growth in this business environment.



I'll now provide an overview of our new mid-term management plan. As with our previous management plan, we've set our IINO VISION for 2030 as the goal of our new plan, with the key phrases: "evolve with creative ideas in response to the demands of the times" and "aiming to be an independent global company". To achieve our IINO VISION for 2030 by creating economic and social value, we've set specific priority strategies for each.

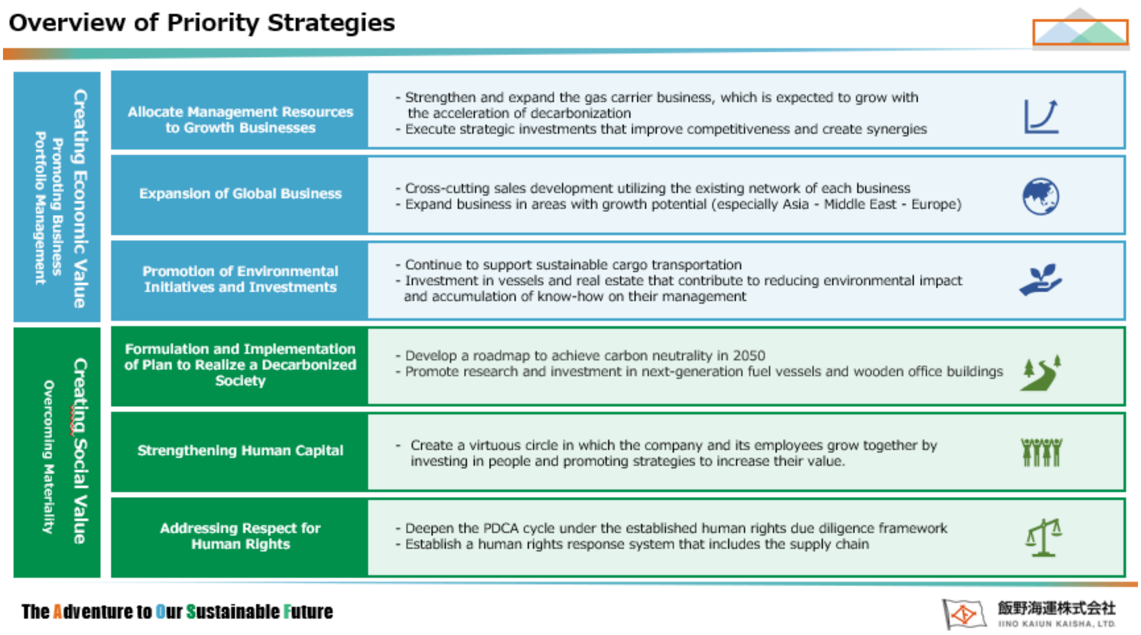
For creating economic value, we're prioritizing the allocation of management resources to growth businesses, expansion of global business, and promotion of environmental initiatives and investments under the heading "Promoting Business Portfolio Management". In terms of creating social value, we're prioritizing decarbonization and human rights, which our stakeholders attach great importance to, and strengthening of the human capital required to advance these, under the heading "Overcoming Materiality". We've set each of these as priority strategies.

We formulated the business infrastructure strategy to underpin this creation of shared value.



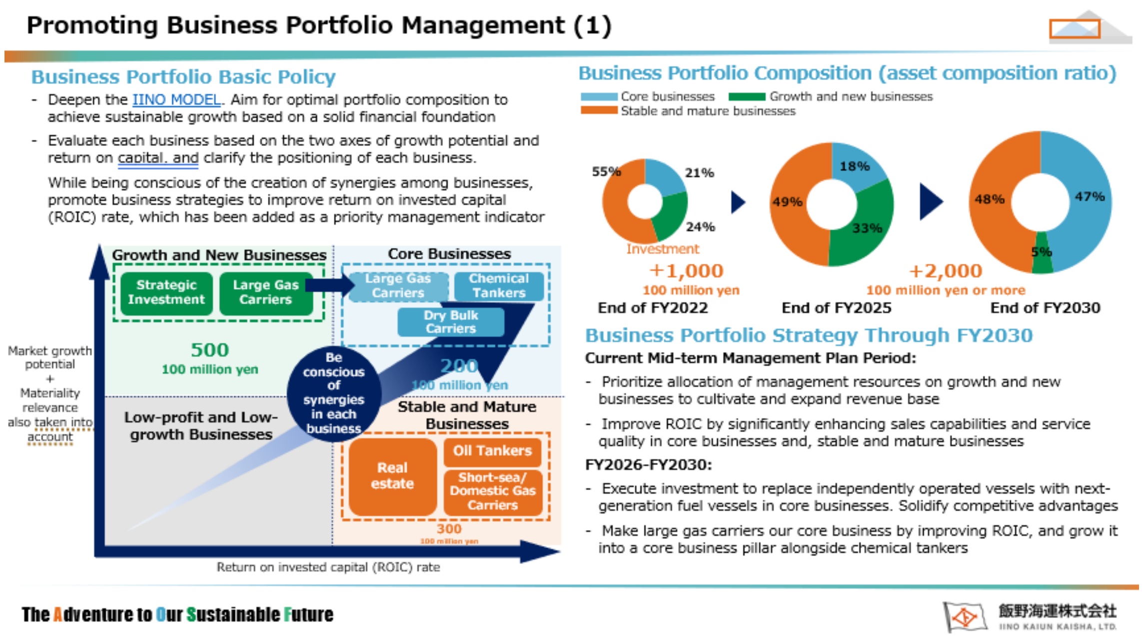
This slide shows the financial and non-financial KPIs we've set in our new management plan. First, the financial KPIs. We've kept ROE, ordinary profit, and debt-to-equity ratio, from the previous plan. In our new plan we added ROIC as a KPI, in order to focus on capital efficiency as part of our promotion of business portfolio-focused management.

As for non-financial KPIs, we've set numerical targets based on consideration of material societal issues and our newly revised philosophy. These include targets relating to safety and security, human capital, and human rights. We've reviewed our efforts to reduce greenhouse gas emissions, and have formulated a roadmap to achieve our reduction targets and set a goal of achieving net zero GHG emissions by 2050.



I'll now go over our priority strategies in more detail.

This slide provides an overview. I'll explain how we'll work to create economic value through the promotion of business portfolio-focused management, and to create social value by overcoming material societal issues.



First, creating economic value.

I'll now explain our basic policy for promoting business portfolio-focused management, the composition of our business portfolio, and future strategies. Essentially, the strategy is to further refine the IINO MODEL, a business model with the two business pillars of shipping and real estate.

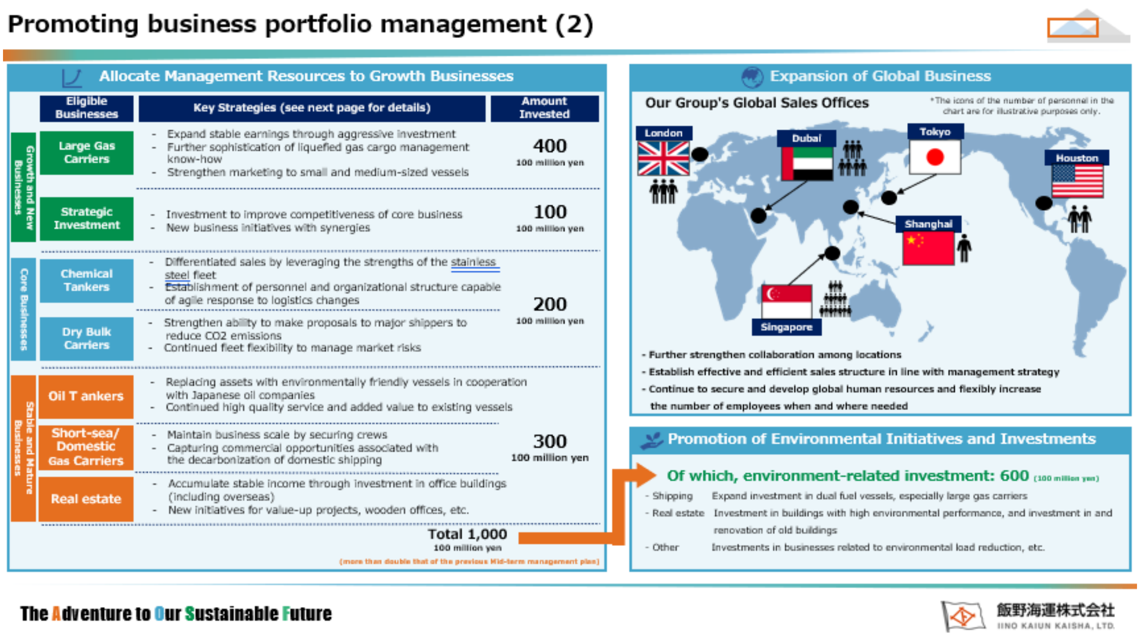
The diagram on the bottom left of the slide evaluates each business on two axes: growth potential and return on capital, and divides them into four quadrants. We consider the international gas carrier business to be a growth area. We plan to invest ¥50 billion into this business including strategic investment over the next three years to develop the international gas carrier business into one of our future core businesses. With the shift to next-generation fuels and efforts to reduce GHG emissions, we expect this business to see an increase in demand for transport of a variety of gas types including LPG, ammonia, and hydrogen.

We expect the chemical tanker business to continue seeing growth in transportation demand in tandem with global economic growth. We consider it a core business and position it as a growth driver together with the international gas carrier business.

With our stable and mature businesses we aim to secure stable profitability. Our growth businesses and core businesses are more vulnerable to market fluctuations, so we require a certain level of stable revenue from other sources to heighten our risk tolerance. Along with investments in growth businesses and core businesses, we'll also be investing in stable and mature businesses to maintain a framework facilitating the taking of risks for business growth while also heightening our risk tolerance.

As shown in the pie charts on the right-hand side, our stable and mature businesses continue to have an asset composition ratio of around 50 percent as a mainstay of our portfolio. It's widely known that the shipping market is subject to periodic fluctuations. Based on this assumption, we invest in multiple vessel types such as crude oil tankers, chemical tankers, gas carriers, and dry bulk carriers, to mitigate the risk of market fluctuations through diversification.

In the oil, gas, chemical, and dry bulk sectors, we excel in energy- and fertilizer-related transport. We transport cargo for many of our customers using a range of different vessel types, and our ability to meet a variety of transportation needs also enables us to leverage synergies.

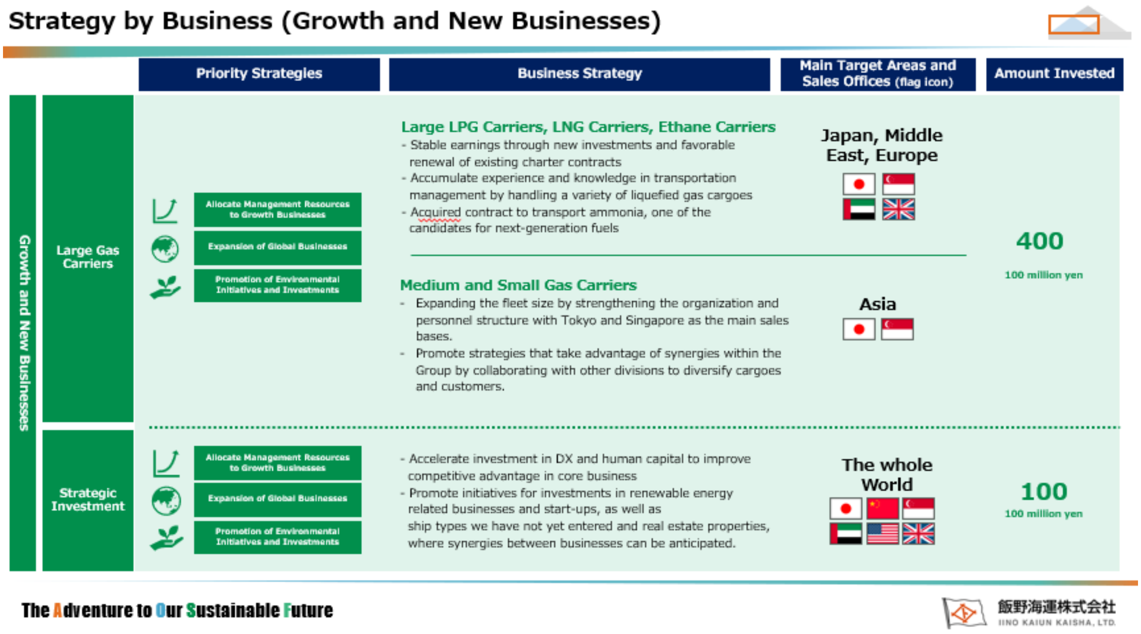


This slide provides an overview of the businesses we're investing in. I'll provide more details about the allocation of management resources to growth businesses later. Here, I'll explain the expansion of our global business, and our promotion of environmental initiatives and investments, as shown on the right side of the slide.

To expand our global business, we'll strengthen coordination among our various global sales offices, including our Tokyo office, and recruit and train global talent, to establish an efficient sales structure aligned with our management strategy.

We're planning to invest over ¥100 billion, which is more than double the amount of investment in the period covered by our previous management plan. Of this, we plan to allocate ¥60 billion to environment-related investments.

With the tightening of GHG emissions regulations, environment-related investments have become essential for our Shipping Business. We also intend to pursue similar investments in our Real Estate Business.



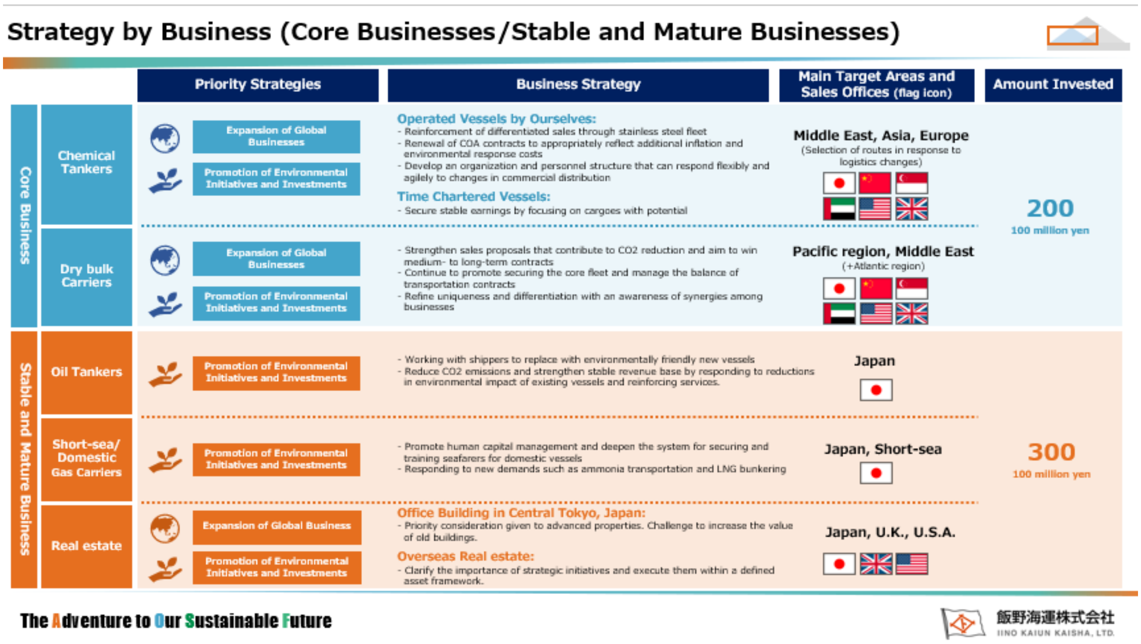
Now I'll provide details about our investment in growth businesses and new businesses. We expect our environmental initiatives to lead to increased transportation demand for our growth businesses and new businesses. One of our strengths is our experience in managing a variety of gas carrier types, and we intend to focus on this area.

We'll focus not only on large gas carriers, but also on small and medium-sized gas carriers, in coordination with our overseas sales offices. The marine transport market is expanding as demand for small and medium-sized gas carriers increases. One key issue for us will be capturing petrochemical gas transport demand in those Asian regions where economic growth is expected.

We aim to strengthen our sales efforts in the small and medium-sized vessel sector by leveraging our customer base and our know-how relating to domestic and international gas carriers that we've built up over many long years. We also aim to further pursue the ammonia vessel management business, which we re-entered during the period covered by our previous management plan, and we're aiming to acquire additional projects in this area.

With regard to strategic investments, for growth investment with a degree of high novelty that can be expected to generate synergies, we've added a new strategic investment budget. This won't apply to existing businesses, however. We will also secure a budget for medium- to long-term initiatives, such as investments in digital transformation and human capital, which can enhance the competitiveness of existing businesses.

As examples, we plan to change the layout of our head office to make it a more pleasant work environment, and to invest in personnel training with the intention of building up human capital.



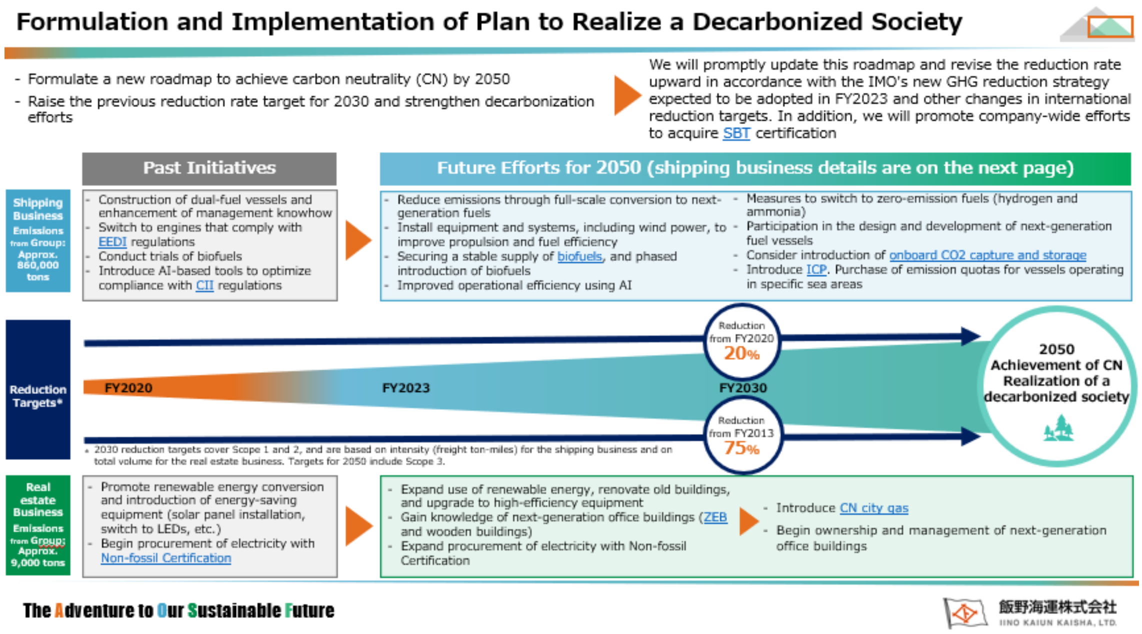
I'll now go over our core businesses, and stable and mature businesses. In our core businesses, we'll continue to invest in vessel types that are expected to see growth in demand in line with global economic growth.

We position our self-operated shipping businesses, such as our chemical tanker and dry bulk carrier businesses, as mainstays. We will pursue a strategy of strengthening our revenue base to boost our resilience to market fluctuations, through strengthening the relationships with our customer and initiatives to explore unique sea routes and cargos that differentiate us from competitors.

Our full-scale transition to next-generation fuels and the timing of newbuild completions will be during the period covered by our next mid-term management plan. Due partly to current shipyard constraints, we've positioned the period covered by our current management plan as a period for preparing for the future. At the same time, as the Shipping Business has a large number of staff deployed, we'll also work on enhancing the organizational and personnel structure.

Meanwhile, we've positioned our stable and mature businesses as a stable revenue segment. We'll focus on cutting-edge projects while steadily fulfilling existing contracts, recognizing that environment-friendly decarbonization initiatives can bring competitive advantages.

In our Real Estate Business, we'll continue focusing on office buildings in the heart of Tokyo, while also tackling the challenge of refurbishing older buildings to boost their value, and exploring investment opportunities in overseas real estate markets with growth potential, in such as the US and UK markets.



Next, creating social value.

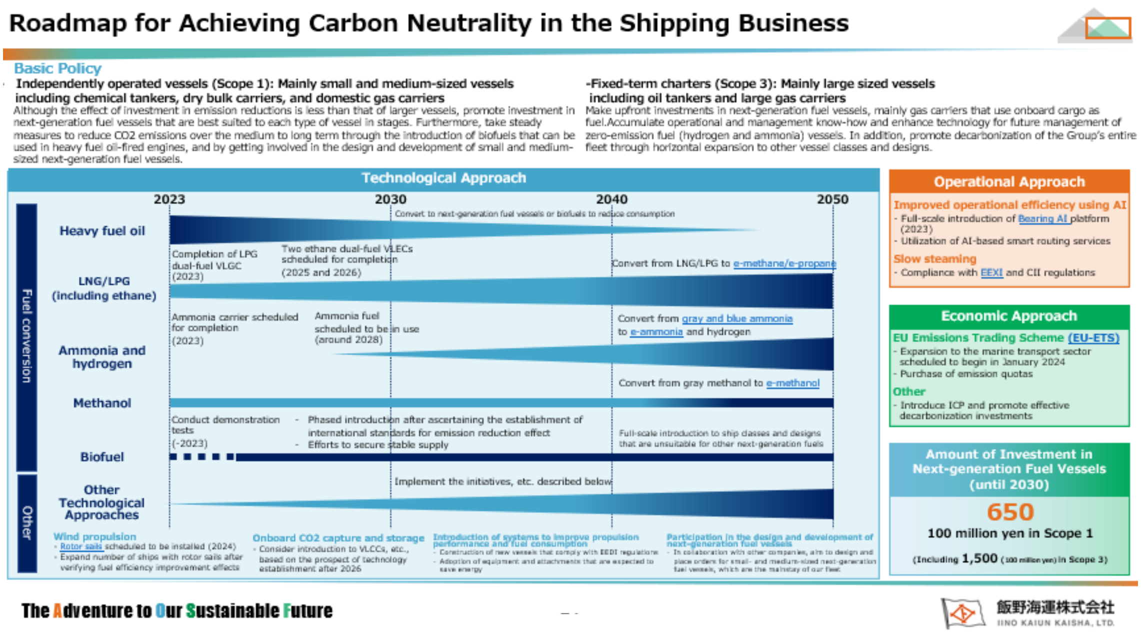
First I'll discuss our formulation and implementation of a plan to help realize a decarbonized society; the "E" in our ESG. We've tightened our 2030 decarbonization target and formulated a roadmap towards achieving carbon neutrality before 2050. As for Science Based Targets certification, we're currently making company-wide efforts towards acquisition, but are unable to provide a specific timing for this at this point.

Now, some of our concrete initiatives in this area. In terms of technological initiatives, we're utilizing wind power and dual-fuel main engine vessels as we transition to next-generation fuels. Operations-related initiatives include the utilization of AI, which we're already proactively investing in.

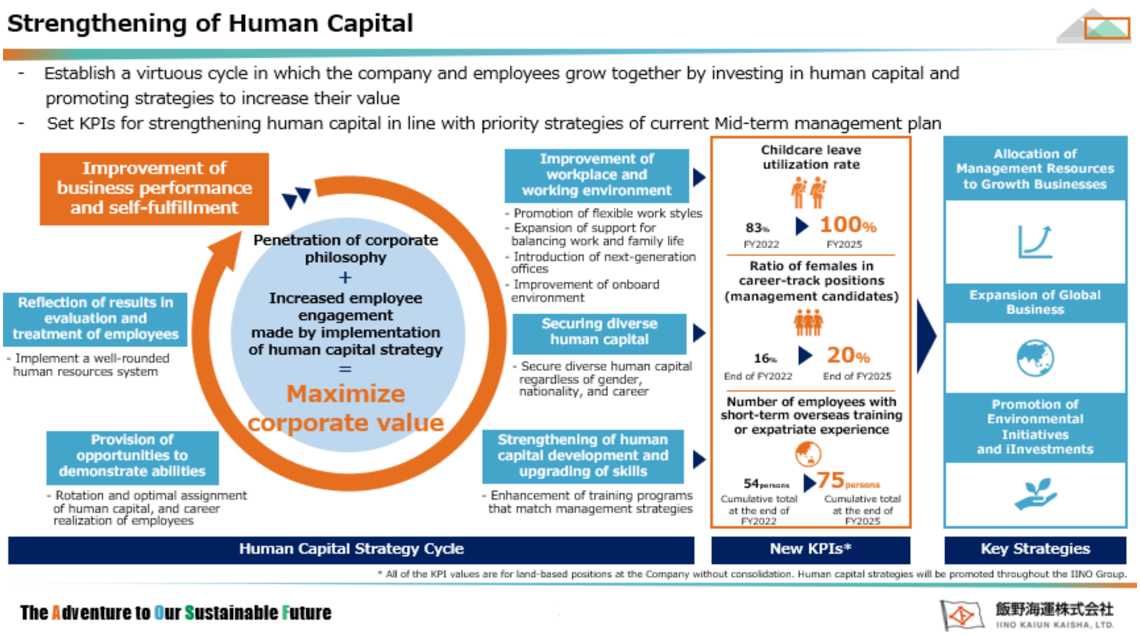
Additionally, our achievement of carbon neutrality by 2050 is predicated on the use of hydrogen, ammonia, biofuels, e-fuels, and other fuels that do not emit CO_2.

We operate many small and medium-sized vessels, and it's not yet technically possible for us to install next-generation fuel engines in a large proportion of these vessels. We're therefore considering early adoption of biofuels as a means of addressing this.

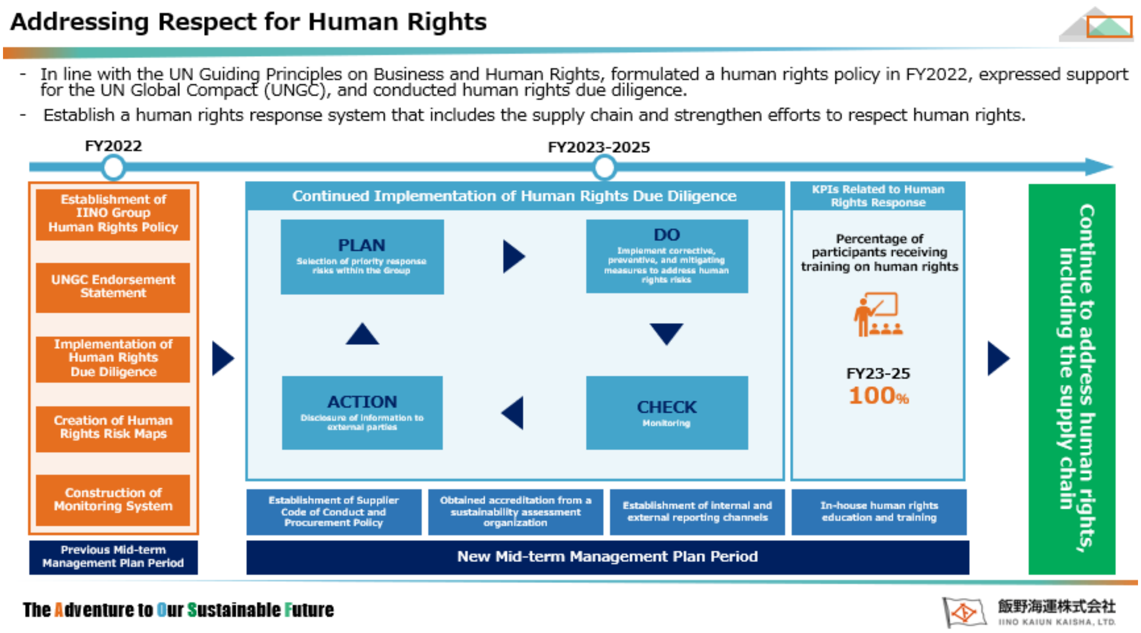
There are still many technical and economic challenges that remain, but we believe it's an issue must be tackled by the industry as a whole. We also view it as a new business opportunity, however, and believe it can help differentiate us from competitors, so we intend to continue proactively investing in this area.



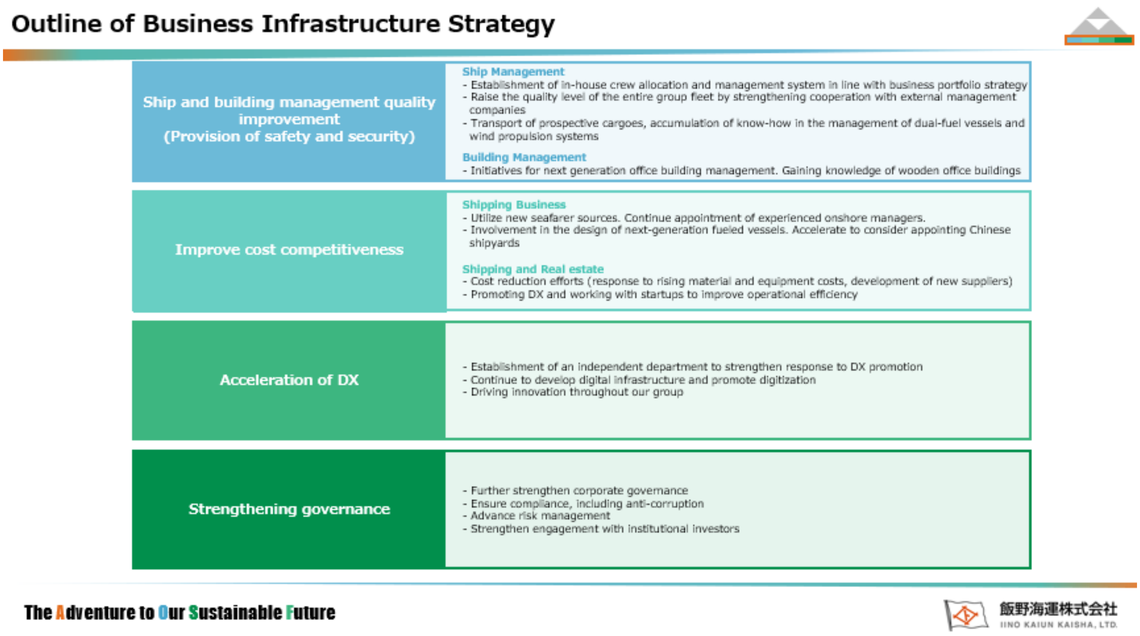
For more details about our roadmap to carbon neutrality please refer to this slide.



In addition to our response to environmental issues, we’ve also formulated priority strategies concerning human capital and human rights.

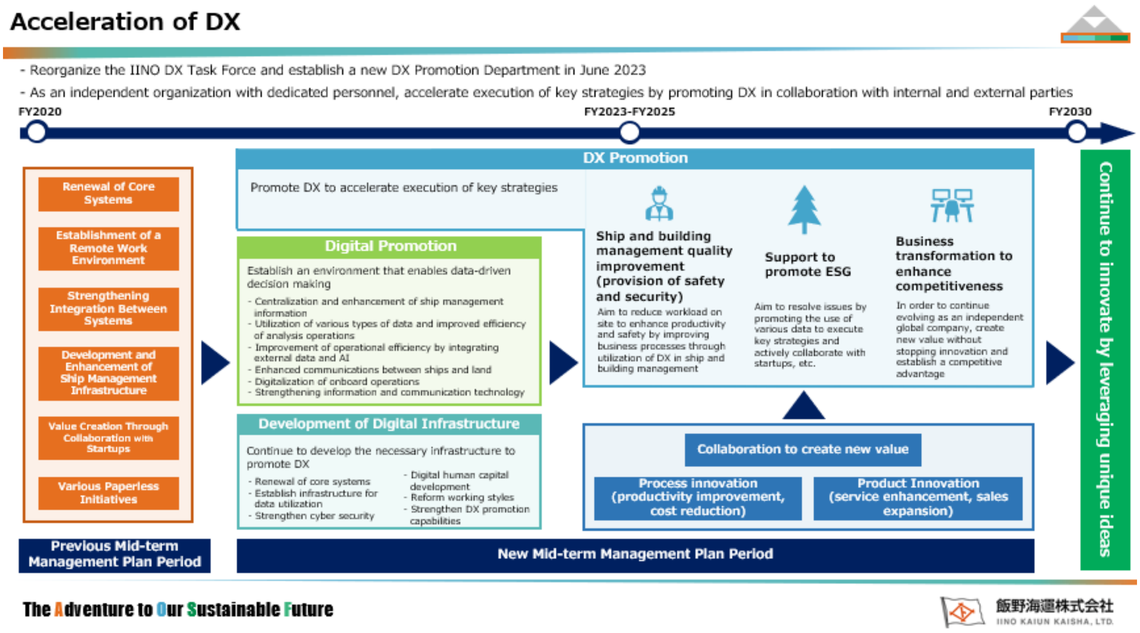


We will advance these initiatives together with the initiatives on the previous slide while conducting KPI management.

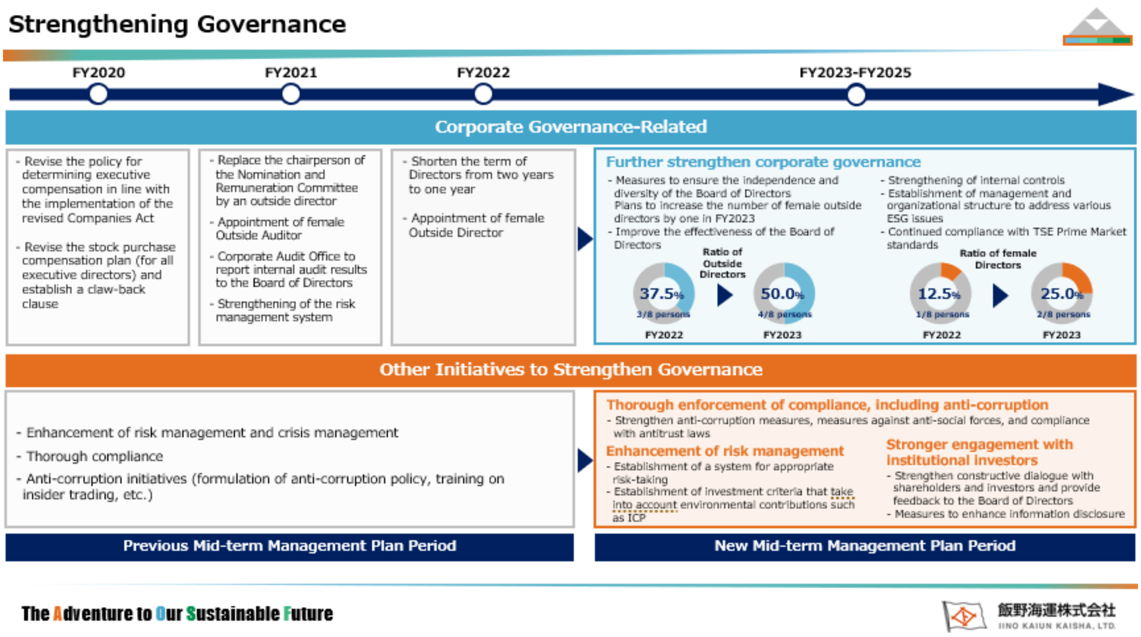


Now let me explain our business infrastructure strategy, which will enable us to advance our priority strategies.

Our business infrastructure strategy is divided into four sections: ship and building management quality improvement, improving cost competitiveness, acceleration of digital transformation, and strengthening governance.



To advance our digital transformation we established a new DX Promotion Department and have assigned dedicated staff. We've stepped up initiatives from the previous mid-term management plan, forming cross-company teams to work on each project.



Now, strengthening corporate governance. We will continue strengthening corporate governance while taking onboard the opinions of investors, as before. We'll be submitting a proposal to the 2023 general shareholders' meeting to increase the proportion of female directors.

We'll also be submitting a proposal to increase the number of outside directors to four out of a total of eight directors, in order to enhance supervisory functions.

In addition, we plan to establish external reporting channels to ensure compliance, including the prevention of corruption. Furthermore, we aim to improve our disclosure of information. We'll continue working on these enhancements.

Financial Indicators and Numerical Targets

Aim to improve earning power and achieve sustainable profit growth through business portfolio investment with a focus on efficiency by raising competitive capital

	Financial Index	Description.	FY2025	FY2030
Profitability	Ordinary Profit	- Accounting profit including business investment profit/loss	130~140 100 million yen	200 100 million yen
	EBITDA	- Profit from core business close to cash basis	280~290 100 million yen	440 100 million yen
Capital Efficiency	ROE	- Efficiency of Shareholders' Equity	9~10%	10% or more
	ROIC	- Efficiency (earning power) relative to capital raised	4~5%	5% or more
Financial Health	D/E Ratio	- Optimal capital structure according to business environment and strategy	Max. 1.5	Max. 2.0

Now, I'll discuss our key financial indicators and numerical targets, plans through fiscal 2025, cash allocation, and other financial KPIs we prioritize.

First, the financial indicators we prioritize. We've set ordinary profit as a KPI because it better represents our actual business performance as we have investments in vessel-owning companies and other entities.

With regard to ROE and ROIC, we've added ROIC as a new indicator because we now place even more emphasis on efficiency from the perspectives of capital, liabilities, and fund procurement. As there are concerns about rising interest rates, we'll set an upper limit for the debt-to-equity ratio to maintain financial discipline.

Numerical Financial Targets / Changes in Each Indicator

		FY2022 Result	FY2023	FY2024	FY2025	FY2030
Exchange Rate Assumptions		135.07Yen/$	125Yen/$	125Yen/$	125Yen/$	
Bunker Oil Price*1 Assumptions		$802/MT	$700/MT	$700/MT	$700/MT	
Revenue	(100 million yen)	1,413	1,230	1,200-1,300	1,250-1,350	1,900
Operating Profit	(100 million yen)	198	117	120-130	130-140	210
Shipping	(100 million yen)	160	86	85-93	93-100	150
Real Estate	(100 million yen)	38	31	35-37	37-40	60
Ordinary Profit	(100 million yen)	207	111	115-125	130-140	200
Net Income	(100 million yen)	227	100	110-120	120-130	180
EBITDA*2	(100 million yen)	341	255	270-280	280-290	440
ROE		22.5%	9%	9-10%	9-10%	10% or more
ROIC*3		10.9%	4.5%	4-5%	4-5%	5% or more
D/E Ratio	(times)	1.04	Max. 1.5	Max. 1.5	Max. 1.5	Max. 2.0

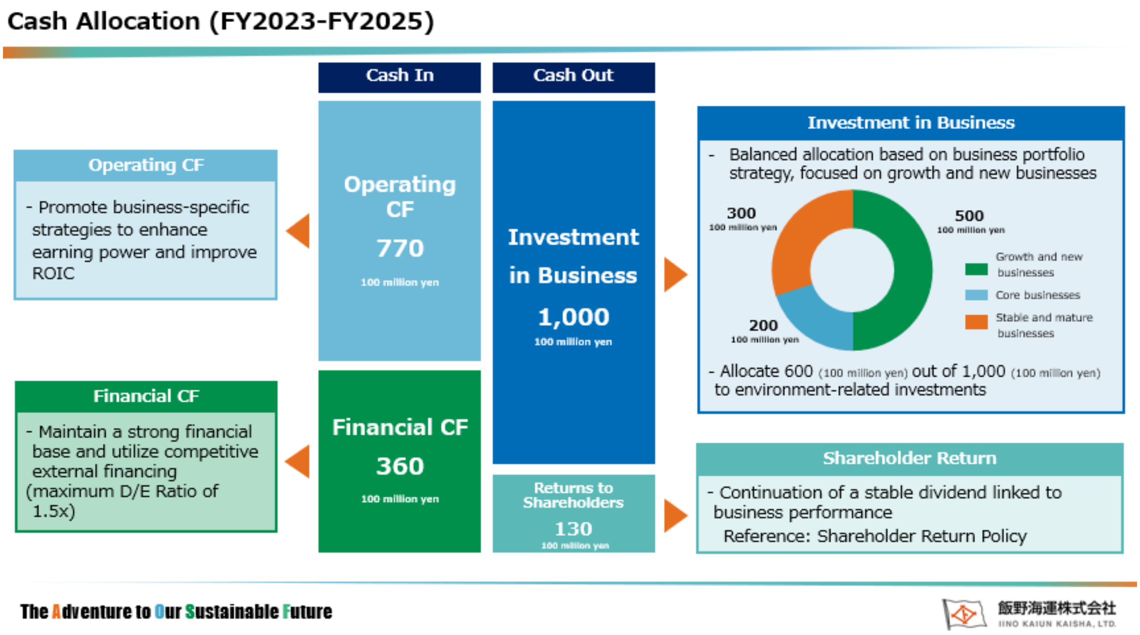
*1 Unit price of Very Low Sulfur Fuel Oil (in Singapore)
*2 Operating Profit + Depreciation + Dividend Income and Equity in Earnings of Affiliates of main business investments
*3 Net Operating Profit After Adjusted Taxes ÷ Invested Capital

This slide shows the targets in our mid-term management plan through fiscal 2025 and our targets for 2030. Our performance in fiscal 2022 was strong due to extremely favorable market conditions for the chemical tankers, partly due to the weak supply pressure for newbuilds, and changes in marine cargo movements caused by prolongation of the Ukraine crisis.

Since our fiscal 2023 targets are as explained in our full-year forecast, I won't go into the details here, but, even though we expect chemical tanker market rates to remain at a high level, we expect them to be lower than in fiscal 2022, resulting in a significant year-on-year decrease in profits.

From 2024 through fiscal 2025, we expect chemical tanker market rates to remain about the same as in fiscal 2023, as newbuild completions will be limited. We also anticipate an improvement in the dry bulk carrier market, as we expect it to bottom out during the period.

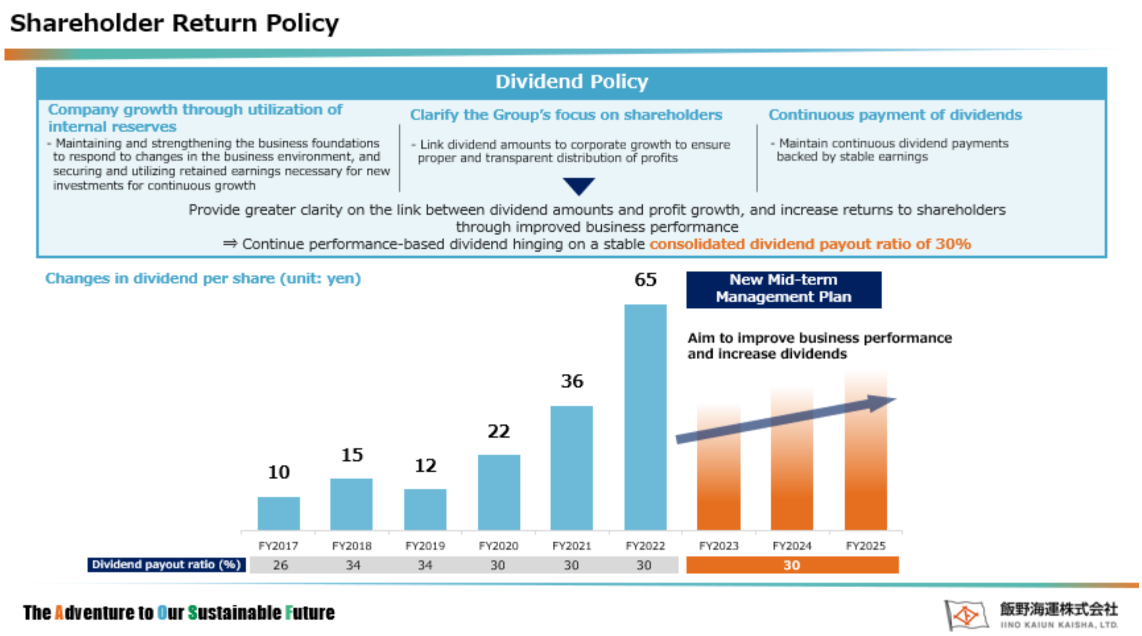
We will steadily implement each of the priority strategies in our new mid-term management plan and aim to further build up profits. Additionally, we set our targets for fiscal 2030 with the intention of making growth investments with a focus on ROIC.



Next, cash allocation. In our previous mid-term management plan, we only allocated cash from operating cash flow to investment and shareholder returns. This time, we'll allocate not only from operating cash flow but also financial cash flow. This is because we plan to invest more in business investments such as environment-related investment.

As of March 31, 2023, our debt-to-equity ratio was 1.04 times, and our financial position has improved rapidly due to the accumulation of retained earnings over the last two years. However, we anticipate an increase in environment-related investments, and have set the maximum debt-to-equity ratio as of the end of fiscal 2025 at 1.5 times, and plan to finance these investments through debt.

The breakdown of the figures is as follows: planned allocation of ¥100 billion for business investments and ¥13 billion for shareholder returns, based on ¥77 billion from operating cash flow and ¥36 billion from financial cash flow.



And finally, shareholder returns.

From fiscal 2020 we increased dividends for three consecutive years based on a payout ratio of 30% linked to performance. During the period covered by our new mid-term management plan, we'll continue to pay performance-linked dividends based on a stable consolidated payout ratio of 30%.

In our Shipping Business, we're planning to make significant investments in environmental measures. This is also necessary for growth, and we're considering it from the perspective of increasing financial leverage.

If our performance improves more than forecast, we'll increase dividends based on our 30% payout ratio. Meanwhile, we also view treasury share buybacks as a form of shareholder return and will continue to consider buybacks in a comprehensive manner, taking our financial circumstances at the time and other factors into account.

We consider dividend payments to be our core method of returning profits to our shareholders, however, and our aim is to continue providing stable, performance-linked dividends.

End