

# 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)

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## The Adventure to Our Sustainable Future



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) |              |         |  |
|--|-----------|-------------------|--------------|---------|--|
|  |           |                   | Year on Year |         |  |
|  | FY2022    | FY2021            | 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) |              |         |  |
|-------------------------------|---------|-------------------|--------------|---------|--|
|                               |         |                   | Year on Year |         |  |
|                               | FY2022  | FY2021            | 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%   |  |

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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           | -          | -       |
| Panamax (\$/day)                 | -               | -       | \$14,750  | US\$16,274**      | -          | -       |
| Market assumption of Dry Bulk    | -               | -       | \$13,500  | US\$14,647**      | -          | -       |
| Small Handy (\$/day)*2           | -               | -       |           |                   |            |         |

\*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: Trump 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 Forecast, 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

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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.

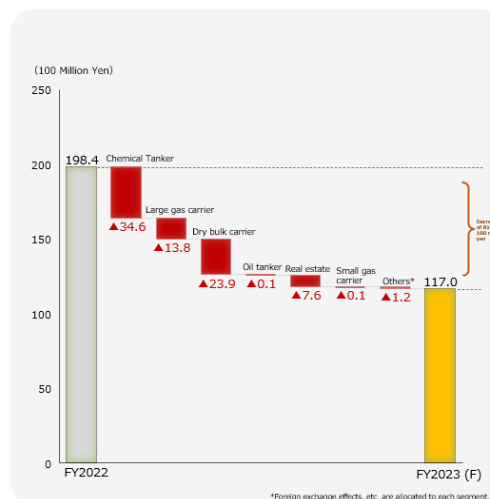
It was a very difficult forecast to prepare, but we anticipate decreases in both sales and profits due to our expectation that market conditions for chemical tankers, large LPG carriers, and dry bulk carriers, which were favorable in the previous fiscal year, will see a downturn due to the global economic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



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.

## Chemical Tanker Market Outlook

New shipbuilding inflow is limited and market conditions are generally firm, but the global economic slowdown and other factors are a concern.

- New orders for chemical tankers are at a low level due to assessment of environmental regulatory measures and higher construction prices due to rising steel prices, etc., therefore, the influx of new-buildings is limited. Supply and demand for shipping capacity is tightening as product tankers are exiting the chemical tanker market in response to rising product tanker market prices. (The percentage of orderbook to the existing vessels is about 6%)
- Voyage distance is increasing due to strong demand for chemical products transport from Asia, the U.S., and the Middle East to Europe, caused by the situation in Ukraine and other factors. Market conditions are expected to remain strong due to projected new petrochemical plants coming on stream, however, the current decline in demand due to global inflation and the resulting monetary tightening that may cause global economy to stagnate is a concern.

⇒Forecasts are based on the assumption that market conditions are expected to be firm, though not as firm as FY2022 levels.



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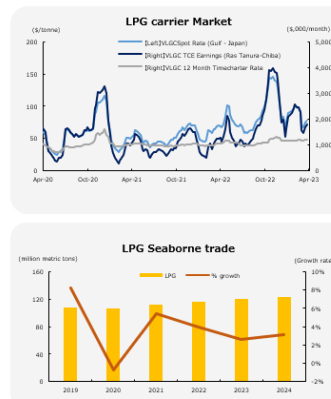


I'll now explain our outlook for chemical tankers, large LPG carriers, and dry bulk carriers, which are all impacted by market fluctuations. Firstly, chemical tankers. Although the influx of newbuilds is currently limited, concerns remain over constraints on logistics due to stagnation of the global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

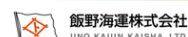
## LPG Carrier (VLGC) Market Outlook

Although the market has been affected by the worsening balance of supply and demand for shipping capacity, the market has remained relatively stable.

- In FY2023, about 39 new VLGCs, or more than 10% of the existing fleet, are expected to be delivered. Although there are a certain number of old vessels over 20 years old, a significant reduction in the number of vessels is not expected due to scrapping, and the delivery of new vessels could directly lead to a worsening of the supply-demand balance.
- The LPG market is expected to remain relatively stable. The long-distance voyages through arbitrage by taking advantage of the difference in LPG prices between East and West, congestions in the Panama Canal, and slow steaming under the EEXI regulations and CII, which will become effective from 2023, will work to tighten the supply and demand of shipping capacity.
- With production in the U.S., the largest exporter, petrochemical demand for PDH plants in China, and consumer demand in India and Southeast Asia generally firm, LPG seaborne cargo movements are expected to be firm, supported by both supply and demand.



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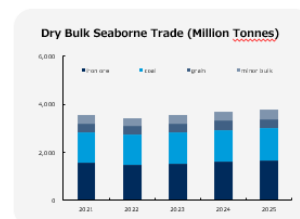
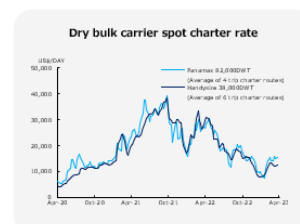
Next, the large LPG carrier market outlook. The number of newbuild orders is increasing, and the equivalent of more than 10% of existing vessel tonnage is expected to be completed in fiscal 2023. While there are

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.

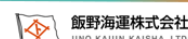
## Outlook for the Dry Bulk Shipping Market

There are expectations of a recovery in China as the economy picks up, but we need to continue to monitor the situation closely.

- Although the market has been softening since the second half of FY2022, it has gradually recovered as cargo movements to China bottomed out after the Chinese New Year in Asia, when crude steel production and other factors began to increase.
- Regarding future market conditions, on the demand side, an adjustment phase will continue until the first half of FY2023 due to the economic slowdown caused by inflation, but if the U.S. and European economies enter a recovery path due to a self-sustaining global economic recovery in addition to a recovery of domestic demand in China, the volume of seaborne trade is expected to increase further. With relatively little pressure from an influx of newbuildings, market conditions are expected to recover from the second half of the fiscal year (factored into the fiscal year 2023 earnings forecast).
- However, market volatility factors due to geopolitical risks and other factors still exist and should continue to be monitored closely.



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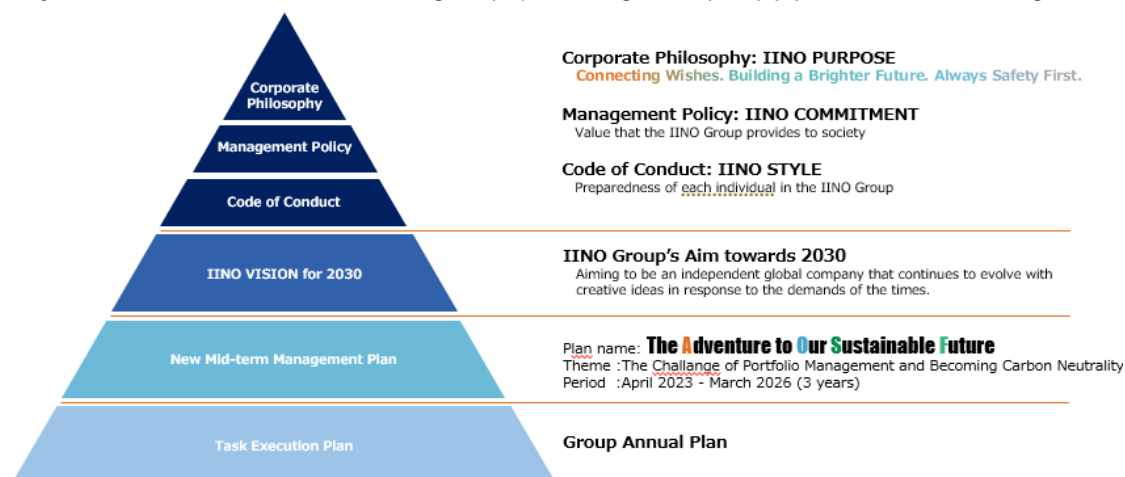


Lastly, the outlook for the dry bulk carrier market. The economic slowdown means we expect it to remain stagnant in the first half of fiscal 2023, but gradually recover from the second half. That is, however, dependent on a recovery of the Chinese economy. We post the latest information on market conditions 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.

## Philosophy System and Management Strategy

In conjunction with the formulation of the new Mid-term management plan, we have reorganized our philosophy system and established the following



### The Adventure to Our Sustainable Future



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.

## Details of the New Philosophy System

### Corporate Philosophy: IINO PURPOSE

**Connecting Wishes. Building a Brighter Future. Always Safety First.**

Establishment of a new philosophy as the highest level of the company's basic approach and raison d'être.

#### IINO PURPOSE and the Wishes We Serve

What we transport by ships is more than just goods.  
We also carry people's wishes entrusted to us.  
By safely delivering these cargoes and the wishes they encapsulate, we bring peace of mind and build a brighter future to people's lives.

What we offer in buildings is more than just space.  
We create secure and comfortable environments where people come together and new wishes are born.  
By facilitating such sharing of wishes, a more creative future unfolds before us.

We remain steadfast in our commitment to safety, and through always putting safety first, we will continue to connect the wishes of people around the world, building an abundant future.

### Management Policy: IINO COMMITMENT

The IINO Group has established safety as the foundation of its business operations. Driving this is our strong conviction that ensuring safety is essential for the continuity of our business. To achieve sustainable growth of the Group, in addition to safety, we will provide various values through dialogue with stakeholders and society

#### For our customers:

We promptly and accurately respond to our customers' needs, providing safe and high-quality services consistently.

#### For our employees and executives:

We offer a supportive work environment and opportunities for personal growth, recognizing that our employees and executives are the cornerstone of our company.

#### For our society:

As responsible members of society, we work together with society to contribute to solving various issues.

#### For our shareholders:

By focusing on sustainable growth, we enhance corporate value and implement rewarding shareholder returns.

### Code of Conduct: IINO STYLE

#### Integrity:

As a responsible corporate citizen, we actively contribute to a better society. We respect human rights with a commitment to not engaging in or tolerating human rights violations.

#### Open-mindedness:

We listen attentively to others' opinions without preconceived notions.

#### Agility:

We are capable of prompt response and act swiftly to seize opportunities as they arise.

#### Resilience:

We are adaptable and maintain composure even in challenging situations.



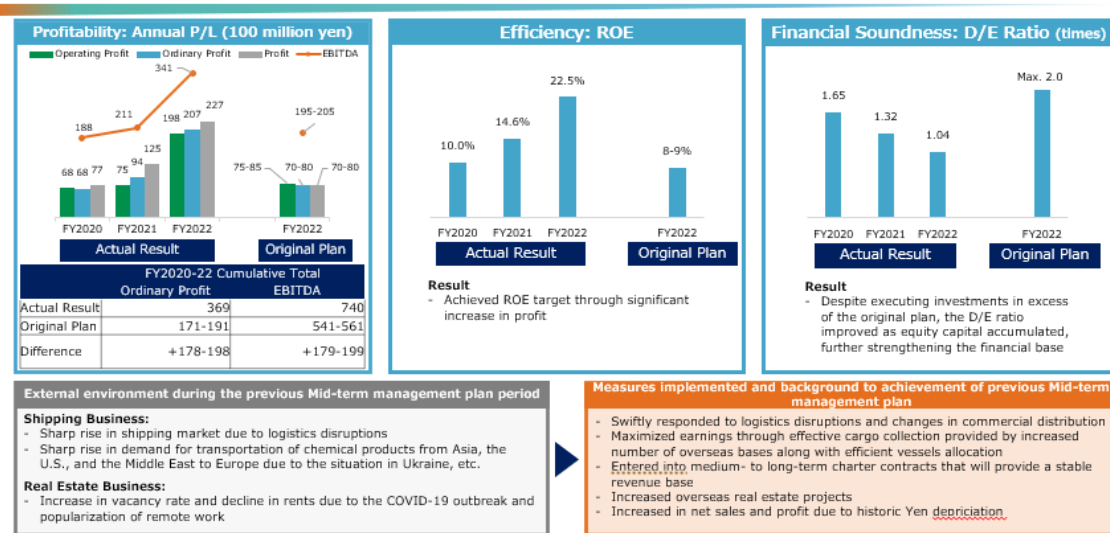
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People in each stakeholder segment, including customers and investors, indicated the importance they attach to societal issues such as environmental and human rights issues. While helping to address these of course goes without saying, we concluded 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.

## Review of Previous Mid-term Management Plan (1) (Numerical Targets)



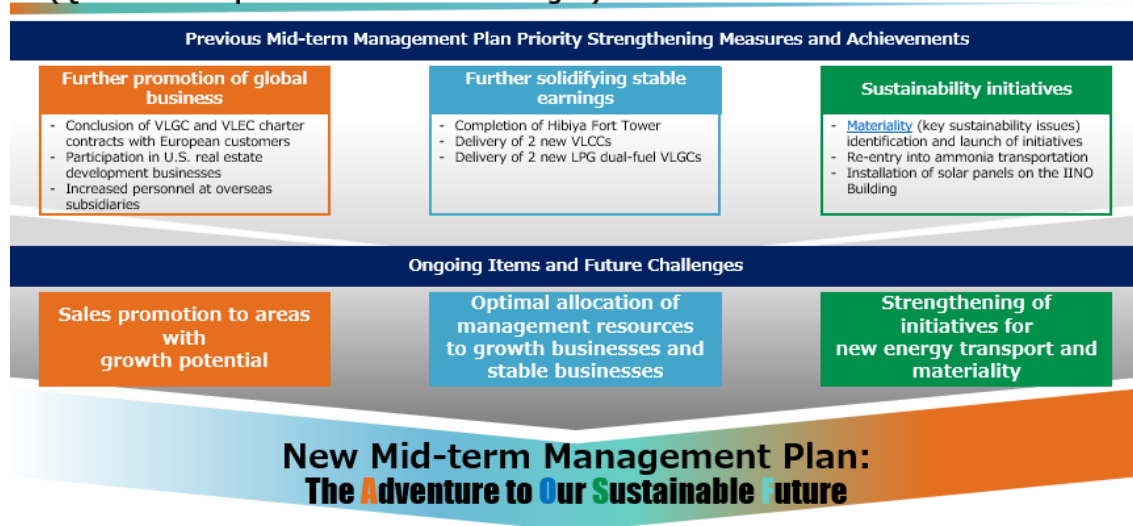
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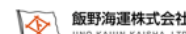
Now I'll briefly review our progress with the numerical targets and key enhancement measures of our previous mid-term management plan: "Be Unique and Innovative.: The Next Stage – Towards 2030".

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.

## Review of Previous Mid-term Management Plan (2) (Qualitative Aspects and Future Challenges)



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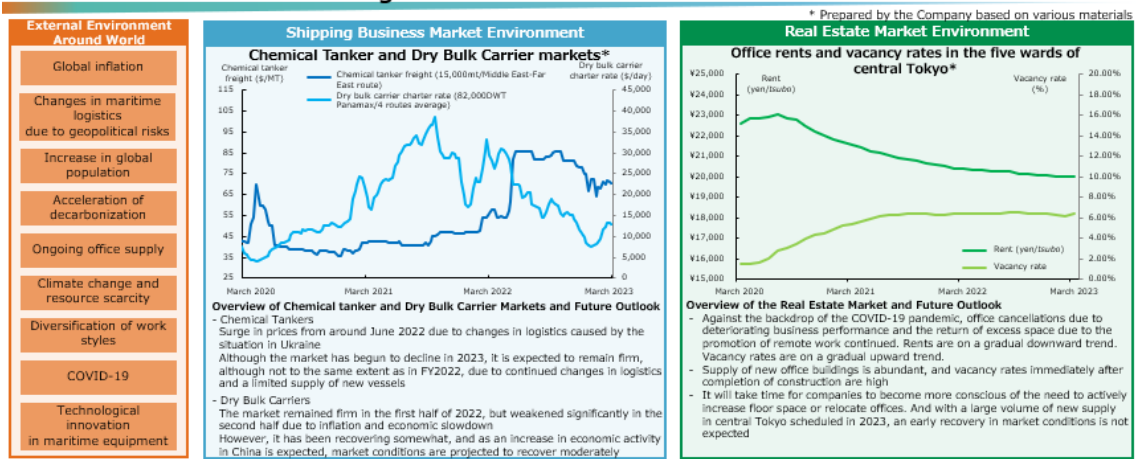


Our evaluation of progress with the three key enhancement measures is that it was generally in line with plans. The main achievements are listed on this slide. In addition, we reviewed these achievements and identified areas that we'll continue working on as well as future issues to address.

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.



## Recognition of the External Environment as a Premise for the New Mid-term Management Plan



Amid accelerating changes in the external environment and difficulties in forecasting the future, a new Mid-term management plan named “The Adventure to Our Sustainable Future,” has been established to realize the IINO VISION for 2030

**The Adventure to Our Sustainable Future**

飯野海運株式会社  
IINO KAIUN KAISHA, LTD.

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.

## New Mid-term Management Plan: Overview

Plan name: **The Adventure to Our Sustainable Future**  
 Theme: The Challenge of Portfolio Management and  
 Becoming Carbon Neutrality  
 Period: April 2023 through to March 2026 (3 years)



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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.

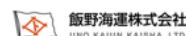
For creating economic value, we're prioritizing the allocation of management resources to growth businesses, expansion of global business, and promotion of environmental initiatives and investments under the heading "Promoting Business Portfolio Management". In terms of creating social value, we're prioritizing 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.

## New Mid-term Management Plan Key Numerical Targets

| Numerical Financial Targets (FY2025)  |                            | Non-Financial Numerical Targets                        |  |
|---|----------------------------|--|--|
| Ordinary profit   | 130-140<br>100 million yen | Number of Serious Accidents                            | 0 cases<br><small>Serious accidents stipulated by the company (Vessels, Buildings and Information Systems)</small> |
| ROIC<br><small>ROIC = Earnings before interest after taxes ÷ Invested capital</small> | 4-5%                       | GHG Reduction Rate                                     | Year 2030<br>Shipping (vs. Year 2020) 20%<br>Real estate (vs. Year 2013) 75%<br>Year 2050 Company-wide net zero    |
| ROE   | 9-10%                      | Short-term Overseas Training and Expatriate Experience | Cumulative total at the end of FY2025<br>75 persons or more  |
| D/E Ratio   | Max. 1.5 times             | Human Rights Training Participation Rate               | FY2023-2025<br>100%  |

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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.

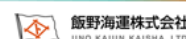


As for non-financial KPIs, we've set numerical targets based on consideration of material societal issues and our newly revised philosophy. These include targets relating to safety and security, human capital, and human rights. We've reviewed our efforts to reduce greenhouse gas emissions, and have formulated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

## Overview of Priority Strategies

|  |  |   |  |
|--|--|---|--|
| Creating Economic Value<br>Promoting Business Portfolio Management | Allocate Management Resources to Growth Businesses                       | <ul style="list-style-type: none"> <li>- Strengthen and expand the gas carrier business, which is expected to grow with the acceleration of decarbonization</li> <li>- Execute strategic investments that improve competitiveness and create synergies</li> </ul> |  |
|  | Expansion of Global Business   | <ul style="list-style-type: none"> <li>- Cross-cutting sales development utilizing the existing network of each business</li> <li>- Expand business in areas with growth potential (especially Asia - Middle East - Europe)</li> </ul>                            |  |
|  | Promotion of Environmental Initiatives and Investments                   | <ul style="list-style-type: none"> <li>- Continue to support sustainable cargo transportation</li> <li>- Investment in vessels and real estate that contribute to reducing environmental impact and accumulation of know-how on their management</li> </ul>       |  |
| Creating Social Value<br>Overcoming Materiality                    | Formulation and Implementation of Plan to Realize a Decarbonized Society | <ul style="list-style-type: none"> <li>- Develop a roadmap to achieve carbon neutrality in 2050</li> <li>- Promote research and investment in next-generation fuel vessels and wooden office buildings</li> </ul>   |  |
|  | Strengthening Human Capital  | <ul style="list-style-type: none"> <li>- Create a virtuous circle in which the company and its employees grow together by investing in people and promoting strategies to increase their value.</li> </ul>  |  |
|  | Addressing Respect for Human Rights                                      | <ul style="list-style-type: none"> <li>- Deepen the PDCA cycle under the established human rights due diligence framework</li> <li>- Establish a human rights response system that includes the supply chain</li> </ul>   |  |

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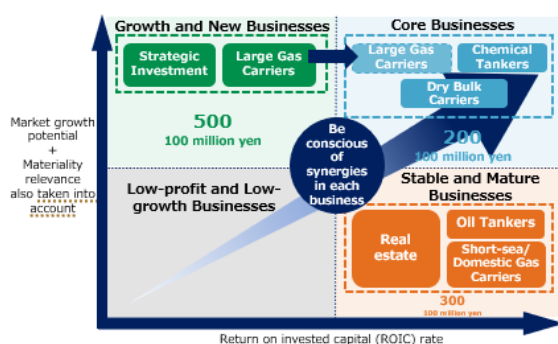
I'll now go over our priority strategies in more detail.

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.

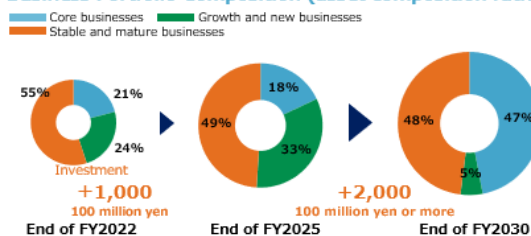
## Promoting Business Portfolio Management (1)

### Business Portfolio Basic Policy

- Deepen the **IINO MODEL**. Aim for optimal portfolio composition to achieve sustainable growth based on a solid financial foundation
  - Evaluate each business based on the two axes of growth potential and return on capital, and clarify the positioning of each business.
- While being conscious of the creation of synergies among businesses, promote business strategies to improve return on invested capital (ROIC) rate, which has been added as a priority management indicator



### Business Portfolio Composition (asset composition ratio)

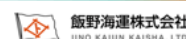


### Business Portfolio Strategy Through FY2030

#### Current Mid-term Management Plan Period:

- Prioritize allocation of management resources on growth and new businesses to cultivate and expand revenue base
  - Improve ROIC by significantly enhancing sales capabilities and service quality in core businesses and, stable and mature businesses
- FY2026-FY2030:**
- Execute investment to replace independently operated vessels with next-generation fuel vessels in core businesses. Solidify competitive advantages
  - Make large gas carriers our core business by improving ROIC, and grow it into a core business pillar alongside chemical tankers

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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.

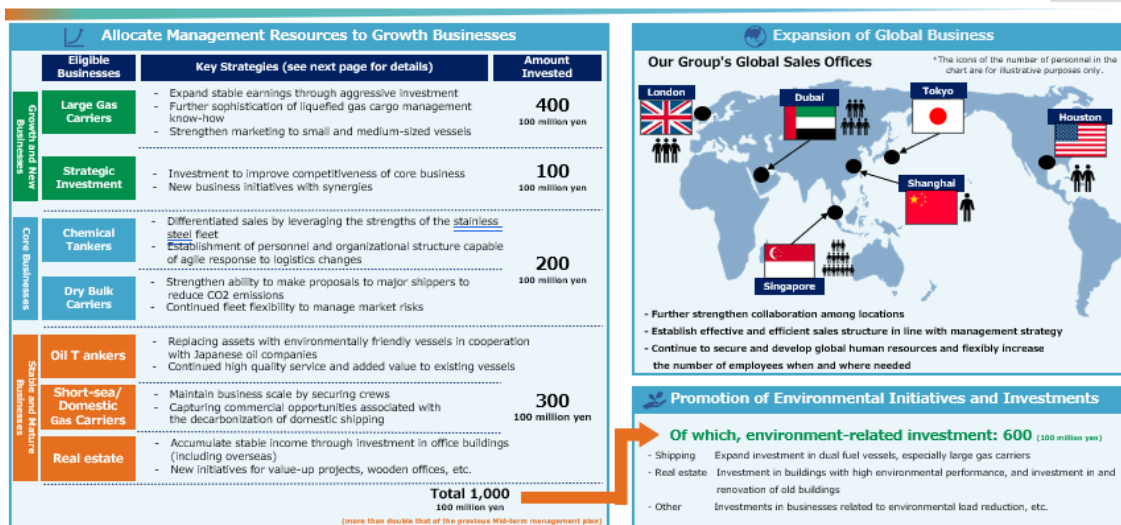
We expect the chemical tanker business to continue seeing growth in transportation demand in tandem with global economic growth. We consider it a core business and position it as a growth driver together with the international gas carrier business.

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.

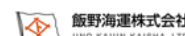
As shown in the pie charts on the right-hand side, our stable and mature businesses continue to have an asset composition ratio of around 50 percent as a mainstay of our portfolio. It's widely known that the shipping market is subject to periodic fluctuations. Based on this assumption, we invest in multiple 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.

## Promoting business portfolio management (2)



## The Adventure to Our Sustainable Future



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.

## Strategy by Business (Growth and New Businesses)

|                           | Priority Strategies  | Business Strategy   | Main Target Areas and Sales Offices (flag icon) | Amount Invested               |
|---------------------------|--|---|---|-------------------------------|
| Growth and New Businesses | <b>Large Gas Carriers</b><br>Allocate Management Resources to Growth Businesses<br>Expansion of Global Businesses<br>Promotion of Environmental Initiatives and Investments  | <b>Large LPG Carriers, LNG Carriers, Ethane Carriers</b><br><ul style="list-style-type: none"> <li>- Stable earnings through new investments and favorable renewal of existing charter contracts</li> <li>- Accumulate experience and knowledge in transportation management by handling a variety of liquefied gas cargoes</li> <li>- Acquired contract to transport ammonia, one of the candidates for next-generation fuels</li> </ul> | <b>Japan, Middle East, Europe</b><br>           | <b>400</b><br>100 million yen |
|                           | <b>Medium and Small Gas Carriers</b><br><ul style="list-style-type: none"> <li>- Expanding the fleet size by strengthening the organization and personnel structure with Tokyo and Singapore as the main sales bases.</li> <li>- Promote strategies that take advantage of synergies within the Group by collaborating with other divisions to diversify cargoes and customers.</li> </ul> | <b>Asia</b><br>   |   |                               |
| Strategic Investment      | Allocate Management Resources to Growth Businesses<br>Expansion of Global Businesses<br>Promotion of Environmental Initiatives and Investments   | <ul style="list-style-type: none"> <li>- Accelerate investment in DX and human capital to improve competitive advantage in core business</li> <li>- Promote initiatives for investments in renewable energy related businesses and start-ups, as well as ship types we have not yet entered and real estate properties, where synergies between businesses can be anticipated.</li> </ul>   | <b>The whole World</b><br>                      | <b>100</b><br>100 million yen |

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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.

## Strategy by Business (Core Businesses/Stable and Mature Businesses)

|                            | Priority Strategies  | Business Strategy  | Main Target Areas and Sales Offices (flag icon)   | Amount Invested               |
|----------------------------|--|--|---|-------------------------------|
| Core Business              |  Expansion of Global Businesses<br> Promotion of Environmental Initiatives and Investments | <b>Operated Vessels by Ourselves:</b><br>- Reinforcement of differentiated sales through stainless steel fleet<br>- Renewal of COA contracts to appropriately reflect additional inflation and environmental response costs<br>- Develop an organization and personnel structure that can respond flexibly and agilely to changes in commercial distribution<br><b>Time Chartered Vessels:</b><br>- Secure stable earnings by focusing on cargoes with potential | <b>Middle East, Asia, Europe</b><br>(Selection of routes in response to logistics changes)<br> | <b>200</b><br>100 million yen |
|                            |  Expansion of Global Businesses<br> Promotion of Environmental Initiatives and Investments | - Strengthen sales proposals that contribute to CO2 reduction and aim to win medium- to long-term contracts<br>- Continue to promote securing the core fleet and manage the balance of transportation contracts<br>- Refine uniqueness and differentiation with an awareness of synergies among businesses   | <b>Pacific region, Middle East</b><br>(+Atlantic region)<br>                                   |                               |
| Stable and Mature Business |  Promotion of Environmental Initiatives and Investments   | - Working with shippers to replace with environmentally friendly new vessels<br>- Reduce CO2 emissions and strengthen stable revenue base by responding to reductions in environmental impact of existing vessels and reinforcing services.  | <b>Japan</b><br>   |                               |
|                            |  Promotion of Environmental Initiatives and Investments   | - Promote human capital management and deepen the system for securing and training seafarers for domestic vessels<br>- Responding to new demands such as ammonia transportation and LNG bunkering  | <b>Japan, Short-sea</b><br>  | <b>300</b><br>100 million yen |
|                            |  Expansion of Global Business<br> Promotion of Environmental Initiatives and Investments   | <b>Office Building in Central Tokyo, Japan:</b><br>- Priority consideration given to advanced properties. Challenge to increase the value of old buildings.<br><b>Overseas Real estate:</b><br>- Clarify the importance of strategic initiatives and execute them within a defined asset framework.  | <b>Japan, U.K., U.S.A.</b><br>   |                               |

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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 cargoes 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.

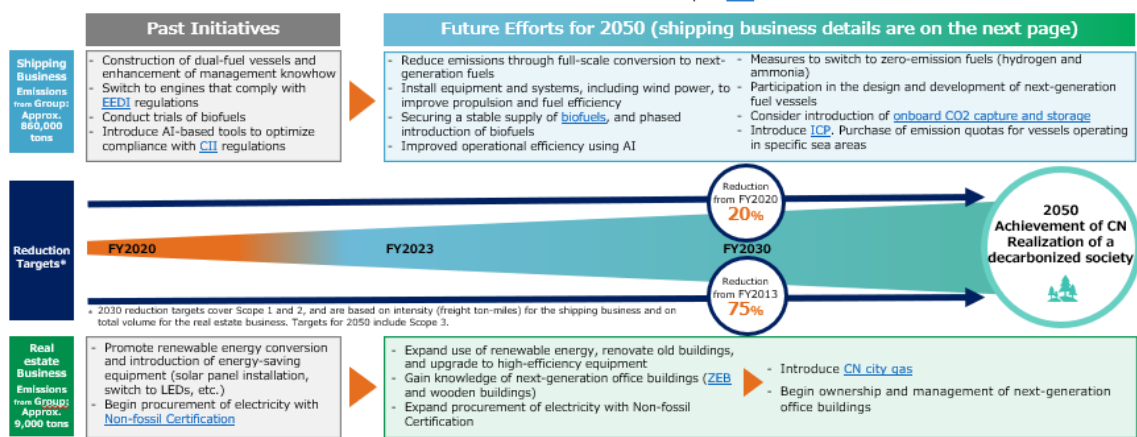
Meanwhile, we've positioned our stable and mature businesses as a stable revenue segment. We'll focus on cutting-edge projects while steadily fulfilling existing contracts, recognizing that environment-friendly decarbonization initiatives can bring competitive advantages.

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.

## Formulation and Implementation of Plan to Realize a Decarbonized Society

- Formulate a new roadmap to achieve carbon neutrality (CN) by 2050
- Raise the previous reduction rate target for 2030 and strengthen decarbonization efforts

We will promptly update this roadmap and revise the reduction rate upward in accordance with the IMO's new GHG reduction strategy expected to be adopted in FY2023 and other changes in international reduction targets. In addition, we will promote company-wide efforts to acquire [SBT](#) certification



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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<sub>2</sub>.

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.



## Roadmap for Achieving Carbon Neutrality in the Shipping Business

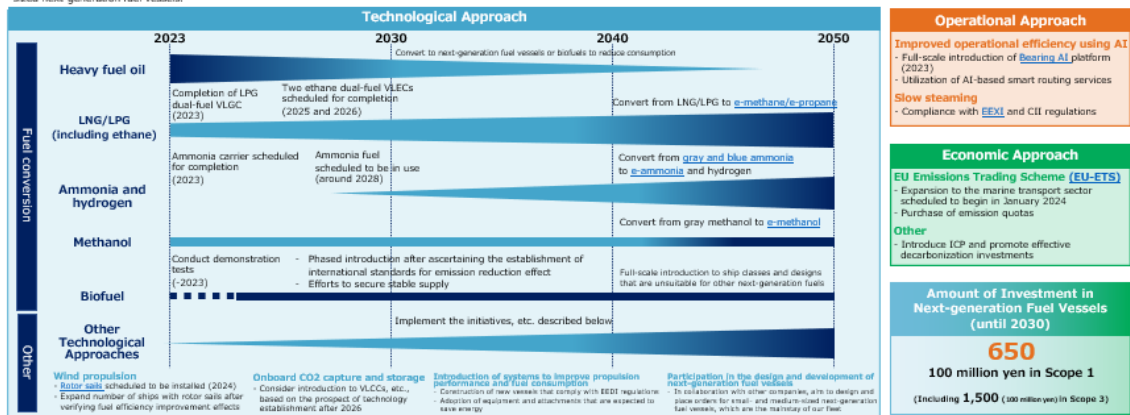
### Basic Policy

**Independently operated vessels (Scope 1):** Mainly small and medium-sized vessels including chemical tankers, dry bulk carriers, and domestic gas carriers

Although the effect of investment in emission reductions is less than that of larger vessels, promote investment in next-generation fuel vessels that are best suited to each type of vessel in stages. Furthermore, take steady measures to reduce CO2 emissions over the medium to long term through the introduction of biofuels that can be used in heavy fuel oil-fired engines, and by getting involved in the design and development of small and medium-sized next-generation fuel vessels.

**-Fixed-term charters (Scope 3):** Mainly large sized vessels including oil tankers and large gas carriers

Make upfront investments in next-generation fuel vessels, mainly gas carriers that use onboard cargo as fuel. Accumulate operational and management know-how and enhance technology for future management of zero-emission fuel (hydrogen and ammonia) vessels. In addition, promote decarbonization of the Group's entire fleet through horizontal expansion to other vessel classes and designs.



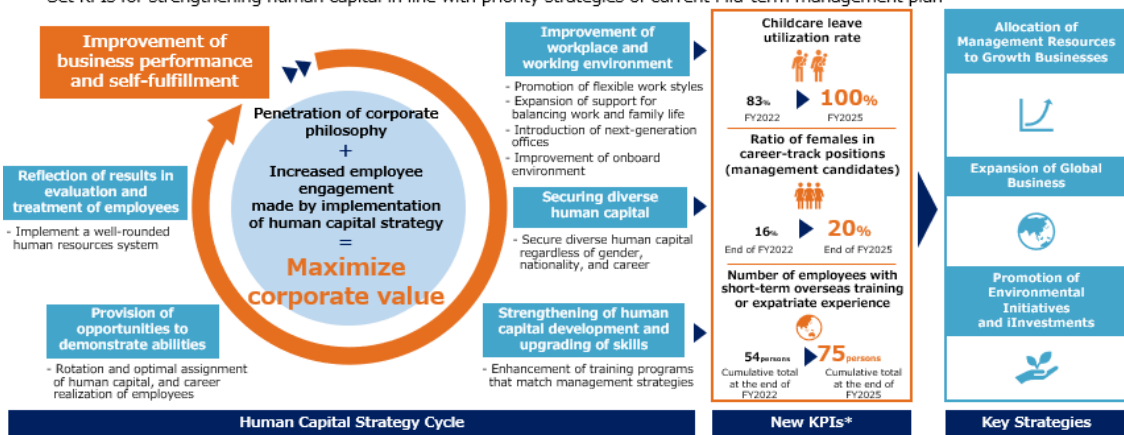
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For more details about our roadmap to carbon neutrality please refer to this slide.

## Strengthening of Human Capital

- Establish a virtuous cycle in which the company and employees grow together by investing in human capital and promoting strategies to increase their value
- Set KPIs for strengthening human capital in line with priority strategies of current Mid-term management plan



\* All of the KPI values are for land-based positions at the Company without consolidation. Human capital strategies will be promoted throughout the IINO Group.

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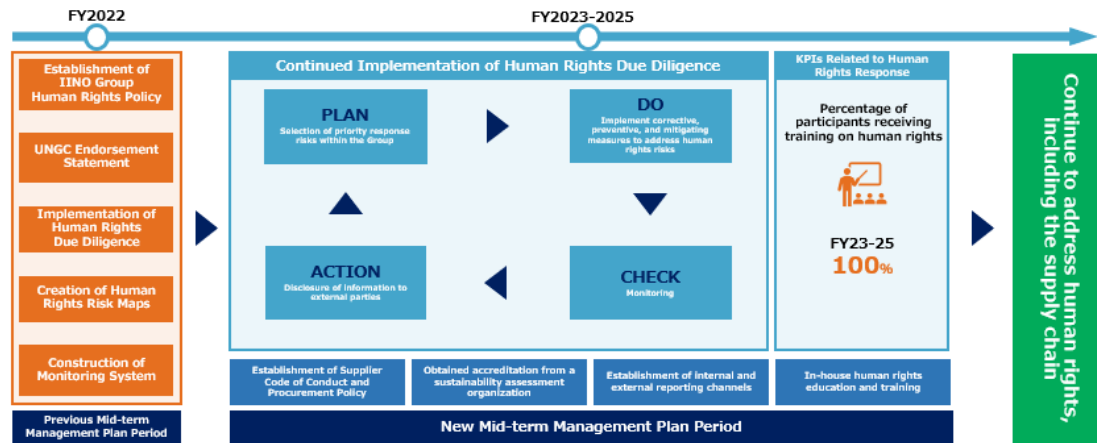


In addition to our response to environmental issues, we've also formulated priority strategies concerning human capital and human rights.



## Addressing Respect for Human Rights

- In line with the UN Guiding Principles on Business and Human Rights, formulated a human rights policy in FY2022, expressed support for the UN Global Compact (UNGC), and conducted human rights due diligence.
- Establish a human rights response system that includes the supply chain and strengthen efforts to respect human rights.



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

## Outline of Business Infrastructure Strategy

|  |   |
|--|---|
| Ship and building management quality improvement<br>(Provision of safety and security) | <b>Ship Management</b> <ul style="list-style-type: none"> <li>- Establishment of in-house crew allocation and management system in line with business portfolio strategy</li> <li>- Raise the quality level of the entire group fleet by strengthening cooperation with external management companies</li> <li>- Transport of prospective cargoes, accumulation of know-how in the management of dual-fuel vessels and wind propulsion systems</li> </ul> <b>Building Management</b> <ul style="list-style-type: none"> <li>- Initiatives for next generation office building management. Gaining knowledge of wooden office buildings</li> </ul> |
| Improve cost competitiveness   | <b>Shipping Business</b> <ul style="list-style-type: none"> <li>- Utilize new seafarer sources. Continue appointment of experienced onshore managers.</li> <li>- Involvement in the design of next-generation fueled vessels. Accelerate to consider appointing Chinese shipyards</li> </ul> <b>Shipping and Real estate</b> <ul style="list-style-type: none"> <li>- Cost reduction efforts (response to rising material and equipment costs, development of new suppliers)</li> <li>- Promoting DX and working with startups to improve operational efficiency</li> </ul>   |
| Acceleration of DX   | <ul style="list-style-type: none"> <li>- Establishment of an independent department to strengthen response to DX promotion</li> <li>- Continue to develop digital infrastructure and promote digitization</li> <li>- Driving innovation throughout our group</li> </ul>   |
| Strengthening governance   | <ul style="list-style-type: none"> <li>- Further strengthen corporate governance</li> <li>- Ensure compliance, including anti-corruption</li> <li>- Advance risk management</li> <li>- Strengthen engagement with institutional investors</li> </ul>  |

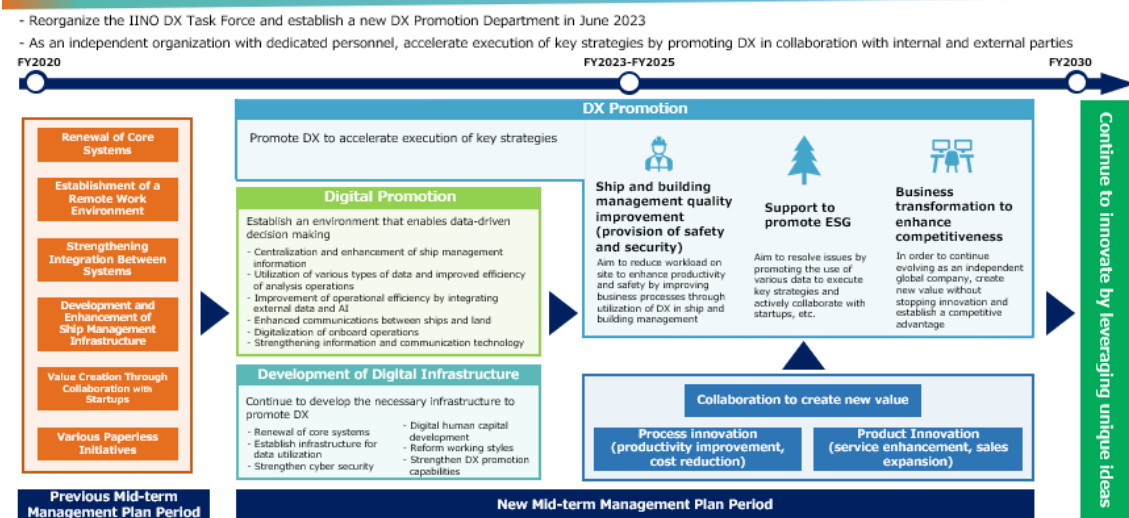
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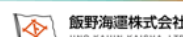
Now let me explain our business infrastructure strategy, which will enable us to advance our priority strategies.

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.

## Acceleration of DX

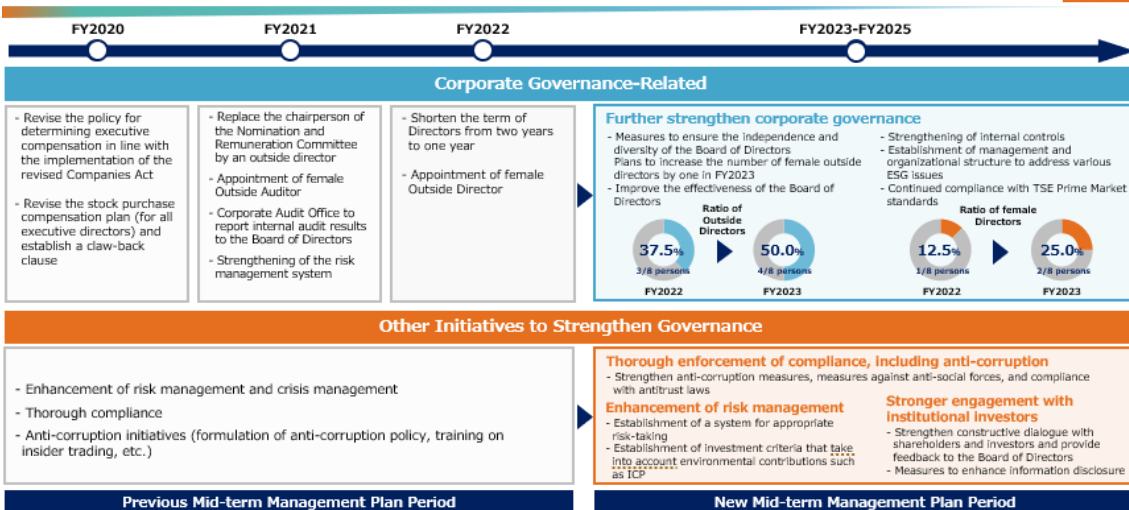


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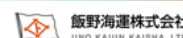


To advance our digital transformation we established a new DX Promotion Department and have assigned dedicated staff. We've stepped up initiatives from the previous mid-term management plan, forming cross-company teams to work on each project.

## Strengthening Governance



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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.

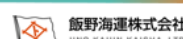
In addition, we plan to establish external reporting channels to ensure compliance, including the prevention of corruption. Furthermore, we aim to improve our disclosure of information. We'll continue working on these enhancements.

## 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<br>100 million yen | 200<br>100 million yen |
|                    | EBITDA          | - Profit from core business close to cash basis                            | 280~290<br>100 million yen | 440<br>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               |

### The Adventure to Our Sustainable Future



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 <sup>*1</sup> 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 <sup>*2</sup> (100 million yen)     | 341           | 255       | 270-280     | 280-290     | 440         |
| ROE  | 22.5%         | 9%        | 9-10%       | 9-10%       | 10% or more |
| ROIC <sup>*3</sup>                         | 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    |

<sup>\*1</sup> Unit price of Very Low Sulfur Fuel Oil (in Singapore)

<sup>\*2</sup> Operating Profit + Depreciation + Dividend Income and Equity in Earnings of Affiliates of main business investments

<sup>\*3</sup> Net Operating Profit After Adjusted Taxes ÷ Invested Capital

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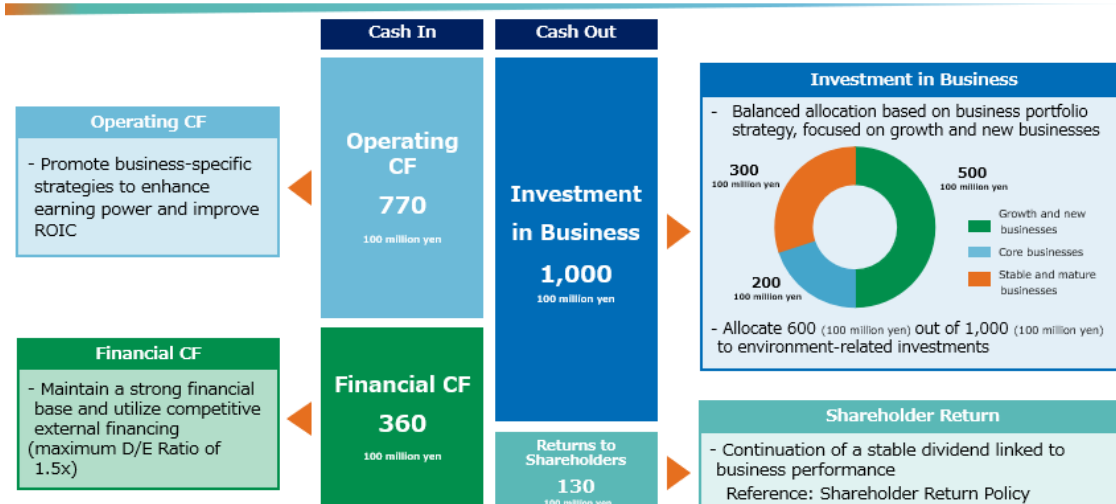
This slide shows the targets in our mid-term management plan through fiscal 2025 and our targets for 2030. Our performance in fiscal 2022 was strong due to extremely favorable market conditions for the chemical tankers, partly due to the weak supply pressure for newbuilds, and changes in marine cargo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

### Cash Allocation (FY2023-FY2025)



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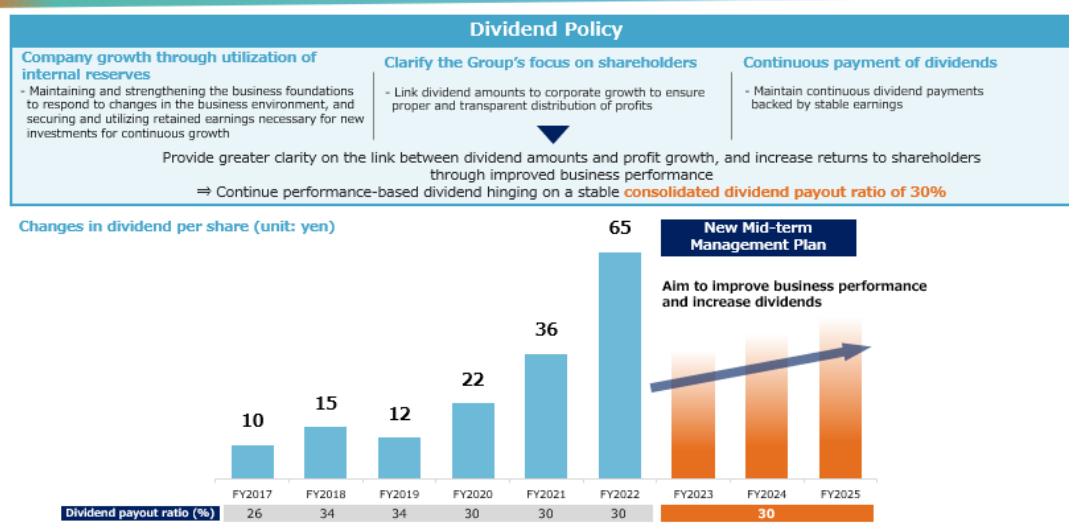
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Next, cash allocation. In our previous mid-term management plan, we only allocated cash from operating cash flow to investment and shareholder returns. This time, we'll allocate not only from operating cash flow but also financial cash flow. This is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

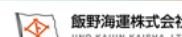
As of March 31, 2023, our debt-to-equity ratio was 1.04 times, and our financial position has improved rapidly due to the accumulation of retained earnings over the last two years. However, we anticipate an increase in environment-related investments, and have set the maximum debt-to-equity ratio as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

## Shareholder Return Policy



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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