

**IINO Lines raised its full-year earnings and dividend forecasts
due to firm market conditions for chemical tankers and large LPG carriers**

This is a transcript of FY2023 2Q financial results briefing, which was held on Nov. 1st, 2023.

Speaker: Yusuke Otani, President and Representative Director

Yasutaka Tsuneto, Executive Officer

Company Name: IINO Kaiun Kaisha, Ltd. "IINO Lines" (Stock Code: 9119)



Hello everyone. I'm Yusuke Otani, President and Representative Director of IINO Kaiun Kaisha, Ltd. Thank you for taking time out of your busy schedules to attend today's financial results briefing for the second quarter of FY2023.

Almost six months have passed since the formulation of our new mid-term management plan, "The Adventure to Our Sustainable Future," and our full-year forecast for FY2023 is expected to exceed the previous forecast announced in July, although it will not reach the level of FY2022. We will continue to strive for further improvement in business performance through the steady implementation of our priority strategies.

I hope this brief presentation is meaningful to all of you here today. Yasutaka Tsuneto, Executive Officer, will now explain the details of the financial results.

Financial Highlights

FY2023 2Q Results: Decrease in sales and profits compared to the same period of the previous year

	Net Sales	Operating Profit	Ordinary Profit	Net Income
	(Billion Yen)			
FY2022 2Q*	70.5	10.4	11.8	14.4
FY2023 2Q	67.6	8.8	10.4	9.7
year on year	▲4.1%	▲15.3%	▲12.0%	▲32.7%

*Results are retrospectively adjusted

(For details, please refer to page 14 of the Consolidated Financial Results For the Six Months Ended September 30, 2023)

FY2023 Full-year forecasts:

Compared with previous forecasts, the chemical tanker market and the large LPG carrier market are expected to remain firm. In addition, consolidated forecasts for the full year have been revised in light of the trend toward a weaker yen (against the US dollar) and the fact that profits from the sale of a vessel, etc., not anticipated in the previous forecast have been realized.

	Net sales	Operating Profit	Ordinary Profit	Net Income
	(Billion Yen)			
Previous Forecast (as of 7/31)	128.0	13.0	13.3	12.3
Revised Forecast (as of 10/31)	135.0	16.2	17.4	17.5
Previous vs Revised	+5.5%	+24.6%	+30.8%	+42.3%

Go to P8 for details.

Dividend forecast for FY2023: Full-year dividend of 50 yen per share

Based on the expected improvement in business performance and the dividend policy (payout ratio of 30%) that has been maintained since the previous mid-term management plan, we plan to pay an annual dividend of 50 yen per share.

	Interim	Year-end	Total
	(Yen/share)		
FY2022 Results	27	38	65
FY2023 Forecast (as of 10/31)	25	25	50
Difference	▲2	▲13	▲15

Go to P17 for details.

My name is Yasutaka Tsuneto and I am in charge of the Stakeholder Relations Department. I will start by reviewing the financial results for the second quarter of FY2023, using the financial results presentation materials you have seen.

First, here are the financial highlights for the second quarter. As shown in bold in the middle of the table on the left of the slide, net sales were 67.6 billion yen, operating income was 8.8 billion yen, ordinary profit was 10.4 billion yen, and net income was 9.7 billion yen. Comparisons with the same period of the previous year are shown at the bottom of this report, and each of these figures shows a decrease in both sales and income.

On the right-hand side are the full-year forecast for FY2023 and the dividend forecast. These will be discussed in more detail later.

Financial Results by Consolidated and Segments

Consolidated Financial Results (Billion Yen)				Financial Results by Segments (Billion Yen)			
	FY2023 2Q	FY2022 2Q	Year on Year Difference %		FY2023 2Q	FY2022 2Q	Year on Year Difference %
Net Sales	67.6	70.5	▲ 2.9 ▲4.1%	Net Sales	67.6	70.5	▲ 2.9 ▲4.1%
Operating Profit	8.8	10.4	▲ 1.6 ▲15.3%	Oceangoing Shipping	56.2	58.8	▲ 2.6 ▲4.5%
Ordinary Profit	10.4	11.8	▲ 1.4 ▲12.0%	Short-sea / Domestic Shipping	5.0	5.3	▲ 0.4 ▲6.9%
Net Income	9.7	14.4	▲ 4.7 ▲32.7%	Real Estate	6.5	6.4	+0.1 +1.5%
Exchange Rate (/¥)	¥139.93	¥131.56	+8.37 -	Operating Profit	8.8	10.4	▲ 1.6 ▲15.3%
Bunker Price (/MT)*	\$597	\$910	▲ 313 -	Oceangoing Shipping	7.0	8.1	▲ 1.1 ▲13.9%
				Short-sea / Domestic Shipping	▲ 0.1	0.2	▲ 0.3 -
				Real Estate	1.9	2.1	▲ 0.2 ▲7.9%

* Compliant fuel oil (Very Low Sulfur Fuel Oil)

Here is a summary of consolidated and segment financial results. The table on the left side of the slide shows the figures for the second quarter results as just reported, and the table on the right side shows net sales and operating income by segment for the oceangoing shipping segment, short -sea shipping and domestic segment, and real estate segment.

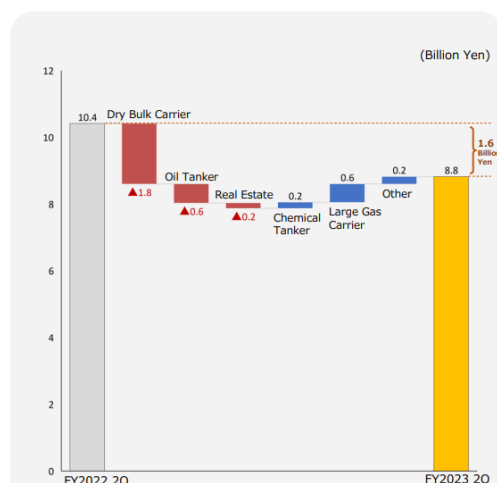
In the second quarter, revenues from the oceangoing shipping segment, which accounts for most of the company's revenues, decreased by 4.5% year-on-year to 56.2 billion yen. Operating profit fell 13.9% to 7.0 billion yen.

The lower part of the table on the left shows the average exchange rate and the average bunker oil price. The average exchange rate for the second quarter was 139.93 yen, down 8.37 yen on the same period last year, and the average bunker oil price was \$597, down \$313 on the same period last year.

Operating Profit (FY2022 2Q vs. FY2023 2Q)

Breakdown of Operating Profit Changes Year on Year (Billion Yen)

Oil Tanker	▲0.6	Profit decreased due to docking of some vessels and a decrease in operation caused by the sale of a vessel implemented in the previous fiscal year
Chemical Tanker	+0.2	In addition to stable contracts of affreightment, profitability has improved significantly by proactively taking in spot cargoes.
Large Gas Carrier	+0.6	We secured stable net sales mainly from existing medium- to long-term contracts. In addition, a market-linked vessel enjoyed favorable market conditions.
Dry Bulk Carrier	▲1.8	Although we secured profitability that exceeded initial forecasts and made efforts to efficiently allocate and operate vessels, profits declined due to market conditions.
Real Estate	▲0.2	Office floors continued to operate smoothly and maintained stable net sales, but repair and maintenance costs increased.
Other	+0.2	Profit increased due to the impact of yen's depreciation and other factors.



The following is a year-on-year comparison of operating income by vessel segment. The dry bulk carrier business was severely affected by the softening market and fell to a loss of 1.8 billion yen.

On the other hand, chemical tankers, the mainstay of our oceangoing shipping business, posted an increase of 0.2 billion yen, a slight improvement on the previous year. This was due to improved profitability of operations by proactively taking on spot and other cargoes.

Forecast for FY2023

Consolidated Financial Forecasts							(Billion Yen)	
	FY2023 Forecast			Previous Forecast			FY2022 Result	
	1H	2H	Full Year	1H	2H	Full year	Full Year	Difference
Net Sales	67.6	67.4	135.0	65.0	63.0	128.0	141.3	▲6.3 (▲4.5%)
Operating Profit	8.8	7.4	16.2	7.4	5.6	13.0	20.0	▲3.8 (▲19.0%)
Ordinary Profit	10.4	7.0	17.4	7.9	5.4	13.3	20.9	▲3.5 (▲16.7%)
Net Income	9.7	7.8	17.5	7.3	5.0	12.3	23.4	▲5.9 (▲25.2%)
Exchange Rate (/¥)	¥139.93	¥145.00 (3Q) ¥140.00 (4Q)	-	¥133.00 (2Q)	¥128.00	-	¥135.07	-
Bunker Price (/MT)*1	\$597	\$700	-	\$610 (2Q)	\$610	-	\$802	-
Market assumption of Dry Bulk	Panamax (\$/day) \$10,562*2			\$12,500 (2Q)			\$16,274*2	
Small Handy (\$/day)	\$8,739*2			\$11,500 (2Q)			\$14,647*2	

*1 Compliant fuel oil (Very Low Sulfur Fuel Oil)
*2 Pacific Round (Source: Tramp Data Service)

Sensitivity on Ordinary Profit

Exchange rate (2H)*3:
per 1 Yen/\$ Change

74 Million Yen / Half Year

** Exchange rate sensitivity excludes foreign exchange gains/losses

Ratio of market exposure (spot**4) in fleet

(As of Oct. 31, 2023 forecast, to be updated in every 2Q/4Q)

VLCC	0%
Chemical Tankers*5	25%
Large LPG Carriers / Ammonia Carrier	14%
Large LNG Carriers*6	0%
Panamax and Small Handy Dry Bulk Carriers	54%
Dedicated Carriers	0%

Large crude oil tankers, large gas (LNG) carriers, and dedicated carriers comprise only medium- and long-term contracts that are not affected by market conditions.

** Contract on a per-voyage basis. (Not long-term)

** Not including time charter and other vessels

** The calculation includes 1 owned vessel, 24 LNG carriers are jointly owned or involved in the portfolio companies

The escalation of tensions in the Middle East due to Israel conflict, has not had any impact on our business performance at this point, and we have not incorporated any impact into our full-year earnings forecast. If it becomes necessary to revise our earnings forecast in light of the situation in the Middle East, we will promptly disclose the revised forecast.

I would like to explain our full-year forecast for FY2023. The left side of the slide shows the latest full-year forecast for FY2023 announced yesterday, the centre shows the forecast previously announced at the end of July, and the right side shows the actual results for FY2022.

In its latest forecast announced yesterday, the company raised its full-year forecasts for net sales, operating profit, ordinary profit, and net income to 135.0 billion yen, 16.2 billion yen, 17.4 billion yen, and 17.5 billion yen, respectively.

The average exchange rate for the second half of the year, on which this forecast is based, is expected to be 145 yen for the third quarter and 140 yen for the fourth quarter. The average bunker oil price is \$700 for both the third and fourth quarters. The market assumptions for dry bulk carriers for the second half of the year are \$13,000 for panamax-type vessels and \$11,000 for small handy-type vessels.

Please see the right side of the slide. As for exchange rate sensitivity, the impact on ordinary income per 1 yen of fluctuation is 74 million yen in six months.

The spot share of the fleet is 25% for chemical tankers, 14% for large gas carriers (LPG and ammonia) and 54% for panamax and small handy dry bulk carriers.

In addition, the escalation of tensions in the Middle East following the Israeli-Palestinian conflict that broke out last month is not currently having an impact on the Group's performance and has not been

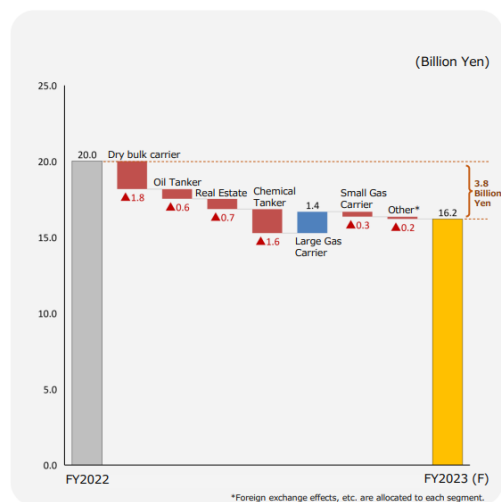
factored into our full year earnings forecast. If, however, it becomes necessary to revise our earnings guidance in the future, we will announce such revisions promptly.

Operating Profit (FY2022 vs FY2023 Forecasts (As of Oct. 31))

Breakdown of Operating Profit Changes FY2022 vs FY2023 Forecasts (as of Oct.31)

(Billion Yen)

Oil Tanker	▲0.7	Decrease in operation due to the sale of a vessel in the previous fiscal year and docking of some vessels, although we continue to keep our fleets to long-term contracts.
Chemical Tanker	▲1.6	Market conditions are expected to remain strong, but expected to drop from the previous fiscal year.
Large Gas Carrier	+1.4	VLGC market conditions are expected to increase.
Dry Bulk Carrier	▲1.8	Market conditions are expected to improve moderately with the recovery of the Chinese economy, but are forecasted to fall from the previous fiscal year.
Small Gas Carrier	▲0.3	Though we continue to keep our fleets to the existing contracts, operating income is expected to decline due to higher crew and other costs.
Real Estate	▲0.7	Office floor occupancy rate remains at high levels, however, management and repair costs are expected to increase.



This is a comparison between the actual results for FY2022 and the forecast for FY2023. We expect chemical tankers to decline by 1.6 billion yen and dry bulk carriers by 1.8 billion yen, the reasons for which are shown on the slide. Market conditions will be reported later.

With regard to this factor, the market for chemical tankers in particular, which surged in the previous fiscal year, is expected to firm up in the current fiscal year, but is expected to decline compared with the previous fiscal year.

Real estate is down by 0.7 billion yen. This is due to, among other things, rising electricity costs and increased management and repair costs, despite high occupancy rates for office space.

Chemical Tanker Market Outlook

The inflow of newbuildings and product tankers into the chemical tanker market is limited, and the market is expected to remain firm. Regional conflicts and global economic slowdown is a cause for concern.

- The number of chemical tankers being delivered remains low and the inflow of newbuildings into the market is limited. In addition, the inflow of product tankers into the chemical tanker market is also limited due to the firm product tanker market (orderbook against existing vessels is about 7%).
- Ocean freight volumes continued to increase due to strong demand for the transport of chemical products from Asia, the U.S., and the Middle East to Europe and the transport of biofuels from Asia to Europe.
- Despite concerns about the conflicts in Ukraine and Israel and the global economic slowdown, the chemical tanker market is expected to remain strong as new petrochemical plants are scheduled to start operations in the Middle East and North America.

⇒Market conditions are expected to stay firm, though not as firm as FY2022 levels.

We have revised the assumptions for our earnings forecast due to expected upward trend in market conditions compared to the previous disclosure (July 31, 2023).

I would like to explain three market forecasts for FY2023: chemical tankers, large LPG carriers and dry bulk carriers. First, I will touch upon the market outlook for chemical tankers. In summary, the inflow of newbuildings and product tankers into the chemical tanker market will be limited and the market is expected to remain firm. Regional conflicts and the global economic slowdown are concerns.

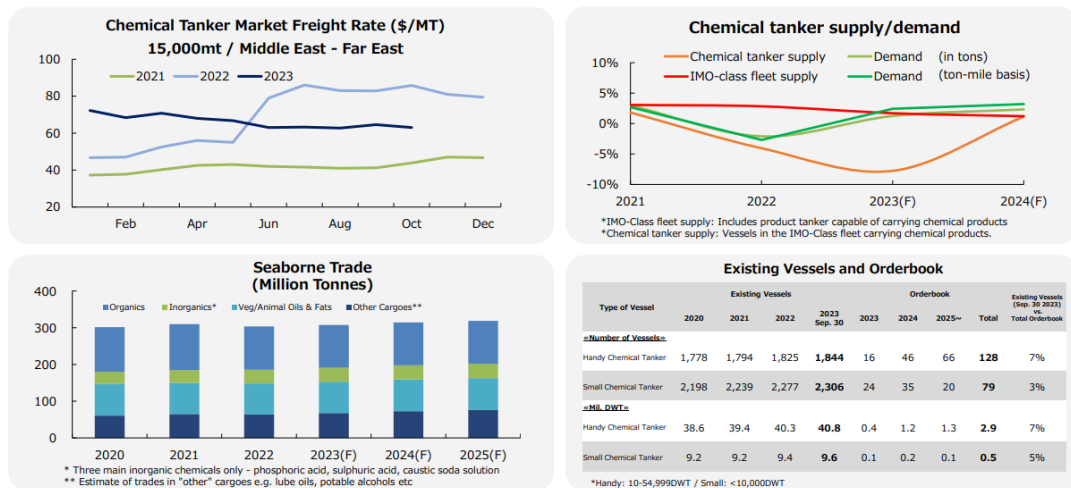
The number of new chemical tanker deliveries is limited and, as shown in red on the slide, the order backlog for existing vessels is around 7%, which is not very high.

Demand for seaborne transport of chemical products from Asia, the US, the Middle East and other regions to Europe, as well as biofuels from Asia to Europe, remains strong and voyage distances are increasing.

Although the conflicts in Ukraine and Israel and the global economic slowdown are concerns, we expect the chemical tanker market to remain strong due to the planned commissioning of new petrochemical plants in the Middle East and North America.

Chemical Tanker Market Outlook

(Compiled by the Company from various sources)



The chart on the top right of the slide shows the supply and demand of chemical tankers. The orange line shows the supply of ships (chemical tanker supply), which has fallen below -5 percent in FY2023, but is very limited.

On the other hand, the green line shows the demand for transport, which has not changed much since FY2021. The lower left graph shows the volume of chemical products transported by sea, and there is not much change in the forecast from FY2023 to FY2025.

Against this background, a look at the freight market conditions in the chemical tanker market in the upper left-hand corner shows that freight rates for FY2023 in the dark blue line have remained largely unchanged, with a slight decline since January.

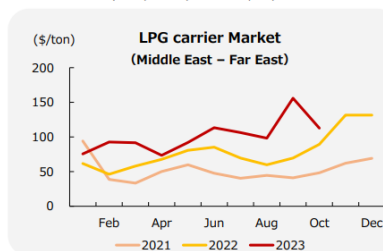
In contrast, rates for FY2022, the light blue line, increased after May and have remained at a higher level. In FY2021, the yellow-green line remained around \$40 throughout the year, and the graph shows that fares in FY2023 are between those of FY2021 and FY2022.

Large Gas (LPG) Carrier Market Forecast

The market will remain firm despite the impact of the worsening supply-demand balance for shipping capacity.

- In FY2023, about 23 newlybuilding VLGCs, or about 6% of the existing fleet, are scheduled to be completed, and although there are a certain number of old vessels over 20 years old, the number of vessels is relatively young, and a **significant reduction in the number of vessels is not expected** due to the scrapping of vessels.
- **On the other hand, the deterioration in the supply-demand balance due to the completion of newbuildings is expected to be partially offset by vessel congestion in the Panama Canal and slow steaming** to comply with EEXI regulations and CII, which have started to be applied from 2023.
- LPG supply is expected to be firm due to increased export capacity at major ports in North America. On the demand side, petrochemical demand for PDH plants in China and robust consumer demand in India and Southeast Asia are expected.
- In addition to the support of maritime cargo movement on both the supply and demand sides, **the ton-mile increase** due to long-distance voyages taking advantage of the East-West arbitrage price differential is **expected to continue to be firm**.

(Compiled by the Company from various sources)



Outlook for the bulk LPG carrier market. The market is expected to remain robust, although there are concerns about the impact of the worsening ship supply and demand balance. The slide lists four reasons for this. Positive factors are expected to include demand for PDH plants in China and robust consumer demand in India and South East Asia.

In addition, while the volume of LPG transported from North America is increasing, large gas carriers are sailing through the Panama Canal to transport LPG to Asia, and the supply and demand for shipping capacity is tightening as vessels become increasingly congested in the Panama Canal.

On the negative side, around 23 new large LPG carriers are scheduled for delivery in FY2023, representing around 6% of the existing fleet.

As shown in the graph of spot freight rates for large LPG carriers, the rates for FY2023 are higher than those for FY2021 and FY2022.

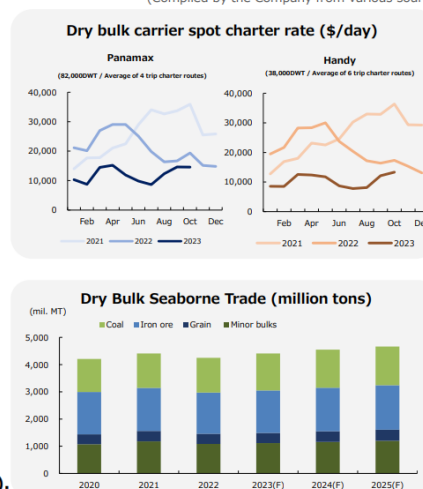
Dry Bulk Carrier Market Forecast

There is a forecast for a market recovery as the Chinese economy recovers, though we need to continue to monitor it closely.

- Despite some soft market conditions due to high inflation and the sluggish Chinese economy, the market has been on a gradual recovery path since the summer due to increased demand from major countries and the stagnation of vessels in the Panama Canal.
- Regarding future market conditions, although high inflation and prolonged monetary tightening are concerns, once the Chinese, U.S., and European economies are on a recovery track, combined with a seasonal increase in grain shipments, an increase in seaborne trade volume is expected toward the end of the fiscal year. On the supply side, there is also relatively little pressure for an influx of newbuildings.
- However, market volatility factors due to geopolitical risks and other factors still exist and should continue to be monitored closely.

⇒Market conditions are expected to rise toward the end of the FY2023. However, we have revised our forecast based on the assumption that the recovery period will be delayed from the previous disclosure (July 31, 2023).

(Compiled by the Company from various sources)



This is the outlook for the dry bulk shipping market. Although there are some predictions of a recovery trend in line with the economic recovery in China, it is necessary to continue to monitor the market closely.

The chart on the top right of the slide shows the spot charter rates for dry bulk carriers. Looking at the three-year market trends for Panamax and Handy, we see that rates for FY2023 are at their lowest in three years, with the slowdown of the Chinese economy being a key factor.

Numerical Financial Targets

(Billion yen)						
	FY 2022 Result	FY2023		FY2024	FY2025	FY2030 Plan
		Plan	Forecast (as of Sep. 31)	Plan	Plan	
Exchange Rate Assumptions	135.07 Yen/\$	125 Yen/\$	-	125 Yen/\$	125 Yen/\$	
Bunker Oil Price ¹ Assumptions	\$ 802/MT	\$ 700/MT	-	\$ 700/MT	\$ 700/MT	
Net Sales	141.3	123.0	135.0	120.0~130.0	125.0~135.0	190.0
Operating Profit	20.0	11.7	16.2	12.0~13.0	13.0~14.0	21.0
Shipping	16.2	8.6	13.1	8.5~9.3	9.3~10.0	15.0
Real Estate	3.8	3.1	3.1	3.5~3.7	3.7~ 4.0	6.0
Ordinary Profit	20.9	11.1	17.4	11.5~12.5	13.0~14.0	20.0
Net Income	23.4	10.0	17.5	11.0~12.0	12.0~13.0	18.0
EBITDA ²	34.2	25.5	30.3	27.0~28.0	28.0~29.0	44.0
ROE	23.3%	9%	14.3%	9~10%	9~10%	10% or more
ROIC ³	11.2%	4.5%	7.3%	4~5%	4~5%	5% or more
D/E Ratio	1.04	Max. 1.5	1.06	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

I would like to discuss the progress of our mid-term management plan, which was announced in May 2023. The slide shows the numerical targets of the mid-term management plan for the three years from FY2023 to FY2025, and the full-year forecast for FY2023 as of 31 October 2023.

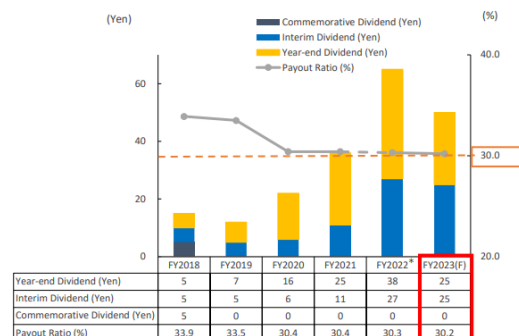
We expect to outperform our plan for FY2023. ROE, ROIC, etc. are newly included in our full-year forecast for the current fiscal year, and we are currently outperforming our planned figures.

Shareholder Returns (Dividends)

Dividend forecast for FY2023

Provide greater clarity on the link between dividend amounts and profit growth, and increase returns to shareholders through improved business performance. Continue performance-based dividend hinging on a stable consolidated dividend payout ratio of 30%.

	Dividend per share		
	Interim	Year-end	Total
Previous Forecast (as of 7/31)	18	17	35
FY2023			
Revised Forecast (as of 10/31)	25	25	50
FY2022 Results	27	38	65



*Actual figures before applying retrospective adjustments due to changes in accounting policy.

This slide shows our shareholder return policy (dividends). We continue to link dividend payments to business performance based on a consolidated payout ratio of 30 percent, and in the dividend forecast announced on 31 October 2023, we revised the interim dividend forecast to 25 yen and the year-end dividend forecast to 25 yen, for an annual dividend of 50 yen.

The graph on the right side of the slide shows the development of dividends, and we continue to pay dividends based on a consolidated payout ratio of 30 percent.

Sustainability / Business Topics

Initiatives and progress until October 2023

<ul style="list-style-type: none"> Allocate Management Resources to Growth Businesses Expansion of Global Business Promotion of Environmental Initiatives and Investments Business Infrastructure Strategy 	<ul style="list-style-type: none"> Formulation and Implementation of Plan to Realize a Decarbonized Society Strengthening of Human Capital Addressing Respect for Human Rights Acceleration of DX Ship and building management quality improvement Strengthening governance Improve cost competitiveness
Selected as a component of the JPX-Nikkei Mid and Small Cap Index	Aug.16 <small>*Japanese text only</small>
IINO Supports Earthquake Victims in Morocco	Sep.15
Release of Integrated Report 2023	Sep.19
Establishment of the IINO Group Social Contribution Policy	Sep.28
Conducted Response Drill on a Major Accident Scenario	Oct.5
Demonstration Test on Marine Transportation of Copper Slag Using Biodiesel Fuel	Oct.10
Adaption of the AI-powered Crew Matrix Planning Program	Oct.30

Installation of wind propulsion aids Rotor Sails on the VLGC and the dedicated coal carrier

Two rotor sails on the new VLGC (3/31) and one on the dedicated coal carrier (7/6) are to be installed

Estimates that the rotor sails will reduce the fuel consumption and CO₂ emissions from the vessel by approximately 4% on the VLGC and by approximately 6-10% in combination with the navigation optimization system on the dedicated coal carrier.

This is the world's first case of the Norsepower™ Rotor Sails on a dedicated coal carrier.

IINO will continue to actively promote initiatives for clean marine transport services to become carbon neutral in line with the theme set out in the mid-term management plan.



Adaption of the AI-powered Crew Matrix Planning Program

IINO has adopted an AI-based Crew Matrix Planning program

By combining IINO's expertise in crew change planning with expertise in state-of-the-art software programming of Greywing, a Singapore-based technology startup, the AI crew change planning program was completed.

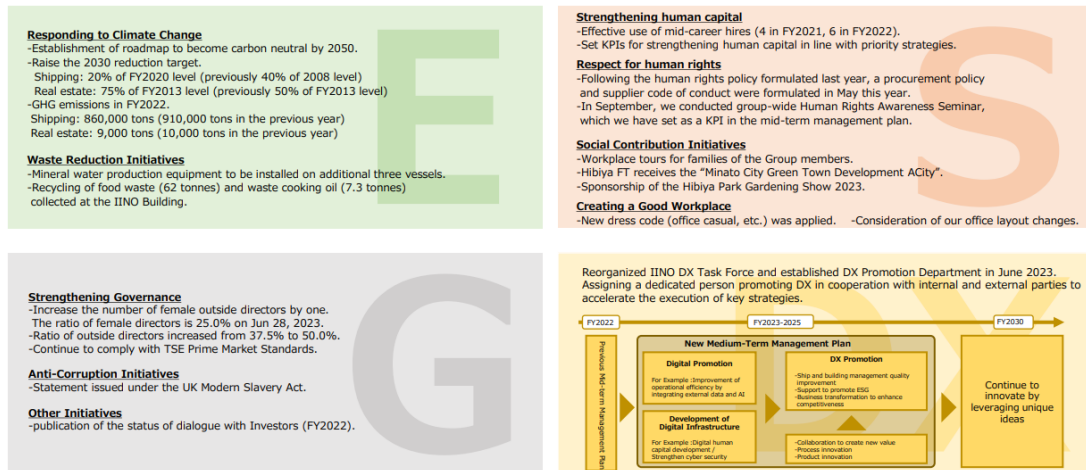
This program will enable automatic and real-time planning linked to the seafarer database and creating a shift plan for the next 18 months, etc.

In its mid-term management plan, the IINO Group has identified "Accelerating DX Promotion" as one of the business foundations strategies. By automating the routine work of planning crew change, we will reduce the workload of maritime engineers in the ship management sector and reallocate their expertise to projects with higher economic added value and solutions to social issues such as decarbonization. Thereby, we will strengthen our efforts to realize the economic and social values outlined in the mid-term management plan.

This is about our progress in sustainability. As an environmental measure for ships, we have decided to install wind-powered propulsion auxiliaries and rotor sails, as shown in the photo in the top right-hand corner of the slide. Rotor sails are tubes called rotors that are placed on the deck of a ship and rotated by wind power to provide propulsion.

In addition, as we recently announced in a press release, we will adopt an AI-based crew change allocation planning program to improve the efficiency of crew change allocation planning.

ESG and DX Promotion Initiatives



Finally, I would like to highlight our efforts to promote ESG and DX. As indicated by the "S" in the top right-hand corner of the slide, we have been promoting human rights initiatives since last fiscal year. Following the Human Rights Policy formulated last year, we formulated our Procurement Policy and Supplier Code of Conduct in May this year. We are working on respect for human rights, human rights KPIs, etc., and conducting training for Group executives and employees.

This is a summary of the financial results for the second quarter ended 31 March. This concludes my presentation. Thank you very much.

End