

IINO Lines posted year-on-year increases in net sales and operating income in second quarter, thanks to favorable market conditions for chemical tankers and a weaker yen

This is a transcript of FY2024 interim financial results briefing, which was held on November 1, 2024.
Speaker: Yusuke Otani, President and Representative Director

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Hello everyone. I'm Yusuke Otani, the President and CEO of IINO KAIUN KAISHA, LTD. Thank you very much for taking the time to participate in the fiscal year2024 interim financial results briefing despite your busy schedules.

Today, I will explain the overview of the fiscal year2024 interim financial results, the full-year performance forecast, and the outlook for future market conditions. I will also discuss the progress of our current mid-term management plan, "The Adventure to Our Sustainable Future".

Financial Highlights

FY2024 2Q Results : Increase in net sales and operating profit

| | Net Sales | Operating Profit | Ordinary Profit | Net Income |
|------------------|-------------|------------------|-----------------|------------|
| FY2023 2Q | 67.6 | 8.8 | 10.4 | 9.7 |
| FY2024 2Q | 74.0 | 9.9 | 9.0 | 9.6 |
| Year on Year | +9.5% | +12.2% | ▲13.6% | ▲0.4% |

FY2024 Full-year forecasts:

| | Net sales | Operating Profit | Ordinary Profit | Net Income |
|-----------------------------------|--------------|------------------|-----------------|-------------|
| Previous Forecast (Jul. 31) | 145.0 | 19.2 | 18.4 | 17.2 |
| Revised Forecast (Oct. 31) | 146.0 | 17.4 | 16.9 | 17.2 |
| Previous vs Revised | +0.7% | ▲9.4% | ▲8.2% | 0.0% |

[Go to P11 for details](#)

Compared to the previous forecast (as of July 31), chemical tanker market conditions remained at high levels, however, operating profit and ordinary profit declined due to factors including the foreign exchange effects of the rapid appreciation of the yen. From the third quarter onward, although chemical tanker market conditions are expected to remain at high levels, profit levels were below initial expectations given the forecast incorporated rising costs including upward trends in labor expenses. On the other hand, due to a review of tax expenses, the net income attributable to owners of the parent company remained at the same level as in the previous forecast.

Dividend forecast for FY2024:
Full-year dividend of 49 yen per share

| | Interim | Year-end | Total |
|----------------------------------|-----------|-----------|-----------|
| FY2023 Results | 25 | 31 | 56 |
| FY2024 Forecast (Oct. 31) | 25 | 24 | 49 |
| Difference | 0 | ▲7 | ▲7 |

[Go to P22 for details](#)

Based on the dividend policy (payout ratio of 30%), we plan to pay an interim dividend of 25 yen and a year-end dividend of 24 yen, for an annual dividend of 49 yen. (No changes since the disclosure on July 31)

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Now, I will begin by explaining the results of the fiscal year 2024 interim financial results. For the interim period, we recorded sales of 73 billion 990 million yen, operating profit of 9 billion 890 million yen, ordinary profit of 8 billion 950 million yen, and net profit of 9 billion 630 million yen.

In the shipping industry, we enjoyed favorable conditions primarily in the chemical tanker, and due to the depreciation of the yen, we saw an increase in both sales and operating profit year-on-year.

However, in ordinary profit, we recorded a decrease year-on-year due to a sharp appreciation of the yen towards the end of the interim period, which led to foreign exchange losses from the revaluation of foreign currency-denominated assets and liabilities. Nevertheless, net profit remained almost flat due to gains from the sale of aging fixed assets and investment securities.

I will provide detailed explanations of the full-year performance forecast and dividend expectations later.

| Consolidated Financial Results | | | | | Financial Results by Segments | | | | |
|--------------------------------|-----------|-----------|--------------|---------|--------------------------------|-----------|-----------|--------------|---------|
| (Billion Yen) | | | | | (Billion Yen) | | | | |
| | FY2024 2Q | FY2023 2Q | Year on Year | | | FY2024 2Q | FY2023 2Q | Year on Year | |
| | | | Difference | % | | | | Difference | % |
| Net Sales | 74.0 | 67.6 | +6.4 | +9.5% | Net Sales | 74.0 | 67.6 | +6.4 | +9.5% |
| Operating Profit | 9.9 | 8.8 | +1.1 | +12.2% | Oceangoing Shipping* | 61.7 | 56.1 | +5.5 | +9.9% |
| Ordinary Profit | 9.0 | 10.4 | ▲ 1.4 | ▲ 13.6% | Domestic / Short-sea Shipping* | 5.7 | 5.0 | +0.7 | +14.6% |
| Net Income | 9.6 | 9.7 | ▲ 0.1 | ▲ 0.4% | Real Estate | 6.7 | 6.5 | +0.2 | +2.3% |
| Exchange Rate (¥/\$) | ¥153.89 | ¥139.93 | +¥13.96 | - | Operating Profit | 9.9 | 8.8 | +1.1 | +12.2% |
| Bunker Price (¥/MT)* | \$637 | \$597 | +\$40 | - | Oceangoing Shipping* | 8.1 | 6.9 | +1.2 | +16.7% |
| | | | | | Domestic / Short-sea Shipping* | 0.2 | ▲ 0.0 | +0.3 | -% |
| | | | | | Real Estate | 1.6 | 1.9 | ▲ 0.4 | ▲ 18.7% |

* Compliant fuel oil (Very Low Sulfur Fuel Oil)

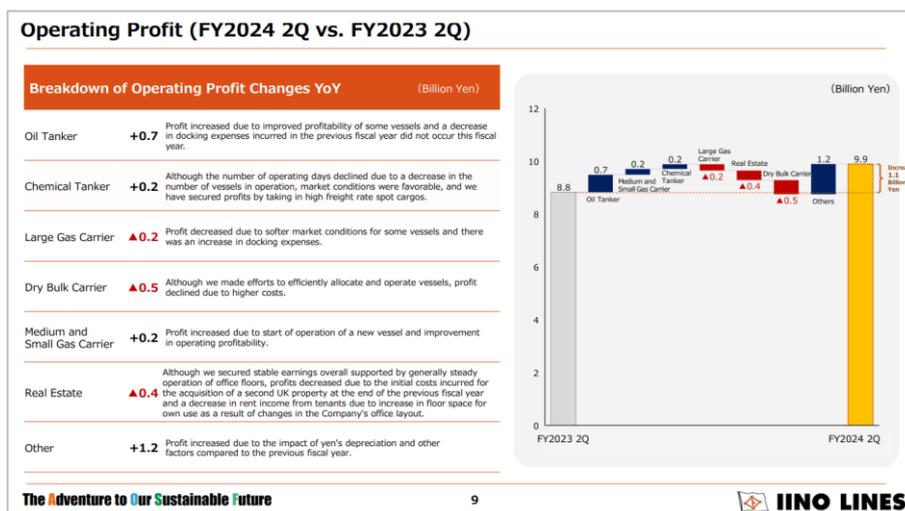
*Due to reorganization, some vessels previously included in the "Oceangoing Shipping" were changed to the "Domestic / Short-sea Shipping".

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Next, I will explain the financial results by segment. As mentioned earlier, in oceangoing shipping segment, we experienced an increase in sales and profits year-on-year due to the impact of the weaker yen and the continued strong market for chemical tankers.

In the real estate sector, our owned buildings maintained stable occupancy, and the income from the second building acquired in the U.K. contributed to increased revenue.

On the other hand, income decreased due to the initial cost of real estate in the U.K. and a decrease in external tenant rent income as a result of increasing the floor space in the Iino Building for in-house use in order to make it easier for employees to work.



This page shows the difference in operating profit by segment compared to the same period last year. Overall, the operating profit for this interim period was approximately 9 billion 900 million yen, representing an increase of 1 billion 100 million yen year-on-year.

In our core business, chemical tanker, although there was a decrease in operations due to the return of

two vessels during the interim period, we maintained stable price movements, particularly for COA cargo, and efficiently captured high-freight rate spot cargo, resulting in an increase of 180 million yen in profit.

The large LPG carriers experienced a softening market due to an imbalance in supply and demand caused by improvements in the Panama Canal and the influx of new vessels.

Although our main business is medium- to long-term contracts, one vessel is on a market-linked contract, which was affected by this softening market. Additionally, due to the increase in docking expenses, we recorded a decrease in profit of 240 million yen.

In the dry bulk segment, while the Handy-sized market remained relatively strong, the Post-Panamax market softened due to a decrease in the volume of iron ore and grain transported to China after summer. Post-Panamax vessels benefited from favorable market conditions until summer, higher shipping costs also had an impact, leading to a decrease in profit of 540 million yen.

In the real estate, as mentioned earlier, our domestic owned buildings continue to be fully occupied, maintaining stable income. However, due to the initial costs for UK real estate and the increase in our own usage of IINO building, which led to a decrease in rental income from external tenants, we recorded a decrease in profit of 360 million yen.

Other segments saw an increase in profit due to the depreciation of the yen.

| Forecast for FY2024 | | | | | | | | | | |
|--|---------------------------------|------------|------------|------------|--------------|------------------------------------|---------|-----------|---------------|---------------|
| Consolidated Financial Forecasts (Billion Yen) | | | | | | | | | | |
| | FY2024 Forecast (as of Oct. 31) | | | | | Previous Forecast (as of July. 31) | | | FY2023 Result | |
| | 1Q | 2Q | 1H | 2H(F) | Full Year(F) | 1H | 2H | Full Year | Full Year | Difference |
| Net Sales | 38.2 | 35.8 | 74.0 | 72.0 | 146.0 | 75.0 | 70.0 | 145.0 | 138.0 | +8.1 (+5.8%) |
| Operating Profit | 5.3 | 4.6 | 9.9 | 7.5 | 17.4 | 10.7 | 8.5 | 19.2 | 19.1 | ▲1.7 (▲8.7%) |
| Ordinary Profit | 6.4 | 2.5 | 9.0 | 8.0 | 16.9 | 9.5 | 8.9 | 18.4 | 21.8 | ▲4.9 (▲22.5%) |
| Net Income | 6.7 | 2.9 | 9.6 | 7.6 | 17.2 | 9.6 | 7.6 | 17.2 | 19.7 | ▲2.5 (▲12.9%) |
| Exchange Rate(¥/¥) | ¥155.02 | ¥152.77 | ¥153.89 | ¥150.00 | ¥151.95 | - | ¥150.00 | ¥151.25 | ¥143.82 | - |
| Bunker Price(¥/MT)*1 | ¥649 | ¥626 | ¥637 | ¥630 | ¥634 | - | ¥650 | ¥650 | ¥620 | - |
| Market Assumption of Dry Bulk Carriers | Panamax(\$/day) | \$15,843** | \$13,233** | \$14,507** | \$16,500 | - | - | \$17,000 | \$12,238** | - |
| | Small Handy(\$/day) | \$13,493** | \$13,826** | \$13,663** | \$13,500 | - | - | \$13,000 | \$9,352** | - |
| Market Assumption of Chemical Tankers | 19,999dwt 1yr TC Rate (\$/day) | \$21,750** | \$21,417** | \$21,583** | \$21,500 | - | - | \$21,500 | \$19,083** | - |
| Market Assumption of Large Gas (LPG) Carriers | Middle East - Far East (MT) | \$72.2** | \$53.0** | \$62.6** | \$60.0 | - | - | \$60.0 | \$102.7** | - |

| Sensitivity on Ordinary Profit | | Ratio of Market Exposure (spot**) in Fleet | |
|--|--|--|-----|
| Exchange rate*5: | | VLCC | 0% |
| per 1 Yen/\$ Change About 85 Million Yen/ 6 months | | Chemical Tankers*7 | 24% |
| | | Large LPG Carriers | 13% |
| | | Large LNG Carriers*8 | 0% |
| | | Panamax and Small Handy Dry Bulk Carriers | 34% |
| | | Dedicated and Woodchip Carriers | 0% |

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 and 24 LNG carriers jointly owned or involved in the portfolio companies

Next, I will explain the full-year performance forecast for fiscal year 2024.

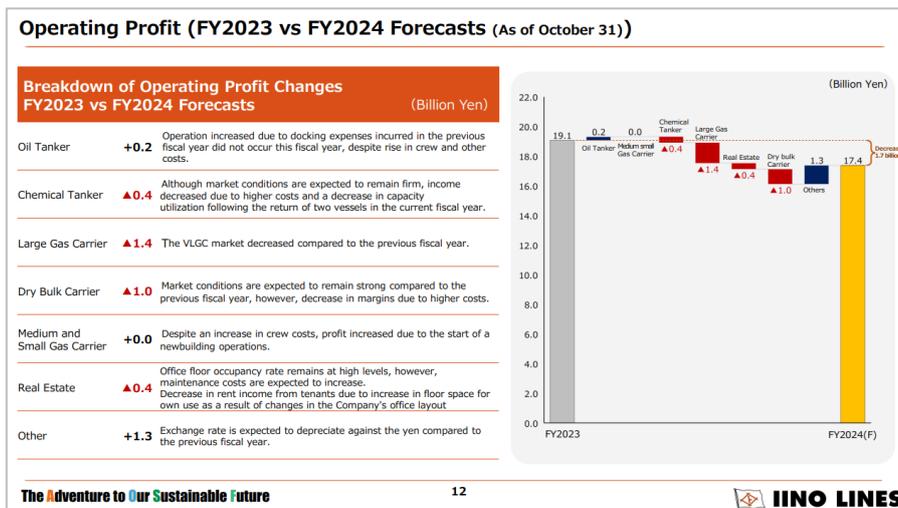
We anticipate full-year results of 146 billion yen in sales, 17 billion 400 million yen in operating profit, 16 billion 900 million yen in ordinary profit, and 17 billion 200 million yen in net profit.

Compared to the disclosure at the end of July, we expect a decrease in operating profit of 1 billion 800 million yen and a decrease in ordinary profit of 1 billion 500 million yen. This is primarily due to the rapid appreciation of the yen from July to September, which diminished our earnings, as well as the anticipated increases in labor and shipping costs.

While operating profit and ordinary profit are expected to decrease compared to previous forecasts, net income is expected to remain at the same level as the previous forecast due to adjustments in tax expenses.

The market assumptions are as noted, compared to the previous forecast, the Panamax is expected to decrease by 500 dollars, the Small Handy is expected to increase by 500 dollars, and the chemical tankers and large LPG carriers are expected to remain flat.

The exchange rate remains unchanged at 150 yen. The sensitivity to 1 yen is estimated to impact the operating profit for the second half of the fiscal year by approximately 85 million yen.



The waterfall graph on this page shows the difference between the actual operating profit by segment for the fiscal year 2023 and the forecast for fiscal year 2024.

Compared to the previous year's actual profit of 19 billion yen, the current fiscal year is expected to see a decrease of approximately 1.7 billion yen due to factors such as the lack of strength in the shipping market until last year and increased costs, although there are factors to increase profits due to the expected depreciation of the yen.

In the chemical tanker, while the market is expected to remain stable, we anticipate a decrease in profit of about 400 million yen due to a decrease in operation resulting from the return of two vessels due to the expiration of their contracts and higher costs.

Looking ahead, two new vessels are scheduled to be completed in fiscal year 2025 and one in fiscal year 2027, so we believe the decrease in operations will be temporary.

In the large gas carrier, the market has stabilized from the levels that surged last autumn, but the influx of new vessels has increased. Additionally, in the US, a major exporting country, fluctuations in weather and domestic demand have affected supply, leading to sharp volatility in freight rates.

Under these circumstances, although there have been favorable contract renewals for some vessels, we expect a decrease in profit of about 1 billion 400 million yen due to a reaction from the very strong performance of the previous year.

In the dry bulk carrier, while the market is expected to remain stable compared to last year, we anticipate a decrease in profit of 1 billion yen due to rising vessel costs.

In the real estate, office floors are maintaining steady operations and stable income, but we expect a decrease in profit of 400 million yen due to reduced rental income from external tenants caused by increased space for in-house use and the initial costs of acquiring real estate in the UK.

Chemical Tanker Market Forecast for FY2024

The inflow of newbuildings is limited, and the market is expected to remain firm, however, the global economic trends and China's economic stagnation are the concerns.

- Currently, the market for product tankers that compete with chemical tankers has weakened slightly due to seasonal factors leading to weak demand, and the inflow of product tankers into the chemical tanker market has increased slightly. However, deliveries of chemical tankers remain low, and the inflow of newbuildings into the market is limited (orderbook against existing vessels is approximately 2.2%).
- The market remained firm due to the continued detour of vessels around the Cape of Good Hope due to the worsening situation around the Red Sea, which has increased transport distances, and several new petrochemical plants are scheduled to come on stream in the Middle East and North America through 2027.
- On the other hand, there are concerns about the impact of geopolitical tensions in Ukraine and the Middle East on the global economy and prolonged economic stagnation in China.

Next, I will explain the future market outlook for shipping and real estate.

First, I will explain the chemical tanker market outlook.

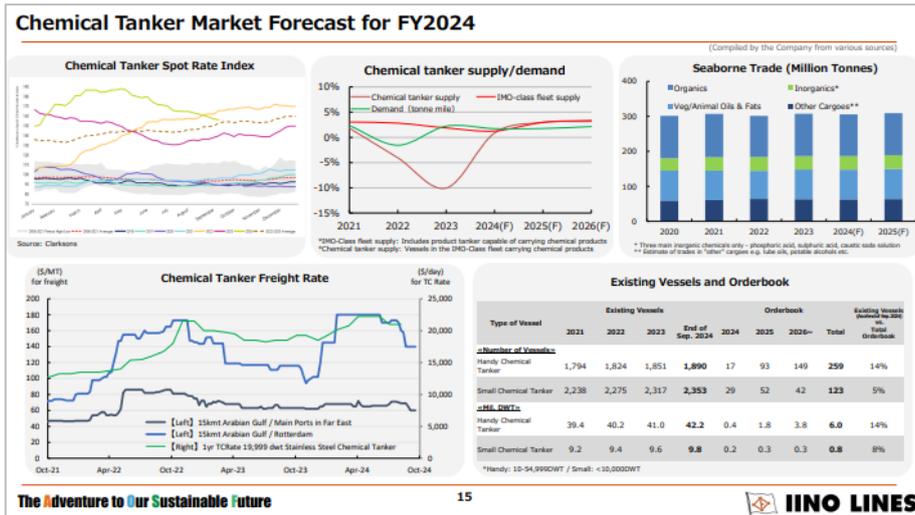
The inflow of newbuilding is limited, and while the market is expected to remain firm, concerns about the impact of geopolitical risks on the global economy and the stagnation of the Chinese economy are present.

On the other hand, the current market for competing product tankers is somewhat soft due to seasonal factors leading to weak demand. Some product tankers can also carry cargo that chemical tankers transport, leading to an increase in the influx of product tankers into the chemical tanker market.

The inflow of newbuilding remains limited due to high ship prices and a shortage of shipyard slots, with the orderbook for the second half of fiscal year 2024 accounting for about 2.2% of the existing fleet.

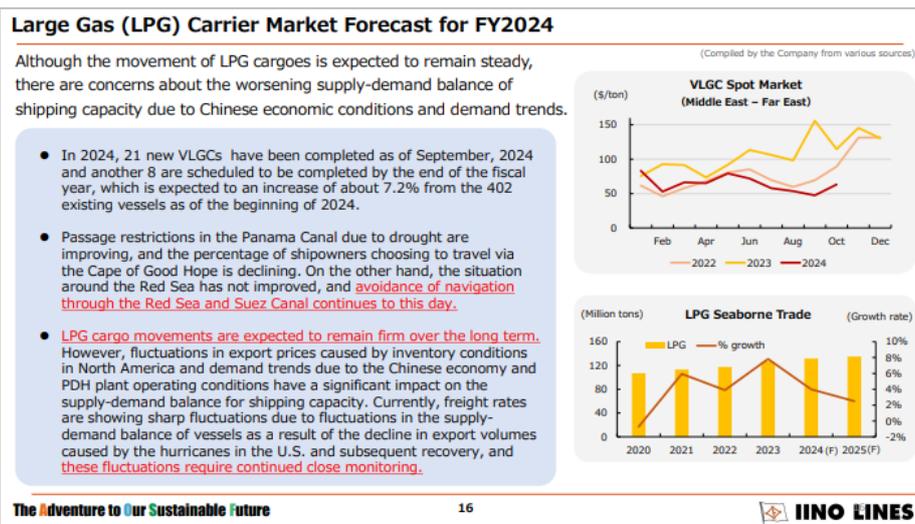
Additionally, the situation around the Red Sea has not improved, and many ships are choosing to bypass the area and go around the Cape of Good Hope, resulting in an overall increase in transportation distance, which is tightening the supply-demand balance for vessels.

Concerns about the impact of geopolitical risks in Ukraine and the Middle East on the global economy and the stagnation of the Chinese economy continue, but with several new plants scheduled to start operations in the Middle East and North America through 2027, an increase in demand is expected, and the market for chemical tankers is anticipated to remain firm.



This is a graph related to chemical tanker indicators. The graph in the upper left shows the spot freight rate index for all routes. The light green line indicates the trend for 2024.

Market conditions surged from around February to early spring 2024 and remained at a high level. Although there is a slight softening trend now, it can be seen that the market is still at high levels, even over the past several years.



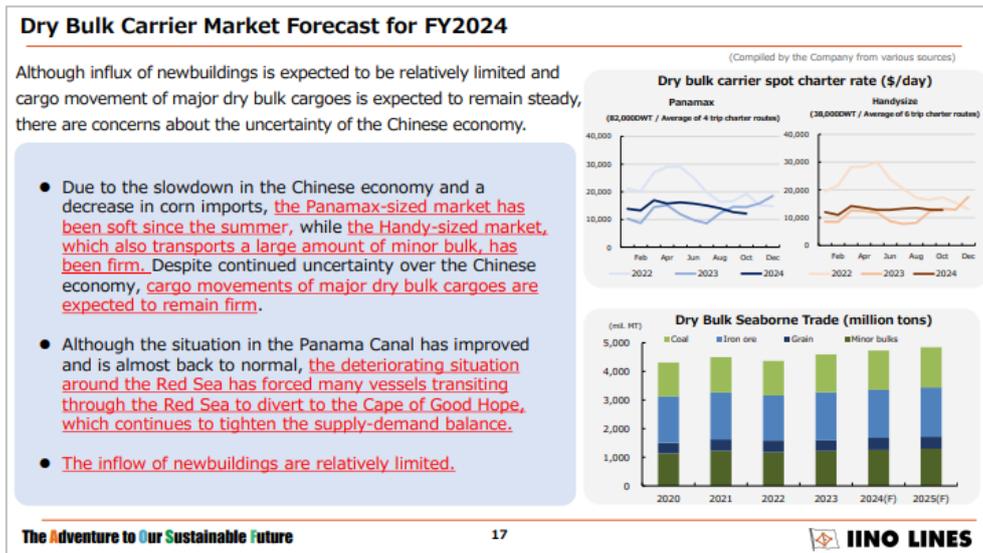
Next, regarding the outlook for the large LPG carrier market. The movement of LPG is expected to remain firm, but there are concerns about an imbalance in the shipping business depending on the economic and demand trends in China, the largest demand country.

In 2024, 21 new vessels have already been delivered, with the remaining 8 scheduled for delivery by the end of the year. The percentage of the orderbook relative to the existing 402 vessels at the beginning of the year is expected to increase by about 7.2 percent.

While the restrictions on the Panama Canal have improved, the ongoing deterioration of the situation in the Red Sea continues to affect navigation days in the Suez Canal for large LPG carriers.

The long-term movement of LPG is expected to remain firm, but currently, due to hurricanes in the US and scheduled maintenance of plants, export volumes have decreased, leading to an oversupply of vessels and falling freight rates, followed by a rebound in export volumes and rising freight rates, resulting in market volatility.

Typically, LPG demand increases in winter, and the market tends to rise, but we will continue to monitor fluctuations in export prices due to inventory conditions in the US and demand trends in China.



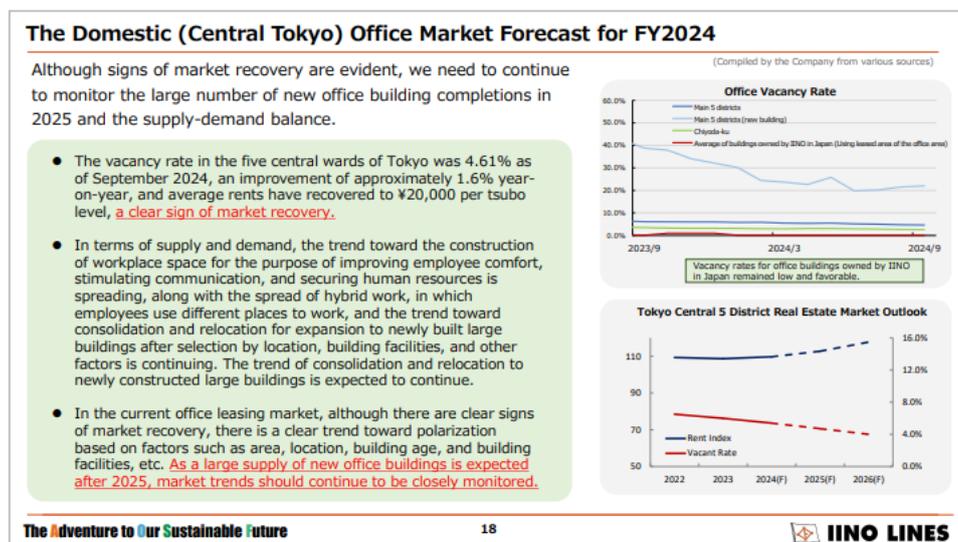
Next, I will explain the outlook for the dry bulk market.

The market for Panamax-sized remained firm from spring to summer, but due to the slowdown in the Chinese economy and a decrease in corn import volumes, the market has softened since summer. On the other hand, the Handy-sized has been relatively stable throughout the current period.

Although the situation in the Panama Canal has improved for dry bulk carriers as well, the deteriorating situation around the Red Sea has forced many vessels transiting through the Red Sea to divert to the Cape of Good Hope, which continues to tighten the supply-demand balance.

In addition to the limited influx of newbuildings, we expect the movement of major dry bulk cargoes to remain steady, but the trends in the Chinese economy are a cause for concern.

Please visit our website in the middle of each month for the latest information on market conditions for chemical tankers, large LPG carriers, and dry bulk carriers.



Next, I will explain the outlook for the office leasing market in central Tokyo in real estate.

As of September, the vacancy rate in the five central wards was 4.61%, indicating signs of market recovery.

On the demand side, we expect the trend of consolidation and expansion relocations to newly constructed large buildings to continue, as conditions to improve the office environment from the viewpoint of securing human resources are spreading.

On the supply side, a large number of new office buildings are scheduled to be completed in 2025, raising concerns about a deterioration in the supply-demand balance.

However, currently, areas and locations with high convenience are preferred, leading to disparities in rental prices. While there are significant signs of market recovery, we continue to closely monitor the supply trends and movements in supply and demand for 2025.

Our company's office buildings are nearly fully occupied, and the vacancy rate remains low compared to the overall market.

| Status of Achievement of Major Numerical Targets (KPIs) | | | | | | | | (Billion Yen) |
|---|---|------------|----------|------------|--------------------------|-----------|---------------------|---------------|
| | FY2022 | FY2023 | | FY2024 | | FY2025 | FY2030 Plan | |
| | Result | Plan | Result | Plan | Forecast (as of Oct. 31) | Plan | | |
| Numerical Financial Targets | Ordinary Profit | 20.9 | 11.1 | 21.8 | 11.5~12.5 | 16.9 | 13.0~14.0 | 20.0 |
| | EBITDA** | 34.2 | 25.5 | 33.3 | 27.0~28.0 | 32.3 | 28.0~29.0 | 44.0 |
| | ROE | 23.3% | 9% | 16.3% | 9~10% | 11~12% | 9~10% | 10% or more |
| | ROIC** | 11.2% | 4.5% | 8.6% | 4~5% | 6~7% | 4~5% | 5% or more |
| | D/E Ratio | 1.04 | Max. 1.5 | 0.90 | Max. 1.5 | About 1.0 | Max. 1.5 | Max. 2.0 |
| Non-Financial Numerical Targets | Number of Serious Accidents** | 0 | 0 | 0 | 0 | - | 0 | - |
| | GHG Reduction Rate Shipping (cumulative from FY2020)** | ▲12.1% a | - | ▲10.7% a | - | - | - | ▲20% |
| | GHG Reduction Rate Real Estate (cumulative from FY2022)** | ▲21.8% | - | ▲40.7% b | - | - | - | ▲75% |
| | Childcare leave utilization rate** | 83% | - | 83% | - | - | 100% | - |
| | Ratio of females in career-track positions (management candidates)** | 16% | - | 17.7% | - | - | 20% | - |
| | Short-term Overseas Training and Expatriate Experience (cumulative total)** | 54 persons | - | 61 persons | - | - | 75 persons and more | - |
| | Human Rights Training Participation Rate | - | 100% | 78.7% | 100% | - | 100% | - |
| | | | | | | | | |

||a: The figures for FY2020 and FY2023 intensity have been revised due to the third-party verification received in October, 2024. Accordingly, the reduction rate for FY2021 through FY2023 have been retroactively revised. ||b: Figures are before third-party verification and may be revised after verification. **Openly disclosed - dependent on related business and based on sharing of offices of non-business investments. ***Net operating profit after adjusted taxes divided capital. ****Serious accidents obtained by the company (meets, holds up and information systems). *****2020 reduction targets cover Scope 1 and 2, and are based on intensity (weight ton miles) for the shipping business and on total volume for the real estate business. Targets for 2020 include Scope 1. ** All of the KPI values are for consolidated position of the Company unless specified. Human capital strategies will be provided throughout the ESG Group.

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Finally, I will explain the progress of the mid-term management plan and our sustainability initiatives. This shows the achievement status of the financial and non-financial numerical targets set as KPIs in the mid-term management plan.

In the first year, the results for the fiscal year 2023 exceeded the financial numerical targets. Details for the fiscal year 2024 will be explained on the next page.

Regarding the GHG reduction rate for the shipping, we have revised the results for the fiscal years 2022 and 2023 from the previous disclosure. The emissions intensity values have been changed as a result of third-party verification of GHG emissions in the fiscal year 2020 and the fiscal year 2023, which are the basis for the calculation. As a result, the reduction rate for the fiscal year 2021 to the fiscal year 2023 has been retroactively revised.

The reduction rate for fiscal year 2023 was 10.7%, which was lower than the previous year's reduction rate, but we aim to steadily work towards the KPI target of a 20% reduction by fiscal year 2030.

Additionally, we plan to undergo third-party verification for the GHG reduction rate in real estate for fiscal year 2023 this November.

| Numerical Financial Targets(Details) | | | | | | | (Billion yen) |
|---|----------------|-----------|-------------|-------------|--------------------------|-------------|---------------|
| | FY 2022 Result | FY2023 | | FY2024 | | FY2025 | FY2030 Plan |
| | | Plan | Result | Plan | Forecast (as of Oct. 31) | Plan | |
| Exchange Rate Assumptions | 135.07yen/\$ | 125yen/\$ | 143.8yen/\$ | 125yen/\$ | 151.95yen/\$ | 125yen/\$ | |
| Bunker Oil Price ¹ Assumptions | \$ 802/MT | \$ 700/MT | \$ 620/MT | \$ 700/MT | \$ 634/MT | \$ 700/MT | |
| Net Sales | 141.3 | 123.0 | 138.0 | 120.0~130.0 | 146.0 | 125.0~135.0 | 190.0 |
| Operating Profit | 20.0 | 11.7 | 19.1 | 12.0~13.0 | 17.4 | 13.0~14.0 | 21.0 |
| Shipping | 16.2 | 8.6 | 15.5 | 8.5~9.3 | 14.3 | 9.3~10.0 | 15.0 |
| Real Estate | 3.8 | 3.1 | 3.5 | 3.5~3.7 | 3.1 | 3.7~4.0 | 6.0 |
| Ordinary Profit | 20.9 | 11.1 | 21.8 | 11.5~12.5 | 16.9 | 13.0~14.0 | 20.0 |
| Net Income | 23.4 | 10.0 | 19.7 | 11.0~12.0 | 17.2 | 12.0~13.0 | 18.0 |
| EBITDA ² | 34.2 | 25.5 | 33.3 | 27.0~28.0 | 32.3 | 28.0~29.0 | 44.0 |
| ROE | 23.3% | 9% | 16.3% | 9~10% | 11~12% | 9~10% | 10% or more |
| ROIC ³ | 11.2% | 4.5% | 8.6% | 4~5% | 6~7% | 4~5% | 5% or more |
| D/E Ratio | 1.04 | Max. 1.5 | 0.90 | Max. 1.5 | About 1.0 | 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

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Here are the details of the financial numerical targets. For fiscal year 2024, we expect to exceed the plan in terms of sales and profits, excluding operating profit from real estate.

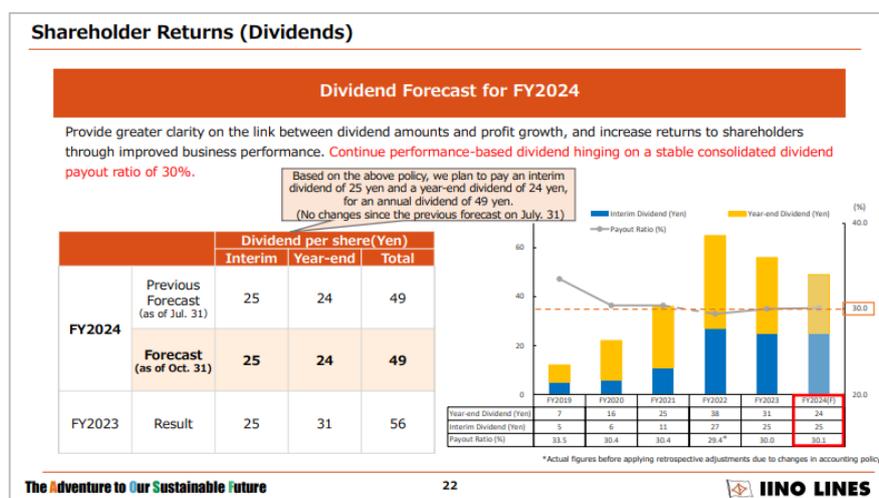
In the shipping business, the impact of geopolitical risks, including the worsening situation in the Red Sea, remains uncertain, but we will continue to strive for efficient operations and maximize profits.

In the real estate business, we expect stable revenue due to the solid performance of office floors.

As of the end of the interim of fiscal year 2024, shareholders' equity was approximately 137.2 billion yen, interest-bearing debt was approximately 112.2 billion yen, and the debt-to-equity ratio was 0.82. We expect the debt-to-equity ratio to be around 1.00 for the fiscal year 2024.

The current mid-term management plan calls for an investment of 100 billion yen over three years. In addition to the steady progress on existing projects under construction, we have recently added a large methanol dual-fuel crude oil tanker for Idemitsu Tanker Co., Ltd., scheduled to be delivered in 2027, which will be introduced later in this report.

Both in shipping and real estate, the business environment for investment decisions is very challenging, but we are committed to steadily advancing towards achieving the KPIs of the mid-term management plan.



Next, I will explain our shareholder return policy. As stipulated in the current mid-term management plan, we will continue to implement a performance-based dividend hinging on a stable consolidated payout ratio of 30%.

Based on this policy, we plan to distribute a dividend of 25 yen for the interim period, 24 yen for the year-end, totaling 49 yen for the fiscal year 2024. There is no change in the dividend forecast from that disclosed on July 31.

We will continue to enhance corporate value with a focus on sustainable growth and strive to increase the dividend amount through improved profitability.

| Sustainability / Business Topics | |
|---|---|
| Initiatives and progress until October 2024 | |
| <ul style="list-style-type: none"> Allocate Management Resources to Growth Businesses Expansion of Global Business Promotion of Environmental Initiatives and Investments | <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 |
| <ul style="list-style-type: none"> Business Infrastructure Strategy Acceleration of DX Ship and building management quality improvement | <ul style="list-style-type: none"> Strengthening governance Improve cost competitiveness |
| Selected as a constituent of the JPX-Nikkei Index 400 and the JPX-Nikkei Mid and Small Cap Index | Aug.13 |
| Announcement of investment in maritime venture capital fund managed by Motion Ventures | Sep.24 |
| Visit from Saudi Deputy Minister of Transport | Sep.27 |
| Emergency Drill of our Operating Vessel | Oct.11 |
| Japanese Consortium Produces Design Concepts for Eco-Friendly VLCCs | Oct.15 |
| Decision to Build Japan's First Large Methanol Dual-fuel Crude Oil Tanker | Oct.23 |
| Release of Integrated Report 2024 | Oct.30 |
| Invested in a fund managed by Motion Ventures, a Singapore-based maritime VC | |
| Third overseas maritime venture capital (VC) investment for the Company Based in Singapore, Motion Ventures is the world's leading maritime venture capital fund manager investing across global supply chains, with a focus on the maritime industry. Leveraging Singapore's geographical advantage as a maritime hub and Motion Ventures' extensive and global network of maritime industry corporate investors, the fund invests in early-stage technology start-ups to catalyze digital and energy transition across the maritime industry. IINO actively promotes open innovation with start-ups as a solution for addressing challenges in the maritime industry, and through strategic investments in maritime funds, the Company strengthens global collaboration with maritime start-ups and companies driving advanced initiatives and considering new projects. In its mid-term management plan, IINO has identified allocating management resources to growth businesses as one of key strategies. Through collaboration with Motion Ventures, we aim to promote open innovation by discovering and utilizing advanced start-up technologies to improve operational efficiency, as well as identifying new technologies and new ideas that will strengthen existing businesses and create new ones. | |
| Decision to build Japan's first large methanol dual-fuel crude oil tanker | |
| Construction of a new VLCC (scheduled for delivery in FY2027) + Decision to be allocated for a charter contract | |
| IINO has decided to build Japan's first large methanol dual-fuel crude oil tanker at Nihon Shipyard (NSY), based on the design concept formulated by the four-company consortium comprising Idemitsu Tanker, Nippon Yusen Kabushiki Kaisha, NSY and IINO. The vessel is scheduled to be completed in 2027 and it has decided to be allocated for a charter contract with Idemitsu Tanker. The vessel can use methanol as fuel in addition to conventional fuel oil, and is equipped with a shaft generator that generates electricity by utilizing the rotation of the main propeller shaft. This significantly reduces ship-derived air pollutants such as carbon dioxide (CO ₂), sulfur oxides (SO _x), nitrogen oxides (NO _x), and particulate matter (PM). This initiative embodies one of the key strategies in our mid-term management plan, Formulation and Implementation of Plan to Realize of a Decarbonized Society, we will continue to actively introduce technologies that reduce environmental impact, thereby contributing to the realization of a sustainable society. | |
| The Adventure to Our Sustainable Future | |
| IINO LINES | |

Next, I will explain our recent initiatives, including sustainability.

In the upper right corner of the slide, we introduce our investment in Motion Ventures, a maritime venture capital firm in Singapore.

We are actively promoting open innovation with startups, and in addition to investing in maritime venture capital, we are working on strengthening existing businesses and creating new ones through collaboration with startups, not only to gather information on new technologies.

This investment aims to enhance information gathering and strengthen networks in the Asian region through investments in venture capital based in Singapore, a hub for the shipping business.

The lower right-hand corner shows a large methanol dual-fuel crude oil tanker scheduled for delivery in 2027. We have decided to build Japan's first large methanol dual-fuel crude oil tanker at Nihon Shipyard Co., Ltd., based on the design concept formulated by the four-company consortium comprising Idemitsu Tanker, Nippon Yusen Kabushiki Kaisha, Nihon Shipyard and us. The vessel is scheduled to be completed in 2027 and it has decided to be allocated for a charter contract with Idemitsu Tanker.

Not limited to this project, our group will continue to actively adopt technologies that reduce environmental impact and contribute to the realization of a sustainable society.

Sustainability / ESG and DX Promotion Initiatives

Establishment of the IINO Group Sustainability Policy in March 2024

Responding to Climate Change

- GHG emissions in FY2023
- Shipping: 861,000 tons (859,000 tons in the previous year)
- Real estate: 7,000 tons (9,000 tons in the previous year)
- Received CDP "A(A minus)" score
- NAPA Voyage Optimization to be installed on two vessels
- Procurement of J-credits from domestic forests, Procurement of credits and acquisition of "Saitama Prefecture Forest CO₂ absorption certificate"

Waste Reduction Initiatives

- Mineral water production equipment has been installed on 25 vessels. We plan to install them to be completed on all vessels managed by the IINO Group by the end of FY2024
- NS Toranomon Building receives "Minato City ACity for Excellence in Waste Reduction"

Preserving Biodiversity

- After the signing of the Saitama Prefecture Forestation Agreement in February 2023, tree-planting events were held twice

Strengthening Governance

- Increased the number of female outside directors by one. The ratio of female directors has become 25.0% since June 2023
- Ratio of outside directors increased from 37.5% to 50.0%
- Continue to comply with TSE Prime Market Standards
- Additional to the existing executive compensation system → [For details](#)
- (1) performance-linked remuneration based on the score assigned by the CDP score, an international NPO that supports environment disclosure
- (2) bonuses paid in consideration of the occurrence of major accidents

Anti-Corruption Initiatives

- IINO Joined Maritime Anti-Corruption Network
- In February 2024, established IINO Group Competition Law Compliance Policy (Competition Law training conducted in July of the same year)
- In February 2024, established external whistleblower system

Other Initiatives

- Publication of the status of dialogue with Investors (FY2023)
- Promote Action to Implement Management that is Conscious of Cost of Capital and Stock Price.

Strengthening human capital

- Set KPIs for strengthening human capital in line with priority strategies of mid-term management plan.
- Conducted engagement survey for executives and employees in March 2024. The results of the analysis will be used to improve employee engagement.

Respect for human rights

- Established IINO Group Procurement Policy and IINO Group Supplier Code of Conduct in 2023 and disseminate them to suppliers
- Conducted awareness training for Group executives and employees in 2023 and 2024, which is listed as a KPI in the mid-term management plan. (Rate of acceptance in 2023: 78.3%/KPI:100%)

Social Contribution Initiatives

- The luncheon concert is held at the IINO Building once a month.
- In September 2023, established IINO Group Social Contribution Policy.

Creating a Good Workplace

- New dress code was applied. - Expanded floor space and changed own office layout.

Collaboration with startups

- Introduction of CII optimization tool developed by Bearing (US)
- Decided to invest in funds managed by two maritime venture capital firms, respectively

Use of Generative AI

- Trial implementation of generated AI to save work and improve productivity

Digital Infrastructure Development

- Decided to install Starlink® on all our group company-managed vessels and began operation (currently installed on 16 vessels)
- Verification of work style in the new working style due to office layout change
- Commencement of study for renewal of accounting system

*SpaceX's satellite broadband Internet for high-speed data communications between vessels and land

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Finally, I would like to introduce our initiatives related to ESG and DX. As you can see, we are working on each of these initiatives to promote DX, in addition to ESG, including climate change, human capital, and governance.

Under the Sustainability Policy established in March of this year, we will continue our efforts to address various environmental and social issues to achieve a sustainable society.

Regarding the interim financial results briefing for the fiscal year 2024, that concludes my presentation. Thank you for your attention.