IINO LINES

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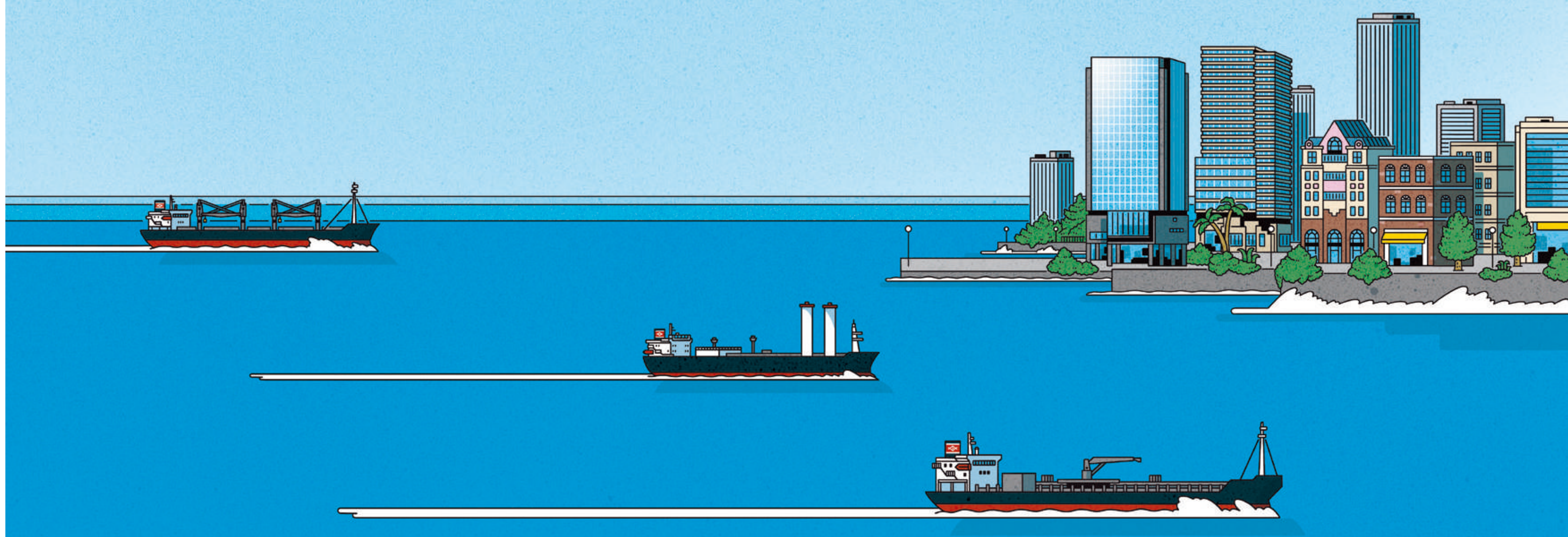
Integrated Report 2023

INTEGRATED REPORT 2023



IINO Kaiun Kaisha,Ltd.

IINO LINES

Corporate Philosophy: IINO PURPOSE

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

Management Policy: IINO COMMITMENT

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

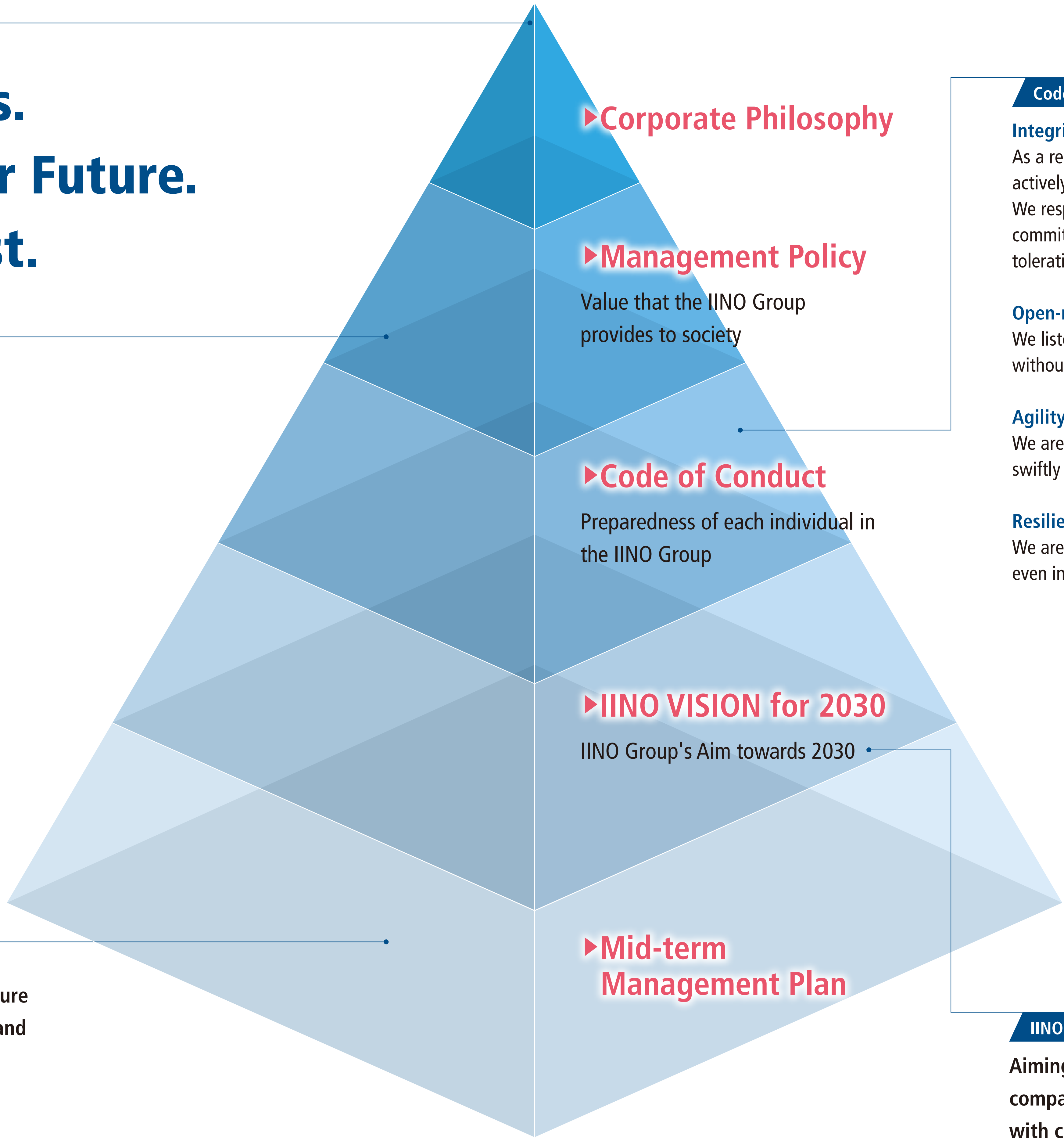
For our employees and executives:
We offer a supportive work environment and opportunities for personal growth, recognizing that our employees and executives are the cornerstone of our company.

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.

Mid-term Management Plan

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



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.

IINO VISION for 2030

Aiming to be an independent global company that continues to evolve with creative ideas in response to the demands of the times.

Contributing to Japanese and Global Logistics Over a History Spanning More Than 120 Years

Since its founding in 1899, IINO LINES has achieved growth while facing and overcoming numerous challenges, including two world wars, the consolidation of the shipping industry in 1964, and the sharp plunge in shipping markets. The driving forces behind our growth are the high-quality service, human resources, and organizational capabilities we have cultivated over a history of more than 120 years. By making full use of these strengths and responding to the needs of society, we will continue to achieve further growth.

1899-1959
From Meiji-era Founding to Post-War Development

- Founded in Maizuru, Kyoto
- Launched tanker business
- Liner Service business launched after the Second World War

1960-1978
From Japan's High Economic Growth Period to the Downturn in the Shipping Industry

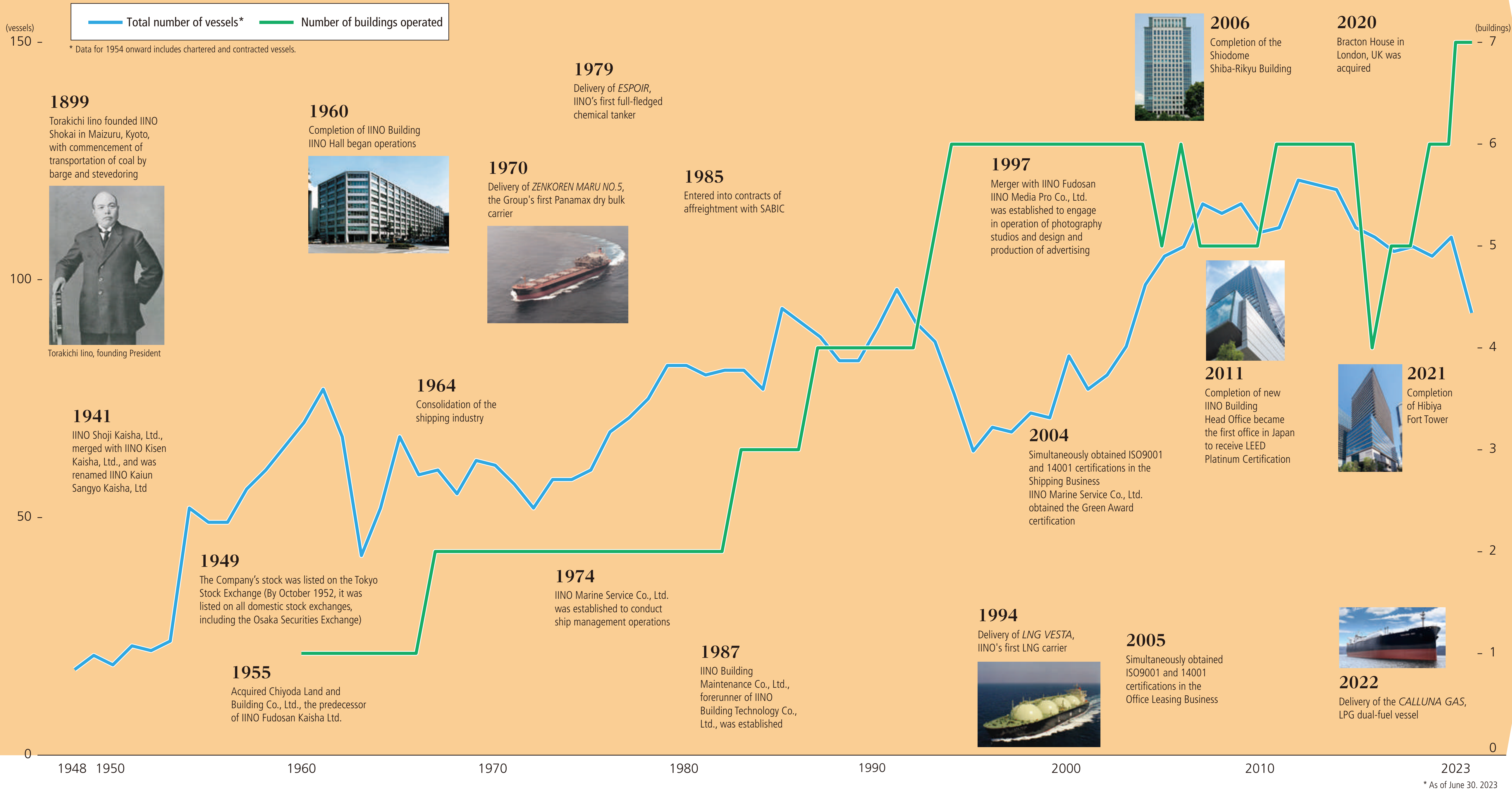
- Completion of former IINO Building
- Entered the domestic and oceangoing LPG carrier business
- Transferred the Liner Service business upon the consolidation of the shipping industry
- Rebuilt from the shipping industry consolidation to develop tankers, dry bulk carriers, and LPG carriers as main businesses

1979-2010
Toward Business Expansion and the Recovery of Shipping Markets

- Entered the chemical tanker business
- Entered the ammonia transportation business
- Entered the LNG carrier business
- Completion of Shiodome Shiba-Rikyu Building

2011-present
Shaping a Sustainable Society

- Completion of new IINO Building
- Completion of large gas carrier and methanol carrier equipped with dual-fuel main engine
- Acquired office building in London, UK
- Completion of Hibiya Fort Tower



* Data for 1954 onward includes chartered and contracted vessels.

* As of June 30, 2023

1899
Torakichi Iino founded IINO Shokai in Maizuru, Kyoto, with commencement of transportation of coal by barge and stevedoring

Torakichi Iino, founding President

1941
IINO Shoji Kaisha, Ltd., merged with IINO Kisen Kaisha, Ltd., and was renamed IINO Kaiun Sangyo Kaisha, Ltd

1949
The Company's stock was listed on the Tokyo Stock Exchange (By October 1952, it was listed on all domestic stock exchanges, including the Osaka Securities Exchange)

1955
Acquired Chiyoda Land and Building Co., Ltd., the predecessor of IINO Fudosan Kaisha Ltd.

1960
Completion of IINO Building
IINO Hall began operations

1964
Consolidation of the shipping industry

1970
Delivery of *ZENKOREN MARU NO.5*, the Group's first Panamax dry bulk carrier

1974
IINO Marine Service Co., Ltd. was established to conduct ship management operations

1979
Delivery of *ESPOIR*, IINO's first full-fledged chemical tanker

1985
Entered into contracts of affreightment with SABIC

1987
IINO Building Maintenance Co., Ltd., forerunner of IINO Building Technology Co., Ltd., was established

1994
Delivery of *LNG VESTA*, IINO's first LNG carrier

1997
Merger with IINO Fudosan
IINO Media Pro Co., Ltd. was established to engage in operation of photography studios and design and production of advertising

2004
Simultaneously obtained ISO9001 and 14001 certifications in the Shipping Business
IINO Marine Service Co., Ltd. obtained the Green Award certification

2005
Simultaneously obtained ISO9001 and 14001 certifications in the Office Leasing Business

2006
Completion of the Shiodome Shiba-Rikyu Building

2011
Completion of new IINO Building
Head Office became the first office in Japan to receive LEED Platinum Certification

2020
Bracton House in London, UK was acquired

2021
Completion of Hibiya Fort Tower

2022
Delivery of the *CALLUNA GAS*, LPG dual-fuel vessel

Accumulated strengths

High-quality service

- Attaining safety and fulfilling customer need cultivated over 120 years
- Expertise in ship management for various vessel types
- Expertise in everything from real estate development to building management

Human resources and organizational capabilities

- High qualified employees on shore and at sea
- Customer base and business partner base
- Collaboration with startups

Pursuing Sustainable Growth Through Business on Land and at Sea

By facing the demands of society that change with the times while leveraging strengths in the Shipping and Real Estate Businesses cultivated over many years, we pursue management from long-term perspectives to create economic and social value.

Fleet in Operation

95 vessels

Deadweight tonnage

4,264,725 dwt

(inclusive of ownership partners' shares)

(as of June 30, 2023)

Through the Provision of Safe and Secure Marine Transport

For the Comfort and Safety of Workers and People who Gather There

Office Property

7 buildings

6 in central Tokyo
1 in London, UK

* Participation in two other real estate projects in the United States

Gross floor area

271,228.48㎡

* Aggregated by leased floor space of the office building in London

(as of June 30, 2023)

High-quality service

New Entry into Low-CO_2 Emission Liquefied Ethane Transportation ▶P37

In November 2022, IINO LINES entered into long-term charter agreements for two 99,000 cbm very large ethane carriers (VLECs) with INEOS Europe AG, a global leading company in the chemical business, thus determining the Company's new entry into the liquefied ethane transportation business. A VLEC charter agreement is the first such agreement for IINO LINES, which has a track record spanning more than six decades in the gas carrier business, and the conclusion of the agreement reflected recognition of IINO LINES as a highly experienced partner committed to safety, reliability, and efficiency. These carriers are equipped with dual-fuel main engines capable of using ethane as fuel, which emits less CO_2 than conventional fuel oil. In addition to reducing the environmental impact, this represents a major turning point in accumulating operational expertise in dual-fuel technologies and achieving greater sophistication.

Human resources and organizational capabilities

Overcoming Environmental Changes through Collaboration with Startups ▶P25

IINO LINES regards B-to-B collaboration with various startups possessing advanced technologies as one of the most effective ways to adapt to the changing environment surrounding the shipping industry in a precise and speedy fashion. After starting with collaboration in the development of a CII optimization tool with the Silicon Valley-based AI data analysis startup Bearing, Inc. that began in 2022, in June 2023 we decided to invest in a fund operated by theDOCK, an Israel-based marine venture capital (VC) firm, as well as in a fund operated by New York-based marine VC Trail Mix Ventures (TMV), as part of further efforts to cultivate marine startups by identifying and investing in cutting-edge technology trends. Going forward, IINO LINES will continue to respond to the rapidly changing business environment with flexibility and precision while utilizing the expertise gained from these endeavors to enhance sustainability, streamline operations by driving DX, and fully utilize human resources.

High-quality service

Acquiring Knowledge from Overseas to further Enhance Corporate Value ▶P45

IINO LINES is working to acquire knowledge regarding the series of operations from development to stable operation and deepen its ties with local companies by taking part in overseas real estate projects. Utilizing the expertise we have cultivated through our operations in Japan, we will continue to invest in promising real estate domestically and abroad to improve the stability of earnings from the Real Estate Business while diversifying operations, aiming to further enhance corporate value. In October 2022, we decided to take part in the Press Block Project, the largest real estate development project in Portland, the U.S. on a joint basis with TAKENAKA CORPORATION, Chuo-Nittochi Group Co., Ltd. and Nomura Real Estate Development Co., Ltd. In December 2022, we also decided to take part in a project to construct an ESG-friendly large-scale wooden office building in the suburbs of Dallas, in the U.S. on a joint basis with Sumitomo Forestry Co., Ltd. and Kumagai Gumi Co., Ltd.

Human resources and organizational capabilities

Certified as a Top-level Facility for Our Group Human Resources and Organizational Capabilities ▶P48

In the Real Estate Business, IINO LINES has earned outside recognition for the environmental performance of its buildings and facilities (physical aspects) and for reducing the environmental impact (non-physical aspects) of its operational and management systems. Behind these achievements are the Group's organizational capabilities on the operational management front and human resource capabilities undergirding cooperative relationships with tenant companies. In addition to advanced measures on the physical side, the IINO Building has implemented efficient facility operations to reduce CO_2 emissions and conserve energy under an accurate management system provided by IINO Building Technology Co., Ltd. The system was subsequently certified as an Outstanding Specified Global Warming Countermeasure Office, Top-level Facility, under the Tokyo Metropolitan ordinance concerning the Environment to Secure the Health and Safety of the Citizens of Tokyo (certified in FY2015 and FY2020).

Publishing the Integrated Report

In May 2023, the IINO Group formulated its new mid-term management plan, "The Adventure to Our Sustainable Future (from April 2023 to March 2026). The plan designates two main themes, the challenge of portfolio management and becoming carbon neutrality, and aims to achieve the IINO VISION for 2030, which is to be an independent global company that continues to evolve with creative ideas in response to the demands of the times. In formulating the plan, we also established a new corporate philosophy system.

In this report, we have summarized IINO LINES' medium to long-term value creation story in the contexts of our mid-term management plan, financial strategy, business strategy, and materiality as initiatives aimed at achieving this corporate philosophy and the IINO VISION for 2030. The report has been prepared in accordance with our policy of plainly communicating the Group's activities to shareholders, investors, and other stakeholders.

In the preparation of this report, we referenced the Global Reporting Initiative (GRI) standards, the Integrated Reporting Framework proposed by the IFRS Foundation, and valuable feedback received from stakeholders. Group officers and employees worked together in earnest across departmental lines to compile reports on the various initiatives the Group pursued over the year to create economic and social value. I am confident that the production process and content of this report are properly validated.

We will continue to make every effort to improve the content of the Integrated Report to facilitate more constructive dialogue with stakeholders. We will work to incorporate feedback from stakeholders in our management, and aggressively drive the creation of shared value that comes from building economic and social value.

September 2023

President and Representative Director **Yusuke Otani**

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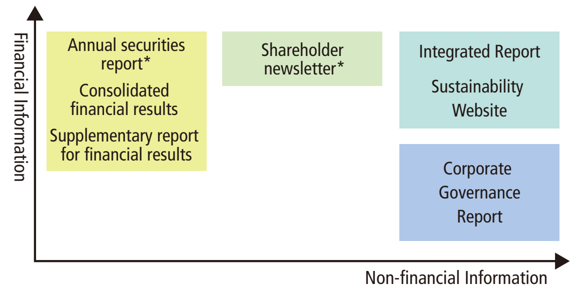
Editorial Policy

The IINO Group started to publish the *IINO Report* in 2009 combining the Annual Report and Safety and Environmental Report, and since 2022 the name has been changed to Integrated Report. Our basic editorial policy is to plainly communicate to stakeholders how our measures lead to the creation of shared value.
For more detailed information, please refer to the documents below available on our website.

Period covered: Fiscal year 2022 (from April 1, 2022 to March 31, 2023)
Note: Some information may concern other periods.

Issued: October 2023

Reporting cycle: Annual, with a report issued every year



*Available only in Japanese

Company Website
https://www.iino.co.jp/kaiun/english/

Financial Reports
https://www.iino.co.jp/kaiun/english/ir/index.html

Sustainability Website
https://www.iino.co.jp/kaiun/english/csr/

Scope Covered in this Report

This report covers IINO Kaiun Kaisha, Ltd., its 65 consolidated subsidiaries, 8 equity method affiliates, and 9 non-consolidated affiliates. When the applicable companies differ for each field of activity, the scope of coverage is indicated. In this report, the terms "IINO Group" or "the Group" refer to the entire corporate group of 83 companies; "IINO LINES" or "the Company" refers to IINO Kaiun Kaisha, Ltd.

Cautionary note on forward-looking statements

This report includes statements concerning future plans, strategies, and earnings forecasts of the Group. Such content constitutes forward-looking statements and is based on information available at the time of the preparation of this report. Actual results may differ from those expressed or implied by forward-looking statements owing to various factors including economic trends, market environments, exchange rates, and tax regimes.

Top Message

Message from the President

Against the backdrop of positive market conditions for marine transportation, the IINO Group showed favorable business performance achieving record-high profits for two consecutive fiscal years in FY2021 and FY2022. Under the leadership of the previous president, Hiromi Tosha, I believe the concerted efforts made by employees to tackle the previous mid-term management plan led to these significant results.

From FY2023, we have started our new mid-term management plan, and took the opportunity to revamp our management structure, including a change in top management. While I had previously been involved in the formulation of the new mid-term management plan, I took the lead as the new president in April. We will inherit the management foundations of the IINO Group developed by our predecessors while incorporating advanced management techniques suited to the times, striving to enhance our management foundations and further develop the business. We will also actively embrace the roles we are expected to fulfill in the future society and contribute to the realization of a sustainable society.

Looking Back on FY2022

While the global economy showed signs of destabilizing from the COVID-19 pandemic, high inflation and monetary tightening developed due to the situation between Russia and Ukraine. In March 2023, the uncertainty was worsened following the bankruptcy of multiple US banks and management instability in major European financial institutions. In the Shipping Business of the IINO Group, the markets for chemical tankers remained strong due to changes in marine logistics caused by the situation in Ukraine, despite softening aspects such as dry bulk carriers being affected by the slowing global economy.

In this business environment, the IINO Group has worked to renew existing contracts on favorable terms and allocate its vessels efficiently to improve profitability. However, in the Real Estate Business, the COVID-19 pandemic impacted commercial tenants of the owned office buildings as well as IINO Hall & Conference Center and increased costs due to sharply rising utility expenses. Despite these challenges, we continued the steady operation of office floors and secured stable revenue overall. In addition, the Japanese yen was weaker year on year against the US dollar. As a result, net sales rose 35.8% year on year to 141.324 billion yen, operating profit jumped 163.6% year on year to 19.835 billion yen, recurring profit increased 119.2% year on year to 20.677 billion yen, while profit attributable to owners of the parent improved 81.1% to 22.681 billion yen. These results represent record highs for net sales and all levels of profit.

FY2022 was also the final year of our three-year mid-term management plan, Be Unique and Innovative: The Next Stage–Towards 2030. In terms of numerical targets, we failed to meet operating profit targets for FY2022 in the Real Estate Business but achieved considerable growth in the Shipping Business and exceeded forecasts in net sales and each profit item. In terms of shareholder return, based on a dividend payout ratio of 30%, we issued dividends of 65 yen per share, higher than initial forecasts.

In the previous mid-term management plan, we tackled three priority measures, further solidifying stable earnings, further promotion of global business, and sustainability initiatives, to realize our long-term goal, IINO VISION for 2030, namely to become an independent global corporate group that continues to evolve with creative ideas in response to the demands of the times. We implemented a wide range of measures in the final year of this plan. In the large gas carrier division, we entered into long-term charter agreements for two 99,000 cbm very large ethane carriers (VLECs) with a UK-based chemical company and took delivered a second LPG dual-fuel VLGC in March 2023. In the chemical tanker division, we increased personnel in Dubai and Houston, significantly bolstering our sales capabilities and delivering new shipping routes. In the Real Estate Business, we began the operation of solar power generating equipment on the IINO Building in May 2022 and also took part in a redevelopment project for an environmentally friendly complex in Portland, Oregon (announced October 2022) and a wooden office building construction profit in the suburbs of Dallas, Texas (announced December 2022) as global and sustainable efforts. In the previous mid-term management plan, we declared targets to create social and economic value through ESG management and strengthened efforts for individual businesses and groupwide. In addition to the acceleration of DX, we have tackled sustainability by responding to environmental issues, utilizing and enhancing human capital, and bolstering corporate governance. In FY2022, we introduced a CII optimization tool to predict ship fuel consumption using AI technologies, enabling us to develop a system that complies with the CII Rating System*1 starting in January 2023. In June 2022, we established the Sustainability Promotion Department and set up Group-level working teams for the environment, human rights, and other priorities. That same month the Technical Department was established to drive environmental efforts, such as achieving GHG reduction targets*2 for all IINO Group vessels.

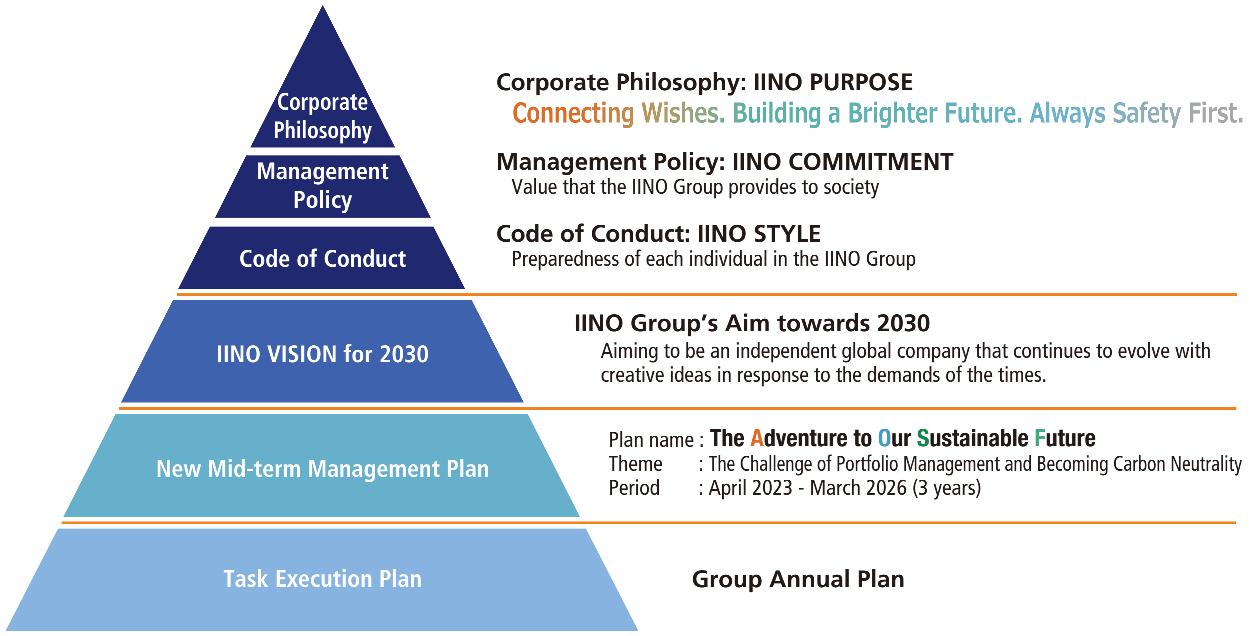
*1: Carbon Intensity Indicator (CII) Rating System: These regulations rate the fuel consumption performance of ships on a yearly basis on a 5-point scale from A (best) to E (worst), with ship falling below certain assessment scores required to submit improvement plans and obtain certification from supervisory authorities to continually promote energy-saving ship operation.

*2: GHG Reduction Targets: Our FY2030 reduction targets are set at 20% (compared with FY2020 levels) in the Shipping Business and 75% (compared with FY2013 levels) in the Real Estate Business. In addition, we have set the target of achieving carbon neutrality by 2050.

Formulating the New Mid-term Management Plan

Over the past year, we have been monitoring the progress and results of our efforts to date while proceeding with the formulation of our new mid-term management plan. Amid positive operating results, we have embraced the lesson of "the higher the mountain the deeper the valley," considering the risks posed by market uncertainty in the future and our

● Philosophy System



● Review of the Previous Mid-term Management Plan and Future Challenges

Previous Mid-term Management Plan Priority Strengthening Measures and Achievements

Further promotion of global business
- Conclusion of VLGC and VLEC charter contracts with European customers
- Participation in U.S. real estate development projects
- Increased personnel at overseas subsidiaries

Further solidifying stable earnings
- Completion of Hibiya Fort Tower
- Delivery of 2 new VLCCs
- Delivery of 2 new LPG dual-fuel VLGCs

Sustainability initiatives
- Materiality (key sustainability issues) identification and launch of initiatives
- Re-entry into ammonia transportation
- Installation of solar panels on the IINO Building

Ongoing Items and Future Challenges

- Sales promotion to areas with growth potential
- Optimal allocation of management resources to growth businesses and stable businesses
- Strengthening of initiatives for new energy transport and materiality

New Mid-term Management Plan: The Adventure to Our Sustainable Future

strengths and the challenges we face. We have carefully considered how we should pursue improved corporate value based on our strengthened financial base and how we might establish an optimum business portfolio.

In drafting the new mid-term management plan, we also took the opportunity to revise our corporate philosophy for the first time in a decade. To revisit what IINO LINES' should be and aspires to be, a working team set up internally played a central role in summarizing the views of officers and employees through a questionnaire and formulating the plan while remaining mindful of how it is linked with the company's materiality. Under the new corporate philosophy, the IINO PURPOSE is described as Connecting Wishes. Building a Brighter Future. Always Safety First. The questionnaire also offered a powerful boost by reaffirming that the idea of "ensuring safety," which has been a foundation of our business to date, has firmly taken root among employees as a fundamental and unwavering principle. Based on the corporate philosophy, we have established management policies and a code of conduct, expressing the values we emphasize in addition to safety, including high-quality services, a healthy workplace environment, solving social issues, and active efforts for sustainable growth.

We formulated the new mid-term management plan based on the newly established corporate philosophy system and decided to continue pursuing the goal of IINO VISION for 2030, which was inherited from the previous plan, to be an independent global company that continues to evolve with creative ideas in response to the demands of the times.

The Strengths of IINO LINES Forming the Basis for the New Mid-term Management Plan

It is more than thirty years since I joined IINO LINES, and my sense that the IINO Group's independence is both a characteristic and an asset has grown deeper year after year. I believe our ability to continue operating as an independent company despite facing hardships on the level of the 2008 Global Financial Crisis multiple times reflects one of our unique strengths.

The first of those strengths lies in high-quality services with a solid foundation in safety. Our ability to enter into stable and long-term agreements with customers is due to the provision of safety and high-quality transportation services and is the reason customers continue to choose us and put their trust in our services. This applies equally to the Real Estate Business as well as the Shipping Business. Our commitment to providing high-quality services generates significant added value, and I am certain it sets us apart from the competition.

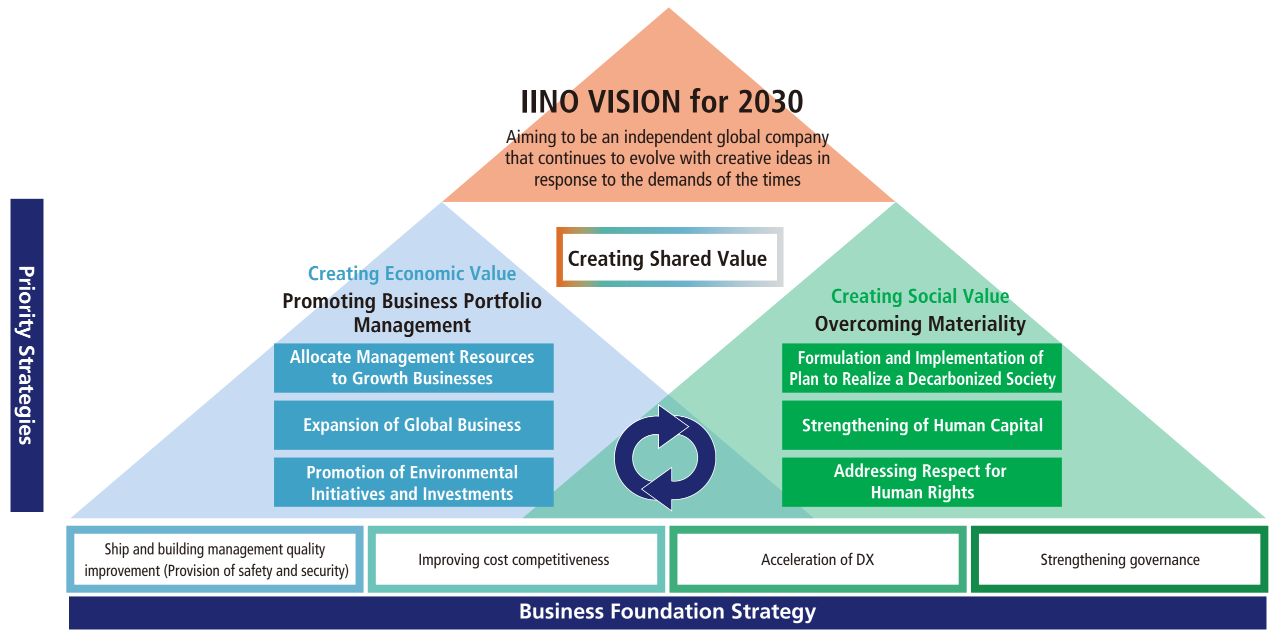
The second strength is the IINO MODEL, a business model that is unique to IINO LINES. The IINO MODEL is our two-pillared management style that combines the Shipping Business, which is subject to high market volatility, and the Real Estate business, which experiences relatively less volatility. And we have taken it further, forming a business portfolio that possesses flexibility and high potential. The Real Estate Business is an operating model that generates lease revenue over the long term and provides us with a stable operating foundation. Market conditions in the Shipping Business fluctuate cyclically and carry a certain degree of risk, but we have worked on developing transportation services through various vessel types, including crude oil tankers, chemical tankers, gas carriers, and dry bulk carriers. As the timing of market fluctuations can vary for each type of vessel, our risks are diversified. Additionally, if you focus on our customers in the Shipping Business, many customers deal with multiple types of cargo and contract us to transport goods using multiple types of vessels. By offering high-quality transportation services and having customers select us for multiple types of cargo, we produce synergies that span multiple divisions and vessel types. We also offer a wide range of contract types, from long-term charter agreements to short-term spot contracts, allowing us to further diversify risks by incorporating both the stability of long-term contracts with the improved business results from short-term focus based on a healthy balance. In short, even within the Shipping Business, our success in developing this carefully structured business portfolio reflects the essential strength of the IINO MODEL.

A third and significant strength of IINO LINES lies in our agile operational structure combined with enhanced human resource capabilities. We shape our human resources into highly experienced assets by having them work on important jobs from an early stage. As our lean organizational size means that people can put a name to the face of each officer and employee, our highly specialized technical departments work close to staff from sales divisions, making it easy for inter-departmental exchanges to form and increasing the chances of synergistic effects. Decision-making in the field occurs at high speed, enabling us to develop businesses adapted to current trends and changes in the operating environment.

In our new mid-term management plan, we recognize the need to achieve growth by leveraging these many strengths. At the same time, taking action on environmental issues and responding to social issues such as diversity and inclusion (D&I) also reflect key pillars in driving the implementation of the plan. This reflects our commitment to creating shared value on both the social and economic fronts and providing that value to society.

With this approach to leveraging the strengths of IINO LINE in safety awareness, the IINO MODEL, organizational strength, and human resource capabilities, combined with a commitment to balancing social value with economic value to a high level, we completed the new mid-term management plan.

● Overview of the New Mid-term Management Plan



Measures in the New Mid-term Management Plan

The new three-year mid-term management plan that runs from April 2023 to March 2026 was named The Adventure to Our Sustainable Future. “Adventure” can mean acting without regard for the risks, but we use it to clarify that we will weather the stormy seas of change present in the Shipping Business and confidently take a step into an unknown world, providing for the future. IINO LINES maintains a stable Real Estate Business through which it can mitigate the fluctuating risks of shipping markets. Even with the difficulty of predicting the future outlook, we hope that stakeholders will understand that this wording embodies our desire to boldly take on challenges and seek adventure.

Through the plan, we will create shared value through two priority strategies: creating economic value by promoting business portfolio management based on the IINO MODEL and creating social value by overcoming material challenges, including carbon neutrality and human rights issues. We will progress towards the IINO Group’s vision for 2030, to be an independent global company that continues to evolve with creative ideas in response to the demands of the times. We have also set shipping and building management quality improvement (provision of safety and security), improving cost competitiveness, acceleration of DX, and strengthening governance as business strategies.

For promoting business portfolio management, we will allocate management resources to growth businesses, expand global business, and promote environmental initiatives and investments. We have classified each business as either a “growth and new business,” “core business” or “stable and mature business,” and plan to invest 100 billion yen, more than double the investments we made in the previous mid-term management plan. Growth businesses will receive half of these investments to generate a driving force for the company’s growth. For our global business operations, we will expand various overseas sites, pursue collaboration, and improve the service provided to existing customers while developing new customers. Particularly in the European market, we hope to expand our customer base with environmentally friendly services. We also plan to make environment-related investments, spanning each category of 60 billion yen. In the Shipping Business, we will invest in vessels equipped with dual-fuel main engines, focusing on oceangoing gas carriers. At present, hydrogen and ammonia are considered next-generation zero-emission fuels, but we will wait until industry implementation, and in the meantime, will continue to improve fuel efficiency. For real estate, we will invest in high environmental-performance buildings and renovate older buildings. We will work in both shipping and real estate from where we can now.

In terms of overcoming material challenges, we aim to formulate and implement a plan to realize a decarbonized society, strengthen human capital, and address respect for human rights. We have developed a new roadmap for carbon neutrality by 2050 and raised our targets for 2030. We will institute key measures, including a switch to next-generation fuels in the Shipping Business and improvements to environmental performance in the Real Estate Business per the roadmap. To strengthen human capital, we will present numerical targets as KPIs and will work to create a diverse workplace environment. Regarding respect for human rights, we have been pursuing initiatives with the human rights working team playing a central role, and to show our support for the United Nations Global Compact in FY2022, we are implementing human rights due diligence across the IINO Group. Going forward, we will look to establish a structure addressing human rights that includes the entire supply chain.

● Allocation of Management Resources

Allocation of Management Resources to Each Business

	Eligible Businesses	Key Strategies	Amount Invested
Growth and New Businesses	Large Gas Carriers	- Expand stable earnings through aggressive investment - Further sophistication of liquefied gas cargo management know-how - Strengthen marketing to small and medium-sized vessels	40 billion yen
	Strategic Investment	- Investment to improve competitiveness of core business - New business initiatives with synergies	10 billion yen
Core Businesses	Chemical Tankers	- Differentiated sales by leveraging the strengths of the stainlesssteel fleet - Establishment of personnel and organizational structure capableof agile response to logistics changes	20 billion yen
	Dry Bulk Carriers	- Strengthen ability to make proposals to major shippers to reduce CO_2 emissions - Continued fleet flexibility to manage market risks	
Stable and Mature Businesses	Oil Tankers	- Replacing assets with environmentally friendly vessels in cooperation with Japanese oil companies - Continued high quality service and added value to existing vessels	30 billion yen
	Short-sea/ Domestic Gas Carriers	- Maintain business scale by securing crews - Capturing commercial opportunities associated with the decarbonization of domestic shipping	
	Real estate	- Accumulate stable income through investment in office buildings (including overseas) - New initiatives for value-up projects, wooden offices, etc.	
			Total 100 billion yen

(more than double that of the previous mid-term management plan)

As our Business Foundation Strategy, we are working on a range of measures to improve ship and building management quality (provision of safety and security), improve cost competitiveness, accelerate DX, and strengthen governance, aiming to support our two priority strategies.

To improve ship and building management quality (provision of safety and security), we will bolster our in-house management while working with external companies as needed to improve management quality. We will also deepen our knowledge of vessels and equipment that contribute to carbon neutrality, by acquiring expertise in promising new cargo transportation methods and exploring ships equipped with dual-fuel main engines and wind propulsion systems. Regarding building management, we will work toward next-generation office building management and acquire knowledge related to wooden office buildings.

To improve cost competitiveness, we will implement comprehensive cost-cutting measures amid sharply rising material and equipment costs both for Shipping and Real Estate Businesses, while also looking to streamline business operations by utilizing DX and collaborating with startups.

Regarding DX acceleration, the AI-enabled CII optimization tool introduced in FY2022 will significantly advance carbon neutrality initiatives in our Shipping Business, and looking ahead, we plan to incorporate similar technologies. In June 2023, we established the DX Promotion Department to enhance our response capabilities at the organizational level. The department is pursuing initiatives to streamline operations and improve cost competitiveness.

We will continue to pursue highly effective corporate governance while thoroughly ensuring compliance and developing increasingly sophisticated risk management. We will also make every effort to strengthen engagement with institutional investors.

FY2023 Outlook and Initiatives

The business environment in FY2023 will continue to be uncertain due to the collapse of some US banks and the ongoing situation in Ukraine. Operating under these conditions, the shipping market will remain solid, although not at the previous year’s level. The environment surrounding the Real Estate Business will remain stable despite some negative factors due to sharply rising energy costs. Looking at the business overall, although we expect a decline from FY2022 levels during which we

achieved record levels of profit, we are in a position to secure net sales and profit on par with pre-pandemic levels, and on a consolidated basis project profit attributable to owners of the parent of 12.3 billion yen (as of July 31, 2023, published).

The major changes to the global logistics framework triggered by the situation in Ukraine will continue to bring unpredictable changes to the shipping industry. The new mid-term management plan incorporates IINO LINES’ strong willingness to boldly take on challenges in an era in which the future is difficult to predict. We will make every effort to demonstrate the merits of our business portfolio, respond flexibly to change, and generate revenue in the process. The key to accomplishing that will be the further strengthening of our human resource and organizational capabilities. What ultimately leads to the development of a business is the power of its people. Human resources and organizational capabilities are already two of our strengths, but we need to improve further. Today, with the roles companies play in society becoming increasingly diverse, strengthening human capital is a priority management issue. IINO LINES has a characteristically compact organizational structure, but going forward we recognize that it will be necessary to increase personnel and expand the organization in tandem with business growth. To preserve the benefits unique to the compact organization we have cultivated to date, we will develop an environment in which officers and employees can maintain lines of communication.

Additionally, for IINO LINES to continue to exist as an independent corporate group, growth-oriented investment and the continuation of appropriate shareholder dividends will be essential. We intend to issue dividends tied to our business performance with a dividend payout ratio of 30% as a base.

We thank our valued shareholders and other stakeholders for understanding our future efforts and for supporting the new adventures on which IINO LINES will embark.

Value Creation Process

The IINO Group capitalizes on the diverse capital resources that it has cultivated to implement its business model featuring the dual business pillars of the Shipping Business and the Real Estate Business. In doing so, we fulfill our commitments to our stakeholders and create economic and social value from a long-term perspective.

IINO PURPOSE

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

INPUT

Financial Capital
- Shareholders' Equity Ratio: 41.7%
- Total Assets: 110.7 billion yen

Intellectual Capital
- Expertise in ship management related to various vessel types
- Expertise in everything from real estate development to building management

Social Capital
- Collaboration with startups
- Customer base / business partner base

Manufacturing Capital
- Number of vessels in service (owned and chartered): 93
- Number of buildings owned: 6 buildings in Tokyo, one building in the UK
- Planned investment amount: 100 billion yen

Human Capital
- Number of employees (consolidated): 669
- Number of employees with short-term overseas training / experience stationed overseas: 54

Natural Capital
- Energy input (Shipping Business): 11,709,000 GJ
- Energy input (Real Estate Business): 231,000 GJ

*As of March 31, 2023

IINO MODEL

Business model with the dual business pillars of the Shipping Business and the Real Estate Business

Shipping Business
Earnings fluctuate significantly due to the numerous variable factors involved, including market conditions and foreign exchange.

Complementary to each other

Real Estate Business
Earnings are stable, with relatively limited market fluctuations.

Very large impact on the environment

Large impact on the environment

Management based on sustainability initiatives including climate change

Strengths we have developed

High-quality services
- Attaining safety and fulfilling customer need cultivated over 120 years
- Expertise in ship management for various vessel types
- Expertise in everything from real estate development to building management

Human resources and organizational capability
- High qualified employees on shore and at sea
- Customer base and business partner base
- Collaboration with startups

Materiality

- Introduce new equipment, technologies, and fuels, and utilize DX to preserve the global environment
- Provide safety and security to various stakeholders
- Retain a diverse range of human resources and utilize them as human capital
- Respect human rights
- Collaborate with the supply chain
- Enhance governance to ensure the transparency of management

Mid-term Management Plan

Six Priority Strategies

Creating Economic Value
Promoting Business Portfolio Management
- Allocate Management Resources to Growth Businesses
- Expansion of Global Business
- Promotion of Environmental Initiatives and Investments

Creating Social Value
Overcoming material challenges
- Formulation and Implementation of Plan to Realize a Decarbonized Society
- Strengthening of Human Capital
- Addressing Respect for Human Rights

Four Business Foundation Strategies
- Ship and building management quality improvement
- Improving cost competitiveness
- Acceleration of DX
- Strengthening governance

IINO VISION for 2030

Aiming to be an independent global company that continues to evolve with creative ideas in response to the demands of the times

OUTPUT

Creation through businesses

Shipping Business
- Provision of safe and stable marine transport
  - Various liquid cargo (crude oil, petrochemical products, LPG and LNG)
  - Various dry cargo (grain, fertilizer, coal and wood chips)
- Construction of medium- and long-term partnerships with shippers

Real Estate Business
- Provision of safe, comfortable office spaces
- Provision of a venue for dissemination of culture (IINO Hall)

OUTCOME

Creating Shared Value

Creating Economic Value

▶**Promoting Business Portfolio Management**
Streamlining Manufacturing Capital
[Activity Goals]
Allocate management resources to oceangoing gas carriers with growth potential on a priority basis, making them a core business along with chemical tankers and dry bulk carriers
- Invest in stable and mature businesses (crude oil carriers, short-sea and domestic gas carriers, real estate) to improve risk tolerance and maintain those businesses at around 50% as a percentage of total assets
- Utilize expertise in ship and operational management for multiple vessel types, creating synergy between businesses

▶**Optimize financial capital through management emphasizing capital efficiency**
[Numerical Financial Targets (FY2025)]
- Recurring profit 13.0〜14.0 billion yen
- ROIC* 4〜5%
- ROE 9〜10%
- D/E ratio Up to 1.5 times

*ROIC = Earning before interest after taxes ÷ Invested capital

Creating Social Value

- Identify social issues emphasized by stakeholders as material challenges (key sustainability issues) and overcome them through our business activities

▶**Accumulate intellectual capital through the active introduction of environmental technologies and reduce the consumption of natural capital**
[Related Numerical Target]
- Greenhouse gas (GHG) reduction rate: Net zero groupwide by 2050

▶**Develop a safe workplace environment, strengthen human capital, and respect human rights**
[Related Numerical Targets]
- Number of serious accidents: 0
- Number of employees with short-term overseas training / expatriate experience: 75 or more
- Human rights training participation rate: 100%

▶**Enhancement of social capital through collaboration with startups and dialogue with stakeholders**

Capital and Business Model

The IINO Group has built up capital to support its business activities over a history spanning more than 120 years.
By putting that accumulated capital to full use and pursuing the IINO MODEL in greater depth, we will strive to achieve the IINO VISION for 2030.

Financial Capital : The foundation for implementing and promoting business portfolio management

- To reliably implement measures aimed at sustainable growth, we will maintain a sound financial structure while steadily carrying out necessary investments from a long-term perspective
- We will return profit to shareholders through growth

Specific Initiatives

Shipping Business:
- Strengthen investment in oceangoing gas carriers transporting various types of gas (natural gas, LPG, ammonia, ethane, and others) for which marine transportation volume is expected to increase
- Invest in various new technologies that help reduce the impact on the environment

Real Estate Business:
- Continue to invest in real estate, including office buildings in Japan and overseas, where market conditions are relatively stable compared with the Shipping Business
- Secure stable revenue and expand risk tolerances

Strategic Investments:
- Invest in new businesses leading to improved competitiveness or synergy in the Shipping Business and Real Estate Business

- Shareholders' Equity Ratio: 41.7%
- D/E Ratio: 1.04 times
- Investment amount during the mid-term management plan: 100 billion yen
- Shareholder Return Policy: Payout Ratio of 30%

Intellectual Capital : We will promote DX and combine the expertise gained through many years of ship and building management with digital technologies to streamline business operations

- We will collaborate with startups and combine digital technologies with insight based on a lengthy management track record to focus on ensuring safety and the efficiency of operations becoming increasingly complex year after year in the ship and building management industries that have become more complicated with each passing year due to strengthened regulation
- We will accumulate expertise in ship management for vessels equipped with dual-fuel main engines for which demand is certain to increase in the future

Specific Initiatives
- Improve operational efficiency utilizing AI and implement AI-based smart routing services (Bearing AI)
- Invest in various vessels equipped with dual-fuel main engines (methanol, LPG, ethane) and implement ship management

- Vessels equipped with Bearing AI: 66
- Projects underway in collaboration with startups: 4

Manufacturing Capital : We will provide high-quality customer-centric services through the in-house management of ships and office buildings combined with the active utilization of overseas sights

- We will provide safe and high-quality services, by owning our own ships and office buildings outright, and by managing them according to standards we have put in place ourselves
- By setting up sites in various locations overseas, we will build a structure to accommodate requests determined through engagement with local customers, enabling the provision of high-quality services

Specific Initiatives
- Make our site in the Middle East (Dubai Representative Office), a hub of chemical tanker customers, into a local subsidiary, and increase personnel at our local subsidiary in London
- In 2004, IINO Marine Service Co., Ltd. received Green Award Certification, followed by the large LPG carrier "MAPLE GAS" in 2022.
- In FY2015 and FY2020, the IINO Building was certified as a "Top-level Facility"

- Number of vessels in service: 95
- Number of buildings owned: six in Japan, one in London
- Number of overseas sites: 5

Human Capital : The foundation of everything we do, from daily operations to long-term management strategy development and execution

- We emphasize safety and engagement with various stakeholders on the front lines
- To achieve our corporate philosophy, we will focus on developing environments in which each employee can improve their skills and demonstrate their abilities to the fullest in the field

Specific Initiatives
- 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

- Childcare leave utilization rate: Aim for 83% → 100% (FY2025)
- Ratio of females in career-track positions (management candidates): Aim for 16% → 20% (the end of FY2025)
- Number of employees with short-term overseas training or expatriate experience: Aim for 54 → 75 (cumulative by the end of FY2025)

Social and Relationship Capital : We have built relationships of trust with stakeholders through business operations spanning more than 120 years since our founding

- Through business operations spanning more than 120 years since our founding in 1899, we have built relationships of trust with shareholders, creditors, officers and employees, business partners, society, and other stakeholders
- Engagement with stakeholders is an essential element in the formulation of management strategy, and we are committed to providing the value that stakeholders prioritize while improving the corporate value of the IINO Group

Specific Initiatives
- Periodically review materiality
- Organize the value provided to each stakeholder as our management policy "IINO COMMITMENT" to coincide with the formulation of the mid-term management plan

- Solid ties with customers and business partners
- Development of relationships with startups through Plug and Play and promotion of DX

Natural Capital : We will focus on reducing the vast amount of energy consumed for business activities in the Shipping and Real Estate businesses

- We generate 860,000 tons in Shipping and 9,000 tons in Real Estate of CO_2 emissions per year. Reducing CO_2 emissions is a social mission assigned to the IINO Group and one of the social challenges stakeholders expect us to overcome

Specific Initiatives
- Formulation of a roadmap to achieving carbon neutrality by 2050
- Raise previous reduction rate targets for 2030 and strengthen decarbonization initiatives
- Implement efforts groupwide to obtain SBT certification

- Energy consumption
- Vessels equipped with dual-fuel main engines: 3 delivered, 2 scheduled for delivery

About IINO MODEL

Definition of the IINO MODEL: A business model featuring the dual business pillars of the Shipping Business, which is subject to market volatility while growing constantly in line with the expansion of the global economy, and the Real Estate Business, which secures stable earnings with relatively small changes in market conditions. IINO LINES has established a history as an independent company for more than 120 years by combining these two businesses, but if the businesses are maintained as before, they will not continue to be solid in the long-term. We recognize the importance of responding to the needs of the times and continually refining the IINO MODEL in greater depth, and in our mid-term management plan, we have positioned promoting business portfolio management as a priority strategy.

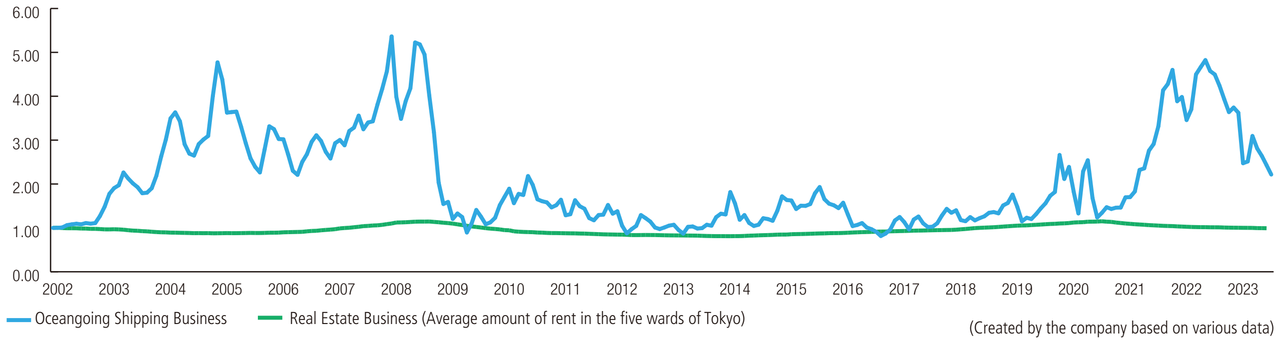
Characteristics of the Shipping Business

Supply and demand change reflecting global GDP and increasing population. The business is very susceptible to market risk and foreign exchange risk.

Characteristics of the Real Estate Business

The business secures stable earnings from long-term contracts with tenants. While demand is decreasing in Japan due to the population decline, it is growing modestly worldwide due to the increasing global population. While it is subject to market risk, this business is relatively stable compared to the Shipping Business.

● Market Trends of the Shipping Business and the Real Estate Business*



(Created by the company based on various data)

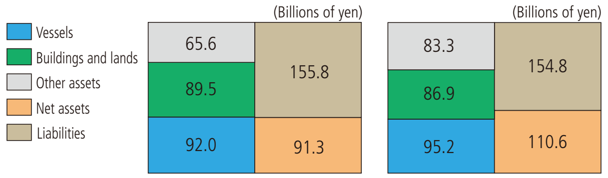
*For January 2002 to July 2023, assuming that the value for December 2001 is 1.00

Investment Policy

Defining the sum of stable earnings from some vessels in the Shipping Business and those from the Real Estate Business as the maximum risk tolerance, we invest in types of ships that are affected by the market (types of ships used for spot operations) and growth businesses, within our risk tolerance. At the same time, we also invest in businesses that generate stable earnings, thereby increasing stable earnings and raising our risk tolerance level.

Balance Sheet Management

Maintain the ratio of the amount of non-current assets in the Shipping Business to that in the Real Estate Business at 1 to 1.



	FY2021	FY2022 (Billions of yen)
Total assets	247.1	265.4
Depreciation	11.7	12.4

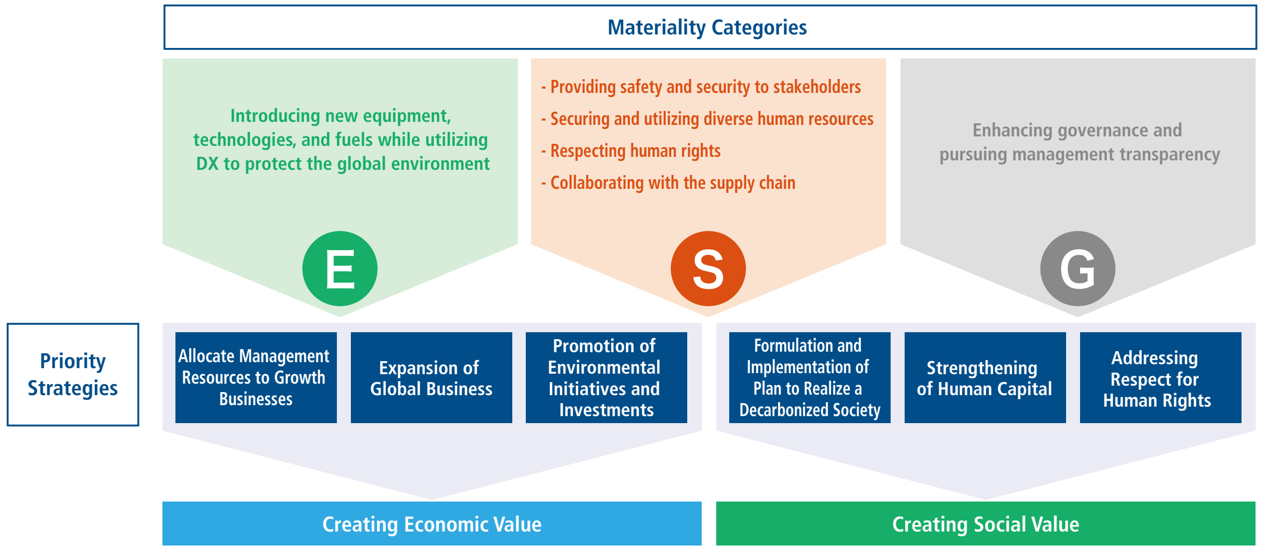
Creation of Business Value and Materiality

In our mid-term management plan, we have set the goal of creating shared value and set three priority strategies to create economic and social value respectively.

Economic Value: Allocate Management Resources to Growth Businesses, Expansion of Global Business and Promotion of Environmental Initiatives and Investments

Social Value: Formulation and Implementation of Plan to Realize a Decarbonized Society, Strengthening of Human Capital and Addressing Respect for Human Rights

Each priority strategy is closely related to the nine materiality items periodically reviewed by the Board of Directors and will be steadily implemented to overcome the material challenges we face. Ensuring safety and security continues to be regarded as our top material issue.



Creating Economic Value

Priority Strategies ① Allocate Management Resources to Growth Businesses

Materiality Categories	**Introducing new equipment, technologies, and fuels while utilizing DX to protect the global environment** **Enhancing governance and pursuing management transparency**
Goals	- Strengthening and expanding the gas carrier business to reflect expected growth from accelerating decarbonization - Executing strategic investments leading to improved competitiveness and the creation of synergy
Risks	- Risk of obsolescence or impairment losses due to misjudging the appropriate equipment or technologies in which to invest - Risk of impairment loss from being unable to secure expected cash flow due to changes in the business environment, etc.
Connection with outcome (shared value)	- Allocate management resources to oceangoing gas carriers with growth potential on a priority basis, making them a core business along with chemical tankers and dry bulk carriers - Aim to improve corporate value by making investments based on investment project risk-return tradeoff, shareholder cost of capital, and management strategies

Priority Strategies ② Expansion of Global Business

Materiality Categories	**Securing and utilizing diverse human resources** **Respecting human rights** **Collaborating with the supply chain** **Enhancing governance and pursuing management transparency**
Goals	- Groupwide expansion of sales activities leveraging existing networks of each business - Expansion of business in areas with growth potential (especially Asia - Middle East - Europe)
Risks	- Risk of being unable to secure diverse human resources, preventing business expansion in Japan and overseas - Risk of businesses failing due to inadequate compliance with laws and regulations (including anti-corruption) in various countries and failing to respond to human rights issues
Connection with outcome (shared value)	- Diversify human resources by employing and cultivating local staff in addition to dispatching Japanese staff to overseas sites in Dubai, London, Houston, and elsewhere - Establish a structure that can utilize diverse human resources and respond to the needs of customers in Japan and overseas in a precise and timely manner - Observe compliance requirements and continue responding to human rights issues, including in the supply chain

Priority Strategies ③ Promotion of Environmental Initiatives and Investments

Materiality Categories	**Introducing new equipment, technologies, and fuels while utilizing DX to protect the global environment** **Enhancing governance and pursuing management transparency**
Goals	- Continuing to respond to sustainable cargo transportation - Investing in vessels and real estate that contribute to reducing environmental impact and accumulation of know-how on their management
Risks	- Risk of existing expertise in ship management and building management becoming obsolete and less competitive due to delays in implementing environmental-friendly initiatives - Risk of changes to marine shipping due to moving away from fossil fuel, resulting in reduced shipping volume
Connection with outcome (shared value)	- Improve environmental action and provide intellectual capital accumulated internally, such as ship and building management know-how to customers to differentiate from the competition - Build relationships with customers in the medium- to long-term by providing outstanding services that set us apart, thus enhancing social and relationship capital - Improve corporate value by making investments based on investment project risk-return tradeoff, shareholder cost of capital, and management strategies

Creating Social Value

Priority Strategies ④ Formulation and Implementation of Plan to Realize a Decarbonized Society

Materiality Categories	**Introducing new equipment, technologies, and fuels while utilizing DX to protect the global environment**
Goals	- Revising the roadmap to achieve carbon neutrality by 2050 as needed, considering and implementing measures accordingly - Promote research and investment in next-generation fuel vessels and wooden office buildings - Collaboration with startups
Risks	- Risk of being unable to differentiate the services provided and suffering deteriorating corporate competitiveness due to delays in environmental action
Connection with outcome (shared value)	- Accumulating various expertise (intellectual capital) through the active introduction of environmental technologies - Reducing consumption of natural capital Greenhouse gas (GHG) reduction rate: 2030 target in the Shipping Business of 20% reduction (compared with FY2020 levels) per unit of production (transported ton-mile) In the Real Estate Business, 75% total reduction (compared with FY2013 levels) 2050 Target: Net-zero GHG emissions groupwide - Promote research and development of environmental technologies in collaboration with startups

Priority Strategies ⑤ Strengthening of Human Capital

Materiality Categories	**Securing and utilizing diverse human resources**
Goals	- Create a virtuous circle in which the company and employees grow together by investing in people and promoting strategies to increase their value
Risks	- Decline in corporate competitiveness due to inability to diversify and cultivate human capital
Connection with outcome (shared value)	- Development of the workplace and work environment (promoting flexible working styles, improving support for employees to maintain a balance between work and home life, introduction of next-generation offices, enhancing shipboard environments) - Securing a diverse range of human resources irrespective of gender, nationality or career - Enhancing training systems that correspond to management strategies to cultivate human resources and improve reskilling - Provide employees with opportunities to demonstrate their skills through staff rotations and optimum allocation - Conduct performance-based personnel evaluations and reflect results in compensation through the operation of a well-balanced personnel system

Priority Strategies ⑥ Addressing Respect for Human Rights

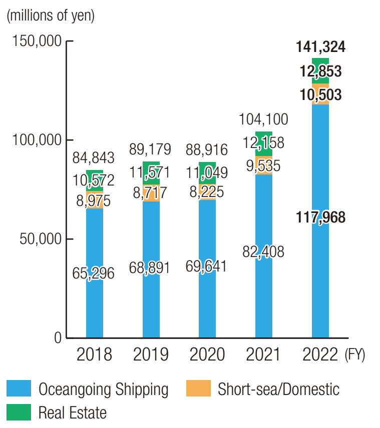
Materiality Categories	**Respecting human rights** **Collaboration with the supply chain** **Enhancing governance and pursuing management transparency**
Goals	- Deepen the PDCA cycle under the established human rights due diligence framework - Establish a human rights response system that includes the supply chain
Risks	- Risk that human rights violations could occur in the supply chain in addition to internally, leading to a loss of credibility and management risks - Risk of failure of a business due to a scandal erupting from dysfunctional internal control
Connection with outcome (shared value)	- Continue to implement human rights due diligence - Formulate a procurement policy and supplier code of conduct, promote action on respect for human rights in procurement activities with the cooperation of important business partners in business activities - Acquire certification from sustainability assessment organizations - Establish internal and external whistleblowing hotlines

Financial and Non-Financial Highlights

★: KPIs to be emphasized in the new mid-term management plan

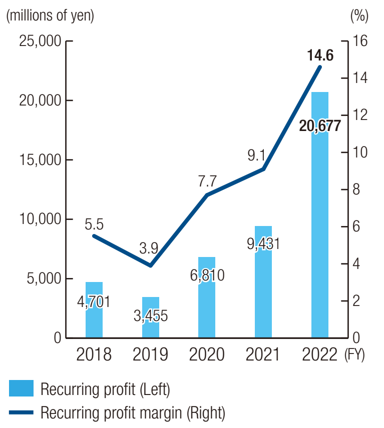
Financial Data

Revenues



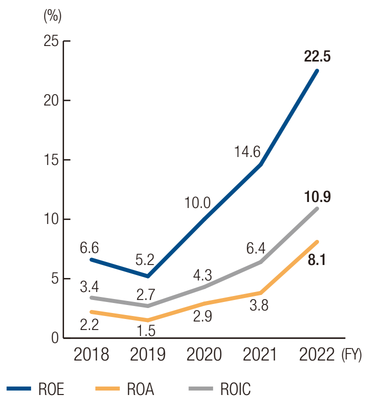
Revenues increased 35.8% year on year to 141.3 billion yen. Revenues in the Oceangoing Shipping segment in the Shipping Business rose 42.9% year on year to 118 billion yen, while the Short-sea/Domestic Shipping segment saw a 10.2% year-on-year rise to 10.5 billion yen. In the Real Estate Business, revenues increased 5.5% year on year to 12.9 billion yen.

Recurring Profit★
Recurring Profit Margin



Recurring profit is a key indicator of profitability that is emphasized in the new mid-term management plan. For FY2022, recurring profit increased 119.2% year on year to 20.7 billion yen and far outpaced the target set in the previous mid-term management plan reflecting strong performance in the market for chemical tanker freight rates. The recurring profit margin was 14.6%.

ROE★
ROA
ROIC★

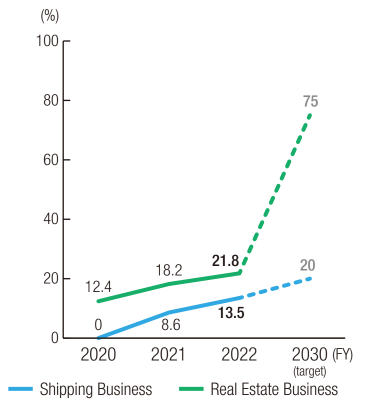


In the new mid-term management plan, ROIC* was set as a new KPI to enhance economic value with improved capital efficiency and synergy between businesses in mind. In FY2022, ROIC was 10.9%. Meanwhile, return on equity (ROE), a key indicator of efficiency, far surpassed targets to reach 22.5%, while return on assets (ROA) was 8.1%.

*ROIC =Earnings before interest after taxes ÷ Invested capital

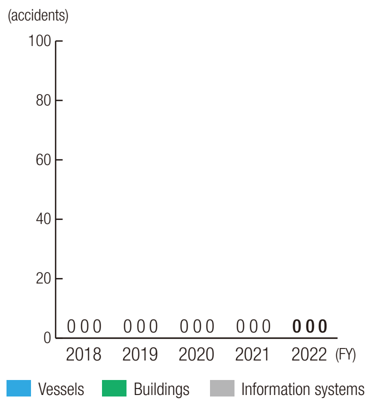
Non-Financial Data

Greenhouse Gas (GHG) Reduction Ratio (Shipping Business/Real Estate Business)★



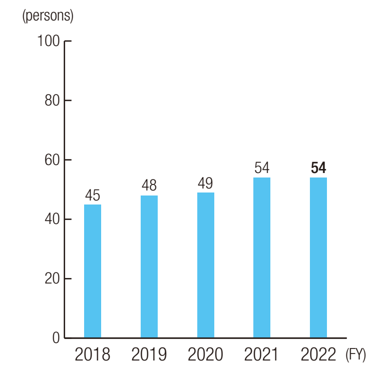
To achieve carbon neutrality by the year 2050, we have set greenhouse gas (GHG) reduction targets of 20% (compared with FY2020 levels) in the Shipping Business by FY2030 and 75% (compared with FY2013 levels) in the Real Estate Business by FY2030. In FY2022, we achieved reductions of 13.5% in the Shipping Business and 21.8% in the Real Estate Business.

Number of Serious Accidents★



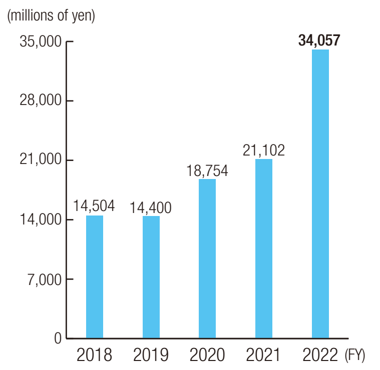
We have set the target of zero serious accidents involving vessels, buildings, and information systems as defined by the IINO Group. In FY2022, there were no such accidents involving vessels, buildings, or information systems.

Number of Employees with Short-term Overseas Training or Expatriate Experience★



As a measure to strengthen human capital, we have set the goal of cumulative 75 persons with short-term overseas training or expatriate experience by the end of FY2025. In FY2022, this figure stood at a cumulative 54 persons.

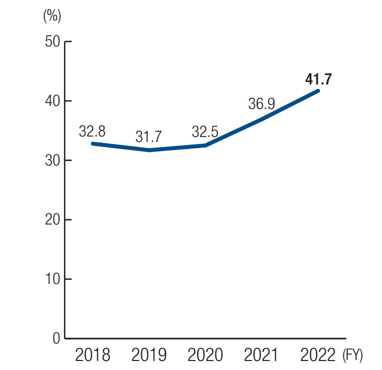
EBITDA★



In the previous mid-term management plan, earnings before interest, taxes, depreciation, and amortization (EBITDA*) was set as a management indicator of profitability that takes into account depreciation, interest rates, and gain or loss on business investments with attention to cash flows. In FY2022, EBITDA stood at 34.1 billion yen, exceeding the target range of 19.5 to 20.5 billion yen.

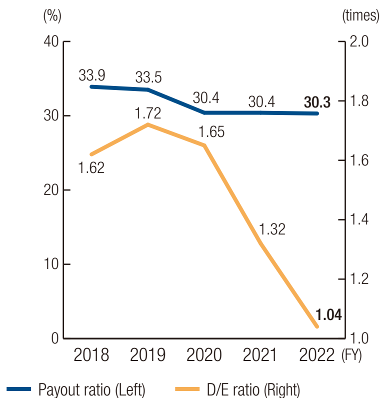
*EBITDA=Operating Profit + Depreciation + Dividend Income and Equity in Earnings of Affiliates of Main Business Investments

Shareholders' Equity Ratio



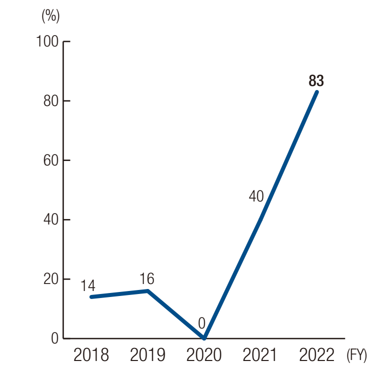
Shareholders' Equity Ratio for FY2022 was 41.7%, surpassing the 36.9% reached in FY2021. This is due chiefly to an increase in retained earnings associated with the posting of profit attributable to owners of parent, an increase in net assets following a rise in the valuation difference on available-for-sale securities after increases in the share prices of investment securities owned, as well as an increase in foreign currency translation adjustment attributed to the depreciation of the yen.

Payout Ratio
D/E Ratio★



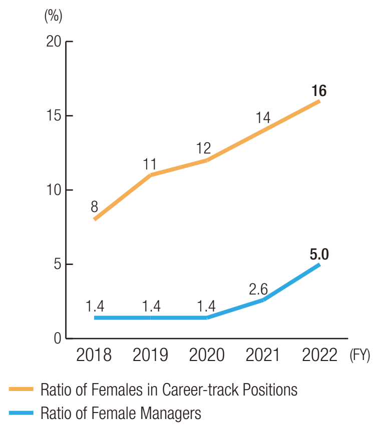
The debt-to-equity (D/E) ratio has continued from the previous mid-term management plan as a key indicator of soundness for maintaining financial discipline with a focus on investment balance, with an upper limit of 1.5 times set. In FY2022, the ratio was 1.04 times. We have also set a standard payout ratio of 30% and have a basic policy of continuously issuing dividends. For FY2022, the payout ratio was 30.3%.

Childcare Leave Utilization Rate★



We are committed to helping employees balance work and home life and have set a target childcare leave utilization rate that includes eligible male employees of 100% by FY2025. The utilization rate in FY2022 was 83%.

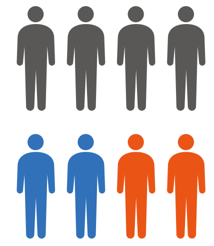
Ratio of Females in Career-track Positions★
Ratio of Female Managers



We have set the target of raising the ratio of females in career-track positions to 20% by the end of FY2025. At the end of FY2022, this figure was 16%. In addition, in FY2022, the ratio of female managers was 5.0%.

Composition of the Board of Directors

Ratio of Outside Directors to all Directors on the Board of Directors
4 persons (including two females)/ 8 members



The Board of Directors is composed eight members including four executive members and four non-executive members. The four non-executive members are Independent Outside Directors who have fulfilled our Criteria Relating to the Independence and Qualifications of Outside Directors and Auditors, and two are female Directors (appointed in June 2023).

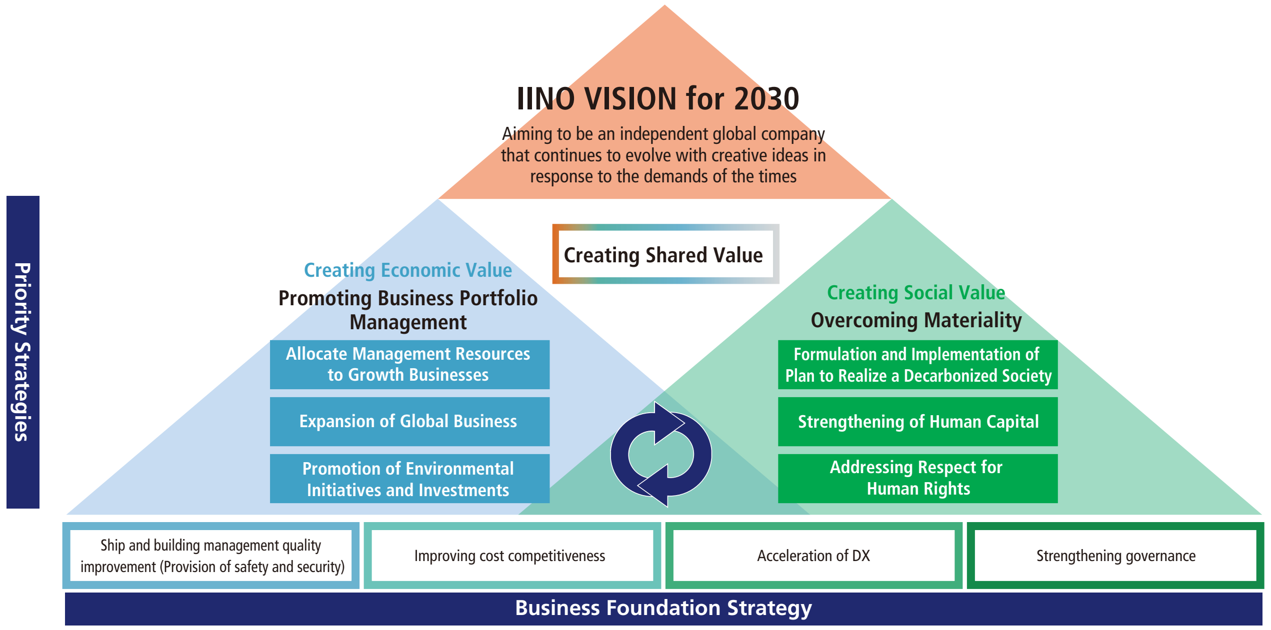
Vision and Strategies

The IINO Group has formulated its new mid-term management plan, "The Adventure to Our Sustainable Future" (period: April 2023 - March 2026; "the plan") to achieve our goals towards 2030 (IINO VISION for 2030) "Aiming to be an independent global company that continues to evolve with creative ideas in response to the demands of the times."

Outline of the New Mid-term Management Plan

The name of the plan 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. We have also positioned the challenge of portfolio management and becoming carbon neutrality as themes and will drive the creation of shared value pursued during the previous mid-term management plan in even more powerful terms. The strategic framework of the plan comprises three priority strategies aimed at creating economic value and social value for each, and the four business foundation strategies undergirding them. By driving these strategies, we aim to achieve numerical targets that fall under financial and non-financial categories.

● Overview of the New Mid-term Management Plan



● Numerical Targets

Numerical Financial Targets (FY2025)	
Ordinary profit	13-14 billion yen
ROIC *Earnings before interest after taxes ÷ Invested capital	4–5%
ROE	9–10%
D/E Ratio	Max. 1.5 times

Numerical Non-Financial Targets	
Number of Serious Accidents	0 cases Serious accidents stipulated by the company (Vessels, Buildings and Information Systems)
GHG Reduction Rate	Year 2030 Shipping (vs. Year 2020) 20% Real estate (vs. Year 2013) 75% Year 2050 Company-wide net zero
Short-term Overseas Training and Expatriate Experience	Cumulative total at the end of FY2025 75 persons or more
Human Rights Training Participation Rate	FY2023-2025 100%

● Overview of Priority Strategies

Creating Economic Value: Promoting Business Portfolio Management	Allocate Management Resources to Growth Businesses	- Strengthen and expand the gas carrier business, which is expected to grow with the acceleration of decarbonization - Execute strategic investments that improve competitiveness and create synergies
	Expansion of Global Business	- Cross-cutting sales development utilizing the existing network of each business - Expand business in areas with growth potential (especially Asia - Middle East - Europe)
	Promotion of Environmental Initiatives and Investments	- Continue to support sustainable cargo transportation - Investment in vessels and real estate that contribute to reducing environmental impact and accumulation of know-how on their management
Creating Social Value: Overcoming Materiality	Formulation and Implementation of Plan to Realize a Decarbonized Society	- Develop a roadmap to achieve carbon neutrality in 2050 - Promote research and investment in next-generation fuel vessels and wooden office buildings
	Strengthening Human Capital	- Create a virtuous circle in which the company and its employees grow together by investing in people and promoting strategies to increase their value
	Addressing Respect for Human Rights	- Deepen the PDCA cycle under the established human rights due diligence framework - Establish a human rights response system that includes the supply chain

Outline of Creating Economic and Social Value

Under the priority strategies, we will implement a range of measures to strike a balance between sustainable growth through business portfolio management based on the IINO MODEL and overcoming material challenges (key sustainability issues). In promoting business portfolio management, we will work from a financial base that has been strengthened with the accumulation of profits and efficiently allocate some 100 billion yen in total investments over the three years (more than double that of the previous plan) with a focus on growth and new businesses with excellent growth potential and high relevance to materiality. With this approach, we aim to build an optimum business portfolio capable of sustainable growth. Further, we will newly add ROIC (return on invested capital) as an economic indicator of emphasis, and with an awareness of the need to improve return on capital and create synergy between businesses, execute strategies targeting the expansion of global business along with the promotion of environmental initiatives and investments to enhance economic value. And on the topic of addressing issues of the materiality, we have formulated a roadmap to achieve the plan's overarching goal of carbon neutrality by 2050, tackling feasible greenhouse gas (GHG) emission reduction measures and contributing to decarbonization by incorporating but not overly relying on heteronomous technological innovation. We will also clarify and steadily implement strategies to meet societal demands, including the strengthening of human capital and addressing respect for human rights.

[Comment from an Employee Involved in the Formulation of the Plan]

With this new mid-term management plan, the amount of information in the presentation materials has increased considerably compared with the previous plan. This reflects the desire to have various stakeholders, including employees, gain a deeper understanding of the IINO Group's future vision and the actions to be taken over the next three years, which was discussed among the officers and employees of each organization within the Group and management. Therefore, we paid attention to the composition and design of the plan to make it as accessible as possible for readers. In addition, when formulating the plan, we considered societal demands and the expectations of investors in addition to trends in customer needs and information from business partners such as financial institutions, making a point of connecting the desires of the company with all stakeholders in a well-balanced way. The contents are wide-ranging, but with President Otani putting his soul into it by naming the plan and its themes, it is grounded overall and has come together as a single plan. Please buckle up as the IINO Group embarks on this three-year adventure.

Koshi Yoneyama
Section Manager,
Corporate Planning Section,
Corporate Planning Department

Special Feature 1

Collaborating with a Startup to Implement DX Adapted to the Issues of the Shipping Industry

Section Manager, Global Business Section, Business Strategy Department
Keitaro Watanabe
In his capacity as the person in charge of new overseas projects and on account of his experience in shipping-related sales, he was tasked with project management. He is also responsible for the collaboration with Plug and Play.

Section Manager, Technical Section, Technical Department
Kazuho Eguchi
He is the chief engineer on board and is mainly responsible for development coordination on technical aspects.

Environmental Management Section, Sustainability Promotion Department
Yasuha Kawata
She was added to the project soon after joining IINO LINES in 2022. She is involved in managing data on the target vessels and researching the internal needs of the company.

Special Guest
Manager, Mobility Business Dept. II, Silicon Valley Office, Mitsui & Co. (U.S.A.), Inc.
Taiki Kon
As a representative of Mitsui & Co., which has invested in Bearing, he promotes the applied rollout of AI technologies.

In January 2023, the carbon intensity indicators (CII) rating system* established by the International Maritime Organization (IMO) went into effect, requiring shipping companies to strongly promote CO_2 reductions in the operation of their marine vessels.

Ahead of the scheme going into effect, IINO LINES partnered with Bearing, Inc. (Bearing), a startup engaging in AI analysis in Silicon Valley in the U.S., to assist in the development and operational launch of a CII optimization tool that uses Bearing's high-precision AI technologies. In July 2023, this tool received an Innovation Endorsement Certification from a third-party organization Class NK.

In addition to IINO LINES staff who were involved in the project, Taiki Kon from Mitsui & Co. (U.S.A.), Inc. ("Mitsui & Co.") participated as a point of liaison between IINO LINES and Bearing. We spoke with Mr. Kon about the history of the system from development through to introduction and operation and the system's features.

Origins in an Encounter with the AI Technology of Silicon Valley

Watanabe: The shipping industry currently faces strong demands for decarbonization. The IMO has been pursuing comprehensive initiatives, and one of them is the CII rating system started in January 2023.

Eguchi: This is a system that evaluates and rates the fuel efficiency performance of various shipping companies' vessels, and encourages improvements. IINO LINES has been preparing for several years to deal with this system. However, even when the fuel consumption of a vessel can be confirmed based on actual results, it is hard to predict in advance, and there are variations in how the data is obtained from each vessel. As a result, there were technical issues when handling these requirements comprehensively.

Watanabe: In the process of looking for ways to respond, we came across the AI technologies of Bearing, a Silicon Valley-based startup that Mitsui & Co. has invested in. Up to this point, IINO LINES did not have a lot of experience with startups, but Mr. Kon from Mitsui & Co. helped us a great deal.

Kon: In recent years, Mitsui & Co. has put a lot of effort into DX and has driven the development of AI-related businesses in particular. As a part of that, we invested in a Silicon Valley-based fund known as AI FUND and established the joint venture company Bearing, which positions AI at its core to target ship-related fields with market potential and roll out our business in those areas. Given that, we opened up lines of communication with IINO LINES, with whom we have built a relationship based on collaborating in various businesses.

Initially, we talked about how AI can be utilized for vessel route selection, performance assessments, and analysis.

Watanabe: At first, we received project information from Mr. Togasaki, who represents the Houston Office, and I acted as the head office contact point since I am responsible for new overseas projects, and we started to consider the possibilities together. Technically it was extremely advanced, but I felt it was a little over-specified to be used only for performance evaluation. That's why I wondered whether we could expand the ways in which it is utilized and conducted the evaluation while interfacing with Mr. Eguchi from the Technical Department and Captain Masumura from the Singapore Office, who is responsible for operation management.

Eguchi: I got the sense that if we could apply the CII rating system, which we were under pressure to respond to quickly, it would be extremely useful. I thought it would be possible to leverage the features that make it possible to analyze ship operations in great detail to make predictions of fuel consumption under a wide variety of conditions, which is what the company wanted.

Kon: AI technologies can handle complex events that humans cannot fully calculate. I think that makes them a good match for the shipping industry, where there are many complex factors to simulate, such as ship performance evaluation, routes, and weather.

Watanabe: We wanted Bearing to work on utilizing AI technologies for a CII rating system, and the project has developed significantly with many good ideas produced due to the interaction between our two companies.

Implementing a Flexible User Interface with Agile Development

Watanabe: In terms of the actual system development method, instead of the conventional waterhole method (a method to build a solid system based on meticulous designs), an advanced agile approach (a method that responds flexibly to changes to things like aims and required levels while working from a rough outline as a basis), and it was truly as if we were kneading the clay to form a statue by freely shaping it in a workshop. It was impressive how much momentum we gained to move forward with development using this approach.

Eguchi: Looking at it technically, the system uses advanced AI analysis technology to accept various operating data points for each type of vessel without the need for processing on the user side, and I think this gives it an excellent wide range.

Another feature is the flexible yet straightforward user interface that can be quickly understood by staff from various departments such as sales and admin, and not just the technical department.

Watanabe: For people working in sales like me, it is hard to understand tools and use them effectively with only technical explanations or lists of numbers, so we made an effort to fully visualize the system so that anyone can understand it intuitively.

Kawata: I started to attend development meetings after having been with the company for only six months. At first, I was worried that I wouldn't understand what was going on, but the output screens were designed to be easy to read and understand, and it was easy to follow even without expert knowledge.

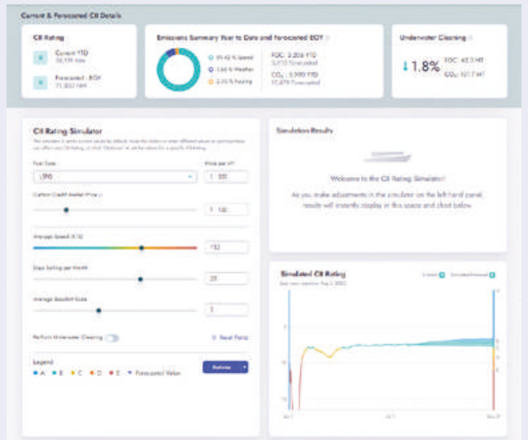
Kon: I think we managed to develop such a user-friendly system because everyone at IINO LINES was frank in sharing what they wanted. Staff from both companies engaged in lively exchanges of opinions and the project proceeded extremely smoothly.

Watanabe: That's right. I feel that we were able to blur the lines between client and contractor and make real progress with development as a single project team. We could be involved with the development of a system that becomes the industry standard for handling the CII rating system, and perhaps we gained first-mover advantages in tangible and intangible ways.

* Carbon Intensity Indicator (CII) Rating System: These regulations rate the fuel consumption performance of ships yearly on a 5-point scale from A (best) to E (worst), with ships falling below certain assessment scores required to submit improvement plans and obtain certification from supervisory authorities, to continually promote energy-saving ship operation. The IMO encourages supervisory authorities and port authorities to provide incentives to ships that have obtained high CII ratings.

Performing a Wide Range of Predictions Based on Different Conditions Instantly

Watanabe: The system became fully operational in January 2023. Through operation over this period, we have obtained useful information regarding predictions, and this has been a great help in managing the operational status of ships.
Eguchi: Predicting the operation of ships has always been an extremely difficult task. With regard to CII ratings, using conventional methods, we could look back at past data and assign Rank A to this year and Rank C to that year, for instance. But it was extremely difficult to run simulations based on conditions not yet operated under. With the CII optimization tool, we can combine a wide range of data in addition to the data handled by the technical department to output prediction values.
Watanabe: Various simulations are possible, and ship speed management, which is something done by sales, is also possible. For example, if we want to know how much CO_2 emissions will be reduced when we reduce the speed of a certain ship by one knot, we can have that information displayed on the screen in front of us through some simple operations, and we can even use a speed slider to work out how far we can push the speed to remain within emissions tolerances. There is an on-screen graph showing the acceptable range is indicated in blue, and the danger area is in red, which allows you to quickly understand the situation visually. This has greatly helped the staff in sales to carry out data-driven decision-making.
Eguchi: If the technical department used conventional methods to calculate a simulation of what would happen if a ship's operating speed was reduced by one knot, the task would take several hours, but with the CII optimization tool, that information is displayed in a second. And the interface is as user-friendly as a smartphone app.
Kawata: One of the strengths of the system is that the information can be shared with any department, not just sales. In the Sustainability Promotion Department, my role is to manage CO_2 emissions, and I can instantly find out how much CO_2 each vessel is emitting. This responsiveness is a major feature and makes it extremely easy to use.
Watanabe: Within the current fiscal year, we are going to release full-year operating results, and going forward, we hope to continue to refine the system while looking at those results.


Operation screen of the Bearing AI platform

Eguchi: We also plan to use the system for other simulation and verification purposes to measure the degree of improvement in fuel consumption when ships are retrofitted with energy-saving devices.
Kon: The staff at IINO LINES were able to communicate and share information, and for this project, we were able to operate in an agile manner and make rapid progress, which made it easy to produce results. I hope that many departments will make use of the CII optimization tool. For our part at Mitsui & Co. and Bearing, we will continue to strengthen measures to reduce the burden on current operations, refine the system, and work on extending functionality.

An Organizational Structure that Advances Collaboration with Startups

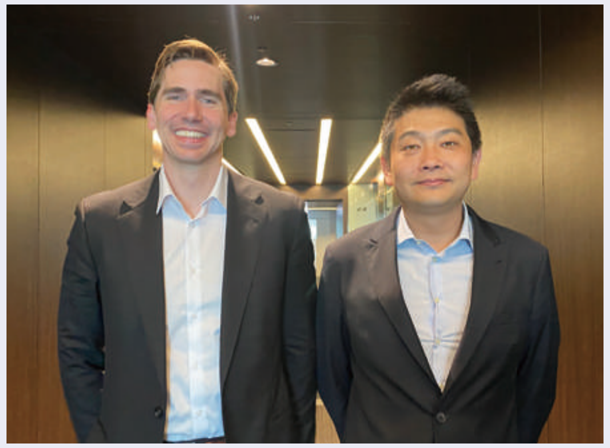
Watanabe: While IINO LINES is involved with a wide range of businesses in the shipping industry, it also has a real estate business. However, organizationally we are small-scale and flexible.
Eguchi: I think this structure is extremely effective for pursuing business activities on a per-project basis, including collaboration with startups. Not just technical staff but people from sales and admin are working on the same floor.
Watanabe: As an organization, there are horizontal connections, but vertically the structure is not that tall, which means decision-making takes less time. In fact, this kind of small-scale organizational structure makes it easy to pursue collaboration with startups. Startups themselves are formed from a small organizational structure because, in many cases, speed is required when rolling out a business.
Eguchi: There is a wide range of specialists around my desk as well. And when you are in this kind of environment, even if you are a technical specialist, you can absorb a diverse range of information, and this fosters the desire to someday become an all-rounder.
Watanabe: If work can be made more efficient through innovations such as the introduction of AI, the time that frees up can be devoted to more creative work.
Kawata: In the Sustainability Promotion Department, it used to take an enormous amount of time to calculate things like our past CO_2 emissions from scratch. As that information can now be instantly converted into data using the CII optimization tool, we don't need to perform the calculations ourselves, and this has saved considerable amounts of time and effort. Now we can work on a wider range of operations, such as human rights and CSR activities in addition to environmental action.

Pursuing Further Possibilities

Watanabe: The collaboration with Bearing is an example of skillfully matching the parts that another party lacked and creating a successful project. Not only did we gain a quality system, but we also established a relationship of trust with a startup, and this is a major accomplishment for IINO LINES.

In the startup industry, these examples of success attract a great deal of attention, and I believe it has given us a significant advantage in the industry in the form of improved credibility and trust. By accumulating success stories such as this one, other leading startups will start to look at IINO LINES as a potential partner for collaboration. In fact, we've already started to receive inquiries from elsewhere.
Eguchi: Since the success or failure of a project can be directly linked to the very survival of a startup, we can't take a careless approach either. In the future, we will need to consider that point carefully, speed up the decision-making process, and make improvements to handling that has tended to rely on specific individual skills in the past.
Kawata: As part of the business foundation strategy in our new mid-term management plan, we newly established the DX Promotion Department and strengthened the organizational structure to better tackle innovation, including collaboration with startups.
Watanabe: To further expand collaboration with startups, in May 2022, IINO LINES became a partner of Plug and Play, which is the world's largest accelerator (a platform holder that connects startups with operating companies to promote their respective business growth). Plug and Play provides an accelerated program that specializes in the maritime sector and maintains connections with over 2,000 maritime startups around the world, matching them with operating companies through the accelerator program.

IINO LINES already has multiple new projects underway, such as a solution that will lead to reduced crew-related costs that is being developed with a startup discovered using Plug and Play's platform.


CEO Dylan Keil (left) and CTO David Zhan Liu (right) of Bearing, Inc.

[Comments from the Executive Officer in Charge]

Today we live in an age in which changes are rapid, hard to predict, and uncertain. Working under these conditions, the shipping industry also needs to respond swiftly and accurately to environmental regulations.

To comply with the CII regulations that went into effect in January 2023, IINO LINES partnered with the US-based startup Bearing to introduce the CII optimization tool.

Previously, we had the impression that there were high hurdles to working with a startup due to differences in corporate culture and the timescales unique to shipping companies. But this collaboration was an opportunity to recognize the importance of environmental action and DX initiatives, and I feel it also led to changes in how each of us works and our awareness of innovation at the company. For example, agile approaches to working that drive development with a small number of people, and combinations of task forces, working groups, and subcommittees that form across organizational boundaries for each issue at hand function effectively as mechanisms promoting fast and accurate problem-solving at a company such as IINO LINES which does not have many employees.

In our mid-term management plan, we have declared "acceleration of DX" as part of our business foundation strategy. We recognized that collaboration with a startup was an effective means of achieving this, and since the collaboration with Bearing, we have been accelerating the new initiatives being pursued. I hope that we utilize the lessons learned from this collaboration to steadily adapt to the changing environment surrounding IINO LINES and engage in innovative initiatives going forward.

Executive Officer
In charge of Sustainability Promotion Department and commission as General Manager, in charge of Business Strategy Department and commission as General Manager, in charge of DX Promotion Department and commission as General Manager
Yuji Yasuki

Message from the Executive Officer in Charge of Corporate Planning and Finance

Overview of FY2022

In FY2022, while the pandemic of the novel coronavirus disease (COVID-19) slowed down, the global economy slowed gradually due to high inflation caused by the situation in Russia and Ukraine, etc., and monetary tightening. In March 2023, the economic outlook grew increasingly uncertain following the collapse of several U.S. banks and the revelation of financial difficulties at a major financial institution in Europe.

There were aspects softening market conditions for some vessel types due to the slowdown of the global economy and other factors, but demand for chemical tankers and large gas carriers, the IINO Group's core business, remained extremely high against the backdrop of changes in marine logistics due to the situation in Ukraine, and the IINO Group's financial results in the Shipping Business improved significantly compared with the previous fiscal year. In the Real Estate Business, profit declined year over year due to increases in utilities and other management expenses as well as repair expenses, but we secured stable earnings due to the steady and ongoing operations of office floors in the buildings we own. In addition to the above, the depreciation of the yen (against the US dollar) compared with the previous year, net sales and each stage of profit saw record highs.

On the financing front, although there were risk factors such as financial instability in Europe and the U.S., these did not impede our financing activities, and we have built a robust financial structure that includes securing adequate liquidity on hand and commitment line agreements with major financial institutions.

Review of the Previous Mid-term Management Plan

FY2022 was the final year of the previous three-year mid-term management plan. Amid logistics disruptions due to the COVID-19 pandemic and the situation in Ukraine, we made every effort to efficiently allocate vessels and managed to maximize revenue. I believe we were also successful in strengthening our global activities, including the expansion of overseas sites. Operating cash flow in FY2022 grew around 35.2 billion yen and is up a cumulative 70.3 billion yen over the last three years, greatly exceeding the planned 55 billion yen. We planned to use this positive operating cash flow to invest 15 billion yen each in three areas, growth, stability, and the environment, but made investments far above these planned levels.

Numerical targets for ordinary income, EBITDA, and ROE, which are indicators of profitability and efficiency, all beat forecasts by a large margin. D/E ratio, an indicator of soundness, was set at a maximum 2.0 times, but we built up equity thanks to significant profit growth, with the D/E ratio falling to 1.04 times in FY2022. As a result, we were able to build a solid financial base with net assets entering the 100-billion-yen range (Table 1).

In the mid-term management plan, we have strengthened investment and funding activities with an emphasis on reducing our environmental impact as part of efforts to enhance corporate value by promoting ESG management.

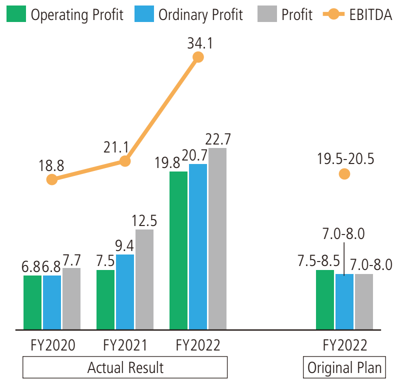
In Shipping Business investments, we took delivery of two new VLCCs with improved environmental performance and also delivered two VLGCs equipped with LPG dual-fuel main engines. We also introduced a CO_2 emission management system compliance with the CII rating system of the International Maritime Organization (IMO), which seeks to improve the fuel efficiency of vessels using AI technologies from Bearing, a Silicon Valley-based startup. The system started full-scale operation in January 2023. We have also actively introduced equipment to improve the fuel efficiency of our vessels. In addition, we are currently building a large gas carrier that can be fueled with ammonia, considered a next-generation fuel candidate (scheduled to be delivered in FY2023).

In the Real Estate Business, Hibiya Fort Tower, which features excellent environmental performance, was completed in June 2021. We also installed solar power generating equipment, LED lighting equipment, and air conditioning equipment with high environmental performance in the IINO Building and other existing properties as part of steady efforts to reduce CO_2 emissions. In FY2022 in the U.S., we invested in a redevelopment project expected to obtain U.S. environmental certification (LEED) in Portland, and have also invested in a wooden office building project underway in the suburbs of Dallas.

In terms of funding, we utilized green bonds and green loans to finance the Hibiya Fort Tower construction project and refinance the IINO Building. As a part of environmentally friendly activities on the financial side, we entered into a commitment line agreement with domestic financial institutions for Mizuho Eco Finance, an environmental assessment loan product with Mizuho Bank as the arranger, and also signed a foreign currency-denominated commitment line agreement with Mizuho Bank.

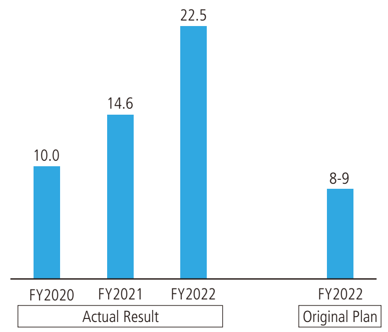
(Table 1) Results and Plan Targets for Indicators of Profitability, Efficiency, and Financial Health

Profitability: Annual P/L (billions of yen)



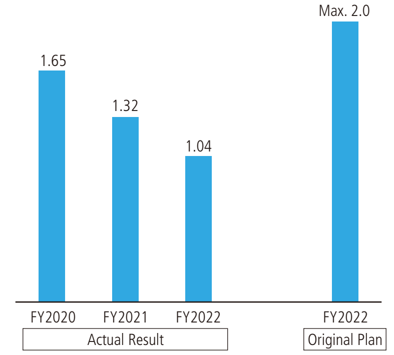
	FY2020-22 Cumulative Total (billions of yen)	
	Ordinary Profit	EBITDA
Actual Result	36.9	74.0
Original Plan	17.1-19.1	54.1-56.1
Difference	+17.8-19.8	+17.9-19.9

Efficiency: ROE (%)



Achieved ROE target through significant increase in profit

Financial Soundness: D/E Ratio (times)



Despite executing investments in excess of the original plan, the D/E ratio improved as equity capital accumulated, further strengthening the financial base

Outlook for the Next Fiscal Year and the Financial Base Supporting Next-Generation Business

The outlook for the global economy in FY2023 will remain uncertain, with the bank failures and instability of financial institutions in the U.S. and Europe that surfaced in the previous fiscal year, along with the situation in Ukraine, playing a part. With continued inflation and sharply rising energy costs a cause for concern, the IINO Group's net sales and profit are expected to decline from their record highs of the previous fiscal year, but although conditions in the shipping market will remain strong although it will not reach the previous year's levels, and we also expect to secure stable revenue from the Real Estate Business.

On the financial front, we intend to respond and act flexibly to reliably support our business activities in light of the new mid-term management plan. IINO LINES' financing activities mainly involve loans from the financial institutions with which we do business. Our stable financial base has earned recognition, and we have continued to engage in healthy and stable transactions over the long term. We have set revolving credit lines and commitment lines worth 18 billion yen with domestic financial institutions and U.S. dollar-denominated commitment lines worth $60 million, ensuring sufficient liquidity on hand in anticipation of management risks. Our corporate bonds have earned a BBB+ (outlook: positive) long-term issuance rating from the Japan Credit Rating Agency and a BBB rating (direction: positive) issuance rating from Rating and Investment Information, Inc., with the ratings remaining unchanged from before, but the outlook/direction updated.

Leveraging the dependable financial base we have built up to date, we will continue to engage in flexible and agile financing to steadily implement business investments based on our business portfolio strategies.

Towards the New Mid-term Management Strategy, "The Adventure to Our Sustainable Future"

From April 2023, our new three-year mid-term management plan started. Promoting Business Portfolio Management and Overcoming materiality were declared as priority strategies of the plan.

In Promoting Business Portfolio Management, we aim to pursue the IINO MODEL, a business model characteristic of IINO LINES, in greater

(Table 2) Allocate Management Resources

Allocation of Management Resources to Each Business

	Eligible Businesses	Key Strategies	Amount Invested
Growth and New Businesses	Large Gas Carriers	- Expand stable earnings through aggressive investment - Further sophistication of liquefied gas cargo management know-how - Strengthen marketing to small and medium-sized vessels	40 billion yen
	Strategic Investment	- Investment to improve competitiveness of core business - New business initiatives with synergies	10 billion yen
Core Businesses	Chemical Tankers	- Differentiated sales by leveraging the strengths of the stainless steel fleet - Establishment of personnel and organizational structure capable of agile response to logistics changes	20 billion yen
	Dry Bulk Carriers	- Strengthen ability to make proposals to major shippers to reduce CO_2 emissions - Continued fleet flexibility to manage market risks	
Stable and Mature Businesses	Oil Tankers	- Replacing assets with environmentally friendly vessels in cooperation with Japanese oil companies - Continued high quality service and added value to existing vessels	30 billion yen
	Short-sea/ Domestic Gas Carriers	- Maintain business scale by securing crews - Capturing commercial opportunities associated with the decarbonization of domestic shipping	
	Real estate	- Accumulate stable income through investment in office buildings (including overseas) - New initiatives for value-up projects, wooden offices, etc.	

Total 100 billion yen
(more than double that of the previous mid-term management plan)

depth, and achieve sustainable growth through an optimum portfolio structure. We have classified each business as either growth/new business, core business, or stable/matured business. We regard growth/new business as large gas carriers and strategic investments, core businesses as chemical tankers and dry bulk carriers, and stable/mature businesses as crude oil tankers, short-sea and domestic gas carriers, and the Real Estate Business. We plan to invest 50 billion yen in growth/new businesses (40 billion yen in large gas carriers, 10 billion yen in strategic investments), 20 billion yen in core businesses, and 30 billion yen in stable/mature businesses, which amounts to 100 billion yen over three

(Table 3) Cash Allocation

Cash In	Cash Out
Operating Cash Flow 77 billion yen	Investment in Business 100 billion yen
Financial Cash Flow 36 billion yen	Returns to Shareholders 13 billion yen

years. Of these, investments in core businesses are essentially regarded as growth investments which, combined with the investments in growth/new businesses, represent an ambitious plan to invest 70% in growth areas. (Table 2)

In the past we have made investments within the bounds of operating cash flow, but this time we have adopted the policy of combining this with cash flow from financing activities to raise our financial leverage within the range of a D/E ratio of 1.5 times (Table 3).

In terms of numerical financial targets, in addition to individuals of profitability, capital efficiency, and financial health, we have added ROIC as a new indicator to evaluate capital efficiency. We will pursue a policy of raising ROIC after determining and visualizing how efficiently we can generate revenue in relation to the cost of capital, including interest-bearing debt obtained mainly from financial institutions in addition to shareholders' equity (Table 4).

Of the 100 billion yen to be invested over three years, 60 billion yen will be invested in environmental fields. In the Shipping Business, we plan to invest in dual-fuel main engine vessels with a focus on large gas carriers. Demand for gas carriers is projected to expand in the future, in addition to LNG and LPG carriers for which technologies to use the transported cargo as fuel have already been established, this reflects the expected development of vessels that use ammonia, which has greater greenhouse gas (GHG) reduction effects, as fuel. Using the experience, we have cultivated in this business to date, we aim to drive investment in environmental action. However, it is currently difficult to invest in small- to medium-sized vessels, primarily chemical tankers and dry bulk carriers, because the next generation of fuels has not been finalized. We will

(Table 4) Financial Indicators and Numerical Targets

	FY2022 Results	FY2023	FY2024	FY2025	FY2030
Ordinary Profit (billions of yen)	20.7	11.1	11.5-12.5	13.0-14.0	20.0
EBITDA*1 (billions of yen)	34.1	25.5	27.0-28.0	28.0-29.0	44.0
ROE (%)	22.5	9	9-10	9-10	10% or more
ROIC*2 (%)	10.9	4.5	4-5	4-5	5% or more
D/E Ratio (times)	1.04	Max. 1.5	Max. 1.5	Max. 1.5	Max. 2.0

*1: Operating profit + depreciation + dividend income and equity in earnings of affiliates of main business investments
*2: Net operating profit after adjusted taxes ÷ invested capital

start by investing in large vessels such as gas carriers and accumulating experience in their operation and management while pursuing a strategy for the phased expansion into small- and medium-sized vessels. In the Real Estate Business, we are pursuing environmentally friendly projects, with participation in a project to construct a new wooden office building and a project to renovate old buildings that is currently under consideration. Environmental investments are directly linked to the social value that IINO LINES aspires to create, and in the future, we believe it will bring about the creation of shared value. We will continue to engage in sales activities to gain an understanding of markets and customers while tackling these challenges from a long-term perspective.

We plan to make strategic investments of 10 billion yen in growth/new businesses, mainly in new businesses that facilitate synergy with our existing businesses and areas that will help boost our competitiveness. In particular, we expect that collaboration through investment in startups and the promotion of DX will be important keys, and we have pursued initiatives with this in mind, including the decision to invest in a fund managed by a marine venture capital (VC) firm in June 2023. Going forward, the Business Strategy Department and the newly established DX Promotion Department will play leading roles as we expand activities to establish new businesses and improve competitiveness.

Basic Policy on Profit Allocation and Dividend Results

IINO LINES regards the return of profits to shareholders as a key management issue. We work to expand shareholder value by making new investments aimed at sustainable corporate growth while endeavoring to maintain stable dividends from a long-term perspective. To increase the degree to which dividend amounts are linked with profit growth in keeping with that premise, we have adopted the basic policy of continuing to issue dividends based on a 30% dividend payout ratio in proportion to full-year financial results.

In FY2022, we issued an interim dividend of 27 yen per share and a year-end dividend of 38 yen per share, making an annual dividend of 65 yen.

Long-term Financial Direction

In the new mid-term management plan, we have adopted the challenge of portfolio management and becoming carbon neutrality as themes, and by creating shared value in terms of both economic and social value, we aim to achieve IINO VISION for 2030, our long-term vision for the year 2030. To support the steady implementation of the new mid-term management plan from a financial perspective, going forward we will work from a base of borrowing from financial institutions while also considering the diversification of financing, including the issuance of corporate bonds to maintain a stable financial base that ensures liquidity and can adapt to unexpected business risks.

The Role of the Business Portfolio

The IINO Group's business portfolio comprises two pillars: the Shipping Business and the Real Estate Business. This business model is called the IINO MODEL. Working from the IINO MODEL as a base, we aim to build an optimal business portfolio that can achieve sustainable growth.

Changes in the External Environment

Shipping Business

Responding to Global Inflation and Accelerating Decarbonization

In FY2022, the world of marine logistics changed dramatically with the situation in Ukraine, while conditions for the chemical tanker market rose. In the future, in addition to growing geopolitical risks and a new Cold War, concerns over a recession in the global economy due to global inflation, sharply rising vessel prices, accelerating decarbonization, and other factors will drive even greater uncertainty in the business environment.

Real Estate Business

Diversification of Workstyles and New Supply of Office Buildings in Central Tokyo

The COVID-19 pandemic triggered new workstyles, such as remote work, to take root, changing the shape of office demand. In the central Tokyo area, there was an ongoing trend of returning excess space due to the promotion of telework, and with an abundant supply of new office buildings, properties have faced rising vacancy rates immediately after the completion of construction.

Risk Management Method

In the Shipping Business, we have sought to optimize risk and return by managing the risks of fluctuating market conditions through a combination of vessel type diversification and long-term charter agreements. In particular, there is a minimal correlation between market conditions for dry bulk carriers and other vessels carrying liquids as cargo, which helps diversify risks. In the Real Estate Business, where fluctuating market conditions have a relatively smaller impact, we have secured stable yen-denominated revenue, mitigating currency fluctuation risks in the Shipping Business.

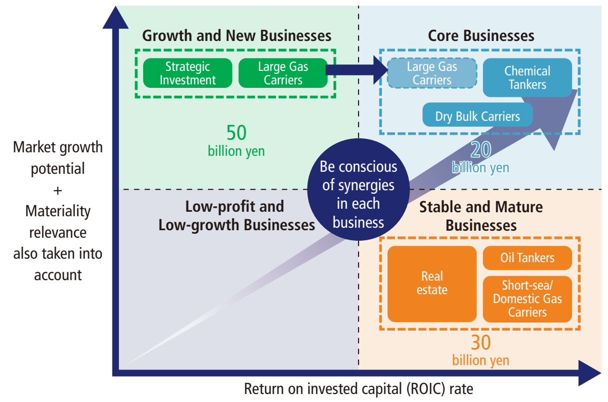
● Correlation Coefficient of the Market Conditions of Each Type of vessel during 2008 to 2023

	Oil Tankers	Dry Bulk Carries	LPG Carries	Chemical Tankers
Oil Tankers	1.00	—	—	—
Dry Bulk Carries	0.22	1.00	—	—
LPG Carries	0.51	-0.10	1.00	—
Chemical Tankers	0.64	0.05	0.63	1.00

Business Portfolio Basic Policy

We will pursue the IINO MODEL in greater depth, to develop an optimal portfolio composition capable of sustainable growth based on a solid financial foundation.

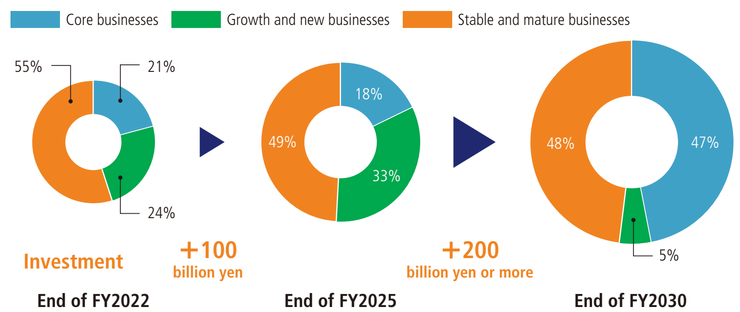
We have sub-divided the Shipping Business by vessel type and assessed and evaluated both the Shipping Business and Real Estate business based on the two axes of growth potential and return on capital, clarifying their positioned according to four quadrants (growth/new businesses, core businesses, stable/mature businesses, low-profit/low-growth businesses). While being conscious of the creation of synergies between businesses, we will promote business strategies to improve return on invested capital, which is a new priority management indicator.



Business Portfolio Strategy up to FY2030

Our business portfolio strategy has been formulated not only for the three-year period of the mid-term management plan from FY2023 to FY2025 but also taking into account the period beyond it from FY2026 to FY2030. The period of the mid-term management plan is positioned as preparation for the period from FY2026 onward. We will prioritize the allocation of management resources to growth areas, including growth/new businesses, promoting a strategy of cultivating an earnings base for FY2026 and beyond.

● Business Portfolio Composition (asset composition)



FY2023-FY2025:

-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

Strategy by Business

We will achieve the IINO Group's optimum business portfolio and create economic value by promoting a business strategy taking into account the priority strategies of the mid-term management plan, namely "allocating management resources to growth businesses," "expanding the global business" and "promoting environmental initiatives and investments," while remaining aware of the need to create synergy between businesses.

		Priority Strategies	Business Strategy	Main Target Areas and Sales Offices (flag icon)
Growth and New Businesses	Large Gas Carriers	Allocate Management Resources to Growth Businesses Expansion of Global Businesses Promotion of Environmental Initiatives and Investments	**Large LPG Carriers, LNG Carriers, Ethane Carriers** - Stable earnings through new investments and favorable renewal of existing charter contracts - Accumulate experience and knowledge in transportation management by handling a variety of liquefied gas cargoes - Acquired contract to transport ammonia, one of the candidates for next-generation fuels	Japan, Middle East, Europe
			Medium and Small Gas Carriers - Expanding the fleet size by strengthening the organization and personnel structure with Tokyo and Singapore as the main sales bases - Promote strategies that take advantage of synergies within the Group by collaborating with other divisions to diversify cargoes and customers	Asia
	Strategic Investment	Allocate Management Resources to Growth Businesses Expansion of Global Businesses Promotion of Environmental Initiatives and Investments	- Accelerate investment in DX and human capital to improve competitive advantage in core business - 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	The whole World
Core Business	Chemical Tankers	Expansion of Global Businesses Promotion of Environmental Initiatives and Investments	**Operated Vessels by Ourselves:** - Reinforcement of differentiated sales through stainless steel fleet - Renewal of COA contracts to appropriately reflect additional inflation and environmental response costs - Develop an organization and personnel structure that can respond flexibly and agilely to changes in commercial distribution **Time Chartered Vessels:** - Secure stable earnings by focusing on cargoes with potential	Middle East, Asia, Europe (Selection of routes in response to logistics changes)
	Dry bulk Carriers	Expansion of Global Businesses Promotion of Environmental Initiatives and Investments	- Strengthen sales proposals that contribute to CO_2 reduction and aim to win medium- to long-term contracts - Continue to promote securing the core fleet and manage the balance of transportation contracts - Refine uniqueness and differentiation with an awareness of synergies among businesses	Pacific region, Middle East (+Atlantic region)
Stable and Mature Business	Oil Tankers	Promotion of Environmental Initiatives and Investments	- Working with shippers to replace with environmentally friendly new vessels - Reduce CO_2 emissions and strengthen stable revenue base by responding to reductions in environmental impact of existing vessels and reinforcing services	Japan
	Short-sea/ Domestic Gas Carriers	Promotion of Environmental Initiatives and Investments	- Promote human capital management and deepen the system for securing and training seafarers for domestic vessels - Responding to new demands such as ammonia transportation and LNG bunkering	Japan, Short-sea
	Real estate	Expansion of Global Business Promotion of Environmental Initiatives and Investments	**Office Building in Central Tokyo, Japan:** - Priority consideration given to advanced properties. Challenge to increase the value of old buildings **Overseas Real estate:** - Clarify the importance of strategic initiatives and execute them within a defined asset framework	Japan, U.K., U.S.

Departmental Business Strategy

Oceangoing Shipping Business

Oil Tanker Department

Continue to maintain medium-to-long-term contracts and form a stable operating base through safe and high-quality services catering to customer needs

Kunihiko Senoo

Executive Officer
In charge of Oil Tanker Department and Gas Carrier Department

SWOT

Strengths (S)

- Safe operation based on many years of experience in the transportation of crude oil
- Systems for safe operation through the complete implementation of ship management systems within the Group and detailed support through high-quality ship management
- Long-term partnerships with clients as an independent operator
- Business structure that is less susceptible to fluctuations in the tanker market due to medium- and long-term time charter contracts

Weaknesses (W)

- Decrease in vessels due to crew shortages
- Relatively small vessel fleet (revenue fluctuates with or without docking)

Opportunities (O)

- An increase in tanker markets due chiefly to a decline in crude oil prices
- Obligation to consider safety and the environment imposed by the International Maritime Organization (IMO)

Threats (T)

- Risks of oil spillage due to running aground and other accidents
- Decline in market conditions at the time of contract renewal
- Increasing ship management costs
- Decrease of oil consumption for the reduction of greenhouse gas (GHG) emissions

Main Cargo ▶ Crude Oil

Characteristics and Strengths of the Business

In this business, we enter into time charter contracts primarily with 300,000 ton-class very large crude carriers (VLCCs), which are the mainstay in the marine transportation of oil, playing a role in the stable transportation of crude oil to Japan, which is highly depending on overseas energy resources. The business has been a pioneer in the marine transportation of crude oil since completing the *FUJISAN MARU*, Japan's first large oceangoing crude oil tanker, some 90 years ago. As of September 31, 2023, our VLCC fleet consists of four vessels, and we count Japanese petroleum companies gradually transforming into comprehensive energy companies to reduce their future environmental impact as our customers.

One of the strengths of this business lies in securing medium-to-long-term time charter contracts that leverage long-term partnerships with customers. This significantly reduces the impact of the crude oil tanker market, which is susceptible to severe fluctuations in the short term, and enables the business to establish a stable revenue structure.

In addition, through the implementation of systems for safe operation and ship management that have been fully integrated within the Group, our repurposing of knowledge gained from the management of vessel types other than crude oil tankers, including chemical tankers, gas carriers, and dry bulk carriers, serves as a significant strength enabling detailed service. We leverage these and other strengths to develop proposals that meet customers' future needs for reducing their environmental impact.

VLCC with SOx scrubber *FUJISAN MARU* (5th generation)

Review of FY2022

In FY2022, conditions in the large crude oil tanker market slowed due to declined crude oil imports to China, but demand recovered from the summer, in part due to increased transportation demand from the Middle East, U.S., and West Africa to Europe as an alternative to Russian crude oil, in addition to coordinated cuts to production by OPEC+. From the start of autumn to the beginning of 2023, some aspects drove a temporary softening of demand, but Atlantic cargo movements continued to be brisk, and crude oil demand increased due to a recovery in the Chinese economy. As a result, the fiscal year ended with market conditions improving once more. Under this environment, the business continued to invest in long-term contracts for controlled shipping capacity and helped support IINO LINES' operating results.

Initiatives in the Final Year of the Mid-term Management Plan

The customers of IINO LINES are expected to reduce their handling of petroleum in the future to promote decarbonization and increase their use of various decarbonized energy sources as comprehensive energy companies. IINO LINES is committed to adapting to these trends in exacting detail. We have incorporated this trend into our mid-term management plan, and in FY2022, the final year of the plan, we enhanced the provision of high-quality services while making every effort to strengthen information networks and gain deeper insight into a diverse range of environmental technologies based on the needs of customers who are increasingly oriented toward reducing their environmental impact.

In terms of further solidifying stable earnings, one of the goals of the mid-term management plan, by FY2020, we have delivered of three VLCCs equipped with SOx scrubbers, and since establishing this four-vessel fleet have continued to expand medium-to-long-term contracts. As for sustainability initiatives, another of the plan's goals, we introduced a system that utilizes the AI technologies of the US-based company Bearing to monitor ship fuel efficiency to a high level of precision for fleet management purposes. This enabled IINO LINES to quickly adapt to the Carbon Intensity Indicator (CII) ratings system launched by the International Maritime Organization (IMO) in January 2023. We also installed equipment on three VLCCs to produce mineral water from seawater as part of ongoing efforts to reduce plastic waste (reduction of approximately 1,300 PET bottles per year across three vessels according to IINO LINES estimates) and improve the working environment by reducing loading work.

On vessels equipped with mineral water production equipment, the crew is distributed stainless steel bottles bearing the IINO Group logo.

Projections for the Next Fiscal Period and Outlook for the New Mid-term Management Plan

In FY2023, legally mandated docked construction work aimed at maintaining and improving ship hull quality is scheduled, and revenue is expected to decline due to the fall in operating days as a result. The cost of the US dollar is also expected to rise due to the weaker yen on the forex market. Even under these conditions, the business will continue to deploy its controlled shipping capacity to customers on the premise of long-term contracts and we expect those operations will continue to help underpin the operating results of IINO LINES. However, there is a risk of issues developing due to inflationary factors causing various cost increases to exceed projections, in addition to personnel expenses and repair costs. Although this is an unclear situation that is hard to predict, we will continue to pursue high-quality services through the appropriate allocation of management resources and make every effort to continue with stable operations that are the consistent choice of customers, even in the face of factors reducing the demand for crude oil and petroleum products.

The business emphasizes stable/mature businesses in promoting business portfolio management, a priority strategy of the new mid-term management plan. While steadily fulfilling our obligations under existing contracts, we will leverage the relationships of trust we have cultivated with customers to date to accelerate initiatives to reduce environmental impact on an ongoing basis. We have also targeted the promotion of environmental initiatives and investments as a per-business priority strategy, and as a part of that endeavor, we will pursue research into new technologies, such as those that directly recover the CO_2 generated from fuel.

[Basic Strategies of the New Mid-term Management Plan]

<Priority Strategies>

■ Promotion of Environmental Initiatives and Investments

<Strategy by Business>

- Working with shippers to replace with environmentally friendly new vessels
- Reduce CO_2 emissions and strengthen stable revenue base by responding to reductions in environmental impact of existing vessels and reinforcing services.

Departmental Business Strategy

Oceangoing Shipping Business

Gas Carrier Department

While maintaining stable earnings, expand environmentally friendly business globally as a growth business.

Kunihiko Senoo

Executive Officer
In charge of Oil Tanker Department and Gas Carrier Department

Main Cargo ▶ Liquefied petroleum gas (LPG), liquefied natural gas (LNG), ammonia, ethane, etc

Characteristics and Strengths of the Business

As a pioneer in this industry, we entered this business early in the 1960s and have since been engaged in the transportation of petrochemical gases, ammonia, and other gases in addition to LPG and LNG.

As of September 30, 2023, we operate a fleet of seven very large gas carriers (VLGC), including carriers we own and chartered carriers, and of those, two have been equipped with LPG dual-fuel main engines designed to reduce CO_2 and SOx emissions.

Among large LNG carriers, we own a majority stake in one oceangoing LNG carrier and have investment equity in 24 other oceangoing LNG carriers and one domestic LNG carrier. Under this configuration, we provide LPG and LNG carriers to comprehensive energy companies in Japan and overseas.

A strength of this business lies in medium- and long-term contracts based on time charter. In particular, LNG is characterized by the large number of long-term contracts compared to other types of vessels as operations are planned according to the long-term business plans of clients, although the number of short-term spot vessels is increasing in the market. As the result, we secure stable earnings that are unaffected by shipping market conditions.

Review of Fiscal Year 2022

Of the large gas carriers operated in FY2022, market conditions for LPG carriers underwent a period of low demand during the summer and briefly weakened at the beginning of the year. However, the market then experienced rapid growth with the backdrop of solid North American exports, rebounding demand for Asia, a tightening supply and demand for vessels due to increased ship congestion in the Panama Cancel and delays in new vessel deliveries, creating historically favorable conditions. Market conditions for LNG carriers improved sharply at the beginning of autumn on increased LNG transportation demand due to Europe following the situation in Ukraine and stepped up trends to secure shipping capacity in anticipation of the winter demand period. As LNG inventories increased due to the warmer winter in Europe and the U.S., however, demand declined from the start of the year and became somewhat sluggish. Working under these conditions, we managed to secure stable revenue chiefly through existing medium- to long-term contracts for both LNG and LPG carriers. For some LPG carriers, we concluded time charter contracts tied to market conditions to benefit from the favorable market. Additionally in March 2023, the end of the fiscal year, we delivered on IINO LINES' second LPG dual-fuel main engine vessel, which can reduce greenhouse gas (GHG) emissions by using LPG as fuel for propulsion. This vessel will be the first VLGC able to transport ammonia, which has attracted attention as a clean energy source, as cargo.

Initiatives in the Final Year of the Mid-term Management Plan

As an initiative of our mid-term management plan for further expansion of global business development, we entered into long-term time charter contracts for two very large liquefied ethane carriers (VLECs) that use ethane as propulsion fuel with the British petrochemical company INEOS. The VLECs are scheduled for delivery in 2025 and 2026, respectively. Through this entry into the large liquefied ethane carrier business, a first for IINO LINES, we will strengthen our partnerships with European customers who are increasingly interested in reducing their environmental impact while working to follow our success with LPG and ethanol in dual-fuel main engine vessels utilized to reduce our environmental impact and introduce more sophisticated operating technologies.

To summarize our achievements in the mid-term management plan, in addition to the delivery of two VLGCs equipped with LPG dual-fuel main engines, in 2021, we placed an order for an ammonia carrier that can be fitted with a main engine capable of using non-CO_2 emitting ammonia as fuel in the future, and the vessel is scheduled for delivery in the second half of FY2023. This will represent a re-entry into the ammonia transportation market for IINO LINES following its withdrawal in 2017.

OCEANUS AURORA, a VLGC equipped with an LPG dual-fuel main engine

SWOT

Strengths

- Customer development through coordination with other Group businesses and the enhancement of one-stop services utilizing synergies as a Group
- Long-term relationships of trust with domestic and overseas charterers through shipping services
- Dual-fuel main engine vessels that use LPG as fuel. Initiatives for next generation energy sources including ammonia.
- Various carrier types and sizes, including large LNG carriers, small LNG carriers, and very large LPG carriers

Weaknesses

- Limited number of vessels that can be managed

Opportunities

- Diverse needs related to new energy due to heightened demands from environmental regulations

Threats

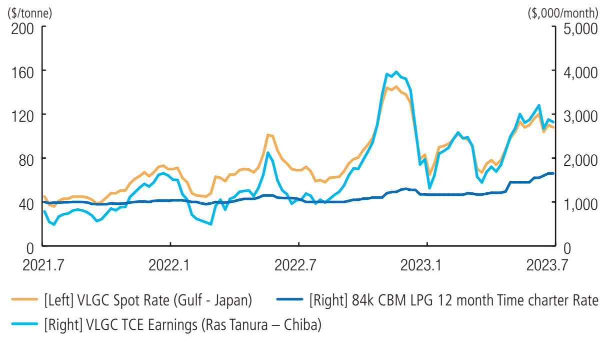
- A wide variety of commodity forms and ship operation needs
- Deterioration of supply-demand balance following high-volume orders for new building vessels

Projections for the Next Fiscal Period and Outlook for the New Mid-term Management Plan

Regarding LPG, the delivery of new VLGCs equivalent to over 10% of the number of existing VLGCs worldwide is planned, and the deteriorating demand-supply balance is a concern. However, we believe that the prolonged congestion of marine traffic at the Panama Canal due to a rise in arbitrage transactions taking advantage of differences in LPG pricing between the East and West, and the increase in voyages made at reduced speeds against the backdrop of EEXI regulations and CII ratings applied from 2023 will lead to a tightening supply and demand for vessel. In addition, due to healthy production volume from the U.S. as the world's largest exporter, strong petrochemical demand for Chinese PDH plants (manufacturing propylene from propane), and solid overall private sector demand in India and Southeast Asia, we project that market conditions for LPG transportation will remain relatively stable. For our LNG carriers, we have scheduled docking periods for regular statutory inspections, which is expected to reduce the number of operating days and increase repair costs. However, as we will continue to operate based on long-term contracts, the impact of that will be limited, and we still expect to secure stable revenue. As a result of these factors, we believe that the business will be able to contribute to the operating results of IINO LINES as a stable revenue source.

In terms of promoting business portfolio management, one of the priority strategies under the new mid-term management plan, the business is emphasizing growth/new businesses. While continuing to work on the allocation of management resources to growth businesses and the expansion of global business, we will pursue synergistic effects through sales activities that span the multiple businesses of the Group as a way to promote environmental initiatives and investments. We will seek an expansion of new contracts, gain deeper insight into energy sources with the potential to become mainstream in the future and take action that remains at the forefront of emerging trends in the industry.

● Change in the VLGC market



[Basic Strategies of the New Mid-term Management Plan]

<Priority Strategies>

- ■ Allocate Management Resources to Growth Businesses
- ■ Expansion of Global Business
- ■ Promotion of Environmental Initiatives and Investments

<Strategy by Business>

- ● Large LPG Carriers, LNG Carriers, Ethane Carriers
  - Stable earnings through new investments and favorable renewal of existing charter contracts
  - Accumulate experience and knowledge in transportation management by handling a variety of liquefied gas cargoes
  - Acquired contract to transport ammonia, one of the candidates for next-generation fuels
- ● Medium and Small Gas Carriers
  - Expanding the fleet size by strengthening the organization and personnel structure with Tokyo and Singapore as the main sales bases.
  - Promote strategies that take advantage of synergies within the Group by collaborating with other divisions to diversify cargoes and customers.

Departmental Business Strategy

Oceangoing Shipping Business

Dry Bulk Carrier Department

Striving to form a stable revenue base while promoting operations reflecting an awareness of material issues such as CO_2 reductions

Atsushi Takeda

Executive Officer
In charge of Dry Bulk Carrier Department and commission as General Manager

SWOT

S — Strengths

- Medium- to long-term contracts resilient to market conditions
- Relationships with clients that transcend departments or our vessel types developed through transportation of petrochemical products over the years
- Balanced sourcing of shipping tonnage
- Accumulated know-how in cargo booking and operation
- Reliable delivery of peace of mind to our clients

W — Weaknesses

- Changes in earnings following the fluctuation of market conditions
- Relatively small-scale fleet

O — Opportunities

- Needs for the transport of a wide variety of resources, ranging from industrial materials to recycled materials
- Growing demand for carbon-neutral fuels such as wood biomass fuels, pellets, and palm kernel shells
- Growing demand for wheat, soybeans, corn, and other cereals as food and animal feed

T — Threats

- Decline in market conditions
- Concerns over falling demand for cargo transportation due to rapid inflation
- Increasing need for environmental regulations
- Impediments to a free trade environment

Main Cargo ▶ Fuel for heating sources (steaming coal, wood biomass fuel), woodchip as raw material for paper production, raw material for fertilizer, recycled raw materials, etc.

Characteristics and Strengths of the Business

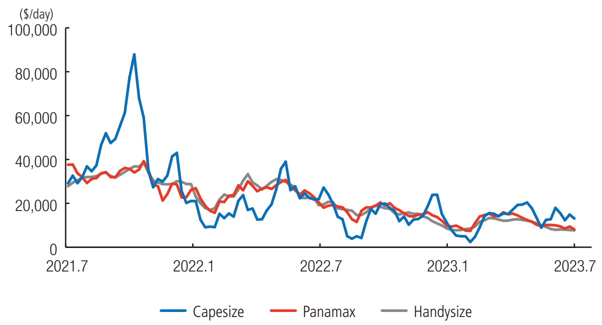
In this business, we own and operate dry bulk carriers that carry a wide range of cargo, such as coal, grain, and woodchip in bulk, carrying our diverse loads to ports around the world. The fleet servicing the business includes dedicated carriers providing medium- and long-term transportation services to specific clients and tramping vessels providing transportation services to many unspecified clients in a way that combines short- and medium-term contracts with spot contracts. To accurately respond to the transportation needs of customers, we have developed a fleet that consists of many different types of vessels ranging from small- and medium-sized bulk carriers to vessels designed exclusively for woodchips. We operate 20-25 vessels at anytime including under short-term charter, of which three are under our ownership (as of March 31, 2023). We made an early start in the transportation of woodchips for papermaking. While transporting woodchips from various countries to Japan, we are also involved in the procurement of papermaking raw materials by, for example, investing in a tree-planting project in Vietnam.

The strength of this business lies in implementing balanced management within the shipping business based on the IINO MODEL, the unique business model of IINO LINES. We have established a foundation for stable earnings on the basis of medium- and long-term contracts that are not susceptible to fluctuating market conditions, and we also strive to expand revenue by covering services to even more customers through short-term spot contracts.

Review of Fiscal Year 2022

The dry bulk carrier market in FY2022 firmed up from the start of the year despite changes and disruptions to international logistics, but from the summer onwards cargo movements experienced a slight softening against the backdrop of a slowing global economy due to high inflation and rising interest rates and the delayed recovery of the Chinese economy due to continuation of zero-COVID policies. However, from the beginning of the year, market conditions bottomed out with higher cargo movements driven by increased crude steel production volume in China, ushering in a gradual recovery up to the end of the fiscal period. Under these conditions, the business steadily operated its dedicated dry bulk carriers to secure stable revenue. We also strive to effectively allocate and operate vessels with a focus on loading contracted cargoes on tramper vessels, mainly post-Panamax and Handysize classes. From the summer onwards, our fleet of tramper vessels was impacted by declining market conditions in some areas, but over the full year, we significantly exceeded initial forecasts to ensure operating profitability and keep operating profit in the black. During FY2022, three newly delivered vessels were added to the fleet, further contributing to revenue. These three vessels feature excellent energy-saving performance and will lead to improved environmental performance, a key focus of IINO LINES. In addition, our efforts to help customers understand our ship allocations and our own efforts to ensure efficient operations helped maintain and improve operational profitability.

● Change in the dry bulk carrier market



Initiatives in the Final Year of the Mid-term Management Plan

Under the mid-term management plan that entered its final year, we continued to drive the further solidification of stable earnings, working to maintain contracts for exclusive dry bulk carriers that make up the core of the business along with medium- and long-term contracts spanning multiple years. In terms of the promotion of global business, we strengthened the deployment of vessels between third countries without making port calls in Japan, as well as activities in the Atlantic region. As sustainability initiatives, in addition to beginning the charter of newly delivered vessels with high environmental performance, we also proceeded with the development of a newly delivered 40K-ton class charter vessel due for delivery in 2025.

The 42,000-ton dry bulk carrier *SALVIA ISLAND*

Projections for the Next Fiscal Period and Outlook for the New Mid-term Management Plan

Looking at the environment surrounding the business in FY2023, while changes to logistics stemming from the situation in Ukraine have taken root, logistics networks have also moved toward normalization due in part to the elimination of strengthened quarantine measures instituted by various countries impacted by the COVID-19 pandemic. This has resolved imbalances between shipping capacity and transportation volume, with the market returning to pre-pandemic levels. Under these conditions, the dry bulk carrier market will face continued uncertainty and throughout the second half of the fiscal year, we expect that cargo movements will increase due to a self-sustaining economic recovery in various countries and a rebound in the Chinese economy, leading to a moderate improvement in market conditions. Although operating results in the business are expected to fall compared with the previous fiscal year, we believe they will fall within the range of our forecasts.

The business is positioned as a core element of the business portfolio described in the new mid-term management plan, and we will further step up efforts to expand revenue.

We have declared the expansion of global business and the promotion of environmental initiatives and investments as priority strategies for the business. In terms of expanding global business, we will continue to work on allocating vessels for transportation between third countries and operations in the Atlantic, while reinforcing our operating structure by investing in personnel for overseas sites, among other measures. In promoting environmental initiatives and investments, in addition to physical measures including investment in new vessels designed for environmental performance and improvements to the environmental performance of existing vessels, we will also refine our own ability to develop proposals enabling reductions to CO_2 emissions in the marine transportation of customers' previous cargo via the vessels we operate, combined with efforts on the operational side designed to gain understanding regarding environmental costs. Moreover, to meet a diverse range of customer needs, we will look to strike a healthy balance by combining our core fleet operations with short-term charters based on market needs while aiming to secure medium- to long-term transport contracts that help ensure stable revenue. We will also coordinate on a reciprocal basis with other parts of the shipping business to roll out sales operations that span multiple businesses.

On the matter of overcoming materiality, another priority strategy set out in the new mid-term management plan, we will not only work to consider the environment but also drive action on respect for human rights across a broad framework that includes the supply chain.

[Basic Strategies of the New Mid-term Management Plan]

<Priority Strategies>

■ Expansion of Global Business
■ Promotion of Environmental Initiatives and Investments

<Strategy by Business>

- Strengthen sales proposals that contribute to CO_2 reduction and aim to win medium- to long-term contracts
- Continue to promote securing the core fleet and manage the balance of transportation contracts
- Refine uniqueness and differentiation with an awareness of synergies among businesses

Departmental Business Strategy

Oceangoing Shipping Business

Chemical Tanker Departments No. 1 & No. 2

Strengthening partnerships with customers by enhancing and expanding safe and high-quality services

Seiichi Fujimura

Executive Officer
In charge of Chemical Tanker Department No. 1 and Chemical Tanker Department No. 2, and Managing Director of IINO SINGAPORE PTE. LTD.

Main Cargo ▶ Liquid cargo such as petrochemical products, inorganic chemicals, vegetable oils, and biomass fuels

Characteristics and Strengths of the Business

In this business, we transport a wide range of liquid cargo through operations by ourselves and using chartered-out vessels (time charters). The former operations are subdivided into two types, specifically contracts of affreightment and spot contracts. Contracts of affreightment, which account for roughly 70 percent of these operations, are contracts to transport a predetermined volume of cargo within a certain contractual period to and from a designated rate of ports. The other roughly 30 percent of cargo is transported through spot contracts.

The business enjoys a competitive advantage through a fleet of stainless steel vessels that use stainless steel for tanks, making them resistant to corrosion and easy to clean. Working from this infrastructure as a base, our ability to provide safe and high-quality services on a stable basis is our greatest strength. With the support of shipyards with the technological capabilities to develop highly competitive vessels and our partner shipowners, everything from operation management to ship management is carried out within the Group. Regarding our management structure and the quality of operations, the IINO Group ship management company IINO Marine Service Co., Ltd. plays a central role in crew training, safe operation, maintenance and upkeep, the construction of new vessels, budgeting and cost management, and all other aspects to a high level. We work to further improve the quality of operations on a joint basis with the ship management company.

We also coordinate with overseas bases in Singapore, Dubai, Houston, London, Shanghai, and elsewhere to provide prompt support to overseas shippers, including on technical matters. We endeavor to develop and improve our professional human resources, and in Singapore, we hire a diverse range of foreign nationals in addition to Japanese employees to develop human resources that can support our global expansion.

These efforts have earned us praise from our clients and enabled us to hold a large market share in the Middle East routes, one of the world's leading shipping markets. Recently, we have been expanding the business by actively pursuing the development of routes in the U.S. and other areas where transportation demand is expected to increase further in the future.

● Fleet Composition

Department name	Business	Number of vessels
Chemical Tanker Department No. 1 (Tokyo Head Office)	Time charters	9 vessels

Features
· Chartering out of chemical tankers to transport methanol on long-term contracts that serve as a stable source of earnings
· Time charters with profit sharing for U.S. operators

Department name	Business	Number of vessels
Chemical Tanker Department No. 2 (mainly in Singapore)	Direct chemical tanker operations	28 vessels

Features
· Direct cargo chartering consigned to a subsidiary in Singapore
· Medium risk-return business based mainly on contracts of affreightment
· Leading share based on transport volumes on routes from the Middle East to Asia and Europe

(As of June 30, 2023)

Review of Fiscal Year 2022

The chemical tanker market in FY2022 was extremely solid throughout the year. Transportation to Europe originating in Russia was disrupted due to Russia's invasion of Ukraine, causing a sharp rise in demand for transportation from Asia, the U.S., and the Middle East to Europe, and the tightening of supply and demand for vessels due to increased the ton-mile had a significant impact. Another factor was the withdrawal of competing product tankers from the chemical tanker market due to improving market conditions for the same reasons. At IINO LINES, by fulfilling stable contracts of affreightment along core routes from the Middle East region to Europe and Asia while actively capturing transport demand for spot cargo originating in Asia with the promise of high profitability, we managed to significantly increase the profitability of operations. The forex environment with the weak yen was another tailwind, with operating profit for the business increasing by 6.89 billion yen compared with FY2021 levels.

SWOT

Strengths (S)	Weaknesses (W)
• Stable provision of safe and high-quality services • Relationships of trust with clients and business partners cultivated over the years • Know-how on transportation of petrochemical products accumulated over many years • Carry out operation and ship management within the Group • A large market share in the Middle East routes, one of the world's leading shipping markets • Expertise in the management of methanol-based dual-fuel main engine vessels • Fleet of stainless steel vessels	• Routes other than Middle East routes

Opportunities (O)	Threats (T)
• Methanol manufacturers' need for a fuel shift • Growing need for environmental regulations • Increased production of petrochemical products in the Middle East and in North America • Increased cargo movements in connection with rebounding Chinese economy	• Decline in market conditions • Rise in fuel prices • Slowdown in the global economy due to the situation in Ukraine and high inflation • Increased costs, including those related to environmental regulations

Initiatives in the Final Year of the Mid-term Management Plan

As for further promoting global business, a basic strategy under the mid-term management plan, we made progress in expanding our operating routes. Against a backdrop of market conditions remaining at high levels, we developed routes in North and South America, which previously faced profitability issues, and managed to secure regular vessel allocations and contracts. Moreover, in terms of globalizing our organization and systems, during the period of the mid-term management plan, we increased personnel at various offices in Dubai, Houston, and London and opened a new Shanghai office, significantly bolstering our sales capabilities.

In terms of the promotion of investment in assets that contribute positively to the environment and strengthening of initiatives on vessels that use next-generation fuel, an issue faced by the entire chemical tanker industry is that no mainstream next-generation fuel has been established, forcing delays in investments into next-generation fuel-powered ships. However, as a measure to reduce environmental impact as much as possible, IINO LINES has made progress utilizing energy-saving equipment, among other measures.

Projections for the Next Fiscal Period and Outlook for the New Mid-term Management Plan

Conditions in the chemical tanker market in FY2023 will be calmer than in the previous fiscal year, but we expect to maintain solid performance. Amid expectations of an environment promising high revenue, we will reinforce our strength in safe and high-quality services while striving to capture the emerging demand.

We will tackle the expansion of global business and the promotion of environmental initiatives and investments, two priority strategies of the new mid-term management plan, by establishing sub-themes for the vessels we operate and chartered-out vessels (time charters), respectively. For the vessels we operate ourselves, we will leverage our stainless steel fleet as a strength of the business to capitalize on differentiated operations, pursuing sales activities that instill the benefits of our safe and high-quality services in the market, while strengthening partnerships with clients and maintaining a stable revenue structure.

As a part of efforts to strengthen our organization and systems to that end, going forward we will aggressively cultivate and promote global personnel while further enhancing coordination with each overseas site. Meanwhile, in the area of chartered-out vessels, we will work to cater to transportation demand for cargo such as MCH (methylcyclohexane) that serves as a transportation medium for hydrogen and is a sustainable cargo with future potential. As these types of cargo also have favorable environmental aspects, they have the potential of generating new transportation demand. In addition, as these materials have also attracted attention as fuels that can reduce CO_2 emissions in the transportation of methanol, an area we have tackled previously, we hope to further step up efforts in this area. In addition to making use of DX to further improve operational quality, achieve business streamlining, and boost the profitability of operations, we will also focus on effectively utilizing human capital and creating new businesses, such as by dealing with the CII rating system through AI, and streamlining operations with the introduction of systems to facilitate crew changeovers that previously took time to coordinate.

[Basic Strategies of the New Mid-term Management Plan]

<Priority Strategies>
■ Expansion of Global Businesses
■ Promotion of Environmental Initiatives and Investments

<Strategy by Business>
● Operated Vessels by Ourselves:
- Reinforcement of differentiated sales through stainless steel fleet
- Renewal of COA contracts to appropriately reflect additional inflation and environmental response costs
- Develop an organization and personnel structure that can respond flexibly and agilely to changes in commercial distribution

● Time Chartered Vessels:
- Secure stable earnings by focusing on cargoes with potential

Departmental Business Strategy

Short-sea/Domestic Shipping

IINO Gas Transport Co., Ltd.

Responding to a decarbonized society while tackling human capital-focused management

Satoshi Hirao

President and Representative Director,
IINO Gas Transport Co., Ltd.

SWOT

Strengths (S)

- 60-year track record of offering domestic pressurized LPG shipping services
- Stable earnings based on medium- to long-term contracts
- Medium- to long-term relationships with top level ship owners
- Integrated in-house system including owning of vessels, maintenance and management, manning and sales
- Approximately 190 Japanese seafarers employed

Weaknesses (W)

- Decreased crew retention ratio
- A decrease in transport vessels due to the shortage of crew members

Opportunities (O)

- Stable need for short-sea and domestic shipping services
- Transactions in yen that are not susceptible to foreign exchange rates
- Car carriers and ferries shifting to LNG fuels

Threats (T)

- Decreased shipments due to a decline in product demand
- Decline in market conditions
- Downward pressure on logistics costs from clients
- Growing need for environmental regulations

Main Cargo ▶ Domestic and overseas LPG, petrochemical gas, vinyl chloride monomer, molten sulfur, LNG, etc

Characteristics and Strengths of the Business

The IINO Group has solidified its advantage as a pioneer in short-sea and domestic shipping of liquefied gas by small gas carriers since the delivery of Japan's first pressurized small LPG carrier, *TOHO MARU*, in 1960. IINO Gas Transport Co., Ltd. (IGT) was founded in April 2007 to strengthen the Group's edge in this area.

A major characteristic of IGT is our integrated in-house system providing comprehensive transport services, including the ship owning, maintenance, and management of vessels and the assignment of crew members. Compared with oceangoing shipping, domestic shipping requires fewer days at sea, with more frequent voyages. This requires providing services that satisfy client needs through more rapid decision-making and swift business execution. We believe our integrated in-house system is the best for smoothly carrying out marine logistics operations on a domestic and short-sea basis, and we work to respond to the wide-ranging requests of our clients and society.

Our fleet consists of 21 ships (18 domestic and 3 short-sea vessels), including 16 under our control. To ensure their ability to operate, we employ around 190 Japanese crew members, one of the highest figures in the industry, and also manage 14 domestic vessels in-house (figures as of March 31, 2023). To maintain stable performance, we must provide clients with safe, high-quality shipping services, including the safe operation of vessels, safe cargo handling, and on-time deliveries. Accordingly, we strive to recruit and develop excellent crew members and promote improvements to the work environment.

Review of Fiscal Year 2022

In FY2022, the market for domestic gas transportation was impacted due to factors such as periodic plant maintenance, but due to demand for the transportation of industrial LPG between plants, performance remained solid overall. Demand for house-hold LPG remained at low levels until the summer, but recovered from the start of autumn and lifted due to seasonal factors in the winter. Looking at the market for short-sea gas transportation, demand for propylene and VCM was sluggish due to the zero-COVID policy in China, but was propped up by steady LPG transportation demand and other factors, remaining solid in IGT's core Asian markets.

Under these conditions, IGT worked to efficiently allocate vessels with a focus on existing contractors and secured stable revenue through medium- to long-term contracts.

Domestic ethylene carrier *TAIKASAN*

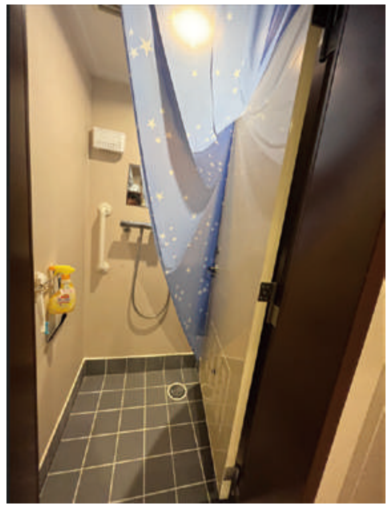
Initiatives in the Final Year of the Mid-term Management Plan

Through the provision of high-quality and safe transportation services, we continued to work on further solidifying stable earnings, a priority strengthening measures of the mid-term management plan. As a challenge of particular importance, we stepped up measures to secure and develop seafarers employed amid serious crew shortages across the industry.

In hiring new crew members, we have done more to approach maritime engineering schools, fisheries high schools, maritime engineering colleges, merchant marine colleges, general colleges, universities, and other educational institutions. We have prepared materials showing the routes traveling in the vicinity of each educational institution to make our ships feel more familiar and also set up community-based training opportunities as part of efforts on the PR side. Amid concerns over personnel shortages not only for crew but across various industries due to a declining birthrate throughout Japan, we plan to consider effective measures in coordination with these educational institutions. On the operational side, we continue to utilize various educational systems introduced in FY2021.

Initiatives to retain the crew we have hired are also important. To improve the work environment at IGT, we use systems to strictly control working hours, conduct harassment training, and have put in place systems that enable crew to seek consultations from outside third parties. We also endeavor to improve shipboard environments and strive to develop a comfortable workplace environment through a host of improvements from the installation of women-only shower rooms to upgraded Wi-Fi equipment and enhanced amenities by separating smoking and non-smoking areas.

In terms of sustainability initiatives, another area of priority strengthening measures, in October 2022, we implemented a trial operation using biofuel produced by processed cooking oil and have pursued action to further reduce emissions of SOx and CO_2.



Women-only shower room installed on the domestic ethylene carrier *KISAN*

Projections for the Next Fiscal Period and Outlook for the New Mid-term Management Plan

We expect the social trend toward decarbonization will be sustained, with the demand for transportation fueled by petroleum-derived products continuing to decline. However, we will not see a significant decrease in demand immediately. IGT will continue to fully address the needs of the petroleum, gas and petrochemical industries, catering to the transportation needs of conventional products while adapting to new fuels and pursuing an expansion in the number of new items transported.

Under the portfolio management being pursued in our new mid-term management plan, the business is regarded as a stable/mature business. As before, we will continue with management emphasizing our own ships and in-house management systems while securing stable revenue through medium- to long-term contracts and carrying out environmental initiatives and investments as a priority strategy of the plan. In addition, we will pursue efforts to secure and develop crew in greater depth through the business strategy of human capital management, while gathering information about potential product lines, including ammonia and LNG to develop new businesses.

[Basic Strategies of the New Mid-term Management Plan]

<Priority Strategies>

■ Promotion of Environmental Initiatives and Investments

<Strategy by Business>

- Promote human capital management and deepen the system for securing and training seafarers for domestic vessels
- Responding to new demands such as ammonia transportation and LNG bunkering

Departmental Business Strategy

Real Estate Business

Office Leasing & Operation Department / Property Development Planning Department

Implementing high value-added businesses in Japan and abroad, focusing on environmental initiatives as a key strategy

Kazusuke Oshima

Executive Officer
In charge of Office Leasing & Operation Department and
Property Development Planning Department and commission as General Manager

SWOT

Strengths	Weaknesses
• Ownership of large high-specification buildings in convenient locations • Providing high-quality office spaces under the Group's management • Integrated services including ownership, management, and operation of buildings • S-class buildings with high environmental performance and expertise in the management and operation of these buildings • Accumulated know-how gained through construction projects for replacement buildings and redevelopment projects • Knowledge and expertise gained from overseas real estate	• Scarcity of properties owned • Limited knowledge in the ownership and management of real estate other than office buildings
Opportunities	**Threats**
• Need for office integration chiefly among large businesses • Growing social needs including environmental conservation • A huge tide of change in the styles and layouts of offices following work style reforms	• Shrinking demand for office buildings in the central parts of cities • Increase in employees working from home and decrease in office workers due to employment adjustments • Return of contracted floors and stagnation of relocation demand due to cost reductions • Completion of large buildings in central Tokyo

Main Cargo ▶ Office buildings, theatrical halls, leased meeting rooms, and photo studios

Characteristics and Strengths of the Business

In this business, we have been providing integrated services that include building operations, management, and maintenance since the completion of the former IINO Building in 1960. The current IINO Building was completed in 2011 and features enhanced energy efficiency, disaster preparedness, and security measures to provide high-quality office spaces that give due consideration to human and environmental conditions. Since its completion, we have been working to increase the added value it provides by continually working to acquire environmental certifications. In June 2021, construction of Hibiya Fort Tower was completed adjacent to the IINO Building. Hibiya Fort Tower is roughly the same size as the IINO Building and features outstanding environmental performance.

In the IINO Building, we operate the IINO Hall & Conference Center, which features a theatrical hall and leased meeting rooms. IINO Hall carries on the traditions of the former IINO Building in welcoming customers from various fields with high-quality services. In addition, IINO Mediapro Co., Ltd. owns and operates photo studios in Minami-Aoyama and Hiroo.

Following the acquisition of an office building in London in 2020, in 2022, we focused on expanding our overseas business, including participation in a redevelopment project in the U.S. city of Portland and a wooden office building development project in the suburbs of Dallas, Texas.

We own six buildings in central Tokyo and one in London, providing high-quality office space based on operation and management performed in-house and in conjunction with other companies. We have also strengthened our sustainability initiatives, laying the groundwork for environmentally friendly business management in Japan and overseas.

As with the Shipping Business, we have implemented an integrated in-house system in the Real Estate Business. Working in collaboration with IINO Building Technology Co., Ltd., operating the Group's construction and building management businesses, we provide direction services to customers from the initial tenancy stages to build favorable relationships.

Review of Fiscal Year 2022

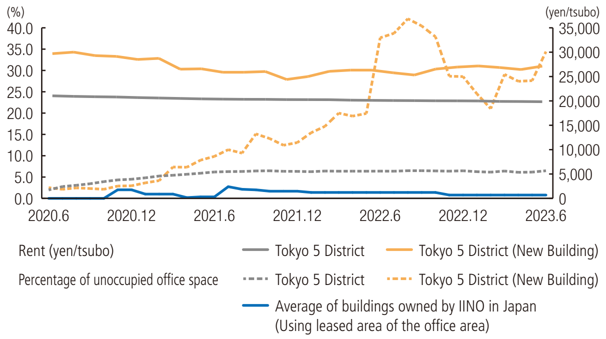
The leasing market for office buildings in central Tokyo has seen the emergence of new demand, but rents have continued to fall due to a decline in office demand reflecting the entrenchment of remote work practices, particularly at major companies, with the percentage of unoccupied office space falling in the 6% range. Although the COVID-19 pandemic has had an impact on retail floors, utilization of the office floors in the buildings we own continued to be solid, and we maintained stable earnings.

In the market for leased halls and meeting rooms, we have seen an uptick in demand both for cultural and business-themed events. Following a rebound in demand for cultural events at the IINO Group's IINO Hall & Conference Center, utilization has also improved with improved utilization for the streaming and recording of business events, as well as in-person events.

In the Group's photo studio business, the core studio section has enjoyed improved utilization.

The leasing market for office buildings in London has seen a rebound in office demand as restrictions to prevent infections have been steadily lifted, but vacancy rates rose due to an increase in new supply. The office and retail floors in the building we own operated steadily, and we maintained revenue.

● Percentage of unoccupied office space and rent
(five major wards of Central Tokyo)



(Source: Miki Shoji Co., Ltd)

Although revenue from this business declined year over year against the backdrop of increased utility expenses due to rising energy costs and higher repair costs, overall we managed to secure revenue largely in line with expectations.

Initiatives in the Final Year of the Mid-term Management Plan

Under the mid-term management Plan, we strengthened sustainability initiatives and business development in overseas and domestic regional properties in particular. In the U.S., we took part in the Press Block redevelopment project for residential, office, and commercial facilities in Portland, Oregon on a joint basis with four Japanese companies (due for completion in October 2025). It is the largest redevelopment project in the area and is expected to acquire LEED certification under the US-based environmental performance evaluation system.

In December 2022, we also began participation in a large-scale wooden office building project in the suburbs of Dallas, Texas, on a joint basis with three Japanese companies. The project is the first for IINO LINES involving a wooden office building and is scheduled for completion by October 2023.

Conceptual image of the completed Press Block project

Through the development of overseas projects involving the pioneering wooden office building project in the U.S., we will gain experience and deepen our insight into the field.

Projections for the Next Fiscal Period and Outlook for the New Mid-term Management Plan

In FY2023, the business is expected to see lower projects due to sharply rising utility and material expenses, but office flow utilization is projected to remain strong, and we expect to secure stable revenue. Under the business portfolio management set out in the new mid-term management plan, the business is regarded as a stable/mature business. It will continue to play a role as a stable source of revenue as we pursue strategies, including expansion of the global business and the promotion of environmental initiatives and investments. Through environmental initiatives typified by the U.S. wooden office building project and the flourishing business of increasing the value of old buildings in the U.K., we will absorb all manner of advanced knowledge and expertise in the real estate business through a global perspective and leverage the insight gained in operations to improve the value of old buildings in Japan and expand environmental initiatives. Our efforts overseas will also lead to the cultivation of global human resources and the strengthening of human capital overall.

[Basic Strategies of the New Mid-term Management Plan]

<Priority Strategies>

■ Expansion of Global Businesses
■ Promotion of Environmental Initiatives and Investments

<Strategy by Business>

● Office Building in Central Tokyo, Japan:
- Priority consideration given to advanced properties. Challenge to increase the value of old buildings.

● Overseas Real estate:
- Clarify the importance of strategic initiatives and execute them within a defined asset framework.

Departmental Business Strategy Group Companies

Real Estate Business IINO Hall & Conference Center

Developing a high quality support system adapted to changing customer needs and the environment

Outlook for Fiscal Year 2023 and COVID-19 Impact

IINO Hall & Conference Center continues to be affected by the downturn in business-related events and catered parties due to the impact of COVID-19 but we have seen a resurgence in demand for cultural and entertainment-focused events and the operation rate has improved. Filling up reservations ahead of the busy period in the autumn will prove a challenge, but based on inquiries from customers, there are also signs of recovering demand for business and social gathering-oriented events in addition to cultural and entertainment-focused activities. However, depending on the status of infections, we may struggle to sign new contracts leading to an ongoing impact on business performance.

Future Strategy

In May 2023, the Japanese government reclassified COVID-19 as a Class 5 infectious disease, but we will continue to thoroughly implement basic measures to control the spread of infectious disease, including droplet prevention and enhanced cleaning as part of our commitment to prioritize the safety and security of users. As the hybrid (streaming + in-person attendance) events and entertainment-focused events that became established formats in response to the COVID-19 pandemic are expected to see continued demand in the future, we will properly respond to customer needs and usage formats while working to attract customers at a stable rate. In the area of business-oriented events, we will also work to actively hold in-person and party events which are continuing to show a recovery in demand. We will continue efforts to improve the image of the IINO Building and the IINO Group as venues for art and culture by attracting movie preview screenings, music concerts, rakugo performances, and narrative performances as major events.

IINO Hall

Real Estate Business IINO Mediapro Co., Ltd.

Always in view of the demands of the times while being rooted in confidence and achievements

Outlook for Fiscal Year 2023 and Future Direction

Established in 1997, IINO Mediapro Co., Ltd. owns two studios. Both Hiroo Studio, which opened in May 1998, and Minami-Aoyama Studio, which opened in May 2002, are now recognized as Tokyo's leading commercial photo studios. The studios continued to be heavily impacted by the spread of COVID-19 infections in FY2022 but managed to continue operating as they did before the COVID-19 pandemic. As a result, sales and profits increased compared with FY2021, and if looking only at studio utilization, activity has largely returned to pre-pandemic levels. However, the impact of shrinking advertising budgets due to the pandemic remains, and there are indications that a recovery will take a little longer. In FY2022, the Minami-Aoyama Studio celebrated its 20th anniversary, and in FY2023, the Hiroo Studio will observe a milestone 25th anniversary. While the studio has maintained its position as one of the leading commercial photography studios for a quarter century, we will try even harder to ensure the studio can continually adapt to the changing times.

Minami-Aoyama Studio

Ship Management IINO Marine Service Co., Ltd.

Provide Safe, High-Quality Ship Management Services that Satisfy Clients

Established in 1974, IINO Marine Service Co., Ltd. (IMS) manages 33 vessels, mainly those operated by the IINO Group, as of June 30, 2023. Coordination between crew onboard and operators onshore is essential for the stable operation of vessels. The management technology for understanding the situation of onboard vessels from onshore bases becomes more and more advanced every day. Leveraging experience and expertise in ship management built up over many years along with new technology, IMS provides support to vessels navigating all over the globe. IMS has also introduced crew evaluation and development systems, worked to enhance welfare programs, and concentrated on advancing the well-being of the crew who support safe operation onboard. The IINO Group has developed a new roadmap to achieve carbon neutrality by 2050 and has even raised its original reduction rate targets for 2030. We have strengthened efforts aimed at decarbonization and actively worked to introduce technologies that will reduce our environmental impact. IMS has provided technical support related to the construction of new vessels equipped with dual-fuel main engines that can use methanol and LPG as fuels. IMS is also supporting the construction of vessels with a low environmental impact that supports the switching of fuel to ammonia, which has attracted attention as a zero-emission fuel. Trials on vessels in operation loaded with biofuels have also been conducted to verify safety. The IINO Group introduced the CII optimization tool developed by Bearing, Inc. in 2022, and the tool was adopted to all vessels through the Group. IMS also began managing CO_2 emissions using the same tool on managed vessels. The installation of mineral water production equipment aimed at reducing plastic waste has also been expanded to IMS-managed ships.

● Number of Vessels Managed by IMS

Vessel type	No. of vessels
Oil Tankers	3
Chemical Tankers	23
Large Gas Carriers	5
Dry Bulk Carriers	2
Total	33

(as of June 30, 2023)

Building Management IINO Building Technology Co., Ltd.

Provide People with Safe, Secure, and Comfortable Environments

The mission of IINO Building Technology Co., Ltd. (IBT) is to provide building users with safe, secure, and comfortable environments.

Activities in Fiscal Year 2022

Operations Management:

We have monitored the indoor air environment and endeavored to provide a pleasant environment to ensure the comfort of residents.

Preventing Performance:

In FY2022, we continued to incorporate alcohol sterilization to clean common areas.

Environmental Response:

Solar power generating equipment that began operating in May 2022 on the rooftop of the IINO Building generated 56,560 kWh per year (from May 2022 to April 2023), confirming that capacity was 94% of the estimated value, as expected.

Environmental Construction Work:

System lighting in aging tenant areas was upgraded to the installation of LED units, and LED lighting was also started in common areas.

New Properties:

Technical support for IINO LINES has been provided in the overseas real estate business (Office Building in London, redevelopment project of complex in Portland, and development of a wooden office building in the suburbs of Dallas)

DX Promotion:

Robots are used for security and cleaning. For the security robots, the operation of vertical moving patrols was confirmed with the introduction of elevator linked control.

IBT will continue to introduce new technologies to further raise customer satisfaction.

Construction site of a wooden office building in the suburbs of Dallas (taken May 11, 2023)

Initiatives to Overcome Materiality (Environmental)

Formulation and Implementation of Plan to Realize a Decarbonized Society

The IINO Group has established the challenge of carbon neutrality as one of the themes in its mid-term management plan and has formulated a roadmap for achieving a decarbonized society by 2050.

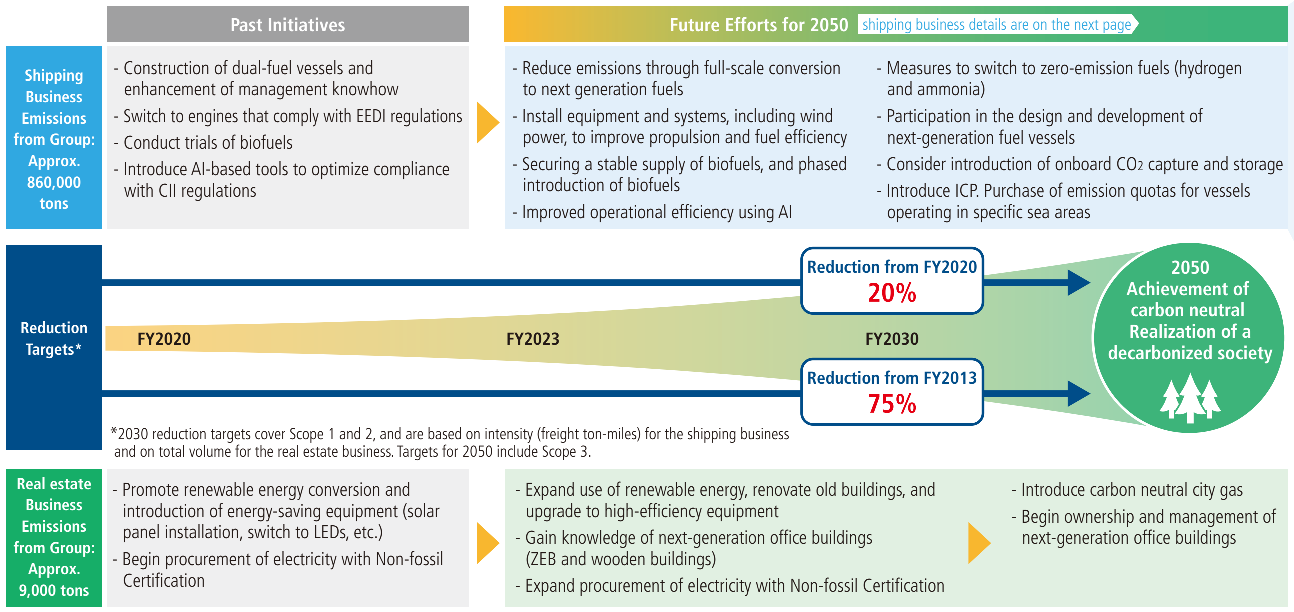
Shipping Business

The majority of greenhouse gas (GHG) emissions generated by the IINO Group come from the Shipping Business, which accounted for approximately 860,000 tons of Scope 1 emissions in FY2022.

In the Shipping Business, the conversion to next-generation fuels, particularly zero-emissions fuels (hydrogen, ammonia), is expected to significantly affect the reduction of GHG emissions. However, there are many issues to be overcome before achieving this, including the development of new engine technologies and the securing of zero-emission fuel. That is why we believe it is important to consider a wide range of operations, including operational methods (implementing slow steaming, selecting optimum routes, etc.) and economic methods (emissions trading schemes, etc.) in addition to technological approaches (conversion to next-generation fuels, etc.).

Real Estate Business

The IINO Group's Real Estate Business produced approximately 9,000 tons of Scope 1 and Scope 2 GHG emissions in FY2022. In the Real Estate Business, we are working to achieve carbon neutrality through various initiatives, including the expanded use of renewable energy, the renovation of old buildings, upgrading to high-efficiency equipment, the expanded procurement of electricity with non-fossil fuel certificates, and the adoption of carbon neutral city gas.



● Progress of the IINO Group's initiatives aimed at medium- to long-term reduction targets for GHG emissions

Shipping Business

GHG emissions reduction measures 20% reduction (compared with FY2020 levels) towards FY2030

Target is to reduce GHG emissions based on intensity (freight ton-mile) by **20%** by 2030 (compared with FY2020).

Compared with FY2020

FY2021 Reduction of 8.6% | FY2022 **Reduction of 13.5%**

* In May 2023, the target was revised from a 40% reduction (per transport unit) from FY2008 levels to a 20% reduction (per ton-mile transported) from FY2020 levels. FY2022: 40.8% reduction (compared with FY2008 levels: per transport unit)

Real Estate Business

GHG emissions rate reduction measures 75% reduction (compared with FY2013 levels) towards FY2030

The buildings in the portfolio of the Real Estate Business are maintaining Japan's top-level CO_2 emissions reduction rate. However, to further reduce the CO_2 emissions rate, the Group's target is to reduce GHG emissions on a total volume basis by **75%** by 2030 (compared with FY2013), taking into account Japanese government targets.

Compared with FY2013

FY2021 Reduction of 18.2% | FY2022 **Reduction of 21.8%**

* In May 2023, the target was revised from a 50% reduction (per unit of production) from 2013 levels to a 75% reduction (on a total volume basis) from FY2013 levels.

Roadmap for Achieving Carbon Neutrality in the Shipping Business

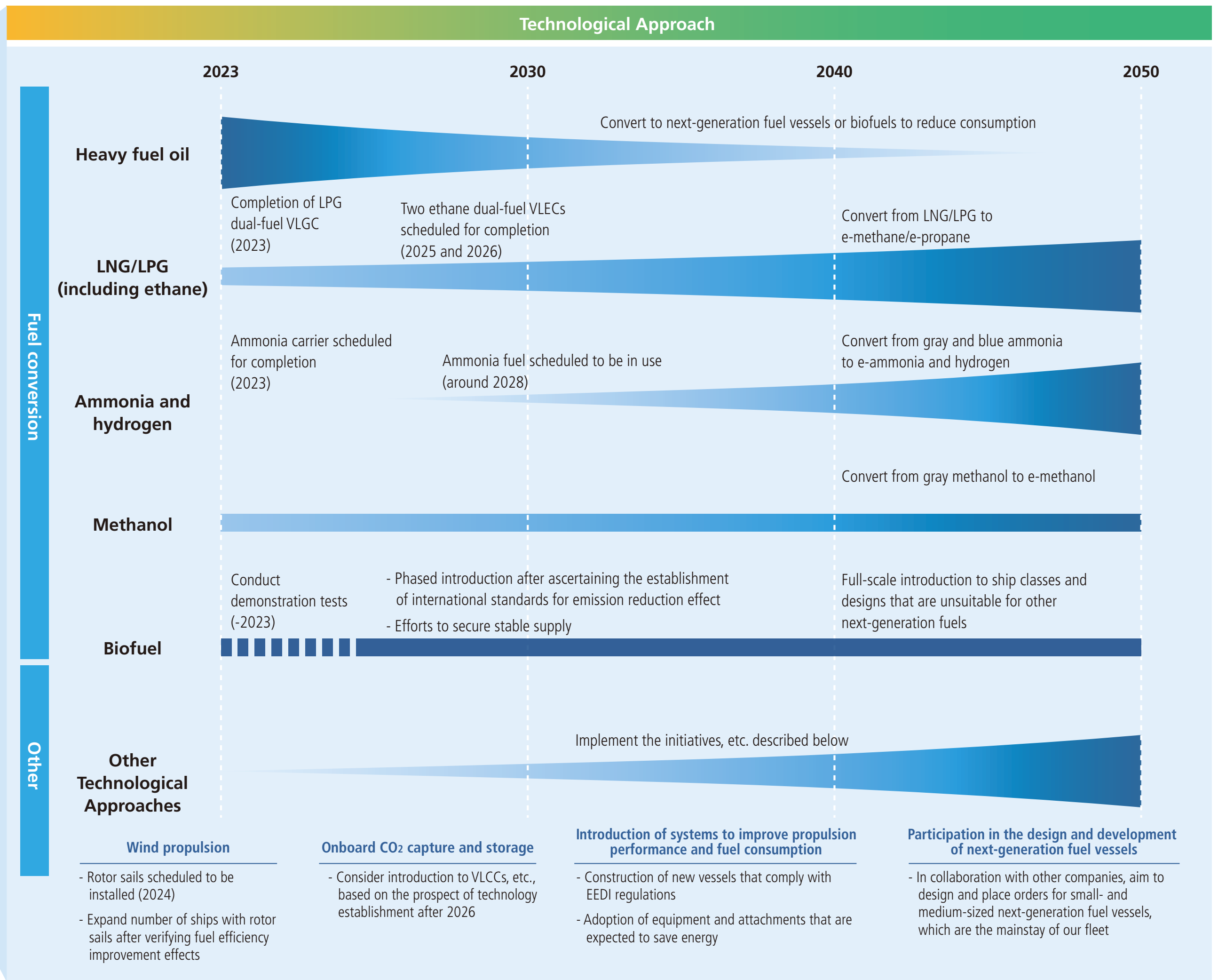
Basic Policy

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 CO_2 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.



Operational Approach

Improved operational efficiency using AI

-Full-scale introduction of Bearing AI platform (2023)
-Utilization of AI-based smart routing services

Slow steaming

-Compliance with EEXI and CII regulations

Economic Approach

EU Emissions Trading Scheme (EU-ETS)

-Expansion to the marine transport sector scheduled to begin in January 2024
-Purchase of emission quotas

Other

-Introduce ICP and promote effective decarbonization investments

Amount of Investment in Next-generation Fuel Vessels (until 2030)

Independently operated vessels (Scope 1): 65 billion yen/ Fixed-term charters (Scope 3):85 billion

Preserving Biodiversity

We understand that biodiversity preservation is a social issue that we should address proactively as a member of society. At IINO Forest, we have created a forest with biodiversity in mind, and by supporting the development of new forests, we will contribute to the formation of abundant forests with improved management of water retention, flood control, and sources of tap water.

Initiatives Under the Saitama Prefecture Forest Development Agreement

Entering Into the Saitama Prefecture Forest Development Agreement

IINO LINES entered into the Saitama Prefecture Forest Development Agreement with the Chichibu Regional Forestry Association and the Government of Saitama Prefecture, deciding to engage in social contribution activities through forest development in the town of Nagatoro in Chichibu District, Saitama Prefecture, for five years starting in April 2023.

Inheriting forest development approaches that take biodiversity into account cultivated through IINO Forest on the premises of the IINO Building, we will collaborate with Daiei Real Estate & Development, which has strong ties with Saitama Prefecture, to support forest development activities, including tree thinning and tree planting. The significance of this initiative lies in the formation of rich forests, which leads to support for domestic forestry, the improvements to water source irrigation functions that forests bring, and the development of rich marine environments (Tokyo Bay). Moreover, since Nagatoro is positioned upstream of the Arakawa River, one of the sources of Tokyo's tap water supply, this initiative also plays a big role from the perspective of water retention and flood control.

Joint Tree Planting Event by Employees

As part of the Saitama Prefecture Forest Development Agreement, in May 2023, we held a joint tree planting event with Daiei Real Estate & Development. A total of 46 officers and employees from each company took part, working under the direction of staff from the Saitama Prefecture Chichibu Agriculture and Forestry Promotion Center and Chichibu Regional Forestry Association to plant 460 cedar saplings known as "low-pollen cedar," which produced 99% less pollen than conventional cedar trees.

Reducing Air Pollution and Waste

Preventing air pollution and reducing waste are essential for achieving the targets of the SDGs.

The IINO Group strives to prevent air pollution and reduce waste in its Shipping Business and Real Estate Business in the following ways.

Initiatives to Reduce Shipboard Waste

Since 2021, IINO LINES has been installing mineral water production equipment on the vessels, it owns to reduce the shipboard waste generated from the use of PET bottles for drinking water. On three large crude oil tankers, we have not only verified adequate reduction effects in PET bottle waste but also reduced the workload required to load and store PET bottles, leading to an improved work environment. During FY2023, we have also decided to equip a further three vessels with the equipment.

Crew members on the vessels where the equipment is installed are distributed stainless steel bottles bearing the IINO Group's logo and are making unified efforts to reduce waste.

* Data for January to June 2022, with an estimated reduction of around 1,300 (1.5-liter) PET bottles per vessel per month

Waste Reduction Initiatives in the Real Estate Business

In buildings owned by IINO LINES, we pursue waste reduction activities in tandem with tenants. Raw waste is reused as a raw material for livestock feed, but since it cannot be recycled if it contains foreign matter or impurities, the cooperation of tenants in properly sorting waste is essential. If waste cooking oil is incinerated as-is, it impacts the environment, but when refined into biodiesel fuel, it becomes a carbon-neutral fuel.

In FY2022, raw waste (leftover meals and cooking scraps) collected at the IINO Building amounted to 62 tons, with 7.3 tons of waste cooking oil also collected.

Internally, we have abolished the use of personal waste bins at our offices, instead having each person sort and dispose of waste at shared disposal points. To reduce plastic waste, we have switched the PET bottle beverages provided to guests to beverages in paper containers.

IINO LINES completes with laws and ordinances concerning waste disposal, cleanup, and reuse. We have also installed waste measurement equipment in each building to monitor and record the amount of waste generated, which is used to reduce the amount of waste generated and lower processing costs.

Initiatives to Prevent Air Pollution in the Real Estate Business

Soot and smoke (NOx) emitted from air conditioning and heat source equipment operated in buildings owned by IINO LINES are required to undergo soot and smoke measurement twice a year in accordance with the Enforcement Ordinance of the Air Pollution Control Act.

We take measurements during the summer and winter when the load on cooling and heating equipment increases and confirm that measurements are in line with emission standards related to the Tokyo Metropolitan Environmental Security Ordinance.

Initiatives to Overcome Materiality (Social)

Strengthening Diversity and Human Capital

In the new mid-term management plan, we have made commitments to officers and employees to "develop a workplace environment conducive to ongoing employee and provide opportunities for self-development." To enhance corporate value, it is essential to recruit and develop a diverse range of human resources and for officers and employees to work with a sense of worth. With this in mind, we have introduced efforts to promote diversity and strengthen human capital.

The IINO Group Personnel Policy

Strengthening human capital is one of the priority strategies of the new mid-term management plan. Under this strategy, we aim to enhance employee engagement and strike a balance between improved company performance and the self-actualization of employees by focusing on "investment in people" in developing the workplace and working environments. At the same time, we will seek to secure and cultivate a diverse range of human resources and pursue a human resource strategy in which we properly evaluate the results of our efforts.

Initiatives for Crew Members

Promoting and Developing Environments to Facilitate Human Resource Diversity

The diversity of crew members has advanced over time. Today, the IINO Group assigns crew members from five countries: Japan, South Korea, the Philippines, Myanmar, and India. In maintaining the safe operation of vessels, in addition to improving the qualifications and skills of individual crew members, it is also extremely important to improve teamwork, which we regard as synonymous with enhancing the collective strength of all crew working aboard a ship. Maintaining proper relationships between individuals is important to maximize this collective strength. We have continued to conduct training specialized in multicultural understanding to ensure that crew members understand and respect the different cultures, customs, religions, and ideas of each country. Recently, we have created opportunities to learn about more diverse viewpoints and ways of thinking by holding multinational joint safety training and seminars.

Cultivating and Strengthening Human Capital

Regarding the training and development of crew members, we facilitate their personal development by following the IINO Group's unique evaluation and cultivation program, whose goal is strengthening the three aspects of skills, knowledge, and ability to think and act. We also encourage crew members to take the training required for each job category. In addition, we set up alternating periods of shipboard and land-based work assignments so that the maritime skills cultivated aboard ships can be applied to land-based positions such as ship management operations and sales, as part of our efforts to cultivate maritime engineering personnel who can succeed both at sea and on land.

Initiatives for On-Shore Personnel

Promoting and Developing Environments to Facilitate Human Resource Diversity

To improve the workplace and working environment, we have set the childcare leave utilization rate as a KPI. We have targeted a childcare leave utilization rate of 100% among eligible male and female employees by the end of FY2025 and achieved a rate of 83% (100% for females, 81% for males) in FY2022. By creating an environment that makes it easy for both employees to take childcare leave through work standardization and streamlining and fostering an atmosphere that is conducive to leave-taking, we aim to achieve a state where each employee can enjoy an improved balance between work and home life, whether or not they are raising children.

In securing diverse human capital, we have set the ratio of females in career-track positions (management candidates) as a KPI. We aim to raise this figure from 16% as of March 2023 to 20% by the end of FY2025. Diverse viewpoints and values are expected to generate new ideas and innovations. As of March 2023, the percentage of managerial positions filled by female employees was 5.0%. To increase the promotion of female employees to management positions going forward, we will raise the percentage of females in career-track positions, which are candidates for management, and also work to promote the success of female employees in the workplace.

Cultivating and Strengthening Human Capital

In human capital development, we have set the number of employees with short-term overseas training or expatriate experience as a KPI and aim to increase this number from the current 54 people to 75 people on a cumulative basis by the end of FY2025. We regard the development of global human capital as an important challenge toward expanding the global business and plan to phase back the short-term overseas training and shipboard training that was interrupted by the COVID-19 pandemic.

In the provision of opportunities to demonstrate abilities, we require all employees to submit self-reports annually to encourage career autonomy. This enables us to monitor the direction of each individual's future career path and skills development as a company and provide as much support and guidance as possible so that individuals can realize the career they envision.

In the reflection of results in the evaluation and treatment of employees, the organization and employees work together to achieve goals through IINO LINES' personnel evaluation scheme based on a goal management system. We reflect the results of evaluations in salary, bonuses, and career advancement, and by providing feedback on the results, we encourage self-development, and work to motivate each employee.

Round-table discussion between Director Miyoshi, newly appointed female managers and female career-track employees held in December 2022

Providing Safety and Security

The IINO Group believes that providing high-quality services with a high awareness of safety in both the Shipping Business and the Real Estate Business leads to the trust of stakeholders. In this section, we introduce initiatives for ensuring safety as stated in our Group Philosophy.

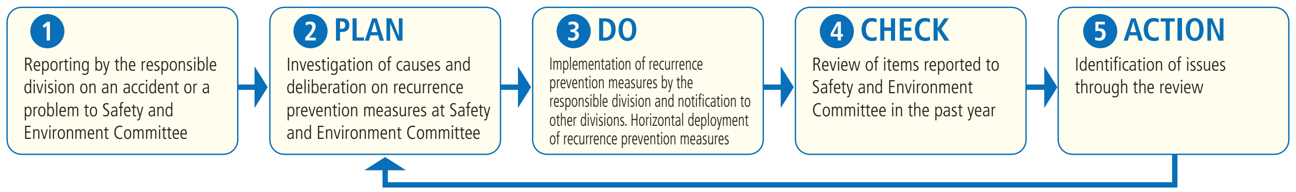
The IINO Group Basic Policy

In its Corporate Philosophy, the IINO Group commits to making safety its top priority, and based on the firm conviction that ensuring safety is essential, in our management policy, we commit to providing value in various forms in addition to safety through dialogue with stakeholders and society. Additionally, in our mid-term management plan, we have set the non-financial numerical target of zero serious accidents (achieved in FY2022), and we will continue to actively pursue measures that ensure safety.

The IINO Group Safety System

The Safety and Environment Committee formulates and promotes the IINO Group's safety-related policies. For example, in the event of accidents or disasters accompanying the Group's business activities, the committee investigates the causes of the accident, discusses measures for preventing recurrences, and seeks to enhance and ensure thorough implementation of safety measures, including preventive measures. In the event of an emergency, such as the occurrence of a major incident, IINO LINES establishes an Emergency Headquarters led by the President and Representative Director as HQ Director in accordance with the Risk Management Rule to manage the crisis, and we also conduct regular tabletop drills to train on this scenario.

● PDCA Cycle for Improvement Activities for Safety



Safety Initiatives for the Shipping Business

Developing Workplace Environments and Preventing Accidents

We believe that communication is important for the safety of navigation. We believe it important to maintain an on-board environment that enables crew members to communicate proactively with each other. We try to instill a Speak up/Listen up culture, which encourages low-ranked crew members to make suggestions and recommendations without hesitation and encourages high-ranked seafaring officers to listen to the suggestions and recommendations of crew members, even if they are about less significant matters. We also think that communication between the head office and vessels is important. Believing that the Company's consideration for on-site workers will reinforce the relationship of trust, we ensure that the Company is ready to give a helping hand whenever a crew member has a problem. The good physical and mental health of the crew members working onboard is also important. Shipboard is not only a place of work, but also a place of life. The IINO Group focuses its efforts on improving the welfare and well-being of crew members so that they can lead seafaring lives with a sense of security.

Improving the Response when Accidents Occur

We believe that continual training is important for responding appropriately when emergencies occur. We regularly hold emergency response training assuming a serious accident at sea jointly with related departments and vessels in our efforts to strengthen our prompt response system. We provide opportunities for crew members to learn how to respond by studying actual accidents and problems as part of regular safety training programs. Thus, we use lessons from the past to prevent the recurrence of accidents and problems.

Safety Initiatives for the Real Estate Business

Developing Safe Workplace Environments and Preventing Accidents

We see it as our mission to provide safety and security to our stakeholders and make every effort to eliminate the risk of accidents regularly. As a part of those efforts, we hold monthly accident review meetings to analyze accidents and incidents that have occurred at the buildings we own, investigating the causes from multiple perspectives to prevent repeat occurrences. We also have the staff engaged in building and equipment management take part in regular training sessions (off-the-job training) to improve their safety awareness while also working to develop a safe workplace environment through hazard detection drills (on-the-job training). In addition, we also hold weekly "regular management meetings" where the IINO Group and affiliate companies engaged in various areas of building management gather to exchange information to ensure safe building operation.

Improving the Response When Accidents Occur

We conduct regular BCP drills based on scenarios such as major natural disasters and serious accidents, striving to improve our prompt response system.

At the same time, when an incident has occurred, it is essential to respond urgently, and we proactively work to enhance communication systems to minimize damages and cultivate human resources capable of initial response. In anticipation of a major earthquake striking directly under Tokyo, we work to develop systems ensuring we are thoroughly prepared to accommodate people who have difficulty returning home, both inside and outside the building.

Action on Human Rights

The IINO Group pursues initiatives to respect human rights in accordance with the United Nations Guiding Principles on Business and Human Rights. In FY2022, we adopted a human rights policy, expressed support for the United Nationals Global Compact (UNGC), and conducted human rights due diligence (HRDD) activities. We will create a system for responding to human rights that includes the supply chain and strengthen our efforts.

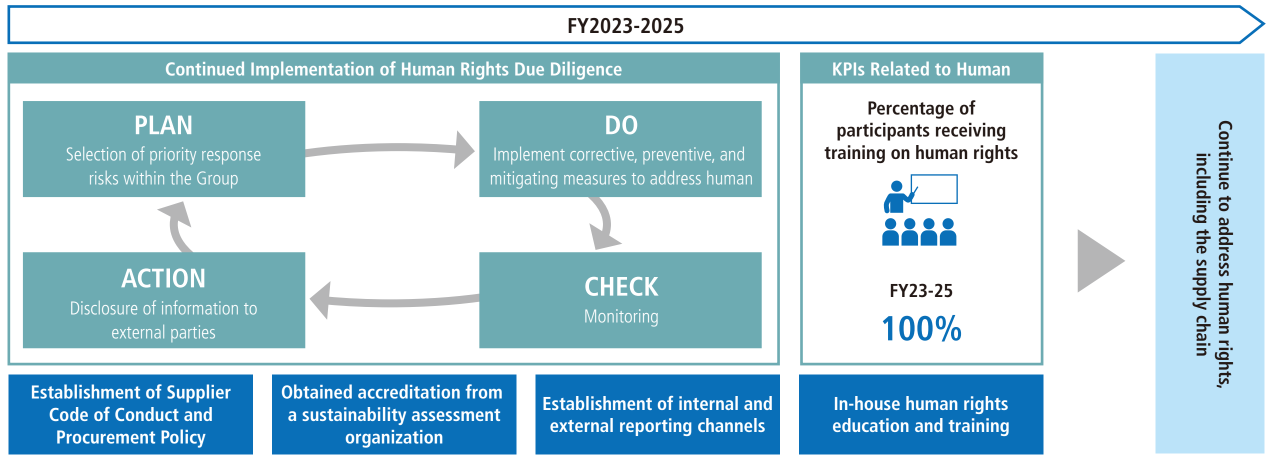
The IINO Group Basic Policy

As a global company, the IINO Group recognizes that respecting the human rights of all people is a social responsibility that we must fulfill as a corporation. It has established the IINO Group Human Rights Policy as its overarching policy regarding human rights based on the Corporate Philosophy. The Group will fulfill its responsibility by respecting the human rights of all stakeholders involved in our business activities and by addressing any direct or indirect adverse impact on human rights that may be caused by any of our business activities.

Implementation of Human Rights Due Diligence

The IINO Group respects human rights acknowledged in international treaties, declarations, and other such initiatives, and conducts its business activities in accordance with the United Nationals Guiding Principles on Business and Human Rights. The Group will establish a human rights due diligence mechanism to identify any actual or potential adverse impacts on human rights in the Group's business activities and value chain, and continuously implement measures to prevent or minimize such impacts. In addition, the Group will appropriately disclose information on its efforts and progress in respecting human rights through its website and integrated reports. Note that we have received expert comments regarding our initiatives as of May 2023 from Professor Hideyuki Matsui of Rikkyo University.

● Human Rights Due Diligence Initiatives Over the Course of the Mid-term Management Plan (FY2023-2025)



Identification of Human Rights Risks

The IINO Group has comprehensively identified potential human rights risks within the scope of its business activities (Shipping Business, Real Estate Business, etc.) based on standards and guidelines related to human rights. It has conducted interviews across the Group, identifying the risks that are material to the Group in keeping with advice from outside consultants.

We issue questionnaires about the identified risks to related departments and Group companies to confirm their status. We then hold discussions and take other action as necessary with regard to items deemed high risk and for departments or Group companies making slow progress on dealing with them.

Awareness Raising on Respecting the Human Rights of Group Officers and Employees

IINO will provide education and training on human rights to Group executives and employees to ensure compliance with our human rights policies and respect for human rights. In the mid-term management plan, we have set a target attendance rate for human rights training from FY2023 to FY2025 of 100% each year as a KPI.

▶ The IINO Group Human Rights Policy
https://www.iino.co.jp/kaiun/english/csr/pdf/human_rights.pdf

▶ The IINO Group Human Rights Risk Map
https://www.iino.co.jp/kaiun/english/csr/pdf/human_risk_map.pdf

Responsible Procurement Initiatives

The IINO Group recognizes that it has a social responsibility to conduct procurement in a way that considers environmental and occupational health and safety in its supply chain. In May 2023 we established the IINO Group Procurement Policy and the IINO Group Supplier Code of Conduct. We also ask the Group's suppliers to comply with the code.

Special Feature 2

Utilizing Diverse Human Resources to Build a New Corporate Culture

IINO Marine Service Co., Ltd. Deputy General Manager, Marine Personnel Department
Hyuk Kim
He was the first foreign national employee in the IINO Group to be appointed Manager in 2012. He has held his current position since July 2021.

General Manager, Stakeholder Relations Department
Akiko Hayama
She has diverse business experience in shipping sales and in Group companies and has served as IINO LINES' first female General Manager since June 2021.

Outside Director
Mari Miyoshi
Her career has included postings as Director-General, Consular Affairs Bureau, Ministry of Foreign Affairs, and Ambassador Extraordinary and Plenipotentiary of Japan to Ireland. After retiring from government service, she was appointed Outside Audit & Supervisory Board Member of IINO LINES and has served as an Outside Director since June 2022.

Section Manager, Human Resources Development Section, Human Resources Department
Izumi Sai
After giving birth and taking childcare leave, she returned to work as a career-track employee. In June 2022, she became the Manager of the Human Resources Development Section.

LPG Carrier Section, Gas Carrier Department
Ryoichiro Fujii
Upon the birth of his second child, he took two months of childcare leave as a father.

Using the capabilities of its human resources working under a compact organizational structure as a strength, IINO LINES has strived to deliver high-quality services to customers. In an age in which companies are expected to pursue initiatives that emphasize the diversity of people, IINO LINES is further promoting ESG management, and as a part of that effort, is working to utilize diverse human resources that transcend nationality, race, gender, and other boundaries.

We gathered employees who hold a variety of positions to discuss this theme chiefly among them Outside Director Mari Miyoshi, who possesses deep insight into the utilization of diverse human resources.

The Potential of the IINO LINES Workforce

Miyoshi: The shipping industry has an image of being massive and heavy, and I think at this point, many of the workplaces in the industry are male-dominated, and the basis for a diverse range of human resources to be successful, irrespective of gender in particular, has not been established. The IINO group was no exception in this regard. However, in the course of promoting ESG management as part of the previous mid-term management plan, I believe that IINO LINES has established a path for diversity to take root, as evidenced by its support for the United Nations Global Compact in September 2022, through global collaboration with a diverse range of groups including local governments, public organizations, private sector companies, to promote a sustainable society.

Hayama: IINO LINES started to hire women as career-track employees in 2002, and from around the time Japan's Act on the Promotion of Women's Active Engagement in Professional Life was enacted in 2015, the company has worked in a way that is more conscious of diversity. Partly because IINO LINES has developed its business globally, I believe we have always had a corporate culture that emphasizes diversity. That basic concept is expressed in the long-term target stated in IINO VISION for 2030, which is to be an "independent global corporate group that continues to evolve through creative ideas in response to the demands of the times."

Sai: Since IINO LINES embraces a basic human resources policy of "small team management," each employee has a wide range of responsibilities, and this environment allows even junior employees to gain a broad range of experience and grow quickly. There are no gender differences in that regard. Additionally, the company has a job rotation system that includes the Shipping and Real Estate businesses, enabling employees to experience working in multiple departments and acquire diverse perspectives. In every department, diverse human resources with different genders and lifestyles are achieving success.

Kim: The IINO Group was the first company in Japan's shipping industry to start the practice of mixed foreign crews (having crewmembers of differing nationalities serve on voyages together). That trend has continued for a long time and even expanded. Today, crew members from five nationalities are assigned to our vessels, and there are cases where crew members from three different nationalities are on board. To prevent confusion even when crew members of different nationalities work on board together, we actively conduct cross-cultural training for each embarkment. We've had almost no trouble in this regard. The degree to which crew know of and accept other cultures has improved. For example, some Filipino crew members love natto, and some are even better than Koreans at pickling Kimchi. We can proudly say that aboard the vessels of the IINO Group are places that blend different cultures. I think the presence of people from various countries also facilitates the growth of each individual.

Miyoshi: IINO LINES operates two businesses, the Shipping Business and Real Estate Business, and it sees diversity as extremely important. Since the number of employees is small, the cultivation of human resources is a key focus, and developing human resources efficiently through on-the-job training and other approaches is vital.

Diversity Issues and Efforts to Spread Diversity

Kim: Shortages of human resources are a major issue for society and companies. I think that how we proceed in employing those of foreign nationality over the next ten or twenty years will play a big part in the success or failure of the business. This is a major problem not only in Japan but in South Korea as well.

Miyoshi: You have looked carefully at this, including the situation in various other countries.

Kim: It's important to not only acquire experienced staff but also develop inexperienced foreign employees from the ground up.

Sai: In terms of hiring personnel, we have also made progress in hiring women, but as there is still a bias towards men, I think improvements are still needed.

Hayama: I think that the securing and training of talented human resources will be key for IINO LINES in implementing ESG management. Diversity and human capital are also priority issues for the company.

In the future, it will be necessary to elevate the skills of individual employees, and it is important that the company provide those kinds of opportunities. I believe that maximizing the value of employees through those approaches, in turn, leads to corporate growth. Investors also have a strong interest in this area, and we need to actively disclose information about what efforts we are making with respect to human capital. In the wake of the COVID-19 pandemic, the way we work has changed significantly, as evidenced by working from home having taken root. We also need to adopt the view of becoming a company that will

be chosen by talented resources by continuing to consider employee feedback while developing comfortable working environments.

IINO LINES has been working on these kinds of issues up to now, and in terms of championing the success of women, the company has produced results with the number of female employees hired steadily rising.

Miyoshi: One of the things I speak with senior management about is the importance of getting junior employees overseas work experience. Mr. Kim mentioned the importance of learning about other cultures, and by engaging in communication with people of diverse nationalities, we can open our minds and forge connections with a broader world. Those experiences are assets, not just for the individual but for the company's business as well. I think those opportunities are still not enough, especially for women, so that is an area where I hope the company steps up its efforts.

Fujii: Personally, since the shipping industry changes at a rapid speed, I think it is also important to increase mid-career hiring to keep pace with those changes. In fact, over the past several years, mid-career hiring has increased and greatly helped in the field of sales. And being able to receive highly specialized support from the newly established Technology Department has enabled the sales department to work more efficiently.

Sai: Before the COVID-19 pandemic struck, there were many opportunities for employees to communicate with one another through various internal events, and people were able to forge deeper relationships both with colleagues and individuals at different tiers within the organization, but COVID-19 caused internal engagement to stagnate and was a big negative for IINO LINES. However, progress in the online shift also diversified how we communicate, which is a positive. We are now able to speak with employees stationed overseas while looking at their faces during web conferences.

Kim: I think we were behind the times in adopting digital solutions previously, but the rapid progress made with the utilization of DX has brought significant benefits.

Fujii: I went on childcare leave for two months when my second child was born in 2022. Several employees had already taken this childcare leave, and my boss also encouraged me to take it, so I was able to make the decision in an environment that was extremely conducive to taking leave. Our workplace has always been one where employees cover one another when taking leave, and thanks to that cooperative relationship, I was able to hand over my responsibilities smoothly. Back when I joined the company in 2015, the idea of male employees going on childcare leave would have been hard to fathom going by the environment at the time, so this represents a significant change.

Having taken childcare leave, I now understand how tough it is to raise a child. As raising a child takes time and energy, it has improved my work efficiency, taught me to eliminate wasteful ways of working, and changed how I view things. I'd like to encourage my subordinates to take advantage of this leave as well.

Sai: In terms of developing the work environment, we conduct training for managers to turn them into family-friendly bosses and are coming up with innovative ways to ensure that our childcare leave systems function well.

Initiatives in the New Mid-term Management Plan

Hayama: In the previous mid-term management plan, we committed to strengthening and developing human capital, and although some of those efforts stagnated during the COVID-19 pandemic, I get the impression that those initiatives are proceeding again with the pandemic subsiding and restrictions being gradually eased, such as enhancements to the overseas sites of IINO LINES, to coincide with greater freedom of international travel.

Meanwhile, in the new mid-term management plan, we have established numerical targets for the ratio of females in career-track positions (management candidates), the percentage of employees taking childcare leave, and the number of employees with or expatriate short-term overseas training experience. Going forward, in addition to achieving those targets, it will also be important to establish an environment in which both the company and its employees consider diversity, for example, through the establishment of a task force spanning different departments. I think employee engagement will also become increasingly important.

Sai: I think we have made steady progress in the employment of a diverse range of human resources. Going forward, I think the challenge will be how to improve upon the "inclusion" aspect of that, in other words, how to accept and utilize those diverse human resources. As I have personal experience of giving birth, returning to work, and becoming a manager, I feel that I need to pass on those experiences to junior employees.

Miyoshi: Changing the mindsets of those on the frontlines is the key to achieving the targets of the new mid-term management plan. Ms. Hayama and Ms. Sai are pioneers and model cases of how to increase the number of women in managerial positions, but when I speak with current female career-track employees at IINO LINES, I get a sense of apprehension about becoming managers. I tell them to never turn down an offer to become a manager when the opportunity presents itself. I believe that once it is experienced, it will have a positive impact on how a person lives their life. I also think a shift in mindset is needed on the side of managers.

Kim: Just now, you all brought up the topic of model cases, and I think the broad utilization of mentors is also a good approach.

Fujii: I have also been helped by mentors in the past.

Kim: It's important to establish learning opportunities, including mentoring, on a systematic basis.

Sai: Upgrading and expanding human resources programs is one of the challenges we face going forward. With the situation surrounding COVID-19 easing, we are going to resume the on-board training programs that were temporarily halted. Overseas training, which is one of the KPIs set in the new mid-term management plan, is also going to be actively increased starting this year. I hope that we continue to utilize online training while also properly working on education and training overall.

Fujii: During the COVID-19 pandemic, I took two courses as part of the online English conversation program and saw some results. Many of my colleagues have also improved their English conversation skills using this program. I was glad that these programs continued to be offered at a time when face-to-face training was difficult.

Hayama: When formulating the mid-term management plan, IINO LINES' corporate philosophy system was also revised. At that time, we surveyed officers and employees through a questionnaire, to come up with the strengths and characteristics of the company, the approaches we value, and the key points of improvements we should make toward the future. This enabled us to reaffirm that there is a strong awareness of our basic policy of safety, and the results were also notable for the extensive feedback suggesting that we put efforts into developing a work environment that is comfortable for a diverse range of human resources irrespective of attributes such as nationality or gender, and at all work sites whether on land or at sea. The consolidated feedback has also been reflected in our corporate philosophy and the mid-term management plan. I hope that we continue to regularly survey officers and employees and produce insights beneficial to management.

Miyoshi: I hope that the various measures aimed at utilizing human capital in the new mid-term management plan will be steadily put into practice so that we can continue and further develop an open corporate culture in which a diverse range of human resources can work with vigor and achieve success.

Message from Outside Directors

The Road Less Traveled

Kei Oe

When I was appointed an Outside Director of IINO LINES in fiscal 2015, operating profit in the shipping segment was a little over 4.1 billion yen. It peaked at this level and declined year after year as if I had a negative impact on the company. Each time the company suffered an impairment loss or took a loss on the sale of a vessel, I checked with the Board of Directors about the rationale for having made such an investment. But starting in fiscal 2019, the business performance turned around, and in the previous fiscal year, we posted record profits. I had previously heard that the industry experienced intense volatility, but over the eight years I have served in this capacity, I have experienced it first-hand. Surmising that the investment decisions that had been made in the past were likely reasonable at the time, I was reminded of how difficult investment can be.

In the new mid-term management plan, the company has planned ambitious investments of 100 billion yen over three years. We need to be mindful of the trends of our competitors, who possess 10 or 20 times our investment capacity. If, in pursuit of future profits, we made investments in the same areas as our competitors at similar ratios, the difference in monetary terms would be overwhelming, and we could end up hopelessly outnumbered in the marketplace. It's great to have the funds, but the worries still run deep.

With our investment going forward, I hope we keep in mind the adage to "take the road less traveled," remaining aware of the trends developing at other companies while making investment decisions that play to the unique qualities of IINO LINES.

What Changes and What Remains

Tomonori Nonomura

I read the mid-term management plan, the Adventure to Our Sustainable Future, announced in May, right before I was appointed Outside Director. In the plan, I got a sense of the depth and clarity of what IINO LINES seeks as a company.

A company must never take the status quo for granted; it must take on the challenge of adapting to a changing society, but I believe that a company needs something unwavering running through its center of which all employees are clearly aware. In that sense, the plan clearly states what themes must change in a society undergoing continual and dramatic change, along with which goals will stand out and remain the same.

Now, as a newly appointed Outside Director, I hope to be one of the people taking on the challenge of improving long-term corporate value at IINO LINES, and at the same time, I will remain mindful of the need to not lose sight of the role of monitoring management, a requirement that will never change.

To Further Shape the Future of IINO LINES and Offer a More Prosperous Life for All Involved

Shizuyo Takahashi

I would like to take this opportunity to express my deep respect for IINO LINES, which supports the management foundations of customers both in terms of logistics and work environments, has already been continually providing safety and peace of mind for over a century, maintains a strong awareness of sustainability without settling for traditional approaches, and embraces an approach of continually taking on challenges. I have long worked on supporting corporate "transformations." While transformation aims to enhance corporate value and is also an effort to improve the value of each person's time, it can also be accompanied by negative emotions such as anxiety and pain. Based on my experience to date, I have learned first-hand that you can only reach your goals by believing in your own success, inspiring your team, and moving forward one step at a time. The environment surrounding the company and the demands of the market are becoming increasingly severe. Instead of looking at these forces simply as external pressure, understanding the essence of what is required, aiming to balance and optimize both social value and economic value in positive ways, and continuing to implement a transformation is the path to seeking further improvements to corporate value and finding the way to the next stage. As Outside Director, I will not only fulfill my supervisory and oversight functions but also work with everyone to create the next future of IINO LINES, moving forward in tandem so that every connected person can enjoy a more enriched experience with a sense of fulfillment in work and life.

Initiatives to Overcome Materiality (Governance)

Basic Views

We view corporate governance as a framework for realizing efficient business activities by coordinating the interests of the various stakeholders who constitute a company. Based on this view, and with an organizational structure founded on the members of the Audit & Supervisory Board, we are working to both enrich our corporate governance and balance soundness, transparency, and efficiency in management. We take account of our relationships with shareholders, employees, and other stakeholders in our decision-making and business execution. IINO LINES undertakes incessant effort to produce the best corporate results, and is ultimately engaged in the creation of sustainable growth and enhancement of corporate value over the medium-to-long-term.

Corporate Governance Initiatives and Promotion Framework

● Changes to Strengthen Corporate Governance

FY2004
- Introduced the Executive Officer System

FY2005
- Changed the number of Directors from not more than 15 to not more than 10
- Established the Internal Audit Office (now Corporate Audit Office)

FY2013
- Appointed first Outside Director

FY2015
- Increased the number of Outside Directors from 1 to 2 (20.0% of the Board of Directors)

FY2016
- Began reviewing the effectiveness of the Board of Directors
- Changed the number of Directors from not more than 10 to not more than 8

FY2019
- Increased the number of Outside Directors from 2 to 3 (37.5% of all directors)
- Established the Nomination and Remuneration Committee

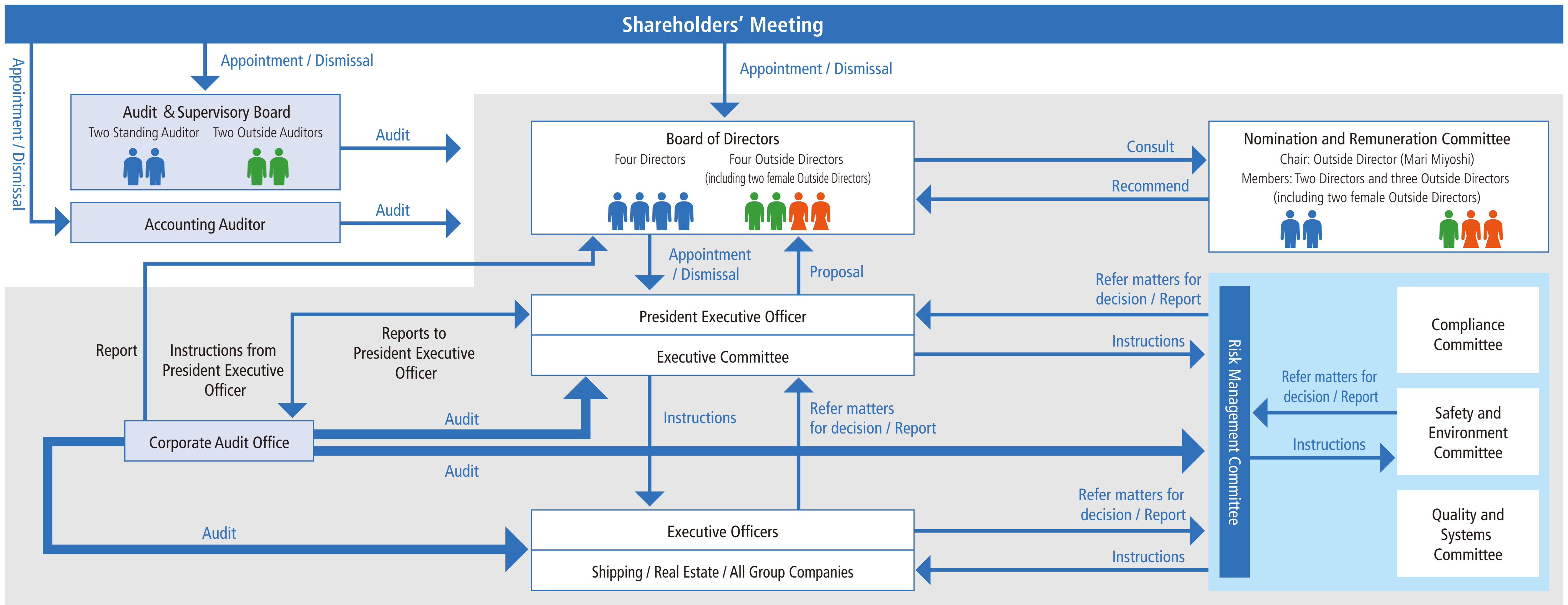
FY2020
- Revised policy for determining remuneration of corporate officers in line with enactment of the Amended Companies Act
- Revised the stock compensation plan (eligible persons: all Executive Directors) and introduced clawback regulations

FY2021
- Changed the chair of the Nomination and Remuneration Committee to an Outside Director
- Appointed female corporate officer (Auditor)
- The Corporate Audit Office reported the results of internal audits to the Board of Directors
- Reinforced the risk management system

FY2022
- Shorten the term of office of Directors from two years to one year
- Appoint female Directors

FY2023
- The number of independent outside directors was increased from 3 to 4 (now accounting for 50% of all directors)
- The number of female directors was increased from 1 to 2 (now accounting for 25% of all directors)

● Organizational Structure



Enhancing Corporate Governance

Executive Committee

Meeting frequency Weekly
Chairperson and Composition
Chairperson: President Executive Officer
Members: Executive Officers
Attendance Full-time auditors and Manager of the Corporate Audit Office
Roles Decide matters as requested by the Board of Directors, deliberate on matters as instructed by the Board of Directors, and exchange views on management, exchange information, etc.

Risk Management Committee

Meeting frequency 30 times
Chairperson and Composition
Chairperson: President Executive Officer
Members: Executive Officers
Attendance Full-time auditors and Manager of the Corporate Audit Office
Roles To manage the following items (1) through (6) to implement risk management effectively and efficiently, conduct preliminary deliberations regarding important matters to be tabled at Executive Committee meetings, such as matters that could have a material impact on the Company's business performance, and offer suggestions and advice

(1) Matters concerning risk management policies and systems
(2) Matters related to proposals for evaluations and improvements related to risk management activities
(3) Matters concerning evaluations of the discussions conducted by the Quality and System Committee, Safety and Environment Committee, and Compliance Committee
(4) Matters concerning the assessment of strategic risks and important investment project risks
(5) Matters concerning the evaluation of the effectiveness of business continuity plans
(6) Other necessary matters that relate to risk management

Quality and System Committee

Meeting frequency 12 times
Chairperson and Composition
Chairperson: President Executive Officer
Members: Executive directors, Representatives of key Group companies Director, executive officer in charge of Business Administration Department, executive officer in charge of Finance and Accounting Department, General Manager of Corporate Planning Department
Attendance Standing auditors, Manager of the Corporate Audit Office
Roles To draft and execute systems and administrative procedures policies across the IINO Group companies

Safety and Environment Committee

Meeting frequency 13 times
Chairperson and Composition
Chairperson: President Executive Officer
Members: Executive directors, representatives of key Group companies, executive officers
Attendance Full-time auditors, Manager of the Corporate Audit Office
Observers
Safety manager of IINO Marine Service Co., Ltd.
Safety manager of IINO Gas Transport Co., Ltd.
Safety manager of IINO Building Technology Co., Ltd.
Role To draft and execute safety and environment policies across the IINO Group companies

Compliance Committee

Meeting frequency 5 times
Chairperson and Composition
Chairperson: President Executive Officer
Members: Executive directors, representatives of key Group companies, some executive officers
Attendance Full-time auditors, Manager of the Corporate Audit Office
Role To draft and execute compliance policies across the IINO Group companies

Directors and Audit & Supervisory Board Members

(as of June 28, 2023)

*1: Attendance status is based on FY2022 results (as of March 31, 2023)
*2: Not yet appointed in FY2022

Category	Director								Auditor			
					Outside / Independent	Outside / Independent	Outside / Independent	Outside / Independent			Outside / Independent	Outside / Independent
Name (Number of shares held: 100 shares)*1	 Yusuke Otani (270)	 Akihiko Okada (548)	 Ryuichi Osonoe (513)	 Osamu Fushida (129)	 Kei Oe (256)	 Mari Miyoshi (14)	 Tomonori Nonomura (-)	 Shizuyo Takahashi (-)	 Yoshinori Hashimura (85)	 Tomoshige Jingu (448)	 Yoshio Yamada (23)	 Hiroshi Takahashi (29)
Board of Directors Meeting Attendance Status*1	23/23	23/23	23/23	*2	23/23	23/23	*2	*2	23/23	23/23	22/23	23/23
Nomination and Remuneration Committee Meeting Attendance Status*1	*2	11/11	—	—	11/11	8/11	—	*2	—	—	—	—
Audit & Supervisory Board Meeting Attendance Status*1	—	—	—	—	—	5/5	—	—	15/15	*2	14/15	15/15
Expertise, Experience, and Skills												
Corporate Management	●	●			●							●
Business Strategy / Marketing	●		●		●		●					
Finance / Accounting				●				●	●	●		
Technology / DX				●				●		●		
Legal Affairs / Risk Management	●	●					●				●	
Human Resources / Labor Affairs		●							●			●
ESG Management	●	●	●	●		●			●	●	●	
International Work Experience	●		●			●						

Overview of the Board of Directors

Institution	Board of Directors
Composition	4 Directors 4 Outside Directors *Independent outside directors as a percentage of all directors: 50%
Attendance	4 Auditors
Meeting frequency	Regular Board meetings: Monthly Extraordinary Board meetings: Ad hoc basis
Activities	· Decide important matters · Supervise the Directors' execution of duties and Executive Officers' business execution · Improve the environment to support appropriate risk taking

Overview of the Audit & Supervisory Board

Institution	Audit & Supervisory Board
Composition	2 Auditors 2 Independent Outside Auditors *Independent outside auditors as a percentage of all auditors: 50%
Meeting frequency	Monthly
Activities	· Audit the execution of duties by Directors from an independent and objective standpoint, mindful of the fiduciary duty to shareholders · Pursue communication with Directors and various departments, including the Corporate Audit Office, gather information, and develop an environment for audits · Strengthen coordination with accounting auditors and improve the effectiveness of audits

Reason for Need of Experience and Skills

Corporate Management	The IINO Group operates globally, and to execute the priority strategies stated in the mid-term management plan, create both economic and social value, achieve the Corporate Philosophy, and pursue lasting corporate development, a director with corporate management experience is required.
Business Strategy / Marketing	To expand the business globally, cultivate new customers, and accurately respond to increasingly diverse customer needs, a director with the experience and expertise in formulating strategy and implementing marketing activities is required.
Finance / Accounting	We have declared business portfolio management as one of the aims of our mid-term management plan, and to implement management with a greater emphasis on the cost of capital, a director with knowledge and experience in finance and accounting is required.
Technology / DX	We have identified DX promotion as a business foundation strategy of the mid-term management plan, and as the utilization of IT is essential to strengthen the management base, boost cost competitiveness, and execute priority strategies, a director with knowledge and experience related to IT and DX is required.
Legal Affairs / Risk Management	The IINO Group operates globally and requires a director with knowledge and experience in domestic and overseas legislation and various regulations who can appropriately assess risks and lead prevention and countermeasures.
Human Resources / Labor Affairs	To maximize corporate value through improved employee engagement by executing a human resource strategy that includes securing a diverse range of talent, a director with knowledge and experience related to human resources and labor management (or human resource development) is required.
ESG Management	As the IINO Group has identified action on the environment and human rights, strengthening governance and other matters as material issues, and has also stated the creation of social value as a priority strategy of its mid-term management plan, a director with knowledge and experience in these fields is required.
International Work Experience	The IINO Group operates globally, and to implement an expansion of global business as one of the priority strategies of its mid-term management plan, a director with experience working overseas and knowledge and experience related to overseas business customers is required.

Nomination and Remuneration Committee

Meetings held: 11

Chairperson: Mari Miyoshi, Independent Outside Director

Members: 2 Representative Directors 3 Independent Outside Directors (Outside Directors account for the majority)

Objectives: (1) Enhance the objectivity, transparency, and fairness of procedures concerning the appointment and dismissal of directors and auditors as well as the nomination of candidates for director and auditor, and strengthen the supervision and accountability of the Board of Directors oversight structure

(2) Accept consultations from the Board of Directors, deliberate matters concerning the selection and dismissal of the President & Representative Director, succession plans for the President & Representative Director and other positions, the selection and dismissal of Directors and Auditors, and the nomination, etc. of candidates for Director and Auditor, and return recommendations to the Board of Directors

Executive Directors

President and Representative Director President Executive Officer	**Yusuke Otani**	
Representative Director Senior Managing Executive Officer	**Akihiko Okada**	In charge of Human Resources Department, management of Office Leasing & Operation Department, Property Development Planning Department, Corporate Planning Department, Business Administration Department and Finance & Accounting Department
Director Senior Managing Executive Officer	**Ryuichi Osonoe**	Management of Business Strategy Department, Oil Tanker Department, Gas Carrier Department, Chemical Tanker Department No. 1, Chemical Tanker Department No. 2, and Dry Bulk Carrier Department
Director Executive Officer	**Osamu Fushida**	In charge of Corporate Planning Department, Finance & Accounting Department and commission as General Manager, management of DX Promotion Department
Managing Executive Officer	**Norichika Inoue**	In charge of Marine Department, President and Representative Director of IINO Marine Service Co., Ltd.
Executive Officer	**Seiichi Fujimura**	In charge of Chemical Tanker Department No. 1 and Chemical Tanker Department No. 2, and Managing Director of IINO SINGAPORE PTE. LTD.
Executive Officer	**Atsushi Takeda**	In charge of Dry Bulk Carrier Department and commission as General Manager
Executive Officer	**Kiichi Iwai**	IINO Building Technology Co., Ltd. Director
Executive Officer	**Kunihiko Senoo**	In charge of Oil Tanker Department and Gas Carrier Department
Executive Officer	**Satoshi Hirao**	President and Representative Director of IINO Gas Transport Co., Ltd.
Executive Officer	**Akira Hoshi**	In charge of Technical Department and commission as General Manager
Executive Officer	**Yasutaka Tsuneto**	In charge of Stakeholder Relations Department and Business Administration Department
Executive Officer	**Kazusuke Oshima**	In charge of Office Leasing & Operation Department, Property Development Planning Department and commission as General Manager
Executive Officer	**Yuji Yasuki**	In charge of Sustainability Promotion Department and commission as General Manager, in charge of Business Strategy Department and commission as General Manager, in charge of DX Promotion Department and commission as General Manager

Analysis and Review of the Effectiveness of the Board of Directors

To ensure and enhance the effectiveness of the Board of Directors, IINO LINES reviews the effectiveness of the Board of Directors through each director and auditor on a yearly basis. We conduct questionnaire-based self-assessments, gather feedback, and then deliberate matters raised in Board of Directors meetings.

Effectiveness Review for Fiscal Year 2022 and Measures Taken to Address Identified Issues

Overview of the Effectiveness Review for Fiscal Year 2022 (Conducted in February 2023)	
Participants	All eight Directors including Outside Directors All three Auditors including Outside Auditors
Method	1. Implementation of the anonymous survey 2. Analysis, review, and discussion by the Board of Directors
Summary of the review	- It was confirmed that the Board of Directors operates with an appropriate composition and an appropriate number of members and deliberates substantively. - It was confirmed that prior explanations regarding agenda items given to outside officers aimed at improving Board of Directors meeting materials and reports and deepening deliberations were appropriate. - Outside Directors indicate that decision-making appropriately reflected their input.

Issues to be Addressed in FY 2023 in Response to FY2022 Review of Effectiveness

(1) Improvements to the communication between officers and employees that was suppressed during the response to COVID-19
(2) Further promotion of action on DX
→ Implementation of the DX Promotion Department in June 2023
(3) Further promotion of diversity in the Board of Directors (ongoing issue from FY2021)
→ June 2023: Increasing the percentage of female outside directors from 12.5% to 25% (2 out of 8 directors)

Status of Action on the Items Identified as Issued in the FY2021 Review of Effectiveness

Issues: Considering and formulating strategies based on medium- and long-term perspectives regarding ESG and the SDGs

Response (1): In June 2022, we established the Sustainability Promotion Department, set up a CSR Working Team within the department to broadly respond to issues concerning corporate social responsibility, and implemented human rights due diligence in accordance with the United Nations Guiding Principles on Business and Human Rights.
- September 2022: Expressed support for the United Nations Global Compact
- October 2022: Formulated the IINO Group Human Rights Policy and Anti-Corruption Policy
- May 2023: Formulated the Procurement Policy and Supplier Code of Conduct
- June 2023: Released a statement concerning the UK's Modern Slavery Act

Response (2): Strengthened response to climate change with the Environmental Promotion Working Team within the Sustainability Promotion Department playing a leading role.
- July 2021: Indicated support for the TCFD recommendations
- May 2023: Changed greenhouse gas reduction targets to achieve carbon neutrality by 2050
In conjunction with the change, formulated a roadmap for achieving carbon neutrality by 2050

Matters Taken up for Discussion by the Board of Directors in FY2022

In light of the issues identified in the review of effectiveness, we set key themes aimed at the formulation of the mid-term management plan and gave priority to their discussion in Board of Directors meetings.

Examples of Themes
- Amendments to the corporate philosophy structure
- Revisions to material issues (sustainability and social issues)
- Basic business portfolio policy, business portfolio strategy
- Creation of roadmap to achieve carbon neutrality
- Shareholder return policy

Policy for Determining Directors' Remuneration

Basic Policy

The amounts of remuneration for individual Directors are determined in a way that ensures the remuneration will incentivize them to contribute to enhancing corporate value.

- Executive Directors: Monthly compensation + Performance-linked compensation + Stock compensation plan
- Outside Directors: Monthly compensation

I (1) Monthly compensation (basic compensation)
- Eligible persons: All Directors
- Method of determination: Fixed monthly compensation has been set for each position.

I (2) Performance-linked compensation
- Eligible persons: Executive Directors
- Indicators: Consolidated net income, etc., for each fiscal year
- Reason for using the indicators:
The Company has determined that net income is the source of new capital investment and shareholder returns to increase corporate value and its use as the primary indicator will incentivize Directors to contribute to increasing corporate value over the medium and long term.
- Method of determination:
The amounts are calculated according to the level of achievement of performance targets, using consolidated net income as the primary performance indicator, and the position of each Director, and resolved by the Board of Directors upon careful deliberation of the propriety of payment and the amounts.

I (3) Stock compensation (non-monetary compensation, etc.)
- Objective: Increasing Executive Directors' sharing of shareholder value with shareholders, clarifying management's commitment to the achievement of the Company's Mid-term Management Plan, and further promoting initiatives to increase corporate value
- Eligible persons: Executive Directors
- System
A plan for delivering shares of the Company's stock to Executive Directors by having Executive Directors contribute a set amount of their monthly compensation according to their position to the Directors' shareholding association and having them withdraw shares of the Company's stock purchased at fair market value in the open market by the Directors' shareholding association from the Directors' shareholding association in an amount commensurate with their holding, on a trading day at the end of the fiscal year, in principle
- Clawback regulations
Executive Directors are required to return without compensation all or part of the shares that they purchased through the Directors' shareholding association according to the Director's degree of responsibility in the event of material accounting fraud or a huge loss.

II. Policy for the determination of the ratio between monthly compensation, performance-linked compensation, and stock compensation in the remuneration of each Director

The Company determines the ratio between monthly compensation, performance-linked compensation, and stock compensation in the remuneration of each Director, ensuring that compensation incentivizes Executive Directors to contribute not only to improving business results in the short term but also to increasing corporate value over the medium and long term.

III. Matters related to the determination of the content of compensation for individual Directors

The amounts of compensation for individual Directors are determined by the Board of Directors in consideration of recommendations from the Nomination and Remuneration Committee chaired by an Outside Director.

● Total Amount of Compensation, etc., for Directors and Auditors (FY2022)

Position	Total amount of compensation, etc. (millions of yen)	Total amount of compensation, etc., by type (millions of yen)			Number of eligible corporate officers
		Basic compensation	Performance-linked compensation, etc.		
			Bonuses	Non-monetary compensation, etc. (stock compensation plan)	
Directors	274	195	54	25	9
(Outside Directors)	28	28	0	0	4
Auditors	44	44	0	0	4
(Outside Auditors)	20	20	0	0	3
Total	318	239	54	25	13
(Outside Directors and Auditors)	48	48	0	0	7

(Notes) 1. As of the end of fiscal year 2022, there are eight Directors (including three Outside Directors) and three Auditors (including two Outside Auditors).
2. Figures for non-monetary compensation, etc. are portions of the amounts of the Executive Directors' monthly compensation, which are set according to their position and which they contribute to the Directors' shareholding association under the stock compensation plan.

Developing More Sophisticated Risk Management and Crisis Management

The IINO Group has established the Risk Management Committee to manage risk, deliberate about the policy, make proposals, and offer advice at the Group-wide level. It has also established three committees, Safety and Environment Committee, Quality and Systems Committee, and Compliance Committee, which report to the Risk Management Committee. The Risk Management Committee gives instructions to the three committees and has them submit or report proposals. It also oversees the risk management activities of the Group as a whole, including strategic business risks and risks associated with major investment projects. The Board of Directors supervises the status of the operation of the risk management system and receives regular reports on the status of risk management.

* The President Executive Officer serves as chairperson of the Risk Management Committee, Safety and Environment Committee, Quality and Systems Committee, and Compliance Committee.

Business Risks

Risks that may occur in the IINO Group's businesses are reported to the Board of Directors by the Risk Management Committee, and the Board of Directors supervises the status of operation of the risk management system.

● Some of the Matters (Business Risks) to Be Reported to the Board of Directors

	Indicators to watch
Market-related risks	Ratio of spot contracts / contractual periods
Risk of asset price fluctuation	Impairment review (future cashflow, net sales value)
Risk of fuel oil price fluctuation	Bunker adjustment factor (BAF)
Foreign exchange risk	US$ exposure
Interest rate risk	Ratio of fixed to variable interest rates
Climate change risks	Carbon taxes, emissions trading, CII regulations, etc.

In particular, risks and opportunities in the Shipping Business and the Real Estate Business caused by climate change are reviewed in scenario analyses based on the TCFD recommendations before being reported to the Board of Directors.

Risks Relating to Serious Accidents or Problems That Might Affect Vessels or Buildings

Risks relating to any serious accidents or problems that might affect vessels or buildings are specific to the Shipping Business and the Real Estate Business. The Safety and Environment Committee, established under the Safety and Environment Committee Regulations, addresses these risks by formulating and promoting the IINO Group's policies on safety and the environment and by implementing and reinforcing preventive and other measures. Further, in the event of an emergency, such as environmental pollution (oil spillage, etc.), a major incident or problem involving human lives and/or assets, or a large-scale disaster, the Company establishes an Emergency Headquarters led by the President and Representative Director acting as HQ Director to manage the crisis in accordance with the Risk Management Rules. In addition, the Group has formulated a Business Continuity Plan (BCP) envisaging a large-scale earthquake occurring in the area where the Group operates. Under this plan, systemic preparations have been made to ensure the swift recovery and continuation of all businesses of the Group.

Risks Relating to Systems and Administrative Work

The Quality and Systems Committee, established under the Quality and Systems Committee Regulations, is responsible for formulating and promoting policies on systems and the administrative work of the IINO Group. It also implements and reinforces preventive and other measures to mitigate risks relating to system failure, etc.

Policy on Cross-shareholdings

The Company shall cross-hold shares only where the reasonability of the cross-holding is recognized as a result of the verification of its economic rationality (such as whether the benefits and risks of the cross-holding are commensurate with the capital cost in light of the investment criteria that the Company has set from the viewpoint of capital cost) and the verification of the appropriateness of the purpose of the cross-shareholding (such as whether maintaining and reinforcing the business relationship and other relationships with the investment destination will contribute to increasing the Company's profits and corporate value over the medium and long term, which applies where the purpose is to maintain and reinforce these relationships, for example).

Regarding cross-shareholdings, the Board of Directors determines whether to continue holding each stock every year based on the policy shown on the left and considers reducing cross-held shares that are no longer deemed reasonable.

● The Number of Shares of Stock that the Company Holds for Purposes Other Than Pure Investment and Amounts Recorded on Balance Sheet (As of March 31, 2023)

Number of stocks	72
Number of listed stocks included in the above	30
Total amount recorded on the balance sheet (millions of yen)	16,357
Total amount of the listed stocks included in the above (millions of yen)	11,216

Dialogue with Investors

We understand that dialogue with our shareholders and other stakeholders is important for the achievement of the sustainable growth of the IINO Group and the increase of its corporate value over the medium and long term. The President and Representative Director, the Executive Officer in charge of Stakeholder Relations Department, and the Stakeholder Relations Department are the contacts for dialogue with shareholders. The opinions of shareholders and the matters pointed out by them in the dialogue are regularly reported to the Board of Directors.

● Total Number of Meetings with Investors and Shareholders (FY2022)

Institutional investors in Japan	29
Overseas institutional investors	13
Total	42

*Held two other results briefings for institutional investors (at the end of the first half and end of the fiscal year)

*Please refer to our website for details on the status of dialogue with investors: https://www.iino.co.jp/kaiun/english/ir/pdf/dialogue_with_investors_FY2022.pdf

Ensuring Thorough Compliance

Compliance Structure

The Group formulates and promotes compliance policies under the Chief Compliance Officer who is appointed by the President and Representative Director as chairperson of the Compliance Committee, deliberates on compliance issues regularly at the Compliance Committee, and reports to the Board of Directors.

Group Anti-bribery Policy

The IINO Group, as a global company, recognizes that it is its social responsibility as a corporation to carry out fair corporate activities by ensuring that all officers and employees of the IINO Group comply with laws, regulations, and internal rules and by encouraging ethical conduct, and has established the IINO Group Anti-Corruption Policy based on its Corporate Philosophy.

This policy also expresses our basic stance on anti-corruption as advocated in the "Ten Principles of the United Nations Global Compact," and sets out specific initiatives to prohibit bribery, facilitation payments, illegal political contributions, money laundering, insider trading, and conflict-of-interest transactions.

▶ **The IINO Group Anti-Corruption Policy is available on our website:**
https://www.iino.co.jp/kaiun/english/csr/pdf/anti_corruption.pdf

Raising Awareness of Anti-Corruption

To disseminate information about prohibited conduct specified in the Compliance Regulations and thoroughly ensure compliance with domestic and overseas anti-corruption laws based on section 6 (Education and Training) of the IINO Group Anti-Corruption Policy, we provide all officers and employees with training consistent with our support for the United Nations Global Compact. This training includes insider trading, as well as compliance training designed to prevent involvement with corruption and public officer ethics violations, conduct involving cozy relationships with business partners, bribery, and other corrupt behavior. We also alert each department and Group company, including local overseas subsidiaries and overseas representative offices, to strengthen the prevention of unfair competition through the thorough enforcement of information management and anti-bribery efforts.

Initiatives to Assess and Avoid Corruption Risk

The Company clearly specifies its commitment to preventing bribery and other forms of corruption in the Group Anti-corruption Policy and strives to assess and prevent corruption risks in its activities and the selection of business partners. In its business operations around the world, the Group investigates and collects information about unlawful practices that might occur given its business activities. More specifically, we seek understanding from all business partners, including suppliers, to support this policy and carry out corruption checks using credit research agencies and other means. Contracts concluded by the Group also include regulations for the elimination of antisocial forces, clearly stating that the Group will cancel the contract if the other party is found to have ties with antisocial forces. When, as a result of such risk assessment, the risk of corruption is judged especially high, the Compliance Committee conducts an investigation based on the information received and judges whether to proceed with the business or new business partner, in cooperation with a lawyer or other outside expert where necessary.

Corruption-related Penalty Charges, Surcharges, or Settlement Money

In FY2021, there were no major violations of laws and regulations due to the non-observance of anti-bribery regulations and the Group incurred no penalty charges, surcharges, or settlement money related to corruption.

	FY2020	FY2021	FY2022
Disciplinary dismissals due to violations of anticorruption laws* (persons)	0	0	0
Penalty charges, surcharges, and settlement money incurred due to violations of anticorruption laws* (yen)	0	0	0

*Including but not limited to the Antimonopoly Act, Instruments and Exchange Act, and Unfair Competition Prevention Act

Internal Reporting System and Prevention of Harassment

A whistleblower system has been established such that if officers and employees (includes transferred employees, contract employees, nonregular employees, and temporary employees) of the IINO Group discover illegal or unethical actions, or have reason to suspect such actions are taking place, the Company will quickly confirm the facts, and engage in appropriate corrective measures. The Company deals with compliance violations including "prevention of insider trading," the prevention of corruption such as "entertainment and gift-giving beyond social norms and the provision of wrongful gains to public officials in Japan and overseas," and bullying, sexual harassment, and other forms of harassment. The Internal Reporting System Operational Regulations stipulate that the General Manager of the Human Resources Department and an external lawyer specified by the Company will serve as the point of contact for whistleblowing. The regulations also stipulate that details of whistleblowing reports or enquiries and personal information obtained in connection with investigations must not be disclosed from the viewpoint of protecting personal information and the Company ensures that everyone is aware of these regulations. The Compliance Regulations and the Internal Reporting System Operational Regulations stipulate that any whistleblowers among the Group's officers and employees shall not be treated disadvantageously. As a part of compliance promotion efforts, we are also exploring the possibility of establishing an external whistleblowing service.

Internal workshops for the Group's employees are held every year led by IINO LINES' attorney for the purpose of raising their awareness of the importance of preventing harassment. These workshops have changed the way employees think and educated employees about harassment.

Compliance Violations

Number of cases discussed and found to be violations by the Compliance Committee in fiscal year 2022: 0 (Fiscal year 2021: 2 cases)

Key Consolidated Financial Data

The key consolidated financial data presented here were prepared by the IINO Group in order to indicate the trend of the Group's financial conditions over the past 15 years and have not been audited by independent auditors. Please also refer to the consolidated financial statements and accompanying notes presented in the consolidated financial reports.

Notes: 1. Revenues for each segment are before elimination of intra-segment sales.
2. Interest-bearing debt = Bonds + Borrowings
3. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
4. Shareholders' equity ratio = (Net assets – Non-controlling interests) / Total assets (at year-end)
5. ROE = Net income / (Net assets – Share subscription rights – Non-controlling interests) (yearly average)
6. D/E ratio = Interest bearing debt / (Net assets – Non-controlling interests) (at year-end)

Consolidated Statements of Operations (millions of yen)		FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	**FY2022**
Revenues*1		94,496	77,031	74,472	77,975	86,021	96,701	100,177	94,843	83,320	81,334	84,843	89,179	88,916	104,100	**141,324**
Shipping	Oceangoing	87,627	64,047	61,374	62,887	67,024	76,595	79,397	72,865	63,012	62,391	65,296	68,891	69,641	82,408	**117,968**
	Short-sea/Domestic		7,765	7,790	7,673	7,715	8,675	9,192	8,907	8,059	8,471	8,975	8,717	8,225	9,535	**10,503**
Real Estate		5,500	5,219	5,307	7,416	11,282	11,430	11,588	13,071	12,249	10,472	10,572	11,571	11,049	12,158	**12,853**
Retail		1,369	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Cost of sales		75,534	66,433	65,830	69,996	75,234	83,621	85,799	79,974	69,880	68,816	73,160	78,074	75,589	89,155	**112,597**
Selling, general and administrative expenses		7,036	6,512	6,250	6,393	5,908	6,234	6,392	6,754	6,848	6,867	6,901	7,129	6,495	7,421	**8,892**
Operating profit (loss)		11,926	4,086	2,393	1,587	4,879	6,846	7,986	8,115	6,591	5,651	4,782	3,976	6,831	7,524	**19,835**
Shipping	Oceangoing	11,196	3,051	1,062	(25)	622	1,823	3,285	3,767	2,626	1,713	583	651	2,463	2,860	**15,440**
	Short-sea/Domestic		306	459	250	289	805	650	364	180	700	926	570	505	513	**594**
Real Estate		749	727	873	1,362	3,967	4,218	4,051	3,984	3,786	3,238	3,273	2,755	3,863	4,150	**3,801**
Retail		(20)	—	—	—	—	—	—	—	—	—	—	—	—	—	**—**
Recurring profit (loss)		11,256	2,225	1,059	(464)	2,259	5,953	7,194	7,655	5,105	4,631	4,701	3,455	6,810	9,431	**20,677**
Profit (loss) before income taxes		9,301	1,817	1,253	(4,144)	1,412	5,265	5,302	4,267	3,854	4,609	5,257	4,193	8,158	12,991	**24,192**
Income taxes - current		534	179	779	254	165	315	149	198	105	209	296	287	279	366	**1,676**
Income taxes - deferred		3,176	1,409	(185)	(80)	78	(42)	(56)	403	(124)	135	172	127	234	123	**(189)**
Profit (loss) attributable to non-controlling interests		(14)	50	5	(24)	3	72	(4)	6	(12)	22	105	(8)	(10)	(25)	**24**
Profit (loss) attributable to owners of parent		5,605	180	654	(4,294)	1,166	4,920	5,213	3,659	3,885	4,243	4,685	3,788	7,655	12,526	**22,681**
Consolidated Balance Sheets (millions of yen)																
Current assets		24,790	25,115	24,945	27,696	25,810	36,496	31,455	29,125	25,145	24,711	24,365	29,884	29,818	33,550	**40,104**
Vessels, property and equipment		135,501	137,904	143,142	167,257	171,114	171,338	174,779	181,113	157,234	163,209	175,326	182,056	194,244	191,626	**201,124**
Capital investment		36,828	26,861	29,215	46,230	21,672	9,505	14,231	24,015	18,624	20,842	23,760	17,410	30,567	12,423	**21,997**
Total assets		175,808	180,735	184,842	209,752	212,724	225,312	228,693	230,278	203,969	210,237	222,435	231,088	245,611	247,130	**265,453**
Current liabilities		32,498	25,191	32,798	32,739	38,684	46,306	36,416	35,342	38,039	41,688	51,607	47,563	44,345	38,232	**52,780**
Net assets		53,395	52,727	52,871	45,782	47,228	58,568	65,907	65,285	68,774	69,237	73,077	73,428	79,835	91,333	**110,688**
Interest-bearing debt*2		104,916	109,227	110,860	135,955	135,767	130,189	126,353	130,383	107,796	115,112	117,970	126,327	131,744	120,928	**114,684**
Consolidated Statements of Cash Flow (millions of yen)																
Cash flows from operating activities		8,648	12,353	10,993	10,162	11,311	13,785	16,107	18,804	11,075	12,117	14,549	13,079	19,282	15,782	**35,268**
Depreciation		8,908	9,989	8,625	9,149	10,515	8,529	8,678	8,867	8,548	8,509	8,918	9,740	11,083	11,728	**12,401**
Cash flows from investing activities		(10,591)	(12,784)	(13,187)	(34,022)	(11,567)	(2,224)	(13,022)	(18,551)	12,788	(15,399)	(21,202)	(14,840)	(22,991)	(3,115)	**(18,488)**
Free cash flow*3		(1,943)	(431)	(2,194)	(23,860)	(256)	11,561	3,085	253	23,863	(3,282)	(6,653)	(1,761)	(3,709)	12,667	**16,780**
Cash and cash equivalents at end of period		11,087	13,728	13,091	11,522	8,670	16,906	11,965	14,326	10,719	10,536	9,826	14,208	13,301	11,654	**15,521**
Per Share Data (yen)																
Net income (loss) per share		51.54	1.69	6.13	(40.60)	11.66	45.77	46.98	32.97	35.01	38.53	44.28	35.80	72.35	118.39	**214.36**
Net assets per share		497.64	489.78	490.04	452.38	468.86	525.39	593.72	587.51	619.18	653.29	689.25	692.63	753.55	863.00	**1,045.99**
Dividends per share		15.00	12.00	6.00	2.00	4.00	8.00	10.00	10.00	10.00	10.00	15.00	12.00	22.00	36.00	**65.00**
Key Performance Indicators																
Shareholders' equity ratio (%)*4		30.2	28.9	28.3	21.6	22.0	25.9	28.8	28.3	33.7	32.9	32.8	31.7	32.5	36.9	**41.7**
Payout ratio (%)		28.9	711.8	97.9	—	34.3	18.0	21.3	30.3	28.6	26.0	33.9	33.5	30.4	30.4	**30.3**
ROE (%)*5		10.6	0.3	1.3	—	2.5	9.4	8.4	5.6	5.8	6.2	6.6	5.2	10.0	14.6	**22.5**
D/E ratio (times)*6		1.98	2.09	2.12	3.01	2.90	2.23	1.92	2.00	1.57	1.67	1.62	1.72	1.65	1.32	**1.04**

Non-Financial Data

Scope of calculation for environmental and safety data
[Shipping Business] Environmental data: Vessels in the IINO Group's operation / Safety data: vessels managed by IINO Marine Service Co., Ltd.
[Real Estate Business] Both environmental and safety data are derived from the five company-owned buildings in Japan managed by the IINO Group.

Environmental Data		FY2018	FY2019	FY2020	FY2021	FY2022
CO_2 Emissions (Scope 1, Scope 2)*1 *2	Shipping Business (thousand tons)	786	875	927	906	**859**
	Real Estate Business (thousand tons)	13	12	11	10	**10**
NOx Emissions	Shipping Business (thousand tons)	23	25	26	25	**24**
SOx Emissions	Shipping Business (thousand tons)	15	12	4	5	**10**
Waste	Shipping Business (m^3)	1,699	1,565	1,428	1,290	**1,169**
	Real Estate Business (tons)	832	666	422	439	**471**
Energy consumption (Fuel Oils)	Shipping Business (thousand tons)	264	281	298	291	**276**
Energy consumption (Power consumptions)	Real Estate Business (thousand kWh)	23,692	21,914	20,162	20,511	**21,786**
Water usage (Supplied water, Well water, and Spring water)	Real Estate Business (thousand m^3)	83	76	57	57	**67**

Safety Data		FY2018	FY2019	FY2020	FY2021	FY2022
Accidents per voyage (Shipping Business)	Equipment failures/damage (accidents)	0.0069	0.0104	0.0132	0.0234	**0.0129**
	Collisions/groundings/fire (accidents)	0	0	0	0.0007	**0**
	Storm-related hull damage incidents (accidents)	0.0011	0.0012	0.0007	0.0014	**0.008**
Status of accidents (Real Estate Business)	Human factors (number of occurrences)	31	37	29	27	**24**
	Equipment factors (number of occurrences)	18	16	18	23	**22**
	External/indeterminate factors (number of occurrences)	3	5	1	1	**2**
Occupational accident frequency rate (Shipping Business)*3	Tanker	0.57	1.334	0.40	0.52	**0.44**
	Dry Bulk carriers	0	0			
Number of people certified as having suffered occupational accidents (Real Estate Business)	Deaths (persons)	0	0	0	0	**0**
	Injuries (persons)	0	0	0	1	**0**
	Diseases (persons)	0	0	0	0	**0**

Human Resources Data*4		FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees (consolidated) (persons)		629	646	659	644	**669**
Number of employees (persons)		152	160	166	169	**183**
Breakdown	Male Onshore (persons)	70	74	79	81	**87**
	Male Seafare (persons)	55	56	56	51	**55**
	Female Onshore (persons)	27	30	31	37	**41**
	Female Seafare (persons)	0	0	0	0	**0**
Ratio of female employees (consolidated) (%)		16.5	18.6	17.3	18.8	**18.4**
Ratio of female employees (non-consolidated) (%)		17.8	18.8	18.7	21.9	**22.4**
Ratio of female managers (%)		1.4	1.4	1.4	2.6	**5.0**
Ratio of employees with disabilities (%)		1.2	1.2	1.1	1.0	**1.0**
Turnover Rate	Position at shore (%)	0	0.9	0.9	1.7	**3.9**
	Position at sea (%)	3.6	1.7	3.4	13.7	**1.8**
Number of persons who left within three years	Position at shore (persons)	0	0	1	0	**3**
	Position at sea (persons)	0	0	1	2	**1**
Average monthly overtime per employee (Hour)		23.9	23.5	25.4	28.5	**26.1**

1. Third-party verification has been obtained for figures for fiscal years 2018 to fiscal year 2021, and will be obtained for fiscal year 2022 figures
2. Of CO_2 emissions from the Real Estate Business for fiscal 2021 and 2022, some of the power consumption of the IINO Building was offset using non-fossil fuel energy certificates
3. Number of work-related casualties due to lost work per million actual working hours
4. Non-consolidated figures except for the "Number of employees (consolidated)" and "Ratio of female employees (consolidated)"

Corporate Data / Stock Information / External Recognition

Corporate Data (as of March 31, 2023)

Company Name	IINO Kaiun Kaisha, Ltd. (IINO LINES)
Established	July 1899
Capital	13,091,775,488 yen
Head Office	IINO Building, 2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan
Offices	Representative offices: Dubai, Shanghai Overseas subsidiaries: Singapore, London, Houston, Dubai
Group Companies	Consolidated subsidiaries: 65 Equity-method affiliates: 8 Non-consolidated affiliates: 9 Total: 82
Stock Code	9119
Principal Customers	Astomos Energy Corporation; Idemitsu Kosan Co., Ltd.; Idemitsu Tanker Co., Ltd.; ITOCHU Corporation; Oji Holdings Corporation; ENEOS Corporation; Osaka Gas Co., Ltd. KANEKA CORPORATION; National Federation of Agricultural Cooperative Associations (ZEN-NOH); Sojitz Corporation; Chuetsu Pulp & Paper Co., Ltd.; Electric Power Development Co., Ltd.; TOKYO GAS CO., LTD.; Tosoh Logistics Corporation; Tohoku Electric Power Co., Inc.; Zeon Corporation; PAN PACIFIC COPPER CO., LTD.; Hokkaido Gas Co., Ltd.; MITSUI & CO., LTD.; Mitsubishi Corporation; Borealis AG; Chevron Phillips Chemical Company LP; Equinor; OCP S.A.; QatarEnergy; Saudi Basic Industries Corporation; SK Shipping Co., Ltd.
Main Banks	Mizuho Bank, Ltd. Development Bank of Japan Inc. Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation
Employees	183 non-consolidated (128 on shore, 55 at sea) 669 consolidated

Stock Information (as of March 31, 2023)

Business Year	April 1 through March 31 of the following year
General Shareholders' Meeting	June
Equity Stock	Shares authorized: 440,000,000 Shares issued: 108,900,000
Trading Unit	100 shares
Stock Exchange Listings	Tokyo (Prime Market), Fukuoka*
Method of Public Notification	Electronic (If electronic notification is not possible due to accidents, trouble, or other unavoidable circumstances, public notices will be issued in the *Nihon Keizai Shimbun* newspaper. Public notices of the company are posted on the company's website at [https://www.iino.co.jp/kaiun/ir/publicnotice.html])
Number of Shareholders	20,097

* Delisted in June 2023

Major Shareholders

Shareholder name	Investment in the company: Number of shares held (thousands of shares)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	11,489	10.85
IINO LINES' Client Stock Ownership	5,626	5.31
Mizuho Bank, Ltd.	4,941	4.67
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,211	3.98
Sumitomo Mitsui Trust Bank, Limited	3,622	3.42
TAKENAKA CORPORATION	3,350	3.16
Custody Bank of Japan, Ltd. (Trust Accounts)	3,279	3.09
Nippon Life Insurance Company	2,256	2.13
The Toa Reinsurance Company, Limited	2,253	2.12
The Senshu Ikeda Bank, Ltd.	1,745	1.64

Notes: 1. Number of shares held is rounded off to the nearest thousand.
2. Percentages of ownership are calculated excluding treasury stock (3,095 thousand shares).

Percentage of Ownership by Shareholder Category

ESG Evaluations

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

CDP Score A-

Morningstar Japan ex-REIT Gender Diversity Tilt Index

Other Evaluations and Awards

DBJ Green Building Certification 5 Stars: IINO Building

DBJ Green Building Certification 4 Stars: Shiodome Shiba-Rikyu Building

LEED Platinum Certification IINO Building (27th floor)

Outstanding Specified Global Warming Countermeasure Office (Top-level Facility) IINO Building

Certification from the Association for Business Innovation in harmony with Nature and Community (ABINC) First Special Award IINO Building

EDO-MIDORI Tokyo Green Certification (Excellent Greenery Site) IINO Building

DBJ Environmentally Rated Loan Program Certificate

Building-Housing Energy-efficiency Labeling System (BELS) 5 Stars: IINO Building

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2023 and 2022

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Net sales	141,324	104,100
Cost of sales (Note 13)	112,597	89,155
Gross profit	28,727	14,945
Selling, general and administrative expenses	8,892	7,421
Operating profit	19,835	7,524
Non-operating income:		
Interest income	85	40
Dividend income	2,152	2,122
Penalty fee income	–	174
Equity in earnings of affiliates	149	101
Foreign exchange gains	–	780
Other	73	38
Total non-operating income	2,460	3,254
Non-operating expenses:		
Interest expense	1,092	1,107
Foreign exchange losses	216	–
Other	310	240
Total non-operating expenses	1,618	1,347
Ordinary profit	20,677	9,431
Extraordinary income:		
Gain on sales of non-current assets	3,488	4,428
Gain on sales of investment securities	259	8
Gain on liquidation of subsidiaries and associates	–	23
Insurance claim income	205	62
Compensation proceeds	–	44
Gain cancellation of chartered vessels	180	–
Other	11	6
Total extraordinary income	4,143	4,570
Extraordinary losses:		
Impairment loss	370	–
Loss on retirement of non-current assets	3	2
Loss on sales of non-current assets	4	4
Loss on sales of investment securities	28	28
Loss on valuation of investment securities	–	969
Loss on liquidation of investment securities	23	–
Provision for loss on removal of fixed assets	199	–
Other	0	8
Total extraordinary losses	627	1,010
Profit before income taxes	24,192	12,991

The accompanying notes are an integral part of these financial statements.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Income taxes (Note 9)		
Income taxes - current	1,676	366
Income taxes - deferred	(189)	123
Total income taxes	1,488	489
Profit	22,704	12,501
Profit or loss attributable to non-controlling interests	24	(25)
Profit attributable to owners of parent	22,681	12,526

(Yen)

Net income per share, basic and diluted	214.36	118.39
Cash dividends per common share	65.00	36.00

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Profit	22,704	12,501
Other comprehensive income		
Valuation difference on available-for-sale securities	536	532
Deferred gains or losses on hedges	225	331
Foreign currency translation adjustments	478	590
Share of other comprehensive income of entities accounted for using the equity method	917	506
Total other comprehensive income	2,156	1,959
Comprehensive income	24,860	14,460
Comprehensive income attributable to;		
Owners of parent	24,864	14,542
Non-controlling interests	(3)	(82)

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance as of March 31, 2022	13,092	6,275	68,386	(1,907)	85,845
Cumulative effects of changes in accounting policies	–	–	–	–	–
Balance as of March 31, 2022 after reflecting accounting policy changes	13,092	6,275	68,386	(1,907)	85,845
Dividends of surplus	–	–	(5,502)	–	(5,502)
Profit attributable to owners of parent	–	–	22,681	–	22,681
Purchase of treasury shares	–	–	–	(1)	(1)
Disposal of treasury shares	–	0	–	0	0
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	–	0	17,179	(1)	17,178
Balance as of March 31, 2023	13,092	6,275	85,565	(1,908)	103,023

(Millions of yen)

	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2022	4,635	326	504	5,464	23	91,333
Cumulative effects of changes in accounting policies	–	–	–	–	–	–
Balance as of March 31, 2022 after reflecting accounting policy changes	4,635	326	504	5,464	23	91,333
Dividends of surplus	–	–	–	–	–	(5,502)
Profit attributable to owners of parent	–	–	–	–	–	22,681
Purchase of treasury shares	–	–	–	–	–	(1)
Disposal of treasury shares	–	–	–	–	–	0
Net changes of items other than shareholders' equity	536	750	897	2,183	(6)	2,177
Total changes of items during period	536	750	897	2,183	(6)	19,355
Balance as of March 31, 2023	5,171	1,076	1,400	7,647	17	110,688

The accompanying notes are an integral part of these financial statements.

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2023 and 2022

(Millions of yen)

	As of March 31, 2023	As of March 31, 2022
ASSETS		
Current assets:		
Cash and deposits (Note 3 and 4)	14,545	11,660
Notes, accounts receivable and contract assets – trade (Note 4)	11,656	10,956
Supplies	3,961	4,159
Merchandise	104	91
Real estate for sale	3	3
Deferred and prepaid expenses	2,559	2,045
Income taxes refund receivable	–	78
Other	7,277	4,562
Allowance for doubtful accounts	(1)	(4)
Total current assets	40,104	33,550
Non-current assets:		
Property, plant and equipment:		
Vessels, net (Note 7)	95,188	92,012
Buildings and structures, net (Note 7 and 10)	44,638	46,610
Land (Note 7 and 10)	42,332	42,932
Lease assets, net	4,602	4,871
Construction in progress	13,856	4,994
Other, net (Note 7 and 10)	507	207
Total property, plant and equipment	201,124	191,626
Intangible assets:		
Telephone subscription right	9	9
Other	265	625
Total intangible assets	274	634
Investments and other assets:		
Investment securities (Notes 4, 5 and 7)	20,300	18,675
Long-term loans receivable	351	170
Retirement benefit asset (Notes 8)	278	279
Deferred tax assets (Notes 9)	–	26
Other	3,022	2,169
Total investments and other assets	23,951	21,319
Total non-current assets	225,350	213,580
Total assets	265,453	247,130

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

As of March 31, 2023 and 2022

(Millions of yen)

	As of March 31, 2023	As of March 31, 2022
LIABILITIES, AND NET ASSETS		
Current liabilities:		
Accounts payable – trade (Note 4)	9,198	8,572
Short-term borrowings (Note 4 and 7)	29,190	23,322
Bonds due within one year	5,000	–
Accrued expenses	471	340
Income taxes payable (Note 9)	1,456	232
Advances received and contract debt	3,193	2,301
Provision for bonuses	710	513
Provision for shareholder benefit program	33	36
Lease liabilities	1,054	1,001
Other	2,474	1,916
Total current liabilities	52,780	38,232
Non-current liabilities:		
Long-term loans payable (Note 4 and 7)	80,494	92,606
Bonds (Note 4 and 7)	–	5,000
Provision for retirement benefits for directors (and other officers)	94	76
Retirement benefit liability (Note 8)	795	715
Provision for special repairs	3,864	3,074
Allowance for removal loss on non-current assets	199	–
Lease hold and guarantee deposits received	8,884	8,802
Lease liabilities	3,675	3,969
Deferred tax liabilities (Note 9)	3,439	3,142
Other	542	180
Total non-current liabilities	101,985	117,565
Total liabilities	154,765	155,797

The accompanying notes are an integral part of these financial statements.

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

As of March 31, 2023 and 2022

(Millions of yen)

	As of March 31, 2023	As of March 31, 2022
Net assets		
Shareholders' equity:		
Capital stock (Common stock, no par value)		
Authorized 440,000,000 shares in 2023 (440,000,000 shares in 2022)		
Issued and outstanding – 108,900,000 shares in 2023 (108,900,000 shares in 2022)	13,092	13,092
Capital surplus	6,275	6,275
Retained earnings	85,565	68,386
Treasury shares, at cost – 3,095,914 shares in 2023 (3,094,798 shares in 2022)	(1,908)	(1,907)
Total Shareholders' equity	103,023	85,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,171	4,635
Deferred gains or losses on hedges	1,076	326
Foreign currency translation adjustment	1,400	504
Total accumulated other comprehensive income	7,647	5,464
Non-controlling interests	17	23
Total net assets	110,688	91,333
Total liabilities and net assets	265,453	247,130

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2023 and 2022

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Cash flows from operating activities:		
Profit before income taxes	24,192	12,991
Depreciation	12,401	11,728
Impairment loss	370	–
Share of loss (profit) of entities accounted for using equity method	(149)	(101)
Decrease (increase) in retirement benefit asset	2	(54)
Increase (decrease) in retirement benefit liability	80	11
Interest and dividend income	(2,237)	(2,161)
Insurance claim income	(205)	(62)
Compensation income	–	(44)
Loss (gain) on sales of investment securities	(231)	20
Loss (gain) on valuation of investment securities	–	969
Interest expenses	1,092	1,107
Loss (gain) on sales of property, plant and equipment and intangible assets	(3,483)	(4,424)
Decrease (increase) in trade receivables	(692)	(3,406)
Decrease (increase) in inventories	192	(1,490)
Increase (decrease) in trade payables	603	2,779
Other, net	(2,124)	(2,864)
Sub-total	34,058	14,998
Interest and dividend income received	2,541	2,316
Insurance proceeds	205	62
Compensation proceeds	–	44
Interest paid	(1,087)	(1,116)
Income taxes refund (paid)	(449)	(522)
Net cash provided by (used in) operating activities	35,268	15,782
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(21,673)	(12,498)
Proceeds from sale of property, plant and equipment and intangible assets	4,918	8,606
Purchase of investment securities	(483)	(12)
Proceeds from sale of investment securities	545	233
Payment of investment in affiliates	(1,386)	-
Other, net	(410)	555
Net cash provided by (used in) investing activities	(18,488)	(3,115)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(575)	(1,819)
Proceeds from long-term borrowings	18,191	14,097
Repayments of long-term borrowings	(24,863)	(23,777)
Purchase of treasury shares	(1)	(0)
Proceeds from disposal of treasury shares	0	–
Dividends paid	(5,492)	(2,852)
Dividends paid to non-controlling interests	(3)	–
Repayments of lease liabilities	(503)	(473)
Net cash provided by (used in) financing activities	(13,246)	(14,824)
Effect of exchange rate change on cash and cash equivalents	333	510
Net increase (decrease) in cash and cash equivalents	3,867	(1,647)
Cash and cash equivalents at beginning of period (Note 3)	11,654	13,301
Cash and cash equivalents at end of period (Note 3)	15,521	11,654

The accompanying notes are an integral part of these financial statements.

IINO KAIUN KAISHA, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation of the consolidated financial statements

The accompanying consolidated financial statements of IINO KAIUN KAISHA, LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan. The accompanying consolidated financial statements are prepared by the Company as required under the Financial Instrument Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside of Japan.

2. Summary of significant accounting policies

a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 65 significant subsidiaries in 2023 (62 in 2022).

The other subsidiaries are excluded from consolidation since, in aggregate, the combined total assets, net sales, net income, and retained earnings of these subsidiaries do not have a material effect on the consolidated financial statements of the Companies.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances, and unrealized profits among the Companies have been eliminated.

b. Equity method

Investments in significant affiliates are accounted for under the equity method as of March 31, 2023 and 2022.

Investments in the remaining 6 non-consolidated subsidiaries and 3 affiliates of the Company are stated at cost on March 31, 2023 (6 non-consolidated subsidiaries and 3 affiliates on March 31, 2022) since the Company's equity in their net income (loss) and retained earnings, on aggregate, does not have a material effect on the consolidated financial statements.

c. Fiscal periods of consolidated subsidiaries

The accounts of the consolidated subsidiaries, except for IKK Holding Ltd. and 22 other subsidiaries whose fiscal year ends are December 31, are prepared as of the same date as the consolidated financial statements. The aforementioned 23 subsidiaries with the different financial years are included in the consolidated financial statements based on their accounts as of December 31 (their fiscal year ends), and necessary adjustments for significant transactions during the period between their fiscal year ends and the consolidated balance sheet date are reflected in the consolidated financial statements.

d. Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenues and expenses are translated using the average exchange rates of the respective periods.

e. Recognition standard of significant revenues and expenses

The following is a summary of main performance obligations and the satisfaction timing of such obligations, which is also the timing to recognize revenues, in our primary businesses in relation to revenue from contracts with customers:

(i) Oceangoing and short-sea / domestic shipping businesses
Revenue is recognized when control over promised goods or services is transferred to a customer at the consideration to be received in exchange of such goods or services. For the shipping business, revenue and expense are recognized over time while a performance obligation is satisfied as the customer simultaneously receives and consumes the benefits provided by the Company's performance. The progress in the satisfaction of performance obligation is estimated by the number of days the vessel has completed its voyage. Generally, consideration from the contract is gradually received under the terms of contract according to the progress in the satisfaction of performance obligations. The consideration from the contract does not include a significant financing component. In relation to certain types of transactions such as trading of articles for ships, performance obligation is satisfied at a point in time and revenue is recognized at such timing.

For the transactions of which considerations will be confirmed through negotiations with a customer after the provision of service, given its uncertainties, such variable considerations are included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

(ii) Real estate business
The business largely consists of lease transactions and therefore classified as revenue other than the one from contracts with customers.

f. Income taxes

The provision for income taxes is computed based on "profit before corporate income taxes" in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the amounts of assets and liabilities recorded for tax purposes.

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g. Net income and dividends per share

Net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for stock splits during the year.

Cash dividends per common share shown for each year in the accompanying statements of operations represent dividends approved as applicable to the respective year.

h. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash in hand, bank deposits able to be withdrawn on demand, and marketable securities with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

i. Marketable securities and investment securities

Equity securities classified as "Other securities" (available-for-sale securities) for which market quotations are available, are stated at fair market value. Net unrealized gains or losses on these securities are reported as a separate item in other comprehensive income at a net-of-tax amount and carried as accumulated other comprehensive income. Equity and debt securities classified as "Other securities" (available-for-sale-securities) for which market quotations are not available, are stated at acquisition cost calculated using the weighted average method.

j. Derivative financial instruments and hedge accounting

In accordance with the "Accounting Standard for Financial Instruments" and the "Guidelines for Accounting for Financial Instruments," gains or losses arising from changes in the fair value of interest rate swap agreements, forward exchange contracts and currency swap contracts designated as "hedging instruments" are reported as a separate item in other comprehensive income and carried as accumulated other comprehensive income until the profits and losses on the hedged items or transactions are recognized.

In addition, net cash flows from interest rate swap agreements which meet certain criteria under the accounting standard, are offset against or added to the interest arising from the hedged interest-bearing debt ("Tokurei-shori").

In addition, designation ("Furiate-shori") is applied to forward exchange contracts and currency swap contracts designated as hedging instruments under certain criteria.

Derivatives that do not meet the criteria for hedge accounting are marked to market, and the unrealized gains or losses on the derivative instruments are charged or credited to current earnings.

k. Allowance for doubtful accounts

An allowance for doubtful accounts is generally provided at an amount calculated using the bad debt loss ratio, primarily based on past experience, plus the estimated uncollectible amount of specific receivables.

l. Inventories

Real estate held for sale are stated at cost, determined using the specific cost method and the real estate held for sale with lower profitability are written down for the purpose of reporting on the Balance Sheet. Other inventories are stated at cost, determined using the first-in first-out method and other inventories with lower profitability are written down for the purpose of reporting on the Balance Sheet.

m. Depreciation and amortization

Tangible fixed assets (excluding lease assets):
Vessels, property and equipment, including significant capital expenditures and additions, are stated at cost. Maintenance and repairs are charged to income as incurred.

Depreciation is computed using the straight-line method (or the fixed ratio method for some vessels) over the estimated useful lives of the assets as designated by the Japanese income tax laws.

However, depreciation is provided on the straight-line method over the estimated useful lives of the assets as per the rates prescribed as follows,

Office building with steel	frame 50 years
Elevator, Water supply and drainage equipment, Refrigerator, Generator, High voltage equipment	20 years
Vessel	15 to 20 years

Intangible fixed assets (excluding lease assets):
Amortization of intangible assets is primarily computed using the straight-line method over the estimated useful lives of the assets as designated by the Japanese income tax laws. Software for internal use is depreciated using the straight-line method over the period of estimated use (5 years).

Lease assets:
Finance lease transactions that transfer the ownership are capitalized and accounted for as ordinary sales transactions.
Finance lease transactions that do not transfer the ownership are capitalized and depreciated by using the straight-line method over the lease term of the assets with no residual value.

n. Accrued employees' pension and severance costs

Accrued employees' pension and severance costs under the defined benefit plans of the Companies are determined based on the required payment for personal circumstances of projected benefit obligations at year end, calculated by applying the simplified method to employee service rendered to that date, and the actuarial value of plan assets at year end.

o. Reserve for periodic overhaul of vessels

Japanese law requires that vessels be overhauled every five years. The Companies provide for the estimated cost of the future periodic overhaul of vessels.

p. Appropriation of retained earnings

The Companies Act of Japan provides that an amount equal to 10% of distribution of surplus (aggregate of capital surplus and retained earnings) must be appropriated as a legal reserve or as capital reserve depending on which surplus is distributed, until the total of such reserve and additional capital reserve equals 25% of Capital.

q. Group Tax Sharing System

The Company and its domestic consolidated subsidiaries have adopted Group Tax Sharing System since this fiscal year instead of Consolidated Taxation System.

Accordingly, the Companies have adopted ASBJ Practical Solution No.42 "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (August 12, 2021)" from the beginning of the this fiscal year, which stipulates the accounting treatments and disclosures in relation to the corporate tax, local corporate tax and deferred tax accounting for the implementation of Group Tax Sharing System. In addition, the Companies have deemed that the Companies do not have any impact by the accouting policy change on the adoption of ASBJ Practical Solution No.42 based on the article 32 (1) of ASBJ Practical Solution No.42

r. Significant accounting estimates

Impairment of vessels etc. with respect to shipping-outer harbour segment:

(i). Impairment loss being recorded in the current fiscal year
No impairment loss has been recorded in this fiscal year and the previous fiscal year.

(ii). Significant accounting estimates in the identified items
Impairment test to determine whether to recognize the impairment loss for an asset group will be conducted via comparison of the carrying amounts of the asset group and total undiscounted future cashflows derived from them, only when an indication of impairment loss for the fixed assets is identified. As a result of the test, if it turned out that the total undiscounted future cashflows are smaller than the carrying amounts and the recognition of impairment loss is required, the carrying amounts will be decreased to the recoverable amount (higher one of net realizable value or value in use) and the decreased amount will be recognized as an impairment loss.

The Company and its consolidated subsidiaries estimate the future cashflows for the impairment test purposes based on the mid-term business plan as well as taking account of other information that are publicly available.

Estimating the future cashflows from shipping-outer-harbour operation involves high uncertainties, which could significantly affect a result of the impairment test and the level of impairment loss to be recognized. Further, no observable market price may be available in respect of net realizable value, which is one of the components of future cash flow, where the sales transactions of similar vessels are taken into account.
The amount accounted for as vessels and other tangible fixed assets belonging to the shipping-outer-harbour segment was ¥ 101,343 million at the end of this fiscal year (¥ 89,092 million at the end of the previous fiscal year).

s. Accounting policy changes

Adoption of the Guidance on Accounting Standard for Measurement of Fiar Value

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) has been adopted from the beginning of the this consolidated fiscal year, and the new accounting policy stipulated in the Guidance on Accounting Standard for Measurement of Fair Value will be adopted prospectively in accordance with the transitional treatment stipulated in Section 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the consolidated financial statements.

3. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2023 and 2022 were comprised of the following:

(Millions of yen)

	2023	2022
March 31		
Cash and time deposits	14,545	11,660
Time deposits with a maturity over 3 months	(24)	(5)
Securities including "Other" in Current assets	1,000	–
Cash and cash equivalents	15,521	11,654

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4. Financial instruments

Fair value of the financial instruments on March 31, 2023 is summarized below.

(Millions of yen)

	Book value	Fair value
March 31		
Available-for-sale securities	11,364	11,364
Long-term borrowings	(105,597)	(105,424)
Bonds due within one year	(5,000)	(4,998)
Derivative financial instruments	1,731	1,731
Lease and guarantee deposits received	(8,884)	(8,302)

The book values of Cash and time deposits, Notes, accounts receivable and contract assets, Accounts payable and Short-term borrowings are deemed as their fair values since such financial instruments are settled within a short term. Available-for-sale securities are measured at fair value based on the market quotations. Long-term borrowings within a year which is included in Short-term borrowings on the consolidated balance sheet is included in the Long-terms borrowings on the above table.

The fair value of financial instruments is classified into three levels below, according to the significance of inputs for fair value calculation and whether those are observable or not.

Level 1: fair value which is calculated based on the observable inputs, which are market values in the active markets for assets and liabilities being subject to the fair value calculation;

Level 2: fair value which is calculated based on the observable inputs other than the Level 1 inputs; and

Level 3: fair value which is calculated based on the unobservable inputs

When there are more than one input which significantly affects the fair value calculation, the calculated fair value is classified as the lowest hierarchy among the fair value levels that each input belongs to.

Breakdown of financial instruments per fair value level hierarchy as of March 31, 2023 is summarized below:

(i) Financial instruments recorded at the fair values on the consolidated balance sheet

(Millions of yen)

	Fair value			
Level classification	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Other securities				
Equity	11,364	–	–	11,364
Derivative financial instruments	–	1,731	–	1,731
	11,364	1,731	–	13,095

(ii) Financial instruments other than (i)

(Millions of yen)

	Fair value			
Level classification	Level 1	Level 2	Level 3	Total
Bonds due within one year	–	4,998	–	4,998
Long-term borrowings	–	–	105,424	105,424
Lease and guarantee deposits received	–	–	8,302	8,302
	–	4,998	113,726	118,724

The following is a summary of adopted methods and inputs for fair value calculation:

(a) Available-for-sale securities
The fair value of equity is obtained from the market value in the stock exchange market and classified as Level 1.

(b) Derivative financial instruments
The fair value of interest rate swaps and forward exchange contracts are based on the discounted cashflow method by using observable inputs such as interest rates and foreign exchange rates. The fair value is classified as Level 2.
For the interest rate swaps under Tokurei-shori, the fair value of such contracts is included in “Long-term borrowings” on the above table because the interest rate swaps are accounted for as part of long-term borrowings.

(c) Bonds, including those due within one year
The fair value of bonds is calculated based on the market value and classified as Level 2.

(d) Long-term borrowings
The fair value of long-term borrowings is classified as Level 3 because the fair value is calculated by discounting total future cashflows from interests and loan repayments with the interest rate which would have been applied if the Companies newly had another loan transaction under the same terms and conditions. The long-term borrowings with floating interest rates are accounted for together with the interest rate swaps under Tokurei-shori, and its fair value is calculated by discounting the total future cashflows from the loans, which take into account the effects of interest rate swaps under Tokurei-shori, with the reasonably estimated interest rate which would have been applied if the Companies newly had another loan under the same terms and conditions.

(e) Lease and guarantee deposits received
The fair value of lease and guarantee deposits received is classified as Level 3 because the fair value is calculated by discounting the future expected repayment amount with the interest rate which would have been applied if the Companies newly had the transaction under the same terms and conditions.

5. Investment securities

Comparison of the aggregate cost and fair value of the “Other securities” for which market quotations are available on March 31, 2023 and 2022 are as follows:

(Millions of yen)

	Cost	Fair value (carrying amount)	Net unrealized gains	Net unrealized losses
March 31, 2023				
Equity securities	5,671	12,364	6,736	43
Debt securities	–	–	–	–
Other	–	–	–	–
	5,671	12,364	6,736	43
March 31, 2022				
Equity securities	4,742	11,020	6,318	40
Debt securities	–	–	–	–
Other	–	–	–	–
	4,742	11,020	6,318	40

For the year ended March 31, 2023, proceeds from sales of “Other securities” were 545 million yen and the gross realized gains were 259 million yen while the gross realized losses were 28 million yen.
For the year ended March 31, 2022, proceeds from sales of “Other securities” were 233 million yen and the gross realized gains were 8 million yen while the gross realized losses were 28 million yen.

6. Derivative financial instruments

In the normal course of business, the Companies employ forward exchange contracts to manage their exposure to adverse fluctuations in foreign exchange rates in respect of receivables and payables. In addition, the Companies use interest rate swap agreements to limit their exposure to loss in relation to underlying debt resulting from adverse fluctuations in interest rates. The Companies do not use derivatives for speculative or trading purposes.

There are no derivative instruments outstanding to which hedge accounting is not applied.

7. Borrowings

“Short-term loans” was principally comprised of short-term notes with interest rates 0.4% and 0.4% on average on March 31, 2023 and 2022, respectively.
Short-term lease payables were 1,054 million yen and 1,001 million yen, on March 31, 2023 and 2022 respectively.
“Long-term debts”, including long-term loans and corporate bonds, on March 31, 2023 and 2022 was comprised of the following:

(Millions of yen)

	2023	2022
March 31		
Secured loans, principally from banks and insurance companies, due 2024 to 2038 (due 2023 to 2038 as of March 31, 2022) with interest rates 0.8% on average as of March 31, 2023 (0.6% as of March 31, 2022)	105,596	111,341
	105,596	111,341
Less : portion due within one year	(25,102)	(18,735)
	80,494	92,606

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(Millions of yen)

	2023	2022
March 31		
Corporate bonds, due 2024 with interest rates 0.49% on average as of March 31, 2023 and 2022	5,000	5,000
	5,000	5,000
Less : portion due within one year	(5,000)	–
	0	5,000

As of March 31, 2023 and 2022, the following assets were pledged as collateral for the debt:

(Millions of yen)

	2023	2022
March 31		
Investment securities	4,884	4,117
Vessels, property and equipment, net of accumulated depreciation:		
Vessels	84,869	81,978
Buildings	38,032	36,272
Land	30,775	30,734
	158,520	153,101

The aggregate annual maturities of long-term debts including long-term loans, corporate bonds and lease payments on March 31, 2023 are summarized below:

(Millions of yen)

	Corporate bonds	Lease payments	Long –term loans
Year ending March 31,			
2024	5,000	1,054	25,102
2025	–	3,318	9,634
2026	–	45	8,951
2027 and thereafter	–	312	61,909
	5,000	4,729	105,596

8. Defined benefit

Under the terms of the employee severance indemnity plans of the Companies, substantially all employees are entitled to consider “benefits” at the time of their severance. The amount of the benefit is based on a simplified method.

“Accrued employees’ pension and severance costs” as of March 31, 2023 and 2022 is summarized as follows:

(Millions of yen)

	2023	2022
March 31		
Projected benefit obligations under funded retirement benefit plan	(2,417)	(2,380)
Plan assets	2,348	2,343
Net	(68)	(38)
Projected benefit obligations under unfunded retirement benefit plan	(449)	(398)
Accrued employees’ pension and severance costs in total	(517)	(436)

Net pension and severance costs in respect of retirement benefits for the years ended March 31, 2023 and 2022 were as follows:

(Millions of yen)

	2023	2022
March 31		
Pension and severance costs by a simplified method	299	196
Net pension and severance costs	299	196

9. Income taxes

The statutory corporate income tax rate used for calculating deferred tax assets and liabilities as of March 31, 2023 was 29.8%.

On March 31, 2023 and 2022, significant components of deferred tax assets and liabilities were as follows:

(Millions of yen)

	2023	2022
March 31		
Deferred tax assets:		
Carried forward tax losses	2,617	4,233
Accrued employees’ pension and severance costs	273	170
Rebuilding related loss	6	7
Unrealized profits related to fixed assets	229	229
Reserve for retirement benefits to directors and statutory auditors	30	25
Reserve for bonus	214	155
Reserve for periodic overhaul of vessels	1,079	850
Deferred gains or losses on hedges	18	14
Other	494	392
Total	4,960	6,075
Less: valuation allowance:		
for carried forward tax losses	(2,101)	(4,233)
for other items	(1,593)	(1,528)
Total	(3,694)	(5,761)
Deferred tax assets	1,266	315
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(2,097)	(1,913)
Deferred gains or losses on hedges	(639)	(297)
Retained earnings appropriated as tax deductible reserves	(64)	(60)
Other	(1,904)	(1,162)
Deferred tax liabilities	(4,705)	(3,431)
Net deferred tax assets (liabilities)	(3,439)	(3,116)

For the years ended March 31, 2023 and 2022, reconciliation of the statutory corporate income tax rate to the effective income tax rate is as follows:

	2023	2022
March 31		
Statutory corporate income tax rate	29.8%	29.8%
Adjustment:		
Entertainment expenses and other items which are non-deductible	0.1%	0.2%
Dividends and other items which are excluded from gross revenues	(0.9%)	(1.0%)
Increase (decrease) of valuation allowance	(9.0%)	(3.0%)
Amount of taxable income of specified foreign subsidiary companies, etc.	4.0%	9.7%
Deduction based on the tonnage tax system	(15.6%)	(21.5%)
Net profit earned by subsidiaries, to which different effective tax rates is applied	(2.3%)	(10.2%)
Other	(0.1%)	(0.2%)
Effective corporate income tax rate	6.2%	3.8%

10. Investment properties

The company and its consolidated subsidiaries have office buildings (including land) held for lease. Net profit from the lease contracts was 3,261 million yen for the year ended March 31, 2023.
Total amount of the fair value of the investment properties is 196,324 million yen on the balance sheet dates.

11. Commitments and contingent liabilities

As of March 31, 2023, contingent liabilities for loans guaranteed amounted to 333 million yen (390 million yen on March 31, 2022).

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12. Leases

Operating leases

Future minimum lease payments under operating leases as of March 31, 2023 and 2022 were as follows:

(Millions of yen)

	2023	2022
March 31		
Due within one year	4,663	4,053
Due after one year	11,226	10,751
	15,889	14,805

13. Segment information

The operations of the Companies, by line of business, for the years ended March 31, 2023 and 2022 were as follows:

(Millions of yen)

	2023	2022
March 31		
Revenues:		
Shipping-oceangoing	117,977	82,546
Shipping-shortsea / domestic	10,503	9,535
Real-estate	12,930	12,254
Adjustment	(85)	(235)
	141,324	104,100
Operating profit:		
Shipping-oceangoing	15,440	2,860
Shipping-shortsea / domestic	594	513
Real-estate	3,801	4,150
	19,835	7,524

Identifiable assets as of March 31, 2023 and 2022, and depreciation and capital expenditures, by line of business for the years then ended are summarized as follows:

(Millions of yen)

	2023	2022
March 31		
Identifiable assets:		
Shipping-oceangoing	129,159	114,004
Shipping-shortsea / domestic	15,121	15,719
Real estate	94,471	93,481
Adjustment	26,702	23,925
	265,453	247,130
Depreciation and amortization:		
Shipping-oceangoing	9,138	8,676
Shipping-shortsea / domestic	988	795
Real estate	2,274	2,257
Adjustment	–	–
	12,401	11,728
Investments into equity-methods affiliates		
Shipping-oceangoing	3,195	1,950
Shipping-shortsea / domestic	–	–
Real estate	1,360	–
Adjustment	–	–
	4,555	1,950
Capital expenditures:		
Shipping-oceangoing	21,186	5,329
Shipping-shortsea / domestic	66	3,941
Real estate	681	2,967
Adjustment	64	185
	21,977	12,423

14. Subsequent events

Not applicable

These Consolidated Financial Statements have been prepared by IINO Kaiun Kaisha, Ltd. and have not been audited by a third party.