


Realizing a Sustainable Society and Creating New Values

The "K" LINE Group seeks to "build a management structure that emphasizes social responsibility" that is built on a dual framework of "managing the impact of our business activities" and "creating new values." By recognizing and actively addressing the important issues in each framework, we contribute to building a sustainable society while bolstering our long-term competitive advantages and creating new values.

Process to Identify Materiality




Building a Management Structure That Emphasizes Social Responsibility



Corporate governance

Establishment of a management structure that responds to the demands of society

▶ P44-51




Stakeholder engagement

Promotion of dialogue with stakeholders

Managing the Impact of Our Business Activities

Most important issues




Environmental preservation

Reinforcement of environmental management
Environment-friendly business activities

▶ P36-39


Most important issues



Safety in navigation and cargo operations

Prevention of major accidents


▶ P34-35



Human rights

Prevention of discrimination
Respect for basic labor rights
Prevention of forced labor and child labor


▶ P52



Labor practices

Prevention of over-long working hours
Promotion of diverse work styles
Improvement of occupational health and safety


▶ P40-43



Compliance

Prevention of corruption
Prevention of anti-competitive behavior

▶ P53




Risk management

Business continuity plans (BCPs) to respond to large-scale disasters
Enhancement of response capabilities for major accidents
Crisis and risk management system

▶ P54-55

Creating New Values


Most important issues



Human resource development

Improvement of corporate culture
Development of global leaders
Promotion of diversity


▶ P40-43



Innovation


New value proposals through reduction of environmental burden and improvement of service quality

▶ P24-31




Community involvement and development

Assistance in recovery / reconstruction from natural disasters
Promotion of social contribution activities utilizing corporate resources




Employment creation and skills development

Support for education and employment creation



For more information on the process of identifying materiality, major initiatives based on priority issues and themes, and the Sustainability Development Goals, please refer to:

"K" LINE
SUSTAINABILITY BOOKLET
<https://www.kline.co.jp/en/csr/group/booklet.html>



Foundation for Value Creation

32

— "K" LINE REPORT 2021 —

33



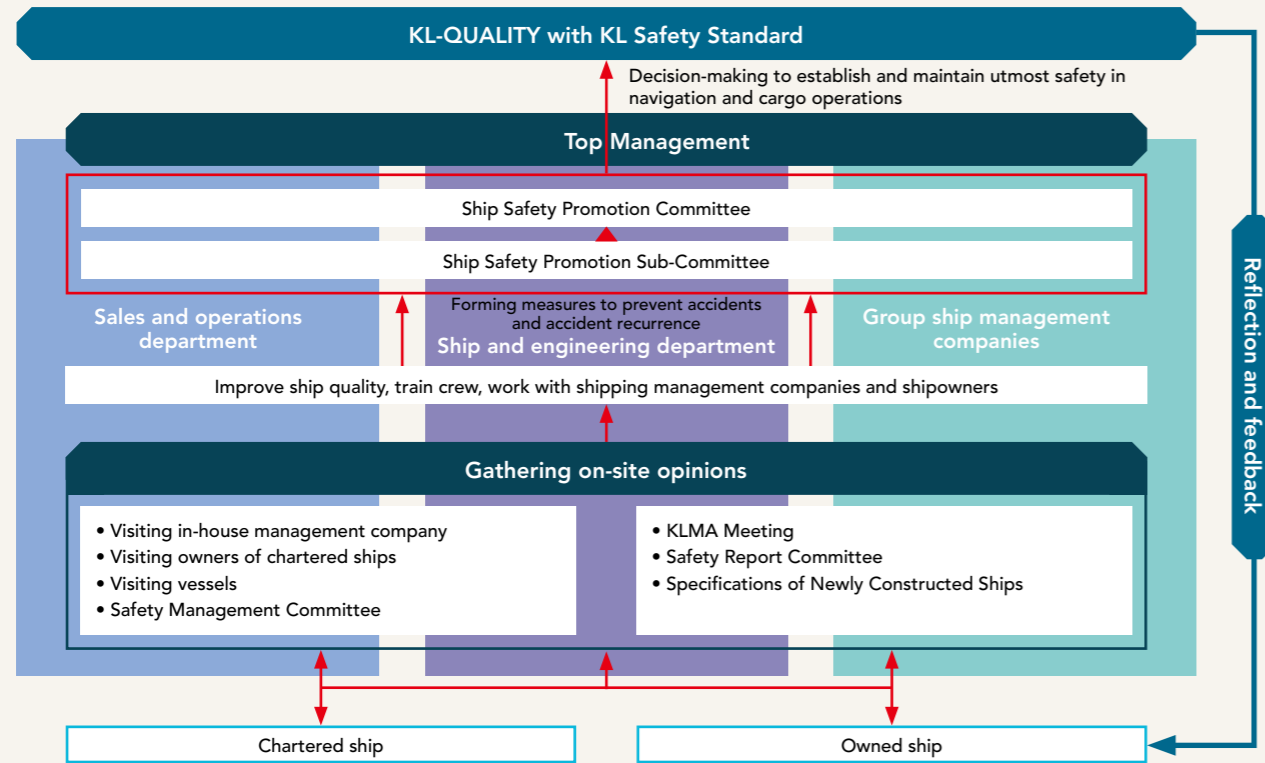
Safety in Navigation and Cargo Operations

Maintaining World-Leading Safety in Navigation and Cargo Operations

Safety in navigation and cargo operations is an immutable mission in a shipping business. The “K” LINE Group’s corporate principle and vision calls for “providing reliable and excellent services” and reflects our commitment to provide safe shipping operations for the benefit of society. The “K” LINE Group has three policy pillars: enhancing the safety management system, strengthening the ship management system, and securing and training maritime technical personnel.

Enhancing Management Structures for Ensuring Safety in Navigation

The Ship Safety Promotion Committee, chaired by the president & CEO, is the top decision-making body covering operational safety. The committee determines accident prevention and safety measures for all ships operated by the Company—including owned, chartered, and entrusted vessels—and handles everything from basic policy formulation to the implementation of measures under the system shown below.



Strengthening the Ship Management System

Through in-house ship management companies that share our corporate principle, we provide higher-quality, safer, and more secure services by making full use of our expertise with regard to different vessel types.

Ship Management Company	Vessel Type
“K” Line Energy Ship Management Co., Ltd.	Oil tanker, LPG carrier, LNG carrier
“K” Line Ship Management (Singapore) Pte. Ltd.	Containership, chemical tanker
“K” Line LNG Shipping (UK) Limited	LNG carrier
“K” Line RoRo Bulk Ship Management Co., Ltd.	Car carrier, dry bulk carrier
Stargate Shipmanagement GmbH	Car carrier

Safety Campaign

“K” LINE holds an annual Safety Campaign under the theme of “safety in navigation and environmental preservation,” during which onshore and maritime employees join hands to share opinions and confirm actual conditions, in order to advance a concerted Companywide effort to improve safety awareness in areas that extend beyond ship hulls and equipment.

During the COVID-19 pandemic, online meeting systems were used to facilitate two-way communication and brisk exchanges of opinion between onshore and maritime employees.



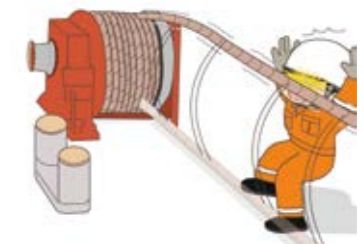
“K” ARE Program

The “K” ARE Program is an initiative focused on the non-technical skills required to ensure safety in navigation and cargo operation. Through this program, we aim to foster a corporate culture in which failures can be used positively by removing the barriers between employees of different ranks under normal circumstances and cultivating workplace environments that facilitate the open reporting and sharing of failures. Moreover, we are encouraging unity among all employees, ranging from frontline staff to management both onshore and at sea, in our efforts to foster a culture of safety, reduce accidents attributable to human error, and eliminate serious accidents.

Safety Report System

Reports of near-misses resulting from unsafe behavior on vessels are carefully analyzed by seasoned maritime technical personnel stationed on shore, and the results are communicated back to vessels.

By entrenching a non-blaming culture, where the responsibility of near-miss parties is not called into question, we receive thousands of reports annually, which helps safety awareness to take root on the front lines.



KL-QUALITY

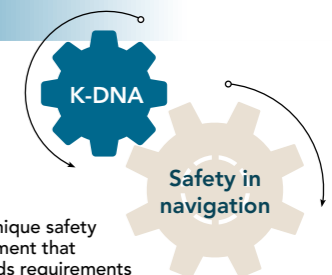
KL-QUALITY, “K” LINE’s unique quality guidelines, is used by ship supervisors to perform regular onboard inspection of all vessels in operation. During the COVID-19 pandemic, these inspections have been conducted remotely using IT and digital equipment.

In addition, we hold an annual Safety Measures Conference for Shipowners to share a variety of information and exchange opinions with the operation managers of the owners of ships used through long-term chartering agreements. Superior shipowners are presented with awards to recognize their accomplishments at this conference.



“K” Line-Drive to No Accident (K-DNA)

“K” Line-Drive to No Accident (K-DNA) is a set of unique safety equipment installation guidelines built on the know-how accumulated on the front lines that also reflects the lessons learned from past accidents. These guidelines epitomize the Company’s DNA with respect to safe vessel operation and include installation standards related to navigation equipment, engine equipment, safety, and piracy countermeasures. By compiling our insight from a range of perspectives, we will continue to enhance the K-DNA guidelines to improve the safety of the equipment of all vessels in operation.





Vision for the Future We Target and the Future for Which We Must Prepare

Scenario	Impact on the Company	Negative Aspects (Risks)	Positive Aspects (Opportunities)	What We Must Do	New 2050 Targets
<p>Below 2°C Warming Scenario</p> <p>Future we target: Average rise in temperature limited to below 2°C above pre-industrial levels through measures for substantially reducing greenhouse gas emissions advanced via cooperation among the global society</p> <ul style="list-style-type: none"> • Stricter regulations, such as a carbon tax • Customer actions to realize low or zero carbon emissions • Carbon capture and reuse, hydrogen and other technologies enabling low- and decarbonized energy • Need for new low- and decarbonized energy supply and transportation 	<p>Need for low-carbon or decarbonized operations</p> <ul style="list-style-type: none"> • Customers and stakeholders requesting low-carbon shipping services • Increased shipping costs from installing new technologies and carbon taxes 	<ul style="list-style-type: none"> • Higher operating costs from a carbon tax and natural resource prices • Decreased asset value of existing ships • Operations hampered by insufficient low-carbon ship fuel 	<ul style="list-style-type: none"> • Increased profits from improved ship operating efficiency • Reduced carbon tax burden from low-carbon and decarbonized operations • Favorable customer evaluations for low-carbon and decarbonized operations 	<p>Hardware</p> <ul style="list-style-type: none"> • Install energy-saving equipment to improve ship operating efficiency • Launch ships with low-carbon or decarbonized new fuel and propulsion technologies • Make ships physically stronger 	<p>Decarbonization</p> <p>Decarbonize assuming the below 2°C scenario</p> <p>"K" LINE decarbonization</p> <p>Cut total greenhouse gas emissions by 50% (Improve CO₂ emission efficiency by 70% over 2008)</p>
<p>4°C Warming Scenario</p> <p>Future for which we must prepare: Massive rise in physical risks due to insufficient countermeasures</p> <p>Natural disasters (acute risk)</p> <ul style="list-style-type: none"> • More typhoons and cyclones • Intensifying natural disasters <p>Changes in the natural environment (chronic risk)</p> <ul style="list-style-type: none"> • Rising sea level • Changes in the land environment • Changes in the ocean environment 	<p>(Urgent) Need to enhance safety in navigation</p> <ul style="list-style-type: none"> • Increased potential of major accidents • Increased volatility in voyage and cargo handling schedules • Increased potential for damage to goods, roadways and ports, and cargo handling equipment due to rough weather • Increased need for disaster support services 	<ul style="list-style-type: none"> • Increased potential of an oil spill accident • Higher costs for vessels and cargo damage • Increased troubleshooting activities 	<ul style="list-style-type: none"> • Increased profits from addition of new businesses • Development of leading expertise from early adoption of new technologies 	<p>Software</p> <ul style="list-style-type: none"> • Enhance digital and automation technologies to make operations safer and more efficient • Raise employee awareness and provide training in new technologies • Construct a corporate structure capable of flexibly responding to needs, such as for reconstruction assistance 	<p>Support the decarbonization of society</p> <p>Be the transporter and supplier of new energy to support the decarbonization of society</p>
<p>Other Factors</p> <p>Response to stricter environmental regulations, demand for clean transportation, and social issues</p> <ul style="list-style-type: none"> • Exhaust and drainage regulations • Ship recycling issues • Marine plastic pollution issues • Underwater noise issues 	<ul style="list-style-type: none"> • Respond to tighter environmental regulations on maritime shipping • Demand for clean shipping from customers and stakeholders • Address social issues <ul style="list-style-type: none"> • Green ship recycling • Marine plastic pollution • Underwater noise pollution 	<ul style="list-style-type: none"> • Decreased profits from higher operating and capital costs • Negative impact on marine ecosystems (marine life, mammals) 	<ul style="list-style-type: none"> • Progress with the modal shift (increasing demand) • Increased transport demand for disaster prevention-related construction machinery and plants 	<p>Business activities</p> <ul style="list-style-type: none"> • Develop and enter new energy supply and transportation businesses • Prepare fleet for new transportation technologies • Increase ability for green ship recycling • Participate in collection and studies of marine plastic pollution • Increase dialogue with administrators involved in improving port facilities, roads, and other infrastructure • Increase involvement in policy-making with governments, the United Nations, and NGOs 	<p>Aim for zero environmental impact</p> <p>Reduce "K" LINE's environmental impact on the sea and air to as close to zero as possible</p> <ul style="list-style-type: none"> • Zero oil spills • Reduce the shipping operation's environmental impact on the sea and air to as close to zero as possible <p>Support the environmental activities of society</p> <ul style="list-style-type: none"> • Support the environmental activities of society • Be the shipping industry leader in ecosystem protection

We have accomplished a number of the interim milestones for 2019 set out in the "K" LINE Environmental Vision 2050, which was announced in 2015. At the same time, we recognize that business conditions and customer expectations are constantly changing since the time of the vision's announcement, and that there is now a need to address the impacts of climate change and the rising demand for decarbonization. To reconfirm the path the Group should take in this new environment, we have performed climate change scenario analyses based on the recommendations of the Task Force on Climate-related Financial Disclosures.

Through the scenario analyses, we identified the risks and opportunities facing the Company. This information was used to chart a new course for "K" LINE by categorizing the issues to be addressed as well as our new targets for 2050, based on the two perspectives of decarbonization and the pursuit of zero environmental impacts.

2030 Interim Milestones and Action Plan

The "K" LINE Group is advancing the following action plan to achieve its interim milestones for 2030 in order to accomplish its goals for 2050 and contribute to the realization of a zero-emissions society thereafter.

"K" LINE's decarbonization targets

Improve CO₂ emission efficiency by 50% by 2030, compared to 2008 (achieve improvement surpassing the International Maritime Organization's target of 40% improvement)



Introduction of the Seawing automated kite system
Launch of LNG-fueled car carriers (completion of CENTURY HIGHWAY GREEN in 2021)

- Step up energy efficiency improvements (navigation efficiency, performance analysis, energy-efficient equipment, optimal operational support)
- Step up incorporation of LNG-fueled carriers
- Contribute to the demonstration and proliferation of the Seawing automated kite system (auxiliary wind propulsion system)
- Examine and install other new technologies



Reduce "K" LINE's impact on the sea and air

Continue promoting efforts to reduce oil spill accidents to zero and reduce the environmental impact from vessel operation

- Strengthen safety in navigation (use the optimal navigation support system and develop automatic ship navigation for vessel steering and engine plant operation)
- Enhance ship resilience, such as seaworthiness, and maneuverability
- Strengthen all safety measures, including safety training for staff
- Install equipment to comply with regulations
- Reduce the impact of shipping operations on marine mammals
- Increase staff environmental awareness



The "K" LINE Group Environmental Award
Safe operations with the K-IMS integrated vessel operation and performance management system



Support the environmental activities of society

Continue industry-academia-government dialogue with countries, municipalities, and universities

- Increase the ability to accommodate green ship recycling (ship dismantling and resource recycling procedures that are considerate of the environment and occupational health and safety)
- Participate in the collection and studies of marine plastic pollution
- Promote volunteer environmental protection activities



Communicate in-house environmental volunteer activities
Engage in responsible ship dismantling and resource recovery



Support development of a low-carbon society

Develop and expand new businesses that contribute to social decarbonization

- Identify customer needs and be an environmental frontrunner with an organizational structure facilitating exploration of new businesses
- Strengthen support for offshore wind power generation and renewable energy businesses
- Expand support of LNG transport and supply
- Develop a fleet capable of responding to changes in freight transportation demand
- Train personnel in new fuels and technologies



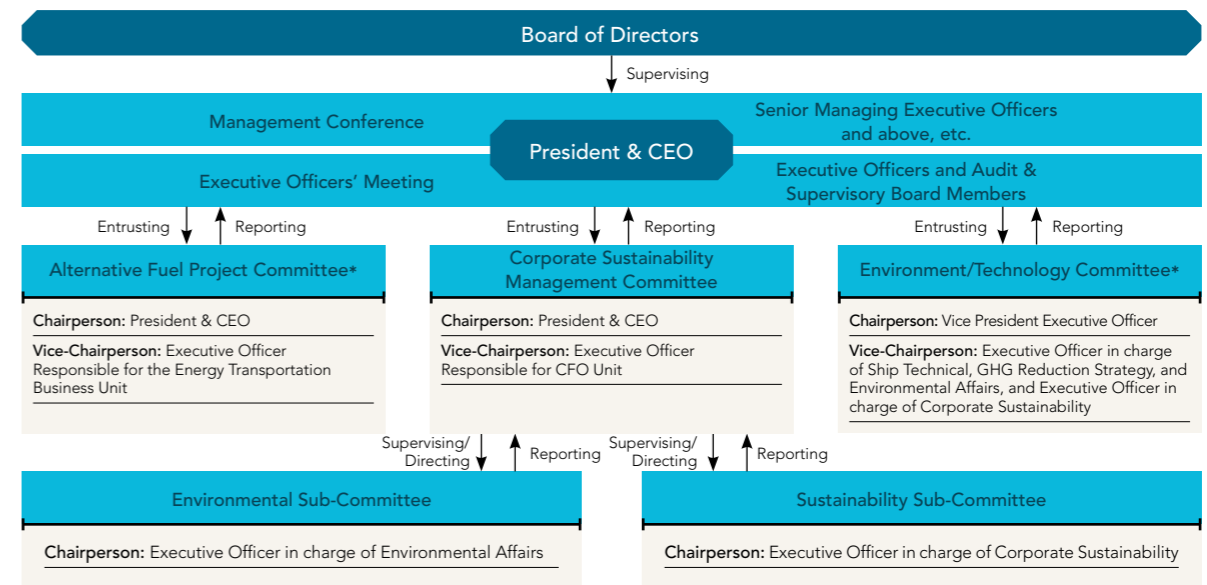
Participate in HySTRA for a hydrogen society
Establish the LNG fuel supply business (business started in 2020)



2030 Interim milestones

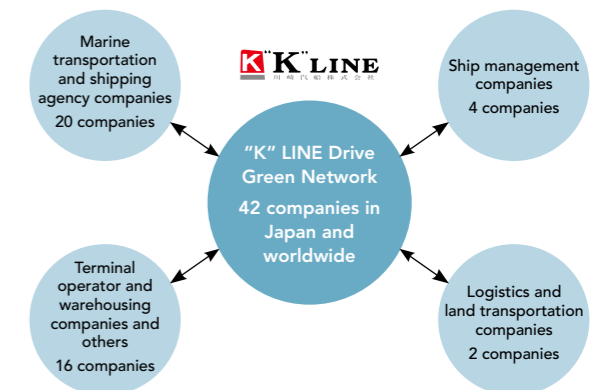
Environmental Governance

In April 2021, the "K" LINE Group reorganized the existing organization and reformed the promotion system for sustainability to reinforce management where sustainability is a key objective. The Corporate Sustainability Management Committee, chaired by the president & CEO, is enhancing corporate value by reviewing and formulating a promotion system for the "K" LINE Group's sustainability management. This committee functions as a place to hold strategic discussions, together with the Alternative Fuel Project Committee, which is in charge of accelerating initiatives to develop LNG-fueled vessels and the LNG fuel supply business and examines next-generation fuels and new technologies, and the Environment/Technology Committee, which formulates measures for compliance with environmental regulations, including technical aspects. The Environmental Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee, is responsible for operating the environmental management system formulated in accordance with the "K" LINE Group Environmental Policy and the standards of the International Organization for Standardization (ISO). The subcommittee is also responsible for promoting other environmental activities.



* Reorganization scheduled in October 2021

The "K" LINE Group has developed the Drive Green Network (DGN), a framework to promote environmental management for the entire Group. We are using the DGN to centrally control our environmental management initiatives (such as setting environmental policies and targets and working to achieve them) through internal and external audits. We aim to continuously pursue environmental protection activities by actively using the PDCA cycle while ensuring environmental compliance across the entire Group.



Environmental Risk Management

"K" LINE is developing crisis and risk management systems to address climate change and various other management risks. The Crisis Management Committee, which is chaired by the president & CEO, is responsible for oversight and promotion of all areas of risk management. This committee has identified environmental risks, management risks, operational safety risks, natural disaster risks, and compliance risks along with response measures formulated based on assessments of these risks (see pages 54 and 55).

For more information on the above action plan, please refer to the following website:
<https://www.kline.co.jp/en/csr/environment/efforts.html>



Basic Human Resource Management Policies



We support the contributions of maritime professionals who can compete on the global stage and give form to the “K” LINE spirit and four values the Group prizes through teamwork.

Shingo Kogure
Managing Executive Officer
Responsible for General Affairs, Human Resources Unit



We seek to increase work engagement onboard and to develop human resources capable of shaping the future of the shipping industry.

Akihiro Fujimaru
Executive Officer
In charge of Marine Sector

► Basic Human Resource Management Policies for Onshore Workers —

Exercising “K” LINE’s corporate principle and vision requires the development of human resources who can practice teamwork in their daily activities to give form to the “K” LINE spirit (the independence and autonomy, broad-mindedness, and enterprising spirit), which has supported our ambitions and value creation for a century, and the four values the “K” LINE Group prizes (providing reliable and excellent services, a fair way of business, relentless efforts to achieve innovation, and respecting humanity). In the

current era, which is characterized by volatility, uncertainty, complexity, and ambiguity, “K” LINE will continue to foster maritime professionals who can compete on the global stage. We hope to endow these professionals with a propensity for self-growth—with a continual awareness of how circumstances affect them no matter how the operating environment may change—and make them proficient at coordinating their work with others.

■ Enhancement of Human Resource and Organizational Capabilities: Human Resource Strategies for Drawing Out Individual Potential

The “K” LINE Group is developing human resources and shaping workplace environments with the aim of allowing all employees to heighten their own skills and achieve greater results. Our approach toward career planning positions the first 10 years after joining the Company as one leg of an employee’s career, during which he or she should be provided with various experiences and opportunities to learn in order to equip them to develop their careers through on-the-job experience. After the first 10 years, employees move onto a stage at which they are expected to build on their specialties with an emphasis on autonomy and to gain management skills and pursue career development. We have also prepared a number of training programs to help employees acquire the skills needed for their specific career plans.

■ Improvement of Work-Life Balance: Creation of a Workplace Environment That Keeps Employees Happy at Work

Ensuring that employees can maintain a good work-life balance is integral to encouraging employee skill development and to spurring the sustainable growth of the “K” LINE Group. We are actively adopting flexible workstyles as a measure to allow employees to continue working even amid the changes that accompany different life stages. For example, the Company had a teleworking system in place even before the COVID-19 pandemic. In addition, we offer robust systems for supporting employees, including maternity, childcare, and long-term care systems that surpass the legal requirements.

■ Promotion of Diversity: Utilization of Diversity as a Wellspring of Competitiveness

With subsidiaries and affiliates in more than 20 countries around the world, the “K” LINE Group is composed of diverse employees. Even at the Japan head office, we conduct group and mid-career hiring of employees of diverse nationalities, educational backgrounds, genders, and work areas (administrative, technical). We have also established an Action Plan for Promoting the Advancement of Women, to achieve a more ideal workplace gender balance, and we are promoting other diversity initiatives.

Onshore Workers

Onshore workers are tasked primarily with sales activities, onshore management of ship operation, and the corporate functions that support these activities. Through sales activities and vessel operation, these workers build trust with customers and support seafarers in achieving safe navigation. Onshore workers also play an indispensable administrative role by setting management policies and managing human resources, funds, and information in administrative divisions.

► Basic Human Resource Management Policies for Maritime Technical Personnel

“K” LINE employs seafarers of various nationalities and encourages mutual respect for the individuality and differences of employees with regard to age, gender, ethnicity, religion, and interests. These seafarers go about their daily work as a team in the restrictive space available to them onboard ships. No matter how the times may change, there will be no change to our mission of safely transporting cargo and commodities to people around the world. However, from the beginning of 2020 the outbreak of the global COVID-19 pandemic transformed all areas of ship operation together with the environment in which seafarers must live.

At the same time, we recognize that a number of factors contribute to work engagement, which represents the feelings of satisfactions and fulfillment that employees have toward their work. For seafarers, work engagement is heavily influenced by environments onboard ships, which function both as their workplace and their living space. The work engagement of seafarers also has an influence on important management priorities for the “K” LINE Group, such as the safe operation of ships, improvements in transportation service quality, and environmental preservation. Accordingly, we understand that there is a strong need to advance onboard workstyle reforms to facilitate the fulfillment of our social responsibilities and the exercise of our corporate principle and vision.

Today, we are seeing an increasingly strong drive to preserve the global environment through means such as contributing to the realization of a

low-carbon and ultimately carbon-free society. This movement is changing the role expected of shipping companies in supporting global logistics infrastructure. We are thus expected to go further than simply identifying business risk factors related to enhancing environmental preservation initiatives; we must stand at the forefront of the quest to achieve a sustainable society and advance R&D and other new initiatives to accomplish this objective.

We are committed to fulfilling our mission as a shipping company on into the future. Fostering human resources will be indispensable to this pursuit. In our human resource efforts, we will broaden our perspective beyond ship crews to develop human resources who can fully exercise their talents as specialists with experience and insight gained at sea even when they are on land and thereby contribute to safe operation, improved service quality, and environmental preservation. We also look to cultivate human resources who can drive the development of major next-generation technologies.

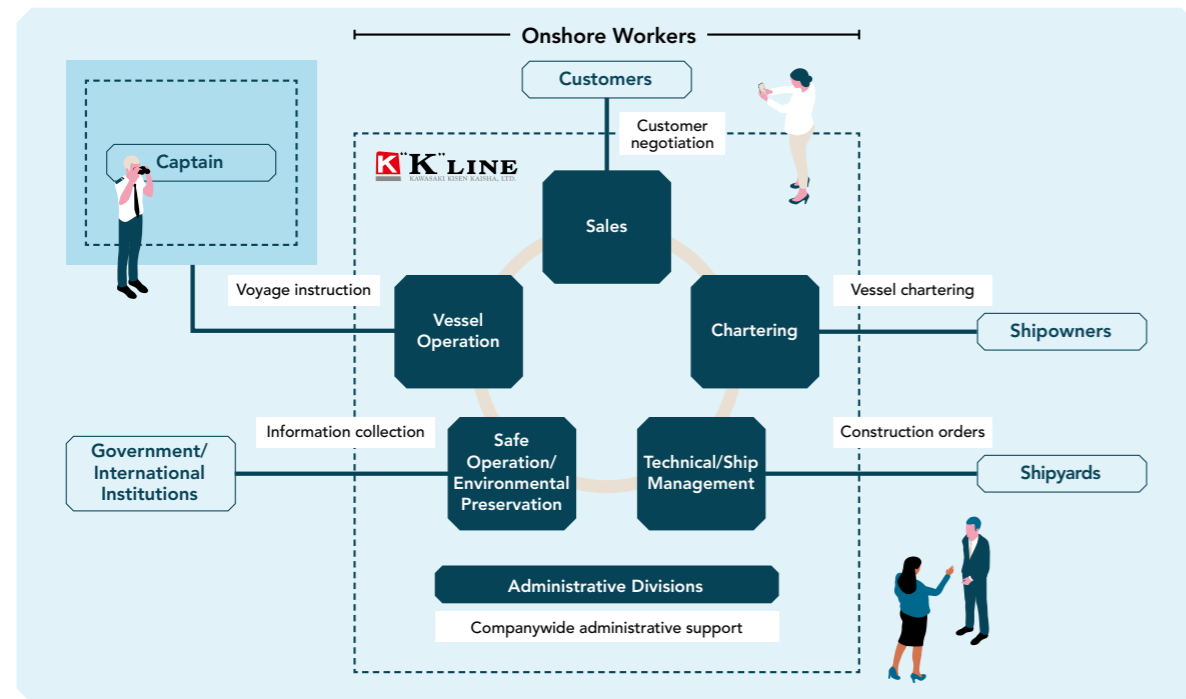


Maritime Technical Personnel

Maritime technical personnel are hired to fulfill roles that differ from those of onshore workers. In the past, “maritime technical personnel” has referred to the ship crew members who worked primarily onboard ships. In recent years, however, career plans involving work both at sea and onshore are becoming more commonplace. At sea, they act as captains, officers, and chief and other engineers. Onshore, they function as maritime advisors to business divisions, offering input in relation to ship management and safe and economically sound vessel operation.

► Human Resource-Related Initiatives for Onshore Workers

Duties of Onshore Workers



Latest Training Programs (Fiscal 2021)

The “K” LINE Group has prepared training programs that allow onshore workers to learn in an efficient manner in accordance with their years of service and qualifications. These programs are arranged into four categories based on the skills necessary for onshore workers: core skills, general skills, practical maritime skills, and management skills.

Core skills refer to the absolutely essential skills required by “K” LINE employees, such as professionalism, communication skills, and logistical thinking. General skills are business skills that can be used in any business division, including accounting, financing, and language skills. Practical maritime skills involve the specialized insight and expertise expected of maritime

professionals, such as an understanding of “K” LINE’s general maritime businesses and safety and environmental initiatives. Lastly, management skills are the skills needed for operating organizations and are based on the talents of individuals who have gained skills in the aforementioned three skills categories.

Digital transformation, which has been gaining attention in recent years, is projected to bring about substantial changes in the shipping industry. Responding to these changes will require us to project changes involving both society and customers and to produce innovation based on these changes. “K” LINE has launched training programs aimed at cultivating human resources who can produce this type of innovation.

Workplace Safety and Diverse Human Resources

“K” LINE is implementing systems for ensuring safe and comfortable workplaces and facilitating diverse workstyles in order to promote occupational health and safety and support healthy work-life balance. Specific systems include teleworking, shortened workhours, and flextime systems as well as a leave system for providing long-term care to family members that can be used for up to two years and a leave system for undergoing advanced infertility treatment. We also offer male employees as many as 10 days of childcare leave to encourage the involvement of men in childrearing. In fiscal 2020, we

transitioned all employees to teleworking during the period of Japan’s state of emergency declaration in order to prevent the spread of COVID-19 and protect the safety and health of employees. Even after the state of emergency declaration was canceled, we continued to take preventative measures, including encouraging staggered shifts, installing acrylic dividers and placing hand sanitizer in offices, and distributing masks to employees. In addition, we instituted a rule allowing employees to acquire special days of paid leave in the event that they experienced an adverse reaction to the COVID-19 vaccine.

► Human Resource-Related Initiatives for Maritime Technical Personnel

The “K” LINE Group’s basic commitment is to the safety of navigation and the protection of human lives, cargo, and the natural environment at sea. The “K” Line Maritime Academy (KLMA) is the term for our human resource policies aimed at developing “K” LINE seafarers with the knowledge and skills necessary to act as invaluable crew members and maritime technical personnel in onshore divisions.

KLMA facilities for training seafarers have been established in Japan, India, Bangladesh, Bulgaria,

and the Philippines. These facilities conduct training programs tailored to the individual needs of seafarers in each country. An aggregate of more than 20,000 individuals are trained at these facilities each year.

In addition, “K” LINE continues to offer scholarships to help pay the tuition of aspiring seafarers attending maritime universities and to recruit these individuals after they graduate. These efforts allow us to offer economic support to students while recruiting and developing high-quality human resources.

Message from the President of KLMA Philippines

KLMA Philippines was established in 2008 with a mandate to ensure that all “K” LINE seafarers are competent and skilled to perform required tasks for safe and efficient operation of ships through comprehensive and effective training using the latest simulation technologies, actual equipment training, and customized courses.

Education and training for seafarers must continuously catch up and even anticipate further modifications to the mariner’s role onboard due to the fast pace of technological advancement and regulatory changes in the shipping industry.

KLMA Philippines will continuously focus on technical skills and soft skills training to ensure that “K” LINE seafarers are properly equipped with abilities and competencies to support ship management’s goals for safe, reliable, and environmentally sustainable shipping services.

Among the training priorities of KLMA Philippines to meet the dynamic and rigorous demand of shipping industry are:

Ship Automation and Control Systems

KLMA will train “K” LINE seafarers to be competent and knowledgeable about M.E. engine propulsion systems, electronic navigation systems, electrotechnical systems, cargo handling systems, and new ship technologies such as LNG-fueled vessels, environmental control systems to reduce emissions, etc.

Leadership Safety Behavior and Critical Thinking for Problem Solving

“K” LINE seafarers must also possess an understanding of soft skills such as leadership safety behavior and critical thinking for problem solving, mainly because we cannot rely on technology to do everything for us and, as such, we must work together with safety behavior and critical thinking for practical solutions when technology fails.

We at KLMA Philippines will be relentless in advocating and contributing to the “K” LINE corporate principle and vision, i.e., trust from all over the world, improve the lives of the people and society through safe operation of ships, and fair way of conducting business.



Edgardo T. Baratang
Captain
President
KLMA Philippines

Message from a KLMA Philippines Graduate



Airon C. Peralta
Captain

The “K” Line SPIRIT* serves as my career purpose. It gives a positive challenge at work in achieving excellence and professionalism. It aligns how I think and act to clearly define my career goals.

As a Master, I make sure that all crew understand their respective responsibilities to achieve safe operation.

“K” LINE supported me in all aspects by uplifting my morale, keeps my SPIRIT alive and motivates me to be the best version of myself.

* Basic principle of KLMA that is an initialism of the words “skill,” “professionalism,” “intelligence,” “responsibility,” “innovation,” and “teamwork”

Corporate Governance

Establishing Sustainable Growth and Raising Corporate Value

▶ Directors (As of June 23, 2021)



Yukikazu Myochin
Representative Director, President & CEO
 Term of office as director: 5 years
 Number of the Company's shares held: 13,700 shares
 Born in March 1961
 Apr 1984 Joined the Company
 Jan 2010 General Manager of Containerships Business Group
 Apr 2011 Executive Officer
 Apr 2016 Managing Executive Officer
 Jun 2016 Director, Managing Executive Officer
 Apr 2018 Representative Director, Senior Managing Executive Officer
 Apr 2019 Representative Director, President & CEO (Current)



Atsuo Asano
Representative Director
 Term of office as director: 3 years
 Number of the Company's shares held: 14,200 shares
 Born in February 1961
 Apr 1983 Joined the Company
 Oct 2009 General Manager of Coal & Iron Ore Carrier Group
 Apr 2010 Executive Officer, General Manager of Coal & Iron Ore Carrier Group
 Apr 2012 Executive Officer
 Apr 2014 Managing Executive Officer
 Apr 2018 Senior Managing Executive Officer
 Jun 2018 Director, Senior Managing Executive Officer
 Apr 2019 Representative Director, Senior Managing Executive Officer
 Jun 2020 Vice President Executive Officer (Current)



Yukio Toriyama
Representative Director
 Term of office as director: 2 years
 Number of the Company's shares held: 12,200 shares
 Born in November 1959
 Apr 1983 Joined the Company
 Apr 2010 General Manager of Port Business Group
 Apr 2011 Executive Officer, General Manager of Accounting Group
 Jun 2011 Director, Executive Officer, General Manager of Accounting Group
 Apr 2012 Director, Executive Officer
 Apr 2014 Director, Managing Executive Officer
 Jun 2016 Managing Executive Officer
 Apr 2019 Senior Managing Executive Officer
 Jun 2019 Representative Director, Senior Managing Executive Officer (Current)



Keiji Yamada
Independent & Lead Outside Director
 Term in office as outside director: 2 years
 Number of the Company's shares held: 0 shares
 Born in April 1954
 Apr 1977 Joined Ministry of Home Affairs (current Ministry of Internal Affairs and Communications)
 Jul 1982 Superintendent of Amakusa Tax Office, National Tax Agency
 Jul 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture
 Sep 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization
 Apr 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture
 Jan 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs
 Jul 1992 Counsellor, Cabinet Legislation Bureau
 Jul 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently known as Ministry of Land, Infrastructure, Transport and Tourism)
 Aug 1999 Director, General Affairs Department, Kyoto Prefecture
 Jun 2001 Vice-Governor, Kyoto Prefecture
 Apr 2002 Governor, Kyoto Prefecture (retired in April 2018)
 Apr 2011 President, National Governors' Association (Ditto)
 Apr 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
 Jun 2019 Outside Director of the Company (Current)
 Mar 2020 Outside Audit & Supervisory Board Member, HORIBA, Ltd. (Current)
 Apr 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University
 Nov 2020 Outside Director, TOSE CO., LTD. (Current)
 Apr 2021 Director, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)



Ryuhei Uchida
Outside Director
 Term in office as outside director: 2 years
 Number of the Company's shares held: 0 shares
 Born in October 1977
 Apr 2002 Joined Mitsubishi Corporation
 Dec 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment
 Dec 2012 Joined Effissimo Capital Management Pte Ltd, Director (Current)
 Jun 2019 Outside Director of the Company (Current)



Kozue Shiga
Independent & Outside Director
 Term in office as outside director: 1 year
 Number of the Company's shares held: 900 shares
 Born in November 1948
 Nov 1967 Joined Japan Airlines Co., Ltd.
 Apr 1993 Commissioned as public prosecutor
 Apr 1998 Registered with Daiichi Tokyo Bar Association
 Aug 1999 Established Shiga Law Office
 Oct 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)
 Jun 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)
 Jun 2015 Outside Director, Ricoh Leasing Company, Ltd. (retired in June 2020)
 Jun 2016 Outside Audit & Supervisory Board Member of the Company (retired in June 2020)
 Jan 2019 Of Counsel, Shiraishi Sogo Law Office (Current)
 Jun 2020 Outside Director of the Company (Current)



Kazuhiko Harigai
Representative Director
 Term of office as director: 2 years
 Number of the Company's shares held: 14,400 shares
 Born in July 1960
 Apr 1983 Joined the Company
 Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group
 Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group
 Apr 2012 Executive Officer
 Apr 2013 Managing Executive Officer
 Apr 2019 Senior Managing Executive Officer
 Jun 2019 Director, Senior Managing Executive Officer
 Jun 2020 Representative Director, Senior Managing Executive Officer (Current)



Yasunari Sonobe
Director
 Term of office as director: 1 year
 Number of the Company's shares held: 2,200 shares
 Born in March 1959
 Apr 1982 Joined the Company
 Jan 2005 Managing Director of "K" Line European Sea Highway Services GmbH, Bremen
 Apr 2009 General Manager of Corporate Planning Group
 Apr 2012 Executive Officer
 Apr 2015 Managing Executive Officer, President of "K" LINE AMERICA, INC.
 Apr 2019 Senior Managing Executive Officer
 Jun 2020 Director, Senior Managing Executive Officer (Current)



Makoto Arai
Director
 Term of office as director: 1 year
 Number of the Company's shares held: 11,000 shares
 Born in May 1959
 Apr 1983 Joined the Company
 Oct 2010 General Manager of IR & PR Group
 Jul 2013 General Manager of IR & PR Group, General Manager of Legal Group
 Sep 2013 General Manager of Legal Group
 Apr 2015 Executive Officer
 Apr 2018 Managing Executive Officer
 Jun 2020 Director, Managing Executive Officer (Current)



Tsuyoshi Kameoka
Independent & Outside Director
 Term in office as outside director: Newly appointed
 Number of the Company's shares held: 0 shares
 Born in October 1956
 Apr 1979 Joined Shell Sekiyu K.K.
 Apr 2003 International Oil Products Trading Division Manager, Showa Shell Sekiyu K.K.
 Apr 2005 Senior Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.
 Mar 2006 Executive Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.
 Nov 2008 Executive Officer and General Manager of Head Office Marketing Department, Showa Shell Sekiyu K.K.
 Mar 2009 Corporate Executive Officer of Marketing Division, Showa Shell Sekiyu K.K.
 Mar 2013 Executive Officer Vice President, Oil Business COO, Showa Shell Sekiyu K.K.
 Mar 2015 President & Representative Director, Group CEO, Energy Solution Business COO, Showa Shell Sekiyu K.K.
 Apr 2019 Vice Chairman and Representative Director, and Vice Chairman and Executive Officer, Idemitsu Kosan Co., Ltd.
 Jun 2020 Special Advisor, Idemitsu Kosan Co., Ltd. (Current)
 Jun 2021 Outside Director of the Company (Current)

Director Skill Matrix

	Expertise and experience				
	Corporate management & strategy	Legal & risk management	Finance & accounting	Technology	Global
Yukikazu Myochin	●	●			●
Atsuo Asano	●			●	●
Yukio Toriyama	●	●	●		●
Kazuhiko Harigai	●				●
Yasunari Sonobe	●				●
Makoto Arai	●	●			●
Keiji Yamada		●			●
Ryuhei Uchida	●				●
Kozue Shiga		●			●
Tsuyoshi Kameoka	●				●

Corporate Governance

Establishing Sustainable Growth and Raising Corporate Value

► Audit & Supervisory Board Members / Executive Officers (As of June 23, 2021)

Audit & Supervisory Board Members



Kunihiko Arai

Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 2 years

Number of the Company's shares held: 3,700 shares

Born in November 1959
Apr 1982 Joined The Company
Aug 2001 General Manager, "K" LINE PTE LTD Trade Management Division
Jul 2012 Representative in Beijing, China (Representative Office closed in December 2012)
Managing Director of K LINE (CHINA) LTD. (retired in June 2019)
Jan 2014 Managing Director of "K" LINE (HONG KONG) LIMITED (retired in January 2019)
Apr 2015 Managing Executive Officer of the Company
Apr 2019 Special Advisor of the Company
Jun 2019 Audit & Supervisory Board Member of the Company (Current)



Yutaka Akutagawa

Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: Newly appointed

Number of the Company's shares held: 0 shares

Born in February 1966
Apr 1988 Joined The Dai-ichi Kangyo Bank, Ltd.
Apr 2013 Joint General Manager Corporate Banking Coordination Division (Large Corporations) Mizuho Bank, Ltd. and Joint General Manager Corporate Banking Coordination Division (Large Corporations), Mizuho Corporate Bank, Ltd.
Jul 2013 Joint General Manager Corporate Banking Coordination Division (Large Corporations) Mizuho Bank, Ltd.
Apr 2014 General Manager, Corporate Banking Division No. 4, Mizuho Bank, Ltd.
Apr 2017 Executive Officer and General Manager, Corporate Banking Department No. 4, Mizuho Bank, Ltd.
Apr 2018 Executive Officer and General Manager, Corporate Institutional Banking Department, Mizuho Trust & Banking Co., Ltd.
Apr 2019 Managing Executive Officer in charge of Banking, Mizuho Bank, Ltd.
Apr 2020 Managing Executive Officer in charge of Banking, Head of Area, Mizuho Bank, Ltd. (retired in March 2021)
Apr 2021 Business Advisor of the Company
Jun 2021 Audit & Supervisory Board Member of the Company (Current)



Atsumi Harasawa

Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 2 years

Number of the Company's shares held: 0 shares

Born in August 1967
Apr 1992 Joined Japan Airlines Co., Ltd. (resigned in March 2004)
Dec 2009 Registered with Tokyo Bar Association
Joined Sonderhoff & Einsel Law and Patent Office (resigned in June 2014)
Jun 2014 Joined Digital Arts Inc. (resigned in March 2015)
Apr 2015 Joined Yamasaki & Partners (resigned in October 2016)
Nov 2016 Partner, Igarashi Watanabe & Esaka Law Office (Current)
Apr 2018 Outside Auditor, Lawson Bank, Inc. (Current)
Jun 2019 Audit & Supervisory Board Member of the Company (Current)
Jun 2020 Outside Director, Ricoh Leasing Company, Ltd. (Current)



Shinsuke Kubo

Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 1 year

Number of the Company's shares held: 300 shares

Born in March 1956
Apr 1979 Joined Sanwa & Co. (currently known as Deloitte Touche Tohmatsu LLC)
Mar 1982 Registered as Certified Public Accountant
Jun 1998 Representative Partner, Tohmatsu & Co. (currently known as Deloitte Touche Tohmatsu LLC)
Sep 2017 Retired from Deloitte Touche Tohmatsu LLC
Oct 2017 Managing Partner, Shinsuke Kubo CPA Office (Current)
Jan 2018 Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (retired in December 2020)
May 2018 Representative Partner, Kyoei Accounting Office (Current)
Jun 2018 Outside Audit & Supervisory Board Member, Japan Airlines Co., Ltd. (Current)
Jun 2020 Audit & Supervisory Board Member of the Company (Current)

Executive Officers

Yukikazu Myochin

President & CEO

Atsuo Asano

Vice President Executive Officer
Assistant to President & CEO, Responsible for Dry Bulk Carriers Unit, Marine Sector, Advanced Technology, Ship Technical, GHG Reduction Strategy and Environmental Affairs Unit

Yukio Toriyama

Senior Managing Executive Officer
Responsible for CFO Unit (Corporate Planning, Research, Corporate Sustainability, IR and Communication, Finance, Accounting, Taxation), CFO (Chief Financial Officer)

Kazuhiko Harigai

Senior Managing Executive Officer
Responsible for Energy Transportation Business Unit

Yasunari Sonobe

Senior Managing Executive Officer
Responsible for Product Logistics Business Unit (Car Carriers, Logistics, Port and Affiliated Business)

Kiyotaka Aya

Senior Managing Executive Officer
Supervising Marine Sector, CSO (Chief Safety Officer)

Yutaka Nakagawa

Managing Executive Officer
Managing Director of K LINE (THAILAND) LTD.

Daisuke Arai

Managing Executive Officer
Responsible for Containerships Business Unit, Information System, AI/Digitalization Strategy Unit, CIO (Chief Information Officer), Supervising Ship Technical, GHG Reduction Strategy, Environmental Affairs, In charge of Advanced Technology

Makoto Arai

Managing Executive Officer
Responsible for Legal, Corporate Legal Risk & Compliance Unit, Assistance to Internal Audit, CCO (Chief Compliance Officer)

Shingo Kogure

Managing Executive Officer
Responsible for General Affairs, Human Resources Unit

Takenori Igarashi

Managing Executive Officer
In charge of Car Carrier Business, Car Carrier Planning & Development, Car Carrier Quality and Operations

Noriaki Yamaga

Managing Executive Officer
In charge of Corporate Planning, Research, Corporate Sustainability, IR and Communication

Keiji Kubo

Managing Executive Officer
In charge of Logistics, Port and Affiliated Business

Toyohisa Nakano

Executive Officer
In charge of Ship Technical, GHG Reduction Strategy, and Environmental Affairs, General Manager of Ship Technical Group

Yuji Asano

Executive Officer
In charge of Finance, Accounting, Taxation

Takahiko Tsurukawa

Executive Officer
In charge of Bulk Carrier Business, Drybulk Planning

Michitomo Iwashita

Executive Officer
In charge of Electricity and Offshore Business

Satoshi Kanamori

Executive Officer
In charge of LNG, Carbon-Neutral Promotion, General Manager of Carbon-Neutral Promotion Group

Masatoshi Taguchi

Executive Officer
In charge of Coal & Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning & Operation, General Manager of Coal & Iron Ore Carrier Business Group

Akihiro Fujimaru

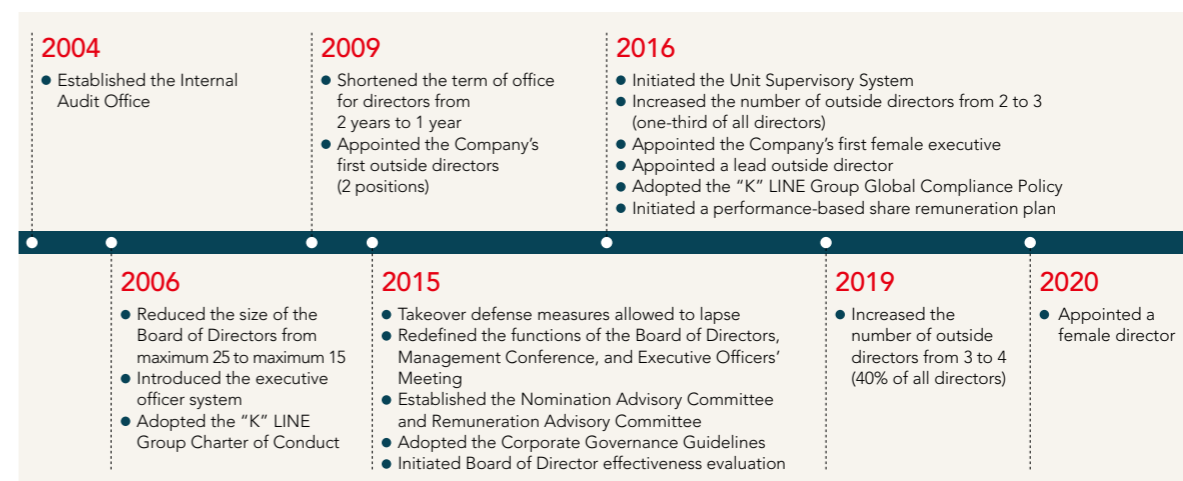
Executive Officer
In charge of Marine Sector

Hisashi Nakayama

Executive Officer
In charge of Tankers, Fuel Strategy & Procurement

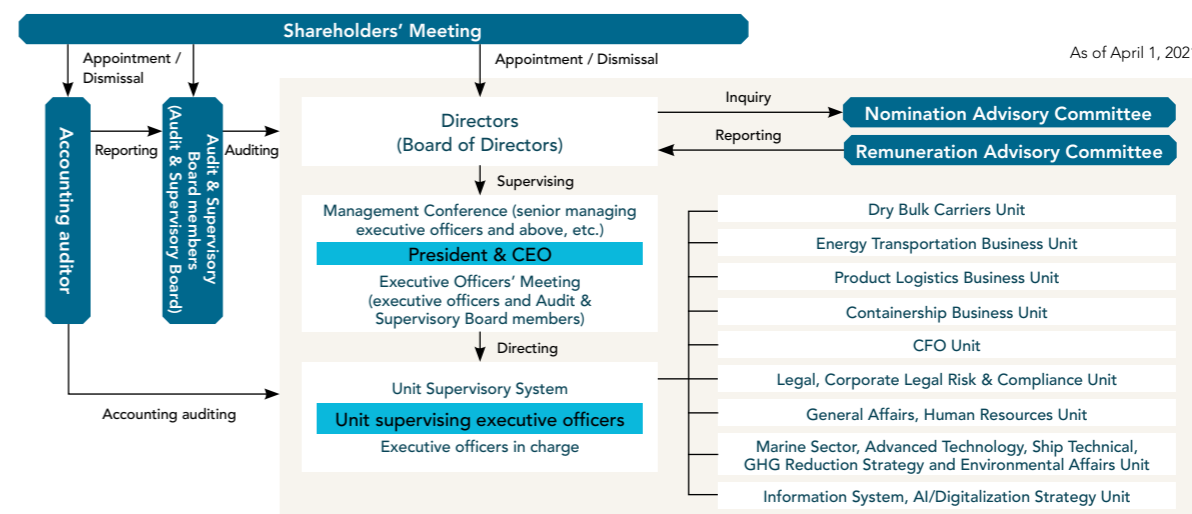
"K" LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and its commitment to its shareholders and stakeholders, and to achieve sustainable growth. While thoroughly enforcing its corporate ethics across the entire Group, "K" LINE will continue developing an organic and effective governance framework, strengthening its earning and financial structures, and enhancing its corporate value.

► Corporate Governance Reform



► Corporate Governance Structure

The Board of Directors and the Audit & Supervisory Board construct, apply, and monitor the corporate governance system, and several committees and other offices contribute to enhancing the system.



► Cross-Shareholding Policy

The Board of Directors reviews cross-shareholdings of listed shares from an independent and objective perspective at least once a year to determine whether holdings should be continued based on a concrete assessment of the holding purpose and medium- to long-term economic rationale of individual holdings.

Sales of holdings will be considered when assessments of the economic rationale reveal that returns from said holdings have fallen below the cost of shareholders' equity in a given fiscal year. The sale of cross-shareholdings that have become applicable under the relevant criteria will be discussed each year at meetings of the Board of Directors to determine which holdings will be sold. As of March 31, 2021, the number of cross-shareholdings of listed shares was three.

► Appointment of Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives in order to enhance corporate value over the medium and long term. Outside directors should possess broad experience and insight that enables them to monitor operational execution while also being of strong character and highly aware of the importance of compliance with laws and social norms. In addition to these qualities, outside directors are expected to be able to fulfill the following roles and duties.

- Provide advice on business policies and business improvement based on their knowledge and experience with the aim of promoting sustainable corporate growth and increases in corporate value over the medium to long term
- Oversee management through important decision-making by the Board of Directors
- Monitor conflicts of interest between the Company and its management or controlling interests, etc.
- Appropriately represent the views of stakeholders on the Board of Directors from a standpoint independent from management and controlling interests
- Evaluate management's performance as needed and express views, as members of the Nomination Advisory Committee and the Remuneration Advisory Committee, on management nominations and remuneration (outside directors designated as independent directors only)

► Basis for Outside Officer Appointments

	Name	Basis of appointment and expected role
Outside directors	Keiji Yamada	Mr. Yamada was appointed as an outside director in June 2019 to utilize his broad experience, personal networks, and insight gained from his years in positions heading public administrative bodies to contribute to the management of the Company. He is appropriately fulfilling his role by proactively offering input at meetings of the Board of Directors and overseeing operational execution as a member of the Nomination Advisory Committee and the Remuneration Advisory Committee. Mr. Yamada is expected to continue to fulfill this role.
	Ryuhei Uchida	Mr. Uchida was appointed as an outside director in June 2019 to utilize his broad experience and insight related to corporate value improvement to contribute to the management of the Company. It has been judged that having Mr. Uchida proactively offer input from the perspective of shareholders at meetings of the Board of Directors and provide oversight of management and operational execution will contribute to shareholder interests and improved corporate governance for the Group. Mr. Uchida is expected to continue to fulfill this role.
	Kozue Shiga	Ms. Shiga has professional knowledge and experience as a lawyer, has served as an outside director and outside auditor at several listed companies, and was appointed as an outside Audit & Supervisory Board member of the Company in June 2016 and then as an outside director in June 2020. She is appropriately performing her duties based on her robust experience and broad perspective by proactively offering input at meetings of the Board of Directors and overseeing operational execution through her activities as the chairperson of the Nomination Advisory Committee and a member of the Remuneration Advisory Committee. Ms. Shiga is expected to continue to fulfill this role.
	Tsuyoshi Kameoka (Newly appointed)	Mr. Kameoka was appointed as an outside director in June 2021 to utilize his broad experience and insight related to corporate management to contribute to the management of the Company. He is expected to appropriately fulfill a role of offering insight at meetings of the Board of Directors and overseeing operational execution based on this broad experience and insight.
	Name	Basis of appointment
Outside Audit & Supervisory Board members	Atsumi Harasawa	Ms. Harasawa has extensive professional knowledge and experience as a lawyer and in the transportation sector as a certified first class aircraft maintenance technician at Japan Airlines Co., Ltd. Her presence as an outside officer on the Audit and Supervisory Board enhances Board diversity and the effectiveness of audits through an independent perspective.
	Shinsuke Kubo	Mr. Kubo is a certified accountant with wide-ranging experience and knowledge of auditing through positions at auditing firms in Japan and overseas, supporting companies seeking to list on stock exchanges, and related to corporate reorganization and M&A. He was appointed as an outside Audit and Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

► Nomination Advisory Committee, Remuneration Advisory Committee

As a company structured with an Audit & Supervisory Board, "K" LINE voluntarily established a Nomination Advisory Committee and Remuneration Advisory Committee to enhance the function of the Board of Directors. The committees are composed of independent outside directors, the chairperson of the board, and the president & CEO. The independent outside directors on each committee nominate and select an independent outside director to serve as their committee chairperson.

► Memberships of Committees (As of July 2021)

Nomination Advisory Committee		Remuneration Advisory Committee	
Chairperson	Kozue Shiga	Chairperson	Keiji Yamada
Members	Keiji Yamada, Kozue Shiga, Tsuyoshi Kameoka, Yukikazu Myochin	Members	Keiji Yamada, Kozue Shiga, Tsuyoshi Kameoka, Yukikazu Myochin

The Nomination Advisory Committee and the Remuneration Advisory Committee are membered by a majority of outside directors designated as independent directors.

► Numbers of Meetings and Attendance for the Board of Directors, the Audit & Supervisory Board, the Nomination Advisory Committee, and the Remuneration Advisory Committee

Meetings Attended / Meetings Held (Fiscal 2020)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Eizo Murakami*1	5/5	—	2/2	2/2
Yukikazu Myochin	18/18	—	7/7	4/4
Harusato Nihei*1	5/5	—	—	—
Atsuo Asano	18/18	—	—	—
Yukio Toriyama	18/18	—	—	—
Kazuhiko Harigai	18/18	—	—	—
Yasunari Sonobe	13/13	—	—	—
Makoto Arai	13/13	—	—	—
Akira Okabe*1	5/5	—	2/2	2/2
Seiichi Tanaka	18/18	—	7/7	4/4
Keiji Yamada	17/18	—	7/7	4/4
Ryuhei Uchida	18/18	—	—	—
Kozue Shiga	18/18*2	4/4*1	5/5	2/2
Tsuyoshi Yamauchi	18/18	16/16	—	—
Kunihiko Arai	18/18	16/16	—	—
Atsumi Harasawa	18/18	16/16	—	—
Shinsuke Kubo	13/13	12/12	—	—

*1 Retired in June 2020

*2 Includes meetings of the Board of Directors attended as an outside Audit & Supervisory Board member prior to June 2020

► Officer Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates and determines the structure and level of compensation and reports its counsel to the Board. Director remuneration comprises a monthly salary, performance-based compensation, and the Board Benefit Trust (BBT) Performance-based Share Remuneration Plan. BBT compensation is linked to the Company's total shareholder return (TSR) to provide incentives for directors to contribute to the medium- and long-term growth in earnings and corporate value. See below for an overview of the remuneration system.

Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Directors	(1) Monthly remuneration	Fixed remuneration	Remuneration is determined in accordance with position and performance rating.	Within ¥600 million/year
	(2) Bonuses based on consolidated performance*	Variable remuneration	Linked to the degree of achievement of consolidated performance targets in single fiscal years	
	(3) Performance-based share remuneration (BBT)*		Linked to the Company's medium- to long-term total shareholder return (TSR) TSR = The rate of increase of the Company's shares over a fixed period + The dividend rate over the fixed period (Total dividend ÷ Initial share price)	
Audit & Supervisory Board members	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board members	Within ¥12 million/month

* Limited to executive directors

► Training for Officers

Attending officers	Timing of implementation	Content
Newly appointed officers	Within 3 months of taking office	Providing opportunities to attend seminars on legal responsibilities pertaining to the Companies Act and the Financial Instruments and Exchange Act, etc.
All officers	Yearly	Training related to compliance in such areas as competition law, insider trading regulations, and anti-bribery
Outside directors/ Outside Audit & Supervisory Board members	Upon appointment	Explanations about the Group's business, financial, and organizational status, as well as the management status, operating environment, and business issues from heads of relevant divisions or executive officers in charge

► Board Evaluation

Article 22 of our Corporate Governance Guidelines states, “Each director shall perform a self-evaluation on the validity of the Board of Directors, his/her performance as a director, etc., on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on the self-evaluation of each director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner.”

Progress in Addressing Issues Raised by the Fiscal 2019 Evaluation

■ Strengthen Group Governance

It has been confirmed that progress is being made in enhancing “K” LINE’s monitoring and governance of OCEAN NETWORK EXPRESS PTE. LTD. (ONE), a company that integrates the containership businesses of three companies and that has a substantial impact on the performance of the Company. These monitoring and governance activities are conducted as a major shareholder, but there is still room for improvement in terms of maintaining a timely understanding of performance trends. On a Groupwide basis, it was confirmed that quantitative management of financial indicators and misconduct response measures are being duly executed. On the other hand, it has been pointed out that there is room for reinforcement in orientation to improve our corporate value as a group and also in function to support group companies while we continue to respect the independence of each company, and we have reaffirmed this point as a theme that we should continue to tackle.

■ Improve Board Diversity

As one female outside director was elected at the annual general shareholders’ meeting held in June 2020, the absence of female directors was resolved. We will organize aspects such as capabilities, skills, and backgrounds that are necessary for the Board of Directors as a whole and continue to build a structure in which we can realize Board diversity, not only by meeting superficial standards such as gender and career background.

■ Improved Discussions regarding the Medium- to Long-Term Management Policy and Plan

Since the spread of COVID-19 had a very significant impact on our business, we had no choice but to concentrate our discussions on short-term damage control at the beginning of the fiscal year. As the impact of COVID-19 on the business was dealt with, we moved to discuss our new business plan and capital policy at the Board meetings and strategic meetings, looking ahead to our post-COVID-19 business plans. Recognizing that our important task is to strengthen our financial position and to stabilize our business base, we will continue to enhance our discussions.

■ Discussions on Risk Management for the Threat of Cyberattacks

Our information system group reported the current situation and issues on this subject to the Board of Directors, and it was reconfirmed that countermeasures against the threat of cyberattacks had been effectively put in place by introducing various kinds of security products and undergoing regular checks by third parties. However, regrettably, we encountered an enterprise system failure in mid-March 2021. Considering this incident very seriously, we, as the Board of Directors, intend to share issues including the emergency response and prevention of recurrence, further enhance measures of protection, detection, countermeasures, and recovery, and thoroughly educate our executive officers and employees.

Fiscal 2020 Evaluation

■ Method for and Scope of Evaluating Board Effectiveness

For fiscal 2020, the Board conducted a self-evaluation through questionnaires sent to all directors and Audit & Supervisory Board members, followed by discussion by the Board of Directors based on the results of the questionnaires. For fiscal 2020, we added a new topic to evaluate how the Board tackled issues related to CSR, ESG, and the SDGs.

■ Analysis of Board Effectiveness and Overview of Evaluation Results

We were able to confirm that our Board is highly effective overall. We have judged that the following strengths noted in the fiscal 2019 evaluation were continuously maintained and reinforced in fiscal 2020.

- Strives to continuously reform and improve governance
- A cooperative atmosphere due to the leadership of the chairperson
- Quick and appropriate decision-making process when executing duties
- Appropriate monitoring by diverse outside directors
- Proactive discussions about capital efficiency including review of the asset portfolio
- Constructive dialogue with shareholders

It has been pointed out that there was room for enhancement in discussions and efforts to improve corporate sustainability. In April 2021, we reorganized departments in charge of sustainability and environmental issues to establish a new structure to promote corporate sustainability. We will incorporate the sustainability promotion into our next medium-term management plan.

Going Forward

Our Board of Directors concludes that its effectiveness is properly maintained at this time; however, to realize a more effective Board, we will work on further improvements including the following items.

- Promote corporate sustainability
- Strengthen group governance
- Improve discussions regarding the medium- to long-term capital policy
- Enhance and reinforce measures against the threat of cyberattacks

► Messages from Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives to enhance corporate value over the medium and long term.

The Company’s current outside directors were asked for their honest opinions in response to the following questions.

- Q 1 What is the expected role of the shipping industry and of “K” LINE specifically amid the rapid increase in discussion regarding carbon neutrality, decarbonization, and other environmental preservation topics?
- Q 2 Based on your experience, what do you believe is necessary to improve the effectiveness of the Company’s Board of Directors?



Keiji Yamada
Outside Director

A 1 Society is rapidly transitioning toward virtual spaces centered on IT. However, this will not change the fact that it is companies operating in the physical spaces that support the lifestyles of people. As a company that supports the lifestyles of people both in Japan and around the world, “K” LINE has the potential to change society by contributing to the resolution of environmental issues. I am confident that “K” LINE can transform itself by putting forth a clear policy, such as “becoming the most eco-friendly shipping company.”

A 2 Based on my experience as a prefectural governor, I believe that the issue requiring the most attention and effort is the motivation of employees. “K” LINE is a company that has faced a lot of challenges. I therefore hope to facilitate discussions of a brighter future for the Company, one in which its employees can find joy in their work and feel hope for the future, at meetings of the Board of Directors.



Ryuhei Uchida
Outside Director

A 1 There is no going backward when it comes to the global decarbonization trend, and responding to this trend will thus be absolutely essential for companies. This is especially important when it comes to the shipping industry, which has traditionally been highly dependent on fossil fuels. At the same time, this trend represents the emergence of a new and highly viable growth market when viewed from the perspective of customer needs. By positioning decarbonization as an opportunity to make broader contributions to customers, as opposed to a hurdle to be cleared, I believe that “K” LINE will be able to achieve future growth while boosting its competitiveness.

A 2 Addressing corporate governance issues and improving effectiveness requires the Board of Directors to practice appropriate decision-making and oversight based on both input from shareholders and the policies of management. It is therefore important for “K” LINE to build shared recognition among the Board of Directors through ongoing discussion about how to improve corporate value based on the perspectives of both management and shareholders.



Kozue Shiga
Outside Director

A 1 While ships were dependent on the power of people or on the wind for propulsion in the past, today the shipping industry must consume fuel in order to continue transporting cargo around the world. It is, of course, important for “K” LINE to move ahead with research for evolving fuels and ship structures in this regard. At the same time, however, I hope that the Company will broaden its perspective to turn its attention to research that may at first seem unrelated to its operations. I strongly believe that new and valuable ideas can originate in any field.

A 2 Diversity is vital to improving the effectiveness of the Board of Directors. However, it is sometimes said that accepting diversity requires a certain degree of commitment. For this reason, I constantly ask myself whether I am prepared to have an open mind should I encounter someone with a perspective that differs from my own. My job as a lawyer requires that I work amid contradictory claims. I have thus always sought to understand the perspective of the other party, and I hope to use this experience to help improve the effectiveness of “K” LINE’s Board of Directors.



Tsuyoshi Kameoka
Outside Director

A 1 Awareness regarding environmental preservation is rising rapidly on a global scale. It is therefore crucial for the “K” LINE Group to more actively help preserve the environment if it hopes to exercise its corporate principle to contribute to society, so that people live well and prosperously. Accordingly, I feel that the Group needs to combine the insight, techniques, and passion of all of its members to advance innovative initiatives that benefit customers while protecting the environment.

A 2 I have experience as the CEO of a listed company, and this experience has made me aware of the importance of having a diverse team of directors who call upon their individual experience and insight to discuss and build shared recognition about what needs to be done to fuel the ongoing growth of a company. Outside directors, specifically, must monitor and advise the actions of the CEO based on such a shared recognition while sometimes spurring the CEO forward on initiatives aimed at the future.

▶ The United Nations Global Compact

"K" LINE endorses the United Nations Global Compact, a voluntary initiative in which companies and organizations act as good members of society and participate in the creation of a global framework for sustainable growth by demonstrating responsible and creative leadership. As well as becoming a signatory to the compact in 2020, we have joined the Global Compact Network Japan (GCNJ), a local network in Japan whose membership includes Japanese companies. Through the GCNJ's subcommittees, which are focused on specific themes, member companies and organizations actively conduct discussions and exchange information on approaches to initiatives and methods for proceeding with them. In fiscal 2020, we participated in the Human Rights Due Diligence (HRDD) Subcommittee, the Anti-Corruption Subcommittee, the ESG Subcommittee, and the Reporting Research Subcommittee. At meetings of subcommittees, we collected information on the latest trends and the initiatives of progressive companies in relation to each theme and as far as possible shared information on our own initiatives.

▶ Selecting Dismantling Yards in Consideration of Occupational Health and Safety and Environmental Performance

Vessels that have reached the end of their service lives are dismantled and become useful sources of metals. As vessels differ in size and shape, mechanization and automation of dismantling work is difficult. Therefore, the majority of such work is done using labor-intensive methods. Moreover, this work must be conducted in ways that ensure occupational health and safety and protect the environment. "K" LINE selects dismantling yards by inspecting the site and carrying out evaluations according to our own checklist that assesses factors such as whether work is being carried out safely, whether the substances with an impact on the human body or the environment are collected, and whether a negative impact on the surrounding environment is prevented or mitigated. Additionally, we monitor the work process and constantly check that work is being carried out in consideration of safety and the environment.



▶ Initiatives to Increase Human Rights Awareness

The need to respect human rights is set forth at the beginning of the "K" LINE Group Charter of Conduct. To ensure implementation of this charter, we have established the Implementation Guideline for the Charter of Conduct, which includes 11 specific guidelines for conduct in relation to human rights, covering such areas as respect for personality and diversity, no tolerance for child labor and forced labor, prevention of harassment, and the promotion of work-life balance. Among our employees, we have instilled respect for human rights through e-learning programs and the issuance of newsletters. Given the heightening of society's expectations with respect to human rights in recent times, in the current fiscal year we have begun establishing a human rights due diligence process based on the United Nations Guiding Principles on Business and Human Rights. As part of this process, we will formulate a human rights policy and conduct risk analysis.



▶ The Group's Compliance System

To provide guidance to the officers and employees of the Company and Group companies in the conduct of their day-to-day duties, in January 2017 we established the "K" LINE Group Global Compliance Policy, with which all officers and employees must comply. Also, the Compliance Committee, which is chaired by the president, deliberates on policies to ensure the compliance of the Company and Group companies as well as measures in response to compliance violations. Further, under the supervision of the chief compliance officer, the compliance system is being strengthened throughout our organization.

In addition, to prevent compliance issues in the Group's domestic and overseas operations and detect and correct risks at an early stage, we have established the Hotline Desk and the Global Hotline Desk, which receive whistleblowing reports from officers and employees of the Company and its domestic and overseas Group companies. Furthermore, by ensuring the confidentiality of reported information and protecting whistleblowers, we are developing a system that whistleblowers can use with confidence. As part of these efforts, in July 2020 we registered our in-house whistleblowing system as a Whistleblowing Compliance Management System, which is a registration system for the self-declaration of conformity, with the Consumer Affairs Agency of Japan.



1. Our Efforts to Ensure Compliance with the Anti-Monopoly Act

We ensure that executives and employees comply with the Regulation for Compliance with the Anti-Corruption Act. Furthermore, we are making efforts to ensure compliance awareness concerning competition laws by conducting a continuous training program and promotion of educational activities through a dedicated department. In addition, we conduct audits and monitor the state of implementation of compliance measures. With respect to contacts with competing companies, we strictly enforce regulations on prior reporting and approval depending on the nature of the contact, as well as recording and storing details of each contact. In June 2021, we distributed an updated version of the *Guidebook for Anti-Monopoly Act Compliance* to employees.

2. Our Efforts to Prevent Bribery and Corruption

To effectively strengthen the prevention of bribery and corruption, we devote much effort to the prevention of corruption and bribery as a member of the Maritime Anti-Corruption Network (MACN), which is a global business network working toward the vision of a maritime industry free of corruption.



3. Our Efforts to Ensure Compliance with Economic Sanctions

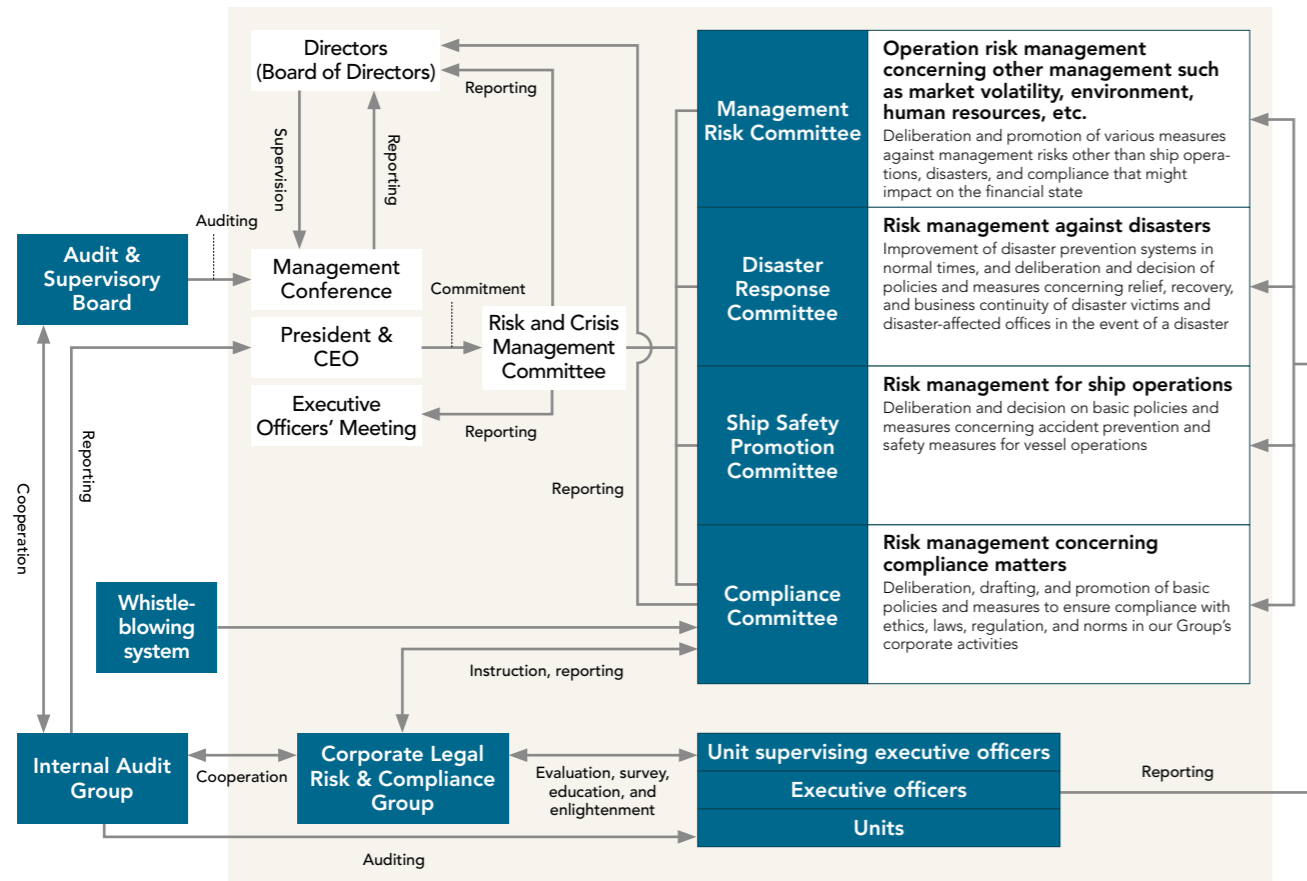
In November 2019, we added individual policies on economic sanctions and anti-money laundering to the "K" LINE Group Global Compliance Policy. All officers and employees of the Company and Group companies are required to comply rigorously with regulations related to economic sanctions, anti-money laundering, and the prevention of terrorism financing that are applicable to the businesses of the "K" LINE Group. Further, in response to the growing trade friction between the United States and China, we are screening business partners even more stringently.

▶ Our Efforts to Raise Compliance Awareness

We set every November as "Compliance Month," when we distribute a message from the president to executives and employees of "K" LINE and its Group companies to remind them of the importance of compliance. We also hold compliance e-learning training and compliance seminars featuring lecturers invited from outside the Company.

► Risk Management System

We have established a risk and crisis management system so that we can recognize and prepare for various risks in management and fulfill our corporate social responsibility even if risks materialize. We classify risks into four categories: risks associated with vessel operations, compliance risks, disaster risks, and other management-related risks. For each category of risk, we have established a dedicated committee. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president serves as the chairperson of all these committees, and their meetings are held regularly.



► Ongoing BCP Formulation

The "K" LINE Group has established a business continuity plan (BCP) in preparation for impediments that could be caused by natural disasters and infectious diseases, including new strains of influenza. With respect for human life as our first priority, we aim to ensure business continuity and thereby meet the responsibility we have to support society's lifelines. To this end, we are transferring the management of operations to regional offices in Japan and overseas, storing backup data in remote locations, and utilizing teleworking. In preparation for an earthquake occurring directly beneath the Tokyo metropolitan area, we conduct regular evacuation drills and improve the BCP based on simulations of the scale and damage of such an earthquake. In these ways, we are making Companywide efforts to improve our disaster resilience.

► Risks Associated with the COVID-19 Pandemic and Our Measures in Response

"K" LINE has implemented a range of COVID-19 countermeasures. In the management of onshore operations, we expanded and enhanced teleworking and took thorough measures to prevent infection at offices. As for vessels and crew members, we monitored the health of crew members before they boarded vessels, issued an order requiring crew members to spend time in quarantine before boarding vessels, conducted PCR tests, and supplied anti-infection equipment and materials. In fiscal 2021, the Company's business operations may continue to be affected by unexpected events, such as the emergence of variants or the discovery of new strains. However, by reviewing measures taken in fiscal 2020 and preparing a response manual for future pandemics caused by viruses, including COVID-19, we will establish capabilities for maintaining business continuity even during emergencies. We will then take measures suited to each business.

► The Risk of Large-Scale Accidents and Our Measures in Response

As rigorously ensuring the safety of vessel operations is one of our highest priorities, we are maintaining and heightening operational safety levels and crisis management capabilities. However, an unexpected accident, particularly one involving an oil spill or other major accidents leading to environmental pollution, could occur and have a negative impact on the Group's financial position and operating results. Furthermore, piracy losses, operation in areas affected by political unrest or military conflict, and the increased risk to vessels from terrorism could cause major damage to the Group's vessels and jeopardize lives of the crews. This in turn could have a negative impact on the Group's safe operation of vessels, voyage planning, and management and overall marine transportation business. To counter the aforementioned risks, the Ship Safety Promotion Committee, chaired by the president, meets periodically to conduct multifaceted investigations and initiatives for all matters related to the safety of vessel operations. Also, we have prepared an Emergency Response Manual, which sets out the accident response measures to be taken in the event of an emergency, and we continually improve our accident responses by holding regular drills for responses to large-scale accidents (see pages 34–35).

► Risks Associated with Information Security and Our Measures in Response

The "K" LINE Group is taking measures to ensure and improve information security in order to provide safe and secure marine transportation and logistics services as a logistics infrastructure supporting global economic activities. Cyberattacks have become extremely diverse in recent years, and local responses and product introductions alone are not sufficient for complete protection. Information leaks due to unauthorized access or system outages due to virus infections could significantly impact the operating activities, financial position, and business results of the "K" LINE Group. Rather than depending on any one measure for information security, we employ a range of measures. As well as helping to prevent cyberattacks, this multilayered approach increases our ability to detect abnormalities rapidly if a security incident occurs and to minimize its impact through countermeasures and restoration. In addition, we have implemented information security measures from the following three perspectives: information management that aims to protect information; cybersecurity that focuses on the defense of system networks against cyberattacks; and physical security that prevents unauthorized access to facilities such as office terminals. As for our efforts for marine cyber risk management, in particular, we have acquired Cyber Security Management System (CSMS) certification from ClassNK for our ship management companies and vessels, and we are proceeding with the acquisition of certification for other vessels. "Safety" is the core competence of the "K" LINE Group's maritime transport business. We will provide safer and more optimal transportation services by strengthening our response to cyber risks. We also provide security education to raise awareness of information security among Group officers and employees.