

Management Strategies and ESG / CSR Management

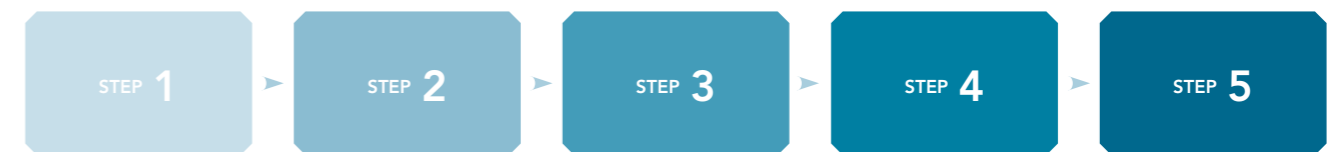
Basic CSR policy	Priority themes / Material issues	Key initiatives	Related SDGs
Building a management structure that emphasizes social responsibility	Corporate governance Establishment of a management structure that responds to the demands of society	<ul style="list-style-type: none"> Introduce a unit supervisory system Introduce the Nomination Advisory Committee and Remuneration Advisory Committee Appoint outside directors (ratio of independent outside directors: raising to one-third) 	
	Stakeholder engagement Promotion of dialogue with stakeholders	<ul style="list-style-type: none"> Engage in investor relations in Japan and overseas Provide full disclosure Share feedback from shareholders and investors with managers and throughout the Company Open dialogue and collaborate with NPOs and NGOs Be a signatory of the United Nations Global Compact 	
Managing the impact of our business activities	Environmental preservation Reinforcement of environmental management Environment-friendly business activities	<ul style="list-style-type: none"> Reduce CO₂ emissions and improve emission efficiency (the challenge of achieving net-zero GHG emissions) Promote the transport and supply of new energy for a low-carbon society Reduce the shipping operation's impact on the sea and air, including zero oil spills Step up our activities and support for public environmental improvement efforts 	
	Safety in navigation and cargo operations Prevention of major accidents	<ul style="list-style-type: none"> Enhance the safety management system Strengthen the ship management system Secure and train maritime technical personnel 	
	Human rights Prevention of discrimination Respect for basic labor rights Prevention of forced labor and child labor	<ul style="list-style-type: none"> Formulate the "K" LINE Group Basic Policy on Human Rights Implement human rights due diligence 	
	Labor practices Prevention of excessive working hours Promotion of diverse workstyles Improvement of occupational health and safety	<ul style="list-style-type: none"> Become a certified Health & Productivity Management Outstanding Organization (large enterprise category) in 2022 Have received a Kurumin "next-generation" mark in 2020 as a company supporting childcare Renew our certification as a leading company for prevention of seafarer labor accidents 	
	Compliance Prevention of corruption Prevention of anti-competitive behavior	<ul style="list-style-type: none"> Create a system to prevent competition law violation recurrence Create a bribery prevention system Create a system for compliance with economic sanctions Enhance the internal reporting system Expand our educational programs 	
	Risk management Business continuity plans (BCPs) to respond to large-scale disasters Enhancement of response capabilities for major accidents Crisis and risk management system	<ul style="list-style-type: none"> Launch a BCP for the COVID-19 pandemic Conduct response drills for a large-scale accident Have the Crisis Management Committee and the Management Risk Committee apply the PDCA cycle to risk management 	

Basic CSR policy	Priority themes / Material issues	Key initiatives	Related SDGs
Creating new values	Human resource development Improvement of corporate culture Development of global leaders Promotion of diversity	<ul style="list-style-type: none"> Expand and strengthen position-based training Create new training systems, including onboard training for all employees and accounting and finance training Introduce a headquarters work program for non-Japanese seafarers 	
	Innovation New value proposals through reduction of environmental burden and improvement of service quality	<ul style="list-style-type: none"> Use Kawasaki Integrated Maritime Solutions to enhance our safety and environmental performance Install the Seawing automated kite system on ships to harness natural energy Introduce LNG-fueled car carriers 	
	Community involvement and development Assistance in recovery / reconstruction from natural disasters Promotion of social contribution activities utilizing corporate resources	<ul style="list-style-type: none"> Donate to areas affected by natural disasters Collaborate with free cargo transport operations to emerging countries 	
	Employment creation and skills development Support for education and employment creation	<ul style="list-style-type: none"> Host ship and training center tours for children and teachers Send lecturers to maritime education institutions to assist in the cultivation of future maritime technical personnel 	

Process to Identify Materiality*

The "K" LINE Group uses the following process and refers to international regulations and initiatives and Global Reporting Initiative (GRI) guidelines to identify important (material) issues.

* Considering changes in social conditions and the business environment, we are currently reviewing our materiality, which will be announced in the second half of 2022.



Specify Themes Related to the "K" LINE Group's Business Activities

The "K" LINE Group, through dialogue with internal and external stakeholders and by referring to OECD Guidelines for Multinational Enterprises, ISO 26000, GRI Guidelines, and other frameworks, has specified environmental and social themes that the Group's operations around the world may affect or contribute to.

Select "Material Issues"

The Group has selected 10 of the themes identified in STEP 1 to prioritize in terms of the significance of their economic, environmental, and social impacts and the effects on stakeholder evaluations and decision-making. These themes and two additional themes deemed essential to establish the relevant management structure to address them have been designated "material issues" requiring action by the Group.

Formulate CSR Action Plans

The Group has set medium- and long-term targets for the 12 material issues designated in STEP 2 and formulates annual CSR Action Plans geared to each target.

Match with SDGs

The Group has aligned the CSR Action Plans outlined in STEP 3 with the 17 SDGs adopted by the United Nations in 2015 to ensure that the objectives are compatible.

Review

The Group semiannually reviews the progress of the CSR Action Plans, and revises or modifies them as necessary. At the end of each fiscal year, the Group evaluates the progress and results of the CSR Action Plans and, based on the progress toward the medium- and long-term goals and the social changes relevant to its businesses, formulates new plans for the next fiscal year.

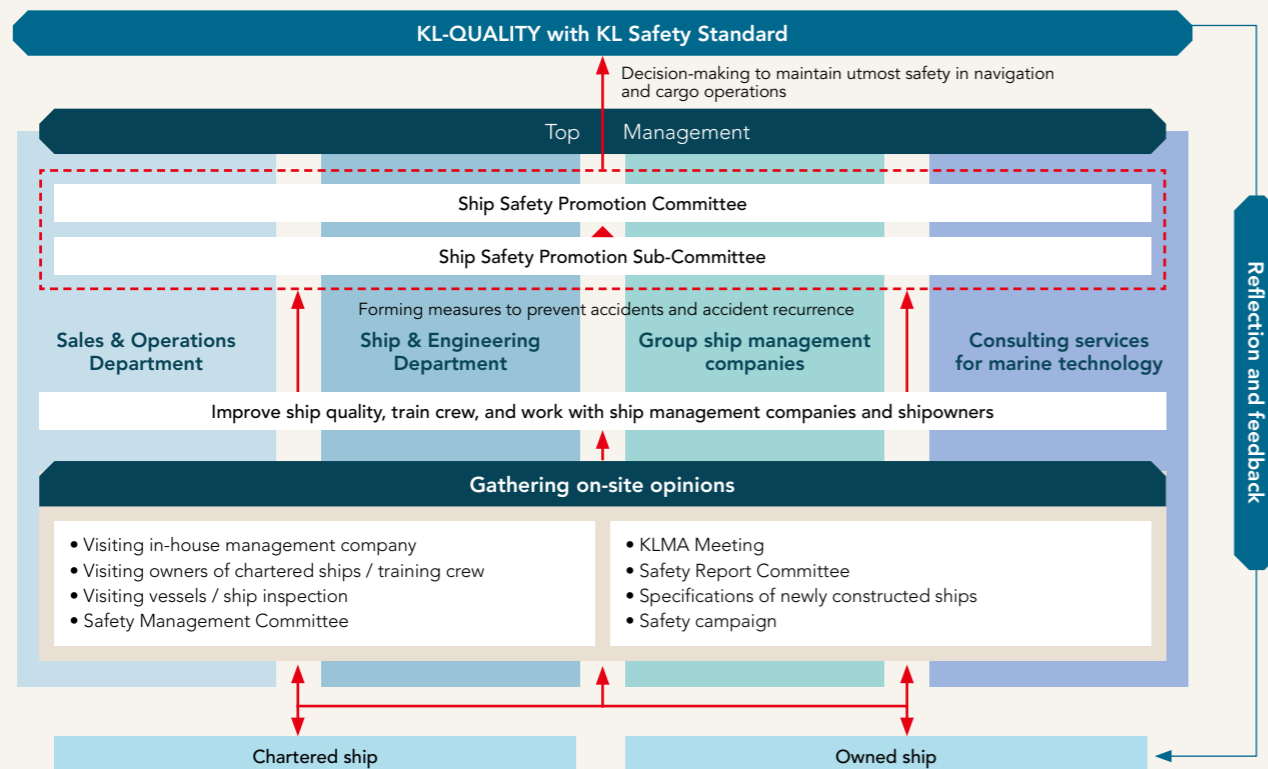


Maintaining World-Leading Safety in Navigation and Cargo Operations

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 MARINE SHIP MANAGEMENT PTE. LTD.	Oil tanker, LPG carrier, LNG carrier
“K” Line Ship Management (Singapore) Pte. Ltd.	Containership
“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

Establishment of New Companies

Based on the 2022 medium-term management plan, with the aim of providing high-quality and trusted ship management services, establishing a region-based customer support system, and flexibly responding to diversifying needs, “K” LINE has strengthened its global functional strategy structure that encompasses maritime technology, human resources, and regional bases, which are the business domains of ship management companies.

Establishment of K MARINE SHIP MANAGEMENT PTE. LTD.

K MARINE SHIP MANAGEMENT PTE. LTD. has been established in Singapore, and the management of oil tankers, LPG carriers, and LNG carriers has been transferred from “K” Line Energy Ship Management Co., Ltd. In addition, as one of the global bases that support the activities of our business divisions in Asia, we will accelerate efforts to become carbon free and introduce digital transformation technology.

Establishment of “K” Line Marine Solutions Co., Ltd.

“K” Line Marine Techno Service Co., Ltd., which operates the maritime consulting business for the “K” LINE Group, was renamed “K” Line Marine Solutions Co., Ltd., on July 1, 2022. Furthermore, our maritime technical functions—which were previously dispersed among the Safety and Ship Quality Management Division and each business division—have been consolidated into the new company for responding adroitly and flexibly to newly arising needs, such as maritime support for existing businesses, consulting services for new businesses that are required to strengthen Companywide efforts, troubleshooting related to new technologies such as LNG and NH3 fuel engines, and the provision of training of seafarers.

“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 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.





Strategy of "K" LINE Environmental Vision 2050

Under our corporate principle of helping enrich the lives of people as an integrated logistics company that focuses on marine transportation, we are taking on the mission of "Blue Seas for the Future" and striving to contribute to the global environment and a sustainable society. In November 2021, in order to reinforce initiatives to combat climate change, the Group revised its 2050 targets in the "K" LINE Environmental Vision 2050—Blue Seas for the Future—its long-term vision for the environment. In accordance with this revision, we are taking on the challenge of raising our target even further, to net-zero greenhouse gas (GHG) emissions by 2050.

2050 Targets in Environmental Vision



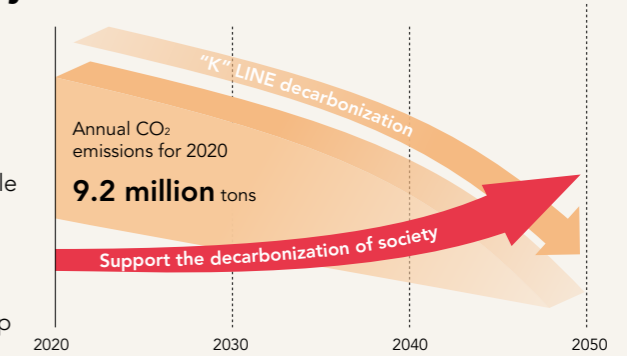
In June 2021, the Group announced a revised "K" LINE Environmental Vision 2050, and we will continue making steady progress with the action plan for 2030 set out in this vision.

2030 Interim Milestones and Action Plan

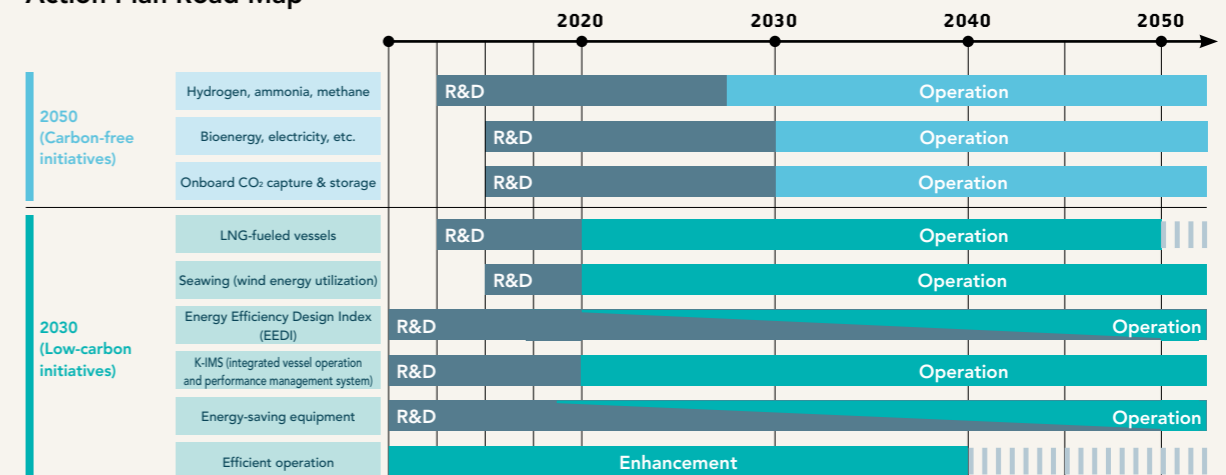
<p>"K" LINE's low-carbonization</p> <p>Improve CO₂ emission efficiency by 50% by 2030, compared with 2008 (achieve improvement surpassing the International Maritime Organization's target of 40%)</p> <ul style="list-style-type: none"> Step up energy-efficiency improvements (navigation efficiency, performance 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 adopt other new technologies 	<p>Reduce "K" LINE's impact on the sea and air</p> <p>"K" LINE will reduce its environmental impact from shipping operations and advance efforts to achieve zero oil spills.</p> <ul style="list-style-type: none"> 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 environmental awareness among all officers and employees
<p>Support the development of a low-carbon society</p> <p>Develop and expand new businesses that contribute to a low-carbon society</p> <ul style="list-style-type: none"> Identify customer needs and establish an organized structure facilitating the exploration of new businesses Strengthen support for the offshore wind power generation and renewable energy businesses Expand support for LNG transport and supply Develop a fleet capable of responding to changes in freight transportation demand Train personnel in new fuels and technologies 	<p>Support the environmental activities of society</p> <p>Continue industry-academia-government dialogues with countries, municipalities, and universities</p> <ul style="list-style-type: none"> Increase 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

Aim for Net-Zero GHG Emissions by 2050

In the second half of the 2020s, we aim to introduce zero-emission vessels powered by new fuels, and we will not only reinforce initiatives for reducing our in-house GHG emissions but also actively work toward a carbon-free society. These initiatives include support for projects related to the renewable energy field, such as offshore wind power, transportation of new energy sources, and CO₂ transportation. Supporting and promoting the transition to a carbon-free society, such as the concepts mentioned above, is a major opportunity to open up new domains for the shipping business.



Action Plan Road Map



Message from the Executive Officer in Charge of Environmental Affairs

In May 2022, the "K" LINE Group released the new fiscal 2022 medium-term management plan. Under this new management plan, management formulated a growth strategy to contribute to the realization of a low-carbon and carbon-free society by taking on new business domains as a business opportunity, based on the target in its new environmental vision, namely, to achieve net-zero greenhouse gas emissions by 2050. The Group is keen to strengthen initiatives to reduce its own greenhouse gas emissions, aiming to launch zero-emission ships that use new fuels in the late 2020s. In addition, the Group will aggressively support businesses that help society become low carbon and carbon free, such as support ships for renewable energy projects, including offshore wind power generation; the transportation of new types of energy, such as hydrogen and ammonia; and the transportation of captured CO₂.

We believe that supporting and advancing society toward a low-carbon and carbon-free future will present major opportunities to expand into new business domains for marine transportation. Through these initiatives, "K" LINE aims to be a company always chosen by all stakeholders, by reducing its environmental footprint, moving toward a sustainable society, and continuing to improve corporate value.

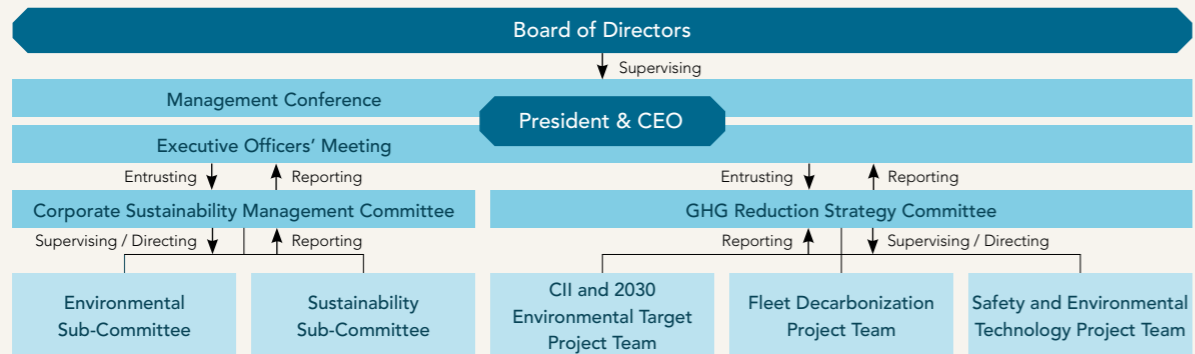


Noriaki Yamaga
Managing Executive Officer



Environmental Governance

In April 2021, the “K” LINE Group updated the promotion system for sustainability. Moreover, the Corporate Sustainability Management Committee is enhancing corporate value by reviewing and formulating a promotion system for the “K” LINE Group’s sustainability management. The GHG Reduction Strategy Committee formulates and coordinates the implementation of GHG reduction strategies, centered on fuel conversion across the Group. These two committees, chaired by the president & CEO, function as places to hold strategic discussions. 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 environmental preservation activities.



Overview of Strategy

In the fiscal 2022 medium-term management plan unveiled in May 2022, with the aims of sustaining growth and improving corporate value, the “K” LINE Group is committed to smoothly transitioning to other sources of energy for its own use and use by society, on the path to achieving a low-carbon and carbon-free society. We will steadily advance initiatives while leveraging our advantages and co-creating with customers and business partners.

Low-Carbon and Carbon-Free Initiatives at “K” LINE (Fuel Conversion)

Adoption of LNG-fueled vessels

- Delivered LNG-fueled car carrier *CENTURY HIGHWAY GREEN* in March 2021
- Approximately 25% to 30% reduction in CO₂ emissions by using LNG fuel
- Approximately 40 LNG-fueled vessels will be added to our fleet by 2030



Initiatives to promote ammonia-fueled vessels

- Participating in joint project for the development of ammonia-fueled vessels adopted by the Green Innovation Fund
- The project aims to deploy implementation of ammonia-fueled cape-size bulk carriers into society as soon as possible or by 2028. We will develop propulsion systems and hulls and acquire and operate such vessels ahead of other countries.



Related pages: ▶ P24–25 Special Feature 01 Developing Ammonia-Fueled Vessels as Business Opportunities

Low-Carbon and Carbon-Free Initiatives at “K” LINE (New Technologies)

“LNG-fueled large bulk carrier + Seawing” — Utilization of renewable energy

- Seawing, an automated kite system developed by Airseas which was spun off from Airbus, will be installed on a large LNG-fueled bulk carrier scheduled to be delivered in 2024
- CO₂ emissions reduction effect
LNG fuel (25% to 30%) + Seawing (20%) = 45% to 50% emissions reduction



Related pages: ▶ P26–27 Special Feature 02 Realizing Shift to Low-Carbon Ship Operations by Seawing

Supporting the Shift to Low-Carbon and Carbon-Free Society



The “K” LINE Group’s offshore wind power support services business

- Established “K” Line Wind Service, Ltd. (KWS), in June 2021
- KWS specializes in offshore wind power projects with the comprehensive strengths of the “K” LINE Group
- KWS will play a central role in the “K” LINE Group as a platform for business development in the offshore wind power field
- By pursuing operation and suitable vessel design for Japanese waters, we aim to contribute to the development of a new cluster of maritime industries for offshore wind power in Japan



Hydrogen transportation

- Participating in the Hydrogen Energy Supply-Chain Technology Research Association (HySTRA), which promotes relevant technology creation and demonstration. The aim of our participation is to build a carbon-free hydrogen supply chain consisting of hydrogen production, transport, storage, and utilization.
- We have completed a demonstration of a CO₂-free energy supply chain between Australia and Japan. Hydrogen made in Australia from brown coal was transported to Japan using the world’s first liquefied hydrogen carrier, *SUISO FRONTIER*.

In 2019, the “K” LINE Group achieved many intermediate milestones in the “K” LINE Environmental Vision 2050, which was formulated in 2015. At the same time, we recognized the need to address the impact from climate change and the growing movement toward achieving carbon free, amid changes in the business environment and customer expectations since the vision was created. In order to reaffirm the Group’s course going forward, we conducted a scenario analysis based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

<https://www.kline.co.jp/en/csr/group/booklet>

Major Risks and Opportunities

– Negative aspects (risks) + Positive aspects (opportunities)

Transition Risks Need for low-carbon operations Society’s need for low-carbon goods	Physical Risks Need to enhance safety in navigation Acute risks: Natural disasters (more typhoons and cyclones, intensifying natural disasters) Chronic risks: Changes in the natural environment (rising sea levels, changes in the land environment, changes in ocean environment)	Other Factors Response to stricter environmental regulations, demand for clean transportation, and social issues
– Higher operating costs from a carbon tax and rising natural resource prices	– (Acute) Increased potential of an oil spill accident	– Decreased profits from higher operating and capital costs
– Decreased asset value of existing ships	– (Acute) Higher costs for vessels and cargo damage	– Negative impact on marine ecosystems
– Higher R&D and installation costs	– (Chronic) Higher port fees and insurance rates	
+ Reduced carbon tax burden from decarbonizing operations	+ (Acute) Safer and more reliable services, protection of customers and Company assets	+ A cleaner environment and ecosystem
+ Favorable customer evaluations for decarbonizing operations	+ (Acute) Increased shipping demand due to quick disaster response capability	
+ Development of leading expertise from early adoption of new technologies	+ (Chronic) Increased transportation demand for disaster prevention-related construction machinery and plants	+ Increased stakeholder trust

Metrics and Targets

Aim for net-zero GHG emissions by 2050

2030 interim milestones		2050 targets	
“K” LINE low-carbon transition	Improve CO ₂ emission efficiency by 50% by 2030 (compared with 2008 levels)	“K” LINE decarbonization	Take on the challenge of net-zero GHG emissions
Support development of a low-carbon society	Transport and supply new energy for a low-carbon society	Support the decarbonization of society	Be a transporter and supplier of new energy



Pursuit of Innovation through DX

Outline of "K" LINE's Digital Transformation (DX) Strategy

In its medium-term management plan, unveiled in May 2022, "K" LINE set forth the objective to evolve into a Group that increases value added in line with the specific needs of customers, honing the unique technologies and specializations of the "K" LINE Group. "K" LINE is advancing DX as a specific functional strategy of this objective.

A central facet of "K" LINE's DX strategy is to refine its core values of safety, the environment, and quality by deploying digital technologies and updating its DX foundation. The aim is to enhance safety, the environment, and quality, the sources of the Company's competitiveness, and improve the value-added of its services. We aim to increase corporate value while deepening our relationships with customers by building competitive advantages through the creation of new value, and transforming our business with environmental and digital technologies.

As for upgrades to our DX platform, we are reviewing existing work processes, strengthening cybersecurity measures on ships and on land, and digitizing ship operations, which have been behind our progress on digitizing land operations. On this platform, we are broadening the scope for using data and digital technologies, advancing the digitalization of information, work processes, and ships, and polishing our competitiveness in the creation of new value based on this DX platform. We are setting up specialized organizations to advance our DX strategy and to hire and train human resources. We will execute measures in line with this strategy and strengthen our competitiveness while continuously updating our strategies to reflect the latest trends in technology.

"K" LINE formulated and unveiled its DX strategy in December 2021, and was selected as a DX-certified operator in April 2022 by the national certification initiative together with the Ministry of Economy, Trade and Industry, based on the Act on Facilitation of Information Processing.

DX Promotion Structure

Integrating the AI / Digitalization Strategy Group with the Information System Group, the Company created the Digitalization Strategy Group (DSG) with 16 members in February 2022. This put into place a structure for advancing DX, while updating and applying its security policies and secure IT infrastructure and consolidating knowledge of IT and digitalization that had been spread around the Company. We aim to reinforce our competitiveness by advancing DX and applying the knowledge of external partners, in addition to integrating the IT resources and knowledge of the "K" LINE Group.

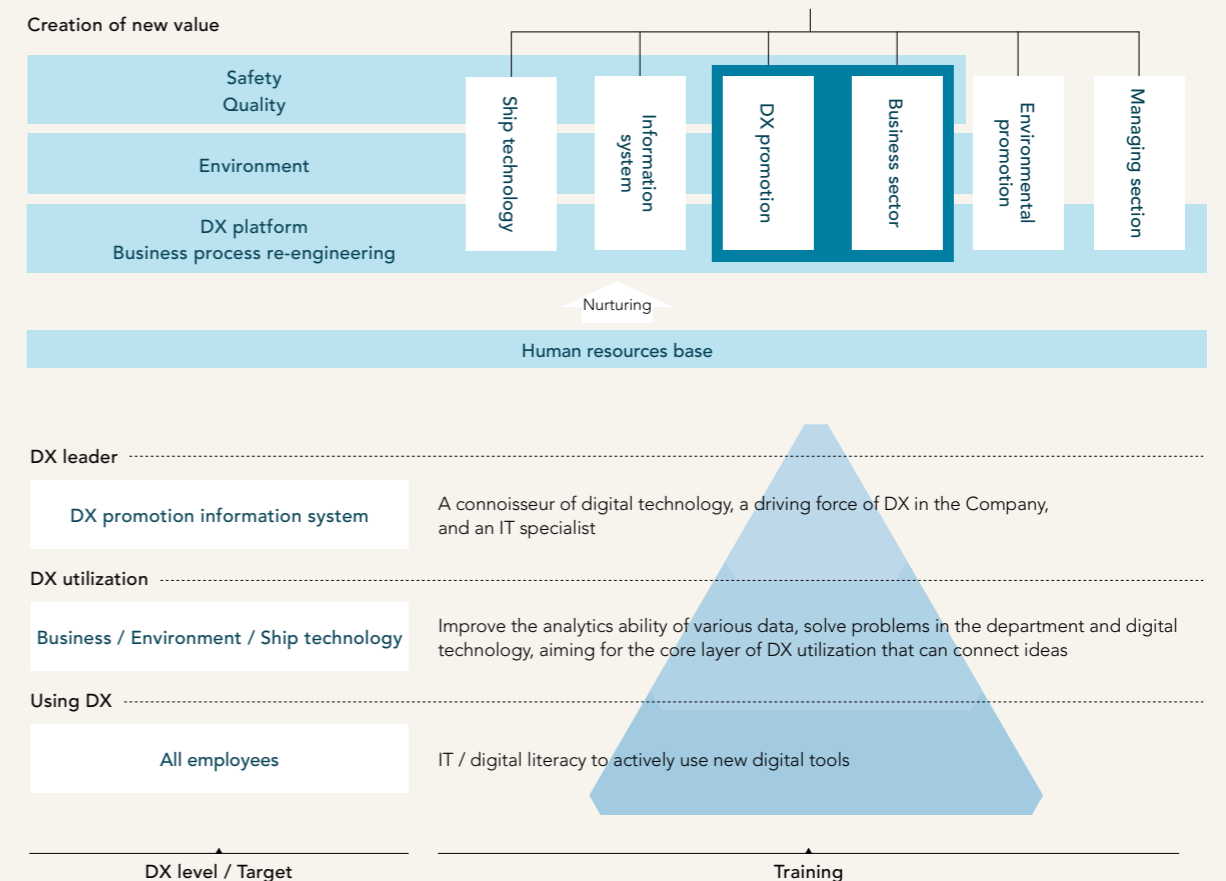
DX Human Resource Development

DX needs to take hold at business sites before DX can become a growth driver. IT human resources, which are key to making DX work, are often lumped together in discussions, but we did not always clearly articulate our vision for applying the specific skills and acquired knowledge of staff needed at the operational level. Although employees have undergone internal training, it was limited to general knowledge about IT.

"K" LINE aims to advance DX further and came up with measures to train employees, who will be responsible for the actual work, in the finer details of DX. In order to instill the DX strategy across the Group, "K" LINE is strengthening its core DX personnel who are able to communicate effectively with digital engineers, and is promoting these human resources as an essential step in sharpening its competitiveness.

The "K" LINE Group is keen to train three layers of human resources, namely human resources who will be the driving force behind DX and keep up with trends in IT and cybersecurity technologies, human resources who are analysts able to envision the use of ship operations data and who will lead the application of DX in all layers of the organization, and human resources able to proactively adopt digital technologies to improve work processes. We will assign these DX personnel to positions within each department of our organization.

More specifically, since May 2022, the Company has offered DX training seminars called "K" LINE D+ Salon for employees in charge of DX who were appointed by each unit and group. Around 20 people participate in the five-day seminar at a time. We expanded the scope of employees eligible for the training, and a total of 100 people took the course. We expect these graduates of the program to lead internal initiatives in DX as the layer of personnel in our organization with an understanding of the finer details of DX.



Comment from a DX Trainee

Eri Noguchi

Technical & Quality Management Team, Car Carrier Quality and Operations Group

In our training, we learned not only the latest digital technologies, but also how to identify issues in existing work and come up with ideas for applying new digital technologies to fix these issues. Before the COVID-19 pandemic, we were not familiar with Microsoft Teams application, but it became an essential work tool these past three years. Likewise, there might be some unknown aspect of digital technology (D) that could be a way to solving work-related issues. More people at the Company are taking personal responsibility for work-related issues and seeking out solutions with various technologies, and ideas for using technologies leads to small transformations (X) that become digital transformations (DX). I am also on the lookout for technological solutions to issues, and will strive to nimbly come up with outside-the-box ideas and create new value.



Example of DX Measures

"K" LINE is using data and digital technologies to advance information and work processes as well as the digitalization of ships. The Company is polishing its three core values of safety, the environment, and quality with the aim of improving added value. Below, we introduce some examples of this initiative.

"K"-Assist Project: Digital for Safety

The "K"-Assist project stands for "K" LINE Autonomous Ship with Safe and Intelligent Supporting Technology. "K" LINE launched this project as an initiative that aims to firmly maintain safety with highly intelligent ships. Drawing on four fields, this project proactively incorporates know-how and technologies from not only the marine transportation and shipbuilding industries, but also from other industries. Our aim is to establish autonomous ship navigation technology that increases safety further and lightens workloads on crew.

Among the four fields, in support for sentry duty and ship navigation, ship operators have traditionally followed a set of procedures, starting with situational awareness to information processing, risk assessment, action decision-making, and finally operating the ship. Using artificial intelligence (AI) and other technologies, we are developing systems that will display information and recommend courses of action for ship operations.

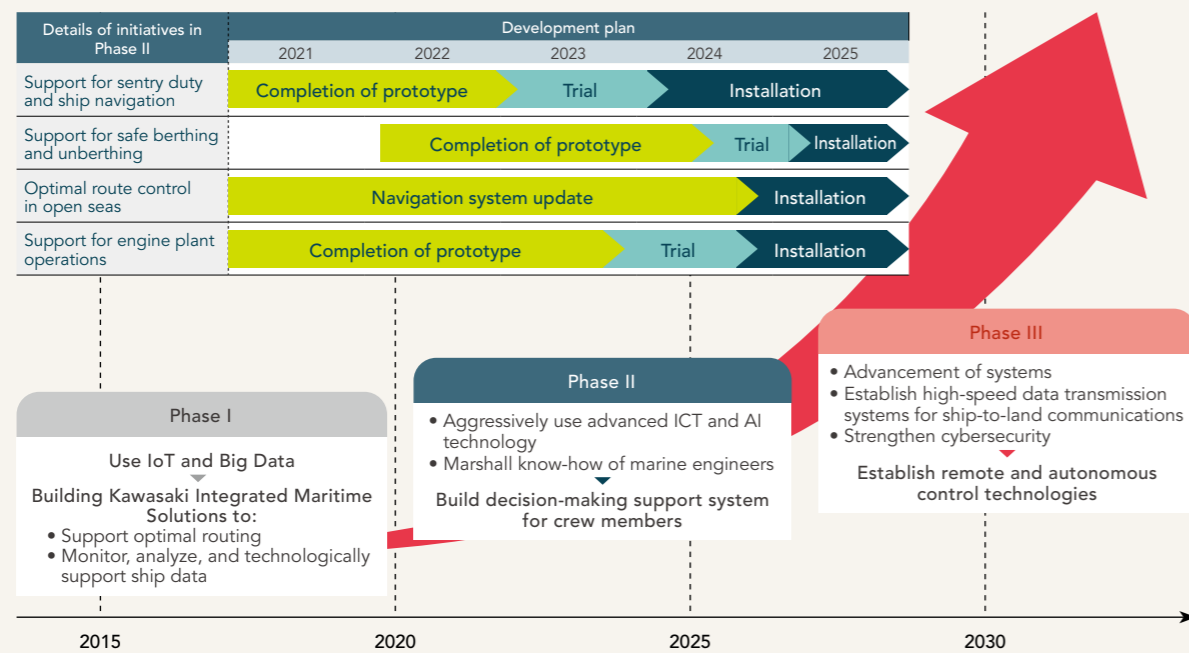
In support for safe berthing and unberthing, we are developing information display systems for ship operators that use a high-precision ship position prediction model that takes into account various external forces that work on the ship hull. Our aim is to increase the sophistication of safe berthing and unberthing operations, including controlling mooring winches.

In the field of optimal route control in actual sea surroundings, our systems will support the selection of ship routes using a model of ship sway characteristics and actual conditions in actual sea surroundings.

In support for engine plant operations, we aim to support optimal operations of engine plants, forecast and diagnose breakdowns, and monitor operating conditions through the use of advanced AI technologies to analyze an abundance of plant operations data gathered with Kawasaki Integrated Maritime Solutions.*

In Phase II of the "K"-Assist project, we plan to build a decision-making support system for crew members after conducting trials on land and sea.

* An integrated ship operation and performance management system with functions for shore-to-ship operations management, monitoring the state of operations of engine plants, and analyzing ship performance



Use of Kawasaki Integrated Maritime Solutions: Digital for the Environment

The Kawasaki Integrated Maritime Solutions integrated ship operations and performance management system gathers ship operations data from each ship and monitors in real time not only their propulsion performance and engine plant status, but also their CO₂ emissions and other environmental aspects. In 2021, "K" LINE introduced the latest AI analysis technology, which has raised the precision of performance assessments. Using up-to-date data on the weather and sea conditions, as well as a physical performance analysis model of each ship, our optimal ship operations support systems calculate recommended routes for ships, enabling safe and economical ship navigation while reducing the burden on the environment.

Automatic Plan Creation and Sharing System for Loading Iron Ore and Coal: Digital for Quality

"K" LINE is developing an automated cargo stowage planning system for loading iron ore and coal cargo in order to satisfy diverse customer requirements (loading port, discharging port, volume of each cargo, and ship's cargo hold designation) and various restrictions (draft, bow and stern trim conditions such as difference of draft, hull strength, etc.). The aim of this system is to maximize cargo volume, optimize stowage plan and reduce onboard work of ship's officers. Currently, ship officers and maritime technical personnel use their knowledge and expertise to calculate and select best stowage plan for each voyage, but in this project, by utilizing the latest mathematical optimization technologies, we have seen good results from testing a system for automatically creating cargo stowage loading plans in a shorter amount of time while maintaining the same quality as veteran maritime technical personnel.

Cybersecurity

"K" LINE continues to reinforce its cybersecurity. We have adopted the latest technologies, rolling out security monitoring systems and strengthening the security of our communications networks and endpoints, such as PCs and servers. Worldwide, "K" LINE is deploying multifactor authentication and increasing the level of security in account management and authentication. Management has clarified roles and responsibilities in cybersecurity across the "K" LINE Group, and it has built a system for accurately responding to cyber incidents and sharing information about malware and vulnerabilities. In addition to technological countermeasures, we are training employees on cybersecurity to foster a security-first mindset, and we are advancing DX based on safe, secure, and robust IT infrastructure. As a security measure for ships operated and managed by the "K" LINE Group, in July 2022, we installed on ships a cyberattack response platform and security monitoring services that use AI.

Corporate Governance

Aiming for Sustainable Growth and Grater Corporate Value

Directors (As of June 23, 2022)



Yukikazu Myochin
**Representative Director,
 President & CEO**
 Term of office as director: 6 years
 Number of the Company's shares held: 14,400 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,
 Vice President Executive Officer**
 Term of office as director: 4 years
 Number of the Company's shares held: 14,900 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 Representative Director,
 Vice President Executive Officer (Current)



Yukio Toriyama
**Representative Director,
 Senior Managing Executive Officer**
 Term of office as director: 3 years
 Number of the Company's shares held: 12,400 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: 3 years
 Number of the Company's shares held: 0 shares
 Born in April 1954
 Apr 1977 Joined Ministry of Home Affairs (currently 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 Trustee, 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)
 Jun 2021 Outside Director, Nitto Pharmaceutical Holdings, Ltd. (Current)



Ryuhei Uchida
Outside Director
 Term in office as outside director: 3 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: 2 years
 Number of the Company's shares held: 1,000 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 (retired in June 2022)
 Jun 2020 Outside Director of the Company (Current)
 Jul 2022 Joined Oka-Pamertts Law Office (Current)



Kazuhiko Harigai
**Representative Director,
 Senior Managing Executive Officer**
 Term of office as director: 3 years
 Number of the Company's shares held: 15,100 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, Senior Managing Executive Officer
 Term of office as director: 2 years
 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)



Tsuyoshi Kameoka
Independent & Outside Director
 Term in office as outside director: 1 year
 Number of the Company's shares held: 300 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. (retired in June 2022)
 Jun 2021 Outside Director of the Company (Current)
 Apr 2022 Trustee and Councilor, Kwansai Gakuin Educational Foundation (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	●				●
Keiji Yamada		●			●
Ryuhei Uchida	●		●		●
Kozue Shiga		●			●
Tsuyoshi Kameoka	●	●			●

Corporate Governance

Aiming for Sustainable Growth and Grater Corporate Value

Audit & Supervisory Board Members / Executive Officers (As of June 23, 2022)

Audit & Supervisory Board Members



Kunihiko Arai
Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 3 years
Number of the Company's shares held: 3,900 shares
Born in November 1959
Apr 1982 Joined the Company
Apr 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: 1 year
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: 3 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)
Sep 2020 Outside Auditor, GIXO Ltd. (Current)



Shinsuke Kubo
Outside Audit & Supervisory Board Member
Term in office as Audit & Supervisory Board member: 2 years
Number of the Company's shares held: 400 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, In charge of Bulk Carrier and Drybulk Planning, Responsible for Marine Sector, Advanced Technology, Ship Technical, GHG Reduction Strategy Unit

Yukio Toriyama
Senior Managing Executive Officer
Responsible for CFO Unit (Corporate Planning, Research, Corporate Sustainability, Environment Management, IR and Communication, Finance, Accounting, Taxation), Legal, Corporate Legal Risk & Compliance Unit, 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, Short Sea and Coastal Business and Affiliated Business)

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

Daisuke Arai
Managing Executive Officer
Responsible for Containerships Business Unit, Digitalization Strategy Unit, CIO (Chief Information Officer)

Makoto Arai
Managing Executive Officer
Supervising Legal, Corporate Legal Risk & Compliance 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, Environmental Management, IR and Communication

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

Yuji Asano
Managing Executive Officer
In charge of Finance, Accounting, Taxation

Michitomo Iwashita
Executive Officer
Supervising Ship Technical, GHG Reduction Strategy In charge of Electricity and Offshore Business, Advanced Technology

Masatoshi Taguchi
Executive Officer
In charge of Coal & Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning & Operation

Toyohisa Nakano
Executive Officer
In charge of Ship Technical, GHG Reduction Strategy General Manager of Ship Technical Group

Satoshi Kanamori
Executive Officer
In charge of LNG, Carbon-Neutral Promotion

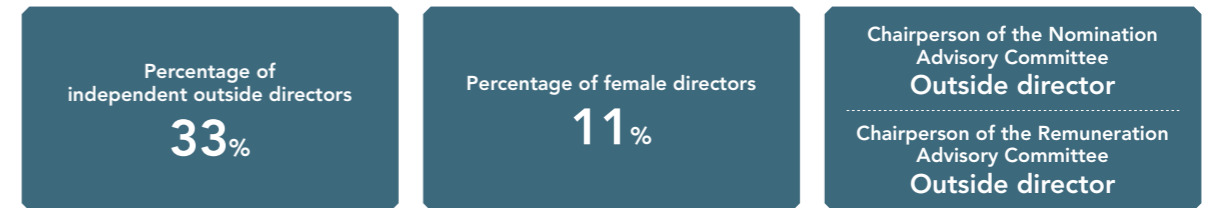
Akihiro Fujimaru
Executive Officer
In charge of Marine Sector

Hisashi Nakayama
Executive Officer
In charge of Tankers, Fuel Strategy & Procurement

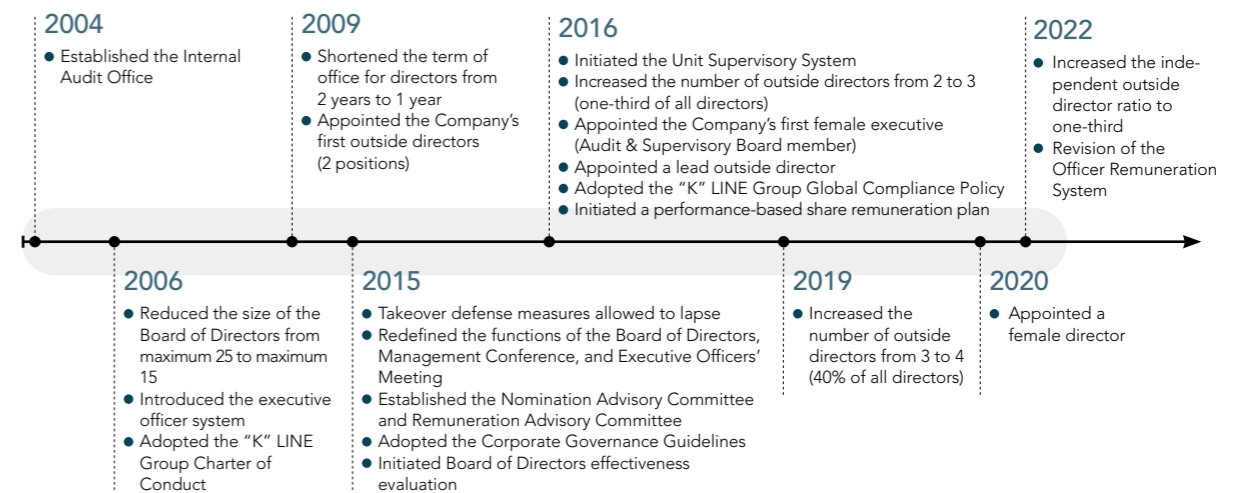
Fumiyoshi Sato
Executive Officer
In charge of Legal, Corporate Legal Risk & Compliance, General Manager of Legal Group and Corporate Legal Risk & Compliance Group

Overview of Corporate Governance

"K" LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and 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.

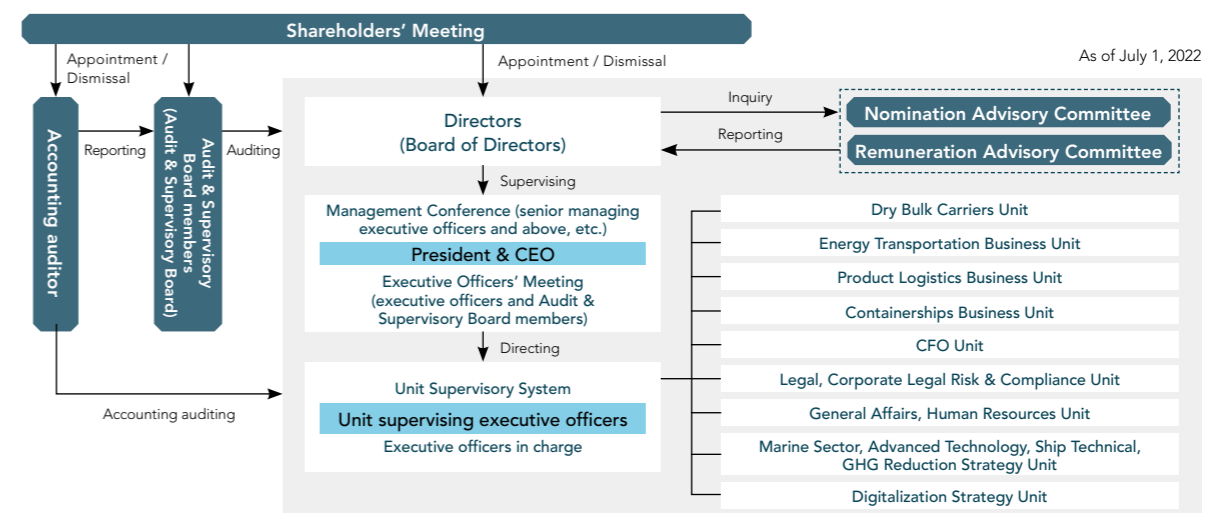


Corporate Governance Reform



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.



Corporate Governance

Aiming for Sustainable Growth and Grater Corporate Value

► 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 terms. Outside directors should possess broad experience and insight that enable 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 chairperson of 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 Audit & Supervisory Board member 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	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 maintenance technician who contributed to safe flight operations at Japan Airlines Co., Ltd. Her presence as an outside Audit & Supervisory Board member 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 & Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

► Establishment of Nomination Advisory Committee and Remuneration Advisory Committee

As a company structured with an Audit & Supervisory Board, "K" LINE voluntarily established a Nomination Advisory Committee and a Remuneration Advisory Committee to enhance the function of the Board of Directors.

The committees are composed of independent outside directors, Chairperson of the Board, and 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 2022)

Nomination Advisory Committee		Remuneration Advisory Committee	
Chairperson	Kozue Shiga	Chairperson	Keiji Yamada
Members	Keiji Yamada, Tsuyoshi Kameoka, Yukikazu Myochin	Members	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, Audit & Supervisory Board, Nomination Advisory Committee, and Remuneration Advisory Committee

Meetings Attended / Meetings Held (Fiscal 2021)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Yukikazu Myochin	18/18	—	8/8	6/6
Atsuo Asano	18/18	—	—	—
Yukio Toriyama	18/18	—	—	—
Kazuhiko Harigai	18/18	—	—	—
Yasunari Sonobe	18/18	—	—	—
Makoto Arai	18/18	—	—	—
Seiichi Tanaka*1	5/5	—	3/3	3/3
Keiji Yamada	18/18	—	8/8	6/6
Ryuhei Uchida	18/18	—	—	—
Kozue Shiga	18/18	—	8/8	6/6
Tsuyoshi Kameoka*2	13/13	—	5/5	3/3
Kunihiko Arai	18/18	16/16	—	—
Yutaka Akutagawa*2	13/13	12/12	—	—
Atsumi Harasawa	18/18	16/16	—	—
Shinsuke Kubo	18/18	16/16	—	—
Tsuyoshi Yamauchi*1	5/5	4/4	—	—

*1 Retired in June 2021

*2 Appointed in June 2021

► 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 remuneration, 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	Within ¥600 million/year
	(2) Bonuses based on consolidated performance*	Variable remuneration	Linked to the degree of achievement of consolidated performance targets and individual performance evaluations in single fiscal years	
	(3) Performance-based share remuneration (BBT)*		Linked to the Company's medium- to long-term total shareholder return (TSR) TSR = Rate of increase of the Company's shares over a fixed period + 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 three 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

Corporate Governance

Aiming for Sustainable Growth and Grater Corporate Value

▶ Audit & Supervisory Board

Audit & Supervisory Board members attend Board of Directors' meetings, the Executive Officers' Meeting, and other important meetings to verify that the decision-making process is appropriate and fair. The members gather and examine information on the status of business execution and assets through periodic meetings with representative directors, outside directors, accounting auditors, internal audit divisions, and others; hearings with executive officers responsible for business units; and the review of important documents. In accordance with the Companies Act, Audit & Supervisory Board members also monitor and inspect the establishment and operational status of corporate group internal control systems as well as audits conducted by accounting auditors.

Outside Audit & Supervisory Board members conduct audits objectively from a neutral standpoint, expressing opinions at conferences and meetings based on their knowledge as lawyers or certified public accountants.

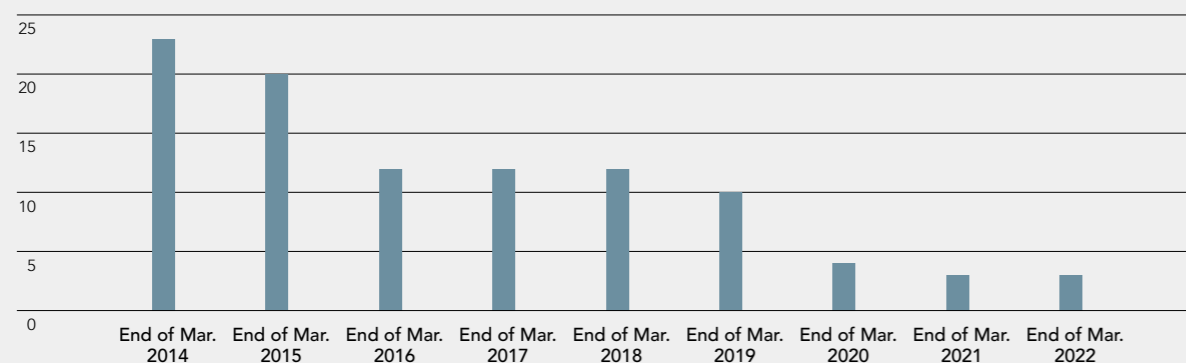
Cross-Shareholding Policy

In accordance with the "K" LINE Corporate Governance Guidelines, the Board of Directors carefully examines cross-shareholdings of listed shares at least once per year to verify the purpose, economic rationale, and appropriateness of individual holdings. In examining economic rationale, the Board will consider liquidating shares if returns from the holdings have fallen below the cost of shareholders' equity in a given fiscal year.

The Company has been reducing cross-shareholdings, and as of March 31, 2022, the number of cross-shareholdings of listed shares was three.

Cross-shareholdings

(Holdings)



Specified investment shares

Issues	FY2021	FY2020	Purpose of holding, quantitative effect of holding, and reason for increase in number of shares	Holds "K" LINE shares
	Shares	Shares		
JFE Holdings, Inc.	5,062,170	5,062,170	As JFE Holdings is a major shipper in the Dry Bulk segment, "K" LINE continues to hold shares in JFE Holdings to enhance long-term and sustainable growth by maintaining and strengthening its business relationship with this company.	No
	8,722	6,899		
Kawasaki Heavy Industries Ltd. (KHI)	1,001,699	1,001,699	As KHI is a collaborator in the field of advanced technologies and a major shipbuilding business partner in the Dry Bulk, Energy Resource Transport, and Product Logistics segments, "K" LINE continues to hold KHI shares to enhance long-term and sustainable growth by maintaining and strengthening its business relationship with this company.	Yes
	2,229	2,746		
Kamigumi Co., Ltd.	118,404	118,404	"K" LINE continues to hold Kamigumi shares to enhance long-term and sustainable growth by maintaining and strengthening its business relationship with this company in light of transactions in the Product Logistics segment, the co-establishment of a holding company, and other factors.	Yes
	260	248		

Notes 1. If the holder of "K" LINE shares is a holding company, the number of shares held by major subsidiaries (number of shares actually held) is indicated.
2. As it is difficult to quantify the effect of shareholdings, the method used to verify the rationale behind said holdings is described. The "K" LINE Board of Directors verifies the appropriateness of individual holdings on a fiscal year-end basis.

▶ Board Evaluation

As "K" LINE believes an effective corporate governance function is essential for sustainable growth and enhancing corporate value over the medium to long term, the Board of Directors conducts self-evaluations on Board effectiveness each year, with the results disclosed in a timely and appropriate manner. Independent third-party evaluations are conducted once every three years, with the latest third-party evaluation conducted in fiscal 2021.

Progress in Addressing Issues Raised by the Fiscal 2020 Evaluation

■ Promoting Corporate Sustainability

Evaluations confirmed that internal frameworks are well developed, discussions are substantial, and sustainability monitoring is functioning sufficiently. Regarding climate change issues in particular, sufficient responses are being made to address issues directly linked to business. As sustainability-related demands are increasing throughout the world year by year, the Company will maintain efforts in this area going forward.

■ Strengthening Group Governance

Evaluations confirmed improvements from the previous year, with sufficient discussions held by the Board of Directors and reporting systems between executives and the Board functioning properly. The substantial impact of the containership business integrated into Ocean Network Express Pte. Ltd. on Group performance has reaffirmed the importance of major shareholder monitoring and governance enhancements.

■ Improving Medium- to Long-Term Capital Policy Discussions

Due to rapid changes in the business environment, including a significant improvement in containership business integration company profitability, the Company recognizes the increasing importance of a medium- to long-term capital policy, which is being discussed in detail through the process of formulating the new medium-term management plan.

■ Redoubling Efforts to Enhance Cybersecurity

Evaluations confirmed that adequate responses were made due to priority improvement measures that were taken over the past year, including the formulation of basic cybersecurity policies and the creation of a framework utilizing the expertise of outside consultants. As cybersecurity issues are evolving at an increasingly rapid pace, the Company will continue to strengthen its response to cyber threats.

Fiscal 2021 Evaluation

■ Method for Evaluating Board Effectiveness

The evaluation for fiscal 2021 under review was conducted by an independent third-party evaluation firm that interviewed all directors and Audit & Supervisory Board members.

■ Analysis of Board Effectiveness and Overview of Evaluation Results

We have determined that the following strengths noted in the fiscal 2020 evaluation have been maintained and were reinforced in the year under review.

- Continuous engagement in governance reforms and improvements
- Cooperative atmosphere fostered under the leadership of the chairperson
- Appropriate decision-making process within the execution of business and supervision of prompt execution
- Appropriate monitoring by diverse outside directors
- Proactive discussions about capital efficiency, including asset portfolio revisions
- Constructive dialogues with shareholders

In the fiscal year under review, we evaluated the status of initiatives related to items added in the June 2021 revision of the Corporate Governance Code, determining that sustainability is being sufficiently addressed. At the same time, we recognized the need for further discussions, such as following up on progress under the management plan. These points have been identified as issues to be further addressed to improve governance in the future.

Going Forward

Although the Board of Directors has determined that effectiveness is properly maintained at present, continuous improvements will be made to ensure a more effective Board, including:

- Following up on medium-term management plan progress
- Holding discussions on the medium- to long-term capital policy
- Strengthening Group governance
- Engaging shareholders in constructive dialogue
- Clarifying the succession plan formulation process

Corporate Governance

Aiming for Sustainable Growth and Grater Corporate Value

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 terms. The Company's current outside directors were asked for their honest opinions in response to the questions on page 55.



Keiji Yamada
Outside Director

A1 The most important point is to be aware that rather than simply developing tools, digital transformation involves changing social structures.

Although we won't see an immediate shift from GAFA to decentralized autonomous organizations (DAO) and the metaverse, when DX itself shifts to make the supply chain more seamless, the shipping industry may also begin changing.

It has taken about five years for Mobility as a Service (MaaS) to take shape in the automotive world. Our current medium-term management plan does not look that far ahead in terms of the form that flexible maritime transportation methods will take. I hope young people will bear this in mind.

A2 At universities, there is growing interest in interdisciplinary studies (intermediate areas of study between disciplines). This is also referred to as a fusion of arts and sciences. Undoubtedly, such intermediate areas between business divisions will emerge at "K" LINE along with business division independence. We will closely monitor how this will unfold during the implementation phase of the medium-term management plan.

A3 My impression is that the Company's decision-making processes are discussed quite thoroughly in a step-by-step process, from business divisions to the Executive Officer's Meeting, and then the Board of Directors. However, it would be ideal if a corporate culture could be created where an independent and decentralized organization—not even necessarily a DAO—is established and Board of Directors' discussions determined the direction of the Company on the basis of these discussions. While I have laid out some theoretical points, I personally look forward to a time when young employees directly approach the Board of Directors and say, "This project is interesting and I absolutely want to go ahead with it."



Ryuhei Uchida
Outside Director

A1 The major points discussed in formulating the medium-term management plan include redefining the Company's direction based on the "K" LINE corporate principle and vision, strengthening the business portfolio strategy through the concentrated allocation of management resources, and devising a capital policy with an awareness of the optimal capital structure. In addition, specialized external resources were also used to vigorously discuss these points at Board meetings.

I participated in discussions based on the recognition that allocating management resources to areas where we can leverage our strengths and the ongoing pursuit of capital efficiency improvements are important for enhancing corporate value.

A2 Our financial position has improved significantly as we transition from management that abided challenging environments to a stage where management proactively seeks to enhance corporate value.

Sufficiently investing in business opportunities where we can leverage our strengths, including the transition to a carbon-free society, is critical. To this end, it is essential we maintain and enhance investment discipline, which has become more robust in recent years through business management advances.

While current business performance remains solid due to favorable market conditions, we believe it is important to practice disciplined management to achieve medium- and long-term goals without being influenced by short-term changes in the external environment, while earning the trust of our stakeholders.

A3 Conflicts of interest that may arise between shareholders and executive officers are an important corporate governance issue.

It is crucial that the Board of Directors recognizes its fiduciary responsibilities to shareholders by engaging in appropriate decision-making and monitoring to enhance corporate value over the medium to long term, and in this respect I think we need to deepen our understanding.

From the perspective of improving corporate governance, the Board of Directors should deliberate and advance initiatives that are necessary for transforming its central role from management recommendations to management monitoring with the aim of creating an even more effective Board of Directors.

Q1

What points were discussed by the Board of Directors in formulating the new medium-term management plan (including function strategies related to the environment, human resources, digital transformation, etc.), and what was your specific input?

Q2

As we are now in the implementation phase of the medium-term management plan, what key points does the Board of Directors emphasize in terms of monitoring?

Q3

What are your thoughts on how Board discussions and decision-making processes could be improved going forward?



Kozue Shiga
Outside Director

A1 I believe the key point was to thoroughly reexamine where we stand and clarify the Group's ideal positioning. With perseverance and composure cultivated in the process of implementing fundamental reforms to "K" LINE's financial structure, we focused on how to maintain steady progress despite the rapidly changing business environment. We also engaged in long, detailed discussions pertaining to being more open to maritime transport as a way forward. Regarding contributions to low-carbon/carbon-free societies and DX, we took advantage of every opportunity to receive detailed explanations from departmental experts to ensure a solid understanding of how the Group can achieve these objectives.

A2 Simply put—I think it is important that we not forget our original intentions. In formulating the medium-term management plan, we solicited opinions from young employees who will play leading roles in "K" LINE's business going forward and firmly reflect those opinions in the medium-term management plan. To compensate for a lack of experience in forming opinions among young employees, we also incorporated the thorough guidance and advice of professional consultants. In implementing a medium-term management plan formulated in this way, we constantly bear in mind the potential for earning a greater degree of trust from Group stakeholders as we engage in monitoring from the perspective of remaining mindful of plan objectives and principles and ensuring our actions are consistent with those objectives.

A3 I think the key is becoming more proactive. Of course, this is also a priority given current conditions, as there is still a gap between the time available to outside officers for reviewing information on individual matters compared with the time available to Company officers. There is no denying that this is the source of differences in terms of the types of ideas that are generated. I think there is still room for improvement in terms of speeding things up, such as holding preliminary briefings, sending out materials prior to the briefings, and providing more opportunities for questions. Further, in addition to increasing the Board of Directors' diversity, rather than limiting discussions to those between Company and outside executive officers, I would like to see the establishment of an approach whereby heated discussions consistently take place among Company and outside directors and even the Board as a whole.



Tsuyoshi Kameoka
Outside Director

A1 In formulating the medium-term management plan, there were energetic discussions on improving profitability in the four pillar businesses to establish a balanced earnings structure in line with the container business, which at present contributes substantially to earnings. Through this process, we clarified specific measures to proactively address environmental issues to support the sustainable growth of society as a trusted partner to all stakeholders. I myself repeatedly advised the Executive Officers' Meeting to involve employees from each department in discussions during the strategy formulation process and to ensure that each employee is fully aware of strategy at the implementation stage.

A2 To steadfastly monitor the status of medium-term management plan implementation, it is important to first clarify differences in numerical targets, and if errors are large, to thoroughly analyze causal factors. We will also monitor countermeasure formulation and implementation by thoroughly verifying whether these factors are beyond the Company's control, whether forecasts made when the plan was formulated were incorrect, and whether the strategy itself was unrealistic.

Further, I hope to receive regular progress reports on items that are difficult to quantify, such as DX strategies and human resource development, and see more opportunities for direct dialogues with employees to confirm progress.

A3 Based on the results of annual evaluations of the Board of Directors' effectiveness, we have clarified issues and continue to take actions toward improvements. To realize further enhancements going forward, especially with regard to important matters, I believe efforts are necessary to facilitate more actionable discussions at Board of Directors' meetings by ensuring sufficient coordination with relevant departments ahead of meetings to secure enough time for preparation and deliberation.

▶ The United Nations Global Compact

“K” LINE has signed 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. We have also 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 2021, we participated in the Human Rights Due Diligence (HRDD) Subcommittee, the Supply Chain Subcommittee, the GC’s Internal Penetration Research 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, to the extent possible, shared information on our own initiatives.

▶ Ship-Dismantling and Resource-Recycling Procedures That Are Considerate of Environmental Preservation and Occupational Health and Safety

Vessels that have reached the end of their service lives are dismantled and become useful sources of metals, while their rebirth as products and services leads to the development of community life and employment.

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. Accordingly, “K” LINE has formulated Company regulations and other detailed regulations for dismantling ships. We select dismantling yards by inspecting the site and carrying out impact evaluations according to our own checklist, which assesses factors such as whether work is being carried out safely, whether substances harmful to humans or the environment are collected, and whether a negative impact on the surrounding environment is prevented or mitigated. Additionally, we monitor the work processes and constantly check that work is being carried out in consideration of safety and the environment.



▶ Our Efforts to Ensure Human Rights Due Diligence

In February 2022, we formulated the “K” LINE Group Basic Policy on Human Rights based on the UN Guiding Principles on Business and Human Rights.

This policy was formulated as a more concrete policy for respecting human rights, as set out in the “K” LINE Group Charter of Conduct, which is adhered to throughout the Group. The policy also stipulates that the Group will respect and comply with international norms and laws related to respecting human rights, as well as implementing human rights due diligence. Under this policy, we specified human rights issues that should be addressed as priorities in the Group’s business activities. This was accomplished through a paper survey carried out in the first half of fiscal 2022 with Group companies both inside and outside Japan. We will address the identified issues for which measures need to be reinforced at each company and make improvements by implementing an action plan in the second half of fiscal 2022. “K” LINE aims to establish a PDCA cycle to promote initiatives for respecting the human rights of all stakeholders involved in the business activities of the Group.



▶ 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 & CEO, 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.

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.

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.

4. Our Efforts to Protect Personal Information

To respond to more severe regulations related to protecting personal information around the world, we added Individual Policy IV Data Protection Law into the “K” LINE Group Global Compliance Policy in October 2021. Based on this policy, we are reinforcing efforts to handle personal information properly.

▶ Our Efforts to Raise Compliance Awareness

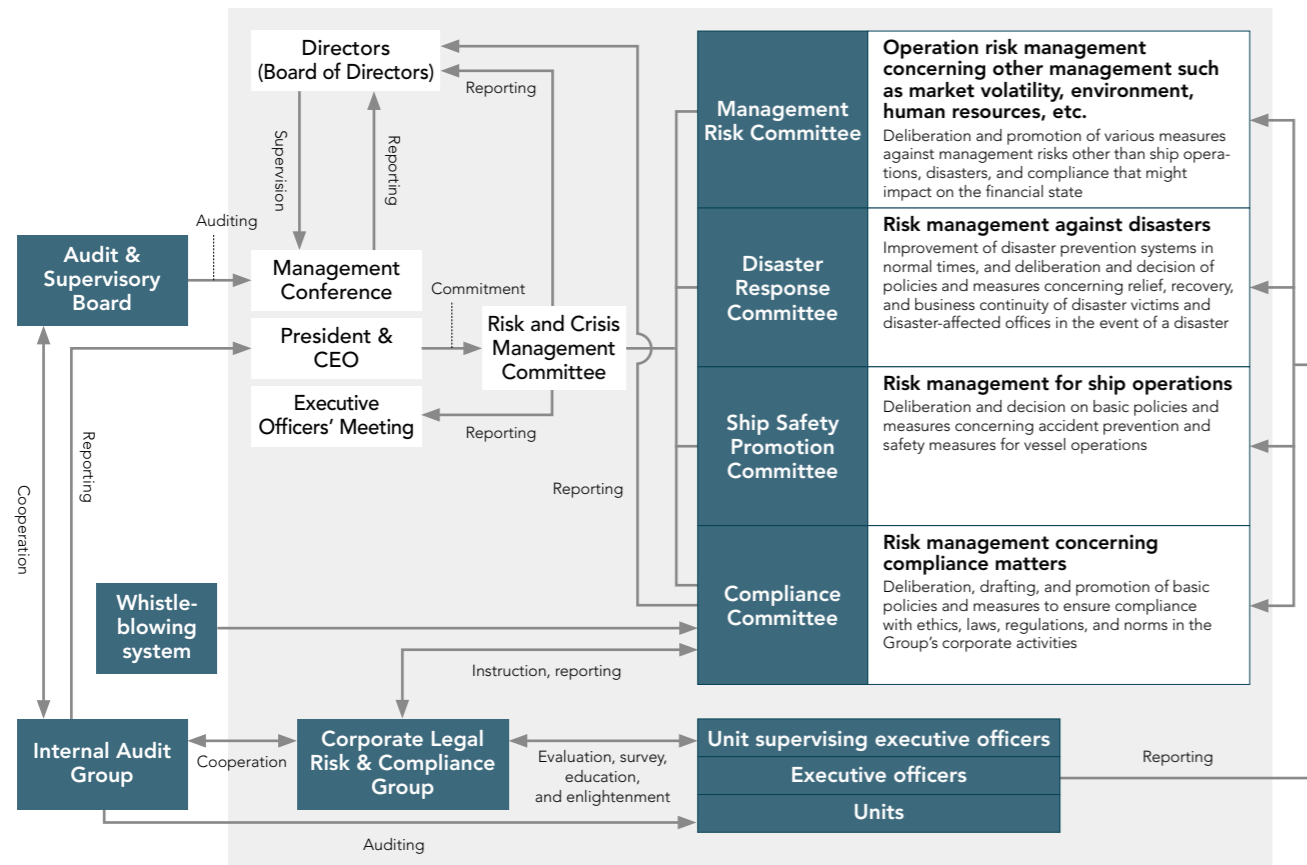
We set every November as “Compliance Month,” when we distribute a message from the president to executives and employees of “K” LINE and its Group companies to remind them of the importance of compliance. We also hold compliance e-learning training, compliance seminars featuring lecturers invited from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

Risk Management

► 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 & CEO serves as the chairperson of all these committees, and their meetings are held regularly.

Led by the committees for the four aforementioned categories of risk, we regularly and continuously implement training for the purpose of risk management. As an example, we reinforce risk management through drills for large-scale accidents, participation in study sessions with other companies, and other measures. Further, we set every November as "Compliance Month" in order to achieve a deeper understanding of compliance.



► 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 or 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 2022, the Company's business operations may continue to be affected by unexpected events, such as the emergence of variants of viruses or the discovery of new strains. However, by reviewing measures taken over the past two years and in accordance with 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.

► 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 the lives of crew members. 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 & CEO, 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.

► Fostering of a Risk Management Culture

To ensure thorough risk management within the Group, we identify Groupwide risks and work to address them through management and monitoring of information. At the beginning of each fiscal period, we specify and identify comprehensive risks. We determine serious issues to be addressed based on the effectiveness of the risk management system and key risks, and utilize a PDCA system to carry out regular reviews within each committee, perform re-assessments, and implement measures after re-evaluating risks.

To understand the impacts on our businesses in the case of sudden changes, such as geopolitical risks, in a timely manner, we not only carry out regular reviews to evaluate and identify risks but also gather the necessary information through related divisions, compile information on the expected impacts, and consider necessary measures.

Additionally, each business unit provides information on risk management throughout the PDCA cycle. Progress of risks and measures reported by each unit, as well as the serious issues and their countermeasures identified at the beginning of the fiscal year, are communicated internally on a daily basis through Board of Directors' meetings and the Executive Officers' Meeting.

To encourage and reinforce an effective risk management culture throughout the organization, there are risk management sections in guidelines determined at each level of hierarchy, and we have created a personnel assessment system to ensure these standards are reflected. This assessment also has an impact on salary and promotions. Senior executives have a responsibility to implement risk management initiatives across the entire Company.

Furthermore, we enlighten employees on risk management by publishing other risk management regulations, BCP information, and other related information on the top page of our internal portal site.