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Kawasaki Kisen Kaisha, Ltd.

Yukikazu Myochin, Representative Director, President & CEO

Contact: Masaya Futakuchi, General Manager, General Affairs Group

Tel: 81-3-3595-6568

Securities Code: 9107

<https://www.kline.co.jp/en/index.html>

The corporate governance of Kawasaki Kisen Kaisha, Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

(Basic principle of corporate governance)

Solid corporate governance is essential for a company to fulfill its social responsibility, respond to the commitment bestowed by stakeholders and achieve sustainable growth.

The Company has been engaged in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to increase its corporate value by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with the achievement of increasingly robust earnings and a stronger financial standing.

[Reasons for Non-compliance With the Principles of Japan’s Corporate Governance Code] [Updated]

The reasons are listed based on Japan’s Corporate Governance Code following revisions made in June 2021, and all principles have been implemented including details for companies listed on prime markets.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code] [Updated]

Please refer to the Company’s Corporate Governance Guidelines (hereinafter, the “Guidelines”), which have been posted to the Company’s website in their entirety.

https://www.kline.co.jp/en/csr/governance/corporate_governance/main/00/teaserItems1/01/linkList/0/link/guideline.pdf

Details of disclosure based on the principles of Japan’s Corporate Governance code are as follows:

- 1) [Principle 3.1 (i) Management Principles, Business Strategies and Business Plans]
and
- 2) [Principle 1.3 Basic Strategy for Capital Policy]

The Company stipulates in the Charter of Conduct for the “K” LINE Group companies that the “K” Line Group will protect personal and customer data, properly manage corporate information through timely and appropriate disclosure, widely promoting bi-directional communication with society including shareholders.

In addition to financial information, non-financial information is also published annually in the “K” LINE REPORT’ and on the Company’s website.

<https://www.kline.co.jp/en/ir/library/report.html>

Corporate Principle and Vision

In May 2022, having considered the scale and importance of the impact of changes in the business environment on the Group, the Group reconfirmed our goals and revised our “Corporate Principle”, “Vision” and “Values the “K” LINE Group prize”

Through this process, we reconfirmed that logistics centered on the shipping business is the Group's business area. We clarified the direction of the Group in this business area as working to enhance corporate value through the promotion of low-carbonization and zero-carbonization at our company and in society, concentrating management resources in businesses that play leading roles in driving growth to realize that goal, and becoming a company that pursues both customers and growth opportunities that allow us to carry out activities aimed at low-carbonization and zero-carbonization.

Corporate Principle

– “K” LINE: trust from all over the world –

As a logistics company rooted in the shipping business, we help make the lives of people more affluent.

Vision

As a partner trusted by all its stakeholders, we aim for sustainable growth and greater corporate value by supporting the infrastructure of the global community. .

Values the “K” LINE Group prizes

- ◆ Providing safe and optimized services that put the customer first.
- ◆ Tireless attitude toward problem solving
- ◆ Providing the value only “K” LINE can in pursuit of expertise
- ◆ Relentless efforts to achieve innovation
- ◆ Contributing to the global environment and a sustainable society
- ◆ Respecting individuals and ensuring fair business activities by embracing diverse values

Business Strategies and Business Plans

Management Strategy

Amid large changes in the business environment, the Group released our five-year medium-term management plan covering Fiscal Year 2022 through Fiscal Year 2026. To polish our expert capabilities, the unique strength of the Group, to promote the low-carbonization and zero-carbonization of our company and society heading toward 2050, and to realize our long-term management vision of balancing these goals with earnings growth, we have clarified the policies that we will implement in the coming five years in our medium-term management plan. We are moving forward with support for the energy infrastructure changeover parallel to the transition to fleets composed of ships using alternative fuels. Simultaneously, to ensure that we capture these business opportunities and to enhance our profitability and growth potential, we are working to enhance our corporate value sustainably by concentrating our management resources and strengthening our partnerships with our customers. To realize these initiatives, we are executing our business strategies, building our business foundation, and clarifying our capital policy.

We have established the following management indices and goals to quantitatively manage our initiatives to enhance corporate value.

Management Index	Goal
ROE	10%+
Income	Ordinary income of ¥140 billion in Fiscal Year 2026 (balancing the earnings power of our pillar businesses and containership business)
Optimal capital structure	Balancing the optimization of our capital efficiency as a group with sound finances that allow strategic fundraising
Shareholder returns policy	Scale of between ¥400-500 billion in the medium-term management plan (proactively promoting shareholder returns including share buybacks with a constant awareness of our optimal capital structure, while ensuring the necessary investment and financial soundness to enhance our corporate value, and while considering cashflow for the portion exceeding the appropriate amount of capital).

Medium-Term Management Plan

1. Formulating a long-term management vision for growth leveraging the environment

We have formulated a long-term management vision that we would like to realize through activities aimed at strengthening portfolio management and low-carbonization and zero-carbonization.

To polish our expert capabilities, the unique strength of the Group, and to balance contributing to the low-carbonization and zero-carbonization of the Company and society with profit growth, we are concentrating our management resources in businesses that play a role in driving growth, aiming for sustainable growth as a company that is highly market resistant with both our pillar businesses and containership business. We will implement investment with a greater awareness of capital cost and appropriate capital policy.

2. Concentrating management resources through our business portfolio strategy

Our new business portfolio framework categorizes the roles of the businesses and clarifies the strategic direction of each business according to its role.

Using the low- and zero-carbon transitions of the Company and society as an opportunity, we will achieve business growth through the concentrated allocation of management resources in the portfolio of “businesses that play a role of driving growth.” In the portfolio of “businesses that play a role of supporting a smooth energy source conversion and taking on new business opportunities,” we will strive to meet the demand for alternative fuels while minimizing business risks. In the portfolio of “businesses that play a role in contributing by enhancing profitability,” we will pursue synergies with other businesses while promoting the migration to a light-asset business model by aligning the ship ownership period with the contract period for bulk carriers, working to improve market resilience and secure stable earnings in each covered business. For these three portfolios, we will continue to consider strategic replacement of business assets.

In the portfolio of “businesses that play a role of supporting the business as a shareholder and stabilizing the earning base,” we aim to maximize corporate value through ongoing personnel support and involvement in management governance. In the “new business domain,” we will pursue Group synergies and expand the business domains in which we can leverage our strengths.

3. Building a business foundation to realize our business strategy by polishing technologies and expertise

unique to the Group through our capabilities strategy based on our organizational and personnel plan

We will build a solid business foundation to realize our business strategy. By improving our unique technology and expertise through investment into the human resources that are the source of the Group’s value proposition as well as their supporting systems and technologies, we will enhance our organizational strength through coordination among our specialized and technological divisions and aim for sustainable growth. Furthermore, regarding the environmental and technological development and safety and ship quality management that are essential to realizing future growth, we will further strengthen our response by establishing a support system and organization through continuous initiatives and by strengthening our global locations.

4. Creating optimal capital policy at the Company and improving business management to execute that policy

Based on the optimal capital structure, we will strategically allocate resources to implement growth investments that capture medium- to long-term changes in the business environment, optimize capital efficiency, maintain and improve our financial base, and return profits to shareholders. In addition to base dividends, we will strive to increase shareholder value by flexibly implementing additional dividends and share buybacks. Furthermore, we will continue to stabilize and optimize our financial base by further improving our business management and maintaining and strengthening our investment discipline through the introduction of business investment management.

The management plan including the business strategies is disclosed on the Company’s website below.

<https://www.kline.co.jp/en/ir/management/strategy.html>

4) [Principle 3.1 (ii) Basic Principle and Basic Policies on Corporate Governance]

To fulfill its corporate social responsibility, to respond to the mandate bestowed by shareholders and other stakeholders, and to achieve sustainable growth, establishing corporate governance is essential for the Company.

The Company has stipulated in its Guidelines that it engages in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to increase its corporate value by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with the achievement of increasingly robust earnings and a stronger financial standing.

Moreover, with respect to matters such as protection, proper management and disclosure of information, and communication with society, the items listed below have been stipulated in the Charter of Conduct for “K” Line Group Companies and the “K” Line Implementation Guideline for Charter of Conduct. Meanwhile the Company and companies of the Group have been striving to establish effective internal systems in order to achieve such aims.

1. Human rights
2. Compliance
3. Trustworthy company group
4. Proactive environmental efforts
5. Protection, proper management and disclosure of information and communication with society
6. Contribution to society
7. Harmony in the international society
8. No relations with anti-social forces

5) [Supplementary Principle 4.11.1 Principles on the Appropriate Balance Between Knowledge, Experience and Capabilities of the Board of Directors as a Whole, on Diversity and Appropriate Board Size, and Policies and Procedures for Appointing Directors]

and

6) [Principle 3.1 (iv) Principles and Procedures in the Appointment/Dismissal of the Senior Management and the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors]

To achieve the management plan, the Company’s Board of Directors shall consist of a variety of individuals of different genders, nationalities, careerswork histories, and ages, including those with experience in managing corporations and other large organizations and those with expertise in the operational, technical, financial, and other aspects of the shipping industry. This is to ensure constructive discussions and supervision based on diverse backgrounds and knowledge. The Company shall give extra consideration to such diversity when selecting candidates for Directors and the Audit & Supervisory Board Members and create and disclose a skill matrix for Directors. In addition, with respect to the size of the Board of Directors, there are currently nine Directors in office, of which three are Independent Outside Directors who satisfy the Company’s criteria. The skill matrix for Directors is disclosed in the Notice of the 154th Ordinary General Meeting of Shareholders below.

- Notice for the General Meeting of Shareholders (p. 25)

<https://www.kline.co.jp/en/ir/stock/meeting/main/012/teaserItems1/0/linkList/0/link/Notice%20of%20the%20154th%20Ordinary%20General%20Meeting%20of%20Shareholders.pdf>

The Guidelines stipulate the following regarding the qualifications required of officers.

- (1) The Company shall appoint to its Directors and Audit & Supervisory Board Members individuals possessing such broad and deep experience and knowledge as to be able to contribute to the monitoring of business execution, superior in personal quality, and highly conscious of complying with laws and regulations and prescriptive social norms. Also, the Company shall appoint those with expertise in finance, accounting, and legal affairs as Audit & Supervisory Board Members, and of which at least one person shall possess appropriate expertise on corporate finance and accounting.
- (2) The Independent Outside Directors shall be persons capable of performing the following roles and responsibilities, in addition to the aforementioned.
 - i. Provide advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase its corporate value over the medium- to long-term;

- ii. Evaluate management's performances as needed and express views, as members of the Nominating Advisory Committee and the Remuneration Advisory Committee, on management nominations and remunerations;
 - iii. Monitor the management through important decision-making at the Board of Directors;
 - iv. Monitor conflicts of interest between the Company and its management or controlling shareholders, etc.; and
 - v. Appropriately represent the views of stakeholders at the Board of Directors from a standpoint independent of the management and controlling shareholders.
- (3) The Company shall appoint to its Executive Officers individuals who are familiar with the shipping industry, who have abundant international sensibility and business acumen, who are highly esteemed inside and outside of the Company, who are capable of contributing to the implementation of the medium-term management plan as managers, and who are highly conscious of complying with laws and regulations and prescriptive social norms. When re-appointing the Executive Officers, the Company shall take into account the performance, etc. of the business units and departments of which they are in charge.

The Guidelines stipulate procedures enlisted by the Board of Directors with respect to appointing and dismissing senior management, and also with respect to nominating Director and Audit & Supervisory Board Member candidates, as determined by the Board of Directors. Such procedures are based on the aforementioned nomination policy, and subject to the fair, transparent and rigorous deliberations and recommendations of the Nominating Advisory Committee, and also subject to the consent of the Audit & Supervisory Board with respect to the candidates for Audit & Supervisory Board Member. When making such decisions, the Board of Directors shall respect the recommendations of the Nominating Advisory Committee.

The Nominating Advisory Committee shall furnish recommendations and advice to the Board of Directors, upon having deliberated on the reasonableness of proposals for appointment or dismissal of the Company's officers, as well as any other matters subject to inquiry of the Board of Directors concerning appointment or dismissal of the Company's officers. The Nominating Advisory Committee shall comprise all Independent Outside Directors, the Chairman, and the President & CEO, and its chairperson shall be appointed from among committee members who are Outside Directors. (Response to Supplementary Principle 4.11.1 with subsection I. 1. 12))

- 7) [Principle 3.1 (v) Explanations With Respect to Individual Appointments/Dismissals of the Senior Management and Nominations of Director and Audit & Supervisory Board Member Candidates by the Board of Directors]

The Company shall disclose reasons for appointment of its currently serving Directors and Audit & Supervisory Board Members in its Notice for the General Meeting of Shareholders. Moreover, reasons for appointment of the Outside Directors and Outside Audit & Supervisory Board Members are explained in this Corporate Governance Report, as well as in the Notice (Refer to section II-1 of this Report).

- 8) [Supplementary Principle 4.1.1) Scope of Matters Delegated to the Senior Management]

The Company shall stipulate in the Guidelines the following duties, such that are to be carried out by the Board of Directors which is to consist of a diverse range of Directors who are to be accordingly appointed based on the aforementioned policy for nomination.

- i. Set strategic direction by examining and deciding upon matters relating to the Company's business policy and strategy including business principles, corporate vision and medium-term management plan;
- ii. Conduct multifaceted and close examinations of, and decide upon the matters which are prescribed to be decided upon by the Board of Directors, from an independent and objective standpoint in light of the Company's business policy and business strategy, and receive reports on those matters which are required to be reported to the Board of Directors;
- iii. Conduct multifaceted and close examinations of proposals from the Executive Officers based on healthy entrepreneurship, from an independent and objective standpoint, in order to establish an environment that supports appropriate risk-taking by the Directors and the Executive Officers, and support the timely and bold decision-making by the Directors and the Executive Officers when approved plans are implemented;
- iv. (i) Oversee the execution by the Directors and the Executive Officers of their duties from an independent and objective standpoint, (ii) monitor the progress of the management plan and evaluate the status of achievement; (iii) analyze the causes if the management plan is not achieved and reflect such analysis on future plans; and (iv) disclose said causes of non-achievement and analysis to the shareholders;

- v. Develop and improve the risk management system and the corporate governance structure including the internal control system in order to ensure the rationale of the Company's decision-making process; and
- vi. Secure its fiduciary accountability to the shareholders on the Company's management, and oversee the Directors in order to ensure that information will be disclosed in a timely and accurate manner.

As such, the Regulations on Decision-Making Standards shall limit matters to be determined by the Board of Directors to those listed under items 'i.' to 'vi.' as follows, and decisions on matters of business execution otherwise shall be entrusted to the Executive Officers.

- i. Matters to be decided upon by the Board of Directors under laws and regulations;
- ii. Matters relating to the Company's business policy and strategy including business principles, corporate vision and medium-term management plan, strategic direction of the Company, and a single-year budget;
- iii. Important internal rules including Regulations on Decision-Making Standards;
- iv. Response guidelines to deal with any serious law violation committed by the Company;
- v. Matters relating to significant lawsuits; and
- vi. Significant matters comparable to any of the matters set forth above.

9) [Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

In addition to requirements stipulated by the Companies Act, the Company has established specific standards relating to independence in selecting Outside Directors and Outside Audit & Supervisory Board Members, which are provided below. Persons for which none of the criteria listed in the below items apply are deemed to be independent.

1. A person who has been a business executor (meaning a business executor as provided for in Article 2, Paragraph (3), Item (6) of the Regulation for Enforcement of the Companies Act; the same shall apply hereinafter) of a corporate group for whom the Company is a major client within the past three years. "A corporate group for whom the "K" LINE Group is a major client" refers to a corporate group that has received payment from the Group in each of the years in this three-year period accounting for over 2% of consolidated sales in each such year for that corporate group.
2. A person who has been a business executor of a corporate group that is a major client of the "K" LINE Group within the past three years. "A corporate group that is a major client of the "K" LINE Group" refers to a corporate group who made payment to the Group in each of the years in the three-year period accounting for over 2% of the Group's consolidated sales in each such year.
3. A person who has, within the past three years, been a business executor of a financial institution or another principal creditor, or its parent company or important subsidiary that plays a critical role in the "K" LINE Group's financing to such a degree that it is irreplaceable for the Group.
4. A person who has been paid ¥10 million or more or has received other assets in an amount equivalent thereto other than officer's remuneration from the Group in the past three years; or a person who has, within the past three years, belonged to an audit firm, tax accounting firm, law firm, consulting firm or other professional advisory firm that has been paid ¥10 million or more or other assets in an amount equivalent thereto by the Group in each of the years in the three-year period accounting for over 2% of the total revenues of such juridical person, etc. However, this shall not apply to a person who belongs to such juridical person in outline but has substantially no conflict of interest with the Group (a person who does not receive any compensation from such juridical person, for example).
5. A shareholder holding over 10% of the voting rights of the Company. If the shareholder is a juridical person, a person who has been a business executor of the shareholder or its parent company or subsidiary within the past three years.
6. Spouses or persons who are a relative of the second or less degree of a person falling under any of the above criteria.

The Guidelines stipulate that the Board of Directors shall endeavor to select the Independent Outside Director candidates who can contribute to the Company's sustainable growth and increase of corporate value over the medium- to long-term and can be expected to contribute to frank, active and constructive discussions at the Board of Directors.

10) [Supplementary Principle 4.11.2) Status of Concurrent Positions of Directors and Audit & Supervisory Board Members with Other Listed Companies' Officers]

For details regarding Directors and Audit & Supervisory Board Members who are concurrently serving as officers of other listed companies, please refer to the Company's Notice of the 154th Ordinary General Meeting of Shareholders, pages 12 to 27, and pages 44 to 45.

<https://www.kline.co.jp/en/ir/stock/meeting/main/012/teaserItems1/0/linkList/0/link/Notice%20of%20the%20154th%20Ordinary%20General%20Meeting%20of%20Shareholders.pdf>

In addition to the above, as of the submission of this report, the Company's Director Yasunari Sonobe has been appointed as Outside Directors at Rinko Corporation. Additionally, the Company's Outside Director Tsuyoshi Kameoka has been appointed as Outside Director of J-OIL MILLS, INC. and has retired as Special Counsel of Idemitsu Kosan Co., Ltd.

11) [Supplementary Principle 4.11.3) Overview of Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

With the aim of improving functions of the Board of Directors, the Board of Directors analyzes and evaluates its effectiveness as a whole, which involves referring to self-evaluation conducted annually by each of the Directors.

The Fiscal Year 2021 effectiveness evaluation was performed by an independent, third-party evaluation company by interviewing all Directors and Audit & Supervisory Board Members. An overview of these interviews is disclosed on the Company's website.

<https://www.kline.co.jp/en/news/other/other7582538464754617236/main/0/link/220428EN3.pdf>

12) [Supplementary Principle 4.10.1) An Independent Nomination Advisory Committee and Remuneration Advisory Committee]

As advisory committees to the Board of Directors, the Company has established a Nomination Advisory Committee and a Remuneration Advisory Committee which evaluate and deliberate on important matters such as nomination, remuneration, and successor plans. Each committee deliberates on inquiries received from the Board of Directors and acts as a recommending and advisory body to the Board of Directors. Each committee is chaired by an Independent Outside Director and composed of a majority of Independent Outside Directors, ensuring independence.

Furthermore, the Independent Outside Directors that serve as committee members for the Nomination Advisory Committee contribute appropriately to deliberations on management candidates from the standpoint of diversity including gender, as well as skills. (Please refer to subsection I. 1. 5) and 6))

13) [Principle 3.1 (iii) Board of Directors Policies and Procedures in Determining the Remuneration of the Senior Management and Directors]

The Guidelines provide for the Board of Directors' policies for determining the remuneration for senior management and Directors as follows:

- (1) The remuneration for the Executive Directors and the Executive Officers shall be appropriate, fair and balanced so as to reflect the Company's medium- to long-term business performance and the latent risks borne by said Executive Directors and Executive Officers and to further enhance their willingness and motivation to bring about the Company's sustainable growth and maximize its corporate value.
- (2) The remuneration for the Outside Directors shall reflect the amount of time devoted to the Company's business, and the responsibilities borne by them, and shall not include business performance-linked factors.
- (3) The amount of remuneration for each individual Director shall be fair and adequate in consideration of the Company's business performance and in light of the levels of remuneration paid by other comparable companies.

The Board of Directors' procedures for determining remuneration for senior management and Directors are as follows.

- (1) The institutional design and level of remuneration for Directors shall be deliberated on, resolved, and recommended to the Board of Directors by the Remuneration Advisory Committee pursuant to the aforementioned policies.
- (2) The Board of Directors shall furnish its approval for the remuneration by position for members of senior management and Directors within the limit of the maximum yearly remuneration resolved at the General

Meeting of Shareholders, paying heed to recommendations. Meanwhile, the Representative Director and President shall ultimately determine amounts of payment for each member of senior management and each Director.

The Remuneration Advisory Committee shall comprise all Independent Outside Directors, the Chairman, and the President & CEO. The chairperson shall be appointed from among committee members who are Outside Directors.

The performance-based remuneration other than fixed remuneration consists of bonuses which serve as monetary remuneration that reflects short-term business performance, as well as performance-based share remuneration (Board Benefit Trust, BBT) which is linked to the Company's total shareholders return (TSR) to provide incentive toward the aim of increasing corporate value over the medium- to long-term. In May 2022, the bonus structure was revised per (1) below, increasing incentives to achieve performance targets.

Note: The Company's 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)

- (i) For the bonus, the fixed remuneration of an individual officer is multiplied by a coefficient that is determined according to a set formula based on achievement levels versus consolidated performance operating forecasts at the start of an individual fiscal year (total amount of ordinary income, ordinary income excluding the containership business, and profit attributable to owners of the parent), on the individual officer's role, and on individual business performance contributions.
- (ii) The coefficient for the BBT is to be calculated as follows.
 - The coefficient that acts as a fixed remuneration multiplier is determined by combining two elements: the ratio of the Company's TSR to the TOPIX growth rate (the "TSR Ratio"); in conjunction with the Company's TSR ranking relative to the TSR of other companies (the "TSR Ranking").
 - The Company shall perform assessment, and accordingly award points, each fiscal year over a three-year period for assessing the TSR Ratio and TSR Ranking.
 - If the TSR Ratio amounts to 50% or less, then the coefficient is assigned the minimum value of 0%. If the TSR Ratio amounts to 100%, then the coefficient is assigned the base value of 10%. If the TSR Ratio amounts to 150% or more, then the coefficient is assigned the maximum value of 40%. The coefficient is calculated using the set formula if the TSR Ratio amounts to more than 50% but less than 100%, or if the TSR Ratio amounts to more than 100% but less than 150%. The BBT plan is designed so that the coefficient used as a multiplier increases when the TSR Ratio exceeds 100%, thereby providing the Company's Officers with greater incentive to increase shareholder value.
 - The TSR Ranking compares TSR of the Company with that of two other Japanese integrated shipping companies: Nippon Yusen Kabushiki Kaisha (NYK Line) and Mitsui O.S.K. Lines, Ltd. The TSR of both companies is calculated in the same way as that of the Company.
 - The amount of BBT remuneration is calculated by multiplying the coefficient as calculated above by the fixed remuneration of an individual officer. That amount is then converted to points which are awarded to the individual officer.

Please refer to pages 52 to 53 of the Company's 154th Annual Securities Report (Japanese only) for an overview of the details of the decision-making policy for individual remuneration, etc. of Directors.
<https://data.swcms.net/file/kline/dam/jcr:6845ee75-0c2e-4012-a7e6-b15168d0e087/S100O8Q8.pdf>

15) [Supplementary Principle 4.14.2) Policy on Training of Directors and Audit & Supervisory Board Members]

The Company's Guidelines stipulate training policy, as follows, with the aim of facilitating appropriate performance of the roles and responsibilities expected of Directors and Audit & Supervisory Board Members who constitute a critical element of the governance body.

- (1) Within three months from their appointment, the Company's newly-appointed Directors shall participate in an outside seminar primarily addressing the issues of legal liability under the Companies Act, the Financial Instruments and Exchange Act and other relevant acts. In addition, the Company shall provide the newly-appointed Directors with commentary books on directors' responsibilities.
- (2) Each year, the Company's Directors and Audit & Supervisory Board Members shall attend a training session on compliance matters including competition laws, insider trading regulations and anti-bribery.
- (3) When Outside Directors and Outside Audit & Supervisory Board Members take office, the Company shall ensure they gain a full understanding of the Group's business, corporate finance, organizational status, business environments and management issues by having its departments and officers in charge offer explanations about such subjects.

- (4) The Company's Directors and Audit & Supervisory Board Members including outside officers shall actively gather information at any and all times, and shall devote themselves to the studies of the Company's financial condition, status of compliance, corporate governance and other relevant matters.

16) [Principle 5.1 Policy for Constructive Dialogue With Shareholders]

From the perspective of achieving sustained growth and increasing corporate value over the medium- to long-term, the Company engages in constructive dialogue with its shareholders, etc., and its Guidelines and IR Policy furthermore stipulate policy, as follows, on establishing frameworks and engaging in efforts to facilitate such dialogue.

- (1) To achieve sustained growth and increased corporate value over the medium- and long-term, "K" LINE considers and executes measures that promote constructive dialogue with shareholders, etc.
- (2) The Executive Officer in charge of the Company's Corporate Sustainability, Environment Management Promotion, IR and Communication shall be responsible for overseeing constructive dialogue with shareholders, etc. The relevant departments in corporate such as Corporate Sustainability, Environment Management Promotion, IR and Communication, Corporate Planning, General Affairs, Finance, Accounting, and Legal shall ensure positive cooperation with each other and endeavor to enhance measures to promote constructive dialogue.
- (3) "K" LINE seeks to enhance promoting our shareholders' understanding of our financial situation and having dialogue with them through proactive disclosure and polite questions and answers in General Meeting of Shareholders, sessions, facility tours, the Company's website, Integrated Report, and FACT BOOK, and brochures issued for shareholders and investors. We also explain our business strategy, business description and financial results, etc. to institutional investors through quarterly financial results briefings, briefings on our management plan and sessions held by security companies, etc. In addition, we seek to enhance dialogue with them through small meetings for such investors, conferences, and overseas investors' road show meetings, etc.
- (4) As for views and concerns of shareholders, etc. which "K" LINE has received through the above opportunities, we shall compile them according to their respective importance as appropriate and report them collectively to the Board of Directors, etc.
- (5) "K" LINE appropriately controls insider information in accordance with Financial Instruments and Exchange Act and relevant laws and regulations as well as internal rules.
- (6) The Company shall respect the intent and meaning of the Fair Disclosure Rules specified in the Financial Instruments and Exchange Act and other related laws, and shall furthermore strive to ensure fair information disclosure in accordance with the Fair Disclosure Policy stipulated in its IR Policy.

Please refer to the Company's website via the link below to access its entire IR Policy.

<https://www.kline.co.jp/en/ir/management/policy.html>

17) [Principle 1.4 Cross-Shareholdings]

The Company owns and operates numerous high-cost assets in the form of marine vessels over extended durations of time. The Company furthermore operates against a backdrop of a business environment epitomized by business performance that is highly volatile due to foreign exchange, market conditions and other such factors that are beyond corporate efforts of individual companies. To achieve long-term and sustainable growth given such a scenario, the Company maintains cross-shareholdings of partner companies deemed necessary in order to sustain and strengthen the Company's transactional and business relationships. Meanwhile, the Board of Directors assesses whether or not the Company should maintain individual holdings and took steps to reduce the Company's Cross-Shareholdings, to which ends it is to meet no less than once per year and take an objective standpoint with respect to specifically scrutinizing the purposes of maintaining the individual holdings and the medium- to long-term economic rationale of maintaining such holdings. As of March 31, 2022, the number of stock listings in the Company's portfolio of cross-shareholdings was three. Upon assessing the economic rationale of such holdings, the Company considers the notion of selling shares in cases where returns gained through the holdings during the fiscal year fall below our cost of capital.

The Guidelines stipulate that, when exercising the voting rights as to the Cross-Shareholdings, the Board of Directors shall fully examine whether or not the relevant propositions would contribute to the enhancement of the Company's corporate value and the shareholders' common interests, hold dialogues with issuing entities as needed, and shall determine whether it would vote for or against the said propositions.

18) [Principle 1.7 Related Party Transactions]

The Company has established the following procedures with respect to related party transactions, and finds that management is capable of supervising such transactions based on such procedures.

- (1) The Regulations on Decision-Making Standards stipulate that the Company is to refer matters to be addressed by and seek prior approval from the Board of Directors with respect to certain matters irrespective of monetary amount, such that include: transactions with major shareholders whose holdings account for more than 10% of the Company's voting rights or transactions between the Company and its Directors; transactions conducted by a Director with the Company for a third party; transactions involving conflict of interest; and, debt guarantees of Directors made by the Company. The Regulations on Decision-Making Standards also stipulate that key developments must be reported to the Board of Directors subsequent to having carried out a transaction. As such, the Board of Directors supervises appropriateness of transactions.
- (2) The Company shall treat all of its shareholders impartially, and accordingly must not make special considerations for specific shareholders.
- (3) The Company shall determine the presence or absence of related party transactions upon submission of confirmation documents for all of the Company's officers each fiscal term, and shall furthermore verify transaction details in the event that related party transactions have taken place.

19) [Supplementary Principle 2.3.1) Measures to Address Sustainability Issues],

20) [Supplementary Principle 4.2.2) The Formulation of a Basic Policy for Sustainability Initiatives]

and

21) [Supplementary Principle 3.1.3) Disclosure Concerning Sustainability]

Amid globally accelerating changes in value and behavior, as well as increasing awareness of the need to reduce the environmental burden caused by global warming, "K" LINE considers sustainability management as a priority issue for enhancing corporate value over the medium to long term and discusses the issue continuously at the Board of Directors' meetings.

To reinforce management where these issues are key objectives, the Company established the "Corporate Sustainability Management Committee" and the "GHG Reduction Strategy Committee." The President & CEO acts as the Chairman of each committee, which is enhancing corporate value by reviewing and formulating a promotion system for "K" LINE Group's sustainability management and a GHG reduction strategy. As organizations responsible for practical implementation, the Corporate Sustainability, Environment Management Promotion, IR, and Communication Group, the GHG Reduction Strategy Group, the Carbon-Neutral Promotion Group, the Fuel Strategy & Procurement Group, and the Advanced Technology Group are each accelerating sustainability initiatives through their operations.

Furthermore, the Company issues its "K" LINE REPORT and Sustainability Booklet, and provides overall information on sustainability on the sustainability and management plan page of its website, including scenario analysis based on the Task Force on Climate-Related Disclosures ("TCFD") recommendations, investments in human capital, reduction of environmental burden, diverse workstyles, and investments in intellectual property to promote technological development and innovation initiatives to support improvement of service quality.

- Sustainability Website (website providing a comprehensive introduction to the Company's sustainability initiatives)
<https://www.kline.co.jp/en/csr.html>
- ESG Data Book (provides ESG-related data)
[https://www.kline.co.jp/en/csr/esg/main/09/teaserItems2/0/link/ESG_DATA_BOOK_2021_\(EN\)_for_Browsing.pdf](https://www.kline.co.jp/en/csr/esg/main/09/teaserItems2/0/link/ESG_DATA_BOOK_2021_(EN)_for_Browsing.pdf)
- "K" LINE REPORT (pp.24-31 Innovation, pp.36-37 TCFD Scenario Analysis)
<https://www.kline.co.jp/en/ir/library/report.html>
- Views and Initiatives on Addressing Climate Change(Response to TCFD)
<https://www.kline.co.jp/en/csr/environment.html>
- "K" LINE Environmental Vision 2050 (Initiatives on Net-Zero GHG Emissions)
https://www.kline.co.jp/en/csr/environment/management/main/010/teaserItems1/01/linkList/0/link/2111vision%20minaooshi_EN.pdf

- FY2022 Medium-Term Management Plan (pages 23 to 24 “Investment in Human Resources” and page 28 “Environmental Investment”)
<https://www.kline.co.jp/en/ir/management/strategy.html>

22) [Supplementary Principle 2-4 Ensuring Diversity, Including Active Participation of Women] and

23) [Supplementary Principle 2-4.1) Ensuring Diversity When Hiring Core Human Resources]

The Group has formulated the “Charter of Conduct for the “K” LINE Group companies” as standards of behavior for the entire Group. In the human rights section of the Charter, the Group pledges that the “K” LINE Group will consistently respect human rights and properly consider the personality, individuality and diversity of its corporate members and improve work safety and conditions to offer them comfort and affluence. Furthermore, in the “K” LINE Implementation Guideline for Charter of Conduct, “K” LINE has pledged to eliminate any discrimination in employment or compensation based on nationality, gender, religion, social class, or other social status, and to ensure equal opportunity in the implementation of its human resources management, working to ensure diversity in both managerial posts and among general employees. The Group has local offices and affiliates in more than 20 countries and is composed of richly diverse employees. Furthermore, foreigners make up around 97% of crew members on vessels controlled by “K” LINE (including the crew members of Group companies) and more than 90% of managerial posts (captains and chief engineers). At our Japanese headquarters as well, the Company conducts hiring and appointments regardless of nationality or gender. In addition to our Human Resource Policy, Policy on improvement of work environments inside the Company, and Basic Human Resource Management Policies, the Company discloses data related to our overall human resources system and objectives related to female managerial posts on our website. To encourage the active participation of women, we are working to increase the percentage of female employees in managerial posts by 15% from April 2022 through March 2025. To do so, we established and are pursuing objectives to promote the creation of career building support and workplace environments. Regarding foreigners and mid-career hires, we are promoting human resources diversity in our hiring and appointment in line with the Group’s business strategies.

- Sustainability Website (website providing a comprehensive introduction to the Company’s sustainability initiatives)

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

- “K” LINE REPORT (pp.40-43 Basic Human Resource Management Policies)

[https://www.kline.co.jp/en/ir/library/report/main/011110/teaserItems1/00/file/KLR21E_all_1203\(s\)_spread.pdf](https://www.kline.co.jp/en/ir/library/report/main/011110/teaserItems1/00/file/KLR21E_all_1203(s)_spread.pdf)

- Policy on Improvement of Work Environments Inside the Company (“Basic Principle”)

https://www.kline.co.jp/en/csr/social/human_resource/human_rights.html

- Action plan to promote the active participation of women

https://www.kline.co.jp/ja/csr/social/human_resource/human_rights/main/01/teaserItems1/01/linkList/0/link/koudoukeikaku.pdf (Japanese only)

- Approach to human resources development

(Onshore Workers)

https://www.kline.co.jp/en/csr/social/human_resource/human_resource.html

(Marine Technical Personnel) https://www.kline.co.jp/en/csr/social/human_resource/human_resource_sea.html

24) [Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has adopted a defined-benefit corporate pension plan, and accordingly strives to ensure safe and efficient management of the plan. To such ends, the Company has established the Pension Asset Management Committee which is chaired by the General Manager of Finance Group who serves as the pension fund manager, and whose membership consists of individuals in charge of pension fund duties in Finance and Human Resources divisions. The Company has established fundamental policies and asset management guidelines particularly with respect to safely and efficiently managing pension funds. The Company accordingly engages in efforts involving human resources and administration serving as the parent entity of the pension plan, with the aim of ensuring that the Pension Asset Management Committee implements the function of monitoring the entity entrusted with asset management.

Moreover, managing the pension plan involves ensuring that the utmost respect is devoted to interests of those enrolled in the corporate pension plan.

2. Capital Structure

Foreign Shareholding Ratio	30 % or more
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[Status of Major Shareholders] [Updated]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
ECM MF	10,716,400	11.43
GOLDMAN SACHS INTERNATIONAL	10,596,953	11.30
The Master Trust Bank of Japan, Ltd. (trust account)	10,540,800	11.24
MLI FOR SEGREGATED PB CLIENT	5,651,400	6.02
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMS RE CLIENT ASSETS-SEGR ACCT	5,149,206	5.49
CGML PB CLIENT ACCOUNT/COLLATERAL	4,841,800	5.16
Custody Bank of Japan, Ltd. (trust account)	3,714,700	3.96
IMABARI SHIPBUILDING CO., LTD.	2,352,300	2.50
Custody Bank of Japan, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	2,035,407	2.17
Mizuho Bank, Ltd.	1,868,880	1.99

Controlling Shareholder (except for Parent)	-----
Parent (Listed Stock Market)	N/A

Supplementary Explanation

3. Corporate Attributes

Listed Stock Market and Market Section [Updated]	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Marine transportation
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 100 to less than 300

4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Special Circumstances Which May Have Material Impact on Corporate Governance [Updated]

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors [Updated]	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated From Among Outside Directors	3

Outside Directors' Relationship With the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Keiji Yamada	Other												
Ryuhei Uchida	From another company							○					
Kozue Shiga	Attorney at law												
Tsuyoshi Kameoka	From another company								△				

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

* "●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)

j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)

k. Other

Outside Directors' Relationship With the Company (2) [Updated]

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Keiji Yamada	○	-	<p>Mr. Keiji Yamada has experience in prominent positions with central/local governmental offices such as former Ministry of Home Affairs, served 4 terms (16 years) as Governor of Kyoto Prefecture, and was appointed as an Outside Directors of the Company in June 2019. Mr. Yamada does not have prior experience of direct involvement in corporate management aside from being an Outside Officer, but his wide range of experience/personal network and insight cultivated over many years as the head of government bodies has been utilized in the Group's management. He has fulfilled his role as Lead Outside Director by making active suggestions at the Board of Directors meetings and supervising management and the execution of business through his activities in his position as Remuneration Advisory Committee Chairman and Nominating Advisory Committee Member. Accordingly, the Company expects that he will continue to fulfill those roles and has appointed him as Outside Director. As there is no possibility that conflict of interest may occur between Mr. Yamada and general shareholders, the Company designates him as an Independent Officer.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Ryuhei Uchida		<p>Mr. Ryuhei Uchida satisfies the requisite for Outside Director in the Companies Act; however, due to conflicts with the shareholder requisite in the criteria for independence of Outside Officers provided by the Company since he serves as a Director of Effissimo Capital Management Pte Ltd., a shareholder of the Company, the Company designates him as a non-independent Outside Director.</p>	<p>Mr. Ryuhei Uchida first joined Mitsubishi Corporation, mainly served for supporting investments for Japanese and foreign non-listed companies, then joined Innovation Network Corporation of Japan, being in charge of investments for foreign non-listed companies and supporting business start-ups for Japanese non-listed companies, as well as also serving as an Outside Director for both British and Chilean companies. Currently he is in charge of managing investments of Japanese-listed companies as a Director of Effissimo Capital Management Pte Ltd. Mr. Ryuhei Uchida was appointed as an Outside Director of the Company in June 2019, and his abundant experience and insight in corporate value enhancement has been utilized in the Company's management. The Company judges that fulfilling his role through his proactive opinions given as a Director with the perspective of our shareholder and his precise supervision on its management and the execution of business will benefit general shareholders and contribute to improving the Group's corporate governance. Accordingly, the Company expects that he will continues to fulfill those roles and has appointed him as Outside Director.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Kozue Shiga	○	-	<p>Ms. Kozue Shiga has expert knowledge and experience as a lawyer, and she became an Outside Audit & Supervisory Board Member of the Company in June 2016 after having served as an outside director and auditor of several listed companies. Though she does not have prior experience of direct involvement in corporate management by methods other than serving as an outside board member, based on her abundant experience and from a broad perspective, she is appropriately fulfilling her role of making active suggestions at the Board of Directors meetings and supervising management and the execution of business through her activities in her position as Nominating Advisory Committee Chairperson and Remuneration Advisory Committee Member. Accordingly, the Company expects that he will continues to fulfill those roles and has appointed her as Outside Director. As there is no possibility that conflict of interest may occur between Ms. Shiga and general shareholders, the Company designates her as an Independent Officer.</p>

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tsuyoshi Kameoka	○	Mr. Tsuyoshi Kameoka worked for Idemitsu Kosan Co.,Ltd. with which the Company conducts business transactions with sales accounting for less than 2% of the Company's consolidated sales, and less than 1% of the consolidated sales of said company.	Mr. Tsuyoshi Kameoka mainly engaged in product import & export and domestic sales since he joined Shell Sekiyu K.K. Following his appointment as Oil Business COO, he assumed the position of the President and Representative Director of Showa Shell Sekiyu K.K. in 2015. Then, in April 2019, he realized its business integration with Idemitsu Kosan Co., Ltd., looking ahead to changes in the oil market in the future. He has been appointed as Outside Director of the Company since June 2021, and his abundant experience and broad insight in business administration are utilized in the Company's management. He has been actively speaking at meetings of the Board of Directors and appropriately fulfilling roles such as the supervision of management and business execution through his activity as a member of the Nominating Advisory Committee and the Remuneration Advisory Committee. The Company therefore expects him to continue to fulfill the aforementioned roles and designates him as an Independent Officer because there is no risk of a conflict of interest with general shareholders.

[Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Nominating Advisory Committee	Remuneration Advisory Committee
Total Committee Members	4	4
Full-Time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0

Chairperson	Outside Director	Outside Director
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Supplementary Explanation [Updated]

Article 21 of the Guidelines stipulates details regarding the Nominating Advisory Committee and the Remuneration Advisory Committee.

(Start of excerpt)

Article 21

1. The Company shall put and keep in place the Nominating Advisory Committee and the Remuneration Advisory Committee as advisory committees to the Board of Directors in the manner described below.
2. The Nominating Advisory Committee and the Remuneration Advisory Committee shall be comprised of all of the Independent Outside Directors, the Director and Chairman, and the President & CEO. (The Outside Directors shall appoint the chairperson of each Committee from among themselves.)
3. In response to inquiries from the Board of Directors, the Nominating Advisory Committee shall deliberate on:
 - i. Reasonableness of proposals for appointment or dismissal of the Company's officers; and
 - ii. Any other matters inquired from the Board of Directors concerning appointment or dismissal of the Company's officers.
4. In response to inquiries from the Board of Directors, the Remuneration Advisory Committee shall deliberate on:
 - i. Institutional design of officers' remunerations;
 - ii. Level of officers' remuneration; and
 - iii. Any other matters inquired from the Board of Directors concerning officers' remunerations.
5. Each set of rules on operation of the Nominating Advisory Committee and the Remuneration Advisory Committee shall be separately prescribed.

(End of excerpt)

The attendance in the fiscal year ended March 31, 2021 is as follows:

Nominating Advisory Committee

Kozue Shiga	(Attended 8/8 meetings) *Chairperson
Keiji Yamada	(Attended 8/8 meetings)
Yukikazu Myochin	(Attended 8/8 meetings)
Tsuyoshi Kameoka	(Attended 5/5 meetings) (Assumed office on June 23, 2021)
Seiichi Tanaka	(Attended 3/3 meetings) (Retired from office on June 23, 2021)

Remuneration Advisory Committee

Keiji Yamada	(Attended 6/6 meetings) *Chairperson
Kozue Shiga	(Attended 6/6 meetings)
Yukikazu Myochin	(Attended 6/6 meetings)
Tsuyoshi Kameoka	(Attended 3/3 meetings) (Assumed office on June 23, 2021)
Seiichi Tanaka	(Attended 3/3 meetings) (Retired from office on June 23, 2021)

Status of establishment of secretariats, etc.

The Executive Officer in charge of General Affairs is in charge of secretariats which have been established with respect to each of the committees.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation Among Audit & Supervisory Board Members, Financial Auditor and Internal Audit Department

The Audit & Supervisory Board Members receive reports from the Accounting Auditor regarding audit plans and audit results on a regular basis, and otherwise maintains close cooperation with the Accounting Auditor by exchanging information and opinions as necessary.

The Audit & Supervisory Board Members hold meetings with the Internal Audit Group on a regular basis, and also receive explanations from the Internal Audit Group regarding audit plans and progress thereof. Monthly reports of matters that the Internal Audit Group reports to the Representative Directors are also circulated to the Audit & Supervisory Board Members. Meanwhile, the Company strives to ensure information sharing which also involves distributing reports on operational audits conducted by the Audit & Supervisory Board Members to the Internal Audit Group. In addition, when the Audit & Supervisory Board Members conduct on-site audits of subsidiaries and affiliated companies, they engage in mutual coordination and cooperation in a manner that involves cooperating with the Accounting Auditor and the Internal Audit Group as necessary.

Appointment of Outside Audit & Supervisory Board Member	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Officers Designated From Among Outside Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Members' Relationship With the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Atsumi Harasawa	Attorney at law													
Shinsuke Kubo	Certified Public Accountant													

* Categories for "Relationship with the Company"

* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category; "△" when the Audit & Supervisory Board Member fell under the category in the past;

* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; and

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiary

c. Non-executive director or executive of the parent of the Company

d. Audit & Supervisory Board Member of the parent of the Company

e. Executive of a fellow subsidiary of the Company

f. Party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)

- k. Executive of a corporation to which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Other

Outside Audit & Supervisory Board Members' Relationship With the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Atsumi Harasawa	○	-	<p>Ms. Atsumi Harasawa possesses extensive expert knowledge and experience as attorney at law and also has knowledge and experience in the transportation sector by contributing on safety from the technical side being certified as a first class aircraft maintenance technician at Japan Airlines Co., Ltd. Ms. Harasawa does not have prior experience of direct involvement in corporate management apart from being an Outside Auditor, however, the Company judges that her presence will enhance the diversity of its Board member structure, and she will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member. Accordingly, the Company has appointed her as Outside Audit & Supervisory Board Member. As there is no possibility that conflict of interest may occur between Ms. Harasawa and general shareholders, the Company designates her as an Independent Officer.</p>
Shinsuke Kubo	○	-	<p>Mr. Shinsuke Kubo, a CPA in Japan, has a variety of achievements and experiences through his work with both Japanese and foreign audit firms, in the fields of auditing, IPO support, corporate revitalization and M&A. Mr. Kubo also has abundant experience in founding and managing venture businesses and companies that support reactivation of other businesses, the Company judges that he will perform effective auditing from an outside independent standpoint as an Outside Audit & Supervisory Board Member. Accordingly, the Company has appointed him as Outside Audit & Supervisory Board Member. As there is no possibility that conflict of interest may occur between Mr. Kubo and general shareholders, the Company designates him as an Independent Officer.</p>

[Independent Officers]

Number of Independent Officers	5
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Matters Relating to Independent Officers
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The Company has registered all officers who satisfy the Independent Officer criteria as Independent Officers. Please refer to subsection I. 1. 8) [Principle 4.9 Independence Standards and Qualification for Independent Outside Directors], previously in this document, for details on the “Criteria for the Independence of Outside Officers.”

[Incentives]

Implementation of Measures to Provide Incentives to Directors

Performance-linked remuneration

Supplementary Explanation [Updated]

Pursuant to resolution of its Ordinary General Meeting of Shareholders held on June 24, 2016, the Company has adopted its Board Benefit Trust (BBT) performance-based share remuneration plan with the aim of raising awareness of contributions made with respect to increasing business performance and corporate value over the medium- to long-term by more explicitly clarifying the connection between remuneration for Directors (Executive Directors only) and share value. Under the BBT plan, the Company’s shares, etc. are to be delivered through the trust pursuant to the Regulations for Delivery of Shares to Officers as approved by the Board of Directors. The amount of remuneration for Directors who contribute to the trust over four consecutive fiscal years based on the BBT plan shall be a maximum of ¥480 million and Directors shall, in principle, receive shares of the Company upon their retirement.

Moreover, per the meeting of the Board of Directors held on April 26, 2019, the Company has revised its schemes for bonuses and the BBT plan. Accordingly, bonuses which had previously been determined on a per occasion basis shall mainly be linked to business performance targets in single fiscal years, and BBT shall be linked to the Company’s total shareholders return (TSR). Through such revisions involving both the bonuses and the BBT plan, the Company aims to strike an optimal balance between short-term performance and increasing corporate value over the medium- to long-term, while providing the Company’s officers with sound incentive to facilitate sustainable growth.

Please refer to pages 52 to 53 of the Company’s 154th Annual Securities Report (Japanese only) for details on the Company’s policy for determining proportions of remuneration in the form of performance-based remuneration and remuneration other than performance-based remuneration, benchmarks pertaining to performance-based remuneration, methods of determining amounts of such performance-based remuneration, and reasons for having selected such benchmarks.

<https://data.swcms.net/file/kline/dam/jcr:6845ee75-0c2e-4012-a7e6-b15168d0e087/S10008Q8.pdf>
(Japanese only)

Recipients of Share Options

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration
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No individual disclosure

Supplementary Explanation [Updated]

The Company paid ¥340 million to 10 Directors and ¥81 million to five Audit & Supervisory Board Members as officer’s remuneration pertaining to the fiscal year ended March 31, 2022. The above includes remuneration for one Director and one Audit & Supervisory Board Member who retired from their positions upon the conclusion of the 153rd Ordinary General Meeting of Shareholders held on June 23, 2021.

The above includes ¥15 million of expenses relating to the performance-based share remuneration plan.

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

For Board of Directors policies in determining the remuneration of Directors, please refer to above I 1. 13) [Principle 3.1 (iii) Board of Directors Policies and Procedures in Determining the Remuneration of the Senior Management and Directors].

The remuneration, etc. for Audit & Supervisory Board Members shall solely comprise monthly remuneration. Monthly remuneration for each Audit & Supervisory Board Member is determined after deliberations by Audit & Supervisory Board Members, within the limit of the maximum amount of monthly remuneration for Audit & Supervisory Board Members resolved at the General Meeting of Shareholders.

The retirement benefits plan for Directors and Audit & Supervisory Board Members was terminated in June 2006.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The Company shall support the smooth execution of duties of its Outside Directors by having the Corporate Planning Group provide them with briefings and information necessary prior to meetings of the Board of Directors and by furnishing them with reports on important matters of business execution.

Moreover, the Company shall establish a framework for assisting the Audit & Supervisory Board Members by appointing employees to assist them and by establishing regulations regarding such appointments. The Company shall ensure that the employees assisting Audit & Supervisory Board Members maintain independence from the Directors by prohibiting such employees from concurrently performing other duties related to business execution, and having the Audit & Supervisory Board Members themselves subject the employees assisting Audit & Supervisory Board Members to examinations.

[Status of Persons Who Have Retired From a Position Such as Representative Director and President]

Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company [Updated]

Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Eizo Murakami	Special Executive Advisor	Engages in the external activities of industry associations and economic organizations	Part-time/Paid	March 31, 2019	Subject to upper age limit of internal rules

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company [Updated]

1

Other Matters [Updated]

There is no senior advisor position at the Company because it was terminated in November 2017.

The Special Executive Advisor uses his experience and knowledge in the shipping industry and management to take part in the external activities of industry associations and economic organizations but is not involved in management.

2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Updated]

(Status of business execution)

The Company's Board of Directors is comprised of nine Directors, including four Outside Directors. It determines matters required by laws and regulations, the fundamental management policies, and other important matters regarding the management of businesses, while supervising business execution by the Directors. A meeting of the Board of Directors has been held once or more a month. The Company also adopts a system of making resolutions in writing and holding meetings online for the Board of Directors, which enables the flexible operation of the board.

Apart from the Board of Directors, the Company hosts a Management Conference that requires the attendance of the Director and Chairman, Executive Officers equivalent to or higher than Senior Executive Officer, Unit Supervising Executive Officers, Executive Officers in charge of Corporate Planning, Finance and Accounting as well as Audit & Supervisory Board Members once a week in principle. By doing so, the Company establishes a system that facilitates deliberations to decide important matters relating to business execution and that allows open discussions that contribute to decision-making by the President & CEO or the delegate.

The attendance at the Board meetings in the fiscal year ended March 31, 2021 is as follows:

Yukikazu Myochin, Director	(Attended 18/18 meetings)
Atsuo Asano, Director	(Attended 18/18 meetings)
Yukio Toriyama, Director	(Attended 18/18 meetings)
Kazuhiko Harigai, Director	(Attended 18/18 meetings)
Yasunari Sonobe, Director	(Attended 18/18 meetings)
Makoto Arai, Director	(Attended 18/18 meetings)
Keiji Yamada, Director	(Attended 18/18 meetings)
Ryuhei Uchida, Director	(Attended 18/18 meetings)
Kozue Shiga, Director	(Attended 18/18 meetings)
Tsuyoshi Kameoka	(Attended 13/13 meetings) *Assumed office on June 23, 2021
Seiichi Tanaka	(Attended 5/5 meetings) *Retired from office on June 23, 2021
Kunihiko Arai, Audit & Supervisory Board Member	(Attended 18/18 meetings)
Yutaka Akutagawa (Attended 13/13 meetings)	*Assumed office on June 23, 2021
Atsumi Harasawa, Audit & Supervisory Board Member	(Attended 18/18 meetings)
Shinsuke Kubo, Audit & Supervisory Board Member	(Attended 18/18/ meetings)
Tsuyoshi Yamauchi, Audit & Supervisory Board Member	(Attended 5/5 meetings)
	*Retired from office on June 23, 2021

(Reasons for adopting the system of a company with Audit & Supervisory Board)

The Company has four Audit & Supervisory Board Members as of June 23, 2022. The Company has adopted this system upon having deemed it to be effective with respect to corporate governance amid a scenario where legal revisions in recent years have strengthened the authority and independence of Audit & Supervisory Board Members. Meanwhile, the Company recognizes that its corporate governance is functioning appropriately under the system which encompasses the Board of Directors, Audit & Supervisory Board, Management Conference and other such bodies, given that procedures being carried out in a manner sufficiently aligned with legal code.

(Status of accounting audit)

The Company has entered into an audit contract with an auditing firm (Ernst & Young ShinNihon LLC) which performs audits from a standpoint of fairness and impartiality.

Name of the certified public accountants who executed the audit duties	Affiliated auditing firm
Satoshi Uchida	/ Ernst & Young ShinNihon LLC
Yuichiro Sagae	/ Ernst & Young ShinNihon LLC
Masashi Kobayashi	/ Ernst & Young ShinNihon LLC

Audit operations assistants	
Certified Public Accountant	15
Other assistants	30

(Status of nomination of candidates for the Directors and the Audit & Supervisory Board Members)

In accordance with the qualifications stipulated in the Guidelines, the Board of Directors shall select candidates for the Directors and the Audit & Supervisory Board Members upon the fair, transparent and rigorous deliberations and recommendations of the Nominating Advisory Committee and also subject to the consent of the Audit & Supervisory Board as to candidates for the Audit & Supervisory Board Member.

(Status of determination of remuneration for the Senior Management and the Directors)

Remuneration is decided by the Board of Directors following fair deliberation and reporting by the Remuneration Advisory Committee.

(Status regarding limited liability contract)

The Company's Articles of Incorporation stipulate that, pursuant to the provisions of Article 427, Paragraph (1) of the Companies Act, the Company may conclude limited liability contracts as prescribed in Article 423, Paragraph (1) of the said Act with Directors (excluding Executive Directors) and Audit & Supervisory Board Members. Based on the provisions, the Company has concluded limited liability contracts with Non-Executive Directors Keiji Yamada, Ryuhei Uchida, Kozue Shiga and Tsuyoshi Kameoka, as well as all Audit & Supervisory Board Members. When acting in good faith and in the absence of any serious negligence, the limit of liability on the basis of any such contract will amount to either ¥10 million or an amount stipulated by laws and regulations, whichever amount may be higher.

3. Reasons for Adoption of Current Corporate Governance System [Updated]

The Company strives to streamline business execution by strengthening the supervisory function and delegating authority to Unit Supervising Executive Officers, which has involved adopting a Board of Directors and a Unit Supervisory System encompassing Outside Directors. The Company has adopted its current system under which it strives to maintain and improve the effectiveness of its audits by coordinating efforts of the Audit & Supervisory Board Members and the Internal Audit Group, premised on the notion that such a system enables the Company to respond to its commitment bestowed on it by its shareholders and other stakeholders.

The Company adopted the Unit Supervisory System in April 2016 with the aim of taking appropriate risk and identifying business execution responsibility upon having appointed Unit Supervising Executive Officers to oversee multiple divisions positioned under the President & CEO who spearheads execution. For details, please refer to the Company's website.

https://www.kline.co.jp/en/csr/governance/corporate_governance.html

Moreover, the Outside Directors monitor management and business execution from an independent and objective standpoint, drawing on their diverse experience and knowledge.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting Rights [Updated]

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company sends the notification out approximately three weeks before the General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	The General Meetings of Shareholders have been scheduled on non-peak days.
Allowing Electronic or Magnetic Exercise of Voting Rights	In 2006, the Company adopted a system that enables shareholders to exercise their voting rights online via the Internet and through other such means.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the Electronic Voting Platform and otherwise considers options for offering greater convenience to institutional investors with respect to exercising their voting rights.
Providing Convocation Notice in English (Translated Fully or Partially)	The Company prepares full English-language versions of its Convocation Notices (including Business Reports) and posts them to the Tokyo Stock Exchange and to its corporate website.
Other	The Company posts its Convocation Notices (containing the Business Report) of its General Meetings of Shareholders to the Tokyo Stock Exchange and to its corporate website. The Convocation Notice for the 2022 meeting was posted seven days prior to being sent out. After the conclusion of the General Meetings of Shareholders, notifications of resolutions and video of the meetings are posted on the Company's website. From 2022, the Company introduced virtual General Meetings of Shareholders (participatory) and began live-streaming of General Meetings of Shareholders.

2. IR Activities [Updated]

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Specifics of the Disclosure Policy are disclosed in the Guidelines (https://www.kline.co.jp/en/csr/governance/corporate_governance/main/00/teaserItems1/01/linkList/0/link/corporategovernanceguidelines.pdf) and the IR Policy (https://www.kline.co.jp/en/ir/management/policy.html) via the corporate website. Furthermore, by adding the Fair Disclosure Policy to the IR Policy, the Company has clearly stated its response to the Fair Disclosure Rules specified in the Financial Instruments and Exchange Act and other related laws that came into force on April 1, 2018.	

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	The Company participates in briefing sessions organized by securities companies and other such entities, holds online investor briefings via the Internet, and otherwise conveys information through its corporate website.	Established
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings on a quarterly basis and organizes individual interviews on a regular basis for analysts and institutional investors in Japan. In addition, the Company holds small meetings, business briefings, and facility tours.	Established
Regular Investor Briefings for Overseas Investors	The Company's dialogue with overseas institutional investors involves individual interviews with investors in Europe, the U.S., and Asia, etc., participation in conferences organized by securities companies, and small meetings. The Company distributes investor briefing session materials, audio content, Financial Reports (summary and Q&A) and other such information in English upon release of its quarterly financial results. (https://www.kline.co.jp/en/ir/library/presentation.html)	Established
Posting of IR Materials on Website	The Investor Relations page of the Company's website (https://www.kline.co.jp/en/ir.html) contains IR News, Financial Highlights, Financial Reports(summary and Q&A) and audio recordings (Japanese only), "K" LINE REPORT, the FACTBOOK, brochures issued for shareholders and investors (Japanese only), Annual Securities Reports (Japanese only) and Quarterly Reports (Japanese only), business briefing materials, online briefing movies for individual investors, and Financial and Performance Information including Shipping Market Information. It also contains Japanese and English language versions of materials and information that facilitate understanding of the Company, including a profile of the Company and an overview of its strengths.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR and ESG Promotion Team of the Corporate Sustainability, Environment Management Promotion, and IR and Communication Group as the department in charge of investor relations, and investor relations activities are carried out by the President, Chief Financial Officer (CFO), Executive Officer in charge of Corporate Sustainability, Environment Management Promotion, IR and Communication.	

3. Measures to Ensure Due Respect for Stakeholders [Updated]

	Supplementary Explanations
<p>Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.</p>	<ul style="list-style-type: none"> • The Company has established the Charter of Conduct for “K” Line Group Companies and the “K” Line Implementation Guideline for Charter of Conduct. The Charter of Conduct for “K” Line Group Companies is intended to clearly state principles of behavior for Group companies. Accordingly, it declares that companies of the “K” LINE Group are to act in accordance with principles of the Charter of Conduct, thereby remaining aware that growth or Group companies must be in harmony with society, premised on the fundamental notion that business activities are to respect human rights and comply with applicable laws, regulations and other norms of behavior. In addition, the “K” Line Implementation Guideline for Charter of Conduct encompasses the Company’s relationships with its respective stakeholders in stipulating specific guidelines for executing the Charter of Conduct for “K” Line Group Companies. • As more specific guidelines related to “Respect for Human Rights” established in the above Charter of Conduct for “K” Line Group Companies, the Company has established the “‘K’ LINE Group Basic Policy on Human Rights,” and in addition to respecting and complying with international standards related to respect for human rights, the policy calls for the implementation of “human rights due diligence.” • The Company has established the Sustainability Management Promotion Committee in order to promote sustainability management of “K” LINE Group and to improve its corporate value. It consists of the Executive Officers responsible for relevant units and is chaired by the President.

	Supplementary Explanations
<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<ul style="list-style-type: none"> • The Company grasps sustainability management with two large frameworks of “managing the impact of business activities” and “creating new values,” and aims to build a management structure that emphasizes social responsibility based on these frameworks. • The Company has established medium- to long-term goals toward resolving priority themes of sustainability that have been identified through stakeholder dialogue, and has furthermore drawn up single fiscal-year targets toward achieving such goals. • Thirteen companies of the Group have obtained ISO 14001 certification and have established environmental management systems encompassing vessel operations. The Company has also built and is operating the “Drive Green Network” as a system to promote environment management throughout the Group. • Through our unique knowhow, we are working to improve our world-class safe operational system and to link this system to environmental preservation. • In our relationships with our stakeholders, we are conducting the following activities. <ul style="list-style-type: none"> • Customers and business partners: <ul style="list-style-type: none"> * Cooperation in conserving the environment and contributing to society * Fair business transactions without discrimination • Shareholders and investors: <ul style="list-style-type: none"> * Providing information related to ESG and facilitating dialogue • Financial institutions: <ul style="list-style-type: none"> * Sustainable finance including transition loans and transition-linked loans • Employees: <ul style="list-style-type: none"> * Equal opportunity in hiring and treatment * Stratified training suited to improving professional competency * Ensuring health and safety of the workplace • Society: <ul style="list-style-type: none"> * Social action programs including those that entail exchange with local communities in Japan and abroad, disaster relief, and support for environmental projects
<p>Formulation of Policies for Information Provision to Stakeholders</p>	<p>The Company complies with laws, rules, regulations, etc., relating to disclosure of Company information such as the Companies Act, the Financial Instruments and Exchange Act, the Rules and Regulations of the stock exchanges where the Company’s stock is listed, the Unfair Competition Prevention Act, and the Act on the Protection of Personal Information, and furthermore provides information to each of its stakeholders in a timely and impartial manner. The Company establishes “IR Policy” in which standards and methods of disclosure with regard to information to be disclosed to shareholders and investors are stipulated, and also establishes “Fair Disclosure Policy” which is the basic principle for fair information disclosure. The both Policies are posted on the Company’s website: https://www.kline.co.jp/en/ir/management/policy.html .</p>

IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and Progress of System Development [Updated]

The Board of Directors passed a resolution with respect to the Company's internal control system in May 2006, and the Company subsequently made a series of revisions. The Company is currently expanding the internal control system across the Group, established as follows.

I. Basic framework regarding internal control

The Company continues its efforts to establish a system to ensure the execution of duties by its Directors in compliance with laws and regulations and the Articles of Incorporation, as well as a system to ensure the appropriateness of businesses of the corporate group comprised of the Company and its subsidiaries (hereinafter, the "Group") specified by laws and regulations.

To be precise, the Company's Board of Directors assumes responsibility for establishing an internal control system, evaluating its effectiveness and ensuring its functions.

Currently, the Company establishes the following systems and will strive to review and improve them on a continuous basis and as necessary in order to enhance the effectiveness of its internal control.

II. Internal control system

1. System to ensure the execution of duties by the Company's Directors, Executive Officers and employees in compliance with laws and regulations as well as the Articles of Incorporation

The Company has established the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct, in which the compliance of the Group with laws and regulations as well as business ethics is specified as one of the principles of the conduct. The Directors are required to ensure thorough implementation of compliance and establish an effective internal system in order to achieve it. To that end, the Company constantly implements the following measures:

- (1) The Company promotes the appropriate management of the Board of Directors in accordance with the Rules for the Board of Directors, in order to ensure the executions of duties by the Directors in compliance with laws and regulations as well as the Articles of Incorporation.
- (2) The Company establishes the Rules for Executive Officers, which specify matters to be complied with by the Executive Officers in order to ensure that the execution of duties by the Executive Officers appointed by the Board of Directors is in compliance with laws and regulations as well as the Articles of Incorporation, and promotes the active and faithful execution of the business delegated to them.
- (3) The Company establishes internal rules such as the Rules for Employees in order to ensure the execution of duties by the employees in compliance with laws and regulations as well as the Articles of Incorporation.
- (4) The Internal Audit Group supports the performance of responsibilities by the Board of Directors regarding the establishment, maintenance and improvement of the internal control system through the supervision and verification of the system.
- (5) The Company establishes the Compliance Committee chaired by the President & CEO and strives to develop and maintain its compliance system.
- (6) The Company establishes a whistle-blowing system called the Hotline System in order to identify and appropriately handle legal violations and other compliance issues at an early stage. The Group specifies some internal contacts as well as a law firm as an external contact for whistle-blowers. This system is managed under the Rules for the Hotline System.

2. System for retaining and managing information pertaining to the execution of duties by the Company's Directors

The Company appropriately retains and manages information regarding the execution of duties by its Directors in the form of fully searchable data that ensures the availability of perusal at any time, in accordance with the Rules for the Board of Directors and the Regulations for Documentation during the period specified by such rules and regulations.

3. Rules and systems for the Company to manage risks of loss

The Company remains aware of the risks, as listed below, inherent in the course of conducting business. Accordingly, we develop systems for identifying and managing the risks as well as addressing the respective risks.

- (1) Risks related to safe operation of vessels (including incidents involving seawater contamination)
- (2) Risks related to major disasters

- (3) Risks related to compliance
- (4) Other management risks

The Company establishes crisis and risk management systems which has involved drawing up its Crisis Management Regulations to ensure the Company fulfills its social responsibility as a corporation in the event of a crisis whereby a risk materializes. The Company has established committees to address each of the aforementioned risks, and has accordingly established the Crisis Management Committee as a body that unifies the four committees and otherwise controls and facilitates overall crisis and risk management initiatives.

Committee's Name	Function
Crisis Management Committee	Supervision of overall crisis and risk management initiatives
Ship Safety Promotion Committee	Implementation of measures to ensure safety of the Company's vessels in operation, prevention of vessel accidents (including incidents involving seawater contamination), and response in the event of an accident
Disaster Response Committee	Major disaster preparation during normal times and response in the event of a disaster
Compliance Committee	Responding to compliance-related issues
Management Risk Committee	Responding to other management-related risks

4. System to ensure that Directors of the Company execute their duties efficiently

The Company adopts the executive officer system and promotes smooth decision-making on the execution of duties.

[Board of Directors] The Board of Directors determines the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers. A meeting of the Board of Directors should be held at least once a month.

The Company adopts a system of making resolutions in writing for the Board of Directors, which enables the flexible operation of the board.

[Management Conference] The Company hosts a Management Conference that requires the attendance of the Director and Chairman, Executive Officers equivalent to or higher than Senior Executive Officer, Unit Supervising Executive Officers, Executive Officers in charge of Corporate Planning, Finance and Accounting as well as Audit & Supervisory Board Members once a week in principle. By doing so, the Company establishes a system that facilitates deliberations to decide important matters relating to business execution and that allows open discussions that contribute to decision-making by the President & CEO or the delegate.

[Executive Officers' Meeting] Executive Officers' Meetings are held once a month in principle, attended by Executive Officers including those concurrently serving as Directors, and Audit & Supervisory Board Members. It acts as a forum for reporting and discussion regarding matters that include business execution encompassing monthly income and expenditure of operating organizations and decision-matters.

5. Systems to ensure proper business operations of the corporate group comprised of the Company and its subsidiaries

The Company establishes the Charter of Conduct for "K" Line Group Companies as the code of conduct applicable to the entire Group, in order to ensure the appropriate operations of its subsidiaries (hereinafter, the "Group companies"). Each Group company establishes internal rules and regulations based on the charter. In addition, the Company establishes the Regulations for Business Operations by Subsidiaries in order to ensure the appropriate operations by its Group companies by supporting and managing the establishment and effective operation of their internal control systems while respecting the independence of these Group companies.

(1) System for reporting matters regarding the execution of duties by Directors, etc. of the Group companies to the Company

The Company establishes the Regulations for Business Operations by Subsidiaries and requires its Group companies to report important matters to the relevant departments of the Company. In addition, the Company provides its hotline contact as well as hotline systems of each Group company for whistle-blowers who identify any legal violations and other compliance issues in each respective office. The Company also hosts the Group Management Meeting to facilitate information exchange among the Company and the Group companies.

- (2) Rules and systems for managing risk of loss of the Group companies
The Group companies establish their own crisis management system independently according to their business scale and characteristics. The Company establishes the Regulations for Business Operations by Subsidiaries and requires the Group companies to report risks in executing their respective business operations according to the characteristics of their businesses to the Company, which will be handled by the Crisis Management Committee and other organizations.
- (3) System to ensure that Directors, etc. of the Group companies execute their duties efficiently
The Group companies independently manage their respective businesses in principle. The Company establishes the Regulations for Business Operations by Subsidiaries and specifies that certain important matters of the Group companies require approval of, discussion with, or reporting to the Company.
- (4) System to ensure that Directors, etc. and employees of the Group companies execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation
The Company establishes the Charter of Conduct for “K” Line Group Companies and requires the Group companies to comply with the charter. In addition, the Company requires each Group company to establish its Implementation Guideline for Charter of Conduct according to the characteristics of their businesses and verifies the content of such guidelines.
Furthermore, the Company monitors via the Internal Audit Group, etc. the status of compliance and implementation of the internal control system by the Group companies.
6. Matters concerning the employees who are to assist Audit & Supervisory Board Members in their duties
The Company establishes the Rules Concerning Employees Tasked With the Assisting Audit & Supervisory Board Members, and appoints employees who are required to assist the duties of Audit & Supervisory Board Members (“employees assisting Audit & Supervisory Board Members”) under the supervision of the Audit & Supervisory Board.
7. Matters concerning the independence of the employees assisting Audit & Supervisory Board Members from the Directors of the Company
The Company establishes the Rules Concerning Employees Tasked With the Assisting Audit & Supervisory Board Members, and specifies that it shall not order the employees assisting Audit & Supervisory Board Members to assume other duties concurrently in principle. If it needs to do so due to unavoidable reasons, prior approval should be obtained from the Audit & Supervisory Board. The Audit & Supervisory Board Members evaluate the performance of the employees assisting Audit & Supervisory Board Members. The appointment and transfer of the employees assisting Audit & Supervisory Board Members require prior approval from the Audit & Supervisory Board.
8. Matters to ensure the effectiveness of instructions by the Audit & Supervisory Board Members of the Company given to the employees assisting them
When the employees assisting Audit & Supervisory Board Members request the Company for any information materials and/or reporting, the Company will promptly provide such materials and/or reporting.
9. System for reporting to the Audit & Supervisory Board Members of the Company by the Directors, Executive Officers and employees of the Company; the Directors, the Audit & Supervisory Board Members, and employees of the Group companies; or a person who received a report from the above persons; and other systems for reporting to Audit & Supervisory Board Members of the Company
The Directors, Executive Officers and employees of the Company are required to report important matters regarding the management and operations of the Company’s businesses and the status of executing its business in charge to the Audit & Supervisory Board Members as needed at a meeting of the Board of Directors or other important meetings, as well as to promptly report any compliance issues and other matters that may cause serious damage to the Company, if identified, to the Audit & Supervisory Board in accordance with the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. The Directors are required to promptly report matters regarding the execution of duties in an appropriate manner to the Audit & Supervisory Board or its Members when being requested to do so. The Internal Audit Group is required to report the progress of its audits to the Audit & Supervisory Board as necessary and conduct additional audits if being requested to do so by the board.
The Directors, Audit & Supervisory Board Members and employees of the Group companies are required to report compliance issues and other important matters specified to the relevant department of the Company, and

the relevant department is required to report the matter to the Audit & Supervisory Board Members of the Company as necessary in accordance with the Regulations for Business Operations by Subsidiaries. The Company hosts a Group Companies' Audit & Supervisory Board Communication Meeting, in order to share information among the Company, its Group companies and subsidiaries.

10. System to ensure the non-unfair treatment of persons who made reporting as described in the above
The Company prohibits the Company or its Group companies, under the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. and the Regulations for Business Operations by Subsidiaries, from unfairly treating the Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Company and its Group companies who conducted whistle-blowing to the Audit & Supervisory Board Members of the Company due to the act of such whistle-blowing.

11. Matters concerning policies on the advance payments and reimbursements of expenditures and other procedures for settlements of expenditures and/or liabilities incurred from the execution of duties by the Audit & Supervisory Board Members of the Company

The Company establishes policies on the advance payments and reimbursements of expenditures and procedures for settlements of liabilities incurred from the execution of duties by the Audit & Supervisory Board Members, and conducts such advance payments, reimbursements and settlements based on the policies.

12. Other systems to ensure performance of effective audits by Audit & Supervisory Board Members of the Company

The Company cooperates in developing an environment ensuring effective audits by the Audit & Supervisory Board Members by coordinating regular meetings with the Audit & Supervisory Board Members and the Representative Directors, arranging collaboration of the Audit & Supervisory Board Members with the Internal Audit Group, and other such means.

13. System to ensure the reliability of financial reports

To ensure the reliability of the Group's financial reports, the Company engages in ongoing efforts to evaluate and improve the effectiveness of internal control systems pertaining to financial reporting, on the basis of Japan's Financial Instruments and Exchange Act, and other relevant laws and regulations.

14. Fundamental policy toward anti-social forces and status of policy implementation

The Charter of Conduct for "K" Line Group Companies vows that "the "K" LINE Group will resolutely confront any anti-social force or organization which may threaten social order and public safety."

Accordingly, the Company enables the swift and appropriate handling of matters relating to anti-social forces occurring within the Group, by appointing a department in charge of handling matters relating to anti-social forces and working with law enforcement officials, expert corporate legal counsel and other external organizations on a normal basis, with the aim of precluding all involvement of anti-social forces and severing any ties that could emerge.

2. Fundamental Policy Toward Anti-social Forces and Status of Policy Implementation

As stated in 1. II 14. Fundamental policy toward anti-social forces and status of policy implementation.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System [Updated]

- The Internal Audit Group engages in evaluation and supervision from an independent standpoint as the Group proceeds with respect to building and establishing its internal control system in response to internal control evaluation and reporting systems that ensure reliability of financial reporting based on the Financial Instruments and Exchange Act.
- Status of internal system for timely disclosure of Company information is as follows:
 1. Department in charge in relation to timely disclosure and mechanisms of execution thereof
 - (1) Department in charge of filings with stock exchanges
Matters subject to timely disclosure are channeled to the General Affairs Group, and filings with stock exchanges are made by the General Manager of the General Affairs Group upon having gained approval from the Executive Officer in charge of General Affairs.
However, the General Manager of Accounting Group is to gain approval of the Executive Officer in charge of Accounting with respect to filings of information on financial results.
 - (2) In-house integration of information and preparation of disclosure documents
General Managers of each group overseeing respective matters handle in-house filings (channeling information to the General Affairs Group) and preparation of disclosure documents with respect to matters subject to timely disclosure.
 2. Assessment and management of information requiring timely disclosure
 - (1) General methods
 - 1) The General Managers of groups overseeing matters relating to the Company assess such matters and file them with the General Manager of the General Affairs Group.
 - 2) The General Managers of each group overseeing matters relating to subsidiaries assess such matters pursuant to the Regulations for Business Operations by Subsidiaries and other such guidelines. Such General Managers subsequently channel such matters to the General Manager of Logistics, Port and Affiliated Business Group supervising and managing subsidiaries who then files them with the General Manager of General Affairs Group.
 - (2) Secondary methods (supervisory system)
The three parties listed below engage in supervision over proposals and reporting matters for meetings of the Board of Directors and the Executive Officers' Meeting, from the perspective of whether or not such matters should be subject to timely disclosure.
 - 1) General Manager of Corporate Planning Group (Serves as the Secretariats of both the Board of Directors and the Executive Officers' Meeting, which involves compiling agenda topics and examining formalities with respect to issues for deliberation)
 - 2) General Manager of General Affairs Group (Serves as the person in charge of filings with stock exchanges)
 - 3) Executive Officer in charge of General Affairs

In addition, the officers and employees concurrently serving as officers of subsidiaries assess developments with respect to the situation at the dispatch destination from the perspective of timely disclosure. They then furnish advice to those in charge at subsidiaries when applicable and notify the General Manager of Logistics, Port and Affiliated Business Group in that regard.

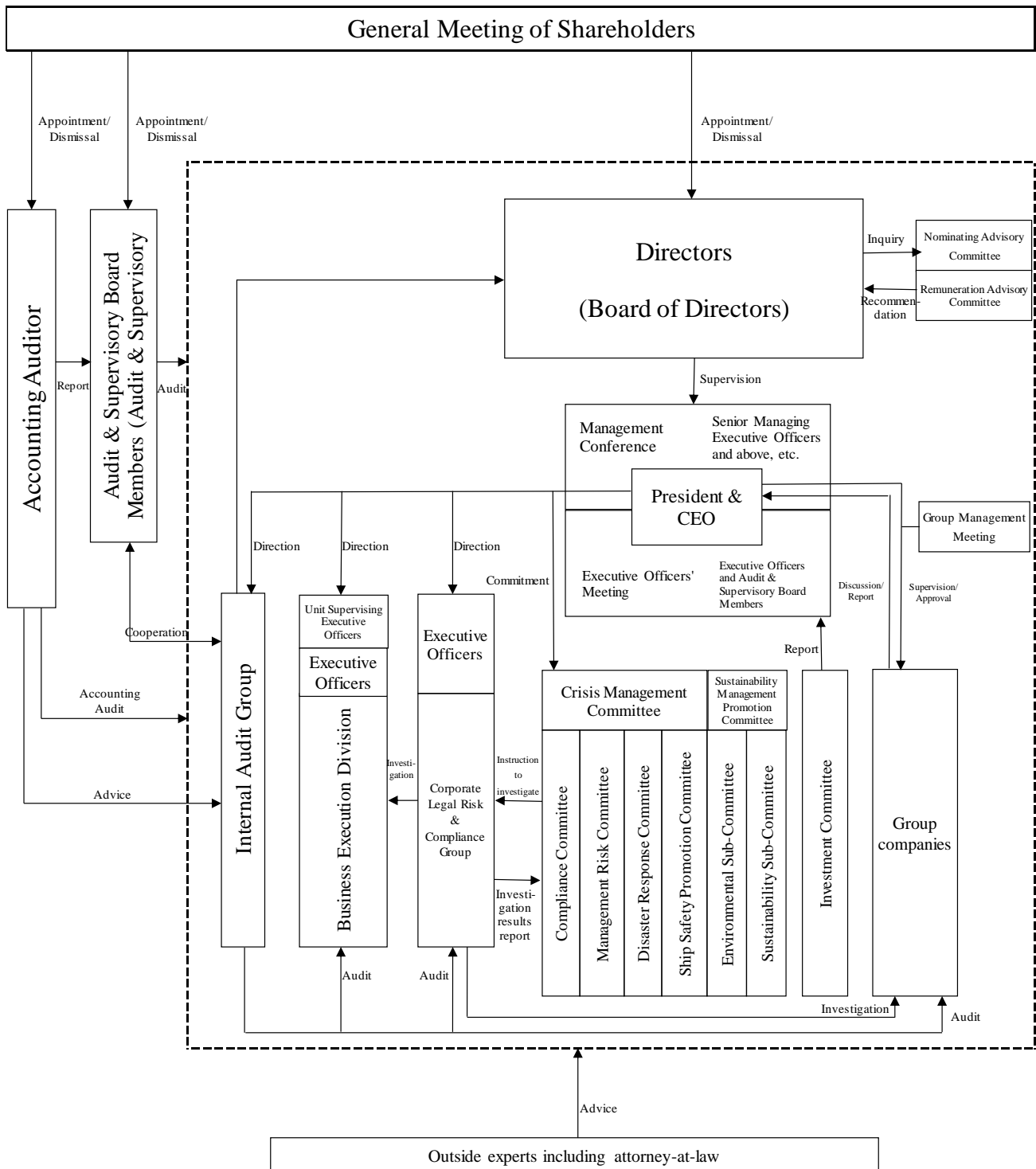
3. Flow of timely disclosure

The separate Attachment illustrates the aforementioned system of timely disclosure.

4. Management of internal information

When it comes to controls placed on internal information until performance of timely disclosure, the Company strives to properly manage such information and prevent insider trading pursuant to its Rules on Management of Internal Information and Insider Trading Restrictions.

Mechanisms Underpinning Systems of Business Execution, Management Supervision, and Internal Controls



(Attachment)

= Mechanisms of Business Execution Related to Timely Disclosure =

