

Criteria for Independence of Outside Officers

In addition to the requirements prescribed in the Companies Act, the Company specifies the criteria for the independence of Outside Directors and Outside Audit & Supervisory Board Members for the purpose of electing them. An overview is provided below.

An Outside Officer shall be judged to be independent if none of the following criteria apply.

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 “K” LINE Group (“the Group”) is a major client within the past three years.
“A corporate group for whom the Group is a major client” refers to a corporate group that has recorded sales to 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 Group within the past three years.
“A corporate group that is a major client of the Group” refers to a corporate group to whom the Group has recorded sales 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 Group’s financing to such a degree that it is irreplaceable for the Group.
4. A person who annually has been paid 10 million yen 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 annually been paid 10 million yen or more or other assets in an amount equivalent thereto by the Group accounting for over 2% of the total revenues of such juridical person, etc. in the latest fiscal year. 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. A person who is a spouse or a relative of the second or less degree of a person falling under any of the above criteria.