

# The "K" LINE Group's Materiality

As a part of identifying, evaluating, and managing sustainability-related risks and opportunities, we review and re-assess Materiality (key sustainability issues) as necessary. Our Group's most recent review in fiscal 2022 identified 12 new material issues. These are categorized into five areas, including safety / ship quality management, advancement of environmental technologies, digital transformation, and human resources—the four pillars of our functional strategy for a solid business foundation to realize the business strategies set forth in our medium-term management plan—and management base, which serves as the foundation of the four pillars (see below for details). The Group positions materiality as a set of key issues to be addressed in order to realize its corporate principle and vision, contribute to solutions for social issues, and achieve sustained growth and improve corporate value under the medium-term management plan.

## Material Issues and Related SDGs

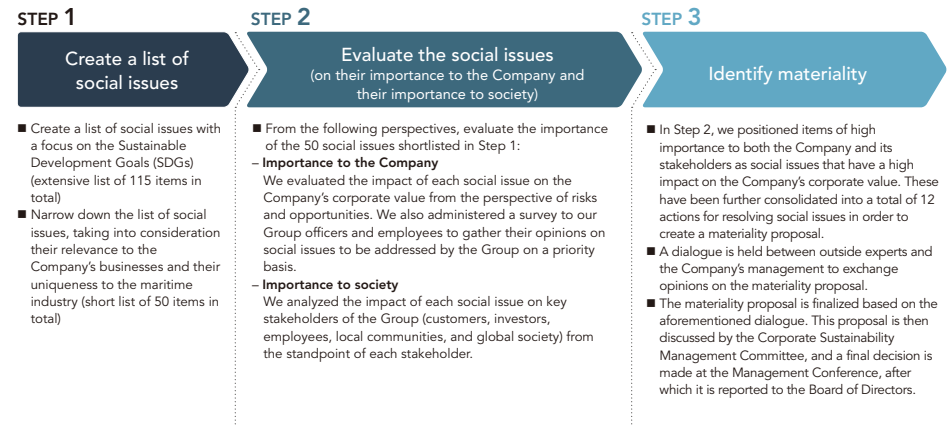
Category	Material Issues (Actions for resolving social issues)	Related SDGs
Management base	Respect for human rights <span>▶ P.43</span>	5, 8, 10
	Reinforcement of corporate governance <span>▶ P.63</span>	16, 17
	Promotion and reinforcement of compliance <span>▶ P.44</span>	16
Safety / Ship quality management	Promotion of safety in navigation and cargo operations <span>▶ P.45</span>	7, 13, 14
Advancement of environmental technologies	"K" LINE low-carbon and carbon-free transition <span>▶ P.46</span>	7, 9, 11, 12, 13, 17
	Supporting the development of a low-carbon and carbon-free society <span>▶ P.47</span>	7, 9, 11, 13, 17
	Reducing "K" LINE's impact on the sea and air to zero <span>▶ P.46</span>	3, 11, 12, 14, 15, 17
Digital transformation	Promotion of innovation <span>▶ P.52</span>	7, 9, 11, 12, 13, 14, 15, 17
	Reinforcement of response to digital transformation (DX) <span>▶ P.54</span>	7, 9, 11, 13, 14, 15, 17
Human resources	The securing and development of human resources <span>▶ P.56</span>	5, 8
	Diversity & inclusion <span>▶ P.57</span>	5, 8, 10
	Shaping of working environment and promotion of health management <span>▶ P.59</span>	3, 5, 8, 10

## Process to Identify Materiality

When identifying materialities, the Group referred to various sources of guidance related primarily to corporate social responsibility (CSR), including ISO 26000 and the OECD Guidelines for Multinational Enterprises. While considering Sustainable Development Goals (SDGs) and other social issues, we analyzed and evaluated materiality from the two perspectives of importance to the Company (importance from a business perspective) and importance to society (importance from a stakeholder perspective), in addition to factors such as their alignment with our business strategy and their impact on value creation.



## Steps for Analyzing Materiality



# KPIs Related to Material Issues

The Group sets goals and indicators (KPIs) that are aligned with each materiality theme and monitors progress.

As in the previous years, for fiscal 2024, we have set single-year targets after evaluating the progress made in the previous fiscal year. We will continue our efforts to achieve the medium- to long-term targets.

Category	Material Issues	Medium- to Long-term Goals (Aspirations)	KPIs related to Material Issues					
			Themes	KPIs	Medium- to Long-term Targets	FY2024 Targets	Achievement Status in FY2023	
Management base	Respect for human rights	To establish systems to respect the human rights of all stakeholders associated with the business activities of the "K" LINE Group as well as to prevent human rights violations.	Respect for human rights in the supply chain	Raising supplier awareness	Percentage of supplier surveys conducted	Covering the top 80% of transaction value by 2026	Covering the top 50% of transaction value	Not implemented
			Human rights awareness	Raising internal awareness	Percentage of participants taking e-learning courses on human rights	Overall participation rate: 100%	Overall participation rate: 90% or higher	Participation rate: in-house: 89.2%, Group companies in Japan: 86.4%, Group companies overseas: 93.1%
	Reinforcement of corporate governance	To exercise functions of the Board of Directors to make decision-making and supervision of management policies, and to carry out business execution based on those policies in a timely and appropriate manner, in order to increase medium- to long-term corporate value.	Compliance with the Principles of Japan's Corporate Governance Code (CG Code)	Principles of CG Code	Compliance ratio of CG Code principles required for listed companies on Prime Market of Tokyo Stock Exchange	Continues 100% compliance	Continues 100% compliance	Continued 100% compliance
			Continuous improvement of the board of directors effectiveness	Board of directors effectiveness	Implementation and disclosure of the board of directors effectiveness evaluation	Ongoing implementation on an annual basis	Conducting effectiveness evaluation through interviews	Conducted effectiveness evaluation by questionnaire method and released the results to the press
Safety / Ship quality management	Promotion and reinforcement of compliance	To conduct business activities with integrity, with officers and employees of the "K" LINE Group having a high awareness of compliance.	Thorough compliance with laws and regulations	Result indicators	Number of serious compliance violations	0 cases	0 cases	0 cases
			Raising awareness on compliance	Raising internal awareness	Percentage of participants attending compliance training	Overall participation rate: 100%	Overall participation rate: 90% or higher	Achieved 90% or more
	Promotion of safety in navigation and cargo operations	To establish both the global monitoring system and the region-based support and to prevent accidents by continuously strengthening its safe operation management system with both "human power" and "advanced / digital technology".	Accidents		Serious maritime accidents	0 cases	0 cases	0 cases
			Delay		Delay time due to mechanical failure	10h per vessel p.a.	10h per vessel p.a.	5.92h per vessel p.a.
Advancement of environmental technologies	"K" LINE low-carbon and carbon-free transition	To Implement initiatives to promote "K" LINE decarbonation as well as to support the decarbonization of society in order to meet the challenge of achieving net zero GHG emissions by 2050 as defined in "K" LINE environmental vision.	"K" LINE decarbonization	Result indicators	CO <sub>2</sub> emission efficiency (vs 2008)	50% reduction by 2030	Proceed with initiatives based on medium- to long-term targets	Improved by 44%
				Total CO <sub>2</sub> emission volume (vs 2008)	Achieve net zero by 2050	Reduced by 52%		
	Supporting the development of a low-carbon and carbon-free society		Decarbonization of society	Fuel conversion	Number of LNG-fueled vessels introduced	2030: 35, 2040: 35, 2050: 10		3 vessels
				Environmental preservation activities	Number of ammonia- / hydrogen-fueled vessels introduced	2050: 200-250		0 vessels
Reducing "K" LINE's impact on the sea and air to zero	To minimize the environmental impact on the sea and air through biodiversity conservation initiatives such as prevention of oil pollution incidents and air pollution as well as the installation of ballast water treatment system.	Biodiversity	Marine pollution	Oil spill accidents	0 cases	0 cases	0 cases	
			Reduce impact	Installation of ballast water treatment systems	100% by June 2024	100%	99%	
Promotion of innovation	To materialize reduction of the environmental impacts by introduction of fuel-efficient vessels with advanced energy-saving technology.	Low-carbonization	Introduction of new state-of-the-art vessels	EEDI regulation values for new vessels ordered by the end of the year	EEDI Phase 3 and more	Aim to achieve 100% of EEDI Phase 3 or higher for new vessels ordered by the end of the year.	100%	
			Wind power and others	Installation of "Seawing"	2030: 50 vessels		0 vessels	
Digital transformation	Reinforcement of response to digital transformation (DX)	To establish systems in which all officers and employees have a sense of ownership in DX so as to take the initiative in promoting DX led in the front lines.	Development of DX human resources	Humem resource development	Number of certified DX utilizers	100 personnel by the end of FY2025	40 personnel	Started during the period
				Operation efficiency	Installation of Kawasaki Integrated Maritime Solutions to owned / medium- to long-term charter vessels	100%		90%
Human resources	Diversity & inclusion	To conduct group and mid-career hiring of employees of diverse nationalities, educational backgrounds, genders, and work areas (administrative or technical), and to respect diversity generated as a result. In addition, to further promote diversity by encouraging male employees to participate in childcare, and by fostering and integrating a sense of unity with staff at overseas subsidiaries through "K" LINE UNIVERSITY.	Active participation by diverse personnel	Gender	Female employees comprising of managerial positions	15% (by FY2026)	-	6.8%
				Recruitment format	Ratio of mid-career hires among managers	-	-	16.5%
	Shaping of working environment and promotion of health management	To positively consider personality, individuality and diversity of members of the "K" LINE Group and to improve work safety and conditions to offer them comfort and affluence.	Occupational safety	Labor	Average monthly overtime working hours	Within 40 hours*	-	7.4hrs
				Flexible workstyle	Ratio of male employees taking childcare leave	20%*	-	77.8%
The securing & development of human resources	To engage in the quantitative and qualitative acquisition and development of human resources in line with the needs of each business portfolio in order to improve corporate value, social and economic value, and to hire mid-career professionals throughout the year in addition to recruiting new graduates. To develop human resources from the perspectives of "human resources who can lead sustainable growth and transformation of the business" and "human resources who can flexibly respond to changes in the business environment."	Active participation by diverse personnel	Health management	Mental well-being	Stress check examination rate	90%	90.0%	92.1% (Onshore Personnel)/ 74.3% (Seafarers)
			Recruitment format	Ratio of mid-career hires among managers	-	-	16.5%	
			Humem resource development	Training cost per employee (Onshore personnel)	-	199 thousand yen	171 thousand yen	

\* As of April 1, 2022, the target was set in the Action Plan to Promote the Active Participation of Women and Support the Development of the Next Generation Children, but has been achieved ahead of schedule. Currently considering setting targets for FY2025 and beyond.

# Sustainability Management

In its Vision, the "K" LINE Group aims for sustainable growth and greater corporate value by supporting the infrastructure of the global community, as a partner trusted by all its stakeholders. To fulfill this mission, it is important to create social value by contributing to the resolution of societal issues while balancing the Company's economic value. The core philosophy of the "K" LINE Group's sustainability management is to leverage the comprehensive capabilities we have cultivated in the marine transportation industry, while working alongside our partners, to realize initiatives that balance the sustainability of the Company, society, and the environment.

## Promotion System

Amid global changes in values and behavior, as well as increasing awareness of the need to reduce the burden of climate change on the environment, the "K" Line Group considers sustainability management a priority issue for enhancing corporate value over the medium to long term and discusses the issue as necessary at Board of Directors' meetings. To strengthen our management focus on these issues, we have established the Corporate Sustainability Management Committee and the GHG Reduction Strategy Committee, chaired by the president & CEO.

The Corporate Sustainability Management Committee is enhancing corporate value by reviewing and formulating a promotion system for the "K" LINE Group's sustainability management.

The general managers of each business group, who are heads of the relevant departments responsible for the material issues identified by the Group, are members of the Sustainability Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee. The Sustainability Sub-Committee monitors the implementation of initiatives related to materialities and regularly reports on their progress to the Corporate Sustainability Management Committee.

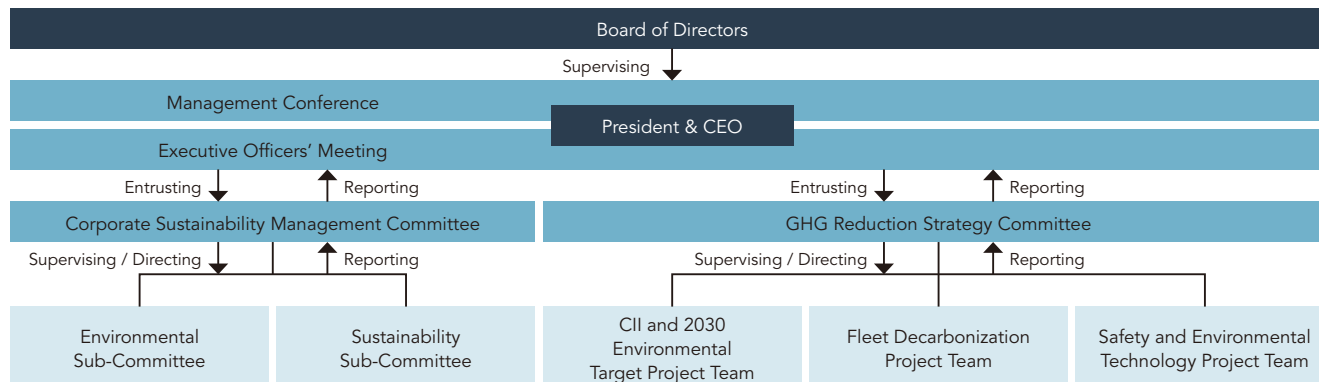
The Environmental Sub-Committee, another sub-committee, is responsible for operating the environmental management system (EMS) formulated in accordance with the "K" LINE Group Environmental Policy and the standards of the International Organization for Standardization (ISO). The subcommittee is also responsible for promoting other environment-related activities.

The GHG Reduction Strategy Committee formulates strategies for reducing GHG emissions, with a focus on fuel conversion for the Group among urgent environmental issues. It also creates and implements comprehensive response strategies, as well as policies related to adopting technologies, such as equipment selection, and preparations for smooth operations.

Under this governance structure, the "K" LINE Group advances effective sustainability management.

### (FY2023 Committee Meetings)

- Corporate Sustainability Management Committee: 3 times
- Environmental Sub-Committee: 2 times
- Sustainability Sub-Committee: 3 times
- GHG Reduction Strategy Committee: 4 times



## Message from the Executive Officer in Charge

### Noriaki Yamaga

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



By contributing to sustainability (environmental, social, and economic sustainability), the Group is committed to enhancing corporate sustainability through Sustainability Management, an essential perspective for our Group, which has been a key player in social infrastructure. International shipping generates approximately 900 million tons of CO<sub>2</sub> emissions, equivalent to the emissions of a country like Germany. As a company that operates primarily in shipping, we view environmental and social challenges, such as climate change, as opportunities to enhance corporate value by generating both social and economic value. We believe this leads to earning the trust of all stakeholders. Moving forward, the Group will continue to actively engage in sustainability efforts, contributing to the preservation of the global environment and the realization of a sustainable society while pursuing growth opportunities and enhancing corporate value.

# Respect for Human Rights

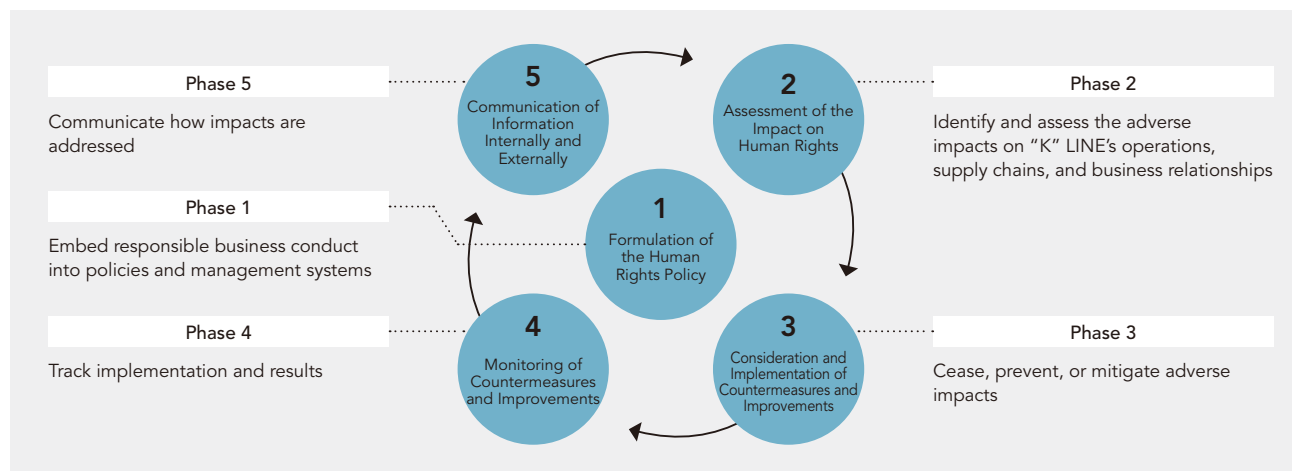
The "K" LINE Group stipulates Respect for Human Rights at the start of its Charter of Conduct. The Group is a signatory of the United Nations Global Compact and has expressed its support for the principles related to human rights and labor. The "K" LINE Group Basic Policy on Human Rights was drawn up based on the United Nations' Guiding Principles on Business and Human Rights. Management is committed to conducting human rights due diligence.

## Human Rights Due Diligence System

Based on the "K" LINE Group Basic Policy on Human Rights formulated in 2022, under the supervision of the Corporate Sustainability Management Committee and the direction of the executive officer responsible for corporate sustainability, the Corporate Sustainability, Environment Management, IR and Communication Group has become in charge of implementing human rights due diligence, including the drawing up of measures as well as analysis and assessment of human rights risks related to the business activities of the "K" LINE Group.



## Big Picture of Human Rights Due Diligence



## Assessment of Human Rights Impacts and Priority Issues

The "K" LINE Group has been accelerating its human rights due diligence efforts since fiscal 2022, conducting a human rights impact assessment on employees of the Company and its Group companies in the first fiscal year, and identifying priority issues while considering countermeasures. In the period from fiscal 2023 to the first half of fiscal 2024, we extended the scope to the supply chain, and implemented the following:

- 1 Analysis of the current status of the Company's procurement-related initiatives
- 2 Consideration of revisions to procurement policies and supplier guidelines
- 3 Consideration of the implementation framework for sustainable procurement

From the second half of fiscal 2024 onwards, as part of sustainable procurement, we plan to intensify human rights due diligence within the supply chain by revising and disseminating procurement policies and supplier guidelines, while also conducting human rights impact assessments through surveys.

# Promotion and Reinforcement of Compliance

## The Group's Compliance System

To provide guidance to the officers and employees of the Company and Group companies in the conduct of their day-to-day duties, in January 2017 we established the "K" LINE Group Global Compliance Policy, with which all officers and employees must comply. Also, the Compliance Committee, which is chaired by the president & CEO, deliberates on policies to ensure the compliance of the Company and Group companies as well as measures in response to compliance violations. Further, under the supervision of the chief compliance officer (CCO), the compliance system is being strengthened throughout our organization. In addition, to prevent compliance issues in the Group's domestic and overseas operations and detect and correct risks at an early stage, we have established the Hotline Desk and the Global Hotline Desk, which receive whistleblowing reports from officers and employees of the Company and its domestic and overseas Group companies.

### Our Efforts to Ensure Compliance with the Anti-Monopoly Act

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

### Our Efforts to Prevent Bribery and Corruption

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



### Our Efforts to Ensure Compliance with Economic Sanctions

In November 2019, we added individual policies on economic sanctions and anti-money laundering to the "K" LINE Group Global Compliance Policy. All officers and employees of the Company and Group companies are required to comply rigorously with regulations related to economic sanctions, anti-money laundering, and the prevention of terrorism financing that are applicable to the businesses of the "K" LINE Group.

### Our Efforts to Protect Personal Information

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

### Our Efforts to Raise Compliance Awareness

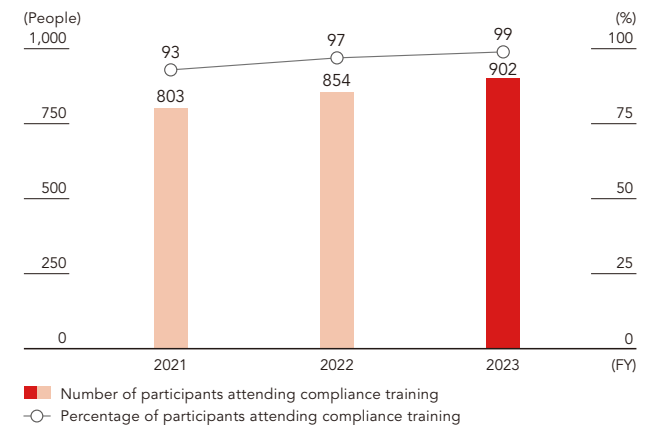
We set every November as "Compliance Month," when we distribute a message from the president to officers and

employees of "K" LINE and its Group companies to remind them of the importance of compliance. We also hold compliance e-learning training on topics such as competition law and anti-corruption, compliance seminars featuring lecturers invited from outside the Company, and position-based training.

Number of reports and consultations via the Hotline system

	FY2021	FY2022	FY2023
Reports	1	3	5
Consultations	3	0	1

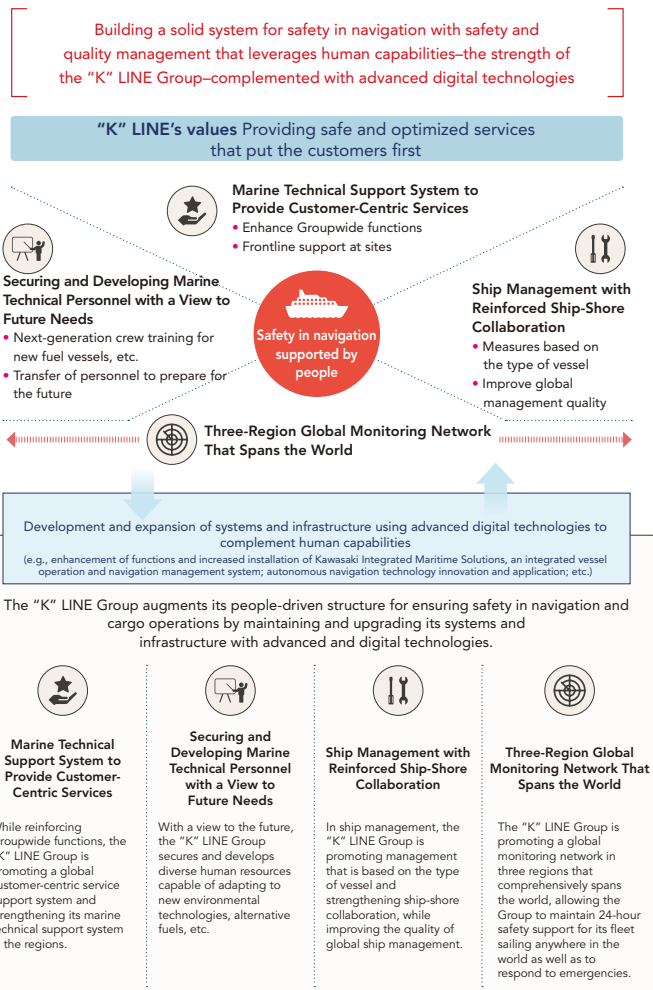
Number and percentage of participants attending compliance training



# Promotion of Safety in Navigation and Cargo Operations

We believe that the most crucial factor for safety in navigation is human capabilities. To achieve safety in navigation, it is essential to leverage human capabilities by securing and developing competitive human resources, establishing a customer-oriented maritime support and creating a global safety management structure. Moreover, to enhance safety and transportation quality, it is necessary to supplement human capabilities with advanced technology which makes the experience and knowledge more visible. By strengthening our safety and quality management structure with the dual support of human capabilities and technology, we will continue to provide safe and optimal services with a customer-first approach.

## Safety in Navigation and Cargo Operations Based on "Human Capabilities"



## Cutting-Edge Digital Technologies That Complement the Power of People

### K-Assist Project

The K-Assist Project is a technology development project related to automated ship operation. It covers three fields: support for sentry duty and ship navigation, support for safe berthing and unberthing, and support for engine plant operations. The Advanced Safety Berthing / Unberthing Assistance System automatically detects any outside force applied to the hull when entering or leaving a port. Use of a ship motion model to predict ships' future positions with high accuracy is expected to enable safer ship maneuvering in the future. The amount of tensile force applied to mooring lines during berthing varies greatly based on cargo loading status, and in the past, it was not possible to attain a quantitative measurement of that tensile force while aboard the ship. To address this, we jointly developed and installed the Tension Monitoring System for Mooring Line that enables the digital visualization of tensile force applied to mooring lines to improve safety relative to the past while simultaneously lowering crew member workload.

### Optimum Weather Routing System

Climate change in recent years has resulted in an uptick in typhoons, explosive cyclogenesis ("weather bombs"), and other weather events even out of season, with more problems being caused by stormy weather. To avoid such problems and ensure safe ship operation, it is important to set up proper routes based on weather and ocean condition forecasts.

We support the safe and economical operation of ships using the KAWASAKI Integrated Maritime Solutions Navigating System for Optimal Navigation, which makes route recommendations based on operational performance models for each vessel with weather forecast.

## MESSAGE FROM THE CSO



**Kiyotaka Aya**  
Senior Managing Executive Officer  
Responsible for Marine Sector Unit  
CSO (Chief Safety Officer)

The "K" LINE Group provides services to customers with safety in navigation and transportation quality as our business principle. As the demand for low-carbon and carbon-free transition measures increases, we are promoting the implementation of new technologies to meet these challenges. With personnel capable to resolve new challenges and maximizing our ship management experience, we are strengthening the safety and quality management system based on our global three-hub structure, as outlined in our medium-term management plan. And simultaneously, we are developing customer support in localized areas. We aim to continue to be a trusted partner for our customers through providing higher value-added proposals and services for a wide range of customer's needs including environmental issues. To achieve this goal, we continuously strengthen our global organization to enhance safe navigation and transportation quality.

# Advancement of Environmental Technologies

## Environment

Under our corporate principle of helping to enrich the lives of people as an integrated logistics company that focuses on marine transportation, we are taking on the mission of "Blue Seas for the Future." As a partner trusted by all stakeholders, we aim to sustain growth and improve corporate value, while supporting the infrastructure of global society.

## Objective of the "K" LINE Group


Refine the environmental response expertise / solutions with customers and partners to lead the entire shipping industry by establishing sustainable competitive advantages to be balanced with earnings growth.

## "K" LINE Environmental Vision 2050

### Blue Seas for the Future

In order to strengthen our initiatives for climate change measures, in November 2021, we revised the 2050 targets in the "K" LINE Environmental Vision 2050, our long-term environmental guideline. We set an even higher target for achieving net-zero greenhouse gas (GHG) emissions by 2050.

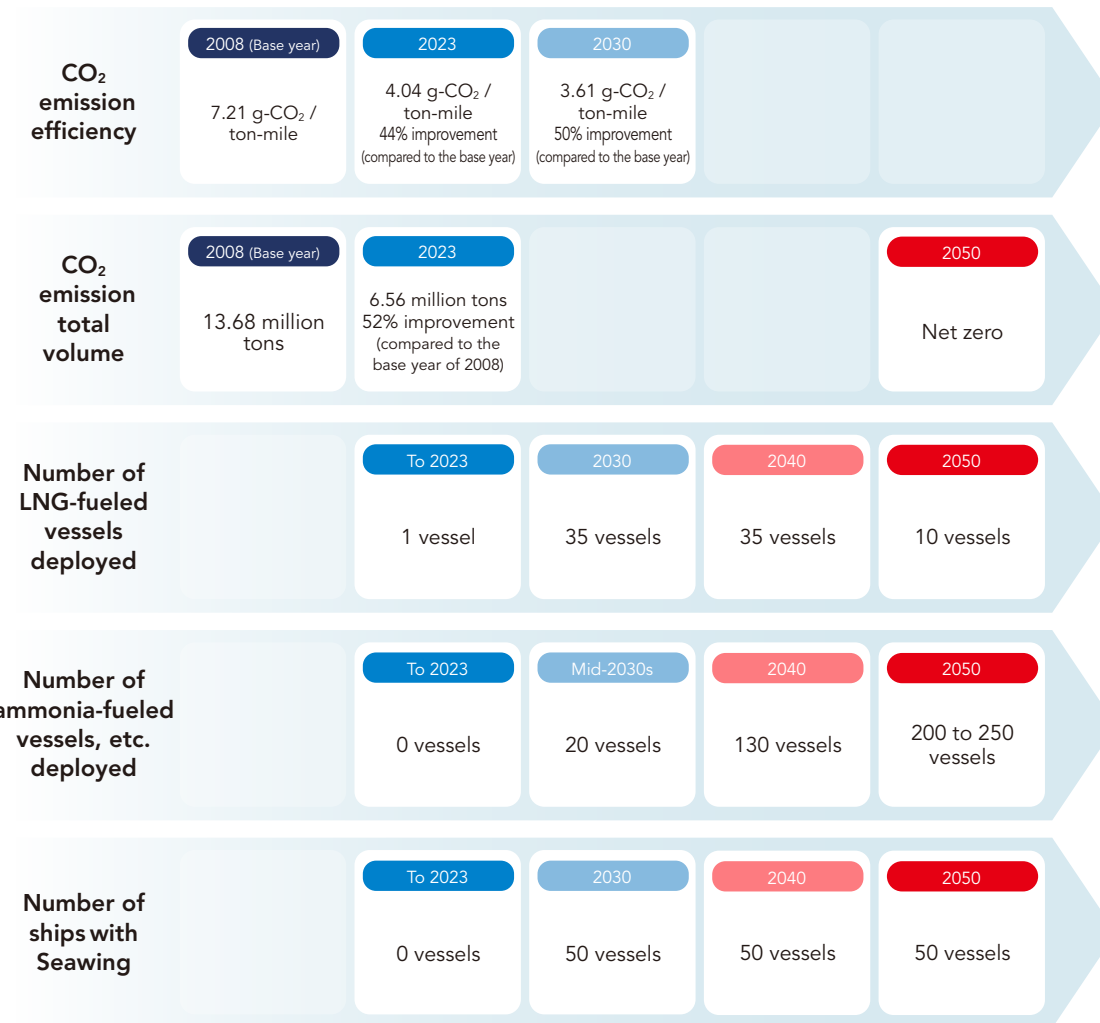
### Challenge of achieving net-zero GHG emissions by 2050

 "K" LINE Environmental Vision 2050: Long-Term Environmental Guidelines for 2050  
<https://www.kline.co.jp/en/sustainability/environment/management.html#002>

<p><b>Low-carbon and carbon-free initiatives at "K" LINE</b></p> <p>Take on the challenge of net-zero GHG emissions                  2030 interim milestones                  Improve CO<sub>2</sub> emission efficiency by 50% compared with 2008</p>	<p><b>Support the shift to a low-carbon and carbon-free society</b></p> <p>Be a transporter and supplier of new energy</p>
<p><b>Reduce "K" LINE's impact on the sea and air to zero</b></p> <p>Zero oil spills</p>	<p><b>Support the environmental activities of society</b></p> <p>Be the industry leader in ecosystem protection</p>

## "K" Line Low-Carbon and Carbon-Free Targets and Progress

We are examining specific issues, such as vessel fleet management, with an eye on 2050, while verifying road maps and progress toward the attainment of 2030 medium-term milestones in the "K" LINE Environmental Vision 2050.



Advancement of environmental technologies

### Summary of Low-Carbon and Carbon-Free Initiatives

The "K" LINE Group is taking steps to reduce GHG emissions in order to achieve low-carbon and carbon-free itself and throughout society and will invest a total of ¥380.0 billion by 2026 to establish competitive advantages while meeting needs for low-carbon and carbon-free operations. We keep continuing to work on both pursuing new technologies and strengthening response from study and demonstration to implementation.

#### Low-Carbon and Carbon-Free Initiatives at "K" LINE

##### Use of alternative fuels

###### Expanded introduction of LNG- / LPG-fueled vessels

- During the 2020s, we are expanding the introduction of LNG- / LPG-fueled ships, and are planning to have approximately 35 such vessels deployed by 2030

###### Introduction of zero-emission vessels, including ammonia-fueled vessels, and carbon-neutral fuels such as biofuels

- Planning to have approximately 20 such vessels deployed by the mid-2030s
- Currently considering the introduction of zero-carbon-emission fuels such as ammonia / hydrogen as well as synthetic and other carbon-neutral fuels
- Operated pilot voyage using B100 biofuel (marine biofuel made of 100% biodiesel) in May 2024

#### Support the shift of a Low-Carbon and Carbon-Free Society

##### Liquefied CO<sub>2</sub> Transportation Business

In the field of liquefied CO<sub>2</sub> carriers involved in carbon dioxide capture and storage (CCS)—a concept for capturing and storing CO<sub>2</sub> emitted during the use of hydrocarbons excavated from under the ground—"K" LINE has signed a long-term charter contract for the world's first full-scale commercial transport for CCS that is launching in Europe (the Northern Lights project).

Northern Lights has ordered a fleet of four vessels, three of which will be managed by The "K" LINE Group. Northern Lights is dedicated to systematizing its know-how for medium-temperature, medium-pressure transportation. Additionally, we have conducted studies for constructing CCS value chains with leading domestic and international companies.

Investment amount (2022 to 2026)      GHG emissions reduction effect      KPI for measuring progress

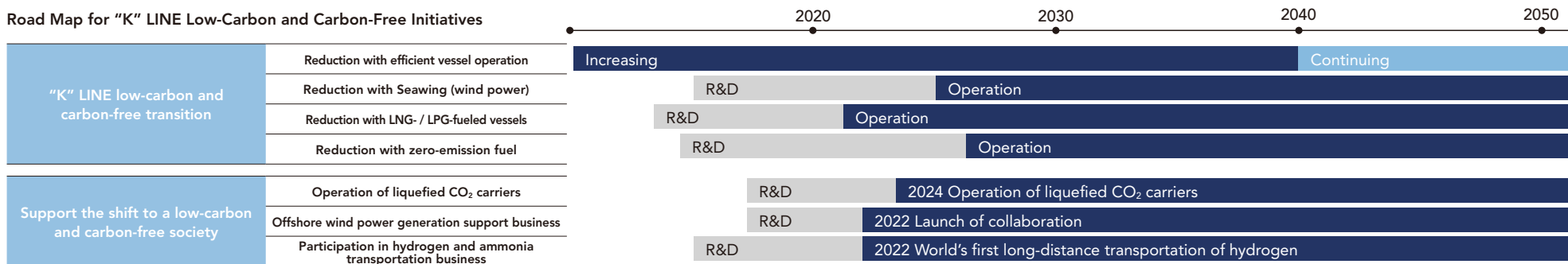
Initiative	Category	Sub-category	Investment amount (2022 to 2026)	GHG emissions reduction effect		KPI for measuring progress
				2020-2026	2030	
"K" LINE low-carbon and carbon-free transition	Fuel conversion (use of clean energy)	LNG- / LPG-fueled vessels	¥267.5 billion	20 to 30% reduction vs. previous vessels	Number of LNG- / LPG-fueled vessels	
		Zero-emission vessels		Zero emission	Number of zero-emission vessels	
	Environmentally friendly equipment (use of wind power, etc.)	Seawing, etc.	¥21.0 billion	Up to 20% reduction vs. previous vessels <small>Note: this depends on the speed of the vessel, the route, and season.</small>	Number of ships with Seawing (around 50 vessels by 2030)	
Development and demonstration of environmental technology	Installation of Kawasaki Integrated Maritime Solutions (operation efficiency)	Hybrid EV tug boats, etc.	¥5.5 billion	3 to 5% or more reduction vs. previous vessels	100% <sup>1</sup> installation of Kawasaki Integrated Maritime Solutions on owned / medium- to long-term chartered vessels	
		Hybrid EV tug boats, etc.		—		
Support the shift to a low-carbon and carbon-free society	New business that promotes low-carbon achievement	Liquefied CO <sub>2</sub> transport	¥72.0 billion	—	Consider based on business characteristics (three liquefied CO <sub>2</sub> vessels are scheduled to begin operations as of May 2024)	
		Support for wind power generation installations, etc.		—		
Other environmental investments	—	—	¥14.0 billion	—	—	

\* Kawasaki Integrated Maritime Solutions will be installed as standard on newly built vessels, and has already been installed on vessels we own that are currently in operation.

By the end of fiscal 2024, installation of Kawasaki Integrated Maritime Solutions will be completed on all medium to long-term chartered vessels for which installation is planned (excluding short-term chartered vessels). To expand our fleet of vessels equipped with the system, we will continue, on an ad hoc basis, to add more ships to the list of vessels on which the system is to be installed.

Note: KPIs are based on "K" LINE's assumption on the development of related technology and infrastructure, related regulation, and economics as of today and are subject to change depending on future trends.

#### Road Map for "K" LINE Low-Carbon and Carbon-Free Initiatives



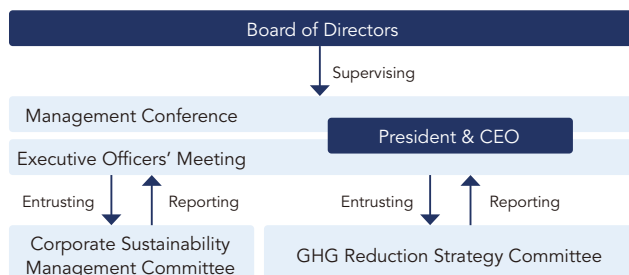
# TCFD Framework-Based Information Disclosure

The "K" LINE Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2018 and adopted information disclosure activities based on the TCFD framework in 2019. In June 2020, we reviewed our "K" LINE Environmental Vision 2050, and performed a scenario analysis as proposed by the TCFD. In light of the results of this analysis, we identified issues to be addressed and revised some targets. Furthermore, in November 2021, we recognized global climate change countermeasures as an issue that must be strengthened by the entire international community, and we therefore set a higher challenge of net-zero GHG emissions by 2050. However, conditions are always changing, so to reflect the latest circumstances, we have recently reviewed our scenario analysis and also expanded our disclosures, with a focus on the analysis of financial impacts.

 [TCFD Disclosure Link]  
[https://www.kline.co.jp/en/sustainability/environment/climate\\_change.html](https://www.kline.co.jp/en/sustainability/environment/climate_change.html)

## Governance

Amid global changes in values and behavior, as well as increasing awareness of the need to reduce the burden of climate change on the environment, "K" LINE considers sustainability management a priority issue for enhancing corporate value over the medium to long term and discusses the issue as necessary at Board of Directors' meetings. The Corporate Sustainability Management Committee, chaired by the president & CEO, meets approximately once every two months, and works to enhance corporate value by evaluating and refining the system for promoting the Group's sustainability management. Another function of the committee is to identify climate-related risks and opportunities and monitor the progress of responses to them.



## Overview of Strategy

### Responses to Major Risks and Opportunities

Through internal surveys and interviews with relevant departments, we organized the likelihood, time of occurrence, and financial impact of risks and opportunities related to climate change, and analyzed their degree of importance for our business. After that, we identified each risk and opportunity, considered the implications for the businesses, and determined responses.

Risks and opportunities arising from changes in policies and regulations, reputation change among stakeholders, and changes in technology			Implications for business				
Types (root causes)	Events (qualitative factors)	Specific examples (quantitative factors)	Likelihood	Timing of occurrence	Financial impacts	Degree of importance for our business	Consideration of implications for business and responses (examples)
Changes in policies and regulations	Tougher EEDI and EEXI regulations Introduction of carbon taxes and emission trading, etc.	<b>Transition Risks:</b> Increased carbon tax costs, increased operational costs, and increased shipbuilding costs	High	Short to medium term	Medium	High	Aim to secure environmental superiority by enhancing operational efficiency through digital transformation (DX), expanding the use of LNG-fueled vessels and marine biofuels, and exploring the deployment of alternative fuel vessels using ammonia, methanol, hydrogen, etc. Consider accounting for the costs of carbon taxes and investments in alternative fuel vessels in revenue.
Reputation change among stakeholders	Reputation among customers	<b>Transition Risks / opportunities:</b> Reputation change due to delayed decarbonization efforts	Medium	Short to medium term	High	High	Disclose our various advanced environmental initiatives, including efforts to reduce GHG emissions, in a timely manner in our Integrated Report and on our website to showcase our low-carbon and decarbonization efforts.
Changes in technology	Adoption of new technologies on ships	<b>Opportunities:</b> Demand from decarbonization-related businesses	High	Short to medium term	Medium	High	In January 2024, we established OCEANICWING S.A.S. in France. This company, which has taken over the business of Airseas following its spinoff from Airbus, is focused on further enhancing and accelerating the development and commercialization of Seawing technology. Seawing is a new technology that can be installed on any type of vessel, including retrofitting existing ships, and we are considering deploying it on every kind of vessel.
Changes in market principles	Provision of low-carbon services	<b>Opportunities:</b> Demand from decarbonization-related businesses, increased cargo transportation volume	High	Short to medium term	High	High	Regarding the LCO <sub>2</sub> Transportation Business, we are taking part in a pilot project in Norway (contract for three vessels for Northern Lights), and two of the vessels are scheduled to participate in the world's first full-scale CCS value chain project from 2024. Build expertise and know-how, mainly in Europe.
Chronic or acute climate change including temperature rise, sea level rise, and extreme weather	Disruption of transportation routes, changes in transportation routes, load shifting or seawater exposure of cargo	<b>Physical Risks:</b> Increased risk of vessel damage, increased operational costs, elevated litigation risk, increased compensation payments	Low	Long term	Low	Low	Reduce risk of entering high-wave areas, ship rolling, and load shifting by using Kawasaki Integrated Maritime Solutions / NAVI to select the optimal route based on weather and sea-condition forecasts. Currently deploying an app for predicting specific rolling motions that could cause load shifting on container ships. Introduce a fleet monitoring system to enhance management for safe operations, such as avoidance of encounters with extreme weather.

## Scenario Analysis

To assess the sustainability and resilience of our management strategy with respect to the long-term and uncertain issue of climate change, we consider three scenarios: 2.4°C Scenario, 1.7°C Scenario, and 1.4°C Scenario. We assess the quantitative financial impacts of risks and opportunities stemming from climate change in the event that they should actually materialize, and consider responses to them. Additionally, for physical risks, we analyze them under a scenario with an even higher temperature rise than 2.4°C (3.0°C or more, equivalent to RCP 8.0).

TCFD Framework-Based Information Disclosure

**Assumptions for Scenario Analysis**

**2.4°C scenario (STEPS)** This scenario assumes that measures currently being implemented to achieve the goals and objectives set by governments will remain in place, and that current policy stances will be maintained going forward (financial impact assessment: Under 2.5°C scenario).

**1.7°C scenario (APS)** This scenario takes into account all climate-related commitments of governments, including NDCs and long-term net-zero targets, and assumes that they will be fully achieved by the deadlines that have been set, such that all countries that have pledged to attain net zero will indeed do so (financial impact assessment: Under 2.0°C scenario).

**1.4°C scenario (NZE)** This scenario assumes that universal access to energy will be available by 2030, that air quality will be significantly improved, and that the key components of the UN's SDGs related to energy will be accomplished, such that net zero will be achieved by 2050 (financial impact assessment: Under 1.5°C scenario).

**Assumptions / conditions for financial impact calculation**

**Exchange rate** To eliminate the impact of currency fluctuations across different decades and scenarios, a uniform exchange rate of 1 USD = 120 JPY was used

**Fleet plan transition** Our policy is to shift to alternative fuel vessels regardless of the scenario, thus fleet transition is the same for each scenario.

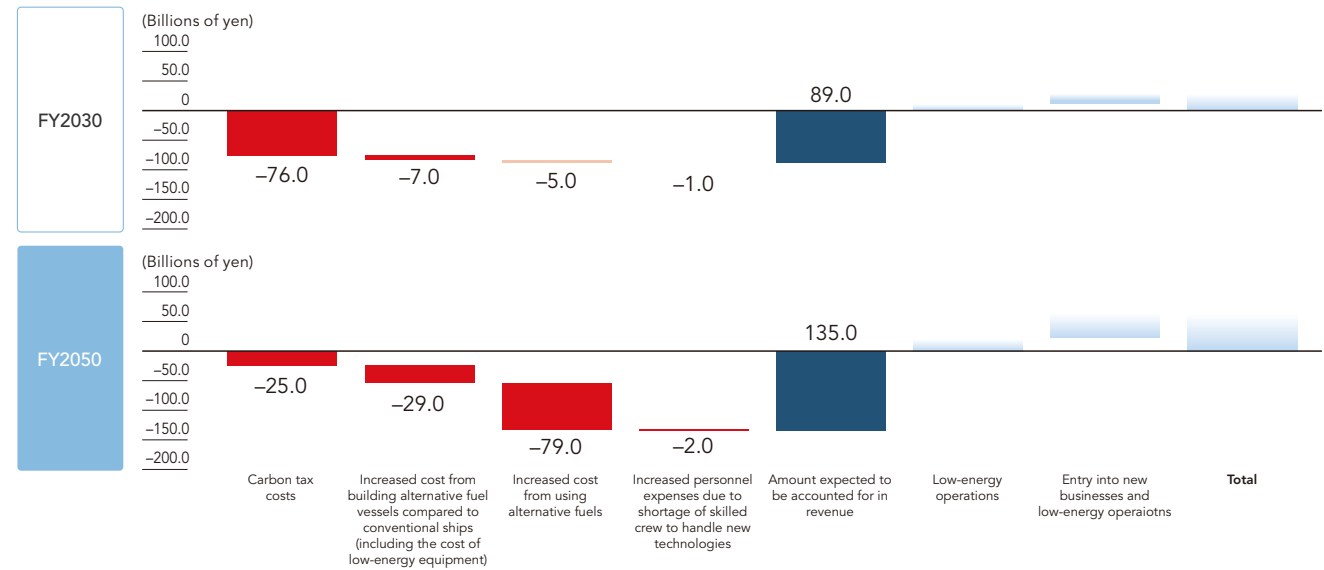
	Scenario	Unit	FY2030	FY2040	FY2050
Carbon price for each scenario	1.4°C (NZE)	USD/tCO <sub>2</sub>	140	205	250
	1.7°C (APS)	USD/tCO <sub>2</sub>	135	175	175
	2.4°C (STEPS)	USD/tCO <sub>2</sub>	42	67	67
Fleet plan transition	Vessel type by fuel type	Unit	FY2030	FY2040	FY2050
	FO	Vessel	187	71	4
	LNG	Vessel	35	35	10
	NH3	Vessel	14	133	234

**Results of the Financial Impact Assessment**

We identified the following four factors as influences. The results of our estimation of financial impacts reiterated to us that regardless of the temperature scenario, if no action is taken to reduce and eliminate carbon use, negative impacts on our company will continuously occur over the long term. They also led us to recognize the quantitative impact of increased costs

associated with low-carbon and decarbonization measures that we will incur under every scenario, and we realized that if we are to continue to develop the company's business and contribute to making people's lives more comfortable, we will need to get society as a whole to bear the increased costs of low-carbon and decarbonization measures that cannot be covered through in-house efforts alone by accounting for them in revenue.

**Under 1.5°C Scenario**



The "K" LINE Group is taking steps to reduce GHG emissions in order to achieve low-carbon and carbon-free itself and throughout society and will invest a total of ¥380.0 billion by 2026 in fuel conversion, installation of technology such as

Seawing, and transport of liquified CO<sub>2</sub>, etc., to establish competitive advantages while meeting needs for low-carbon and carbon-free operations.

**Risk Management**

We recognize the impact of external changes and the various risks our operations are exposed to, and we have established a risk management system that will enable us to fulfill our corporate social responsibilities even when risks materialize.

[\[TCFD Disclosure Link \(P.30: Risk Management\)\]](https://www.kline.co.jp/en/sustainability/environment/climate_change.html)  
[https://www.kline.co.jp/en/sustainability/environment/climate\\_change.html](https://www.kline.co.jp/en/sustainability/environment/climate_change.html)

**Metrics and Targets**

As we move closer to 2030, we will be steadily executing an action plan to achieve the medium-term milestone goals set forth in the "K" LINE Environmental Vision 2050. And our new goal for 2050 is to achieve net-zero GHG emissions.

[\[TCFD Disclosure Link \(P.33: Metrics and Targets\)\]](https://www.kline.co.jp/en/sustainability/environment/climate_change.html)  
[https://www.kline.co.jp/en/sustainability/environment/climate\\_change.html](https://www.kline.co.jp/en/sustainability/environment/climate_change.html)

## Initiatives in Biodiversity

As our business is dependent on natural capital, mainly from the ocean, not only climate change issues but also biodiversity conservation efforts, especially in the ocean, are some of the most important themes for our business activities.

"K" LINE has endorsed the Taskforce on Nature-Related Financial Disclosures (TNFD) framework. Therefore, in order to assess and examine proper responses to environmental risks and nature-related economic impacts in our operations, we have adopted the LEAP approach based on TNFD guidance.

### Steps in the LEAP Approach

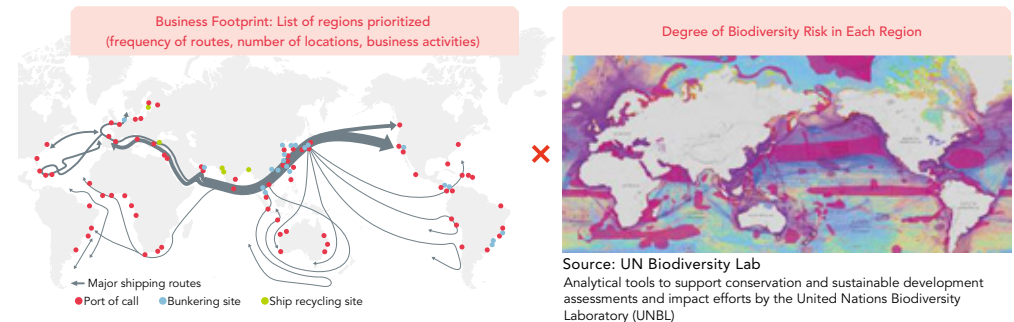
Source: The TNFD Nature-Related Risk and Opportunity Management and Disclosure Framework Beta 0.4



Our steps to disclosure in accordance with the LEAP approach are as shown above. At the Scoping / Locate steps, considering the footprint of our operations and their relationship to nature, we have identified regions for analysis in light of the importance of ecological integrity, biodiversity, and water stress (mainly the degree of marine pollution). In the Evaluate step, we used the "ENCORE"\*1 tool to analyze our dependency and impact on natural capital in these identified regions. In the Assess / Prepare steps, we identified risks and opportunities, while cross-checking our business activities with the key dependence / impact items identified in each region during the Evaluate step. We then revised our goals and strategies based on this evaluation.

\*1. In the natural capital field, the Natural Capital Finance Alliance, an international financial industry organization, jointly developed this analytical tool for assessing dependency and impacts on nature along with UNEP-WCMC (World Conservation Monitoring Center).

### 0. Scoping 1. Locate Interactions between Our Business Activities (Shipping Business) and Nature



Source: UN Biodiversity Lab  
Analytical tools to support conservation and sustainable development assessments and impact efforts by the United Nations Biodiversity Laboratory (UNBL)



We selected priority areas for each of our business sites and operation locations, cross-checked against sea areas with high biodiversity risks, based on the frequency of port calls by our vessels, and analyzed each of our businesses with a focus on the core maritime transportation business. The four regions listed on the left are the main areas we focused on in our analysis.

### 2. Evaluate Dependencies and Impacts

In each of the regions selected for Locate, we evaluated the degree of dependence and impacts of the nature-related aspects of our businesses.

#### Analysis of a company's dependence / impact on ecosystem services

The ENCORE tool was used to examine nature-related dependencies and impacts in the analyzed sectors and their potential dependencies and impacts on natural capital, and to analyze and evaluate the scope and degree of each dependency and impact and its details in relation to ecosystem services.

#### Analysis of the criticality of dependence / impact targets and identification of high priority dependence / impact targets

A detailed analysis of dependencies and impacts on nature in each region was conducted using the ENCORE tool filter for elements closely related to ecosystem services that are highly dependent and impacted by the project.

Initiatives in Biodiversity

3. Assess 4. Prepare **Assessments of Material Business Risks and Opportunities, Preparations to Respond and Report**

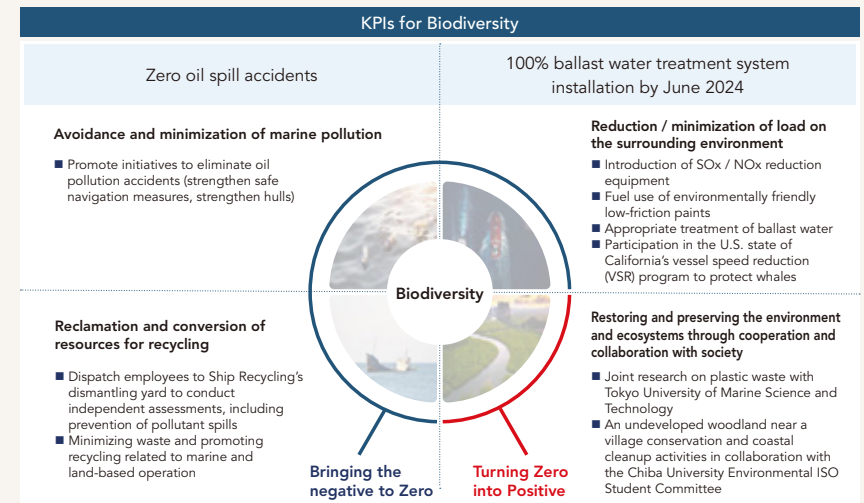
"K" LINE has identified four materialities, namely oil pollution, atmospheric impacts (GHG, SOx, and NOx), prevention of marine organism migration, and impact on mammals, as risks and opportunities related to its businesses that are shared across the selected regions. We have drawn up responses and targets for each of these materialities.

	Target
<p><b>Oil pollution</b></p> <p>Impacts: Water pollutants, Marine ecosystem use</p> <p>It is necessary to provide compensation to fishery-related businesses and neighboring countries due to the occurrence of accidents in marine transportation, which cause oil pollution and affect the marine ecosystem and reduce the catch of fishery resources. Additionally, oil pollution associated with demolishing needs to be addressed.</p>	<p><b>Zero oil pollution accidents</b></p> <p>Reinforcement of safe operation measures, hull strengthening, human resource development, strengthening of safety measures, strengthening of green ship recycling response, etc.</p>
<p>Dependence: Climate regulation Impact: Emissions to the atmosphere</p> <p><b>Atmospheric impacts (GHG, SOx, and NOx)</b></p> <p>Increased GHG, SOx, and NOx emissions due to vessel operations and stricter emissions regulations at the operator level will result in increased response costs. Increased emissions of SOx and NOx, which cause photochemical smog and acid rain, will damage social reputations among suppliers and stakeholders.</p>	<p><b>Reduction and minimization of impact on the surrounding environment</b></p> <p>Promote initiatives to prevent air pollution and reduce GHG emissions: slow steaming, use of low-sulfur fuels, introduction of SOx scrubbers, introduction of NOx reduction equipment, etc.</p>
<p>Impact: Marine ecosystem use</p> <p><b>Prevention of marine organism migration</b></p> <p>The discharge of ballast water and the migration of organisms attached to the bottom of the vessel could affect the aquatic ecosystem of the area, leading to a collapse of the ecosystem of fishery resources and affecting the local fishing industry, which could result in the need for fisheries compensation. It could also create a threat to the conservation of endangered species and could result in lawsuits from the target countries and NGOs.</p>	<p><b>Reduction and minimization of impact on the surrounding environment</b></p> <p>Ballast water treatment system installation rate 100%, etc.</p>
<p>Impacts: Marine ecosystem use, Disturbances</p> <p><b>Impact on mammals</b></p> <p>Vessel operations may cause collisions with whales and other marine mammals, resulting in physical harm to the creatures. In addition, undersea noise can harm communication between marine organisms, cause stress, and adversely affect the ecosystem. In a worst-case scenario, if the noise causes harm or stress to marine organisms, resulting in death, the project may be sued by neighboring countries or NGOs, and public notoriety may be spread.</p>	<p><b>Reduction and minimization of impact on the surrounding environment</b></p> <p>Reducing the impacts of vessel operations on marine mammals: participation in California's vessel speed reduction (VSR) program to protect whales</p>

We have been implementing concrete initiatives to preserve biodiversity in each region based on our environmental targets and action plans in the "K" LINE Environmental Vision 2050. Based on a comprehensive understanding of natural capital, we intend to strengthen the management of risks and opportunities through the introduction of the LEAP approach. While promoting coexistence with nature, we are stepping up our efforts to build a sustainable future. Referring to the beta version (version 4) of the framework, "K" LINE reflects in this documentation its current assessments, analysis, and information based on data verified by Socotec Certification Japan Co., Ltd. In order to respond to future changes, we are constantly evaluating and disclosing information.

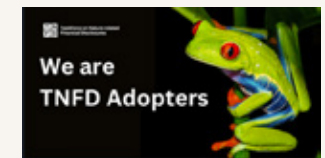
TOPICS

In order to reduce the environmental impact of our ship operations on the oceans and atmosphere to zero, we are already implementing various initiatives in each region from the viewpoint of biodiversity preservation as follows.



**Participation in the TNFD Forum and Adopter Registration**

In November 2023, we joined the Taskforce on Nature-related Financial Disclosures (TNFD) forum\*1. Additionally, in March 2024, we registered as a "TNFD Adopter"\*2 committing to adoption of the TNFD disclosure recommendations published in September 2023.



\*1. The TNFD is an international initiative aimed at building a framework for appropriate assessments and disclosures of risks and opportunities related to natural capital and biodiversity. The TNFD Forum is a group of stakeholders consisting of business enterprises, financial institutions, research organizations, and other entities. It was set up for the purpose of supporting discussion at the TNFD to help build a framework. Please refer to the following website of the TNFD Forum for details.: <https://tnfd.global/>

\*2. TNFD Adopters are companies and organizations that have registered on the TNFD website their intention to disclose information in accordance with the TNFD recommendations and are required to do so for either FY2024 or FY2025. <https://tnfd.global/engage/tnfd-adopters/>

## Promotion of Innovation

The "K" LINE Group places great importance on providing new value to customers and society through the enhancement of safety, the environment, and quality. Leveraging the expertise we have cultivated over the years, we are committed to balancing profitability and environmental conservation through the development of maritime transport services using customer-oriented, innovative technologies and through the support of new businesses. Centered on three core organizations—the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group—the "K" LINE Group is dedicated to technological development that contributes to strengthening competitiveness and enhancing corporate value. We are promoting these initiatives in collaboration with the Digitalization Strategy Group to accelerate innovation.

### Approach

For the "K" LINE Group, refining our unique strengths of safety, environmental performance, and quality to provide new value to customers and society is an important issue. In addition to the expertise accumulated over many years, we will work together with our business partners to introduce new hardware and software technology, develop innovative customer-oriented technology, provide technical support for new businesses, and carry out appropriate energy management, including performance management, for all of "K" LINE's vessels in operation. As a result, we have been promoting "K" LINE's differentiation strategy and increase in profitability by improving the Group's added value and environmental preservation by improving fuel costs and reducing CO<sub>2</sub> emissions. Furthermore, we will refine the Group's core values and boost competitiveness through initiatives for both the pursuit of new technology and the strengthening of our response from study and demonstration to implementation.

### Promotion System

"K" LINE is actively engaged in research and development of technology with a focus on three core organizations—the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group—with the aim of strengthening competitiveness and enhancing corporate value.

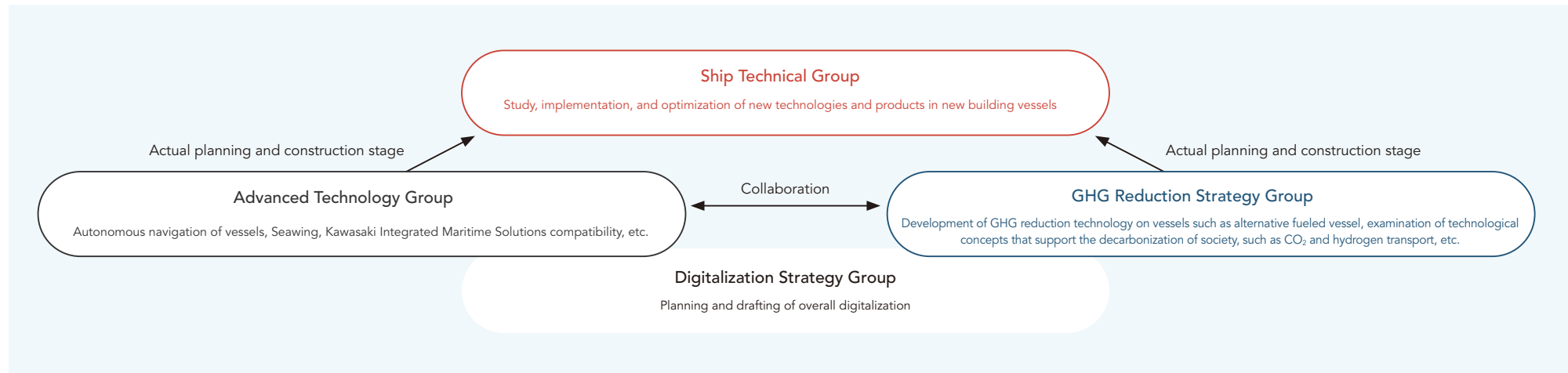
The Advanced Technology Group focuses on research into AI analysis and product development in uncharted areas, such as the utilization of big data and the development of automated ships. Through the development of these advanced technologies, we can enhance our competitiveness in the market.

The GHG Reduction Strategy Group is engaged in research and development of marine transport services utilizing alternative fuel technologies such as ammonia and hydrogen, as well as CO<sub>2</sub> capture technologies. Additionally, the group develops services that support society's decarbonization, such as CO<sub>2</sub> and hydrogen transport. In this way, we are introducing environmentally friendly technologies and contributing to the realization of a sustainable society.

The Ship Technical Group is responsible for considering the adoption of new technologies and products, as well as their implementation in new building vessels. By incorporating the latest technologies and design methods to improve vessel performance and efficiency, we provide high-quality products to our customers.

These groups work in collaboration with the Digitalization Strategy Group to drive innovative solutions that contribute to the enhancement of corporate value. By utilizing digital technology and data analysis, we are able to improve operational efficiency and respond flexibly to customer needs, strengthening our competitiveness.

We will continue to engage in the latest technology and research and development to flexibly adapt to changing market environments and achieve sustainable growth.



Promotion of Innovation

TOPICS

## "Seawing" Automated Kite System



The automated kite system "Seawing" is a wind power propulsion system that utilizes wind force to gain traction by deploying out a large kite that is attached to the bow of a vessel. Seawing flies at 300 meters above sea level, where the wind is stronger. Seawing aims to reduce GHG emissions associated with ship operation by capturing winds and utilizing them for propulsion. The system is fully automated from deployment and flight management to storage of the kite after use. Operation is carried out with simple button controls from the bridge, minimizing the crew's workload for kite operations. Another feature is the Seawing's high flexibility in terms of the types of vessels it can be installed on, which even extends to retrofitting onto existing ships.

### Changes in Development Promotion Structure of the Seawing

On January 18, 2024, we established OCEANICWING S.A.S in France, and on February 15, the Company succeeded the Seawing business that had been developed by Airseas (France).

We have dispatched both corporate and technical engineers to OCEANICWING S.A.S. to strengthen and accelerate efforts towards establishing Seawing's technology and commercialization.

#### Outline of the New Company

Company name	OCEANICWING S.A.S.
Head Office	Nantes, France
Date of Establishment	January 18, 2024
Launch of Operations	February 15, 2024

### Reductions of GHG Emissions and Costs

Compared with conventional vessels only fueled by heavy oil, we expect to reduce large amount of GHG emissions on large bulk carriers equipped with Seawing, depending on the vessel type, the route, and the speed of the vessel.

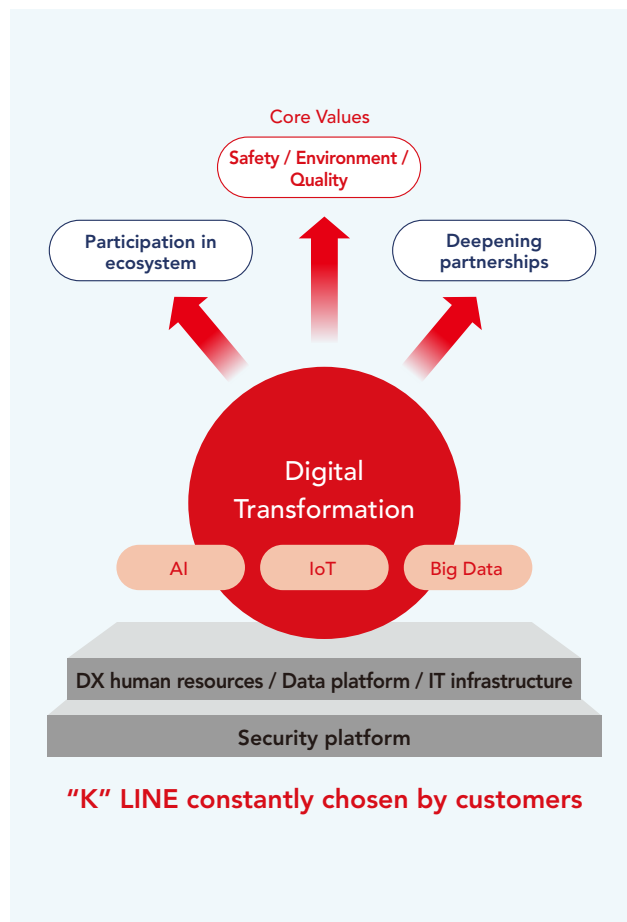
The maritime shipping business as a whole is currently exploring a conversion from heavy oil to alternative fuels. However, to expand the use of alternative fuels, a worldwide supply network needs to be developed. Meanwhile, the advantage of Seawing is that we can independently and proactively advance initiatives for reducing GHG emissions without waiting for the realization of such circumstances.

The use of alternative fuels instead of heavy oil is expected to expand in the future, but the price of these new fuels would be higher than that of heavy oil. In this light, the installation of Seawing also has value. Our environmental policy, "K" LINE Environmental Vision 2050: Blue Seas for the Future, sets a goal of a 50% improvement in CO<sub>2</sub> emissions efficiency by 2030 (compared to 2008), exceeding the International Maritime Organization's (IMO) goal of a 40% improvement, as well as a goal of net-zero GHG emissions by 2050. We will contribute to the realization of a low-carbon and carbon-free society through the development and introduction of environmental technologies such as "Seawing."

# Digital Transformation (DX)

In its medium-term management plan unveiled in May 2022, the "K" LINE Group embarked on a path of transformation and evolution to increase the added value it offers in matching the unique needs of its customers, while refining the exclusive technologies and expertise of the Group. Under our DX Strategy, we are executing strategies from five perspectives that we deem vital, and by dividing each strategy into three stages, we are committed to steadily advancing DX initiatives and honing our competitiveness.

## Objectives through DX



## Five Perspectives: Specific Initiatives

### DX ashore

- Promoting digitalization of business process and improving service quality
- Flexibly responding to customer demands and social issues
- Providing new value

### DX at sea

- Enhancing digitalization of vessels
- Deepen autonomous ship navigation technology
- Lighting crew workloads and ensuring safety in navigation

### DX of data

- Thorough collection of high-quality data and establishment of an infrastructure for its utilization
- Internal and external system linkage and data-driven decision-making
- Participation in ecosystem that connects with customers and other companies

### DX of human resources

- Development and Companywide improvement of DX human resources
- Top-down and cross-organizational promotion system and enhancement of initiatives originating from front lines
- IT / DX promotion across the Group

### Security that supports DX

- Advanced security platform combining organization, technology, and people / culture
- Development of systems and policies to ensure day-to-day and reliable implementation of threat countermeasures
- Continuous security advancement

## The Significance of Strengthening DX Initiatives at "K" LINE



**Toshihide Ozaki**

General Manager of Digitalization Strategy Group

The IT / DX industry this year has been dominated by generative AI. We are also working to create a safe and secure environment where all employees can utilize generative AI, while aiming to implement generative AI into our business operations using our own data. As we approach the singularity where AI surpasses human intelligence, will AI take over human jobs? In the maritime world, we are tackling various challenges such as unmanned navigation, optimal ship allocation, and optimal cargo stowage. While parts of these jobs will be replaced by AI in the near future, humans will not disappear entirely from the maritime industry. Rather, a time will come when people effectively use AI, entrusting AI and systems with tasks that can be automated, while focusing on tasks that only humans can do.

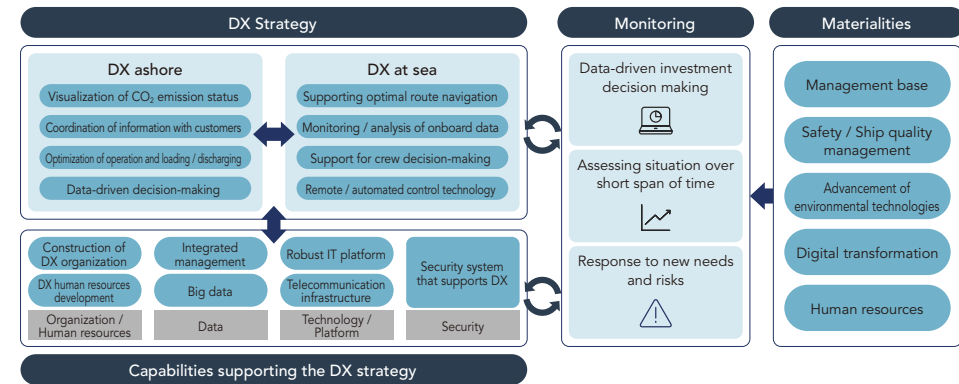
"K" Line has adhered to a strategy of maintaining a small, elite workforce, but at times this has become a constraint on resources. However, going forward, the focus will be on leveraging AI and systems to increase productivity and on how to use data to generate added value, which we believe will alleviate the constraints on manpower. It will be crucial for each individual in our small but elite workforce to enhance their IT / DX capabilities and master the use of AI.

By doing so, we will be able to demonstrate leadership in the ecosystemization of the entire supply chain and in the flow of open innovation within the maritime industry, continuously creating both social and economic value. An interesting era is emerging in which the importance of people will increase even more through DX.

Digital Transformation (DX)

## Image of DX Promotion in Each Area

In line with the goals set out in our DX strategy, we are also strengthening the capabilities that support them. By monitoring the changes in material issues identified as key priorities for balancing the sustainability of the "K" LINE Group, society, and the environment, as well as the progress of DX, we will continue to flexibly and promptly update our DX strategy.



## DX of Human Resources

"K" LINE is implementing a digital talent training program aimed at acquiring the skills and knowledge necessary for DX talent in our shipping company. Specifically, we aim to train the "DX utilizers" of 100 employees with the ability to formulate and promote plans utilizing data and digital technologies, and 91 people are already participating in this training. Graduates of the "DX utilizers" program are encouraged to move to the next stage, which is the "DX leaders" that lead business transformation. We are also continuously working to develop "DX users" (all employees) who can utilize digital technologies to solve problems, aiming to elevate the overall level of the organization. We will strengthen our cross-organizational DX promotion structure centered on management and undertake bottom-up initiatives that focus on the front lines. We aim to create a co-creation system with stakeholders and advance IT / DX projects across the Group.

## Security That Supports DX

We have updated the security roadmap established in 2021 and formulated a Security Roadmap 2.0. Security measures need to be implemented not just within the Company but the Group. We have therefore clarified responsibilities and roles across the Group and are building a security system that can respond accurately to cyber incidents. We have introduced measures that incorporate the latest technologies, strengthening the security of endpoints such as PCs and servers and communication networks, as well as implementing multifactor authentication, monitoring systems, and risk mitigation measures for server security. Going forward, we plan to globally conduct security incident response training and other initiatives. In addition to technical measures, we will promote DX with a safe, secure, stable, and resilient IT infrastructure and foster a security-first culture through security training and awareness activities.

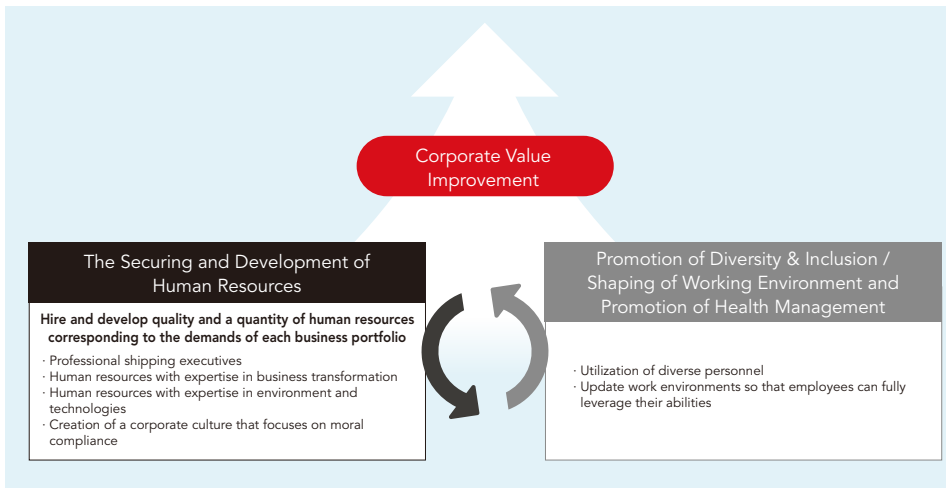
STAGE 1	STAGE 2	STAGE 3
<p><b>Digitalization of Business Processes</b></p> <p><b>DX Ashore</b></p> <p>We are promoting thorough digitalization for data utilization, enhancing the visibility of information such as cargo details and CO<sub>2</sub> emissions, and advancing the development of a resilient IT environment for DX initiatives.</p>	<p><b>Improvement and Homogenization of Service Quality</b></p> <p>In addition to providing support for optimal sea routing of individual vessels, we aim to improve the customer experience through more advanced and homogeneous quality in services by leveraging digital technology, while promoting low-carbon and carbon-free efforts by optimizing vessel allocation across the entire fleet.</p>	<p><b>Creation of New Value</b></p> <p>We aim to further deepen customer partnerships by acquiring the flexibility to respond to customer demands and social needs, while utilizing data and digital technologies to create and deliver new value that did not previously exist.</p>
<p><b>Digitalization of Vessels</b></p> <p><b>DX at Sea</b></p> <p>We are advancing digitalization of onboard operations and the collection and utilization of vessel data not only to improve operational efficiency on board and reduce the burden on crew members but also as a basis for generating new added value and improved transportation quality.</p>	<p><b>Establishment of DX at Sea</b></p> <p>With the goal of establishing autonomous control technology, we are further improving safety in navigation by using cutting-edge technologies, such as sensing technology, digital twins, and ship AI. We are also working on creating an environment where advanced data analysis can be performed onboard as well.</p>	<p><b>System Advancement</b></p> <p>We aim to create autonomous vessels in the future while reducing the burden on crew members and maintaining safety in navigation by integrating accumulated expertise in safety in navigation over the years with advanced digital technologies, such as failure prediction and diagnostic technologies.</p>
<p><b>Standardization of business processes and Development of data utilization platform</b></p> <p><b>DX of Data</b></p> <p>We are completing the digitalization of business operations based on data utilization while also promoting the development and utilization of a data integration platform, leveraging the latest technologies such as generative AI.</p>	<p><b>Internal and External System Linkage and Data-driven Decision-making</b></p> <p>We aim to establish a system that enables data-driven, rapid decision-making, from management to the front lines, by building a framework for acquiring, analyzing, and utilizing not only our own data but also open-source data and data from other companies.</p>	<p><b>Participation in Cross-organizational Ecosystem</b></p> <p>The "K" LINE Group aims to further deepen partnerships and create new value for society and the maritime industry by participating in a cross-organizational ecosystem that connects various internal and external partners and customers through inter-company data collaboration and utilization.</p>

# Human Resources

## Overall Human Resource Management

At "K" LINE, we are committed to securing and developing personnel who can not only lead business growth and transformation but also quickly respond to changes in the business environment. In accordance with the portfolio needs of each business, we are advancing both the quantitative and qualitative acquisition and development of talent. Simultaneously, we are striving to create a work environment where diverse personnel can flourish and fully utilize their abilities.

### Overall Overview



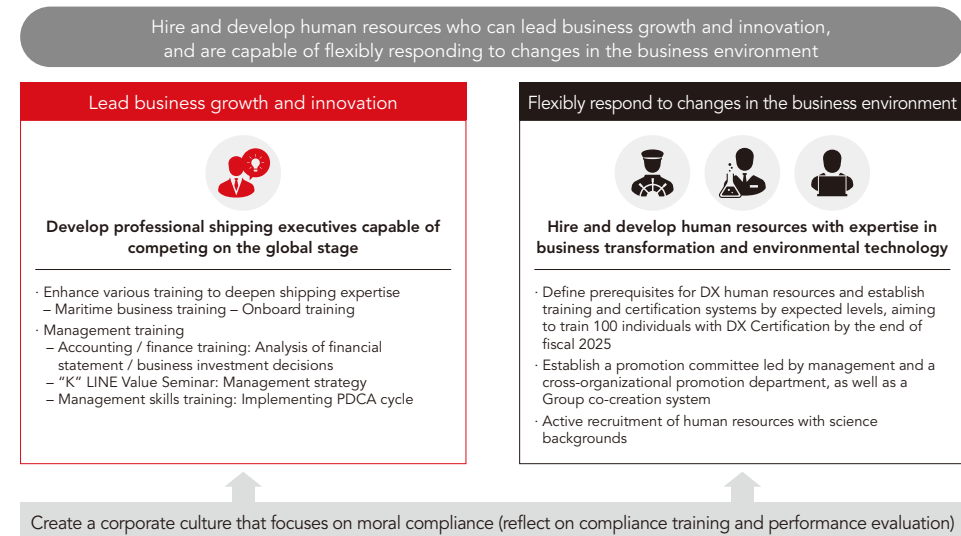
### KPIs

KPIs for Human Resource Management		
Diversity	Labor Safety	Health Management
Female employees comprising of managerial positions <b>15%</b> (by the end of FY2026)	Average monthly overtime working hours <b>Within 40 hours*</b>	Stress check examination rate <b>Over 90%</b>
Training cost per employee per year <b>¥199,000</b>	Ratio of male employees taking childcare leave <b>Over 20%*</b>	

\* As of April 1, 2022, the target was set in the Action Plan to Promote the Active Participation of Women and Support the Development of the Next Generation Children, but has been achieved ahead of schedule. Currently considering setting targets for FY2025 and beyond.

## The Securing and Development of Human Resources

As a globally trusted company, "K" LINE engages in the quantitative and qualitative acquisition and development of human resources in line with the needs of each business portfolio, as set forth in its medium-term management plan to improve corporate value, social value, and economic value. In terms of talent acquisition, we hire mid-career professionals throughout the year in addition to recruiting new college graduates. The personnel we hire are assigned to the three core growth-driving businesses and are also evenly distributed to the corporate divisions that support our business foundation. We approach personnel training from two perspectives: nurturing professional shipping executives who will lead the sustainable growth and transformation of the business while valuing a culture that emphasizes morals and compliance, and developing business transformation personnel as well as environmental and engineering talent who can flexibly respond to changes in the business environment.



### Annual Training Hours (Onshore and Offshore)

FY2021	FY2022	FY2023
21,595 hours	35,146 hours	45,965 hours

### Total Expenditures for Training

FY2021	FY2022	FY2023
¥99 million	¥114 million	¥192 million

Human Resources

Promotion of Diversity & Inclusion

Onshore Initiatives

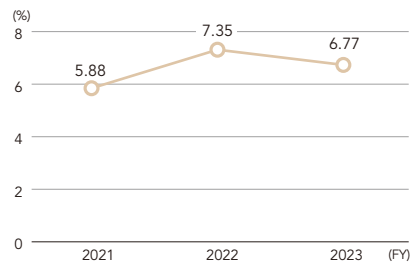
Philosophy and Policy

In addition to actively hiring mid-career professionals, "K" LINE is committed to recruiting new graduates, irrespective of nationality, educational background, gender, and job type (administrative or technical), in a bid to secure personnel with a diverse range of values. Furthermore, we are taking various measures to promote diversity and inclusion (D&I), such as encouraging men to participate in childcare; enhancing support systems for women before, during, and after maternity leave; making mid-career hiring available throughout the year; fostering and strengthening collaboration between onshore and offshore employees; and cultivating a sense of unity and integration with foreign national staff through the "K" LINE UNIVERSITY.

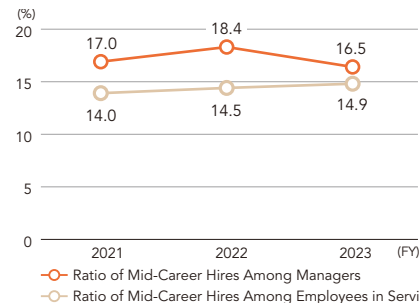
Measures: Diversity

We set a goal to have 15% of managerial positions filled by women by fiscal 2026. To help female employees autonomously continue their careers after having to change their work styles due to life events, we endeavor to maintain their connections with the Company during childcare leave, engage in dialogue after they return from maternity leave, and promote managerial training aimed at fostering an understanding inside the Company on balancing work with childcare. Additionally, we are committed to securing diverse talent through year-round mid-career hiring. We provide explanations to prospective employees based on their individual circumstances and desires, thereby facilitating a better understanding of the career paths open to mid-career hires and increasing their retention rate. The ratio of mid-career hires in managerial positions has reached 16.5%, surpassing the ratio of mid-career hires among employees in service.

Percentage of Women in Managerial Positions



Ratio of Mid-Career Hires



Initiatives at Sea

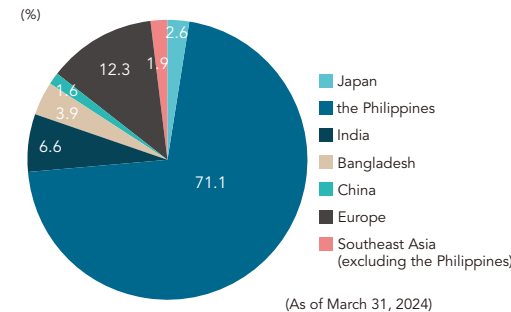
Philosophy and Policy

"K" LINE has a long history and track record in implementing maritime human resource policies that are responsive to the times, with a special focus on D&I among international seafarer. In addition to recruiting that acknowledges and respects differences in gender, nationality, ethnicity, culture, and language, we have established crew training centers around the world to support career development aimed at achieving excellence in skills and abilities. Moving forward, we will continue to strive to improve crew satisfaction and performance, as well as to build better relationships based on trust.

Measures: Diversity

On vessels, it is common for crew members of different nationalities to work together, and the same applies to maritime officers onshore who are engaged in vessel operations. In this context, we are promoting the creation of an environment that balances improving employee diversity with ensuring safe vessel operations. Specifically, we hold seminars in various countries to deepen mutual understanding among crew members of different nationalities. We also adopt multilingual services in the remote medical advisory system that connects ship and shore, thereby enhancing support for the diversity of crew members. Additionally, we implement leadership development programs to foster teamwork and increase inclusiveness among crew members. We will continue to promote initiatives that value individuality while being flexible toward diverse perspectives, fostering a respectful and cohesive organization rich in collaboration.

Percentage of Crew Members by Nationality



(As of March 31, 2024)

Human Resources

**Our Initiatives for Promoting the Employment of Female Maritime officers and Improving Workplace Environments**

In line with the International Maritime Organization's (IMO) "International Day for Women in Maritime," we held an online seminar on May 20, 2024, for female students at maritime educational institutions, focusing on our female marine engineers.

Female maritime officers at "K" LINE build their careers in various fields while adjusting to their respective lifestyles, whether working at sea, onshore (including overseas assignments), or through flexible, shorter working hours. Assignments are made regardless of gender, allowing individuals to fully utilize their skills and experience as deck officers or engineering officers.

Regarding life onboard, we strive to create environments that reflect the needs of female maritime officers, such as ensuring separate laundry rooms and stocking sanitary supplies, aiming to provide a comfortable living environment on the ship. Although there are no regulatory requirements, we equip the necessary sanitary supplies based on ideas from all female maritime officers.

For onboard workplace environments, we are working across the Company to make improvements for a better workplace. In terms of safety and diversity, we are working through various training programs to improve employee compliance awareness and create a harassment-free workplace. In particular, regarding harassment measures, both male and female staff are assigned to consultation desks to create an environment that allows employees an easy way to seek advice.

As part of our efforts to reform work styles at sea, we have established systems to accommodate the life events of maritime officers flexibly. Specifically, we have created a new system that allows employees to apply for temporary onshore assignments when sea duty becomes difficult due to childbirth, childcare, or nursing care. We also respect individual preferences regarding childcare leave, allowing them to take leave as they wish.

These initiatives aim to create an environment where all maritime officers can work with peace of mind, respond flexibly to individual life events, including family matters, and maintain a good work-life balance.



**Voices of Female Maritime Officers**

**Female Captain**



**Eri Noguchi**  
Captain

I joined the company in 2007 as a Second Officer. After serving onboard and onshore, and taking childcare leave, I became the captain of the LNG Carrier LAGENDA SURIA in May 2024. As the captain, I am responsible for the vessel's final decisions, including during emergencies, navigating in ports and congested waters, communicating with external parties such as charterers, managing ship finances, and overseeing provisions.

When I joined, being both a mid-career hire and a female seafarer placed me in two minority categories, and it may have been difficult for some at the time. As I was always focused on the task at hand, I personally haven't experienced any significant inconveniences while onboard. However, when I was first appointed captain, I felt an overwhelming sense of joy, which made me realize that being a "woman" had drawn attention, both positively and negatively, and I had perhaps felt a certain amount of pressure, even unconsciously. Currently, there are 10 female seafarers at "K" LINE, working both at sea and onshore. I hope they will continue to build their careers naturally, without being constrained by their gender, and become role models for future generations.

**Female Engineering Officer**



**Mina Momota**  
Third Engineer

I joined "K" LINE in 2023 and have served as a Third Engineer on LNG carriers. My main tasks include maintenance of the assigned equipment, handling troubleshooting, managing supplies, and participating in berthing and unberthing operations.

The rewarding part of being a seafarer is the sense of accomplishment when identifying and solving problems. On land, there are specialists in each field, but onboard, we only have about 20 crew members. Since we need to respond to situations at sea while receiving support from onshore, a broad range of knowledge is required.

As you rise in rank, the importance of the equipment you are responsible for increases, and technological advancements also change the knowledge and skills required at sea. Therefore, I am keen on developing flexible maritime skills to adapt to the changing times. Although shipping may be perceived as a male-dominated industry, in reality, I had many opportunities to interact with female seniors, and it has been a workplace where I feel comfortable asking questions. While nothing comes overnight, the joy of acquiring new knowledge is immense, and it is the moment when I feel glad to be a seafarer.

Human Resources

## Shaping of Working Environment and Promotion of Health Management

### Philosophy and Policy

As a logistics company rooted in the shipping industry, the "K" LINE Group engages in business activities based on its corporate principle of helping make the lives of people more affluent. The provision of safe and optimal services is essential to fulfilling this corporate principle, and this in turn cannot be possible unless individuals involved in the business maintain their physical and mental health and maximize their capabilities at all times. In addition, Respect for Human Rights, outlined in the Charter of Conduct for the "K" LINE Group, which is the code of conduct observed across the entire Group, stipulates that "the "K" Line Group will consistently respect human rights and we will positively consider personality, individuality and diversity of its corporate members and improve work safety and conditions to offer them comfort and affluence." Adhering to our morals and complying with laws and regulations are essential to realizing these goals, so they have been incorporated into our personnel training and evaluation systems, with the intention of cultivating a culture that prioritizes morality and compliance.

### Shaping of Working Environment

#### Measures i) Childcare Leave

"K" LINE has created a childcare leave system that exceeds legal requirements. In addition, to encourage the participation of men in childcare, our own childcare system allows up to 10 days of leave for men. In preparation for the scheduled revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members in April 2025, we are reviewing various systems and preparing to inform the Company internally.

#### Measures ii) Compliance (Harassment prevention seminars)

"K" LINE has set up consultation desks for sexual harassment and power harassment, and disseminates information about consultation methods through the Company's internal portal site and posters. We have also put into place a system for swiftly solving any problems, while giving the utmost consideration to privacy. Furthermore, we hold annual harassment prevention seminars for our officers and employees.

### Promotion of Health Management

#### Measures iii) Physical / Mental Health

"K" LINE has been stepping up measures to prevent overwork and is promoting more reasonable working hours in collaboration with management teams. We conduct training for managers about the relationship between overwork and health. In addition, we have implemented a system where, if an employee's overtime exceeds a certain threshold, a notification is automatically sent to their immediate supervisor. This helps us stay up to date on employee work hours and share such data with management teams, who provide monthly reports to the Board of Directors. We also support the mental and physical well-being of our employees in various ways, such as annual stress checks, holding mental health seminars for officers and employees, and offering an Employee Assistance Program (EAP) as an external consultation service.

#### Childcare Leave Participation Rate (Including Paternity Leave for Men)

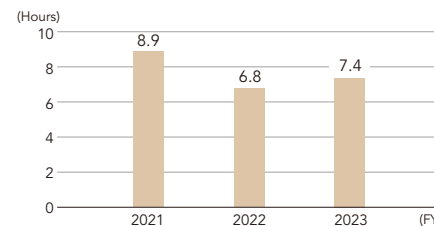
	Men	Women
FY2021	—*	100%
FY2022	88.5%	100%
FY2023	77.8%	100%

\* Disclosure mandated from fiscal 2022.

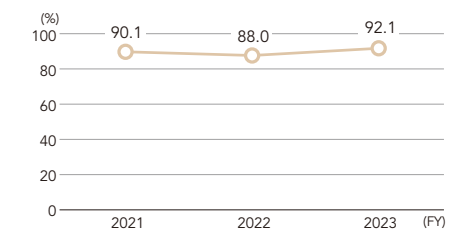
#### Harassment Prevention Seminar Participation Rate

FY2021	— (The seminars did not target all employees, but limited participation was offered to specific managerial positions.)
FY2022	87.3%
FY2023	99.1%

#### Average Monthly Overtime Working Hours



#### Stress Check Examination Rate



# Corporate Governance Aiming for Sustainable Growth and Greater Corporate Value

Note: Number of the Company's shares held as of the end of May 2024.

## Directors (As of June 21, 2024)



### Yukikazu Myochin

Representative Director, President & CEO  
Term in office as director: 8 years  
Number of the Company's shares held: 141,000 shares

Born in March 1961  
Apr 1984 Joined the Company  
Jan 2010 General Manager of Containerships Business Group  
Apr 2011 Executive Officer  
Apr 2016 Managing Executive Officer  
Jun 2016 Director, Managing Executive Officer  
Apr 2018 Representative Director, Senior Managing Executive Officer  
Apr 2019 Representative Director, President & CEO (Current)



### Kazuhiko Harigai

Representative Director  
Term in office as director: 5 years  
Number of the Company's shares held: 144,600 shares

Born in July 1960  
Apr 1983 Joined the Company  
Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group  
Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group  
Apr 2012 Executive Officer  
Apr 2013 Managing Executive Officer  
Apr 2019 Senior Managing Executive Officer  
Jun 2019 Director, Senior Managing Executive Officer  
Jun 2020 Representative Director, Senior Managing Executive Officer  
Apr 2024 Representative Director, Vice President Executive Officer (Current)



### Noriaki Yamaga

Director  
Term in office as director: -  
Number of the Company's shares held: 6,573 shares

Born in December 1963  
Apr 1986 Joined the Company  
Apr 2011 General Manager of Containerships Business Management Group  
Aug 2017 Director, OCEAN NETWORK EXPRESS PTE. LTD.  
Apr 2020 Executive Officer of the Company  
Apr 2021 Managing Executive Officer  
Apr 2024 Senior Managing Executive Officer  
Jun 2024 Director, Senior Managing Executive Officer (Current)



### Keiji Yamada

Independent & Lead Outside Director  
Term in office as outside director: 5 years  
Number of the Company's shares held: 1,500 shares

Born in April 1954  
Apr 1977 Joined Ministry of Home Affairs (currently Ministry of Internal Affairs and Communications)  
Jul 1982 Superintendent of Amakusa Tax Office, National Tax Agency  
Jul 1983 Manager of Local Affairs Division, General Affairs Department, Wakayama Prefecture  
Sep 1985 Deputy General Manager of San Francisco Tourism Promotion Office, Japan National Tourist Organization  
Apr 1989 Manager of Finance Division, General Affairs Department, Kochi Prefecture  
Jan 1992 Investigator, Local Administration Division, Local Administration Bureau, Ministry of Home Affairs  
Jul 1992 Counsellor, Cabinet Legislation Bureau

Jul 1997 Manager, Land Information Division, Land Bureau, National Land Agency (currently Ministry of Land, Infrastructure, Transport and Tourism)  
Aug 1999 Director, General Affairs Department, Kyoto Prefecture  
Jun 2001 Vice-Governor, Kyoto Prefecture  
Apr 2002 Governor, Kyoto Prefecture (retired in April 2018)  
Apr 2011 President, National Governors' Association (retired in April 2018)  
Apr 2018 Vice-President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Jun 2019 Outside Director of the Company (Current)  
Mar 2020 Outside Audit & Supervisory Board Member, HORIBA, Ltd. (Current)  
Apr 2020 Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Nov 2020 Outside Director, TOSE CO., LTD. (Current)  
Apr 2021 Trustee, Kyoto Sangyo University, Special Advisor to the President and Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University  
Jun 2021 Outside Director, Nitto Pharmaceutical Holdings, Ltd. (Current)  
Jun 2024 President, The Educational Corporation of Kyoto Sangyo University, Professor, Department of Interdisciplinary Studies in Law and Policy, Faculty of Law, Kyoto Sangyo University (Current)



### Ryuhei Uchida

Outside Director  
Term in office as outside director: 5 years  
Number of the Company's shares held: 0 shares

Born in October 1977  
Apr 2002 Joined Mitsubishi Corporation  
Dec 2009 Joined Innovation Network Corporation of Japan, Vice-President of Investment  
Dec 2012 Joined Effissimo Capital Management Pte Ltd., Director (Current)  
Jun 2019 Outside Director of the Company (Current)



### Koji Kotaka

Independent & Outside Director  
Term in office as outside director: 1 year  
Number of the Company's shares held: 31,500 shares

Born in May 1958  
Apr 1987 Joined Sato and Tsuda Law Office (retired in March 1988)  
Aug 1990 Joined Goldman Sachs Japan Ltd. (currently Goldman Sachs Japan Co., Ltd.)  
Nov 1998 Managing Director, Goldman Sachs Japan Co., Ltd.  
Nov 2006 Partner, Goldman Sachs Japan Co., Ltd. (retired in November 2008)  
Nov 2009 Counsel, Nishimura & Asahi (retired in December 2010)  
Jan 2011 Representative Attorney, Koji Kotaka & Associates (Current)  
Sep 2012 Senior Advisor, Apollo Global Management LLC (Current)  
Jun 2013 Outside Director, Monex Group, Inc. (retired in June 2018)  
Feb 2016 Outside Director, LINE Corporation (retired in February 2021)  
Mar 2018 Outside Director, Kenedix, Inc. (retired in March 2021)  
Mar 2021 Member of the Management Committee, Kenedix, Inc. (Current)  
May 2022 Senior Advisor, Greenhill & Co., Japan Ltd. (retired in December 2023)  
Jun 2023 Outside Director of the Company (Current)



### Hiroyuki Maki

Independent & Outside Director  
Term in office as outside director: 1 year  
Number of the Company's shares held: 0 shares

Born in November 1980  
Aug 2004 Representative Director, Melco Asset Management Limited (retired in October 2006)  
Nov 2006 Representative Director, Melco Asset Management Pte. Ltd. (retired in September 2007)  
Oct 2007 Representative Director, MAM PTE. LTD (retired in May 2014)  
Jun 2011 Director, Melco Holdings Inc.  
Jun 2014 President & CEO, Melco Holdings Inc. (Current)  
May 2018 President & CEO, Buffalo Inc. (Current)  
May 2020 President & CEO, Buffalo IT Solutions Inc. (retired in May 2023)  
Oct 2020 President & CEO, Melco Financial Holdings Inc. (retired in April 2023)  
May 2021 President & CEO, BIOS Corporation (retired in May 2022)  
May 2022 Director, Shimadaya Corporation (Current)  
Jun 2022 Outside Director, Saison Information Systems Co., Ltd. (currently Saison Technology Co., Ltd.) (retired in June 2023)  
Jun 2023 Outside Director of the Company (Current)



### Takako Masai

Independent & Outside Director  
Term in office as outside director: -  
Number of the Company's shares held: 0 shares

Born in March 1965  
Nov 1988 Joined Scotiabank, Tokyo  
Jul 1989 Joined the Toronto-Dominion Bank, Tokyo  
Mar 1998 Head of Financial Products Division, Tokyo Branch, Crédit Agricole Indosuez Bank (currently Crédit Agricole CIB)  
May 2007 General Manager, Capital Markets Division, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)  
Apr 2013 Executive Officer, Head of Markets Research Department, Markets Sub-Group, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)  
Jul 2015 Executive Officer, General Manager of Markets Research Division, Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)  
Jun 2016 Member of the Policy Board, Bank of Japan (retired in June 2021)  
Jun 2021 Director, SBI Financial and Economic Research Institute Co., Ltd. (Current)  
Jul 2021 Outside Director, Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation) (retired in June 2023)

Jul 2021 Outside Director, TOBISHIMA CORPORATION (Current)  
Jul 2021 Advisory Board member of Sim Kee Boon Institute for Financial Economics (Current)  
Aug 2021 Representative Director (currently Chairperson), SBI Financial and Economic Research Institute Co., Ltd. (Current)  
Aug 2021 Outside Director, BlackRock Japan Co., Ltd. (retired in August 2023)  
Apr 2022 Guest Professor, Jissen Women's University (Current)  
Jun 2024 Outside Director of the Company (Current)

## Director Skill Matrix

While aiming for sustainable growth and improvement in medium- to long-term corporate value, the Board of Directors has the duty and responsibility to properly supervise the management of the "K" LINE Group, where the mission is to support people's affluent lives as vital infrastructure in the global community. We have identified the skills (knowledge, experience, abilities, etc.) required of the Board of Directors based on our materialities (priority issues) in our aim to enhance the functions of the Board of Directors with a thoughtful combination of these skills while considering diversity in the composition of the Board members.

Name	Position	Expertise							
		Corporate Management & Strategy	Legal & Risk Management	Finance & Accounting	Human Resources & Labor	Safety & Quality	Environment & Technology	Global	Sales & Marketing
Yukikazu Myochin	Representative Director, President & CEO	●	●		●	●	●	●	●
Kazuhiko Harigai	Representative Director, Vice President Executive Officer (Assistant to President & CEO)	●				●	●	●	●
Noriaki Yamaga	Director, Senior Managing Executive Officer, Responsible for CFO Unit (Corporate Planning, Research, Finance, Accounting, Taxation, Corporate Sustainability, Environment Management, IR and Communication), In charge of Corporate Sustainability, Environment Management, IR and Communication, CFO (Chief Financial Officer)	●	●	●			●	●	●
Keiji Yamada	Independent & Lead Outside Director, Chairperson of the Nomination Advisory Committee		●		●	●	●	●	
Ryuhei Uchida	Outside Director	●		●				●	
Koji Kotaka	Independent Outside Director, Chairperson of the Remuneration Advisory Committee		●	●				●	
Hiroyuki Maki	Independent Outside Director	●		●	●		●	●	●
Takako Masai	Independent Outside Director	●		●				●	●

## Audit & Supervisory Board Members / Executive Officers

Note: Number of the Company's shares held as of the end of May 2024.

### Audit & Supervisory Board Members (As of June 21, 2024)



#### Kunihiko Arai

Audit & Supervisory Board  
Member

Term in office as Audit & Supervisory  
Board member: 5 years  
Number of the Company's shares held:  
37,900 shares

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



#### Makoto Arai

Audit & Supervisory Board  
Member

Term in office as Audit & Supervisory  
Board member: 1 year  
Number of the Company's shares held:  
151,700 shares

Born in May 1959  
Apr 1983 Joined the Company  
Oct 2010 General Manager of IR & PR Group  
Jul 2013 General Manager of IR & PR Group, General Manager of Legal  
Group  
Sep 2013 General Manager of Legal Group  
Apr 2014 Executive Officer  
Apr 2018 Managing Executive Officer  
Jun 2020 Director, Managing Executive Officer  
Jun 2022 Managing Executive Officer  
Apr 2023 Special Advisor  
Jun 2023 Audit & Supervisory Board Member (Current)



#### Atsumi Harasawa

Outside Audit & Supervisory  
Board Member

Term in office as Audit & Supervisory  
Board member: 5 years  
Number of the Company's shares  
held: 1,200 shares

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



#### Shinsuke Kubo

Outside Audit & Supervisory  
Board Member

Term in office as Audit & Supervisory  
Board member: 4 years  
Number of the Company's shares  
held: 5,500 shares

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

### Executive Officers (As of August 1, 2024)

#### Yukikazu Myochin

President & CEO

#### Kazuhiko Harigai

Vice President Executive Officer  
Assistant to President & CEO

#### Kiyotaka Aya

Senior Managing Executive Officer  
Responsible for Marine Sector Unit, CSO (Chief Safety Officer)

#### Shingo Kogure

Senior Managing Executive Officer  
Responsible for General Affairs, Human Resources, Legal,  
Corporate Legal Risk & Compliance Unit

#### Takenori Igarashi

Senior Managing Executive Officer  
Responsible for Product Logistics Business Unit (Car Carriers),  
Digitalization Strategy Unit

#### Noriaki Yamaga

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

#### Keiji Kubo

Managing Executive Officer  
Responsible for Product Logistics Business Unit (Logistics,  
Port, Short Sea and Coastal Business and Affiliated  
Business), Containerships Business Unit

#### Michitomo Iwashita

Managing Executive Officer  
Responsible for Energy Transportation Business Unit,  
Advanced Technology, Ship Technical, GHG Reduction  
Strategy Unit, In charge of Electricity and Offshore Business

#### Masatoshi Taguchi

Managing Executive Officer  
Responsible for Dry Bulk Carriers Unit, In charge of Coal &  
Iron Ore Carrier Business, Coal & Iron Ore Carrier Planning  
& Operation, Drybulk Planning

#### Satoshi Kanamori

Managing Executive Officer  
In charge of LNG, Carbon Solution Business

#### Akihiro Fujimaru

Managing Executive Officer  
CEO of K LINE MARINE & ENERGY PTE. LTD.

#### Yutaka Akutagawa

Managing Executive Officer  
In charge of Finance, Corporate Planning, Research

#### Hisashi Nakayama

Executive Officer  
In charge of Tankers, Fuel Strategy & Procurement

#### Fumiyoshi Sato

Executive Officer  
In charge of General Affairs, Legal, Corporate Legal Risk &  
Compliance, Assistance to Internal Audit, CCO (Chief  
Compliance Officer)

#### Hiroshi Uchida

Executive Officer  
In charge of Digitalization Strategy, CIO (Chief Information  
Officer)

#### Shingo Ikeda

Executive Officer  
In charge of Advanced Technology, Ship Technical, GHG  
Reduction Strategy, General Manager of Ship Technical  
Group, GHG Reduction Strategy Group

#### Shinya Tamaki

Executive Officer  
In charge of Human Resources, General Manager of Human  
Resources Group

#### Haruhiko Sugimoto

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

#### Kenichiro Matsui

Executive Officer  
In charge of Bulk Carriers

#### Toshikazu Ito

Executive Officer  
In charge of Accounting, Taxation, General Manager of  
Taxation Group

Corporate Governance

## Key Initiatives to Enhance Corporate Governance

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

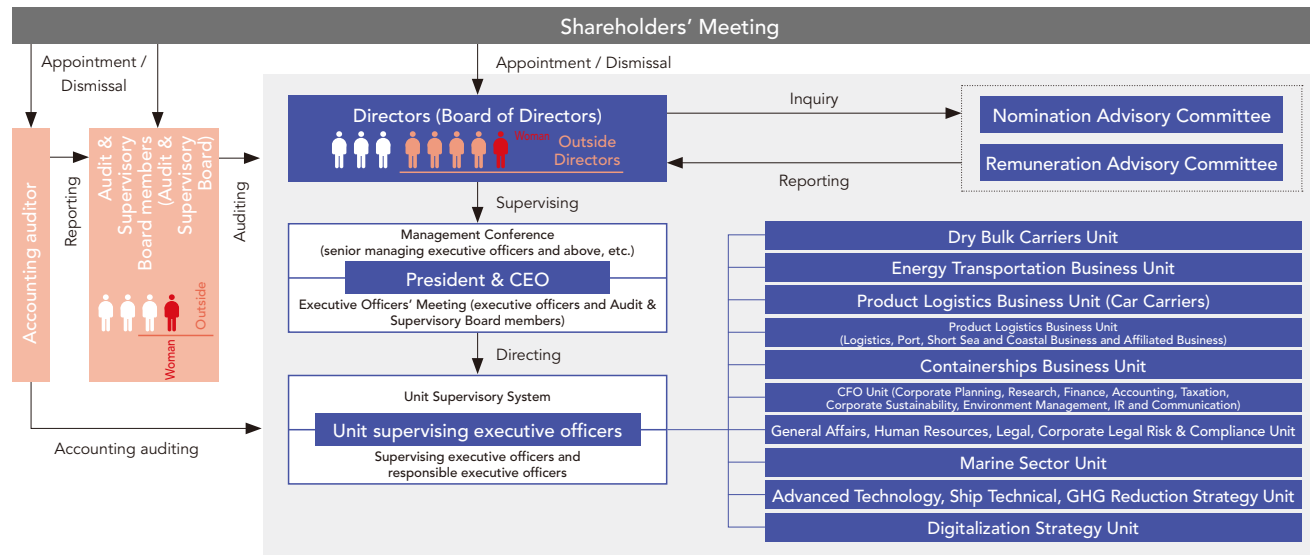
With the aim of improvement on governance and improving corporate value through management reform by further enhancing the functions of the board of directors in determining and supervising management policies and strengthening management capability such as the management team in prompt decision-making on business execution, etc., we are now preparing for the transition to the "Company with Nominating Committee, etc." board model.



## Corporate Governance Structure Diagram

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

(As of June 21, 2024)



## Key Points of Corporate Governance

### Review of the Board Composition

- Reinforced the independence of the supervisory function by increasing the ratio of outside directors on the Board

As of June 2022: Outside Directors 44%

As of June 2023: Outside Directors 55% (4 out of 5 are independent outside directors)

As of June 21, 2024: Outside Directors 62.5% (4 out of 5 are independent outside directors)

### Review of the Director Skill Matrix

- Clarified the diversity of the composition of the Board by reviewing items based on materiality identified as our priority issues

	FY2022	FY2023
Corporate Management & Strategy	✓	✓
Legal & Risk Management	✓	✓
Finance & Accounting	✓	✓
Human Resources & Labor	-	✓
Safety & Quality	-	✓
Technology*	✓	-
Environment & Technology	-	✓
Global	✓	✓
Sales & Marketing	-	✓

\* Technology has been moved to Environment & Technology as a part of the review.

### Revision of the Officers' Remuneration System

- Further focused on medium- to long-term performance-linked remuneration (stock) to further align its value with shareholders
- Introduced new KPI for business performance-based remuneration
  - Short-term incentive (STI): Introduced safety factor (serious maritime accidents) as negative indicator
  - Long-term incentive (LTI): Link with ROE and CO<sub>2</sub> emission rate in addition to relative Total shareholder return (TSR)

Performance-based ratio is over 50%

Component	Before	After 2023 revision
Fixed	72%	48%
STI	21%	20%
LTI	7%	32%

Corporate Governance

## Appointment of Outside Officers

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

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

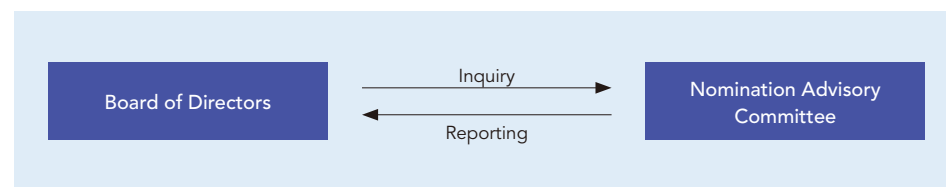
### Basis for Outside Officer Appointments

Name		Basis of appointment and expected role
Outside directors	Keiji Yamada	Mr. Yamada was appointed as an outside director in June 2019 to utilize his broad experience, personal networks, and insight gained from his years in positions heading public administrative bodies to contribute to the management of the Company. He is appropriately fulfilling his role by proactively offering input at meetings of the Board of Directors and overseeing operational execution as a member of the Nomination Advisory Committee and the chairperson of the Remuneration Advisory Committee. Mr. Yamada is expected to continue to fulfill this role.
	Ryuhei Uchida	Mr. Uchida was appointed as an outside director in June 2019 to utilize his broad experience and insight related to corporate value improvement to contribute to the management of the Company. It has been judged that having Mr. Uchida proactively offer input from the perspective of shareholders at meetings of the Board of Directors and provide oversight of management and operational execution will contribute to common shareholder interests and improved corporate governance for the Group. Mr. Uchida is expected to continue to fulfill this role.
	Koji Kotaka	Mr. Kotaka, in addition to being a lawyer, has experience working as a director in a broad range of industries including securities, investment banking, IT, and real estate. He was appointed as an outside director of the Company in June 2023. The Company expects him to draw on his abundant experience in law, finance and accounting, and his broad insight, which also includes investment and IR, to appropriately fulfill his role as an outside director, making suggestions at Board of Directors' meetings and supervising the execution of operation. Mr. Kotaka is expected to continue to fulfill this role.
	Hiroyuki Maki	Mr. Maki is the president and CEO of Melco Holdings Inc., which is mainly engaged in IT-related and food businesses, and the president and director of its subsidiaries. He was appointed as an outside director of the Company in June 2023 in order to leverage his extensive experience and knowledge in group management for the benefit of management at the "K" LINE Group. The Company expects him to draw on his abundant experience as a corporate manager and broad insight in the IT and digital realm to appropriately fulfill his role of making suggestions at Board of Directors' meetings and supervising the execution of operation as an outside director of the Company. Mr. Maki is expected to continue to fulfill this role.
	Takako Masai	Ms. Masai has driven work related to financial markets at both foreign and domestic banks and has also been involved in the formulation of monetary policy as a Policy Board Member at the Bank of Japan. She was appointed as an outside director of the Company in June 2024 to utilize her extensive experience in financial markets, expertise in financial economics, and insights into diversity to benefit the Company's management. The Company expects her to appropriately fulfill her role by drawing on this broad expertise to contribute to discussions at Board of Directors' meetings and to supervise operational execution.

Name		Basis of appointment
Outside Audit & Supervisory Board members	Atsumi Harasawa	Ms. Harasawa has extensive professional knowledge and experience as a lawyer and in the transportation sector as a maintenance technician who contributed to safe flight operations at Japan Airlines Co., Ltd. Her presence as an outside Audit & Supervisory Board member enhances Board diversity and the effectiveness of audits through an independent perspective.
	Shinsuke Kubo	Mr. Kubo is a certified accountant with wide-ranging experience and knowledge of auditing through positions at auditing firms in Japan and overseas, supporting companies seeking to list on stock exchanges, and related to corporate reorganization and M&A. He was appointed as an outside Audit & Supervisory Board member to contribute an independent perspective to improve the effectiveness of the Company's audits.

## Succession Planning

In the CORPORATE GOVERNANCE GUIDELINES established by the Company in 2015, Article 12 states that "the Board of Directors shall cause the Nomination Advisory Committee to deliberate on the draft version formulated each fiscal year by the incumbent president & CEO for the plan for his/her successor, receive the results of said deliberation, and confirm the reasonableness of the draft version." At the Nomination Advisory Committee, which focuses on independent outside directors and has an independent outside director as chairperson, we strive to sustainably increase corporate value by discussing the succession plan for the next president & CEO.



## Corporate Governance

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

### Meetings Attended / Meetings Held (Fiscal 2023)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Yukikazu Myochin	19/19	-	9/9	3/3
Atsuo Asano	19/19	-	-	-
Yukio Toriyama	19/19	-	-	-
Kazuhiko Harigai	19/19	-	-	-
Keiji Yamada	19/19	-	9/9	3/3
Ryuhei Uchida	19/19	-	-	-
Kozue Shiga	19/19	-	9/9	3/3
Koji Kotaka*1	14/14	-	6/6	1/1
Hiroyuki Maki*1	14/14	-	6/6	1/1
Yasunari Sonobe*2	5/5	-	-	-
Tsuyoshi Kameoka*2	5/5	-	2/3	2/2
Kunihiko Arai	19/19	14/14	-	-
Makoto Arai*1	14/14	11/11	-	-
Atsumi Harasawa	19/19	14/14	-	-
Shinsuke Kubo	18/19	14/14	-	-
Yutaka Akutagawa*2	5/5	3/3	-	-

\*1. Appointed in June 23, 2023

\*2. Retired in June 23, 2023

## Board of Directors

The Board of Directors is responsible for determining basic management policies, matters stipulated by law, and other important business matters, while also supervising the execution of duties by directors. The Board convenes at least once a month. Of the eight directors, five are outside directors, four of whom are independent outside directors. Audit & Supervisory Board members also attend the Board of Directors' meetings.

### ■ Specific Agendas Discussed at Meeting of the Board of Directors in Fiscal 2023

- Long-Term Management Vision and Medium-Term Management Plan
- Capital Policy (Business Investment Plan / Shareholders Return Policy, etc.)
- Business Strategy (Businesses that play a leading role in growth / Expansion of new business domains, etc.)
- Functional strategy (Human resources / Organization, Digital Transformation, etc.)
- Corporate governance (Board Evaluation / Officers' Remuneration, Composition of the Board, etc.)
- Group governance

## Audit & Supervisory Board

The Audit & Supervisory Board formulates audit policies and audit plans, aiming to implement functional and agile audits. The Audit & Supervisory Board members, acting as an independent body, audit the execution of duties by directors through attendance at Board of Directors' and other important meetings and by reviewing important decision documents. The Audit & Supervisory Board members are supported by dedicated staff members.

## Memberships of Committees (As of July 2024)

### Nomination Advisory Committee

- Chairperson: Independent Outside Director Keiji Yamada
- Members: Independent Outside Directors Koji Kotaka, Hiroyuki Maki, Takako Masai, and President & CEO Yukikazu Myochin

The Nomination Advisory Committee is composed of all independent outside directors, the Chairperson of the Board, and the President & CEO. The committee deliberates on the validity of proposals for the appointment and dismissal of officers, succession plans for the President & CEO, and other matters referred by the Board of Directors.

### Remuneration Advisory Committee

- Chairperson: Independent Outside Director Koji Kotaka
- Members: Independent Outside Directors Keiji Yamada, Hiroyuki Maki, Takako Masai, and President & CEO Yukikazu Myochin

The Remuneration Advisory Committee is composed of all independent outside directors, the Chairperson of the Board, and the President & CEO. The committee deliberates on matters referred by the Board of Directors, such as the design of the remuneration system, remuneration levels, and other matters related to remuneration for directors (and other officers).

Corporate Governance

## Board Effectiveness Evaluation

Based on the belief that effective corporate governance is essential for sustainable growth and enhancing corporate value over the medium to long term, we analyze and evaluate the effectiveness of the Board of Directors each year and disclose the results in a timely and proper manner.

### Progress in Addressing Issues Raised by the Fiscal 2022 Evaluation

■ **Follow-up on the progress of the management plan**

This is a theme that has been repeatedly discussed, but we assessed that such follow-ups were inadequate, and recognize that it is necessary to deepen such discussions further.

■ **Discussions regarding the medium- to long-term capital policy**

Concerning our efforts to improve corporate value over the medium to long term, there was a shared understanding that it is necessary to further narrow down the issues and delve deeper into discussions.

■ **Strengthen group governance**

Attention was drawn in particular to the issue of the strengthening of governance of the integrated containership business company (OCEAN NETWORK EXPRESS PTE. LTD.), and although efforts are being recognized and the situation is improving, it remains a significant issue that requires ongoing discussion.

■ **Create value that utilizes data and digital technologies**

Although the evaluation from the questionnaire survey was similar to the previous one, opinions calling for more proactive initiatives were observed, and we recognize that as an issue that requires continuous efforts.

### Fiscal 2023 Effectiveness Evaluation

■ **Method for evaluating Board effectiveness**

A self-evaluation of the effectiveness of the Board of Directors in fiscal 2023 was conducted with a follow-up discussion by the Board of Directors based on the results of a questionnaire for all Directors and Audit & Supervisory Board Members.

■ **Summary of results of evaluation of effectiveness of Board of Directors**

As a result of discussions at the Board of Directors meeting based on the result of questionnaire, the Board of Directors was assessed to be functioned effectively overall. We determined the assessment was stable for the following points considered important for the effectiveness of the Board of Directors, and we believe such performances in these areas have led to the Board of Directors fulfilling its functions.

■ Sufficient deliberation time; broad-minded and constructive discussions

■ Discussions of issues in the previous year's effectiveness evaluation; improvements in these issues

■ Discussions of the Group's potential risks, countermeasures, and crisis management systems

■ Follow-up on the progress of management plans

■ Constructive dialogues with shareholders and investors, and feedback provided to the Board of Directors

■ Discussions and settings of performance-based remuneration that motivates directors to maximize medium- to long-term corporate value

On the other hand, it came to light that there is room for deeper discussions on topics such as the utilization of data and digital technologies. These points have been identified as issues to be further addressed to improve governance in the future.

### Fiscal 2024 Issues in Light of the Above

To further increase the effectiveness of the Board of Directors, continuous improvements will be made to ensure a more effective Board, including:

■ Follow-up on the progress of management plan

■ Discussions regarding the medium- to long-term capital policy

■ Strengthen group governance

■ Create value that utilizes data and digital technologies

Corporate Governance

## Officers' Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates the structure and level of compensation and reports its counsel to the Board. Director remuneration comprises (i) a monthly remuneration (monetary), (ii) short-term performance-based remuneration (monetary), and (iii) medium- to long-term performance-based remuneration (stock). The medium- to long-term performance-based remuneration (stock) is mainly linked to the Company's total shareholder return (TSR) to improve effectiveness and strengthen incentives for directors to target medium- and long-term growth in corporate value, while aiming to align our values more closely to those of shareholders. An overview of the remuneration system is as follows.

Category	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Director	(1) Monthly remuneration (monetary)	Fixed remuneration	Determined in accordance with position.	Up to ¥800 million / year (of which ¥111 million is for outside directors)
	(2) Short-term performance-based remuneration (monetary)*1	Variable remuneration	Linked to achievement of consolidated performance targets and individual performance evaluation in a single fiscal year. Apply negative indicator when serious maritime accident occurs.	
	(3) Medium- to long-term performance-based remuneration (stocks) "BBT"*1		Linked to our medium- and long-term TSR*2, return on equity (ROE), and ESG indicators (improvements in CO <sub>2</sub> emissions efficiency)*3	
Audit & Supervisory Board member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board members	Up to ¥12 million / month

\*1. Limited to executive directors

\*2. TSR = Percentage increase in our share price over a certain period + Percentage of dividends over a certain period (Total dividends / Initial share price)

\*3. The composition ratio for TSR indicators: ROE indicators: ESG indicators is set at 90:5:5.

Over the four fiscal years from FY ending March 31, 2025, up until FY ending March 31, 2028

- 1) Amount contributed to the trust by the Company: ¥2,400 million
- 2) Maximum points awarded to directors in any one FY: 1.2 million points (equivalent to 1.2 million shares)

## Training for Officers

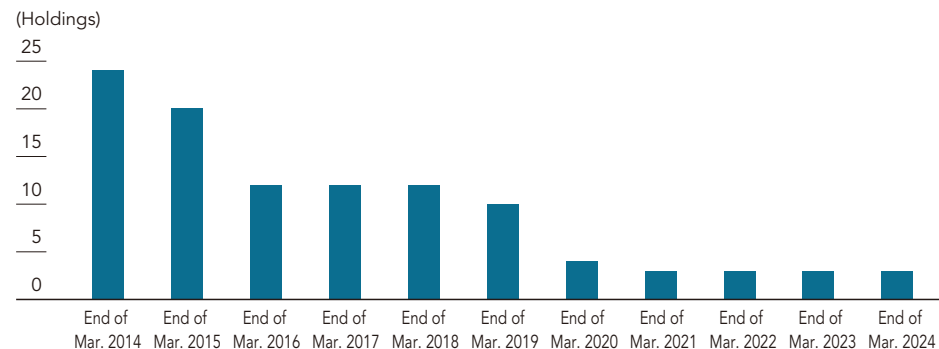
At "K" LINE, newly appointed officers shall receive training that primarily addresses the issues of legal liability and governance under the Companies Act, the Financial Instruments and Exchange Act, competition laws and other relevant acts. All internal officers also attend regular compliance seminars and training sessions, which cover insider trading and other issues. When outside officers take office, they are provided with explanations of such matters as the Group's business, organization, business environments and management issues. After their appointment they work to deepen their understanding through explanations of the Board of Directors agenda given in advance, participation in management strategy meetings, and explanations of individual projects provided by the department in charge, as well as by on-site inspections of vessels and other assets.

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

## Cross-Shareholding Policy

In accordance with "K" LINE CORPORATE GOVERNANCE GUIDELINES, the Board of Directors carefully and comprehensively examines cross-shareholdings of listed shares at least once per year to verify the purpose, the necessity of business activities, the mid- to long-term economic rationale based on the capital cost, and appropriateness of individual holdings. In examining economic rationale, the Board will consider liquidating shares if returns from the holdings have fallen below the cost of shareholders' equity in a given fiscal year. The Company has been reducing cross-shareholdings, and as of March 31, 2024, the number of cross-shareholdings of listed shares was three.

### Cross-shareholdings



# Risk Management

## Enterprise Risk Management

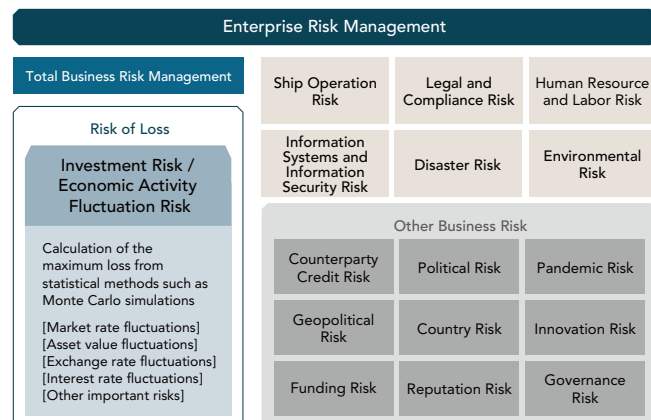
"K" LINE Group has established a risk management system to recognize changes in the external environment and various management risks, and to fulfill our corporate social responsibility even when risks materialize.

In addition to general corporate risks, such as legal compliance and human resource and labor management, the "K" LINE Group prepares for operational risks. These include the safety aspects of operating ships to securely and reliably transport our customers' cargo, as well as various market fluctuations, given that our business is exposed to the impact of the global economy.

### Total Business Risk Management

We control the estimated maximum losses within consolidated shareholders' equity and pursue both stability and growth by maintaining the proper size of investments. We measure business risk as the estimated maximum loss for each business utilizing statistical methods such as Monte Carlo simulations.

The risks facing the Company's businesses are varied and diverse. Total business risk management targets any "risk of loss" that would lead to capital impairment. The risks not subject to total business risk management shall be controlled by each business unit, and enterprise risk management shall be managed by the Risk and Crisis Management Committee and its subordinate organizations.



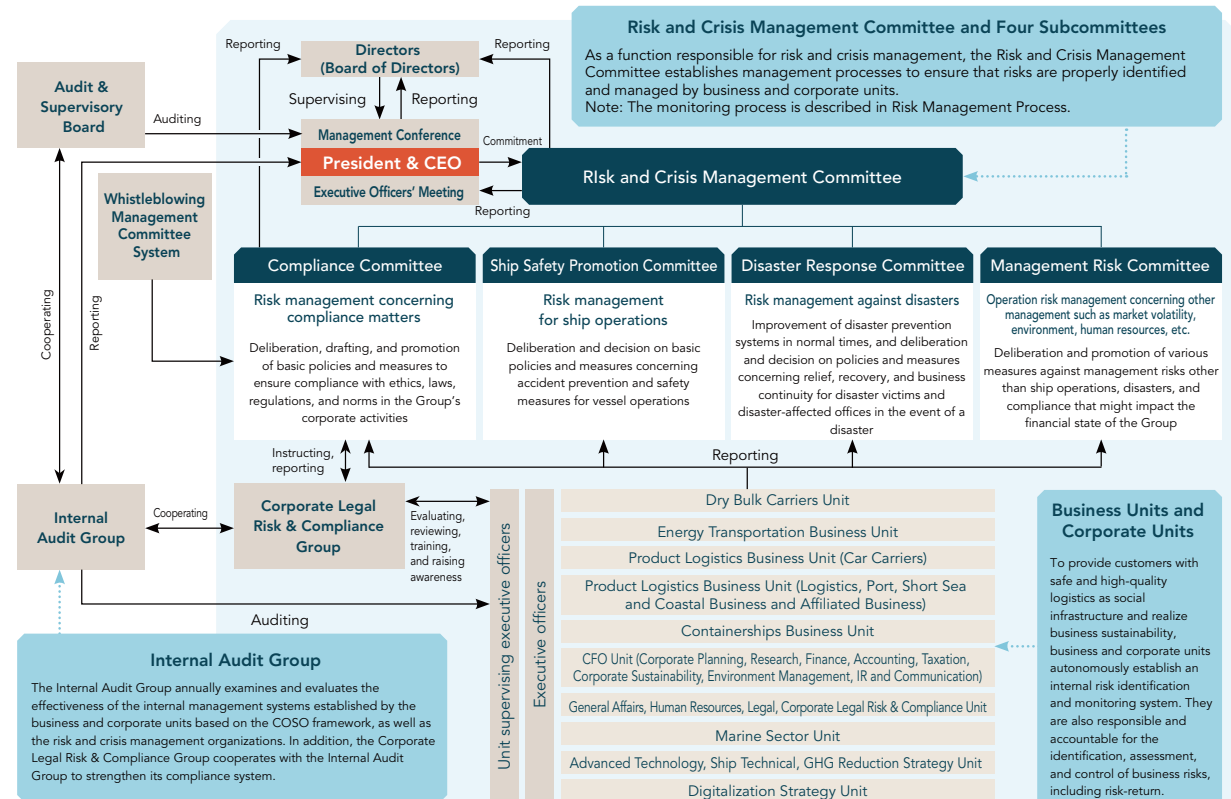
## Risk Management System

The main categories recognized by the "K" Line Group are classified into four categories: risks associated with vessel operations, compliance-related risks, disaster risks, and other management-related risks, and corresponding committees have been established to address the risks in each category. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president serves as the chair of all these committees, with meetings held quarterly even during normal times to strengthen risk management. The four major risk management committees conduct regular and ongoing training activities to promote risk management. One

example of such activities is the implementation of large-scale accident drills and participation in risk management workshops held by other companies. November of each year is designated "Compliance Month" to thoroughly raise awareness of the importance of compliance.

To promote and strengthen an effective risk management culture throughout the organization, our code of conduct, which is defined for each hierarchical level, includes items on risk management. Human resource evaluation systems have been designed to reflect these standards, which in turn affect salaries and promotions. Senior executives bear the responsibility for implementing Companywide initiatives related to risk management.

## Risk Management Structure



Risk Management

### Risk Management Process

To ensure thorough risk management within the Group, we identify Groupwide risks and work to address them through management and monitoring of information. At the end of each fiscal period, we re-evaluate risks, specify and identify comprehensive risks, and determine serious risks to be addressed based on the effectiveness of the risk management system and our key risks. We then utilize a PDCA system to carry out regular reviews within each committee, perform re-assessments, and implement measures accordingly. Under this PDCA structure, we respond to risks in a multi-layered manner, combining a bottom-up approach where each committee reassesses, discovers, and identifies risks, with a top-down approach that assesses changing megatrends and other emerging risks that have not yet manifested but are of growing importance. Changing megatrends pose not only risks but also opportunities. Working from a PEST analysis\* when formulating business strategies for the following fiscal year, we accurately apply our recognition of megatrends to business strategies while assessing and responding to the latest changes in risk trends. This enables us to address both risks and opportunities without omission.

More specifically, we envision risk scenarios that are the product of different combinations of PEST elements of the value chain in each of our businesses. Once the management team has organized the likelihood of occurrence, degree of impact, and state of readiness for each risk, we create a heat map. We then obtain external insight through expert analysis and research reports, while identifying issues to watch for, and select material issues in conjunction with risk identification based on a bottom-up approach.

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

\* PEST analysis is a framework for analyzing the impact on a company from identified threats in the external environment in four categories: politics, economy, society, and technology.

