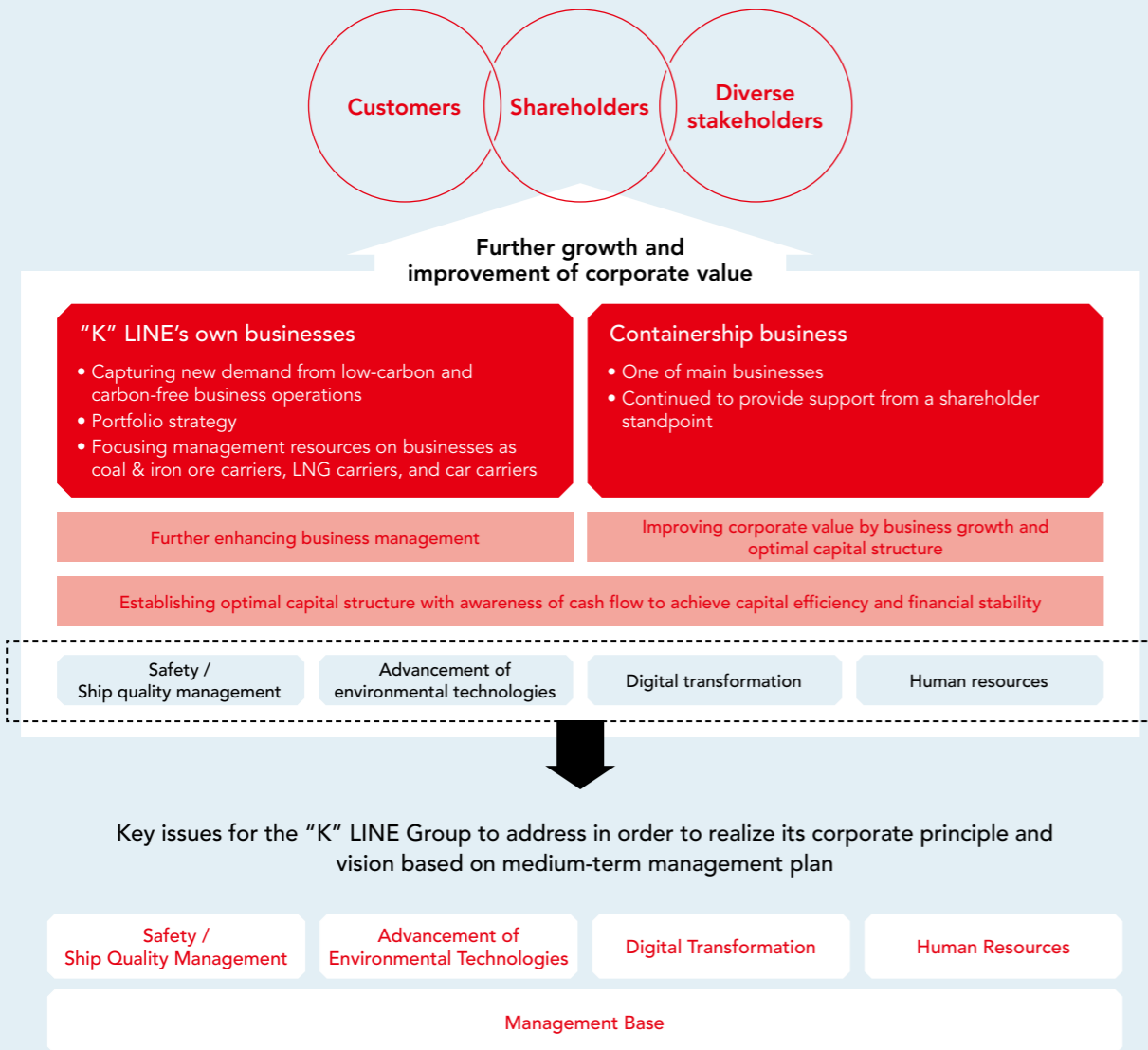


# Materiality

## The “K” LINE Group’s Materiality

In fiscal 2022, the “K” LINE Group reviewed its previous materiality and identified 12 new material issues across five areas. In this part, we summarize our newly identified material issues and have included pages for each materiality where we explain our initiatives and progress.



These 12 material issues have been 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 the next page 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.

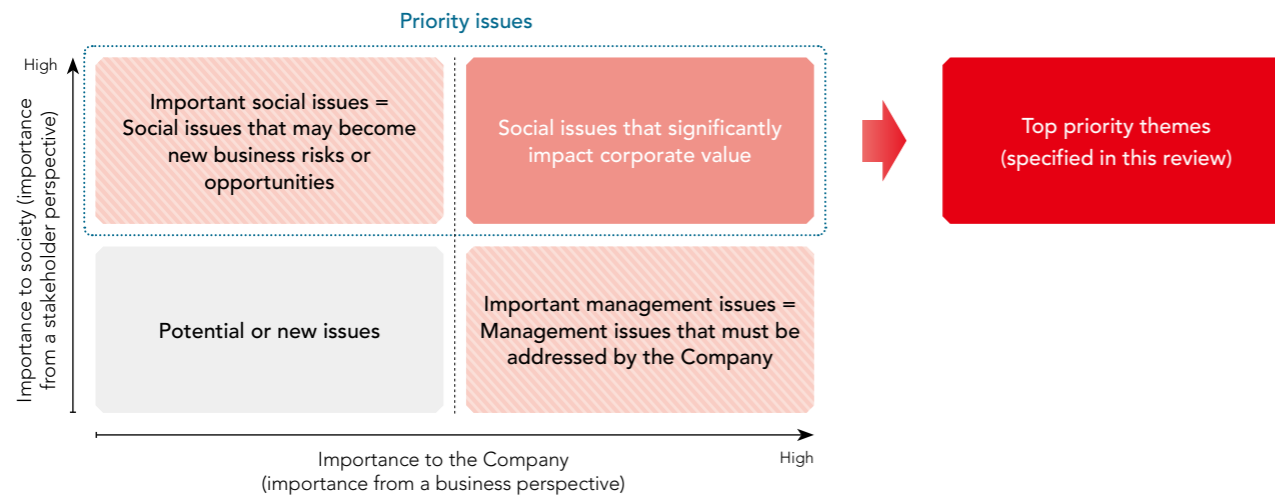
## Material Issues and Related SDGs

Category	Material Issues (Actions for resolving social issues)	Related SDGs
Management base	Respect for human rights <span>▶ P.36</span>	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
	Reinforcement of corporate governance <span>▶ P.54</span>	16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
	Promotion and reinforcement of compliance <span>▶ P.37</span>	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Safety / Ship quality management	Promotion of safety in navigation and cargo operations <span>▶ P.38</span>	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 14 LIFE BELOW WATER
Advancement of environmental technologies	“K” LINE low-carbon and carbon-free transition <span>▶ P.41</span>	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
	Supporting the development of a low-carbon and carbon-free society <span>▶ P.42</span>	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS
	Reducing “K” LINE’s impact on the sea and air to zero <span>▶ P.44</span>	3 GOOD HEALTH AND WELL-BEING, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS
	Promotion of innovation <span>▶ P.46</span>	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS
Digital transformation	Reinforcement of response to digital transformation (DX) <span>▶ P.48</span>	7 AFFORDABLE AND CLEAN ENERGY, 8 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS
	Diversity & inclusion <span>▶ P.51</span>	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
Human resources	Shaping of working environment and promotion of health management <span>▶ P.52</span>	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
	The securing and development of human resources <span>▶ P.50</span>	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH

## Background

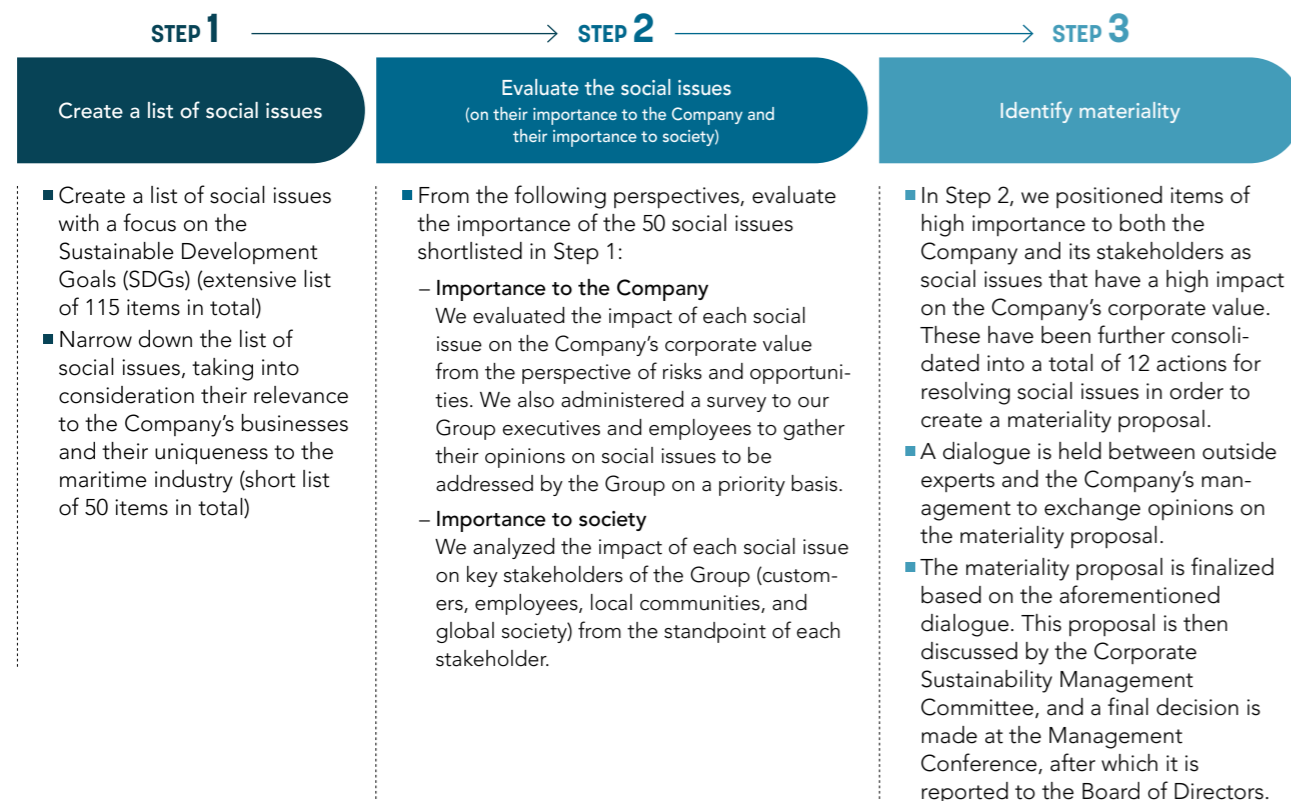
When reviewing its materiality in fiscal 2022, in addition to viewpoints of traditional corporate social responsibility (CSR), the Company analyzed and evaluated its materialities from two perspectives: importance to the Company (importance from a business perspective) and importance to society (importance from a stakeholder perspective), while also considering their alignment with business

strategy and value creation. The “K” LINE Group’s previous materiality was identified by referring to various sources of guidance related primarily to CSR, including ISO 26000 and the OECD Guidelines for Multinational Enterprises. This review, however, was conducted in light of changes to the business environment and social conditions that arose over the subsequent eight years.



## Steps for Analyzing Materiality

In the latest review, we conducted materiality analysis using the following three steps:



## Sustainability 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, the Company 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.

For the newly identified materialities, we clarified the divisions responsible for each issue. The general managers of each business 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 is responsible for operating the Environmental Management System (EMS). 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.

## Message from the Executive Officer in Charge



**Noriaki Yamaga**  
Managing Executive Officer  
Responsible for Corporate  
Sustainability, Environment  
Management, IR and Communication  
Unit, In charge of Corporate Planning,  
Research

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. The Group is pursuing its mission as an infrastructure that supports people’s livelihoods and the economy, contributing to a sustainable society, and incorporates sustainability management that values perspectives on the sustainability of the environment, society, and economy. The Group aims to increase corporate value while balancing contributions to solutions for social issues and the ongoing development of the Group.

In fiscal 2022, the Group reviewed its materiality that forms the core of its measures to advance sustainability management. This review was conducted to clarify the link between the materiality and corporate growth and value creation. The newly identified 12 material issues across five areas have been organized in reflection of the functional strategies in our medium-term management plan, with clarification of their relationship to our corporate principle and vision. Furthermore, we have clearly identified the divisions responsible for each materiality and strengthened progress management for our initiatives. Through our initiatives in materiality, we will promote sustainability management, realize our corporate principle and vision, and continuously create both economic and social value.

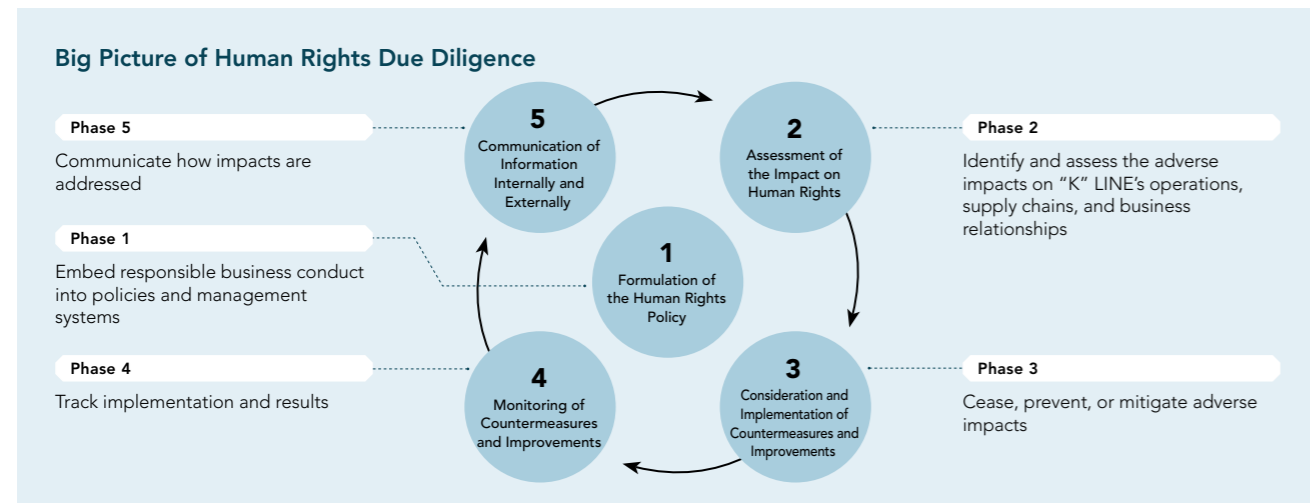
Management Base

## 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.



### Assessment of Human Rights Impacts and Priority Issues

We implemented the following to understand the apparent and latent adverse impacts arising in relation to the “K” LINE Group’s business activities in fiscal 2022.

1. Conducted paper survey at Group companies in Japan and overseas
2. Analysis of survey results and identification of weak points
3. Examination of priority issues and countermeasures in response to the results of 2.

As a result of the aforementioned, we identified the following as priority issues that should be addressed.

Target Rights Holders	Priority Issue
Employees of “K” LINE and Group companies	Health and safety
	Prevention of harassment
	Prevention of excessive overtime

In fiscal 2023, the scope was expanded to include the supply chain, and we began to evaluate impacts on human rights and identify priority issues.

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

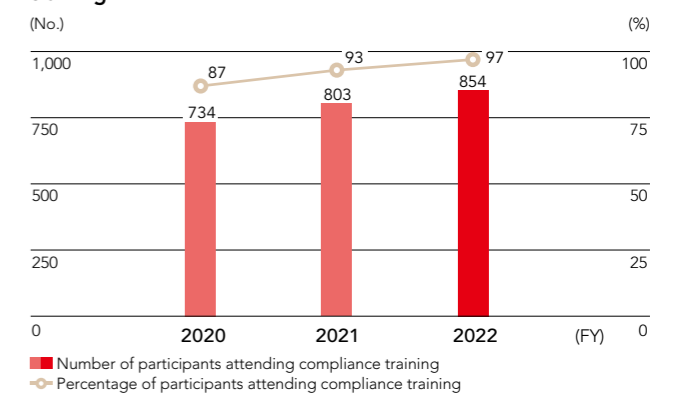
We set every November as “Compliance Month,” when we distribute a message from the president to executives and employees of “K” LINE and its Group companies to remind them of the importance of compliance. We also

hold compliance e-learning training, compliance seminars featuring lecturers invited from outside the Company, and position-based training.

#### Number of reports and consultations via the Hotline system

	FY2020	FY2021	FY2022
Reports	1	1	3
Consultations	1	3	0

#### Number and percentage of participants attending compliance training

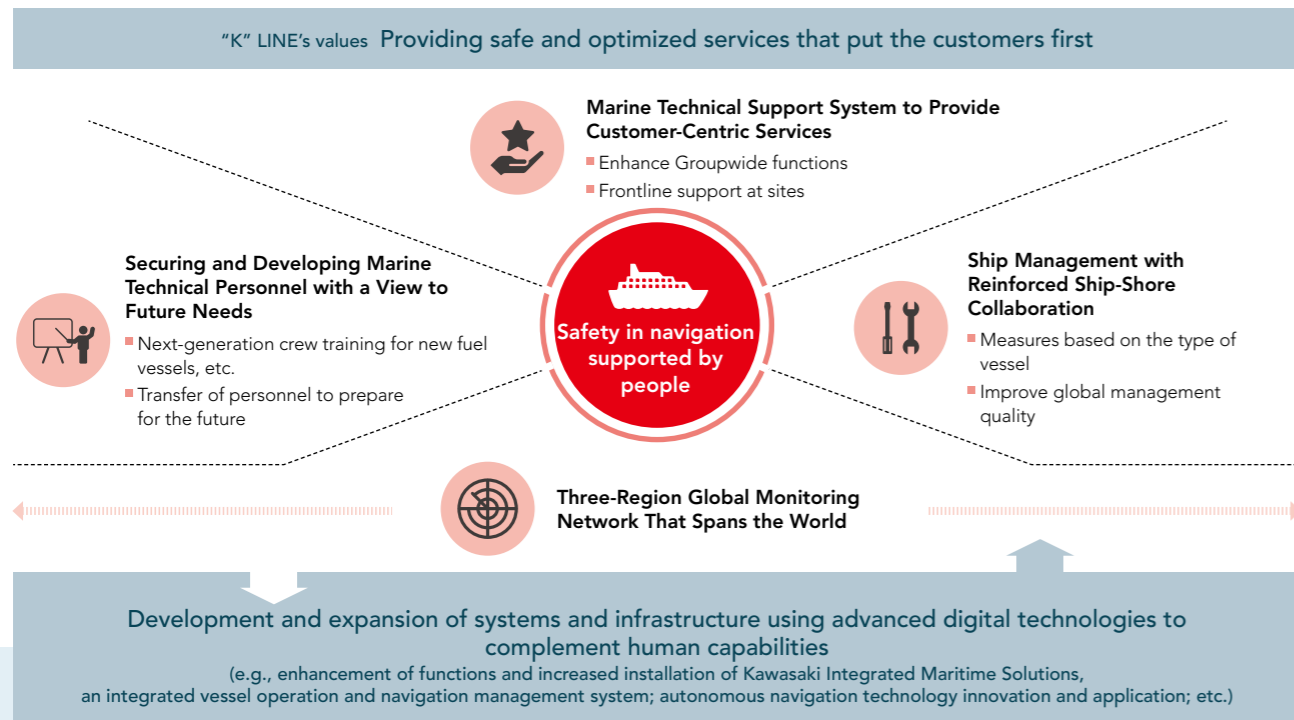


## Promotion of Safety in Navigation and Cargo Operations

We believe that the most crucial factor for safety in navigation is human capabilities. To achieve safety in navigation, it is essential to secure and develop competent human resources, strengthen the marine technical support system that ensures close customer relations, and establish and operate the global safety management network. Furthermore, to achieve high levels of safety and quality in transportation, it is necessary to promote the digitization of experience through advanced digital technologies in order to complement human capabilities. Drawing on both human capabilities and advanced digital technologies, we will strengthen the global monitoring system and provide safe and optimized services, with priority given to our customers.

### Safety in Navigation and Cargo Operations Based on “Human Capabilities”

Building a solid system for safety in navigation with safety and quality management that leverages human capabilities—the strength of the “K” LINE Group—complemented with advanced digital technologies



The “K” LINE Group augments its people-driven structure for ensuring safety in navigation and cargo operations by maintaining and upgrading its systems and infrastructure with advanced and digital technologies.

<p><b>Marine Technical Support System to Provide Customer-Centric Services</b></p> <p>While reinforcing Groupwide functions, the “K” LINE Group is promoting a global customer-centric service support system and strengthening its marine technical support system in the regions.</p>	<p><b>Securing and Developing Marine Technical Personnel with a View to Future Needs</b></p> <p>With a view to the future, the “K” LINE Group secures and develops diverse human resources capable of adapting to new environmental technologies, alternative fuels, etc.</p>	<p><b>Ship Management with Reinforced Ship-Shore Collaboration</b></p> <p>In ship management, the “K” LINE Group is promoting management that is based on the type of ship and strengthening ship-shore collaboration, while improving the quality of global ship management.</p>	<p><b>Three-Region Global Monitoring Network That Spans the World</b></p> <p>The “K” LINE Group is promoting a global monitoring network in three regions that comprehensively spans the world, allowing the Group to maintain 24-hour safety support for its fleet sailing anywhere in the world as well as to respond to emergencies.</p>
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### Cutting-Edge Digital Technologies That Complement the Power of People

#### Kawasaki Integrated Maritime Solutions

The Kawasaki Integrated Maritime Solutions is our integrated vessel operation and performance management system. Kawasaki Integrated Maritime Solutions gathers navigation data from each vessel as big data that is analyzed by AI to diagnose propulsion performance in a bid to improve fuel economy and reduce greenhouse gas emissions. Kawasaki Integrated Maritime Solutions also

features functions that assist with ship navigation optimization by calculating route recommendations based on data about weather and maritime conditions and performance analysis models for each vessel. In this way, Kawasaki Integrated Maritime Solutions supports the safe and economical operation of ships.

#### K-Assist Project

The K-Assist Project is a moniker for all of our technology development projects related to the autonomous navigation of vessels. In the four fields of support for lookout duty and ship navigation, support for safe berthing and unberthing, optimal route control in actual sea surroundings, and support for engine plant operations, the “K” LINE Group is advancing developments that will lead to

their practical realization in the future by incorporating knowledge and technologies from not only the marine transportation and shipbuilding industries, but also other industries. In order to realize advanced safety and quality that the “power of people” alone cannot achieve, we are actively utilizing AI and other cutting-edge technologies while advancing DX on ships.

#### Cybersecurity Certifications for Ships

In recent years, data has been increasingly used to improve safety and quality, and internet connections are used to share vessel navigation data from ship to shore. It has also become necessary to upgrade ICT equipment and networks on ships as a result of improvements in satellite data transmission capacity. With a view to increased potential cyber risks as ship-to-shore internet

connectivity evolves, ship management companies that belong to the “K” LINE Group have obtained Cybersecurity Management System (CSMS) certifications from Nippon Kaiji Kyokai (ClassNK) since 2020. We continue efforts to enhance our ability to respond to cyber risks on ships.

## Message from the CSO



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

The “K” LINE Group has earned the trust of its customers by deeply understanding their challenges and needs, and by prioritizing safety in navigation and transportation quality.

In light of customer needs for the low-carbon and carbon-free transition of marine transportation, around the world we expect unique projects to be launched that closely align with specific countries or regions, such as the ship management business of LNG fuel supply vessels in Singapore or the ammonia fuel supply business.

By offering region-specific customer support, we continue to accurately understand customer needs and provide high-value-added proposals and services. To do so, we intend to further strengthen our organization to ensure safety in navigation and manage transportation quality, based on our ship management expertise that includes a wealth of experience and competent human resources.

Initially, from our base in Singapore, we will strengthen our approach to customers, such as oil and resource majors, accumulate experience and expertise through contributions to problem-solving, and translate this into the development of a global network that includes Europe and the United States, as declared in our medium-term management plan.



Advancement of Environmental Technologies

Environmental

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  
<https://www.kline.co.jp/en/sustainability/environment/management.html#002>

<p><b>Low-carbon and carbon-free initiatives at “K” LINE</b>                  Take on the challenge of net-zero GHG emissions                  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>                  Be the transporter and supplier of new energy</p>	<p><b>Reduce “K” LINE’s impact on the sea and air to zero</b>                  Zero oil spills</p>	<p><b>Support the environmental activities of society</b>                  Be the industry leader in ecosystem protection</p>
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Message from the Executive Officer in Charge



**Noriaki Yamaga**  
 Managing Executive Officer  
 Responsible for Corporate Sustainability, Environment Management, IR and Communication Unit, In charge of Corporate Planning, Research

Based on the targets in our environmental vision, namely the challenge of achieving net-zero GHG emissions by 2050, we are formulating growth strategies that view contributions to a low-carbon and carbon-free society as business opportunities. In the late 2020s, the “K” LINE Group aims to introduce zero-emission ships and, through its own GHG emission reduction initiatives, contribute to the realization of low-carbon and carbon-free maritime transport in customer value chains.

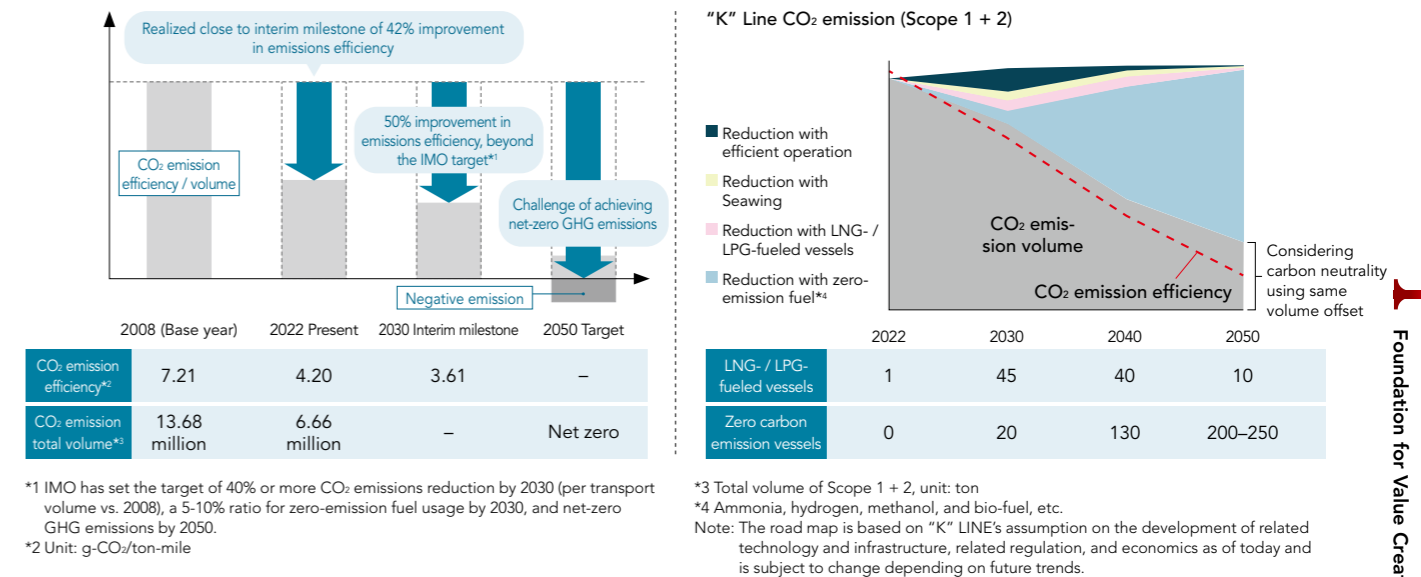
Furthermore, the “K” LINE Group is leveraging its accumulated strengths in the development of support vessels for offshore wind power generation, transporting new types of energy, such as hydrogen and ammonia, and meeting demand for the maritime transport of captured and liquefied CO<sub>2</sub>. In these ways, we are proactively engaging in businesses that contribute to a low-carbon and carbon-free society.

We are also committed to the conservation of biodiversity. Recognizing the impact of maritime transport on the atmosphere, marine environment, and ecosystems, we take responsibility as a maritime operator to minimize these impacts.

Through these initiatives, we are keen to reduce environmental impact while maintaining our own economic value. By continuously improving our corporate value while striving toward a sustainable society, we aim to be a company that is consistently favored by all stakeholders.

“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 and “K” LINE Environmental Vision 2050.



\*1 IMO has set the target of 40% or more CO<sub>2</sub> emissions reduction by 2030 (per transport volume vs. 2008), a 5-10% ratio for zero-emission fuel usage by 2030, and net-zero GHG emissions by 2050.  
 \*2 Unit: g-CO<sub>2</sub>/ton-mile  
 \*3 Total volume of Scope 1 + 2, unit: ton  
 \*4 Ammonia, hydrogen, methanol, and bio-fuel, etc.  
 Note: The road map is based on “K” LINE’s assumption on the development of related technology and infrastructure, related regulation, and economics as of today and is subject to change depending on future trends.

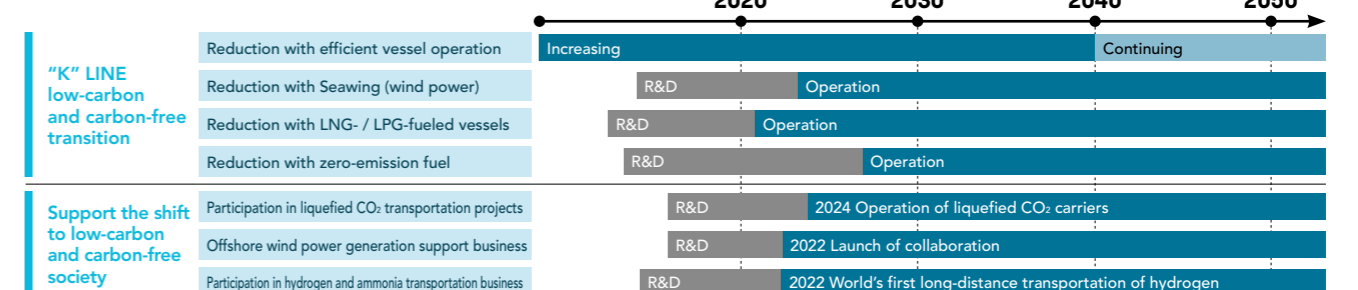
Summary of Low-Carbon and Carbon-Free Initiatives

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 ¥375 billion by 2026 to establish competitive advantages while meeting needs for low-carbon and carbon-free operations.

Initiative	Investment amount (~2026)	GHG emissions reduction effect	KPI for measuring progress	
“K” LINE low-carbon and carbon-free transition	Fuel conversion (use of clean energy)	LNG- / LPG-fueled vessels	20–30% 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, scrubber, etc.	20% reduction vs. previous vessels	Number of ships with Seawing (~50 ships, 2030)
	Development and demonstration of environmental technology	Installation of K-IMS (operation efficiency)	3–5% reduction vs. previous vessels	100%*5 installation of K-IMS on owned / medium- to long-term chartered vessels
Support the development of a low-carbon and carbon-free society	New business that promotes low-carbon achievement	Liquefied CO <sub>2</sub> transport	-	Consider based on business characteristics (as of 2023, two liquefied CO <sub>2</sub> vessels have been decided on to be operated)
		Support for wind power generation installations, etc.	¥28.0 billion	

\*5 Already installed on owned vessels in operation. K-IMS is planned to be basically installed on all newly built vessels. By the end of fiscal 2023, K-IMS will be installed on all medium- to long-term chartered vessels (excluding short-term chartered vessels).  
 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



## Advancement of Environmental Technologies

### Low-Carbon and Carbon-Free Initiatives at “K” LINE

We will continue to pursue new technology and strengthen our response, from study and demonstration to implementation, and aim to improve corporate value by establishing sustainable competitive advantages while expanding earnings.

#### Fuel conversion / Use of clean energy

##### Ammonia-fueled vessel

- In November 2022, Kawasaki Kisen Kaisha, Ltd. (“K” LINE), together with ITOCHU Corporation, Nihon Shipyard Co., Ltd., MITSUI E&S Co., Ltd., and NS United Kaiun Kaisha, Ltd., obtained an Approval in Principle (AIP) from Nippon Kaiji Kyokai (ClassNK) for the design of an ammonia-fueled vessel (200,000 deadweight ton class bulk carrier).
- The acquisition of the AIP is an important milestone for the social implementation of ammonia-fueled vessels, a new challenge for the maritime industry, and also an important step toward the further promotion of the integrated project being advanced by partner companies to develop ammonia-fueled vessels and create a global ammonia supply chain.
- “K” LINE and partners aim to take delivery of the vessel and begin its social implementation in 2026.



Ammonia-Fueled Bulk Carrier Obtained AIP from Classification Society ClassNK  
[https://www.kline.co.jp/en/news/Liquefied\\_gas/Liquefied\\_gas-8731262537944512636/main/0/link/221128%20EN.pdf](https://www.kline.co.jp/en/news/Liquefied_gas/Liquefied_gas-8731262537944512636/main/0/link/221128%20EN.pdf)

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

The “K” LINE Group participates in projects that help decarbonize society by leveraging its accumulated abundance of experience and expertise in the maritime transportation business.

#### Contribute to negative emission technology—participating in liquefied CO<sub>2</sub> transport business

##### Demonstration Test Ship for Liquefied CO<sub>2</sub> Transportation Launched in March 2023

- The “K” LINE Group participates in the CCUS\*<sup>1</sup> R&D and Demonstration Related Project / Large-scale CCUS Demonstration in Tomakomai / Demonstration Project on CO<sub>2</sub> Transportation, which NEDO\*<sup>2</sup> opened to applications in fiscal 2021. The “K” LINE Group, along with ENAA, NGL, and Ochanomizu University, will engage in research and development and prepare to carry out transportation tests.
- Using its extensive experience in ocean-going liquefied gas vessels, and experience in the demonstration testing of liquefied hydrogen transportation ships, “K” LINE carried out a safety assessment of transportation and loading for the liquefied CO<sub>2</sub> demonstration test ship and is preparing an operation manual.
- The vessel will be delivered in the second half of 2023.



Launch ceremony

NEDO Demonstration Project: Demonstration Test Ship for Liquefied CO<sub>2</sub> Transportation Has Been Launched  
<https://www.kline.co.jp/en/news/carbon-neutral/cf>

\*1 CCUS is an abbreviation for carbon capture, utilization, and storage. It refers to technologies for capturing, effectively utilizing, and storing emitted CO<sub>2</sub>.  
 \*2 NEDO is an abbreviation for the New Energy and Industrial Technology Development Organization. It is a national R&D institution that creates innovations through the development of technologies needed for a sustainable society.

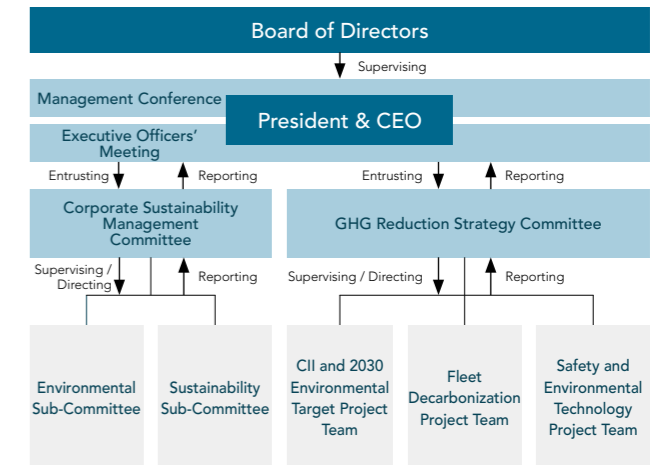
In December 2022, “K” LINE entered into long-term contracts with Northern Lights for two liquefied CO<sub>2</sub> vessels.

Related pages: ▶ P.30–31

## TCFD-Based Information Disclosure

### Environmental Governance

The Corporate Sustainability Management Committee is enhancing corporate value by reviewing and formulating a promotion system for the “K” LINE Group’s sustainability management. The GHG Reduction Strategy Committee formulates and coordinates the implementation of GHG reduction strategies, centered on fuel conversion across the Group. These two committees, chaired by the president & CEO, function as places to hold strategic discussions. The Environmental Sub-Committee, a subcommittee under the Corporate Sustainability Management Committee, is responsible for operating the environmental management system formulated in accordance with the “K” LINE Group Environmental Policy and the standards of the International Organization for Standardization (ISO). The subcommittee is also responsible for promoting environmental preservation activities.



### Overview of Strategy

In the fiscal 2022 medium-term management plan unveiled in May 2022, with the aims of sustaining growth and improving corporate value, the “K” LINE Group is committed to smoothly transitioning to other sources of energy for

its own use and use by society, on the path to achieving a low-carbon and carbon-free society. We will steadily advance initiatives while leveraging our advantages and co-creating with customers and business partners.

Related pages: ▶ P.40–41

### Major Risks and Opportunities

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

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

### Metrics and Targets

Aim for net-zero GHG emissions by 2050

2030 interim milestones

“K” LINE low-carbon transition  
 Improve CO<sub>2</sub> emission efficiency by 50% by 2030 (compared with 2008 levels)

Support development of a low-carbon society  
 Transport and supply new energy for a low-carbon society

2050 targets

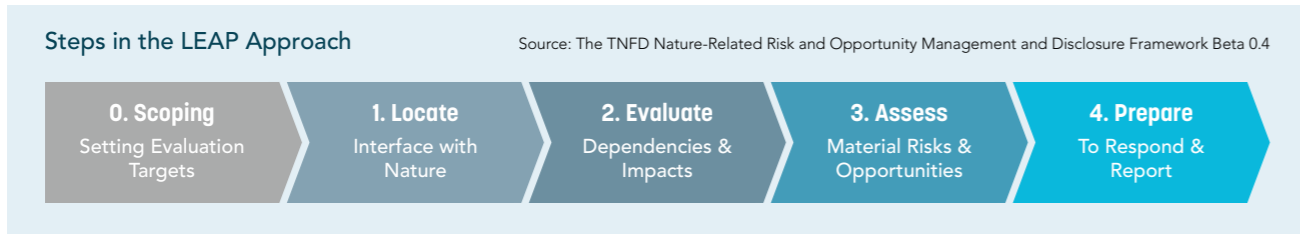
“K” LINE decarbonization  
 Take on the challenge of net-zero GHG emissions  
 Support the decarbonization of society  
 Be a transporter and supplier of new energy



Advancement of Environmental Technologies

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.

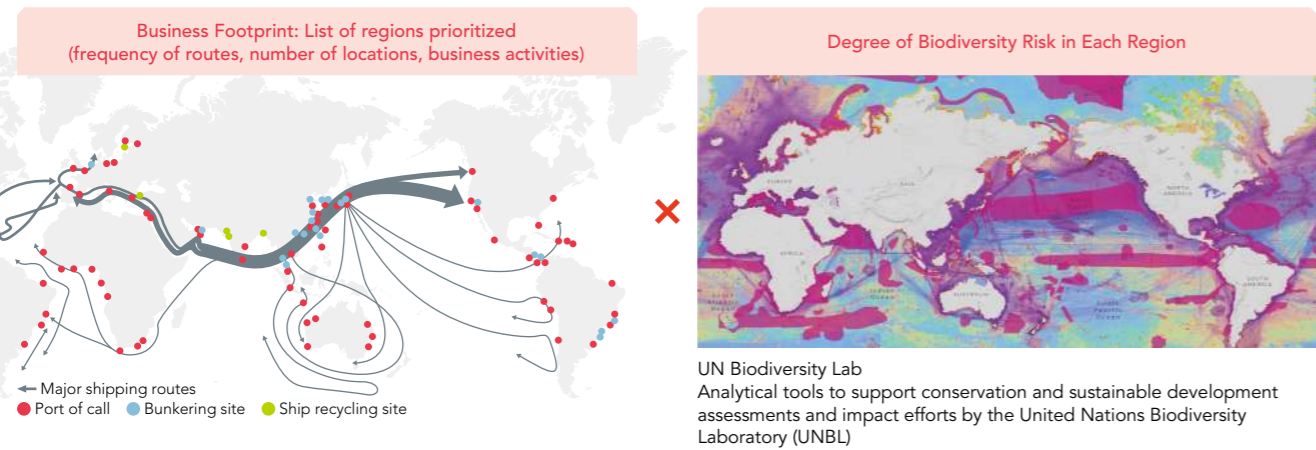


Our steps to disclosure in accordance with the LEAP approach are as shown above. At the Scoping/Locate steps, considering the footprint of our operations and their relationship to nature, we have identified regions for analysis in light of the importance of ecological integrity, biodiversity, and water stress (mainly the degree of marine pollution). In the Evaluate step, we used the “ENCORE”<sup>\*1</sup> 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.

<sup>\*1</sup> 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



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.

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.

<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>Target</b></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><b>Atmospheric impacts (GHG, SOx, and NOx)</b></p> <p>Dependence: Climate regulation   Impact: Emissions to the atmosphere</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>Target</b></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><b>Prevention of marine organism migration</b></p> <p>Impact: Marine ecosystem use</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>Target</b></p> <p><b>Reduction and minimization of impact on the surrounding environment</b></p> <p>Ballast water treatment system installation rate of 100% by June 2024, etc.</p>
<p><b>Impact on mammals</b></p> <p>Impacts: Marine ecosystem use, Disturbances</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>Target</b></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 Slow Travel Program to Protect Whales</p>

We have been implementing concrete initiatives<sup>\*2</sup> 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

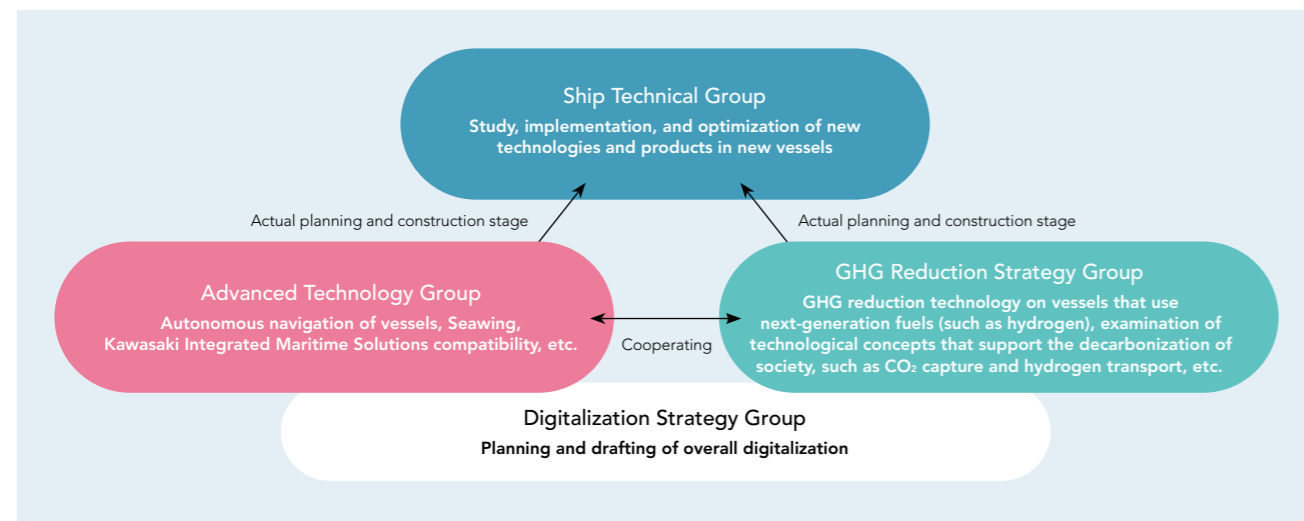
(version 4) of the framework, “K” LINE reflects in this documentation its current assessments, analysis, and information based on data verified by Socotec Certification Japan Co., Ltd. In order to respond to future changes, we are constantly evaluating and disclosing information.

<sup>\*2</sup> For details, please refer to our website: Home > Sustainability > Environmental > Reducing “K” LINE’s Impact on the Sea and Air

[https://www.kline.co.jp/en/sustainability/environment/impact\\_mitigation.html](https://www.kline.co.jp/en/sustainability/environment/impact_mitigation.html)

## 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 reducing fuel costs and 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.

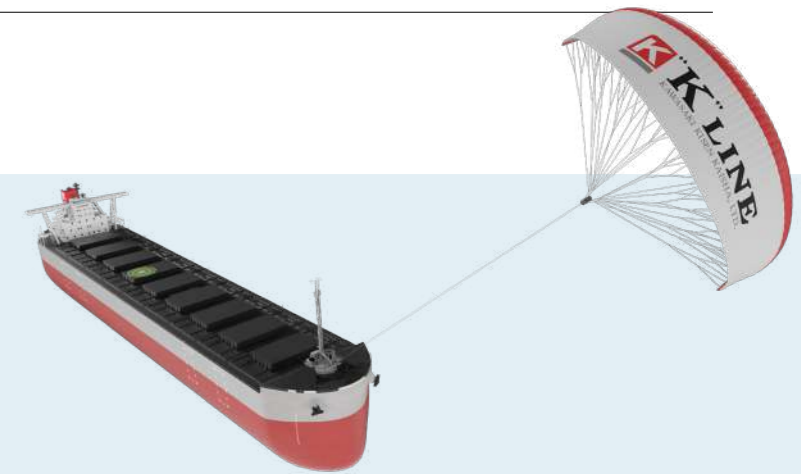
### Promotion System

“K” LINE is engaged in technological research and development that contributes to strengthening competitiveness and enhancing corporate value to promote innovation, which is the central focus of the Advanced Technology Group, the GHG Reduction Strategy Group, and the Ship Technical Group.

The Advanced Technology Group carries out initiatives related to new technology that has not been commercialized or generalized and technology that utilizes big data, such as the development of autonomous vessels, and AI analysis of navigation data gathered from its fleet of ships. The GHG Reduction Strategy Group carries out research and development on maritime transportation services that use GHG reduction technology, such as CO<sub>2</sub> capture technology, and alternative fuel technologies, such as ammonia and hydrogen. The GHG Reduction Strategy Group also carries out research and development on services that support the reduction of GHG emissions in society, such as CO<sub>2</sub> and hydrogen transportation. The Ship Technical Group is responsible for all aspects of the study and implementation of new technologies and products in new vessels.

These groups work in collaboration with the Digitalization Strategy Group, which plans and drafts strategies for digitalization, and promote innovation that contributes to enhancing “K” LINE’s corporate value.

# Seawing



Seawing is a wind power propulsion system that utilizes wind force to gain traction by letting out a large kite that is attached to the bow of a vessel. Seawing flies at 300 meters, where the wind is stronger than at sea level and gusts are much more stable. The aim of Seawing is to reduce the GHG emissions associated with ship operations by using wind. The first Seawing was retrofitted on our cape-size bulk carrier, and we plan to commence flight tests from this autumn with an eye on achieving actual operations. After conducting commissioning and several flight tests onboard, we plan to begin normal operation of the first Seawing unit. We will subsequently install Seawing units on another cape-size bulk carrier and three post-Panamax bulkers.

A feature of Seawing is that its operation is fully automated, from deployment of the kite and flight management to storage after use. Furthermore, since the kite is operated with a simple button on the bridge, there is no additional burden on ship crew members for operating the kite. Another feature is the Seawing’s high flexibility in terms of the types of vessels it can be installed on, which even extends to existing ships.

### Reductions of GHG Emissions and Fuel Costs

Compared with vessels only fueled by heavy oil, we expect to reduce GHG emissions by approximately 20% on large bulk carriers equipped with Seawing, but this depends 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, with the aim of achieving the targets set by the International Maritime Organization for reducing the volume of GHG emissions to zero by around 2050. However, to expand the use of alternative fuels, a worldwide supply network needs to be developed. Meanwhile,

the advantage of Seawing is that “K” LINE can independently and proactively advance initiatives for reducing GHG emissions without waiting for the realization of such circumstances.

Lowering GHG emissions naturally means that less fuel is used for that purpose, which leads to a reduction in fuel costs. 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.

### Installation of First Unit

The installation work for the first unit was carried out as a retrofit project on a cape-size bulk carrier operated by the “K” LINE Group. As this was a first-time experience for the shipyard, adequate discussions and clarifications were held prior to the start of the project to work through questions and concerns one by one. We were fully prepared, with three “K” LINE engineers stationed on-site to closely manage the project. Cooperating with

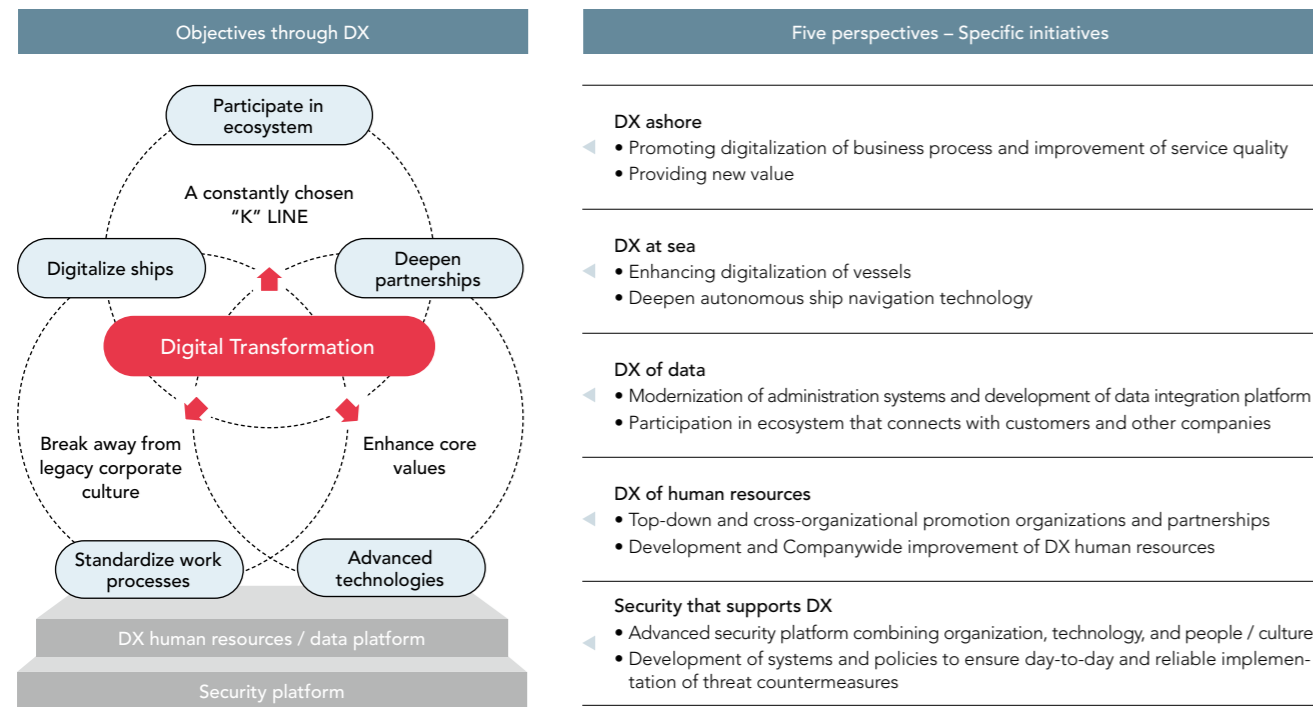
French engineers dispatched from Seawing manufacturer Airseas, we were able to complete the installation work on schedule without any incidents or accidents. Thanks to the sufficient experience and technical expertise we have accumulated in new shipbuilding projects and retrofitting projects, “K” LINE has successfully completed the first installation project of Seawing.

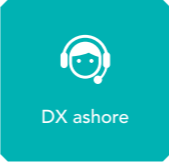




Digital Transformation

## Strengthening Our Approach to DX

In the 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. We are advancing DX initiatives as a part of our functional strategy to achieve these goals. Under our DX Strategy 2023 unveiled in December 2022, 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.



	STAGE 1	STAGE 2	STAGE 3
	<b>Digitalization of business processes</b> We are enhancing partnerships with “K” LINE Group customers by advancing the visualization of information, such as cargo data and CO <sub>2</sub> emissions, as a part of efforts to visualize and share information. We are turning tacit knowledge into explicit knowledge and improving efficiency and safety.	<b>Improvement and homogenization of service quality</b> 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.	<b>Creation of new value</b> We intend to further deepen our partnerships with customers by acquiring the ability to quickly adjust to changes in the business environment and society, and by creating and offering new value that has not existed before through the use of data and digital technology.
	<b>Digitalization of vessels</b> 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.	<b>Establishment of DX at sea</b> 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.	<b>System advancement</b> 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.
	<b>IT modernization / Development of data integration platform</b> We are modernizing our IT systems based on an assessment of Group IT assets and promoting the development and utilization of a data integration platform that facilitates external data collaboration.	<b>External data collaboration / Data-driven decision-making</b> 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.	<b>Participation in cross-organizational ecosystem</b> The “K” LINE Group aims to contribute to solutions for social issues and further deepen partnerships through participation in a cross-organizational ecosystem that connects with customers and various internal and external partners through inter-company data collaboration and utilization.

### Future of Maritime Transport and DX

### COMMENT



**Toshhide Ozaki**  
General Manager of Digitalization Strategy Group

Maritime transport is a crucial industry that supports social infrastructure, and one that has not been that visible to the general consumer. With the eco-systemization of the entire supply chain through DX and the promotion of open innovation in the maritime industry, we believe there will be more opportunities for maritime transport to gain prominence in society. Instead of remaining behind the scenes, we must actively seek collaboration and co-creation with other companies and industries. Beyond transporting goods by ship, we believe activities and businesses that transcend the traditional framework of maritime transport will increase through contributions to the environment and safety using ship and ocean data, or through enhanced data coordination primarily in areas surrounding ships and logistics. While we focus on maritime transport as our core business, we are boldly taking an open, flexible, and agile approach to concepts and actions without being bound by stereotypes, traditional business practices, and legacies. The notion of what maritime business should be and what constitutes its business area needs to be redefined. DX is about achieving transformation through the use of digital technology. No matter how much digitalization progresses, people will play an increasingly important role as a result of DX. I am excited about this interesting era.

### DX of Human Resources

Based on our DX strategy, we implement a DX training program for employees to acquire necessary skills and knowledge. Specifically, we will strengthen the “driving layer” of personnel that lead business transformation with knowledge of the latest technology, IT, and security. We are also training the “utilization layer” of 100 employees

with the ability to plan and advance initiatives using data and digital technology. Furthermore, we aim to improve the skill level of “user” personnel (all employees) who can utilize digital tools to solve problems. Through these efforts, we aim to further instill DX and strengthen our competitiveness.

### Security That Supports DX

We created a road map for security measures in 2021 and have been continually working to strengthen our cybersecurity. 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

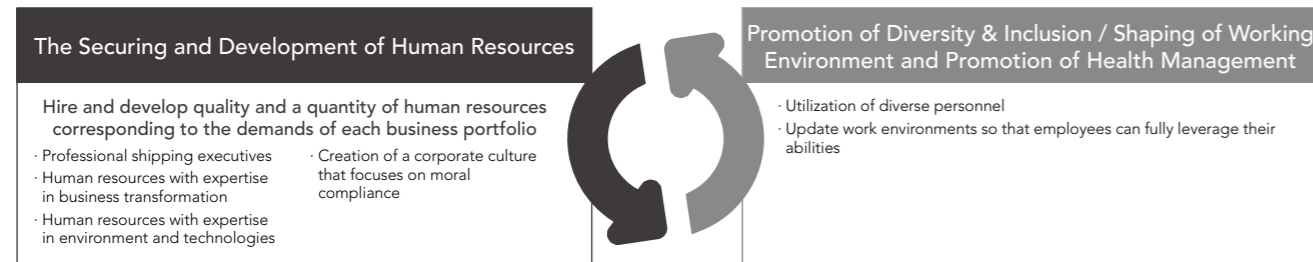
security of endpoints such as PCs and servers and communication networks, as well as implementing multifactor authentication and monitoring systems. The “K” LINE Group is working globally to mitigate security risks on servers. In addition to technical measures, we will promote DX with a safe, secure, stable, and resilient IT infrastructure and foster a culture that prioritizes security through security training and awareness activities.

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.

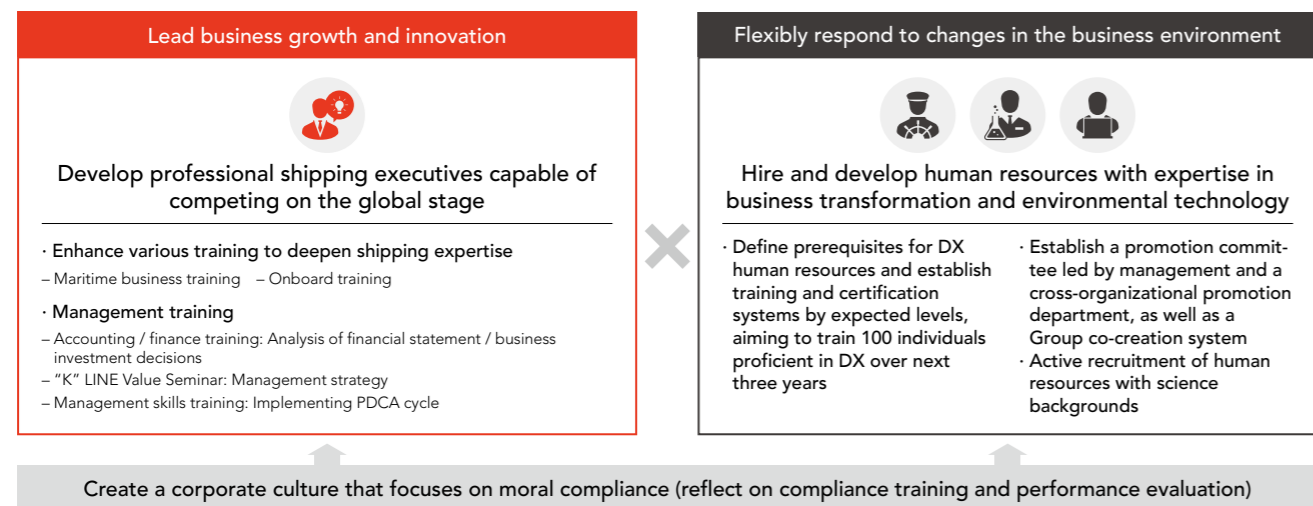


## The Securing and Development of Human Resources

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.

Hire and develop human resources who can lead business growth and innovation, and are capable of flexibly responding to changes in the business environment



### Annual Training Hours (Onshore and Offshore)

FY2020	20,577 hours
FY2021	21,595 hours
FY2022	35,146 hours

### Total Expenditures for Training

FY2020	¥85 million
FY2021	¥99 million
FY2022	¥114 million

## 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 managers among mid-career hires is 18%, exceeding the ratio among existing employees.

Initiatives for D&I 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 seafaring crew. In addition to recruiting that acknowledges and respects differences in gender, nationality, ethnicity, culture, and language,

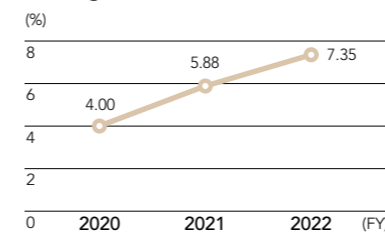
**Measures: Diversity**

To balance the improvement of employee diversity with the safe operation of ships, we are promoting an environment in which diverse values are mutually respected. Specifically, we are undertaking various initiatives such as hosting seminars where crew

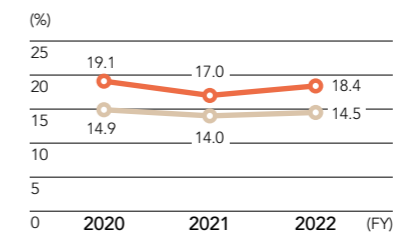
we have established crew training centers around the world to support career development aimed at achieving excellence in skills and abilities. Moving forward, we will continue to strive to improve crew satisfaction and performance, as well as to build better relationships based on trust.

members of different nationalities gather, deploying multi-language telemedicine advice services, and offering leadership enhancement programs to foster teamwork.

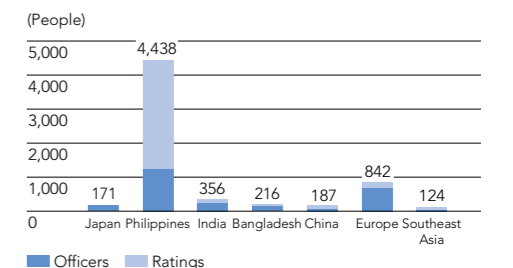
### Percentage of Women in Management Positions



### Ratio of Mid-Career Hires



### Crew Members by Nationality



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 “we respect human rights both domestically and internationally, as well as show respect for the personality, individuality, and diversity of Group employees, while striving to make work environments safe and more conducive to work, toward achieving a sense of fulfillment and abundance.” 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. Following the revision of the Childcare and Family Care Leave Act in 2022, “K” LINE has notified employees of its various systems and encourages more men to take paternity leave.

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 executives 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 executives and employees, and offering an Employee Assistance Program (EAP) as an external consultation service.

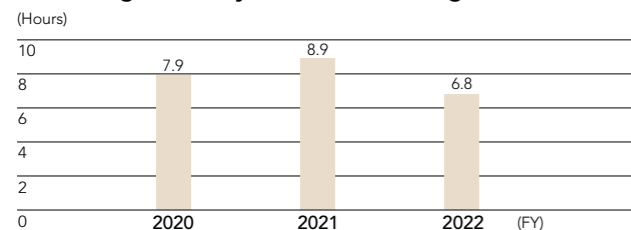
### Childcare Leave Participation Rate (Including Paternity Leave for Men)

	Men	Women
FY2020	30.0%	85.7%
FY2021	31.4%	114.3%
FY2022	88.5%	84.6%

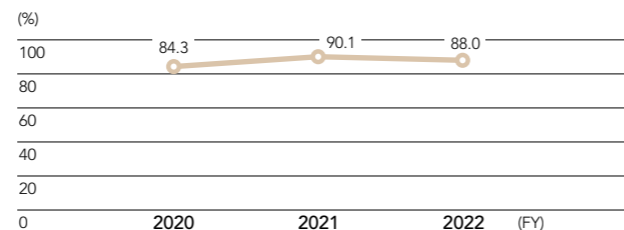
### Harassment Prevention Seminar Participation Rate

FY2020	86.7%
FY2021	— (The seminars did not target all employees, but limited participation was offered to specific management positions.)
FY2022	87.3%

### Average Monthly Overtime Working Hours



### Stress Check Examination Rate



# COMMENTS

Voices of Employees

Onshore Employee



K Line (China) Ltd.  
**Hongcheng Zhang**

I joined Kawasaki Kisen in 2016 and spent my first two years gaining experience in vessel management-related duties within the Ship Management Group. In 2018, I was transferred to the car carrier division, where I was responsible for the operational management and sales of car carriers. Since April 2022, I have been seconded to K Line (China) Ltd., where I am currently in charge of the sales and marketing of car carriers in China. In the fleet management

supervisory group, it has been essential to have specialized knowledge related to ships in order to perform my duties. I regularly received on-the-job training from senior team members on various aspects of the job, such as the hull structures of different types of vessels and ship management contracts, which allowed me to acquire a broad range of knowledge through daily work.

As the years have passed since I joined the Company, so has the complexity of the work I handle. This has required even more extensive knowledge and experience. To meet these demands, I have taken maritime practical skill training to acquire the general foundational understanding necessary for maritime transport. Additionally, through the training programs available to employees at different levels, such as goal-setting and problem-solving training, I have

been able to improve not only industry-specific knowledge but also skills like logical thinking needed for task execution.

Since being seconded to K Line (China) Ltd., this is the first time I have been entrusted with managerial responsibilities. I have been able to acquire the knowledge I need to succeed in this role, thanks to the availability of managerial training for local overseas staff, because I needed to learn the skills for supervising and training subordinates while involving local staff in getting the work done.

Amid the movement toward low-carbon and carbon-free initiatives in the shipping industry in recent years, I intend to continue acquiring relevant knowledge through internal and external training opportunities in order to meet the environmental needs of customers.

Offshore Employee



K LINE MARINE & ENERGY PTE. LTD.  
**Misa Matsuno**

After joining Kawasaki Kisen in 2008, I accumulated seafaring experience as a junior officer\*2. I had my first experience in a shore-based role in 2015, and after that, I served aboard LPG and LNG carriers as a chief officer. I am currently working in my second stint of onshore work.

During my time on board as a junior officer, I had opportunities to study for higher-level positions, gradually preparing myself for service as a chief officer. I was able to work on

improving my maritime skills and knowledge through various training programs during my time off. The extensive support I received from management companies before and after boarding was a significant emotional and physical boost. Above all, the daily work support I received from my senior and junior colleagues aboard ships has become my greatest strength. The experience of serving as chief officer aboard various types of vessels, such as LNG carriers, LPG carriers, tankers, containerships, and car carriers, has been a vital opportunity for advancing my career.

In my previous offshore roles, I worked in the Marine Human Resources Group, handling tasks related to the recruitment and development of foreign personnel, as well as labor-related duties. Being involved in securing and developing foreign personnel who are

indispensable in ship operations was a meaningful experience for me, because I had worked alongside foreign crew members as an officer. Starting in July 2023, I was assigned to K LINE MARINE & ENERGY PTE. LTD., a newly established entity in Singapore. I am involved in launching and managing the company, which will take on functions that include safety and quality management of ships, as well as securing and training crew members who can handle new fuels and technologies. Leveraging the insights I have gained from both my seafaring experience and onshore roles, I aim to further develop my own skills, contribute to the training of the next generation of crew members, and ensure safety in navigation at “K” LINE.

\*2 Third officer, second officer



# Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

## Directors (As of June 23, 2023)



### Yukikazu Myochin

**Representative Director, President & CEO**  
 Term of office as director: 7 years  
 Number of the Company's shares held: 45,600 shares  
 Born in March 1961  
 Apr 1984 Joined the Company  
 Jan 2010 General Manager of Containerships Business Group  
 Apr 2011 Executive Officer  
 Apr 2016 Managing Executive Officer  
 Jun 2016 Director, Managing Executive Officer  
 Apr 2018 Representative Director, Senior Managing Executive Officer  
 Apr 2019 Representative Director, President & CEO (Current)



### Atsuo Asano

**Representative Director, Vice President Executive Officer**  
 Term of office as director: 5 years  
 Number of the Company's shares held: 46,300 shares  
 Born in February 1961  
 Apr 1983 Joined the Company  
 Oct 2009 General Manager of Coal & Iron Ore Carrier Group  
 Apr 2010 Executive Officer, General Manager of Coal & Iron Ore Carrier Group  
 Apr 2012 Executive Officer  
 Apr 2014 Managing Executive Officer  
 Apr 2018 Senior Managing Executive Officer  
 Jun 2018 Director, Senior Managing Executive Officer  
 Apr 2019 Representative Director, Senior Managing Executive Officer  
 Jun 2020 Representative Director, Vice President Executive Officer (Current)



### Yukio Toriyama

**Representative Director, Senior Managing Executive Officer**  
 Term of office as director: 4 years  
 Number of the Company's shares held: 38,500 shares  
 Born in November 1959  
 Apr 1983 Joined the Company  
 Apr 2010 General Manager of Port Business Group  
 Apr 2011 Executive Officer, General Manager of Accounting Group  
 Jun 2011 Director, Executive Officer, General Manager of Accounting Group  
 Apr 2012 Director, Executive Officer  
 Apr 2014 Director, Managing Executive Officer  
 Jun 2016 Managing Executive Officer  
 Apr 2019 Senior Managing Executive Officer  
 Jun 2019 Representative Director, Senior Managing Executive Officer (Current)



### Kozue Shiga

**Independent & Outside Director**  
 Term in office as outside director: 3 years  
 Number of the Company's shares held: 3,200 shares  
 Born in November 1948  
 Nov 1967 Joined Japan Airlines Co., Ltd.  
 Apr 1993 Commissioned as public prosecutor  
 Apr 1998 Registered with Daiichi Tokyo Bar Association  
 Aug 1999 Established Shiga Law Office  
 Oct 2005 Partner, Shiraishi Sogo Law Office (retired in December 2018)  
 Jun 2010 Outside Audit & Supervisory Board Member, Shinsei Bank, Ltd. (retired in June 2018)  
 Jun 2015 Outside Director, Ricoh Leasing Company, Ltd. (retired in June 2020)  
 Jun 2016 Outside Audit & Supervisory Board Member of the Company (retired in June 2020)  
 Jan 2019 Of Counsel, Shiraishi Sogo Law Office (retired in June 2022)  
 Jun 2020 Outside Director of the Company (Current)  
 Jul 2022 Joined Oka-Partners Law Office (Current)



### Koji Kotaka

**Independent & Outside Director**  
 Term in office as outside director: —  
 Number of the Company's shares held: 0 shares  
 Born in May 1958  
 Apr 1987 Joined Sato and Tsuda Law Office (retired in March 1988)  
 Aug 1990 Joined 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. (Current)  
 Jun 2023 Outside Director of the Company (Current)



### Hiroyuki Maki

**Independent & Outside Director**  
 Term in office as outside director: —  
 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. (retired in June 2023)  
 Jun 2023 Outside Director of the Company (Current)



### Kazuhiko Harigai

**Representative Director, Senior Managing Executive Officer**  
 Term of office as director: 4 years  
 Number of the Company's shares held: 47,300 shares  
 Born in July 1960  
 Apr 1983 Joined the Company  
 Jun 2006 General Manager of Thermal Coal, Woodchip and Pulp Group  
 Apr 2011 Executive Officer, General Manager of Thermal Coal, Woodchip and Pulp Group  
 Apr 2012 Executive Officer  
 Apr 2013 Managing Executive Officer  
 Apr 2019 Senior Managing Executive Officer  
 Jun 2019 Director, Senior Managing Executive Officer  
 Jun 2020 Representative Director, Senior Managing Executive Officer (Current)



### Keiji Yamada

**Independent & Lead Outside Director**  
 Term in office as outside director: 4 years  
 Number of the Company's shares held: 300 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 (Current)  
 Jun 2021 Outside Director, Nitto Pharmaceutical Holdings, Ltd. (Current)



### Ryuhei Uchida

**Outside Director**  
 Term in office as outside director: 4 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)

## 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.

	Expertise and experience							
	Corporate Management & Strategy	Legal & Risk Management	Finance & Accounting	Human Resources & Labor	Safety & Quality	Environment & Technology	Global	Sales & Marketing
Yukikazu Myochin	●	●		●	●	●	●	●
Atsuo Asano	●			●	●	●	●	●
Yukio Toriyama	●	●	●	●	●		●	
Kazuhiko Harigai	●				●	●	●	●
Keiji Yamada		●		●	●	●	●	
Ryuhei Uchida	●		●				●	
Kozue Shiga		●		●			●	
Koji Kotaka		●	●				●	
Hiroyuki Maki	●		●	●		●	●	●

## Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

### Audit & Supervisory Board Members / Executive Officers (As of June 23, 2023)

#### Audit & Supervisory Board Members



#### Kunihiko Arai

##### Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 4 years  
 Number of the Company's shares held: 12,400 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)  
 Apr 2014 Managing Director of K LINE (CHINA) LTD. (retired in June 2019)  
 Jan 2014 Managing Director of "K" LINE (HONG KONG) LIMITED (retired in January 2019)  
 Apr 2015 Managing Executive Officer of the Company  
 Apr 2019 Special Advisor of the Company  
 Jun 2019 Audit & Supervisory Board Member of the Company (Current)



#### Makoto Arai

##### Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 0 years  
 Number of the Company's shares held: 35,400 shares  
 Born in November 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 of the Company (Current)



#### Atsumi Harasawa

##### Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 4 years  
 Number of the Company's shares held: 200 shares  
 Born in August 1967  
 Apr 1992 Joined Japan Airlines Co., Ltd. (resigned in March 2004)  
 Dec 2009 Registered with Tokyo Bar Association  
 Jun 2014 Joined Digital Arts Inc. (resigned in March 2015)  
 Apr 2015 Joined Yamasaki & Partners (resigned in October 2016)  
 Nov 2016 Partner, Igarashi Watanabe & Esaka Law Office (Current)  
 Apr 2018 Outside Auditor, Lawson Bank, Inc. (Current)  
 Jun 2019 Audit & Supervisory Board Member of the Company (Current)  
 Jun 2020 Outside Director, Ricoh Leasing Company, Ltd. (Current)  
 Sep 2020 Outside Auditor, GiXo Ltd. (Current)



#### Shinsuke Kubo

##### Outside Audit & Supervisory Board Member

Term in office as Audit & Supervisory Board member: 3 years  
 Number of the Company's shares held: 1,600 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

#### Yukikazu Myochin

President & CEO

#### Atsuo Asano

Vice President Executive Officer  
 Assistant to President & CEO, Responsible for Drybulk Carriers Unit, In charge of Bulk Carriers

#### Yukio Toriyama

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

#### Kazuhiko Harigai

Senior Managing Executive Officer  
 Responsible for Energy Transportation Business Unit

#### 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

Managing Executive Officer  
 Responsible for Product Logistics Business Unit (Car Carriers)

#### Noriaki Yamaga

Managing Executive Officer  
 Responsible for Corporate Sustainability, Environment Management, IR and Communication Unit, In charge of Corporate Planning, Research

#### 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 Advanced Technology, Ship Technical, GHG Reduction Strategy Unit, Digitalization Strategy Unit, In charge of Electricity and Offshore Business

#### Masatoshi Taguchi

Managing Executive Officer  
 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-Neutral Promotion

#### Akihiro Fujimaru

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

#### Yutaka Akutagawa

Managing Executive Officer  
 In charge of Finance, Accounting, Taxation

#### 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 Kameyama

Executive Officer  
 In charge of Advanced Technology, General Manager of Advanced Technology Group, Technical Support for Marine Sector Unit

#### Shingo Ikeda

Executive Officer  
 In charge of 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

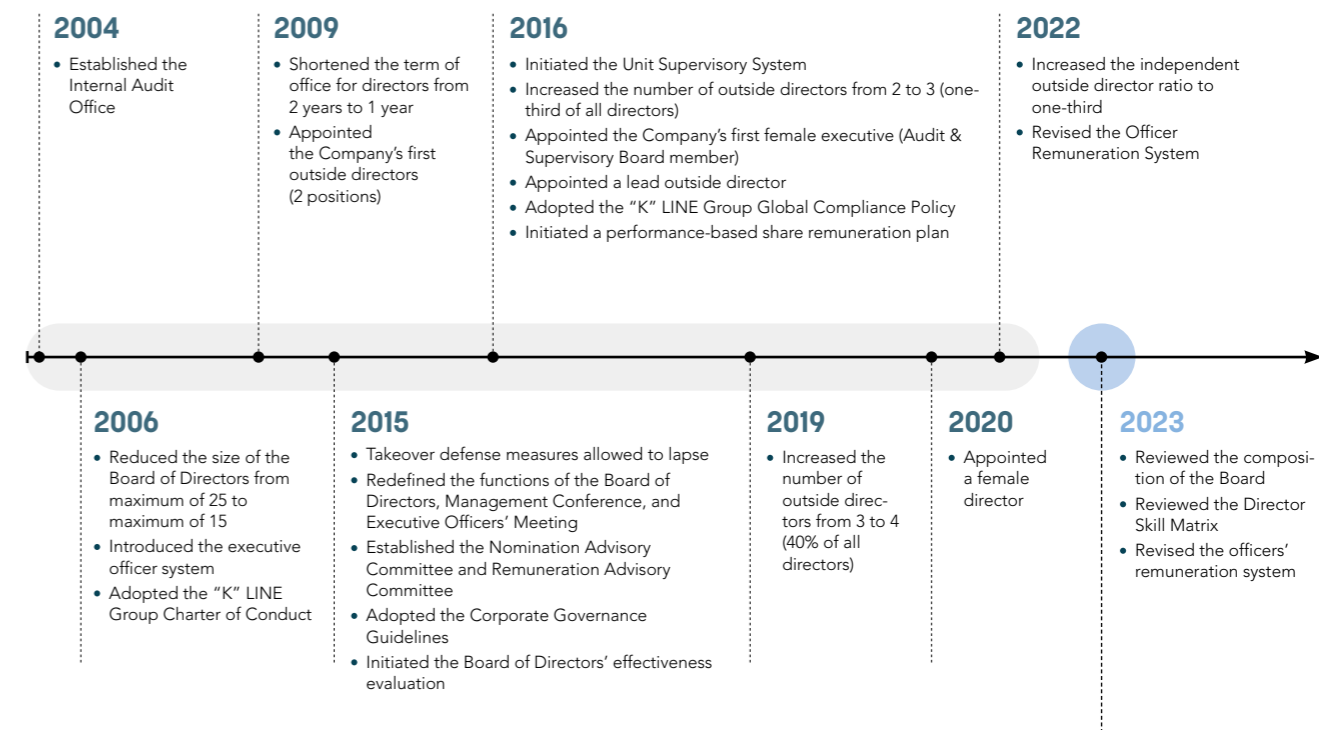
#### Haruhiko Sugimoto

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

### Key Initiatives to Enhance Corporate Governance

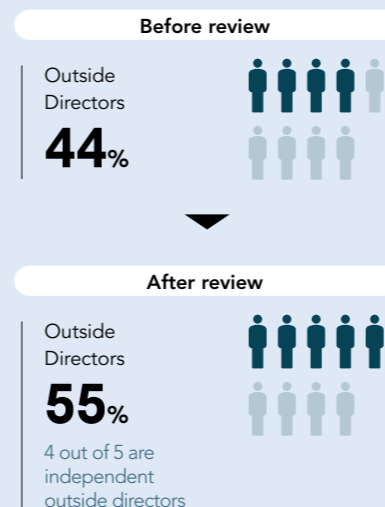
"K" LINE is developing and strengthening its corporate governance and risk management structures to fulfill its social responsibility and commitment to its shareholders and stakeholders and to achieve sustainable growth. While thoroughly enforcing its corporate ethics across

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.



#### Review the Composition of the Board

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



#### Review the Director Skill Matrix

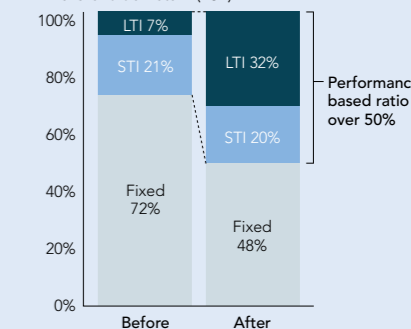
Clarify the diversity of the composition of the Board by reviewing items based on materiality identified as our priority issues

	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.

#### Revise the Officers' Remuneration System

Further focus on medium- to long-term performance-based remuneration (stock) to further align its value with shareholders  
 Introduce 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)



## Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

### ► Appointment of Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives in order to enhance corporate value over the medium and long terms. Outside directors should possess broad experience and insight that enable them to monitor operational execution while also being of 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 increases in corporate value over the medium to long term
- Oversee management through important decision-making by the Board of Directors
- Monitor conflicts of interest between the Company and its management or controlling interests, etc.
- Appropriately represent the views of stakeholders on the Board of Directors from a standpoint independent from management and controlling interests
- Evaluate management's performance as needed and express views, as members of the Nomination Advisory Committee and the Remuneration Advisory Committee, on management nominations and remuneration (outside directors designated as independent directors only)

### ► Basis for Outside Officer Appointments

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

### ► Establishment of Nomination Advisory Committee and Remuneration Advisory Committee

"K" LINE voluntarily established a Nomination Advisory Committee and a Remuneration Advisory Committee to enhance the function of the Board of Directors.

The committees are composed of independent outside directors, the chairperson of the Board (currently vacant),

and the president & CEO. The independent outside directors on each committee nominate and select an independent outside director to serve as their committee chairperson.

### ► Memberships of Committees (As of July 2023)

Nomination Advisory Committee		Remuneration Advisory Committee	
Chairperson	Kozue Shiga	Chairperson	Keiji Yamada
Members	Keiji Yamada, Koji Kotaka, Hiroyuki Maki, Yukikazu Myochin	Members	Kozue Shiga, Koji Kotaka, Hiroyuki Maki, Yukikazu Myochin

### ► 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 2022)

	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee
Yukikazu Myochin	19/19	—	14/14	9/9
Atsuo Asano	19/19	—	—	—
Yukio Toriyama	19/19	—	—	—
Kazuhiko Harigai	19/19	—	—	—
Yasunari Sonobe	19/19	—	—	—
Keiji Yamada	19/19	—	14/14	9/9
Ryuhei Uchida	19/19	—	—	—
Kozue Shiga	19/19	—	13/14	8/9
Tsuyoshi Kameoka	18/19	—	14/14	9/9
Makoto Arai*	6/6	—	—	—
Kunihiko Arai	19/19	15/15	—	—
Yutaka Akutagawa	19/19	15/15	—	—
Atsumi Harasawa	19/19	15/15	—	—
Shinsuke Kubo	18/19	15/15	—	—

\* Retired in June 2022

### ► Officer Remuneration System

The Company's Board of Directors determines remuneration levels for executives in consideration of the recommendations of the Remuneration Advisory Committee, which deliberates 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.

Classification	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 year. Apply negative indicator when serious maritime accident occurs.	
	3. Medium- to long-term performance-based remuneration (stock)*1		Linked to our medium- and long-term TSR**2, return on equity (ROE), and ESG (Improvements in CO <sub>2</sub> emissions efficiency) indicators*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

### ► Training for Officers

Attending officers	Timing of implementation	Content
Newly appointed officers	Within three months of appointment	Must attend 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



## Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

### ▶ Audit & Supervisory Board

Audit & Supervisory Board members attend Board of Directors' meetings, the Executive Officers' Meeting, and other important meetings to verify that the decision-making process is appropriate and fair. The members gather and examine information on the status of business execution and assets through periodic meetings with representative directors, outside directors, accounting auditors, internal audit divisions, and others; hearings with executive officers responsible for business units; and the review of

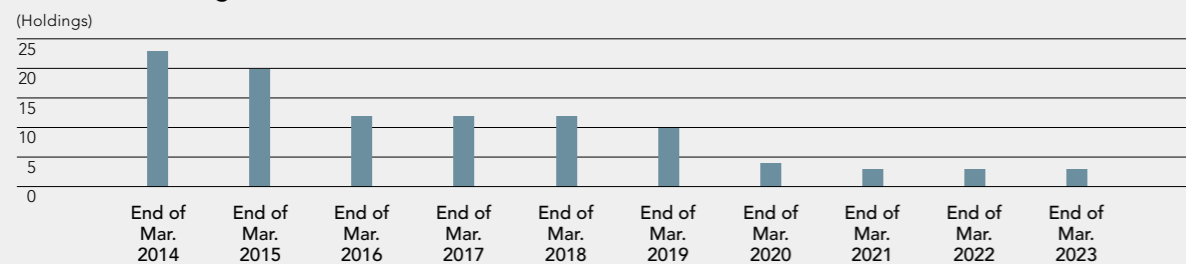
important documents. In accordance with the Companies Act, Audit & Supervisory Board members also monitor and inspect the establishment and operational status of corporate group internal control systems as well as audits conducted by accounting auditors.

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

### Cross-Shareholding Policy

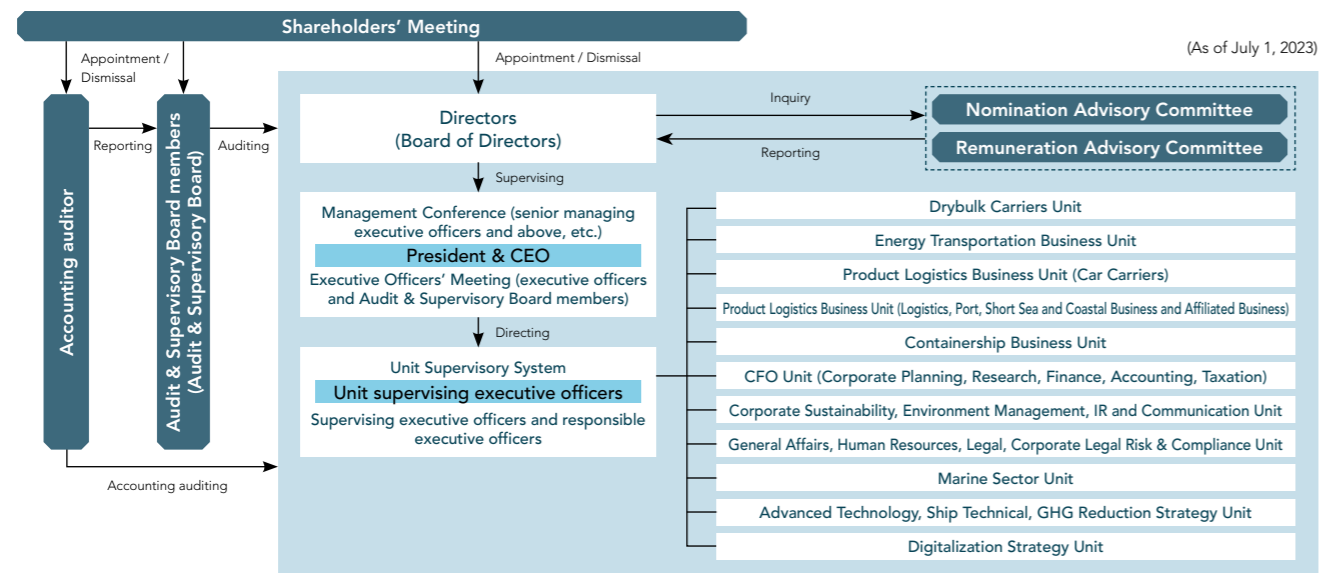
In accordance with the "K" LINE Corporate Governance Guidelines, the Board of Directors carefully examines cross-shareholdings of listed shares at least once per year to verify the purpose, economic rationale, and appropriateness of individual holdings. In examining economic rationale, the Board will consider liquidating shares if returns from the holdings have fallen below the cost of shareholders' equity in a given fiscal year. The Company has been reducing cross-shareholdings, and as of March 31, 2023, the number of cross-shareholdings of listed shares was three.

#### Cross-shareholdings



### ▶ Corporate Governance Structure

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



### ▶ Board 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 2021 Evaluation

##### ■ Follow-Up on Progress of Management Plans

The evaluation improved compared with the previous year. One comment in the evaluation stated that it will become increasingly important for the Board of Directors to focus on topics aligned with the fiscal 2022 medium-term management plan. We will continue to follow up on progress to achieve the plan.

##### ■ Discussion of Medium- to Long-Term Capital Policy

Evaluations confirmed that discussions of capital policy have deepened while advancing the formulation and execution of the fiscal 2022 medium-term management plan. The need to continue discussing capital policy was also recognized.

##### ■ Strengthening Group Governance

The importance of strengthening governance and monitoring was re-acknowledged and discussed, particularly for the containership business integrated into Ocean Network Express.

##### ■ Constructive Dialogues with Shareholders

This score was significantly higher than for the previous evaluation. It was noted that various opinions and perspectives obtained through dialogue with shareholders and investors are regularly shared at meetings of the Board of Directors, which thoughtfully considered them in capital policy and other measures.

##### ■ Clarification of Succession Plan Formulation Process

The Remuneration Advisory Committee was evaluated as having had sufficient deliberation.

#### Fiscal 2022 Evaluation

##### ■ Method for Evaluating Board Effectiveness

A self-evaluation of the effectiveness of the Board of Directors in fiscal 2022 was conducted with a follow-up discussion by the Board of Directors based on the results of a questionnaire for all directors and auditors.

##### ■ Summary of Results of Self-Analysis and Evaluation of Effectiveness of Board of Directors

The overall score was higher than in the previous fiscal year. The Board of Directors was evaluated as functioning effectively overall. In particular, it was noted that the following points contribute to the effective functioning of the Board of Directors and led to a higher pace of year-on-year improvement.

- 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
- Sufficient deliberation by the Remuneration Advisory Committee about the formulation of succession plans and selection criteria

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 technology. These points have been identified as issues to be further addressed to improve governance in the future.

#### Fiscal 2023 Issues in Light of Above

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

- Following up on medium-term management plan progress (ongoing issue)
- Strengthening Group governance (ongoing issue)
- Holding discussions on the medium- to long-term capital policy (ongoing issue)
- Creation of value using data and digital technology

## Corporate Governance

Aiming for Sustainable Growth and Greater Corporate Value

### Messages from Outside Directors

The Company actively appoints outside directors to take advantage of external perspectives to enhance corporate value over the medium and long terms. The Company's current outside directors were asked for their honest opinions in response to the questions on page 63.



**Keiji Yamada**  
Outside Director

#### A1.

Having just ended the first year of the five-year medium-term management plan, I believe the real evaluation is yet to come. The management plan sets clear goals and outlines a forward-looking growth strategy, rather than a conservative one aimed at catching up from setbacks in the past. I would like to see young people, who will be responsible for our future, take the lead in actively implementing the plan. While the PDCA cycle of the plan is being rotated mainly by the corporate administrative divisions, the Observe, Orient, Decide and Act (OODA) loop is becoming increasingly important at the operational level to flexibly

and swiftly respond to rapid changes in the social environment. I hope the leaders will strive to execute the management plan, while aligning these two loops effectively together.

#### A2.

The pace of change in the social environment, which is one underlying assumption in the management plan, has exceeded expectations in some regards, and progress on the newly reviewed material issues may not go as planned. Constant monitoring is necessary. In terms of human resources, the rapidly aging population is having a measurable and rapid impact on social infrastructure. Regarding women's empowerment, the employment rate for women may have reached a plateau, and given the pace of promotion so far, it may no longer be possible to maintain competitiveness. In the realm of DX, generative AI, which was not a topic when the medium-term management plan was formulated, will bring dramatic

changes to life as we know it. The speed of change in environmental technology could also exceed expectations. I would like management to always be observant and take care when judging situations, while reviewing important issues.

#### A3.

The medium-term management plan is ultimately just a plan. It is important to not superficially adhere to the plan, and for each department to constantly pursue what it means to be a trusted partner, as stated in the plan. By revising the contents of the plan as appropriate for the current situation and monitoring progress, the Company can avoid the risk of the plan itself becoming outdated. As an outside director, I believe my role includes pointing out any obsolete parts of a management plan, even if it has already been approved. I hope my position on this matter is well understood.

#### Q1.

How do you evaluate the progress made in the first year of the fiscal 2022 medium-term management plan, particularly in terms of the content and speed of strategic initiatives?

#### Q2.

In fiscal 2022, the "K" LINE Group re-identified 12 material issues (important sustainability issues) in five areas: management base, safety / ship quality management, advancement of environmental technologies, digital transformation, and human resources. Tell us about your expectations and points to consider as the Company addresses these material issues going forward?

#### Q3.

What is your outlook for the business environment during the medium-term management plan, and what specific risks do you think the Company should pay attention to?

#### Q4.

Could you please share your aspirations upon assuming the position of outside director?



**Kozue Shiga**  
Outside Director

#### A1.

At the financial results briefing, management disclosed its progress on the medium-term management plan. I believe that both the content of the initiatives and the sense of speed are commendable. Certainly, the business environment continues to be uncertain, and some fluctuations in individual numerical targets are inevitable. Therefore, I think management must take a long-term view on these matters. What is most important is that all employees work together to achieve the goals of the medium-term management plan, and I find it encouraging to see more evidence this is happening at this time.

#### A2.

These five areas should be addressed as important issues by any company, and I would like to see the Company take initiatives that are one step ahead of other companies. Particularly in the area of human resources, I believe that initiatives reflecting the historical background of a company and the characteristics of the shipping industry are important. At the "K" LINE Group, it has been only about 20 years since it started hiring women in earnest for career-track positions, so the promotion of women to managerial positions is still in its early stages. I hope that this will be a good opportunity for the Company to take proactive measures, not just to achieve formal numerical targets but also from the perspective of the impact these measures will have in the future.

#### A3.

Looking back at recent global events, changes in the business environment have continued to surprise. The COVID-19 pandemic, the Russia-Ukraine war, and the acceleration in global warming are events that have exceeded common sense and the imagination of people living in modern society. This clearly demonstrates that relying solely on past experience will not provide a clear answer when choosing and deciding on ways to address these issues. Going forward, it is indeed possible that such unforeseeable changes in the environment could occur again, and as a company the "K" LINE Group must establish a resilient business foundation, gather reliable information, and adopt a flexible approach to thinking about events.



**Ryuhei Uchida**  
Outside Director

#### A1.

On top of a tailwind in the containership business, management's efforts in their own businesses have led to better earnings in recent years. The strategic initiatives set out in the current medium-term management plan are also being steadily implemented, and the results of these initiatives are expected to manifest in the future.

I believe that the Company's policies, such as concentrating management resources on the three business fields driving growth, strengthening collaboration with customers in decarbonization efforts, and shareholder returns with capital discipline in mind, have all contributed to share

price gains that have outstripped competitors.

As management continues to effectively advance these strategic initiatives and realizes an optimal capital structure at an early stage, I expect ongoing improvements in corporate value and further enhancement in shareholder value.

#### A2.

To be a globally trusted company, it is essential that the "K" LINE Group addresses social problems and issues that are important to stakeholders. From the perspective of improving corporate value, it is crucial to address issues that could significantly impact the business foundation and earnings, and to turn these challenges into growth opportunities.

As an outside director representing shareholders, I believe it is important to quantitatively verify initiatives not only from the perspective of contributions to the environment and society, but also from an

economic standpoint, such as whether they can contribute to earnings without taking on excessive business risks.

#### A3.

A trend among shipping companies has been that when earnings improve and cash on hand becomes abundant, they place orders for new high-priced ships, engage in M&A, and make excessive investments in fields outside their areas of expertise. These investments later become negative legacies, and often lead to substantial losses. In light of favorable earnings in recent years, shipping companies seem to have abundant funds and a strong desire to invest, exposing them to risks associated with excessive investment, as in the past.

While investment is essential for improving corporate value, I believe it is important to make disciplined investments and appropriate judgments based on factors such as ship supply and demand and technological innovations.



**Koji Kotaka**  
Outside Director

#### A4.

I began my career as a foreign relations lawyer and later moved into investment banking, where I advised on raising capital and M&A. Currently, I am involved in corporate investment in the private equity industry. One common theme across these roles has been the enhancement of corporate value. I intend to apply the insights I have gained over the years to consider how to improve value for shareholders of the "K" LINE Group in the medium to long term, especially given the volatile business environment and cyclicity of earnings. I understand that the role of an outside director involves two fundamental elements: supervising the management team in their day-to-day operations and contributing to strategic planning. In addition, I plan to continuously monitor the accuracy of financial information as well as the soundness of financial and risk management systems, always from the perspective of shareholders. Furthermore, I intend to be actively involved in communication as a bridge that conveys messages from the management team to the capital markets through investor relations.



**Hiroyuki Maki**  
Outside Director

#### A4.

The "K" LINE Group has evolved as a corporation responsible for the global lifeline of maritime shipping. Of note, the company where I serve as representative director specializes in wireless network products and services as its core business. The commonality between these two companies lies in providing added value to customers in areas essential for everyday life, albeit in different business domains. I strongly feel a shared sense of social mission between the two entities.

With this in mind, I aim to fulfill my role as an outside director while leveraging the experience and insights I have gained through my career in corporate management. I intend to contribute to the sustainable growth of the "K" LINE Group and the long-term improvement of shareholder value for all stakeholders who share the same philosophy.

# Risk Management

## ► Risk Management System

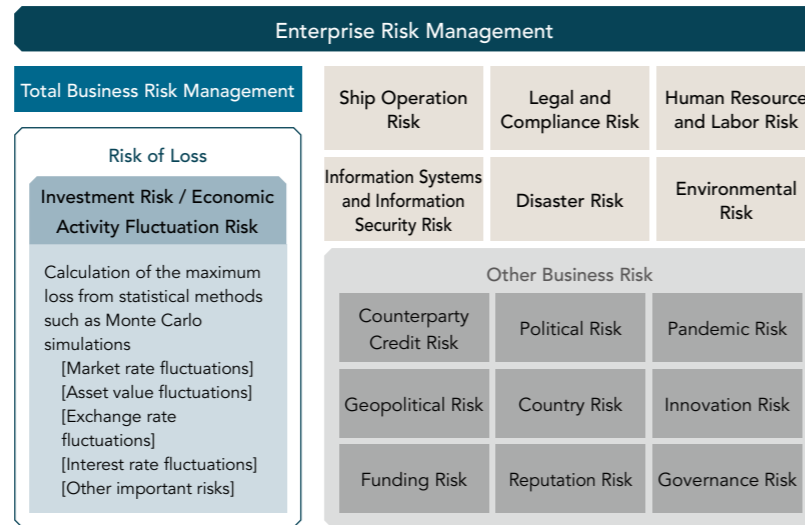
The "K" LINE Group has established a risk and crisis management system based on our vision and values. We established this system so that we can recognize and prepare for various risks in management and fulfill our corporate social responsibility even if risks materialize. In addition to general corporate 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.

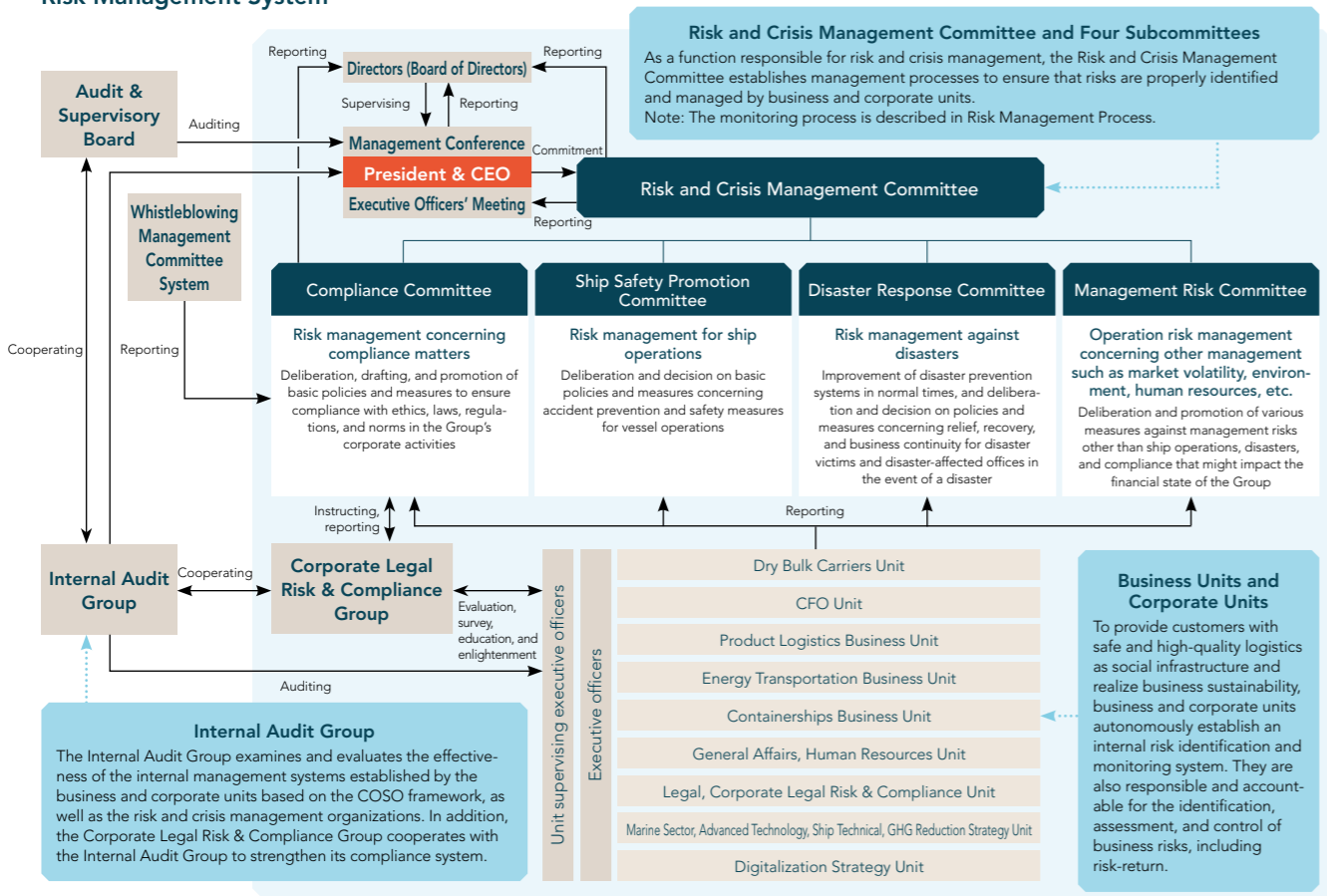
## Business Risk-Return Management

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 major risks recognized by the "K" LINE Group have been categorized into four types: risks associated with vessel operations, compliance risks, disaster risks, and other management-related risks. For each category of risk, we have established a dedicated committee. In addition, the Risk and Crisis Management Committee was established to unify these four committees and to control and promote overall risk management. The president & CEO serves as the chairperson of all these committees and convenes meetings quarterly, even during normal times, in a bid to strengthen risk management. 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 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 (politics, economy, society, and technology) 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.

