Corporate Governance Report

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

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

1. Basic Views

(Basic principle of corporate governance)
Solid corporate governance is essential for a company to fulfill its social responsibility, respond to the commitment bestowed by stakeholders and achieve sustainable growth.
The Company has been engaged in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to increase its corporate value by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with the achievement of increasingly robust earnings and a stronger financial standing.

[Reasons for Non-compliance with the Principles of Japan's Corporate Governance Code]

The Company have implemented all the principles of the Corporate Governance Code.

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

Please refer to the Company's Corporate Governance Guidelines (hereinafter, the "Guidelines"), which have been posted to the Company's website in their entirety.
https://www.kline.co.jp/en/sustainability/governance/corporate_governance/main/00/teaserItems1/01/linkList/0/link/Kawasaki%20Kisen%20Kaisha,%20Ltd.%20CORPORATE%20GOVERNANCE%20GUIDELINES.pdf

Details of disclosure based on the principles of Japan's Corporate Governance code are as follows:
1) [Principle 3.1 Full Disclosure]
The Company stipulates in the Charter of Conduct for the "K" LINE Group companies that the "K" Line Group will protect personal and customer data, properly manage corporate information through timely and appropriate disclosure, widely promoting bi-directional communication with society including shareholders. In addition to financial information, non-financial information is also published annually on the Company's website and in the "'K" LINE REPORT.'
The Company's website: https://www.kline.co.jp/en/index.html
"K" LINE REPORT: https://www.kline.co.jp/en/ir/library/report.html

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

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

Through this process, we reconfirmed that logistics centered on the shipping business is the Group's business area. We clarified the direction of the Group in this business area as working to enhance corporate value through the promotion of low-carbonization and zero-carbonization at our company and in society, concentrating management resources in

businesses that play leading roles in driving growth to realize that goal, and becoming a company that pursues both customers and growth opportunities that allow us to carry out activities aimed at low-carbonization and zero-carbonization.

Corporate Principle
– "K" LINE: trust from all over the world –
As a logistics company rooted in the shipping business, we help make the lives of people more affluent.

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

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

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

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

Management Index	Targets FY 2026
ROE	10%+
ROIC	6.0% ~ 7.0%
Income	Ordinary income: ¥160.0 billion (Due to the steady progress made towards the FY2026 ordinary income target of ¥140.0 billion in the plans announced in May 2022, the target was raised to ¥160.0 billion in May 2024)
Optimal capital structure	While striving to balance capital efficiency with financial soundness based on an awareness of business risks, we will continue to operate our business with an awareness of cash allocation for growth investments and shareholder returns. We will also verify the necessary level of capital required in our own businesses and the containership business.
Shareholder returns policy	After also taking into account the operating cash flow exceeding the forecast, we have set out a plan to increase total shareholder returns for the period of the medium-term management plan by ¥200.0 billion from the previous level announced in May 2023 to a minimum of ¥700.0 billion. Having implemented ¥366.2 billion up to FY2023, we plan to pay a basic dividend of ¥40 per share and an additional dividend of ¥45 for an annual dividend per share of ¥85 for the remaining period of the medium-term management plan (FY2024 to FY2026), and in FY2024 we will conduct a share buyback of up to ¥100.0 billion in addition to dividends. For the remaining period of the medium-term management plan, based on recent trading we are also planning to flexibly implement at least ¥50.0 billion in additional returns.

	(By promoting enhancements to earning power and cash allocation with an awareness of the optimal level of capital, we will balance capital efficiency with financial soundness, and increase corporate value by carrying out proactive shareholder returns after making investments for growth)

Issues in the management plan

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

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

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

2. Concentrating management resources through our business portfolio strategy

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

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

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

3. Building a solid business foundation to realize our business strategy by polishing technologies and expertise through our functional strategy based on our organizational and personnel plan

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

4. Reviewing optimal solutions for capital policy at the Company and improving business management to execute that policy

We will constantly be aware of the optimal capital structure and cash flow, and focus on both capital efficiency and financial soundness. We will enhance corporate value by carrying out proactive shareholder returns after making investments for growth. Furthermore, by working to further improve business management as part of capital policy, we will strengthen and promote business portfolio management and cash flow management through the introduction of management indicators by business with an awareness of capital costs.

The business strategies and management plan are disclosed on the Company's website below.
https://www.kline.co.jp/en/ir/management/strategy.html
(The values stated in the management strategy, management plan, and capital policy indicated the targets set at the time of formulating the management plan, and the Company makes no promise regarding the achievement of those values.)

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

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

The Company has stipulated in its Guidelines that it engages in initiatives to strengthen its framework of corporate governance and to develop and enhance systems for risk management, and continuously strives to increase its corporate value by acting in total accordance with our business ethics while building an organic and effective mechanism of governance, in conjunction with the achievement of increasingly robust earnings and a stronger financial standing. Moreover, with respect to matters such as protection, proper management and disclosure of information, and communication with society, the items listed below have been stipulated in the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct. Meanwhile the Company and companies of the Group have been striving to establish effective internal systems in order to achieve such aims.

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

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

and

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

To achieve the management plan, the Company's Board of Directors shall consist of a variety of individuals of different genders, nationalities, career work histories, and ages, including those with experience in managing corporations and other large organizations and those with expertise in the operational, technical, financial, and other aspects of the shipping industry. This is to ensure constructive discussions and management supervision based on diverse backgrounds and knowledge. The Company shall consider to such diversity when selecting candidates for Directors and the Audit & Supervisory Board Members and create and disclose a skill matrix for Directors. In addition, with respect to the size of the Board of Directors, there are currently eight Directors in office, of which five of them are Outside Directors.
The skill matrix of directors is described as follows and disclosed in the Notice of the 156th Ordinary General Meeting of Shareholders.

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

The Company has identified the skills (knowledge, experience, abilities, etc.) required of the Board of Directors based on the Company's materialities (priority issues) in its 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.

・ Notice for the General Meeting of Shareholders (page 23)
https://www.kline.co.jp/en/news/ir/ir7881206460323448732/main/0/link/240525.pdf

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

(1) The Company shall appoint to its Directors and Audit & Supervisory Board Members individuals possessing such broad and deep experience and knowledge as to be able to contribute to the monitoring of business execution, superior in personal quality, and highly conscious of complying with laws and regulations and prescriptive social norms. Also, the Company shall appoint those with expertise in finance, accounting, and legal affairs as Audit & Supervisory Board Members, and of which at least one person shall possess appropriate expertise on corporate finance and accounting.

(2) The Independent Outside Directors shall be persons capable of performing the following roles and responsibilities, in addition to the aforementioned.

i. Provide advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase its corporate value over the medium- to long-term;
ii. Evaluate management's performances as needed and express views, as members of the Nominating Advisory Committee and the Remuneration Advisory Committee, on management nominations and remunerations;
iii. Monitor the management through important decision-making at the Board of Directors;
iv. Monitor conflicts of interest between the Company and its management or controlling shareholders, etc.; and
v. Appropriately represent the views of stakeholders at the Board of Directors from a standpoint independent of the management and controlling shareholders.

(3) The Company shall appoint to its Executive Officers individuals who are familiar with the shipping industry, who have abundant international sensibility and business acumen, who are highly esteemed inside and outside of the Company, who are capable of contributing to the implementation of the medium-term management plan as managers, and who are highly conscious of complying with laws and regulations and prescriptive social norms. When re-appointing the Executive Officers, the Company shall take into account the performance, etc. of the business units and departments of which they are in charge.

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

The Nominating Advisory Committee shall furnish recommendations and advice to the Board of Directors, upon having deliberated on the reasonableness of proposals for appointment or dismissal of the Company's officers, as well as any other matters subject to inquiry of the Board of Directors concerning appointment or dismissal of the Company's officers. The Nominating Advisory Committee shall comprise all Independent Outside Directors, the Chairman, and the President & CEO, and its chairperson shall be appointed from among committee members who are Outside Directors. (Response to Supplementary Principle 4.10.1 with subsection I. 1. 13)

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

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

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

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

i. Set strategic direction by examining and deciding upon matters relating to the Company's business policy and strategy including business principles, corporate vision and medium-term management plan;
ii. Conduct multifaceted and close examinations of, and decide upon the matters which are prescribed to be decided upon by the Board of Directors, from an independent and objective standpoint in light of the Company's business policy and business strategy, and receive reports on those matters which are required to be reported to the Board of Directors;
iii. Conduct multifaceted and close examinations of proposals from the Executive Officers based on healthy entrepreneurship, from an independent and objective standpoint, in order to establish an environment that supports

appropriate risk-taking by the Directors and the Executive Officers, and support the timely and bold decision-making by the Directors and the Executive Officers when approved plans are implemented ;

iv. (i) Oversee the execution by the Directors and the Executive Officers of their duties from an independent and objective standpoint, (ii) monitor the progress of the management plan and evaluate the status of achievement; (iii) analyze the causes if the management plan is not achieved and reflect such analysis on future plans; and (iv) disclose said causes of non-achievement and analysis to the shareholders;

v. Develop and improve the risk management system and the corporate governance structure including the internal control system in order to ensure the rationale of the Company's decision-making process; and

vi. Secure its fiduciary accountability to the shareholders on the Company's management, and oversee the Directors in order to ensure that information will be disclosed in a timely and accurate manner.

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

i. Matters to be decided upon by the Board of Directors under laws and regulations;

ii. Matters relating to the Company's business policy and strategy including business principles, corporate vision and medium-term management plan, strategic direction of the Company, and a single-year budget;

iii. Important internal rules including Regulations on Decision-Making Standards;

iv. Response guidelines to deal with any serious law violation committed by the Company;

v. Matters relating to significant lawsuits; and

vi. Significant matters comparable to any of the matters set forth above.

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

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

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

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

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

For details regarding Directors and Audit & Supervisory Board Members who are concurrently serving as officers of other listed companies, please refer to the Company's Notice of the 156th Ordinary General Meeting of Shareholders, pages 11 to 25 and pages 43 to 44.
https://www.kline.co.jp/en/news/ir/ir7881206460323448732/main/0/link/240525.pdf

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

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

An overview of self-evaluation is disclosed on the Company's website.
https://www.kline.co.jp/en/news/other/other-20240426/main/0/link/240430.pdf

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

As advisory committees to the Board of Directors, the Company has established a Nomination Advisory Committee and a Remuneration Advisory Committee to examine and discuss important matters such as election and dismissal of officers, and successor plans, as well as the design of systems for officer remuneration, the level of remuneration, and related matters. Each committee deliberates on inquiries received from the Board of Directors and acts as a recommendation and advisory body to the Board of Directors. Each committee is chaired by an Independent Outside Director and composed of a majority of Independent Outside Directors, ensuring independence.
Furthermore, the Independent Outside Directors that serve as committee members for the Nomination Advisory Committee contribute appropriately to deliberations on management candidates from the standpoint of diversity including gender, as well as skills. (Please refer to subsection I. 1. 5) and 6))

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

and

14) [Supplementary Principle 4.2.1 Remuneration Systems as an Incentive for Sustainable Growth]

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

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

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

(1) The institutional design and level of remuneration for Directors shall be deliberated on, resolved, and recommended to the Board of Directors by the Remuneration Advisory Committee pursuant to the aforementioned policies.
(2) The Board of Directors shall give its approval for the remuneration by position for members of senior management and Directors within the limit of the maximum yearly remuneration resolved at the General Meeting of Shareholders, paying heed to recommendations. Meanwhile, the Representative Director and President shall submit proposals concerning the respective portions of remunerations of each member of senior manager and each Director corresponding to operating results that, after deliberations by the Remuneration Advisory Committee, will ultimately determine amounts of payment. The Remuneration Advisory Committee shall comprise all Independent Outside Directors, the Chairman, and the President & CEO, and its chairperson shall be appointed from among committee members who are Outside Directors.

Remuneration for Directors of the Company (limited to Executive Directors) and Executive Officers consists of three types: fixed remuneration (monetary), short-term performance-based remuneration (monetary), and medium- to long-term performance-based remuneration (stock). The payment for each type of remuneration, etc. is expected to be 100:40:65 in the case that performance targets are achieved. The base amount for each position for short-term performance-based remuneration varies within the scope of 0 to 1.5 and the base amount for each position for medium- to long-term performance-based remuneration varies within the scope of 0 to 1.8 depending on the level of achievement of targets, and the degree of linkage to performance increases in accordance with management responsibilities. The

Company provides motivation with the optimal balance between short-term performance and medium- to long-term shareholder value enhancement, providing Directors with incentives to promote sustainable initiatives, aimed at maximizing corporate value.
The overview of performance-based remuneration is as follows.

- Short-term performance-based remuneration (monetary)
  Short-term performance-based remuneration (monetary) is primarily linked to the level of achievement of the targets for consolidated performance for a single fiscal year to enhance the transparency and objectivity of payment standards.
  The coefficient for multiplying the base amount for each position shall be linked to consolidated performance (total amount of ordinary income, amount of ordinary income excluding the containership business, and profit attributable to owners of the parent) for single fiscal years as well as individual contributions. The coefficient linked to consolidated performance varies in value from 0 to 1.5 based on the designated formula according to the level of achievement of targets. The degree of linkage to performance increases in accordance with management responsibility.
  In addition to this, in the event of a serious marine accident, the Company applies subtraction indicators according to the extent of the accident and its impact.
- Medium- to long-term performance-based remuneration (stock)
  The medium- to long-term performance-based remuneration (stock) shall be linked to the total shareholder return (TSR) and other indicators in order to further share value with shareholders and make the incentives for Directors to enhance corporate value over the medium- to long-term function effectively.
  Note: The Company's TSR = The rate of increase of the Company's shares over a fixed period + The dividend rate over the fixed period (Total dividend ÷ Initial share price)

For TSR-based indicators, a combination of the ratio of the Company's TSR to the TOPIX growth rate (hereinafter, the "TSR Ratio") and the ranking of the Company's TSR to the TSR of competitor companies shall be used to determine the coefficient for multiplying the base amount for each position.
If the TSR Ratio is 50% or less, the coefficient for multiplying the base amount for each position shall be 0 (the minimum value); if the TSR Ratio is 100%, the coefficient shall be 1 (when set targets were achieved); if the TSR Ratio is 150% or more, the coefficient shall be 1.62 (the maximum value); and if the TSR Ratio is more than 50% but less than 150%, the coefficient shall be calculated through a certain formula.
Apart from TSR-based indicators, the Company introduces coefficients based on the level of achievement of the targets in the medium-term management plan and the ranking of the Company to other companies as ROE indicators, and coefficients that assess the improvements in CO_2 emissions efficiency as ESG indicators.
The degree of linkage to performance is designed to increase in accordance with management responsibility. The composition ratio for TSR indicators: ROE indicators: ESG indicators (CO_2) is set at 90:5:5.
The total values of each coefficient (the minimum value 0, the maximum value 1.8) calculated as detailed above shall be multiplied by the base amount for each position to calculate the amount of medium- to long-term performance-based remuneration, which will be converted into points and awarded to Directors each fiscal year. In principle, the Company's stock, etc. will be delivered at the time of retirement in proportion to the accumulated number of the points awarded.

15) [Supplementary Principle 4.14.2) Policy on Training of Directors and Audit & Supervisory Board Members]
The Company's Guidelines stipulate training policy, as follows, with the aim of facilitating appropriate performance of the roles and responsibilities expected of Directors and Audit & Supervisory Board Members who constitute a critical element of the governance body.
(1) Within three months from their appointment, the Company's newly-appointed Directors shall participate in an outside seminar primarily addressing the issues of legal liability under the Companies Act, the Financial Instruments and Exchange Act and other relevant acts. In addition, the Company shall provide the newly-appointed Directors with commentary books on directors' responsibilities.
(2) Each year, the Company's Directors and Audit & Supervisory Board Members shall attend a training session on compliance matters including competition laws, insider trading regulations and anti-bribery.
(3) When Outside Directors and Outside Audit & Supervisory Board Members take office, the Company shall ensure they gain a full understanding of the Group's business, corporate finance, organizational status, business environments and management issues by having its departments and officers in charge offer explanations about such subjects.
(4) The Company's Directors and Audit & Supervisory Board Members including outside officers shall actively gather information at any and all times, and shall devote themselves to the studies of the Company's financial condition, status of compliance, corporate governance and other relevant matters.

In terms of specific initiatives, newly appointed officers shall receive training that primarily addresses the issues of legal liability and governance under the Companies Act, the Financial Instruments and Exchange Act, Competition

Laws and other relevant acts. All internal officers also attend regular compliance seminars and training sessions, which cover insider trading and other issues. When outside officers take office, they are provided with explanations of such matters as the Group's business, organization, business environments and management issues. After their appointment they work to deepen their understanding through explanations of the Board of Directors agenda given in advance, participation in management strategy meetings, and explanations of individual projects provided by the department in charge, as well as by on-site inspections of vessels and other assets

16) [Principle 5.1 Policy for Constructive Dialogue with Shareholders]
From the perspective of achieving sustained growth and increasing corporate value over the medium- to long-term, the Company engages in constructive dialogue with its shareholders, investors and its Guidelines and IR Policy furthermore stipulate policy, as follows, on establishing frameworks and engaging in efforts to facilitate such dialogue.

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

Please refer to the Company's website via the link below to access its entire IR Policy.
https://www.kline.co.jp/en/ir/management/policy.html

17) [Principle 1.4 Cross-Shareholdings]
The Company owns and operates numerous high-cost assets in the form of marine vessels over extended durations of time. The Company furthermore operates against a backdrop of a business environment epitomized by business performance that is highly volatile due to foreign exchange, market conditions and other such factors that are beyond corporate efforts of individual companies. To achieve long-term and sustainable growth given such a scenario, the Company maintains cross-shareholdings of partner companies deemed necessary in order to sustain and strengthen the Company's transactional and business relationships. Meanwhile, the Board of Directors assesses whether or not the Company should maintain individual holdings, to which ends it is to meet no less than once per year and take an objective standpoint with respect to specifically scrutinizing the purpose of maintaining the individual holdings and the medium- to long-term economic rationale of maintaining such holdings, including necessity from the perspective of business activities, and the cost of capital. In cases where it deems that there is no economic rationale for maintaining the holding, it shall take steps to reduce it. As a result, the twelve stocks in the Company's portfolio of cross-shareholdings that it had been holding as of March 31, 2017, had been reduced to three as of March 31, 2024.
The Guidelines stipulate that, when exercising the voting rights as to the Cross-Shareholdings, the Board of Directors shall fully examine whether or not the relevant propositions would contribute to the enhancement of the Company's corporate value and the shareholders' common interests, hold dialogues with issuing entities as needed, and shall determine whether it would vote for or against the said propositions.

18) [Principle 1.7 Related Party Transactions]
The Company has established the following procedures with respect to related party transactions, and finds that management is capable of supervising such transactions based on such procedures.

(1) The Regulations on Decision-Making Standards stipulate that the Company is to refer matters to be addressed by and seek prior approval from the Board of Directors with respect to certain matters irrespective of monetary amount, such that include: transactions with major shareholders whose holdings account for more than 10% of the Company's voting rights or transactions between the Company and its Directors; transactions conducted by a

Director with the Company for a third party; transactions involving conflict of interest; and, debt guarantees of Directors made by the Company. The Regulations on Decision-Making Standards also stipulate that key developments must be reported to the Board of Directors subsequent to having carried out a transaction. As such, the Board of Directors supervises appropriateness of transactions.

(2) The Company shall treat all of its shareholders impartially, and accordingly must not make special considerations for specific shareholders.

(3) The Company shall determine the presence or absence of related party transactions upon submission of confirmation documents for all of the Company's officers each fiscal term, and shall furthermore verify transaction details in the event that related party transactions have taken place.

19) [Supplementary Principle 2.3.1) Measures to Address Sustainability Issues],
20) [Supplementary Principle 4.2.2) The Formulation of a Basic Policy for Sustainability Initiatives]
and
21) [Supplementary Principle 3.1.3) Disclosure Concerning Sustainability]
Amid globally accelerating changes in value and behavior, as well as increasing awareness of the need to reduce the environmental burden caused by global warming, "K" LINE considers sustainability management as a priority issue for enhancing corporate value over the medium to long term and discusses the issue continuously at the Board of Directors' meetings.

To reinforce management where these issues are key objectives, the Company has established the "Corporate Sustainability Management Committee," which is chaired by the President & CEO, and the "GHG Reduction Strategy Committee," aiming to enhance corporate value by reviewing and formulating a system to promote "K" Line Group's sustainability management, and a strategy for reducing GHG. As organizations responsible for practical implementation, the Corporate Sustainability, Environment Management Promotion, IR, and Communication Group, the GHG Reduction Strategy Group, the Carbon-Neutral Promotion Group, the Fuel Strategy & Procurement Group, and the Advanced Technology Group are each accelerating sustainability initiatives through their operations.
The Company reviews the materiality (important sustainability issues) as necessary as a part of the process to identify, evaluate and manage sustainability-related risks and opportunities. The Company newly identified five areas and 12 items regarding material issues in the review in Fiscal Year 2022.
The 12 newly identified items regarding material issues were categorized and arranged into the five areas of "safety & quality," "environment & technology," "promotion of digitalization" and "human resources," which are the four pillars of the capabilities strategy that the Company set forth in the medium-term management plan, in addition to the "management foundation," which is the foundation for the other four areas. The Group has positioned the material issues as an important issue to be addressed in order to realize the corporate principle and vision based on the medium-term management plan.

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

・ Sustainability Website (website providing a comprehensive introduction to the Company's sustainability initiatives)
https://www.kline.co.jp/en/sustainability.html
・ ESG Data Book (provides ESG-related data)
https://www.kline.co.jp/ja/sustainability/esg_data/main/018/teaserItems2/0/linkList/00/link/KLN_ESG23J_0229.pdf (in Japanese)

・ "K" LINE REPORT (pages 32 to 65 Foundation for Value Creation)
https://www.kline.co.jp/ja/ir/library/report/main/011118/teaserItems1/0/linkList/0/link/01_KLN_AR23J__A3_.pdf#page=18

・ Views and Initiatives on Addressing Climate Change (Response to TCFD)
https://www.kline.co.jp/en/sustainability/environment/climate_change.html

・ "K" LINE Environmental Vision 2050 (Initiatives on Net-Zero GHG Emissions)
https://www.kline.co.jp/en/csr/environment/management/main/010/teaserItems1/01/linkList/0/link/2111vision%20minaoshi_EN.pdf

・ FY2022 Medium-Term Management Plan (pages 23 to 24 "Investment in Human Resources" and page 28 "Environmental Investment")

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

22) [Supplementary Principle 2-4 Ensuring Diversity, Including Active Participation of Women]
and
23) [Supplementary Principle 2-4.1) Ensuring Diversity When Hiring Core Human Resources]
<Human Capital Diversity and Human Resource Policy & Policy on Improvement of Work Environments Inside the Company>
The Company is working to recruit and develop human resources who have the ability not only to lead the growth and transformation of the business but also to respond flexibly to changes in the business environment. In order to execute the Company's portfolio strategy, we are forging ahead with both the quantitative and qualitative acquisition and development of talent in accordance with the needs of each business. To further promote this, we are striving to create a work environment where diverse personnel can flourish and fully utilize their abilities. 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 businesses that play leading roles in driving growth and are also evenly distributed to the corporate divisions that support our business foundation. When recruiting, we strive to attract personnel with a diverse range of values, irrespective of their nationality, educational background, or gender. We approach rank-specific 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. In addition, we provide maritime business training, onboard training, accounting and finance training, management skills training, and DX training. As part of its efforts to improve the work environment inside the Company, we have established a childcare leave system that exceeds legal requirements. We also implement management training aimed at fostering understanding with regard to childcare and support to enable female employees to autonomously continue their careers. As an example of initiatives unique to the Company, our own childcare system allows up to 10 days of leave for men to encourage the participation of men in childcare, thereby promoting an improvement in the ratio of paternity leave. From the compliance perspective, the Company has set up both internal and external consultation desks to address sexual harassment, with the intention of swiftly solving problems while giving the utmost consideration to privacy. Moreover, we hold annual harassment prevention seminars for all executives and employees.

<Indicators and Targets>
Aiming to become a company where all employees can work with enthusiasm and feel fulfilled, the Company has set the following targets in the action plan (period of the plan: April 1, 2022 to March 31, 2025) and works on them to promote the active participation of women and support the training of the next generation of employees in order to develop an environment for employees where anyone can demonstrate their individual abilities while balancing both work and home.
(i) Percentage of the Company's female employees in management positions by the end of the period of the plan of 15%.
(ii) Percentage of leave taken at the Company by male employees for childcare of 20% or more.

<Progress of Targets (results in Fiscal Year 2023)>
(i) Percentage of the Company's female employees in management positions: 6.8%
(ii) Percentage of leave taken at the Company by male employees for childcare: 77.8%(*)
(*) Includes vacation for the purpose of childcare

・ Sustainability Website (website providing a comprehensive introduction to the Company's sustainability initiatives)
https://www.kline.co.jp/en/sustainability.html

・ "K" LINE REPORT (Human Resources pages.50 to 53)
https://www.kline.co.jp/en/ir/library/report/main/011117/teaserItems1/0/linkList/00/link/KLN_AR23E_all_A4.pdf

・ Policy on Improvement of Work Environments Inside the Company ("Basic Principle")
https://www.kline.co.jp/en/sustainability/social/human_rights.html

・ Action plan to promote the active participation of women
https://www.kline.co.jp/en/sustainability/social/diversity_inclusion/main/01/teaserItems1/0/linkList/0/link/Action%20Plan%20to%20Promote%20the%20Active%20Participation%20of%20Women%20and%20Support%20Raising%20of%20the%20Next%20Generation%20Children.pdf

・ Approach to human resources development (Onshore Workers/Marine Technical Personnel)
https://www.kline.co.jp/en/sustainability/social/human_resource.html

24) [Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]
The Company has adopted a defined-benefit corporate pension plan, and accordingly strives to ensure safe and efficient management of the plan. To such ends, the Company has established the Pension Asset Management Committee which is chaired by the General Manager of Finance Group who serves as the pension fund manager, and whose membership consists of individuals in charge of pension fund duties in Finance and Human Resources divisions. The Company has established fundamental policies and asset management guidelines particularly with respect to safely and efficiently managing pension funds. The Company accordingly engages in efforts involving human resources and administration serving as the parent entity of the pension plan, with the aim of ensuring that the Pension Asset Management Committee implements the function of monitoring the entity entrusted with asset management.
Moreover, managing the pension plan involves ensuring that the utmost respect is devoted to interests of those enrolled in the corporate pension plan.

[Measures to Realize Management with an Awareness of Capital Costs and Share Price] [Update Date :2025/2/13]
By working to further improve business management as part of our capital policy, the Company is strengthening and promoting business portfolio management and management that emphasizes cash flows through the introduction of management indicators (ROIC, EVA, etc.) by business with an awareness of capital costs, in order to increase corporate value. For specific details and the progress, please refer to the information posted on the Company's website at the addresses below.

Financial Highlights Brief Report for Fiscal Year 2023 (C-1 to C-7)
https://www.kline.co.jp/en/ir/library/presentation/main/011111111117/teaserItems1/0/linkList/01/link/2023_4_presentation_e.pdf
・Financial Highlights Brief Report for 3rd Quarter FY2024 (C-1 to C-2)
https://www.kline.co.jp/en/ir/library/presentation/main/0111111111110/teaserItems1/0/linkList/01/link/2024_3_presentation_e.pdf

[Promotion and Disclosure of Dialogue with Shareholders]
The implementation status of dialogue with shareholders and investors is disclosed on the Company's website at "Sustainability | The "K" LINE Group's Sustainability Management | Stakeholder Engagement | Results of Investor Relations (IR) Activities."
https://www.kline.co.jp/en/sustainability/sustainability_management/stakeholder_engagement.html
The main topics of dialogue are business strategy, the medium-term management plan, financial affairs, shareholder returns, capital policy, non-financial information including sustainability, and other matters.

For information on the contents of explanations and Q&A sessions during financial results briefings and business briefings for investors and shareholders, please refer to the information posted on the Company's website at the addresses below.

Investor Relations | IR Library | Financial Report
https://www.kline.co.jp/en/ir/library/presentation.html

Investor Relations | IR Library | IR Event
https://www.kline.co.jp/en/ir/library/event.html

2. Capital Structure

Foreign Shareholding Ratio	30 % or more

[Status of Major Shareholders] [Updated]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
ECM MF	32,149,200	13.51
The Master Trust Bank of Japan, Ltd. (trust account)	22,262,900	9.35
MLI FOR SEGREGATED PB CLIENT	16,954,200	7.12
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	15,300,000	6.43
CGML PB CLIENT ACCOUNT/COLLATERAL	14,125,200	5.93
Suntera (Cayman) Limited as trustee of ECM Master Fund	13,238,900	5.56
Custody Bank of Japan, Ltd. (trust account)	6,644,160	2.79
IMABARI SHIPBUILDING CO., LTD.	5,652,120	2.37
SMBC Nikko Securities Inc.	5,308,240	2.23
Mizuho Bank, Ltd.	4,755,640	1.99

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

Supplementary Explanation [Updated]

The status of major shareholders is presented as of March 31, 2024.

Although a large shareholding report (change report) made available to the public on March 22, 2024 with Effissimo Capital Management Pte Ltd as the submitter stated that it held the following shares, as of March 31, 2024 we had been unable to confirm the beneficial ownership of the number of shares, and accordingly the figures are not included in the above Status of Major Shareholders. The details of the report are as follows.

Name: Effissimo Capital Management Pte Ltd
Number of shares, etc. held (Shares): 91,767,800
Holding ratio of shares, etc. (%) 38.52

Although a large shareholding report (change report) made available to the public on February 7, 2024 with Nomura Asset Management Co., Ltd. as the submitter stated that it held the following shares, as of March 31, 2024 we had been unable to confirm the beneficial ownership of the number of shares, and accordingly the figures are not included in the above Status of Major Shareholders. The details of the report are as follows.

Name: Nomura Asset Management Co., Ltd.
Number of shares, etc. held (Shares): 10,239,700
Holding ratio of shares, etc. (%) 4.30

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Marine transportation
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more

Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 100 to less than 300

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

———

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

・The Company is currently constituted as a company with an Audit & Supervisory Board, but with the aim of further improving governance and increasing corporate value through management reforms by enhancing the functions of the Board of Directors in determining and supervising management policies and strengthening management capabilities, such as by facilitating prompt decision-making on business execution by the management team, we will start preparing for the transition to a company with Nominating Committee, etc.

・Listed companies with equity method affiliations

The Company holds shares of Rinko Corporation as a listed company with an equity method affiliation.

Rinko Corporation (Tokyo Stock Exchange Standard Market)
By holding shares of Rinko Corporation, which provides distribution services rooted in Niigata Port, the only major international port on the Sea of Japan, the Company seeks to strengthen its relationship with Rinko Corporation, thereby opening the way to increasing the comprehensive corporate value of the Group. One Executive Officer of the Company serves as an Outside Director of Rinko Corporation in order to leverage its knowledge and experience of the shipping and other industries, but the Company does not share the same management policies or management strategy, and Rinko Corporation is not subject to group management by the Company. Furthermore, because the Company owns fewer than half the voting rights, it does not exert control that would impair the independence of that company, and the risk of a conflict of interest emerging is therefore perceived to be low.

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

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors [Updated]	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated From Among Outside Directors	4

Outside Directors' Relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keiji Yamada	Other											
Ryuhei Uchida	From another company							○				
Koji Kotaka	Attorney at law											
Hiroyuki Maki	From another company											
Takako Masai	From another company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past;

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

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
b. Non-executive director or executive of the parent of the Company
c. Executive of a fellow subsidiary of the Company
d. Party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
k. Other

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

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

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Ryuhei Uchida		Mr. Ryuhei Uchida satisfies the requisite for Outside Director in the Companies Act; however, due to conflicts with the shareholder requisite(*) in the criteria for independence of Outside Officers provided by the Company since he serves as a Director of Effissimo Capital Management Pte Ltd., a shareholder of the Company, the Company designates him as a non-independent Outside Director. (*) A shareholder holding over 10% of the voting rights of the Company. If the shareholder is a juridical person, a person who has been a business executor of the shareholder or its parent company or subsidiary within the past three years.	Mr. Ryuhei Uchida first joined Mitsubishi Corporation, mainly served for supporting investments for Japanese and foreign non-listed companies, then joined Innovation Network Corporation of Japan, being in charge of investments for foreign non-listed companies and supporting business start-ups for Japanese non-listed companies, as well as also serving as an Outside Director for both British and Chilean companies. Currently he is in charge of managing investments of Japanese-listed companies as a Director of Effissimo Capital Management Pte Ltd. Mr. Ryuhei Uchida was appointed as an Outside Director of the Company in June 2019, and his abundant experience and insight in corporate value enhancement has been utilized in the Company's management. The Company judges that fulfilling his role through his proactive opinions given as a Director with the perspective of our shareholder and his precise supervision on its management and the execution of business will lead to common benefit of shareholders and contribute to improving the Group's corporate governance. Accordingly, the Company expects that he will continues to fulfill those roles and has appointed him as Outside Director. There is no special interest between Mr. Uchida and the Company.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Koji Kotaka	○	—	Mr. Koji Kotaka, in addition to being a lawyer, has experience in roles such as a company director in a broad range of industries including securities, investment banking, IT and real estate. Since June 2023, the Company has appointed him as Outside Director to contribute to the Company's management by utilizing his expertise in law, particularly his abundant insight into the investment area and expects that he will draw on his abundant experience in law, finance and accounting and broad insight, which also includes investment and IR, to appropriately fulfill his role of making suggestions at the Board of Directors meetings and supervising the execution of business. There is no special interest between Mr. Kotaka and the Company. As there is no possibility that conflict of interest may occur between Mr. Kotaka and general shareholders, the Company designates him as an Independent Officer.
Hiroyuki Maki	○	—	Mr. Hiroyuki Maki is the President and CEO of Melco Holdings Inc., mainly engaged in IT related business and food business, and President and Director of its subsidiary companies. Since June 2023, the Company has appointed him as Outside Director to contribute to the Company's management by utilizing his abundant experience and insight in Group business administration and expects that he will 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 the Board of Directors meetings and supervising the execution of business. There is no special interest between Mr. Maki and the Company. As there is no possibility that conflict of interest may occur between Mr. Maki and general shareholders, the Company designates him as an Independent Officer.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takako Masai	○	―	Ms. Takako Masai has experience in promoting business related to financial markets in both foreign and domestic banks. She has also been involved in the formulation of monetary policy as a deliberation member of the Policy Board at the Bank of Japan. The Company has appointed her as Outside Director in order that she may leverage her abundant experience in the financial markets, insights into financial economics, and knowledge of diversity on behalf of the Company's management. The Company expects that she will draw on her experience of and broad insights into finance and accounting to appropriately fulfill her role of making suggestions at the Board of Directors meetings and supervising the execution of business. There is no special interest between Ms. Masai and the Company. As there is no possibility that conflict of interest may occur between Ms. Masai and general shareholders, the Company designates her as an Independent Officer.

[Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established

Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Nominating Advisory Committee	Remuneration Advisory Committee
Total Committee Members	5	5
Full-Time Members	0	0
Inside Directors	1	1
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation [Updated]

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

(Start of excerpt)
Article 21
1. The Company shall put and keep in place the Nominating Advisory Committee and the Remuneration Advisory Committee as advisory committees to the Board of Directors in the manner described below.
2. The Nominating Advisory Committee and the Remuneration Advisory Committee shall be comprised of all of the Independent Outside Directors, the Director and Chairman, and the President & CEO. (The Outside Directors shall appoint the chairperson of each Committee from among themselves.)
3. In response to inquiries from the Board of Directors, the Nominating Advisory Committee shall deliberate on:
   i. Reasonableness of proposals for appointment or dismissal of the Company's officers; and
   ii. Any other matters inquired from the Board of Directors concerning appointment or dismissal of the Company's officers.
4. In response to inquiries from the Board of Directors, the Remuneration Advisory Committee shall deliberate on:
   i. Institutional design of officers' remunerations;
   ii. Level of officers' remuneration; and
   iii. Any other matters inquired from the Board of Directors concerning officers' remunerations.
5. Each set of rules on operation of the Nominating Advisory Committee and the Remuneration Advisory Committee shall be separately prescribed.

(End of excerpt)

The attendance in the fiscal year ended March 31, 2023 is as follows:

Nominating Advisory Committee

Kozue Shiga	(Attended 9/9 meetings) *Chairperson
Keiji Yamada	(Attended 9/9 meetings)
Yukikazu Myochin	(Attended 9/9 meetings)
Koji Kotaka	(Attended 6/6 meetings) *Assumed office on June 23, 2023
Hiroyuki Maki	(Attended 6/6 meetings) *Assumed office on June 23, 2023
Tsuyoshi Kameoka	(Attended 2/3 meetings) *Retired from office on June 23, 2023

Remuneration Advisory Committee

Keiji Yamada	(Attended 3/3 meetings) *Chairperson
Kozue Shiga	(Attended 3/3 meetings)
Yukikazu Myochin	(Attended 3/3 meetings)
Koji Kotaka	(Attended 1/1 meeting) *Assumed office on June 23, 2023
Hiroyuki Maki	(Attended 1/1 meeting) *Assumed office on June 23, 2023
Tsuyoshi Kameoka	(Attended 2/2 meetings) *Retired from office on June 23, 2023

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

[Audit & Supervisory Board Members]

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

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

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

companies, they engage in mutual coordination and cooperation in a manner that involves cooperating with the Accounting Auditor and the Internal Audit Group as necessary.

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

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

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

* Categories for "Relationship with the Company"

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

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

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiary
c. Non-executive director or executive of the parent of the Company
d. Audit & Supervisory Board Member of the parent of the Company
e. Executive of a fellow subsidiary of the Company
f. Party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a corporation to which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a corporation that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Other

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

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Atsumi Harasawa	○	–	Ms. Atsumi Harasawa, admitted to practice as a lawyer in Japan, possesses extensive expert knowledge and experience in the field of corporate law, labor law and patent rights, gained through working at a law firm, and also has knowledge and experience in the transportation sector by contributing on safety from the technical side being certified as a first class aircraft maintenance technician at Japan Airlines Co., Ltd. Ms. Harasawa does not have prior experience of direct involvement in corporate management by methods other than serving as an outside director/auditor. However, in light of her performance in the effective auditing from an outside independent standpoint since being appointed as an Outside Audit & Supervisory Board Member of the Company in June 2019, the Company expects that she will continue to appropriately fulfill this role. There is no special interest between Ms. Harasawa and the Company. As there is no possibility that conflict of interest may occur between Ms. Harasawa and general shareholders, the Company designates her as an Independent Officer.
Shinsuke Kubo	○	–	Mr. Shinsuke Kubo, a CPA in Japan, has a variety of achievements and experiences through his work with both Japanese and foreign audit firms, in the fields of auditing, IPO support, corporate revitalization and M&A. Mr. Kubo also has abundant experience in founding and managing companies that support venture businesses and reactivation of businesses. In light of his performance in the effective auditing from an outside independent standpoint since being appointed as Outside Audit & Supervisory Board Member of the Company in June 2020, the Company expects that he will continue to appropriately fulfill this role. As there is no possibility that conflict of interest may occur between Mr. Kubo and general shareholders, the Company designates him as an Independent Officer.

[Independent Officers]

Number of Independent Officers	6

Matters Relating to Independent Officers

The Company has registered all officers who satisfy the Independent Officer criteria as Independent Officers. Please refer to subsection I. 1. 9) [Principle 4.9 Independence Standards and Qualification for Independent Outside Directors], previously in this document, for details on the “Criteria for the Independence of Outside Officers.”

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-based remuneration

Supplementary Explanation [Updated]

The Company has introduced the following indicators for short-term performance-based remuneration and medium- to long-term performance-based remuneration to maximize corporate value.
Short-term performance-based remuneration:
Short-term performance-based remuneration is primarily linked to the level of achievement of the targets for consolidated performance for a single fiscal year. The Company introduced coefficients linked to the level of achievement of the targets for consolidated performance (total amount of ordinary income, amount of ordinary income excluding the containership business, and profit attributable to owners of the parent) for single fiscal years and coefficients that depend on individual contribution in addition to ESG (safety) indicators that subtract remuneration in the event of a serious marine accident.
Medium- to long-term performance-based remuneration:
Medium- to long-term performance-based remuneration (stock) is primarily linked to the total shareholder return (TSR) over the past three years in order to further share value with shareholders and increase the incentives for Directors to enhance corporate value over the medium- to long-term. In addition, the Company has adopted indicators linked to return on equity (ROE) for the past three years and indicators linked to the level of improvement of CO_2 emissions efficiency in the previous year. The composition ratio for TSR indicators: ROE indicators: ESG indicators (CO_2) has been set at 90:5:5.
Please refer to page 66 of the Company’s 156th Annual Securities Report (Japanese only) for details on the Company’s policy for determining proportions of remuneration in the form of performance-based remuneration and remuneration other than performance-based remuneration, benchmarks pertaining to performance-based remuneration, methods of determining amounts of such performance-based remuneration, and reasons for having selected such benchmarks.
https://data.swcms.net/file/kline-corp/dam/jcr:9b0bfbd0-54ef-49c8-a313-7ab8eca836c8/S100TMYK.pdf (Japanese only)

Recipients of Share Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No individual disclosure

Supplementary Explanation [Updated]

The Company paid ¥732 million to nine Directors and ¥80 million to five Audit & Supervisory Board Members as officer’s remuneration pertaining to the fiscal year ended March 31, 2024. These include remuneration for two Directors who retired from their positions and one Audit & Supervisory Board Member who retired from his position due to resignation upon the conclusion of the 155th Ordinary General Meeting of Shareholders held on June 23, 2023.
It includes short-term performance-based remuneration of ¥116 million and ¥358 million of medium-to long-term performance-based remuneration.

< Directors whose total amount of remuneration, etc. is more than ¥100 million>

(Million Yen)

Name	Fixed remuneration	Short-term performance-based remuneration (monetary)	Medium- to long-term performance-based remuneration (stock)	Total amount
Yukikazu Myochin	72	44	173	289
Atsuo Asano	49	25	76	152
Yukio Toriyama	45	23	54	122
Kazuhiko Harigai	45	23	54	122

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

For Board of Directors policies in determining the remuneration of Directors, please refer to above I 1. 13) [Principle 3.1 (iii) Board of Directors Policies and Procedures in Determining the Remuneration of the Senior Management and Directors].
The remuneration, etc. for Audit & Supervisory Board Members shall solely comprise monthly remuneration. Monthly remuneration for each Audit & Supervisory Board Member is determined after deliberations by Audit & Supervisory Board Members, within the limit of the maximum amount of monthly remuneration for Audit & Supervisory Board Members resolved at the General Meeting of Shareholders.
The retirement benefits plan for Directors and Audit & Supervisory Board Members was terminated in June 2006.

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

The Company shall support the smooth execution of duties of its Outside Directors by having the Corporate Planning Group provide them with briefings and information necessary prior to meetings of the Board of Directors and by furnishing them with reports on important matters of business execution.
Moreover, the Company shall establish a framework for assisting the Audit & Supervisory Board Members by appointing employees to assist them and by establishing regulations regarding such appointments. The Company shall ensure that the employees assisting Audit & Supervisory Board Members maintain independence from the Directors by prohibiting such employees from concurrently performing other duties related to business execution, and having the Audit & Supervisory Board Members themselves subject the employees assisting Audit & Supervisory Board Members to examinations.

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

(Status of business execution)
The Company's Board of Directors is comprised of eight Directors, including five Outside Directors. It determines matters required by laws and regulations, the fundamental management policies, and other important matters regarding the management of businesses, while supervising business execution by the Directors. A meeting of the Board of Directors has been held once or more a month. The Company also adopts a system of making resolutions in writing and holding meetings online for the Board of Directors, which enables the flexible operation of the board.
Apart from the Board of Directors, the Company hosts a Management Conference that requires the attendance of the Director and Chairman, Executive Officers equivalent to or higher than Senior Executive Officer, Unit Supervising Executive Officers, Executive Officers in charge of Corporate Planning, Finance and Accounting as well as Audit & Supervisory Board Members once a week in principle. By doing so, the Company establishes a system that facilitates deliberations to decide important matters relating to business execution and that allows open discussions that contribute to decision-making by the President & CEO or the delegate.

The attendance at the Board meetings in the fiscal year ended March 31, 2023 is as follows:
Yukikazu Myochin, Director (Attended 19/19 meetings)
Atsuo Asano, Director (Attended 19/19 meetings)

Yukio Toriyama, Director	(Attended 19/19 meetings)
Kazuhiko Harigai, Director	(Attended 19/19 meetings)
Keiji Yamada, Director	(Attended 19/19 meetings)
Ryuhei Uchida, Director	(Attended 19/19 meetings)
Kozue Shiga, Director	(Attended 19/19 meetings)
Koji Kotaka, Director	(Attended 14/14 meetings) *Assumed office on June 23, 2023
Hiroyuki Maki, Director	(Attended 14/14 meetings) *Assumed office on June 23, 2023
Yasunari Sonobe, Director	(Attended 5/5 meetings) *Retired from office on June 23, 2023
Tsuyoshi Kameoka, Director	(Attended 5/5 meetings) *Retired from office on June 23, 2023

Kunihiko Arai, Audit & Supervisory Board Member	(Attended 19/19 meetings)
Makoto Arai, Audit & Supervisory Board Member	(Attended 14/14 meetings) *Assumed office on June 23, 2023
Atsumi Harasawa, Audit & Supervisory Board Member	(Attended 19/19 meetings)
Shinsuke Kubo, Audit & Supervisory Board Member	(Attended 18/19 meetings)
Yutaka Akutagawa, Audit & Supervisory Board Member	(Attended 5/5 meetings) *Retired from office on June 23, 2023

(Reasons for adopting the system of a company with Audit & Supervisory Board)
The Company has four Audit & Supervisory Board Members as of June 21, 2024. The Company has adopted this system upon having deemed it to be effective with respect to corporate governance amid a scenario where legal revisions in recent years have strengthened the authority and independence of Audit & Supervisory Board Members. Meanwhile, the Company recognizes that its corporate governance is functioning appropriately under the system which encompasses the Board of Directors, Audit & Supervisory Board, Management Conference and other such bodies, given that procedures being carried out in a manner sufficiently aligned with legal code. Furthermore, as described in "I-5. Special Circumstances Which May Have Material Impact on Corporate Governance," the Company has begun preparing for the transition to a company with a Nominating Committee ,etc..

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

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

Audit operations assistants	
Certified Public Accountant	18
Other assistants	33

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

(Status of determination of remuneration for the Senior Management and the Directors)
Remuneration is decided by the Board of Directors following fair deliberation and reporting by the Remuneration Advisory Committee.

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

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

The Company strives to streamline business execution by strengthening the supervisory function and delegating authority to Unit Supervising Executive Officers, which has involved adopting a Board of Directors and a Unit Supervisory System encompassing Outside Directors. The Company has adopted its current system under which it strives to maintain and improve the effectiveness of its audits by coordinating efforts of the Audit & Supervisory Board Members and the Internal Audit Group, premised on the notion that such a system enables the Company to respond to its commitment bestowed on it by its shareholders and other stakeholders.
The Company adopted the Unit Supervisory System in April 2016 to strengthen its corporate governance in order to enable it to fulfill its social responsibilities, respond to the commitment bestowed on it by its shareholders and other stakeholders, and achieve sustainable growth, and also with the aim of taking appropriate risk and identifying business execution responsibility upon having appointed Unit Supervising Executive Officers to oversee multiple divisions positioned under the President & CEO who spearheads execution.

For the latest corporate governance structure chart, please refer to the Company's website below.
https://www.kline.co.jp/en/sustainability/governance/corporate_governance.html

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

Furthermore, as described in "I-5. Special Circumstances Which May Have Material Impact on Corporate Governance," the Company has begun preparing for the transition to a company with a Nominating Committee, etc.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	・The Company discloses and dispatches Notices of the Ordinary General Meetings at an early stage in order to ensure that the shareholders have sufficient time to consider the agenda and properly exercise their voting rights. In preparation for the Ordinary General Meeting of Shareholders held on June 21, 2024, the Notices were made available on the TSE and Company website on May 24 (four weeks before the General Meeting of Shareholders) and dispatched on May 31 (three weeks before the General Meeting of Shareholders). ・To ensure that many shareholders have an opportunity to attend and that the General Meeting of Shareholders functions as a space for constructive dialogue, the guidelines stipulate that to the extent possible the Company should strive to hold the General Meeting of Shareholders on days other than peak days on which large number of general meetings of shareholders are concentrated. In 2024, it was held before such peak days, on June 21.
Scheduling AGMs Avoiding the Peak Day	Article 2 (General Meetings and Respect for Voting Rights) of the Kawasaki Kisen Kaisha, Ltd. CORPORATE GOVERNANCE GUIDELINES stipulates that to ensure that the General Meeting of Shareholders functions as a space for constructive dialogue, to the extent possible the Company should strive to hold the General Meeting of Shareholders on days other than peak days on which large number of general meetings of shareholders are concentrated, in order to ensure that many shareholders have the opportunity to attend the meeting. The gist is that the Company shall ensure that shareholders shall have sufficient time to consider the agenda, that it enters into constructive dialogue with shareholders, and that shareholders can exercise their voting rights appropriately.
Allowing Electronic or Magnetic Exercise of Voting Rights	In 2006, the Company adopted a system that enables shareholders to exercise their voting rights online via the Internet and through other such means.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the Electronic Voting Platform and otherwise considers options for offering greater convenience to institutional investors with respect to exercising their voting rights.
Providing Convocation Notice in English (Translated Fully or Partially)	The Company prepares full English-language versions of its Convocation Notices (including Business Reports) and posts them to the Tokyo Stock Exchange and to its corporate website.
Other	After the conclusion of the General Meetings of Shareholders, notifications of resolutions and video of the meetings are posted on the Company's website. From 2022, the Company introduced virtual General Meetings of Shareholders (participatory) and began live-streaming of General Meetings of Shareholders.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Specifics of the Disclosure Policy are disclosed in the Guidelines https://www.kline.co.jp/en/ir/management/policy.html via the corporate website. Furthermore, by adding the Fair Disclosure Policy to the IR Policy, the Company has clearly stated its response to the Fair Disclosure Rules specified in the Financial Instruments and Exchange Act and other related laws that came into force on April 1, 2018.	
Regular Investor Briefings for Individual Investors	The Company participates in briefing sessions organized by securities companies and other such entities, holds online investor briefings via the Internet, and otherwise conveys information through its corporate website.	Established
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings on a quarterly basis and organizes individual interviews on a regular basis for analysts and institutional investors. In addition, the Company holds small meetings, business briefings, and facility tours.	Established
Regular Investor Briefings for Overseas Investors	The Company's dialogue with overseas institutional investors involves individual interviews regularly via visiting, online, and other means with investors in Europe, the U.S., and Asia, etc., participation in conferences organized by securities companies, and small meetings. The Company distributes investor briefing session materials, audio content, Financial Reports (summary and Q&A) and other such information in English upon release of its quarterly financial results. https://www.kline.co.jp/en/ir/library/presentation.html	Established
Posting of IR Materials on Website	The Shareholder and Investor Relations page of the Company's website https://www.kline.co.jp/en/ir.html It contains IR News, Financial Highlights, Financial Reports (summary and Q&A) and audio recordings (Japanese only), "K" LINE REPORT, the FACTBOOK, brochures issued for shareholders and investors, Annual and Semi-annual Securities Reports (Japanese only), business briefing materials, online briefing movies for individual investors, and Financial and Performance Information including Shipping Market Information. It also contains Japanese and English language versions of materials and information that facilitate understanding of the Company, including a profile of the Company and an overview of its strengths.	

	Supplementary Explanations	Explanation by Representative
Establishment of Department and/or Manager in Charge of IR	The Company has established the IR and ESG Promotion Team of the Corporate Sustainability, Environment Management IR and Communication Group as the department dedicated to investor relations, and investor relations activities are carried out by the President, Chief Financial Officer (CFO), Executive Officers in charge of Corporate Sustainability, Environment Management Promotion, IR and Communication, Group Manager and below.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	・ The Company has established the Charter of Conduct for "K" Line Group Companies and the "K" Line Implementation Guideline for Charter of Conduct. The Charter of Conduct for "K" Line Group Companies is intended to clearly state principles of behavior for Group companies. Accordingly, it declares that companies of the "K" LINE Group are to act in accordance with principles of the Charter of Conduct, thereby remaining aware that growth or Group companies must be in harmony with society, premised on the fundamental notion that business activities are to respect human rights and comply with applicable laws, regulations and other norms of behavior. In addition, the "K" Line Implementation Guideline for Charter of Conduct encompasses the Company's relationships with its respective stakeholders in stipulating specific guidelines for executing the Charter of Conduct for "K" Line Group Companies. ・ As more specific guidelines related to "Respect for Human Rights" established in the above Charter of Conduct for "K" Line Group Companies, the Company has established the "'K' LINE Group Basic Policy on Human Rights," and in addition to respecting and complying with international standards related to respect for human rights, the policy calls for the implementation of "human rights due diligence." ・ The Company has established the Sustainability Management Promotion Committee in order to promote sustainability management of "K" LINE Group and to improve its corporate value. It consists of the Executive Officers responsible for relevant units and is chaired by the President.
Implementation of Environmental Activities, CSR Activities, etc.	・ The Company have clarified the divisions in charge of each materiality item and strengthened progress management of initiatives in order to resolve important sustainability issues identified through dialogue with stakeholders. ・ Fourteen companies of the Group have obtained ISO 14001 certification and have established environmental management systems encompassing vessel operations. The Company has also built and is operating the "Drive Green Network" as a system to promote environment management throughout the Group. ・ Through our unique knowhow, we are working to improve our world-class safe operational system and to link this system to environmental preservation. ・ In our relationships with our stakeholders, we are conducting the following activities. ・ Customers and business partners: * Cooperation in conserving the environment and contributing to society * Fair business transactions without discrimination ・ Shareholders and investors: * Providing information related to ESG and facilitating dialogue ・ Financial institutions: * Sustainable finance including transition loans and transition-linked loans ・ Employees: * Equal opportunity in hiring and treatment * Stratified training suited to improving professional competency * Ensuring health and safety of the workplace ・ Society: * Social action programs including those that entail exchange with local communities in Japan and abroad, disaster relief, and support for environmental projects

	Supplementary Explanations
Formulation of Policies for Information Provision to Stakeholders	The Company complies with laws, rules, regulations, etc., relating to disclosure of Company information such as the Companies Act, the Financial Instruments and Exchange Act, the Rules and Regulations of the stock exchanges where the Company's stock is listed, the Unfair Competition Prevention Act, and the Act on the Protection of Personal Information, and furthermore provides information to each of its stakeholders in a timely and impartial manner. The Company establishes "IR Policy" in which standards and methods of disclosure with regard to information to be disclosed to shareholders and investors are stipulated, and also establishes "Fair Disclosure Policy" which is the basic principle for fair information disclosure. Both Policies are posted on the Company's website: https://www.kline.co.jp/en/ir/management/policy.html

IV. Matters Related to Internal Control System

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

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

I. Basic framework regarding internal control

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

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

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

II. Internal control system

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

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

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

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

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

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

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

(1) Risks related to safe operation of vessels (including incidents involving seawater contamination)
(2) Risks related to major disasters
(3) Risks related to compliance
(4) Other management risks

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

[Crisis Management Committee] Supervision of overall crisis and risk management initiatives

[Ship Safety Promotion Committee]	Implementation of measures to ensure safety of the Company's vessels in operation, prevention of vessel accidents (including incidents involving seawater contamination), and response in the event of an accident
[Disaster Response Committee]	Natural disasters and Infectious disease preparation during normal times and responding to outbreaks
[Compliance Committee]	Responding to compliance-related issues
[Management Risk Committee]	Responding to economic fluctuations, geopolitical risks and other management-related risks

4. System to ensure that Directors of the Company execute their duties efficiently
The Company adopts the executive officer system and promotes smooth decision-making on the execution of duties.

[Board of Directors] The Board of Directors determines the fundamental management policies, matters required by laws and regulations, and other important matters regarding the management of businesses, while supervising the execution of duties by the Directors and Executive Officers. A meeting of the Board of Directors should be held at least once a month.
The Company adopts a system of making resolutions in writing and remote hosting for the Board of Directors, which enables the flexible operation of the board.

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

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

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

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

(2) Rules and systems for managing risk of loss of the Group companies
The Group companies establish their own crisis management system independently according to their business scale and characteristics. The Company establishes the Regulations for Business Operations by Subsidiaries and requires the Group companies to report risks in executing their respective business operations according to the characteristics of their businesses to the Company, which will be handled by the Crisis Management Committee and other organizations.

(3) System to ensure that Directors, etc. of the Group companies execute their duties efficiently
The Group companies independently manage their respective businesses in principle. The Company establishes the Regulations for Business Operations by Subsidiaries and specifies that certain important matters of the Group companies require approval of, discussion with, or reporting to the Company.

(4) System to ensure that Directors, etc. and employees of the Group companies execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation
The Company establishes the Charter of Conduct for "K" Line Group Companies and requires the Group companies to comply with the charter. In addition, the Company requires each Group company to establish its Implementation

Guideline for Charter of Conduct according to the characteristics of their businesses and verifies the content of such guidelines.
Furthermore, the Company monitors via the Internal Audit Group, etc. the status of compliance and implementation of the internal control system by the Group companies.

6. Matters concerning the employees who are to assist Audit & Supervisory Board Members in their duties

The Company establishes the Rules Concerning Employees Tasked With the Assisting Audit & Supervisory Board Members, and appoints employees who are required to assist the duties of Audit & Supervisory Board Members ("employees assisting Audit & Supervisory Board Members") under the supervision of the Audit & Supervisory Board.

7. Matters concerning the independence of the employees assisting Audit & Supervisory Board Members from the Directors of the Company

The Company establishes the Rules Concerning Employees Tasked With the Assisting Audit & Supervisory Board Members, and specifies that it shall not order the employees assisting Audit & Supervisory Board Members to assume other duties concurrently in principle. If it needs to do so due to unavoidable reasons, prior approval should be obtained from the Audit & Supervisory Board. The Audit & Supervisory Board Members evaluate the performance of the employees assisting Audit & Supervisory Board Members. The appointment and transfer of the employees assisting Audit & Supervisory Board Members require prior approval from the Audit & Supervisory Board.

8. Matters to ensure the effectiveness of instructions by the Audit & Supervisory Board Members of the Company given to the employees assisting them

When the employees assisting Audit & Supervisory Board Members request the Company for any information materials and/or reporting, the Company will promptly provide such materials and/or reporting.

9. System for reporting to the Audit & Supervisory Board Members of the Company by the Directors, Executive Officers and employees of the Company; the Directors, the Audit & Supervisory Board Members, and employees of the Group companies; or a person who received a report from the above persons; and other systems for reporting to Audit & Supervisory Board Members of the Company

The Directors, Executive Officers and employees of the Company are required to report important matters regarding the management and operations of the Company's businesses and the status of executing its business in charge to the Audit & Supervisory Board Members as needed at a meeting of the Board of Directors or other important meetings, as well as to promptly report any compliance issues and other matters that may cause serious damage to the Company, if identified, to the Audit & Supervisory Board in accordance with the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. The Directors are required to promptly report matters regarding the execution of duties in an appropriate manner to the Audit & Supervisory Board or its Members when being requested to do so. The Internal Audit Group is required to report the progress of its audits to the Audit & Supervisory Board as necessary and conduct additional audits if being requested to do so by the board.
The Directors, Audit & Supervisory Board Members and employees of the Group companies are required to report compliance issues and other important matters specified to the relevant department of the Company, and the relevant department is required to report the matter to the Audit & Supervisory Board Members of the Company as necessary in accordance with the Regulations for Business Operations by Subsidiaries. The Company hosts a Group Companies' Audit & Supervisory Board Communication Meeting, in order to share information among the Company, its Group companies and subsidiaries.

10. System to ensure the non-unfair treatment of persons who made reporting as described in the above

The Company prohibits the Company or its Group companies, under the Rules for Systems of Reporting to Audit & Supervisory Board Members, Etc. and the Regulations for Business Operations by Subsidiaries, from unfairly treating the Directors, Audit & Supervisory Board Members, Executive Officers and employees of the Company and its Group companies who conducted whistle-blowing to the Audit & Supervisory Board Members of the Company due to the act of such whistle-blowing.

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

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

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

The Company cooperates in developing an environment ensuring effective audits by the Audit & Supervisory Board Members by coordinating regular meetings with the Audit & Supervisory Board Members and the Representative

Directors, arranging collaboration of the Audit & Supervisory Board Members with the Internal Audit Group, and other such means.

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

14. Fundamental policy toward anti-social forces and status of policy implementation
The Charter of Conduct for "K" Line Group Companies vows that "the "K" LINE Group will resolutely confront any anti-social force or organization which may threaten social order and public safety."
Accordingly, the Company enables the swift and appropriate handling of matters relating to anti-social forces occurring within the Group, by appointing a department in charge of handling matters relating to anti-social forces and working with law enforcement officials, expert corporate legal counsel and other external organizations on a normal basis, with the aim of precluding all involvement of anti-social forces and severing any ties that could emerge.

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation [Updated]

The Company seeks to secure and enhance corporate value and the interests of shareholders irrespective of the existence or otherwise of anti-takeover measures. In response to a person seeking to conduct a large-scale acquisition of its stock, the Company would devise appropriate measures to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations, such as demanding necessary and sufficient information to enable shareholders to make an appropriate decision as to whether or not to support the large scale-acquisition, while simultaneously disclosing the opinions, etc. of the Board of Directors of the Company, and striving to give shareholders time to consider.

2. Other Matters Concerning Corporate Governance System

- The Internal Audit Group engages in evaluation and supervision from an independent standpoint as the Group proceeds with respect to building and establishing its internal control system in response to internal control evaluation and reporting systems that ensure reliability of financial reporting based on the Financial Instruments and Exchange Act. Please refer to Attachment No.1 regarding the corporate governance structure including the Company's overview of the internal control system.

- Status of internal system for timely disclosure of Company information is as follows.

1. Department in charge in relation to timely disclosure and mechanisms of execution thereof
   (1) Department in charge of filings with stock exchanges
   Matters subject to timely disclosure are channeled to the General Affairs Group, and filings with stock exchanges are made by the General Manager of the General Affairs Group upon having gained approval from the Executive Officer in charge of General Affairs.
   However, the General Manager of Accounting Group is to gain approval of the Executive Officer in charge of Accounting with respect to filings of information on financial results.
   (2) In-house integration of information and preparation of disclosure documents
   General Managers of each group overseeing respective matters handle in-house filings (channeling information to the General Affairs Group) and preparation of disclosure documents with respect to matters subject to timely disclosure.

2. Assessment and management of information requiring timely disclosure
   (1) General methods
      1) The General Managers of groups overseeing matters relating to the Company assess such matters and file them with the General Manager of the General Affairs Group.
      2) The General Managers of each group overseeing matters relating to subsidiaries assess such matters pursuant to the Regulations for Business Operations by Subsidiaries and other such guidelines. Such General Managers subsequently channel such matters to the General Manager of Logistics, Port and Affiliated Business Group supervising and managing subsidiaries who then files them with the General Manager of General Affairs Group.
   (2) Secondary methods (supervisory system)
   The three parties listed below engage in supervision over proposals and reporting matters for meetings of the Board of Directors and the Executive Officers' Meeting, from the perspective of whether or not such matters should be subject to timely disclosure.
      1) General Manager of Corporate Planning Group (Serves as the Secretariats of both the Board of Directors and the Executive Officers' Meeting, which involves compiling agenda topics and examining formalities with respect to issues for deliberation)
      2) General Manager of General Affairs Group (Serves as the person in charge of filings with stock exchanges)
      3) Executive Officer in charge of General Affairs

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

3. Flow of timely disclosure

The separate Attachment illustrates the aforementioned system of timely disclosure. (Attachment No.2)

4. Management of internal information

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

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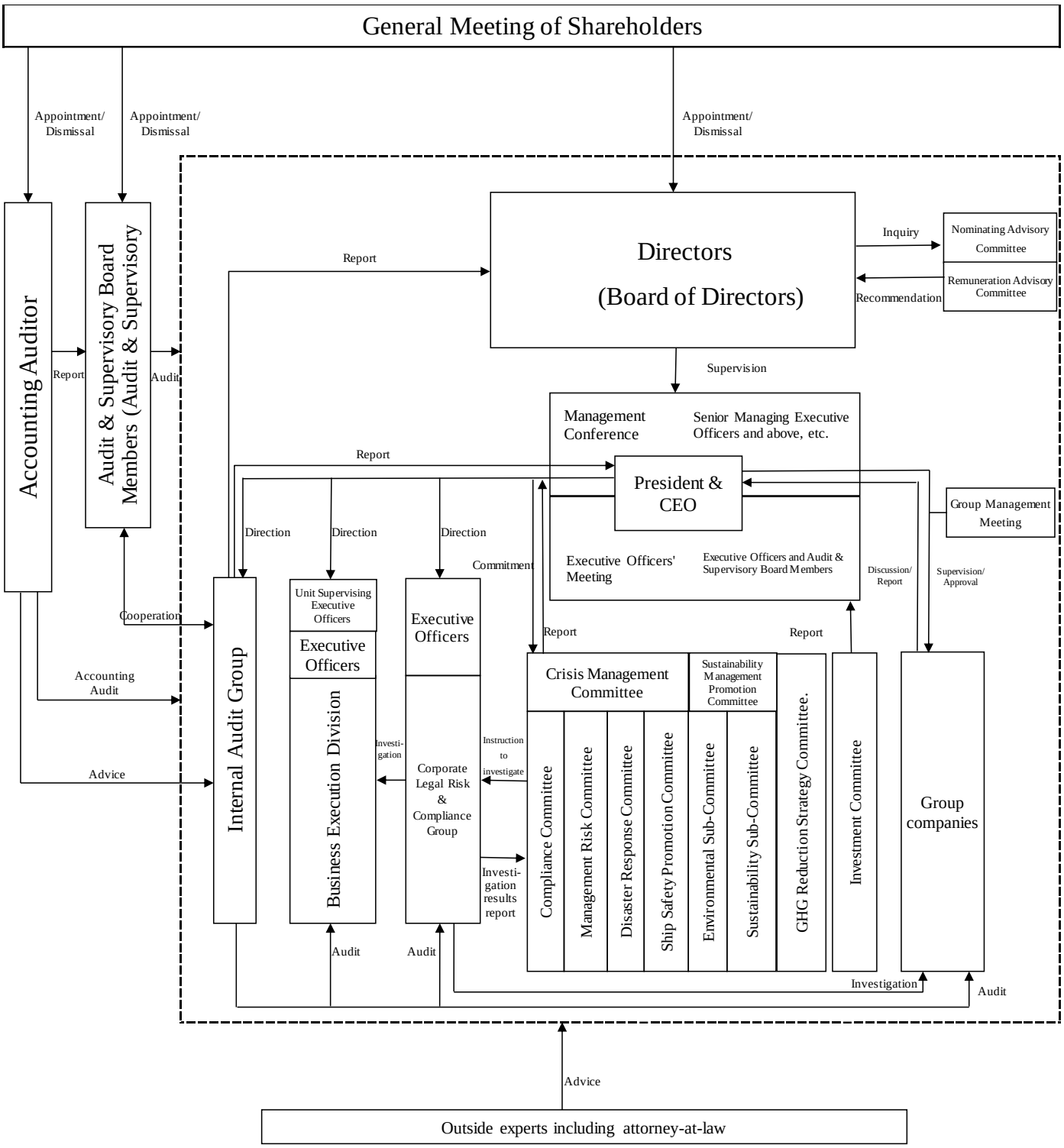
(Attachment No.1) Mechanisms Underpinning Systems of Business Execution, Management Supervision, and Internal Controls



(Attachment No.2)

＝ Mechanisms of Business Execution Related to Timely Disclosure ＝

