

April 28, 2017

Kawasaki Kisen Kaisha, Ltd.

Regarding Our Board Evaluation

Article 22 of our Corporate Governance Guidelines states that, “Each Director shall perform self-evaluation on the validity of the Board of Directors, his/her performance as a Director, etc. on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on self-evaluation of each Director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner.”

We have completed the board evaluation for the 2016 fiscal year and would like to report an overview of the results as follows.

1. Method for Evaluating Board Effectiveness

Last Year, interviews with Directors were conducted by an independent third party for the evaluation. This year, while maintaining the continuity of the evaluation conducted last year, we have considered evaluation as an opportunity to review how measures for improvement are progressing and how newly-appointed Directors recognize the current status. So we have asked each Director and Audit & Supervisory Board Member to fill out a questionnaire, and the Board has conducted self-evaluation based on results of the questionnaire.

< Main Questionnaire Topics >

- The Board's Understanding of Strategy and Risk
- Quality of Discussion of the Board
- Composition and Structure of the Board
- Board Operations and Administration of the Board
- Effectiveness of Nominating and Remuneration Advisory Committees for Directors and Senior Management Members
- The Board's Decision-Making Culture
- Engagement with Shareholders and Other Stakeholders

2. Analysis of Board Effectiveness and Overview of Self-Analysis/Evaluation Results

Our Board has evaluated that our Board is highly effective overall.

< Notable Strengths of our Board as to Effectiveness >

We have judged that the following strengths noted by third-party evaluation last year have been continuously maintained and reinforced this year.

- Strives to continuously reform and improve governance
- Quick and appropriate decision-making process when executing duties
- Appropriate monitoring by diverse Outside Directors
- A cooperative atmosphere due to the leadership of the Chairman

< Progress of Measures to Improve Effectiveness >

- In our Unit Supervisory System which was introduced in April 2016, executive authority has been properly allocated to Executive Officers, which has facilitated them to deal with the duties flexibly and timely. Simultaneously, we have worked to make our governance substantial by improving the Board effectiveness and the quality of discussion in order to reinforce the position of the Board as a monitoring board.
- We increased the number of Outside Directors (from 2 Outside Directors out of total 9 Directors to 3 Outside Directors out of total 9 Directors), and the independence and diversity of the Board composition have been raised. We now fully explain the agenda of the board meeting to Outside Directors in advance, thus open discussion at the Board has been promoted.

< Themes to Tackle Hereafter to Further Improve Effectiveness >

- To improve objectivity of the nominating policy and succession plan of Directors including Executive Officers.
 - In November 2015, we established the Nominating Advisory Committee and have successfully achieved securing a certain level of improvement in objectivity with regard to personnel affairs of Directors. Hereafter, in order to further improve transparency of the nominating policy and succession plan of Directors, we should work to establish a highly objective process which will enable the appraisal of Directors to be effectively functional.
- To promote discussion with regard to governance structure
 - While we consider the evaluation of the Board effectiveness itself as an opportunity to review our governance structure, we need to establish meetings to discuss our governance structure in which Outside Directors with abundant experience as monitoring board members in other companies being core members, aiming to further improve our governance structure and the Board effectiveness.
- To reinforce risk management structure
 - Viewing the industrial characteristics which are highly influenced by fluctuation of external environmental factors such as market, foreign exchange and fuel price, we

need to reinforce functions of the Board to analyze and cope with the risks by working on further sophistication of business administration including management of business risk-return under our new mid-term management plan.

3. Going Forward

Based on the self-evaluation results, we determined that our Board is sufficiently effective. However, we will strive to achieve continuous improvement toward actualization of the Board with higher effectiveness, tackling the themes as described above.