"K"LINE
KAWASAKI KISEN KAISHA, LTD.

Value for our Next Century

FACTBOOK 2019

Business Segment and Market Data

As of August 2019

100th ANNIVERSARY

Start! New "K"LINE

Corporate History

1919 — **Established as Kawasaki Kisen Kaisha, Ltd.**

1968 — Our first full containership, *GOLDEN GATE BRIDGE*, was completed.

1970 — Japan's first pure car carrier (PCC), *TOYOTA MARU NO. 10*, was completed.

1983 — Japan's first LNG carrier, *BISHU MARU*, was completed.

1986 — The first intermodal transportation over land and sea among Japanese shipping companies was started on the North American continent using Double-Stack Trains (DST).

1994 — The wide-beam / shallow draft coal carrier *CORONA ACE*, the basic type for the transportation of thermal coal, was completed.

2015 — The super-sized (14,000TEU) container vessel, *MILLAU BRIDGE*, with the latest energy-saving technologies was completed.

"K" LINE Environmental Vision 2050 (a set of long-term environmental guidelines for 2050) was formulated.

2016 — By utilizing the most advanced technology in the world, *DRIVE GREEN HIGHWAY*, a flagship with a capacity of 7,500 vehicles and the goal of becoming an ultimate energy-saving environmentally-friendly car carrier, was completed.

2018 — Ocean Network Express (ONE), a joint venture in the liner containership business of three Japanese shipping companies, commenced its services.

2019 — **100th Anniversary**

100th ANNIVERSARY

Start! New "K" LINE

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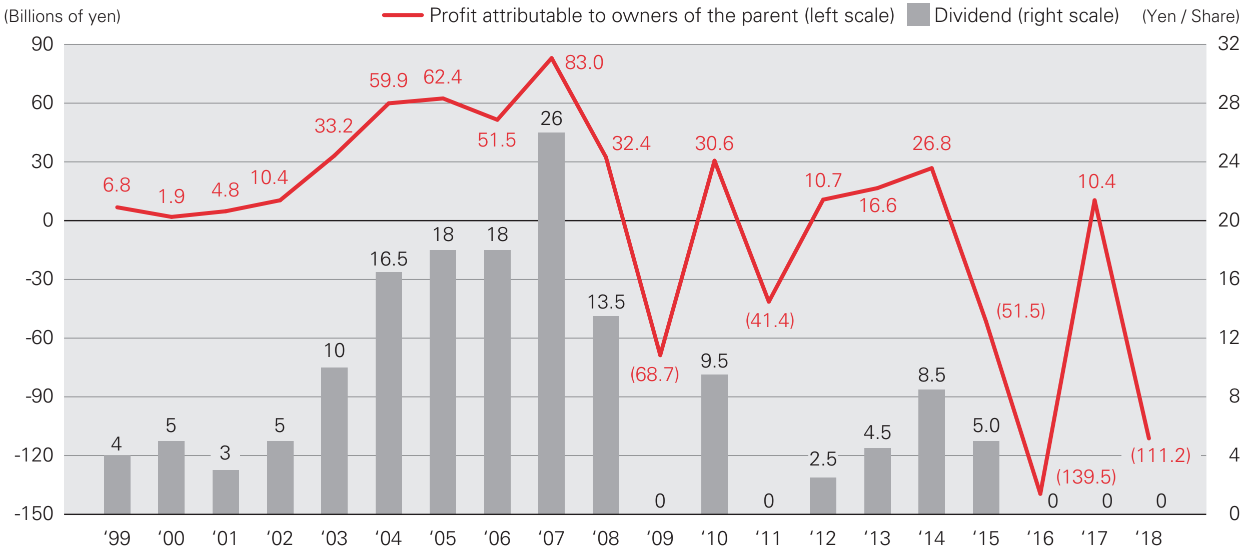
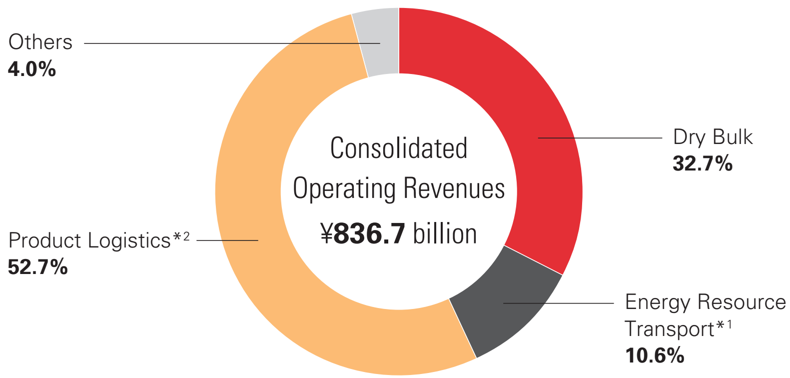
I. “K” LINE at a Glance | Business Performance

Profit Attributable to Owners of the Parent and Dividend

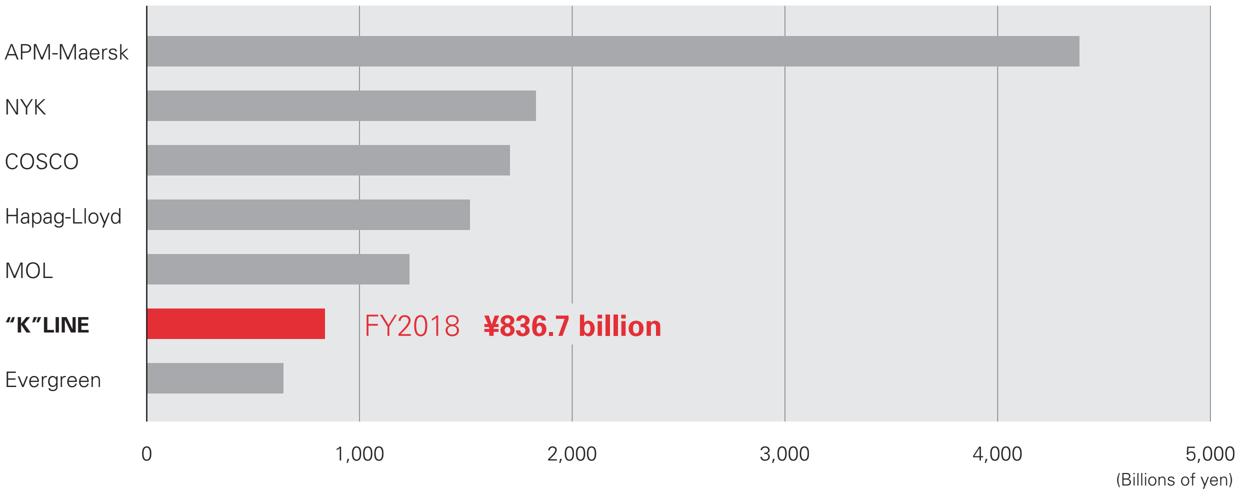


“K” LINE Group Operating Revenues by Segment (FY2018)



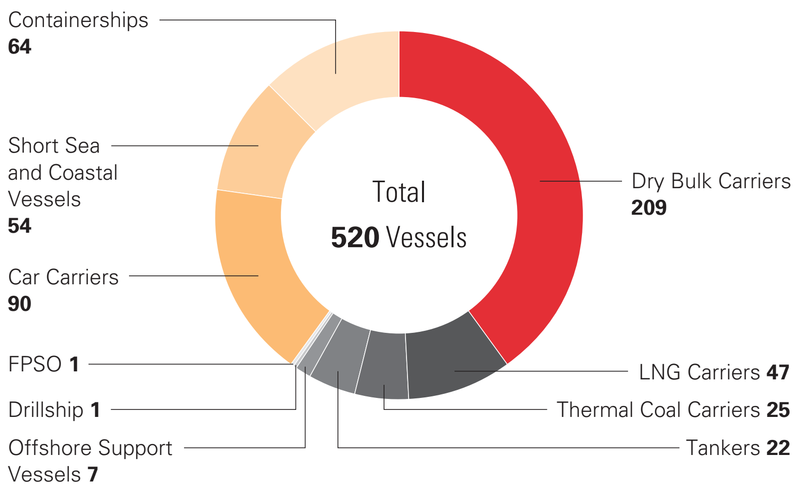
*1 Energy Resource Transport includes LNG Carrier Business, Thermal Coal Carrier Business, Tanker Business, Offshore Support Vessels, and Liquefied Gas Business.
*2 Product Logistics includes Car Carriers, Automotive Logistics Business, Logistics Business, Short Sea and Coastal Business and Containership Business.

Annual Revenue Ranking of Listed Shipping Companies (FY2018)



Source: Bloomberg

“K” LINE Group Vessels in Operation (as of March 31, 2019)



I. "K" LINE at a Glance | Financial and ESG Highlights

(Millions of yen)*1

		FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Operating results (for the year)	Operating revenues	¥838,033	¥985,085	¥972,311	¥1,134,772	¥1,224,126	¥1,352,421	¥1,243,932	¥1,030,191	¥1,162,025	¥836,731
	Operating income	(52,075)	58,610	(40,563)	14,887	28,854	47,988	9,428	(46,037)	7,220	(24,737)
	Ordinary income*4	(66,272)	47,350	(48,956)	28,589	32,455	48,981	3,339	(52,389)	1,963	(48,934)
	Profit attributable to owners of the parent	(68,721)	30,603	(41,351)	10,669	16,642	26,818	(51,499)	(139,479)	10,384	(111,188)
Financial position (at year-end)	Total assets	1,043,885	1,032,505	1,066,649	1,180,434	1,254,742	1,223,328	1,115,224	1,045,210	1,036,887*2	951,262
	Net assets	331,865	314,986	259,935	361,975	410,690	467,440	379,914	245,482	243,094	181,233
	Equity capital*5	308,122	291,669	242,573	340,571	388,837	441,532	355,376	219,485	217,011	103,576
	Interest-bearing liabilities	516,001	483,363	592,523	629,864	643,795	536,847	525,152	550,512	570,585	550,212
	Capital expenditures	181,489	148,993	239,197	134,555	93,378	89,502	116,593	68,048	101,105	97,912
	Depreciation and amortization	45,281	44,722	50,044	59,668	52,244	53,527	48,303	47,421	43,411	40,789
	Cash flows from operating activities	(23,941)	84,902	(2,909)	59,756	88,228	101,826	39,636	(43,919)	1,167	(6,809)
	Cash flows from investing activities	(63,737)	(54,117)	(83,233)	(27,212)	(5,113)	(11,177)	(29,569)	(24,882)	(22,813)	(35,494)
	Free cash flows	(87,678)	30,785	(86,142)	32,544	83,115	90,648	10,066	(68,801)	(21,646)	(42,303)
	Cash flows from financing activities	109,411	(24,797)	86,307	26,364	(26,634)	(119,254)	(14,836)	26,436	22,240	19,290
Per share data	Profit attributable to owners of the parent (¥ or US$)	(106.24)	40.08	(54.14)	12.07	17.75	28.60	(54.95)	(1,488.23)*3	111.13*3	(1,192.08)*3
	Net assets (¥ or US$)	403.53	381.87	317.59	363.18	414.66	471.10	379.18	2,341.93*3	2,326.65*3	1,110.48*3
	Cash dividends applicable to the year (¥ or US$)	—	9.50	—	2.50	4.50	8.50	5.00	—	—	—
	Dividend payout ratio (%)	—	23.7	—	20.7	25.4	29.7	—	—	—	—
Management index	Return on equity (ROE)*6(%)	(21.4)	10.2	(15.5)	3.7	4.6	6.5	(12.9)	(48.5)	4.8	(69.4)
	Return on assets (ROA)*7(%)	(6.6)	4.6	(4.7)	2.5	2.7	4.0	0.3	(4.8)	0.2*2	(4.9)
	Debt equity ratio (DER)*8(Times)	1.67	1.66	2.44	1.85	1.66	1.22	1.48	2.51	2.63	5.31
	Equity ratio (%)	29.5	28.2	22.7	28.9	31.0	36.1	31.9	21.0	20.8	10.9
Average during the period	Exchange rate (¥ / US$)	93	86	79	82	100	109	121	109	111	111
	Fuel oil price (US$ / ton)	407	489	672	671	626	541	295	265	349	450
Consolidated business data	Vessels in operation*9	499	522	559	566	583	584	575	560	554	520
Human resource data	Consolidated employees	7,740	7,895	7,703	7,667	7,703	7,834	8,097	8,018	7,153	6,022
	Unconsolidated employees	623	623	664	659	652	676	716	735	724	756
	Land	433	437	486	481	478	504	541	552	531	552
	Sea	190	186	178	178	174	172	175	183	193	204
	Women (%)	18.5	18.9	22.9	22.8	24.4	25.4	26.3	24.9	25.1	25.8
	Persons with disabilities (%)	2.12	1.60	1.60	1.90	1.93	1.87	1.94	2.29	2.40	2.05
	Industrial accidents — Land	0	0	0	0	0	0	0	1	2	0
	Industrial accidents — Sea	1	0	0	1	3	1	0	1	1	1
Management*10	Directors	15	14	13	13	13	10	9	9	9	9
	Outside Directors	2	2	2	2	2	2	2	3	3	3
	Audit & Supervisory Board Members	5	5	5	5	4	4	4	4	3	3
	Outside Audit & Supervisory Board Members	3	3	3	3	3	3	3	2	2	2
Environmental data*11	Fuel oil (thousands of tons)	3,563	3,802	3,949	3,966	3,651	3,646	3,942	3,872	4,102	3,824
	CO_2 emissions (thousands of tons)	11,096	11,838	12,298	12,352	11,377	11,360	12,300	12,079	12,797	11,932
	SO_x emissions (thousands of tons)	197	208	214	209	190	182	190	183	195	188
	NO_x emissions (thousands of tons)	303	308	323	319	292	283	290	274	284	262

Notes: *1. Rounded to millions of yen

*2. Partial Amendments to the Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued on February 16, 2018) has been applied from the beginning of fiscal 2018, and applied retroactively to the total assets and return on assets for fiscal 2017 for recalculation.

*3. The Company consolidated its common stock at a ratio of ten shares to one share, effective October 1, 2017. The above figures for profit attributable to owners of the parent per share and net assets per share have been calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year (April 1, 2016).

*4. Ordinary income consists of operating income and non-operating income / expenses.

*5. Equity capital: Net assets – (Non-controlling interests + Stock acquisition rights)

*6. Return on equity: Profit attributable to owners of the parent / Equity capital

*7. Return on assets: Ordinary income / Total assets

*8. Debt equity ratio: Interest-bearing liabilities / Equity capital

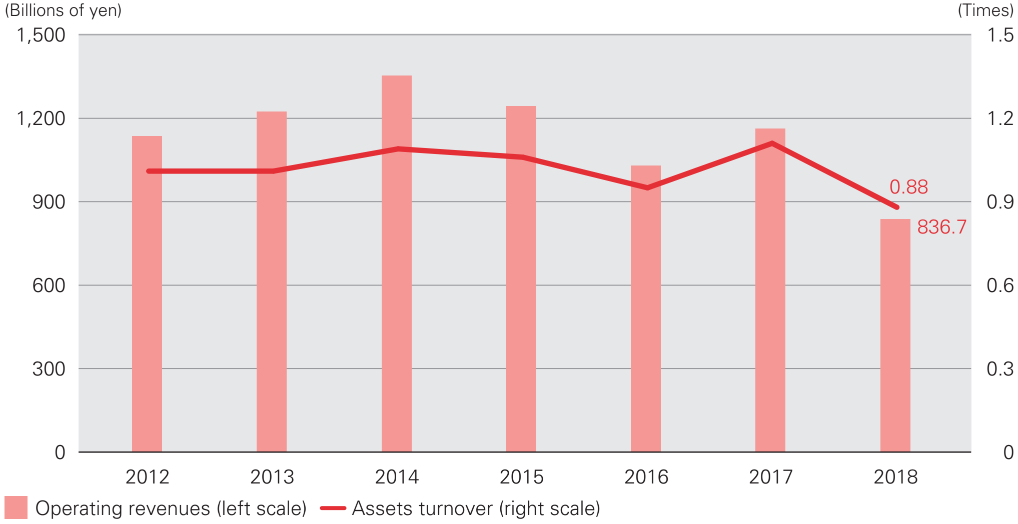
*9. Includes project-use vessels owned by special purpose companies (SPCs)

*10. For Kawasaki Kisen Kaisha, Ltd.

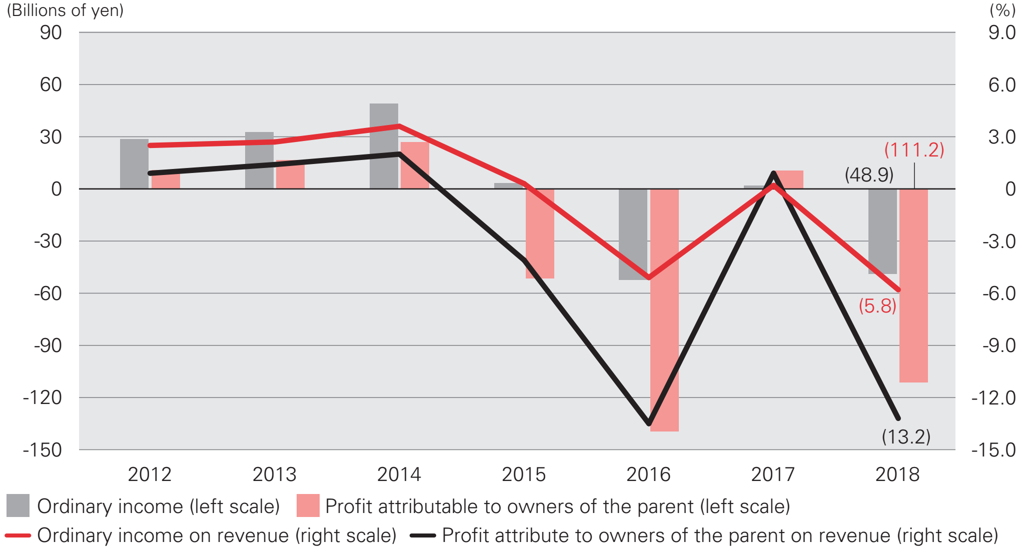
*11. Total amounts calculated based on fuels supplied to vessels (the number of the vessels do not agree with that of vessels in operation), for which "K" LINE arranged fueling. The figures are calculated on a calendar year basis. Including the portion purchased by ONE, to which all "K" Line containerships have been chartered out.

I. "K" LINE at a Glance | Financial Data

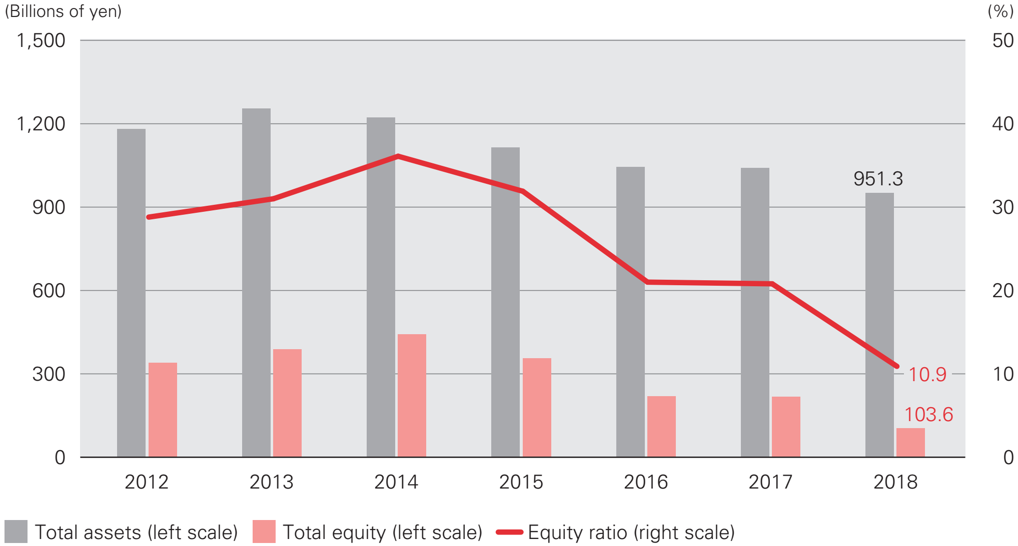
Operating Revenues, Assets Turnover



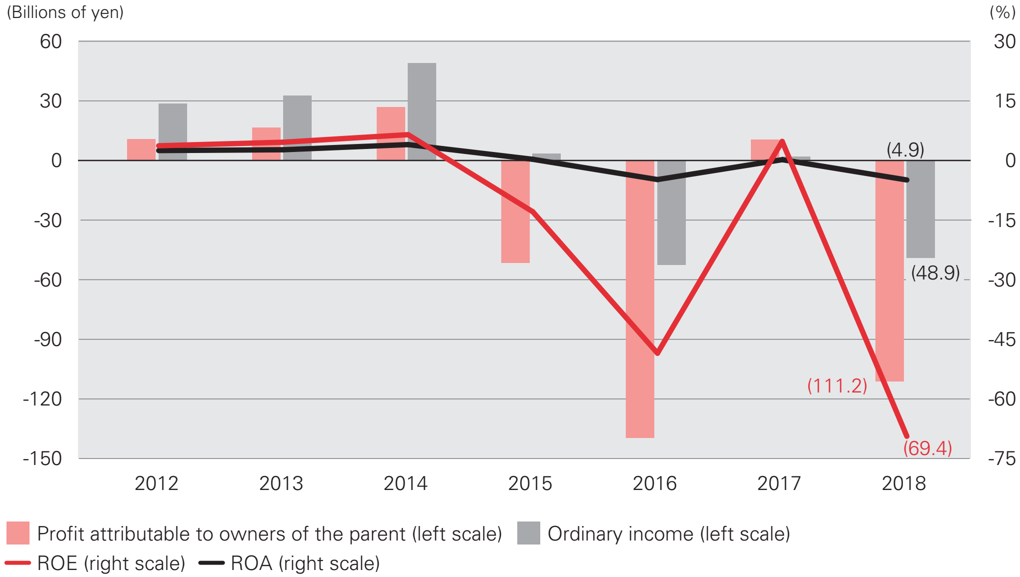
Ordinary Income, Profit Attributable to Owners of the Parent, Ordinary Income on Revenue, Profit Attribute to Owners of the Parent on Revenue



Total Assets, Total Equity, Equity Ratio

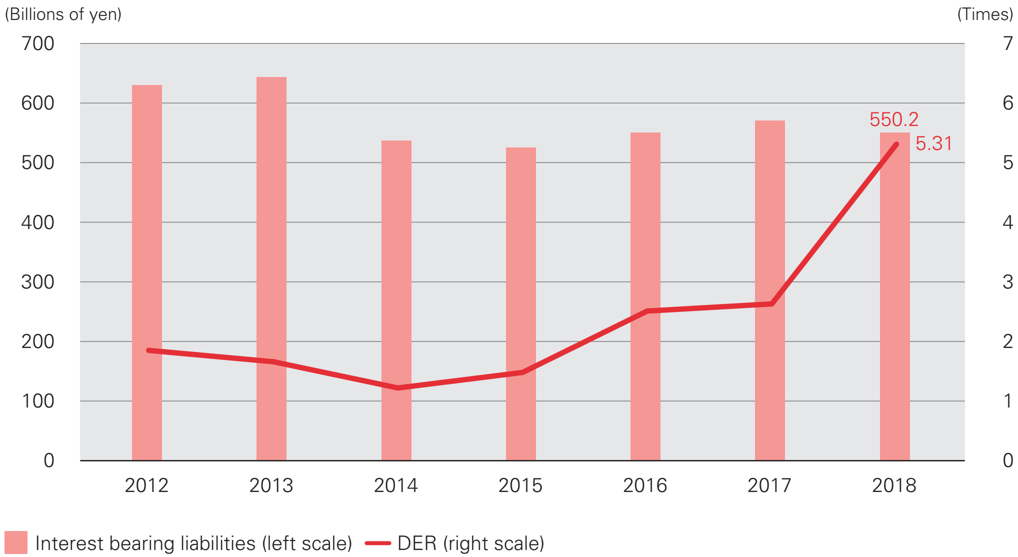


Profit Attributable to Owners of the Parent, Ordinary Income, Return on Equity (ROE), Return on Assets (ROA)

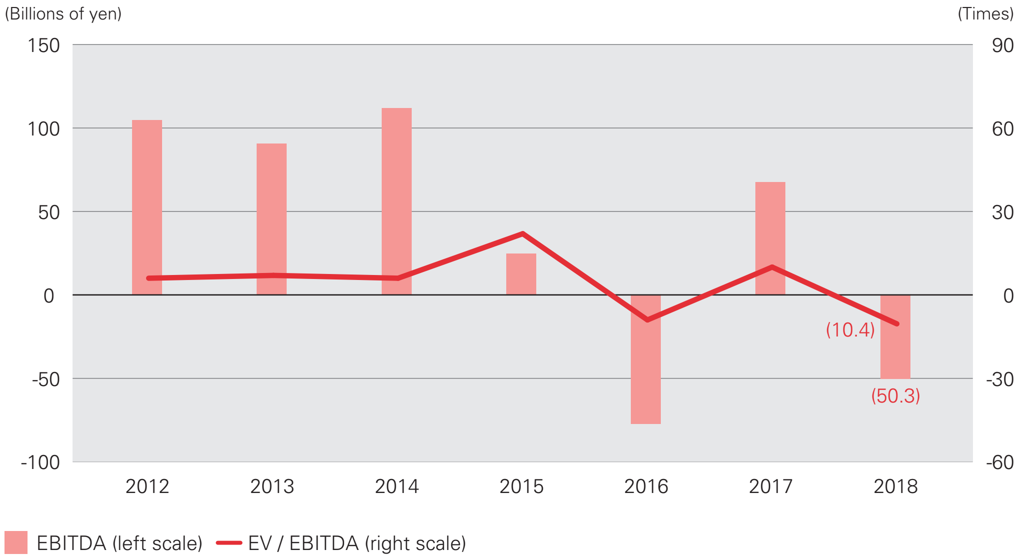


I. "K" LINE at a Glance | Financial Data

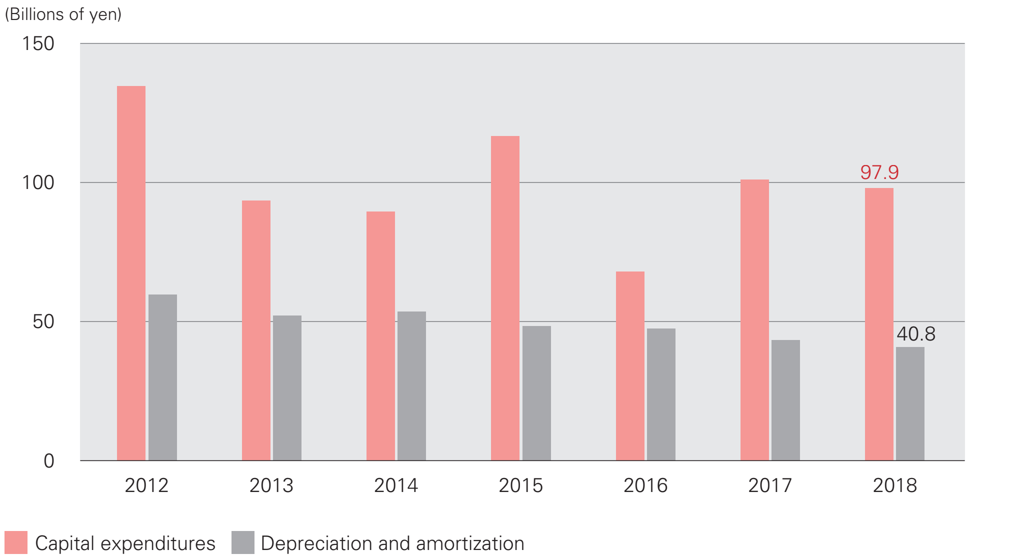
Interest Bearing Liabilities, Debt Equity Ratio (DER)



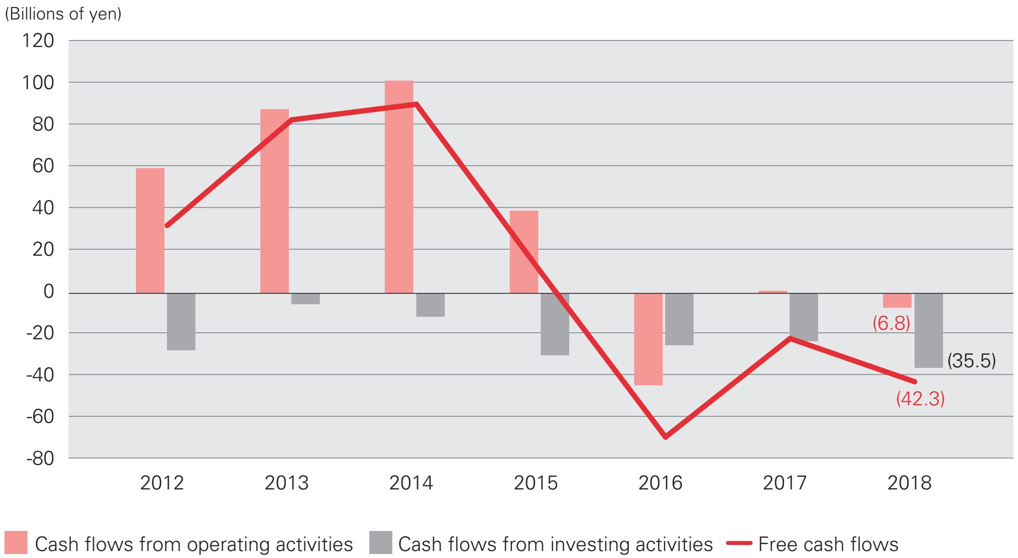
EV / EBITDA



Capital Expenditures / Depreciation and Amortization



Cash Flows



II. Management Policy and Medium-term Management Plan "Revival for Greater Strides"

Kawasaki Kisen Kaisha, Ltd. ("K" LINE) is pleased to introduce "K" LINE Group's new management policy and medium-term management plan: "Revival for Greater Strides" – "K" Value for our Next Century – which runs for three years, toward our 100th anniversary in 2019 in response to the big business environment change in marine transportation industry and aiming the rebuilding of management base to allowing us to grow consistently.

Management Policy Corporate Principle and Vision, Important management theme

◆ **With the formulation of this management plan, we reconfirmed our approach to customers and society in our Corporate Vision.**

Corporate Principle

~ K: trust from all over the world ~

As an integrated logistics company grown from shipping business, the "K" LINE Group contributes to society so that people live well and prosperously.

We always recognize this principle in our operations.

Vision

Our aim is to become an important infrastructure for global society, and to be the best partner with customers by providing the high-quality logistics services based on customer first policy.

Values the "K" LINE Group's prizes

- **Providing reliable and excellent services**.................. Contributing to society
- **A fair way of business** .... Fostering trust from society
- **Relentless efforts to achieve innovation** .... Generating new values
- **Respecting humanity**... Corporate culture that respects individuality and diversity

◆ **We recognize the following three themes as important management issues for "K" LINE Group in responding to the changing business environment.**

- **Maximize our strengths to ensure competitiveness**
- **Transform business portfolio to reduce influence from market volatility**
- **Achieve growth via technological and business model innovation**

II. Management Policy and Medium-term Management Plan "Revival for Greater Strides"

Medium-term Management Plan "Revival for Greater Strides"

The three years to FY2019 (100th anniversary of our foundation) is the period we make "Revival for Greater Strides." Our priority initiatives are **(1) Rebuilding Portfolio Strategy**, **(2) Emphasizing Advancement of Management and Function-specific Strategies**, and **(3) Pursuing ESG Initiatives**.

Target for Key Performance Indicators

Medium-term Management Plan (FY2017-FY2019)

- Return to profit in three years from FY2017
- Achieve 6% ROA (ordinary income) in stable business, and expand business scale
  → Increase ordinary income in stable business from ¥25 billion in FY2016 to over ¥30 billion in FY2019
- Ratio of Shareholders' equity – Targeting mid 20%'s
- Dividend policy – Our priority is to stabilize our business base and financial strength. We are aiming to resume paying dividends soon.

Long-term target (mid-2020s)

- Achieve ROA (ordinary income) of 6%, ROE of double digits
  – Foster both growing fields and stable-income foundation via advanced management
- Shareholders' equity of ¥400 billion
  – Verify benefits from containership business merger, plan to reset
- Dividend policy – Return to a stable dividend policy

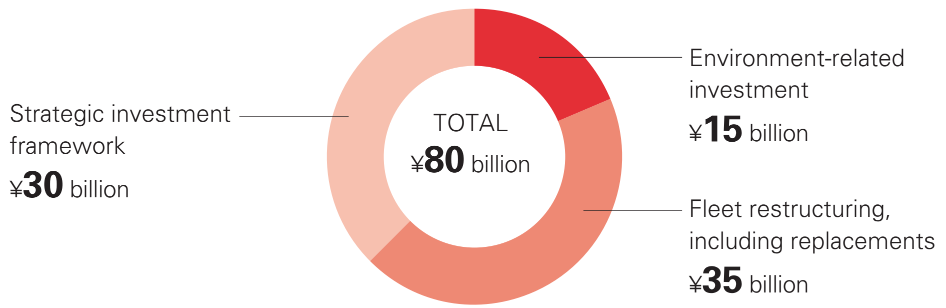
Fleet Planning and Investment Plans – Number of key fleet vessels (trend)

	FY2015 results	FY2018 results	FY2019 target	Difference (FY2019 vs. FY2015)
Containerships	63	—	—	—
Dry bulk carriers	201	166	155	(46)
Capesize	88	81	80	(8)
Panamax	104	75	65	(39)
Wood chip carriers	9	10	10	1
Car carriers	102	88	82	(20)
Tankers	23	21	18	(5)
Thermal coal carriers	24	24	29	5
LNG carriers	41	46	46	5
Liquefied Gas New Business	—	—	—	—
Offshore E&P Support	8	8	8	0
Heavy lifter vessels	15	—	—	(15)
Short sea, coastal and other	51	52	49	(2)
Total	465	405	387	(78)

* Total and difference vs. FY2015 does not include containerships.
* "K" LINE sold Heavy Lifter Business in July 2017.

Three-year Investment Plan (FY2017-FY2019 excludes Containership Business)

- Careful selection of investments so as to improve financial strength
- Strategic investment framework of ¥30 billion (three years)



Strategic investment framework
In the three years of our "Revival for greater strides" plan, we will carefully screen investments with a focus on improving our financial strength, our strategic investment framework for stable-income and next-generation core businesses having been placed directly.

II. Management Policy and Medium-term Management Plan "Revival for Greater Strides"

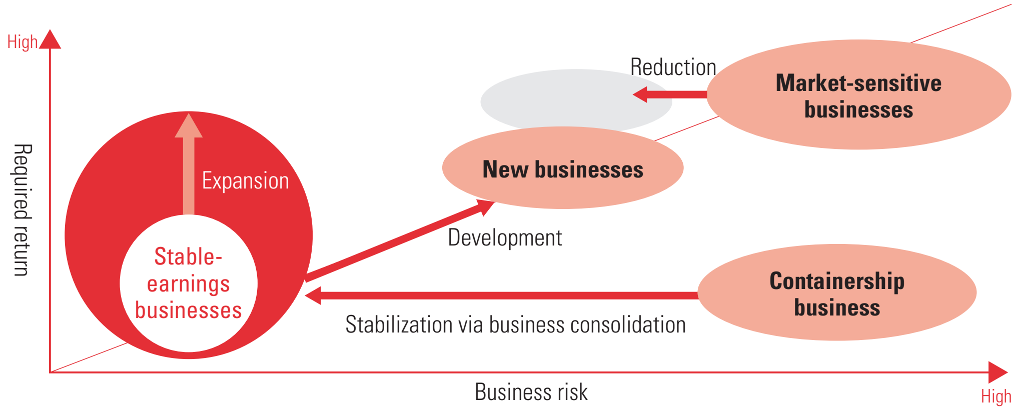
Progress of Management Plan in FY2018

- The key business initiatives are generally progressing as planned; however, the operating income target was not achieved due mainly to issues in Containership Business
- Efforts will be redoubled to address the key issues of improving profitability, restoring the significantly eroded equity capital, reducing dependency on market-sensitive business, and increasing the ratio of stable-income business

Key Objective	Target set in Medium-Term Management Plan	FY2018	
		Evaluation	Progress
Financial Indicator	Maintain profit for three consecutive years from FY2017	×	Net loss posted as a result of an operating loss, due mainly to Containership Business, and structural reform-related expenses
	Achieve 6% ROA (ordinary income) in stable income business, and expand business scale	○	ROA 5.7% Ordinary income from stable business 27.0 billion yen
	Ratio of Sharefolders' equity - Targeting MID 20%'s	×	Ratio of Sharefolders' equity : 11 %* *In the case of taking "Implementation of Measures to Strengthen Capital Base" and "New subordinated loan with equity credit" into account, such ratio to be estimated as 16%.
	Early resumption of dividends	×	No dividend
Business Portfolio	Strengthen and expand stable income business	×	Significant Loss by ONE because of teething problems occurred immediately after the commencement of the services and Postpone of transfer oveaseas terminal business
	Develop next generation core business	△	Determination to operationalization of LNG bunkering business
Advanced Business Management	Strengthen measurement of "Total Business Risk" and quality by sophistication on business risk/return measurement, Introduction of business measurement focusing on capital cost	○	Stabilization of steady quantitative evaluation for investment matters (further use of "K"VacS/"K"RIC) Build up of fundamental base/operation to carry out rebuilding the most suitable business portfolio
Key Strategies by Function	Develop new business models by cooperation with Customers and outsiders	○	Newly founded organization to promote initiatives corresponding to CRM/Environment/Digitalization - Corporate Marketing Strategy Division/AI•Digitalization Promotion Division/Environment Technology Committee
ESG Initiatives	Strengthen Corporate Governance	○	Strengthened risk management (used a companywide risk management ledger with comprehensive information and implemented continual management system with important initiatives established for each year)
	Initiative for Environment	○	Awarded CDP' s "A List" the top rating on climate change for consecutive three years Awarded "Panama Green Shipping Award 2019"

To tackle Three Priority Initiatives thoroughly during the final year of medium-term management plan

Three Priority Initiatives (1) Rebuilding Portfolio Strategy



Improvement of profitability by concentration to four business pillars and suitable portfolio

▶ Dry Bulk Business

Expansion of stable income business fleets in Cape-sized sector, Optimization of market exposed fleets in small and medium sized sector

- Expansion of mid-long-term cotracts, maily Capesize
  (e.g.) Commencement of long-term bauxite transportation contracts with Emirates Global Aluminium from June 2019. (Transportation quantity is 5mil tonnes per year)

▶ Energy Resource Transport Business

Reorganization of market exposed businesses and initiatives of "Selection and Concentration" by business expansion through business risk/return evaluation

- Expansion of mid-long-term cotracts, mainly new delivery vessels
  3 LNG carriers delivered in prior period and 8 Thermal coal carriers delivered in previous and current period
  Agreement to establish a new Joint venture shipping company with Taipower and etc. (Disclosed in July 2019)
- 3 clean tanker fleet (LRII) redelivered and completion of withdrawal from the product tanker business, which is highly sensitive to market conditions (in May 2019)
- Sale of one vessel in unprofitable Offshore Support Vessel Business (in April 2019)

▶ Car Carrier Business

Streamline of service network by rationalization of profitability management by services, freight restoration

- Profit improvement of ¥5.5 billion year-on-year expected, due to route rationalization and freight rate restoration effects.

▶ Logistics and Affiliated Business

Reformation of the Group's global network by having "K" LINE LOGISTICS, LTD as core entity and expansion of logistics business in area-based by having external "Know-How"

- Establishment of Joint Holding Company by our Three Domestic Harbor Transportation Subsidiaries and completion of partial share transfer of the company to Kamigumi Co., Ltd. (in April 2019)
  Collaborative projects through the alliance with Kamigumi Co., Ltd., such as effective utilization of management resources, are taking shape, and discussions to further increase synergies are in progress.

II. Management Policy and Medium-term Management Plan "Revival for Greater Strides"

Initiatives for Financial Foundation Revival

● Structural Reforms Results in FY2018

In order to improve profitability in the following fiscal year and increase the probability of profitability, Cancelled contracts for 6 vessels in the dry bulk fleet and 17 vessels in the Containerships.

(Billions of yen)

	Number of fleet as target	FY2018 Structural Reforms Amounts (as Extraordinary Loss)	Effect Amounts for FY2019
Dry Bulk	6	(6.9)	1.6
Containership	17	(45.0)	9.4
Total	23	(51.9)	11.0

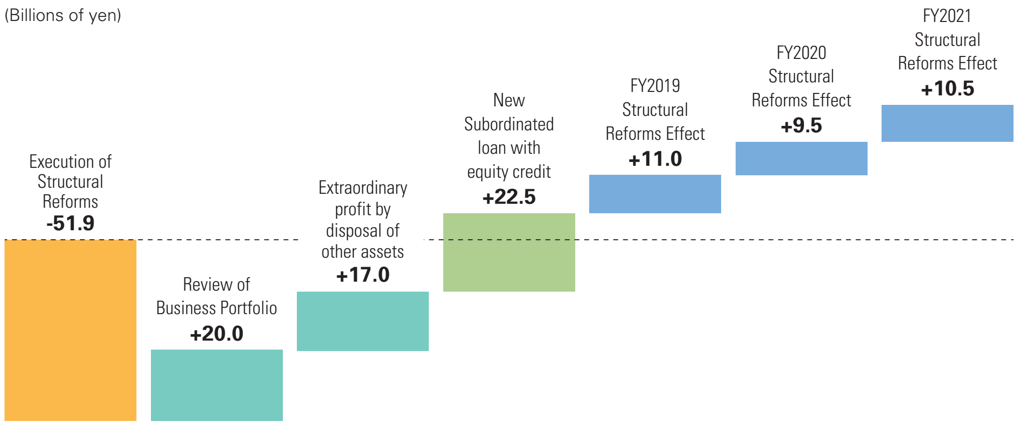
Priority challenge in reviving the financial foundation after execution of structural reforms and undershooting in profit plan

▶ Tackle of expansion of stable Ratio of Shareholders' Equity through reallocation of management resources to strengthen capital base with "Selection and Concentration" and improved profitability with structural reforms

▶ Achievement of rebalance of business risk and acceptable risk (Ratio of Shareholders' Equity) through advanced business management

● Implementation Effects by "Structural Reforms", "Selection and Concentration" and other measures

(Billions of yen)



• **Review of Business Portfolio**
Establishment of Joint Holding Company by our Three Domestic Harbor Transportation Subsidiaries and completion of partial share transfer of the company to Kamigumi Co., Ltd. (in April 2019)

• **Extraordinary profit by disposal of other assets**

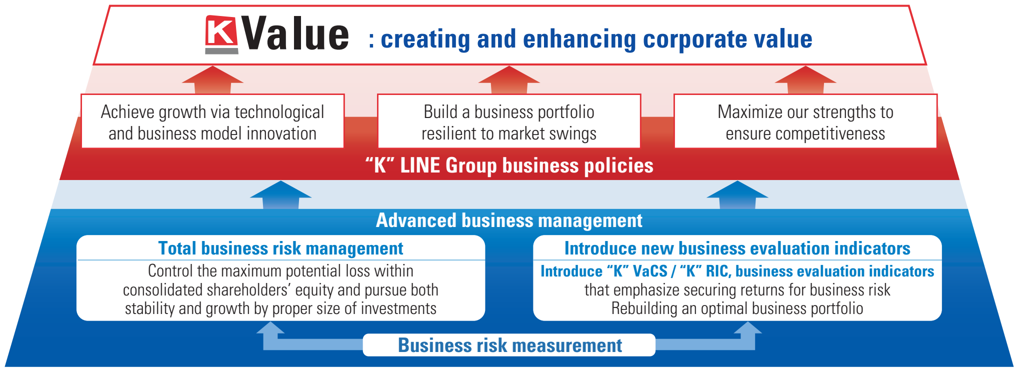
• **Execution of New subordinated loan with equity credit (45.0 billion yen)**
Evaluation of Equity Credit is 50% by Japan Credit Rating Agency, Ltd. (April 2019)

Three Priority Initiatives (2) Emphasizing Advancement of Management and Function-specific Strategies

1 Advancement of Management

Continuous advanced business management cored by business risk/return evaluation and reallocation of management resources to strengthen capital base

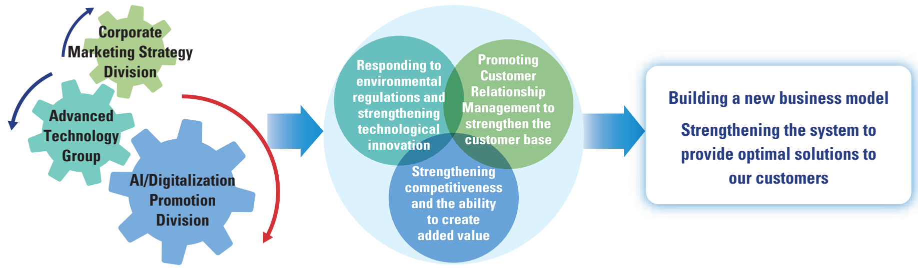
● Concept of Advanced Business Management



2 Function-specific Strategies

Seek to further improve quality of customer services and safe vessel operations by having each sales division operate cross-sectionally with new organizations launched in the Group

● Building a new business model through the strengthening of function-specific strategies (groupwide deployment)



Three Priority Initiatives (3) Pursuing ESG Initiatives

Please refer to page 26 to 31.

*** Next medium-term management plan will be drawn up and announced during FY2019 in due course.**

III. Business Segment Data | Dry Bulk

Dry Bulk (all types) Fleet Ranking

(as of July 2019)

Ranking	Operator	100,000DWT	Vessels
1	China COSCO Shipping	304.6	292
2	NYK	164.6	179
3	**"K" LINE**	**137.8**	**115**
4	China Merchants	128.4	111
5	Fredriksen Group	126.9	105
6	Star Bulk Carriers	122.4	108
7	Berge Bulk	117.3	57
8	MOL	115.6	99
9	Polaris Shipping Co	89.2	33
10	Angelicoussis Group	85.8	49

*Owned vessels and a part of chartered vessels

Source: Clarksons

Capesize Fleet Ranking

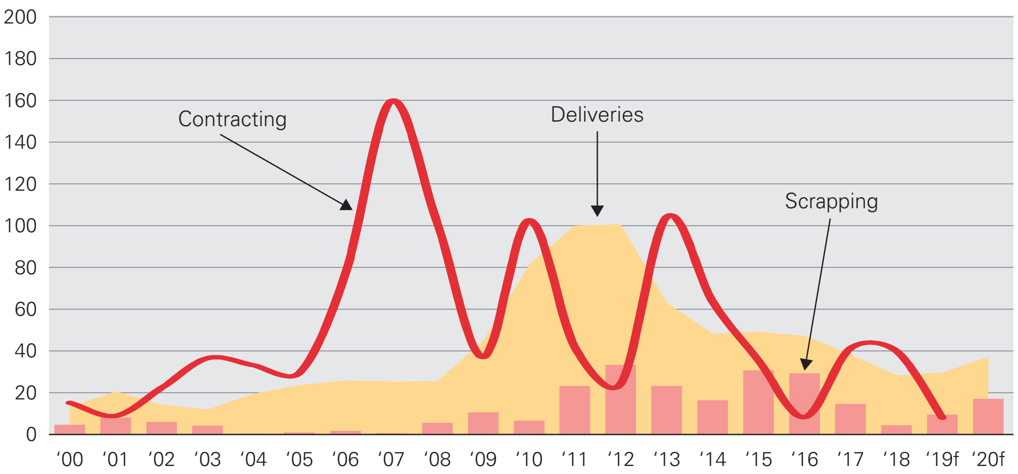
(as of July 2019)

Ranking	Operator	100,000DWT	Vessels
1	China COSCO Shipping	179.1	75
2	Berge Bulk	114.1	48
3	Polaris Shipping Co	89.2	33
4	**"K" LINE**	**87.2**	**44**
5	Fredriksen Group	87.0	48
6	Angelicoussis Group	85.8	49
7	China Merchants	82.8	29
8	NYK	81.4	42
9	MOL	75.8	36
10	Star Bulk Carriers	69.5	37

*Owned vessels and a part of chartered vessels

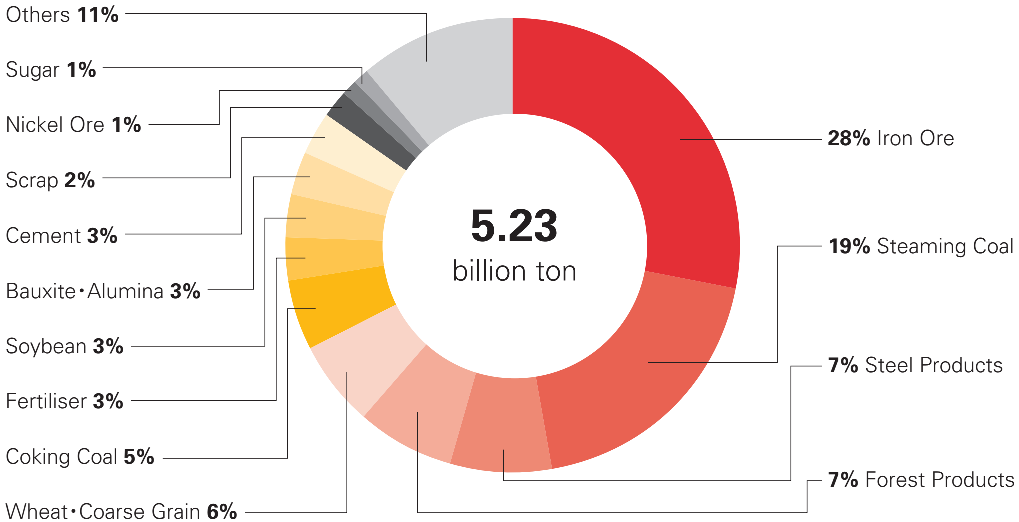
Source: Clarksons

Dry Bulk Delivery and Removal Progress



Source: Clarksons

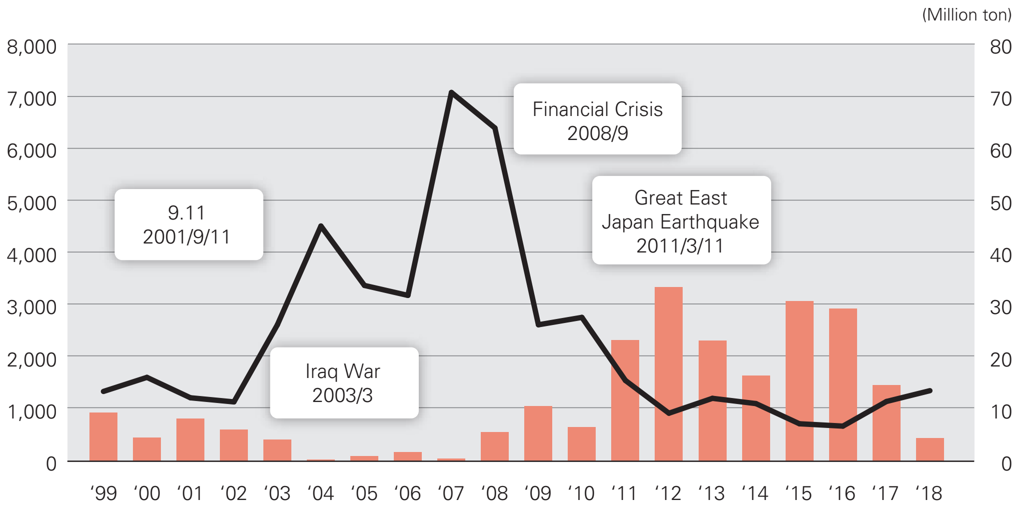
2018 Dry Bulk Cargo: Ocean Transport Commodity Breakdown



Source: Clarksons

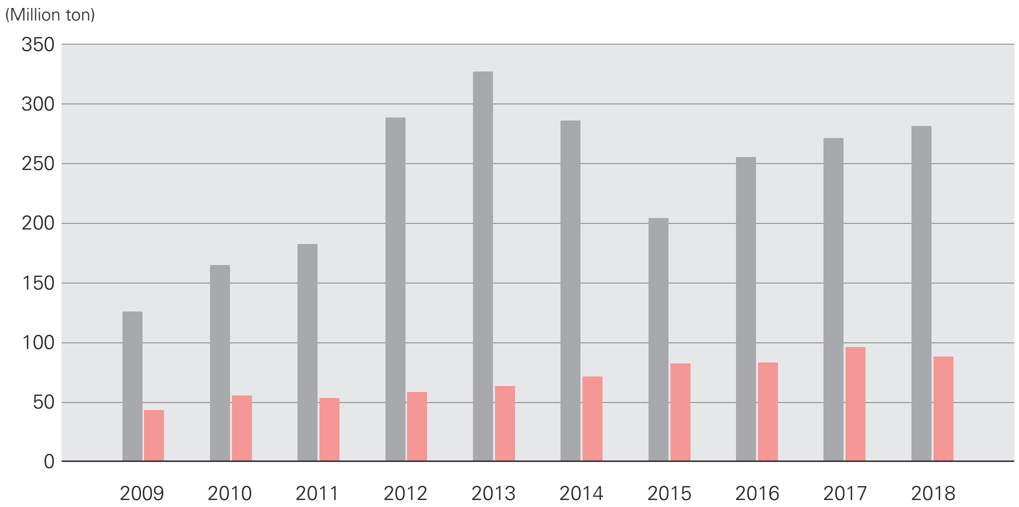
III. Business Segment Data | Dry Bulk

BDI (Baltic Dry Index)* and Scrapped Tonnage



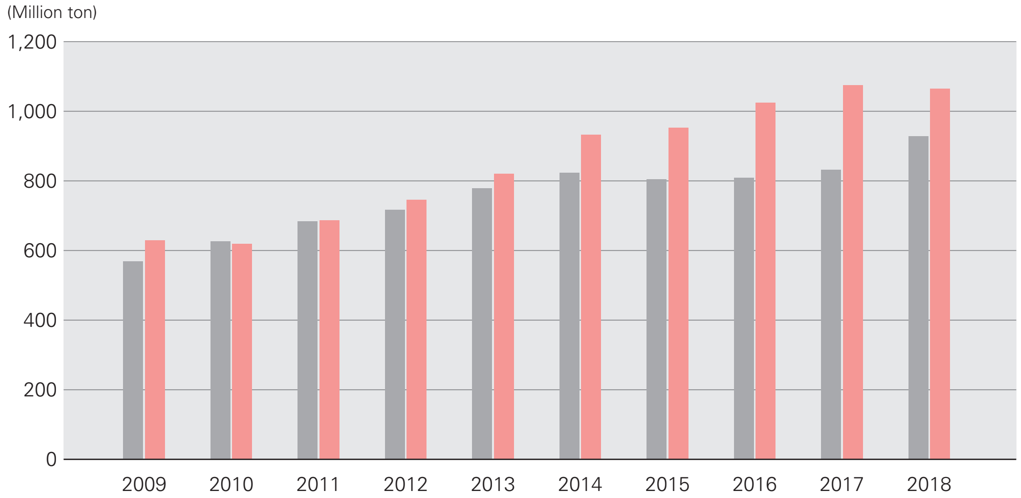
BDI (left scale) Scrapped Tonnage (right scale) *BDI: 4/Jan/1985=1,000 Source: Clarksons

Coal and Soybeans Imports by China



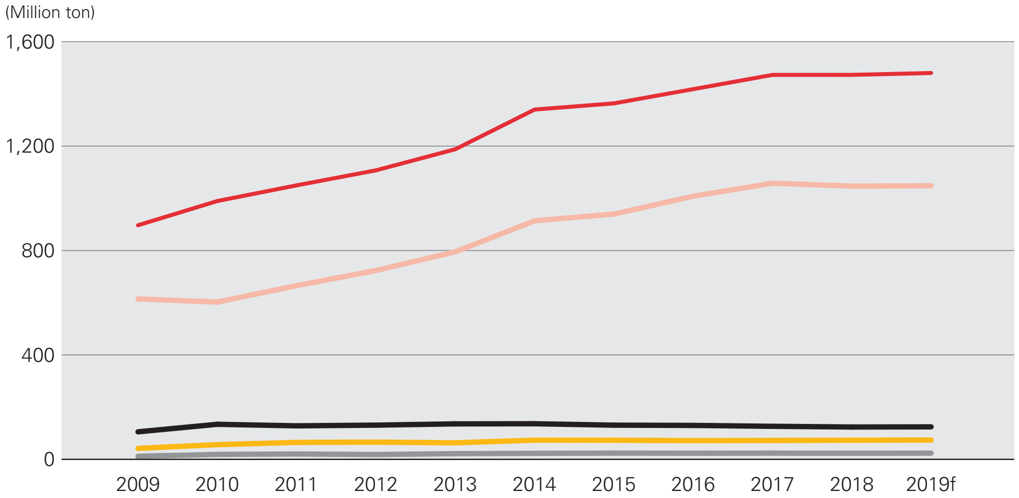
Coal Import Soybean Import Source: China Customs Statistics

Crude Steel Production and Iron Ore Import by China



Crude Steel Production Iron Ore Import Source: National Bureau of Statistics of China
China Customs Statistics

Iron Ore Import by Major Asian Countries



Total China Japan Korea Taiwan Source: Clarksons

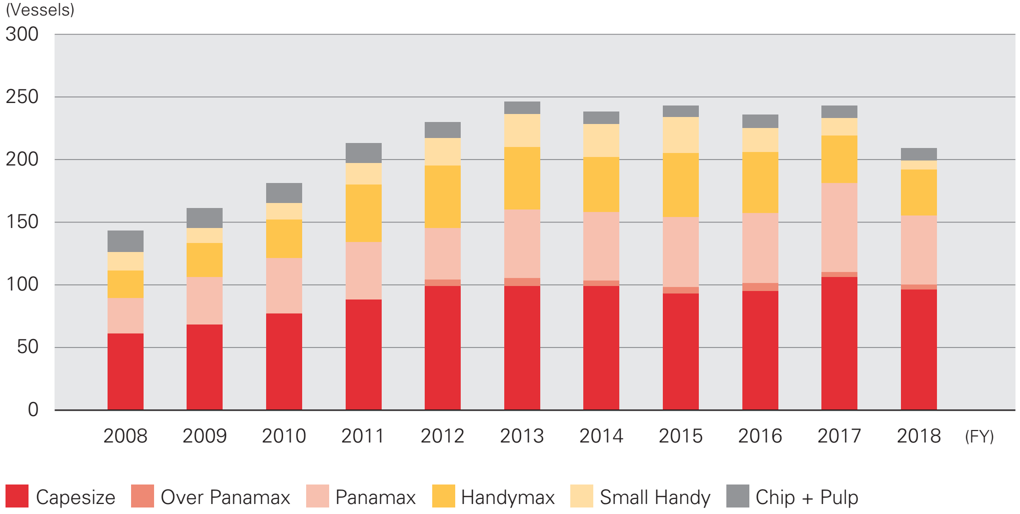
III. Business Segment Data | Dry Bulk

"K" LINE Dry Bulk Fleet

(Vessels)

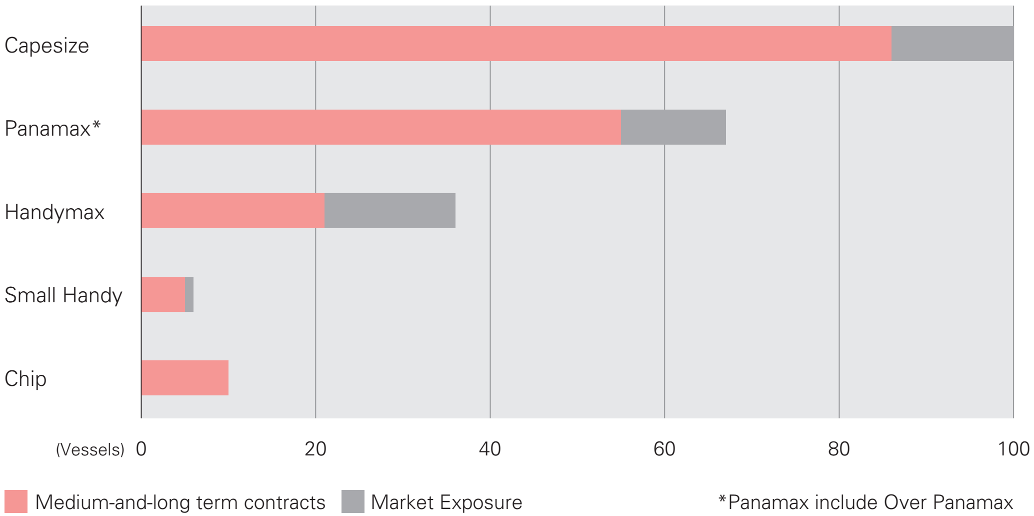
(FY)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Capesize	61	68	77	88	99	99	99	93	95	106	96
Over Panamax	—	—	—	—	5	6	4	5	6	4	4
Panamax	28	38	44	46	41	55	55	56	56	71	55
Handymax	22	27	31	46	50	50	44	51	49	38	37
Small Handy	15	12	13	17	22	26	26	29	19	14	7
Chip + Pulp	17	16	16	16	13	10	10	9	11	10	10
Total	143	161	181	213	230	246	238	243	236	243	209

"K" LINE Dry Bulk Fleet Scale



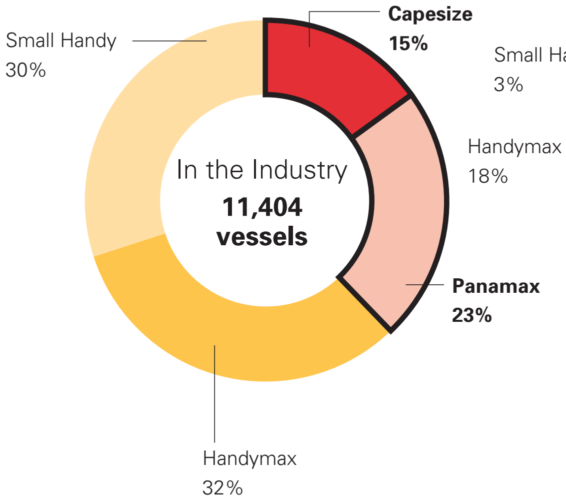
"K" LINE's Dry Bulk Fleet Market Exposure FY2019 (forecast)

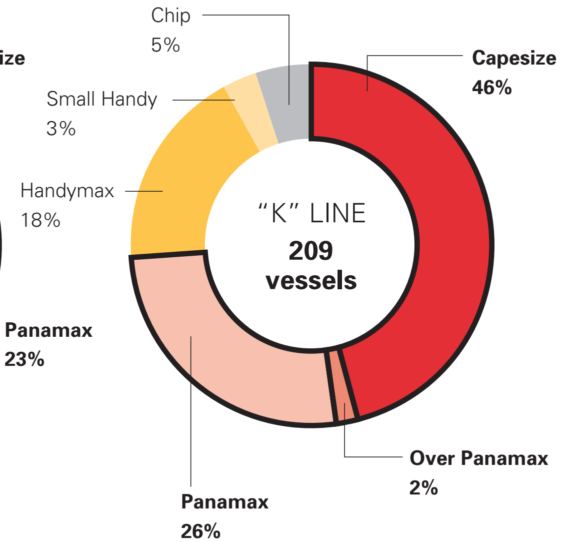
(as of April 2019)



*Panamax include Over Panamax

Dry Bulk Fleet Composition (as of the March 2019)





Source: Clarksons

III. Business Segment Data | LNG Carrier and Thermal Coal Carrier

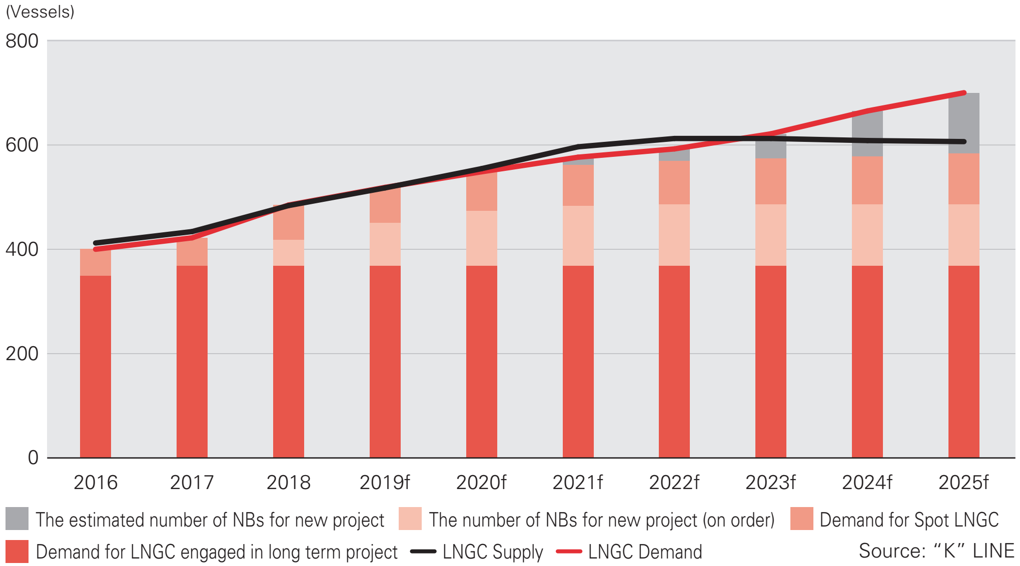
LNG Carrier Fleet Ranking (including co-owned)

(as of June 2019)

Ranking	Operator	Vessels
1	MOL	84
2	NYK	75
3	Nakilat	69
4	**“K” LINE**	**48**
5	Teekay	40
6	Maran Gas	29
6	MISC	27
6	Gaslog	26
9	Iino Lines	26
10	Bergesen Worldwide	17
11	Golar	16

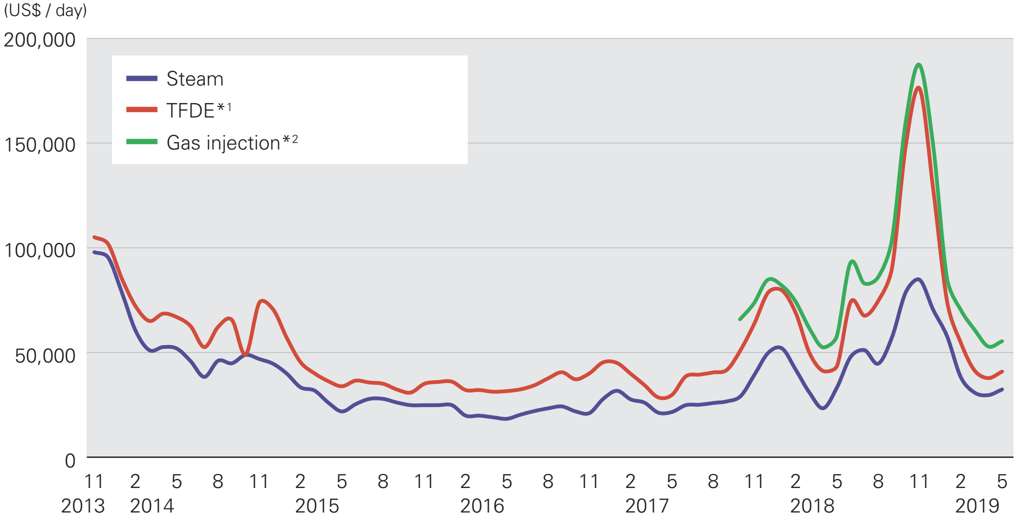
Source: “K” LINE

LNG Carrier Supply and Demand



Source: “K” LINE

LNG Carrier Spot Market

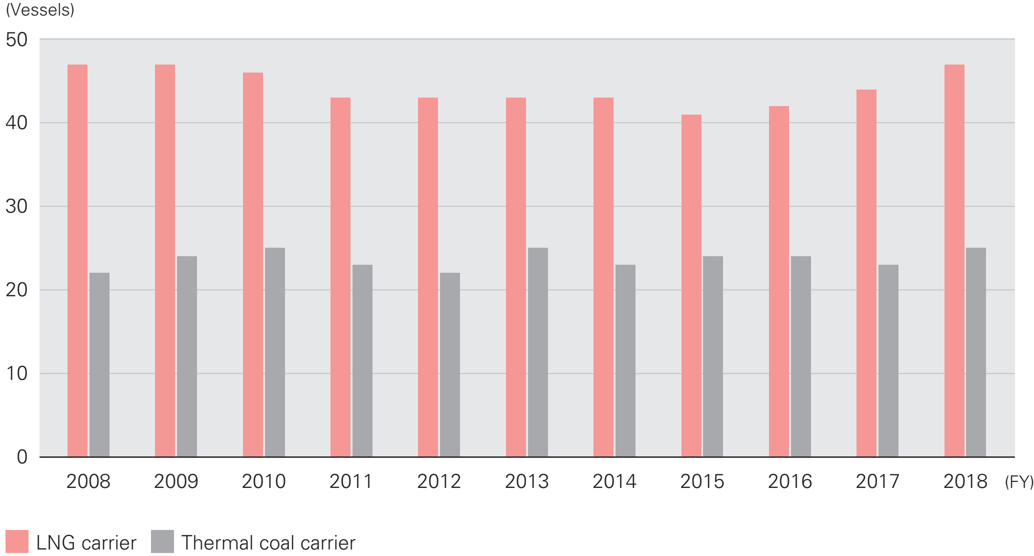


*1 TFDE (Tri Fuel Diesel Electric) propulsion plant is propelled by electric motors utilizing power generated by the four-stroke engines being fueled by boil-off gas or marine diesel oil or heavy oil.

*2 Gas injection propulsion plant is propelled by the two-stroke engines being fueled by boil-off gas or marine diesel oil or heavy oil.

Source: SSY LNG RADAR

“K” LINE LNG Carrier and Thermal Coal Carrier Fleet (including co-owned)



III. Business Segment Data | Tanker

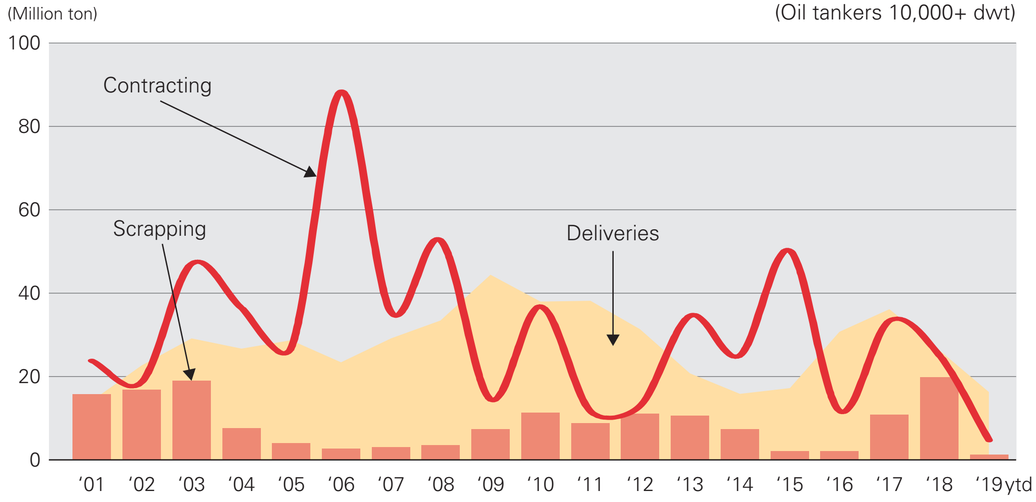
VLCC Fleet Ranking

(as of July 2019)

Ranking	Operator	100,000DWT	Vessels
1	China Merchants	157.2	51
2	Euronav NV	140.3	45
3	Bahri	137.0	44
4	China COSCO Shipping	131.1	43
5	Angelicoussis Group	123.2	39
6	Nat Iranian Tanker	117.6	38
7	MOL	95.4	31
8	DHT Holdings	83.7	27
9	SK Shipping	56.7	18
10	Ocean Tankers	56.6	18
⋮			
25	**"K" LINE**	**24.5**	**8**

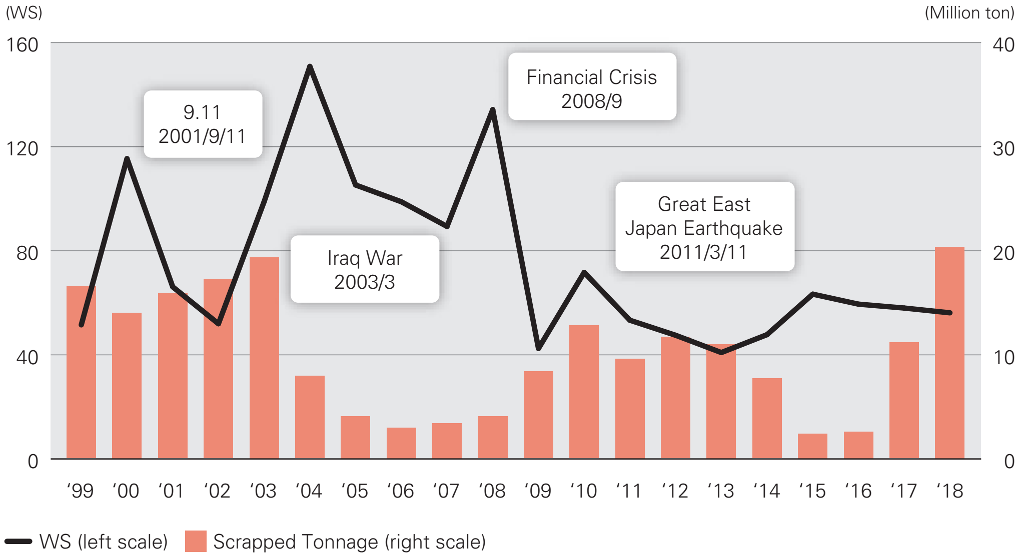
Source: Clarksons

Tanker Delivery and Removal Progress

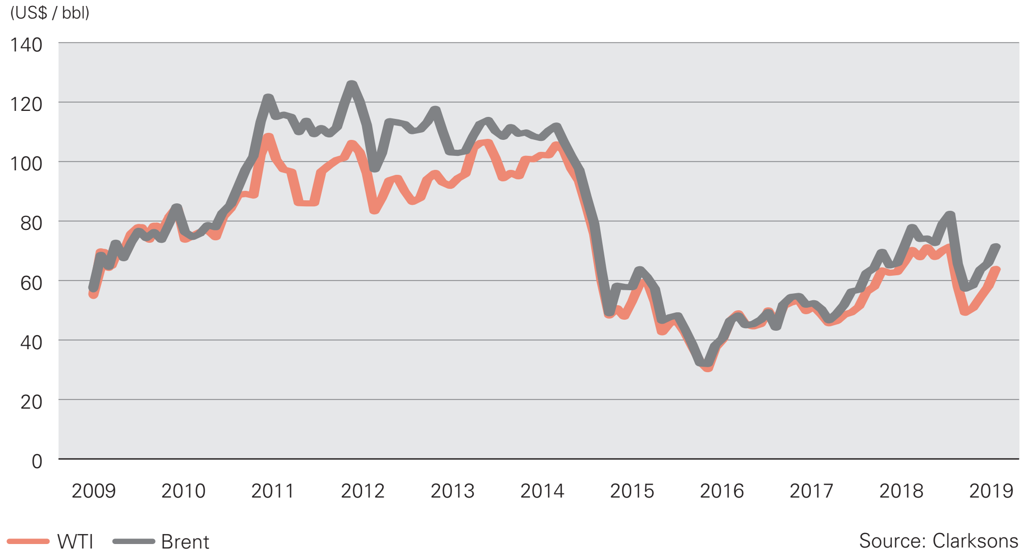


Source: Clarksons Oil & Tanker Outlook

Tanker Freight Index (WS: World Scale) and Scrapped Tonnage



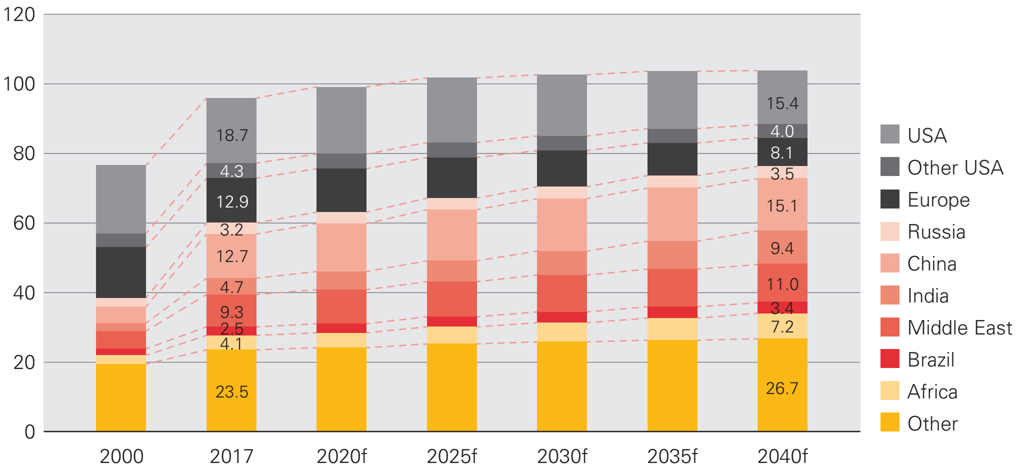
Historical Oil Price Trends



Source: Clarksons

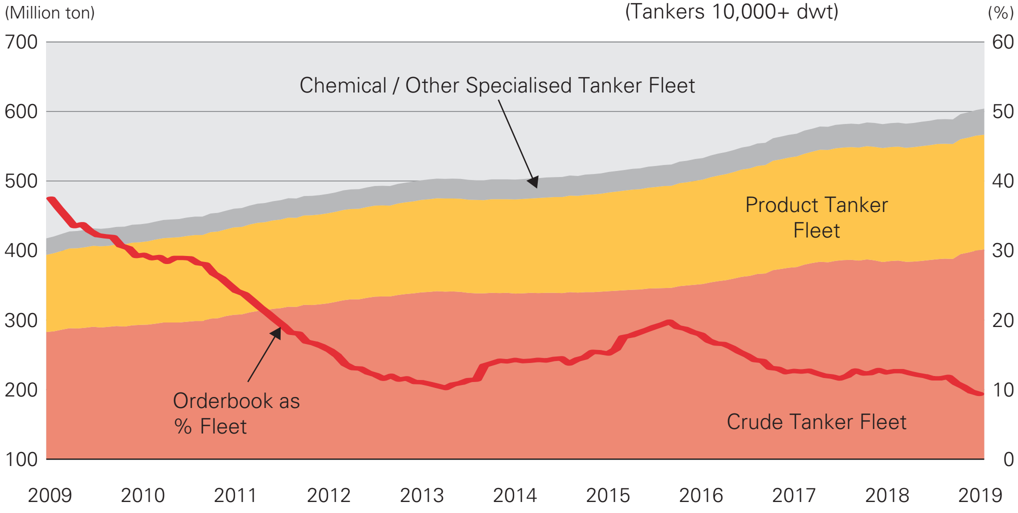
III. Business Segment Data | Tanker

Forecast of Oil Demand by Country



Source: World Energy Outlook

Tanker Fleet and Order Book



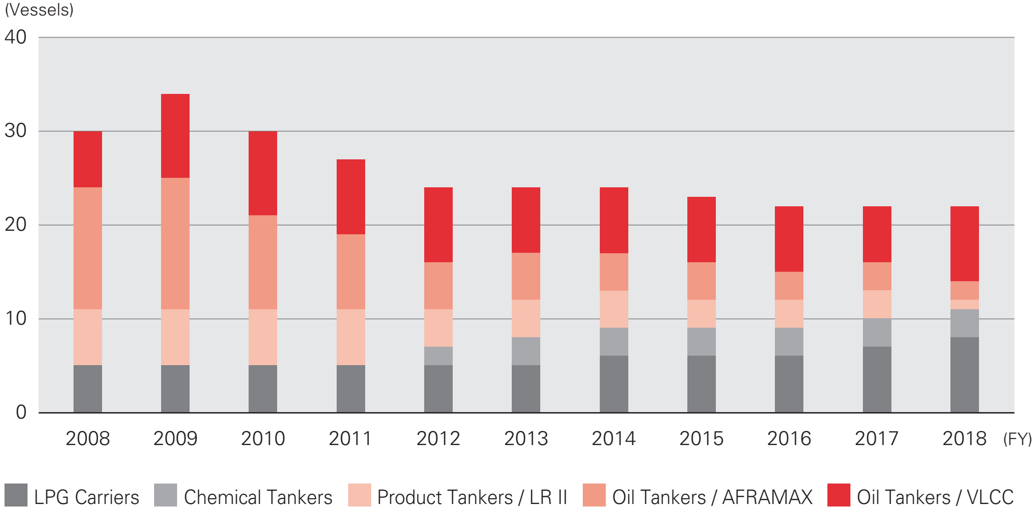
Source: Clarksons Oil & Tanker Outlook

"K" LINE Tanker Fleet

(Vessels)

(FY)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Oil Tankers / VLCC	6	9	9	8	8	7	7	7	7	6	8
Oil Tankers / AFRAMAX	13	14	10	8	5	5	4	4	3	3	2
Product Tankers / LR II	6	6	6	6	4	4	4	3	3	3	1
Chemical Tankers	—	—	—	—	2	3	3	3	3	3	3
LPG Carriers	5	5	5	5	5	5	6	6	6	7	8
Total	30	34	30	27	24	24	24	23	22	22	22

"K" LINE Tanker Fleet Scale



III. Business Segment Data | Liquefied Gas Business

Initiatives of Liquefied Gas Business in Energy Value Chain —from Upstream to Downstream—

The Oil and Natural Gas Development Process

Vessel and Facilities Used

Development Upstream

Exploration

Drilling Equipment

Mobile Offshore Drilling Unit (MODU)

Drillship

Jack-Up Rigs

Semi-Submersible Rigs

*Source: Japan Drilling Company

Development and Production

Development and Production

Floating Production Storage and Offloading System (FPSO) (LNG, Crude oil)

Offshore Support Vessels

Midstream

Transportation

Transportation

Tanker (Crude oil, Products)

Gas Tanker (LPG, LNG)

Shuttle tanker

Downstream

Refining and Sale

Power generation

Shipping, Oil storage, Refining, Sales

LNG fuel supply

Floating Storage and Regasification Unit (FSRU)

Floating Gas Power Plant (FGPP)

Secondary / small-volume LNG transportation

*The boldface shows “K” LINE’s Business fields as of July 2019.

III. Business Segment Data | Offshore Energy E&P Business

Offshore Support Vessels

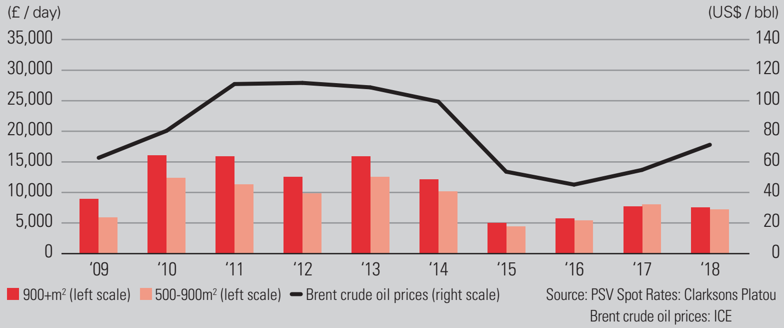
"K" LINE Group expands **Offshore Energy Development Services** through its subsidiary company called "K" LINE Offshore AS (KOAS) in Norway.

Platform Supply Vessel (PSV)

"4 high transport efficiency largest size PSVs" (as of July 2019)

PSVs are used to transport materials, equipment and fuel to offshore rig. KOAS's 5 PSVs have its deadweight capacity of 5,100 tons and deck area of 1,100 square meters.

PSV Spot Rates Annual Avg and Brent Crude Oil Prices

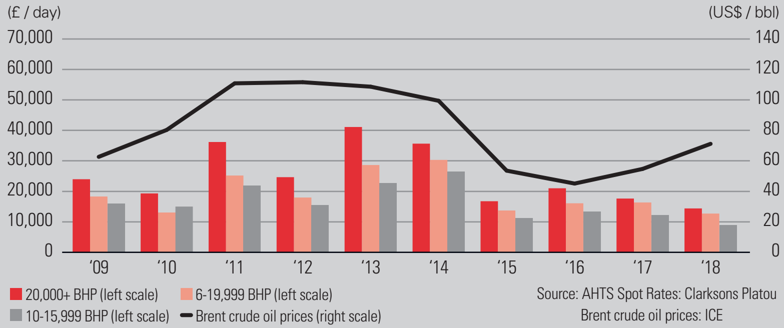


Anchor Handling Tug Supply (AHTS) Vessel

"2 AHTSs with the world's largest horsepower"

AHTSs are engaged in supporting for offshore drilling rigs when they are moving locations, such as raising anchors with a motor power. KOAS's 2 AHTSs have their length 95 meters, width 24 meters and 34,000BHP at the same level as VLCCs.

AHTS Spot Rates Annual Avg and Brent Crude Oil Prices



MODU (Mobile Offshore Drilling Unit) / FPSO (Floating Production Storage and Offloading System)

In 2009 "K" LINE participates in ETESCO project for ultra-deepwater drillship.

- This ship has been under charter to Petrobras since April 2012. The first well will be drilled in the Franco SW block in water approximately 2,000 meters deep about 200 kilometers off Rio de Janeiro. The area is located in pre-salt fields in which Petrobras holds an interest.
- It is capable of drilling in water depths of 10,000 feet (3,000 meters) and down to 30,000 feet (9,000 meters).

- FPSO(Floating Production Storage and Offloading System)
- In 2017, agreement made on FPSO owning and chartering business for Oil and Gas Field, offshore Ghana.
- From 2017, Chartering for Eni Ghana Exploration and Production Ltd. (15-year long-term)
- Producing oil at Offshore Cape Three Point Block ("OCTP"), approximately 60 kilometers south west of Ghana.

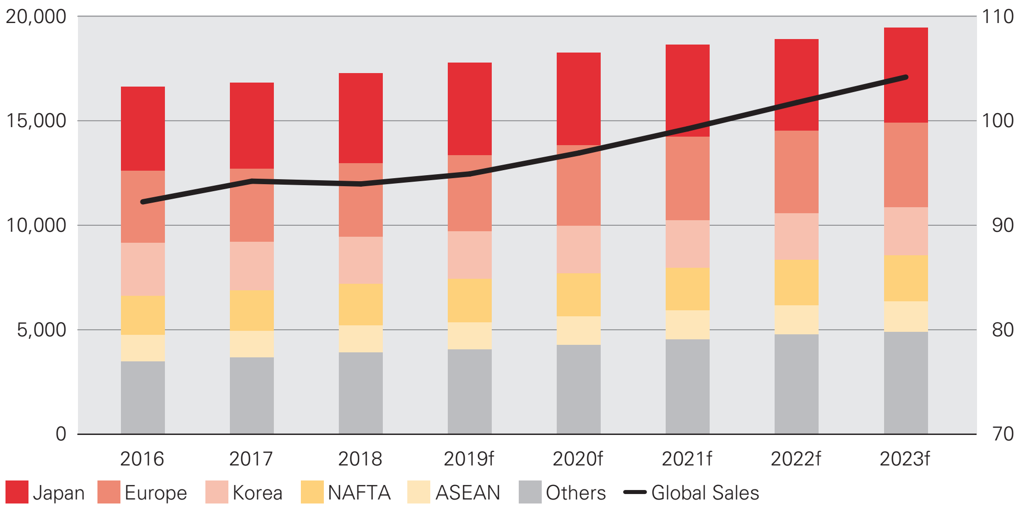
III. Business Segment Data | Car Carrier

Car Carrier Fleet Ranking (As of April 30, 2019 for "K" LINE, as of December 31, 2018 for other companies)

Ranking	Operator	Vessels	Share	Capacity (unit)	Share
1	WWL ASA	121	15.9%	820,506	19.7%
2	MOL	107	14.1%	637,863	15.3%
3	NYK	103	13.6%	607,948	14.6%
4	**"K" LINE**	**86**	**11.3%**	**468,629**	**11.2%**
5	GLOVIS	73	9.6%	481,513	11.5%
6	Grimaldi	51	6.7%	197,656	4.7%
7	HOEGH	46	6.1%	305,390	7.3%
8	TOYOFUJI	24	3.2%	70,914	1.7%
9	UECC (NYK+WWL)	15	2.0%	42,667	1.0%
	Others	133	17.5%	536,388	12.9%
	Total	759		4,169,474	

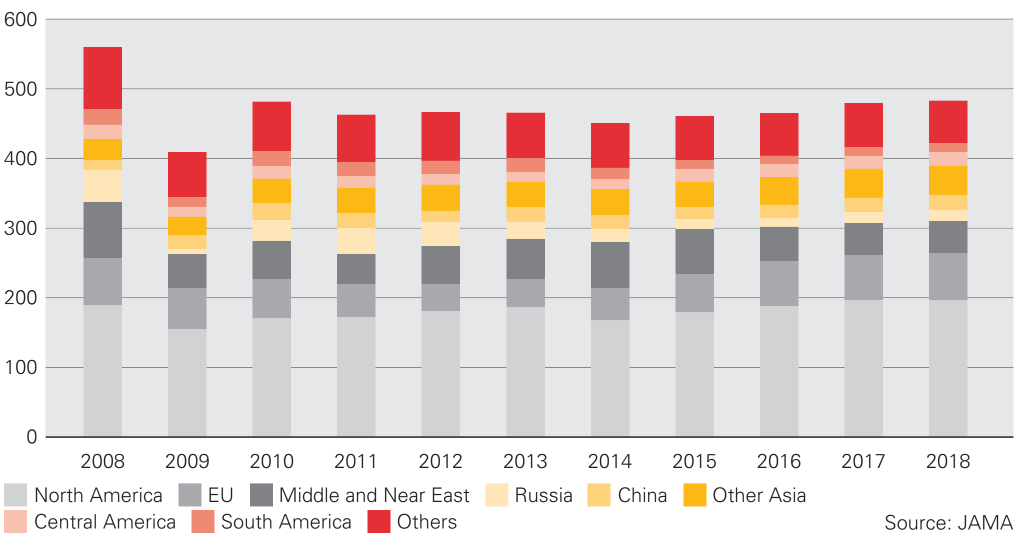
Source: Own-editing based on Clarkson's *PCTC Market Update 2019*, Fearnley's *PCTC Market Outlook 1Q2019*

Worldwide Car Ocean Transportation Volume



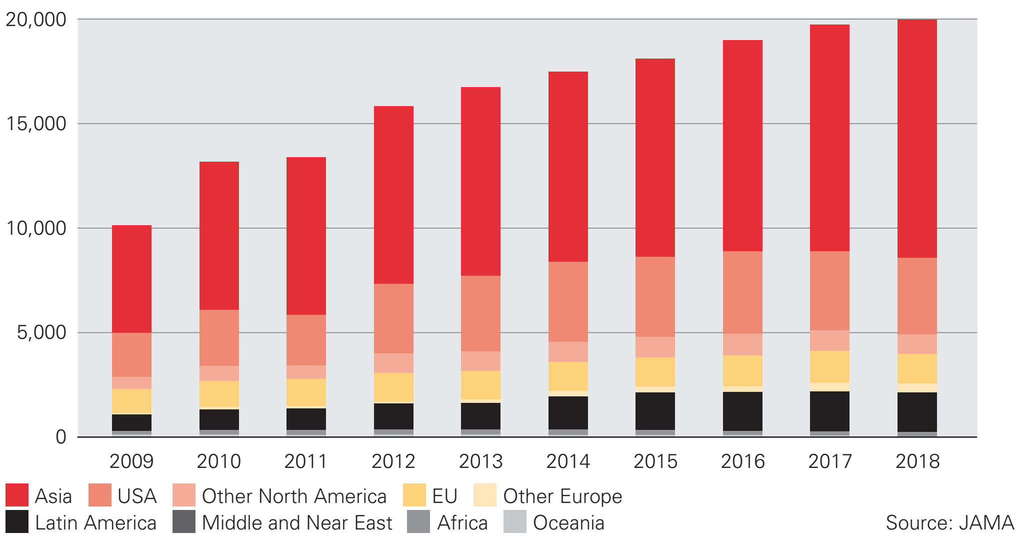
Source: Own-editing based on IHS Global Insight

Total Cars and Trucks Exported from Japan



Source: JAMA

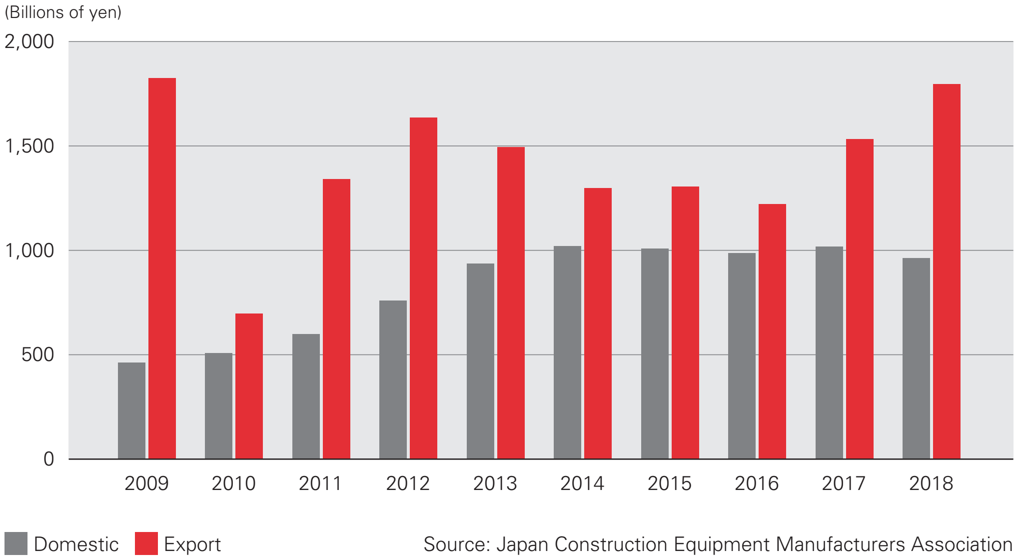
Japanese Automakers' Overseas Vehicle Production



Source: JAMA

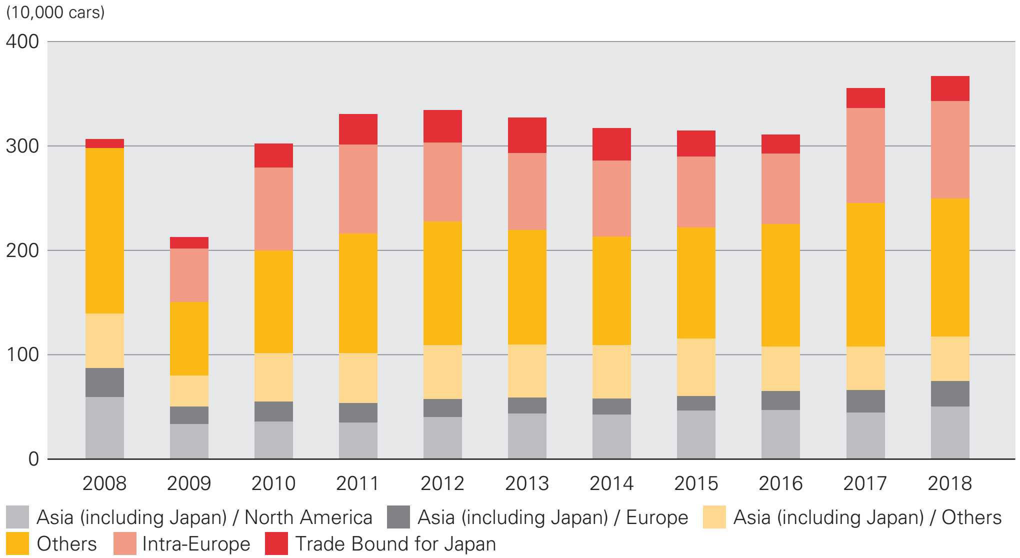
III. Business Segment Data | Car Carrier

Japanese Construction Machine Sales Results



Source: Japan Construction Equipment Manufacturers Association

Cars and Trucks Transported by “K” LINE



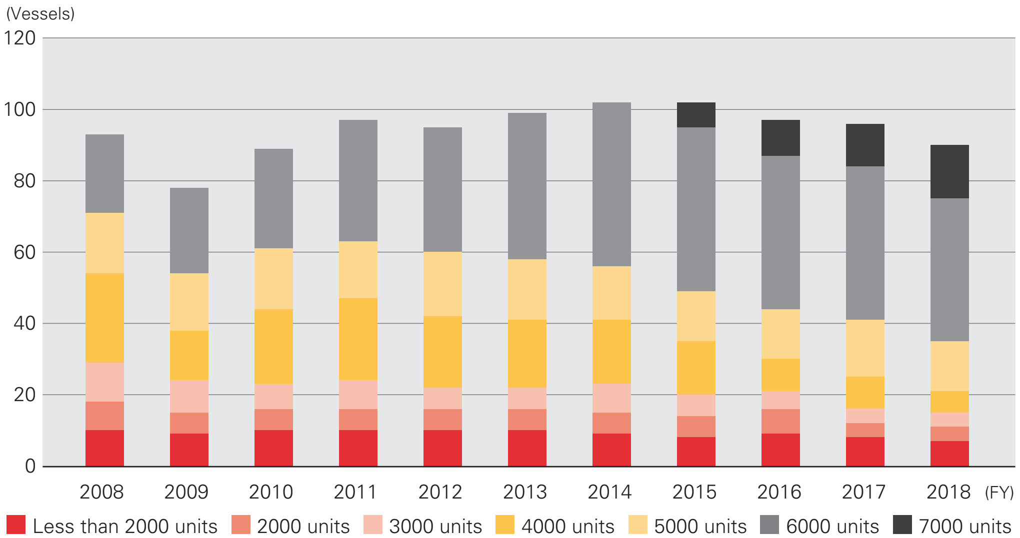
“K” LINE Car Carrier Fleet

(Vessels)

(FY)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
7000 units	—	—	—	—	—	—	—	7	10	12	15
6000 units	22	24	28	34	35	41	46	46	43	43	40
5000 units	17	16	17	16	18	17	15	14	14	16	14
4000 units	25	14	21	23	20	19	18	15	9	9	6
3000 units	11	9	7	8	6	6	8	6	5	4	4
2000 units	8	6	6	6	6	6	6	6	7	4	4
Less than 2000 units	10	9	10	10	10	10	9	8	9	8	7
Total	93	78	89	97	95	98	102	102	97	96	90

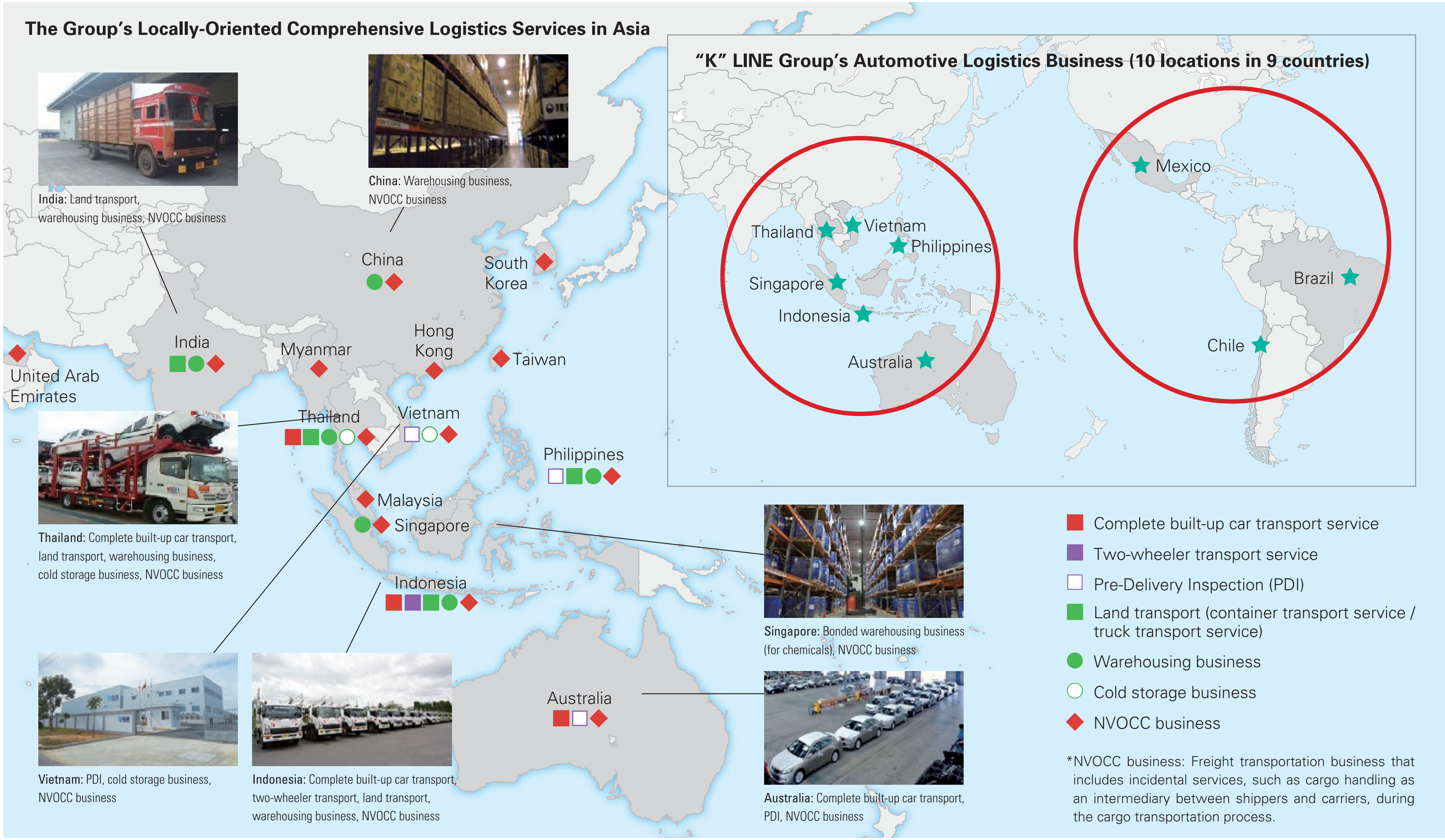
(including short-term chartered vessels)

“K” LINE Car Carrier Fleet Scale



III. Business Segment Data | Logistics and Automotive Logistics

We Will Establish Our Global Network and Expand Stable Revenue Base with "K" Line Logistics, Ltd. as the Core.



India: Land transport, warehousing business, NVOCC business

China: Warehousing business, NVOCC business

Thailand: Complete built-up car transport, land transport, warehousing business, cold storage business, NVOCC business

Singapore: Bonded warehousing business (for chemicals), NVOCC business

Vietnam: PDI, cold storage business, NVOCC business

Indonesia: Complete built-up car transport, two-wheeler transport, land transport, warehousing business, NVOCC business

Australia: Complete built-up car transport, PDI, NVOCC business

- Complete built-up car transport service
- Two-wheeler transport service
- Pre-Delivery Inspection (PDI)
- Land transport (container transport service / truck transport service)
- Warehousing business
- Cold storage business
- NVOCC business

*NVOCC business: Freight transportation business that includes incidental services, such as cargo handling as an intermediary between shippers and carriers, during the cargo transportation process.

III. Business Segment Data | Containership

Fleet Size of Container Operators

(as of July 2019)

Ranking	Operator	TEU	Vessels	Share
1	APM-Maersk	4,150,047	714	18%
2	MSC	3,424,440	539	15%
3	COSCO Group	2,893,851	475	13%
4	CMA CGM Group	2,698,169	523	12%
5	Hapag-Lloyd	1,697,359	236	7%
6	**ONE**	**1,539,835**	**214**	**7%**
7	Evergreen	1,277,291	206	6%
8	Yang Ming	647,474	97	3%
9	HMM*	426,138	72	2%
10	PIL	402,966	122	2%
11	Zim	290,089	62	1%
12	Wan Hai	274,148	94	1%
13	Others	2,994,915	1,922	13%
	Total	22,716,722	5,276	100%

*HMM will join The Alliance from April 2020.

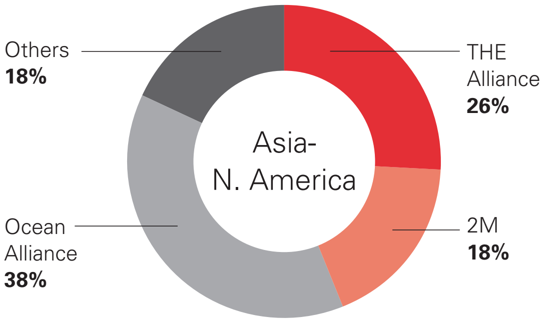
Members of each alliance

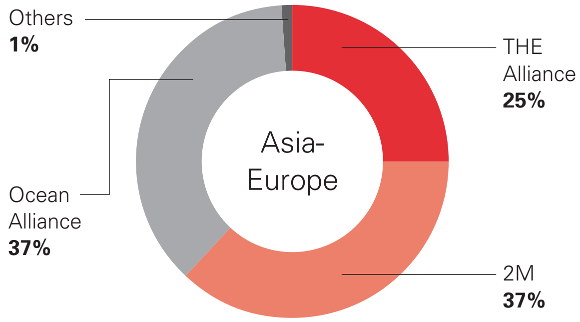
THE Alliance:	ONE, Hapag-Lloyd, Yang Ming
OCEAN Alliance:	COSCO Group, CMA CGM Group, Evergreen
2M:	APM-Maersk, MSC

Source: Own-editing based on Alphaliner

Trade Capacity Share by Alliance

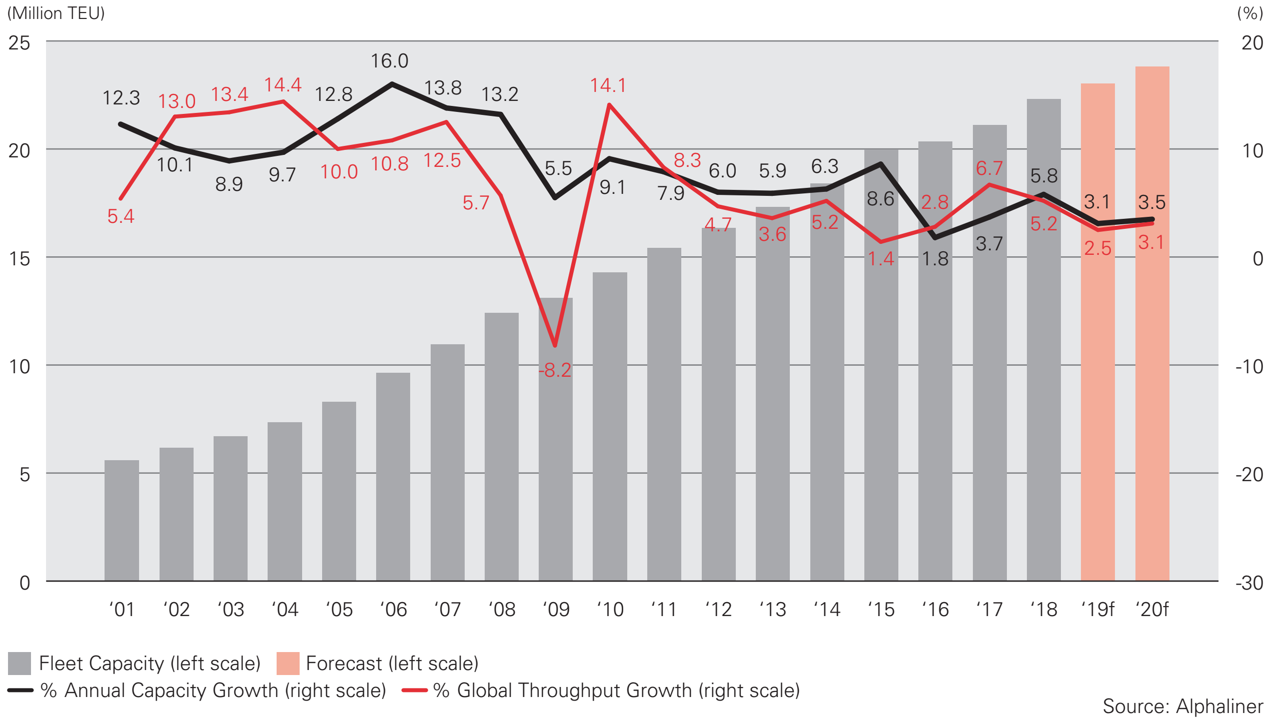
(as of July 2019)





Source: Alphaliner

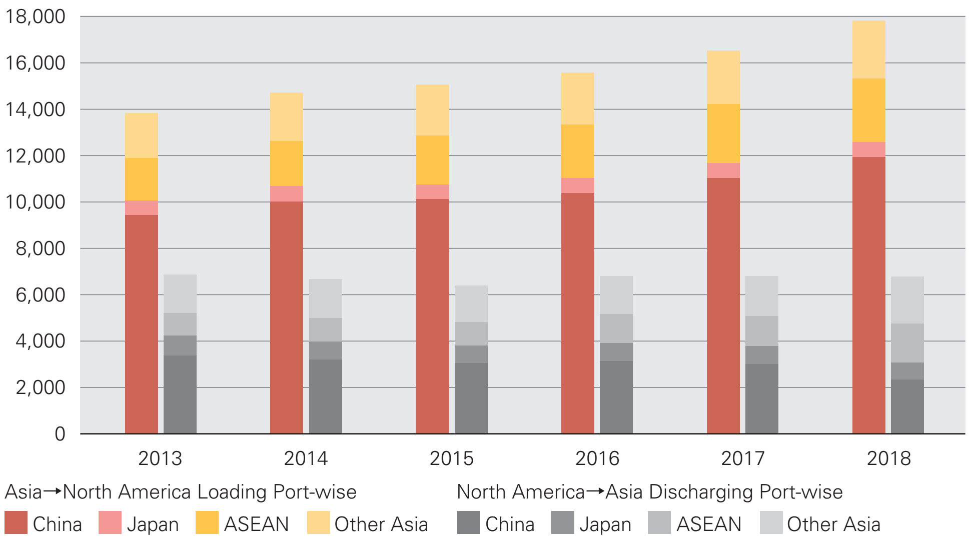
Container Fleet Capacity, Supply and Demand



Source: Alphaliner

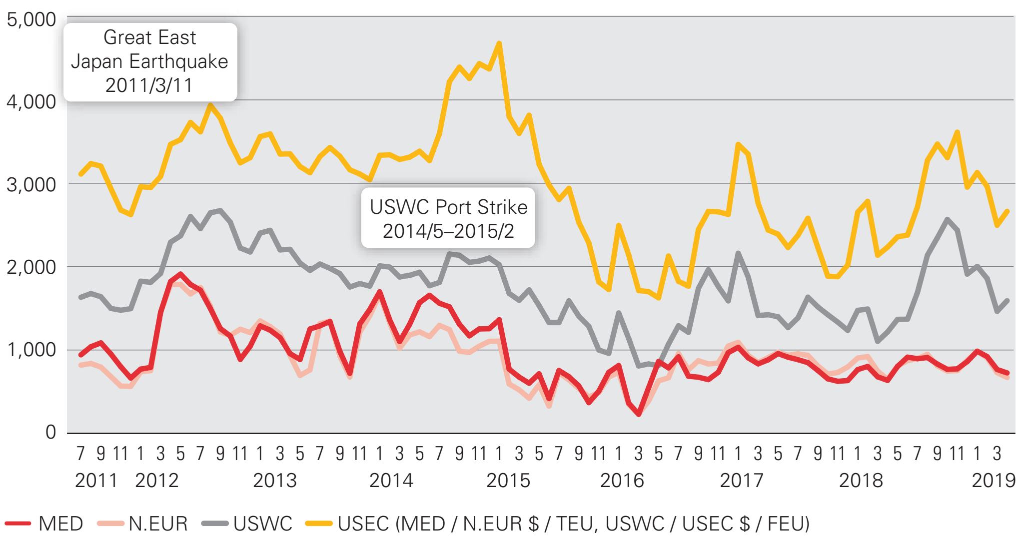
III. Business Segment Data | Containership

Asia-North America Cargo Volume



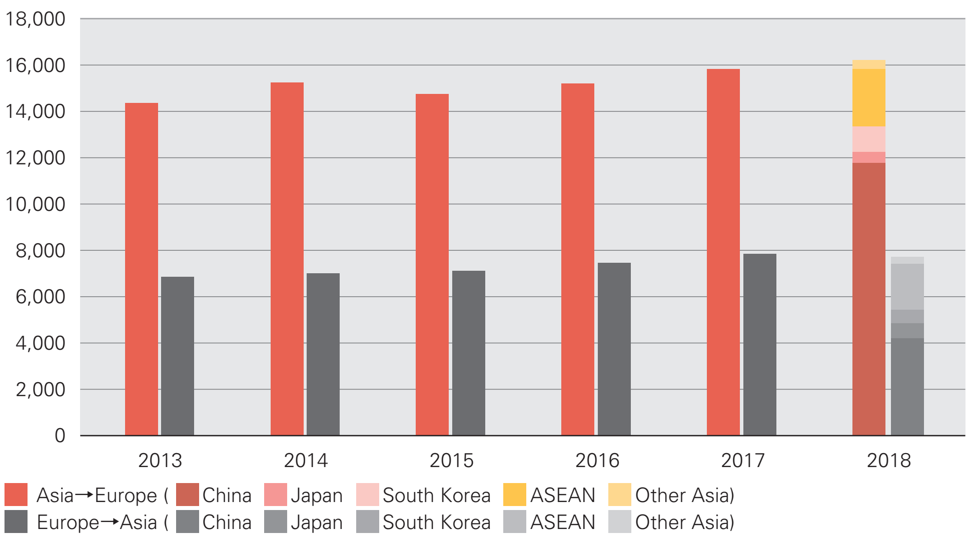
Source: Japan Maritime Center / Piers

Transition of SCFI (Shanghai Containerized Freight Index)



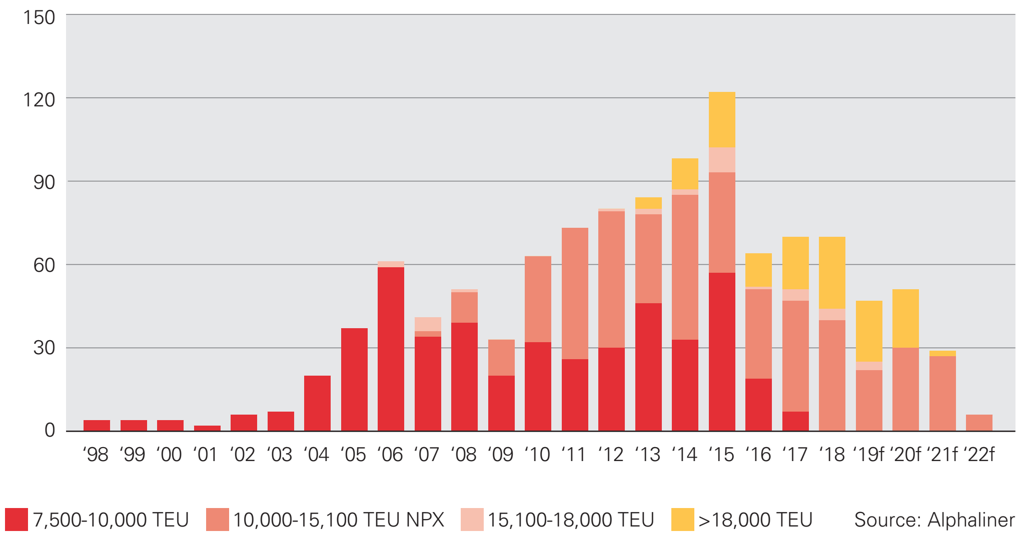
Source: Shanghai Shipping Exchange

Asia-Europe Cargo Volume



Source: Japan Maritime Center / CTS

Delivery of Very Large Container Ships



Source: Alphaliner

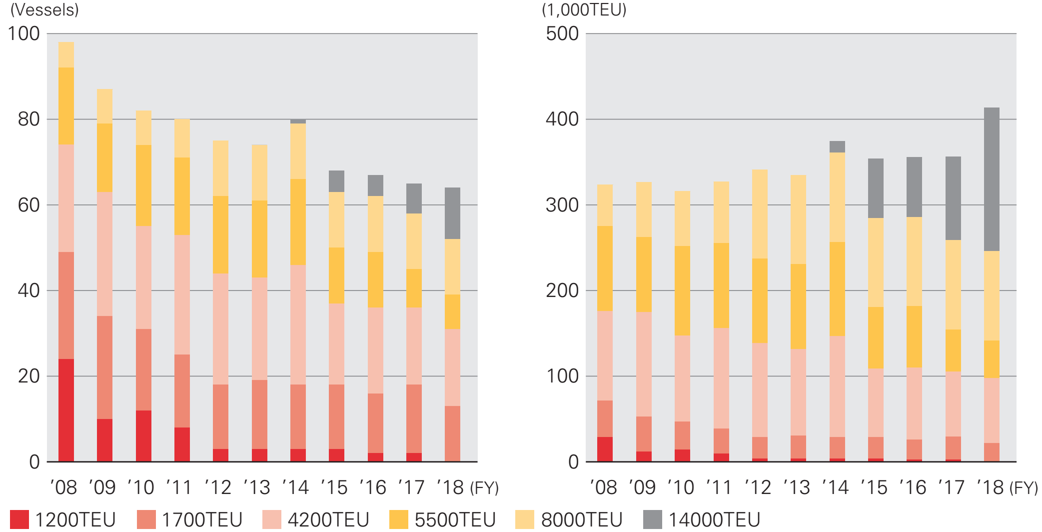
III. Business Segment Data | Containership

"K" LINE Containership Fleet

(Vessels)

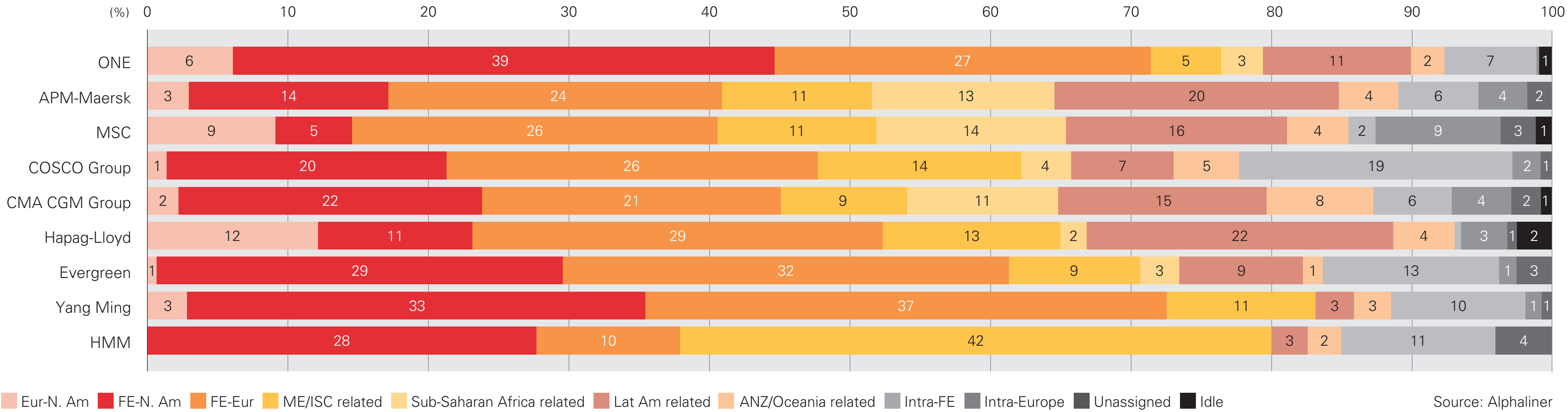
(FY)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
14000TEU type	—	—	—	—	—	—	1	5	5	7	12
8000TEU type	6	8	8	9	13	13	13	13	13	13	13
5500TEU type	18	16	19	18	18	18	20	13	13	9	8
4200TEU type	25	29	24	28	26	24	28	19	20	18	18
1700TEU type	25	24	19	17	15	16	15	15	14	16	13
1200TEU type	24	10	12	8	3	3	3	3	2	2	0
Total	**98**	**87**	**82**	**80**	**75**	**74**	**80**	**68**	**67**	**65**	**64**

"K" LINE Containership Fleet Scale



Main Carriers Breakdown of Capacity Operated by Trade

(as of July 2019)



Source: Alphaliner

III. Business Segment Data | Containership

Operating Company Profile

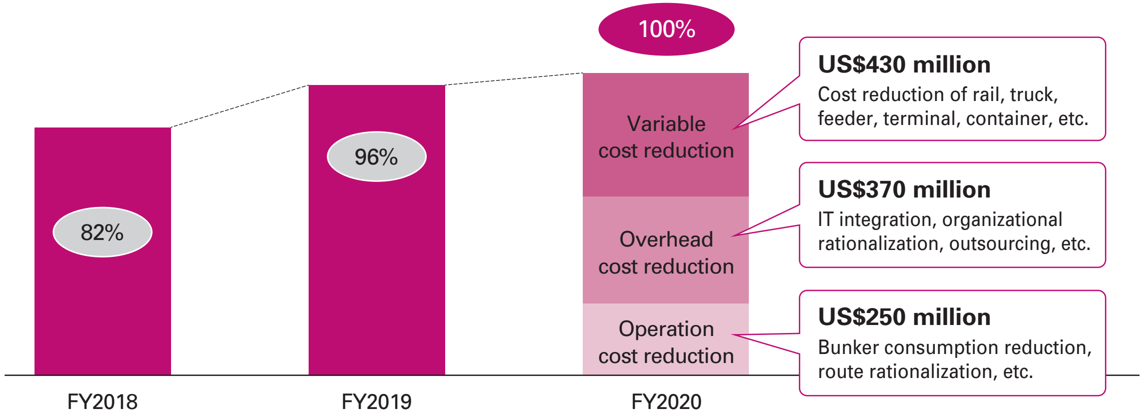
Tradename	OCEAN NETWORK EXPRESS PTE. LTD.
Location	Republic of Singapore
Shareholders / Contribution Ratio	Kawasaki Kisen Kaisha: 31% Mitsui O.S.K. Lines: 31% Nippon Yusen Kabushiki Kaisha: 38%
Amount of Contribution	US$ 3 billion
Business Domain	Container Shipping Businesses (Including worldwide terminal operation except for Japan)
Service Start	April 1st, 2018

ONE FY2018 Full-year Results	
Revenue	US$ 10,880 million
Profit/Loss	US$ -586 million
ONE FY2019 Full-year Forecasts*	
Revenue	US$ 12,395 million
Profit/Loss	US$ 90 million

*as of July 2019

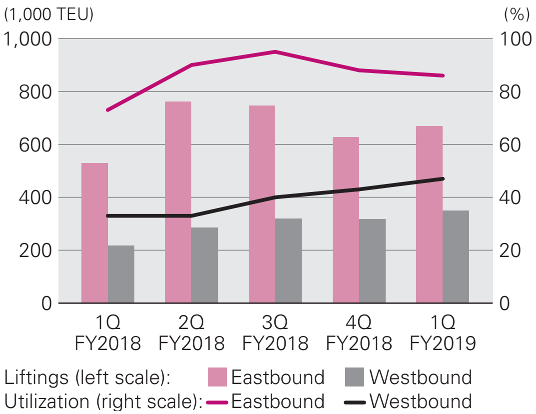
Schedule and Breakdown of Synergy Effect (US$1,050 million)

(as of July 2019)

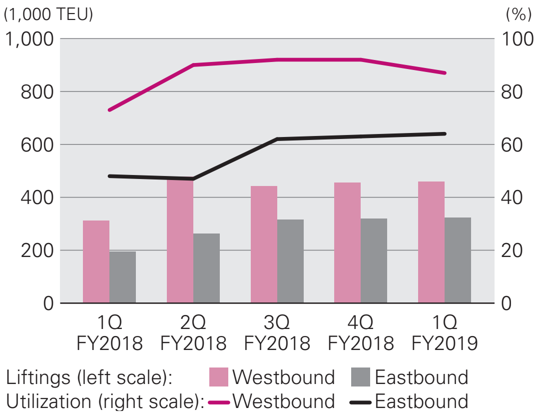


Transition of ONE Liftings / Utilization

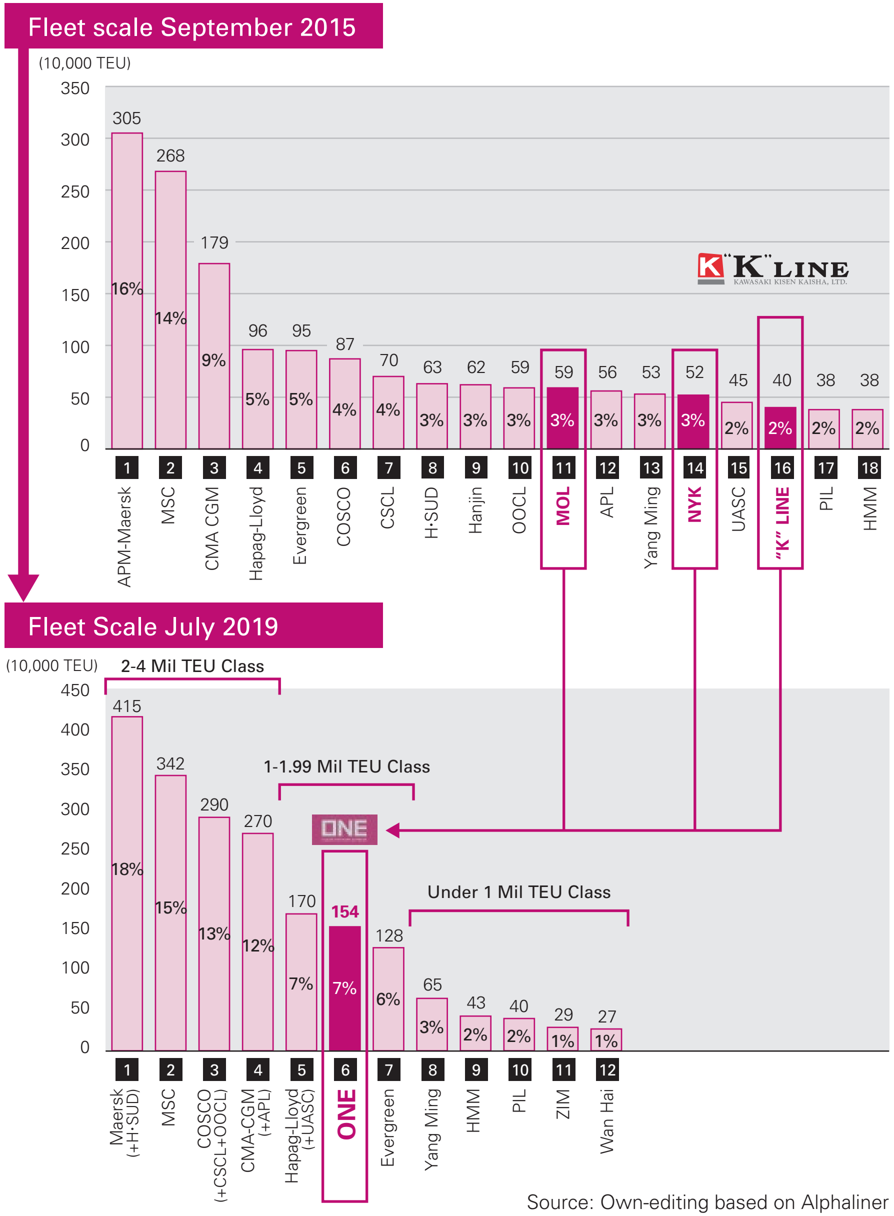
Asia-North America



Asia-Europe



Environment of Container Shipping Business

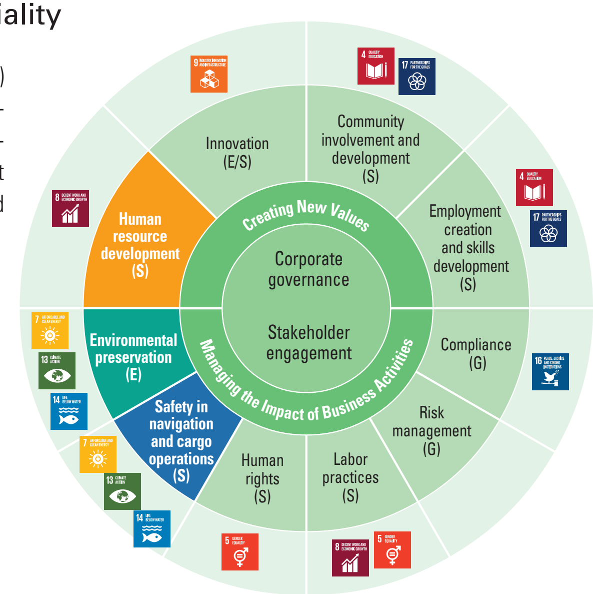


Source: Own-editing based on Alphaliner

IV. ESG Initiatives

"K" LINE Group's CSR and Materiality

We recognize our corporate social responsibility (CSR) in the following two large frameworks, namely "managing the impact of our business activities" and "creating new values," and aim to "build a management structure that emphasizes social responsibility" based on these frameworks.



Process to Identify Materiality

STEP 1 Specifying Themes Related to "K" LINE Group's Business Activities

Referring to frameworks such as OECD Guidelines for Multinational Enterprises, ISO26000, GRI Guidelines, etc., the "K" LINE Group has identified themes that the Group may affect or contribute to the environment and the society through its business activities, and specified them through dialogues with stakeholders, both internal and external.

STEP 2 Selecting Material Issues

Out of those themes specified in STEP 1, the "K" LINE Group has selected 10 themes that should be prioritized in terms of significance of economic, environmental, and social impacts and effects on stakeholders' evaluation and decision-making, added 2 themes that are essential for establishment of management structure to settle those themes, and placed all of them as material issues that should be addressed extensively.

STEP 3 Formulating Annual CSR Action Plans

For the material issues selected in STEP 2, the "K" LINE Group has set medium- and long-term goals, and in order to reach them step by step, it is formulating Annual CSR Action Plans.

STEP 4 Matching with SDGs

The "K" LINE Group has matched our Annual CSR Action Plans outlined in Step 3 with the 17 SDGs adopted by the United Nations in 2015, then tied together goals that have similar aims.

STEP 5 Reviewing

The "K" LINE Group reviews the progress of Annual CSR Action Plans on a semi-annual basis, and plans are modified and reset as necessary. At the end of every fiscal year, the attainments and the achievements of Annual CSR Action Plans are evaluated, then the Group formulates annual plans for new fiscal year, taking the level of achievements towards medium- and long-term goals as well as changes in society surrounding its business into consideration.

Risks and Opportunities of ESG

	Risks	Opportunities
Environmental Preservation	• Marine pollution caused by serious accidents and oil spills • Ecosystem destruction by marine organisms brought by our operating vessels • Global warming and air pollution caused by exhaust gas from ships • Climate change and exhaustion of resources Business continuity / cost increase / lowering competitiveness	• Marine safety improvement • Maintain the beautiful blue and fertile oceans • Further energy efficient operations • Introducing new marine fuels and advanced technologies Engineering innovation / entering new business fields / differentiation
Safety in Navigation and Cargo Operations	• Casualties, destruction, contamination, and losses caused by accidents, resulting in loss of social trust • Unsafe condition stemming from deterioration of ship quality, violation of laws, and increasing in accident rates caused by decline in safety culture • Decline of technological capabilities and loss of maritime expertise caused by shortage of human resources	• Provide ongoing safe navigation and high-quality services to improve social trust and seize business opportunities • Deploy advanced vessel management capabilities to maintain / improve vessel quality and enhance responses to handling hazardous / special cargo • Attract excellent human resources and accumulate / update maritime expertise to maintain / improve technical capabilities
Human Resource Development (Maritime Technical Personnel)	• Increase in seafarers leaving due to deteriorating work environment • Loss of opportunities to attract maritime technical personnel • Decline in knowledge and skills of maritime technical personnel • Impacts on transportation quality	• Improve workplace environments to retain deep talent pool of maritime technical personnel • Secure exceptional and diverse maritime technical personnel • Use accumulated knowledge and technologies to create new value • Ensure continuation of safety in navigation and cargo operations and high-quality transportation
Human Resource Development (Onshore Employees)	• Outflow of human resources • Declines in growth potential and competitiveness caused by insufficient career development • Sense of stagnation due to a decline in motivation	• Secure exceptional human resources • Deploy systematic human resource development program to strengthen individual power and increase overall company competitiveness • Foster a culture of learning through friendly competition

External Recognition

In appraisal of efforts to enhance our CSR initiatives, "K" LINE has been selected as a component in Socially Responsible Investment (SRI) and ESG indices used all over the world.

- FTSE4Good Global Index
- FTSE Blossom Japan Index
- ETHIBEL EXCELLENCE Investment Register
- Dow Jones Sustainability Asia/Pacific Index
- MSCI Japan Empowering Women Index (WIN)

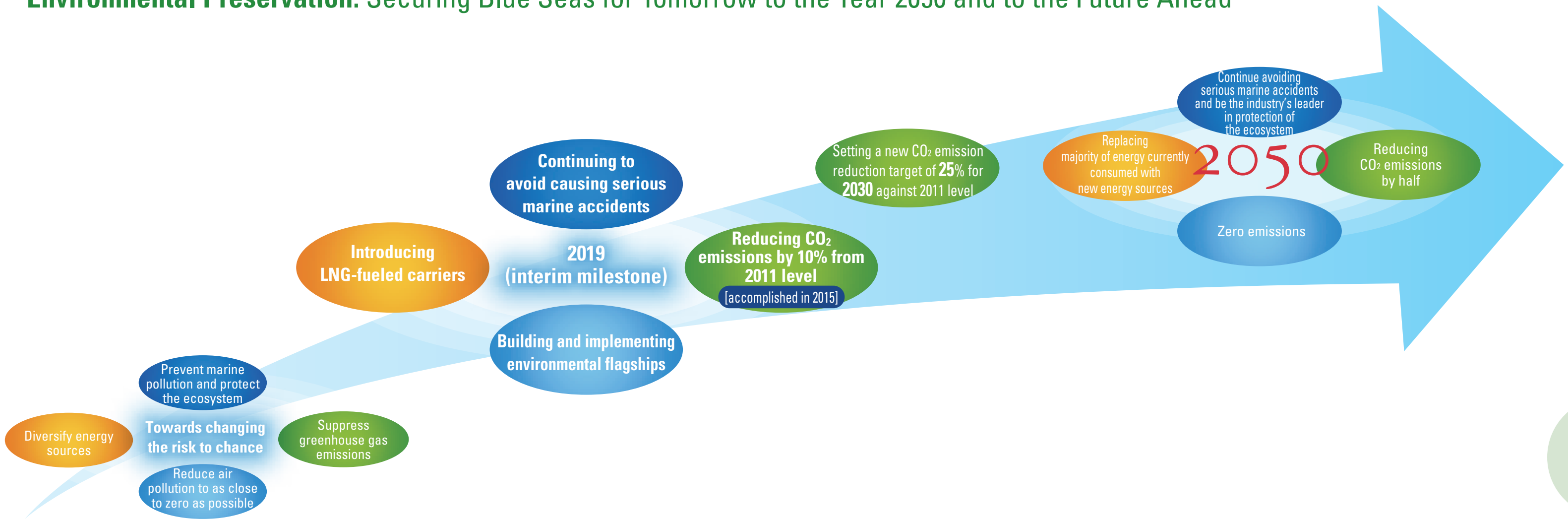
Further, in recognition of its disclosure of climate change information and efforts to reduce greenhouse gas emissions, "K" LINE was selected in the "CDP Climate A List" and the "Supplier Climate A List" for the third consecutive year.

In April 2018, we renewed our corporate website with an emphasis on active disclosure of information on the IR section and providing various information about marine transportation and the Company. As a result of initiatives like these, we have been selected for "Commendation Award" in the Internet IR Award 2018 by Daiwa Investor Relations Co. Ltd.

(As of June 2019)

IV. ESG Initiatives

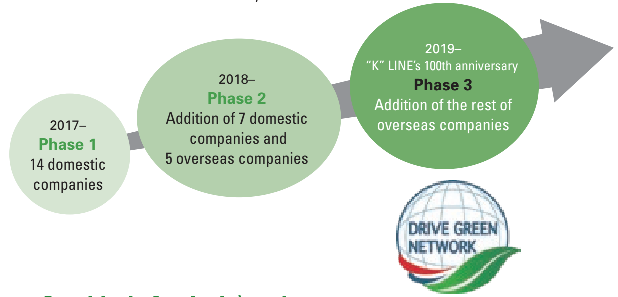
Environmental Preservation: Securing Blue Seas for Tomorrow to the Year 2050 and to the Future Ahead



DRIVE GREEN NETWORK (DGN)

In 2017, we launched "DRIVE GREEN NETWORK," a system for promoting environmental management by the entire "K" LINE Group. we centrally manages our environmental policies and target settings that Group companies reflected in their respective businesses as well as the efforts toward their achievement (through the PDCA cycle), to promote environmental preservation activities while ensuring environmental compliance throughout the entire Group.

In Phase 1, the network started with 14 domestic companies. We aim to establish a network of all Group companies in 2019, which marks the 100th Anniversary of "K" LINE.



Review of 2019 Interim Milestones (Mid-Term Targets)

Item	Status
Continuing to avoid causing serious marine accidents	Ongoing.
Introducing LNG-fueled carriers	Decided to conduct LNG bunkering business with Chubu Electric Power Co., Inc., Toyota Tsusho Corporation, and Nippon Yusen Kabushiki Kaisha. Having ongoing discussions on development of LNG-fueled carriers. Jointly developing an LNG-fueled ore carrier.
Building and implementing environmental flagships	Completed car carrier DRIVE GREEN HIGHWAY, received "Ship of the Year 2016" award. Ongoing collection of actual navigation data, including hybrid SOx Scrubber.
Reducing CO_2 emissions by 10% from 2011 level	Achieved in FY2015. Set new targets (below) for 2030.
Setting a new CO_2 emission reduction target of 25% for 2030 against 2011 level (SBT*1 certification obtained)	Continued efforts to achieve reduction targets equivalent to those proposed by the IMO (40% improvement in fuel efficiency compared with the year 2008). Decided to introduce an automated kite system that uses wind power to reduce CO_2 emissions during ship operation.

In 2019, we plan to formulate new interim milestones for 2030 based on the targets achieved as well as permanent targets.

An Outlook on Future Society (According to an Outsider's Analysis) and Issues in the Environmental Sector

Future Circumstances Surrounding Our Business

Growing global population
7.2 billion → 9.0 billion mainly in emerging economies

Economic growth and demand hikes chiefly in emerging economies
The global economy will grow to nearly four times its current size*2
As a result, demand will also increase for energy and many other resources.

Increase in marine transportation volume
More than double the current level*3

Issues in the Environmental Sector

Mounting needs for environmental actions
New conditions for competition, including tougher regulations, will be introduced to suppress the impact, resulting from the growth in marine transportation volume and the massive consumption of energy resources, on the atmosphere and the ocean.

Energy diversification
Global warming, shortage of resources and other issues will swiftly lead to diversified energy sources.

Actualizing global warming
Without a considerable reduction of worldwide CO_2 emissions, global warming will have a more serious adverse impact on the foundations of people's lives.There is also concern about its impact on port and harbor facilities, as it may damage them, and on the safety of operations.

*1. SBT (Science Based Target): Target scientifically consistent with the level achieving "2°C goal" of the Paris Agreement"
*2 OECD (2012): OECD Environmental Outlook to 2050 published in 2012
*3 Estimation of Global Insight Corporation with "K" LINE's forecast

IV. ESG Initiatives

Environmental Preservation

Expression of our support to the recommendations of the TCFD

We became the first Japanese shipping company to announce support for a proposal made by the Task Force on Climate-related Financial Disclosures (TCFD) in October 2018, based on the analysis made upon setting up our goals for 2050 and our experience in disclosing environmental information.

Priority Issues	Risks	Opportunities	Long-Term Goals for 2050
Marine pollution and the ecosystem	•Oil pollution accidents have serious impacts on the ecosystem. •Loss of confidence in safety means a loss of confidence in us as a business operator.	•Continuing to avoid causing serious accidents will help increase customers' confidence in us. •By fulfilling our duty as a marine business operator, we can hand down the ocean to the next generation by keeping it clean.	Continue avoiding serious marine accidents and be the industry's leader in protection of the ecosystem
Energy resources	•Exhaustion of resources and a fuel price surge would affect business profitability. •Delay in action for stable energy procurement and for diversification means a loss of competitiveness.	•Ensures stable business continuity and increases our reliability as a business operator. •Will enable us to take opportunities to enter new business fields including resources exploitation.	Replace majority of energy currently consumed with new energy sources
Global warming	•Frequent disasters caused by unsettled weather conditions undermine safety in ship operations. •Sea level rise will lead to the destruction of port and harbor facilities and coastal districts.	•Stabilization of weather conditions leads to safety and efficiency in operation. •Generate new transportation demand, such as the transportation of hydrogen.	Reduce CO_2 emissions by half (from 2011 level)
Air pollution	•Regulations on exhaust gas from ships, containing SOx, NOx, PM and other pollutants regarded as hampering growth of humans, animals and plants, will be stricter and the cost incurred for compliance will soar.	•By taking the lead in introducing equipment that complies with tough regulations, we will gain trust as a business operator and advanced competitiveness.	Aim for zero emissions

Governance	Risk Management
The Environmental Sub-Committee under the CSR & Environmental Committee (chaired by the President & CEO) is led by an executive officer in charge of ship technical and environmental affairs and is comprised of employees in charge of environmental affairs from internal divisions and Group companies. The Sub-Committee develops an environment management system for identifying the environmental impacts of our businesses and making improvements to minimize them, also implements the PDCA cycle to promote continuous improvements. The content of its discussions is reported at the Officers' Meeting.	We have established a system for managing crises and risks in order to recognize diverse management risks, including responses to climate change, and to prepare for them. Specifically, we have established four committees for responding to four different types of risks: risks in ship operations, risks of disasters, risks concerning compliance, and other risks related to management. (Risks concerning the environment are handled by the Management Risk Committee.) We have also set up the Crisis Management Committee as an organization to unify the four committees and facilitate overall risk management. Furthermore, important business strategies and investment plans related to environmental preservation are discussed at committees concerning our medium-term management plan and investment and reported to the monthly Board of Directors' meeting.

Environmental regulatory trends

Various international conventions and regulations are adopted, put into effect, and considered at the International Maritime Organization (IMO), and the IMO's environmental regulations governing ocean-going shipping are being tightened year after year. The following is the schedule for the IMO's principal environmental regulations.

Regulation		~2014	2015	2016	2017	2018	2019	2020	2021~
International Convention for the Control and Management of Ship's Ballast Water and Sediments*1		2004 (adoption)			8th Sep. 2017 (effectuation)				
Prevention of Air Pollution from Ships (SOx / PM)*2	Global	2005 4.5% / 2012 3.5%						Jan. 0.5%	
	ECA	2005 1.5% / 2010 1.0%	Jan. 0.1%						
Prevention of Air Pollution from Ships (NOx)*3	Global	2000~ Tier1 / 2011			Tier2				
	ECA			Jan.		Tier3			
Prevention of GHG emissions		The Initial IMO strategy on the reduction of GHG emissions from international shipping was adopted by the seventy-second session of the Marine Environment Protection Committee (MEPC 72) in April 2018. Ambition (compared to 2008): To reduce at least 40% of CO_2 emissions per transport work by 2030 and pursuing efforts towards 70% by 2050. To reduce at least 50% of the total annual GHG emissions by 2050 and to aims to phase GHG emissions out as soon as possible in this century.							
Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships		This convention, which aims to minimize labor accidents and environmental pollution in ship recycling, was adopted by IMO in 2009, but yet to go into effect as of Jul 2019. When this Convention enters into force, maintenance and management of a hazardous materials list is obligatory for ships with gross tonnage of 500 tons or more. Also, unless it is a ship recycling facility approved by a competent authority, it will be impossible to dismantle and recycle ships. The requirements (of the convention) are as follows: •Number of Parties / requirement : 15 countries or more •Fleet volume: 40% or more •Dismantling Volume *: 3% or more * Total annual dismantling volume in the most recent 10 years by contracting parties.							

*1 International Convention for the Control and Management of Ships' Ballast Water and Sediments: To prevent trans-boundary movements of aquatic organisms affecting the marine environment, ballast water must be properly managed in accordance with the procedures established by the Convention until the ballast water treatment equipment that meets the criteria of the convention is installed. Existing ship must install ballast water treatment equipment no later than 8 September 2024.

*2 Regulation of SOx (sulphur oxide) and PM (particulate matter): From January 2020 and on, we will need measures that either use fuel oil with a sulfur content of less than 0.5% in global operations or to clean the exhaust gas discharged outside the ship with an exhaust gas scrubber.

*3 Regulation of NOx (nitrogen oxide): This regulation aims to reduce NOx emissions in exhaust gas from ship's diesel engines. It was revised so that regulations would gradually be strengthened from Tier 1 to Tier 3.
Tier 1 (Ships built in 2000~2010): Set reference line against engine rated speeds.
Tier 2 (Ships built from 2011 and on): Reduce 15.5 - 21.8% compared with Tier 1
Tier 3 (Ships built from 2016 and on): Reduce 80.0% compared with Tier 1 (only ECA*)

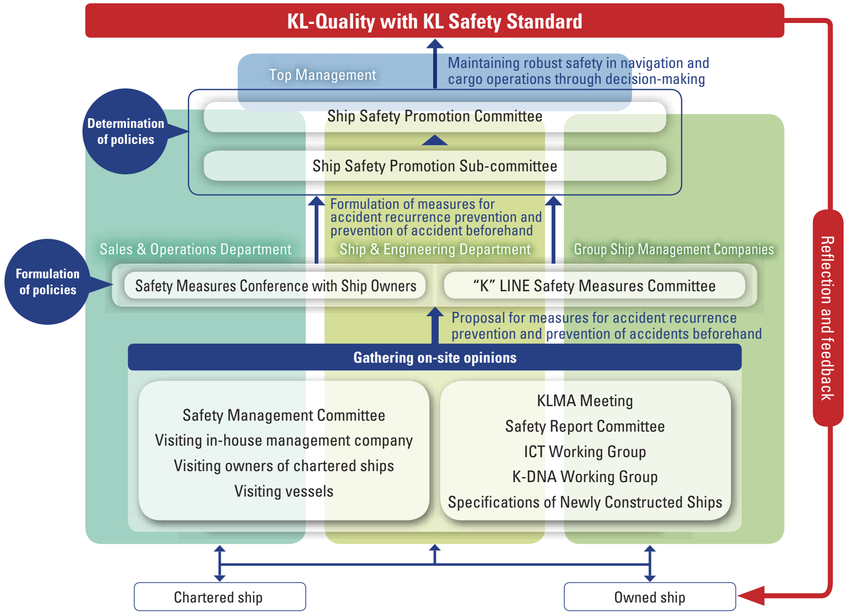
In order to comply with sulfur oxide (SOx) regulations to take effect in January 2020, we have adopted a policy of minimizing economic impact while maintaining smooth vessel operation. Based on this policy, we will undertake the following three measures for each ship according to such factors as customer intention, contract format, ship type, and ship age.

Measures		Progress status (as of July 2019)
(1) Use of regulation-compliant fuel oil	Overview	Major solution. No initial investment is required. We are forging ahead while paying close attention to supply systems and price trends.
	Status of securing regulation-compliant fuel oil	Advanced procurement and secured a certain ratio in major bunkering areas. Will step up procurement through the end of 2019. Have conducted trials of usage on multiple ship types.
	Responding to increased costs	Reduce the cost of fuel conversion by devising effective switching techniques and using additives. As for increases in fuel oil costs, we are explaining and discussing with customers to help them gain an understanding of the appropriate environmental cost burden.
(2) Installation of SOx scrubbers		Install SOx scrubbers on our ships to remove sulfur from exhaust gas. As a transitional measure, we plan to install such devices in some of our fleets, mainly large-sized vessels based on customer requests.
(3) Alternative fuels, such as LNG and LPG		In addition to sulfur oxide (SOx), we can also make reductions in nitrogen oxide (NOx) and carbon dioxide (CO_2). While retrofitting is difficult in existing ships and we currently have no devices installed, but possible over a longer term.

IV. ESG Initiatives

Safety in Navigation and Cargo Operations:
Maintaining World-leading Safety in Navigation and Cargo Operations

Enhancing Safety Management System



Initiatives

Pre-embarkation Briefing	Sharing our basic safety policy and the latest specific information
"KL-QUALITY"	Our own quality guidelines and standards for our ship supervisions
Safety Report System	Reporting system of near-miss on ship
Accident Information Management System (AIMS)	System analyzing accident information and trends
"K" Line-Drive to No Accident (K-DNA)	Our unique safety equipment installation guidelines
Safety Campaign	Annual Company-wide safety awareness-raising activities under the theme of "safety in navigation and cargo operations" and "environmental preservation"
Trouble News	Newsletters for all operating vessels, such as on preventing the recurrence of accidents
Emergency Response Drill	Establish accident response headquarters and conduct accident readiness drills

Human Resource Development:

Securing and Training Maritime Technical Personnel

It is a priority issue in international shipping to secure and train Japanese maritime technical personnel, who are expected to become leaders in charge of foreign seafarers both onboard and onshore. In order to train exceptional maritime technical personnel at the Company, in 2013 we established an in-house training course and started students from non-maritime universities, in addition to recruiting students from seafarer educational institutions.

In the training perspective, we seek to advance the careers of each personnel through both onboard and onshore work, including onshore training at the KLMA (Machida) Training Center and programs on ships. We have also introduced training not only to enhance the knowledge and technical skills of individuals but also to raise their teamwork skills, and are training a group of world-class maritime technical personnel.

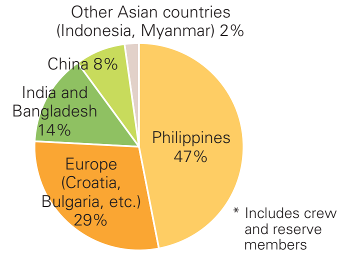
Occupational Health and Safety

At "K" LINE, safety supervisors make active ship visits to raise awareness about preventing work-related accidents and illnesses. In addition, they meet with personnel one-on-one to exchange views and provide advice in order to mitigate any concerns and/or dissatisfaction, as part of our mental healthcare efforts. Furthermore, a newsletter from safety supervisors is issued every month containing proposals for improving human relations and communication in the ship, approaches to work, and accident prevention information. At the seminar for Japanese maritime technical personnel held two times a year for onshore employees and employees on leave, we hold mental health lectures and safety training not only for new but also for seasoned employees. We also plan to offer such lectures and training to foreign seafarers.

"K" Line Maritime Academy Philippines

The ships managed by the "K" LINE Group are navigated not only by Japanese seafarers but also by seafarers of a variety of nationalities, including the Philippines, Bulgaria, China, and India. As a principle, we secure and train the seafarers (see pie chart). Philipino seafarers make up half of this group, and therefore, KLMA (Philippines) forms the core of "K" LINE's "securing and training seafarers." We have sought to expand our training facilities, constructing a new building in the Philippines in March 2018, and completing repairs of the existing building in July 2018. At the HQ office, we are also currently providing on-the-job training to Philipino seafarers, which is same as the training provided to Japanese seafarers, to be able to support technical personnel from shore.

Proportion of ship employees of foreign nationality



* Includes crew and reserve members

Onshore Employees

We offer a training program comprised of two parts: annual stratified training and practical training.

Introduction of Assistant Manager System

In 2018, we established the assistant manager system, with the aim that employees will gain management experience early, not only to enhance their management skills but also to strengthen the organization's operational capabilities and develop an efficient structure for business execution.

Trainer-Trainee System

We have a trainer-trainee system to enable new employees to engage in actual work shortly after joining the Company. Trainers (employees in their seventh year or later) conduct follow-ups of trainees (new employees) with the aim of giving them a secure step up as business professionals.

Health Management

Based on the recognition that the health of employees is the source of their individual happiness and is essential for achieving the principles of the Company, "K" LINE supports employee health by holding seminars on eating habits and projects for improved physical wellbeing, among other activities. Simultaneously, we carry out work-style reforms not only to adapt to laws and regulations but also to promote reduction of overtime work and employees' acquisition of paid leave.

FY	Scheduled avg. overtime hours*1 (hours)	Avg. amount of paid leave taken*2 (days)
FY2014	36.0	15.1
FY2015	29.7	15.3
FY2016	29.0	16.9
FY2017	28.8	16.8
FY2018	31.3	16.4

*1. The Company has adopted a 7-hour workday system. Comparing the figures shown above against those under the system of 8-hour workday (statutory working hours), our actual working hours can be further reduced by an average of 20.4 hours per month.

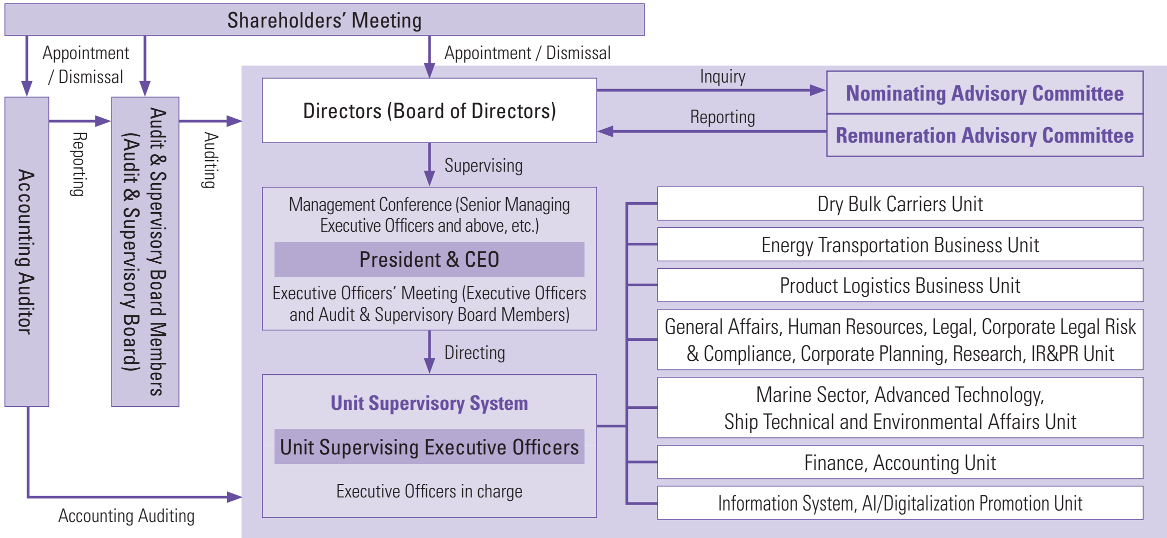
*2. A total number of annual paid leave and our special paid leave of 7 days.

IV. ESG Initiatives

Corporate Governance

Corporate Governance Structure

Our corporate governance structure is established, managed and monitored by the Board of Directors and the Audit & Supervisory Board and is also reviewed and revised by a number of committees and other organs.



(As of July 1, 2019)

Officers Remuneration System

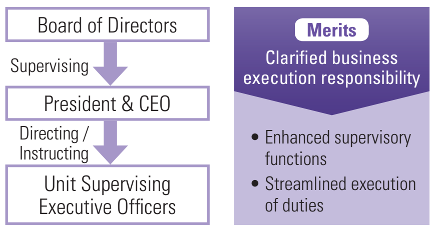
Classification	Type of remuneration	Nature of remuneration	Method of determination	Maximum limit of remuneration
Director	Monthly remuneration	Fixed remuneration	Remuneration is determined in accordance with position and performance rating.	Within 600 million yen / year
	Bonuses based on consolidated performance*	Variable remuneration	Linked to the degree of achievement of consolidated performance targets in single fiscal years	
	Performance-based share remuneration (BBT)*		Linked to medium- and long-term the Company's total shareholders return (TSR) 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)	Over the 4 fiscal years from FY ended March 31, 2017 up until FY ending March 31, 2020: (1) Amount contributed to the trust by the Company: 480 million yen (2) Maximum no. of points awarded to Directors in any 1 FY: 620,000 points (equivalent to 62,000 shares)
Audit & Supervisory Board Member	Monthly remuneration only	Fixed remuneration	Determined following deliberation among Audit & Supervisory Board Members	Within 12 million yen / month

* Limited to Executive Directors

Training for Officers

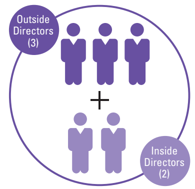
Attending Officers	Timing of implementation	Content
Newly appointed Officers	Within 3 months of taking office	Providing opportunities to attend seminars on legal responsibilities pertaining to the Companies Act and the Financial Instruments and Exchange Act, etc.
All Officers	Yearly	Training related to compliance in such areas as competition law, insider trading regulations, and anti-bribery
Outside Directors/Outside Audit & Supervisory Board members	Upon appointment	Explanations about the Group's business, financial and organizational status, as well as the management status, operating environment and business issues, from heads of relevant divisions or Executive Officers in charge

Unit Supervisory System



Nominating Advisory Committee, Remuneration Advisory Committee

In our institutional design as a corporation with an Audit & Supervisory Board, "K" LINE has voluntarily established a "Nominating Advisory Committee" and a "Remuneration Advisory Committee" in order to enhance the functions of the Board of Directors. Each of these advisory Committees is comprised of all Outside Directors, the Chairman and President & CEO, and the Chair is appointed by mutual vote of the Outside Directors residing on the Committees.



Appointment of Outside Officers

"K" LINE is actively seeking to appoint Outside Officers, taking advantage of an external perspective in order to enhance corporate value over the medium- to long-term.

Number of directors (fiscal 2019)	10 people
Of which: Outside directors	4 people
Number of Audit & Supervisory Board members (fiscal 2019)	4 people
Of which: Outside Audit & Supervisory Board members	2 people
Board of Directors meetings held in fiscal 2018	14 times
Attendance rate for outside directors at Board of Directors meetings in fiscal 2018	98%

Regarding Our Board Evaluation

FY2018 Evaluation

- Strives to continuously reform and improve governance
- A cooperative atmosphere due to the leadership of the Chairman
- Quick and appropriate decision-making process when executing duties
- Appropriate monitoring by diverse Outside Directors
- Proactive discussions about capital efficiency including the review of asset portfolio

Issues Going Forward

(1) Improved discussions regarding the medium- to long-term management policy and plan

In order to create more time for discussions at Board meetings, we need to re-examine the standards for creating the agenda and to redefine the roles of the Board and management. This will further accelerate and streamline the decision-making process, and promote more in-depth discussions of the medium-to-long-term strategy.

(2) Strengthen Group Governance

As a shareholder, we will strengthen the timely and appropriate monitoring system for the governance of Ocean Network Express (ONE), and ensure that monitoring by the Board, to the extent possible, is not limited to only the causes and consequences of changes to our results.

(3) Risk Management after Project Execution

We need to verify the risks and apply the Advanced Business Management after we begin to execute projects. We will create a list of investment projects and carry out progress reports at the board level and establish a risk management PDCA cycle.

(4) Improve Board Diversity

We believe that the diversity of our board is one of our strengths, however, there is room for further improvement in terms of gender diversity, specifically the absence of a female Director, and we will continue to work to improve the diversity of our Board.

IV. ESG Initiatives

Corporate Governance

Internal Control System

The Board of Directors is responsible for establishing the internal control system, evaluating its effectiveness and ensuring that it functions properly. In addition, through monitoring and verifying the status of the internal control system, the Internal Audit Group plays a role in supporting the Board of Directors in carrying out its responsibilities for the development, maintenance and enhancement of the internal control system. The Audit & Supervisory Board Members oversee the processes by which the Directors establish the internal control system and confirm that it is functioning effectively.

Further, while respecting the autonomy of each of our Group companies, "K" LINE supports and supervises the establishment and effective management of internal control systems within each of these companies to ensure that activities conducted across all Group companies are appropriate.

Primary Internal Audit Activities for FY2018

The Internal Audit Group is responsible for formulating annual audit plans and implementing the audits. Primary audit activities for FY2018 include the following.

- Work process audits for all divisions of the Company (20 processes)
- General IT control audits of all primary IT systems of the Company (24 systems)
- Company-wide internal control audits of major Group companies (28 companies)
- Overseas Group companies audits (9 companies)
- Joint audits with internal audit divisions of the Group companies (1 company)

Risk Management

Major Risks Which Affect Our Business

The Group's main business field, marine transport, is influenced by numerous international factors such as economic trends in various countries, product market conditions, supply and demand balance for ships, as well as intra-industry competition. Changes in any of these factors may give a negative impact on the "K" LINE Group's marketing activities and business results. In particular, a change in tax systems or economic policies, or an invocation of protective trade policies in Japan or major trading regions and / or countries such as North America, Europe, China, etc., may result in a decrease in overall volume of international cargo transport or worsen conditions for freight markets. This may give a serious impact on the Group's financial situation and operating results.

The risks described above do not include all the risks the "K" LINE Group is exposed to. For more information, please access "K" LINE's website.

HOME > Investor Relations > Management Policy > Business Risk

We need to recognize diverse management crises and risks, prepare for them, and fulfill our corporate social responsibility when the risks become reality. To this end, we have established our own system for managing crises and risks. Specifically, we divide crises and risks into four types and have established four Committees for responding to each of these types. We have also set up a Crisis Management Committee as an organization to unify the four Committees to control and facilitate overall crisis and risk management activities.

Compliance

Strengthening Our Group Compliance System

- Establishment of The "K" Line Group Global Compliance Policy (including Individual Policies of Competition Law and Anti-Corruption Law) (In January 2017)
- Holding of seminars by dedicated department, distribution of Guidebook and activities of dedicated committee, etc.
- Establishment of a Global Hotline System (In October 2018)

Compliance Promotion System and Our Efforts to Raise Compliance Awareness

We discuss our policy for securing compliance throughout "K" LINE and its Group companies, as well as measures for compliance violations, through our Compliance Committee, chaired by the President & CEO. Under the Chief Compliance Officer (CCO), who has the ultimate responsibility for compliance, we are strengthening compliance throughout our organization.

Furthermore, we set every November as "Compliance Month" when we distribute the President & CEO's message to executives and employees of "K" LINE and its Group companies to remind them of the importance of compliance and when we also hold compliance seminars.

V. Outline of the Company / Stock Information

Outline of the Company (as of March 31, 2019)

Name	Kawasaki Kisen Kaisha, Ltd. ("K" LINE)
Established	April 5, 1919
Paid-in capital	¥75,457.64 million
President	Yukikazu Myochin (Effective from April 1, 2019)
Employees	On-land Duty 552 At-sea Duty 204 Nonconsolidated total 756 Consolidated total 6,022
Business lines	Marine transportation, Land transportation, Air transportation, Through transportation involving marine, land and air transportation, Harbor transportation, etc.
Offices	
Head office	Iino Building, 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan Phone: (+81) 3-3595-5000 Fax: (+81) 3-3595-5001
Registered head office	Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81) 78-332-8020 Fax: (+81) 78-393-2676
Branches	Nagoya: Nagoya International Center Building, 47-1, Nagono 1-chome, Nakamura-ku, Nagoya 450-0001, Japan Phone: (+81) 52-589-4510 Fax: (+81) 52-589-4585 Kansai: Shinko Building, 8 Kaigandori, Chuo-ku, Kobe 650-0024, Japan Phone: (+81)78-325-8727 Fax: (+81)78-393-2676
Overseas representative offices	Manila, Yangon, Dubai
Overseas agents	Korea, China, Taiwan, Thailand, the Philippines, Singapore, Malaysia, Indonesia, Vietnam, India, Australia, United Arab Emirates, U.K., Germany, France, the Netherlands, Belgium, Finland, Denmark, Norway, Spain, Portugal, Turkey, U.S.A., Mexico, Chile, Peru, Brazil, South Africa, etc.
Affiliated companies (to be consolidated)	26 (domestic), 304 (overseas)

Stock Information (as of March 31, 2019)

Authorized	200,000,000 shares of common stock
Issued	93,938,229 shares of common stock

*The Company consolidated its common stock at a ratio of ten shares to one share, effective October 1, 2017.

Number of shareholders	28,997
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Listing of shares	Tokyo (1st section), Nagoya (1st section) and Fukuoka

Credit Rating (as of March 31, 2019)

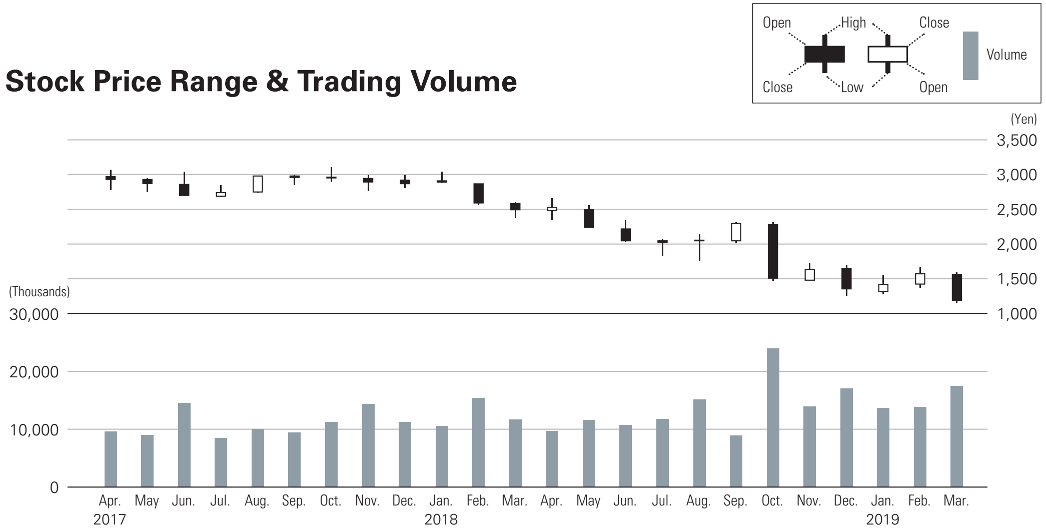
JCR
BBB- (Stable)

Principal Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
SMP PARTNERS (CAYMAN) LIMITED	15,297	16.31
GOLDMAN SACHS INTERNATIONAL	9,989	10.65
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	5,151	5.49
Trust & Custody Services Bank, Ltd. (Kawasaki Heavy Industries, Ltd. retirement benefit trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	3,392	3.61
ECM MF	3,119	3.32
The Master Trust Bank of Japan, Ltd. (trust account)	3,067	3.27
IMABARI SHIPBUILDING CO., LTD.	2,910	3.10
JFE Steel Corporation	2,817	3.00
J.P.MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	2,100	2.24
Sompo Japan Nipponkoa Insurance Inc.	1,910	2.03

*Percentage of shares held is calculated excluding treasury stock (194,972 shares).

Stock Price Range & Trading Volume



*The Company consolidated its common stock at a ratio of ten shares to one share, effective October 1, 2017. The above figures for stock price and trading volume have been calculated on the assumption that the share consolidation took place at the beginning of the previous fiscal year (April 1, 2016).

IINO BUILDING,1-1, Uchisaiwaicho 2-chome,
Chiyoda-ku TOKYO 100-8540, JAPAN

KAWASAKI KISEN KAISHA, LTD.

INVESTER RELATIONS DIVISION, IR & PR GROUP
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URL: http://www.kline.co.jp/en/