

June 9, 2016

Kawasaki Kisen Kaisha Ltd.

Tsuyoshi Yamauchi, Senior Managing Executive Officer

Supplementary Explanation to 148th Ordinary General Meeting of Shareholders

To Our Shareholders,

Thank you for your continued support.

We recently learned that Institutional Shareholder Services (ISS) has recommended that shareholders vote against the election of Mr. Jiro Asakura (Chairman) and Mr. Eizo Murakami (Representative Director, President & CEO), who are nominated in Agenda Item No. 2 (Election of 9 Directors) at our 148th Annual General Meeting of Shareholders on June 24th.

We would like to take this opportunity to respond to ISS' recommendation. We sincerely hope that this document will help you to better understand Agenda Item No. 2.

Our Response

1. Background to ISS' Against Recommendation

ISS recommends that shareholders oppose the top executive(s) at a company that has underperformed in terms of capital efficiency (i.e., when the company has posted average return on equity (ROE) of less than five percent over the last five fiscal years), unless an improvement is observed. They have issued a recommendation to oppose our top management, Mr. Asakura and Mr. Murakami, because our average ROE over the past 5 years (2011 – 2015) was -2.72 percent (on a consolidated base).

2. Our Response

While it is true that our average ROE over the past five years is less than 5 percent, we feel that ISS' recommendation is an exercise in box-ticking that does not reflect a careful analysis of the issue. Additionally, we find it difficult to believe that ISS thoroughly investigated our management structure, which will aid in our efforts to increase corporate value in the future. We have determined that it is necessary for both Mr. Asakura and Mr. Murakami to continue leading our company for the following reasons.

1. Low ROE is Due to Worsening Market Conditions and a Difficult Environment

2015 saw a slowdown in the world economy, principally in China and in emerging markets. The refugee crisis in Europe and other spikes in geopolitical risk led to a sense of uncertainty. Market conditions were sluggish due to low growth in demand for logistics and an increase in the supply and demand gap for tonnage caused by an oversupply of new ships.

Even under these conditions we were able to operate in the black. We did incur extraordinary losses as we undertook structural reforms in response to sudden and severe changes in the operating environment. Though these extraordinary losses did lead to the deterioration of our ROE, we plan to continue to implement structural reform and other measures to ensure our competitive strength going forward.

Additionally, in 2014 our ROE was 6.5% (consolidated base), higher than two other major Japanese ocean shipping companies (Nippon Yusen: 6.2%, Mitsui O.S.K. Lines: 5.8%). Therefore, we think that management cannot be blamed for the low ROE recorded in 2015.

2. Our Efforts to Increase Corporate Value

< Reviewing the Medium-Term Management Plan >

In April of this year we released a document titled Review of Medium-Term Management Plan: “K-Line Value for our Next Century – Action for Future –.”* This was a full review of the Medium-Term Plan we released in March 2015. In addition to our ongoing efforts to ensure stability by improving financial strength, we decided to strive to increase corporate value by ensuring competitiveness through structural reform.

Here are some further details regarding our efforts:

- We reduced exposure to dry bulk carriers through structural reform
- We undertook a drastic reevaluation of inefficient businesses at affiliates
- We continually implemented policies to ensure the competitiveness of the containership business

We will increase corporate value by distributing management resources appropriately to each field and aiming to achieve an ROE of 8% by FYE 2019. Amidst this harsh operating environment we plan to exert every effort to execute our Medium-Term Plan.

*This document can be viewed at the following address:

http://www.kline.co.jp/en/ir/stock/disclose/detail/_icsFiles/afieldfile/2016/04/28/20160428ReviewofMediumTermManagementPlanKLineValueforourNextCenturyActionforFuture_e.pdf

< Strengthening our Governance >

In November 2015, with the goal of strengthening our supervisory function we established the Nominating Advisory Committee and Remuneration Advisory Committee, which are both chaired by Outside Directors. In this way we are endeavoring to make director nominations and remuneration more transparent.

Additionally, in October 2015 we determined that Management Conferences would function as a forum for the President & CEO and Executive Directors to make decisions in order to strengthen the framework for the execution of duties. We have continued to strengthen our organization to allow management to function at a fast pace. In April 2016 we introduced a Unit Supervisory System in which Unit Supervising Executive Officers control and supervise multiple business departments, thus strengthening and clarifying responsibility for business execution.

Regarding our response to Japan's Corporate Governance Code, this year we had an independent third-party conduct an evaluation of our board's effectiveness by interviewing each of our directors and auditors. The following points were noted as our company's strengths.

- The board strives to continuously reform and improve governance
- The board's decision-making process is quick and appropriate when executing duties
- Appropriate monitoring is conducted by diverse outside directors
- Due to the leadership of the Chairman, the board maintains an environment in which all members, including Outside Directors, can speak freely

Our Board of Directors plans to further increase our effectiveness by forging ahead with the current structure while also continuously striving to improve.

Amidst this harsh operating environment we are increasing the discipline of our management by strengthening our governance. We plan to strive to increase corporate value by executing our Medium-Term Plan through strong decision-making and leadership.

As we proceed with these efforts we recognize that Mr. Asakura has an abundance of knowledge and experience related to corporate governance. Given his experience, broad outlook and deep perspective, he will be indispensable in our efforts to improve our governance going forward.

Mr. Murakami has established the foundation for our continuous growth as a general logistics company. He has exhibited superior management ability as the head of our firm. Bolstered by his broad and deep knowledge and experience across a variety of fields, his leadership will be indispensable to us in the future as we carry out our Medium-Term Plan and increase our corporate value.



We once again would like to humbly request that you exercise your voting rights based not only on our performance in relation to a short-term index, but on your understanding of the environment in which our company and the ocean shipping industry as a whole operates as well as our efforts undertaken from a medium-to long-term perspective.