

(Summary translation for reference only)

## **Notice of the Annual Shareholders' Meeting (Fiscal 2006)**

(Securities Code: 9107)

June 5, 2006

8 Kaigan-dori, Chuo-ku, Kobe  
**Kawasaki Kisen Kaisha, Ltd.**  
Hiroyuki Maekawa, President

To our Shareholders:

You are invited to participate in the Annual Shareholders' Meeting of the Company, details of which are set forth below.

If you are unable to attend the meeting, you may exercise your vote in either one of the following methods. Should you wish to exercise your vote, please kindly review the enclosed reference materials for the shareholder's meeting and exercise your vote by June 23 (Friday), 2006, 5:00 p.m.

[To exercise your vote by mail]

Complete the enclosed proxy form, indicating whether you approve or disapprove of each of the propositions to be voted on, and return it by mail to us.

[To exercise your vote via the Internet, etc.]

Access the designated voting website (<http://www.web54.net>) from a personal computer, using the "Voting Code" and "Password" printed on the enclosed proxy form, then follow the instructions on the screen to indicate whether you approve or disapprove of each of the propositions to be voted on.

Please refer to "Exercise of Voting Rights via the Internet, etc." on page 39 regarding the procedure for exercising your vote via the Internet.

**Date and time:** June 26 (Monday), 2006, 10:00 a.m.

**Location:** 6-4, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo  
Kaiun Building, Kaiun-Club (Nihon Kaiun Kaikan)  
2<sup>nd</sup> Floor, Large Hall  
(The location for the current shareholders' meeting has been changed from the previous venue.)

### **Agenda:**

*Matters to be reported on:*

1. Business Report, Consolidated Balance Sheet, Consolidated Income Statement and results of audit by Accounting Auditor and the Board of Corporate Auditors on the Consolidated Statutory Reports for Fiscal Year ended March 31, 2006
2. Balance Sheet and Income Statement for Fiscal Year ended March 31, 2006, and acquisition of the Company's own shares as authorized by the Articles of Incorporation of the Company.

*Matters to be voted on:*

1. Approval of proposed appropriation of retained earnings for the Fiscal Year 2006
2. Partial amendment to the Articles of Incorporation
3. Institution of policy governing countermeasures to large-scale acquisitive moves (takeover defenses)
4. Election of six (6) directors
5. Election of one (1) substitute corporate auditor
6. Approval of granting retirement allowance to resigning directors and terminal payment of retirement allowance with the abolition of retirement allowance system for directors and corporate auditors
7. Revision of remuneration amount for corporate auditors

Details of the proposition are as described in the “Reference Materials for Shareholders’ Meeting” in the latter part of this notice.

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- For those attending the meeting on the day, please submit the enclosed voting form at the reception desk.
  - If you vote by proxy, the proxy must be another shareholder of the Company with the voting rights pursuant to Article 16 of the Articles of Incorporation of the Company. The number of such proxy must be one (1).
  - Any changes in the matters described in this notice will be posted on our web site on the Internet (<http://www.kline.co.jp/>).

## Reference Materials for The Shareholders' Meeting

### Propositions and Reference Matters

#### **Proposition 1: Approval of proposed appropriation of retained earnings for the Fiscal Year 2006**

The proposed appropriation of retained earnings for the Fiscal Year is shown in the table below. Although freight movement improved in all business sectors, both ordinary income and net income were lower than the initial forecast due to some negative factors, including a surge in fuel oil prices and softening markets for tramp shipping and some container shipping routes. In spite of this, net income marked a record high. Considering the business results, we propose that the year-end dividend be ¥9.00 per share. Since we paid an interim dividend of ¥9.00 per share last November, if our proposal is approved, total annual dividend for the Fiscal Year will be ¥18.00 per share, a ¥1.5 increase over last year. We would also like to make an appropriation to directors' bonuses and increase the special reserve, and carry forward the remaining retained earnings to the next term.

With regard to bonuses to directors, considering the number of directors we propose to pay ¥220 million, an increase of ¥15 million over last year, to directors in office as of the end of this term.

#### **Proposed Appropriation of Retained Earnings**

Item	Amount in yen	
Unappropriated retained earnings at the end of Fiscal Year 2006		33,940,728,685
Reversal of reserve for special depreciation	570,008,106	
Reversal of reserve for reduction of acquisition cost	91,472,345	661,480,451
Total		34,602,209,136
We would like to propose appropriation of the above sums as follows:		
Dividend (¥9 per share)	5,328,365,256	
Directors' Bonuses	220,000,000	
Special reserve	28,500,000,000	34,048,365,256
Retained earnings carried forward		553,843,880

*Note: We paid an interim dividend of ¥9.00 per share (total ¥5,335,073,163) to shareholders registered as of September 30, 2005.*

## **Proposition 2: *Partial amendment to the Articles of Incorporation***

### **1. Reason for amendment**

#### **(1) The proposed Article 6**

The Company has already issued shares of about 62% of total number of shares that may be issued. Considering new shipbuilding demand in the future and international maritime industry trend, etc., we expect there will be circumstances where flexible fund raising would be required, and to prepare for such circumstances we propose to increase the total number of shares that may be issued by the Company.

In addition, if proposition 3: Institution of Policy Governing Responses to Large-Scale Acquisitive Moves (Takeover Defenses) is approved, the proposed increase would also be for the Company to respond based on said Policy.

#### **(2) The proposed Article 21: We propose to reduce the number of directors in order to accelerate the decision-making process of the Board of Directors.**

#### **(3) We propose to make the following changes relating to matters, which can be set in the Articles of Incorporation by the enforcement of the Corporation Law (Law No. 86). (The article numbers reflect the proposed amendments.)**

1) Article 15: The Corporation Law has abolished restrictions on the venue of a shareholders' meeting. To facilitate the convening of shareholders' meetings, however, we propose to limit the venue of a shareholders' meeting to Hyogo Prefecture, where our registered head office is located, and Tokyo, where our main office is located.

2) Article 20: We propose to enable the disclosure of reference documents via the Internet to improve shareholders' convenience when convening the shareholders meeting.

3) Article 28-2: Pursuant to Article 370 of the Corporation Law to permit resolutions in writing, etc., we propose to make a required amendment in order to enable the Board of Directors to adopt resolutions in writing, etc. to facilitate flexible management of the Board of Directors.

4) Article 40: Pursuant to Paragraph 1 of Article 427 of the Corporation Law to conclude liability-limiting contracts with external corporate auditors, we propose to establish a new article to invite highly-talented people who are highly independent as external corporate auditors.

#### **(4) Purpose of the following amendments to specify the issuance of share certificates and establishment of governing bodies pursuant to the enforcement of the "Corporation Law" (the chapter and article numbers already reflect the proposed amendments).**

1) Article 4: Establishment of the Board of Directors, Corporate Auditors, the Board of Corporate Auditors and Accounting Auditors

2) Article 9: Issuance of share certificates

3) Article 41 to Article 43 of Chapter VI: Establishment of a chapter regarding Accounting Auditors

- (5) Purpose of the following amendments is to amend the wording pursuant to the enforcement of the “Corporation Law” (the article numbers already reflect the proposed amendments).

CHAPTER I: Article 5 (Public Notices), CHAPTER II: Article 6 (Total Number of Shares that May be Issued), Paragraph 2 of Article 6 (Acquisition of Treasury Stock), Article 7 (Share-voting Unit), Article 8 (Request of Sale of Additional Shares by Shareholders), Article 11 (Share-Handling Regulations), Article 12 (Agent to Manage Shareholders’ Registry), CHAPTER III: Article 14 (Record Date of Annual Shareholders Meeting), Article 17 (Resolutions), Article 18 (Vote by Proxy), Article 19 (Minutes), CHAPTER IV: Article 22 (Term of Office), Article 23 (Election), Article 26 (Meeting of the Board of Directors), Article 28 (Resolution of the Board of Directors), Article 29 (Minutes of the Board of Directors Meetings), Article 30 (Remuneration, etc.), CHAPTER V: Article 32 (Term of Office), Article 33 (Election), Article 34 (Board of Corporate Auditors and Standing Auditors), Article 35 (Convocation of the Board of Corporate Auditors), Article 36 (Resolutions at the Board of Corporate Auditors Meeting), Article 38 (Minutes of the Board of Corporate Auditors Meeting), Article 39 (Remuneration, etc.), CHAPTER VII: Article 43 (Business Year and Closing of Accounts), Article 44 (Record Date of Dividend), Article 45 (Interim Dividend) and Article 46 (Exclusion Period of Dividend)

- (6) In addition, we propose to make other changes including the number of articles as a result of establishment of new articles.

2. Amendment to the Articles of Incorporation  
 Contents of amendments are as follows:

(Underlined parts are to be changed.)

Current Articles of Incorporation	Proposed Amendment
CHAPTER I GENERAL PROVISIONS	CHAPTER I GENERAL PROVISIONS
(New)  	(Governing Bodies) <u>Article 4.</u> <u>The Company shall have the following governing bodies:</u> 1. <u>Board of Directors;</u> 2. <u>Corporate Auditors;</u> 3. <u>Board of Corporate Auditors;</u> 4. <u>Accounting Auditors.</u>
(Public Notices) <u>Article 4.</u> Public Notices of the Company shall be made by Electronic Notification. In the case that Electronic Notification is disabled due to an accident or other causes beyond the control of the Company, Public Notices of the Company may be <u>made</u> in the “Nihon Keizai Shimbun” published in Tokyo ultimately.	(Public Notices) <u>Article 5.</u> Public Notices of the Company shall be made by Electronic Notification. In the case that Electronic Notification is disabled due to an accident or other causes beyond the control of the Company, Public Notices of the Company may be <u>made by means of posting</u> in the “Nihon Keizai Shimbun” published in Tokyo ultimately.
CHAPTER II SHARES	CHAPTER II SHARES
(Total Number of Shares) <u>Article 5.</u> The total number of shares <u>authorized to be issued shall be one billion and eighty million (1,080,000,000) shares.</u>	(Total Number of Shares that May be Issued) <u>Article 6.</u> The total number of shares <u>that may be issued shall be two billion (2,000,000,000) shares.</u>
(Acquisition of Treasury Stock) <u>Article 5 – 2.</u> <u>Pursuant to the Commercial Code of Japan, Article 211-3, paragraph 1, item (2) the Company may purchase its shares for treasury stock upon a resolution of its Board of Directors.</u>	(Acquisition of Treasury Stock) <u>Article 6 – 2.</u> <u>Pursuant to the Corporation Law of Japan, Article 165, paragraph 2, the Company may acquire its shares for treasury stock upon a resolution of its Board of Directors.</u>

Current Articles of Incorporation	Proposed Amendment
<p>(Share-voting Unit)  <u>Article 6.</u>  1. <u>One</u> share-voting unit (“tangen-kabu”) of the Company shall consist of 1,000 shares.  2. The Company shall not issue any share certificate if shares held constitute less than <u>one</u> share-voting unit. However, the scope of the Share-Handling Regulations may not be limited by this article.  3.</p>	<p>(Share-voting Unit)  <u>Article 7.</u>  1. <u>The</u> share-voting unit (“tangen-kabu”) of the Company shall consist of <u>one thousand</u> (1,000) shares.  2. The Company shall not issue any share certificate if shares held constitute less than <u>the</u> share-voting unit. However, the scope of the Share-Handling Regulations may not be limited by this article.</p>
<p>(Purchase of Additional Shares by Shareholders)  <u>Article 7.</u>  In compliance with the Share-Handling Regulations, the shareholders who possess less than one share-voting unit, including beneficial shareholders, may request the Company to transfer the necessary number of shares in order to be entitled to <u>one</u> voting unit. (In each article that follows hereunder, the language of shareholders shall include beneficial shareholders.)</p>	<p>(Request of Sale of Additional Shares by Shareholders)  <u>Article 8.</u>  In compliance with the share-Handling Regulations, the shareholders who possess less than one share-voting unit, including beneficial shareholders, may request the Company to sell the necessary number of shares in order to be entitled to <u>the</u> voting unit. (In each article that follows hereunder, the language of shareholders shall include beneficial shareholders.)</p>
<p>(New)</p>	<p>(Issuance of Share Certificates)  <u>Article 9.</u>  <u>The Company shall issue share certificates.</u></p>
<p>(Share Certificates)  <u>Article 8.</u>  The denominations of share certificates to be issued by the Company shall be stipulated in the Share-Handling Regulations instituted by the Board Of Directors of the Company.</p>	<p>(Share Certificates)  <u>Article 10.</u> (No change)</p>

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="177 277 796 344">(Share-Handling Regulations) <u>Article 9.</u></p> <p data-bbox="177 347 796 656">The registration of transfer of shares, purchase of shares constituting less than one share-voting unit including purchase of additional shares by shareholders and other procedures relating to shares of the Company and fees shall be governed by the Share-Handling Regulations instituted by the Board of Directors.</p>	<p data-bbox="798 277 1410 344">(Share-Handling Regulations) <u>Article 11.</u></p> <p data-bbox="798 347 1410 898">The registration of transfer of shares, the purchase <u>and sale</u> of shares constituting less than one share-voting unit including purchase of additional shares by <u>existent</u> shareholders, <u>entry and recording into the Register of Rights to subscribe for new shares</u>, other procedures relating to shares of the Company <u>as well as fees and procedures pertaining to the exercise of shareholders' voting rights, etc.</u> shall be governed by the Share-Handling Regulations instituted by the Board of Directors <u>in addition to the relevant laws and ordinances as well as these Articles of Incorporation.</u></p>

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="177 277 796 342"><u>(Transfer Agent)</u> <u>Article 10.</u></p> <ol data-bbox="177 344 796 1137" style="list-style-type: none"> <li data-bbox="177 344 796 450">1. <u>The Company shall have a <u>Transfer Agent for handling all share transactions.</u></u></li> <li data-bbox="177 452 796 622">2. <u>The <u>Transfer Agent</u> and its place of business shall be determined by a resolution of the Board of Directors and public notice shall be given thereof.</u></li> <li data-bbox="177 624 796 1137">3. <u>The <u>Transfer Agent</u> shall always maintain in its place of business the <u>Register of Shareholders, the Register of Beneficial Shareholders of the Company and the Register of Lost Shares of Company Stock, and shall handle registration of transfer of shares, purchase of less than one share-voting unit, purchase of additional shares by shareholders and other matters relating to shares of Company stock, and the Company itself shall not be involved in such matters.</u></u></li> </ol>	<p data-bbox="798 277 1410 342"><u>(Agent to Manage Shareholders Registry)</u> <u>Article 12.</u></p> <ol data-bbox="798 344 1410 1518" style="list-style-type: none"> <li data-bbox="798 344 1410 450">1. <u>The Company shall have an <u>Agent to Manage Shareholders Registry.</u></u></li> <li data-bbox="798 452 1410 622">2. <u>The <u>Agent to Manage Shareholders Registry</u> and its place of business shall be determined by a resolution of the Board of Directors and public notice shall be given thereof.</u></li> <li data-bbox="798 624 1410 1518">3. <u>The <u>Agent to Manage Shareholders Registry</u> shall always maintain in its place of business: <u>Register of Shareholders, the Register of rights to subscribe for new shares and the Register of Lost Shares of Company Stock. The <u>Agent to Manage Shareholders Registry</u> shall be in charge of the registration of transfer of shares, the administration of the Register of Rights to subscribe for new shares, the registration of the right of pledge and any indications of trusts or deletion of the same, non-possession of stock certificates, issuance of stock certificates, procedures of registration of lost shares of company stock, purchase and sale of shares less than one share-voting unit and other matters relating to shares of the Company's stock, and the Company itself shall not be involved in such matters.</u></u></li> </ol>

Current Articles of Incorporation	Proposed Amendment
<p>(Fixed Record Date)  <u>Article 11.</u>  1. <u>The Company shall deem that those shareholders listed or recorded in the last Register of Shareholders on March 31 of each year are entitled to exercise their voting rights at the Annual Shareholders' Meeting for the related fiscal year.</u>  2. <u>In addition to the fixed record date under the preceding paragraph, the Company may, by a resolution of the Board of Directors and by giving public notice in advance, set another extraordinary record date, if necessary.</u></p>	<p>(Deleted)</p>
<p>Chapter III  SHAREHOLDERS' MEETING</p>	<p>Chapter III  SHAREHOLDERS' MEETING</p>
<p>(Convocation)  <u>Article 12.</u>  The Annual Shareholders' Meeting of the Company shall be convened in June of every year, and Extraordinary Shareholders' Meeting may be convened whenever deemed necessary.</p>	<p>(Convocation)  <u>Article 13.</u> (No change)</p>
<p>(New)</p>	<p>(Record Date of Annual Shareholders' Meeting)  <u>Article 14.</u>  <u>The record date of shareholders' voting rights in the annual shareholders' meeting shall be the 31<sup>st</sup> of March of each year.</u></p>
<p>(Place of Shareholders' Meeting)  <u>Article 13.</u>  A Shareholders' Meeting may be held in Tokyo (<u>Minato Ward</u>) in addition to <u>Kobe</u> where the Head Office is located.</p>	<p>(Place of Shareholders' Meeting)  <u>Article 15.</u>  A Shareholders' Meeting may be held in Tokyo in addition to <u>Hyogo Prefecture</u> where the Head Office is located.</p>

Current Articles of Incorporation	Proposed Amendment
<p>(Chairperson)  <u>Article 14.</u>  The President of the Company shall act as the Chairperson of a Shareholders' Meeting, and in case the office of the President is vacant or the President is unable to act, another Director shall act as the Chairperson in accordance with the order fixed in advance by the Board of Directors.</p>	<p>(Chairperson)  <u>Article 16.</u> (No change)</p>
<p>(Resolutions)  <u>Article 15.</u>  1. Unless otherwise provided by laws or ordinances, any and all resolutions of a Shareholders' Meeting shall be adopted by a majority of votes of the shareholders present at the meeting.  2. A special resolution specified in <u>Article 343 of the Commercial Code of Japan</u> requires that the quorum be one-third of the total number of voting shares and shall become legally effective with two-thirds or more of voting rights of shareholders attending in person or by proxy.</p>	<p>(Resolutions)  <u>Article 17.</u>  1. Unless otherwise provided by laws or ordinances or these Articles of Incorporation, any and all resolutions of a Shareholders' Meeting shall be adopted by a majority of votes of the shareholders present at the meeting.  2. A special resolution specified in <u>Article 309, paragraph 2 of the Corporation Law of Japan</u> requires that the quorum be one-third of the total number of voting shares <u>held by shareholders with exercisable voting rights</u> and shall become legally effective with two-thirds or more of voting rights of shareholders attending in person or by proxy.</p>
<p>(Vote by Proxy)  <u>Article 16.</u>  A shareholder may exercise his or her voting right through any other shareholder of the Company entitled to exercise voting rights who attends a General Meeting, provided that this other shareholder presents to the Company a document certifying his or her right to act as a proxy at a Shareholders' Meeting.</p>	<p>(Vote by Proxy)  <u>Article 18.</u>  A shareholder may exercise his or her voting right through any other shareholder of the Company entitled to exercise voting rights who attends a General Meeting, provided that this other shareholder presents to the Company a document certifying his or her right to act as a proxy at <u>each</u> Shareholders' Meeting.</p>

Current Articles of Incorporation	Proposed Amendment
<p>(Minutes) <u>Article 17.</u> The substance of the proceedings and results of a Shareholders' Meeting shall be recorded or stored in the Minutes, to which the Chairperson and all the Directors present shall affix their names and seals or insert electronic signatures.</p>	<p>(Minutes) <u>Article 19.</u> The substance of the proceedings and results of a Shareholders' Meeting <u>as well as any other matters provided by the law on the Shareholders' Meeting</u> shall be recorded or stored in the Minutes.</p>
<p>(New)</p>	<p>(Internet <u>Disclosure of the Reference Materials, etc. for the Shareholders' Meeting and Deemed Provision</u>) <u>Article 20.</u> <u>In convening a Shareholders' Meeting, The Company shall be deemed to have provided the shareholders with the information which must be mentioned or displayed in the Reference Materials for the Shareholders' Meeting, Business Report, Account Statement and Consolidated Account Statement by disclosing such information using the Internet pursuant to the Ministry of Justice Ordinance.</u></p>
<p style="text-align: center;"><b>CHAPTER IV DIRECTORS, BOARD OF DIRECTORS AND COUNSELLORS</b></p>	<p style="text-align: center;"><b>CHAPTER IV DIRECTORS, BOARD OF DIRECTORS AND COUNSELLORS</b></p>
<p>(Number) <u>Article 18.</u> The Company shall have not more than twenty five (25) Directors.</p>	<p>(Number) <u>Article 21.</u> The Company shall have not more than fifteen (15) Directors.</p>
<p>(Term of Office) <u>Article 19.</u> The term of office of each Director shall expire at the close of the Annual Shareholders' Meeting for the last <u>fiscal year within two (2) years after their assumption of office.</u></p>	<p>(Term of Office) <u>Article 22.</u> The term of office of each Director shall expire at the close of the Annual Shareholders' Meeting for the last <u>business year that ends within two (2) years after their election.</u></p>

Current Articles of Incorporation	Proposed Amendment
<p>(Election) <u>Article 20.</u></p> <ol style="list-style-type: none"> <li>1. Directors shall be elected at a Shareholders' Meeting.</li> <li>2. <u>There must be a sufficient number of shareholders entitled to vote in attendance at the Meeting either in person and/or represented by proxies whose total shareholdings in aggregate constitute not less than one-third of shares with voting rights. The resolution shall be passed by majority of the voting rights. The resolution shall be passed by majority of the voting rights of such shareholders.</u></li> <li>3. No cumulative voting shall be used for the election of Directors.</li> </ol>	<p>(Election) <u>Article 23.</u></p> <ol style="list-style-type: none"> <li>1. Directors shall be elected <u>by a resolution</u> at a Shareholders' Meeting.</li> <li>2. <u>Resolution to elect Directors shall be adopted by a majority of votes held by the attending shareholders who hold not less than one-third of the votes of shareholders entitled to exercise their voting rights.</u></li> </ol> <p>(No change)</p>
<p>(Representative Directors and Directors with Special Titles) <u>Article 21.</u></p> <ol style="list-style-type: none"> <li>1. The Board of Directors shall appoint by a resolution several Representative Directors of the Company.</li> <li>2. The Board of Directors may appoint by a resolution from among its members a Chairperson of the Board, a President and a certain number of Executive Vice Presidents, Senior Managing Directors and Managing Directors.</li> </ol>	<p>(Representative Directors and Directors with Special Titles) <u>Article 24.</u> (No change)</p>
<p>(Counsellors) <u>Article 22.</u> The Board of Directors may appoint by a resolution a certain number of Counsellors.</p>	<p>(Counsellors) <u>Article 25.</u> (No change)</p>

Current Articles of Incorporation	Proposed Amendment
<p>(Meeting of the Board of Directors) <u>Article 23.</u></p> <p>1. In convening a Meeting of the Board of Directors, notice to that effect shall be given to each Director and Corporate Auditor at least three (3) days prior to the meeting date. However, in case of emergency, this period may be shortened.</p> <p>2. A Meeting of the Board of Directors may be held without adhering to this procedure upon consent of all Directors and Corporate Auditors.</p>	<p>(Meeting of the Board of Directors) <u>Article 26.</u> (No change)</p> <p>2. A Meeting of the Board of Directors may be held without adhering to this procedure upon consent of all Directors and Corporate Auditors.</p>
<p>(Person to Convene and Preside Over Meeting of the Board of Directors) <u>Article 24.</u></p> <p>The Board of Directors shall determine by a resolution the person who shall convene and preside over the meeting of the Board of Directors.</p>	<p>(Person to Convene and Preside Over Meeting of the Board of Directors) <u>Article 27.</u> (No change)</p>
<p>(Resolution of the Board of Directors) <u>Article 25.</u></p> <p>A resolution at a Meeting of the Board of Directors shall be adopted by a majority of the Directors present in person, who shall in turn be a majority of all the Directors.</p> <p>(New)</p>	<p>(Resolution of the Board of Directors) <u>Article 28.</u></p> <p>1. A resolution at a Meeting of the Board of Directors <u>(limited to those who are entitled to vote on the relevant item to be resolved)</u> shall be adopted by a majority of the Directors present in person, who shall in turn be a majority of all the Directors.</p> <p>2. If all the Directors <u>(limited to those who are entitled to vote on the relevant agenda item to be resolved)</u> <u>approve of that item to be resolved at the Meeting of the Board of Directors in writing or by electromagnetic means, the relevant item to be resolved is regarded as having been adopted by a resolution of the Board of Directors unless a Corporate Auditor raises any objection to the relevant item to be resolved.</u></p>

Current Articles of Incorporation	Proposed Amendment
<p>(Minutes of Board of Directors Meetings)  <u>Article 26.</u>  The substance of the proceedings and results of a Meeting of the Board of Directors shall be recorded or stored in the Minutes, to which the Directors and the Corporate Auditors present shall affix their names and seals or insert electronic signatures.</p>	<p>(Minutes of Board of Directors Meetings)  <u>Article 29.</u>  The substance of the proceedings and results of a Meeting of the Board of Directors as well as any other matters provided by law on the Meeting of the Board of Directors shall be recorded or stored in the Minutes, to which the Directors and the Corporate Auditors present shall affix their names and seals or insert electronic signatures.</p>
<p>(Remuneration)  <u>Article 27.</u>  <u>Ceiling on remuneration of the Directors</u> shall be determined by a resolution of a Shareholders' Meeting.</p>	<p>(Remuneration, etc.)  <u>Article 30.</u>  <u>Directors' remuneration, bonuses and other proprietary benefits received from the Company as consideration for execution of their duties, (hereafter referred to as "Remuneration, etc.")</u> shall be determined by a resolution of a Shareholders' Meeting.</p>
<p style="text-align: center;">CHAPTER V  CORPORATE AUDITORS AND MEETING OF CORPORATE AUDITORS</p> <p>(Number)  <u>Article 28.</u>  The Company shall have not more than five (5) Corporate Auditors.</p>	<p style="text-align: center;">CHAPTER V  CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</p> <p>(Number)  <u>Article 31.</u> (No change)</p>
<p>(Term of Office)  <u>Article 29.</u>  The term of office of each Corporate Auditor shall expire at the close of the Annual Shareholders' Meeting for the last <u>fiscal year within four (4) years</u> after their assumption of the office.</p>	<p>(Term of Office)  <u>Article 32.</u>  The term of office of each Corporate Auditor shall expire at the close of the Annual Shareholders' Meeting for the last <u>business year that ends within four (4) years</u> after their election.</p>

Current Articles of Incorporation	Proposed Amendment
<p>(Election) <u>Article 30.</u></p> <ol style="list-style-type: none"> <li>1. Corporate Auditors shall be elected at a Shareholders' Meeting.</li> <li>2. <u>There must be a sufficient number of shareholders entitled to vote in attendance at the Meeting either in person and/or represented by proxies whose total holdings in aggregate constitute not less than one-third of shares with voting rights. The resolution shall be passed by a majority of the voting rights of such shareholders.</u></li> </ol>	<p>(Election) <u>Article 33.</u></p> <ol style="list-style-type: none"> <li>1. Corporate Auditors shall be elected <u>by a resolution</u> at a Shareholders' Meeting.</li> <li>2. <u>Resolution to elect Corporate Auditors shall be adopted by a majority of votes held by the attending shareholders who hold not less than one-third of the votes of shareholders entitled to exercise their voting rights.</u></li> <li>3.</li> </ol>
<p>(New)</p>	<p><u>(Board of Corporate Auditors and Standing Corporate Auditor)</u> <u>Article 34.</u> <u>The Board of Corporate Auditors shall elect full time Corporate Auditors from the Corporate Auditors.</u></p>
<p>(Convocation of meeting of <u>Corporate Auditors</u>) <u>Article 31.</u></p> <ol style="list-style-type: none"> <li>1. In convening a Meeting of <u>Corporate Auditors</u>, notice to that effect shall be given to each of the Corporate Auditors at least three (3) days prior to the meeting date. However, in case of emergency, this period may be shortened.</li> <li>2. A Meeting of <u>Corporate Auditors</u> may be held without adhering to this procedure upon consent of all the Corporate Auditors.</li> </ol>	<p>(Convocation of Meeting of <u>the Board of Corporate Auditors</u>) <u>Article 35.</u></p> <ol style="list-style-type: none"> <li>1. In convening a Meeting of <u>the Board of Corporate Auditors</u>, notice to that effect shall be given to each of the Corporate Auditors at least three (3) days prior to the meeting date. However, in case of emergency, this period may be shortened.</li> <li>2. A Meeting of <u>the Board of Corporate Auditors</u> may be held without adhering to this procedure upon consent of all the Corporate Auditors.</li> </ol>
<p>(Resolutions at <u>Corporate Auditor Meeting</u>) <u>Article 32.</u> Unless otherwise provided in laws and ordinances, a resolution at a Meeting of <u>Corporate Auditors</u> shall be adopted by a majority of all the Corporate Auditors.</p>	<p>(Resolutions <u>at the Board of Corporate Auditors Meeting</u>) <u>Article 36.</u> Unless otherwise provided in laws and ordinances, a resolution at a Meeting of <u>the Board of Corporate Auditors</u> shall be adopted by a majority of all the Corporate Auditors.</p>

Current Articles of Incorporation	Proposed Amendment
<p>(Person to Convene and Preside Over Meetings of <u>Corporate Auditors</u>) <u>Article 33.</u></p> <p>The person who shall convene and preside over the meetings of <u>Corporate Auditors</u> shall be mutually elected by and among the Corporate Auditors, without prejudice to each Corporate Auditor's right to convene such a meeting.</p>	<p>(Person to Convene and Preside Over Meetings of <u>the Board of Corporate Auditors</u>) <u>Article 37.</u></p> <p>The person who shall convene and preside over the meetings of <u>the Board of Corporate Auditors</u> shall be mutually elected by and among the Corporate Auditors, without prejudice to each Corporate Auditor's right to convene such a meeting.</p>
<p>(Minutes of <u>Corporate Auditor Meetings</u>) <u>Article 34.</u></p> <p>The substance of the proceedings and results of any Meeting of the Corporate Auditors shall be recorded or stored in the Minutes, to which the Corporate Auditors shall affix their names and seals or insert electronic signatures.</p>	<p>(Minutes of the Board of Corporate Auditors Meeting) <u>Article 38.</u></p> <p>The substance of the proceedings and results of any Meeting of the Corporate Auditors <u>as well as any matters provided in laws and ordinances on the Meeting of the Corporate Auditors</u> shall be recorded or stored in the Minutes, to which the Corporate Auditors shall affix their names and seals or insert electronic signatures.</p>
<p>(Remuneration) <u>Article 35.</u> <u>Ceiling on</u> remuneration of the Corporate Auditors shall be determined by a resolution of a Shareholders' Meeting.</p>	<p>(Remuneration, etc.) <u>Article 39.</u> Remuneration, etc. of the Corporate Auditors shall be determined by a resolution of a Shareholders' Meeting.</p>
<p>(New)</p>	<p>(<u>Limited Liability Contract with Outside Corporate Auditor</u>) <u>Article 40.</u> <u>The Company may conclude a contract with an Outside Corporate Auditor to bear the onus within the limit of the amount of ten million (10,000,000) yen or more specified in advance or the amount specified by the law, whichever is higher, for the relevant Outside Corporate Auditor's liabilities specified in Article 423, paragraph 1 of the Corporate Law providing there is no breach of good faith and no serious negligence involved.</u></p>

Current Articles of Incorporation	Proposed Amendment
(New)	<u>CHAPTER VI</u> <u>ACCOUNTING AUDITORS</u>
(New)	<u>(Establishment of Accounting Auditors)</u> <u>Article 41.</u> 1. <u>The Company shall have Accounting Auditors.</u> 2. <u>Accounting Auditors shall be elected by a resolution of a Shareholders' Meeting.</u>
(New)	<u>(Term of Office)</u> <u>Article 42.</u> 1. <u>The term of office of each Accounting Auditor shall expire at the close of the Annual Shareholders' Meeting for the last business year that ends within one (1) year after their election.</u> 2. <u>Unless otherwise resolved at the Annual Shareholders' Meeting as provided for in the preceding paragraph, the Accounting Auditors shall be regarded as having been reappointed at the relevant Annual Shareholders' Meeting.</u>
<u>CHAPTER VI</u> <u>ACCOUNTS</u>	<u>CHAPTER VII</u> <u>ACCOUNTS</u>
<u>(Closing of Accounts)</u> <u>Article 36.</u> <u>The Company shall close its accounts on March 31 of each year.</u>	<u>(Business Year and Closing of Accounts)</u> <u>Article 43.</u> <u>The business year of the Company shall be from April 1 of the calendar year to March 31 of the following year, and the Company shall close its accounts on the last day of each business year.</u>
<u>(Payment of Dividend)</u> <u>Article 37.</u> <u>Dividend shall be payable to the shareholders or pledges duly recorded or stored in the last Register of Shareholders as of March 31 of each year.</u>	<u>(Record Date of Dividend)</u> <u>Article 44.</u> 1. <u>The record date of the Company's year-end dividend shall be March 31, every year.</u> 2. <u>In addition to the preceding paragraph, a dividend may be distributed setting a record date.</u>

Current Articles of Incorporation	Proposed Amendment
<p>(Interim Dividend)  <u>Article 38.</u>  By resolution of the Board of Directors, a <u>cash distribution as provided for in Article 293-5 of the Commercial Code of Japan</u> may be made to the <u>shareholders or pledges duly recorded or stored in the last Register of Shareholders as of September 30 of each year.</u></p>	<p>(Interim Dividend)  <u>Article 45.</u>  By resolution of the Board of Directors, <u>an interim dividend</u> may be <u>distributed by the Company</u> as of <u>the record date of September 30</u> of every year.</p>
<p>(Exclusion Period of Dividend, etc.)  <u>Article 39.</u>  If any <u>Dividend or the money distributed as provided for in the preceding Article</u> remains outstanding after a lapse of three (3) years from the date of payment, the Company shall be relieved of the obligation to pay the same.</p>	<p>(Exclusion Period of Dividend)  <u>Article 46.</u>  If any <u>Dividend</u> remains outstanding after a lapse of three (3) years from the date of payment, the Company shall be relieved of the obligation to pay the same.</p>

**Proposition 3: *Institution of policy governing countermeasures to large-scale acquisitive moves (takeover defenses)***

We propose to introduce a policy governing countermeasures to large-scale acquisitive move (takeover defense) (“The Policy”) as a measure to protect against takeover bids judged to be prejudicial to the shareholders’ collective interests. The contents are stated in Appendix for Proposition 3 (pages 24 through 38), which was adopted by resolution at the Board of Directors Meeting held on May 19, 2006. As is stated in the Policy, we hereby request our shareholders to approve the proposition by ordinary resolution.

Four corporate auditors of the Company including two outside corporate auditors attended the Board of Directors meeting, which determined the Policy. The corporate auditors in attendance expressed their opinions in support of the Policy on condition that the actual operation of the Policy be appropriately undertaken.

**Proposition 4: *Election of six (6) directors***

At the end of this Annual Shareholders’ Meeting, the terms of nine directors, Yoichi Hasegawa, Toshio Shimizu, Fumito Kawamata, Shigeru Soda, Norio Tsutsumi, Toshinori Morita, Shigenori Ishii, Yoshiyuki Ohta and Hisashi Yasui, will expire. Also, at the end of this Annual Shareholders’ Meeting, the nine directors, Nobuya Kamisaka, Mamoru Shozui, Toshio Suzuki, Isao Yoshii, Kazuyuki Oda, Akira Otsu, Yoshikazu Minagawa, Jiro Asakura and Eizo Murakami, will resign.

It is requested that six directors be elected at this meeting.

All of the nominees for directors have indicated approval of this proposition.

The six nominees are;

Eiichi Suzuki  
Date of Birth: June 1, 1944  
Director Since: June 1997  
Current Position: Counselor

Yoichi Hasegawa  
Date of Birth: May 23, 1947  
Director Since: June 2002  
Current Position: Managing Director

Toshio Shimizu  
Date of Birth: January 6, 1947  
Director Since: June 2002  
Current Position: Managing Director

Norio Tsutsumi  
Date of Birth: September 4, 1948  
Director Since: June 2000  
Current Position: Executive Director

Toshinori Morita  
Date of Birth: September 13, 1949  
Director Since: June 2002  
Current Position: Executive Director

Keisuke Yoshida  
Date of Birth: November 11, 1951  
Current Position: General Manager of  
Corporate Finance Group

Note: None of the above directorship candidates has any special interests in the Company.

**Proposition 5: *Election of one (1) substitute corporate auditor***

It is requested that one substitute corporate auditor be elected pursuant to Article 329, Paragraph 2 of the Corporation Law in case the legally required number of external corporate auditors is not met.

The nominee is:

Haruo Shigeta

Date of Birth: May 14, 1941

Current Position:

Kasahara, Kimura Law Office (Currently L&J Law Office)

Professor, Graduate School of Professional Accountancy, Aoyama-Gakuin University

Professor, School of Law, Aoyama-Gakuin University

Honorary professor, Dalian Maritime University, China

Notes: 1) The candidate for the auditor above has no special interest in the Company.

2) Mr. Shigeta meets the qualifications as an external corporate auditor.

***Proposition 6: Approval of granting retirement allowance to resigning directors and terminal payment of retirement allowance with the abolition of retirement allowance system for directors and corporate directors***

At the end of this Annual Shareholders' Meeting, the terms of Director Fumito Kawamata, Shigeru Soda, Tadanori Ishii, Yoshiyuki Ota and Hisashi Yasui will expire, and Director Nobuya Kamisaka, Mamoru Shozui, Toshio Suzuki, Takumi Yoshii, Kazuyuki Oda, Akira Otsu, Yoshikazu Minagawa, Jiro Asakura and Eizo Murakami will resign from their offices.

It is proposed that the above directors be presented with retirement allowances, within the scope of remuneration allowed under our fixed evaluation standards, for services rendered while in office. The Board of Directors will decide on allowance and timing/method of presentation to the retiring directors.

The Board of Directors reviewed the compensation system for directors as part of its management reforms and resolved at its meeting held on May 19, 2006 that the retirement allowance system for directors be abolished as of the close of this Annual Shareholders' Meeting. Accordingly, no new retirement allowances are to be paid to directors and corporate auditors for the subsequent terms of office, and we would like to make a terminal payment to seven (7) directors in office, Yasuhide Sakinaga, Hiroyuki Maekawa, Tetsuo Shiota, Katsue Yoshida, Satoru Kuboshima, Kozo Eguchi and Takashi Saeki, and another four (4) directors to be reappointed if Proposal 4 is approved, Yoichi Hasegawa, Toshio Shimizu, Norio Tsutsumi and Toshinori Morita, and four (4) corporate auditors in office, Osamu Dei, Ryuji Murai, Koichi Otaki and Kengo Yamashita, within the scope allowed under our fixed evaluation standards, for their respective terms of office from their assumption of office to June 2006.

With regard to the concrete amount, payment method, etc. of the retirement allowance, we propose that those matters be entrusted to the Board of Directors for directors and consultation among the Board of Corporate Auditors for corporate auditors.

**Proposition 7: Revision of remuneration amount for directors and corporate auditors**

At the 133<sup>rd</sup> Annual Shareholders' Meeting on June 28, 2001, it was approved that the remuneration for the Company's corporate auditors to be not more than ¥7 million per month. In consideration of subsequent change in the business environment and the abolishment of the retirement allowance system for directors and corporate auditors, and to prepare for future increase of the number of corporate auditors, we propose to revise the amount of remuneration for corporate auditors to an amount not more than ¥12 million per month. There are four (4) corporate auditors in the Company at present.

### **(Appendix for Proposition 3)**

#### **Institution of Policy Governing Countermeasures to Large-Scale Acquisitive Moves (Takeover Defenses)**

The Board of Directors of Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “the Company”) has determined at the Board of Directors Meeting held on May 19, 2006 a new policy (hereinafter referred to as “the Policy”) regarding possible countermeasures in the event of any specified shareholder or group of shareholders (as stipulated in Note 1) making purchases of the shares, etc. of the Company (as stipulated in Note 3) with a view to securing a ratio of voting rights (as stipulated in Note 2) of 20% or higher, or in the event of any purchases of the shares, etc. of the Company that would result in a specified shareholder or group of shareholders securing a ratio of voting rights of 20% or higher (including open market transactions, public offerings and any other actual methods of purchase, but excluding any purchases by party (ies) that has (have) gained the prior consent of the Board of Directors of the Company; large-scale acquisitive moves of such a nature shall hereinafter be referred to as a “takeover bid,” and the party or parties conducting such moves shall hereinafter be referred to as “bidders”), as described below.

Note 1. “Specified shareholder or group of shareholders” shall mean:

(i) Holders (including parties to be contained in holders pursuant to Article 27-23, Paragraph 3 of the Securities and Exchange Law) of shares, etc. (which shall mean shares, etc. as stipulated in Article 27-23, Paragraph 1 of the same law) of the Company and their joint holders (which shall mean joint holders as stipulated in Article 27-23, Paragraph 5 of the same law, and include parties deemed joint holders under Article 27-23, Paragraph 6 of the same law; hereinafter the same)

OR

(ii) Parties undertaking purchases, etc. (which shall mean purchases, etc. as stipulated in Article 27-2, Paragraph 1 of the Securities and Exchange Law, and include purchases, etc. conducted through the securities market of a securities exchange, irrespective of whether or not those are conducted by way of competitive bidding) of shares, etc. (which shall mean shares, etc. as stipulated in Article 27-2, Paragraph 1 of the same law) of the Company, and parties with a special connection (which shall mean parties with a special connection as stipulated in Article 27-2, Paragraph 7 of the same law) with them.

Note 2. “Ratio of voting rights” shall mean:

(i) The ratio of holding shares, etc. (which shall mean ratio of holding of shares, etc. as stipulated in Article 27-23, Paragraph 4 of the Securities and Exchange Law; in this case, in the calculation, the number of shares, etc. held (which shall mean number of shares, etc. held as stipulated in the same Paragraph; hereinafter the same) by their joint holders is taken into account,

provided, however, that upon totaling, duplicate shares held by both holders are excluded) by the said holder, if the specified shareholder or group of shareholders belongs to the category set forth in Note 1 (i).

OR

(ii) The aggregate of the ratios of ownership of shares, etc. (which shall mean ratio of ownership of shares, etc. as stipulated in Article 27-2, Paragraph 8 of the same law) by the said bidders and the said parties with a special connection with them, if the specified shareholder or group of shareholders belongs to the category set forth in Notes 1 (ii).

For calculation of each ratio of holding of shares, etc. and each ratio of ownership of shares, etc. the total number of shares outstanding (which shall mean those stipulated in Article 27-23, Paragraph 4 of the Securities and Exchange Law) and the total number of voting rights (which shall mean those as stipulated in Article 27-2, Paragraph 8 of the same law) could refer to those taken from the securities report, semiannual report or treasury stock acquisition status report, whichever is most recently filed by the Company.

Note 3. "Shares, etc." shall mean shares, etc. as stipulated in Article 27-23, Paragraph 1 of the Securities and Exchange Law.

## **1. The Company's Efforts to Increase Corporate Value and Shareholder Profits**

Since its founding in April 1919, the Company has been engaged in international ocean transport. Throughout those years, the Company has formulated a number of business plans, and we have always aimed to firmly establish a system of stable dividend distribution to our shareholders. Recently, "'K" Line Vision 2008," a five year business plan, was launched in April 2004, and various measures have been implemented to enhance corporate value. However, the world economy, principally China, has gone through significant structural changes, and the business environment enveloping maritime transport has also changed significantly from the assumptions made two years ago, starting with the surge in fuel oil prices. The management environment is thus changing constantly. Within this significantly changing business and earnings environment, on March 10th of this year the Company determined anew "K LINE Vision 2008+," including a long-term vision with this year as a new starting point.

The new management plan continues to focus on the 3 basic issues formulated in the previous "'K' Line Vision 2008": (1) establishment of a stable earnings system based on a strengthened corporate foundation, (2) creation of a visionary corporate culture and enhancement of the "K" LINE brand, and (3) strengthening of the corporate governance and risk management systems. Furthermore, as numerical targets for the fiscal year 2008, the Company will strive to expand the scale of its operations to a fleet of 500 vessels and sales of ¥1.1 trillion. In respect to the Company's financial standing, the Company will

strive to secure shareholders' equity of ¥400 billion, a shareholders' equity ratio of approximately 40% and a stable "A" credit rating. Additionally, for the immediate future the Company is aiming at a dividend payout ratio of 20% on a consolidated basis.

Additionally, as a long-term vision, the Company intends by the mid 2010's to expand the scale of its operations to a fleet of 700 ships and sales of ¥1.5 trillion and, with respect to its financial standing, the Company will seek shareholders' equity of ¥750 billion and a shareholders' equity ratio of over 50%.

## **2. The Company's View on Corporate Value**

Corporate value is an aggregate of future earnings which a company will produce, and it is comprised of shareholder value which belongs to shareholders and of other value which belongs to other stakeholders. Corporate value is a forecast value of future value and there is a possibility that it can be easily changed due to various future causes. Accordingly, it is considered to be difficult to calculate accurately (Corporate Value Study Group "Report on Corporate Value").

Also, in respect to the relation between the corporate value and share prices, share prices reflect corporate value accurately only in a perfect market and, as there is a possibility that critical information influencing future earnings has not necessarily been reflected in the share price in the market, we consider that in many cases there is a gap between true corporate value and share prices.

In other words, corporate value, as considered by the Company, is not simply the value shown in share prices but is thought to be that which indicates potential development created in a fair corporate society through the business activities of a firm. Accordingly, even though the purchase price offered by a bidder may be in excess of the share price, we believe there is no guarantee that the corporate value which the bidder seeks to achieve is in excess of the corporate value which present management is aiming for.

In our opinion, it is difficult to gain an accurate grasp of corporate value without a deep understanding of the particularities of the Company's business activities. Accordingly, when shareholders are evaluating a takeover bid by a bidder, we believe it is extremely important that shareholders not only refer to the information provided by the bidder but also to valuations and assessments of the takeover bid provided by the Board of Directors of the Company which is thoroughly familiar with the particularities of the Company's operations.

## **3. Objective of the Bidding Rule**

In respect to the management of the Company which aims at enhancing mid and long-term corporate value in line with the Policy set forth in 1 above, broad

know-how, a wealth of experience and a sufficient understanding of the relationship between stakeholders including customers, employees and business partners is indispensable. Without a sufficient understanding of these factors, it will be impossible to properly judge the corporate value which shareholders will be able to achieve in the future. The Company is always striving through its IR activities to allow shareholders to gain an understanding of what should be the appropriate value of the Company's shares. However, when a takeover bid is made with no forewarning, it is essential that shareholders be provided with the necessary and sufficient information from both the bidder and the Board of Directors of the Company in order for the shareholders to correctly judge in a short period of time whether the consideration for the acquisition of the Company's shares being offered by the bidder is appropriate. Furthermore, to shareholders who are considering whether to continue to hold their shares in the Company, the bidder's impact on the Company, its policies concerning the Company's stakeholder including employees, affiliated companies, customers and business partners, and the details of the business and management plans being considered by the bidder when he participates in the management of the Company are critical information when examining whether to maintain one's holdings. Similarly, the opinion held by the Board of Directors of the Company concerning the takeover bid is, we believe, critical information to our shareholders.

Additionally, within takeover bids, there might be cases where such bids do not contribute to the Company's corporate value and to the collective interests of our shareholders, such as where looking at the objective of the takeover bid there is a clear threat to corporate value and to the collective interests of shareholders, where there is a risk that the shareholders will in fact be forced to sell their shares, where sufficient time and information has not been provided for the Board of Directors of the Company and shareholders to consider the purchase terms or where sufficient time and information has not been provided for the Board of Directors of the Company to present an alternative proposal, where it is necessary for the Company to enter into negotiations with the bidder in order to achieve more advantageous terms than the terms presented by the bidder, etc. In particular, in order to enhance the "K" LINE brand value and establish a stable earnings system based on a strengthened corporate foundation which were set forth as basic issues by the Company in its management plan, it is indispensable to fulfill our social responsibilities as a maritime business through, for example, the continuous implementation of safety measures to achieve stable ocean transport and to establish and maintain a long-term business relationship and relationships of trust with our customers. If these factors are not sufficiently understood and, over the mid and long-term, secured, maintained and enhanced, the Company's corporate value and, consequently, the collective interests of shareholders will be damaged.

Considering the above, the Board of Directors of the Company has determined that there is an absolute necessity when there is a takeover bid for a system to

obtain necessary and sufficient information concerning the takeover bid for shareholders to make a judgment and for the Board of Directors to negotiate improvements in the bidder's proposals, and to ensure that there is an opportunity to present an alternative proposal to shareholders so as to prevent a takeover bid prejudicial to the Company's corporate value and the collective interests of shareholders. Thus, the Board of Directors has established the following rules on takeover bids.

#### **4. Details of Bidding Rules**

##### **(1) Details of the Policy**

The bidding rules established by the Board of Directors of the Company stipulate procedures for undertaking negotiation and deliberation with the bidder: (1) to request that the bidder provide to the Board of Directors of the Company in advance of the takeover bid necessary and sufficient information, (2) having secured a certain period for evaluation of the takeover bid by the Board of Directors of the Company, to present to shareholders the business plan and alternative proposal, etc. by the Board of Directors of the Company.

##### **(2) Provision of essential information**

Any bidders aiming to make a takeover bid would be required first to submit in writing to the Representative Director of the Company a declaration of intent specifying the name, address, governing law of establishment, name of representative, contact details in Japan of the bidders, and outline of the proposed takeover bid, and expressing their intent that they will observe the bidding rules.

The Company would have ten working days from receipt of the declaration of intent to issue to the bidders a list of the necessary bid-related information required to be initially submitted.

Bidders would then need to submit to the Board of Directors of the Company sufficient information as required to enable shareholders to make judgment and to enable the Board of Directors to form an opinion on the proposed takeover bid (hereinafter referred to as the "necessary bid-related information.")

While the specific content of the necessary bid-related information would differ according to the attributes of the bidders and the intents of the planned takeover bid, general items would include such matters as listed below.

- (i) An outline of the bidders and their group (including information concerning the contents of business of the bidders, and any experience in business areas similar to the Company's business domain)
- (ii) The purpose and contents of the planned takeover bid
- (iii) The basis for calculation of the acquisition price offered for shares of the Company, and evidence of funds to finance the proposed acquisition
- (iv) Management policies, business plans, financial plans, capitalization policies, dividend policy, plans for asset usage and other details which are intended by the bidders subsequent to securing participation in the management of the

- Company (hereinafter referred to as the “post-acquisition business policies”)
- (v) Policies governing the post-acquisition treatment of the Company’s employees, suppliers, customers and others with an interest in the Company

After careful analysis of the information submitted by the bidders, the Board of Directors might request from the bidders additional information if it considered the information provided insufficient to allow the shareholders of the Company to make judgment and the Board of Directors of the Company to form an opinion on the proposed bid. This process could also be repeated until the Board of Directors of the Company deemed the information submitted as sufficient as the necessary bid-related information.

In the event of any takeover bid, the Board of Directors of the Company would undertake to disclose to shareholders all or part of such matters of (1) the fact that a takeover bid had been made, and (2) the necessary bid-related information provided by the bidders as the Board of Directors of the Company deems necessary to guide the decisions of shareholders, at such time as is considered appropriate.

### **(3) Evaluation period**

The Board of Directors of the Company believes that, once the bidders had submitted all necessary bid-related information to the Board of Directors, the bid process would then require a period of time (hereinafter referred to as the “The Board of Directors’ evaluation period”) to allow the Board of Directors to study and assess the bid; to conduct any negotiations concerning the terms of the bid; and to form the opinion and formulate an alternative proposal. The Board of Directors’ evaluation period would last 60 days in the case of all-cash (yen-denominated) takeover bid for Company’s shares through open market purchases, and 90 days in the case of any other types of takeover bid.

Accordingly, a takeover bid could only start once the Board of Directors’ evaluation period had elapsed. During the Board of Directors’ evaluation period, the Board of Directors of the Company would study and evaluate sufficiently the necessary bid-related information provided by the bidders by seeking advice of independent third-party experts, prudently formulate the opinion, and disclose such opinion.

The Board of Directors would, as necessary, be authorized to conduct negotiations with the bidders with the aim of securing better terms of the takeover bid and submit an alternative proposal.

### **(4) Establishment of Special Committee**

In order to properly execute the Policy and to prevent arbitrary decisions from being made by the Board of Directors, the Board of Directors of the Company resolved to establish a Special Committee and adopted rules for this committee (please refer to Appendix 2 for an outline of these rules). In order to enable fair and neutral judgments to be made, there will be three or more members in the Special Committee who will be elected from the Company’s outside corporate auditors and outside experts (Note 5) who are independent (Note 4) from

management undertaking the operations of the Company.

In the Policy, in the event the bidder observes the bidding rules as described in 5.(1) below, defensive measures will not, in principle, be taken in respect to said takeover bid. If, however, the bidder does not observe the bidding rules as described in 5.(2) below, there are cases where defensive measures will be taken. In this manner, objective requirements have been established for the implementation of the defensive measures, but when making a critical decision on this Policy such as taking the exceptional defensive measures set forth in 5.(1) and when taking the defensive measures as set forth in 5.(2) below, the Board of Directors of the Company will, in principle, consult with the Special Committee, paying the utmost respect for the said advice given by the Special.

Note 4: Independence indicates a status where one does not have duties for the execution of operations.

Note 5: Outside experts

Those who will be eligible for selection are corporate managers with a wealth of management experience, lawyers, certified public accountants, academics who focus their research principally on the Corporation Law, etc. and those who have similar qualifications.

## **5. Policy in Response to a Takeover Bid**

### **(1) Bidder's observance of bidding rules**

In case the bidders had observed the bidding rules stipulated by the Policy, the Board of Directors would not, in principle, take any defensive countermeasures against the takeover bid even if the Board of Directors has an opinion against the takeover bid, in which case actions to be taken at most by the Board of Directors would seek to convince shareholders by expressing publicly opposition to the bidders' proposal and formulating and disseminating an alternative proposal of its own. Shareholders would be free to decide whether or not to accept the proposed takeover bid based on consideration of the proposed terms of the takeover bid and the necessary bid-related information, and an opinion by the Board of Directors of the Company on the proposed terms of the takeover bid, and an alternative proposal if proposed.

Even if the bidding rules were observed, if the proposed takeover bid was judged to be clearly considered for the proposed takeover bid to be seriously prejudicial to the collective interests of the shareholders of the Company, such as in the case where unrecoverable damage would be incurred to the Company as a result of the takeover bid, the proposed takeover bid would be deemed a case described in the next section, and the Board of Directors of the Company would then be authorized to take measures permitted under the Corporation Law and the Articles of Incorporation of the Company including an exceptional allocation of rights to subscribe for new shares to protect the interests of shareholders, based on the Board of Directors' duty of care. When the Board of Directors of the Company studies and evaluates whether or not the proposed

takeover bid is seriously prejudicial to the collective interests of shareholders of the Company, to ensure the objectivity and rationality, the Board of Directors shall give due consideration to the actual contents of the bidders and the proposed takeover bid (such as its purpose, methodology, target, and kind and amount of acquisition price) and to the impact of the proposed takeover bid on the collective interests of shareholders of the Company, based on the necessary bid-related information (including post-acquisition business policies) submitted by the bidders and, in consultation with outside experts, etc. The Board of Directors of the Company would then decide on whether the takeover bid is seriously prejudicial to the collective interests of shareholders after obtaining an advice from the Special Committee.

### **(2) Bidder not compliant with bidding rules**

If the Board of Directors judges that the proposed takeover bid corresponds to any of the following cases, irrespective of the acquisition methods, the Board of Directors of the Company would be authorized to take measures permitted by Corporation Law and any other laws and the Articles of Incorporation of the Company to protect the collective interests of shareholders, including the allocation of rights to subscribe for new shares.

### **(3) Consultations to the Special Committee**

In the event that defensive measures are taken in (1) or (2) above, the Special Committee will be consulted in advance about these measures with respect to whether they correspond to the following cases.

- (a) A case where the bidding rules have not been observed
- (b) A case of acquisition in which there is a possibility that it will cause clear damage to the collective interests of shareholders of the Company as a result of the acts set forth below.
  1. An attempt to acquire shares simply for the purpose of driving up the share price and selling these shares onto the Company or connected parties at a high price, without any real intention to participate in the management of the Company
  2. An attempt to acquire shares for the purpose of conducting a so-called “scorched-earth” management, such as transferring to the acquirer or group enterprises of any such intellectual property, know-how, confidential information or corporate secrets, or major suppliers and/or customers as are vital to the management of the business of the Company, by way of gaining short-term control over the management of the Company
  3. An attempt to acquire shares by intending any misappropriation of the Company’s assets as collateral for any debts of the acquirer or group enterprises or as funds for repayments of any such debts, after gaining control over the management of the Company
  4. An attempt to acquire shares for the purpose of the sale or other disposal of high-priced assets unrelated to the current business of the Company such as real estate or securities by way of gaining short-term

control over the management of the Company and then funding of a temporary large dividend by using the earnings retained from the sale or other disposition, or causing a short-term boost in the share price through such temporary large dividend and then selling off the acquired shares at a high price

- (c) A case of purchases in which the acquisition could result in actual coercion on shareholders to sell shares, such as a forcible two-stage acquisition process (in which the bidders do not, for the initial bid, offer to purchase all the shares and in the second stage, set unfavorable terms or make terms ambiguous for the acquisition of shares, and thereby the bidder tries to purchase shares in the open market)
- (d) A case of acquisition in which a reasonable amount of time required in order for the Company to present an alternative plan in respect to said acquisition is not given
- (e) A case of acquisition in which a necessary bid-related information and any other information reasonably required in order to judge the acquisition are not provided
- (f) A case where the terms of the acquisition (including the amount and kind of acquisition price, the timing of the acquisition, the legality of the acquisition method, the probability of executing the acquisition, policies, etc. governing the post-acquisition treatment of the Company's stakeholders including its employees, business partners and customers) are, considering the intrinsic value of the Company, are insufficient or inappropriate
- (g) A case where there is a risk that the acquisition will significantly interfere with the interests of customers or where the safety or public nature of the maritime industry is impeded because the bidder's post-acquisition management policies or business plan is insufficient or inappropriate

With regard to concrete measures to be taken, those measures deemed most appropriate by the Board of Directors of the Company at the time in question would be selected. As a concrete defensive measure, an outline of the cases where a gratis allocation of rights to subscribe for new shares will be made is set forth in Appendix 1. In the event of an actual gratis allocation of rights to subscribe for new shares, the timing of the exercise or conditions on the exercise of such rights to subscribe for new shares will be established taking into consideration the effectiveness as a defensive measure, such as by making a condition of the exercise of said rights that those allocated with the rights to subscribe for new shares are not associated with a specified shareholder group holding more than a certain ratio of voting rights.

In order to be able to flexibly implement gratis allocation of rights to subscribe for new shares, the Company will register the issuance of the rights to subscribe for new shares.

## **6. The commencement of the application, the effective period, the continuation and abolition of the bidding rules**

The Policy will take effect on condition that shareholders of the Company approve and adopt the Policy by ordinary resolution at this shareholders' meeting.

The effective period of the Policy will be three years (up to the time of the annual shareholders' meeting to be held in June 2009) from the date of this shareholders' meeting, and the continuation (including continuation having made partial amendments) of the Policy will be determined based on the approval by ordinary resolution at a separate shareholders' meeting of the Company.

Additionally, even following the approval of the Policy at the shareholders' meeting, the Policy will be abolished at the point in time when (1) a resolution is adopted with the intent to abolish the Policy in a shareholders' meeting of the Company or (2) a resolution is adopted with the intent to abolish the Policy by the Board of Directors of the Company which is composed of Directors elected in a shareholders' meeting of the Company.

(For reference)

Supplemental information on establishment of the Special Committee

The name and positions of the five nominees to be appointed members of the Special Committee at its initial establishment: Junnosuke Furukawa (Chief Executive Counselor, Member of the Board of Furukawa Electric Co., Ltd.), Shun Kobayashi (President of Nissay Information Technology Co., Ltd.) and Haruo Shigeta (Professor at Graduate School of Professional Accountancy, Aoyama-Gakuin University and attorney at law) as outside experts; and Ryuji Murai and Kengo Yamashita as the Company's outside corporate auditors. All of them indicated approval on the appointment. None of the nominees has any special interests in the Company, and all of the nominees are highly independent from the Company's management.

## **Appendix 1**

### **Outline of Rights to Subscribe for New Shares**

1. Allocation method of rights to subscribe for new shares (gratis allocation of rights to subscribe for new shares)

Shareholders entered or recorded in the final register of shareholders or register of beneficial shareholders on such allocation date as is determined separately by the Board of Directors of the Company (hereinafter referred to as “allocation date”) in a resolution for gratis allocation of rights to subscribe for new shares (hereinafter referred to as “resolution for gratis allocation of rights to subscribe for new shares”) pursuant to the provisions of Articles 277, 278 and 279 of the Corporation Law shall be allocated according to a ratio of one right to subscribe for new shares for one share owned by such shareholder (however, excluding any treasury stock of the Company held by the Company at that same point in time).

2. Total number of rights to subscribe for new shares to be allocated

The number of rights to subscribe for new shares shall be limited to the total number of shares last outstanding on the allocation date (however, excluding any treasury stock of the Company held by the Company at that same point in time). There may be cases where the Board of Directors of the Company undertake an allocation of rights to subscribe for new shares more than once.

3. Date when gratis allocation of rights to subscribe for new shares takes effect

The date shall be determined separately by the Board of Directors of the Company.

4. Type of rights to subscribe for new shares

The type of shares for rights to subscribe for new shares shall be shares of the common stock of the Company.

5. Total number of shares for rights to subscribe for new shares

(a) The number of shares for one right to subscribe for new shares shall equal one at the outset.

(b) Total number of shares for rights to subscribe for new shares shall be not more than the total number of shares last outstanding on the allocation date (however, excluding any treasury stock of the Company held by the Company at that same point in time at the outset).

6. The amount contributed and its calculation method upon exercise of rights to

subscribe for new shares

The amount contributed upon exercise of rights to subscribe for new shares shall be more than one yen.

#### 7. Exercise period for rights to subscribe for new shares

Exercise period for rights to subscribe for new shares shall be determined separately by the Board of Directors of the Company, within a period that starts from the date when the gratis allocation takes effect to the date following the passage of 6 months.

#### 8. Increases in capital or capital reserves when shares issued through the exercise of rights to subscribe for new shares

When common stock of the Company is issued through exercise of rights to subscribe for new shares, the total increase of capital shall be the maximum increase amount of capital, etc. calculated in accordance with Article 40 of the Corporate Accounting Rules (Ministry of Justice Ordinance No. 13, 2006).

#### 9. Limitations on assignment

Assignment of rights to subscribe for new shares shall require an approval of the Board of Directors of the Company.

#### 10. Terms and conditions for exercise

Parties stipulated in each of the following items as a bidder or as other certain parties with a special connection with them shall not be entitled to exercise rights to subscribe for new shares. Details shall be determined separately at resolution for gratis allocation of right to subscribe for new shares by the Board of Directors of the Company.

- (1) Holders of specified large shares (as stipulated in Note 1)
- (2) Joint holder of (1) above (joint holder shall mean any parties as stipulated in Article 27-23, Paragraph 5 of the Securities and Exchange Law, including parties deemed joint holders pursuant to Paragraph 6 of the same Article).
- (3) Purchasers of specified large shares (as stipulated in Note 2)
- (4) Parties with a special connection with them
- (5) Parties that acquire or succeed to the rights to subscribe for new shares from any such parties as specified in (1) to (4) above without the consent of the Board of Directors of the Company
- (6) Related parties to any such parties as are specified in (1) to (5) above (as stipulated in Note 3)

(Note 1) "Holders of specified large shares" shall mean holders of shares, etc. issued by the Company and recognized by the Board of Directors of the

Company to be holders whose ratio of holding of shares, etc. concerning such share, etc. is 20% or higher.

(Note 2) “Purchasers of specified large shares” shall mean any parties that give public notice of the commencement of purchases, etc. of shares, etc. (as stipulated in Article 27-2, Paragraph 1 of the Securities and Exchange Law. Hereinafter the same being applicable in (3) of this Appendix) issued by the Company by way of public offering for purchases, and whose ratio of ownership of shares, etc. of shares, etc. owned by such parties after such purchases, etc. (including any instances deemed equivalent to such ownership as stipulated in Article 7, Paragraph 3 of the Securities and Exchange Law Enforcement Ordinance) is 20% or higher where the above ratio aggregated with the ratio of ownership of shares, etc. of any parties with a special connection with the party or parties making the aforementioned purchases.

(Note 3) “Related party” to a first party shall mean any parties that are under the substantial control of the first party and that are considered by the Board of Directors of the Company to be controlled by the first party, or are considered by the Board of Directors of the Company to be acting in concert with the first party.

#### 11. Acquisition Terms

The Company may acquire any rights to subscribe for new shares, excluding those held by parties that are unable to exercise said rights to subscribe new shares in accordance with the stipulations in the previous section, on such date as determined separately by the Board of Directors of the Company. In such a case, the Company, in exchange for acquiring said rights to subscribe for new shares, shall deliver one share of common stock per one right to subscribe for new shares to the holders of rights to subscribe for new shares.

The Company may also acquire all rights to subscribe for new shares without consideration on such date as determined separately by the Board of Directors of the Company, whenever it wishes up until the day immediately preceding the first day of exercise period of rights to subscribe for new shares, if the Board of Directors of the Company recognizes that it is appropriate for the Company to acquire rights to subscribe for new shares.

12. Matters relating to the delivery of rights to subscribe for new shares and conditions thereof at the time of a merger (limited to a case in which the Company will cease to exist), an absorption spin-off, an independent spin-off, a share exchange, or share transfer

The Board of Directors of the Company shall determine separately these matters.

13. Adjustments of the number of shares for rights to subscribe for new shares

Following the allocation of rights to subscribe for new shares, the Company shall make required adjustments in the event of a share-split or reverse share-split of the shares, or a gratis allocation of rights to subscribe for new shares, or any other act that affects or could affect the outstanding number of shares of the Company such as a merger, etc.

## **Appendix 2**

### **Outline of Rules Governing the Special Committee**

The Special Committee shall be established by resolution of the Board of Directors of the Company.

In order to enable fair and neutral judgments to be made, three or more members of the Special Committee shall be elected by the Board of Directors of the Company from the Company's outside corporate directors and outside experts who are independent from management undertaking the operations of the Company.

The Special Committee shall determine such matters as listed below and advise the Board of Directors of the Company about the contents of the determination together with reasons and basis thereto. The Board of Directors of the Company shall make the final decision with the utmost respect for the advice given by the Special Committee.

- (1) Implementation of defensive measures permitted by the Corporation Law, other laws and the Articles of Incorporation of the Company, such as the gratis allocation of rights to subscribe for new shares to defend against a takeover.
- (2) Acquisition of rights to subscribe for new shares, suspension of their allocation or the cancellation of other defensive measures based on the post-acquisition negotiations with the party proposing the takeover.
- (3) Important matters equivalent to the two items above
- (4) Other matters in which the Special Committee's advice is sought by the Board of Directors of the Company.

The Special Committee may, at the expense of the Company, seek the advice of lawyers, securities companies, investment banks and other outside specialists.

Resolutions by the Special Committee shall require a majority vote in favor at a meeting of the Special Committee at which all of the members are present.

June 5, 2006

To our Shareholders

Kawasaki Kisen Kaisha, Ltd.

### **Exercise of Voting Rights via the Internet, etc.**

You can only exercise your voting rights via the Internet, etc. by accessing the dedicated website for this vote (<http://www.web54.net>). Please be sure you have read and understood the following before using it:

#### **1. System requirements**

To exercise your voting rights via the Internet, you need the following systems environment:

- (1) The resolution of your monitor screen should be at least 800 x 600 (SVGA).
- (2) The following applications must be available:
  - a. Microsoft® Internet Explorer Ver. 5.01 SP2 (or higher)
  - b. Adobe® Acrobat® Reader™ Ver. 4.0 (or higher); Adobe® Reader® Ver.6.0 (or higher).
    - \*Microsoft®, and Internet Explorer are registered trademarks or marques of Microsoft Corporation in the United States and other countries.
    - \*Adobe® Acrobat® Reader™, and Adobe® Reader® are registered trademarks or marques of Adobe Systems Incorporated in the United States and other countries.
    - \*These software programs are distributed free of charge from the respective companies' websites.
- (3) Connection to the Internet may be restricted depending on your Internet connection setting environment, for example, the firewalls. Contact your systems administrator should you have any questions or problems.

#### **2. Handling of votes**

- If you vote on the Internet for multiple times, only the last vote exercised will be recorded as the effective vote.
- If you vote both via the Internet and by mail, the one that arrives last will be recorded as the effective vote.

If both a vote via the Internet and by mail writing arrives on the same day, the one exercised over the Internet will be recorded as the effective vote.
- The deadline for voting is 5pm, Friday, June 23, 2006. We kindly request you to exercise your vote early.

#### **3. Handling of password**

- The password is a means to verify identity of a person who exercises voting right as the shareholder in question. Be sure to keep it as well as your registered seal and security code in a safe place. We will not respond to any inquiry about your password by telephone, etc.
- If you repeatedly enter a wrong password for a certain number of times, it will be blocked and disabled. If you wish to have a password reissued, please follow the instructions on the screen for the necessary procedures.

#### **4. Computer-related technical inquiries, etc.**

- If you have any technical questions regarding the operation of a personal computer, etc. for voting on this site, contact the following:

Dedicated phone line for The Chuo Mitsui Trust and Banking Company, Limited,  
Securities Agency Web Support  
[Telephone number within Japan] 0120-65-2031  
(Business hours: 9:00 – 21:00 except Saturdays, Sundays and official holidays)
- For any other inquiries (including your registered address or number of shares), contact the following:

Securities Agency Business Center, The Chuo Mitsui Trust and Banking Company,  
Limited  
[Telephone number within Japan] 0120-78-2031  
(Business hours: 9:00 – 17:00 except Saturdays, Sundays and official holidays)

