

June 16, 2022

To Our Shareholders and Investors,

Kawasaki Kisen Kaisha, Ltd.

Our View Regarding the Proxy Adviser's Recommendation to Vote against  
Agenda at the 154th Ordinary General Meeting of Shareholders

We recently learned that the Glass Lewis & Co. (a Proxy Adviser, hereinafter referred to as GL) has recommended that shareholder vote against the election of Mr Yukikazu Myochin (current President and CEO) on the Proposition 3 "Election of nine (9) Directors" among the agenda at the 154th Ordinary General Meeting of Shareholders which is to be held on June 23, 2022.

As such, we, Kawasaki Kisen Kaisha, Ltd., would like to take this opportunity to provide our view regarding this recommendation and to ask our shareholders to fully understand these propositions in taking our view into consideration.

**1. GL's Recommendation**

GL's voting guideline stipulates that, for board of directors under two-tier board structure (i.e., board of directors and board of statutory auditors), it is generally recommended to vote against the chairman (or most senior executive in the absence of a company chair) if the total number of independent directors and independent statutory auditors is less than one-third of the combined number of all directors and all statutory auditors. We note GL classifies Mr Tsuyoshi Kameoka (candidate No.9 of the proposition) not as "Independent" but as "Affiliated" candidate for outside director, as a result of which the number of independent directors and independent statutory auditors is made into 4, while the combined number of all directors and all statutory auditors is 13. Then, it seems GL has recommended to vote against Mr Myochin (candidate No.1 of the proposition, current President and CEO) because GL's guideline regarding independence of the board is not met.

Under GL's guideline, GL considers that business connection between a client and the company is material if the annual sales with the client account for more than 1% of the annual consolidated sales of the company, and it seems GL has considered Mr Kameoka to be an Affiliated individual, judging that business connection between the company he used to work for and us is material.

## **2. Our view**

We have set up Criteria for Independence of Outside Directors, according to which an outside director is not considered to be independent if the person has been a business executor of a company group having a major business connection with us (the annual sales with the group account for over 2% of our consolidated sales for each fiscal year in the past three years). Mr Kameoka has served as Vice Chairman & Representative Director and Vice Chairman & Executive Officer of Idemitsu Kosan Co., Ltd. and our business transactions with Idemitsu account for less than 2% of our consolidated annual sales, which means that our Criteria for Independence of Outside Directors are duly met.

Tokyo Stock Exchange, where our stock is listed, is publishing a guideline that materiality of the client, based on which independence of director is considered, should be judged by the listed company itself in accordance with article 2, paragraph 3, item 19(ii) of the Ordinance for Enforcement of the Companies Act, which provides “Specified Associated Service Provider means major counterparties of the relevant stock company (including organizations other than corporations).” Also, Tokyo Stock Exchange goes no further than giving an example that a client is material if the client’s sales account for a considerable portion of sales of the listed company, and we understand that it is expected of each listed company to set up concrete criteria based on its individual circumstances. For your guidance, our criteria for independence of 2% of annual consolidated sales have been established in referring to the criteria provided by New York Stock Exchange (NYSE), and we believe that our criteria are appropriate for judging independence of the board.

For our Criteria for Independence of Outside Directors and notes on the election of Mr Kameoka, please visit our website (<https://www.kline.co.jp/en/ir/stock/meeting.html>) and see pages 28 on Notice of the 154th Ordinary General Meeting of Shareholders (Translation).

We once again would like to humbly request you to fully understand our view as explained above and to exercise your voting right based not only on the formality of voting recommendation but on the Stewardship Code.