

April 26, 2019

Kawasaki Kisen Kaisha, Ltd.

Notice of Revision of the Remuneration System for Executives

Kawasaki Kisen Kaisha, Ltd. (“K” LINE) hereby announces that it has resolved to revise its remuneration system for the Directors (executive directors only) and Executive Officers of the Company (hereinafter referred to collectively as the “Executives”), as follows. The resolution was made by the Company’s Board of Directors in its regularly scheduled meeting held today, following discussions on the matter by its Remuneration Advisory Committee.

Purpose of the Revision

At its 148th Ordinary General Meeting of Shareholders held on June 24, 2016, the Company gained approval to introduce a new performance-based share remuneration plan, the Board Benefit Trust (BBT), for the Executives. The plan purports to further enhance the connection between remuneration for Executives and share value, thereby further motivating the Executives to make contributions toward improving the Company’s medium- to long-term performance and increasing its corporate value. Accordingly, the current remuneration framework for Executives of the Company is described as follows.

- Fixed remuneration (monetary) + Bonus (monetary, based on performance) + BBT (shares, based on short-term performance)

Note) Although payment of bonuses was to have been determined each time on the basis of business performance, there have been no actual bonus payments since the last payment in June 2011.

Under the BBT plan, points awarded to the Executives had previously been calculated on the basis of factors such as the extent to which consolidated performance targets had been achieved in single fiscal years. However, we have now decided to revise the approach to calculating points so that they are linked to the Company’s total shareholder returns (TSR). This will further promote shared value between Executives and shareholders, and that our Executives have greater incentive to increase our medium- to long-term corporate value.

Note) Total shareholder return (TSR) of the Company is calculated as: The rate of increase of the Company’s shares over a fixed period + The dividend rate over the fixed period (Total dividend ÷ Initial share price)

Under this revision, bonuses, which had been determined each time on the basis of business performance, are now mainly linked to the extent to which consolidated performance targets have been achieved in single fiscal years, thereby heightening the transparency and objectivity of the payment criteria.

Through such revisions involving both the bonuses and the BBT plan, we aim strike an optimal balance between short-term performance and medium- to long-term corporate value, while providing the

Executives with sound incentive to facilitate sustainable growth. The Company's remuneration framework for Executives subsequent to the revision is as follows.

- Fixed remuneration (monetary) + Bonus (monetary, based on short-term performance) + BBT (shares, based on medium- to long-term TSR)

The maximum amount of remuneration for Directors and BBT scheme remain unchanged in terms of the specifics that gained approval at the 148th Ordinary General Meeting of Shareholders.

Overview of the Revision

1) Bonus

The bonus is to be based on consolidated performance in single fiscal years and contributions of the individual Executive. It is to be determined according to a set formula whereby the fixed remuneration of an individual Executive is multiplied by a coefficient. The coefficient is to range from a minimum of 0% and a maximum of 26%, and stands at 5% under the base-case scenario.

2) BBT

The coefficient is to be determined as follows.

- The coefficient that acts as a fixed remuneration multiplier is determined by combining two elements: the ratio of the Company's TSR to the TOPIX growth rate (the "TSR Ratio"); in conjunction with the Company's TSR ranking relative to the TSR of other companies (the "TSR Ranking").
- The Company is to perform assessment, and accordingly award points, each fiscal year over a three-year period for assessing the TSR Ratio and TSR Ranking.
- If the TSR Ratio amounts to 50% or less, then the coefficient is assigned the minimum value of 0%. If the TSR Ratio amounts to 100%, then the coefficient is assigned the base value of 10%. If the TSR Ratio amounts to 150% or more, then the coefficient is assigned the maximum value of 40%. The coefficient is calculated using the set formula if the TSR Ratio amounts to more than 50% but less than 100%, or if the TSR Ratio amounts to more than 100% but less than 150%. The BBT plan is designed so that the coefficient used as a multiplier increases when the TSR Ratio exceeds 100%, thereby providing the Executives with greater incentive to increase shareholder value.
- The TSR Ranking compares TSR of the Company with that of two other integrated shipping companies: Nippon Yusen Kabushiki Kaisha (NYK Line) and Mitsui O.S.K. Lines, Ltd. The TSR of both companies is calculated in the same way as that of the Company.
- The amount of BBT remuneration is calculated by multiplying the coefficient as determined above by the fixed remuneration of an individual Executive. That amount is then converted to points, which are awarded to the individual Executive.