

April 27, 2018
Kawasaki Kisen Kaisha, Ltd.

Regarding Our Board Evaluation

Article 22 of our Corporate Governance Guidelines states that, “Each Director shall perform self-evaluation on the validity of the Board of Directors, his/her performance as a Director, etc. on an annual basis, and submit the results to the Board of Directors. Each year the Board of Directors shall, based on self-evaluation of each Director, analyze and evaluate the effectiveness of the Board of Directors as a whole, and shall disclose a summary of the results in a timely and proper manner.”

We have completed the board evaluation for the 2017 fiscal year and would like to report an overview of the results as follows.

1. Method for Evaluating Board Effectiveness

In the 2015 fiscal year for our first evaluation, an independent third party conducted interviews with Board Members (Directors and Audit & Supervisory Board Members) and evaluated the board effectiveness. Last year, the Board conducted self-evaluation through questionnaires, and this year, the Board has adopted the same method as for last year and conducted self-evaluation based on results of questionnaires.

< Main Questionnaire Topics >

- The Board’s Understanding of Strategy and Risk
- Quality of Discussion of the Board
- Composition and Structure of the Board
- Board Operations and Administration of the Board
- Effectiveness of Nominating and Remuneration Advisory Committees for Directors and Senior Management Members
- The Board’s Decision-Making Culture
- Group Governance
- Engagement with Shareholders and Other Stakeholders

2. Analysis of Board Effectiveness and Overview of Self-Analysis/Evaluation Results

Our Board has self-evaluated that our Board is highly effective overall.

< Notable Strengths of our Board as to Effectiveness >

We have judged that the following strengths noted by the evaluation last year have been continuously maintained and reinforced this year.

- Strives to continuously reform and improve governance
- Quick and appropriate decision-making process when executing duties
- Appropriate monitoring by diverse Outside Directors
- A cooperative atmosphere due to the leadership of the Chairman

In addition to the strengths listed above, it has been confirmed through the questionnaire that the Board has strength in actively discussing capital efficiency including review of asset portfolio.

<Progress of Measures to Improve Effectiveness>

- To improve objectivity of the nominating policy, succession plan and appraisal of Directors including Executive Officers.
 - To improve transparency and objectivity of the nominating policy and succession plan of Directors, we fully shared with Outside Directors information on history and custom specific to the industry and company as well as on candidates for Directors and Executive Officers, and the discussion was revitalized. Also, the Remuneration Advisory Committee thoroughly discussed issues including the appraisal policy of Directors' individual performances to be reflected in Performance-based Share Remuneration (Board Benefit Trust) which was put into practice in August 2017.
- To promote discussion on governance structure
 - The Board discussed issues including our institutional design which is the core of governance structure and confirmed our direction to aim to further improve governance structure and board effectiveness by maintaining the current design as a corporation with an Audit & Supervisory Board and voluntarily-established Nominating and Remuneration Advisory Committees for the time being.
- To reinforce risk management structure
 - At the end of October 2017 after discussions in the Board, we released Advanced Business Management, setting a policy to measure business risk, control the total risk within a certain range and rebuild an optimal business portfolio in order to secure returns for the risks. Also, we further thoroughly enforced risk management in respective Committees such as Management Risk Committee under supervision of Crisis Management Committee and reinforced reporting of the discussions in the Committees to the Board.

<Themes to Tackle Hereafter to Further Improve Effectiveness>

- To revitalize discussion with regard to mid-/long-term management policy and plan
 - In fiscal year 2017, when the most important theme of management was to return to profitability, we had to place emphasis on discussions about strategy and decision-making on a short-term basis. In fiscal year 2018 onward, in order for the Board to enhance discussions on mid-/long-term management policy and plan, we need to further deepen analysis and understanding of our strength and weakness based on our business structure and to establish meetings where the Board should intensively discuss mid-/long-term managerial strategy.
- To manage monitoring of risk management system
 - As stated above, we have introduced Advance Business Management, but the full-scale operation starts in fiscal year 2018. We need to put it on track and thoroughly enforce discussions and monitoring by the Board, aiming to further enhance our corporate value.

3. Going Forward

Based on the self-evaluation results, we determined that our Board is sufficiently effective. However, we will strive to achieve continuous improvement toward actualization of the Board with higher effectiveness, tackling the themes as described above.