

March 14, 2023

Kawasaki Kisen Kaisha, Ltd.

Notice Concerning Revisions to the Remuneration System for Executives

Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “the Company”) hereby announces that it has resolved to revise its remuneration system (hereinafter referred to as “the Revisions to the Remuneration System”) for Directors (Executive directors only) and Executive Officers (hereinafter referred to as “Directors, etc.”), as follows. The resolution was made by the Company’s Board of Directors at its meeting held today.

In conjunction with the Revisions to the Remuneration System, the Company proposes for the 155th Ordinary General Meeting of Shareholders scheduled to be held in June 2023 (hereinafter referred to as “this General Meeting of Shareholders”) that the maximum amount of monetary remuneration for Directors be increased and that the cap on the funds to acquire stock for the performance-based share remuneration plan and the cap on the total number of points to be granted to Directors (limited to Executive Directors) be revised. On the condition that such proposals are approved at this General Meeting of Shareholders, the adoption shall commence from the executive remuneration for Directors as of the end of the 155th term based on the performance for that fiscal year.

The Revisions to the Remuneration System was resolved by the Board of Directors taking account of recommendations of the Remuneration Advisory Committee, which is comprised of a majority of Independent Outside Directors. The Remuneration Advisory Committee made such recommendations to the Board of Directors following its own deliberations. Therefore, the procedures are considered to be objective and transparent.

1. Purpose of the Revisions to the Remuneration System

The Company will create a remuneration system for executives that aims to maximize corporate value by setting globally competitive remuneration levels in order to secure and retain talented executive human resources, establishing a high ratio of performance-based remuneration as motivation for achieving sustainable growth, improving medium- to long-term management efficiencies, and promoting sustainability initiatives.

2. Overview of the Revisions to the Remuneration System

The Revisions to the Remuneration System revise the composition ratios and total amount level of remuneration for Directors, the performance assessment indicators, the maximum amount of monetary remuneration for Directors, and the medium- to long-term performance-based remuneration plan.

1) Composition ratio and total amount of remuneration

The current remuneration of the Company’s Directors, etc. comprises the following three types of remuneration.

- (i) Fixed remuneration (monetary): Monthly remuneration set for each position to execute business according to the duties and responsibilities.
- (ii) Short-term performance-based remuneration (monetary): Remuneration linked to the level of achievement relative to the initial targets for performance in the current fiscal year.
- (iii) Medium -to long-term performance-based remuneration (stocks): Remuneration linked to the total shareholders return (TSR) for the past three-year period including the current year.

In this revision, while maintaining the composition consisting of the above remunerations, the total amount level and the composition ratio of remuneration are revised with reference to remuneration market research data provided by outside professional organizations.

It is considered appropriate to set enhancement of medium- to long-term corporate value as indicators in the assessment of management, so we have revised the composition ratio of remuneration giving more weight to medium- to long-term performance-based remuneration.

The revised composition ratio for fixed remuneration, short-term performance-based remuneration, and long-term performance-based remuneration according to the typical position is anticipated to be as follows.

In the case of achieving the performance target:

(Before revision) 100:30:10 → (After revision) 100:40:65

Short-term performance-linked remuneration varies from 0 to 1.5 times, medium- to long-term remuneration from 0 to 1.8 times, and performance-linked remuneration is designed to increase in accordance with management responsibility.

2) Revisions to performance assessment indicators

We are introducing indicators that motivate the promotion of improved management efficiencies and ESG to maximize the medium- to long-term corporate value.

Short-term performance-based remuneration: In addition to the existing coefficient linked to the level of achievement of the targets for consolidated performance (total amount of ordinary income, amount of ordinary income excluding the containership business, and profit attributable to owners of the parent) for a single fiscal year, and the coefficient corresponding to the contribution of the individual, we introduce subtraction indicators related to safety in operation of ships as ESG indicators.

Long-term performance-based remuneration: Apart from the existing total shareholders return (TSR), we introduce indicators linked to the return on equity (ROE) in the past three years and indicators that assess the improvements in CO₂ emissions efficiency as ESG indicators. The composition ratio for TSR indicators: ROE indicators: ESG (environmental preservation)

indicators is set at 90:5:5.

3. Revision to the maximum amount of monetary remuneration for Directors

At its 148th Ordinary General Meeting of Shareholders held on June 24, 2016, the Company gained approval for the maximum amount of monetary remuneration for Directors of ¥600 million. In conjunction with the Revisions to the Remuneration System, the Company proposes to this General Meeting of Shareholders that this be revised to ¥800 million (including ¥111 million for Outside directors).

4. Revisions to the medium- to long-term performance-based remuneration plan

The Company announced on April 28, 2016, the introduction of the performance-based share remuneration plan "Board Benefit Trust (BBT)" (hereinafter referred to as "the Plan", with a trust established based on the trust agreement executed with Mizuho Trust & Banking Co., Ltd. in relation to the Plan referred to as "the Trust"), resolving this as the executive remuneration at the 148th Ordinary General Meeting of Shareholders held on June 24, 2016, which has continued since that time.

The Company acquires the reasonably anticipated number of the Company's stock through the Trust necessary to provide the Company's Stock, etc. (Note. 1) for a single Period (Note 2). In conjunction with the Revisions to the Remuneration System, the Company proposes to this General Meeting of Shareholders that the cap on the funds to acquire stock per period contributed by the Company is revised from ¥1,300 million (including ¥480 million for Directors) to ¥5,200 million (including ¥2,400 million for Directors). Note, the Plan would establish an amount that is separate from the maximum amount of monetary remuneration for Directors set forth in 3. above.

In line with this, we plan to partially review the contents of this system and disclose the details separately.

(Note 1) Refers to the Company's shares and money equivalent to the amount of the Company's shares converted to the market price.

(Note 2) The four fiscal years from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2020, and each four fiscal years that follows.