

**Notification of the Introduction of a Performance-based Share Remuneration Plan**

Today, the board of directors of Kawasaki Kisen Kaisha, Ltd. ("the Company") resolved in its board meeting to revise the remuneration plan of the directors (executive directors only) and executive officers, and introduce a performance-based share remuneration plan "Board Benefit Trust" ("the Plan") as a new incentive plan, and decided to propose the Plan for approval at the 148th Ordinary General Meeting of Shareholders to be held on June 24, 2016 ("the OGM"). Together with the Plan, the board of directors of the Company have decided to propose to reduce the limit of remuneration for the directors from 60million yen per month (equivalent to 720 million yen per year) to 600million yen per year for approval at the OGM. Accordingly, the Company hereby notifies you as follows.

**1. Background and purpose of the introduction**

The Board of Directors have resolved, subject to the approval of the OGM, to introduce the Plan, and decided to propose the Plan for approval at the OGM. The Plan purports to further enhance the connection between the remuneration of the directors (executive directors only) and executive officers, and share value, and thereby raise the directors' motivation to make contributions to increase the Company group's mid-term and long-term performance and corporate value.

**2. Individuals eligible for the Plan**

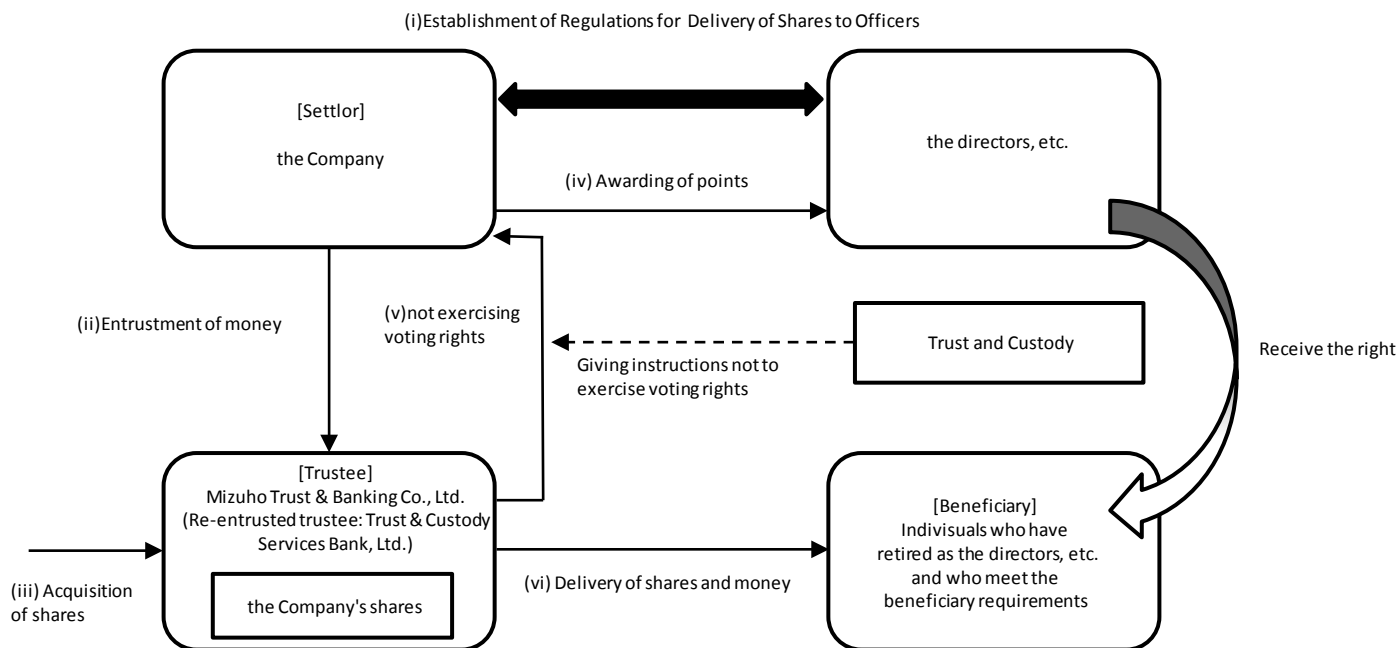
The directors (executive directors only) and executive officers of the Company ("the directors, etc.").

**3. Outline of the Plan**

**(1) Outline of the Plan**

The Plan is a performance-based share remuneration plan under which the Company's shares will be acquired through a trust ("the Trust") using money contributed by the Company, and the Company's shares and the money equivalent to the market value of the Company's shares ("the Shares, etc.") will be delivered or paid to the directors, etc. ("the Delivery, etc.") through the Trust according to the "Regulations for Delivery of Shares to Officers". The directors, etc. will receive the Company's shares all at once after their retirement from office.

<Structure of the Plan>



(i)After passing a resolution on directors' remuneration under the Plan at the OGM, the Company will establish "Regulations for Delivery of Shares to Officers" within the frame work approved at the OGM.

(ii)The Company will entrust money within the scope under (i).

(iii)The Trust will acquire the Company's shares through securities markets or by subscribing Treasury Shares, using money entrusted under (ii).

(iv)The Company will award points to the directors etc. in accordance with the “Regulations for Delivery of Shares to Officers.”

(v)The Trust will not exercise voting rights in connection with the Company’s shares in the Trust account in accordance with the instructions from the trust and custody independent of the Company.

(vi)The Trust will deliver the Company’s shares to those individuals who have retired as directors etc. and who meet the beneficiary requirements stipulated in the “Regulations for Delivery of Shares to Officers” in proportion to the number of points awarded to them. As for a certain percentage of the Share Points, if a director meets certain requirements set forth in the “Regulations for Delivery of Shares to Officers,” the Company will pay him/her money equivalent to the market value of the corresponding shares of the Company, instead of delivering such shares.

## (2)Trust period

From August 2016 (scheduled) until the termination of the Trust.

There is no date set for the termination of the trust period of the Trust, and the Trust will continue as long as the Plan continues. The Plan will terminate upon the delisting of the Company’s shares or abolition of the “Regulations for Delivery of Shares to Officers”, or in certain other cases.

## (3)Amount of money the Company will contribute to the Trust, and number of shares delivered to the Trust

Subject to the approval of the Plan at the OGM, the Company will establish the Trust by contributing up to a total of 1,300 million yen (of which 480 million yen for directors) for the 4 fiscal years (“the Period”) from the fiscal year ending March 31, 2017 until the fiscal year ending March 31, 2020, and the each 4 fiscal years following the first Period as the funds necessary for the Trust to acquire such number of shares as is reasonably expected to be required for the Plan a certain period of time in advance.

After the first Period, the Company will make an additional contribution to the Trust of up to a total of 1,300 million yen (of which 480 million yen for directors) for each Period. Upon such additional contribution, however, if there are Company shares (excluding the ones which correspond to the number of share points awarded to the directors, etc. and which have yet to be delivered to them) and money remaining in the trust assets (“the Remaining Shares, etc.”) as of the end of the Period immediately before the Period covered by the additional contribution, the total amount of the additional contribution and the amount of the Remaining Shares, etc.(the share price to be determined by market price on the final day of the Period immediately before the Period to be covered by the additional contribution) is to be within the amount approved at the OGM.

As a reference, basis market price of 243 yen per share on April 27, 2016, the number of shares able to acquire with 1,300 million yen for the first Period will be about 5.35 million shares (about 0.6% of outstanding shares).

## (4)Method of acquisition of the Company’s shares

The Trust will acquire the Company’s shares through securities markets or by subscribing Treasury Shares, using money entrusted under (3) above. For the first Period, the Trust will acquire the shares through securities markets.

## (5)Details of the Company’s shares to be delivered to the directors

In each fiscal year, the Company will award points (“the Share Points”) to each directors, etc., which will be calculated by multiplying the base point awarded according to his/her duties and responsibilities and other elements by a factor which will vary depending on the degree of achievement of the consolidated earnings target, among other things.

The total number of Share Points awarded to the directors, etc. in each fiscal year is up to 1.70 million points (of which 0.62 million points for directors).

Upon the Delivery, etc. of Shares, etc. mentioned in (6) below, 1point awarded to a directors, etc. will be converted to 1share of the Company’s ordinary shares. However, after the approval of the Plan at the OGM, if the number of the Company’s shares is increased or decreased due to a stock split (*kabushiki bunkatsu*), free allotment of shares (*kabushiki mushōwariate*), stock consolidation (*kabushiki heigō*) or any other event, the number of the Company’s shares to be delivered for each Share Point will be adjusted by a reasonable method.

## (6) Time of the Delivery to the directors, etc.

If a directors, etc. who has retired from office meets the beneficiary requirements stipulated in the “Regulations for Delivery of Shares to Officers”, he/she will be able to receive the Company’s shares from the Trust basically after his/her retirement in proportion to the accumulated number of the Share Points awarded until his/her retirement as directors, etc., by taking the prescribed procedures to determine the beneficiary. As for a certain percentage, if a directors, etc. meets requirements stipulated in the “Regulations for Delivery of Shares to Officers”, the Company may pay him/her money

equivalent to the market value of such shares, instead of delivering them.  
Please note that the Trust may sell the Company's shares to pay money.

(7)Exercise of voting rights in connection with the Company's shares which belong to the Trust

To ensure the neutrality to management, under the instructions from the trust administrator, no voting rights will be exercised during the trust period in connection with the Company's shares which belong to the Trust.

(8)Treatment of dividends

Dividends on the Company's shares which belong to the Trust will be received by the Trust, and appropriated to the acquisition price of the Company's shares and trust fees payable to the trustee of the Trust, among other things. In case the Trust is to be terminated, remaining dividends in the Trust is to be awarded to the directors, etc. at office at that time, according to the "Regulations for Delivery of Shares to Officers".

(9)Treatment upon the termination of the Trust

The Trust will terminate upon the delisting of the Company's shares or abolition of the "Regulations for Delivery of Shares to Officers", or in certain other cases.

Of the residual assets of the Trust at the time of the termination of the Trust, all the Company's shares will be acquired by the Company without consideration and cancelled after a resolution is adopted at the board of directors' meeting. Of the residual assets of the Trust at the time of the termination of the Trust, money except from those to be awarded to the directors, etc. according to (8) above, will be awarded to the Company.

<Outline of the Trust>

(i)Name: Trust for Delivery of Shares to Directors (*kabushiki kyūfu shintaku*, BBT)

(ii)Settlor: The Company

(iii)Trustee: Mizuho Trust & Banking Co., Ltd.

(Re-entrusted trustee: Trust & Custody Services Bank, Ltd.)

(iv)Beneficiary: Individuals who have retired as directors, etc. and who meet the beneficiary requirements stipulated in the Regulations for Delivery of Shares to Officers

(v)Trust and custody: A third party who has no interest in the Company

(vi)Trust type: A pecuniary trust other than money trust (*kinsen shintaku igai no kinsen no shintaku*) (a trust in which a third party other than the settlor is the beneficiary (*taeki shintaku*))

(vii)Signing date of the Trust: August, 2016 (scheduled)

(viii)Date of entrustment: August, 2016 (scheduled)

(ix)Period of the Trust: from August, 2016 (scheduled) until termination of the Trust (There is no date set for the termination of the trust period of the Trust, and the Trust will continue as long as the Plan continues)

For more details, kindly contact as follows:

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