

Corporate Social Responsibility (CSR)

The Corporate Principles of “K”LINE Group as a business organization centering on shipping lie in contributing to the enrichment of people’s lives worldwide through: Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation; Sincere response to customer needs by making every possible effort; and Continual upgrading of service quality.

The Objective of our CSR activities is to materialize the above-mentioned Corporate Principles.

The Mission of the CSR activities of “K”LINE Group is, as a sustainable and globally growing group, to enhance its Social Value through responding to the expectations of all Stakeholders.

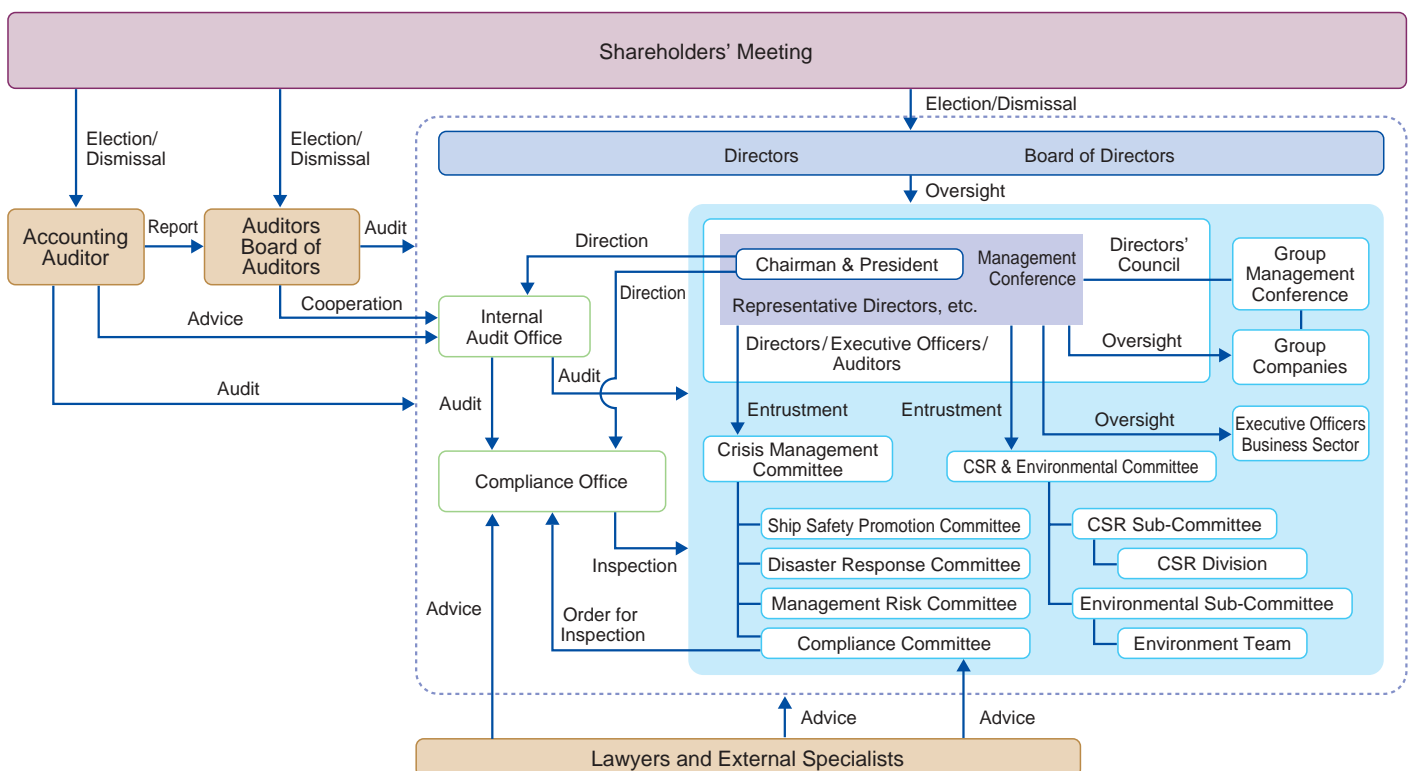
Corporate Governance

“K” LINE Vision 2008⁺ defines that reinforcement of corporate governance structure and risk management is one of the fundamental assignments we are required to address. Along the management plan, concerted efforts are constantly being made to build an organic and effective framework of governance as well as striving to ensure the corporate ethics into the entire group and to enhance an upgrade of corporate brand value together with reinforcement of our constitution for profitability and finance

Structure of Business Execution, Observation of Management and Internal Control

In response to the rapidly changing business environment, we reduced the number of the Board of Directors for improvement in speedy process of decision-making and strengthening of observation/supervision over management.

At the same time, for the purpose of alignment of structure of business execution, we introduced the Executive Officer System from the time of the Annual Shareholders’ Meeting that took place in June 2006.



Outline of Respective Internal Organizations

- ◆ **Board of Directors:** The Board of Directors exists as an organization for decision-making on the basic direction of management, matters stipulated by laws and regulations, and other important management issues, as well as for overseeing the performance of duties. The Board is convened more than once every month.
- ◆ **Board of Auditors:** Two out of the four auditors shall be outside auditors specified in the Corporate Law of Japan.
- ◆ **Directors' Council:** The Directors' Council is convened two times every month, in principle, and all Directors, Auditors and Executive Officers participate in the Directors' Council in order to contribute to the President's decision-making through free discussion among all Board Members/Auditors/Executive Officers and to achieve full compliance and share information related to important management issues.
- ◆ **Management Conference:** A Management Conference is held once a week, in principle, for Representative Directors and Directors/Executive Officers who are involved in the respective issues, in order to freely exchange opinions on major management issues and in order to further enhance the transparency and promptness of management decisions and policies.

1. Establishment of Internal Control System

Representative Directors, and under their direction, Directors, Executive Officers and General Managers in charge of specific business operations are responsible for properly establishing internal controls, assessing their effectiveness and ensuring that they function properly.

The Internal Audit Office is charged with assisting the Directors to execute their duties related to establishment and maintenance of Internal Control through feedback and recommendations for improvement as the Office checks. Auditors observe whether the Directors' establishing and organizing Internal Controls are properly functioning.

2. Foundation of CSR & Environmental Committee

Back in May 2006, CSR & Environmental Committee was set up with the President as Chairman. It was followed by establishment of Environmental Sub-Committee and CSR Sub-Committee.

As a result of placing the respective sub committees under CSR & Environmental Committee over which the President presides, just where responsibility lies can be more clearly defined and we will try to make further efforts for the development of relevant activities.

3. Addressing Personal Information Protection

We are arranging for the best internal system in order to fully comply with the "Law on Protection of Personal Information" that entered into effect in its entirety on April 1, 2005.

The Board of Directors has mapped out a direction for personal information protection and relevant in-office regulations, details of which can be seen on our "K" LINE Homepage. At the same time, we are undertaking a survey for classification of work on personal information that is available in-house. We are also implementing study and educational activities. In this manner, we are encouraging reinforcement of the system for protection of personal information.

4. Organization for Risk Management

The Company re-established a crisis and risk management system in March 2004 so as to recognize and prepare against various management risks and fulfill its social responsibilities when actual risks arise, and introduced four committees, each corresponding to a risk group, Ship navigation, Disasters and so on. The Crisis Management Committee was established to oversee these four committees and to control and promote overall risk management activities.

Safety in Ship Navigation and Cargo Operations

We are aggressively promoting safety and preservation of the environment issues throughout all our groups, posting and upholding that “we will protect human life and health, perform safe ship operations and cargo handling with total safety and preserve the earthly environment.”

Ship Safety and Maintenance of Quality Transportation Services

At Ship Safety Promotion Committee whose chairman is the President, “K” LINE’s management and directors of the group ship management companies map out and implement a variety of measures in relationship with ship safety.

With our own know-how, a ship management system was established with the adoption of the International Safety Management Code (ISM Code) defined in the International Convention for the Safety of Life at Sea (SOLAS) and the standards qualified for ISO 9000.

With the same system being commonly applicable to both land and ships throughout our group companies, we are fully committed to safety in ship navigation and cargo operations.

At the same time, diligent and concerted endeavors are in progress for stabilization of quality in transportation services. It is required that marine technical personnel or specialists pay regular visits to ships, including chartered ones, for inspection of ship conditions, etc. in accordance with our own guidelines for ship quality — “KL-Quality.”

Emergency and Ship Security Response System

Reinforcement of the crisis management system is vastly indispensable for the shipping business against any marine accident contingency. All of us at “K” LINE are trying to improve the management system related to crisis by keeping up with changes of the times and circumstances. We conduct regular exercises every year in joint cooperation between sea and land to verify whether the system is able to function as adequately as expected.

Against attacks by pirates and terrorists, we are making all possible efforts to maintain security on the basis of The International Ship and Port Facility Code (ISPS Code) in an attempt to strengthen and reinforce our overall security structure inclusive of security for cargo.

Educating and Training Marine Technical Personnel

We are making full use of global educational directions and standardization of educational programs and curricula, as well as improvements in educational training facilities at home and abroad for the purpose of standardizing and upgrading our marine technology for safety in ship navigation and cargo operations.

With respect to this subject, we also have set up “K” Line Maritime Academy as an aggregate conception consisting of the above educational training facilities and programs to educate not only Japanese marine technical personnel but other nationalities as well.



Preservation of the Environment

We are addressing ourselves to preservation of the environment through dedicated application of our Environmental Management System in accordance with “K” LINE Group’s Environmental Policy.

Since environmental preservation was positioned as an assignment of management in 1998, we have the objective of strengthening our relevant structure and activities.

Our Environmental Committee was launched in July 2000, and in May 2001 our “K” LINE Group Environmental Policy was established. In October 2001 our Environmental Management System was first implemented and in February 2002 “K” LINE was awarded ISO14001 Certification, and has received successive recognition thereafter. In

May 2006, our structure for preservation of the environment was further strengthened under the leadership of our CSR and Environmental Committee over which “K” LINE’s President presides as Chairman. In the course of the above activities at “K” LINE, a chain of proactive movements has been spreading to the entire group at home and abroad.

What We Have Done and Are Now Doing

We have improved our ships’ fuel tanks, established an operational procedure for shifting the burning of fuel oil and have been selecting available bunkering ports in response to a series of regulations concerning use of low-sulfur fuel that came into force in the Baltic Sea and North Sea in May 2005

In the Port of Long Beach, “K” LINE has been cooperating with the Port in line with its

voluntary campaign for ships to reduce speed within certain distance from Port, known as "slow steaming." In recognition of our degree of observance of the Port's new clean air being among the highest, we were presented with a special award dubbed "Green Flag."

We are already proceeding with arrangements for acquiring a "Green Passport" that involves a list of hazardous substances for newbuildings completed in 2005, well ahead of the international treaty to the effect that superannuated ships can be recycled when no environmental problems are involved.

To reduce air pollution, we are adopting environmentally-friendly and sophisticated innovations in consideration of preservation of the environment. These include energy-saving, electronics-controlled engines; generators utilizing heat of exhausted gases; and a system

for removal of soot in exhaust emissions. We are now also beginning to use high-quality fuel oil and biofuel oil for our ships and cargo operation devices.

We have recently installed equipment onboard that enables electric power to be supplied from shore while ships call in the Port of Long Beach. This electrical powering of ships while at berth is known as "cold-ironing" and eliminates emission of exhaust gases during port stay.

In our land offices, concerted campaigns are underway that give priority to purchase of eco goods and segregation of garbage. To further implement these programs, education is being improved so that all employees are aware of how important these issues are.

Based on what we have done during the past year, we are stepping up our activities and

planning for new intermediate- and long-term targets.

In summary, we are committed to making continuous efforts for prevention of marine and air pollution and reduction in our use of natural resources to the maximum extent possible.



Social Contribution Activities

We are practicing social contribution by addressing ourselves to one target after another with steadiness and perseverance.

Opportunity to Visit Our Container Terminal and Lectures Given at School

We are providing an opportunity for primary school pupils and other school students, customers and mass media correspondents, etc. to visit a container terminal in an effort for them to understand our business, shipping.

In the meantime, we give lectures on a variety of themes from primary school to university level.

A captain of "K" LINE visited a primary school himself, explaining interestingly and understandably to pupils full of curiosity about various episodes experienced in the course of voyages and onboard life.

The Philippine International Maritime Employers Award

In November 2005, "K" LINE and its subsidiary company, Taiyo Nippon Kisen Co., Ltd., received International Maritime Employers Awards from the President of the Republic of the Philippines and the Ministry of the Secretary of Labor and Employment for their long-term contribution to employment of Filipino seafarers and thereby upgrading welfare of the seafarers and their families. This was the 2nd time to receive them following the 1st award in 2002.



Tie-up with an Overseas NPO

We participate as a member in the Clean Cargo Working Group sponsored by Business for Social Responsibility (BSR), a U.S. CSR and Environmental NPO engaged in preservation of the environment in the field of marine transportation. The world's major owners of container cargo and shipping lines attend the same activity. Through discussions, they are at work on Environmental Performance Survey (EPS) as a unified criterion for assessment of environmental activities in marine transportation.

Aid Activities at Disasters

Grave disasters occurred back-to-back in various regions on the globe: Hurricane Katrina hitting the U.S. in September 2005; the great earthquake striking Pakistan in October 2005; and land slides that hit Leyte Island in February 2006.

In the face of those tragic disasters, "K" LINE and its subsidiaries extended cooperation and assistance for restoration in the form of donations and marine transportation of aid supplies.

Participation in Activities by the U.N. World Food Program (WFP)

WFP is the only U.N. food aid organization and the world's biggest humanitarian aid organization. In February 2006, we made a donation to the WFP to be used in the food aid activities for eradication of famine and poverty hitting various parts of the globe.