



# Corporate Principles of the “K” Line Group

The basic principles of “K” Line Group as a shipping business organization centering on shipping lie in:

- (a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation
- (b) Sincere response to customer needs by making every possible effort; and
- (c) Contributing to the world’s economic growth and stability through continual upgrading of service quality.

## Vision

- 1** To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability
- 2** To build a business base that will be capable of responding to any and all changes in business circumstances, and to continually pursue and practice innovation for survival in the global market
- 3** To create and provide a workplace where each and every employee can have hopes and aspirations for the future, and can express creativity and display a challenging spirit

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### [ Scope of this report ]

The report basically focuses on Fiscal Year 2007 (FY2007, the 12-month period from April 2007 to March 2008).

Pages 1 to 26 are mainly from consolidated group companies.

Environmental performance data (after page 27) are from our Environmental Management System\* being applied to: “K” Line; Kawasaki Kinkai Kisen Kaisha, Ltd.; “K” Line (Japan) Ltd.; “K” Line Ship Management Co., Ltd.; Taiyo Nippon Kisen Co., Ltd.; and Escobal Japan Ltd.

The content is compiled and edited with reference to the Guidelines for Reporting by the Ministry of Environment and the G3 Guidelines by GRI\*.

For the meaning of terms indicated by an asterisk, please refer to the glossary on Page 49 to 50.

### [ Image on the cover ]

A funnel mark with the white letter K on a red background, which is the Group’s symbol, shows the image of the entire Group’s efforts to pursue safety in navigation, environmental preservation, and respect for human rights as the assembled pieces of a jigsaw puzzle.

The report is published annually. The previous report was issued in October 2007.

# Message from the President



We, the “K” Line Group, solidly post as our corporate principles and will earnestly carry out (a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation, (b) Sincere response to customer needs by making every possible effort; and (c) Contributing to the world’s economic growth and stability through continual upgrading of service quality. For the “K” Line Group engaged in worldwide transportation, safety in navigation/cargo operations and environmental preservation, in particular, are regarded as the top-priority assignments and as our social responsibilities. Understanding the above, each and every one of us should be dedicated to carry out our important assignments and responsibilities.

The efforts of the Group have been centered on sustainable growth and establishment of a stable earnings structure, the primary themes of the “K” LINE Vision 2008+, former midterm management plan which we launched in 2006 as a roadmap to guide us into the next decade. Thanks in part to the unprecedented rise in dry bulk rates driven by the sustained growth of worldwide marine cargo volumes, and the expansion of the BRICs economies in particular, we recently reported record-high performance for Fiscal Year 2007. We have also achieved the numerical targets under “K” LINE Vision 2008+ one year ahead of schedule. In April this year we therefore launched a new midterm management plan spanning the four years starting in Fiscal Year 2008 under the name “K” LINE Vision 100. This plan addresses the dramatic changes in the business environment for the marine transportation sector, such as soaring fuel oil prices and high level of shipbuilding costs. The name “K” LINE Vision 100 stems from the fact that this new midterm management plan looks towards our Centennial in 2019. Keenly aware that sustainable growth requires building a mutually beneficial relationship with all our stakeholders, we set our new theme as “Synergy for All and Sustainable Growth” and set forth five key management issues to focus on going forward.

## ① Activities to Promote Environmental Protection

As our Corporate Principles state, protecting the global environment is both our social responsibility and one of our key emphases. Our unshakable commitment to preventing global warming and to creating clean seas and clean skies can be seen in the objective we set to reduce greenhouse gases such as carbon dioxide by 10% from Fiscal Year 2006 levels by middle of the next decade.

## ② Stable and Safe Ship Operation Administration Structure

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As also stated in our Corporate Principles, safety in navigation ranks with environmental preservation as a top priority as we carry out our business. We will work to make our safety systems even more robust, by enhancing our safety management system, strengthening on-shore support systems, bolstering our ship management system and securing a sufficient number of qualified marine technical personnel through hiring and training.

## ③ Borderless Management through the Best and Strongest Organization

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We will accelerate our move towards a borderless management structure which tears down the barriers between organizational units and geographic borders by exchanging staff and carrying out training to create the optimal organization to apply our “K” LINE Standard, which exceeds international standards, to the world’s diverse logistics needs.

## ④ Proper Allocation of Strategic Investment and Management Resources

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Along with the expansion of the world economy, in particular the astounding growth of the BRICs economies and those that are racing to catch up to them, the marine transportation market is expected to continue to grow at a high rate for the foreseeable future. While carefully taking into account the effectiveness of investments in both existing businesses and new businesses, and ensuring that guidelines for financial discipline are strictly met, we will decide to make the necessary resource allocation, including strategic investments.

## ⑤ Improvement of Corporate Value and Complete Risk Management

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We will aim to maximize our corporate value through investment and the ensuing earnings growth. We will return profits to our shareholders by raising the dividend payout ratio from the current 20% to 25% in Fiscal Year 2011, and then again to 30% by the middle of the 2010s.

Risk management is another crucial issue for us. We will constantly strive to identify disaster and business risks, taking preventive measures to the maximum extent possible and minimizing the effect on business operations and enterprise value in the event that the risk is actually materialized.



The new midterm management plan “K” LINE Vision 100 brings together not only the opinions of Kawasaki Kisen’s executives and employees, but also of all members working in the Group Companies in Japan and overseas, reflecting their dreams and aspirations as we approach our Centennial. Regarding environmental preservation, in particular, to bolster our commitment to addressing the urgent priority of protecting our beautiful planet for future generations, in July of this year we expanded the unit responsible for environmental preservation and re-launched it as the new Environment Management Division. Needless to say, we will maintain our environmental management system and strictly follow environmental regulations applicable to offices and ships. We will redouble our efforts to proactively address the increasingly important issue of our environment.

In pursuit of our main theme “synergy for all and sustainable growth,” our management and staff will work as one to continue to fulfill our responsibilities to society, and to strengthen environmental preservation. We will enhance mutual trust with a whole range of our stakeholders, that is, shareholders, customers, business partners, employees and society including environment.

I look forward to your continued support.

September 2008

A handwritten signature in black ink, appearing to read 'H. Maekawa', written in a cursive style.

President & CEO  
Hiroyuki Maekawa

# 1 Aiming to maintain and enhance security, safety and reliability

Security, safety and reliability are essential for the transportation business.

Especially, our supreme responsibility as a shipping company is to ensure safety in navigation.

We, “K” Line, believe that it is essential to enhance a high-quality ship management system to fulfill this responsibility. To realize this essence, we organized “K” Line Maritime Academy (KLMA) for the training of seafarers and marine technical personnel in 2006.

The steady execution of various measures on schedule, based on our KLMA concept, is ensuring the safe operation of our fleet.

Following is an interview with Mr. Akira Shoji, General Manager, Maritime Human Resources Group (photo: center) and Mr. Masanori Okada, Manager, Seafarers Policy Team, Maritime Human Resources Group (photo: left) concerning “K” Line’s efforts to ensure safety in navigation, especially the concept of and the training provided at KLMA.



## Q 1 Please explain the outline of KLMA.

**A** KLMA is a framework for education, training and development programs, encompassing “K” Line’s training facilities in Japan and overseas, its seafarers’ training program and their career path. The purpose of KLMA is to secure and educate seafarers and marine technical personnel to support the safe operation of “K” Line’s fleet on a global scale.

“K” Line established the KLMA concept in May 2006 and formulated the KLMA Master Plan in 2007. The purpose of KLMA is to hand down to seafarers and marine technical personnel of all nationalities the marine technology that we have cultivated and passed down over many years in accordance with three basic policies of safe operations, protection of human life and cargos at sea, and preservation of the environment.

## Q 2 Could you describe “K” Line’s training centers?

**A** In addition to KLMA (Japan) in Tokyo, we opened KLMA (India) in Mumbai in June 2007 and constructed a new training center for KLMA (Philippines) in Manila in February 2008. The new training center in Manila can accept a total of 10,000 trainees a year from all over the world. We have also established KLMA centers in countries in Eastern Europe and Northern Europe, and are working to educate seafarers employed by the Group Companies and improve their skills and qualifications through cooperation between KLMA centers worldwide based on the KLMA master plan.



## Q 3 Please explain the basic policy for the training.

**A** KLMA introduced the training matrix (list of courses specifying the training necessary for each rank) in accordance with the basic principles of nurturing the “K” LINE SPIRIT★, preventing serious accidents at sea and educating seafarers with a thorough knowledge of ship management. We provide training at KLMA centers worldwide in accordance with this matrix. While we try, in principle, to standardize the content of this training by using the same texts, each KLMA center has its own specialized training programs.

**Q 4** What kind of training is provided to ensure safety in navigation?

**A** “K” Line has spread knowledge gained from navigation simulator training conducted in Japan to KLMA centers overseas, and is working to improve navigation skills and to ensure safety in navigation through teamwork. To train seafarers to operate engines, KLMA (Japan) has a turbine plant simulator that allows trainees to take a tour of the engine room recreated on a big screen, and to operate boilers and steam turbines in virtual reality. Meanwhile, at KLMA (Philippines) a simulator is linked to an engine training system, 8-meters high and weighing 100 tons to train seafarers to operate and maintain equipment in a virtual reality situation that closely resembles being on an actual ship.



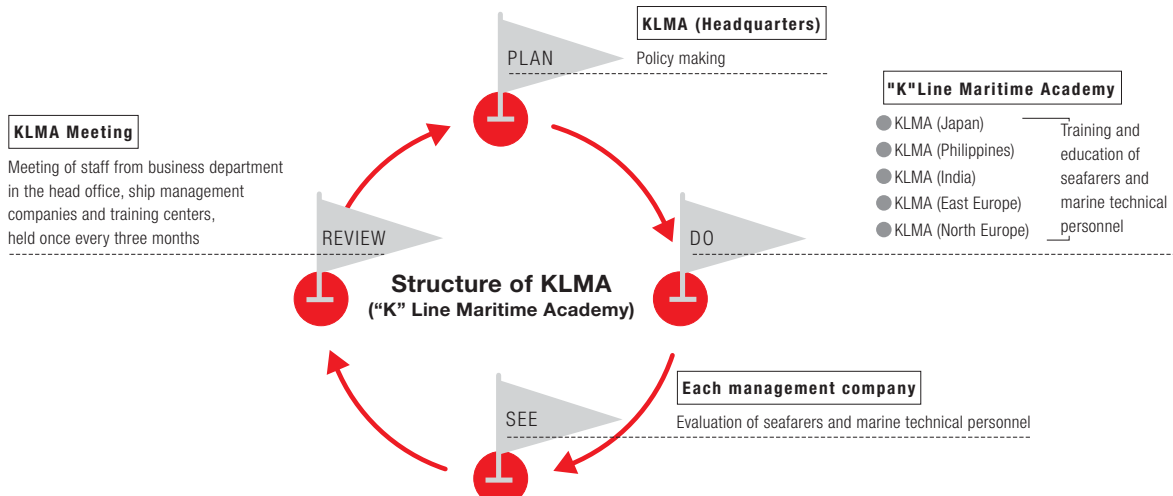
**Q 5** Could you describe the training given to ensure safe cargo handling and operation?

**A** Both KLMA (Japan) and KLMA (Philippines) have cargo handling simulators for LNG carriers and oil tankers that can generate more than 200 simulation scenarios, and they train seafarers not only to handle and operate cargo safely but also to cope with emergencies. KLMA (India) is equipped with tanker operation training equipment, including AUS★ simulator which is the first case in the industry, to ensure safe cargo handling and operation.



**Q 6** Finally, please explain the vision for the future?

**A** “K” Line will work strongly to attain the targets under its midterm management plan “K” LINE Vision 100. While the development of fully qualified seafarers who can take responsibility for safe operations is a key issue, we also need to develop excellent instructors to make this a reality. We believe it is important to have a long-term perspective and an unwavering vision, and to take each step towards this vision. We will work to expand the content of training further and strive day by day to make our KLMA centers into knowledge centers for seafarers and marine engineers throughout the world.



# 2 Aiming to reduce CO<sub>2</sub> emissions

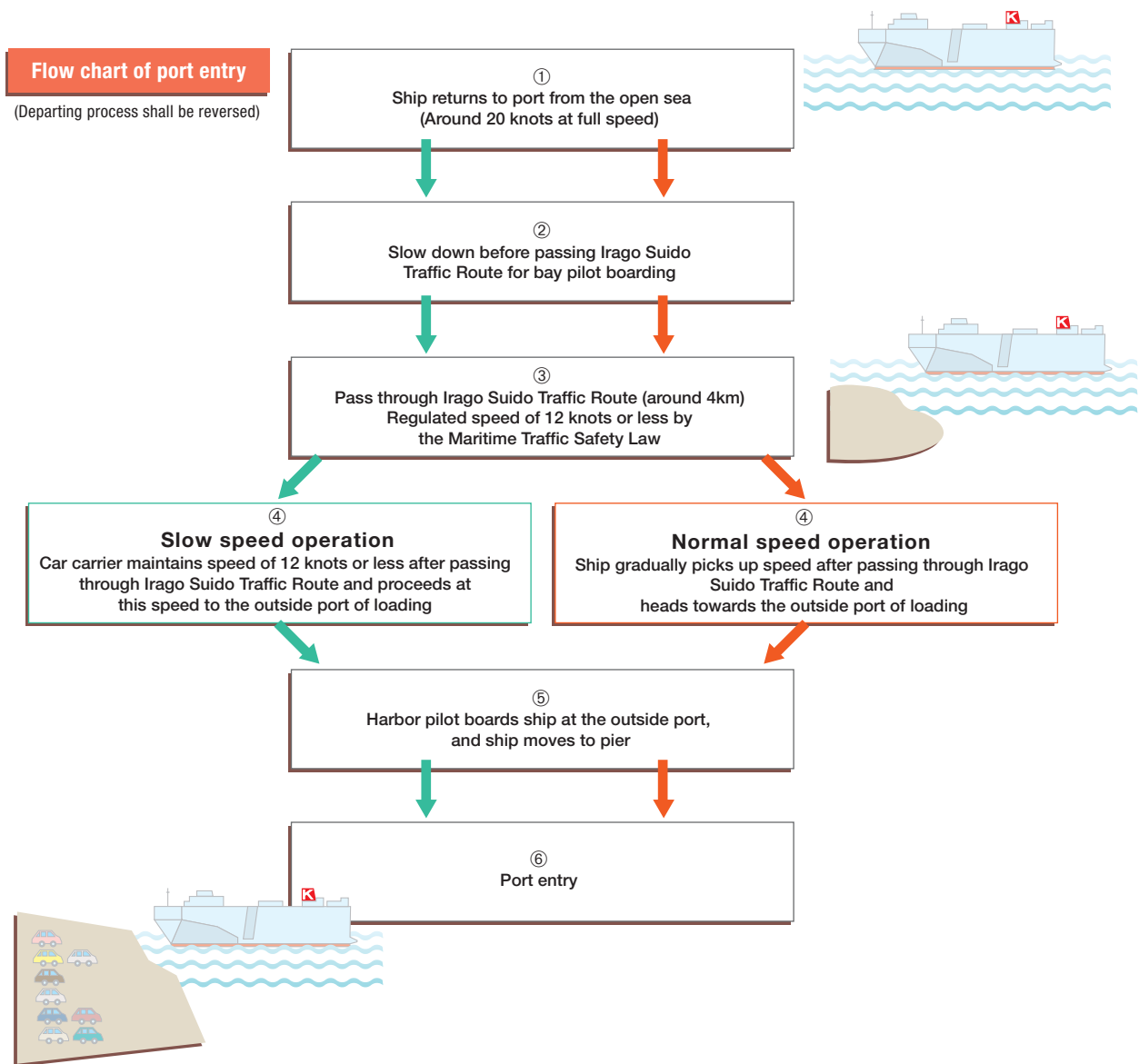
Fuel oil is essential for ship operations, and fuel consumption causes CO<sub>2</sub> emissions. In other words, the reduction in the consumption of fuel oil leads to a reduction in CO<sub>2</sub> emissions. This feature describes two of our current initiatives to reduce CO<sub>2</sub> emissions by slowing the speed of our ships.

## 1

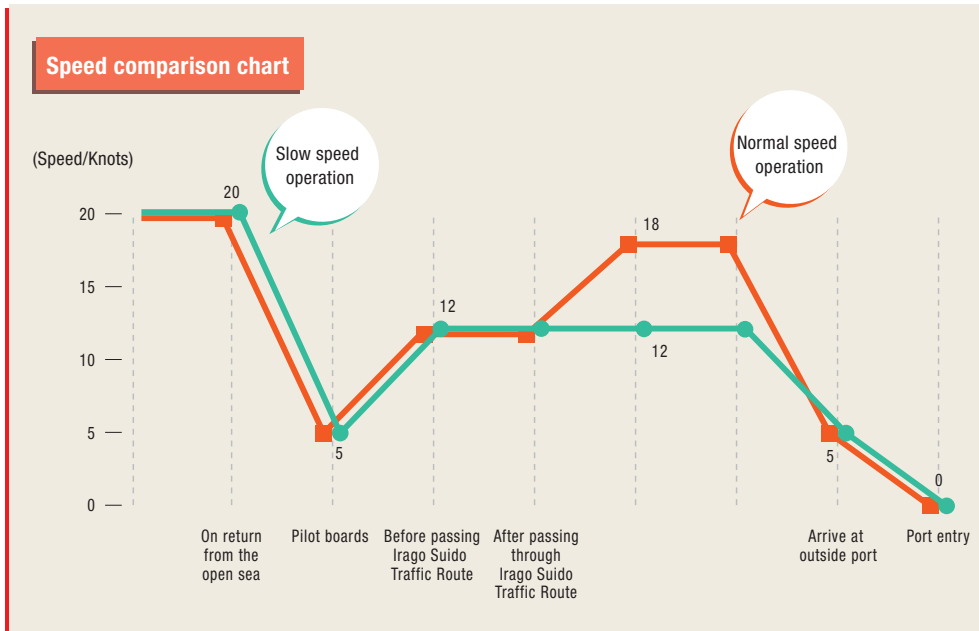
### Speed reduction program of car carriers in Ise-wan Bay and Mikawa-wan Bay

The Tokai region is the area where manufacturers export around 4 million automobiles a year, having the most car carrier calls in Japan. Our car carriers make around 500 calls each year at ports in Ise-wan Bay or Mikawa-wan Bay. In mid-March 2007, we began reducing the speed of our car carriers in these bays. We had already been reducing the speed of ships in the open sea as long as ship's

schedule permits. This is the first case among ocean-going shipping companies to constantly reduce the speed of large ships in Ise-wan Bay and Mikawa-wan Bay. We estimate that an average of 4 tons of CO<sub>2</sub> can be cut for each voyage by a reduction of 3 knots (around 6km/h) in speed. By this way, we reduced CO<sub>2</sub> emissions by around 780 tons over the full term of Fiscal Year 2007.







### Monthly reduction in CO<sub>2</sub> emissions

Date	Reduction in CO <sub>2</sub> emissions (tons)
2007 Apr.	87.1
May	60.4
Jun.	86.3
Jul.	61.5
Aug.	67.0
Sep.	73.6
Oct.	58.9
Nov.	52.8
Dec.	50.3
2008 Jan.	62.7
Feb.	59.2
Mar.	62.7
<b>Total</b>	<b>782.5</b>



## Reducing speed of ships off the coast of California

To prevent air pollution along the coast, the Port of Long Beach recommends that ships calling at Long Beach Harbor reduce their speed to 12 knots (around 22km/h) or slower within an area of 20 miles (around 37km) from the harbor to reduce emissions of CO<sub>2</sub> and other exhaust gases (under its Green Flag Program). In line with this, we are taking part in speed reduction program designed for the voluntary cooperation of ship operators that call at the

port, and participation is therefore not compulsory. We made a total of 344 calls at the Port of Long Beach over the twelve-month period of 2007, and reduced the speed of our ships in 343 out of these calls, giving us the highest compliance rate among carriers with more than 200 calls during the year. By reducing the speed of our ships in this way, we reduced CO<sub>2</sub> emissions by around 4,000 tons in 2007.

## 3 “K” LINE Culture and Spirit

Throughout its nearly 90-year history, “K” Line has been engaged in business activities on the oceans. In the process of overcoming the waves of change, it has formed its own unique corporate culture, as expressed in words such as “autonomy and independence,” “free and vigorous” and “enterprising spirit.”

### Openness



Human Resources Group  
Yutaka Nakagawa

The concepts underlying the “K” LINE culture are “small members” and “openness.”

Many company executives and employees engage in active exchange of opinions that transcends department and generation.

The operating environment of the shipping industry continues to be strongly influenced by market conditions. To survive in this environment, “K” Line has evolved into an agile organization, and this has led it to maintain its current small organization. Moreover, “K” Line has long been in the position of challenger in the shipping industry, so frank discussion on an equal footing has always been a prerequisite for the quicker attainment of “K” Line’s targets. The corporate climate and small number of people described above have combined to create the free and vigorous atmosphere that prevails at “K” Line today. We hope that openness will enable us to take full advantage of our size, a size that allows us to talk face-to-face, by knowing each other’s names and faces.

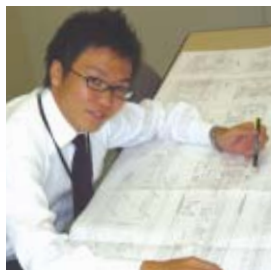
### Global Network



“K” Line America, Inc.  
Shinichi Kurosawa

We operate dynamically through the network of 5 overseas representative offices and subsidiary agents in 30 countries and regions.

The global business expansion of companies around the world is causing rapid diversification of parts and products logistics. In our lines of business, we are constantly considering the future, which means sensing this kind of change and finding out customers’ needs. We can often see “K” Line’s red containers throughout the world which makes me feel that our job is worthwhile, and that the work we are involved in is truly on a global scale.



## Career Path

Career path is another important feature at “K” Line. During the time between joining the company and becoming a key staff member, employees experience a variety of work and “K” Line identifies the duties suitable for their capabilities. During this process, employees gain global experience, through their communication with customers and staff overseas.



IR & PR Group  
Investor Relations Division  
Kumiko Iwasa

I joined “K” Line because I wanted to work in an “international business.” When I joined “K” Line, I was firstly engaged in ship operation management duties, which involved talking directly to the officers of ships sailing the oceans, as well as shippers and port managers. After that, I worked in areas such as container terminal management and subsidiary management, and now I work as Manager of the IR Section in the IR & PR Group. My main assignment is answering inquiries from people around the world about “K” Line’s business operations. To explain “K” Line’s business operations clearly, I have to keep up with the latest information on global political and economic developments, so every day brings something new.

## “K” LINE Spirit

The “K” LINE spirit is, so to speak, its corporate DNA. It is the spirit that, ever since our foundation, has further developed each time we overcome a big wave of change. It incorporates many elements including a corporate culture of respecting free and creative minds, a challenging spirit, original ideas, positive approach, globalism, team work and the pioneer spirit.



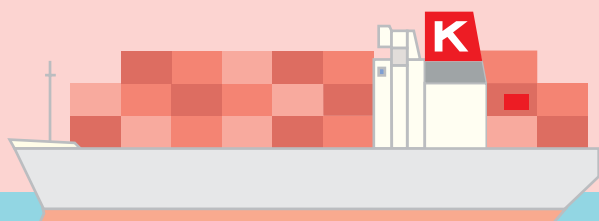
Marine Human Resources Group  
Seafarers Policy Team  
Hajime Otsuda

“Join us, all crew members!” Facing the increasing demand for crew by the rapid expansion of “K” Line’s fleet, this cry alone will not attract enough crew to board our ships, and it is my assignment to examine the employment of crew members in various countries, and their education and training every day. Last year, I myself was supervising repair work at a dockyard in Dubai (United Arab Emirates) as the chief officer of an LNG carrier. I think that it is exciting being a member of a ship’s officers. In fact, you can challenge a variety of duties in diverse workplaces and teams, such as from blistering hot Dubai to a cooler office in Tokyo by job rotation.

# Outline of “K” Line (Lines of Business; Management Plan)

The “K” Line Group is operating a variety of business lines as an integrated marine transporter.

## Lines of Business

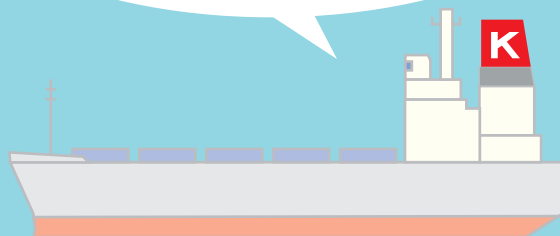


### Containership Services

We operate East/West trunk lines linking Asia/North America, Asia/Europe and Europe/North America through an alliance with prominent shipping companies of China, Taiwan and South Korea and in addition, our global operations include both Intra-Asia and North/South service networks and transporting electronic devices, appliances, furniture, clothing, frozen foods/beverages, hops, consumables, parts, raw materials and anything which can be transferred by container boxes. Ships in operation total 99 with 4,194,472 deadweight tons as of March 2008.

### Dry Bulk Carrier Services

We transport raw materials such as coal, iron ore, grain (wheat, soybean, corn. etc.) and papermaking material by bulk carriers. Lately, in addition to transportation of Japan-bound cargo, we have been making positive business efforts for carriage of cargo in other than Japan trades including Atlantic and Indian waters. As of March 2008, ships in operation numbered 169 with total of 17,614,846 deadweight tons.

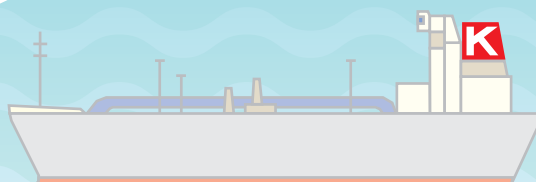


### Energy Transportation and Tanker Services

Our services consist of liquefied gas transportation by both LNG and LPG carriers for not only industrial use but also for consumer use such as natural gas, gasoline, as well as crude oil/oil products transportation by tankers. As of March 2008, ships in operation reached 51 with 5,443,679 deadweight tons.

### Car Carrier Services

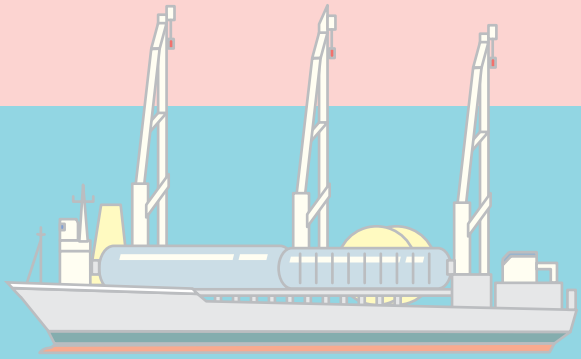
Since 1970 when we deployed Toyota Maru No.10, Japan's 1st PCC (Pure Car Carrier), we have been recognized as a pioneer engaged in safe and prompt transportation service of completed cars and trucks. As of March 2008, ships in operation numbered 102 with total of 1,375,714 deadweight tons.



# Outline of "K" Line (as of March 31, 2008)

- Name ..... Kawasaki Kisen Kaisha, Ltd.
- Established ..... April 5, 1919
- Address..... Hibiya Central Building, 2-9, Nishi-shinbashi  
1-chome, Minato-ku, Tokyo 105-8421, Japan
- Paid-in Capital ..... ¥45,819.3 million
- Issued ..... 638,764,790 shares of common stock\*  
\*including common stock for treasury
- Number of Employees ... Non-consolidated 600 (Male: 483, Female: 117)  
Consolidated Subsidiaries  
(Domestic: 2,781/Overseas: 4,234)
- Total Workforce by Region ("K" Line Group)  
..... Japan: 39.55%, Asia: 36.34%,  
North America: 9.41%, Europe: 11.47%,  
Other: 3.23%
- Offices..... Head Office (Tokyo), Registered Office (Kobe),  
Branches (Nagoya and Kansai)
- Overseas Offices..... Beijing, Manila, Mideast, Johannesburg, India

- Overseas Agents  
Korea, Hong Kong, China, Taiwan, Thailand, Vietnam, Philippines,  
Singapore, Malaysia, Indonesia, Australia, U.K., Germany, France,  
Nederland, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain,  
Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil
- Consolidated Subsidiaries ..... 26 in Japan and 249 overseas  
(Subsidiaries and Affiliates 28)
- Fleet ..... 488 Ships (29,241,954 DWT)
  - Containerships (Owned 12/Chartered 87)
  - Dry Bulk Carriers (Owned 83/Chartered 188)
  - Energy Transportation and Tankers (Owned 32/Chartered 19)
  - Heavy Lift (Owned 6/Chartered 9)
  - Others (Owned 25/Chartered 27) Owned Total 158/Chartered Total 330
- Member and Qualification  
Nippon Keidanren, The Japanese Shipowners' Association, Japan Foreign  
Trade Council, Inc., The Tokyo Chamber of Commerce and Industry,  
International Chamber of Commerce, Japan Federation of Freight Industries  
(JFFI), International Association of Ports and Harbors, Japan Ship Technology  
Research Association, National Maritime Research Institute, Japan Internal  
Combustion Engine Federation, Box Club, BIMCO, Intertanko, Clean Cargo  
Working Group



## Heavy Lift Services

Starting in April 2007 we have been operating our heavy lift services business jointly with the SAL group, a dedicated heavy lift player in which we made an equity investment. Demand for large-scale cargo transport related to energy and infrastructure development has boomed in recent years, and therefore we expect this business to be one of the major business sectors for the company. As of March 2008, ships in operation numbered 15 with total of 131,459 deadweight tons.

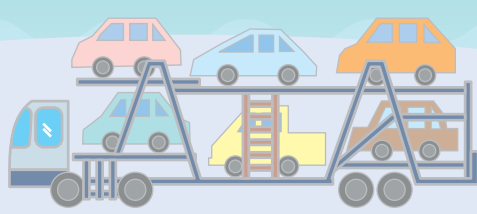


## Short Sea/Coastal Shipping Services

The "K" Line Group Companies, including Kawasaki Kinkai Kisen Kaisha, Ltd., are engaged in coastal shipping utilizing passenger/cargo ferries, high-speed cargo ferries, roll-on/roll-off ships for paper-in-rolls, specialized carriers for limestone and general cargo carriers. As of March 2008, ships in operation numbered 52 with total of 481,784 deadweight tons.

## Total Logistics Services

We are concentrating our efforts on making certain that our network responds as accurately as possible to the remarkably advanced demands of customers in today's rapidly developing logistics market. We provide total logistics services, including airfreighting, warehousing, trucking, etc. by consolidating the knowhow and broad experience of all members of the "K" Line Group.



# M

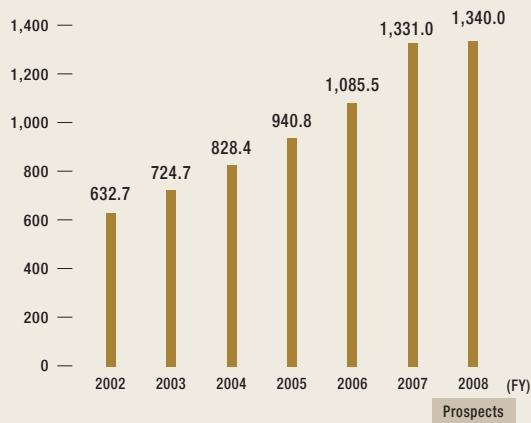
## ajor Financial Data

The world economy was strong in Fiscal Year 2007, with huge capital investment and consumption, particularly in the BRICs countries, and resourceful countries driving their economies.

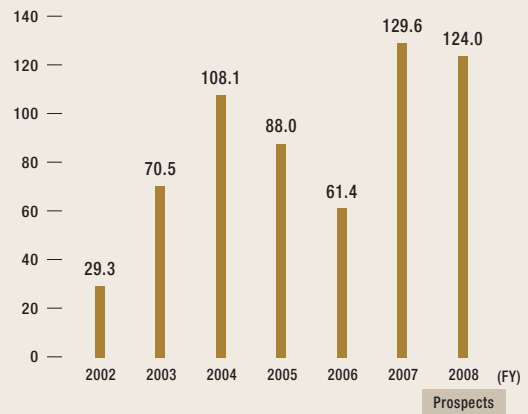
In Japan the economy expanded modestly as well by healthy exports and capital investment.

Buoyed by favorable conditions in the marine transportation industry, including high prices in the dry bulk market, increased cargo volumes for containerships and car carriers, and stable performance in energy transportation, the Company marked record-high results in Fiscal Year 2007.

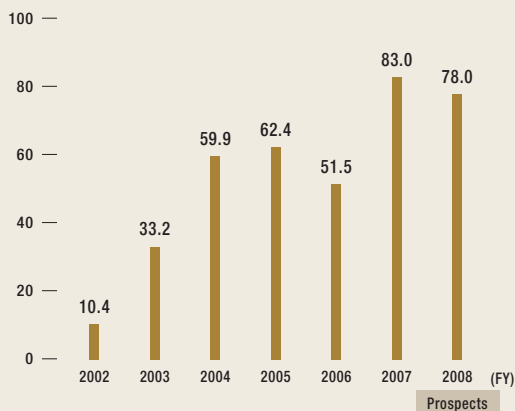
Operating Revenues (Billions of yen)



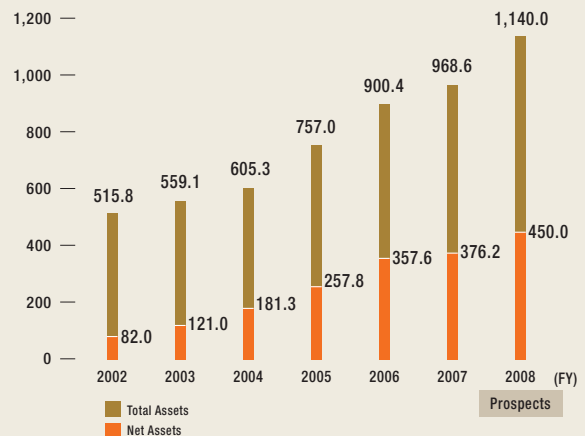
Operating Income (Billions of yen)



Net Income (Billions of yen)



Total Assets Net Assets (Billions of yen)



# New Midterm Management Plan "K" LINE Vision 100

Bringing the Company's Centennial in 2019 into view, we have developed a new midterm management plan called "K" LINE Vision 100 covering 4 Years from April 2008 to March 2012. Under the main theme of "Synergy for All and Sustainable Growth," the plan addresses the following:

## Five Management Issues

- ① Activities to promote environmental protection
- ② Stable and safe ship operation administration structure
- ③ Borderless management through the best and strongest organization
- ④ Proper allocation of strategic investment and management resources
- ⑤ Improvement of corporate value and complete risk management

## Business Strategies

- **Containership Business**
  - Sustainable business growth and efficient business management
    - Responding to globalization of customers' business through enhancements to the service network
    - Enhancing competitive strengths through sustained fleet and terminal improvements
    - Pursuing safe transportation with a focus on protecting the environment
- **Dry Bulk Carrier Business**
  - Top class worldwide with capesize and post-panamax vessels
    - High-quality services suited to diverse customer needs
    - Growing the customer base through global business expansion
    - Enhancing a stable profitability structure through mid- to long-term contracts
- **Car Carrier Business**
  - World-leading transportation quality and full route network
    - High-quality services taking the environment and safety into consideration
    - Global business expansion responding swiftly to customer needs
- **Energy Transportation and Tanker Business, Heavy Lift and Offshore Support Business, New Businesses**
  - Top class worldwide with safe transportation
    - Aggressive efforts to take on new shipping demand
    - Pursuing safe and high-quality services
- **Logistics Business, Short Sea and Coastal Shipping Business**
  - Mobility and high-quality services
    - Proposal-based sales that anticipate customer needs
    - Tailor-made customer-specific services

## Consolidated Financial Targets

### Consolidated Financial Targets

(Assumptions: exchange rate of 100 Yen = US\$1, Dubai oil price at US\$100/barrel, fuel-oil price at US\$520/MT),  
(Billions of yen)

	FY2007	FY2008	FY2009	FY2010	FY2011
Operating revenues	1,331.0	1,340.0	1,450.0	1,600.0	1,750.0
Ordinary income	125.9	121.0	135.0	145.0	160.0
Net income	83.0	78.0	85.0	95.0	105.0
ROA	13%	12%			10% or higher
Shareholder's equity	355.8	426.0			680.0 or higher
Equity ratio	37%	37%			40% or higher
DER	93%	100%			85% or lower
Interest-bearing debt/ operating CF	2.3	4.2			3.5 or lower
Payout ratio	20%	22%			25%



### Fleet, Shipping Capacity

(Unit: ships)

	End of FY2007	Fleet improvement Plans (FY2008 - FY2011)	End of FY2011 (Prospects)
Containerships	99	43	132
Dry Bulk Carriers	169	65	225
Car Carriers	102	27	106
LNG * Carriers	34	15	48
Oil Tankers	28	13	45
Heavy Lift/Offshore Ships	15	13	24
Short Sea/RORO Ships	52	4	60
Total*	499	180	640

\* "LNG Carriers" includes 11 ships owned by non-consolidated overseas company, established by joint investment.





for improvement. Auditors observe whether the Directors establishing and organizing Internal Controls are properly functioning.

## Governance of the Group as a whole

"K" Line established the Charter of Conduct of Group Companies for the purpose of securing adequacy of each job, on which basis individual group companies set their own behavioral guidelines. (Refer to pages 17 and 43 to 44)

## Protection of Personal Information

We are arranging for the best internal system in order to fully comply with the "Act concerning Protection of Personal Information" that entered into effect 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.

## Risk Management

Assumption and encouragement of all types of risk management



### Risk Management leading to Ship Navigational Safety

- At the 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, SMS★ (Safety Management System) was established with the adoption of the ISM Code★ defined in SOLAS★ (Safety of Life at Sea) and the standards required 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.

- Diligent and concerted endeavors are in progress for stabilization of quality in transportation services. Marine technical personnel or specialists are required to pay regular visits to ships, including chartered ones, for inspection of ship conditions, etc. in accordance with our own guidelines for ship quality exceeding legal requirements – "KL-Quality."
- The security system is well established and practiced at container terminals on the basis of the ISPS Code★.
- "K" Line participated earlier in C-TPAT★ program (Customs Trade Partnership Against Terrorism) for the purpose of prevention of terrorism and assurance of security. The U.S. Customs has been requesting for those related to the U.S. trade to take part in C-TPAT. We are endeavoring to secure a high level of security through practice of the partnership programs.

### Risk Management against Disasters

- This dictated what we must do at the time of occurrence of a huge disaster for securing safety of humans/property and responsive measures for recovery (including emergency communications) and also what we must do for business continuation after a huge disaster. An "Emergency Response Manual" with concrete contents of responsive measures has been compiled and has been handed to employees in the form of a handbook.
- For use at time of disasters, we have introduced a system confirming the individual safety of employees using the email function of mobile phones.
- Against destruction of computerized data by disasters, we set up a system where backup data can be stored in a remote place so that we can secure important management information and recover business activities as early as possible.

### Risk Management Related to Compliance

- The Group Companies provide compliance manuals and working regulations to employees so that they are well informed of their compliance systems and laws/regulations/norms with which they must comply.
- In case any breach of laws/regulations/norms is found through the compliance hotline system or internal audit, the Compliance Committee will take quick and corrective action.
- In case a compliance matter occurs in a group company, it will be possible to communicate through "K" Line's hotline window, as well as through their own hotline systems.

### Risk Management Relevant to Management

- In case all other management risks such as social crimes of terrorism/threats, economic situations such as rumor damage, fluctuations of exchange/interest rate, tax systems of individual nations and inflation, invocation of legal restrictions/policy related to protectionism, and any other changes to competition circumstances that are likely to give not a little impact on our business in general, the Management Risk Committee will take preventive measures and respond appropriately to them in the event they should actually happen.

# Aiming at Better Relationship with Society

We established a Charter of Conduct of the Group Companies to help us fulfill our corporate principles for the realization of the objectives of our CSR activities. To this end, we have set targets, and will make full efforts to create a better society.

## Charter of Conduct: "K" Line Group Companies (Adopted December 2006)

Kawasaki Kisen Kaisha, Ltd. and its group companies (hereinafter "K" Line Group) reemphasize that due respect for human rights and compliance with applicable laws, ordinances, rules are the fundamental foundations for corporate activities and that group companies' growth must be in harmony with society and therefore we herein declare to abide by "Charter of Conduct" spelled out below:

### 1 Human rights

The "K" Line Group will consistently respect human rights and well consider personality, individuality and diversity of its corporate members and improve work safety and conditions to offer them comfort and affluence.

### 2 Compliance

The "K" Line Group promises to comply with applicable laws, ordinances, rules and spirit of the international community and conduct its corporate activities through fair, transparent and free competition.

### 3 Trustworthy company group

"K" Line Group continues to pay special attention to safety in navigation, achieving customer satisfaction and garnering trust from the community by providing safe and beneficial services.

### 4 Environmental efforts

The "K" Line Group recognizes that global environmental efforts are a key issue for all of humanity and that they are essential both in business activities and existence of the company and therefore we are committed to a voluntary and proactive approach to such issues to protect and preserve the environment.

### 5 Disclosure of corporate information and communication with society

The "K" Line Group will protect personal information, properly manage corporate information and disclose corporate information timely and appropriately, widely promoting bi-directional communication with society including shareholders.



### 6 Contribution to society

The "K" Line Group as a Good Corporate Citizen will make ongoing efforts to contribute to social development and improvement and support employees' voluntary participation in such activities.

### 7 Harmony in the international society

The "K" Line Group will contribute to development of international society in pursuance of its business pertaining to international logistics and related businesses, respecting each country's culture and customs.

### 8 Confront anti-social forces

The "K" Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.

The management of each "K" Line Group Company recognizes that it is their role to realize the spirit of the Charter and to set the pace that is to be followed by every employee in their company as well as by business partners. In the event of any incidents in breach of this Charter, the management of the respective "K" Line Group member company will demonstrate decisiveness to resolve the problem(s), conduct a thorough investigation to determine the cause and to take preventative measures. Additionally, such management will expeditiously and accurately release information and fulfill their accountability to society.



# C

## SR (Corporate Social Responsibility)

### Objective and Mission of our CSR (Corporate Social Responsibility) Activities

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 above 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 Stakeholders such as Customers, Shareholders, Employees, Business Partners and Society.

### Basic Policies in Promoting CSR Activities

We recognize that the concept of CSR is composed of two areas, i.e. “Social Responsibility” and “Social Contribution.” Our basic policies in promoting CSR activities in each respective area are as follows:

● Social Responsibility:

We comply with all laws and regulations, respect social precepts, practice fair business activities, and make diligent efforts for safety in navigation and cargo operations as well as environmental preservation.

● Social Contribution:

We contribute to society through our group business activities.

And, as a “Good Corporate Citizen” we positively serve the community.

## F Y2007 CSR Highlights and FY2008 Objectives



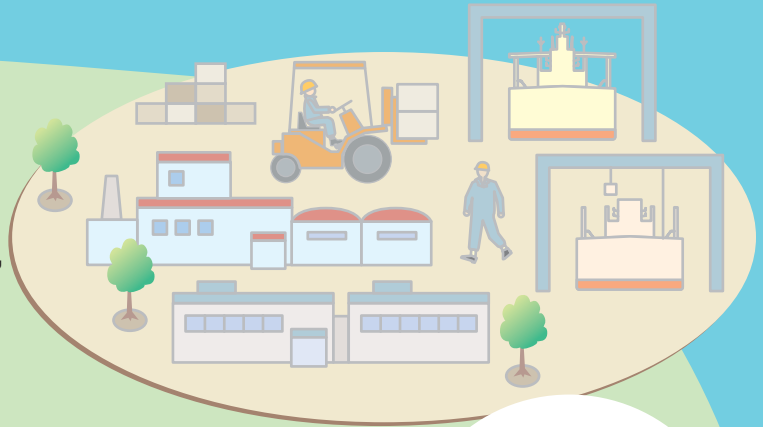
Voluntary beach cleanup operation

CSR highlights of the preceding fiscal year and objectives for the current fiscal year are as follows.

Field	Item	FY2007 Highlights	FY2008 Objectives
Corporate Ethics, Compliance	• Enact Charter of Conduct of Group Companies/ “K” Line Implementation Guideline for Charter of Conduct	• Put in place at major Group Companies	• To further adopt Charter by Group Companies and provide support
	• Alignment of compliance-relevant norms and guidelines	• Large-scale revision of Compliance Manual	• Promote training in conjunction with changes in laws and regulations (e.g. in EU)
	• Education and training with regard to CSR, Compliance and Environmental issues	• Over 300 participants, mainly in different classed training	• Continue training, primarily in area of environmental preservation
Disclosure	• Participation in public safety, security	• Carried out US C-TPAT★ audit	• Continue program participation, including fire drills
	• Development and improvement of public relations in terms of promoting the CSR structure	• Issued 10,000 copies of the Social & Environmental Report 2007, in English and Japanese • Revised CSR and environment-related portions of web site	• Further expand report • Consider renewing of web site
Human Rights, Labor, Human Affairs	• Monitoring situation as to respect for human rights and equal-opportunity policy conducted by group companies	• Received individual reports on each hotline • Shared information among HR staff at group companies	• Continue initiatives
Environmental Preservation	• Enhancement of Environmental Management System	• Two group companies newly certified • Continue EMS audits and certifications	• Obtain certification for at least 10 companies by 2010 • Reduce CO <sub>2</sub> by 10% by middle of 2010s
Safety, Quality	• Upgrading standards of ship quality and sharing information on safety/security	• Opened training facilities and carried out training within the KLMA framework • Incident response drills	• Promote sharing of training and information through KLMA • Continue emergency response drills
	• Ensuring quality levels in newly constructed ships exceed international standards	• Designed new ship types, built “eco-ships”	• Install latest equipment, build environmentally-friendly ships, expand “eco-ship” fleet
Social Contribution	• Donate to relief and charity funds	• Offered support for three natural disasters in Japan and overseas (including free transportation)	—
	• Encouraging environmental programs	• Tree planting in Brazil • Participated in overseas environmental programs by NPOs	• Plant trees and implement “green” power generation in Japan • Continue to participate in overseas environmental programs by NPOs
	• Promotion and support of social contribution by overseas group companies	• Shared information and opinions	• Promote environmental initiatives and support for disaster victims

# Relationship with Stakeholders

The “K” Line Group’s activities are global and are being performed in trusted and dependable relationships with many people, i.e. shareholders, customers, business partners, local communities, etc.



## Business Partners

We are striving to establish relationships of mutual trust and thereby to promote a harmonious relationship with society as a whole.

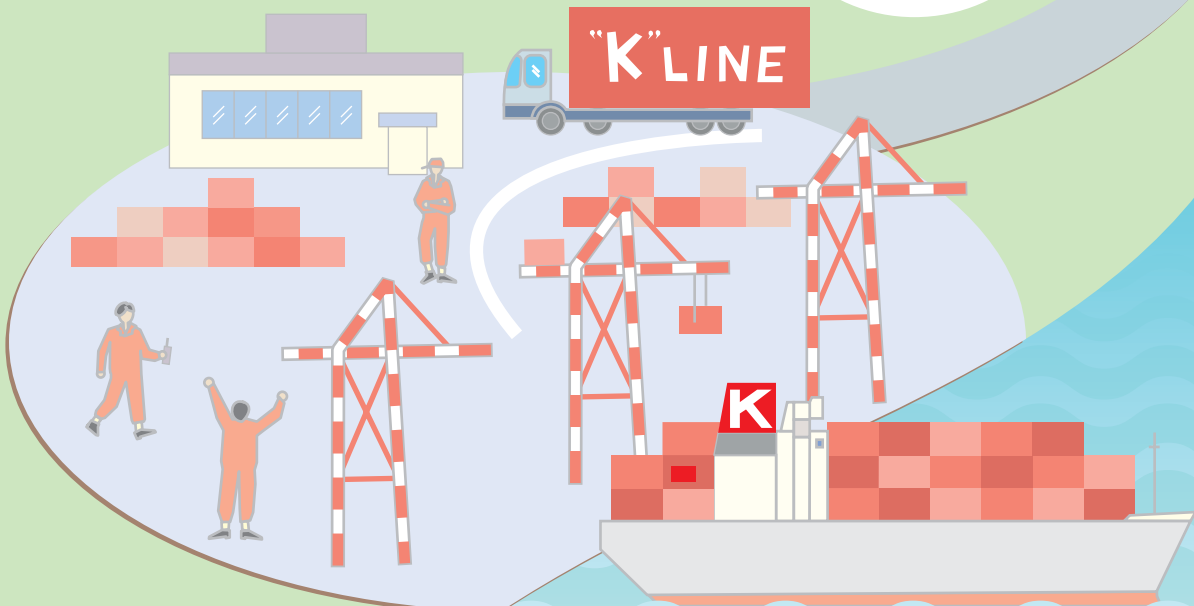
→ p23



## Customers

We are making every possible effort to meet customers' needs.

→ p22



### Shareholders

We disclose information timely and appropriately.  
We are continuously working to increase total shareholder return on our business activities.

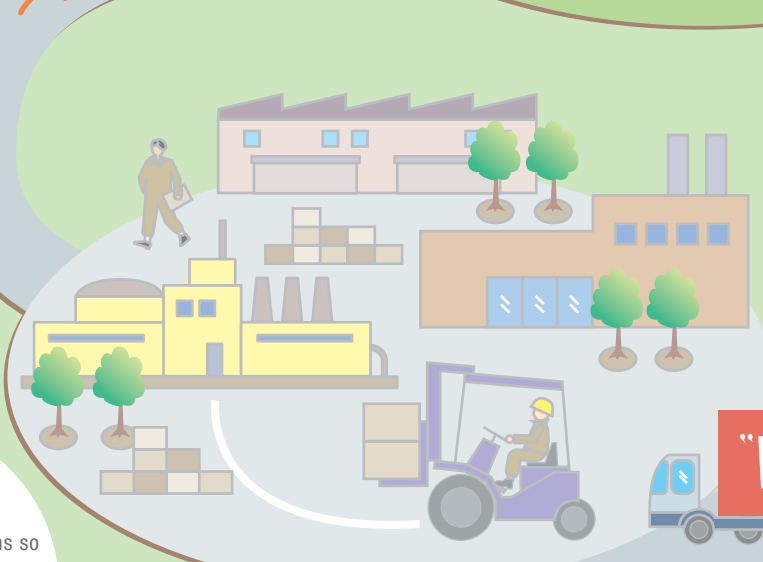
→ p21



### Contributing to Society

We are striving to contribute to the world's growth and stability through the transportation of goods in good service quality.

→ p25



### Employees

We are enhancing and developing working conditions so that each employee can exercise their creativity and determination to take on challenges, with enthusiasm.

→ p23



# With Shareholders and Investors

Through timely and adequate disclosure of corporate information, we will practice an interactive communication with shareholders and investors so that further upgrade of corporate value can be pursued.

## Through Shareholders' Meetings

We regard shareholders' meetings as an invaluable event where not only shareholders resolve important management matters, but also shareholders and management of "K" Line have a direct dialogue. At shareholders' meetings, we are endeavoring to make them open to all shareholders: we utilize images and narrations for attendants to understand matters taken up there, and consider date and venue for attending convenience.

## Through IR Tools

We send a report every quarter on status of business activities. On the Homepage, we open an IR site where it is possible to access a variety of information: financial materials such as financial highlights and schedule for announcement of closing accounts, etc. We are also ready to receive questions and opinions from investors by email at any time whereas we issue annual report in both English and Japanese versions.



## Through Various Explanation Meetings

A meeting for explanation to institutional investors and securities analysts on closing account is held every quarter whereas a meeting for the announcement of management plans, etc. is opened to them at a proper opportunity. Explanations, etc. are vocally recorded and are carried to all people on our Homepage. We offer visits to our site facilities, etc. in the field so that institutional investors and securities analysts can have a better understanding of our business. In addition to the above, we positively practice individual interviews with institutional investors and securities analysts at home and abroad. For explanations to general investors, we are making use of business explanation meetings sponsored by securities companies.

The Number Making Access to Investor Relations (Information) on the Homepage





## With Customers

With all our might,  
we are promoting navigational safety management and preservation of the environment  
to carry customers' shipments to destinations safely and surely.

At the same time, we are also making efforts to supply systems and information  
needed by customers for the purpose of achieving timely transportation.

### Security Structure

Measures are being carried out against pirates and unidentified ships according to the manual for Safety Management System. We also produced regulations for ship security on the basis of ISPS Code★.

"K" Line is participating in the C-TPAT★ program for the purposes of prevention of terrorism and assurance of security.

Accordingly, we are carrying out part of the C-TPAT programs and trying to strengthen security in cooperation with customers.



### Cargo Damage Prevention

Not only should we be careful against damage to customers' shipments at all times during voyage, but we must also never fail to make efforts at any time for every necessary check-up in the working process of loading and unloading cargo and for elimination of every possible factor causing cargo damage through activities on the frontline.



### Information to Customers

In Containership Services where we take care of shipments from many customers onboard one ship, we are providing simultaneous email information to all customers for ships' schedules, alterations to ports of arrival and departure, typhoon information, longshoremen strike, etc.

We are also serving customers with PC-to-PC accessible information for positions and conditions of their shipments in transit. Customers also can make bookings on our Homepage.

We are endeavoring to make a diversity of tools available for the benefit of customers.

### EDI (Electronic Data Interchange)

We are providing EDI system to customers, stevedores/terminal operators, railways and trucking companies, as well as between group companies.

EDI makes it possible to electronically deal with confirmation on shipping schedules, inquiry for space bookings, submission of cargo manifest, arrangement for inland transport and dispatch of B/L instructions (basic data of B/L). Eventually, various information is interactively exchanged among people concerned promptly and accurately.

### Supply Chain Management

We are providing VMS (Visibility Management System) that is able to support customers' Supply Chain Management on the Internet. VMS enables customers to receive a variety of logistics related information in real time. This information builds the infrastructure of Supply Chain Management.

Through this system, we are supporting customers with efficient management of supply process.



### Awards Received in FY2007

We have received considerable acclaim from customers for our service quality and were awarded the following prizes:

- \* Canadian Transportation & Logistics (Shippers Choice Award 2006, 2007)
- \* Logistics Management Magazine Readers (Quest for Quality Award 2007)
- \* American Eagle Outfitters (The Rookie of the Year 2006)
- \* Avon Corporation (Carrier of the Year 2006)
- \* Lowe's (Ocean Carrier of the Year 2006)
- \* Pier 1 Imports (Innovative Carrier of the Year Award-2006)
- \* Surefit International (Logistics Partner of the Year 2006)
- \* Toyota Logistics Services, Inc. Subsidiary of Toyota Motor Sales, USA Inc.  
(President's Award for Logistics Excellence-2006/  
President's Award for Quality (Lowest Damage)-2006/  
President's Award for On-Time Performance-2006)
- \* United States Shippers Association (USSA Carrier of the Year Award-2006)
- \* Long Beach Board of Harbor Commissioners  
(“Green Flags” Air Quality Compliance-Achieved the Best among frequent visitors)
- \* Wal-Mart Stores, Inc. (Ocean Carrier of the Year-2006)
- \* Target Corporation (Ocean Carrier of the Year-2006)
- \* TOYOTA MOTOR THAILAND CO., LTD. (KPI (Key Performance Indicator) the Grand Prix-2006)
- \* Voted by readers of the trade publication Lloyd's Loading List  
(The prestigious Customer Service Award 2006 on the Far East Trade)



## With Business Partners

Support and cooperation from business partners is indispensable for our business activities.

Efforts are being practiced for establishing and sustaining trustworthy relationships between our business partners and ourselves. We, at the “K” Line Group, wish that such relationships will enable both of us to co-exist as partners in society.

### Guideline for Purchases

- ① Make purchasing decisions by providing fair opportunities and through impartial evaluation.
- ② Comply with laws, ordinances and social norms and build mutually trusting and cooperative relationships with business partners.
- ③ Give due consideration to social responsibilities such as respect for human rights and safety, conservation of natural resources and environmental preservation.
- ④ Pursue achievement of best quality with reasonable cost.

In international business, we will make efforts for local trading partners to understand how we are performing CSR. If necessary, we request them to align and strengthen their attitude towards the issue.

### Fair Deal

We will comply with the Anti-monopoly (Anti-trust) Act/ Subcontract Act.

We will practice fair deals through adequate procedures based on an equal/equitable agreement. And we will not take advantage of customer position against business partners.

### Green Purchases

We are striving to purchase eco-friendly merchandise, pursuing green purchases as an objective of our environmental management program.

We are requesting business partners to cooperate with us to supply eco-friendly merchandise.

### Standards for Newbuildings

We are requesting business partners for cooperation to build ships with quality higher than international standards.

### KL-QUALITY

To maintain safety in ship navigation and cargo operations, we are requesting business partners for their cooperation with us to keep our quality of ship management higher than the levels legally required.



## With Employees

We shall respect human rights of employees, prohibit discrimination, and protect their privacy. We are improving and developing the present institutions and aligning the working environment so that employees can display their abilities and accomplish how they want to be or what they want to do.

We have a personnel evaluation system in which employees are properly assessed as individuals and treated in a spirit of respect, fairness and equality.

### Education

“K” Line’s in-house educational/learning system is aimed at: Each employee follows corporate culture set by their seniors and develops aspirations and dreams. This will lead to creation of a live working place. The system’s main pillars consist of (a) systemization and strengthening of OJT (on the job training) and (b) lecturing system in classes, etc.

From Fiscal Year 2005, we introduced a trainer system. The system is to assign a trainer to every new employee (mainly, those joining immediately after graduation from universities, etc.): Trainers are committed to teach them not only business knowledge but also individual role, position and manner, etc. Education/training is to be advanced subject to extent of their understanding.



## Reporting System/Individuals' Plans

The system makes employees reflect themselves, consider why they have to work and plan on what they aim to be (a career plan). It also gives them a chance to communicate with their seniors on the above subjects, etc. In this manner, we seek an accommodation between individual career plans and company's requirements. It leads both individuals and company to verify what education/training is necessary.

### Percentage of employees receiving regular performance and carrier development reviews

FY2006 and 2007: 100%

## Harassment

Sexual harassment and power harassment cannot be tolerated from viewpoint of protection of human rights of employees. We opened a consultation window at the section in charge of personnel affairs against sexual harassment and power harassment. In this way, we prepare ourselves to get rid of any harassment case while also paying maximum attention to privacy. There are no pending cases of discrimination or sexual/power harassment in the Company.

## Health Care

At the Company's clinic located in Head Office, Tokyo, regular medical check, medical treatment and health/mental consultation are being practiced for people of our group. Full-time healthcare personnel provide ophthalmologic examinations and massages to alleviate stiff necks and backache caused by operating personal computers.

## Maternity/Child/Nursing Leave System

We regard childbirth, child-care and nursing-care of family as very important matters for employees and have developed a leave system that exceeds the level required by law and are striving to create a working environment where employees can effectively use the system.

### Percentage of working mothers and Total number of employees using child leave

	FY2006	FY2007
Percentage of working mothers	9.85%	15.27%
Total number of employees using child leave	6 female and 1 male	1 female

## Aged and Disabled People

We have established a system to reemploy retired people under the Law Concerning Stabilization of Employment of Older Persons.

We are also employing disabled people.

## Child Labor/Forced and Compulsory Labor

We respect human rights of employees and are trying to create a working environment where we can work with safety/security and comfort. From this perspective, we are standing firmly against child labor, forced and compulsory labor.

In our Charter of Conduct of Group Companies and the Implementation Guideline for the charter of conduct, we have clearly made our opposition to such practices, and are requesting our group companies to comply fully with our policy.

### Age distribution of the newly employed in FY2006/2007

	20 or under	21-25 years	26-30 years	Over 31	Total number employed
FY2006	0	37	13	10	60
FY2007	0	21	8	6	35

\*Actual Age as of April 1, 2008

## Labor-Relevant Laws/Regulations/Ordinances

We abide by labor-relevant laws, i.e. the Labor Standards Law, Labor Union Law, Workers' Safety and Health Law, ILO Treaty and other laws/regulations/ordinances, treaties and rules protecting labor including employees.

(There are no labor accidents in FY2005, 2006 and 2007)

### Average years of continuous employment (as of March 31, 2008)

Global career employees	General office employees	Seafarers
167 months (13.9 years)	241 months (20.1 years)	166 months (13.8 years)

For its qualified pension scheme, the Company has adopted a defined-benefit plan (traditional tax-qualified pension scheme).

## Human Lives and Disasters

We have our own disaster manual which contains steps for preparatory arrangements in case of disasters like a large-scale earthquake:

- Preparations for portable emergency supplies
- Setup of communication system to confirm safety of employees and their families
- Confirmation on routes of evacuation between office and employees' homes

## Communication Activities

Within our groups, efforts are underway for mutual communication and improvement of institutes through an exchange of opinions at a regular liaison meeting among persons in charge of personnel affairs of the Group Companies.



\*The data appearing on this page is on a non-consolidated basis.

# A

## s a Corporate Citizen

One effort after another

### Support for American Children’s Arts

“K” Line America, Inc. makes a donation to “ART 180,” a Richmond-based group focused on the welfare of at-risk children. This organization, along with other NPOs, provides young people the chance to express themselves through art, and to share their stories with others. “ART 180” does this by designing and providing programs for young people challenged by their circumstances of poverty, neglect, the constant threat of drugs and violence, etc. The children’s artistic works are displayed in many places in the city. This program aims to create future leaders who transcend their circumstances and work to effect positive change around them.



### Tree-Planting in Brazil

In celebration of establishment of “K” Line Brasil Ltda., an overseas subsidiary, we made a donation through local NPO, ABJICA-SP, of 1,000 trees for the suburbs of Sao Paulo in June 2007. We organized a tree-planting ceremony in January 2008 commemorating the 100th anniversary of the arrival of the first Japanese immigrants to Brazil.



### INTERVIEW

The California Bay Area offers an amazing opportunity to get outside and enjoy nature. Just outside my San Francisco apartment, I can walk for miles on quiet trails peppered with wildflowers and watch hawks soar overhead along the Pacific Ocean coastal bluff or perch in hundred-year-old oaks. The tranquility and gratitude I feel in nature is a blessing I treasure. Those things we cannot manufacture — water, air, birds, trees — are some of life’s most beautiful pleasures.

It’s not by accident that these open spaces exist giving residents in some of the Bay Area’s most densely packed cities, Oakland, San Jose, San Francisco, the chance to climb a hillside path just beyond the edge of suburban development. Meanwhile, development undoubtedly continues to threaten these special places.

With that recognition and in my own personal desire to try to ‘give back to Earth’ I’ve recently become a volunteer in a local community group “Trails Forever.” I share one weekend day a month to help repair and maintain trails, protect sensitive natural habitat, and to help in the goal to enrich people’s connection to the beauty and need for open space.

If we all truly enjoy what we have ... especially those things that belong to none of us ... and if we can practice to take only what we need, and to treat nature with reverence; perhaps we can contribute in some small but powerful way to giving back to Earth — and in our collective hearts and practice contribute to preserving this beautiful planet.

“We will be known forever by the tracks we leave” Native American Proverb



“K” Line America, Inc.  
General Manager  
Sales, Northern California

Theresa Brennan

## Support/Aid for Disasters

The Company made donations in response to the Chuetsu-oki Earthquake in Japan in July 2007, an earthquake in Peru in August and a cyclone in Bangladesh in November of the same year. We also helped to transport supplies to support reconstruction, including clothing, medicine and medical equipment, which were collected by domestic charitable organizations. The supplies were delivered to areas affected by the earthquake in Peru.



## 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 participate in this group.

## Donation of Scholarships

Our group company, K Line (Thailand) Ltd., has been granting scholarships to students studying transportation engineering in Thai Suranari University of Technology every year since Fiscal Year 2005 after a memorial event celebrating the 40th anniversary of the company held in 2004. The scholarships have been provided to a total of 28 students.

## Visits by High School Students

We provided opportunities for high school students to visit and view a containership berthed at the Ohi Container Terminal at the Port of Tokyo in cooperation with on-site study programs where high school students visit companies to learn about their business activities, products and services. Students who visited the terminal were able to get an idea of the sizes of the ships and learn about the role of marine transport.



## INTERVIEW

The devastation climate change is creating on our doorstep should spur people into being more Environmentally friendly but, unfortunately it appears most people think what they do will make little difference. If everybody buried his or her heads in the sand the world will soon cease to be as we know it. Even now climate change affects us, in England flooding has become commonplace, imagine what it will be like for our children and grand children! It is up to each individual to take responsibility for their actions and to think of ways to prevent the situation from getting worse.

It is heart-warming that a company as large as "K" Line has taken this issue seriously and is actively looking for ways to improve the environment on a daily basis.

Individually, we could follow their lead in our everyday lives; recycling, car sharing, buying products that use less packaging all helps. Did you know standard plastic bags could take between 500 and 1,000 years to decompose? Recycling just one plastic bottle saves enough energy to power a 60W light bulb for 6 hours. Every year, the average dustbin contains enough unrealised energy for 500 baths, 3,500 showers or 5,000 hours of television.

Do you leave the tap running when you brush your teeth? If you brush your teeth for 3 minutes with the tap running, you are wasting 10,950 litres of water per year. Do you have energy efficient light bulbs? Do you turn your standbys off? Do you need your heating on so high? And so it goes on. If we all take these issues seriously it will soon become obvious how many little things we can all do and collectively make a big difference.



"K" Line (Europe) Limited, UK Agency  
Supervisor, Purchase Ledger

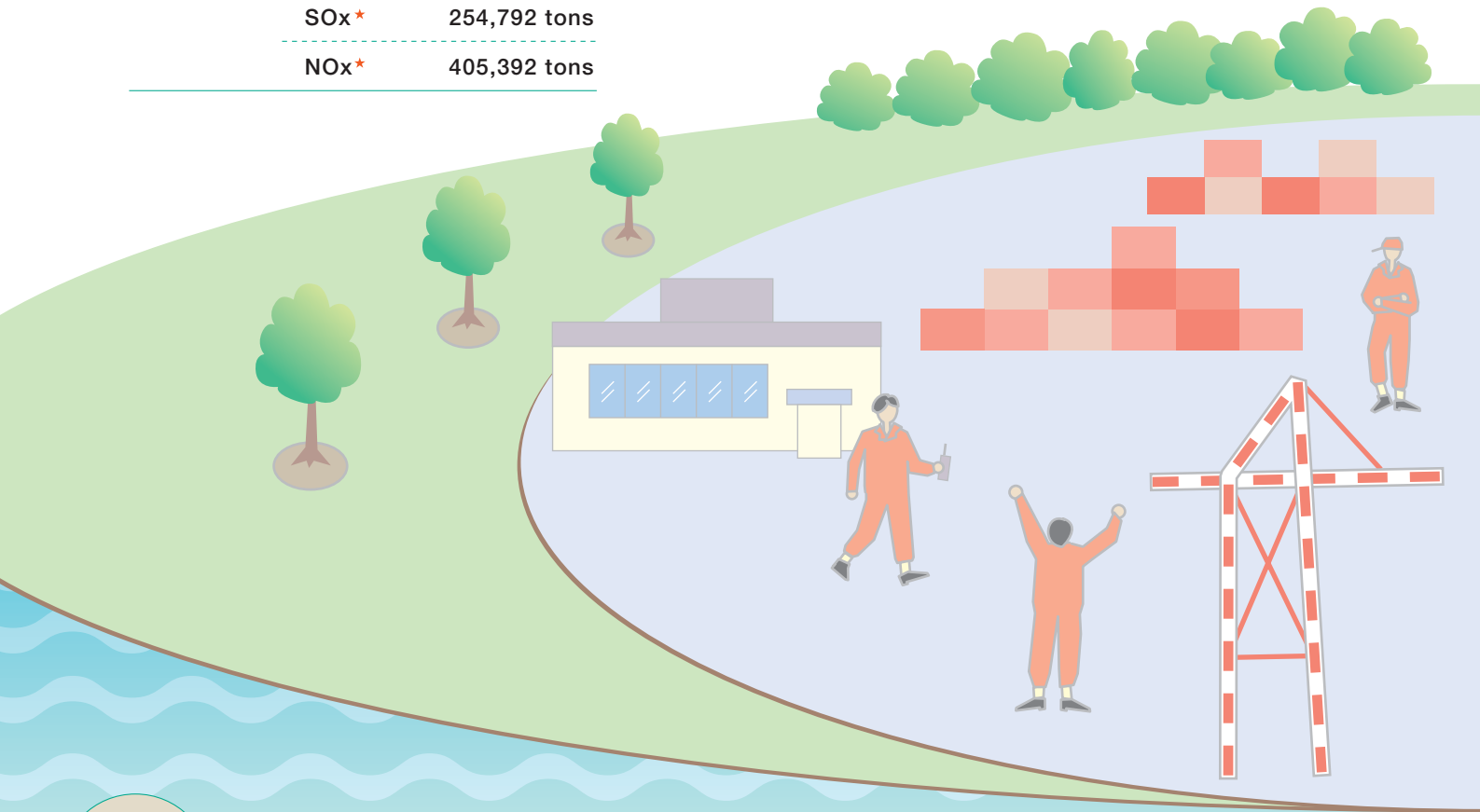
Sheila Rudd

# Impact on the Environment

Our shipping business gives impact on the environment of the earth by contingent ship accidents and by operation of many ships around the globe. We must be constantly and highly conscious of prevention of marine accidents through ship navigation and cargo operations, and various impacts on the environment through our business activities. Such consciousness leads us to reduce the burden imposed upon the environment.

<b>INPUT</b>	Fuel Oil	4,549,852 tons
<b>OUTPUT</b>	CO <sub>2</sub>	14,150,040 tons
	SO <sub>x</sub> ★	254,792 tons
	NO <sub>x</sub> ★	405,392 tons

\* The figures are for all ship operated by the Group Companies including chartered ships.



## Ocean

### SPILL OF CARGO/ FUEL OIL OR CHEMICALS

When and if a ship has or causes a collision, there is a possibility of cargo oil, chemicals or fuel oil flowing out from her damaged hull. Eventually, the spillage could incur sea pollution. Single hull tankers particularly pose the most serious problems in safety.

### BALLAST WATER

Loaded and discharged seawater to stabilize a ship is known as ballast water. Usually, it is loaded after cargo discharge and unloaded prior to cargo loading. Ballast water★ contains marine life. If they are discharged into a different sea area, some of them may live there. It is pointed out that this case has a possibility of wielding unfavorable influences over the local ecosystem.

### ONBOARD WASTES

Wasted oil, bilge★, sludge★ and other wastes onboard lead to marine pollution unless they are treated properly.

**Air**

**EMISSION OF CO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub> AND PM**

The combustion of fuel oil when operating engines and boilers results in CO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub>, PM\* and other emissions. CO<sub>2</sub> is believed to be one of the major greenhouse gases causing global warming. SO<sub>x</sub> and NO<sub>x</sub> are oxides created from atmospheric nitrogen and sulfur in fuel oil. They cause acid rain and air pollution. PM refers to such by-products as solid residue from burning fuel. Small particles can float in the atmosphere for long periods of time, and cause air pollution.

**USE OF CFCs & HALON**

The earth is shielded from hazardous ultraviolet rays by the ozone layer. CFCs\* are used as a refrigerant in reefer containers and refrigerators onboard whereas Halon\* is used as a fire extinguishing agent. They may deplete the ozone layer due to ultraviolet function.

**Land and Others**

**INDUSTRIAL WASTES**

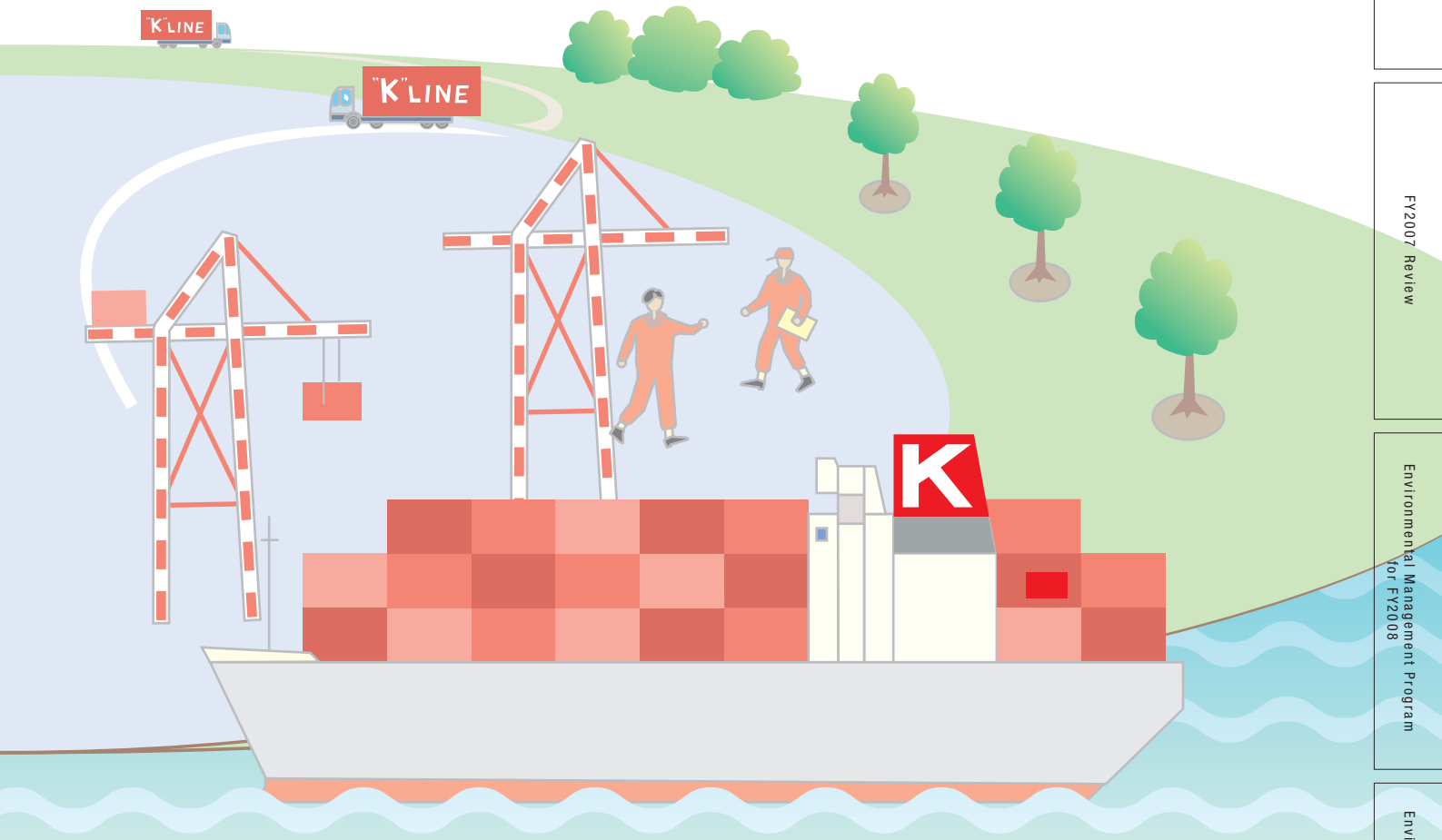
Various industrial wastes are generated at terminals while handling cargo. They can contaminate water and soil unless they are treated properly.

**DIRTY WATER**

Water used for cleaning containers ends up as dirty water. Unless disposed of properly, it will cause pollution.

**NOISE**

Especially in terminals and neighboring areas, sounds from cargo operation are sometimes recognized as noise.



**Use of Natural Resources**

Operation of ships consumes fuel oil and lubricating oil that are part of invaluable natural resources. In the same way, consumption of electric power and paper for office activities also leads to use of limited natural resources.

# Green Management

**We engage in a wide variety of environmental preservation initiatives; we have set forth our determination to minimize environmental impact in the form of our Environmental Policy; we work at creating an environmental network among group companies; and we actively work with international institutions in our role as one of the world's leading marine transportation companies.**

## **C**ollaboration with International Institutions

The marine transportation industry is required not only to strictly observe the laws and regulations pertaining to each region and to undertake voluntary programs, but also to address environmental issues in partnership with international institutions.

With the objective of preventing global warming, a committee under the IMO\* (International Maritime Organization) provides consultations based on proposals from various countries on how to calculate greenhouse gas emissions from ships and set baselines, emissions reduction targets, establishment of a GHG emission fund, and other topics. As a member of a committee-organized working group, which includes Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT), we cooperate by participating in meetings and providing actual data obtained from navigation records.

We are cooperating with the Japan Shipowners' Association in its efforts targeting a 15% reduction per cargo unit compared with the base year of 1990, which it has reported to the Nippon Keidanren (Japan Business Federation) as its objective for the period from Fiscal Year 2008 to Fiscal Year 2012.

In addition, the IMO has adopted ship recycling guidelines calling for older ships to be demolished in consideration of labor safety and the environment, and for their resources to be recycled, and is proceeding with discussions to formalize the guidelines into a convention. In order to be able to properly demolish ships, inventory lists showing the location of residual oil in the ship and chemical substances in ship machinery are ever more important.

We are not only voluntarily preparing such lists for ships

under construction, but are also working with MLIT to prepare lists of existing ships.

### MARPOL\*

-Major Requirement-

- Annex I Prevention of pollution by oil
- Annex II Control of pollution by noxious liquid substances
- Annex III Prevention of pollution by harmful substances in packaged form
- Annex IV Prevention of pollution by sewage from ships
- Annex V Prevention of pollution by garbage from ships
- Annex VI Prevention of Air Pollution from ships
  - ① Sulfur content included in fuel oil must not exceed 4.5%
  - ② Two SOx\* Emission Control Areas (SECA) were established. Sulfur content in fuel oils used while operating in these SECA areas is regulated to be 1.5% or less

### Convention on Administration of Ballast Water

This convention was adopted at an IMO meeting in 2004, but remains unratified.

However, the U.S.A., Australia and Canada have already mandated that the discharge and loading of ballast water\* in the open sea be reported.

### The United Nations Framework Convention on Climate Change (Kyoto Protocol)

This convention sets quantitative targets country by country for emissions of greenhouse gases such as CO<sub>2</sub> and CFCs\* over the target period 2008 through 2012. Japan's target is a 6% reduction from 1990 levels, while targets for 2013 and beyond are still under discussion. Note that under the Kyoto Protocol, measures to deal with greenhouse gases in international marine transport fall outside the scope of country targets, with the approach instead to be determined by the IMO, which is now deliberating on the topic based on proposals from the countries involved.

### Ship Recycling

To deal with the problems of poor working conditions and pollution from yards where ships are demolished, the IMO adopted ship recycling guidelines in December 2003, and is now moving towards formalizing them as a treaty.

**“K”**

## Line Group’s Environmental Policy

We consider that it is an integral management assignment of eternal importance to address the issue of preservation of the earthly environment. We recognize in a proper manner that those exhaust emissions and wastes created by consumption of power sources necessitated directly and indirectly by business activities in the logistics industry can result in an increasingly heavy burden on the limited amount of resources of both our earthly and marine environment. We also recognize the importance of prevention of marine pollution caused by marine accidents. In order to contribute to society in general through our diligent and consistent efforts for preservation of the earthly environment, we, everyone throughout the entire “K” Line Group, hereby commit ourselves that we will personally, fairly and severely observe environment-related treaties/conventions and rules/regulations, and make utmost efforts to eliminate and minimize any adverse environmental impact.

### Directions

#### ① In carrying out business activities

We will seek for perfection in safety of navigation and cargo operations in order to preemptively prevent the spillage of fuel, cargo oil and/or any other hazardous substances from ships during operation or at the time of any marine accident. We will properly manage exhausts and wastes deriving from both ship and shore operations. We will thereby try to exert our utmost efforts for the recycling of any such items. Through an upgrade in ship operation and work performance, we will encourage maximum conservation of energy and resources.

#### ② On development and introduction of environmental technology

For the purpose of reduction in exhaust emissions which cause air pollution and global warming to be incurred, we are committed to the study and improvement of ship and shore facilities and fuel oil, and to the development and introduction of the most sophisticated equipment and related technology. We will refrain from using ship hull paints containing substances hazardous to marine life and also from using any ozone-depleting substances.

#### ③ For the purpose of encouragement of environmental preservation

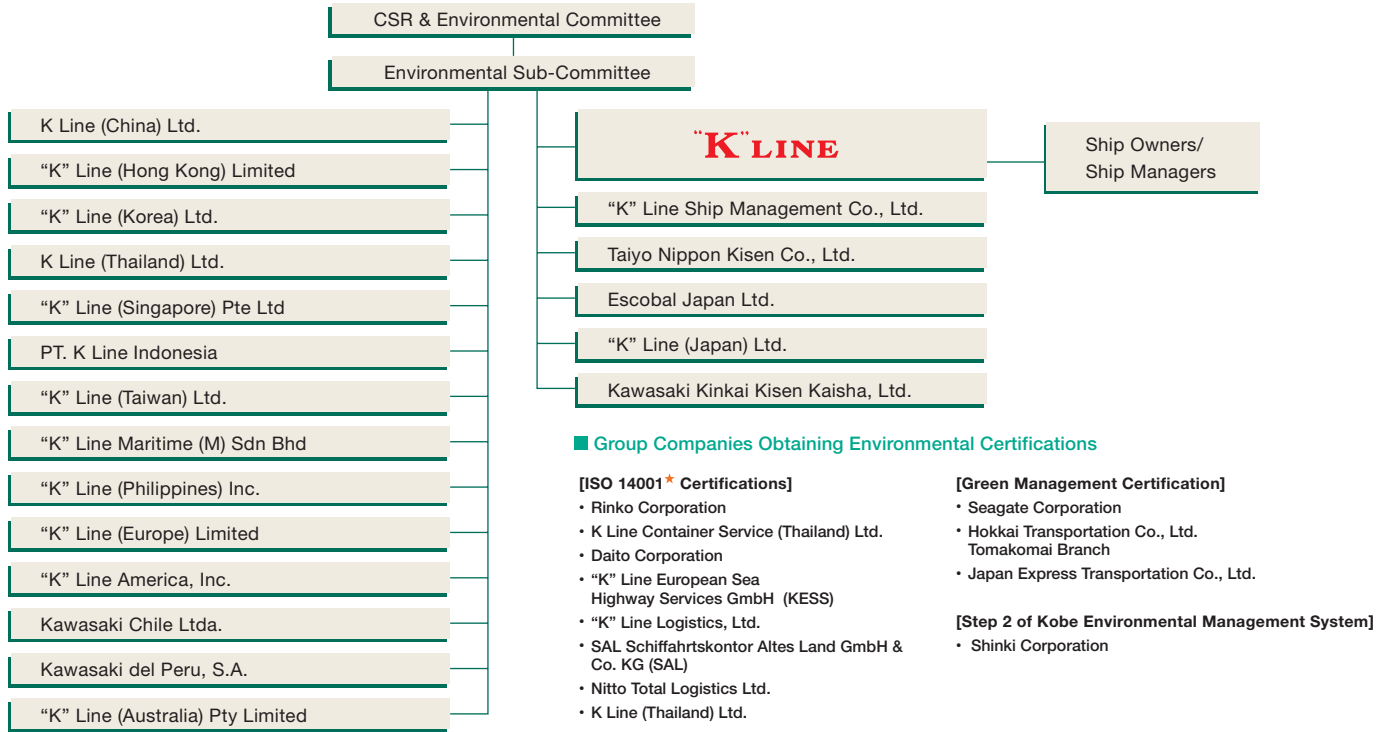
We will implement restructuring of organizations with greater emphasis on studying/educating/training about safe navigation and environmental affairs. We will elevate awareness and understanding of all prevailing environmental issues among each member of the entire “K” Line Group. We will practice information disclosure appropriately in relationship to the environment. The “K” Line Group will support and participate in social activities contributing and dedicated to present and future preservation of our earthly environment.

Along with “K” Line Group’s Environmental Policy, we will ensure the following points and try every possible effort to eliminate and minimize any factor impeding solution to environmental issues:

- ① In the field of sea transportation service activities, we will positively challenge safe ship/cargo operations, prevention of marine/air pollution, promotion of saving resources/energy, reduction of wastes and encourage recycling. In this manner, we will contribute to advance expedited environmental preservation.
- ② We will always put EMS<sup>\*</sup> in order, continuing with improvements and trying to prevent pollution.
- ③ We will comply with laws/regulations or any other necessary requirements related to the environment.
- ④ We will set environmental objectives and targets, which we will supervise and review periodically.
- ⑤ We will faithfully implement our environmental policy and let all people concerned be aware of it.
- ⑥ We will document the directions and disclose them upon any request from the outside.



# E Environmental Management Network



"K" Line's Environmental Management System\* is applied to our marine transport service. Organizationally, the System is composed of all sectors of "K" Line, "K" Line Ship Management Co., Ltd., Taiyo Nippon Kisen Co., Ltd., Escobal Japan Ltd., "K" Line (Japan) Ltd., and Kawasaki Kinkai Kisen Kaisha, Ltd.

We have a global green network appointing persons in charge of the environment at our major overseas subsidiaries all over the world. Keeping close contact with Head Office in Tokyo, regional persons in charge pay attention to movements of local environmental

laws/rules/regulations and answer inquiries and requests for information from outside.

More and more group companies are obtaining Environmental certification. K Line (Thailand) Ltd. was certified under ISO 14001 in March 2007, and Japan Express Transportation Co., Ltd. acquired Green Management Certification\* in October.

Nitto Total Logistics Ltd. (Terminal sector) was included under "K" Line's Environmental Management System (EMS) in April 2003. In January 2008, however, the sector was placed under the EMS operated by Nitto Total Logistics.

## INTERVIEW

Japan Express Transportation Co., Ltd. acquired Green Management Certification in October 2007 for all its offices: Tokyo, Yokohama, Nagoya, Osaka and Kobe.

In line with the worldwide trend for active engagement in environmental preservation programs, we as a member of the "K" Line Group involved in land transportation, decided to obtain "green management certification" as a way to fulfill its responsibilities to society as well as to gain the support of customers, which is deemed necessary for the company to prosper as a transport operator.

The evaluation standards include environmentally-friendly driving, acquisition of low-pollution vehicles, and vehicle inspections and maintenance. For instance, fuel efficiency can be improved by up to 10% by driving in an environmentally friendly way, such as elimination of unnecessary idling, driving at economic speeds, ensuring proper inspection and maintenance of the vehicle, keeping tires properly inflated, and avoiding fast starts, rapid acceleration and abrupt stops. With an interim evaluation coming up one year after certification, followed by recertification in the second year, we will need to remain fully engaged. Our staff will continue to work as a team for the appropriate execution of the environmental activities.



Japan Express Transportation Co., Ltd.  
Environmental Control Manager

Hideaki Kikuchi



# F Y 2 0 0 7 R e v i e w

**Environmental targets for Fiscal Year 2007 are listed up as follows:  
Efforts were executed for curtailment of factors damaging the environment.  
We will step up further efforts to achieve each target.**

Environmental Objectives	Environmental Targets for 2007	Mark for Assessment	Degree of Achievement	
Business Activities	Prevention of Marine Pollution	● No spillage accident from a ship	☆☆	
		Comment: Some accidents of slight fuel oil spillage to the sea occurred.		
		● Ratio of double-hulled★ tankers to rise over 93%	☆☆☆☆	93.3%
		● Fuel tanks protection by double hull and dividing fuel tank into small sections: more than 5 ships out of newbuildings during FY2007	☆☆☆☆	Already done 13 ships
		● Acquisition of Green Passport (Inventory List): More than 10 ships out of newbuildings	☆☆	Already done 3 ships
	Reduction of Wastes	● Exchange of ballast water★ in the open sea	☆☆☆☆	Already done
		● Identify total volume of waste materials generated in the office and reduce from the previous year	☆☆☆☆	
		● Reduction of wastes onboard	☆☆☆☆	9.5% slash
		● Promotion of raising ratio of green purchase as compared with previous year (62.4%)	☆☆	60.2%
		Comment: There is a need to review the target itself considering some goods are not able to be replaced with green ones.		
	Reduction in Consumption of Natural Resources	● Office Paper: 1% decrease from the previous year	☆☆☆☆	1.3% slash
		● Usage of electric power in the office: 1% decrease from the previous year	☆☆☆☆	0.5% slash
		● Reduction of fuel oil usage and emission of CO <sub>2</sub> : 1% decrease from the previous year per ton-mile★ basis	☆	Increased 1.9%
Comment: New containerships using more fuel have been delivered.				
● Reduction of lubricating oil usage: 1% decrease from the previous year per ton-mile basis		☆	Increased 4.5%	
Comment: New containerships using more lubricating oil have been delivered.				
Development and Introduction of Environmental Technology	Prevent Marine and Air Pollution	● Emission of SOx★: 1% decrease from the previous year	☆	Increased 0.2%
		● Emission of NOx★: 1% decrease from the previous year	☆	Increased 1.2%
		● Sulfur content of fuel oil: Average 2.8%	☆☆☆☆	2.8%
	Comment: Implemented in line with relevant laws specially regulated (1.5%).			
	● Introduction of systems for an accelerator for combustion of fuel oils: 10 ships out of newbuildings during FY2007	☆☆☆	8 ships	
	● Participation in speed reduction program of the ports of Los Angeles and Long Beach: 100%	☆☆☆☆	99.7%	
	● Promotion of adoption of silicone paints★	☆☆☆☆	8 ships	
	● Reduce the consumption of CFCs★	☆	Increase 27.8%	
	● Adopt R-134a refrigerant for new containers	☆☆☆☆	Adopted for all new containers	
	● Adopt R-404a for refrigerators and air conditioners onboard for all newbuildings	☆☆☆☆	Adopted for all newbuildings	
Comment: We put into practice prior to regulation coming into force.				
Environmental Preservation	Social Contribution by Educating Employees of the Entire Group	● Continuing marine observation surveys – once or more –	☆☆☆☆	3 cases
		● Participating in social activities – three or more –	☆☆☆☆	3 cases
		Comment: Tree-planting in Brazil, Light-off campaign, Voluntary beach cleanup operation.		
● Practicing training and education programs for different classes of employees – participation by 100 people or more –	☆☆☆☆	Training/education programs were conducted for 317 people		

☆☆☆☆☆ : Excellent    ☆☆☆☆☆ : Good    ☆☆☆☆ : Fair    ☆☆☆ : Unreachable to targets    ☆ : Need for more efforts

## [ Incidents which could have had an environmental impact ]

### ① Collision involving oil tanker MOGAMIGAWA

In January 2007, our oil tanker Mogamigawa collided with a submarine proceeding underwater through the Straits of Hormuz. The ship suffered damages to all four propellers and to the #5 ballast tank partially on the port side, however, there was no leakage of oil outside the ship, nor any injuries because damage was only to the outer plate of double hull.

### ② Accidents of Oil Spillage Out of Ships

In the environmental targets for Fiscal Year 2007, we set a target of no accident of oil spillage out of ships. However, some chartered ships caused slight accidents of oil spillage that happened at the time of bunkering. Damage was minimized due to our prompt response measures. We will try every effort to prevent any accident of oil spillage including chartered ships.

# Environmental Management Program for FY2008

	Environmental Policy	Environmental Objectives	Environmental Targets (Midterm)	
Business Activities	<ul style="list-style-type: none"> <li>● Prevent marine pollution by ship operation</li> </ul>	<ul style="list-style-type: none"> <li>● Prevent marine pollution</li> </ul>	<ul style="list-style-type: none"> <li>● Accomplishment of 5 consecutive years of no grave accident relevant to marine pollution through perfection in ship navigation and cargo operations</li> <li>● Prevention of leakage and spill from fuel tank</li> <li>● Continual practice of ballast water★ exchange in the open sea</li> <li>● Examination of introduction and development of technology for sterilization of ballast water</li> <li>● Keep minimum quantity of ballast water onboard</li> <li>● Achieve 100% of tankers in operation being composed of double hull★ by 2010</li> </ul>	
	<ul style="list-style-type: none"> <li>● Proper management of exhausts, wastes and recycling</li> </ul>	<ul style="list-style-type: none"> <li>● Prevent drainage water pollution</li> <li>● Properly manage wastes and their reduction</li> <li>● Prevent environmental pollution</li> </ul>	<ul style="list-style-type: none"> <li>● Proper management of drainage water at land offices</li> <li>● Reduction of wastes at land offices</li> <li>● Promote use of eco-friendly products</li> <li>● Encourage separation of waste materials generated onboard and on-shore recycling</li> <li>● Reduce packaging used in deliveries to ships</li> <li>● Demolish ships in environmentally-friendly way</li> </ul>	
	<ul style="list-style-type: none"> <li>● Encourage maximum conservation of energy and resources, through an upgrade in ship operation and work performance</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce the consumption of natural resources</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce the volume of paper used in offices by 3% per employee by 2011 as compared with 2006</li> <li>● Reduce electric power used in offices by 3% per employee by 2011 as compared with 2006</li> <li>● Reduction in consumption of tap water at offices</li> <li>● Continue reducing fuel and lubricating oil used by ships *Reduce by 5% from FY2006 in FY2011 (per ton-mile★ basis)</li> </ul>	
	Development & Introduction of Environmental Technology	<ul style="list-style-type: none"> <li>● Reduction in exhaust emissions which cause air pollution and global warming to be incurred, commit to the study and improvement of ship and shore facilities and fuel oil, and to the development and introduction of sophisticated equipment and related technology</li> </ul>	<ul style="list-style-type: none"> <li>● Prevent air pollution</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> emission on ships by 10% by the mid-2010s as compared with 2006 (per ton-mile basis)</li> <li>● Reduce SO<sub>x</sub>★ emission on ships by 10% by the mid-2010s as compared with 2006 (per ton-mile basis)</li> <li>● Reduce NO<sub>x</sub>★ emission on ships by 10% by mid-2010s as compared with 2006 (per ton-mile basis)</li> <li>● Ratio of sulfur in fuel oil of ships should be reduced to 2.5%</li> <li>● Respond to regional regulations</li> <li>● Participate in voluntary activities</li> <li>● Reduce air pollutant and greenhouse gas from ships at berth</li> <li>● Promote use of biofuel and clean diesel fuel for devices for cargo operations</li> <li>● Encourage adoption of energy-saving devices for cargo operations</li> </ul>
		<ul style="list-style-type: none"> <li>● Refrain from using ship hull paints containing substances hazardous to marine life</li> </ul>	<ul style="list-style-type: none"> <li>● Prevent marine and air pollution</li> </ul>	<ul style="list-style-type: none"> <li>● Promote use of environmentally-friendly paints</li> </ul>
		<ul style="list-style-type: none"> <li>● Refrain from using any ozone-depleting substances</li> </ul>	<ul style="list-style-type: none"> <li>● Prevent air pollution</li> </ul>	<ul style="list-style-type: none"> <li>● Continue efforts to reduce the consumption of CFCs★ and Halon★ onboard all ships and promote the use of substitutes</li> <li>● Use next-generation refrigerants</li> </ul>
Encouragement of Environmental Preservation		<ul style="list-style-type: none"> <li>● Implement studying/educating/training to elevate awareness and understanding and practice information disclosure appropriately</li> <li>● Disclose information properly</li> <li>● Support and participate in social contributions and other activities</li> </ul>	<ul style="list-style-type: none"> <li>● Social contributions and Education of employees of the entire group</li> <li>● Reduction of noise</li> <li>● Expansion of acquisition of environmental certification</li> </ul>	<ul style="list-style-type: none"> <li>● Continue to conduct marine observation surveys</li> <li>● Participate in social contributions and other activities</li> <li>● Conduct training and education programs to different classes of employees</li> <li>● Efforts for reduction of noise from ships and terminal equipment</li> <li>● Extension of acquisition of environmental certification to group companies including overseas</li> <li>● Certify at least 10 companies by 2010</li> </ul>



### Environmental Target for 2008

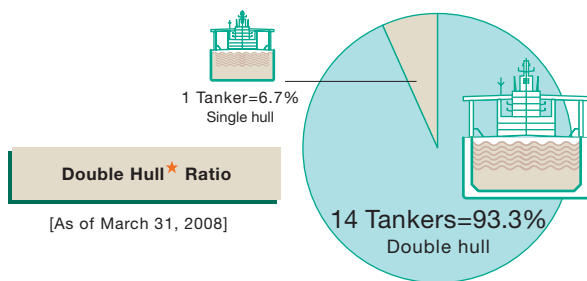
- Reduce incidence of accident of leakage from ships into zero, verification of appropriate practice of SMS★
- Prior to being ruled, possible measures for protection of compartments of fuel-oil tank are examined and practiced with a target of their application to 7 or more newbuildings
- Practice the exchange of ballast water in the open sea
- Increase in ratio of double-hulled tankers over total operated tankers to 93% or more
- Proper management of drainage water at land offices
- Reduction of wastes at land offices from the previous year
- Promote to improve the ratio of green purchase from the previous year
- Promote to discharge wastes on shore for recycling more than the previous year
- Request to manufactures and suppliers for reducing extra packing materials
- Obtaining Inventory List (7 ships or more)
- Cooperate in defining IMO Ship Recycling Convention
- Reduction of use of office paper by 1% per employee as compared from the previous year
- Reduction in use of electric power per employee to less than previous year
- Reduction in use of tap water per employee to less than previous year
- Reduction in use of fuel oil onboard (per ton-mile basis)
- Reduction in use of lubricating oil onboard (per ton-mile basis)
- Introduce an inputting Fuel Additive Dosing System, to accelerate fuel oil combustion (10 ships or more)
- Reduce CO<sub>2</sub> emission (per ton-mile basis)
- Reduce SO<sub>x</sub> emission (per ton-mile basis)
- Reduce NO<sub>x</sub> emission (per ton-mile basis)
- Reduce the ratio of sulfur in fuel oil to the average of 2.7%
- Usage of fuel oil to meet regional requirements
- Voluntarily reduce speed in harbors and coastal areas
- Reduce emissions of black smoke, PM★, CO<sub>2</sub>, SO<sub>x</sub>, and NO<sub>x</sub> while berthing
- Introduced VECS★ (Vapor Emission Control System) on tankers
- Introduce soot collecting devices
- Use biofuel and clean diesel fuel in devices for cargo operations at container terminals
- Encourage adoption of energy-saving devices for cargo operations
- Expand the adoption of silicone paints★, encourage adoption of tar-free paints
- Reduce ship usage of particular CFCs (R-12) and Halon by 1% from the previous year
- Conduct a feasibility study for using next-generation refrigerants in reefer containers and ship freezers
- Continue to conduct marine observation surveys
- Participate in social contributions and other activities (Participate in relevant activities three times or more)
- Conduct training and education programs for different classes of employees (Participation by 200 people or more)
- Train and educate seafarers (participation by 100 people or more)
- Nil complaints
- 2 companies or more

# Environmental Conservation Activities

What we can do and need to do for environmental preservation  
We are taking action at every stage of our operations.

## Efforts on Our Ships

### To Prevent Oil Spillage

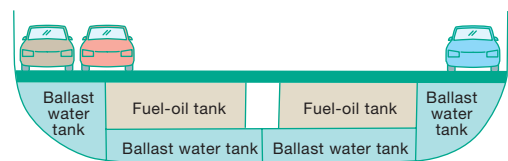


#### 1 Double Hull

At the time of marine accidents, i.e. collision or grounding, etc., it is likely that cargo oil may spill into the sea through damaged parts of a ship's hull. To prevent cargo oil from spilling into the sea in the event that the outer hull fractures in an accident, we aggressively make use of double-hulled tankers. 14 out of 15 tankers are double-hulled tankers operated by us as of the end of March 2008.

MARPOL★ convention requires that all tankers built after 1996 should be double-hulled and prohibits transport of oil by single-hulled tankers from 2015.

#### Double Hull for Fuel Tanks



#### 2 Double Hull for Fuel Tanks

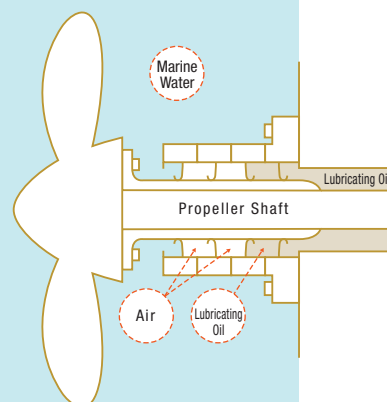
Leakage to the outside from a ship is not only limited to cargo oil. Since fuel oil is indispensable for the operation of ships, we considered the location of the fuel tanks and installed them inside a double hull in 7 of the ships built in 2007.

#### 3 Introduction of latest engineering

Regarding oil leakage/spillage from a ship, we should never fail to understand that this can occur not only from marine accidents such as collision but also from oil spills at various facilities installed in an engine room. This understanding has led "K" Line to adopt a "Central Cooling System★ (CCS) with Clean/Fresh Water" and "Air Seal System of Stern Tube★" as facilities for preventing oil leakage to the outside of a ship. And also high accuracy gauging indicator of higher liquid level and related warning system are equipped to prevent overflow from cargo/fuel oil tanks when loaded excessively. Our actions have been taken earlier than anyone else.

#### Air Seal System of Stern Tube

*Ships are equipped with a seal liner to prevent inflow of seawater through penetrating part of a propeller shaft. By throwing pressurized air through the sealed-off part closest to the seawater side, the air seal liner of stern tube is arranged to prevent outflow of lubricating oil, as well as inflow of sea water.*



When I board a ship, I pay attention to the shade of the smoke emerging from the funnel. From long ago, a steam locomotive looks perfect for a picture when it emits black smoke. In these days, a ship's funnel should not emit dark smoke. If emitted, it means trouble. Even though dark smoke is an indicator of some failure in the ship, nine out of ten people would draw the smoke coming from the funnel as a dark grey or black, if they were requested to draw ship's picture.

I suspect that people think a ship always emits dark smoke, but this will hardly ever happen. I would like to suggest that you actually look at the smoke coming out of a ship's funnel on your next opportunity.

Smoke from several exhaust pipes from the main diesel engine, the generator engine, the boiler, the incinerator, etc. feed into the funnel. So the smoke from each pipe indicates the operating condition of each machine.

I believe constant dialogue and proper maintenance of machinery are the best ways to preserve the environment as well as to achieve safe operation and risk management.



**Chief Engineer of INDIANA HIGHWAY  
(Car Carrier)**  
Takayuki Fukuda

### Ballast Water

We distribute Safety Management System (SMS★) manual to each ship, and arrangements are being made for appropriate exchange of ballast water★ in the open sea. We have also introduced large containerships that can secure stability with small volumes of ballast water, and car carriers using cement ballast★.

We are conducting research on a device to eliminate marine life from ballast water in anticipation of the relevant treaties coming into force.

### Disposal of Waste

We are legitimately handling every kind of waste produced onboard according to treaties/conventions and laws/rules/regulations of foreign countries. Sludge★ generated onboard is incinerated while bilge is divided into oil and water parts with a separator, the oil part incinerated onboard and water part discharged outside the ship. Wastes generated onboard are separated like on shore and properly disposed of.



Waste Oil incinerator



Oily water Separator

### Environmentally-Friendly Paints

From early on, we have been adopting Tin-free paint which does not contain TBT★. Consequently, all ships the Group owns and manages are 100% TBT free. We also pay attention to silicon paint★ so that element does not go out into the sea. In fact, we tried using silicon paint for painting ship bottom of "SHENANDOAH HIGHWAY" and subsequently 11 more ships. With regard to painting cargo holds, we also introduced tar-free paints to 5 newbuildings during Fiscal Year 2007.



SHENANDOAH HIGHWAY,  
to which silicon paint is  
applied

### Use of Low Sulfur Fuel Oil

We began introducing low sulfur fuel oil for generator engines in containerships berthing at the ports of Tacoma and Vancouver in March 2007. The sulfur contents as a percentage of fuel used in ships berthed at these ports should be 0.5% or lower.

By this arrangement, SOx★ emission is reduced by about 80%, and PM★ is reduced by about 70%.

## Use of New-Model Engine and Latest Engineering

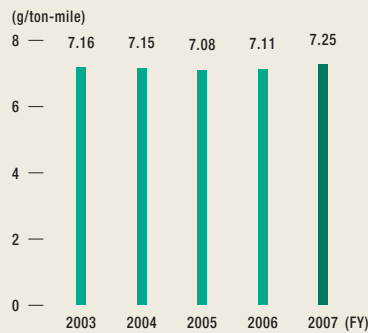
Ship engines emit CO<sub>2</sub> said to cause global warming and SO<sub>x</sub>\*, NO<sub>x</sub>\* and PM\* causing acid rains by combusting fuel oil. To reduce emissions of these substances, we use the following machines in ships:

- \* Electronically-Controlled Engine\*
- \* Fuel-Saving, Low NO<sub>x</sub> Engine
- \* Exhaust-Gas Economizer\* and Turbine Generator\*
- \* Soot Collecting Device\*

## Protection of the ozone layer

We use CFCs\* for refrigerants on reefer containers: starting to adopt HFC (R-134a) with no depletion of the ozone layer instead of CFC (R-12) and HCFC (R-22), thereby having less impact than R-12. For refrigerators for ship provisions and air conditioners, we adopted greener refrigerants R404a, etc. for all new ships built after 2005. We have already stopped using the Halon\* fire extinguisher and almost all ships are equipped with CO<sub>2</sub> and/or foam fire extinguishers.

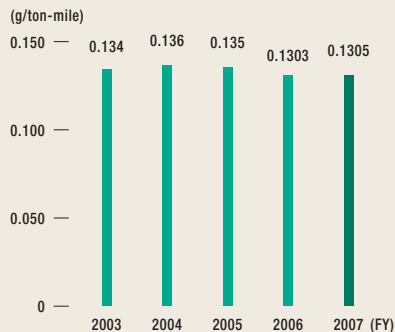
### Weighted total average of CO<sub>2</sub> emission



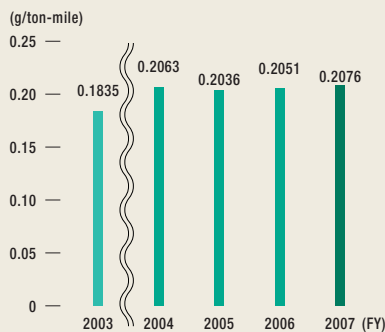
#### Note:

CO<sub>2</sub> emission per ton-mile\* differs according to the type of ship and the capacity of engine. The weighted total average is greatly affected by type of ship constituting the fleet, and therefore weighted total average is not always meaningful. We are considering to compare by ship type starting from the FY2008.

### Weighted total average of SO<sub>x</sub> emission



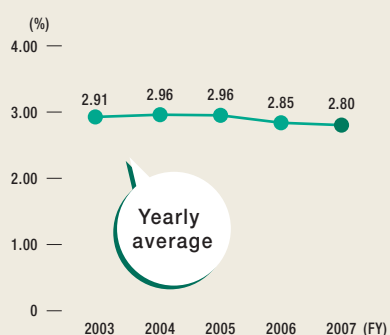
### Weighted total average of NO<sub>x</sub> emission



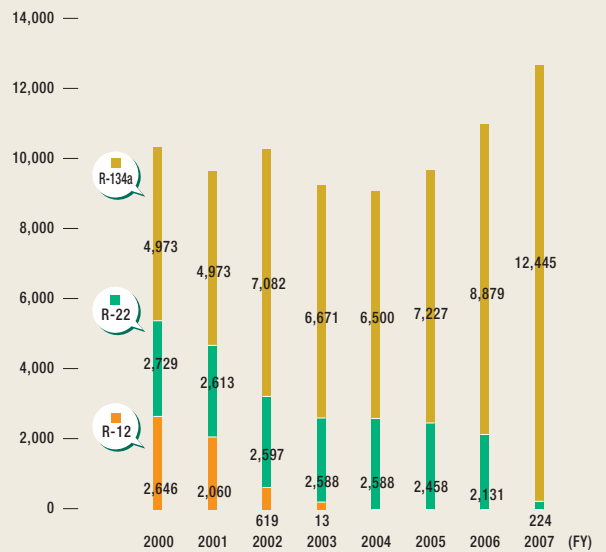
#### Note:

We changed the calculation method of emissions of NO<sub>x</sub> since FY2004.

### Percentage of Sulfur in Fuel Oil Consumed by Ships



### Number of Owned Reefer Containers



## Reduction of consumption of lubricating oil

Lubricating oil is used in ships to prevent attrition and seizure in main diesel engines and generator engines. We have introduced a system that electronically controls the timing and the amount of lubricating oil to reduce the rate of consumption of lubricating oil.

## E

## Efforts at Terminals



## Greener Transfer Crane at Container Terminals

Daito Corporation, a group company of “K” Line, introduced 3 units of a greener, energy-saving “hybrid” transfer crane at its Ohi Terminal in Tokyo and Honmoku Terminal in Yokohama. Daito Corporation plans to introduce three additional cranes in 2008.

This newly-developed “hybrid” transfer crane has a system that reduces fuel consumption by reusing electricity that has been transformed from energy that has been generated when containers being lifted move downward.

- ① Fuel Consumption: 40-50% reduction
- ② Air Pollution (Emission of CO<sub>2</sub>, etc.): 40-50% reduction
- ③ Reduction of noise by advanced type engine

Benefits for environmental preservation compared with current transfer cranes:



## Environmentally-Friendly Fuel Oil

Our container terminal in Tacoma uses a blended fuel for its cargo equipment in which 20% of biofuel and 80% of low sulfur petroleum-based diesel are mixed.

## Power Supply from Shore

At “K” Line’s container terminal in the Port of Long Beach, preparations are underway to start supplying power from shore in the autumn of 2008.

When the whole system is completed, emissions of gases out of diesel generators onboard ships at berth will be reduced to zero.

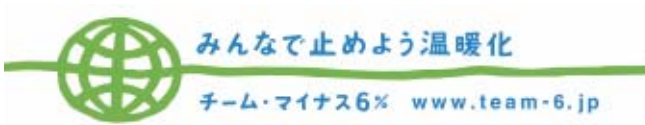
At the same terminal, other equipment operating at the yards is being retrofitted or upgraded so that equipment will be more environmentally friendly to reduce gas emissions.

## Voluntary Cleaning Activities

Staff members of Nitto Total Logistics Ltd., a group company, are voluntarily cleaning the streets around Rokko Container Terminal in Kobe.



# Efforts at Offices



## Team Minus 6% Project

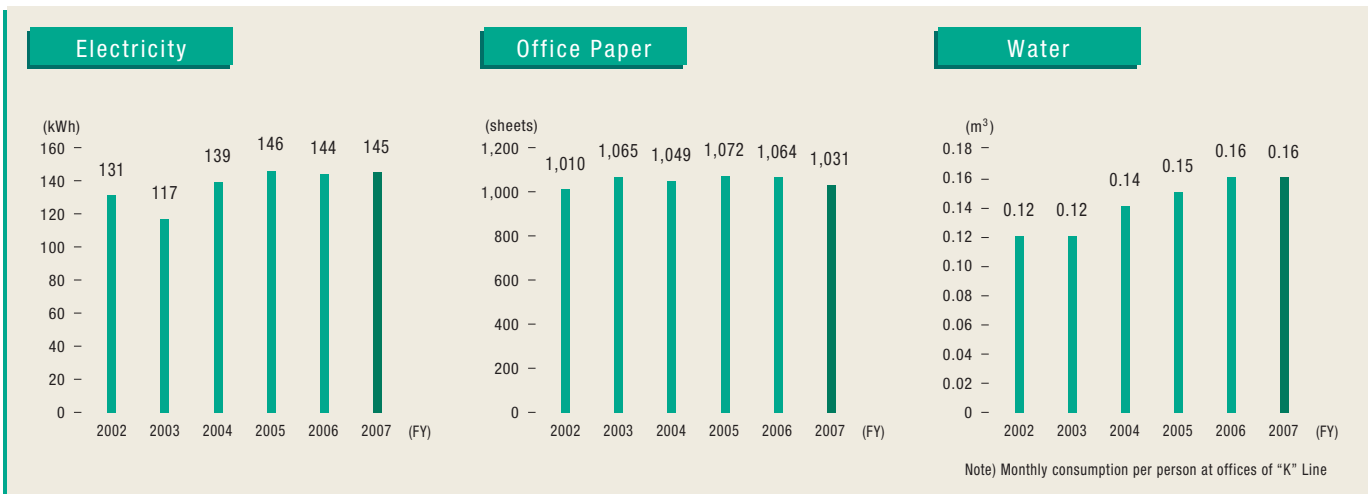
We are participating in Team Minus 6% Project since August 2006. This project derives from The Kyoto Protocol as a measure against global warming that took effect in February 2005 and imposed upon Japan the duty of a 6% reduction in emissions of greenhouse gases during the period of time from 2008 to 2012 in comparison with those of 1990. We are committed to play a role in the Project by posting a variety of targets: giving priority to green purchases, reducing use of office paper, saving electric power and reviewing the temperatures at which air conditioners are set, etc.

## Casual Clothes Campaign in Workplace

Since 1997 we have been holding the summer campaign of wearing casual clothes to reduce consumption of electricity for air conditioning in our offices. In addition to this, we have started the same approach adjusting the room temperature since winter in 2005.

## Waste Reduction/Recycle

We are exerting endeavors to reuse or recycle wastes that are generated in office activities to the maximum extent and trying every possible effort to minimize volume of waste.



## INTERVIEW

The increase in Greenhouse Gas Emissions has inevitably led to global warming and extreme climate changes. This has resulted in the rise in sea-level and flooding which are very real problems and threatening many livelihoods across the globe. In order to preserve our environment from further destruction, all of us have a social responsibility to do our part in this preservation.

In the office, we have consciously been advocating reduction in paper usage. We strive towards a more paperless environment by e-filing instead of hardcopy filing. We also introduced energy saving and eco-friendly equipment and machines. Air-conditioners are also pre-set to fixed timings and temperature to minimize wastage.

At home, I encourage my children to conserve water and energy. We use energy saving bulbs and restricting the use of long bath-tub. For grocery shopping, we minimize usage of plastic bags by bringing along our own nylon, reusable bags. Wherever possible, REDUCE, REUSE and RECYCLE; the 3 keywords which we consciously have to remind ourselves. Everyone has a part to play in preserving Mother Earth. Together, as members of the "K" Line Family, we can make a difference.



**"K" Line (Singapore) Pte Ltd**  
**General Manager**  
**Human Resource/Administration**  
 Florence Lee



“K”

## Line America, Inc. Harnesses Wind Power



In February 2008 “K” Line America, Inc. (KAM) launched an exciting new environmental initiative in the United States by purchasing “Renewable Energy Credits” (REC) from Renewable Choice Energy (www.renewablechoice.com). These renewable energy credits will indirectly offset 60% of KAM’s nationwide office electricity usage for all of 2008 with clean wind energy and will help avoid 1,130,693 pounds of carbon dioxide (CO<sub>2</sub>) from entering the earth’s atmosphere. After completing this purchase, KAM also joined the U.S. Environmental Protection Agency’s (E.P.A.) Green Power Partnership Program. The size and scope of this environmental investment then automatically qualified KAM as a member in the E.P.A.’s prestigious Green Power Leadership Club. While KAM will not have wind turbines behind their offices generating electricity, the purchase of these renewable

energy credits will subsidize wind farm developers who are building wind farms that generate clean wind energy and are supplying that energy into the U.S. national power grid. That is why this offset is considered an indirect offset. KAM is not using the wind energy directly, but KAM is ensuring a new and unique supply of wind energy into the U.S. national power grid equal to 60% of KAM’s office energy consumption. In order to insure that all purchased REC’s are original, they are verified and certified by Green-e, an independent third party auditor. Credits are purchased annually and for 2008, KAM chose to join this environmental initiative at the 60% participation level. In the spirit of kaizen, KAM plans to continue to grow participation in this program in the coming years, supporting the generation of new and clean wind energy, while reducing dependency on fossil fuels.



### Eco-Friendly Merchandise

At the time of purchasing stationeries, etc. for the office, we check and select them from recycled paper, Green-Law-Suited to Eco-approved products, all of which are thought to be favorable to the environment.

### INTERVIEW

It is no exaggeration to say that the promotion of safety in navigation and environmental preservation are eternal themes for people in charge of ocean-going shipping companies. When one looks at a ship from a distance it may appear that it is simply floating there, and nothing is happening. In fact, however, the crew are all busy attending to their duties to make sure that the ship operates safely. In the case of “K” Line, each of the Group’s ships and the supervisors of the ship management companies do their best to promote safety in navigation and environmental preservation at all times. They demonstrate their professionalism and follow each company’s operational procedures, keeping in mind the seafaring wisdom that has been handed down from preceding generations.

The ocean is not just the operational environment for the ocean-going shipping business: it has been the stage for myths and adventures since early times. Unfortunately, however, we often see media reports these days about environmental issues concerning the wide expanse of the beautiful oceans, covering about 70% of the surface of the Earth.

On the other hand, it is also true that the environment in some marine areas is improving. What can we do for posterity? What do we need to do to hand down with pride the ocean-going shipping business to succeeding generations? It is important to consider and carry out the promotion of safety in navigation and environmental preservation, pursuing the right answers to these questions.



**Captain of RAINBOW RIVER  
(Crude-Oil Tanker)**

Wataru Kanno

# History

## 1998

April ..... The Company declares that the issue of environmental preservation, together with safe ship operations, will be one of the 4 assignments of New K-21

## 2000

July ..... Environmental Committee established

## 2001

January ..... An Environmental Preservation page appears in "K" Line's Homepage



April ..... The Company's first double-hull★ VLCC "KUMANOGAWA" delivered



April ..... "Company Ethical Standard of Kawasaki Kisen Kaisha, Ltd." established

May ..... "K" Line's Group Environmental Policy publicized

October..... The Environmental Management System★ (EMS) starts to operate

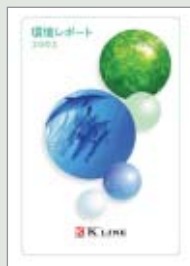


## 2002

February.... The Company obtained ISO 14001★ certification

July ..... Our first Environmental Report issued

October ..... "K" Line (Japan) Ltd. joined EMS



## 2003

March..... Certified as a member of "FTSE★4Good Global Index" (Still Continuing)

March..... The EMS Global Network formed

April ..... Kawasaki Kinkai Kisen Kaisha, Ltd. and Nitto Total Logistics Ltd. (Terminal sector) joined the EMS



November ... Extension of the scope of application of EMS to chartered ships

## 2004

February.... Rinko Corporation obtained ISO 14001 certification

March..... K Line Container Service (Thailand) Ltd. obtained ISO 14001 certification

May ..... Announcement of "K" LINE Vision 2008, a new management plan where we defined our management principles and declared our commitment to contribute in the social and environmental fields

## 2005

January ..... Daito Corporation obtained ISO 14001 certification

January ..... Shinki Corporation obtained Step 2 of Kobe Environmental Management System certification



February.... "K" Line European Sea Highway Services GmbH (KESS) obtained ISO 14001 certification

July ..... CSR Corner opened in the homepage

August .... Seagate Corporation obtained Green Management Certification★

September... "K" Line Air Service, Co., Ltd. (presently "K" Line Logistics, Ltd.) obtained ISO 14001 certification

## 2006

January ..... Establishment of CSR Division

January ..... Hokkai Transportation Co., Ltd. Tomakomai Branch obtained Green Management Certification

March..... Midterm management plan "K" LINE Vision 2008+ Promotion of CSR activity declared

May ..... Establishment of the CSR & Environmental Committee

October ..... Nitto Total Logistics Ltd. obtained ISO 14001 certification

December ... Establishment of Charter of Conduct of Group Companies and "K" Line Implementation Guideline

## 2007

March..... K Line (Thailand) Ltd. obtained ISO 14001 certification

April ..... Formation of CSR & Compliance Division by merger of the Compliance Office and CSR Division

October..... Japan Express Transportation Co., Ltd. obtained Green Management Certification

## 2008

January ..... Application of EMS system to Nitto Total Logistics Ltd. (Terminal sector)

April ..... Announcement of midterm management plan "K" LINE Vision 100 setting forth our commitment to the environment as one of the five top management issues under the major themes of "synergy for all and sustainable growth"

July ..... Establishment of Environment Management Division to enhance environmental activities

# Major Subsidiaries and Affiliates

## [DOMESTIC]

### Marine Transportation

Kawasaki Kinkai Kisen Kaisha, Ltd.  
Asahi Kisen Kaisha, Ltd.  
Kobe Pier Co., Ltd.  
\* Badak LNG Transport, Inc.  
\* Shibaura Kaiun Co., Ltd.

### Shipping Agency

"K" Line (Japan) Ltd.  
\* Shimizu Kawasaki Transportation Co., Ltd.

### Ship Management

"K" Line Ship Management Co., Ltd.  
Taiyo Nippon Kisen Co., Ltd.  
Escobal Japan Ltd.

### Harbor Transportation/Warehousing

Daito Corporation  
Nitto Total Logistics Ltd.  
Hokkai Transportation Co., Ltd.  
Seagate Corporation  
Nitto Tugboat Co., Ltd.  
Tokyo Kokusai Koun Kaisha, Ltd.  
\* Rinko Corporation  
\* Kokusai Logistics Co., Ltd.

### Logistics

"K" Line Logistics, Ltd.

### Land Transportation

Japan Express Transportation Co., Ltd.  
Shinto Rikuun Kaisha, Ltd.  
Maizuru Kousoku Yusou Co., Ltd.

### Container Repairing

Intermodal Engineering Co., Ltd.

### Travel Business

"K" Line Travel, Ltd.

### Other Business

"K" Line Engineering Co., Ltd.  
Shinki Corporation  
"K" Line Systems, Ltd.  
KMDS Co., Ltd.  
Kawaki Kosan Kaisha, Ltd.  
Crown Enterprise Co., Ltd.  
"K" Line Accounting and Finance Co., Ltd.

## [OVERSEAS]

### Marine Transportation

"K" Line Pte Ltd  
"K" Line Bulk Shipping (UK) Limited  
"K" Line European Sea Highway Services GmbH  
"K" Line LNG Shipping (UK) Limited  
\* Northern LNG Transport Co., I Ltd.  
\* Northern LNG Transport Co., II Ltd.  
SAL Schifffahrtskontor Altes Land GmbH & Co. KG

### Shipping Agency

"K" Line America, Inc.  
"K" Line (Australia) Pty Limited  
"K" Line (Belgium)  
"K" Line Canada, Ltd.  
K Line (China) Ltd.  
"K" Line (Deutschland) GmbH  
"K" Line (Europe) Limited  
"K" Line (Finland) OY  
"K" Line (France) SAS  
"K" Line (Hong Kong) Limited  
"K" Line (Korea) Ltd.  
"K" Line Maritime (M) Sdn Bhd  
K Line Mexico, SA de CV  
"K" Line (Nederland) B.V.  
K Line (Norway) AS  
"K" Line (Portugal)-Agentes de Navegação, S.A.  
"K" Line (Scandinavia) Holding A/S  
"K" Line (Singapore) Pte Ltd  
K Line (Sweden) AB  
"K" Line (Taiwan) Ltd.  
K Line (Thailand) Ltd.  
"K" Line (Western Australia) Pty Limited  
PT. K Line Indonesia

### Terminal Operator

International Transportation Service, Inc.  
"International Terminal Service of Augusta" S.r.l.  
The Rail-Bridge Terminals (New Jersey) Corporation  
TransBay Container Terminal, Inc.  
\* Husky Terminal & Stevedoring, Inc.

### Freight Consolidation

Century Distribution Systems, Inc.  
Century Distribution Systems (Europe), B.V.  
Century Distribution Systems (Hong Kong) Limited  
Century Distribution Systems (Shenzhen) Limited  
Century Distribution Systems (International) Limited  
Century Distribution Systems (Shipping) Limited

### Warehousing

Universal Logistics System, Inc.  
Universal Warehouse Co.  
Universal Warehouse Co. (NW)

### Logistics

"K" Line Logistics (Hong Kong) Ltd.  
"K" Line Logistics (U.K.) Ltd.  
"K" Line Logistics (U.S.A.) Inc.  
"K" Line Logistics (Singapore) Pte. Ltd.  
K Line Logistics (Thailand) Ltd.  
K Line Logistics South East Asia Ltd.

### Land Transportation

James Kemball Limited  
ULS Express, Inc.

### Container Repairing

\* Multimodal Engineering Corporation

### Financing

"K" Line New York, Inc.

### Holding Company

Kawasaki (Australia) Pty. Limited  
"K" Line Holding (Europe) Limited  
"K" Line Heavy Lift (UK) Limited

### Other Business

Connaught Freight Forwarders Limited  
Cygnus Insurance Company Limited  
"K" Line TRS S.A.  
Marinus Enterprise, Inc.  
\* PrixCar Service Pty Limited

\* Affiliates

# “K” Line Implementation Guideline for Charter of Conduct

Putting into practice the Charter of Conduct as common behavioral norms, individual group companies enacted their behavioral guidelines that should be more substantial and practicable in consideration of laws/regulations/ordinances and norms of the countries where their offices are located and other key factors related to type of business/business scope including relationship with their stakeholders. Following is “K” Line’s Implementation Guideline. Guidelines of group companies may have some slight difference in items and expressions that derive from their business circumstances. Fundamentally, however, there is no actual difference from our Implementation Guideline described hereunder.

“K” Line Implementation Guideline for Charter of Conduct (\* is for supplementary explanation)

Kawasaki Kisen Kaisha, Ltd. (hereinafter referred to as “K” Line) has set the following items as an implementation guideline in order to put the spirit of “Charter of Conduct: “K” Line Group Companies” into practice.

1. Human rights		2. Compliance	
The “K” Line Group will consistently respect human rights and well consider personality, individuality and diversity of its corporate members and improve work safety and conditions to offer them comfort and affluence.		The “K” Line Group promises to comply with applicable laws, ordinances, rules and spirit of the international community and conduct its corporate activities through fair, transparent and free competition.	
1-1	<p>“K” Line fully recognizes that corporate sustainability is supported by its employees and will honor their rights, personality, individuality and diversity.</p> <ul style="list-style-type: none"> <li>* We respect employees as important stakeholders for sustainability.</li> <li>* Respect for human rights, character, personality and diversity leads directly to non-discrimination.</li> </ul>	2-1	<p>“K” Line promises to comply with applicable laws and ordinances, conventions, rules of the international community and social values such as ethical and moral codes.</p> <ul style="list-style-type: none"> <li>* We will comply with company’s rules, regulations and social norms as well.</li> </ul>
1-2	<p>“K” Line will abide by labor laws and regulations.</p> <ul style="list-style-type: none"> <li>* Relevant laws and regulations of Japan include the Constitution, the Labor Standards Law, Workers’ Safety and Health Law, etc. Respect for the right of organization and the right of collective bargaining and compliance with other labor-related laws are the fundamental premise of this article.</li> </ul>	2-2	<p>“K” Line recognizes that anti-trust regulations in each respective country are the basic rule for fair, transparent and free competition, and promises not to enter into any agreement in breach of these nor abuse its dominant position.</p> <ul style="list-style-type: none"> <li>* We will abide by the Anti-trust Law of the U.S.A. and EU Competition Law, etc., any laws of other nations, as well as the Anti-monopoly Act and the Subcontract Act in Japan.</li> </ul>
1-3	<p>“K” Line does not tolerate child labor or forced labor.</p> <ul style="list-style-type: none"> <li>* This policy is on a global basis.</li> </ul>	2-3	<p>“K” Line will always transact business based on appropriate purchasing policies outlined below and maintain fair and sound relationships with its business partners.</p> <ul style="list-style-type: none"> <li>* We respect fair competition and fair trade without taking advantage of any dominant bargaining position in any trade.</li> </ul> <p>[Guideline for Purchases]</p> <ul style="list-style-type: none"> <li>* We will request business partners for mutual compliance.</li> <li>① Make purchasing decisions by providing fair opportunities and through impartial evaluation.</li> <li>② Comply with laws, ordinances and social norms and build mutually trusting and cooperative relationships with business partners.</li> <li>③ Give due consideration to social responsibilities such as respect for human rights and safety, conservation of natural resources and environmental preservation.</li> <li>④ Pursue achievement of best quality with reasonable cost.</li> </ul>
1-4	<p>In order to assist each corporate employee unleash their capabilities and creativity and maximize their potential to achieve self-actualization, “K” Line will improve necessary education, training and other systems to facilitate a balance between career planning and human resource utilization.</p> <ul style="list-style-type: none"> <li>* Refer to Page 23 for [With Employees]</li> </ul>	2-4	<p>“K” Line will maintain transparent and sound relationships with governments and regulatory authorities.</p>
1-5	<p>“K” Line will conduct objective and unbiased personal evaluation through due process of appraisal and fair and equal treatment of employees.</p> <ul style="list-style-type: none"> <li>* This is defined in Company’s guideline for performance review.</li> </ul>	2-5	<p>“K” Line will neither offer nor receive any excessive entertainment, gifts or other favors beyond commonly accepted business courtesies.</p>
1-6	<p>“K” Line will eliminate any discrimination in employment or compensation based on nationality, gender, religion, social class or other social status.</p> <ul style="list-style-type: none"> <li>* This policy is on a global basis.</li> </ul>	2-6	<p>“K” Line will seek to protect and fully utilize its intellectual property and respect intellectual property rights of others.</p> <ul style="list-style-type: none"> <li>* We protect trademark and other intellectual property in the major nations where we provide service.</li> </ul>
1-7	<p>“K” Line will make every possible effort to prevent harassment at work and promptly and adequately respond as needed.</p> <ul style="list-style-type: none"> <li>* This includes sexual harassment and power harassment. A system is provided for professional consultation/response.</li> </ul>	2-7	<p>“K” Line will lay down strict internal rules and procedures to prevent any insider trading or suspicious activities from occurring and keep every member of the “K” Line Group duly informed and conform to such rules and procedures.</p> <ul style="list-style-type: none"> <li>* With regard to sale and purchase of shares among group companies, we regularly announce proper procedure within the company.</li> </ul>
1-8	<p>“K” Line will support the balancing of career and family by putting in place necessary systems such as work schedule flexibility and leave systems.</p> <ul style="list-style-type: none"> <li>* This is in line with a policy taken by the Ministry of Health, Labor and Welfare of Japan regarding the declining birthrate.</li> </ul>	2-8	<p>“K” Line will establish an internal reporting system and necessary measures for constantly monitoring compliance status and will respond timely and effectively if any problem arises.</p> <ul style="list-style-type: none"> <li>* Hotline system has been established in all group companies. Compliance Committee shall handle actual issues whenever they occur.</li> </ul>
1-9	<p>“K” Line will ensure safety of its corporate employees in the work environment by having sufficient security systems in place.</p> <ul style="list-style-type: none"> <li>* We adopt the system of IC-card authorization at the time of entering and leaving offices.</li> </ul>		
1-10	<p>“K” Line will properly manage workplace health conditions, maintain a safe and appropriate work environment and support employees’ efforts to maintain their mental and physical health care.</p> <ul style="list-style-type: none"> <li>* We comply with Workers’ Safety and Health Law of Japan.</li> <li>* We are giving deliberate consideration not only to office security but also to health management, i.e. regular health and mental checks.</li> </ul>		
1-11	<p>“K” Line will prepare a disaster manual and secure a crisis management system for its corporate employees and their families by reserving emergency supplies and building a safety confirmation system.</p> <ul style="list-style-type: none"> <li>* We may participate in relief/aid activities in local communities as a corporate volunteer.</li> </ul>		

### 3. Trustworthy company group

"K" Line Group continues to pay special attention to safety in navigation, achieving customer satisfaction and garnering trust from the community by providing safe and beneficial services.

3-1	<p>"K" Line recognizes safety in navigation and operations as its immediate top priority and ensures safety and quality of its services centering on international maritime transport.</p> <p>* Safety in navigation/cargo operations and upgrade of service quality are top-priority assignments in the corporate principles of the "K" Line Group as well as for environmental preservation.</p> <p>* Refer to Page 5 for [Special Features 1] and Page16 for [Risk Management]</p>
3-2	<p>"K" Line recognizes that its good relations with customers, business partners, shareholders, local communities and other stakeholders are imperative to its corporate activities, and will provide safe and valuable services.</p> <p>* Refer to Page 19 for [Relationship with Stakeholders]</p>
3-3	<p>"K" Line will give due consideration to harmony with public interest in recognition of the public nature of international maritime transport.</p> <p>* We consider that shipping business activity itself shall contribute to society.</p>
3-4	<p>"K" Line will provide customers with adequate information concerning its services and will respond to inquiries in good faith.</p> <p>* We provide information through various tools. Refer to page 22.</p>
3-5	<p>"K" Line will adequately and strictly manage and protect personal and customer information.</p> <p>* We will comply with the Act concerning Protection of Personal Information.</p>

### 4. Environmental efforts

The "K" Line Group recognizes that global environmental efforts are a key issue for all of humanity and that they are essential both in business activities and existence of the company and therefore we are committed to a voluntary and proactive approach to such issues to protect and preserve the environment.

4-1	<p>"K" Line will address environmental issues towards preventing global warming while constructing a recycling-oriented economic system.</p>
4-2	<p>In accordance with our group environmental policy, "K" Line will make efforts to reduce impact on the environment and to contribute to preservation and improvement of the Earth's environment in our day-to-day business activities.</p>
4-3	<p>"K" Line will endeavor to develop innovative technology and business models that will help solve environmental issues.</p>
4-4	<p>"K" Line will proactively participate in social action programs for environmental preservation.</p> <p>* Environmental preservation is a top-priority assignment of corporate principles being equal to safety in ship navigation/cargo operations and upgrade of service quality.</p>

### 5. Disclosure of corporate information and communication with society

The "K" Line Group will protect personal information, properly manage corporate information and disclose corporate information timely and appropriately, widely promoting bi-directional communication with society including shareholders.

5-1	<p>To promote extensive communication with shareholders and investors, "K" Line will disclose all facts and company information timely and appropriately with full respect for securities exchange policies.</p>
5-2	<p>"K" Line will communicate to customers adequate information concerning services it provides.</p>
5-3	<p>"K" Line will adequately protect its confidential information and handle information pertaining to a third party with due diligence.</p>

### 6. Contribution to society

The "K" Line Group as a Good Corporate Citizen will make ongoing efforts to contribute to social development and improvement and support employees' voluntary participation in such activities.

6-1	<p>As a responsible and good corporate citizen, "K" Line will actively engage in social action programs.</p>
6-2	<p>"K" Line will further and proactively contribute to society through collaboration with external groups and various members of the public with beneficial expertise.</p>
6-3	<p>"K" Line will participate in industry and business community-wide social action programs.</p>
6-4	<p>"K" Line will support voluntary social participation of its employees in the form of volunteer work, lectures and writing.</p>
6-5	<p>"K" Line will prepare for possible relief and aid for disasters or marine accidents and extend social contributions by taking advantage of its know-how and technology including transport of necessary resources when needed.</p>
6-6	<p>"K" Line supports welfare activities and scholarly, educational, art and sports as well as other cultural activities.</p>

### 7. Harmony in the international society

The "K" Line Group will contribute to development of international society in pursuance of its business pertaining to international logistics and related businesses, respecting each country's culture and customs.

7-1	<p>Complying with international and local laws and regulations, ethical and moral codes, "K" Line will contribute to the development of each nation by offering know-how, cooperating in human resources development and deepening the friendship with related companies and organizations.</p>
7-2	<p>"K" Line will ask local business partners in each nation to understand the spirit of its "Charter of Conduct" and its CSR approach and to improve their activities as needed.</p>

### 8. Confront anti-social forces

The "K" Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.

8-1	<p>In cooperation with industry groups and local companies, "K" Line will endeavor in eliminating anti-social forces.</p>
8-2	<p>"K" Line will collaborate with law enforcement to fight against threats by anti-social forces.</p>
8-3	<p>"K" Line will never transact business with any anti-social forces nor extend amenities of any kind including gifts and entertainment.</p>

The management recognizes that it is their role to realize the spirit of the Charter and to set the pace that is to be followed by every employee in their company as well as by business partners. In the event of any incidents in breach of this Charter, the management will demonstrate decisiveness to resolve the problem(s), conduct a thorough investigation to determine the cause and to take preventative measures. Additionally, the management will expeditiously and accurately release information and fulfill their accountability to society.



# Green Accounting

Total Costs for Preservation of the Environment		Thousands of yen	
Classification	Details of work	Investment amount	Expense amount
(1) Costs directly related to shipping and logistics business			
① Costs against pollution	Prevention against air pollution	492,671	51,010
	Costs for treatment of dirty water used for cleaning containers	—	210
② Costs for environmental preservation	Prevention against global warming and energy saving	361,157	422,551
	Prevention against marine pollution	84,581	121,478
③ Costs for recycling resources	Reduction in use of resources	146,202	71,797
	Recycling of industrial wastes	—	28,789
	Treatment of industrial wastes	—	109,960
(2) Upstream and downstream costs			
	Recycled and eco goods	—	880
(3) Costs for administration			
	Costs for maintaining EMS certificate	—	35,267
	Issue expenses of relevant reports and promotion	—	12,504
Total		1,084,610	854,448

Effects of Environmental Preservation						
Classification of Effects	Index Showing Effects of Environmental Preservation					
		Classification of Index		Figure of Index		
				FY2007	FY2006	Effect
(1) Effects against costs directly related to shipping and logistics business	① Effects from input of resources into shipping and logistics business	Input of Energy	Fuel oil (g/ton-mile)	2.33	2.29	+0.04
			Lubricating oil (g/10 <sup>6</sup> ton-mile)	25.55	24.44	+1.11
	② Effects related to environmental loads incurred by business activities and wastes	Emissions to the Air, etc.	CO <sub>2</sub> (g/ton-mile)	7.25	7.11	+0.14
			SO <sub>x</sub> (g/ton-mile)	0.133	0.135	-0.002
			NO <sub>x</sub> (g/ton-mile)	0.2090	0.2047	+0.0043
	Incidence of Waste, etc.		bilge (m <sup>3</sup> /ship-month)	31.9	34.9	-3.00
sludge (m <sup>3</sup> /ship-month)			13.5	13.0	+0.5	
garbage onboard (m <sup>3</sup> /ship-month)			5.7	6.3	-0.6	

Economic Effects of Measures for Environmental Preservation - Substantial Effects - Thousands of yen		
Contents of Effects Amount		Amount
Saving of costs and expenses	Reduction of energy by energy saving measures	162,877
	Energy saving by slow speed navigation off Long Beach	61,495
	Energy saving by slow speed navigation in Ise-wan/Mikawa-wan Bay	12,686
Total		237,059

◆ **Period at issue:**  
January 1, 2007 through December 31, 2007

◆ **Dimensions of aggregate:**  
the Companies composing the Environmental Management System\*

\* Costs/expenses for environmental preservation include depreciation. The depreciation method and durable years are subject to the Company's accounting standards.

## ◆ Policy

The "K" Line Group has opened its accounting information to the public since 2001. From Fiscal Year 2002 on, it has been produced on the basis of the guidelines of the Ministry of Environment. We have defined costs for environmental preservation and their effects as precisely as possible. We try to grasp by quantity, costs related to environmental preservation (investments and costs/expenses) and effects resulting from them (effects of environmental preservation and economic effects). We wish that this information will be helpful for understanding our activities in the field of preservation of the environment.

## ◆ Results

Investments in environmental preservation for Fiscal Year 2007 amounted to ¥1,084 million and costs/expenses ¥854 million. The investments were utilized for actively purchasing equipment for anti-marine/air pollution, energy saving and efficient use of resources. Costs and expenses were appropriated for maintenance of apparatus, disposal of wastes and maintenance of Environmental Management System. Effects of environmental preservation figured out how much loads to the environment were reduced in comparison with last year.

# GRI Content Index

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## Independent Observer's Opinion



Dean, Graduate School and Faculty of Maritime Sciences, Kobe University

Hiroshi Ishida

The corporate principles of the "K" Line Group are summed up in the motto: "The basic principles of "K" Line Group as a shipping business organization centering on shipping lie in:

(a) Diligent efforts for safety in navigation and cargo operations as well as for environmental preservation (b) Sincere response to customer needs by making every possible effort; and (c) Contributing to the world's economic growth and stability through continual upgrading of service quality."

In making the Social/Environmental Report 2008, special attention was paid to making it reader-friendly, as seen in its careful organization by topic, use of copious illustrations, and explaining special terminology at the end of a sentence. Taking up three special features of ① Aiming to maintain and enhance security, safety and reliability ② Aiming to reduce CO<sub>2</sub> emissions, and ③ "K" LINE Culture and Spirit, I find it a very understandable report that emphasizes the group's approach to realizing its Corporate Principles.

① "Aiming to maintain and enhance security, safety and reliability" clearly describes the current efforts involving the establishment of KLMA centers in Japan, India, the Philippines, and countries of Eastern and Northern Europe, the deployment of the expertise, curricula and modern equipment the Company has developed and deployed in each region, and the training and augmentation of technical skills and qualifications of expert seafarers. However, it could have provided more detailed contents of the implementation and information about the number of participants at above activities.

② "Aiming to reduce CO<sub>2</sub> emissions" shows two examples on the results of reductions in CO<sub>2</sub> emissions of every month in Ise/Mikawa Bays as well as off the coast of California by reducing navigation speeds for readers' easy understanding.

③ "'K" LINE Culture and Spirit" also presents well each salient feature of four topics: Openness, Global Network, Career Path and The "K" LINE spirit. Ideally, one would hope it could also provide more detailed contents of the internal "K" Line training programs and initiatives designed to help share the "K" LINE spirit and culture and facilitate communication among employees with different languages, cultures and social backgrounds, as well as the thoughts of the participants.

The Environmental Report clearly presents the Fiscal Year 2007 environmental targets and the extent to which they were accomplished in concrete, side-by-side form, as well as the environmental targets for Fiscal Year 2008 presented by fiscal year or interim reporting period for each objective. It also meets present needs by looking forward to the utilization of biofuel and wind energy. One important topic for the future is to not only present the reactions and opinions of employees, customers, shareholders and other stakeholders to the report in the form of results of surveys and questionnaires, but also to publicize and review dialogues with those diverse stakeholders.

I look forward to the continued promotion of social and environmental activities in pursuit of the goals of the new midterm management plan, "K" LINE Vision 100, under the overall theme of "synergy for all and sustainable growth."

### In Reply to Independent Observer's Opinion

We would like to express our appreciation for these valuable insights.

We take these recommendations most seriously and would like to adopt them in the preparation of the next issue of this report. We will approach our business each day for the mutually beneficial relationship with all our stakeholders, striving to achieve the theme of "synergy for all and sustainable growth" called for in the new midterm management plan we introduced this year.

Along with safety in navigation, environmental preservation is the highest priority espoused in our Corporate Principles. As can be seen in the top billing it received as a major topic at G8 Hokkaido Toyako Summit held in Japan in 2008, it is also an obligation shared by all humankind. Our management and staff will endeavor to redouble efforts to fulfill our social and environmental activities.



Director and Managing Executive Officer responsible for environmental preservation

Norio Tsutsumi

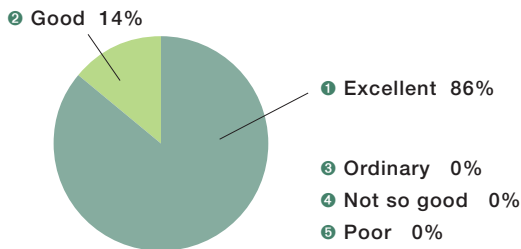


# Analysis of Results of Questionnaire Attached to Social and Environmental Report 2007

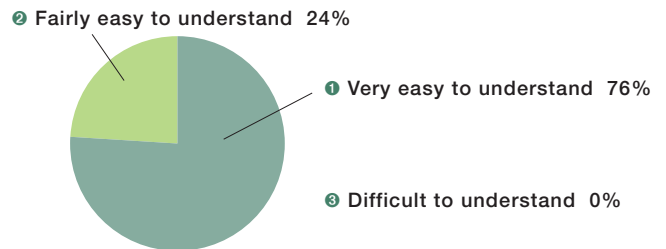


Regarding the subject matter, we are very grateful for the large number of answers you provided. We will do our best to improve our report on the basis of your answers and opinions.

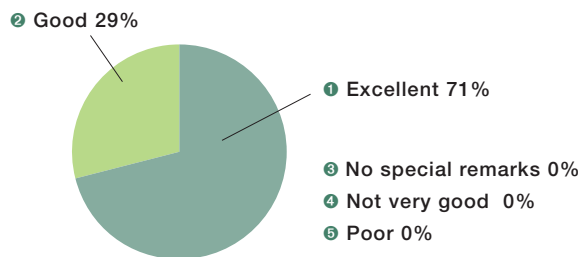
## Q 1 How do you rank the contents of the Report?



## Q 2 About CSR/environmental preservation activities by "K" Line as a shipping company?



## Q 3 What do you think about the "K" Line Group's environmental preservation activities?



### Items that were interesting

- 1 Risk Management/Environmental Conservation Activities
- 2 Impact on the Environment
- 3 Corporate Principles of the "K" Line Group/Aiming at Better Relationship with Society
- 4 Message from the President/Corporate Governance/Safety in Ship Navigation/Cargo Operation
- 5 Report on the economy/CSR/Environmental Management Program for Fiscal 2007/Activities for Education on Social and Environmental Issues

### Items needing more enhancement

- Economic Background
- Impact on the Environment
- Green Accounting (Fiscal 2006)
- Activities for Education on Social and Environmental Issues

### Main opinions and comments

- Gives the impression that "K" Line is taking its social and environmental responsibilities seriously
- Inclusion of explanations of technical terms makes it much easier to read
- More concrete specifics needed on "K" Line
- Very readable and useful report
- "K" Line should do still more in the fields of contingency and risk management
- Quite heartening to see "K" Line leading the way in environmental preservation initiatives

# Glossary

## [A]

### ★ AUS (Automatic Unloading System)

When cargo oil is unloaded and the amount of remaining oil in the tank becomes small, the cargo pump for unloading oil starts to draw mixture of cargo oil and vapor into the pump. Automatic unloading system separates the vapor from the cargo oil and allows the unloading of cargo oil as much as possible.

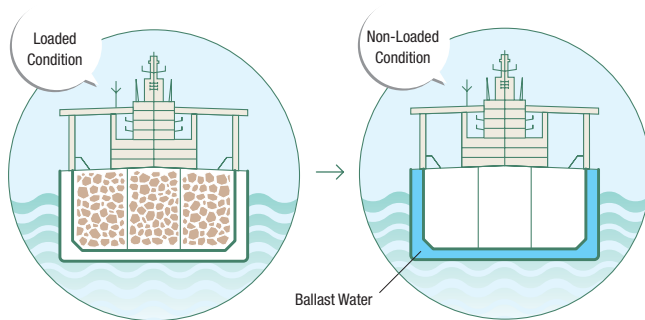
## [B]

### ★ Bilge

It is a mixture of oil and water gathering in cargo holds or an engine room. There is a need for separation of water and oil with a bilge separator.

### ★ Ballast Water

Seawater loaded into ship's tanks to maintain ship's stability and hull's strength when cargo is not loaded or when weight of cargo onboard is light.



## [C]

### ★ Cement Ballast

Although seawater is generally used to control a ship's posture, it is possible to use cement as ballast instead. In this way, ship can reduce the amount of ballast water to be loaded and discharged, and thus reduce the effect on the ecology. Additionally, by reducing ballast water pumping time, we can also conserve energy.

### ★ Central Cooling System (CCS)

In a conventional cooling system, lubricating oil is cooled through a heat exchanger by seawater which is discharged into the sea. In the new method - CCS, the lubricating oil is cooled with fresh water through the first stage of heat exchanger, and then, that heated fresh water is cooled with seawater through the second stage of exchanger. In case of oil leakage in the first stage of heat exchanger with something unexpected, the new method - CCS doesn't allow spilling oil into the sea because leaked oil is only mixed with fresh water and circulating at the first stage of heat exchanger.

### ★ CFCs

A substance that has been commonly used as a refrigerant in refrigerators/air conditioners, an injection agent of spray and a detergent in production of semi-conductors. Chlorofluorocarbon (CFC, R-12 as refrigerant name) with high ozone depleting potential ceased being produced in 1995 and its use banned from 2003. Production of Hydro-chlorofluorocarbon (HCFC, R-22) with less ozone depleting potential is to be ceased in 2020. The refrigerant name R-134a, one kind of Hydro-fluorocarbon (HFC), does not deplete the ozone layer and is used as a substitute for CFC and HCFC.

### ★ Compliance

It is used as the terminology that means to comply with a wide range of rules: including social norms and corporate ethics as well as laws/regulations/ordinances.

### ★ Corporate Governance

It means the corporate functions of building a framework for internal controls and protecting against any unfair practices. In Kabushiki Kaisha, a type of Business Corporation in Japan, the same functions can be more specifically analyzed and pointed out as follows: (1) Shareholders are able to check and control management from running away on their own and (2) it (Kabushiki Kaisha) has a system or institution that assuredly is able to check and stop illegalities on an organizational

scale and (3) all the directors and employees are led in a common direction under the leadership of management to accomplish corporate principles. (3) is regarded as internal controls whereas the whole part ranging from (1) to (3) is categorized as corporate governance. Lately, the meaning has come to be utilized positively and significantly as a vehicle for compliance.

### ★ C-TPAT (Customs Trade Partnership Against Terrorism)

It is a partnership program created by the U.S. Customs. The program requires organizations engaged in U.S. trade to take part in the campaign: shipping lines, stevedores, inland carriers, manufacturers, cargo owners and warehousing companies, etc. It is a voluntary program jointly conducted by Customs and industries for protection of terrorism and assurance of security.

## [D]

### ★ Double Hull

The double-hull system is aimed at shielding cargo/fuel tanks and preventing cargo/fuel oil from spilling to the outside even when holes are made in the outer plates as a result of grounding or collision.

## [E]

### ★ Electronically-Controlled Engines

The type of engines whose injections of fuel are controlled with a computer: On a computerized programming basis, it is possible to control/adjust accurately (a) an injection pattern with timing, pressure and injection volume and also (b) timing of opening/closing of an exhaust valve.

### ★ Environmental Management System (EMS)

EMS is a set of systems and procedures for a corporate group or individual company to set policies and goals for environmental preservation in compliance with the requirements of ISO 14001. The purpose of EMS is to effectively implement the policies and achieve the goals. Preservation of the global environment is one of the important challenges that every company faces. Within their overall corporate activities, companies are required to address this issue voluntarily and actively. The construction and operation of the system requires the acquisition of certification by an independent organization.

### ★ Exhaust-Gas Economizer

This is a device that generates steam using thermal energy from the exhaust gas of main diesel engine. By operating turbine generators using the steam, ship can reduce the fuel consumption for the operation of the generators, which leads to a reduction in CO<sub>2</sub> emissions.

## [F]

### ★ FTSE

FTSE is a joint company of Financial Times and Stock Exchange of the U.K. The company has offices in the major advanced countries, including Japan, and provides indexes for investors. The FTSE4Good Global Index is a social responsibility investment (SRI) index provided by FTSE.

## [G]

### ★ Green Management Certification

Recognized and issued by a Japanese government agency certifying environmentally-friendly management, similar to ISO 14001.

### ★ GRI (Global Reporting Initiative)

GRI is an international organization founded in 1997. Its purpose is mapping out and familiarizing the guidelines for environmental reports that are globally applicable and sustainable. The guidelines require that we attach importance to the three elements of "environmental aspects," "economic aspects" and "social aspects" as a triple bottom line.

## [ H ]

### ★ Halon

It is one of the fluorocarbons and widely used as a fire-extinguishing agent, which turns out to be more harmful in depleting the ozone layer than CFC. The developed nations have totally abolished its production.

## [ I ]

### ★ IMO (International Maritime Organization)

The International Maritime Organization (IMO) is a specialized agency of the United Nations based in London. The purposes of the organization, which are set out in Article 1 of the IMO Convention, are to provide machinery for cooperation among Governments in the field of governmental regulation and practices relating to technical matters of all kinds affecting shipping engaged in international trade; to encourage and facilitate the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and prevention and control of marine pollution from ships.

### ★ ISM Code (International Safety Management Code)

It is regulated in SOLAS Convention, Article No. 9 (management of safe ship operation). The Code facilitates enforcement of a comprehensive safety management for ships and their management companies. It attaches importance to ensuring safety of ships.

### ★ ISO (International Organization for Standardization)

ISO engages in defining standards for products and services in quality. ISO 9001 is a standard of production of quality-related systems to aim at quality management and guarantee. It maps out the ISO 14000 series that can be the standards related to the Environmental Management System focusing on management Administration System. Among the series, ISO 14001 defines requirements in the Environmental Management System.

### ★ ISPS Code (International code for the security of ships and of ports facilities)

The ISPS Code is a global treaty intended for ship operators and port authorities to ensure port security by preventing acts of terrorism and similar activities. It came into force on July 1, 2004. Under the code, ships are required to acquire an International Ship Security Certificate, obtain a certification of the security plan and appoint a qualified employee in charge of ship security.

## [ K ]

### ★ "K" LINE SPIRIT

The term "SPIRIT" in the phrase is the combination of the initial letters of the words listed below. The expression embodies the philosophy for enhancing the quality of ship management and quoting the separate word relating to the corporate culture of the Company.

S=Skill, P=Professionalism, I=Intelligence, R=Responsibility, I=Innovation, T=Teamwork

## [ M ]

### ★ MARPOL

MARPOL stands for Marine Pollution. It is an International Convention for the Prevention of Pollution from Ships. It was compiled in 1973 and 1978. Japan ratified it in 1983. It rules the standards of exhaust volume of oil, wastes and dirty water out of ships, requirements for ship hulls against marine pollution and ship operation.

## [ N ]

### ★ NOx (Nitrogen Oxides)

When fuel oil burns in an engine, nitrogen contained-fuel oil and the air react with oxygen to form nitrogen oxides at high temperature. It is emitted together with exhausted gas, which makes a chemical reaction in contact with moisture in the air and sunlight and causes acid rains and air pollution.

## [ P ]

### ★ PM (Particulate Matter)

Generally, PM collectively means small particles. In ships, ash dust is included in exhaust gas from diesel engines and boilers and is focused as a pollutant. PM whose size is 10 microns or smaller floats in the air and is thus treated as an airborne pollutant.

## [ S ]

### ★ Silicon Paint

This is a paint that uses silicon-based resin and has character of elasticity and smoothness compared with conventional paints. Since the coefficient of friction of the painted surface is low, marine growth is not easily able to adhere to the surface. And when they do adhere, they can be more easily scraped off. The extent of deterioration with age is smaller, and therefore there are minimal increases in the resistance of the ship's hull. This feature contributes to the reduction of fuel consumption and CO<sub>2</sub> emissions. The paint is also environmentally friendly because it does not dissolve in water as is the case of conventional paints used for ship hulls.

### ★ Sludge

Sludge is impurities contained in fuel oil and lubricating oil. It is treated by incineration onboard or on land.

### ★ SMS (Safety Management System)

The SMS is one of the requirements of the ISM Code. The system is built and documented so that a shipping company's employees and ship crew can effectively implement the policy of safe operation and environmental preservation documented by the company.

### ★ SOLAS (Safety of Life at Sea)

It is an international convention concluded as a result of the Titanic (a passenger ship with British flag and 46,328 gross tons) accident to secure safety of ships.

### ★ Soot Collecting Device

A device to remove cinders, i.e. soot, etc., included in exhaust gas with installment of a specific kind of filters inside exhaust-gas pipes of diesel-powered generator.

### ★ SOx (Sulfur Oxides)

When sulfur burns in a diesel engine, SOx is generated and incurs acid rain and air pollution.

## [ T ]

### ★ Ton-mile

Ton-mile is a unit meaning that a ship with one deadweight ton (deadweight = maximum weight that can be carried structurally) moves one mile (= 1.852km). The term is used, for example, as in the expression "CO<sub>2</sub> emissions are 100 grams per ton-mile." In this case, "100g/ton-mile" shall be used.

### ★ Tributyltin (TBT)

Tributyltin is a kind of organic chemical containing metallic tin. TBT-containing paint has been extensively used for painting ship's bottom due to its high effectiveness of anti-fouling. A marine biological research confirms that organic tin is discovered as having accumulated in marine life. It points out that the accumulated tin has possibility of posing a problem to environmental hormones with its toxicity.

### ★ Turbine Generator

This is an electric power generator driven by a steam-powered turbine. The steam, in turn, is produced effectively by an exhaust-gas economizer that employs the thermal energy of the exhaust gas from main diesel engine. Thanks to this co-generation system, ship can reduce fuel consumption for the operation of diesel generators and hence CO<sub>2</sub> emissions.

## [ V ]

### ★ VECS (Vapor Emission Control System)

When cargo oil, such as crude oil, is loaded into the tank of a tanker, it emits vapor. VECS is a system to prevent vapor emission into the atmosphere and to collect it and transfer it to a shore facility. The transferred vapor is appropriately collected and treated in the facility as like liquefied into crude oil.

**CSR & Compliance Division**

Phone: (+81) 3-3595-5356

Fax: (+81) 3-3595-5540

E-mail: [Kljtyocsr@jp.kline.com](mailto:Kljtyocsr@jp.kline.com)

**Environment Management Division**

Phone: (+81) 3-3595-5667

Fax: (+81) 3-3595-5355

E-mail: [kljtyoemd@jp.kline.com](mailto:kljtyoemd@jp.kline.com)

**KAWASAKI KISEN KAISHA, LTD.**

Hibiya Central Building,

2-9, Nishi-shinbashi 1-chome, Minato-ku,

Tokyo 105-8421, Japan

URL: <http://www.kline.co.jp>





## Questionnaire about “K” Line’s Social and Environmental Report 2008

We thank you for having read “K” Line’s Social and Environmental Report 2008.

We would be grateful if you give us your opinion and impression, which we will utilize in order to improve future issues of this report.

After having filled in the following questionnaire, please kindly return it to us.

You can also reply from our website.

<http://www.kline.co.jp>

### Q1 How do you sense the contents of the report?

#### Evaluation of this report

Excellent  Good  Fair  Not so good  Poor

#### Intelligibility

Excellent  Good  Fair  Not so good  Poor

#### Design nature

Excellent  Good  Fair  Not so good  Poor

#### Substantiality of contents

Excellent  Good  Fair  Not so good  Poor

### Q2 What do you think about “K” Line Group’s activities for preservation of environment?

Excellent  Good  No special remark  Poor

### Q3 If anything particularly impresses you, please choose the numbers from items listed as follows:

A. Interested: \_\_\_\_\_

B. More enhancement needed: \_\_\_\_\_

1. Corporate Principles of the “K” Line Group
2. Message from the President
3. Special Feature ①
4. Special Feature ②
5. Special Feature ③
6. Outline of “K” Line
7. Corporate Governance and Risk Management
8. Aiming at Better Relationship with Society
9. Relationship with Stakeholders
10. Impact on the Environment
11. Green Management
12. FY2007 Review
13. Environmental Management Program for FY2008
14. Environmental Conservation Activities
15. History
16. Major Subsidiaries and Affiliates
17. “K” Line Implementation Guideline for Charter of Conduct
18. Green Accounting
19. Analysis of Results of Questionnaire Attached to Social and Environmental Report 2007
20. Glossary

### Q4 In which position have you read the report?

Customer  Shareholder/Investor  Party related to shipping business  Person in charge of environmental issues  
 NGO/NPO  Research/education institute  Student  Administrative agency  Other ( )

### Q5 Please put any other comments as to your opinion, impression, etc.

**We would like to express our thanks for your cooperation. If you have no objection, we would appreciate your providing the following information:**

Sex:  Male  Female      Age:  Under 19  20s  30s  40s  50s  Over 60