

Individual Policy I

Competition Law



Established on January 1, 2017

1. Introduction

It is the policy of the “K” Line Group” to strictly comply with the competition, antitrust and anti-monopoly laws of all countries that are applicable to the businesses of the “K” Line Group (collectively, the “Competition Law”). All directors, officers or employees of the “K” Line Group (the “K” Line Group Employees) must comply with the Competition Law. In addition, directors, officers, managers, and others with supervisory responsibilities have a duty to ensure that employees under their supervision are aware of and comply with this Individual Policy regarding the Competition Law (the Individual Policy) and related rules and procedures. “K” Line Group Employees who have doubts about the application of the Competition Law to the past, present, or future conduct of the “K” Line Group should consult with the department in charge of ensuring compliance with the Competition Law.

2. Interactions with the Competitors

The Competition Law prohibits competitors from entering into agreements or concerted practices that distort or are intended to distort fair competition. The “K” Line Group strictly prohibits the “K” Line Group Employees from entering into any of the following agreements or understandings with its competitors:

- 1) fixing the sale price (“price-fixing”);
- 2) submitting collusive tenders in bids (“bid rigging”)
- 3) restricting capacity or output;
- 4) dividing markets or customers; or
- 5) refraining from supplying or purchasing a product or service.

In principle, “K” Line Group Employees are prohibited to directly or indirectly discuss or exchange information with competitors concerning prices, costs, terms of sale, business plans, suppliers, customers, territories, capacity, production, or any other subject that could be commercially important (“Sensitive Information”).

If any “K” Line Group Employee contacts competitors, he or she must submit to the department in charge of ensuring compliance with the Competition Law a prior application for a decision on whether the contacts will be permitted in accordance with the rules or guidelines established by each of the “K” Line Group companies. After the contact, he or she must immediately create a record of the contact and report it to the department.

3. Interactions with Customers and Suppliers

The Competition Law also imposes certain limitations regarding interactions with customers and suppliers. The “K” Line Group must ensure that our business practices and competitive actions do not give an appearance of engaging in unfair competition by abusing the dominant bargaining position. Major practices that may raise competition law concerns are listed below. These practices are not always prohibited, but you should pay attention and must consult the department in charge of ensuring compliance with the Competition Law before engaging in any of the following conduct:

- 1) attempting to place restrictions on the price at which customers resell our products or services/products, except in the case of selling through an agent or sales representative acting on behalf of the “K” Line Group;
- 2) restricting customers/suppliers from dealing in the services/products of competitors of the “K” Line Group;
- 3) requiring customers to purchase any unwanted services/products as a condition to their purchase of the service/product they want to purchase from the “K” Line Group;
- 4) engaging in below-cost pricing in markets where the “K” Line Group has a substantial market share; and
- 5) discriminating improperly with respect to price, discounts or allowances among similarly-situated and competing customers in markets where the “K” Line Group has a substantial market share.

4. Trade Associations and Lobbying

Participating in activities of trade associations in which competitors also participate can raise anti-competitive concerns. Preparing joint presentations for government bodies (joint presentations through trade associations or otherwise to present views to governmental bodies, including administrative agencies, legislators and courts) may be legally permissible. However, even in such cases, “K” Line Group Employees should not discuss or exchange Sensitive Information with competitors. Furthermore, when making joint presentations with competitors for governmental bodies that could raise anti-competitive concerns, the person in charge, together with the department in charge of ensuring compliance with the Competition Law, must review the presentation in advance.

5. Block Exemption

In various jurisdictions, there are block exemption rules from the Competition Law for the maritime transportation industry. The “K” Line Group utilizes such exemption in an appropriate and legitimate manner with prior consultation with the department in charge of ensuring compliance with the Competition Law or outside counsel in each jurisdiction.

6. Divestiture, Acquisition, or Establishment of Joint Ventures

Business divestiture, acquisition, or establishment of joint ventures generally requires the approval of domestic and foreign antitrust agencies when the volume of the deal reaches a particular threshold. Failure to follow the corresponding registration requirements can result in steep fines or render the deal null and void. In order to ensure that registration requirements are adequately accounted for during planning, it is necessary for the department in charge of Competition Law Compliance to be involved at an early stage.

7. Due Diligence

It is necessary for the “K” Line Group to perform appropriate due diligence on the targets corresponding to the risk level for corporate acquisition and other similar transactions^{*1}, and for partners of joint ventures and third parties acting on behalf of the “K” Line Group (the “Target”). In addition, the “K” Line Group must ask the Target to disclose all known violations of the Competition Law, if any, and work to establish warranties and covenants that provide confidence and assurance that no violations of the Competition Law were committed in the past nor will be committed in contracts. Further, the “K” Line Group must consider adding into contracts with the Target provisions necessary for compliance with the Competition Law and for the right of the “K” Line Group to audit compliance with these provisions.

For further details on implementing due diligence, please consult the department in charge of ensuring compliance with the Competition Law.

8. Endnotes

- *1 “Corporate acquisition and other similar transactions” refers to cases where the “K” Line Group acquires, succeeds the businesses of, or acquires shares of other corporations and entities.

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(For inquiries regarding this Individual Policy)

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