Social and Environmental Report 2009
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
90 Years Since the Establishment of "K" Line

This year, we marked 90 years since the establishment of "K" Line. Since our establishment, the path has not always been an easy one and we have faced numerous crises, including the Second World War, long-term economic recessions, and drastic appreciation of the yen, but we have weathered them all. Being able to celebrate 90 years in business is thanks not only to the efforts of our board members and employees, but also the support of stakeholders such as shareholders, customers, suppliers, and regional communities, from the company’s foundation to the present, and I would like to take this opportunity to express my sincere gratitude to everyone concerned.

"K" LINE Vision 100 Medium-Term Management Plan

The "K" Line Group adopted the "K" LINE Vision 100 Medium-Term Management Plan in April of last year with the 100th anniversary of "K" Line’s foundation in mind. Since then, however, the business environment has changed drastically as a result of the financial and economic crises originating in the United States, and consequently we changed course without hesitation, easing up on our pace, substantially curtailing investment and working to comprehensively reduce costs and manage risks.

Despite this, we will maintain the "Synergy for All and Sustainable Growth" approach, the main theme of the "K" LINE Vision 100 plan, and continue to take priority action in the following areas: (1) environmental preservation; (2) stable structures for safety in navigation and cargo operations; (3) borderless management by the best and strongest organizations; (4) proper allocation of strategic investment and management resources; and (5) improvement of corporate value and thorough risk management.

Environmental Preservation

Just as the Corporate Principles presented at the beginning of this report indicate, the "K" Line Group is a shipping business organization centering on shipping, and as such, working to preserve the natural environment is one of our most important social responsibilities. We must implement comprehensive measures for safety in navigation and cargo operations and prevent any oil spillage and release of hazardous substances from marine incidents. Ships are driven by the combustion of fuels, and consequently, emissions of carbon dioxide are unavoidable, but it is important that we take measures to minimize those emissions. One example of such initiatives is the cessation in November 2008 of onboard diesel generator use on ships berthed at the Port of Long Beach in the United States and procuring electric power from the shore, thus eliminating exhaust emissions from the generator. "K" Line was the first company in the industry to take this step at the Port of Long Beach.

Safety in Navigation and Cargo Operations

Safety in navigation and cargo operations is also an important social responsibility for a shipping business such as "K" Line. We have greatly expanded our fleet in recent years, and the risk of incidents and dangers have likewise increased. Safety in navigation and cargo operations is a core principle for a shipping business, and with the understanding that this directly impacts on environmental preservation and customer satisfaction, the Ship Safety Promotion Committee, which I chair, plays a central role in providing on-site support through a variety of different measures. Fortunately, we have not had any major incidents in the past several years, and we will continue diligent and steady practice of this fundamental principle without becoming overly confident.

Improving Corporate Value and Thoroughly Implementing Risk Management

"K" Line is working to maximize its corporate value through business investment and increased profit derived from such investment. The company intends to increase its current dividend payout ratio of 20% to 25% in fiscal 2011, and gradually increase it still further to 30% by the middle of the 2010s, in an effort to achieve an appropriate distribution of profits. The business environment has experienced a rapid deterioration recently and current business results are disappointing, but as mentioned previously, we have already positioned ourselves to be able to react quickly to the changing environment. Specifically, we have broadly reined in our investment plan up to 2011, and in December 2008 we established an Economic Crisis Emergency Task Force and also formed the Improvement of Profitability/Cost-reduction Working Group and the Risk-countermeasures Working Group under the Task Force. By the end of March 2009 the Task Force had formulated emergency measures, centered on comprehensive rationalization and cost reduction as well as risk management, to improve our financial standing, and we subsequently promptly implemented such measures. These measures will now be applied to the entire Group. Having overcome a number of crises in the past, we are determined to use that experience to ride out the current rough weather.

Looking Ahead to our 100th Year

The current challenging business environment is different from the earlier recession brought about by the appreciation of the yen and is affecting almost all companies regardless of nationality and industry. For this reason, we are now presented with a golden opportunity to grow, as those businesses that are able to overcome the current adversity will have the chance to make enormous advances. We will continue to make our best possible efforts to achieve "Synergy for All and Sustainable Growth" with our stakeholders and as such I look forward to your support in this endeavor.

May 2009
Following the war, Japan’s merchant shipping was initially to the Second World War, the Company faced good and bad in 1919 with an investment in kind of 11 steamships from. The “Fujikawa Maru,” which was sunk during the war, contributing substantially to the loss of 56 ships out of a fleet of 72 that were built during hostilities in the Seto Inland Sea and flooded.

It is said that the greatest technological innovation since the start of regular liner service in the mid-nineteenth century was the containerization. The container system is a door-to-door transport service that integrates ships, roads, and railroads. Our container service started in the California service route and rapidly expanded.

In the latter half of the 1980s, the Japanese overseas shipping industry experienced a drop in freight following the enactment of a new US container law, and with the added impact of yen appreciation following the Plaza Accord and rising fuel prices, three of the six core shipping companies had to receive financial support. Although “K” Line did not receive financial support, its very existence was at risk. In 1987, the Company implemented emergency employment measures, with the result that several hundred sea-based and land-based employees left the company. Later, the entire company worked together to overcome these difficulties, resulting in substantial improvement in management structure. “K” Line stopped paying dividends in the fiscal year ended March 1984, but resumed payment of dividends in the fiscal year ended March 1988.

Since its foundation, “K” Line has maintained a strong sense of independence, and in the process of overcoming numerous crises, a unique “K” Line Spirit has developed. Based on this spirit, which is a reflection of the Company’s independence, creativity and broad-minded attitudes, we are looking ahead to our 100th anniversary.
Safety in navigation and cargo operations is essential to environmental preservation. Our foremost priority in ocean transport is safely navigating the waters and transporting cargo. We have adopted a variety of measures to preserve the environment, such as implementing energy-saving navigation by utilizing optimal speed and appropriate selection of sea routes, and using special energy-saving equipment. However, when it comes to planning the safety of people, ships and cargo, and ensuring environmental preservation, nothing is more important than achieving safety in navigation and cargo operations. We must look into obtaining the necessary data, education and training for analyzing information, and the sharing of such information. In particular, information concerning weather and sea conditions is indispensable to safe navigation and cargo transport. Below, Capt. Tatsuya Gamou, master of the containership “Clifton Bridge” discusses the weather information system we employ called “BRIDGE.” Above all, establishing strong channels of communication is important in sharing information among the crew. Capt. Gamou gives us some insight on how this communication takes place onboard a ship.

Safety in Navigation and Cargo Operations through Utilization of IT Tools

Upholding the three pillars of safety in navigation and cargo operations, environmental preservation and economically efficient operations remains the principal duty of “K” Line in operating our ships, and for crews working on the seas, our primary duty is ensuring safe navigation, which helps to maintain environmental preservation and economically efficient operations. To maintain safety in navigation and cargo operations, it is necessary to ensure appropriate cargo stowage, proper maintenance of ship and equipment, dispatch well-trained and experienced crew who have the requisite knowledge, and maintain teamwork based on mutual trust among the crew. And when setting sail, it is crucial for ocean-going ships to select the best navigation routes, taking into consideration weather and other maritime conditions. The “Clifton Bridge” has contracted with a weather information company for a weather routing service that looks at predicted weather and sea conditions in the area the ship will be sailing, and recommends navigation routes where a safe speed can be maintained. Furthermore, the ship is also equipped with “BRIDGE” (formerly known as “Orion Pro” pictured top right) software, which displays on a computer meteorological data analysis that is relayed to the ship as needed. By comparing and verifying the latest weather data and current weather data in the waters the ship is navigating, the ship can respond in a timely manner to changes in weather and sea conditions, allowing greater precision in selection of the most appropriate sea routes. This represents a great technological innovation for times when we must chart a course for the ship based only on limited information, such as weather charts that have been faxed, but may not always be clear if radio signals are weak, and in situations including when a decision must be made whether to head east or west to avoid a typhoon. It is a powerful tool to assist us in maintaining safety in navigation, as well as ensuring economically efficient operations.

We are also actively cooperating in research vital to the further improvement of future services and environmental preservation in the international marine transport industry. For example, we are involved in developing new weather analysis equipment, testing weather routing services, and holding onboard training in the Pacific Ocean during the winter for staff from the R&D division of the weather information company to allow them to experience ocean weather and sea conditions first-hand. If this type of research and development can expand the information services currently available to individual ships into comprehensive services that take into account the position, shipping routes and schedules of consort ships (ships heading for the same port terminal), it will then become possible to recommend cost-efficient speeds to minimize waiting time in the water and offer timely information to shore staff in charge of ship operations. Smooth and economical operations for all our ships would save on fuel and lower CO2 emissions. In our current information society, for shipping companies the manners in which ships utilize the most appropriate information analyzed by specialized organizations and linking that to the three pillars mentioned in the beginning is undoubtedly a consideration of utmost importance.

Strong Communication

Crew members are often asked, "When you’re off-duty on the ship, what are you doing?" TV broadcasts don’t reach the ships, and Internet surfing, golf, tennis and blind date parties are out of the question. Although you might think that we could fish and swim, in actuality it’s not possible. In the confined space of the ship it’s difficult to do many activities that would be considered normal on land. The ship can’t make a run to a fast food restaurant when they are hungry and even if they want to speak with their family or girlfriend, satellite phones cost 300 yen for one minute! Even when in port, the crew must stand watch over cargo work or be present for inspections, engage in maintenance or carry out other tasks, so there is little time to go ashore.

In response to a request to spice up their bland life onboard, on each voyage across the Pacific Ocean the “Clifton Bridge” holds two barbecue or hot-pot parties and a joint Japan-Philippine-Bangladesh karaoke party, plus a special recreational event on every second voyage. The activities serve to strengthen friendships and relieve stress.

Onboard the recreational event held just the other day was a table tennis tournament. The 13 participating teams played an exciting round of games to an admittably not so expensive prize. Recently, it has become quite normal for a ship to have a crew of different nationalities (the crew of the “Clifton Bridge” has 5 Japanese, 19 Filipino and 2 Bangladeshi members). As the ship’s captain I work with the Marine Human Resources Group to think carefully about how to help the crew build good relationships onboard where there are lots of limitations on what one can and can’t do, and we also think hard about how to increase the crew’s motivation regarding their work.

It is a part of the captain’s duty to skillfully manage the budget for food provisions and welfare costs to make every effort to provide improve the crew’s tasty meals, in order to ensure that the crews enjoy onboard life.

Also, a private e-mail system was adopted two years ago to enable the crew to receive and send e-mail any time while at sea. Introducing the system was a huge improvement for the crew who can now freely contact anyone at any time, and it is heartwarming to see them seated in front of the computer composing a love letter!

It goes without saying that the crew’s healthy mental state and harmony on the ship contribute to maintaining safe navigation and preventing injury. Onboard, where the crew shares ups and downs together 24 hours a day, mental health management and regard for the workplace and living environment are extremely important, whether a matter is a public one or private.

As a ship’s captain, I strive to create an environment where all crew members will be glad they have joined the ship, while preserving the sound traditions built up by my predecessors. Each day I renew my vow to continue carrying out this never-ending task.

Crew of the containership “Clifton Bridge”

Initiatives for Safety in Navigation and Cargo Operations

[Safety Report System]

Safety in navigation and cargo operations is crucial to environmental preservation activities. Of course, the ship is equipped with the necessary facilities, but no matter how many automated or work-saving devices we have, ultimately people run the ship, so it is the individual crew members who make decisions that prevent incidents. Not only might a small mistake endanger the safety of the cargo and crew, but there is also the risk of significantly damaging the environment — something we must always keep in mind when we are carrying out our duties onboard the ship.

Our Company has created a safety report system so that the crew will never forget the importance of safe navigation as they carry out their daily duties. Based on the premise that at times people will engage in unsafe behavior, any error from small mistakes to serious ones are reported to all crew members on all ships, then feedback is relayed to every ship and used to make improvements. The purpose of this system is to think about the environment in which that mistake and particular experience occurred, and consider how the situation can be improved to avoid repeating it. We also consider it important to create an atmosphere in which such mistakes and experiences can be frankly spoken about.

Capt. Takayuki Nakajima
Safety Report Committee Secretary
“K” Line Training Center

Winter Season Safety and Environmental Protection Campaign

Every year from December 1 to January 31 of the following year, a Winter Season Safety and Environmental Protection Campaign based on a Marine Safety Administration Group initiative for safety in navigation is held. During this period, the Company president and board members visit the ships and discuss issues with the crew in an effort to improve Company awareness of safety and environmental preservation.

Printed campaign posters made by the ships
Outline of “K” Line; Lines of Business

"K" Line Group is operating business globally as an integrated marine transporter.

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**Outline of “K” Line**

(As of March 31, 2009)

- **Name**................. Kawasaki Kisen Kaisha, Ltd.
- **Established**........... April 5, 1919
- **Address**.............. Hibiya Central Building, 2-9, Nishishinbashi 1-chome, Minato-ku, Tokyo 105-8421, Japan
- **Paid-in Capital**...... ¥45,869.3 million
- **Issued**.................. 638,880,298 shares of common stock including common stock for treasury
- **Number of Employees** Nonconsolidated 602 (Male: 491, Female: 111)
- **Total Workforce** by Region ("K" Line Group)......
  - Japan: 36.71%, Asia: 39.91%, North America: 7.70%, Europe: 12.41%, Other: 3.27%
- **Offices**..............
  - Head Office (Tokyo), Registered Office (Kobe), Branches (Nagoya and Kansai)
- **Overseas Offices**..... Beijing, Manila, Mideast, Johannesburg, India

**Lines of Business**

- **Dry Bulk Carrier Services**
  We transport raw materials such as coal, iron ore, grain (wheat, soybean, corn, etc.) and papermaking materials by bulk carriers.

- **Containership Services**
  We operate East-West main 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.

- **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 of completed cars and trucks. As of March 2009, ships in operation numbered 93 with total of 1,282,222 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/products transportation by tankers. As of March 2009, ships in operation reached 55 with 5,856,250 deadweight tons.

- **Heavy Lift Services**
  We are operating our heavy lift services business jointly with the SAL group, a dedicated heavy lift player in which we made an equity investment. Demanded for large scale cargo transport related to energy and infrastructure development is steadily, and therefore we expect this business to be one of the major business sectors for the company. As of March 2009, ships in operation numbered 18 with total of 167,413 deadweight tons.

- **Short Sea/Coastal Shipping Services**
  The "K" Line Group Companies, including Kawasaki Kisen Kaisha, Ltd., are engaged in domestic shipping utilizing passenger/car ferries, high-speed ro-ro/roll-in ships, specialized limestone carriers and general cargo carriers. And we are also providing their service and transit service for intra-Asian trials. As of March 2009, ships in operation numbered 52 with total of 471,851 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.
Medium-Term Management Plan "K" LINE Vision 100

"K" Line Group established the consolidated medium-term management plan "K" LINE Vision 100 covering the period from April 2008 to March 2012 towards the 100th anniversary of "K" Line in 2019, and focusing on five management issues shown as follows:

- **"Synergy for All and Sustainable Growth"**
  The focus of the "K" Line Group is on achieving "synergy for all and sustainable growth." This means continuing to achieve the "sustainable growth" sought through our past management plans and combining this with "synergy for all" (a mutually beneficial relationship), reflecting the importance of the reciprocal relationship we have with each of our stakeholders, without whom sustainable growth would not be possible.

- **Five Management Issues**
  - **Environmental preservation**
    In addition to "hard" measures such as adoption of energy-saving systems for ship operations, ground cargo handling, ground transport and effective use of exhaust energy, "K" Line works to cut CO2 emissions to the extent possible and help prevent global warming through "soft" measures such as carrying out transport at appropriate speeds. The company makes the utmost effort to help create a global environment with clean oceans and clean skies for all people and all living things.
  - **Stable structures for safety in navigation and cargo operations**
    "K" Line has applied its unique expertise to establishing a global standard for its K.Safety Standard management system. Fulfillment of K.Quality and improvement of the company’s ship inspection system have ensured safe ship operation and better ship quality for all ships in operation. Furthermore, creation of the K.Safety Network has promoted information sharing throughout the Group, as "K" Line works to upgrade its safety management system and improve its ground support systems. Moreover, the company is working to improve its ability to secure and train marine technical personnel through steps such as improving its sourcing system for seafarers, upgrading the "K" Line Maritime Academy, improving its seamen’s training program and providing attractive work environments. "K" Line aims to create an administrative structure for undeviating safe ship operation.
  - **Borderless management by the best and strongest organizations**
    As globalization of the "K" Line Group’s business activities accelerates, borderless management that applies the "K" Line standard to business and corporate culture anywhere in the world is necessary. "K" Line promotes cooperation and personal interaction among Group companies in order to build the Group’s overall strength. At the same time, through improved training of personnel suited for global business and incessant efforts to improve its work, the company works towards leaps in labor productivity that will support its global competitiveness. Furthermore, through shared vision, clarification of roles, personnel assignments that put the right people in the right places and fair treatment of employees, "K" Line is aiming to create challenging and exciting workplace environments for the Group’s personnel around the world. Through these efforts, the company is building industry-leading competitiveness in terms of cost competitiveness, technical ability and quality of service.
  - **Proper allocation of strategic investment and management resources**
    In light of the fact that the global economic and financial crisis is causing major changes in the business environment surrounding "K" Line, the company has undertaken a significant revision of the investment plan, primarily in ships, described in the "K" Line Vision 100. In more concrete terms, this means steps to shrink investment cash flow to a large degree, including an effective freeze on new investment, putting off already decided items, changes to types of ship holdings and selling of older ships. On the other hand, regarding fields ripe for strategic expansion or opportunities for new participation, "K" Line will allocate appropriate management resources after careful analysis of profitability and risk. With an investment strategy premised on a sound financial structure, the company is working to position itself for the future even as it rides out the current dramatic difficulties.
  - **Improvement of corporate value and thorough risk management**
    "K" Line aims for sustained growth based on a stable revenue base through business development that emphasizes profitability and capital efficiency. During this process, the company is exposed to potential risks such as predicted markets, exchange rates, personnel, safety and environment, accidents and examines measures to prevent them. It carries out thorough risk management so that when causes of risks appear they can be dealt with swiftly. In addition to ensuring soundness in terms of finances, thorough management of risks that are outside the balance sheet helps to raise management soundness, place the company on the path to sustained growth based on a stable revenue base and improve corporate value.

Primary Financial Data

As a result of the failure of some major financial institutions in the United States, strong growth of the global economy reversed itself in September 2008, resulting in an unprecedented financial and economic crisis. Regarding the environment surrounding the ocean transport industry, fuel prices that had been rapidly rising since 2007 began to decline in early autumn 2008. However, the rapid appreciation of the yen, a sudden drop in the dry bulk shipping market, a sharp decline in container and automobile shipping, and other factors resulted in extremely harsh third and fourth quarters.

![Graphs and tables related to financial data]

Prospects are based on the announcement made in April 2009. Assumptions: EXCHANGE RATE ¥100/J$1, FUEL OIL PRICE US$30/MT.
Corporate Governance and Risk Management

For a company to perform its social responsibilities and achieve sustained growth, it is essential to establish and maintain a good corporate governance system as well as a good risk management system. We are striving to increase shareholder value by ensuring a high level of corporate ethics throughout the Group and building an effective corporate governance system across the Group.

In addition, we established four committees to deal with business-related risks in the areas of ship safety promotion, disaster response, compliance and management risks, as well as a Crisis Management Committee to supervise the four committees.

**Corporate Governance**

Structure of Business Execution, Monitoring of Management and Internal Control

![Diagram of Corporate Governance Structure](image)

- **Corporate Governance**
  - **Stakeholders**
  - **Employees**
  - **Acting as a Responsible**
  - **Aiming at Better**
  - **Working Together**

**Management Conference**

A Management Conference is held once a week for Representative Directors and relevant Directors/Executive Officers in order to freely exchange opinions on major management issues and in order to further enhance the transparency and promptness of management decisions and policies.

**Internal Control System**

The Board of Directors, and under its direction, Executive Officers and General Managers in charge of specific business operations, is responsible for establishing internal controls, assessing their effectiveness and ensuring that they function properly. Auditors observe whether the Directors establishing and organizing Internal Controls are properly functioning. The Internal Audit Office is charged with assisting the Directors to execute their duties related to establishment and maintenance of Internal Control through feedback and recommendations for improvement.

The Internal Audit Office also promotes the approach of the evaluation of our group’s internal control and arranges the internal control report as J-SOX (Japanese requirements of management evaluation/report on internal controls) that started in fiscal year 2008.

**Governing 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 up their own social guidelines. (Refer to pages 17 and 45 to 46)

**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 and 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 easy 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 its own hotline system.

**Risk Management Relevant to Other Risks**

- 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 Committee will take preventive measures and respond appropriately to them in the event they should actually happen.

**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 website. 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.
Activities for Safety in Navigation and Cargo Operations

Significant issues for a shipping company are to realize and maintain safety in navigation and cargo operations and environmental preservation, and also required to see and review our activities and improve them by making honest efforts day-to-day. Hereunder, we introduce our management system to support safety in navigation and cargo operations among our activities.

"K" Line Maritime Academy (KLMA)

KLMA, aiming to secure and train ship personnel who will be able to support safety in navigation and cargo operations worldwide, is supported by training centers around the world, cadet training programs and education and training programs for carrier path.

Maintaining of KL-Quality

To realize and maintain safety in navigation and cargo operations, ship’s safety is the most important thing and it must be ensured. "K" Line is providing "KL-Quality," and our ship inspectors visit our operated ships in port to check that ships are complying with KL-Quality. The inspectors also have talks with ship crews about the ship’s condition and other issues, which contributes to improve and maintain ship’s quality in good status. The inspectors explain the inspection report and distribute it to ship operators, owners and other parties concerned to share information about the ship. We believe such activities contribute to ship safety and safe cargo operations.

Establishment of "K" Line Maritime Academy (KLMA)

Environment

Japan

KLMA

Northern Europe

Marketing and Development

Starter of Information Integration

Establishment of "K" Line Maritime Academy (KLMA)

- We will map out standard curricula of education and training.
- We will develop and reinforce the training bases in Europe.
- We will share information related to employment, education and discipline among the bases and also we will tie up with certain maritime universities and training institutes throughout the world.
- We will equip ships with many private rooms and an embarkation capacity for more crew members, cadets and trainees for the purpose of accelerating the education, and securing the long-term securing of excellent ship-officers. Onboard instructors will embark on those ships as teachers/trainers and be engaged in education/training.
- We will strengthen tie-ups with recruiting companies around the world.

Ship Operational Data Management System

Operational data for "K" Line ships is accumulated on data servers utilizing the systems described at right. This data is checked and analyzed by navigation and cargo operations supervisors and ship management companies in order to ensure safe and efficient navigation. Both of these systems have been in operation since 2001 and are currently equipped on almost all ships of our fleet, contributing greatly to safety in navigation and cargo operations and energy conservation.

Emergency Response Drills

The "K" Line Group strives to avoid marine incidents. We carry out drills in order to ensure that crew and other staff are familiar with emergency response and reporting procedures in the event of a marine accident. We recognize the tremendous importance of these drills and utilize their results in effecting improvements in our emergency response measures.

Most recently in February 2009, the "K" Line Group and other relevant parties carried out a large-scale oil spillage emergency response drill with the scenario being the collision of a bulk coal carrier and a smaller ship in the Irago channel, resulting in fuel spillage. The problem areas raised at the evaluation meetings were used in revising and improving the emergency response manual and system to better enable an immediate response in the event of unforeseen circumstances.

Ship Inspection and Quality Management

Quality Audit and Supervision Team (QAS) Inspector’s main purpose is to check ship quality level and reduce risk basis by adhering to "K" Line Quality Standards. It is common knowledge if a ship encounters various incidents at sea or is detained by PSC*, in ports for different reasons from deteriorating structures or machinery not operating properly, it could lead to an accident and cause environmental catastrophe. This is a fairly extreme case. But if we inspectors visit the ship and carry out check and observation and make conversation with crews about the ship’s condition, I believe the inspectors are able to find any evidence or indication of risk and also prevent serious incident. Furthermore, such activities contribute to ship and cargo safety and possibly save a crewman’s life.

Inspectors would board those ships in convenient ports, mainly in Japan but also in Korean and Chinese ports as requested. With QAS base in Manila functioning since November 2008, ship inspection in Hong Kong is done by an inspector base in the Philippines. Some ship crews view our inspection as burdensome to them due to short and busy stay in port, so it is therefore important that we can obtain their understanding for the purpose of our inspection and cooperation for having open meetings. And in the course of our inspection, we endeavor to be supportive and friendly as far as possible, so we can get enough understanding of each other and discuss about countermeasures and early detection of troubles including KAZEN™ improvement proposals. With their cooperation we might uncover and learn things that usually would not be known in a normal inspection process. It is also of virtual importance to maintain balance during inspection and on the report so as not to create conflict between ship crew and owners with our inspector and operators, but it must be concise enough to give our operator a full and complete idea of the ship’s condition.

COUNTER-PIRACY MEASURES

Attacks by pirates have occurred in the Straits of Malacca and many other locations worldwide. "K" Line has developed a security plan based on the safety management manual’s response procedures and the ISPS Code*. Up until recently, pirates have sought mainly to steal valuable goods; however, in recent years pirates off the coast of Somalia in the Gulf of Aden, an important maritime link between Europe and Asia, have increasingly started attacking ships with heavy weapons and hijacking them in order to secure ransoms. As a result, the threat to customer cargo, ship and crew safety has increased. In light of this situation and based on a U.N. Security Council resolution, the Allied Command Europe and the navies of various countries have begun escorting ships and, due to strong pressure from ship owning groups and others in Japan, the Japanese Self-Defense Force has also dispatched escort ships to the area. Thus in cases where "K" Line ships must travel through the Gulf of Aden, they are under the protection of the Japanese Self Defense Force and the navies of other countries; in addition, the safety measures listed at right are also implemented.

Furthermore, low-speed ships are not sent through the Gulf of Aden or coastal waters off Somalia and are, instead, sent around the Cape of Good Hope.

Ship Inspection and Quality Management

Quality Audit and Supervision Team (QAS) Inspector’s main purpose is to check ship quality level and reduce risk basis by adhering to “K” Line Quality Standards. It is common knowledge if a ship encounters various incidents at sea or is detained by PSC*, in ports for different reasons from deteriorating structures or machinery not operating properly, it could lead to an accident and cause environmental catastrophe. This is a fairly extreme case. But if we inspectors visit the ship and carry out check and observation and make conversation with crews about the ship’s condition, I believe the inspectors are able to find any evidence or indication of risk and also prevent serious incident. Furthermore, such activities contribute to ship and cargo safety and possibly save a crewman’s life.

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SAFETY MEASURES EMPLOYED BY “K” LINE SHIPS

- Taking the International Recommended Transit Corridor (IRT C) determined in coordination with various countries’ navies
- Information provision to the United Kingdoms Maritime Trade Organization
- Participation in convoy escorts by the Japanese Self Defense Force
- Attaching at full speed when participation in a convoy is not feasible
- Attaching at night with strict light control in frequently attacked areas
- Increasing the number of lookouts
- Firing water down from the deck
- Locking up living quarters and other sections of the ship
- Using blinding lights
To this end, we have set targets and, as a company group keeping sustainable growth, are actively making efforts to deepen the relationship based on mutual trust with various stakeholders all over the world, and to come up to their expectations.

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 influence.

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
The “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 following efforts for safety in navigation and cargo operations as well as for environmental preservation; Sincere response to customer needs by making every possible effort; and Continual upgrading of service quality.

The objective of our CSR activities is to materialize the 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. 

Objective and the Mission of our CSR 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.

Social Responsibility: Compliance, Respect for social practices, Fair business activities, Safety in navigation and cargo operations, and Environmental preservation.

Social Contribution: Contributions through our group business activities, and Activities as a “Good Corporate Citizen.”

These include many such as corporate ethics (corporate governance, compliance, etc.) disclosure, human rights, working environment, environmental preservation, safety and quality control, and social contributing activities. “K” Line has set targets in each area and its related organizations have performed CSR activities. We will promote communications with employees of not only “K” Line itself but our group companies and deepen consciousness of CSR as a whole group.

It is important to think about each job’s CSR role whenever we do our daily, even small assignment, and we will make an effort so that each “K” Line group member can act with such mind.

Charter of Conduct: “K” Line Group Companies (Adopted December 2006)

Kiyokazu Arai
General Manager
CSR & Compliance Division
General Affairs Group

Objective and the Mission of our CSR Activities

<table>
<thead>
<tr>
<th>Field</th>
<th>Item</th>
<th>FY2008 Highlights</th>
<th>FY2009 Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Ethics Compliance</td>
<td>Establish Charter of Conduct: “K” Line Group Companies to help us fulfill our Corporate Principles.</td>
<td>Put in place at group companies in Japan.</td>
<td>To further establish the Charter by group companies including on-shore and off-shore businesses.</td>
</tr>
<tr>
<td>Human Rights, Working Environment</td>
<td>Monitoring activities to respect for human rights and equal opportunity police conducted by group companies.</td>
<td>About 390 participants, mainly in different classes training.</td>
<td>Continuous training, including environmental studies for introduction of e-learning.</td>
</tr>
<tr>
<td>Safety, Quality</td>
<td>Participation in risk management activities such as disasters prevention drill.</td>
<td>Fire drill in Tokyo office in September 2008.</td>
<td>Recommission of evacuation procedures.</td>
</tr>
<tr>
<td>Harmony in the international society</td>
<td>Protection and support of anti-social forces or organizations which may threaten social order and public safety.</td>
<td>Continuous emergency response drill.</td>
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</tr>
<tr>
<td>Trustworthy company group</td>
<td>Encourage environmental efforts.</td>
<td>Improvement of sharing and training in environmental management through KLMA (Japan, Philippines, India, East Asia, North Europe)</td>
<td>Promotion of KLMA (Japan, Philippines, India, East Asia, North Europe).</td>
</tr>
<tr>
<td>Contribution to society</td>
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We are actively making disclosure on our business activities.

We are seeking to achieve mutual benefits with society through numerous small acts.

We are enhancing and developing working conditions so that each employee can work with enthusiasm and a sense of security.

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

We are making every possible effort to meet customers’ needs through timely provision of information and safe navigation and cargo operations.

We are actively making disclosure on our business activities.

We are seeking to achieve mutual benefits with society through numerous small acts.

Relationship with Stakeholders

"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.

We are accomplishing social responsibility through our shipping business aiming at better relations with society.
Together with Shareholders and Investors

We are striving to further improve our corporate value by disclosing company information in a timely and appropriate manner, and promoting two-way communication with shareholders and investors.

The General Shareholders’ Meeting

Not only is the General Shareholders’ Meeting the company’s highest decision-making body, but it also serves as a valuable opportunity for our management team to meet and speak face-to-face with our shareholders. We use the Shareholders’ Meeting to listen to our shareholders, answer questions and fully explain our corporate approach. We do our best to hold an open General Shareholders Meeting by scheduling it on a day that ensures as many shareholders as possible can attend, and by preparing video and narratives so that attendees will have a greater understanding of the meeting’s content.

IR Tools

We send our shareholders an informational booklet detailing current business circumstances every quarter. The company website includes an IR section that offers a variety of information, including financial data such as “Financial Highlights,” and a schedule for announcements of financial results. Investors are also able to ask us questions and send us their opinions through email, and we make every endeavor to respond to inquiries as quickly as possible.

Investor Briefings

Briefings for corporate investors and securities analysts take place every quarter, and explanatory meetings to announce business plans are held as needed. Meetings are recorded and the audio files made available to everyone on the company website. We are also proactive about setting up individual meetings both in Japan and overseas with corporate investors and securities analysts. We utilize corporate information sessions sponsored by securities firms to explain our business to general investors, and encourage on-site tours to help corporate investors and securities analysts better understand our operations. In January 2009, we conducted a tour of a training simulator for LNG carriers/oil tankers at our “K” Line Training Center.

Recipient of “Nikkei Annual Report Awards”

Our Annual Report 2008 was awarded third prize in the “Nikkei Annual Report Awards” (sponsored by Nikkei Inc.). These awards were created to encourage enhanced content and greater adoption of annual reports. Currently active fund managers and analysts evaluate and review the annual reports submitted for consideration. This year, 106 companies participated, with one selected to receive first prize, two to receive the second prize, and 12 the third prize. “K” Line is committed to continuing to publish an easy-to-understand annual report so that our stakeholders in Japan and overseas can deepen their understanding of our business.

Working Together with our Customers

We concentrate our efforts on controlling safety in navigation and cargo operations and strengthening security in order to safely transport the cargo with which we are entrusted by our customers until it reaches its destination. In order to achieve timely transport, we also work hard to build systems that meet customer needs and provide a variety of relevant information.

Security System

We take measures against pirates and suspicious ships in accordance with our Safety Management System manual, and have drawn up a ship security plan based on the ISPS Code. Moreover, we have also joined C-TPAT, an initiative to which United States Customs is encouraging those involved with U.S. trade to join. Our company works with customers to implement this program in an effort to enhance security.

Cargo Damage Prevention

We take the utmost care during transport to prevent damaging the cargo with which we are entrusted by our customers. We constantly monitor the cargo loading/unloading process and actively conduct on-site checks to eliminate the cause of cargo damage.

Information Services

Our container transport service handles cargo from multiple clients on one ship. We provide an email service that simultaneously notifies all customers of information relevant to the transport of their goods, including ships’ schedules, changes in port departures and arrivals, typhoon information and dock strikes. We also offer online services. For instance, customers can access the company website to view the information noted above, plus see the present location and circumstances of the cargo in transport, as well as make bookings for future cargo loading.

Electronic Data Interchange (EDI)

Making use of telecommunications lines, EDI is employed to exchange information via computer between companies, not only among Group companies, but also with customers and a growing number of other relevant parties, including port terminals, railway companies and trucking companies. Confirmation of ships’ schedules, bookings, cargo manifest submissions, land transport arrangements and B/L instruction submissions, land transport arrangements and B/L instruction remittances (data on which the bill of lading is based) are all electronically handled, enabling quick and accurate exchange of information.

Supply Chain Management Support System

We have developed the Visibility Management System (VMS) to assist with customer supply chain management via the Internet. We offer this system to our customers to provide a variety of real-time information about logistics that forms the basis of the supply chain, and to help more efficiently manage the customer supply process.

FY2008 Awards

Our Group has received the awards noted below in recognition of the high quality services we provide our customers.

- "Green Flag" Air Quality Compliance (+3.36)
  Long Beach Board of Harbor Commissioners (USA)
- 5th Environment – Friendly Logistics Award, Special Award (+3.36)
  Japan Federation of Freight Industries (Japan)
- 2007 President’s Award for Logistics Excellence (Sea)
  Toyota Logistics Services, Inc. subsidiary of Toyota Motor Sales, USA Inc. (USA)
- 2007 President’s Award (Sea), Customer Service
  Toyota Logistics Services, Inc. subsidiary of Toyota Motor Sales, USA Inc. (USA)
- FY2007 Key Performance Indicator, Best Safety Award
  Toyota Motor Thailand Co., Ltd (Thailand)
- 2007 Supplier of the Year
  General Motors Corporation (USA)
- 2007 Best Supplier for Service Quality in Mercour trade
  Hermann Werbende Logistik (USA)
- Carrier of the Year 2008, Bronze Award
  Logistics Management magazine readers choice (USA)
Together with our Business Partners

The support and cooperation of our business partners is essential to our business. We have established and maintain a relationship of mutual trust with our business partners, and will continue to make every effort to build relationships where we can work in a beneficial, harmonious partnership in society.

Guideline for Purchases

“K” Line will always transact business based on appropriate purchasing policies outlined below and maintain fair and sound relationship with its business partners.

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.

When developing business overseas, we also work to make sure that local suppliers understand our company initiatives regarding our corporate social responsibilities (CSR), and when necessary we ask our suppliers to take appropriate measures.

Strict Adherence to Anti-monopoly and Subcontract Laws

We strictly observe anti-monopoly and subcontract laws, and conduct fair trade in accordance with appropriate procedures. We never use our position as a customer to unduly impose our will on suppliers.

Green Procurement

One of our environmental goals is to increase the percentage of environmentally friendly products purchased, and we are asking for our suppliers’ cooperation in supplying eco-products.

Newly Constructed Ships Specifications

In an effort to utilize ships that provide ever more safety in navigation and cargo operations and that are environmentally friendly, we are requesting our suppliers’ help to build ships based on our own approved specifications that exceed international standards.

Improving KL-QUALITY

A high-quality shipping management system is necessary as a cornerstone to support safety in navigation and cargo operations as well as for environmental preservation. We have drawn up KL-QUALITY, quality management guidelines based on our own standards. With the cooperation of our suppliers, we will continue to maintain our high shipping standards and offer outstanding transport service.

Goals for Purchasing

- Set clear, specific, and measurable goals for purchasing.
- Perform regular tests through drills and exercises, ensuring an ability to react effectively to an incident with appropriate measurement and feedback processes to promote our company procedures to further guarantee safety and environmental excellence.
- In addition, QAS of “K” Line also monitors ships’ quality through ship inspections by experienced seafarers. Through combined effective and efficient implementation efforts of “K” Line and its partners in ship management, the corporate vision of the company is never too far away to attain.

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Disaster Relief

The powerful cyclone that struck Myanmar on May 2 and 3, 2008 and the massive earthquake that occurred in Sichuan, China on the 12th of that same month caused extensive damage over wide areas. In response to these disasters, “K” Line made financial donations to the afflicted regions through the Japanese Red Cross with the thoughtful consideration of every employee. In addition, a major typhoon struck the Philippines on June 20 through 22, 2008, bringing torrential rains that caused landslides. Many seafarers are from Bisaya, the region that suffered the greatest damage, and flooding and rock and mud slides occurred in numerous places on Panay Island, where more than 500 “K” Line group seafarers’ families live. “K” Line and “K” Line group companies investigated local conditions, confirmed the safety of seafarers’ families, and conducted assistance activities, including the procurement and shipment of relief supplies.

Scholarships for University Students in Thailand

K Line (Thailand) Ltd. provides scholarships to students studying transportation engineering at the Suranaree University of Technology. The scholarship program was established in 2004 to mark the 40th anniversary of the company’s establishment. Scholarships have been provided every year since fiscal 2005, with a total of 34 students having received scholarships to date.

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The “K” Line group has established an alliance concerning ship officer training course with Crystal e-College, a private mercantile marine college. A special screening test was administered to prospective high school graduates throughout the Philippines, and 24 students who passed the test were awarded scholarships and admitted to the college in June 2008 to study in the engineering department. “K” Line has also actively assisted in the education of seafarers in the Philippines through independent scholarship programs such as “K” Line Class, a marine technical training program for graduates of the Technological University of the Philippines-Visayas.

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"K" Line Supports Survey of Pacific Surface Water

VDS Nippon, a nonprofit organization, installed equipment on ocean-going ships that navigate in Asian seas and between Japan and Australia to measure and collect data on the salinity and temperature of surface waters for provision to research organizations. VDS Nippon has also made the data available on a website for free access by the public. This data shows the status of ocean surface waters, and the accumulated data is expected to contribute to the scientific explanation of the mechanisms of climate change, including global warming. "K" Line is cooperating in the research, having installed the special equipment on the coal carrier "Chubu Maru" in June 2002.

Tours of Newly Constructed Ships

"K" Line conducts tours of newly constructed ships to create a greater sense of familiarity with ships and marine transport in general. Many local elementary school students and others participate in the tours, which are conducted in cooperation with shipbuilding companies. Participants are guided through the ship's interior, something that people generally have little opportunity to see, and personnel describe their experiences during ship construction and voyages, to the delight of the participants. "K" Line is committed to continuing these types of activities to increase familiarity with the marine transport industry.

Seashore Cleanup Activities

"K" Line group employees and their families (a total of 20 people) participated in the Tokyo Bay Cleanup Operation, a seashore cleanup program held in Odawara, Tokyo in June 2008. This was an excellent opportunity for participants to become more familiar with the ocean and to raise awareness of the environment.

"K" Line Provides Transport for Peace Pack Project

"K" Line provides marine transport services in cooperation with the Peace Pack Project, a program conducted by the Girl Scouts of Japan that provides support to overseas refugees. The peace packs, carefully prepared by Girl Scouts from around the country, are presents (handmade drawing pouches filled with stationery goods such as pencils and notebooks) for refugee children. Each pack also includes a letter addressed ‘Dear Friend’ and carries the hope that new friends can be made and contributions to world peace can be made. "K" Line cooperates with the delivery of these gifts, which help to create ties of friendship between Girl Scouts in Japan and refugee children around the world.

GIFTS TO CHILDREN IN REFUGEE CAMPS

In cooperation with the Office of the United Nations High Commissioner for Refugees, the Peace Pack Project of the Girl Scouts of Japan supplied peace packs to Afghan refugees in Pakistan for 10 years from 1994, and has continued the tradition to Myanmarese refugees in Thailand since 2005. Since 2006, "K" Line has transported the peace packs from Tokyo Port to Bangkok Port for us. The most recent shipment included 23,370 peace packs. In March, a Girl Scouts delegation traveled to a refugee camp and distributed the peace packs that had been so carefully transported. The children in the refugee camp were very happy to receive the peace packs prepared by the children in Japan. We would like to thank "K" Line very much for its understanding and cooperation with this project.

For more information on the Peace Pack Project:
http://www.girlscout.or.jp/peace/peacepack.html

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http://www.girlscout.or.jp/peace/peacepack.html
We conduct disaster response training in September 2008 to prepare for an earthquake in the Tokyo Metropolitan region and confirmed the procedures that need to be taken from the occurrence of an earthquake to the commencement of employees returning home.

Compliance with Labor Laws
“K” Line complies with laws and regulations for the protection of workers and other personnel, including the Labor Standards Act, the Labor Union Act, and the Industrial Safety and Health Act. The Seafarers Law and the Rules for Seafarers Labour Safety and Health are also applicable to ship-based employees. In addition, to protect human rights and establish safe and efficient work environments, we do not allow any child labor or forced labor in violation of the law. We have also adopted a Charter of Conduct for “K” Line group companies and the “K” Line Implementation Guidelines for Charter of Conduct and require group companies to comply with them.

Age Distribution of New Employees and Average Length of Employment

<table>
<thead>
<tr>
<th>Age Distribution of New Employees</th>
<th>FY2007 (persons)</th>
<th>FY2008 (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20-30 years old</td>
<td>47</td>
<td>44</td>
</tr>
<tr>
<td>31 years and older</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Length of Employment</th>
<th>FY2007</th>
<th>FY2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career office employees</td>
<td>167 months</td>
<td>165 months</td>
</tr>
<tr>
<td>(3.3 years)</td>
<td>(3.3 years)</td>
<td>(3.3 years)</td>
</tr>
<tr>
<td>General office employees</td>
<td>241 months</td>
<td>248 months</td>
</tr>
<tr>
<td>(5.1 years)</td>
<td>(5.0 years)</td>
<td>(5.0 years)</td>
</tr>
<tr>
<td>Seafarers</td>
<td>316 months</td>
<td>240 months</td>
</tr>
<tr>
<td>(4.4 years)</td>
<td>(3.3 years)</td>
<td>(2.8 years)</td>
</tr>
</tbody>
</table>

The “K” Line’s educational and training system aims to have senior employees pass on the corporate culture to junior employees through education and training programs, and have them embrace challenging aspirations and dreams in the same way as those who have gone before them. The system is also designed to achieve a lively and energetic workplace.

Training is designed to help improve the skill levels of all employees and is made up of two main types: on-the-job training, whereby employees acquire relevant knowledge and work methods through carrying out their job responsibilities; and off-the-job training, whereby specific training is given to every level of employee. For newly-hired employees, the training includes programs designed to encourage an awareness of their role as a member of the organization in contributing to the stability and development of the company, as well as programs aimed at developing the employees’ sense of independence and autonomy, communication and critical thinking skills, and other job-specific skills (e.g., legal knowledge, maritime skills, and accounting). Collective training programs are often employed for other levels of employees, such as team leaders and management. Furthermore, “K” Line also provides support for in-house foreign language study, overseas language study, training programs run by overseas Group affiliates, as well as correspondence courses for other aspects of self-development.

“K” Line University
Employees from around the world gather several times a year to undergo training that we call the “K” Line University. Today, business communities are generally handled by telephone and email, so this training serves as an important opportunity to deepen shared understanding through face-to-face communication on a variety of topics including the “K” Line group vision and the development of our business in the future. “K” Line University training has been held at the Head Office in Tokyo, as well as at our bases in London and in Richmond, Virginia in the United States.

Onboard Training
One type of training unique to ship company employees is on-ship training for shore-based personnel. 20 employees participated in this training in fiscal year 2008, which provided the opportunity to experience work on a ship actually in operation. Experiencing a work environment different from the office proves highly useful in subsequent work.

We have made every effort to respect the fundamental human rights of employees, eliminate discrimination and protect privacy. We take measures to enhance programs and develop beneficial work environments so that every employee can work effectively and efficiently. We also hold periodic meetings with group companies to share information and encourage improvements to employee programs.

**Human Resources Development and Career Support**
“K” Line’s education and training system aims to have senior employees pass on the corporate culture to junior employees through education and training programs, and have them embrace challenging aspirations and dreams in the same way as those who have gone before them. The system is also designed to achieve a lively and energetic workplace.

**Numerous Training Options**
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**Evaluation System Focusing on Self-Reporting and Personal Development**
Self-reporting is a system for employees to report areas that need improvement, aspirations, and areas of dissatisfaction to their supervisors and discuss these issues with the aim of creating a better work environment and developing their own careers. The evaluation system covers both work performance and competency. When evaluating work performance, the degree of attainment of goals is analyzed; the reasons why goals were achieved or not achieved are identified, and solutions for the coming year are proposed. Competency evaluations are based on personal strengths and weaknesses, and the focus is on searching with supervisors for measures to overcome weaknesses. The evaluations are not intended to differentiate employees, but are intended only to promote personal development. In fiscal years 2007 and 2008, evaluations were conducted of all employees.

**Creating Effective and Efficient Work Environments**
“K” Line is working to create work environments where employees can work with enthusiasm in all situations.

**Maternity, Childcare and Nursing Leave Programs**
“K” Line understands that childbirth, childcare and nursing care of family members are extremely important matters for our employees, and as such we have established programs to support these activities. Our leave programs exceed the levels required by law, and we have introduced flextime and short-ened working hour programs to create work environments that support a proper balance between work and family life. The Company is also promoting greater usage of the childcare leave program by employees.

**Preventing Harassment**
As a part of the protection of employee human rights, “K” Line does not tolerate sexual or power harassment, as a part of the protection of employee human rights,

**Reemployment Program**
Pursuant to the Law Concerning the Stabilization of Employment of Older Persons, “K” Line has established a program for the reemployment of people who have reached mandatory retirement age. “K” Line also works to increase the employment of disabled people. Employees who worked in certain positions are eligible for reemployment with the same qualifications at the time of retirement for a period of three years after retirement if the wishes of the company and the employee are in agreement.

**Health and Safety Considerations**

**Healthcare**
The related head clinic operates exams and health-related consultations as well as mental health consultations. The clinic is equipped with diagnostic system X-ray equipment and performs regular exams of “K” Line and “K” Line group company employees.

The Company has also introduced an Internet-based stress check program as a part of its mental healthcare initiatives to enable employees to check their health status and learn methods of coping with stress.

**Protecting Lives in the Event of a Disaster**
The Company has developed a disaster response manual, made preparations for a major earthquake or an influenza outbreak, including stockpiling emergency foods and relief supplies, established a system to confirm the safety of employees and their families, and confirmed evacuation routes between offices and employee homes.

**Creating Environments that Support Both Work and Family Life**
I took advantage of the maternity leave and childcare leave systems in 2005. Under the earlier systems, childcare leave was permitted until the end of March of the year in which the child reached one year old, but starting in fiscal 2005, the year that I used the system, childcare leave was extended to two years. Combined with eight weeks of maternity leave, I was able to take leave until my son was about two years and two months old. During infancy, children grow at an amazing rate both physically and emotionally — their mental and emotional growth from one month to the next can be extraordinary. I was extremely grateful for the longer childcare leave. Now, childcare leave until the child is three years old is permitted.

In Japan, it is often said that “raising a child means raising a parent too,” and I feel that by raising my son, I have grown as a parent and that I am learning many things every day from my son. There are many difficult aspects of raising a child and working at the same time, not least of all the time and physical constraints, but the understanding and support of many people, including my family, colleagues and supervisor, have encouraged me, and this has helped me achieve a rewarding balance between work and family commitments.
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 Charter; 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.

“K” Line Group’s Environmental Charter

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.

Established in May 2001

Environmental Management Systems

Environmental preservation activities are one of “K” Line’s highest priorities, and to conduct such activities, we constructed an environmental management system compliant with ISO 14001 and had it certified by the Nippon Kaiji Kyokai, a third-party organization.

Our environmental management system identifies our impact on the environment and requires implementation of the PDCA cycle of setting goals in accordance with plans (Plan), implementing the plans (Do), evaluating the results (Check), and reviewing policies and adopting new measures as necessary (Act). Through the PDCA cycle, we are making continuous improvements to reduce our environmental impact.

Environment policy is a guideline and a basis for goal-setting of EMS to operate it appropriately.

Environmental Policy

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

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

Scope of Application of the Environmental Management System

The environmental management system is applied to our marine transport services. Organizationally, the system comprises all divisions of “K” Line. “K” Line Ship Management Co., Ltd., Taiyo Nippon Kisen Co., Ltd., Escolab Japan Ltd., “K” Line (Japan) Ltd. and Kawasaki Kinkai Kisen Kaisha, Ltd.

Third-Party and Internal Audits

“K” Line periodically undergoes audits by a third-party organization and internal audits by an internal audit committee to ensure that its environmental preservation undertakings are in compliance with ISO 14001 standards. We take corrective action with any issues that are identified through these evaluations and audits and continuously work to improve our environmental management system.

Environmental Sub-Committee

The Environmental Sub-Committee is made up of the executive officer in charge of environmental matters, the environmental management, who is responsible for implementing and maintaining the environmental management system, and people responsible for implementing and maintaining environmental management systems in individual divisions and at group companies. The Sub-Committee meets periodically to make decisions on environmental matters, adopt basic policies and set goals for the entire group, monitor the degree of attainment of goals and evaluate results, and rectify and reevaluate goals.

Environmental Communications

“K” Line conducts environmental training and operates an internal portal to raise understanding of its Environmental Charter, Environmental Policy and environmental management system, and to promote environmental thinking in day-to-day activities.

We also participate in environmental exhibits, post information on websites, and include environmental news in company newsletters to raise understanding by the public about our environmental undertakings.

Messe Nagoya 2008

“K” Line exhibited at the Messe Nagoya 2008 show to explain to stakeholders our measures concerning safety in navigation and cargo operations as well as environmental preservation. The theme of the show, which was held in September 2008, was the environment and energy. Our exhibits explained our environmental undertakings.

Environmental News by “Professor Eco”

The K Line News, our internal newsletter, includes a column entitled “Environmental News” by “Professor Eco.” The tone is kept light and the language accessible in order to assist raising awareness of environmental issues among the workforce.

Note

The K Line News in the January 2009 issue

The K Line News in the January 2009 issue
Shipping Operations and their Impact on the Environment

Even without any unfortunate incidents that may result in oil or other spillages, simply operating ships has an impact on the environment. Usage of fuel oil and lubricant oil also depletes the Earth’s natural resources. In addition to strictly maintaining safety in navigation and cargo operations, “K” Line strives to make itself aware of the various ways in which its operations impact the environment and to reduce that impact as much as possible.

Working with International Organizations

Many different regulations must be adhered to in order to ensure safe navigation of ships and protection of the environment. When international treaties are amended or new treaties formulated, due consideration must be given to compliance with the new regulations. “K” Line works with the Japanese Shipowners’ Association (JSA), relevant government agencies and maritime organizations, as well as with the IMO¹, to engage in environmental prevention initiatives.

- **United Nations Framework Convention on Climate Change (UNFCCC) and Measures to Curb International Shipping Greenhouse Gas Emissions**

  Based on UNFCCC, the Kyoto Protocol has established a framework for reducing greenhouse gas emissions by individual nations. However, because ships involved in international shipping cross national borders, and because there is such a wide range of parties concerned, the IMO has been charged with formulating measures to curb greenhouse gas emissions generated by international shipping. Such measures are being considered on the basis of the nine principles listed below. However, agreement has not been reached regarding the second principle, which stipulates that the measures apply equally to all nations that register ships for international waters, because some of the nations concerned are currently not required to reduce emissions under the Kyoto Protocol.

  - Nine principles for GHG emission reduction —
    - effective in contributing to the reduction of total global greenhouse gas emissions;
    - binding and equally applicable to all flag states in order to avoid evasion;
    - cost-effective;
    - able to limit — or at least — effectively minimize competitive distortion;
    - based on sustainable environmental development without penalizing global trade and growth;
    - based on a goal-based approach and not prescribe specific methods;
    - supportive of promoting and facilitating technical innovation and R&D in the entire shipping sector;
    - accommodating to leading technologies in the field of energy efficiency; and
    - practical, transparent, fraud free and easy to administer.

- **Ballast Water Management Convention**

  The transport of ballast water affects ecosystems in various regions, and it is progressively becoming obligatory to prevent any impact from the release of ballast water by installing equipment to eliminate marine life and microorganisms therein, and inspecting ships prior to taking on fresh ballast water. This convention has not yet come into effect and currently has no binding force, but it will apply retroactively when it does come into effect, so we are taking measures in advance.

- **Anti-Fouling System (AFS) Convention**

  (2001 International Convention on the Control of Harmful Anti-Fouling Systems on Ships)

  Hull exterior paints that contain organic tin compounds such as Tributhyltin (TBT)¹ used to prevent marine life from attaching to ship hulls have an impact on the marine ecosystem, so their use has been prohibited since this convention came into effect on September 17, 2008. In advance of this, “K” Line ceased using TBT paints and switched to tin-free paints that do not contain any organic tin compounds, namely environmentally-friendly paints.

- **Ship Recycling Convention**

  The Ship Recycling Convention was adopted in May 2009, and requires that obsolete ships be dismantled in accordance with worker health and safety and environmental considerations, and reused as raw materials. The convention, which stipulates the following, came into effect after ratification by participating countries:

  1. Requirement for Ships
  2. Requirement for Ship Recycling Facilities
  3. Preparation for Ship Recycling

  With respect to the ship requirements, preparation of inventories indicating chemical substances included in ship materials is obligatory. “K” Line has been preparing these inventories in anticipation of the convention coming into effect.
Measures Onboard for Environmental Preservation

Our ships have many kinds of equipment taking into account environmental preservation, and various measures to ensure safety in navigation and cargo operations are installed. “K” Line promotes environmental activities aggressively, considering safety in navigation and cargo operations with highest priority.

Atmospheric pollution control measures

1. Dust collecting device
   A device to remove soot, i.e. dust, etc., included in exhaust gas with installment of a specific kind of fiber inside exhaust-gas pipes of diesel-powered generator.

2. VECS (Vapor Emission Control System)
   When cargo oil, such as crude oil, is loaded into the tanks of a tanker, it emits vapor. VECS is a system to prevent vapor emission into the atmosphere and to collect and transfer it to a shore facility. The transferred vapor is transferred to a shore facility and then new type paint without TBT was used to paint on hull to prevent adhering of marine life, but it was identified that TBT is harmful to marine life and then new type paint without TBT was developed and has been used on ships. TBT use has been prohibited by AFS convention since 2008.

3. Electrically-controlled engines
   A type of engine equipped with electric controlled fuel injection system. 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.

4. Turbine generator
   This is an electric power generator driven by a steam-powered turbine. The steam, which is produced effectively by an exhaust gas economizer that employs the thermal energy of the exhaust gas from main diesel engines. Thanks to this co-generation system, ship can reduce fuel consumption for the operation of diesel generators and hence CO₂ emissions.

5. Ship data transmission system by satellite
   “SPAS” and “K-IMS” as ship operation data management systems. These systems contribute appropriate ship operation by data transmission and accumulation.

6. Reduction of Lubrication Oil (LO) consumption rate
   Electric controlled LO injection system.
   LO is injected into the piston and cylinder wall from outside on large size diesel engines of ships. The electric controlled LO injection system contributes to reduce LO consumption rate with most appropriate injection timing and its volumes.

7. Exhaust gases economizer
   This is a device that generates steam using thermal energy from the exhaust gas of main diesel engines. 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 CO₂ emissions.

8. Insulation paint
   Paint shifts solar heat transition into ship cabins and contributes electric power reduction for air conditioning unit, i.e. CO₂ emission.

9. Appendage for save energy
   Abagge and fins installed on ruder (see below picture) convert water stream generated by propeller to propulsion energy and contribute to saving energy.

10. Exhaust noise control
    Silencer
    Exhaust noise from diesel powered generator is eliminated by silencer installed on exhaust gas piping.

11. Waste control
    Waste oil incinerator.
    Waste oil incinerator is a device that generates steam using thermal energy from oil exhaust gas.

Oil spillage control measures

12. Air sealing system of stern tube
    Stern tube is a part of penetrating propeller to propulsion energy and contributes to saving energy.

13. Air sealing system of stem tube
    Stern tube is a part of penetrating propeller shaft and required sealing system to prevent water/oil leakage into ship/sea. Air sealing system has an air chamber being supplied pressured air and separate oil and water.

14. 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, the 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 does not allow spilling oil into the sea because heated oil is only mixed with fresh water and circulating at the first stage of heat exchanger.

15. Oil spillage control system
    Conventional deck machineries; such as opening winch, windlass, ramp way, etc. are operated by hydraulic power. Electric driven deck machineries are powered by electric motor and eliminate hydraulic oil leakage.

16. Waste oil incinerator
    Waste oil incinerator is a device that generates steam using thermal energy from oil exhaust gas.

17. Extra piping and tank
    Preventing over flow fuel
    These piping and tanks allow receiving over flowing fuel from other tanks and prevent oil spillage into sea.
Currently, all tankers in our fleet are double-hulled. Cargo oil spilled from ships which have had a collision, run aground, etc., is a source of serious marine pollution. As a result of the MARPOL Convention, all tankers built after 1996 are to be double-hulled, and shipping which utilizes a single-hulled tanker will be banned from 2015. Currently, all tankers in our fleet are double-hulled.

**Waste Disposal**

Effective Utilization of Waste Materials

Waste materials produced from daily life aboard ships is segregated and appropriately disposed of according to regulations. Plastics, bottles and cans are brought ashore and effectively utilized as recyclable resources.

Waste Oil Incinerators and oily Water Separators

Bilge (oily water) that collects in the engine room, etc., in the bottom of the ship is separated into oil and water using an oily water separator, and the waste oil separated out is then incinerated in an onboard waste oil incinerator. The clean water is released back into the sea after being checked for oil content. Sludge (impurities separated out from fuel and lubricating oil through the use of a purifier) is incinerated in an onboard waste oil incinerator.

**CO2 Emissions Reduction**

Reduced Navigation Speed

By adjusting navigational speed to better scheduled berthing at port, we have been able to limit the amount of fuel we consume and, hence, the amount of CO2 we emit. We are also working to reduce CO2 emissions by greatly reducing navigational speed in certain specified regions.

Ships calling to the Port of Long Beach in the United States drop their speed to 12 knots or less once they are within approximately 20 miles (37 kilometers) of the harbor to reduce the total amount of gas produced from ship operation. We actively take part in this effort and have an extremely high compliance rate each year, proof of which can be seen by our receipt of the Green Flag Award in 2008 (the fourth consecutive year), from the Port of Long Beach.

**Utilization of Low Sulfur Fuel Oil**

The diesel-powered generators for our containerships berthed at Tacoma Harbor in the U.S. and Vancouver Harbor in Canada make use of low sulfur fuel oil. Also, our ships calling to the Port of Long Beach in California participate in the Clean Air Action Plan (CAAP), an independent initiative of the harbor authority, by using fuel with 0.2% or less sulfur content for their main engines and diesel generators.

We also use low sulfur fuel in the North Sea and Baltic Sea, where the MARPOL Convention (see p.32) calls for sulfur content of 1.5% or less. Through this we are able to reduce SOx emissions, that pollute the atmosphere, from ships.

**Ballast Water Countermeasures**

The Safety Management System (SMS) and the Ballast Management Plan are used to ensure that ballast water replacement performed on the open sea is carried out safely and appropriately. Also, the installation of onboard ballast water treatment equipment is being examined and discussed with an eye towards compliance with the Ballast Water Management Convention (see p.32) once it goes into effect. In addition, large containerships which require almost no ballast water to ensure their stability and pure car carriers which do not need to replace ballast water thanks to their use of fixed ballast (i.e., cement and other highly dense material is kept in the bottom of the ship to reduce the amount of ballast water) are being introduced.

**Number of owned Reefer Containers**

- **R314A (CFC substitute) vs. R22 (HTC)**
  - 2006: 8,171
  - 2007: 12,485
  - 2008: 21,980

**Building Environmentally-friendly Ships**

Ships navigation entails emitting CO2, NOx and other gases as well as waste water during life at sea. Also oil spillage, however unlikely, can have an imm measurable impact on the environment. In order to minimize these sorts of environmental impacts and risks, care is required not only in how ships are operated but also in how they are designed. With regard to the latter, there is a variety of country-specific and international environmental regulations which must be complied with. As the department in charge of ship construction, we of course make every effort to fulfill these different regulations and do our best to create added value through our designs.

For example, we seek to reduce CO2 emissions by actively incorporating energy-conserving equipment which reduces exhaust gas heat, we install equipment for removing PNx from exhaust gas, we use air cooling equipment to eliminate oil spillage from stern tube seals, and we strive to stay ahead of new regulations which help to lessen the risk of oil spillage incidents by taking such measures as designing baffled fuel tanks. Furthermore, we also watch trends in regulations and investigate equipment which could reduce our environmental impact. For example, ballast water discharge has become a major issue, and we are rapidly developing devices which would filter out marine life. Ship manufacturers are developing this equipment, but we are already in the performance evaluation and installation simulation phase.
**Measures at Terminals for Preserving the Environment**

Exhaust gases, noise and wastewater from berthed ships and terminal equipment impact in a variety of ways on the environment. Aiming of this, “K” Line is taking the environment into consideration through proper equipment operation and adequate supervision, and reducing environmental impact by installing the latest equipment.

### Cold Ironing – Supplying Electric Power to Ships from the Shore –

We began operating onshore electric power supply equipment at the container terminal in the Port of Long Beach in the United States in November 2008 to supply berthed ships with electric power. All necessary electric power for a docked 5,500 TEU containership can be supplied from onshore, which means that exhaust from onboard diesel generators has been completely eliminated. At the Port of Long Beach, ships that shut down their generators are called “cold iron” and the supply of electrical power from the shore is referred to as “Cold Ironing.”

Supplying electric power to a ship essentially means running a power cable from the ship to the shore and plugging it into a power outlet, but the electric power conditions (voltage and frequency) of the ship and the shore have to match, and various safety equipment such as circuit breakers must be installed to prevent any incidents.

To prepare for the start of operation in November 2008, the equipment on five ships and on shore, which had been installed independently, were connected to confirm the flow of power and make sure that the safety equipment was operating properly. The ships’ crews, “K” Line marine technical personnel, engineers from the equipment manufacturer and terminal personnel worked through the night to ensure that there was no impact on loading operations.

Cold Ironing has already greatly reduced the environmental impact from ships on the area in the vicinity of the terminal, and shutting down the generators has also reduced noise levels.

### Hybrid Cranes Installed

Daito Corporation began installing environmentally-friendly, energy-saving hybrid transfer cranes at its container terminals in Tokyo and Yokohama in 2007, and by the end of 2008 a total of five cranes had been installed. Daito plans to install an additional two cranes in 2009. The hybrid cranes convert into electricity the energy that is generated when hanging containers are lowered, stores the electric power, and then uses the power in its other operations.

Hybrid cranes consume less fuel and produce less carbon dioxide. In addition, improved engines generate much less noise.

### Wastewater Testing

Wastewater generated by terminals is another source of environmental impact, so in addition to daily observations, “K” Line periodically collects the water for testing by a laboratory to confirm that there is no harmful effect on the environment and that the water quality meets all local environmental standards at each location.
**Environmental Protection – Office Initiatives –**

“K” Line Group has set reduced resource consumption and waste generation as its environmental goals and is actively working to reduce its environmental impact. We are also working to reduce CO₂ emissions from our offices.

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**Team Minus 6% Project in Japan**

Since August 2006, “K” Line has taken part in the Team Minus 6% Project. This initiative was created in response to the coming into effect in February 2005 of the Kyoto Protocol, which seeks to curb global warming. Between 2008 and 2012 it aims to help Japan meet its reduction obligations under the Kyoto Protocol by reducing CO₂ and other greenhouse gas emissions by 6% compared with 1990 levels.

In 2008, “K” Line took part in the “One Person, One Day, 1kg of CO₂ Emissions Reduction” campaign for the Team Minus 6% Project.

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**Cool Biz, Warm Biz**

As part of efforts to reduce energy consumption in Japan, air conditioners have for some time been set at 28°C and heaters at 18°C. In order to make offices more comfortable, however, in 2005 Cool Biz, which forgoes the Japanese custom of wearing neckties and jackets in summer, and Warm Biz, which encourages extra layers of clothing in winter, were proposed and wearing neckties and jackets in summer, and Warm Biz, which encourages extra layers of clothing in winter, were proposed and implemented in order to help reduce energy consumption. This means less CO₂ emissions, thereby contributing to efforts to help alleviate global warming.

Since 1997 “K” Line has instituted a casual dress policy in summer as part of its efforts to reduce energy consumption.

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**Waste Reduction and Recycling**

“K” Line does its utmost to reuse waste materials produced by its offices. And when waste materials must be disposed of, consideration is given to how these materials can be recycled and how waste production can be further minimized in the future.

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**Promotion of Eco-Products Procurement**

An ordering system which gives preference to eco-products has been adopted so that, as much as possible, products procured for “K” Line offices meet the standards set by the Law on Promoting Green Purchasing, are Eco Mark-certified or are otherwise environmentally friendly.

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**Environmental Targets in FY2008 and Status of our Achievement**

“K” Line Group is making further efforts to reduce our environmental impact with establishment of environmental targets in Fiscal Year 2008 being listed up as follows: We will continue stepping up further efforts to achieve each target.

While the environmental target for oil spill incidents in 2008 was zero, there was one incident of hydraulic oil spillage from equipment operating on a chartered ship and one incident of fuel spillage during ship bunkering. Both of these incidents were small in nature and were promptly dealt with, thereby minimizing any damage. However, “K” Line will continue to do its best to ensure that no such spillage incidents occur in the future.
Environmental Management Program for FY2009

*K* Line group has been establishing planned targets for medium-term and each fiscal year to ensure and carry out environmental preservation activities systematically.

<table>
<thead>
<tr>
<th>Environmental Charter and Policy</th>
<th>Environmental Objectives</th>
<th>Environmental Targets (Medium-term)</th>
<th>Environmental Targets for 2009</th>
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</thead>
<tbody>
<tr>
<td>Prevent marine pollution by safety in navigation of the ships</td>
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<td>• Accomplishment of 5 consecutive years of no grave accident relevant to marine pollution through perfection in ship navigation and cargo operations</td>
<td>Reduce incident of leakage from ships to zero, implementation of appropriate practice of SMS (^*)</td>
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<tr>
<td>Proper management of exhausts, wastes and recycling</td>
<td>Prevent drainage water pollution</td>
<td>• Proper management of drainage water at offices</td>
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<td>Properly manage wastes and their reduction</td>
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<tr>
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<td>• Promote use of eco-friendly products</td>
<td>Ameliorate use of eco-friendly products</td>
</tr>
<tr>
<td>Proper management of exhausts, wastes and recycling</td>
<td>Proper management of drainage water at offices</td>
<td>• Encourage separation of waste materials generated onboard and on-shore recycling</td>
<td>Ameliorate to improve the ratio of green purchases from the previous year</td>
</tr>
<tr>
<td>Proper management of exhausts, wastes and recycling</td>
<td>Properly manage wastes and their reduction</td>
<td>• Proper management of drainage water at offices</td>
<td>Ameliorate to improve the ratio of green purchases from the previous year</td>
</tr>
</tbody>
</table>

Environmental Targets for 2009

- **Aiming at Better Organisations**
  - Continue to conduct marine observation surveys
  - Conduct training and education programs for employees
  - Train and educate seafarers (participation by 100 people or more)
- **Participating in Social Contributions and other Activities**
  - Participate in relevant activities three or more
  - Participate in social contributions and other activities
  - Participate in social contributions and other activities
  - Participate in social contributions and other activities

- **Environmental Objectives**
  - Prevent marine pollution
  - Prevent atmospheric pollution
  - Prevent marine pollution
  - Reduce the volume of paper used in offices by 3% per employee by 2011 as compared with 2006
  - Reduce electric power consumption in offices by 3% per employee by 2011 as compared with 2006

- **Environmental Targets for 2009**
  - **Reduction in exhaust emissions** which cause atmospheric 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 technologies
    - **Reduce CO\textsubscript{2}**: emission on ships by 10% by the mid-2010s as compared with 2006 (per ton-mile basis)
    - **Reduce SO\textsubscript{x}:** emission on ships by 10% by the mid-2010s as compared with 2006 (per ton-mile basis)
    - **Reduce NO\textsubscript{x}:** emission on ships by 10% by the mid-2010s as compared with 2006 (per ton-mile basis)
    - **Reduce sulfur in fuel oil of ships to 2.5%**
    - **Respond to regional regulations**
    - **Participate in voluntary activities**
    - **Reduce atmospheric pollutant and greenhouse gas from berthed ships**
    - **Reduce emissions of black smoke, PM\textsubscript{10}, CO\textsubscript{2}, SO\textsubscript{2} and NO\textsubscript{x} from berthed ships**
    - **Introduce VECMS (Vapor Emission Control System) on tankers**
    - **Introduce exhaust gas recirculation devices**
    - **Participate use of hatch and clean diesel fuel for cargo operation devices**
    - **Reduce fuel consumption of ship by 5% from FY2006 in FY2011 (per ton-mile basis)**
    - **Introduce Fuel Additive Dozing System, to improve fuel combustion: 15 ships or more**
    - **Obtaining Inventory: 15 ships or more**
    - **Participate in social contributions and other activities (Participate in relevant activities three or more)**
    - **Continue efforts to reduce the consumption of CFCs (R-12) and Halon by 1% from the previous year**
    - **Continue to conduct marine observation surveys**
    - **Train and educate seafarers (participation by 100 people or more)**
    - **Encourage adoption of energy-saving cargo operation devices**
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    - **Expand the adoption of silicone paints**, encourage adoption of tar-free paints
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- **Environmental Targets for 2009**
  - **Reduction of noise**
    - **Efforts for reduction of noise from ships and terminal equipment**
    - **Research and development of noise emission control devices**
  - **Reduce NO\textsubscript{x}:** emission on ships by 10% by the mid-2010s as compared with 2006 (per ton-mile basis)

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History of Social and Environmental Activities

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
- September: Established Environmental Committee

2000
- July: Reissued New K-21 and targeted environmental preservation as one of the 4 assignments

2001
- January: An Environmental Preservation page on the website of “K” Line's 1st Environmental Report issued
- April: “K” Line's Environmental Preservation Division established
- May: “K” Line’s Group Environmental Charter publicized
- October: Environmental Management System (EMS) starts to operate

2002
- February: The Company obtained ISO 14001 certification
- August: Our first Environmental Report issued
- October: “K” Line (Japan) Ltd. joined EMS

2003
- March: The EMS Global Network formed
- April: Kawasaki Kirin Kisen Kaisha, Ltd. and Nitto Total Logistics Ltd. (Terminal sector) joined the EMS
- November: Extension of the scope of application of EMS to charter ships

2004
- February: Rinko Corporation obtained ISO 14001 certification
- March: “K” Line Container Service (Thailand) Ltd. obtained ISO 14001 certification
- April: 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
- March: Shinki Corporation obtained Step 2 of Kobe Environmental Management System certification
- May: “K” Line’s website established
- October: Asia Container Terminals, Ltd. received Green Management Certification
- December: Formation of CSR & Environmental Committee

2006
- January: Establishment of CSR Division
- March: Medium-term management plan “K” LINE Vision 2008 established
- April: Promotion of CSR activity declared
- May: Establishment of the CSR & Environmental Committee
- October: Nitto Total Logistics Ltd. obtained ISO 14001 certification
- November: Nitto Total Logistics Ltd. obtained ISO 14001 certification

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 medium-term management plan “K” LINE Vision 150 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 Kirin Kisen Kaisha, Ltd.
  - Asahi Kisen Kaisha, Ltd.
  - Kobe Pier Co., Ltd.
  - Badak LNG Transport, Inc.
  - Shibaara Kaiun Co., Ltd.

- Ship Management
  - “K” Line Ship Management Co., Ltd.
  - Toyo Nippon Kisen Co., Ltd.
  - Escobal Japan Ltd.

- Logistics
  - “K” Line Logistics, Ltd.

- Travel Business
  - “K” Line Travel, Ltd.

- Other Business
  - “K” Line Engineering Co., Ltd.
  - Shinki Corporation
  - “K” Line Systems, Ltd.
  - KMDS Co., Ltd.
  - Kawasaki Kirin Kisen 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., Ltd.
  - “K” Line Nordic Shipping (Korea) Ltd.

- Ship Management
  - “K” Line Japan Ltd.
  - Shimizu Kawasaki Transportation Co., Ltd.

- Logistics
  - “K” Line Logistics (Australia) Pty. Ltd.
  - “K” Line (Belgium)
  - “K” Line Canada, Ltd.
  - “K” Line (China) Ltd.
  - “K” Line (United Kingdom) Ltd.
  - “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 (Netherlands) B.V.
  - “K” Line (Norway) AS
  - “K” Line (Portugal) Agentes de Navegacao S.A.
  - “K” Line (Singapore) Pte. Ltd.
  - “K” Line (Thailand) Ltd.
  - “K” Line Logistics South East Asia Ltd.

- Land Transportation
  - James Kembell Limited
  - Universal Express, Inc.

- Container Repairing
  - “K” Line (Namibia) Holding A/S
  - “K” Line (Singapore) Pte Ltd
  - “K” Line (Canada) Ltd.
  - “K” Line (Europe) Limited
  - “K” Line (Deutschland) GmbH
  - “K” Line (Korea) Ltd.
  - “K” Line (Netherlands) B.V.
  - “K” Line (Norway) AS

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  - “K” Line (Deutschland) GmbH
  - “K” Line (Korea) Ltd.
  - “K” Line (Netherlands) B.V.
  - “K” Line (Norway) AS

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 (Shanghai) Limited

Warehouse
- Universal Logistics System, Inc.
- Universal Warehouse Co.
- Universal Warehouse Co. (IW)

Logistics
- “K” Line Logistics (Hong Kong) Ltd.
- “K” Line Logistics (UK) Ltd.
- “K” Line Logistics (Singapore) Pte. Ltd.
- “K” Line Logistics (Thailand) Ltd.
- “K” Line Logistics South East Asia Ltd.

Land Transportation
- James Kembell Limited
- Universal Express, Inc.

Financing
- “K” Line New York, Inc.

Other Business
- Connaught Freight Forwarders Limited
- Cyprus Insurance Company Limited
- “K” Line TRS S.A.
- Mannis Enterprise, Inc.
- ProCar Service Pte Limited

*Subsidiaries and Affiliates Accounted for by the Equity Method.
Putting into practice the Charter of Conduct as a common behavioral norm, 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**

1. **Human rights**
   - The “K” Line Group will consistently respect human rights and will consider personality, individuality and diversity of its corporate members and impress work safety and conditions to offer them comfort and affluence.
   - “K” Line fully recognizes that corporate sustainability is supported by its employees and will honor their rights, personality, individuality and diversity.

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.
     - “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.
     - “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.
     - “K” Line will always transact business based on appropriate purchasing policies outlined below and maintain fair and sound relationships with its business partners. We respect fair competition and fair trade without taking advantage of any dominant bargaining position in any trade. (Guideline for Purchases)
       - We will request business partners for mutual compliance.
       - We will make purchasing decisions by providing fair opportunities and through impartial evaluation.
       - We will comply with laws, ordinances and social norms and build mutually trusting and cooperative relationships with business partners.
     - Give due consideration to social responsibilities such as respect for human rights, conservation of natural resources and environmental preservation.
     - Pursue achievement of best quality with reasonable cost.

3. **Trustworthy company group**
   - 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.
     - “K” Line will address environmental issues towards preventing global warming while constructing a recycling-oriented economic system.
     - In accordance with our group environmental Charter, “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.
     - “K” Line will endeavor to develop innovative technology and business models that will help solve environmental issues.
     - “K” Line will proactively participate in social action programs for environmental preservation.

4. **Network**
   - The “K” Line Group will maintain and sound relationships with governments and regulatory authorities.
     - “K” Line will neither offer nor receive any unreasonable entertainment, gifts or other favors beyond commonly accepted business courtesies.
     - “K” Line will seek to protect and fully utilize its intellectual property and respect intellectual property rights of others.

5. **Confront anti-social forces**
   - The “K” Line Group will continuously take special attention to safety in navigation, achieving customer satisfaction and garnering trust from the community by providing safe and beneficial services.
     - “K” Line recognizes safety in navigation and operations as its immediate top priority and ensures safety and quality of its services centered on international maritime transport.
     - “K” Line will recognize 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.
     - “K” Line will give due consideration to harmony with public interest in recognition of the public nature of international maritime transport.
     - “K” Line will provide customers with adequate information concerning its services and will respond to inquiries in good faith.
     - “K” Line will adequately and strictly manage and protect personal and customer information.

6. **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.
     - “K” Line will cooperate with international and local laws and regulations, ethical and moral codes, “K” Line will contribute to the development of each nation by offering knowledge, cooperating in human resource development and deepening the friendship with related companies and organizations.
     - “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.

7. **Conform anti-social forces**
   - The “K” Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.
     - “K” Line will work with 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.

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.
     - “K” Line will work with 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.

9. **Charter of Conduct**
   - The “K” Line Group will communicate to customers adequate information concerning services it provides.
     - “K” Line will communicate to customers adequate information concerning services it provides.
     - “K” Line will support voluntary social participation of its employees in the form of volunteer work, lectures and writing.
     - “K” Line will support welfare activities and scholarly, artistic and sports as well as other cultural activities.

10. **Confront anti-social forces**
    - The “K” Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.
    - “K” Line will work with 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.

11. **Charter of Conduct**
    - The “K” Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.
    - “K” Line will work with 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.

12. **Charter of Conduct**
    - The “K” Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.
    - “K” Line will work with 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.

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    - The “K” Line Group will resolutely confront anti-social forces or organizations which may threaten social order and public safety.
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    - “K” Line will work with 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.
Environmental Accounting Network

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.

Group Companies Obtaining Environmental Certifications

[ISO 14001 Certifications]
- Rinko Corporation
- K Line Container Service (Thailand) Ltd.
- Datio Corporation
- *K* Line European Sea Highway Services GmbH (KESS)
- *K* Line Logistics, Ltd.
- SAL Schiffsahrtsgesellschaft Altes Land GmbH & Co. KG (SAL)
- Nets Total Logistics, Inc.
- K Line (Thailand) Ltd.

[Green Management Certification]
- Seaquote Corporation
- Hokkai Transportation Co., Ltd. Tomakomai Branch
- Japan Express Transportation Co., Ltd.
- Shinchi Corporation

[Step 2 of Kobe Environmental Management System]

- Rinko Corporation
- K Line Container Service (Thailand) Ltd.
- Datio Corporation
- *K* Line European Sea Highway Services GmbH (KESS)
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Independent Observer’s Opinion

A featured topic in this year’s report, along with environmental preservation, is the safety of navigation and cargo operations. This is a topic of extreme interest to me, as someone involved in university research of the conditions necessary for safe navigation and cargo operations. As Capt. Gamo pointed out, “To maintain safety in navigation and cargo operations, it is necessary to ensure appropriate cargo stowage, proper maintenance of ship and equipment, dispatch well-trained and experienced crew who have the requisite knowledge, and maintain teamwork.” Meanwhile, Capt. Nakajima of the Training Center states in a column to the feature entitled “Initiatives for Safety in Navigation and Cargo Operations” that because “ultimately people run the ship, so it is the individual crew members who make decisions that prevent incidents.”

The conditions necessary for safe navigation and cargo operations, as I have continued to point out, depend on acquiring the skills needed for the navigation environment, and I have the highest respect for the opinions of these two captains. The high degree of knowledge and responsibility displayed by the marine technical personnel of “K” Line in carrying out ship operations — despite the general trend towards downplaying the importance of the skills of such personnel from the perspective of labor-saving efforts and cost-cutting — indicates how safe the “K” Line ships are. The pride of the onboard marine technical personnel, and the understanding of the importance of their skills by the head office technical personnel who support the onboard personnel, are key factors in maintaining the safety of “K” Line ships. The safety report system, which is implemented as one aspect of this approach, is truly a reflection of “K” Line’s safety-oriented stance.

As is frequently mentioned in this report, the most important issue with regard to environmental preservation is the maintenance of incident-free, safe navigation and cargo operations. If even one incident of a ship running aground or a collision occurs, the many environmental preservation measures and the long years of environmental and safety measures by tens of ships will be reduced to nothing, as can be seen in the environmental devastation wrought by the Exxon Valdez and other marine casualties. Maintaining safe navigation and cargo operations is an absolute necessity for environmental preservation.

Hiroaki Kobayashi

Marine Science and Technology
Tokyo University of Marine Science and Technology
Honorary Professor

Reply to the Independent Observer’s Opinion

I would like to thank Professor Kobayashi for his valuable opinions. Marine incidents are of course a threat to the safety of people and cargo, but as Professor Kobayashi points out, they may also lead to major environmental damage and could be a factor in throwing “K” Line’s own business into turmoil. The first and second items in our medium-term management plan involve “environmental preservation and stable structures for safety in navigation and cargo operations.” Statements from the president and other executives always include references to environmental preservation, as well as safe navigation and cargo operations and safety management; and we have reaffirmed the importance for our personnel, whether on ship or shore, to maintain a high level of knowledge and skills, and to raise that level even further through teamwork. As a responsible member of society, “K” Line is committed to continuing its environmental and safety initiatives.

Toshinori Morita
Senior Managing Executive Officer

Analysis of Results of Questionnaire Attached to “Social and Environmental Report 2008”

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.
Glossary

B

Ballast Water

Sea water loaded into ship’s tanks to maintain ship’s stability and hull’s strength when cargo is not loaded or when weight of cargo on board is light.

C

CFC (Chlorofluorocarbon)

CFCs have a wide array of applications, including as refrigerants in refrigerators, freezers and air conditions; as spray propellants; and as cleaning agents in the manufacture of semiconductors, etc. However, some CFCs are known to damage the ozone layer, and those containing chlorine (which is strongly connected with ozone depletion) are specified and regulated according to an international treaty.

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 Kajima Kasei, 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 and 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 to accomplish corporate principles. (2) CFC substitutes, such as R-134a and R-404A, are used in place of specified and designated CFCs as they do not damage the ozone layer.

double-hulled system is armed 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.

Double Hull

This is an abbreviation of Weatherstone Inc.’s land-based “Fleet Management System” which determines such information as ship’s positions and movement, meteorological and hydrographic conditions, etc. “K” Line has adopted this system as part of its safety in navigation and cargo operations initiatives. Currently it allows us to see data for 300 ships, helping to enhance safety by assessing their situation from land and relaying important information to them, such as the appearance of typhoons.

F

FTSE

FTSE is a joint company of financial Times and Stock Exchange of the UK. The company has offices in the major advanced countries, including Japan, and provides indices for investors. The FTSE-Raoq Global Index is a social responsibility investment (SRI) index provided by FTSE.

G

Green Management Certification

GRI is an international organization founded in 1997. Its purpose is mapping out and formalizing 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 international maritime regulations 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 system for both shipping company 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 guarantees. It puts up 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 this 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

Kiyokawa Maru

A high-speed cargo carrier put into service in 1937 plying North-American shipping routes. On her maiden voyage she proved herself the fastest ship operating between Yokohama and San Francisco. Her sister-ships are the Kinnikinik Maru, Kinyikina Maru and the Kiyokawa Maru. In 1941 she was pressed into service and modified as a special-duty seaplane carrier, serving in various military campaigns; in July 1945, just before the war’s end, she was hit by aerial fire in the Seto Inland Sea and flooded; however, because she was deliberately run aground, she avoided being sunk. A fierce storm in November of the same year, though, caused her to capsize and sink. “K” Line lost many ships during the war, and in order to induct its fleet, in 1948 it set about raising the Kiyokawa Maru, which it succeeded in doing after much hardship. Once repairs were completed in 1950, it was put back into service again plying North American shipping routes and played a significant role not only in the revival of “K” Line but in Japanese shipping as a whole. The three sister ships of the Kiyokawa Maru were also all modified as special-duty seaplane carriers; however, they were all sunk in the war.

L

NOx (Nitrogen Oxides)

Generally, PM (Particulate Matter)

PM (Particulate Matter) is a collective term for fine 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 micrometers or smaller floats in the air and is treated as an airborne pollutant.

PSC (Port State Control)

PM is collected by engines in exhaust gas from diesel engines and boilers and is focused as a pollutant. PM, whose size is 10 micrometers or smaller floats in the air and is treated as an airborne pollutant.

Ballast Water

Inspection carried out on ships in port to ensure the safety and legal compliance of the ship and to ensure its environmental soundness to prevent any danger to other ships, people or the marine environment. PSC is carried out by the Coast Guard or other authorities. If any problem is discovered during inspection, action is taken and, depending on the severity of the problem, this can range from a repair work advisory to being banned from port.

S

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.

SOx (Sulfur Oxides)

Where sulfur burns in a diesel engine, SOx is generated and inures acid rain and atmospheric pollution.

T

TBT (Bis(alkyl)tin Compounds)

The term representing shipping one ton of cargo one kilometer is represented as “ton-kilometer.” For example, “CO2 output is 110 grams per ton-kilometer” would be shown as “0.110 tons/ton-kilometer.”

TBT (Bis(alkyl)tin Compounds)

When fuel oil burns in an engine, nitrogen contained in fuel 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 atmospheric pollution.

TBT (Bis(alkyl)tin Compounds)

This is an abbreviation of Tokyo Trade Organization, an organic compound containing tetrachloroethylene which is used in paint applied to the bottom of ships to prevent shoreline and offshore marine life from attaching to the hull. However, bio-assessments have shown that the buildup of organic tin in shellfish affects the encouters, thus, organic tin substitute paints, etc., are being used. The use of paint containing organic tin has been banned by treaty.

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