

"K" Line Group

Social and Environmental Report 2010



Toward Synergy for All and Sustainable Growth

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Cover Design

The "K" Line Group operates globally with a mission of ensuring safe navigation and cargo operations and protecting the environment. In achieving this mission, the Group aims to contribute to improving quality of life around the world and to preserving a sustainable global environment for future generations. The cover design of this Report conveys these aspirations.



SPECIAL FEATURE

I Initiatives for a Working Infrastructure

This feature article describes the actions we take every day to ensure safe navigation and cargo operations, the most critical task of any shipping business.



SPECIAL FEATURE

II Developing a Business Continuity Plan (BCP)

The "K" Line Group has developed a new BCP amid growing concerns about the threats posed by a potential inland earthquake near the Tokyo metropolitan area and a highly-virulent new influenza. This feature article outlines the new BCP.



Our Social and Environmental Reports

Editorial Policy

The purpose of this report is to describe to our stakeholders in clear terms the initiatives undertaken by the "K" Line Group. These initiatives are based on the Group's corporate principles, and include efforts to fulfill its corporate social responsibility (CSR), ensure safe navigation and cargo operations, and protect the environment. The "K" Line Group first published the "Environmental Report" in 2002, and expanded its scope in 2004 to a "Social and Environmental Report." The Social and Environmental Report 2010 was edited with particular attention given to the following:

• Identifying the material issues

In editing this report, we held a number of meetings where we reviewed the initiatives undertaken by the Company. As a consequence, we recognized that activities for ensuring safe navigation and cargo operations are important CSR activities since they are linked to the maintenance of international logistics, and of course to environmental preservation. Based on this recognition, we expanded our coverage of navigation and cargo operation safety, as essential elements of the mission of a shipping business. The feature articles describe the initiatives that the "K" Line Group has taken to keep the infrastructure working and the business continuity plan (BCP) we have developed.

• Emphasizing clarity

In this report, we used as many figures and tables as possible to illustrate the Group's initiatives in a way that can be readily grasped. We also attached ✓ marks to some terms and explained their meanings on the same page, to ensure that the report is understandable for all readers.

• Disclosing information on our website

We attached W marks to information not covered in this report to let readers know where they can find it on our website.

Period Covered

Fiscal Year 2009 (April 1, 2009 – March 31, 2010)

The report also includes details of some activities undertaken after the above period. Data for the environmental report are based on calendar years.

Scope of Report

In principle, this report covers the activities and data of Kawasaki Kisen Kaisha, Ltd. and all of its affiliates in the "K" Line Group, unless otherwise noted. (See our website for details of our consolidated subsidiaries and affiliates.)

Reference Guidelines

Sustainability Reporting Guidelines, Version 3.0, Global Reporting Initiative (GRI) (The GRI Content Index is shown in our website.)
Environmental Reporting Guidelines 2007 and Environmental Accounting Guidelines 2005, The Ministry of the Environment of Japan

Date of Issue

August 2010 (The previous report was issued in August 2009, and the next report is scheduled to be issued in August 2011).

Corporate Principles of the "K" Line Group

The basic principles of the "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.

Profile of the “K” Line Group

(As of March 31, 2010)

Name: Kawasaki Kisen Kaisha, Ltd.
Established: April 5, 1919
Head Office: Hibiya Central Building, 2-9, Nishi-Shinbashi 1-chome, Minato-ku, Tokyo 105-8421, Japan
Paid-in Capital: 65,032 million Japanese yen
Shares Outstanding: 765,382,298 shares of common stock including treasury stock
Employees: Non-consolidated: 623 (508 males and 115 females)
 Consolidated subsidiaries: 2,753 (Japan), 4,366 (Overseas)

Workforce breakdown by region (Group):

Japan: 38.26%, Asia: 39.42%, North America: 7.43%, Europe: 11.53%, Others: 3.36%

Offices: Head Office (Tokyo), Registered Office (Kobe), Branches (Nagoya and Kansai)

Overseas Representative Offices:

Beijing, Manila, Middle East, India

Overseas Subsidiaries:

South Korea, Hong Kong, China, Taiwan, Thailand, Vietnam, Philippines, Singapore, Malaysia, Indonesia, Australia, U.K., Germany, France, Netherlands, Belgium, Italy, Finland, Denmark, Norway, Sweden, Spain, Portugal, Turkey, Canada, U.S.A., Mexico, Chile, Peru, Brazil, South Africa

Consolidated Subsidiaries:

Japan: 26, Overseas: 293, Equity Method Affiliates: 30 (Japan: 5, Overseas: 25)

Fleet:

476 ships (32.87 million DWT)

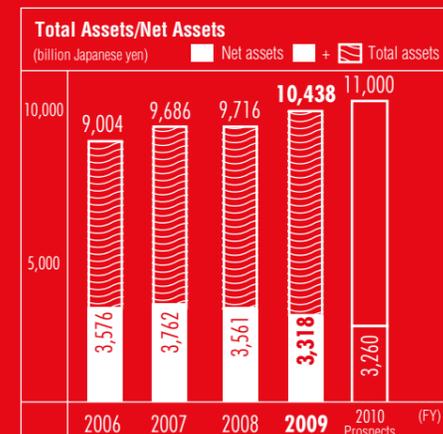
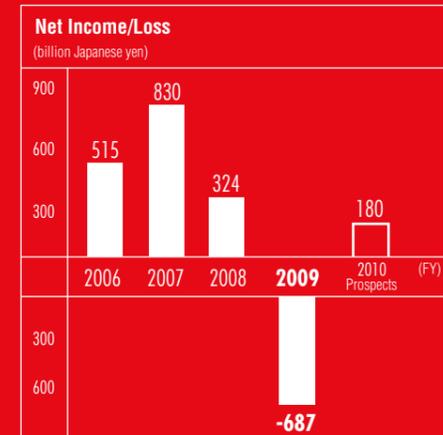
- Containerships (Owned 9/Chartered 78)
- Dry Bulk and Car Carriers (Owned 80/Chartered 183)
- Energy Transportation and Tankers (Owned 34/Chartered 25)
- Heavy Lifters (Owned 14/Chartered 0)
- Other (Owned 26/Chartered 27)

Membership (Japan and Overseas):

Japan Business Federation (Nippon Keidanren), The Japanese Shipowners' Association (JSA), Japan Foreign Trade Council, Inc. (JFTC), The Tokyo Chamber of Commerce and Industry (TCCI), International Chamber of Commerce (ICC), Japan Federation of Freight Industries (JFFI), International Association of Ports and Harbors (IAPH), Japan Ship Technology Research Association (JSTRA), National Maritime Research Institute (NMRI), Japan Internal Combustion Engine Federation (JICEF), Box Club, the Baltic and International Maritime Council (BIMCO), the International Association of Independent Tanker Owners (Intertanko), Clean Cargo Working Group (CCWG)

(See our website for a history of our social and environmental activities.)

Primary Financial Data (Consolidated)



The above outlook is based on estimated values as of May 31, 2010, assuming an exchange rate at 90 Japanese yen to the US dollar and a fuel oil price of US\$500/MT.

Segment Breakdown of Operating Revenues

Shipping Business

Containership Services



We operate major east-west shipping routes between Asia and North America, between Asia and Europe, and between Europe and North America in alliances with Chinese, Taiwanese, and South Korean shipping companies. In addition, we also operate Intra-Asia shipping routes and North-South routes linking Asia and South America and Asia and the Middle and Near East or Africa. With this global service network, we ship any item that can be accommodated in container boxes, including electronic devices, home electric appliances, furniture, clothing, frozen foods, beverages, hops, consumables, parts, and raw materials. As of March 31, 2010, our fleet consisted of 87 ships, totaling 4,375,597 deadweight tons.

Dry Bulk Carrier Services



We transport raw materials such as coal, iron ore, grains (such as wheat, soybean, and corn), and papermaking materials by bulk carrier. In recent years, we have increasingly been shipping to emerging markets such as China and India, as well as between foreign countries via the Atlantic Ocean, in addition to shipping to Japan. As of March 31, 2010, our fleet consisted of 185 ships, totaling 19,955,593 deadweight tons.

Car Carrier Services



Since 1970, when we launched the Toyota Maru No. 10, Japan's first Pure Car Carrier (PCC) for the transportation of assembled vehicles, we have been providing safe, prompt services in shipping passenger cars and trucks as a pioneer in car carrier services. We take a proactive approach to fleet maintenance as part of our commitment to quality transportation. As of March 31, 2010, our fleet consisted of 78 ships, totaling 1,101,115 deadweight tons.

Energy Transportation and Tanker Services



We transport liquefied gas by LNG and LPG carriers and crude oil and oil products by tankers. In addition to energy for industry, we transport energy closely linked to daily life, such as utility gas and petroleum. As of March 31, 2010, our fleet consisted of 59 ships, totaling 6,820,144 deadweight tons.

Heavy Lifter Services



We operate our heavy lifter services jointly with the SAL Group of Germany, a dedicated heavy lift player in which we have an equity stake. With these services, we respond to demands for large-scale cargo shipping related to energy and infrastructure development. We see this business as an important source of earnings in the future. As of March 31, 2010, our fleet consisted of 14 ships, totaling 140,988 deadweight tons.

Coastal Shipping and Ferry Services



“K” Line Group companies headed by Kawasaki Kinkai Kisen Kaisha, Ltd. operate coastal shipping within Japanese waters, employing passenger-cargo ferries, high-speed cargo ferries, high-speed roll-on/roll-off ships, specialized limestone carriers for steel and cement production, and general cargo carriers. We also provide liner and tramper services for intra-Asian trade. As of March 31, 2010, our fleet consisted of 53 ships, totaling 482,410 deadweight tons.

Logistics and Harbor Transportation Business



To effectively meet increasingly sophisticated logistics needs, we combine the know-how and services of the “K” Line Group companies to provide total logistics services, including not only maritime shipping but also airfreighting, buyers consolidation, warehousing and trucking.

Other Businesses

In addition to the above, the “K” Line Group engages in other businesses, including ship management as well as real-estate leasing and management.

729,683 million Japanese yen

87.1%

10.5%

2.4%

87,918
20,430

Aiming for a Rapid Return to Profitability and Bolstering Our CSR Activities under “Synergy for All and Sustainable Growth”



President & CEO
Kenichi Kuroya



To Our Stakeholders

The economic turmoil that began in the fall of 2008 has created an exceptionally challenging operating environment for the shipping industry, with a sharp decrease in cargo shipments to North America and Europe and a decline in the markets for container-ships and tankers. The “K” Line Group was not immune to these conditions, experiencing the sharpest decline in business performance in its history. We posted a record loss in the fiscal year ended March 2010, forcing us to suspend dividend payments. I take this opportunity to express my sincere concern to our stakeholders for the anxiety we have caused them.

The global economy now appears set to recover from the downturn, thanks to fiscal stimulus in developed nations and the rapid turnaround achieved by emerging economies such as China. However, cargo movements have not returned to pre-crisis levels, and currency and interest-rate trends remain uncertain. We consequently remain very cautious about the future.

Reviewing our Medium-Term Management Plan, “K” LINE Vision 100

To respond to this difficult external environment, we reviewed the “K” LINE Vision 100 medium-term management plan, which we have been executing since April 2008. As a result, in January this year, we adopted the “K” LINE Vision 100 KV 2010 plan. Under this new plan, we will continue to prioritize action in the five areas under the principal theme of “Synergy for All and Sustainable Growth.” We will also operate with profit structure reform as a core aim, based on three new missions: (1) moving into the black in FY2010 and resuming dividend payments at the earliest stage; (2)

“K” LINE Vision 100 KV 2010		
FY2010: move into the black and early resumption of dividends		
Expansion of stable earnings base and sustainable growth	Improvement and strengthening of financial makeup	
“K” LINE Vision 100		
Borderless management through the best and strongest organization	Proper allocation of strategic investment and management resources	Improvement of corporate value and complete risk management
Activities to promote environmental protection		
Established safe ship operation and management structure		

expanding our stable revenue base and achieving sustainable growth; and (3) improving and strengthening our financial standing. Having been appointed President and CEO in April this year, I believe my duty is to fulfill these three missions, returning the Company to profitability as quickly as possible. I aim to achieve these goals through a management approach that is characterized by fast decision-making and rapid action. I always tell our employees, “Let’s work with a positive attitude and enjoy our job!” One virtue of our Company is its atmosphere, which gives employees a feeling of freedom and the confidence to speak without hesitation. I aim to ensure that our employees approach their duties with a positive attitude, which will help them act quickly to achieve our goals.

Our CSR Initiatives

The purpose of the “K” Line Group’s CSR activities is to carry out its corporate principles, namely ensuring safe navigation and cargo operations while protecting the environment, to respond to customer needs, and to help improve living standards worldwide by improving the quality of our services. As part of society’s infrastructure, our Company also has a responsibility to ensure safe navigation and cargo operations, to protect the environment, to consistently provide services of high quality, and to develop the skills of those who support our activities. Underlying all of these activities is compliance. Based on this recognition of our social responsibility, we seek to earn the support of our stakeholders, including our customers and shareholders, through our CSR activities. This in turn will enable the “K” Line Group to achieve sustainable growth, and that will lead directly to the fulfillment of our three missions stated above. Specifically, the “K” Line Group is taking the following initiatives in the three key elements of CSR, namely safe navigation and cargo operations, environmental preservation, and human resource development.

— Safe Navigation and Cargo Operations —

The operation of ships entails a number of risks. We naturally have an obligation to ensure safe navigation and cargo operations to protect the lives of crew members and the cargo of customers and to prevent accidents that could harm the environment. To this end, we take painstaking measures every day, such as training marine technical personnel, passing on know-how, studying and introducing safety-conscious, environment-friendly ship specifications, and establishing and maintaining risk management systems to prepare for accidents. At present, we face a growing number of unpredictable

risks that are difficult to address with existing knowledge. One example is piracy in the Gulf of Aden. On this issue, we are cooperating with international organizations and the governments of Japan and other countries to ensure safe navigation and cargo operations. We will continue to refine our activities, remaining sensitive to changes in the environment that surround ship operation.

— Environmental Preservation —

We understand that maintaining biodiversity is a vital component in protecting the environment. The ballast water discharge by ships has implications for marine life around the globe, while CO₂ emissions contribute to climate change. We will step up our efforts to minimize the impact of these phenomena on the eco-system. To combat climate change, it is essential to reduce CO₂ emissions, which means operating ships efficiently through the effective use of energy. Cargo transport using ships has always been a highly efficient means of transportation in terms of energy used, as it emits less CO₂ than any other means of moving the same amount of cargo the same distance. We will aim to improve efficiency further through comprehensive initiatives.

— Human Resource Development —

Our people are our most valuable assets, and human resources developed will always be among our most important tasks because our people will determine the future of our Company. When we recruit employees, our Chairman and President always participate in the final interviews with both new graduates and mid-career candidates. In training our employees, we give priority to experience in daily operations. We also improve skills with systematic training programs. To fully harness the capabilities of each employee, we are committed to maintaining our traditional open environment, namely, we ensure and maintain communication beyond job classes and departments.

Toward “Synergy for All and Sustainable Growth”

The New K-21 management plan we adopted ten years ago called for us to expand our scale, emphasize profit, and pay consistent dividends. Today, our main goal is “Synergy for All and Sustainable Growth,” which reflects our stronger awareness of our relationship with society. This report describes some of the activities we undertake based on this attitude. We welcome your opinions and comments.

May 2010

SPECIAL
FEATURE

I Initiatives for a Working Infrastructure

We live in an age when people, goods, and information move all around the world. International logistics is infrastructure used to move goods, and international shipping plays an important role as an economical part of the logistics infrastructure that permits a large volume of goods to be transported in one shipment. Shipping also excels at energy efficiency during transportation and has comparatively low CO₂ emissions, while making a significant contribution to the economic activities and lives of people around the world.

To ensure the smooth movement of goods, a large number of people are involved in different parts of any logistics operation, each taking meticulous care. Above all, ensuring the safe operation of ships is the most important duty of any shipping business.

This feature article shows the process by which products manufactured in Japan using superior technologies are shipped to markets around the world, focusing on "K" Line's efforts for ensuring safe navigation and cargo operations.



Bookings

Customer contact

Measures to ensure safe navigation and cargo operations are already being taken when shipping is being booked. When we accept a booking for a container shipment, for instance, we confirm the weight and shape of the cargo and check to see whether it falls under the dangerous goods classification. Space for the stowage of dangerous cargo may be limited or loading may be prohibited under the [IMDG Code](#).¹⁾ These points must be checked to ensure safe navigation and cargo operations.

¹⁾ **IMDG Code** stands for the International Maritime Dangerous Goods Code, which defines dangerous goods and stipulates standards for the transportation of dangerous goods.



Ship's Calling

Safety checks in port

Containers loaded with goods are transported to the terminal. At the terminal, the containers are visually checked, for example to see if they can withstand rough weather during shipment and protect the goods inside from damage. In the case of reefer containers, regular inspections are conducted to ensure that they are receiving electric power normally and the required temperature is kept in the normal range. When the ship arrives in port, the containers are loaded in accordance with a stowage plan developed in advance, based on the destination and weight.



Transshipment

Transshipment for the destination

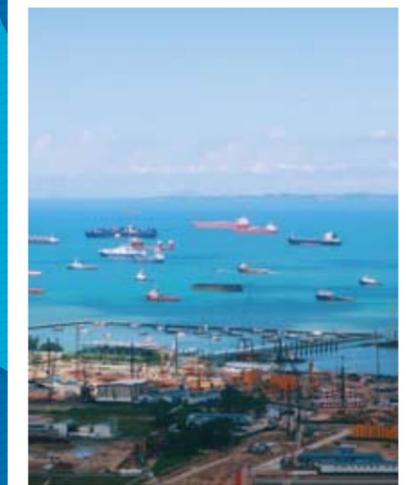
The number of shipping routes and calling ports has been increasing significantly with emerging countries like China and India and the globalization of markets. We sometimes use multiple ships to transport cargo to its destination. Proper operation of ships and schedule management are vital for ensuring that smooth transportation will not be interrupted by transshipment. In addition, the measures taken for each ship to ensure safe navigation and cargo operations become even more important.



Checking / Retightening Lashing Gear

Safe stowage of cargo

Containers loaded onto the ship are tied down using lashing gear. Still, there is a potential for them to come loose due to vibrations during transportation. So once the ship has left the port, all containers are inspected to check that they are fixed properly, and due care is taken during the voyage. Oversized cargo and cargo of unequal shapes are transported in roofless flat-rack containers (special containers). Transporting this type of cargo requires more careful stowage plans and daily inspections.



Passing through Singapore Straits and Straits of Malacca

Singapore as a global logistics hub

The Singapore Straits and Straits of Malacca are key junctions with heavy shipping traffic from all over the world. This area is considered very challenging, because ships entering and leaving the ports cross each other's paths. The navigable area is also limited because water is shallow in many places. That's why, when our ships pass through this area, the captain himself is at the helm, making every effort to ensure safety.

Start

Bookings
Ship's calling

Transshipment
Checking /
retightening lashing gear

Passing through
Singapore Straits and
Straits of Malacca

Pacific Ocean

Indian Ocean

Start

Initiatives for a Working Infrastructure

Atlantic Ocean

Mediterranean Sea

5

Suez Canal transit

Egypt

Red Sea

Gulf of Aden

Somalia

Ensuring a safe voyage

4

Arabian Sea

India

China

Korea

Taiwan

2

Singapore

1

Japan

Pacific Ocean

6
Arrival at destination – Delivering the cargo to the customer

Finish



Ensuring a Safe Voyage

Ocean traffic

Given the enormous expanse of our oceans, ocean-going ships may be considered as navigating in boundless ocean freely. However, in fact, the routes are almost limited. For example, ships bound for the Middle and Near East and Europe head for the area off Dondra Head, Sri Lanka, after entering the Indian Ocean. Of course, there is no equivalent to a traffic jam on sea routes, but a ship will pass, overtake, or be overtaken by a large number of other vessels on any given voyage. This requires constant attention to safety while at sea.

Navigation rules

In principle, ships are supposed to pass each other on the right, but the rules can vary depending on the type of oncoming ship, the direction in which it is traveling, and its position. The colors of navigation lights, where to mount the lights, and how to blow the whistle have their own specific meanings. These rules are stipulated in the Convention on the International Regulations for Preventing Collisions at Sea and apply all over the world. What is most important, however, is that crew members acquire the skills needed for their ordinary practice, pay attention to their surroundings at all times, and cooperate effectively when there is imminent danger of a collision, for example.



Suez Canal Transit

Sailing from the scorching Red Sea to the Mediterranean Sea

Sailing through a canal requires meticulous care that is quite different from the requirements of sailing on the open sea. Controlling ship speed is essential, because many ships can be traversing a narrow route in convoy. At low speeds, however, the ship becomes harder to steer, so the officer and quartermaster at the steering must be highly skilled to ensure the ship stays on course. In the Suez Canal, which cuts through the desert, occasional sandstorms reduce visibility. After carefully navigating the canal from early morning through evening, the ship enters the Mediterranean Sea.



Arrival at destination – Delivering the Cargo to the Customer

Safe cargo transport

After the ship passes from the Mediterranean Sea and into the Atlantic Ocean through the Straits of Gibraltar, it heads for the major ports of Europe. Entering port requires advance preparation, such as creating the necessary documents and confirming the number of containers to be loaded and unloaded. Stocks of fuel oil, parts, food, and daily necessities must also be replenished. Completing these tasks efficiently in the limited time at port is part of safe navigation and cargo operations, and so is an essential duty for the crew. In addition to delivering cargo safely and certainly to our customers on time—our fundamental job—we work as one to ensure security, safety, and reliability.

Dealing with Piracy

Pirates in the Gulf of Aden

Pirates operating out of Somalia are quite different from the pirates that have traditionally operated in other areas and that sought to steal money and valuables. The pirates operating out of Somalia are heavily armed and their modus operandi is to hijack ships and demand a large ransom. They operate across a large expanse of water, ranging from the Gulf of Aden and the sea around Somalia to the Indian Ocean and Arabian Sea. These pirates have attacked not only ships sailing between Asia and Europe but also those traveling between Asia and the Persian Gulf.

Self-defense and naval support

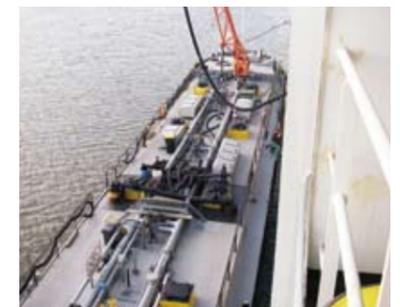
Ships passing through these waters take their own self-defense measures, which might include sailing at full speed in lockdown status, or using water cannons. If they do encounter pirates, the ships may zigzag at full speed to prevent the pirates' high-speed boats from approaching them. Of course, patrols and escorts by the Japan Maritime Self-Defense Force (MSDF) or other naval forces are the most effective measure, given that the pirates are heavily armed. When these escorts are available, we always join convoys with MSDF or naval forces. In this way, we take every possible measure to protect the lives of our crew members and the cargo of our customers.

Bunkering

Receiving fuel from small tankers

When a ship is refueled, a small tanker or a bunker barge (a barge with an oil tank) comes alongside the ship, and the fuel is pumped in via a pressure hose linking the two ships. A large containership may receive up to 5,000 tons of fuel in one bunkering and a process that can take more than 12 hours. Usually, multiple tanks on the ship will be refilled, one after the other. The volume of fuel being supplied needs to be constantly monitored, to prevent spillover. The series of refueling tasks are prescribed in the Safety Management System (SMS). As we refuel one of our ships,

we check each one of the items prescribed in SMS and take meticulous care to ensure that fuel never spills.



4

5

6

Finish

Developing a Business Continuity Plan (BCP)

As a company operating shipping businesses, the “K” Line Group is part of the global economic infrastructure, and one of our missions is to continue every possible operation, even in the event of a major disaster or serious epidemic. To fulfill this mission, we have developed a Business Continuity Plan (BCP). In this BCP, we have summarized the measures we will take in our initial response to a disaster, the continuation of important operations through alternatives, and actions to ensure an early recovery.



Background and Importance of BCP Development

We the “K” Line Group operate our business with offices throughout the world, however, management of the company and the principal sales activities are undertaken at Tokyo Head Office. Therefore, in 2003, we developed basic policies on business continuity by assuming a major earthquake. We developed these policies as plans for continuing our main operations even if the Tokyo metropolitan area were to be hit by a major earthquake. We also took urgent steps for Severe Acute Respiratory Syndrome (SARS), which became an epidemic in the same year, by developing action guidelines mainly by our overseas subsidiaries.

Recent years have brought concerns about the potential for a significant impact on business continuity from a pandemic involving an infectious disease, in addition to major natural disasters. As a response, the “K” Line Group recognized the necessity of upgrading its BCP. The importance of the BCP has recently been recognized mainly by global corporations, and a move towards the international standardization of BCPs has begun. In this context, we have developed a new BCP aimed at ensuring a prompt response and minimization of damages by assuming (1) an inland earthquake hitting the Tokyo metropolitan area and (2) a pandemic involving a highly virulent new influenza.



Masahiro Muroasaki
BCP Task Force Administration Office
Human Resources Group
(Mr. Muroasaki currently belongs to K Line (China) Ltd.)



Masahiko Sato
BCP Task Force Administration Office
Corporate Planning Group

Future Issues

Simply setting up BCP is not our goal; we also have to refine it to make it more practical. Business continuity means keeping our employees secure in their workplaces. It is therefore essential that each one of us should work on the plan as an interested party. Needless to say, we will raise awareness via our internal portal site and newsletters, while conducting safety training and emergency drills. In addition, we will simulate a transfer of operations to our branches and overseas subsidiaries by assuming a major earthquake and practice telecommuting by assuming an outbreak of influenza. We will incorporate the lessons we learn through the simulations and practice into the BCP to improve it constantly and maintain the social infrastructure. Earthquakes and influenza may not be the only events that require a BCP. So we will continue to develop the plan to ensure that we can maintain the minimally required operations no matter what event may happen unexpectedly.

Basic Principle

In the event of a disaster, we give top priority to the lives of our employees, their families, and visitors, and try to continue important operations by providing essential services as an entity being a part of the social infrastructure.

Basic Concept



Measures in Response to an Inland Earthquake in the Tokyo Metropolitan Area

When a major earthquake strikes, we first secure the safety of ourselves and our families. We then report our individual situations via our safety confirmation system, and concentrate on recovery of our household until we receive certain instructions from the Disaster Response Task Force. Operations that should be continued, such as the operation of ships, are transferred automatically to our domestic and overseas branches and subsidiaries, as planned in advance. We resume other operations by following a predetermined order of priority in accordance with the recovery in traffic and communications.

- | | | |
|-----------------|--|--|
| Damages assumed | • Epicenter: Northern part of Tokyo Bay (magnitude of 7.3 on the Richter Scale) | • Intensity 6 upper on the Japanese scale in central Tokyo |
| | • Water Supply: Down for 4 days | • Land Phones: Down for 1day |
| | • Railroads: Down for 3 days | • Mobile Phones: Down for 8 hours |
| | • Electricity: Down for 2 days | • Head Office Building: Not destroyed (earthquake-resistant structure) |
| | • IT infrastructure: Accessible (Our IT infrastructure is in an external data center. It becomes accessible when the power supply is resumed.) | |

Measures in Response to a Highly-Virulent New Influenza

Unlike an earthquake, a pandemic involving a highly virulent new influenza does not take place suddenly. However, if the spread of the virus is global, a transfer of operations cannot be the solution. In this case, we shift to telecommuting by making preparations based on the procedures set out in our BCP. Operations that can only be done at the office will be handled by designated persons, who will take steps to avoid infection by going to the office in private cars, for example. If there is a risk to human life, however, operations will be halted at the instruction of Disaster Response Task Force.

- | | | |
|-----------------|--|---|
| Damages assumed | • Highly virulent avian flu, etc. | • Infection speed: Arrives in Japan within two to four weeks of an outbreak overseas |
| | • Incidence rate: 25% of the entire population at its peak | • Range: Pandemic |
| | • Fatality rate: 2% of those affected (Note) | • Duration: The first wave lasts for approx. 14 weeks. (Second and third waves are also assumed.) |
| | • Absence rate: 40% at its peak (Note) | |
- Note: The values may be higher depending on the geographical region and availability of medical care.

Initiatives for Safety in Navigation and Cargo Operations

Establishing and maintaining safety in navigation and cargo operations, environmental preservation, and economically efficient operations are the permanent missions of the "K" Line Group in its shipping business.

Above all, safe navigation and cargo operations are the foundation of our business. For this reason, we are committed to building a secure system for establishing and maintaining this foundation.



Positioning of Safe Navigation and Cargo Operations

"K" LINE Vision 100 and Safety Management System

Safe operation—the key element of a shipping business

In "K" LINE Vision 100, the medium-term management plan we developed in April 2008, we once again confirmed that a secure system for managing safety in navigation and cargo operations is at the core of all of our business activities. We subsequently reviewed the medium-term management plan and adopted "K" LINE Vision 100 KV 2010 in response to the financial crisis that occurred in the fall of 2008 and the subsequent changes to the business environment. In reviewing the Plan, we reconfirmed that establishing a system for safe navigation and cargo operations, while protecting the environment, was an absolutely critical and inalterable requirement. (See page 5 for the basic concept of the "K" LINE Vision 100 KV 2010.)

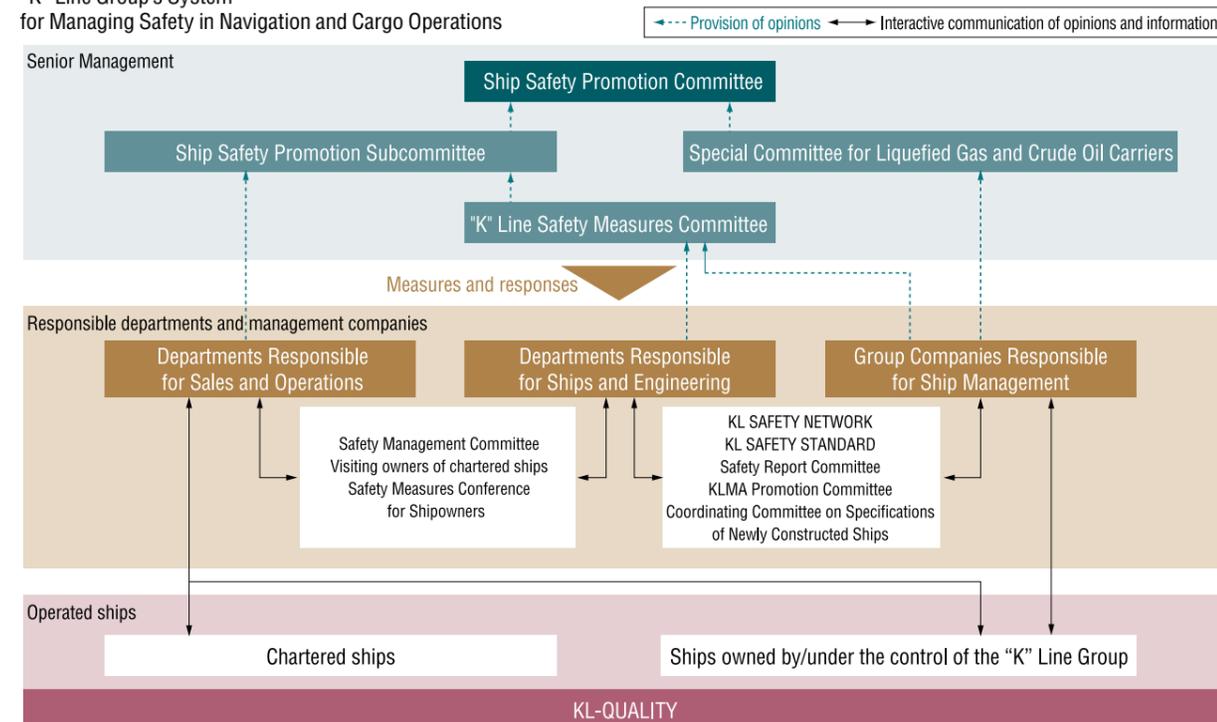
Maintenance of International Logistics Infrastructure

Supporting industry and lifestyles

Among the many modes of transport, ocean transport plays an important role in international trade, as it ensures the economical transportation of large volumes of freight for long distances. In international trade to and from Japan, for example, ocean transport is used for as much as 99.7% of all cargo in terms of weight. Goods transported in this way include sources of energy such as crude oil, LPG, LNG, and coal, raw materials including iron ore, gypsum, feed, and grain, and consumables such as automobiles and home electric appliances. These goods are essential for people's lives and industrial activities. It is clear, then, that ocean transport is an extremely important part of the logistics infrastructure.

Activities for maintaining safe navigation and cargo operations are designed to deliver cargo safely and reliably to customers as well as to ensure the safety of crew members and ships. These activities are also essential for maintaining the international logistics infrastructure, and so constitute part of our social responsibility. We never forget this fact in our daily work.

"K" Line Group's System for Managing Safety in Navigation and Cargo Operations



Management Systems for Safe Navigation and Cargo Operations

Establishment of the Ship Safety Promotion Committee

Ship safety as the pillar of management

The Ship Safety Promotion Committee embodies the comprehensive and systematic measures we take to ensure safety in navigation and cargo operations. It was established in 1983 as an internal committee, and its activities later encompassed Group companies responsible for ship management. The main tasks of this Committee, which meets every quarter, include aggregating problems during the period under review, analyzing their causes, and developing necessary responses. In addition, the Committee acts on all safety-related matters from every possible viewpoint, such as responding to international treaties, sharing new technical information, and considering new measures against piracy in the Gulf of Aden.

Safety Management System (SMS)

Using SMS to improve our system for managing safety in navigation and cargo operations

SMS is a system required by law. It is aimed at securing safe systems and environments for work during ship operations, establishing preventive measures for all predictable dangers, and continuously improving the safety management skills of both shore staff and crew members, including skills in preparing for emergencies related to safety and environmental preservation. At the "K" Line Group, we not only comply with the provisions of SMS, but also make additional efforts to establish a system for managing safety in navigation and cargo operations through measures based on our own standard.

Establishment and Maintenance of KL-QUALITY

Aiming for a high-quality ship management system

In addition to fulfilling legal requirements, we have established "KL-QUALITY," our own standards that exceed the legal requirements. Our ship inspectors visit our ships to check that each of them complies with the standards. The inspectors also exchange opinions and talk with crew members, to improve and maintain the quality of the ships. In addition, we have also created the "KL SAFETY STANDARD," a management system that brings together our own know-how, and the "KL SAFETY NETWORK," which aims at sharing information across the Group. In this way, we intend to establish a secure ship management system by improving our SMS and strengthening our onshore support system.

Emergency Response Drills

Always ready for emergencies

What should our Company or employees do if a ship has been involved in a collision and fuel oil is spilling, for example? We have set out the actions we need to take in such an emergency in our Emergency Response Manual. Based on this manual, we regularly conduct emergency response drills to maintain and improve the response capabilities of staff members and departments. We conducted our latest drill in November 2009 by assuming a large-scale oil spill and confirmed the functions of the manual. We also discussed issues on the application of the manual at a meeting after the drill so that we could refine it. The Emergency Response Manual contains the know-how we have accumulated through drills, but we operate ships safely to help ensure that we never have to actually use the manual.

Campaigns for Safety in Navigation and Cargo Operations

Safety Report System

People make mistakes. Information about mistakes is important for ensuring safe navigation and cargo operations. That is why it is important to report and share information about any errors, no matter what their nature, and to provide feedback. To encourage errors to be reported without hesitation, we have also adopted a principle in which people who made errors will not be blamed, provided they report them.

Winter Season Safety and Environment Protection Campaign

From December 1 to January 31 of the following year, we conduct the "Winter Safety and Environment Protection Campaign" under the theme of "Safety and Environmental Preservation." During this campaign, our president, directors, and staff from the Operation Department and Marine Technical Department visit our ships and exchange opinions with crew members. These activities are aimed at raising awareness of safety in navigation and cargo operations among all staff on ships and on shore.



Our former president Mr. Maekawa visiting the oil tanker Mogamigawa

Initiatives for Safety in Navigation and Cargo Operations

Education, Training, and Onboard Welfare Programs

“K” Line Maritime Academy (KLMA)

Recruiting and training maritime technical personnel who can ensure safe navigation and cargo operations.

The KLMA is the aggregate of training facilities in Japan and overseas, providing educational, training, and development programs including crew training programs and career path programs. We train crew members to operate ships managed by the “K” Line Group based on the “KLMA Master Plan,” a plan designed to pass on to the next generation the “K” Line Group’s maritime technologies accumulated over many years. We strive to build an awareness of our safety standards, safety in navigation and cargo operations, and environmental preservation, improve maritime technologies, and pass them on to future generations. In addition, our Group companies are working together to recruit excellent crew members and advance their skills so as to maintain and improve “security, safety, and reliability”—the most important aspect of the “K” Line Group’s activities.

Education and Training Appropriate for the Career Path

A range of training programs, focusing on safe navigation and cargo operations and environmental preservation

At the KLMA, the education and training of crew members are undertaken in accordance with the basic training matrix. They are provided as appropriate for the career path and regardless of crew nationality. One of the main training programs is the pre-boarding training, which includes safety instructions. Another example is training for crew members who will be working on a new type of ship or a ship with a new engine. In these sessions, the crew members learn how to load and unload cargo and how to handle the engine.

While the crew members are onboard, they receive on-the-job training from senior crew and teach themselves using computer-based educational programs. After disembarking, they come to our training center to learn how to handle problems using a simulator and receive other training to reinforce what they have learned and experienced onboard.

When crew members are promoted to more senior positions, they receive more advanced training, including education in leadership and stress management, as important skills for people in management positions. In this way, crew members master the maritime technologies that will enable them to operate ships with an emphasis on safe navigation and cargo operations and environmental preservation.

Acquisition of Knowledge and Technologies

Using new technologies safely

Advances in technologies have led to the computerization of ship equipment, electronic control of engines, the generation of higher-voltage power by power generators to accommodate the increasing size of ships, and the use of electronic marine charts, among many other changes. Crew members these days require new knowledge and response capabilities. In addition, the ability to use state-of-the-art equipment is essential for ensuring safe navigation and cargo operations. Crew members are required to use equipment properly and safely while onboard. We therefore provide them with training to acquire the requisite knowledge and skills in new technologies before they board the ship. This prevents confusion onboard and ensures safe navigation and cargo operations.

Training Sessions on Cargo Operations at the Tanker Group

Simulator training for onshore staff

Tanker Group personnel acquire knowledge on loading and unloading tankers through daily operations and by visiting ships. To enhance their understanding, we provide them with training using the cargo handling simulator installed in our “K” Line Training Center. The simulator permits a range of drills, including sessions on loading and unloading cargo and dealing with problems. At the training, the simulator allows trainees to experience the work actually done by onboard crew members, including cargo handling, confirming basic procedures, and creating loading and unloading plans with reference to pipelines. The training reminds trainees of how carefully crew members must work to ensure safe transportation and safe handling of cargo. They also deepen their knowledge through question-and-answer sessions with staff of the “K” Line Training Center and marine technical personnel from the Marine Technical Team. The trainees then use this knowledge to ensure safety in their daily work.



A training session for onshore staff using the tanker simulator

Onboard Welfare Programs

For better onboard lives

For crew members, the ship is both a place to work and a place to live. They have their meals and spend their leisure time onboard. A ship’s crew represents a small community consisting of fewer than 30 people. A rich variety of onboard welfare programs is vital in this environment. The programs enable crew to enjoy their time onboard with a distinction between work and leisure, while ensuring safe navigation and cargo operations, their most important mission. The following article is from one of our crew members.

Onboard Welfare Programs

Enjoying work and leisure at sea

Because a ship is constantly sailing, a navigational watch is required at all times. However, crew members take turns in having days off. (The captain will also stand watch to allow crew to have their day off.)

One of our most treasured leisure-time activities is watching Japanese movies! The onboard DVD archive contains a large number of DVDs supplied by the Company or left by disembarked crew members. There are many movies I have yet to view, so I try to watch as many as possible on the recommendation of other crew members.

Our second holiday mission is planning parties. This is an important task for third officers and engineers. We organize galley parties and karaoke parties. We also held a very popular paper plane party in which each person brought their own paper planes, created after much trial and error. The flights produced much excitement and laughter.

I enjoy each voyage, aiming to organize more enjoyable events with the cooperation of my fellow crew members.

Misa Matsuno Third Officer



On the LNG carrier Zekreet



Galley party (writer is at left)

The KLMA System



Initiatives for Safety in Navigation and Cargo Operations

Quality Management System

Quality Management by the Technical Group

Management in accordance with ISO 9001

Constructing a new ship is a joint operation involving the shipyard and "K" Line's Technical Group. In 2007, the Technical Group obtained certification in quality management systems for the construction of new ships (ISO 9001). The Group has adopted quality management policies based on "K" Line's management policies, and has developed specific action plans based on the policies. The Group has therefore set out clear quality management procedures to be followed on a practical level. In building a new ship, the Group strictly observes these action plans to ensure sophisticated quality management, always looking for ways to improve. The scope of quality management includes not only the Head Office operations but also the construction superintendent stationed in the shipyard. In this way, organizational management is undertaken by integrating the management of all operations, from planning to construction.

Policies for the Specifications of New Ships

Uncompromising in the application of our own standards

We have adopted our own standard specifications based on our experience in ship operations, and apply them in the construction of new ships. We constantly review and evaluate the specifications to prevent any overlap of functions and to avoid making systems too complicated.

When constructing ships, we hold discussions with the shipyard and equipment manufacturers based on our own standards, to ensure appropriate specifications. Extensive discussions are required to determine the specifications, because our views may vary from those of the shipyard. When it comes to safety in navigation and cargo operations or environmental preservation, however, both "K" Line and the shipyard understand that they share a common responsibility, and take an uncompromising approach. Recent years have brought an increasing number of regulations specific to individual regions, in addition to international rules as well as the rules and regulations of classification societies. Those regulations are being introduced and amended at a faster pace than in the past. Amid growing concerns about safety and environment, we will correctly identify and keep pace with regulatory trends. We will promptly discuss our responses to issues in terms of both equipment and systems.

The Work of a Construction Superintendent

Building "K" Line ships together with shipyards

What is most important when introducing a new ship is staying in close communication with the shipyard that is actually constructing the vessel. This important role is played by our construction superintendents.

A construction superintendent examines a wide range of points, including whether the ship's specifications conform to our intended use, whether there is any problem with its operational performance and cargo handling capability, whether the specifications comply with treaties and other rules, and whether our KL-STANDARD is reflected in the ship.

After the construction is underway, a construction superintendent checks the construction method and processes, confirms that equipment is installed properly, and checks the performance in a test run. Through these and other tasks, a construction superintendent takes great care to make sure that the ship under construction offers ensured operation and delivers superior performance, in cooperation with the shipyard.

Involvement of crew prior to completion

When a ship has been completed and delivered from the shipyard, it immediately begins to sail towards the port where it will be loaded with cargo. Therefore, the ship's crew become involved in the construction just before completion and make preparations to ensure safe operation. For example, they take part in a sea trial to familiarize themselves with operation of the equipment, discover failures from their own unique experience, and suggest improvements.

The Work of a Construction Superintendent VOICE

Working as a construction superintendent for the first time

On joining "K" Line, and until recently, I was part of the Technical Group, engaged mainly in desk work, such as studying specifications, approving drawings, and negotiating with shipyards, all tasks essential for ship construction. From April this year, however, I began working as a construction superintendent at a shipyard in South Korea.

It is very interesting and exciting to see with my own eyes a process that I used to track using documents and drawings, and watch the ship gradually take shape. At the same time, I feel motivated, responsible, and more than a little nervous, because ships to be used for more than 20 years are being constructed in front of me, based on my own judgments. I work hard every day to build ships that our future generation will be proud of.



Tetsuya Okazumi
Superintendent
Machinery Team, Technical Group
(Ulsan Site Office of Hyundai Heavy Industries)

Cooperation with Shipowners and Ship Management Companies

Information sharing and feedback vital

Departments responsible for ships and engineering, as well as the Group companies responsible for ship management, play the key role in quarterly meetings of the "K" Line Safety Measures Committee." At these meetings, they provide briefings on problems, study preventive measures, and consider any impact on sister ships, all with the aim of improving the quality of ship operations. The information and measures are also reflected in the construction of new ships and are conveyed immediately to owners of chartered ships. Thus, information and measures are used to maintain a system for managing safety in navigation and cargo operations, thereby helping foster the Synergy for All relationship with stakeholders, including owners of chartered ships.

Specific measures for each type of ship also needed

We operate various kinds of ships, some of which require special measures. Each operations department holds regular meetings with ship management companies and other stakeholders to discuss ways to prevent incidents. They study every possible measure for incident prevention, by sharing information and holding discussions, so that they can adopt effective initiatives.

International Treaties

Collaborating to create effective treaties

"K" Line is required to follow many rules when constructing and operating ships, with new treaties and rules established from time to time. It is important to ensure that treaties and rules are effective. Above all, determining the degree of rules on safety and environmental preservation is difficult, but important. International discussions are held to ensure that rules are neither too loose nor too strict. We cooperate with the Japanese Shipowners' Association, relevant ministries and agencies, and maritime organizations in the creation and amendment of various rules.

Responding appropriately to treaties and rules

We respond to new rules by discussing measures with the classification societies and shipyards based on our experience in ship operations. We also collect information about treaties and rules that are expected to come into force in the future, so that we can respond to them properly and efficiently.

Action Against Pirates

Efforts for Eradicating Piracy

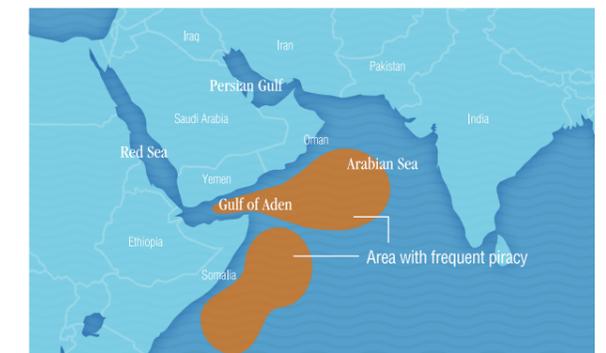
Resolutions and measures being taken by the international community

In recent years, heavily armed pirates have been attacking vessels passing through the waters off the coast of Somalia and in the Gulf of Aden, a vital link between Europe and Asia. They also appear in the Arabian Sea, the waters of which link the Persian Gulf and Asia and are critical for the transport of crude oil and other sources of energy. In response, the United Nations Security Council passed a resolution that called for uncompromising action against the piracy. The International Maritime Organization has also passed a resolution, requesting that nations act to eliminate the problem. Based on these resolutions, international naval forces, including the Japan Maritime Self-Defense Force (MSDF), have begun to provide escort for ships passing through the area. Marine Safety Officers of Japan Coast Guard with police authority are onboard the MSDF escort ship to help counter the piracy. In addition, P3C patrol aircraft of the MSDF conduct patrols of the affected waters to help increase security.

Our measures

In principle, we operate under the security provided by these forces. We have also developed guidelines for sailing near Somalia and in the Arabian Sea to ensure the safety of our ships. If we should encounter pirates, we take evasive actions following Best Management Practice in anti-piracy measures. We are also in regular communication with the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Defense, and the Ministry of Foreign Affairs of Japan via the Japanese Shipowners' Association and we urge nations in the affected area to strengthen their own measures.

Area around the Gulf of Aden



Fulfilling Our Social Responsibilities

At the "K" Line Group, the objective of our corporate social responsibility (CSR) activities is to embody our Corporate Principles. To fulfill our social responsibilities, we have established our Charter of Conduct for "K" Line Group Companies. We are taking a number of steps to build trust with stakeholders all over the world and to meet their expectations through our business activities.

Charter of Conduct: "K" Line Group Companies

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

1. Human rights

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

2. Compliance

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

3. Trustworthy company group

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 a voluntary and proactive approach to such issues to protect and preserve the environment.

5. Disclosure of corporate information and communication with society

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

6. Contribution to society

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

7. Harmony in the international society

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

8. Confront anti-social forces

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

The management of each "K" Line Group Company recognizes that it is their role to realize the spirit of the Charter and to set the pace that is to be followed by every employee in their company as well as by business partners.

In the event of any incidents in breach of this Charter, the management of respective "K" Line Group member company will demonstrate decisiveness to resolve the problem(s), conduct a thorough investigation to determine the cause and to take preventative measures.

Additionally, such management will expeditiously and accurately release information and fulfill their accountability to society.

(Adopted December 2006)

The Charter of Conduct describes standards of behavior for the entire "K" Line Group, and each one of our Group companies has established its own Implementation Guideline for Charter of Conduct. The Guideline stipulates relationships with stakeholders and specific actions each company should take, in accordance with laws, regulations and standards of the country where it is located, as well as the type and area of its business.

 The Implementation Guideline for Charter of Conduct of Kawasaki Kisen Kaisha, Ltd. is disclosed on its website.
CSR > CSR

Objective and Mission of Our CSR Activities

The Corporate Principles of the "K" Line Group say that "The basic principles of the "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. The objective of our CSR activities is to embody these Corporate Principles. We recognize that the concept of CSR comprises two elements: a company's social responsibility and its social contribution. We base our CSR activities on the following policies:

• Social Responsibility:

We observe laws and regulations, respect social precepts, engage in fair business activities, and strive to ensure safety in navigation and cargo operations and environmental preservation.

• Social Contribution:

We contribute to society through the business activities of our Group and proactively as a good corporate citizen.

Fiscal Year 2009 CSR Highlights and Fiscal Year 2010 Objectives

We set targets for our CSR activities to encourage each of our staff members to become more aware of these activities. The CSR highlights of the preceding fiscal year and objectives for the current fiscal year are as follows:

Field	Targets	FY2009 Highlights	FY2010 Objectives
Corporate Ethics and Compliance	○ Establishment of a Charter of Conduct: "K" Line Group Companies / Implementation Guideline for a Charter of Conduct by all the Group Companies	○ Requested and helped Group companies that had not established the Charter and/or Implementation Guideline – including those outside Japan – to do so.	○ Target achieved in FY2009
	○ Activities to raise awareness of changes in compliance-related laws and guidelines	○ Held a seminar on European Union Competition Law that was attended by 405 persons, including interested persons from group companies in Japan	○ Running campaigns to prevent insider trading ○ Conducting follow-up activities on the European Union Competition Law, etc.
	○ Providing education and training in CSR, compliance, and environmental issues	○ E-learning was introduced to training on compliance, which was used by 500 people. ○ Environmental training was provided as a part of job-class-specific training.	○ Continuing with e-learning ○ Continuing independent environmental training, provided to Group companies as well
Disclosure	○ Expanding the Social and Environmental Report ○ Planning the renewal of web pages (related to CSR and the environment)	○ Special Features, Glossary at the back of the book, and Third-Party Opinions were included again and 8,500 copies were issued in Japanese and English. ○ Web pages (related to CSR and environment) were expanded.	○ Continuing
Human Rights and Work Environment	○ Unifying the management of Group policies on human rights/equal opportunity	○ Continued with corresponding consulting services ○ Information was shared among personnel managers from major Group companies.	○ Continuing
Environmental Preservation	○ Expanding the use of the Environmental Management Program ○ Cutting CO ₂ emissions by 10% compared to 2006 by the mid 2010s	○ The number of companies joining our management system increased by one to seven, while that of companies that have obtained environmental certifications with their own systems remained unchanged at 12. ○ Emphasized ship operation at appropriate speeds and the installation of energy-saving equipment	○ Improving green accounting and monitoring environmental investments ○ Continuing to base operations and maintenance on energy conservation
Safety and Quality	○ Ensuring safety at offices ○ Participating in disaster planning activities such as emergency drills	○ Training on safety confirmation at the time of disasters was conducted on a holiday. (July) ○ An emergency drill was conducted at all departments at Head Office. (October) ○ A drill for responding to an influenza outbreak was conducted, attended by executives at Head Office and others. (November)	○ Consistently holding emergency response drills that reflect the lessons of previous drills
	○ Continuing marine casualty response drills	○ Conducted drill assuming a collision involving a large tanker (November)	○ Consistently holding marine casualty response drills
	○ Promoting training and information sharing through KLMA	○ Training was extended, standardized, and improved at each KLMA. ○ A train-the-trainer scheme was introduced.	○ Instituting the KLMA Career Path Plan ○ Instituting and refining the KLMA Cadet Training Program
Social Contribution	○ Ensuring that the quality levels of our newly constructed ships exceed international standards ○ Ensuring safety in navigation and cargo operations	○ State-of-the-art equipment was introduced and eco-friendly ships were built. ○ Standard specifications were reviewed. ○ Our own environmental specifications were applied.	○ Promoting our own standard specifications and environmental specifications ○ Responding in advance to new rules expected to be introduced
	○ Undertaking environmentally friendly activities	○ Green electricity was used by overseas subsidiaries. ○ Continued to participate in the Clean Cargo Working Group.	○ Promoting the use of renewable energy ○ Continuing to join the Clean Cargo Working Group
	○ Enhancing scholarship and internship programs	○ Marine technical personnel and ship officers were recruited and trained. Scholarships for them were provided. ○ Onboard training was provided to students of nautical colleges.	○ Continuation
	○ Providing support for disaster victims and collecting donations at all Group Companies including overseas subsidiaries	○ Six aid projects were implemented for disaster victims outside Japan, including the donation of relief money. ○ Free transportation services were provided for people in poverty-stricken areas.	○ Cooperating in material transportation and support for victims of disasters

Working with Our Stakeholders

The businesses of the "K" Line Group are operated on a global scale and based on its relationship with a variety of stakeholders, including shareholders, customers, business partners, and local communities. Through our shipping business, we are striving to fulfill our corporate social responsibility in order to build a better relationship with society.

Relationship with Our Stakeholders



Together with Our Shareholders and Investors

Timely disclosure of business activities

We have adopted an IR policy designed to meet the expectations of our shareholders and investors. Under the policy, we strive to improve our corporate value further by properly disclosing corporate information on a timely basis and communicating with our shareholders and investors at general shareholder meetings, with IR tools, and through site tours and other explanatory meetings.

▶ See page 26 for details.

Together with Local Communities and Global Society

Contributing to society as a good corporate citizen and working with people around the world

While operating its global business, the "K" Line Group is devoted to a number of small but beneficial activities for local communities and the global society. We provide ocean transport and donations at the time of a disaster, accept local students as interns at our subsidiaries, set up scholarship programs, and organize facility tours.

▶ See pages 41 and 42 for details.

Working Together with Our Business Partners

Collaborating based on a commitment to trust and good partnerships

We do business based on our Purchasing Policies. These policies are written to ensure compliance with social standards and laws such as the Antimonopoly Act and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. The policies are also aimed at maintaining fair and constructive relationships with our business partners. In addition, we concentrate our efforts on achieving our corporate principles, namely safe navigation and cargo operations and environmental preservation. We build ships based on our own specifications, which are more rigorous than international standards. We also keep our ships in optimal condition and provide superior transportation services in accordance with KL-QUALITY, our own guidelines for quality management. We make these efforts in cooperation with our business partners.

▶ See pages 14, 17, and 18 for details.

See our Purchase Policies at our website.
 WEB CSR > Together with our Business Partners

Working Together with Our Staff Members

Improving our working environments to enable vigorous work with a sense of safety.

We have established our Basic Personnel Policies and introduced a number of systems that reflect our respect for diverse values. We also develop human resources who can contribute to the Company, and provide them with feedback to improve their capabilities. Our onshore staff and crew members receive training designed specifically for their job.

We have established an environment that allows our staff to maintain a work-life balance. In addition to offering childcare leave and family-care leave, we provide support for employees who have just returned to work after leave. We also strive to ensure that our staff members work comfortably while maintaining good health, both physically and mentally. Among our initiatives in this area are regular medical examinations and mental health programs.

▶ See pages 39 and 40 for details.

Cargo Damage Prevention

Eliminating potential causes of cargo damage

Naturally, we take every care during voyages to prevent damage to the valuable goods entrusted to us by our customers. We also eliminate potential causes of damage in advance through a range of onsite activities, constantly checking the processes of loading and unloading cargo. The Port of Singapore is a transshipment port where vehicles from various ports are discharged and sorted by the destination before they are reloaded. We

make every effort to prevent vehicles from being damaged in this process by giving instructions to drivers and eliminating potential causes, even though we sometimes may work late at night or early in the morning, depending on ship arrival and departure times.



Ryosuke Yokohata Port Captain "K" Line Pte Ltd

Together with Our Customers

We do our best to respond to customer needs by providing information on a timely basis and striving to ensure safe navigation and cargo operations.

To transport the cargo entrusted to us by our customers safely and surely, we maintain safety in navigation and cargo operations under our Safety Management System. We also continually seek to enhance safety by following ship security plans we create based on the ISPS Code.¹⁾ In addition, we establish systems that are optimized to customer needs and provide our customers with a diverse range of information, to ensure timely shipping.

In our containership services, a single ship will carry cargo for many customers. We provide an e-mail service that simultaneously notifies all customers of shipping information, including ships' schedules, changes in the schedules of port departures and arrivals, typhoon information, and information on dock strikes. We also provide information on the internet – at our website, customers can track the current locations and

statuses of their cargo being transported. We also strive to provide services more promptly and accurately by exchanging electronic data with logistics companies, such as port terminals, railway companies, and trucking companies.

¹⁾ **ISPS Code (The International Code for the Security of Ships and of Port Facilities):** The ISPS Code is a global treaty, under which ship operators and port authorities cooperate in preventing terrorism and any other threats to ship security. It came into force on July 1, 2004. Under the Code, a ship is required to obtain the International Ship Security Certificate, create a ship security plan and have it certified, and appoint qualified ship security officers, for example.

▶ See pages 13 to 18 for details.

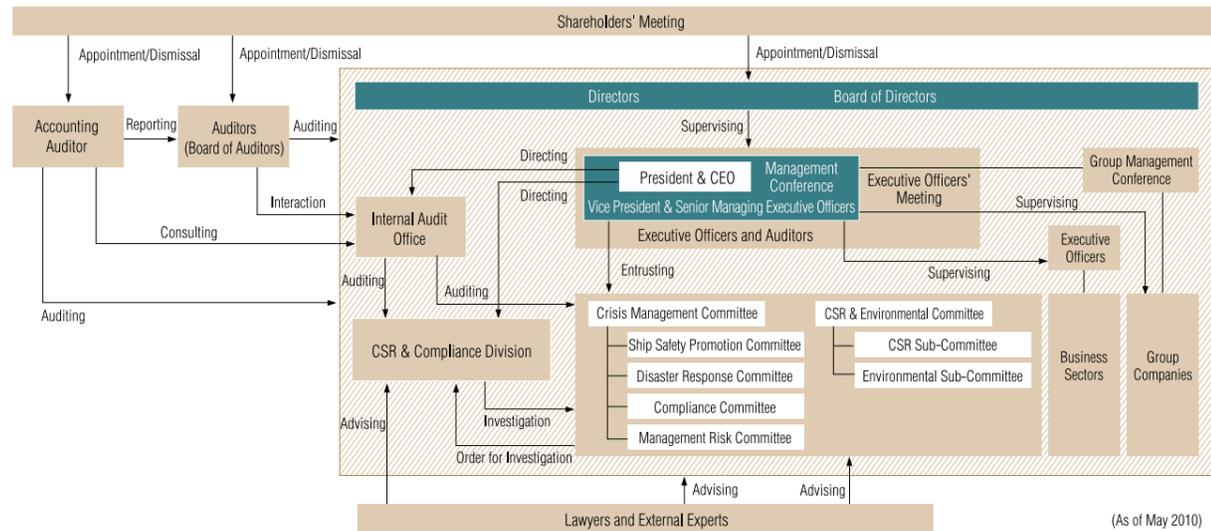
Details of awards we received from our customers are available at our website.
 WEB CSR > Working Together with our Customers

Management

We take comprehensive measures to ensure that all “K” Line Group companies adhere to corporate ethics. We have also established an effective corporate governance structure and a system for handling management risks, and are continuing these efforts to improve our corporate brand value.

Corporate Governance Structure

Structure of Our Business Operation, Management Monitoring, and Internal Control



Structure of Business Operation

Striving to improve corporate value under a governance structure

We apply the Executive Officer System, under which we streamline our management through the transfer of authority and prompt decision-making.

The Board of Directors meets at least once every month. At the Board, our Directors make decisions on basic management policies, matters stipulated by laws and regulations, and other significant management issues. They also supervise the performance of duties by Executive Officers and our staff members. Of the 14 Directors, two are Outside Directors stipulated by the Companies Act of Japan.

The Executive Officers' Meeting is held twice a month, in principle. This Meeting is attended by Executive Officers and Auditors. Participants share information and ensure compliance, in addition to helping the President to make decisions through free discussions.

Three of the five Auditors are Outside Auditors specified in the Companies Act of Japan. We also appoint dedicated staff to assist auditors. The Management Conference for discussion and exchange of opinions is held every week, in principle and is attended mainly by Senior Managing Executive Officers and higher-level Executive Officers. Depending on the agenda, others may be invited to the Conference.

Internal Control System

Ensuring effective internal controls

The Board of Directors, and the Executive Officers in charge of specific business operations and General Managers under the supervision of the Board establish the framework of internal controls, evaluate its effectiveness, and ensure that it functions properly. The Internal Audit Office assists Directors in performing their duties with respect to the establishment and maintenance of internal controls by providing feedback from internal audits and suggesting improvements. Auditors oversee the processes by which Directors build an internal control structure and confirm that it is functioning effectively.

Group Governance

Establishing a Charter of Conduct: “K” Line Group Companies

To ensure proper business operations of the “K” Line Group companies, we have established the Charter of Conduct: “K” Line Group Companies. Based on this Charter, each Group company has established its own Implementation Guideline for Charter of Conduct. (See page 19 for details.)

Risk Management

Risk Management System

Four Committees set up for four types of risks

We need to recognize diverse management risks, prepare for them, and fulfill our corporate social responsibility even when the risks become reality. To this end, we have established our own system for managing crises and risks. Specifically, we have established four Committees for responding to four different types of risks: risks in ship operations, risks of disasters, risks concerning compliance, and other risks related to management. We have also set up the Crisis Management Committee as an organization to unify the four Committees and facilitate overall risk management.

Risk Management System



Response to Large-Scale Disasters

Establishing a BCP¹ and safety confirmation system, etc.

We have established a BCP to continue our operations while giving priority to ensuring the safety of our staff members and their families even if a significant disaster has occurred. (See the SPECIAL FEATURE II for details of our BCP.)

We have also introduced a safety confirmation system, under which we confirm the safety of our employees by using the e-mail function of mobile phones in the event of a major disaster. As a measure to overcome the interruption to telephone services in a major earthquake, we are ready to contact our branches in Japan by satellite telephone. To avoid the loss of data in a disaster, we set up a system in which backup data can be stored in a remote place so that we can secure important management information and resume our business activities as quickly as possible.

¹BCP: Business Continuity Plan

Responding to Other Management Risks

Responding to diverse risks

Management risks are not limited to those concerning ship operations, major disasters, or compliance. There are many other risks, including terrorism, threats from anti-social forces, harmful rumors, fluctuations in exchange/interest rates, fluctuations in the fuel oil price, changes to the tax systems or economic policies of major trading partners, including North America, Europe, China and Japan. The adoption of protectionist trade policies are also among the risks we confront.

To deal with the risk of terrorism, we participate in the C-TPAT^{2/} program, a U.S. Customs' program aimed at preventing terrorism. The measures we take under this program include strict identification of persons who visit ships, the appropriate installation of fences and lights at self-managed terminals, and measures for ensuring information security.

With respect to anti-social forces, the Charter of Conduct: “K” Line Group Companies declares that we will “resolutely confront” such forces. We will deal with specific incidents in cooperation with the relevant authorities and our corporate lawyers. Concerning fluctuations in exchange rates and changes in policies, we constantly monitor the trends and hedge against risks appropriately. If our operations are likely to be affected by the risks, our Management Risk Committee will take preventive action and respond appropriately when an impact actually occurs.

^{2/}C-TPAT (Customs Trade Partnership against Terrorism): A customs-trade initiative aimed at building cooperative relationships to prevent terrorism and ensure security. U.S. Customs encourages parties involved in trade with the United States (shipping lines, port operators, inland transporters, manufacturers, cargo owners, warehousemen, and others) to participate in C-TPAT.

Protecting Personal Information

Initiatives for Protecting Personal Information

Privacy policies established

We have established an internal system for complying with the “Act on the Protection of Personal Information.” The Board of Directors has developed a set of privacy policies and a personal information management code. Details of the privacy policies are disclosed on our website. We identify and classify information that we will handle as personal information. We also undertake related training and education to further refine our system for protecting personal information.

Management

Compliance

Promotion of Compliance

Positioning compliance as the basis of our CSR activities

Compliance forms the foundation for our corporate governance, CSR activities, and risk management. If we fail in compliance, our governance structure will be hollow, our CSR activities will lose credibility, and our business will be at serious risk.

In 2003, we set up a dedicated internal organization for compliance (now called the CSR & Compliance Division), established the Compliance Committee as the organization responsible for investigating and responding to alleged compliance violations, and introduced the Hot Line System that also involved seven Group companies (later increased to nine companies, including "K" Line). In 2004, we set up the Internal Audit Office, which helps to ensure compliance. The Compliance Committee submits an activity report to the Board of Directors every quarter.

Compliance Training

Training sessions using e-learning

Training in compliance was formerly provided in job-class-specific training. Therefore, employees who were not in the relevant job classes did not have the opportunity to receive compliance training. In FY2009, we switched the means of providing compliance training to one that utilizes e-learning to ensure that all employees recognize the importance of compliance. We will ensure compliance by having all workers receive compliance training every year. The training content is reviewed annually in accordance with the actual compliance risks.

In FY2009, a total of 575 employees received compliance training.

Response to Violations

Investigation by the Compliance Committee

If an alleged compliance violation has occurred, the issue is referred to the Compliance Committee, which is chaired by the President. Following the "Detailed Rules for Responding to Compliance Matters" which stipulates the procedures to be followed, the Compliance Committee seeks an explanation from those involved, conducts its own investigation, or instructs the CSR & Compliance Division, which serves as the office of the Committee, to conduct an investigation. The Committee then issues instructions to correct or cease the violation, in the name of the Chairman of the Committee. If necessary, the Committee will make a report to government authorities. The Executive Officer in charge of personnel affairs will

propose any disciplinary actions to be taken under the working regulations. Note that we never disclose the names, departments, or any other information that would permit identification of persons involved in the matter, and we protect their rights by permitting them to consult with attorneys, for example.

Under the "Rules on Operation of Compliance Committee," the Compliance Committee is obliged to keep strictly confidential the names of whistleblowers and the details of deliberations.

Whistle-Blowing System

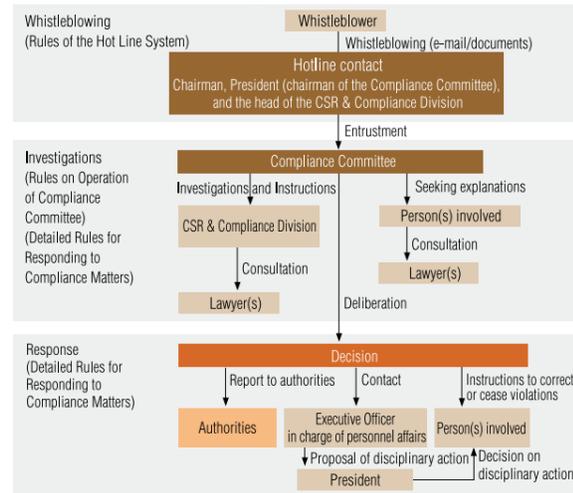
Operating the Hot Line System

"K" Line has introduced a whistle-blowing system called the "Hot Line System."

This system encompasses nine companies, including our company and other "K" Line Group companies. Under the system, internal personnel (including Executive Officers, employees, contract/dispatched workers, and contractors) of member companies are able to be whistleblowers. The information is received only by the Chairman and President of our company and the head of the CSR & Compliance Division. Instead of making judgments on their own, the recipients instruct the Compliance Committee to investigate the problem and determine how to deal with it. Whistleblowers are permitted to remain anonymous.

Every consideration is given to protecting the privacy of whistleblowers. Recipients are not permitted to leak the names of whistleblowers or refer to them in any other way that could allow them to be identified.

Flow Chart of the Hot Line System



Timely and Appropriate Disclosure of Information

We aim to improve our corporate value further through the timely and appropriate disclosure of our corporate information and bi-directional communications with our shareholders and investors.

Communications with Our Shareholders and Investors

IR Policies

IR activities based on our policies

Our basic policy for our investor relations (IR) activities is to accurately disclose corporate information to our shareholders and investors promptly, appropriately, and on a timely basis in a fair, understandable manner. With these efforts, we seek to build trust with our shareholders and investors.

Our IR policies are disclosed on our website.
Investor Relations > IR policies

Shareholders' Meetings

Towards open shareholders' meetings

We position shareholders' meetings as the supreme decision-making body of our company and a precious opportunity for our management team to communicate directly with our shareholders. At these meetings, we listen to our shareholders, answer their questions, and strive to explain our ideas fully. To ensure participation by as many shareholders as possible, we avoid holding the meetings on days when many other companies hold theirs. We also use visual content and narrations to help participants better understand the agenda. These are part of our efforts to ensure highly accessible meetings with shareholders.

Using IR Tools

Using IR tools for timely and appropriate disclosure

We send a newsletter explaining our businesses to our shareholders every quarter. We have also set up investor relations pages on our website where we provide extensive information, including financial highlights and other financial data. The pages also show the planned dates of announcements of financial statements and other IR schedules. On the website, investors can send opinions and questions by e-mail. We endeavor to respond to the e-mails quickly.



Newsletter for Shareholders

Explanatory Meetings

Holding meetings to provide information

We hold a results briefing for corporate investors and financial analysts every quarter. We also hold explanatory meetings as necessary - to announce our business plan, for example. We record the audio of those meetings, and the audio files are accessible from our website. In addition, we are proactive in meeting with individual corporate investors and financial analysts both in Japan and overseas, with 240 meetings in Japan and 25 overseas in 2009. We also provide information to general investors at company information sessions held by securities companies, for example.

Site Tours

Observing our facilities

We organize site tours for corporate investors and financial analysts as necessary, as part of our efforts to help them develop insight into our operations. In February 2010, we held a session to demonstrate our cargo handling simulator for LNG carriers and crude oil tankers. The session was held at our training center in Machida, Tokyo. Financial analysts who took part in the session were full of praise, saying it was a valuable opportunity to see how we provide training as a company engaging in shipping business on a global scale.



A session for showing our cargo handling simulator for LNG carriers and crude oil tankers

Environmental Management

The "K" Line Group has expressed its determination to minimize its environmental footprint in its Environmental Charter. As one of the world's leading shipping operators, we are pursuing many initiatives to protect the environment by cooperating proactively with international organizations.



"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

Establishing an Environmental Management System (EMS)

Basing our EMS on ISO 14001

One of the most important responsibilities of any shipping business is to protect the environment. The "K" Line Group is pursuing a number of initiatives as part of its commitment in this area.

A company establishes an EMS voluntarily to continuously improve its measures to reduce its environmental footprint. We obtained certification for our EMS from a third-party organization in February 2002.

The environmental policies set out in the EMS serve as guidelines for determining the basic policies and setting specific targets for the appropriate operation of EMS.

¹⁾ ISO 14001 is an international EMS standard set by the International Organization for Standardization (ISO). Requirements for the EMS are stipulated in ISO 14001.

"K" Line Group companies: establishing and certifying their own EMS

Our EMS comprises the four ship management companies of the Group - "K" Line Ship Management Co., Ltd., Taiyo Nippon Kisen Co., Ltd., Escobal Japan Ltd., and "K" Line Ship Management (Singapore) Pte. Ltd. - along with "K" Line (Japan) Ltd. and Kawasaki Kinkai Kisen Kaisha, Ltd. Each "K" Line Group company, including these, acts to protect the environment in a way consistent with its operations.

Some Group companies have obtained their own environmental certifications. Eight Group companies have obtained the international ISO 14001 certification. For Japanese certifications, three companies have obtained the Green Management certification and one has obtained the Kobe Environmental Management System Step 2.

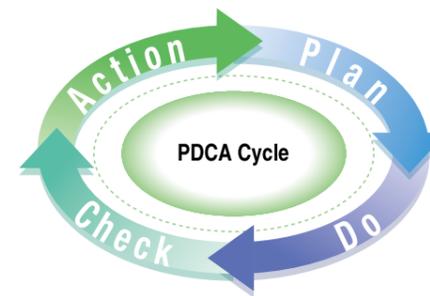
 See our website for our Environmental Policy.
Environment > Green Management

Internal Audits and External Evaluations

Improving our EMS operation through constant checks

Our internal auditors check to ensure that our environmental measures comply with the ISO 14001 standard and that they are conducted in line with the PDCA cycle. With this cycle, we Plan and Do based on specific targets, Check the results, and Act as necessary in response to reviews of the policies. We also request an external organization to check if the measures are implemented properly. We immediately correct any deficiencies pointed out in the audits and external evaluations to improve our EMS.

Conceptual Rendering of the PDCA Cycle



Environmental Sub-Committee

A place for confirming the PDCA Cycle

The Environmental Sub-Committee consists of the Executive Officer in charge of environmental affairs, the environmental manager who is responsible for implementing and maintaining the EMS, and persons in charge of implementing and maintaining the system at individual departments and Group companies. The Sub-Committee meets regularly to make decisions on environmental matters, prepare basic plans and set goals for the entire "K" Line Group, monitor the progress towards those goals, evaluate the results, and reconfirm or review the goals.

We have established the Environmental Steering Committee under the Environmental Sub-Committee. The Environmental Steering Committee meets every month, and participants report the progress of environmental measures, new environmental technologies and projects, and trends in relevant treaties, laws, and regulations. Responses to the issues are also discussed at the meeting.

Environmental Education and Environmental Awareness

Environmental Training

Providing environmental training to EMS members

The scope of application of our EMS is marine transportation services, and all the employees involved in providing the services are the EMS members. We hold training sessions and seminars on rapidly changing environmental issues and our environmental initiatives to keep our EMS members informed of the issues and to raise their environmental awareness. We also use the internal portal site of our company to help them understand EMS and make them aware of the environment in their daily work.



Environmental training

Raising Environmental Awareness with "K" Line News, Our Company Newsletter

"Professor Eco's Environmental Collaboration"

Every issue of "K" Line News, our monthly newsletter, includes a feature article entitled "Professor Eco's Environmental Collaboration." In this article, Professor Eco explains the environmental terms we see daily and the relationship between shipping business and environment in a light, easy-to-understand manner.



January 2010 Issue of the "K" Line News

Professor Eco (Our original character for environmental issues)

Results of Our Environmental Activities in 2009 and Targets for 2010

^{1/}VOC stands for volatile organic compounds, which are regulated as atmospheric pollutants by law.

^{2/}Vapor Emission Control System (VECS) is a device that collects the gas generated in a tank when the cargo oil is loaded on the ship and transfers the collected gas to an onshore facility. The transferred gas is collected as crude oil or otherwise treated appropriately.

Environmental Charter Direction	Environmental Objectives	Environmental Targets (Medium-term)	Environmental Targets for 2009
Preventing marine pollution by safely in navigation of the ships	Preventing marine pollution	Operating with no major incident causing marine pollution for the fifth consecutive year, which is to be achieved by exhaustively ensuring safe navigation and cargo operations	○ No leaks from ships
		Continually practicing ballast water exchange in open waters Considering the introduction and development of technologies for making ballast water harmless and minimizing the quantity of ballast water onboard	○ Undertaking ballast water exchange in open waters
		Achieving a ratio of double-hull tankers in operation at 100% by 2010	○ Maintaining the 100% ratio of double-hull tankers in the fleet
		Preventing leakages and spills from fuel tanks	○ Building at least 15 new ships incorporating measures for protecting the fuel tank section prior to the introduction of the relevant rules
Properly managing exhausts, wastes and recycling	Preventing pollution by drainage water	Properly managing drainage water at onshore offices	○ Properly managing drainage water at onshore offices
	Properly managing and reducing waste	Reducing waste at onshore offices	○ Reducing waste from onshore offices from the previous year
		Promoting green procurement	○ Increasing the ratio of green procurement from the previous year
	Preventing environmental pollution	Promoting the separation of waste materials generated onboard and recycling them on land	○ Separating more waste materials generated onboard and recycling more of them on land, etc. than in the previous year
		Reducing the use of packaging materials in deliveries to ships	○ Continuing to encourage manufacturers and suppliers to reduce packaging materials
		Preventing environmental pollution when demolishing ships	○ Obtaining the Inventory / Green Passport (for at least 15 newly-constructed ships per year)
Encouraging maximum conservation of energy and resources through upgrades to ship operation and work performance	Reducing the consumption of natural resources	Reducing the use of office paper by 3% per employee compared with FY2006 (to be achieved by FY2011)	○ Reducing the use of office paper by 1% per employee from the previous year
		Reducing power consumption at onshore offices by 3% per employee compared with FY2006 (to be achieved by FY 2011)	○ Reducing electric power consumption per employee at onshore offices from the previous year
		Reducing the use of tap water in onshore offices	○ Reducing the use of tap water per employee at onshore offices from the previous year
		Continuously reducing fuel and lubricating oil used for ships (5% cut from the FY2006 level on a per ton-mile basis to be achieved in FY2011)	○ Reducing fuel used for ships from the previous year on a per ton-mile basis
			○ Reducing the quantity of lubricating oil used for ships from the previous year on a per ton-mile basis
Reducing exhaust emissions causing atmospheric pollution and global warming, committing 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	Preventing atmospheric pollution	Reducing CO ₂ emissions by 10% from the FY2006 level on a per ton-mile basis (to be achieved by the mid 2010s)	○ Reducing CO ₂ emissions from the previous year on a per ton-mile basis
		Reducing SO _x emissions by 10% from the FY2006 level on a per ton-mile basis (to be achieved by the mid 2010s)	○ Reducing SO _x emissions from the previous year on a per ton-mile basis
		Reducing NO _x emissions by 10% from the FY2006 level on a per ton-mile basis (to be achieved by the mid 2010s)	○ Reducing NO _x emissions from the previous year on a per ton-mile basis
		Reducing the average sulfur content in fuel used for ships to 2.5% or lower	○ Reducing the average sulfur content in fuel used for ships to 2.6% or lower
		Responding to regional regulations and requirements	○ Use of fuel oil that meets regional requirements
		Participating in voluntary activities	○ Reducing speed voluntarily in harbors and coastal areas
		Reducing atmospheric pollutants and greenhouse gases from berthed ships	○ Reducing emissions of black smoke, PM, CO ₂ , SO _x , and NO _x from berthed ships
		Increasing the use of biofuel and clean diesel fuel for cargo-handling devices	○ Controlling VOC ^{1/} emissions from tankers
			○ Use of biofuel and clean diesel fuel for cargo-handling devices at container terminals
		Encouraging the adoption of energy-saving cargo-handling devices	○ Encouraging the adoption of energy-saving cargo-handling devices
Reducing noise	○ Installation of noise-reduction devices and associated research		
Refraining from using ship hull paint containing substances hazardous to marine life	Preventing marine and atmospheric pollution Preventing atmospheric pollution	Encouraging use of more environmentally-friendly paints	○ Expanding the adoption of non-toxic paints such as silicone paints ○ Encouraging the adoption of tar-free paints
Refraining from using any ozone-depleting substances	Preventing atmospheric pollution	Continuing efforts to reduce the consumption of CFCs and Halon onboard and promoting the use of alternatives (a 5% cut from the FY2006 level in FY2011)	○ Reducing the consumption of specified CFC and Halon by 1% from the previous year
Implementing studies/ education/training to elevate awareness and understanding Disclosing information properly Supporting social contributions and other activities	Making a social contribution Educating employees of the company and Group companies	Continuing marine surveys	○ Continuing marine surveys
		Participating in social contribution activities	○ Participating in at least three activities for social contributions in the year
	Providing job-class-specific training and education to employees	○ Providing job-class-specific training and education of employees, and training and education of crew members	
Expanding the acquisition of environmental certifications	Having more Group companies, including overseas subsidiaries, acquire environmental certifications (at least ten companies by 2010)	○ Continuing to request and encourage companies to obtain certifications	

Results in 2009	Environmental Targets for 2010
There was a minor leakage of hydraulic oil into the ocean.	○ Implementing Safety Management System (SMS) appropriately to eliminate leaks from ships
Conducted in accordance with ballast water management plan	○ Undertaking ballast water exchange in open waters ○ Considering the installation of ballast water treatment systems to prepare for the introduction of the Ballast Water Management Convention
The 100% ratio of double-hull tankers has been maintained since September 2008.	○ Maintaining the 100% ratio of double-hull tankers in the fleet
The measures were incorporated in 25 ships.	(Eliminated from targets due to the enforcement of associated rules)
—	○ [New target] Adopting overflow pipes to prevent oil spills from fuel tanks
No problem was cited.	○ Properly managing drainage water at onshore offices
Reduced by 1.6%	○ Reducing waste from onshore offices compared to the previous year
The ratio for 2009 was 56.2%, down 1% from the previous year.	○ Increasing the ratio of green procurement from the previous year
The amount recycled (landed) increased by 14.6%.	○ Separating more waste materials generated onboard and recycling more of them on land, etc. than in the previous year
We encourage the use of non-plastic cushioning materials. We also encourage suppliers to bring back packaging materials.	○ Continuing to encourage manufacturers and suppliers to reduce the use of packaging materials
Obtained by 19 ships	○ Cooperating in developed-country-type domestic demolition projects led by the Ministry of Land, Infrastructure, Transport and Tourism
Reduced by 18%	○ Reducing the use of office paper by 1% per employee from the previous year
Reduced by 6%	○ Reducing electric power consumption per employee at onshore offices from the previous year
Reduced by 24.6%	○ Reducing the use of tap water per employee at onshore offices from the previous year
Reduced by 14.4%	○ Reducing the fuel used for ships from the previous year on a per ton-mile basis
Reduced by 17.5%	○ Reducing the lubricating oil used for ships from the previous year on a per ton-mile basis
Introduced to 23 ships	○ Introducing the Fuel Additive Dozing System
—	○ [New target] Promoting the Eco Slow Steaming (sailing at reduced speed)
We achieved a 14.4% reduction from the previous year. However, this was due to the worsening economy, an exceptional circumstance. We will continue our efforts to make cuts.	○ Reducing CO ₂ emissions from the previous year on a per ton-mile basis
Reduced by 10.6%	○ Reducing SO _x emissions from the previous year on a per ton-mile basis
Reduced by 23.8%	○ Reducing NO _x emissions from the previous year on a per ton-mile basis
The result for 2009 was 2.76%.	○ Reducing the average sulfur content in fuel used for ships to lower than the actual level of the previous year
We comply with rules in the North Sea and Baltic Sea and the regulations of California.	○ Use of fuel oil that meets regional requirements
We voluntarily reduced speed at the Port of Long Beach in the United States in 225 out of 232 entries to/ departures from the port.	○ Reducing speed voluntarily in harbors and coastal areas
We continued to carry out Cold Ironing at the Port of Long Beach, and Kawasaki Kinkai Kisen continued to provide shore-side electrical power to ships at berth.	○ Reducing emissions of black smoke, PM, CO ₂ , SO _x , and NO _x from berthed ships
We installed VECS ^{2/} in new ships. We are also considering the possibility of installing it in existing ships.	○ Controlling VOC emissions from tankers
Introduced to our container terminals in Japan and overseas	○ Use of biofuel and clean diesel fuel for cargo-handling devices at container terminals
Introduced to our container terminals in Japan	○ Encouraging the adoption of energy-saving cargo-handling devices
We have established a method and standard for measuring the noise level. At the time of construction, we confirm that the level is below the standard value.	○ Installing and researching noise-reduction devices
We adopted non-toxic paints for five ships at the time of their docking.	○ Expanding the adoption of non-toxic paints including non-metal paints ○ Promoting the adoption of tar-free paints
Reduced by 32.9%	○ Reducing consumption of specified CFC and Halon by 1% from the previous year
Being undertaken with our bulk coal carrier, Chubu Maru	○ Continuing marine surveys
We participated in three activities.	○ Participating in at least three activities to contribute to society during the year
Job-class-specific training was provided to 180 employees and training was provided to 119 crew members.	○ Providing environmental seminars and education ○ Providing training and education to crew members
Not achieved in 2009	○ Continuing to request and encourage companies to obtain certifications

Note: Our environmental activities are based on calendar years.

The "K" Line Group's Relationship with Society and Environment

The "K" Line Group has close links to global society and the environment. To maintain an environmentally friendly logistics infrastructure, we monitor and reduce the burden on the environment imposed by our business activities and strive to maintain and enhance "security, safety and reliability."



Changes in the Environmental Footprint

Year	Volume of CO ₂ emissions per freight ton-kilometer (gram-CO ₂ /ton-kilometer)	Volume of SO _x emissions per freight ton-kilometer (gram-SO _x /ton-kilometer)	Volume of NO _x emissions per freight ton-kilometer (gram-NO _x /ton-kilometer)
2007	3.9	0.070	0.120
2008	3.8	0.066	0.113
2009	3.2	0.057	0.088

Note: The values above were calculated per ton-mile basis and converted into ton-kilometer. (1 nautical mile = 1.852 kilometers)

Visualization of Environmental Burdens with the Ship Performance Analyzing System (SPAS)

The SPAS computerizes the data on each ship, which used to be reported on paper as an "abstract log," including the noon position, distance traveled, average speed, and volume of fuel consumed each day. This system stores the data in a server on land via a satellite circuit. The data are monitored and used for performance analyses based on the expertise we have accumulated through many years of operation.

First introduced in 2001, the SPAS has since been upgraded several times. The latest version is capable of collecting and analyzing environmental data during a voyage, such as CO₂ emissions per ton-mile. This makes it easy for anyone to recognize the environmental impact at any time. The "K" Line Group makes use of this system for visualizing and reducing its burden on the environment.

Initiatives at Sea

During a voyage, we give top priority to safe navigation and cargo operations and we take a number of steps to protect the global environment. We have facilities and structures to help prevent incidents, and we naturally use eco-friendly equipment.



Measures Against Climate Change

Ship Operations for Higher Energy Efficiency

Ocean transport: an eco-friendly mode of transport and the main artery of international logistics

Among the many modes of transport, ocean transport is the most energy-efficient and effective for reducing CO₂ emissions in logistics. It is also the main artery of global logistics, best suited for transporting large volumes of cargo long distances. To allow this efficient mode of transport to continue to exist in the future, eco-friendly ship operations are essential. That is why we are committed to continuing to improve our ships' energy efficiency and to reviewing our operating systems to maximize the efficiency of our entire fleet.

Sailing speed, power output, and fuel consumption

Given the relationship between sailing speed and the required power output (horsepower), doubling the sailing speed requires an increase in engine output and fuel use by a factor of up to 2³ (i.e., 8). It means, however, that reducing the speed only 10% reduces the necessary power output and fuel consumption by as much as 27%, an eco-friendly voyage that reduces CO₂ emissions.

Eco Slow Steaming (ESS) - An eco-friendly way to sail

Lower speed means that it takes longer to reach the destination. For this reason, we add one extra ship to retain the same frequency of services: once a week, for example. We use an extra ship, but it consumes significantly less fuel because it sails more slowly. Consequently, the fuel consumption of the entire fleet is reduced, allowing an eco-friendly voyage.

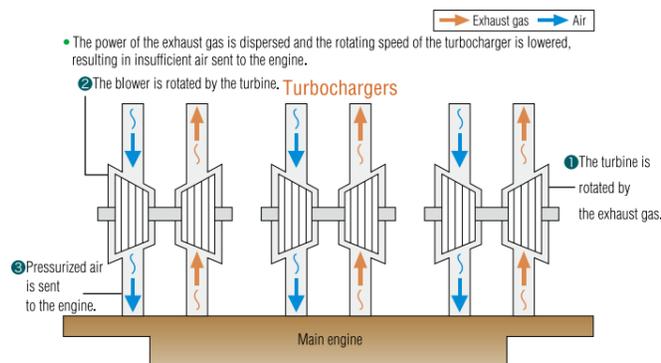
We call this eco-friendly way of sailing "Eco Slow Steaming." We are introducing Eco Slow Steaming - which permits the reduction of CO₂ emissions while retaining the quality of services - mainly to containership services on major routes.

Improving Energy Efficiency through Engine Refurbishment

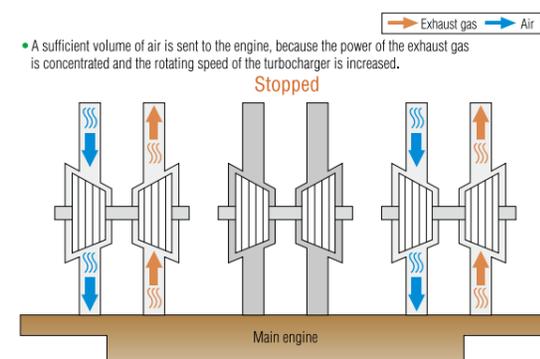
Operating with reduced use of turbochargers

A turbocharger is an important piece of equipment that sends pressurized air to the engine to increase power output and improve energy efficiency. As a measure for reducing CO₂ emissions, we refurbish the engines of our ships so that each one of them will stop one of its turbochargers during an ESS (eco-friendly voyage). This concentrates the power of the engine's exhaust gas on the other (working) turbochargers. Their rotating speed is increased and the air is sent to the engine at higher pressure, resulting in greater energy efficiency compared with low-speed operation using all of the turbochargers. This retains the same fuel combustion state and same level of energy efficiency as in high-speed operations, enabling a reduction of CO₂ emission of approx. 3%.

Low-Speed Operation Using All the (Three) Turbochargers



Low-Speed Operation by Stopping One Turbocharger

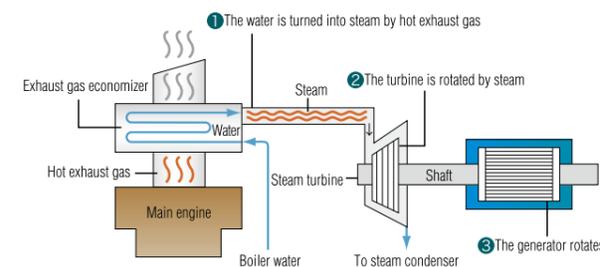


A Constant Commitment to Reducing CO₂ Emissions

Reducing CO₂ emissions with an exhaust gas economizer and turbo generator

The exhaust gas from engines has sufficient thermal energy, given its heat of up to 350 degrees centigrade. The exhaust gas is used to turn the boiler water, led by the exhaust gas economizer, into steam, which in turn is used to operate turbo generators driven by the steam turbine. This effective use of the thermal energy of exhaust gas saves fuel for generators and reduces CO₂ emissions, too.

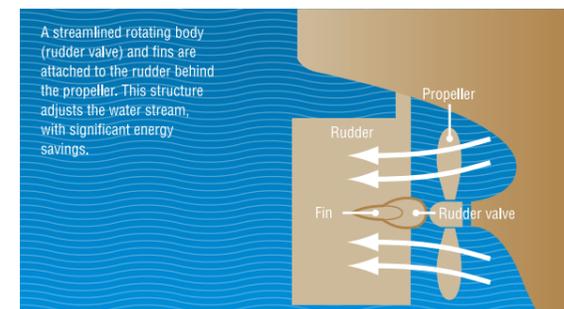
Exhaust Gas Economizer and Turbo Generator



Cutting CO₂ emissions with energy-saving appendages

A spherical bulge and fins attached to the rudder behind the propeller convert the water stream generated by the propeller into power to move the ship forward. The extra power reduces fuel consumption and CO₂ emissions.

Structure of Energy-Saving Appendages



Using heat shield paint to reduce power consumption

Ships are made of metal, which transfers heat readily. Walls and ceilings become hot because of solar heat, and this reduces the cooling efficiency of air-conditioners. We therefore use heat shield paint for ceilings and other parts of our ships, to prevent heat transfer. This reduces the power needed for air-conditioners, which in turn means smaller CO₂ emissions.

Reduction of Sailing Speed in Specific Waters

Green Flag awarded from the Port of Long Beach

As a measure for reducing the total amount of exhaust gas from ships, the port authority of the Port of Long Beach is running a program encouraging ships to sail at 12 knots or less within 20 nautical miles (approx. 37 kilometers) or 40 nautical miles (approx. 74 kilometers) of the harbor. We actively participate in this program, achieving an extremely high rate of compliance every year. We were awarded the "Green Flag" from the port authority for the fifth consecutive year in 2009.



The Green Flag Award ceremony

Reduction of sailing speed at Ise Bay and Mikawa Bay

As a voluntary measure, we reduce the speed of our car carriers to 12 knots or less when passing in Ise Bay and Mikawa Bay. This enabled us to reduce CO₂ emissions by 659 tons in 2009.

Preventing Air Pollutions

Regulations on Sulfur Content in Fuel Oil (in Emission Control Areas)

Revision of the upper limit of sulfur content

The main component of heavy fuel oil used for ships is residues of crude oil, from which gasoline, kerosene, and light oil have been taken. The sulfur content of the fuel varies from less than 1% to 4.5%, the upper limit. However, the impact of sulfur content on the environment is substantial in some regions, and its upper limit is 1.5% in the North Sea of Northern Europe and Baltic Sea. This will be further reduced to 0.1% in 2015. Similar regulations will come into effect in 2012 within 200 nautical miles (approx. 370 kilometers) from the coastlines of the United States, some of the Hawaiian Islands and Canada. We are making preparations for the introduction of these regulations.

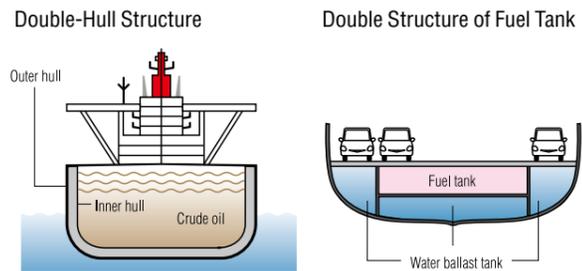
Initiatives at Sea

Measures for Preventing Marine Pollution

Measures for Preventing Oil Leakage

A fleet of double-hull tankers

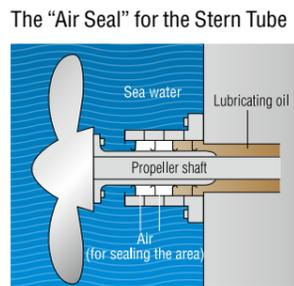
Our tankers feature a double-hull structure, which prevents the leakage of cargo oil into the sea if the ship is damaged in a collision, for example. Transportation by single-hull tankers will be prohibited in 2015 under the MARPOL Convention ¹⁾. We also use the double structure for fuel tanks to reduce risks.



¹⁾ The MARPOL Convention is an international convention that sets out rules for preventing marine and air pollution caused by ship operations, etc.

Using the Air Seal for the Stern Tube

We apply an air seal for the stern tube of our ships. An air seal is a device that continuously sends compressed air into the space in the stern tube where the propeller shaft penetrates out of the ship. This creates a sealed area inside the stern tube, which prevents leakage of lubricating oil and stops seawater from getting into the ship.



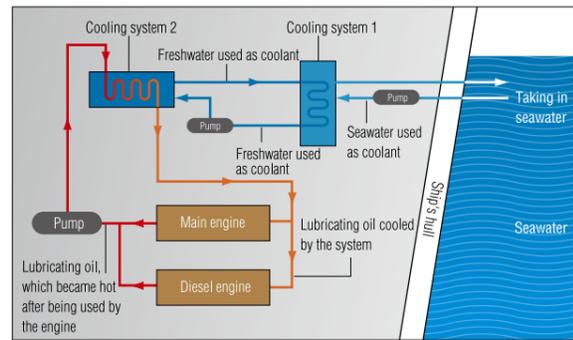
Use of electric powered deck equipment

We now use electrically driven deck equipment such as winches and ramp ways, instead of hydraulic powered equipment. This has eliminated the risk of hydraulic oil leaks.

Central Cooling System (Indirect Cooling System)

The Central Cooling System cools the engine coolant and lubricating oil indirectly by exchanging heat with seawater via dedicated freshwater. Use of this system prevents leakages or spills of lubricating oil into the sea, because seawater does not become contaminated with lubricating oil in this system. In the event of the cooling system failure, leaked lubricating oil remains in the freshwater circuit only and never contaminates seawater and is never discharged into the sea.

Central Cooling System



Installation of remote tank level gauge, tank level alarming system, and overflow pipes

Checking the tank level during bunkering is a highly important task. It is checked by crew members, who measure ullage; i.e., the distance between the deck and surface of the oil in the tank. To prevent overflows, we double-check the tank level continuously using a remote tank level gauge. We have also installed tank level alarm systems, which issue an alarm when the surface of oil reaches a specific level. Even if the surface of the oil rises, overflow pipes transport the oil to other tanks. We take these and other steps to prevent spills of fuel oil into the sea.

Waste Treatment

We treat bilge and sludge properly.

We separate the bilge (oily water) at the ship's bottom, such as the engine room, into water and oil using the oily water separator. We burn the separated oil onboard by using the waste oil incinerator, while the water is discharged into the sea in a clean state. We properly treat the sludge (impure substances in fuel and lubricating oil which have been separated by purifier) either by burning it onboard in the waste oil incinerator or discharging it onto shore facilities.

Preserving Biodiversity

Use of Anti-Fouling Paint for Ship Bottom

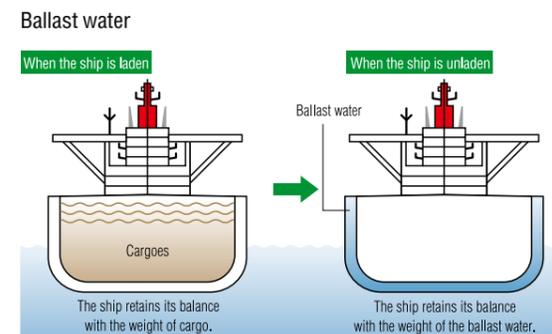
Promoting the use of environmentally friendly paints

The adherence of marine organisms to the surface of a ship increases fuel consumption and CO₂ emissions, since they increase the resistance of the ship's surface against seawater. The organisms are also introduced into remote waters, which may affect local eco-systems. The use of paints containing tributyltin (TBT) is a highly effective way to prevent the adherence of marine organisms. However, we pioneered the use of tin-free paints, which do not contain TBT, since TBT was found to be harmful to eco-systems. We also promote the use of non-toxic silicone paints and polymer paints. The use of ship bottom paints containing TBT has been prohibited by Anti-Fouling System Convention since 2008.

Ballast Water Management Convention

Managing ballast water properly

Ballast water, which is used to retain the balance of the ship, contains marine life and may influence the eco-system in the area where it is discharged. We minimize the influence by replacing ballast water in ocean areas with less marine life, while ensuring the stability and safety of ships. We are also studying ballast water treatment systems, installation of which will be mandatory after the Ballast Water Management Convention comes into effect. Meanwhile, we are taking other steps to minimize the impact on eco-systems, such as the introduction of large containerships that use the smallest possible volume of ballast water and car carriers with fixed ballast made from concrete.



Resources Recycling

Ship Recycling (Demolition of Ships)

Recycling in accordance with the Ship Recycling Convention

The Ship Recycling Convention, adopted in May 2009, will make it mandatory to retain a list (inventory) showing quantities of hazardous substances and their locations when a ship is dismantled. The Convention will also set out rules for facilities for demolishing ships, so that occupational health and safety and the environment will be considered in demolition of ships. This Convention has yet to come into effect, but we have started to dismantle ships in accordance with the rules in the Convention, by choosing facilities in consideration of the environment and occupational health and safety.

The Muroran Project

Taking part in the establishment of a developed-country-type ship recycling system

Ships consist of very large quantities of iron and copper, and can be recycled at the end of their effective lives. However, full safety considerations are needed when dismantling a ship, a very complex process. A pilot project for establishing a safe, efficient, developed-country-type ship recycling system has been initiated by Japan's Ministry of Land, Infrastructure, Transport and Tourism. This project involves a demonstration experiment in ship demolition, being undertaken in Muroran, Hokkaido. The ship used in this experiment is the New York Highway, a car carrier formerly operated by "K" Line.



The car carrier New York Highway

Initiatives at Terminals

We strive to reduce our environmental footprint, including exhaust gas, noise, and drainage water from berthed ships and terminal equipment, through the introduction and effective use of state-of-the-art equipment.

For Reducing CO₂ Emissions

Introduction of Hybrid Cranes

Adopting energy-saving cargo-handling devices

"K" Line is installing eco-friendly, energy-saving hybrid transfer cranes¹⁾ at its self-managed terminals in Tokyo and Yokohama. This crane reuses the energy generated when hoisted containers are set down, by converting it into electricity. This halves fuel consumption and CO₂ emissions compared with conventional cranes. In addition, the improved engines of the cranes permit a significant reduction in noise.



A hybrid transfer crane

¹⁾ A transfer crane is a self-propelled crane used in a container terminal for moving containers.

Measures to Prevent Air Pollution

Adoption of Cold Ironing

Providing shore electricity power to ships at berth

We supply electricity from land to ships at berth at the container terminal of the Port of Long Beach in the United States. Because all power used by the ships at berth is supplied from the land, exhaust gas is not emitted from the ships' diesel generators. This helps improve the air conditions in the surrounding area.



Cold Ironing being undertaken for the container ship Genoa Bridge

Measures at the Port of Long Beach

ITS wins "Leadership at the Corporate Level" Award

International Transportation Service, Inc. (ITS), our wholly-owned U.S. subsidiary providing container terminal operations, has been awarded the "Leadership at the Corporate Level," part of the San Pedro Bay Ports Clean Air Action Plan Air Quality Award, issued by the Port of Los Angeles and Port of Long Beach. ITS earned high marks from the port authorities for its environmental activities in its terminal operations at the Port of Long Beach. The "Leadership at the Corporate Level" is granted to companies recognized as having contributed significantly to the prevention of air pollution. It is the highest honor in the San Pedro Bay Ports Clean Air Action Plan Air Quality Award.



President Kawamata of ITS making a speech on receiving the award

Measures for Preventing Water Pollution

Drainage Water Surveys at Terminals

Undertaking regular water surveys

We regularly have an inspection agency conduct surveys on the quality of drainage water from our terminals, in addition to checking the quality visually on our own through daily observations.

This enables us to confirm that the drainage water is not affecting the environment around each terminal and that its quality complies with the environmental standard in each region.

Initiatives at Offices

We take steps to reduce the environmental footprint of our offices, setting as our targets reduced resource consumption and less waste. We are also pursuing initiatives to reduce CO₂ emissions in our offices.

Offsetting CO₂ with the Use of Renewable Energy

Promoting the purchase of renewable energy

"K" Line America, Inc. (KAM) has affirmed its environmental commitment by purchasing renewable energy credits from Renewable Choice Energy since 2008, to offset office electricity consumption. After offsetting 60% of office electricity in 2008 and 80% in 2009, KAM expanded its environmental commitment to a 100% offset level for 2010. Renewable Choice Energy will indirectly offset 100% of KAM's nationwide office electricity usage for 2010 with clean wind energy and will help avoid nearly 1.5 million pounds (approx. 702 tons) of CO₂ from entering the Earth's atmosphere.

This commitment is similar to:

- Planting 6,366 mature trees
- Not driving approx. 1.5 million miles (approx. 2.4 million kilometers) annually
- Taking 123 cars off the road for one year



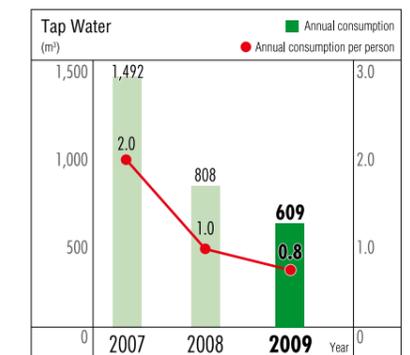
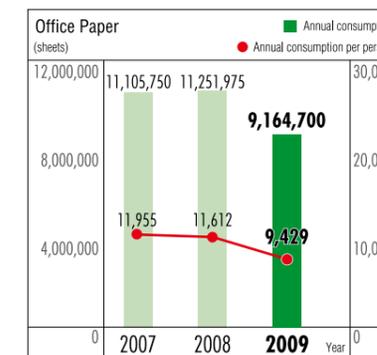
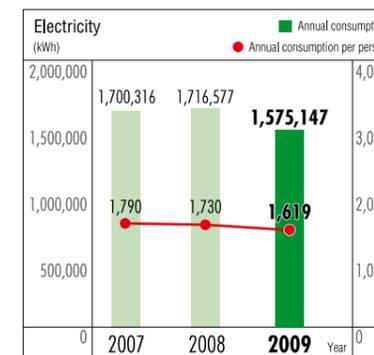
Green Power Partner mark entitled by the EPA



Renewable Energy certificate

This renewal also allowed KAM to remain a U.S. Environmental Protection Agency (EPA) Green Power Partner. With this purchase of renewable energy credits, KAM remains committed to reducing our dependency on fossil fuels, promoting cleaner air, and fighting climate change.

Changes of Environmental Burdens at Our Offices



Measures for Conserving Resources

Paperless recording of reefer container temperature control

Temperature control of reefer containers is a critical task. The temperature within a container is recorded continually during transportation, and the record is important evidence of the temperature control undertaken. Traditionally, a sheet of paper for recording the temperature would be attached to each container and then removed and stored after transportation. In 2009, we switched to a system for downloading electronic data from temperature controllers and abolished the use of recording paper. This saves us about 100,000 sheets of paper each year.

Reduction and Recycling of Waste

Endeavoring to reuse waste

We separate waste generated at offices and reuse it as much as possible. When we dispose of waste, we consider ways to recycle it in an effort to minimize volumes.

Green Procurement

Promoting the procurement of eco-friendly goods

For office products, we use an ordering system that gives priority to products in compliance with the Act on Promoting Green Purchasing and Eco Mark-certified products.

Creating Comfortable Workplaces

We respect the basic human rights of our employees and provide a variety of training programs to maximize each person's capabilities. We have been establishing a range of systems and improving the working environment to allow our employees to work comfortably every day.

Note: This section concerns Kawasaki Kisen Kaisha, Ltd. and its employees.

Basic Personnel Policy

Basic Personnel Policy for Onshore Workers

We design and implement a personnel system that is suited to specific business environments and workplace situations. Our aim is to improve work productivity, making our company more competitive and contributing to our sustainable growth. At the same time, we carefully consider the fairness of our systems and programs along with the circumstances of individual employees so that a sense of security for each member can be created and morale can be improved.

Basic Personnel Policy for Seafarers

We respond flexibly to demands for marine technical personnel by developing the requisite measures for securing and developing human resources. We also provide our employees with motivating work environments in which they can derive pleasure from performing their jobs. We ensure stable and sustainable employment to help improve the company's performance, contribute to society and ensure the welfare of individual employees.

Respect for Human Rights

Diversity of Human Resources with Diverse Ways of Working

A personnel system that reflects our respect for diverse values

We recognize that a company cannot achieve sustainable growth without the support of its employees. Therefore we respect each member's human rights, personality and values and build our employment systems accordingly.

We implement a system for reemploying retired employees in accordance with the Law concerning Stabilization of Employment of Older Persons. We also recruit persons with disabilities.

Preventing Harassment

Zero tolerance for harassment

We do not tolerate sexual or power harassment - conduct that violates our employees' human rights. To counter these problems, we have introduced dedicated consultation services for our employees. These services are designed to promptly eliminate harassment with maximum consideration for employees' privacy.

Recruitment and Human Resource Development

Recruitment Policy

Recruiting through fair and impartial selection

We recruit new graduates through fair and impartial selection of human resources who can embody our corporate ethic of possessing a broad-minded attitude and who have superior communication skills and a strong sense of getting involved.

We also recruit mid-career workers with a range of experience and knowledge in order to effectively respond to changes in the business environment.

Evaluation and Feedback for Human Resource Development

Developing human resources who can contribute to the company

We fairly and impartially evaluate employees' achievements and inform them of the results to ensure transparency and to help employees develop themselves. Such efforts are aimed at fostering human resources capable of independently finding their own roles, and developing and applying their abilities in the course of their work.

Development of Onshore Workers

OJT and OFF-JT as key means of development

We help all employees improve their proficiencies primarily through two programs: on-the-job training (OJT) for mastering knowledge, skills and procedures on-site, and job-class-specific group training (OFF-JT). Other training programs we offer include in-house and overseas language training, training at our overseas subsidiaries and assistance for employees taking correspondence courses for self-development.

We also provide onboard training for our onshore workers; a program specifically tailored for shipping companies. In FY2009, 23 workers participated in this training and performed tasks aboard ships at sea.

Development of Seafarers

Developing specific career path plans

Our seafarers are global workers, both on land and at sea. A high level of expertise is therefore demanded of them. To help them master the required knowledge and skills, we provide effective training programs and correspondence courses designed to improve their abilities at a level suited to their stage of employment. We formulate specific career path plans for individual seafarers, enabling them to understand what the company expects of them.

Career path plans design for seafarers in their initial days at the company-the *fostering period*-provide them with working experience on as many types of ships as possible and allow them to develop a broader outlook. Plans for the subsequent career improvement period aim to enable acquisition of overall knowledge of the shipping business, in addition to specific skills required for marine technical personnel. This is realized by having them work alternately on shore and at sea, to involve them in work at a wide variety of divisions.

Work-Life Balance

Systems for Comfortable and Fulfilling Working Experiences

Support systems designed for individual circumstances

It is important that we help our employees maintain work-life balance by establishing systems that support them in various situations. Therefore we provide maternity, childcare and nursing care leave programs that far exceed the legally required levels. Childcare leave is available until the child turns three years old. After returning to work, employees are allowed to work shorter hours or use other support systems until their child completes the third grade of elementary school. Our nursing care leave program lets employees take a two-year leave. In FY2010, we enhanced our support systems by introducing a loan program for employees on childcare or nursing care leave. We help our employees maintain work-life balance by assisting their return to work and by continuing to support them after they return to work.

Employees are granted "refreshment leave" in their 11th and 21st years at the company. These consecutive holidays are aimed at helping them refresh their body and mind and maintain good health.

Overseas Family Rendezvous Program

Improving the welfare of our crew members and their families

Our crew members are facing fewer opportunities to call at ports in Japan. In response to this situation, in 2009 we introduced the Overseas Family Rendezvous Program. Under this program, the company provides financial assistance for crew members to reunite with their families at ports outside Japan. The assistance is provided after considering the security at the destination and onboard work conditions. While the program used to only be available for reunions at ports in Japan, in the interest of further improving our employees' welfare we have now expanded it.

Use of Overseas Family Rendezvous Program VOICE

This was my first time using the program. I went to see my husband when his ship was ashore at the dock in Mokpo, South Korea. Staying with the ship for two weeks was truly a meaningful experience. I came to feel that being the wife of a crew member doesn't have to mean being lonely. I also got to understand my husband's job a little better than before.

Kaneto Mohri,
Chief officer
(back, fourth from left)

Táng Hồng
(back, third from left)



Safety and Health Considerations

Health Care

For sound mental and physical health

Our head office's clinic provides employees with consultations on mental health issues as well as medical care and health counseling. The clinic is equipped with an X-ray machine and regular health checkups for employees at the head office and "K" Line Group companies are also conducted here.

As a part of the mental health care we offer our employees, we introduced an internet-based stress-check program which lets employees independently check their emotional state and learn how to improve the way they handle stress.

We created and distributed the Occupational Health Manual, which helps dealing with shoulder stiffness and lower-back pain caused by extended hours of computer deskwork. We also hire full-time healthcare personnel to offer massages to employees. Employees receive an annual dental checkup and an eye examination to check for eye problems caused by computer monitors and other electronic display devices.

The "K" Line Group's Social Contribution Activities

Operating globally, we at the "K" Line Group seek to achieve mutual benefits with society through the steady accrual of small efforts.

Fundamental Policy

Mutual Benefitting Society

Contributing to society as a good corporate citizen

As a responsible member of society, the "K" Line Group makes use of its expertise and technologies to proactively engage in social contribution activities. For instance, in times of disaster or marine accidents we transport goods and equipment.

We also support social welfare activities and cultural activities including academic research, education, art and sports.

Development of the Next Generation

Cooperating in Internship Programs

Helping Singapore's shipping industry develop human resources

"K" Line Pte Ltd (KLPL) of Singapore supports human resource development in Singapore, which aims to be a global hub of the shipping industry. Every year since 2007, KLPL has accepted an intern majoring in Maritime Studies at Nanyang Technological University. The intern takes part in the operation of containerships and other such practical work for 10 weeks. The company also contributes to the MaritimeONE Scholarship Programme of the Singapore Maritime Foundation, which was introduced in 2007.



Student intern (center, Ms. Wang Lin) and KLPL staff

Support for Local Communities

Playground Construction Project

Providing playgrounds for elementary schools in Atlanta

Since 2007, "K" Line America, Inc. (KAM) has taken part in activities for providing safe, usable playgrounds for elementary schools in the U.S. city of Atlanta. Activities are undertaken in collaboration with the Home Depot Foundation and a non-profit organization called KaBOOM! Each October a playground is built with KAM staff assisting with the construction. Children, teachers and KAM staff members cried with joy upon seeing the new playground completed last year.



KAM staff



KAM staff helping build a playground

Protection of Wild Animals

Creating salt licks for wild animals

"K" Line (Thailand) Ltd. (KTL) pursues a variety of activities for social contribution and environmental preservation in the country. In one activity, KTL staff created salt licks (salt deposits for licking and taking in salt and other minerals needed for animals' life) for wild animals in the Thong Pha Phum National Park northwest of Bangkok. Natural salt licks are limited in number and attract not only wild animals but also hunters pursuing the animals. The artificial salt licks are created in the natural reserve to protect wild animals from hunters and provide them with safe habitats.



KTL staff



Staff digging soil to set up a salt lick

Containership Tour

Organizing tours for local high-school students

In July 2009, "K" Line (Australia) Pty Ltd. organized a containership tour at Melbourne's Patrick Terminal.

The tour was set up in response to a request from the Port of Melbourne. The port authority had been requesting shipping lines to hold such tours to promote understanding of the importance of harbor operations and international trade. "K" Line (Australia) Pty Ltd. invited a group of 13, including the principal and students, from Gilmore Girls College to tour the containership Newport Bridge. The participants greatly valued this special experience of seeing the inside of a containership and talking with the captain.



Students listening to explanations on the deck

Other Support Activities

Disaster Relief

Providing aid for reconstruction in areas hit by major disasters

The "K" Line Group has been assisting disaster-hit areas through donations and cooperating in transportation.

When a major earthquake hit Italy in April 2009, the Group cooperated with the local subsidiary, "K" Line (Europe) Ltd., to donate relief money via the British Red Cross. The Group also made donations via the Japanese Red Cross Society to victims of the typhoon that struck Taiwan in August 2009, another typhoon that hit the Philippines that September and the major earthquake in Haiti in January 2010. Donations are put toward providing relief supplies and medical services and for reconstruction in the disaster-hit areas.



A physician from the Japanese Red Cross Society providing medical care



Checking relief supplies

Cooperating in Ocean Transport of Relief Supplies

Contributing to society with our expertise

We cooperate in ocean transport of relief supplies to impoverished and disaster-hit areas.

In January 2010, upon a request from the non-profit organization the Japan Relief Clothing Center via the Japan-Peru Association, we transported relief supplies in two 40-foot containers free of charge. As part of our social contribution activities, we will continue to cooperate with NPOs in the transportation of goods.

Cooperation with the Japan-Chile Association and Japan-Peru Association

Assisting Japan's academic and cultural interaction with Chile and Peru

The Japan-Chile Association (Asociación Nippon-Chilena; founded 1940) and Japan-Peru Association (Asociación Nippon-Peruana; founded 1929) are private organizations aimed at promoting friendship between these countries, acting to support better understanding of one another's academic, cultural and other mutual affairs. We donate to these organizations to help them maintain their offices, purchase equipment and employ staff.



A Peruvian cooking class organized by the Japan-Peru Association

Support for the Arts

Supporting the Sapporo Symphony Orchestra

Hokkai Transportation Co., Ltd., a "K" Line Group general logistics company based in Hokkaido, is a supporting patron of the Sapporo Symphony Orchestra. The Orchestra is recognized by the Hokkaido Government Board of Education as a special public interest promotion corporation.

Green Accounting

In accordance with the Ministry of the Environment's Green Accounting Guidelines 2005, we have aggregated the figures for January to December 2009. The figures below are from the companies that comprise the Environmental Management System (EMS) of the "K" Line Group. The amount of investment is the total cost for purchasing equipment used for carrying out the measures in each item. The amount of expenses is the total cost for maintaining this equipment, treating waste, maintaining the EMS and other measures. The amount of expenses also includes depreciation and amortization costs, and the method of depreciation and amortization and service life comply with our financial accounting methods.

The results of our environmental accounting for 2009 are as follows. The total amount of investment was ¥1.34 billion (up ¥280 million year on year), while that of expenses was ¥0.81 billion (down ¥320 million year on year). The economic effect was ¥2.62 billion (up ¥2.38 billion year on year). The increased investment is due to the addition of energy-saving equipment for ships, including exhaust gas economizers, turbo generators and electronically controlled engines. Expenses decreased because of the decreased cost from such equipment. The significant increase in the amount of economic effect is attributed to the inclusion of reduced fuel consumption enabled by the exhaust gas economizers.

Costs for Environmental Preservation

(thousand yen)

Category	Details of Main Measures	Investment	Expenses
① Costs directly related to shipping and logistics business			
1. Costs for preventing pollution	Prevention of air pollution	8,000	77,165
	Cost for treating drainage water used for cleaning containers	—	377
2. Costs for preserving the global environment	Prevention of global warming and energy conservation	893,020	309,571
	Prevention of marine pollution	219,670	104,073
3. Costs for recycling resources	Resource-saving	219,000	95,191
	Costs for recycling industrial waste	—	38,047
	Costs for treating industrial waste	—	111,401
② Upstream and downstream costs			
③ Management costs			
1. Maintaining and operating EMS	Cost for maintaining EMS	—	58,256
2. Disclosure of environmental information, environmental advertising	Costs for publishing <i>Social and Environmental Report</i> , etc.	—	12,254
Total		1,339,690	807,088

Environmental Preservation Effects

Effect Details	Effect Indexes	Index Values			
		2009	2008	Effect	
Effects corresponding to costs directly related to shipping and logistics business	① Effects concerning resources invested on business activities	Input of energy			
		Fuel oil (gram/ton-km)	0.91	1.21	-0.30
		Lubricating oil (ml/ton-km)	0.011	0.014	-0.003
	② Effects concerning environmental burdens and waste generated by business activities	Atmospheric emissions, etc.			
		CO ₂ (gram-CO ₂ /ton-km)	3.2	3.8	-0.60
		SO _x (gram-SO _x /ton-km)	0.057	0.066	-0.01
		NO _x (gram-NO _x /ton-km)	0.088	0.113	-0.03
		Waste generation, etc.			
		Bilge (m ³ /ship-month)	21.8	29.3	-7.5
		Sludge (m ³ /ship-month)	11.1	13.4	-2.3
Garbage onboard (m ³ /ship-month)	4.8	5.3	-0.5		

Economic Effects of Environmental Measures (substantial effects)

(thousand yen)

Amount	Costs saved	
Costs saved	Energy cost savings by use of energy-saving equipment	2,524,898
	Energy cost savings by reducing sailing speed off Long Beach	51,445
	Energy cost savings by reducing sailing speed in Ise and Mikawa Bay	7,502
	Energy cost savings by cold ironing	32,929
Total	2,616,774	

Human Resources Data

• This section concerns Kawasaki Kisen Kaisha, Ltd. and its employees.

Number of Employees (as of the end of each fiscal year)

(people)

	FY2005		FY2006		FY2007		FY2008		FY2009	
	Onshore	Seafarer								
Male	298	161	304	156	317	166	308	182	322	186
Female	101	0	109	1	115	2	109	3	111	4
Total	399	161	413	157	432	168	417	185	433	190

Number of New Employees

(people)

	FY2005		FY2006		FY2007		FY2008		FY2009	
	Onshore	Seafarer								
Male	24	12	34	16	30	17	17	21	13	19
Female	3	0	7	1	5	1	10	1	7	1
Total	27	12	41	17	35	18	27	22	20	20

Average Length of Service (as of the end of each fiscal year)

(year)

	FY2005	FY2006	FY2007	FY2008	FY2009
Comprehensive work onshore	14.6	13.2	13.9	13.7	13.9
Clerical work onshore	16.0	16.3	20.1	20.8	21.2
Seafarer	15.5	13.5	13.8	15.0	11.5

Turnover Rate of Employees 30 or Younger

(%)

FY2005		FY2006		FY2007		FY2008		FY2009	
Onshore	Seafarer								
6.40	0.36	1.52	0.73	1.43	0.35	2.04	0.34	1.42	0

* Turnover rate of employees 30 or younger = (Number of employees departing the company at 30 or younger) ÷ (Number of employees 30 or younger engaging in comprehensive or clerical work)

Number of Employees Taking Childcare Leave

(people)

	FY2005		FY2006		FY2007		FY2008		FY2009	
	Onshore	Seafarer								
Male	0	0	1	1	0	0	0	0	0	1
Female	1	0	6	0	1	0	2	0	4	0

Percentage of Eligible Female Employees Taking Childcare Leave

(%)

FY2005		FY2006		FY2007		FY2008		FY2009	
Onshore	Seafarer								
100	—	100	—	100	—	100	—	100	—

* Percentage = Number of female employees taking childcare leave ÷ Number of female employees giving birth

Number of Employees Using the Shorter-Working-Hour Program

(people)

	FY2005		FY2006		FY2007		FY2008		FY2009	
	Onshore	Seafarer								
Male	0	0	0	0	0	0	0	0	0	0
Female	0	0	0	0	0	0	4	0	1	0

Number of Employees Taking Nursing Care Leave

(people)

	FY2005		FY2006		FY2007		FY2008		FY2009	
	Onshore	Seafarer								
Male	0	0	0	0	0	0	0	0	0	1
Female	0	0	0	0	0	0	0	0	0	0

Rate of Employment of Persons with Disabilities (as of the end of each fiscal year)

(%)

FY2005	FY2006	FY2007	FY2008	FY2009
2.23	2.69	2.56	2.05	2.12

* Regarding the rate of employment of persons with disabilities, we comply with the provisions of the Act on Employment Promotion etc. of Persons with Disabilities. Accordingly, we applied an exclusion rate of 90% in calculating the rate for crew members (excluding those working onshore).

Number of Retired Employees Reemployed by the Company (as of the end of each fiscal year)

(people)

FY2005	FY2006	FY2007	FY2008	FY2009
14	21	26	33	35

Number of Industrial Accidents

FY2005		FY2006		FY2007		FY2008		FY2009	
Onshore	Seafarer								
0	0	0	0	0	0	0	0	0	0

* Accidents during commuting are excluded.

Results of Questionnaire on *Social and Environmental Report 2009*

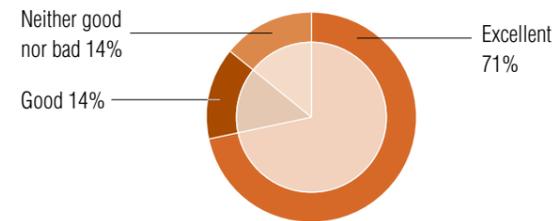
We are grateful for your answers to the questionnaire on *Social and Environmental Report 2009*.

With your comments as a basis, we will strive to expand our CSR activities, report on the details and improve the report's readability and understandability.

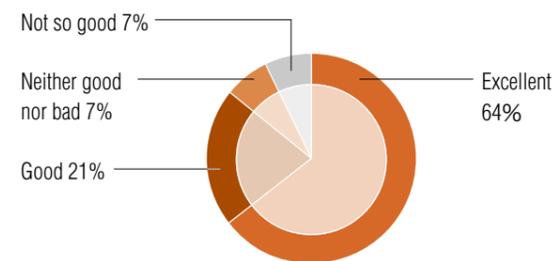
Note: Values in the graphs may not total 100% because numbers are rounded.

Q1 What is your opinion about the contents of this report?

① Entire content



② Design (layout, photos, graphs, etc.)



Q3 Which items in this report did you find impressive? Choose from the following.

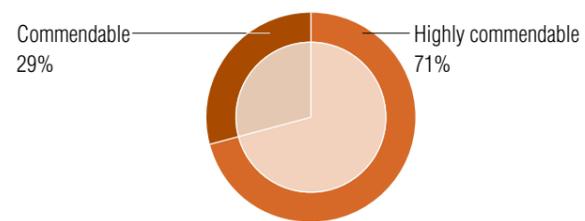
Items that respondents found interesting

- Measures Onboard for Environmental Preservation
- Shipping Operations and their Impact on the Environment
- Environmental Management Program for FY2009
- Measures at Terminals for Preserving the Environment
- Environmental Targets in FY2008 and Status of our Achievement
- Message from the President
- SPECIAL FEATURE 1: Celebrating our 90th Anniversary
- Acting as a Responsible Member of Society

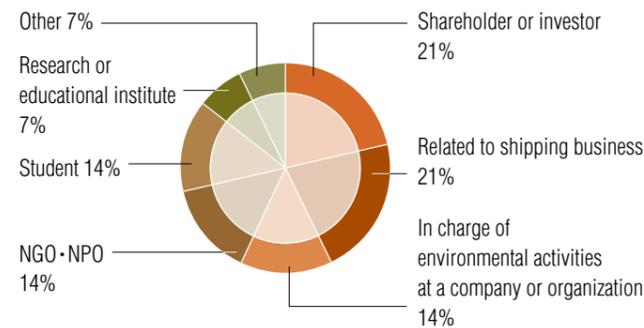
Items found to have insufficient content

- Green Accounting, Environmental Management Network
- Glossary
- Medium-Term Management Plan "K" LINE Vision 100
- Corporate Governance and Risk Management
- Aiming at Better Relationship with Society

Q2 What is your opinion about the environmental measures of the "K" Line Group?



Q4 Which of the following applies to your position?



Q5 Please share with us any other comments or opinions.

Main comments and opinions from respondents

- Take further risk management measures.
- Make further reforms and improvement efforts, despite the economic crisis.
- Your efforts against greenhouse gas emissions at sea were informative.
- You should try to use shore electricity for ships berthed in Japan as well.
- Do the "K" marks on your chimneys symbolize your environmental friendliness as well?
- I hope you'll continue to improve your work.

Third-Party View



Yoshinao Kozuma

Professor, Faculty of Economics,
Sophia University, Japan

1. CSR Management that Respects Human Rights

The "K" Line Group's CSR management is characterized by its placing "human rights" as the first article of its Charter of Conduct for Group companies; a document that stipulates the principles of the Group's efforts to fulfill its social responsibilities. According to "K" Line's "Implementation Guideline for Charter of Conduct" (available on its website), it not only respects human rights and diversity, but also emphasizes a wide range of endeavors that includes eliminating discrimination based on nationality, gender, religion, social class or other status, prohibition of child labor and forced labor, prevention of harassment, work-life balance and establishment of fair working practices. The scope and specificity of the "K" Line Group measures are unparalleled.

Awareness of human rights is essential for a group of companies engaging in shipping and logistics on a global scale. Inclusion of this awareness in the Charter of Conduct verifies that the "K" Line Group is a highly globalized entity.

However, the Group has yet to overcome some issues. One example is the range of data on its performance. While the Group again sets "Unifying the management of Group policies on human rights /equal opportunity" as a target of its CSR activities, the subject of relevant personnel data is limited to the parent company, and measures of the entire Group remain unclear. The variety of personnel data has significantly expanded compared to last year, and this point needs to be addressed. I hope further improvement will be achieved by expanding the scope of the subjects.

Considering the existence of chartered ships and the large number of overseas bases, penetration and promotion of a human rights policy that covers the entire supply chain is also a future item for targeting in the CSR agenda.

2. Emphasizing Human Resources

In addition to safety in navigation and cargo operations and environmental preservation which is essential for the shipping business, the "K" Line

Group emphasizes human resource development as a priority issue for CSR management. The Group should earn high marks for how its considerations taken toward employees are reflected not only in developing human resources but also in measures that support disadvantaged people within the organization. Highly impressive examples of the Group's application of labor policies considerate of working people include childcare and nursing care leave programs that exceed legal standards for duration and the newly introduced loan program for employees on leave. This ethic is also reflected in the disclosure of a wide variety of human resources data, including employees' turnover rates and gender, and in the extensive explanations provided in the notes.

3. Shipping Operations' Role in Climate Change

The direct product of the shipping industry is transportation by ships. As a means of low-carbon transportation, ships play a key role in a related modal shift. For further reduction of ship-operation-related factors that contribute to climate change, the "K" Line Group has been renovating its facilities and equipment, changing their specifications and reviewing the way it operates its ships for a more ecologically friendly approach to sailing. In FY2009, however, the Group's carbon dioxide (CO₂) emissions per sale increased significantly, a reflection of the poor sales results. Though the result shows that the Group has so far achieved its medium-term target of, by the mid-2010s, cutting CO₂ emissions by 10% per ton-mile compared to 2006, this is possibly due to decreased cargo shipments caused by dramatic changes in the economic climate. The Group therefore needs to continue monitoring reductions and make further efforts to diminish the role of its shipping operations in climate change.

4. Contribution to Local Communities

At the "K" Line Group, achieving mutual benefits with society is a basic principle of social contribution activities. Measures actually taken by the Group have far exceeded social contribution and developed into support activities for local communities around the world. Of particular note, local subsidiaries of the Group in Southeast Asia have been providing increasing numbers of scholarships and internship programs, thereby supporting development of local human resources. Such CSR activities also contribute to the Group's business activities as developed human resources are employed by Group companies.

The "K" Line Group's proactive attitude toward contributing to overseas local communities is commonly seen in all the social contribution activities to which it applies its expertise, such as support for disaster-hit areas and ocean transport of relief supplies. I hope the Group will retain this attitude as it moves forward.

Reply to the Third-Party View

I would like to thank Professor Kozuma for his valuable perspective.

The shipping business involves a variety of risks. These include marine casualty which can threaten human lives and the safety of cargo and ships, and subsequent environmental destruction. In addition, operation of ships itself causes an environmental burden. Therefore we at the "K" Line Group place top priority on safety in navigation and cargo operations, and in environmental preservation. A variety of initiatives we have taken are also based on our recognition that our own sustainable growth is impossible without the support of society.

Among the issues Professor Kozuma noted, we have renewed our awareness that the range of data on our performance and measures for the entire supply chain are important issues that need addressing in the future.

We were highly regarded for our emphasis on human resources and contribution to local communities, which all of us at the "K" Line Group find encouraging. We are determined to continue our steady efforts.



Takashi Torizumi

Director, Managing Executive
Officer in charge of CSR &
Compliance

Hibiya Central Building,
2-9, Nishi-Shinbashi 1-chome, Minato-ku,
Tokyo 105-8421, Japan

Enquiries:

CSR & Compliance Division, General Affairs Group

Phone: (+81) 3-3595-5152

E-mail: kljtyocsrd@jp.kline.com

Environment Management Division

Phone: (+81) 3-3595-5667

E-mail: kljtyoemd@jp.kline.com

We also provide extensive information on our website:

http://www.kline.co.jp/index_e.html

In addition to this Report, we regularly publish the following materials:

- Corporate Profile (Japanese/English)
- Annual Review (Japanese), Annual Report (English), published annually
- Company Newsletters (Japanese/English), published monthly (bimonthly in English)