

"K" Line Group

Social and Environmental Report

2012

*Toward Synergy for All and
Sustainable Growth*



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:

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

Vision

- To be trusted and supported by customers in all corners of the world while being able to continue to grow globally with sustainability.
- 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.
- 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.

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). The "K" Line Group first published the "Environmental Report" in 2002, and expanded its scope in 2004 to a "Social and Environmental Report." Since then, we have continued each year to further enhance the contents of the report. The Social and Environmental Report 2012 was edited with particular attention given to the following:

• Focus on the development of human resources

The focus of this report was on developing seafarers and onshore workers. To increase our value as a shipping line conducting business globally, it is essential for us to develop all types of human resources who can be active in the global field and foster the "K" Line spirit. We therefore include the opinions of our employees when presenting each of our initiatives carried out in FY2011 on shore and at sea.

• Disclosing information on our website

We attach  marks to information not covered in this report due to the page limit to let readers know where they can find it on our website. In FY2011, we revamped the website to increase the visibility of information and enhance reported content.

Period Covered

Fiscal Year 2011 (April 1, 2011 – March 31, 2012)

The report also includes details of some activities undertaken after the above period. Data for the environmental report is 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

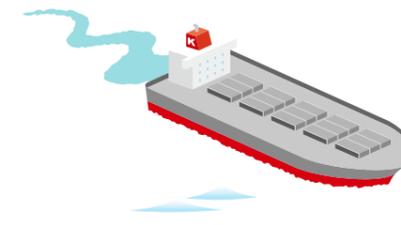
Sustainability Reporting Guidelines, Version 3.1, Global Reporting Initiative (GRI) (The GRI Content Index is shown in our website.)

Environmental Reporting Guidelines 2012 and Environmental Accounting Guidelines 2005, The Ministry of the Environment of Japan

Date of Issue

August 2012 (The previous report was issued in August 2011, and the next report is scheduled to be issued in August 2013).

 See our website for details of our consolidated subsidiaries and affiliates.
About Us >>> Global Network



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FY2011 in Hindsight and Review of our Medium-term Management Plan

“K” LINE Vision 100 : Bridge to the Future

In FY2011, our “K” Line Group’s core ocean transport business was exposed to extremely difficult operating conditions. Numerous adverse factors, including Europe’s financial crisis, the slow economic recovery in the United States, the surge in fuel oil prices and the value of the yen, and large-scale natural disasters such as the Great East Japan Earthquake and floods in Thailand, directly and indirectly impacted our business. As a result, our operating performance suffered a considerable decline in FY2011.

In April 2011, we established a medium-term management plan titled ““K” LINE Vision 100 – New Challenges” to respond to structural market changes and future growth in demand. However, despite our efforts to pursue business activities in line with the plan, we posted a loss in FY2011 due to the aggravated business conditions as mentioned above. Therefore, we reviewed and revised the plan and presented ““K” LINE Vision 100 : Bridge to the Future” in April 2012, a new medium-term management plan that places specific focus on three priority issues: returning to profitability in FY2012, building a stable earnings structure, and strengthening our financial standing. The new plan also embraces the Five Missions that have been part of our medium-term management

plans since the formulation of the original “K” LINE Vision 100 in April 2008: (i) activities to promote environmental protection, (ii) established safe ship operation and management structure, (iii) borderless management through the best and strongest organization, (iv) proper allocation of strategic investment and management resources and (v) improvement and strengthening of corporate value and complete risk management. By pursuing these missions, we are making Group-wide efforts to achieve our principle theme of “Synergy for All and Sustainable Growth.”

Social Responsibility of the “K” Line Group

Strong corporate governance and thorough compliance are business foundations indispensable to any company’s goal of achieving sustainable growth in concert with society. Based on this awareness, we will, as we have always done, strive to respond to our stakeholders’ expectations by practicing sound, transparent corporate management, and will continue to strengthen internal control systems and enforce thorough compliance to win their confidence.

Our Group’s most important social mission is to respond to customer needs and to safely and reliably transport their goods with due consideration to the environment. We operate with the

awareness that fulfilling this mission and contributing to enriching people’s lives are precisely the purpose of our CSR activities. At the same time, we are committed to fulfilling our mission from the three perspectives of “safe navigation and cargo operations”, “environmental preservation” and “human resource development”, as described below.

Safe Navigation and Cargo Operations

— Fundamental mission of our business

Safe navigation and cargo operations form the foundation of our business as a shipping company group. The key to ensuring safe navigation and cargo operations, we believe, is the steady accumulation of daily efforts to develop marine technical personnel, maintain and improve ship quality, and implement drills in preparation for emergencies. We are also reinforcing our fleet of ships against piracy, which is becoming a serious concern in the Gulf of Aden, the Indian Ocean, and along the western coast of Africa, and are calling on industrial organizations to urge governments of countries concerned and international organizations to make stronger initiatives toward piracy eradication.

Environmental Preservation

— Ensuring compliance with environmental regulations

As an operator of ships around the world, we realize that our business activities place a certain measure of impact on the environment. We are also aware that we have a social responsibility to help preserve the environment, and thus we promote active initiatives to reduce environmental impact. These initiatives include the establishment of CO₂ emissions reduction targets per ton-mile basis¹, introduction of leading-edge equipment and facilities in advance of the effectuation of the International Convention for the Control and Management of Ships’ Ballast Water and Sediments (Ballast Water Management Convention) by the International Maritime Organization (IMO), efforts for energy-saving navigation, and research and development into Gas-fuelled ships.

¹ **Ton-mile basis:** Per ton-mile basis is an index for transporting one ton of cargo one nautical mile (1,852 meters).

Human Resource Development

— Creating workplaces that maximize employees’ potential

Human resources are our most valuable asset to “K” Line Group. We know that no matter how lofty a company’s philosophy or how new its facilities, it cannot measure up to the expectations of its

business partners and stakeholders or win the confidence of society unless its employees engage in their respective duties with competent skills and high awareness. Therefore, we try to create a safe and comfortable work environment that respects diversity, so that each and every one of our employees can exert their full potential. We also provide various training programs that help employees improve their skills and heighten CSR awareness.

Our Response to the Great East Japan Earthquake

More than a year has passed since the Great East Japan Earthquake, but several more years are said to be needed for recovery and reconstruction from the catastrophic damage in the affected regions. For our part, we have sought to fulfill our obligations as a good corporate citizen not only by offering financial aid, but also by engaging in reconstruction assistance activities through the use of our management resources as a shipping company group. For example, we transported basic relief supplies and construction materials for temporary housing to the affected regions by sea, and provided reefer containers to the fishery industries in support of their reconstruction efforts. We also established a volunteer leave system, through which many of our employees participated in volunteering activities. By constantly asking ourselves what we can do to help, we will continue to make tenacious efforts in implementing support activities that we hope would provide even a small measure of relief to all who were affected by the disaster.

Toward Sustainable Growth of Society and the “K” Line Group

As a key industry that supports comfortable lifestyles around the world, the ocean transport business has an extensive worldwide market ranging from advanced countries to emerging economies. This means our business is largely affected by changes in political, economic and social situations in countries and regions worldwide, not to mention natural disasters. At the same time, however, it also means our business activities have an impact on large numbers of people throughout the world. Based on this awareness, we will stay attuned to global situations to respond promptly to market trends, and will promote dialogue with business partners and other stakeholders so that we can understand their needs quickly and accurately. By doing so, we endeavor to meet our stakeholders’ expectations and to contribute to the sustainable growth of local and international communities as a good corporate citizen.

June 2012

Developing Seafarers and Onshore Workers for Greater Corporate Value

The "K" Line Group strives to develop personnel who can play an active role in the global field. We develop human resources through exhaustive training programs and career path plans to enable each and every employee to exercise the full extent of their capabilities.

Chapter. ① Development of Seafarers

Developing Maritime Technical Personnel who Excel in the Global Field

Establishment of a firm structure for managing the safety of ship navigation and cargo operation is positioned as a basic mission of the "K" Line Group. The "K" Line Maritime Academy (KLMA) was established to develop global maritime technical personnel and secure human resources to allow us to complete our mission to fully protect the human life, cargo and environment at sea while safely navigating and operating ships.



Formulating a KLMA Master Plan as the basic strategy

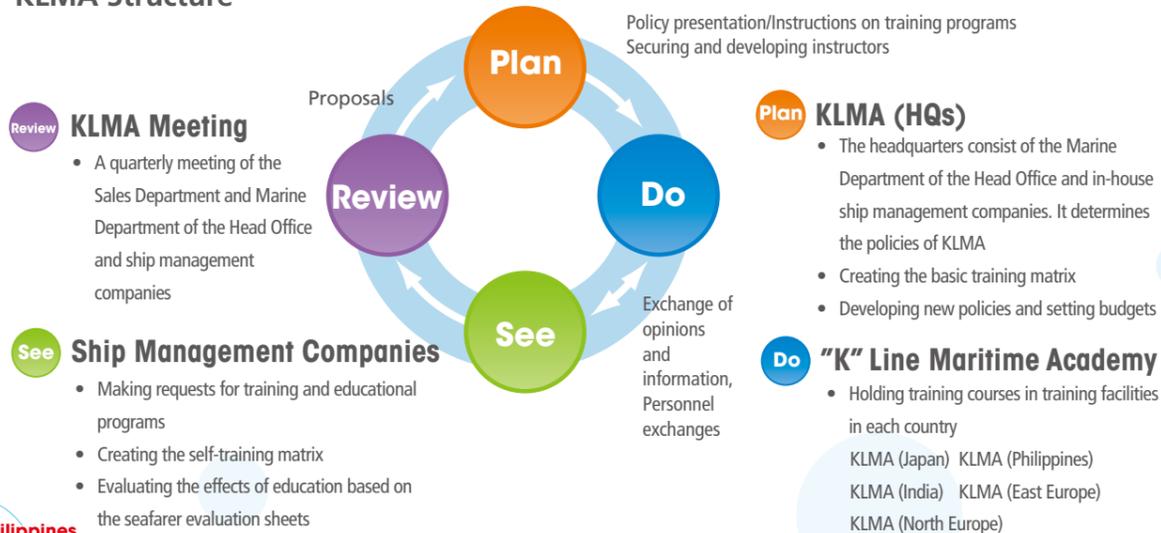
The KLMA has developed a KLMA Master Plan aimed at developing maritime technical personnel who are very familiar with the safety management system concerning safe navigation and cargo operations and environmental preservation, and who have specialized knowledge and skills related to all maritime activities. All maritime technical personnel working for the "K" Line Group take training courses based on these development programs, in which they acquire the knowledge and skills needed to advance their careers. The culture and customs of each country are valued to create a curriculum that suits the country's circumstances, thereby supporting the career advancement of maritime technical personnel in each country to enable them to work with pride and hope.

*Details on the safety management system are on page 19.

Main policies of the KLMA Master Plan

- ① Strengthen training for maritime technical personnel and improve training facilities
- ② Fully implement a system for training instructors who have obtained the "K" Line Standard (the safety management system of the ship management companies)
- ③ Provide fair career path plans
- ④ Standardize the Cadet Training Program to develop new graduate seafarer that have the "K" Line Standard
- ⑤ Establish an On-the-Job Training (OJT) system with training ships
- ⑥ Enhance the crew assessment system and increase proficiency based on individual assessments

KLMA Structure



Chapter. 1 Development of Seafarers

Creating a training system that matches the circumstances of each country

We are refining our onshore training facilities in order to implement the KLMA Master Plan in each country. We aim to raise the level of knowledge and skills of maritime technical personnel through Computer Based Training (CBT) and Main Diesel Engine Overhaul Training etc. at onshore training facilities. Training facilities in each country have the following features.

● **North Europe**

Training European crew. Education on LNG carriers, etc.

● **East Europe**

Training Bulgarian and Ukrainian crew. Education on car carriers, etc.



Training Japanese crew. Fostering senior officer of any nationality for ships transporting dangerous goods.

● **Japan**



● **India**

Training Indian and Bangladeshi crew. Education on ships transporting dangerous goods, etc.

● **Philippines**

Training Filipino crew. Fostering engineers of any nationality.



Training ship

Use of training ships

We strive to develop work-ready personnel through OJT using training ships.

Senior officer training

We aim to have senior officer cadets efficiently learn our company's safety standards. We provide them with actual onboard training in addition to onshore training at the KLMA.

Junior officer training

We have created a framework for accepting junior officers (junior third officers and engineers) in order to continuously and stably secure and develop ship's officers according to a long-term seafarer development plan.

Onboard training with training ships

In order to fulfill requirements for onboard experience to obtain a seaman's competency certificate, we accept students entrusted by educational institutions and give them onboard training using our training ships.

Developing maritime professionals

We undertake initiatives to develop maritime professionals based on career path plans.



We conduct original selection examinations for each country and employ only the top students. After they are hired, they participate in a cadet training program that includes pre-boarding education and onboard education. After disembarking, they participate in a review training course at their country's KLMA.

The cadet and junior officer term is considered a training period during which they are trained to become senior officers after completing education such as onboard training from senior officers and self-study by CBT.

We assist staff in advancing from junior to senior officer. We further increase the knowledge and skills of junior officers and provide self-development training required for a ship manager.

Maritime technical personnel with vast knowledge and experience are provided with wide fields of activities both on board and on shore.

- Captains, chief engineers
- Superintendents of ship management companies
- KLMA instructors
- Onboard instructors
- Ship inspectors, sales support maritime technical personnel, crew managers, port captains for each port and so forth

Voice

Through KLMA initiatives

I participated in a main diesel engine overhaul training course at the KLMA (Philippines). In addition to lectures, we also had to overhaul an actual main diesel engine inside the training facilities with our own hands. We received thorough lessons on the detailed structure of the main diesel engine, maintenance procedures and safety precautions while working hands-on with it, enabling us to carry out swift and safe operations when actually working on board. The knowledge and techniques we acquired through the various KLMA activities improve the skills of inexperienced workers like ourselves and give us the confidence needed to carry out actual operations on board. I am striving to further advance my career in order to become a maritime technical worker who can safely and reliably navigate ships and carry out cargo operations.

Shunsuke Yamaguchi, First Engineer



Antonio Abucejo Jr.
Marine Superintendent Team,
LNG Carrier Group
"K" Line Ship Management Co., Ltd.

Training that matches the needs of maritime technical personnel

The KLMA has been providing quality & efficient training for all seafarers regardless of nationality. Presently, the IMO as a governing body is implementing new regulations/training that will suit the changes & needs of the maritime industry. KLMA's response to these challenges has been excellent & so far the training needs of seafarers have been met. I can attest to these statements because I have experienced being a trainee several times in the past. During these experiences at KLMA, I have gained more knowledge & skills than I expected. One of the main advantages of KLMA is that it is specifically built for K Line vessels. In fact, I remember taking the LNG cargo handling simulator course and the whole simulator resembles exactly what is onboard. Honestly, what I learned made me comfortable, considering that I was then joining the LNG carrier for the first time. Most of the instructors I know personally and I admire their hard work & creativity. The training methods not only deal with the theoretical side but also the actual application of day-to-day jobs. Taking KLMA courses is not just completing the course & getting the certificates, it's getting oneself the necessary knowledge & skills, then applying them on board for self-improvement and sound pre-boarding preparation.

Message

Building a foundation of safe navigation and cargo operations

Maritime technical personnel in the "K" Line Group take the ship customs that have been continuously passed down through the years since the Age of Exploration and the techniques and knowledge the "K" Line Group has amassed over the years and pass them on to the next generation. In addition, we also strive to undertake safe navigation and cargo operations both day and night by complying with new international conventions and adopting and fully implementing the latest technologies that are continuously being developed. By connecting theory to knowledge and experience amassed in service, repeated practice and occasionally revising methods, all personnel, regardless of age, sex or nationality, are trained to be able to steadily acquire and improve technological capabilities as well as respond to threats that may arise from nature from time to time. Based on this philosophy, the KLMA strives to develop maritime technical personnel who will become the foundation for achieving safe navigation and cargo operations and to further increase their technical competence.

Gakuro Hosomi, Manager, Seafarers Policy Team, Marine Human Resources Group





Chapter. 2 Development of Onshore Workers

Developing Human Resources for the Global Stage

In a business environment that is greatly impacted by world economic trends, we strive to develop change leaders who are sensitive to the winds of change and can spark reform, and global leaders who can play an active role in the larger world. We train onshore workers with a mix of Off-JT (including job class-specific training) and OJT. "K" Line University training sessions, moreover, develop not just employees at our Head Office but human resources from Group companies around the world.

"K" Line University (KLU)

Without the efforts of our local staff throughout the world, we could not run the global business we have. The aim of "K" Line University is to help participants value the cross-border, lateral relationships we have in the "K" Line Group, learn about our business in countries besides their own and better understand the business of the Group as a whole.

Sessions held once a year in Tokyo, London and Richmond (Virginia, USA)

"K" Line University brings national staff from our overseas affiliates and agents around the world together in one place. There, they gain a common vision, come to understand other cultures and strengthen connections.

The Tokyo campus session begins with a talk by the President, after which Executive Officers for the different sales departments give

overviews of the businesses that the Group pursues. Participants get the big picture of the Group and leave with a sense of being part of the "K" Line family. Back home, they provide leadership. This is an opportunity for staff from nearly 20 countries to come together and form cross-boundary connections with other Group employees. In FY2011 we enriched the program with a new experiment at the Tokyo campus, where Head Office and Japanese Group company employees took part in group work.

First Day



Q&A session after the President's talk



Second Day



Executive officers explain "K" Line businesses.



Third Day



Tour of "K" Line Tokyo Container Terminal



Fourth Day



Four-day training ends with promises to build bonds with colleagues around the world.



Voice



"K" Line really is strong enough to keep taking challenges

When I received the call last summer asking if I was available to go Tokyo for KLU 2011, I was super excited! We learned so much about "K" Line in the various presentations we listened to. Even though our company is going through another tough year, there is a lot of confidence and we are working on many projects to keep our company strong this year and for many years to come. I also learned a lot about Japanese culture and most of all made a lot of new friends from Tokyo and all over the world. Thinking about this trip will always bring back a lot of great memories!

Wilma McCord, "K" Line America, Inc.

Interacting with global staff leads to new discoveries

I was so happy to meet staff from overseas agents that I'd always communicated with by e-mail. I had hardly ever met anyone from places like South Africa or Chile before, but here I had a chance. I enjoyed learning about the viewpoints and ways of thinking of people of different nationalities. I also learned quite a bit about "K" Line businesses other than the one that I always work with (the container services). There was some group work where we considered Japanese people and culture. I picked up some good hints here for communicating with overseas people in the future.



Manabu Nikaido, Hokkai Transportation Co., Ltd.



Voice



Learning the "harmony" of Japanese culture

One of KLU Tokyo Campus's main objectives was 'To enhance corporate consciousness of all members of the "K" Line Family and share our direction for each business sector.' This was achieved mainly through the cultural exchange program with our Japanese and global colleagues during our informal discussion and group work session. One of the most important things learnt was on the heritage and culture that possibly made Japan one of the top 3 economies in the world now. The practice of 'Wa' or 'Harmony' in Japanese society helps me to understand the character of our colleagues. This also helps to maintain relationships with our business partners.

Ivan Ho, "K" Line (Singapore) Pte Ltd

Aiming for common goals

During groupwork activities, we learnt about Japanese culture, which helped me understand why "K" Line is so successful today. During the current challenging economic climate, "K" Line continues to keep positive; however we will be a much stronger company thanks to not only the diversity of the "K" Line group but perhaps more importantly, the great people that "K" Line has working for it all over the world. I believe the "K" Line family is a very strong, tight-knit unit where there is great existence of "wa" (harmony) and synergy to ensure we are all heading towards a common goal.

I will certainly be relaying my learnings with my fellow staff and also relaying the "K" Line brand & vision with key customers too. I have absolutely no doubt that "K" Line will achieve great success in its quest to be "ichiban" and I look forward to making my contribution towards this!

Rory Chandler, "K" Line (Australia) Pty. Limited





Human resources development system

We believe that on-the-job training (OJT) is the foundation of human resources development, and that off-the-job training (Off-JT) including job class-specific training, enhances the growth achieved on the job and raises awareness about it.

We send third- and fourth-year employees to work overseas for a time so that they can become independent and active in a global context while still young.

From foundation-building training to establishing a management style

"K" Line aims to be a "learning organization." We promote a culture of learning and teaching, and each year we spell out the competence we expect of our employees. Our human resources training takes place within a personnel system designed so that each employee has a clear sense of his or her own growth. The first five years of employment in particular are a time to build a foundation, so the focus is on refining mind and skills as a "K" Line member. Starting in the eighth year, training has a management focus. Trainees learn to involve those around them and get an early start on establishing a management style. This helps them learn to demonstrate their abilities in any environment around the world.



OJT and Off-JT are building blocks of human resources development

Our trainer system is one of the unique features of "K" Line OJT. Each new employee is matched with a trainer, a staff member with seniority. The trainer mentors the new employee for a year following a development plan established at the start. Off-JT is given at our training center in Machida. Employees in their first through fifth year, eighth year and eleventh year attend residential training there. We also send young employees to overseas posts so they get a sense of local conditions early and form a global mindset. Other training is provided for workers in a wide range of ranks, such as management training, clerical worker training, language study abroad (in China), and internal English/Chinese conversation training. We are also expanding our distance learning for personal development and creating learning opportunities Group-wide.



FY2012 Training System

Year	Job class-specific training (group training)	Specialized skill training	Language training		"K" Line University	Personal development	Onboard training
1	New employee follow-up	Overview of work of company departments/basic shipping knowledge	English/Chinese conversation training	Study abroad (China) 1 year	One-week training once a year in Tokyo, London or Richmond (Virginia, USA)	Distance learning	Within first 10 years
2	Communication management						
3	Self-performance management	Maritime law, financial statements, shipping business income and outgo					
4	Logical thinking						
5	Self-performance management (advanced)						
8	Pre-management training						
10							
11	Management training						
12~16							
17	Team management						
21		Seminar by outside lecturer					
27							
			Training in Japan		Training outside Japan	Other	



Voice



Experiencing world logistics as a young person

The real thrill of an overseas posting is that you are put in charge of much bigger assignments than you would in Japan. It is a lot of pressure, but when you see how each action you take affects business, it is a real motivator. India in particular is one of the world's largest growth markets, and projects there are all for 10 or 20 years. I have only been part of the "K" Line Group for six years, and it is exciting to think that my day-to-day efforts are for a business that will run till I'm 40 or 50. I have a sense of how goods are moving throughout the world, and I think this is such a dynamic, subtle and interesting line of work.

Makoto Aoki, 'K' LINE (INDIA) PRIVATE LIMITED

Local staff helped me navigate my job in a land with a different language and culture

My overseas assignment started in my third year. My first reaction to this sudden appointment was mainly a sense of anxiety, but now I'm able to give it my all every day with help from superiors, seniors and staff. People have the impression that those posted overseas are all in management, but since I've only been with the company a few years, I do exactly the same work in the office as other staff. Actually, mostly what I'm doing is learning. I'm hopeful that by getting more knowledge and experience I'll be able to do my work with my point of view as an overseas appointee and the perspective of the local staff.

Yuka Izumi, "K" Line (Europe) Limited



Message

A better environment and training program for employee growth

The situation facing the shipping industry changes day to day. We are trying to develop personnel who can track these changes accurately and play an active role in this vast world market. We need to provide an environment in which each employee grows as they deal with all types of information from around the world on the job each day. "K" Line's human resources development is based on the principle that people grow through a combination of awareness-raising during Off-JT (such as group training) and daily OJT with their superiors and trainers. Our system particularly provides enriched training for young and mid-career employees in their first 10 years. We are also improving the program for management, which until now had fewer opportunities for group training than younger members have enjoyed. These include group trainings for General Managers and Managers and elective training that is open to employees with very different career lengths at "K" Line so far.



Takashi Oshima, Manager, Human Resources Development Team, Human Resources Group



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 are taking a number of steps in accordance with our Charter of Conduct for "K" Line Group Companies, to meet the expectations of stakeholders all over the world.

Objective and Mission of Our CSR Activities

At the "K" Line Group, the objective of our CSR activities is to embody our Corporate Principles. We recognize that the concept of CSR comprises two elements: a company's social responsibility and its social contributions. 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 operation and environmental preservation.
- **Social Contribution:**
We contribute to society through the business activities of our Group and proactively as a good corporate citizen.

We have adopted the following Charter of Conduct for "K" Line Group Companies as standards of behavior for the entire Group.

Also, each one of our Group companies has established its own Implementation Guideline for the Charter of Conduct. The Guideline stipulates specific actions each company should take, in accordance with the legal system of the country where it is located, as well as the type and area of its business.

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.

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 companies 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 Implementation Guideline for Charter of Conduct of Kawasaki Kisen Kaisha, Ltd. is disclosed on its website. CSR >>> "K" Line Group's CSR Activities >>> Charter of Conduct

CSR Promotion System

We have set up the CSR & Environmental Committee, which is chaired by the president or an executive officer designated by the president. This Committee discusses and develops systems for promoting the CSR activities of the "K" Line Group and takes responsibility for operating the "Environmental Management System" developed pursuant to the "K" Line Group's Environmental Charter. Under this Committee we have set up two sub-committees: the CSR Sub-Committee and the Environmental Sub-Committee. The CSR & Compliance Division of the General Affairs Group, which serves as a secretariat of the CSR & Environmental Committee, promotes CSR activities as a group by working together with the Environment Management Division and other divisions of the company, as well as with all Group companies through the CSR Promotion Network that encompasses all Group companies.

CSR Promotion System



Relationship with Our Stakeholders

The businesses of the "K" Line Group operate on a global scale and are based on its relationship with an array of people, including shareholders, customers, suppliers, and people in local communities. Through our shipping business, we are striving to fulfill our corporate social responsibility to share prosperity and synergy with our communities.

Stakeholders	Basic Policy	Main Opportunities to Communicate with Stakeholder (FY2011 Results)
Customers	We do our best to respond to customer needs by developing systems for ensuring timely shipping and striving to provide our customers with a wide range of information. We will improve the quality of our services by maintaining safe navigation and cargo operations to transport the cargo entrusted to us by our customers safely and surely.	<ul style="list-style-type: none"> • We strive to improve the quality of our containership services through Regular Performance Review Meetings with multiple customers in a number of industries. In particular, our main challenge is to reduce transportation costs while considering environmental needs, for example by promoting the use of a coastal shipping network and inland depots to reduce usage of trucks for transportation, thereby reducing CO₂ emissions. • In the car carrier fields, we aim to improve the quality of transportation services by introducing a wide range of case examples from the perspective of safe navigation and damage prevention to cargo in Regular Performance Review Meetings with multiple key customers and discussions with relevant ship owners and ship management companies.
Shareholders and Investors	We have adopted an IR policy designed to meet the expectations of our shareholders and investors. Under this 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 briefings of every kind, for example.	<ul style="list-style-type: none"> • Meetings with corporate investors and financial analysts (300 meetings in Japan and 10 overseas) • Explanatory meeting for private investors (3 meetings in Japan) • Facility tours (4 tours in Japan and 1 overseas) * March, July, September: OHI container terminal January: Training center in Machida April: Singapore
Business Partners	We do business based on our Purchasing Policies. These policies are written to ensure compliance and are aimed at maintaining fair and constructive relationships with our business partners. We thus strive to build trust with our business partners and coexist with them as good partners.	<ul style="list-style-type: none"> • Technology exchanges with ship builders and ship equipment manufacturers (6 times) • Technology exchanges with the classification society (1 time) • Roundtable conference of managers (2 times) • Meetings to exchange opinions with ship management companies (Specification Coordination Meeting) (4 times)
Staff Members	We respect the basic human rights of our employees and develop training programs to maximize the ability of each. We also strive to enhance benefit programs and improve working environments to enable each employee to work vigorously and with a sense of safety.	<ul style="list-style-type: none"> • Job class-specific training (12 times) • Terminal and ship tours for families of employees (2 times) • Roundtable conference between the president and employees (3 times)
Local Community Global Society	We contribute to society as a good corporate citizen and work with people around the world toward development.	<ul style="list-style-type: none"> • Provision of free ocean transportation services Disaster relief supplies, books for South Africa • 91 wheelchairs for the Japanese Peruvian Association, etc. • Donation of relief money (2 times) Thailand floods (October) The Mindanao typhoon in the Philippines (December)

Details of awards we received from our customers are available on our website. CSR >>> With Our Stakeholders >>> With Our Customers

See our Purchase Policies on our website. CSR >>> With Our Stakeholders >>> With Our Business Partners

Fiscal Year 2011 CSR Highlights and Fiscal Year 2012 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 FY2011 and objectives for FY2012 are as follows:

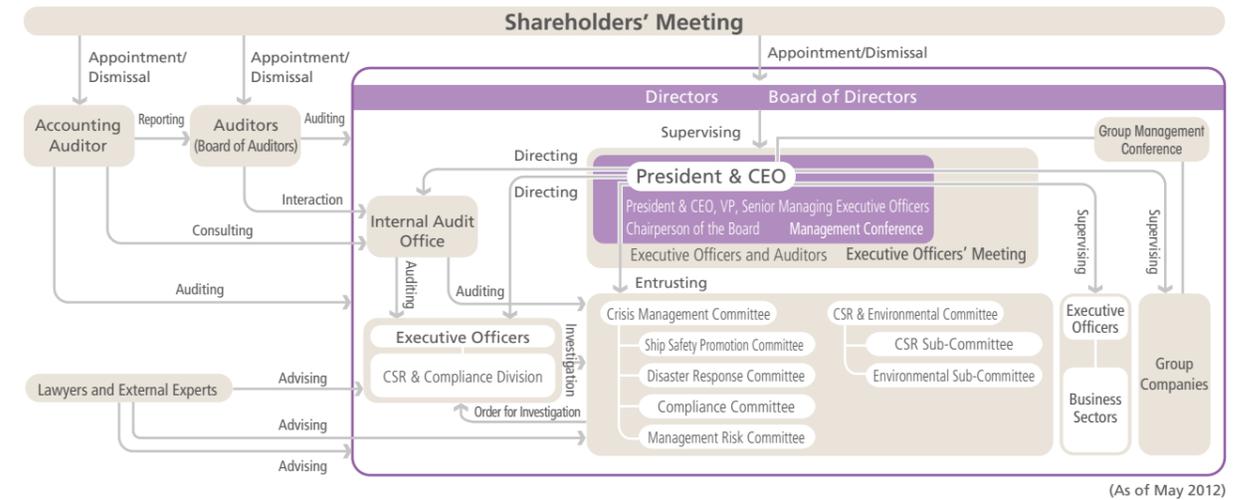
Field	Targets	FY2011 Objectives	Status of Achievements	FY2012 Objectives
Corporate Ethics and Compliance	<ul style="list-style-type: none"> Providing education and training in CSR and compliance issues 	<ul style="list-style-type: none"> Promoting education and awareness-raising activities within the "K" Line Group on compliance risks Conducting follow-up activities on the European Union Competition Law, etc. Providing e-learning on compliance and CSR 	<ul style="list-style-type: none"> Provided group training on insider trading (December) Held a compliance seminar for "K" Line General Managers and above and the management of domestic Group companies (February) Continued holding a seminar on European Union Competition Law (November) Created a Competition Law manual and distributed it to our company and Group companies in Japan and overseas (September in Japan, December overseas) Provided e-learning on the Competition Law for our company and Group companies in Japan and overseas (November - February) 	<ul style="list-style-type: none"> Promoting education and awareness-raising activities within the "K" Line Group on compliance risks Conducting follow-up activities on the UK Bribery Act, etc. Providing e-learning on compliance and CSR
Information Disclosure	<ul style="list-style-type: none"> Improving the Social and Environmental Report Planning the renewal of webpages (related to CSR and the environment) 	<ul style="list-style-type: none"> Creating a more reader-friendly Social and Environmental Report Renewing the webpages 	<ul style="list-style-type: none"> Reviewed the structure of the report and included highlight articles under the four themes of safe navigation and cargo operations, environmental preservation, work environment and social contribution from the point of view of responsibility as a Shipping Line Renewed the entire website (October) 	<ul style="list-style-type: none"> Further enhancing the contents by reviewing the structure Enhancing the information posted on the website
Human Rights and Work Environments	<ul style="list-style-type: none"> Employing diverse human resources proactively and promoting equality in career opportunities as a business organization that respects human rights 	<ul style="list-style-type: none"> Providing training on the latest trends in human rights and improvement of the work environment for HR personnel, including those from Group companies Taking steps to promote employment of people with disabilities Revitalizing dedicated consulting services 	<ul style="list-style-type: none"> Conducted a roundtable conference for general affairs and personnel affairs of Group companies in March during which issues related to increasing respect for human rights and improving the work environment were discussed Aimed to hire 2 to 4 new employees with disabilities and held ongoing recruitment, but were unable to hire any new employees with disabilities in FY2011 Information about contacts is always posted on the internal portal site 	<ul style="list-style-type: none"> Holding information exchange sessions and seminars on compliance for employees of the general affairs and personnel departments of Group companies to share information on problems and solutions Promoting employment of 2 to 4 people with disabilities In an effort to revitalize dedicated consulting services, providing e-learning on depression, harassment and Labor Standards Law for management staff Reviewing and revising the Charter of Conduct for "K" Line Group companies
Environmental Preservation	<ul style="list-style-type: none"> Expanding the use of the Environmental Management System Providing education and training in environmental issues 	<ul style="list-style-type: none"> Improving green accounting and monitoring environmental investments Continuing to base operations and maintenance on energy conservation Continuing environmental training, which is to be provided to Group companies as well 	<ul style="list-style-type: none"> Conducted green accounting and monitored the effects of environmental investments Developed a forecast that takes into account calculations of the CO₂ emission factor from ships under operation and the efficacy of future investments in newly-built ships Held environmental seminars on topics such as ISO 14001, initiatives to reduce greenhouse gases, biodiversity, ship recycling, and compliance with environmental treaties (17 times) 	<ul style="list-style-type: none"> Monitoring Energy Efficiency Operational Index (EEOI) for ships under operation and carrying out navigation, cargo operations and maintenance in a way that considers energy-saving Holding environmental seminars concerning initiatives to protect the environment for "K" Line and Group companies Holding environmental management training courses in line with implementing the Environmental Management System for environmental managers
Safety and Quality	<ul style="list-style-type: none"> Ensuring safety at offices Participating in disaster planning activities such as emergency drills Continuing marine casualty response drills Promoting training and information sharing through KLMA Ensuring that quality levels of our newly built ships exceed international standards Ensuring safety in navigation and cargo operation 	<ul style="list-style-type: none"> Consistently holding emergency response drills that reflect the lessons of previous drills Improving flaws in the emergency response system that became apparent in the wake of the Great East Japan Earthquake Consistently holding marine casualty response drills Instituting the KLMA Career Path Plan Instituting and refining the KLMA Cadet Training Program Promoting our own standard and environmental specifications by cooperating with our business partners Responding in advance to new rules expected to be introduced 	<ul style="list-style-type: none"> Reorganized the disaster countermeasure organization and reviewed and revised the DRP (disaster response plan) based on our experiences during and after the Great East Japan Earthquake Held an emergency drill within the company (December) Decided to distribute home computers to critical employees in each department to prepare for the possibility of an earthquake while at home Conducted a large-scale emergency response drill (February) Promoted career path plan presentation and staffing based on the training of professionals for each type of ship Spread throughout the Group to an extent that the educational effects required by the company were achieved Developed specifications for slower navigation to greatly reduce CO₂ emissions and applied them sequentially to ships in use Under cooperation with Nippon Kaiji Kyokai, mounted a ballast water treatment system to comply with new treaties that have yet to be introduced in anticipation of their future effect on large coal carriers and began conducting experiments 	<ul style="list-style-type: none"> Continuing to hold internal emergency drills that reflect the events of the Great East Japan Earthquake Creating revised 2012 versions of the BCP (Business Continuity Plan) for each division Consistently holding a large-scale emergency response drill Continuing to develop maritime technical personnel who can achieve safe navigation and cargo operations through the KLMA system Strengthening development of maritime professional through the KLMA system Refining the KLMA Cadet Training Program Promoting our own standard and environmental specifications by cooperating with our business partners Responding in advance to new rules expected to be introduced
Social Contribution	<ul style="list-style-type: none"> Undertaking environmentally friendly activities Enhancing scholarship and internship programs Providing support for disaster victims and collecting donations at all Group companies including overseas subsidiaries 	<ul style="list-style-type: none"> Promoting the use of renewable energy Continuing to join the Clean Cargo Working Group Recruiting and training marine technical personnel and providing scholarships Continuing to provide onboard training to students of nautical colleges Continuing to give support to victims of the Great East Japan Earthquake Continuing free transportation of relief supplies and other support for disaster victims Stepping up social contribution links to our main business 	<ul style="list-style-type: none"> Implemented green electricity 1 at "K" Line America, Inc. Joined the Clean Cargo Working Group Participated in a volunteer tree-planting activity (November) Disseminated a mariner mindset through the Japan Shipowners' Association and continued an internship program Continued to provide onboard training to students of nautical colleges in owned ships (April - September) Donated reefer containers to parties in the fishing industry in the region hit by the Great East Japan Earthquake (August - September) Helped transport housing material, daily necessities and other support materials for victims of the Great East Japan Earthquake (April - October) Donated relief money (October) and helped transport relief supplies (November - December) for victims of the Thailand floods Donated funding to the typhoon relief effort in the Philippines (December) Provided free transportation of wheelchairs to Peru (January) Provided free transportation of books to South Africa (August - January) 	<ul style="list-style-type: none"> Continuing to use green electricity Planning and carrying out social contribution activities aimed at protecting the environment Participating in educational organizations, scholarship contribution organizations and human task forces Continuing to accept nautical colleges students to the internship program Developing marine technical personnel through implementation of onboard training in owned ships Continuing reconstruction assistance activities in the areas hit by the Great East Japan Earthquake (for example, by promoting volunteer activities by employees) Continuing support for disaster victims Stepping up social contribution activities by making use of management resources

1 Green electricity: Electricity generated by natural energy resources, such as wind power, solar power, biomass (biological resources), hydraulic power and geothermal power.

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



(As of May 2012)

Structure of business operation

Applying the Executive Officer System and streamlining our management

- Board of Directors:** The Board of Directors meets at least once every month. Of the 13 directors, two are Outside Directors as stipulated by the Companies Act of Japan. The chairperson does not have the authority of representation and is not an Executive Officer.
- Executive Officers' Meeting:** This Meeting is held twice a month, in principle, and is attended by Executive Officers and Auditors. Participants help the President & CEO make decisions through frank discussions, in addition to sharing information on important matters.
- Auditors/Board of Auditors:** The Board of Auditors meets at least once every month. Three of the five Auditors are Outside Auditors as specified in the Companies Act of Japan.
- Management Conference:** The Management Conference holds

discussions and exchanges opinions 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 and General Managers in charge of specific business operation 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.

Details of the business operation structure are available on our website.
 CSR >>> Management >>> Corporate Governance

Message Message from an Outside Director

I was selected as an outside director in June 2009 and have continued to hold this position to date. In these three years, like a ship sailing in stormy seas, company management has gone through similar drastic changes in its environment. During this time, I attended all executive officers' meetings held before each month's board meeting as well as all board meetings, and stated my opinions when necessary. Executive officers' meetings and board meetings are always marked by presentation of necessary and sufficient materials for deliberation of bills and an adequate amount of time for deliberation. Questions and opinions are actively received from

each auditor and the corporate governance system functions properly.

Moving forward, I believe board meetings must continue to respond to ever-changing circumstances with prompt formulation of measures while also working out a clear future vision of the company from a medium- to long-term perspective.



Takashi Kobayashi
 Director (Retired on June 26, 2012)

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 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, risk 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 BCP and data backup system, etc.

We have established BCPs (Business Continuity Plans) for two different types of disasters: an inland earthquake in the Tokyo metropolitan area and a pandemic involving a highly virulent new influenza. We give top priority to the lives of people, and aim to continue important operations as an entity that is part of the social infrastructure by transferring operations to our domestic and overseas branches and subsidiaries or by shifting to telecommuting. Also, to avoid the loss of data in a disaster, we have set up a system in which backup data can be stored remotely.

The Disaster Response Committee devised strategies for improvement based on our experiences in the Great East Japan Earthquake and held disaster response drills.



Disaster response drill

Responding to other management risks

Management risks

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

Risk of threats from antisocial forces and terrorism

We have established a dedicated consultation service for undue claims against our company and Group companies; a system in which the entire organization can respond in the event of concrete incidents in cooperation with the relevant authorities and our corporate lawyers. In addition, with the new enforcement of the Tokyo Metropolitan Ordinance for Eliminating the Organized Crime Groups in October 2011, we distributed an explanation of the article to our company and Group companies in Japan and requested that a clause regarding the elimination of crime groups be added to contracts with business partners. To deal with the risk of terrorism, we participate in the C-TPAT program, a U.S. Customs' program aimed at preventing terrorism. The measures we take under this program include strict identification of people who visit ships, the appropriate installation of fences and lights at self-managed terminals, and measures for ensuring information security.

1 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.

Risk of economic change

Concerning fluctuations in exchange rates and changes in economic policies of major trading nations (areas), we constantly monitor the trends and hedge against risks appropriately. If our operations are likely to be effected by the risks, our Management Risk Committee will take preventive action and respond appropriately when an impact actually occurs.

Information security

We have set up information management and information security regulations in which we stipulate all the fundamental principles concerning management and security of all information assets handled in our business activities. We ensure information is secure through various measures, including security log monitoring and antivirus and anti-spam measures.

Compliance

Promotion of compliance

Group-wide efforts for developing a compliance system

Compliance is the foundation of our corporate governance, CSR activities, and risk management.

We have installed a Compliance Committee chaired by the president that discusses strategies and countermeasures to ensure compliance is maintained throughout the entire Group. Group companies must report compliance related issues to the Compliance Committee, which handles all compliance issues for the entire Group and reports details of its activities to the Board of Directors on a quarterly basis.

We have also installed a dedicated division (CSR & Compliance Division) to enhance awareness on compliance to executives and regular employees through training courses and other activities. A compliance officer is also designated for each Group company to form a compliance network. Through this organization, we work together as a group to carry out educational activities on compliance.

Initiatives to ensure compliance

Compliance Month

To increase the thoroughness of our Group's compliance even further, we began designating a Compliance Month, starting in FY2011. During this month, we carry out various awareness-raising activities such as holding seminars for the management of our company and Group companies and sending notices out to Group companies.

Spreading awareness about the UK Bribery Act throughout the Group in Japan and overseas

Prior to the UK Bribery Act coming into effect in July 2011, we outlined the details of the Act for all Group companies in Japan and overseas. During the period from November 2011 to February 2012, we also provided training courses on competition laws, including the Antimonopoly Act of Japan and the European Union Competition Law, using the e-learning system. About 2,700 executives and regular employees from Group companies in Japan and overseas participated in the training courses. In addition, we held a compliance seminar in February 2012 for Executive Officers and General Managers of our company and management of Group companies in Japan that was attended by 102 participants.



Compliance seminars

Response to violations

Response by the Compliance Committee

If an alleged compliance violation has occurred, whether at "K" Line or at a Group company, the issue is referred to the company's Compliance Committee. Following the "Detailed Rules for Responding to Compliance Matters," which sets out the procedures to be followed, the Compliance Committee conducts an investigation and then issues instructions to correct or cease the violation, in the name of the Chairman of the Committee. If necessary, the Committee will report to government authorities and will work out measures to prevent a recurrence. If the issue concerns "K" Line, the Executive Officer in charge of personnel affairs will propose any disciplinary action to be taken under the working regulations. Under the "Rules on Operation of Compliance Committee," the Compliance Committee is obliged to keep strictly confidential the names of whistle-blowers and the details of deliberations including the name, departments, or any other information that would permit identification of the persons involved in the matter, and permits them to consult with attorneys.

In FY2011, six new issues were handled by the Compliance Committee.

Whistle-blowing system

Investigating awareness of the Hot Line System

We have introduced a whistle-blowing system called the "Hot Line System." In addition to an internal contact, we have also appointed lawyers as external contacts. All employees working at "K" Line or at one of the Group companies that participates in this system, regardless of their position or type of employment, are able to use the system. In February 2012, we distributed questionnaires regarding the system to all those in participating companies in an attempt to increase awareness and promote understanding of the system.

At present, the system encompasses 23 companies ("K" Line and 22 Group companies).

A Flowchart of the Hot Line System is available on our website.
CSR >>> Management >>> Compliance

Initiatives for protecting personal information

Privacy policies established

To comply with the "Act on the Protection of Personal Information," we have 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.

Privacy policies are available on our website.
Privacy Policy



Safety

Safety Management

- Management
- Safety**
- Environment
- Workplace
- Society

Establishing and maintaining safety in navigation and cargo operation, protecting the environment and maintaining economically efficient operations are immutable missions in operating a shipping business. Safe navigation and cargo operations are, above all, the foundation of our business as an international logistics infrastructure that supports the economic activities and lives of people around the world. In order to establish and maintain this foundation, we are committed to building a secure system for safety in navigation and cargo operation.

System for Managing Safety in Navigation and Cargo Operation

Positioning of safe navigation and cargo operations

Safe navigation and cargo operations in the shipping business

Safe navigation and cargo operations support the foundation of the shipping business and are absolutely essential for providing high quality transport services for customers. Ensuring and maintaining thorough safety in navigation and cargo operation and enhancing the risk management system to prepare for the possibility of an accident occurring are keys to protecting the safety of crew members, ships and cargo at sea and the environment.

Creating a foundation for safe navigation and cargo operations

Many initiatives must be taken in order to achieve safety in navigation and cargo operation, such as increasing the knowledge, experience and capabilities of crew members and onshore staff related to ship operation, enhancing ship facilities, monitoring weather and hydrographic conditions, and responding to international conventions and regulations of each country. Of course, it is also essential that all staff acquire the ability to respond to emergency situations such as marine accidents or trouble occurring during cargo handling.

Safety Management System (SMS)

SMS (Safety Management System) to ensure safe navigation and cargo operations

The International Safety Management Code (ISM Code) requires construction, documentation, implementation and maintenance of a Safety Management System. The purpose of the SMS is to firmly ensure the safety of crew members, ships and cargo at sea and to protect the marine environment. The SMS involves compliance with international conventions and regulations of each country, our original safety initiatives, safety drills that are suited to each type of ship, and other activities. It also contains the important affairs and procedures required for ensuring safety in navigation and cargo operation. Crew members and onshore staff related to ship operation carry out the various initiatives required for safe navigation and cargo operations based on a common understanding of the SMS.



Safety drill



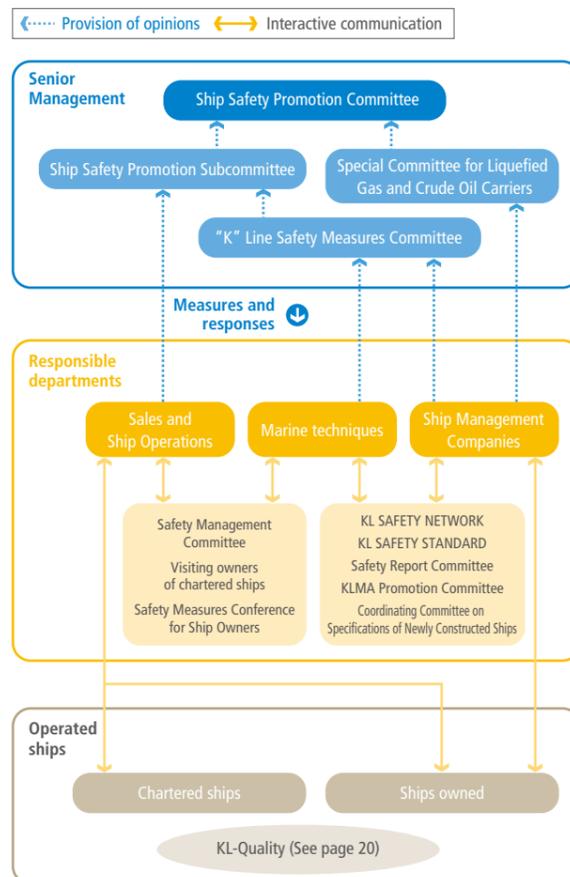
SMS manuals

Establishment of the Ship Safety Promotion Committee

Group-wide efforts for ship safety

The Ship Safety Promotion Committee is chaired by the President and consists of the Executive Officers of the Sales Department and Marine Department, and the Executive Officers from the Group company responsible for ship management. The Committee meets every quarter to share Group information and discuss and implement measures from every possible viewpoint concerning all matters related to safety at sea, including an aggregation of problems during the period under review, analysis of their causes, formulation of measures for preventing their recurrence, responding to international conventions and laws and regulations that will be newly introduced or amended, and anti-piracy measures.

"K" Line Group's System for Safety Management



Achieving Safe Navigation and Cargo Operations

Collaboration with Group management companies

Collaborating with group ship management companies

The "K" Line Group has three ship management companies that specialize in each of the type of ships being managed. We collaborate with these ship management companies to maintain ship quality, ensure navigation and cargo operations that are free of marine accidents and loss of time, and thorough cost management that takes cost-effectiveness into account. We also hold quarterly "K" Line Safety Measures Committee meetings to confirm the vector between "K" Line and the ship management companies and share knowledge and information.

Maintaining ship quality and securing shipyards

Shipyards with excellent maintenance technology are required to maintain ship quality for safe navigation and cargo operations. We invest in shipyards that can handle large ships and incorporates advice from technical staff of ship management companies in order to increase the level of repair technology.



Shipyards

Ship inspection — Establishment and Maintenance of KL-Quality

KL-Quality is our original guidelines for quality management based on international conventions, ISO 9001 (quality control standards) and ISO 14001 (environmental management standards). This guidelines are applied to all ships operated by "K" Line, including ships of ship owners

and management companies with whom we have signed a chartered ship contract or ship management contract.

Ship inspection activities

In order to firmly maintain safety in navigation and cargo operation, ship inspections are carried out based on the KL-Quality guidelines. Using a checklist that covers 160 items, ship inspectors inspect each and every ship to confirm implementation of the SMS by ship management companies and ships and the state of compliance, maintenance and management conditions, progress of initiatives to protect the environment and other points. The results of these inspections are reported to owners of chartered ships and ship management companies. If there are any problems, corrective measures are recommended and progress towards improvements is monitored, thereby helping us to maintain and increase safety in navigation and cargo operation.

Safety Reports and Safety Campaign

Catching small mistakes in order to prevent accidents

All accidents are caused by small mistakes, and our Safety Report System encourages us to report those mistakes. The system aims at catching errors, thoroughly analyzing the causes and factors behind them through careful examination, and preventing accidents from occurring at an early stage.

There were 1,119 reports in 2011. Commendations are given for report content and number and are linked to efforts to improve reporting.

Safety Campaign in winter

From December 1 to the following January 31 we conduct the safety campaign under the theme of "safety and environmental preservation." This campaign raises awareness of safety in navigation and cargo operation among all staff on board and on shore through visits to ship by the president and executives and safety inspections carried out using a checklist.

Voice Professional organization for safe navigation and cargo operations

The Marine Safety Administration Group collects, reviews and disseminates all sorts of information related to safety in navigation and cargo operation, such as the movement of all ships in operation, information about marine technology and about weather and hydrographic conditions, information about international conventions and relevant laws and regulations, and information about accidents in an attempt to help ensure safety in navigation and cargo operation. In addition, as the secretariat of the Ship Safety Promotion Committee, we also propose and implement preventive measures for accident based on the PDCA cycle (plan, do, check, act).

When a marine accident occur, we establish a notification system that contacts the relevant people within and outside the

company, based on an accident response system that applies rules of the Emergency Response Manual. By carrying out appropriate accident response, we reduce damage and injury. We also take steps to prevent a recurrence, such as determining the cause of the accident and formulating preventive measures. We also carry out regular emergency response drills in which the entire Group comes together to increase safety awareness, improve crisis-management skills and refine the manual.



Hiroshi Ueta

General Manager, Marine Safety Administration Group

* See page 23 for details on the PDCA cycle

Establishing an Emergency Response Capability

Emergency response drills

Developing an Emergency Response Manual

We have prepared an Emergency Response Manual to ensure that appropriate actions are taken in the event of an accident or other emergency. We regularly conduct emergency response drills and follow up drills with evaluation meetings to discuss issues regarding the application of the manual. The Emergency Response Manual is continuously improved through the expertise we have accumulated through these drills.

Carrying out emergency response drills

In February 2012, we conducted an emergency response drill assuming a scenario in which our large crude oil tanker "FUJIKAWA" had collided with another ship at the entrance of Kagoshima Bay, resulting in an oil spill.

In the drill, based on the Emergency Response Manual, we set up an emergency response headquarters and then responded to the accident appropriately based on information sent there. We also held a simulated press conference, after which we received comments from insurance companies, lawyers, consulting firms, and other experts.

An accident like the one in this case study must never take place, but we continue to take steps to establish an accident prevention and emergency response system to prepare for the possibility of an accident.



Emergency response drill

Onboard emergency response system

Onboard drills to prepare for an emergency

In the event of an emergency occurring on board, the crew members must take it upon themselves to swiftly and appropriately provide the first response until help arrives from shore. We routinely carry out drills required by the SOLAS 1 and drills independently devised by the ship management companies to ensure crew members can calmly respond to any type of accident that may occur on board.

The drills cover a wide range of activities, such as measures to respond to fires on board, evacuation by lifeboat, measures to take in the event of flooding due to collision or grounding, measures to take if a crew member falls overboard, and anti-terrorism and anti-piracy measures.

1 SOLAS: International Convention for the Safety of Life at Sea established by the International Maritime Organization



Drill for lowering a lifeboat



Drill for putting on a fireman's outfit

Response to the Great East Japan Earthquake

Confirming the safety of ships in operation in the wake of the earthquake March 11, 2011 and damage from the tsunami

We began gathering relevant information immediately after the earthquake occurred. In response to the massive tsunami warning announced by the Japan Meteorological Agency, we sent out warnings to and confirmed the safety of each ship at sea through ship management companies in "K" Line Group and the ship operation team. At the time, there were dozens of "K" Line ships loading or unloading or waiting for berthing at Japanese ports. One bulk carrier transporting ore that was on cargo operation at the Port of Kashima was tossed by the tsunami despite attempting to leave the port, and ran aground. Fortunately, there were no injuries or oil spillages. With the cooperation of the port authorities, and consignees, ship owners, and salvage companies, we were able to begin efforts to refloat the ship on April 1. The ship waited for the onshore facilities that were damaged by the tsunami to be repaired, re-berthed on April 25 and recommenced cargo work. The cargo work was completed on May 3 and the ship departed to a shipyard for repairs.

Response to the Fukushima No.1 nuclear power plant accident

In the immediate aftermath of the explosion, a navigation prohibition zone was set in the 30 km perimeter around the nuclear plant. Accordingly, we sent warnings to all "K" Line ships at sea. Concern about radiation spread through each country overseas and some countries set wide area navigation restrictions. Requests were also made to strengthen regulations on ballast water in Japan and conduct radiation inspection on cargo exiting Japan. We took exhaustive measures as appropriate to respond to each requirement and provided accurate data on radiation for each region to each ship in operation and all relevant individuals. We also increased the frequency of monitoring the movements of each ship in use and sent warnings to ships approaching the danger zone. For better sharing of information between those on ship and on shore, we prepared for any unexpected event.

Anti-piracy Measures

Various measures to eradicate piracy

Anti-piracy measures by the international community

To guard commercial ships navigating the Gulf of Aden, countries including Japan, Korea, China, India, Russia, Turkey and Thailand, etc. dispatch ships to an area mainly along the Internationally Recommended Transit Corridor (IRTC) to provide an escort for ships passing through. Commercial ships that wish to use the service meet the escort ship at a predetermined time and place and pass through the Gulf of Aden under its protection.

We have ships that are particularly vulnerable to hijacking (low-speed ships and low freeboard ships 2) participate in the escort service to hedge any risks.

2 Low freeboard ship: A ship whose upper deck is low-lying above the water level.

"K" Line's anti-piracy measures

We implement anti-piracy measures that follow the anti-piracy guide, Best Management Practices (BMP).

- Dedicated anti-piracy surveillance crew are allocated
- Searchlights and night-vision devices are used at night for early detection of pirates
- Crew on the bridge for navigational watch and anti-piracy surveillance crew wear bulletproof vests and helmets as a safety precaution
- To prevent pirates from coming on board, razor wires are installed around the perimeter of the deck and nozzles for high-pressure water hoses that are capable of sustained discharge around the hull periphery are installed.

If necessary, the Ship Safety Promotion Committee considers additional measures.

Piracy attacks to "K" Line ship in service

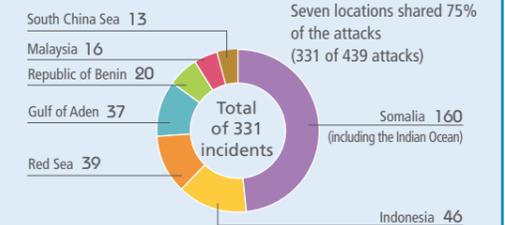
While in service, we have encountered a total of three piracy attacks/pursuits in the Arabian Sea in 2010 and 2011. Fortunately, the crews were uninjured and the cargoes were undamaged. Appropriate measures were carried out successfully in each case and the pirates were kept from boarding. We will continue to collect information on piracy activities and improve our countermeasures to prevent any damage or injury from piracy.



Guard by escort ship

Column Expanding piracy problems

Piracy infestation areas (January 1 to December 31, 2011)



Source: ICC-IMB Piracy and Armed Robbery Against Ships Report -Annual Report 2011

The following are major characteristics of piracy infesting each area:

Gulf of Aden, Arabian Sea, Indian Ocean

Pirates armed with heavy artillery use the hijacked ship as a mother ship to expand their activities throughout the entire region from waters adjacent to Somalia and the Gulf of Aden all the way to the Arabian Sea and Indian Ocean. Crew members are taken hostage to obtain large amounts of ransom.

West Africa, waters surrounding the Gulf of Guinea

Piracy attacks are increasing in frequency mainly in Nigeria and on the

coast of Benin. Armed with machine guns and aiming to rob ships of money and goods, pirates mainly attack ships anchored far offshore and sometimes hijack the ship.

Malacca and Singapore Straits, South China Sea

In the waters off the Anambas Islands 3, pirates armed with guns and swords rob ships of their money and goods. Some have escaped.

3 Anambas Islands: Indonesian islands south of the South China Sea. Located about 200 km northeast of Singapore.



Environmental Management

Management
Safety
Environment
Workplace
Society

The "K" Line Group recognizes that its business activities impose a burden on the environment, and has expressed its determination to minimize its environmental impact in its Environmental Charter. We are pursuing numerous initiatives. Under our Environmental Management System (EMS), we determine specific activities for environmental preservation, set numerical targets, and make improvements based on the extent to which the targets were achieved.

Environmental Management Systems

"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.

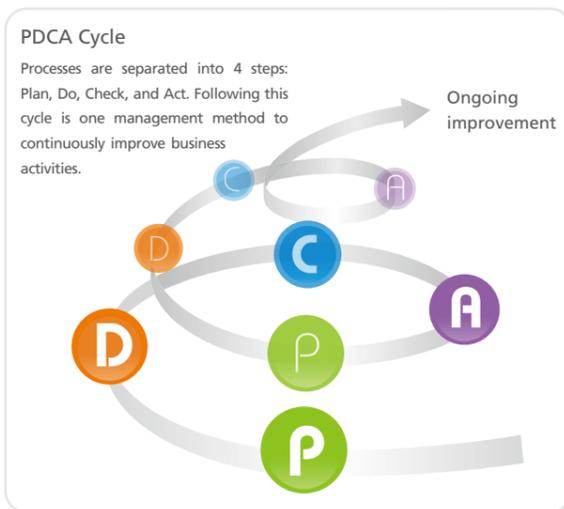
Established in May 2001

Establishing an Environmental Management System (EMS)

Using EMS for environmental preservation

We have established EMS based on ISO 14001 and operate it to identify the environmental impact and minimize it constantly. In February 2002, we obtained certification for our EMS from a third-party organization, and began operating it. Since then, we have been striving to enhance our environmental activities by confirming through reviews conducted annually and at the time of renewals to ensure that our EMS complies with the ISO 14001 standard, is conducted in line with the PDCA cycle, and is improved and corrected accordingly.

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.



Environmental Sub-Committee

A place for confirming the PDCA Cycle

Our EMS stipulates that the Environmental Sub-Committee should meet twice a year. At the meeting, the Executive Officer who has been appointed EMS superintendent, the Executive Officer in charge of environmental affairs and environmental managers gather to prepare basic plans and set goals on environmental matters for the "K" Line Group, monitor progress towards the goals, evaluate the results, and reconfirm or review the goals.

The Environmental Sub-Committee is also incorporated in our corporate governance structure. Matters determined in the Sub-Committee and its activities are undertaken and utilized for business conduct within the company.

Position of EMS in our management plan

Initiatives for environmental protection as a fundamental of management

In our medium-term management plan ("K" LINE Vision 100 : Bridge to the Future), protecting the environment is positioned as a fundamental challenge along with safety in navigation and cargo operation. We have also set in our EMS specific targets for minimizing the environmental impact of our business activities. In these policies and initiatives, we recognize that we must implement them, evaluate their results and effects, and review and correct them if any deficiencies are found. We appreciate that this task has a significant impact on our management.

Environmental Education and Environmental Awareness

Environmental training

Increasing environmental knowledge and awareness

Our internal portal site contains environmental activity reports and the materials used for training and seminars, as well as our Environmental Charter, manuals and documented procedures on environmental management and a list of environmental managers. We enhance the information provided on the site to make it a useful place to acquire knowledge, raise awareness, and obtain information on the EMS and environmental issues.

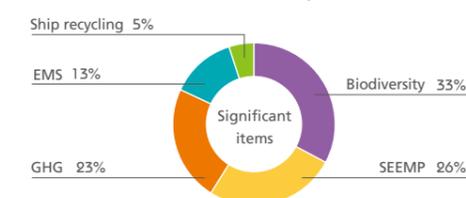


Environmental training

Seventeen environmental seminars held

We hold environmental seminars each year for employees in each department of "K" Line and in each of our Group companies. In the seminars, we describe recent environmental issues and our environmental initiatives and hold free discussions with participants in an aim to share knowledge about the environment. In FY2011, 17 seminars were attended by a total of 233 employees who talked mostly about GHG (greenhouse gases), EMS, SEEMP (the Ship Energy Efficiency Management Plan) and the protection of biodiversity.

Results from an environmental seminar questionnaire



Voice Participating in environmental seminars

We provide support for everything from office duties to navigation of management ships. We use the EMS to increase our own awareness of the impact that ship navigation and cargo operations have on the environment and to make daily efforts to implement and improve environmental protection initiatives.

In these seminars, we discussed many different matters concerning the environment, such as the fact that ships that can transport a large amount of cargo in a single trip emit less CO₂ per unit transport volume than trucks and airplanes, current environmental regulations for the sea

transportation industry, future prospects, details on the impact ship navigation and cargo operations have on the environment and "K" Line Group initiatives for protecting the environment.

Through these discussions, we reaffirmed the significance of our activities to reduce the environmental impact for which we must take responsibility.

Masako Tsuruta
Quality Control Group
"K" Line Ship Management Co., Ltd.





Results of Our Environmental Activities in 2011 and Targets for 2012

Environmental Charter/Direction	Environmental Objectives	Environmental Targets (Medium-term)	Environmental Targets for 2011	Results in 2011	Environmental Targets for 2012			
Business Activities, and Development and Introduction of Environmental Technologies	<ul style="list-style-type: none"> Preventing marine pollution by safety in navigation of the ships 	<ul style="list-style-type: none"> Preventing marine pollution 	<ul style="list-style-type: none"> Operating with no major incidents that cause marine pollution for the fifth consecutive year, which is to be achieved by exhaustively ensuring safe navigation and cargo operations 	<ul style="list-style-type: none"> Implementing Safety Management System (SMS) appropriately to eliminate oil leaks from ships 	<ul style="list-style-type: none"> There was one accident with minor oil spillage into the sea, but damage was minimized through appropriate actions taken in compliance with SMS. Carefully investigated the cause of the oil spillage and ordered the concerned parties to take improvement measures to prevent recurrences 	<ul style="list-style-type: none"> Implementing a Safety Management System (SMS) appropriately to eliminate oil leaks from ships 		
			<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Undertaking ballast water exchanges in open waters Considering the installation of ballast water treatment systems to prepare for the introduction of the Ballast Water Management Convention 	<ul style="list-style-type: none"> Conducted in accordance with ballast water management plan Studied for each type of ship together with shipyards 	<ul style="list-style-type: none"> Undertaking ballast water exchanges in open waters Considering the installation of ballast water treatment systems to prepare for the introduction of the Ballast Water Management Convention 		
			<ul style="list-style-type: none"> Achieving a 100% ratio of double-hull tankers in operation 	<ul style="list-style-type: none"> Maintaining a 100% ratio of double-hull tankers in the fleet 	<ul style="list-style-type: none"> The 100% ratio of double-hull tankers has been maintained since September 2008. 	<ul style="list-style-type: none"> Maintaining a 100% ratio of double-hull tankers in the fleet 		
			<ul style="list-style-type: none"> Preventing leak and spills from fuel tanks 	<ul style="list-style-type: none"> Adopting overflow pipes to prevent oil spills from fuel tanks 	<ul style="list-style-type: none"> The measures were incorporated in 7 newly built ships. 	<ul style="list-style-type: none"> Adopting overflow pipes to prevent oil spills from fuel tanks 		
	<ul style="list-style-type: none"> Properly managing waste and recycling 	<ul style="list-style-type: none"> Preventing pollution by drainage water Properly managing and reducing waste 	<ul style="list-style-type: none"> Properly managing drainage water at onshore offices 	<ul style="list-style-type: none"> Properly managing drainage water at onshore offices 	<ul style="list-style-type: none"> No problem was cited, because drainage water management was appropriate. 	<ul style="list-style-type: none"> Properly managing drainage water at onshore offices 		
			<ul style="list-style-type: none"> Reducing waste at onshore offices 	<ul style="list-style-type: none"> Striving to reduce and recycle waste from onshore offices 	<ul style="list-style-type: none"> Reduced waste by 7.0% 	<ul style="list-style-type: none"> Striving to reduce waste from onshore offices and undertaking recycling onsite 		
		<ul style="list-style-type: none"> Preventing environmental pollution 	<ul style="list-style-type: none"> Promoting green procurement 	<ul style="list-style-type: none"> Improving the ratio of green procurement 	<ul style="list-style-type: none"> The ratio for 2011 was 55.4%. Decreased administration costs and reduced the ratio of green procurement by 2.4% compared to the prior year 	<ul style="list-style-type: none"> Increasing the ratio of green procurement 		
			<ul style="list-style-type: none"> Promoting the separation of waste materials generated onboard and recycling them on land 	<ul style="list-style-type: none"> Promoting recycling (landed, etc.) of waste materials generated on board 	<ul style="list-style-type: none"> The amount recycled (landed) decreased by 12.5% through efforts to reduce waste generated on board. 	<ul style="list-style-type: none"> Promoting the decrease and recycling (landed, etc.) of waste materials generated on board 		
			<ul style="list-style-type: none"> Reducing the use of packaging materials in deliveries to ships 	<ul style="list-style-type: none"> Continuing to encourage manufacturers and suppliers to reduce packaging materials 	<ul style="list-style-type: none"> We encouraged the use of non-plastic cushioning materials. We also encouraged suppliers to bring back packaging materials. 	<ul style="list-style-type: none"> Continuing to encourage manufacturers and suppliers to reduce the use of packaging materials 		
			<ul style="list-style-type: none"> Preventing environmental pollution when demolishing ships 	<ul style="list-style-type: none"> Handling the creation of inventory 	<ul style="list-style-type: none"> No ship demolition occurred in 2011, and inventory was not created. 	<ul style="list-style-type: none"> Monitoring changes over time as the Ship Recycling Convention goes into effect and handling them appropriately 		
<ul style="list-style-type: none"> Encouraging maximum conservation of energy and resources through upgrades to ship operation and work performance 	<ul style="list-style-type: none"> Reducing the consumption of natural resources 	<ul style="list-style-type: none"> Reducing the use of office paper by 3% per employee compared with FY2006 (to be achieved by FY2011) 	<ul style="list-style-type: none"> Reducing the use of office paper by 1% per employee from the previous year 	<ul style="list-style-type: none"> Reduced by 8.2% 	<ul style="list-style-type: none"> Reducing the use of office paper by 1% per employee from the previous year 			
		<ul style="list-style-type: none"> Reducing electricity consumption at onshore offices by 3% per employee compared with FY2006 (to be achieved by FY2011) 	<ul style="list-style-type: none"> Reducing electricity consumption per employee at onshore offices from the previous year 	<ul style="list-style-type: none"> Reduced by 20.6% 	<ul style="list-style-type: none"> Reducing electricity consumption per employee at onshore offices from the previous year 			
		<ul style="list-style-type: none"> Reducing the use of tap water in onshore offices 	<ul style="list-style-type: none"> Reducing the use of tap water per employee at onshore offices from the previous year 	<ul style="list-style-type: none"> Reduced by 5.9% 	<ul style="list-style-type: none"> Reducing the use of tap water per employee at onshore offices from the previous year 			
		<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Reducing fuel used for ships on a per ton-mile basis Reducing the quantity of lubricating oil used for ships on a per ton-mile basis Introducing the Fuel Additive Dosing System Promoting Eco Slow Steaming (sailing at reduced speed) 	<ul style="list-style-type: none"> Reduced by 8.3% Reduced by 5.4% Introduced to 3 ships Super-slow steaming with 22 ships 	<ul style="list-style-type: none"> Reducing fuel used for ships on a per ton-mile basis Reducing lubricating oil used for ships on a per ton-mile basis Introducing the Fuel Additive Dosing System Promoting Eco Slow Steaming (sailing at reduced speed) 			
<ul style="list-style-type: none"> Reducing emissions causing air 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 	<ul style="list-style-type: none"> Preventing air pollution 	<ul style="list-style-type: none"> Reducing CO₂ emissions by 10% from the FY2006 level on a per ton-mile basis (to be achieved by the mid 2010s) Reducing SO_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 by 10% from the FY2006 level on a per ton-mile basis (to be achieved by the mid 2010s) 	<ul style="list-style-type: none"> Reducing CO₂ emissions on a per ton-mile basis Reducing SO_x emissions on a per ton-mile basis Reducing NO_x emissions on a per ton-mile basis 	<ul style="list-style-type: none"> Reduced by 4.3% Reduced by 2.0% Reduced by 3.9% 	<ul style="list-style-type: none"> Reducing CO₂ emissions on a per ton-mile basis Reducing SO_x emissions on a per ton-mile basis Reducing NO_x emissions on a per ton-mile basis 			
		<ul style="list-style-type: none"> Reducing the average sulfur content in fuel used for ships to 2.5% or lower 	<ul style="list-style-type: none"> Reducing the average sulfur content in fuel used for ships to lower than the actual level of the previous year 	<ul style="list-style-type: none"> The result for 2011 was 2.71%, reduced by 0.02% compared to the prior year 	<ul style="list-style-type: none"> Reducing the average sulfur content in fuel used for ships to lower than the actual level of the previous year 			
		<ul style="list-style-type: none"> Responding to regional regulations and requirements 	<ul style="list-style-type: none"> Using a fuel oil that meets regional requirements 	<ul style="list-style-type: none"> We used fuel oil that complied with regulations in the North Sea and Baltic Sea and the State of California in the U.S. 	<ul style="list-style-type: none"> Using a fuel oil that meets regional requirements 			
		<ul style="list-style-type: none"> Participating in voluntary activities 	<ul style="list-style-type: none"> Reducing speed voluntarily in harbors and coastal areas 	<ul style="list-style-type: none"> We voluntarily reduced speed a total of 237 times when entering and sailing at the Port of Long Beach and Los Angeles in the U.S. 	<ul style="list-style-type: none"> Reducing speed voluntarily in harbors and coastal areas 			
		<ul style="list-style-type: none"> Reducing air pollutants and greenhouse gases from berthed ships 	<ul style="list-style-type: none"> Reducing emissions of black smoke, PM, CO₂, SO_x, and NO_x from berthed ships 	<ul style="list-style-type: none"> We continued to provide onshore electricity to supply ships at the Port of Long Beach in the U.S. and Kawasaki Kinkai Kisen Kaisha, Ltd. continued to provide onshore electricity to supply ships at berth. 	<ul style="list-style-type: none"> Reducing emissions of black smoke, PM, CO₂, SO_x, and NO_x from berthed ships 			
		<ul style="list-style-type: none"> Encouraging the adoption of energy-saving cargo-handling devices 	<ul style="list-style-type: none"> Controlling VOC¹ emissions from tankers Encouraging the adoption of energy-saving cargo-handling devices 	<ul style="list-style-type: none"> No tankers were built in 2011, so no VECS² were newly installed. Introduced to our container terminals in Japan and overseas 	<ul style="list-style-type: none"> Controlling VOC emissions from tankers Encouraging the adoption of energy-saving cargo-handling devices 			
	<ul style="list-style-type: none"> Reducing noise 	<ul style="list-style-type: none"> Preventing marine and air pollution 	<ul style="list-style-type: none"> Reducing the noise generated by ships and terminal equipment 	<ul style="list-style-type: none"> Installation of noise-reduction devices and associated research 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Installing and researching noise-reduction devices 		
			<ul style="list-style-type: none"> Encouraging the use of more environmentally friendly paints 	<ul style="list-style-type: none"> Expanding the adoption of non-toxic paints, including non-metal paints Encouraging the adoption of tar-free paints 	<ul style="list-style-type: none"> We adopted non-metal paints for 6 ships at the time of their docking. 	<ul style="list-style-type: none"> Expanding the adoption of new type paints 		
			<ul style="list-style-type: none"> Protecting the Environment 	<ul style="list-style-type: none"> Making a social contribution Educating employees of the company and Group companies 	<ul style="list-style-type: none"> Continuing marine surveys 	<ul style="list-style-type: none"> Continuing marine surveys 	<ul style="list-style-type: none"> Now underway for our bulk coal carrier, the Chubu Maru 	<ul style="list-style-type: none"> Continuing marine surveys
					<ul style="list-style-type: none"> Participating in social contribution activities 	<ul style="list-style-type: none"> Participating in at least three activities for social contributions in the year 	<ul style="list-style-type: none"> We participated in eleven activities. 	<ul style="list-style-type: none"> Participating in at least three activities to contribute to society during the year
<ul style="list-style-type: none"> Implementing studies/education/training to elevate awareness and understanding Disclosing information properly, supporting social contributions and other activities 	<ul style="list-style-type: none"> Expanding the acquisition of environmental certifications 	<ul style="list-style-type: none"> Providing job class-specific training and education to employees 	<ul style="list-style-type: none"> Providing environmental seminars and education Providing training and education to crew members 	<ul style="list-style-type: none"> An environmental seminar was provided for 233 employees, and environmental training was provided to 106 crew members. 	<ul style="list-style-type: none"> Providing environmental seminars and education Providing training and education to crew members 			
		<ul style="list-style-type: none"> Having more Group companies, including overseas subsidiaries, acquire environmental certifications 	<ul style="list-style-type: none"> Continuing to request and encourage companies to obtain certifications 	<ul style="list-style-type: none"> Expanded to each branch of "K" Line (Japan) Ltd. 	<ul style="list-style-type: none"> Continuing to request and encourage companies to obtain certifications 			

¹ VOC: VOC stands for volatile organic compounds, which are regulated as air pollutants by law.

² VECS: 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 Considerations in the Lifecycle of Ships

We implement various measures to minimize environmental impact during the lifecycle of ships, from ship construction to ship demolition. In this section, we explain the life of ships and our initiatives for environmental preservation at each stage along the way.

Initiatives in the Ship Development and Construction Stage

Main initiatives

- Complying with environmental conventions and local regulations
- Examining required equipment and facilities specifications from the perspective of ship construction and experience in navigation ("K" Line Standard Specifications)
- Performing and evaluating verification tests of environmentally friendly equipment and facilities; exploring applications in new ships
- Researching next-generation technology



Incorporating an environmental perspective in the "K" Line Standard Specifications

It is obviously important to comply with environmental conventions and regulations. However, it is also important to take advantage of our experience in ship construction and navigation to include in construction specifications equipment and facilities that aid in safe navigation and cargo operations and in preserving the environment, even if they are not required by conventions and regulations. The scope of these specifications is far-reaching, and we have compiled them in the "K" Line Standard Specifications and they are also reflected in ship construction specifications.

Establishing an optimal balance between cost and effect

All equipment and facilities to be installed in ships must be meticulously verified according to performance, equipment cost, maintenance costs, durability, and reliability, during the selection process. There are numerous kinds of equipment and facilities available. Therefore, we try to select those that will result in an optimal balance between cost and effect.

Column Challenges of the project team responsible for developing Gas-fuelled ships

LNG (liquefied natural gas) has gained attention as a clean energy that produces few CO₂ emissions, and it is an effective means of reducing air pollutants in exhaust gas. However, there are many technical development challenges that must be resolved in order to provide LNG at approximately -160 degrees as a fuel to the ship, to store it in a tank on board, and to combust it in a gas engine. LNG has rarely been used until now as a ship fuel for anything other than LNG carriers.

In 2010, "K" Line launched a project team responsible for developing Gas-fuelled ships. Kawasaki Heavy Industries, Ltd., which developed construction technologies for LNG carriers and created the "green gas engine" fueled by natural gas for generating electricity, began developing car carriers powered by LNG fuel. These development efforts were carried out in cooperation with the European pioneer of Gas-fuelled ships technology, Det Norske Veritas (DNV), the Norwegian Classification Society, which owns the existing technology. The goal of this project is to reduce CO₂ emissions by approximately 40%, nitrogen oxides

(NOx) by 80% to 90%, and sulfur oxides (SOx) and particulate matter (PM) by approximately 100%.

This project is not intended merely to develop a concept. It is intended to enable the actual construction and commercial service of Gas-fuelled ships in the near future and to cooperatively develop the next generation of technology for reducing environmental impact.

* For details on LNG fuel, refer to "Column: Measures to reduce CO₂, SOx, and NOx emissions using LNG fuel" on page 31.



Initiatives in the Ship Operation Stage



Main initiatives

- Thoroughly ensuring safe navigation and cargo operations and emergency response
- Proper disposal of waste

Safe navigation and cargo operations help to preserve the environment

It is impossible to preserve the environment without safe navigation and cargo operations. If crew members make a mistake, such as oil pollution associated with marine accidents, marine and air pollution associated with improper maintenance and operation of equipment, or illegal dumping of waste, it will have an immediate and detrimental impact on the environment. However, there is no perfect manual that says "Do this, and it will be sufficient" to achieve safe navigation and cargo operations. Neither can safe operation be achieved simply because the ship's hull and machineries have superior capabilities for navigation. All relevant parties, both on shore and on board, including crew members, must strive to stay highly conscious of safe navigation and cargo operations and environmental preservation and to behave in a responsible, calm, and appropriate manner to minimize any damage.

* Other initiatives at sea are listed on pages 29 and 30.

Initiatives in the Ship Demolition Stage



Photographs provided by the Muroran Institute of Technology

Main initiatives

- Selection of a ship recycling yard considering health, safety, and the environment

Using an independent checklist to evaluate environmental impact

Ships play an important role in transporting cargoes around the world, but there comes a time when they have fulfilled their mission and must be demolished. However, because ships come in various sizes, shapes, and kinds, it is difficult to mechanize or automate the process of ship demolition. As a result, most of the work must be done manually.

At "K" Line, we monitor the ship recycling yard and use an independent checklist to confirm that work is being performed safely, that harmful substances are definitely being collected, and that the surrounding environment is not being impacted.

Photographs provided by the Muroran Institute of Technology



Ship demolition work

Initiatives Following Ship Demolition



Main initiatives

- Recycling resources

Recycling collected metal

Various metals are used in ships. The metal collected from demolished ships is a valuable resource, and it is recycled as metal materials.

The primary method of recycling metal materials involves using an electric furnace, which results in fewer CO₂ emissions than when metal is created from ore. Therefore, resources can be utilized effectively, without contributing to global warming.



Steel created by recycling



Initiatives to Preserve the Environment

Realizing that our business activities impact the environment, we are promoting various initiatives aimed at minimizing that impact. We introduce environmentally friendly equipment and facilities and adopt structures that help prevent environmental pollution even if an accident should occur. We place top priority on safe navigation and cargo operations and environmental protection and take numerous steps to keep the logistics infrastructure highly energy-efficient and friendly to the global environment.

Measures at Sea

Measures against climate change and air pollution

The consumption of the petroleum-based fuel used as energy to operate ships releases CO₂, a major greenhouse gas.

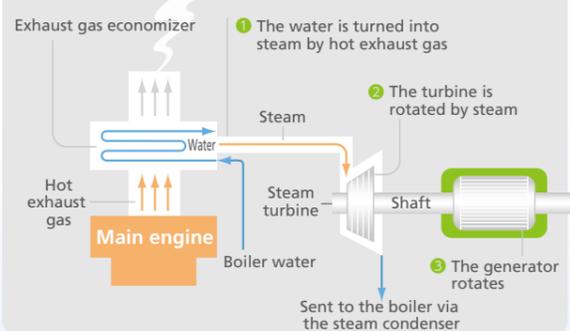
Ships are said to be the most environmentally friendly means of transport. However, CO₂ emissions from ships are increasing as international trade expands. Renewable energies such as wind, solar, and bio-fuels are being introduced, but they only comprise a small percentage

of all energy. Therefore, the emission of CO₂ due to the consumption of petroleum-based fuel cannot be avoided.

In addition, operating the ship's engine or boiler releases not only CO₂ into the atmosphere, but also other harmful substances, such as sulfur oxides (SO_x), nitrogen oxides (NO_x), and particulate matter (PM).

The "K" Line Group is making various efforts to increase the efficiency of ship energy usage, to minimize fuel consumption, and to decrease the environmental impact.

Electricity generation utilizing waste heat energy of exhaust gas



Slow steaming (Sailing at reduced speeds)

In the State of California in the U.S. and in Ise Bay and Mikawa Bay, we are voluntarily reducing the sailing speed. As a result, we are decreasing exhaust gas from ships and helping to improve the atmospheric environment of surrounding regions by reducing fuel consumption. We implemented slow steaming for all of our ships that entered and departed the ports of Long Beach and Los Angeles in California (177 times in Long Beach/60 times in LA) in 2011, reducing the speed of those ships in coastal zones around the ports to 12 knots (approximately 22 km/hr) or less. Because of this, we were awarded the Green Flag Award by the Long Beach Board of Harbor Commissioners. In fact, we have received this award from the port authority for 7 consecutive years.



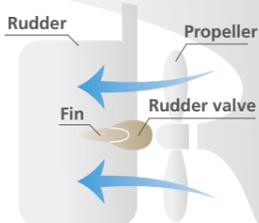
Energy-saving autopilot

Automatic steering device that minimizes unnecessary steering and can reduce fuel consumption by approximately 1% compared to conventional units.



Utilization of water stream energy

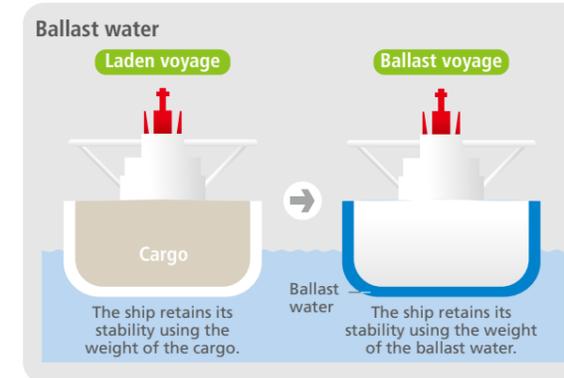
By installing energy-saving equipment (rudder valve and fin) directly behind the propeller, it is possible to change the water stream energy created by the propeller into propulsive power.



Measures for preserving biodiversity

Moving ballast water and marine life

There is a large difference between when a ship is loaded with cargo and when it is empty. When there is no cargo on board, the ship can float too high and lose its stability. Water taken onto a ship to add weight is called ballast water, and ballast water is fed or discharged depending on how much cargo there is.



When navigating long distances, such as from Japan to the US or from China to Europe, plankton and other small marine life that cannot be seen by the naked eye is drawn in with the ballast water and also moves between countries with the ship. There is concern that this microscopic marine life could affect the distant ecosystems to which it is carried.

Ballast water was first reported to affect the environment in the 1990s, and it is problematic because it is a factor that causes the abnormal proliferation of certain species.

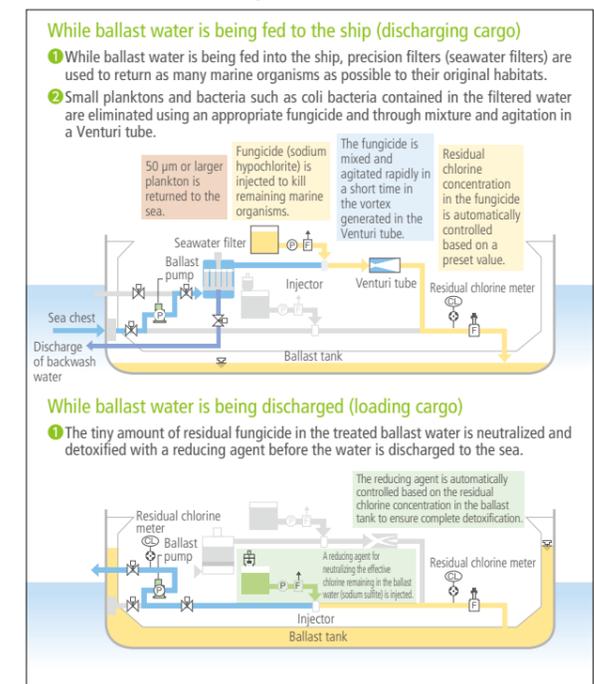
Promptly installing a ballast water treatment systems

Considering these effects of ballast water transport, "K" Line promotes efforts to preserve biodiversity in order to maintain marine life and ecosystems as they are currently.

The "International Convention for the Control and Management of Ships' Ballast Water and Sediments" (Ballast Water Management Convention)*, was adopted by the IMO (International Maritime Organization) in 2004. Prior to this convention going into effect, we have installed ballast water treatment systems on large coal carriers with the cooperation of Nippon Kaiji Kyokai.

* Still has not gone into effect as of June 2012

Ballast water treatment process



Measures for preventing marine pollution

When crude oil and petroleum products transported as cargo or fuel or lubricating oil required for ship navigation are spilled into the sea, serious marine pollution can occur. Our tankers feature a double-hull structure (structure in which the ship's bottom and side walls have been duplicated), which prevents the leakage of cargo oil into the sea if the ship is damaged in a collision, for example.

Also, deck equipment such as mooring winches 1 and ramp-ways 2 used to be hydraulically driven. However, these now use electric motors, which eliminates the risk of leaking hydraulic oil.

In this manner, duplication and triplication strategies are implemented by using structures that prevent oil spills that could seriously pollute the environment and by switching to equipment that does not use hydraulic pressure.



- 1 Mooring winch: Equipment that reels in rope and wire used in mooring the ship to berth.
- 2 Ramp-way: A path extended over the deck when loading vehicles onto a car carrier or unloading those vehicles. This is stored away during ship navigation.

Measures at sea are listed on our website. CSR >>> Environmental Management

Column Measures to reduce CO₂, SO_x, and NO_x emissions using LNG fuel

What is LNG?

LNG stands for Liquefied Natural Gas, the main component of which is methane. Natural gas that was produced from gas fields is cooled and water, CO₂, and other impurities are separated from it. This decreases the temperature of liquefied methane gas to approximately -160 degrees (boiling point) and reduces its volume to approximately 1/600th of that of natural gas in its gaseous state. Therefore natural gas is easier to transport and store as a liquid than as a gas.

What are the merits of using LNG as ship fuel?

Heavy oil, light oil, and LNG used as ship's fuel are all hydrocarbons in which carbon atoms are bonded to hydrogen atoms. Compared to heavy oil, LNG has fewer carbon atoms per molecule, so fewer CO₂ is produced by carbon atoms bonding to oxygen atoms during combustion. Additionally, a large amount of heat is generated per unit weight, and thus less fuel is needed to obtain the same amount of power from the engine.

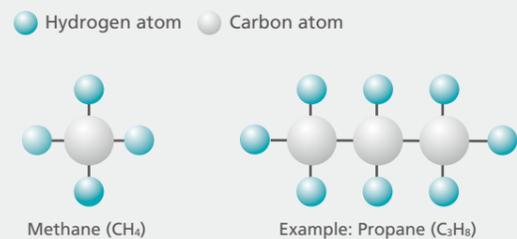
Furthermore, sulfur and other impurities are removed during the LNG purification process, which reduces sulfur oxides (SO_x) in the combustion gas to nearly zero. If a gas engine that produces little nitrogen oxides (NO_x) is also utilized, then the quantity of SO_x and NO_x will be greatly reduced.

What problems are posed by using LNG as fuel?

In LNG carriers, the vaporized gas in the cargo tank can be utilized as boiler or engine fuel. However, to date LNG has not been used as a fuel in other kinds of ships (containerships, car carriers, etc.). One reason is that the physical properties of LNG make it difficult to store on ships other than LNG carriers, and in addition, a system for supplying LNG fuel to operated ships has not been established around the world. Currently, new regulations for ships that use LNG fuel are being discussed at the IMO.

Methane is the main component of LNG.

LNG has fewer carbon atoms per molecule than other fuels, so it produces fewer CO₂ emissions.



Column Measures for improving energy efficiency and preserving ecosystems, learned from marine life

Ship resistance

Examples of resistance encountered when attempting to navigate a ship include air resistance, wave resistance, and the frictional resistance that develops between the ship's hull and the water. How to decrease the major source of resistance, frictional resistance, is important when striving for fuel efficiency. One must also consider how to prevent resistance due to marine life adhering to the ship's hull. Additionally, the impact that marine life attached to the ship exerts on ecosystems in other regions cannot be ignored.

Learning from marine life

Mammals and fish that live in the water have body surface structures that reduce frictional resistance with water. A paint for ship's bottom with the same effect as those structures has been developed. We use this type of paint to reduce frictional resistance and minimize marine life adhering to the ship's hull, etc.

Measures Taken at Shore

Measures taken at terminals

Electricity supply with no exhaust gas

At the self-managed container terminal of the Port of Long Beach in the U.S., electricity is supplied from shore facilities to ships at berth. Because generators do not have to be run on board, exhaust gas is not emitted from ships. This improves the air quality in surrounding areas.

Recycling energy

We have introduced an energy-saving hybrid transfer crane , and recycle the energy produced by regenerative brakes occurring when lowering the hoisted containers. The quantity of fuel consumption and CO₂ emission is halved, compared to conventional cranes.

Measures taken at offices

Striving to save electricity consumption

Last summer, in addition to adjusting the air conditioning and lighting, we implemented company-wide summertime commuting, wherein work was pushed forward 1 hour and cooperated with energy-saving policies for the electricity supply shortage following the Great East Japan Earthquake (approximately 23% reduction in the quantity of electricity consumption used during the energy saving period compared to the prior year). Moreover, in October 2011, we moved to a new office with more advanced environmentally friendly capabilities, such as LED illumination and human detection sensors.

Promoting waste separation and recycling

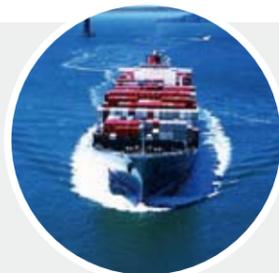
We minimize resource consumption at the office by setting the printer to print double-sided pages or to print two pages on one sheet. We separate garbage into 12 different types and try to recycle it into resources whenever possible.

 **Transfer crane:** A transfer crane is a self-propelled crane used for moving containers at a container terminal.

Environmental impact of business activities

INPUT

Fuel oil
3,949,154 tons



Marine transportation services

OUTPUT

CO₂
12,297,666 tons
SO_x
214,044 tons
NO_x
323,031 tons

Changes in the environmental footprint

Volume of CO₂ emissions per freight ton-mile (gram-CO₂/ton-mile)



Volume of SO_x emissions per freight ton-mile (gram-SO_x/ton-mile)



Volume of NO_x emissions per freight ton-mile (gram-NO_x/ton-mile)



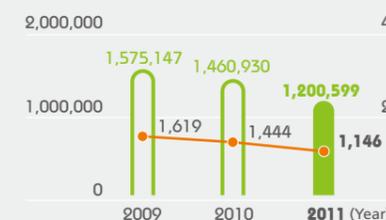
Note: 1 mile (nautical mile) = 1,852 m (1.852 km)

Green accounting is listed on our website.
CSR >>> Social & Environmental Report

Changes in office environment data

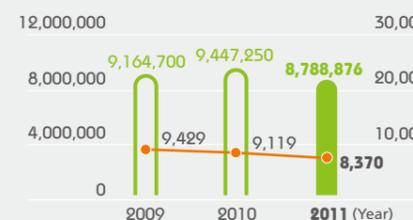
Electricity (kWh)

Annual consumption
Annual consumption per person



Office paper (sheets)

Annual consumption
Annual consumption per person



Water (m³)

Annual consumption
Annual consumption per person





Creating Comfortable Workplaces

We have designed a fulfilling training system aimed at improving motivation and developing the capabilities of each person working at "K" Line Group companies, with the guiding principle being to respect the fundamental human rights of the workers and to value their diverse personalities. In order to enhance the working environment, we have established a range of support systems, and have improved safety and office environments.

* For information on human resource development, refer to the Highlight on pages 5 to 12.

Respecting Human Rights and Ensuring Diversity

Respecting human rights

Sharing the principle of respecting human rights among the Group companies

At the beginning of the "Charter of Conduct for "K" Line Group Companies," we specify the following with regard to 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." Each company in the Group shares that principle and strives to increase awareness of human rights in its work environment and business activity.

We have established internal rules related to the handling of personnel information, and we provide reminders to prevent personal information and privacy violations.

Preventing harassment

We have established a dedicated consultation service

We have established a dedicated consultation service for sexual harassment, power harassment, and mental issues, and posted information on our internal portal site on how to use it, with contact details for the consultation desk. We have set up a system in which we can

quickly solve problems while giving the maximum consideration to privacy by providing a female consultant and working with an industrial physician.

Respecting diversity

We employ a diverse workforce

We have stepped up recruitment of female staff members and allocated our personnel in a way that allows them to work globally, regardless of gender. We have also promoted human resource diversity by employing people of other nationalities, etc. In addition, we continue to improve systems/environments that support and promote diversity so that new mind-sets and ideas born from that diversity can be utilized in tomorrow's business development and in the healthy growth of the "K" Line Group.

Respecting fundamental labor rights

Labor-management communication

We have worked to build good relationships between labor and management to maintain/improve the work environment. We have improved support systems, including those for maintaining work-life balance, by incorporating into the systems ideas born from constructive discussion between both parties.

Work-Life Balance

Creation of opportunities to contact family

— Sea duty

Improving various systems and equipment in the ship

As the number of ships that call at ports in Japan decreases, our crew members have fewer opportunities to contact their families. Therefore, we have made it possible for them to contact family by e-mail and satellite telephone while working at sea. The number of ships under our operation that are installed with Internet devices for 24-hour connection is increasing, which makes it possible to use not only e-mail but also Internet telephone on some ships.

For our crew members on ships that do not make port calls in Japan, we provide financial aid for family travel in order to promote family reunions abroad. We also have a program that allows our crew members to board ships together with their families for a set period of time in order to reduce the time they spend apart from their families.

Living environment on the ship

A living environment that keeps our crew members refreshed

Living environment is another important factor in work-life balance. Working on a ship, which includes being on watch and other operations, can sometimes lead to fatigue. We strive to create a living environment aboard ship that closely resembles living on land, so that crew members can stay refreshed. Providing good audio-visual entertainment equipment and expanding means of communicating with families is one part of that effort. We also provide training to ship's cooks so that they can maintain the good health of crew members by providing healthy menus.



Cooking in the galley

Overview of systems that support a work-life balance

Primary systems	Outline of our systems	Legal standards	Number of users in FY2011		
			males	females	total
Health care during pregnancy	Reduced hours granted during pregnancy	Same as at left	—	2	2
	Hospital visits granted during work hours	Same as at left	—	2	2
Maternity leave	Granted from 8 weeks prior to the expected date of birth	Granted from 6 weeks prior to the expected date of birth	—	7	7
	Maternity allowance granted during the period of 8 to 6 weeks prior to birth	No established standards	—	7	7
Childcare leave	Granted until the child turns 3	Granted until the child turns 1 year and 6 months	1	9	10
Leave for advanced infertility treatment	Granted for up to 18 months	No established standards	0	0	0
Nursing care leave	Granted for up to 2 years	Granted for up to 93 days	0	0	0
Support programs during childcare or nursing care	Loan program	Available for an employee who has a preschool child or a person requiring nursing care in his/her family.	2	0	2
	Reduced working hours program	Granted until the child completes the 3rd grade of elementary school.	0	4	4
Flexible working hours	Introduced by various divisions with a core time of 10:00 a.m. to 4 p.m.	Depends on the labor-management agreement			
Refreshment leave	Available in the 11th year at the company (7 consecutive days)	No established standards	17	4	21
	Available in the 21st year at the company (10 consecutive days)	No established standards	11	9	20

* Refer to page 38 for other human resources data.

Safety and Health Considerations

Health care

Caring for onshore workers

The Health Management Committee takes the initiative in improving the health status of employees in cooperation with industrial physicians, certified social insurance labor consultants, the corporate health insurance society, and the labor union. It also strengthens efforts to prevent overworking by providing managerial workers with explanations on the relationship between overworking and health. In addition to requiring employees to receive a physical examination once a year, we assist with the cost for those employees that desire a second examination. Thus we proactively support our employees' health management.

In order to assist with mental health issues, we have adopted a stress

check program on the Internet with which employees can manage their own mental health and improve their stress tolerance.

Caring for seafarers

For seafarers, the ship is both a place to work and to live. In consideration of this special work environment, we provide our seafarers with training in mental health care to help them provide sufficient care for their subordinates and themselves so that they can lead healthy onboard lives.

To prevent overworking, we have adopted the labor management and reporting system so that we can conduct labor management appropriately by considering the workload distribution as represented by job quantity and personnel.

Voice

Thank you for an environment that helps balance work and child-raising

I utilized the maternity leave and childcare leave system from 2008 to 2011. Currently, we are granted childcare leave until a child's third birthday. In my case, my daughter's birthday was at the end of March, so I was able to stay on leave until she was exactly 3 years old, just prior to the start of nursery school in April. I had occasionally encountered confusion and difficulty in those three years because it was my first time raising a child. However, now I believe I also grew up as a parent. To children, the infancy period is very important for future development. Therefore, I am very thankful to have been able to devote that time to always being with my daughter and to concentrate on child rearing. After returning to work, I have been utilizing the reduced working

hours program from 9:00 a.m. to 4:00 p.m. Until I put my daughter to sleep around 9:00 p.m., I am busy with evening activities, such as picking up my daughter from nursery school, making dinner, preparing the bath, and talking with my daughter. Therefore, I really appreciate being able to return home from work 1 hour earlier. There are certainly difficult aspects to working and raising children at the same time, particularly when it comes to time management and physical strength. I am really grateful for all of the support from my family, bosses, and colleagues. I will continue to do my best.

Yukiko Maruyama
Technical Group





Social Contribution

The "K" Line Group's Social Contribution Activities

As the "K" Line Group continues to develop our global business, we aim to mutually benefit and coexist with the local communities of relevant countries. We seek to achieve this through a steady accrual of small efforts, including social contribution activities with resources as a shipping business group, development of the next generation and participation in volunteer work.

Support Activities Related to the Great East Japan Earthquake

Immediately after the Great East Japan Earthquake occurred on March 11, 2011, our Group began exploring what we could do to support victims in the disaster-hit areas by utilizing our resources as a shipping business group. Since then we have provided restoration and reconstruction assistance in various fields in which our Group members specialize so that victims in the areas can return to normal lives as soon as possible.

Shipping relief supplies

In cooperation with "K" Line (Japan) Ltd., we transported supplies from overseas to the victims of the earthquake and tsunami.

- Temporary housing construction materials (twenty-three 40-foot containers)
- Bedding sets (nine 40-foot containers)
- Drinking water, cookware, stationary, clothing, etc.

Cooperation with the Japan Ground Self-Defense Forces

Kawasaki Kinkai Kisen Kaisha, Ltd. cooperated in transporting troops and vehicles by ferry to assist the Ground Self-Defense Forces engaged in rescue efforts in the disaster-hit areas.



- 4,451 troops, 1,203 vehicles
Tomakomai Port ⇔ Aomori Port (March to June)
- Tomakomai Port ⇔ Hachinohe Port (July to August)

Intermodal Engineering Co., Ltd. and "K" Line provided two reefer containers free of charge for storing food relief at the Ground Self-Defense Force base in Iwate Prefecture. (April to June)

Reefer container donation

"K" Line donated reefer containers to help reconstruct the fishing industry, a major industry along the Sanriku Coast, which was seriously hit by the earthquake and tsunami. Cooling facilities are essential to restarting the fishing industry. Those in the fishing processing industries are using the reefer containers donated by us as substitutes for the cooling warehouses that were swept away or destroyed by the tsunami.



- Ofunato City: Five 20-foot reefer containers
- Kesennuma City: Four 20-foot reefer containers
- Miyako City: One 20-foot reefer container

Donations

The "K" Line Group donated 50 million yen to the Japanese Red Cross Society for victim rescue and relief and for disaster area reconstruction. Adding together donations from executives and employees and independent contributions from Group companies both in Japan and abroad, the total amount of donations made by the "K" Line Group exceeded 100 million yen.

Volunteer leave system

In order to support employees participating in reconstruction assistance activities in the disaster-hit area, "K" Line has established the volunteer leave system. We also support the volunteer activities of employees by lending equipment such as jumpsuits and safety shoes. We have been planning volunteer programs since April 2012 together with Group companies in Japan, and are developing reconstruction assistance activities organizationally as a group.

- Planning volunteer tours and inviting participants from "K" Line and Group companies in Japan
- Including volunteer activities in training courses for new employees

Cooperating with incineration facility operations

An estimated 18.8 million tons of rubble was created by the earthquake, and processing that rubble is a large task in reconstructing disaster areas. Sendai City in Miyagi Prefecture, which was the first to launch a plan of rubble processing in disaster areas, decided to implement incineration processing at 3 coastal locations. Kawasaki Heavy Industries, Ltd. contracted to build and operate an incinerating facility at one of those locations.

Shinki Corporation, a Group company whose primary business is the operation and maintenance management of environmental plant facilities, has been cooperating in operating the incineration processing facility since it was constructed. Shinki Corporation has been operating the facility in Sendai, making the best use of its experience of handling rubble incineration processing in the wake of the Great Hanshin-Awaji Earthquake in 1995. It might be low-profile work, but is desperately needed to help reconstruct the disaster-hit areas.



Other Major Social Contribution Activities

Cooperation in shipping

Cooperation in transporting used wheelchairs to Peru

The Japanese Peruvian Association made a request via the Asociacion Nippo-Peruana for cooperation in transporting 91 used wheelchairs to be donated to the elderly and the sick. In response to this, we provided free ocean transportation of those wheelchairs to Peru.

Cooperation in shipping English children's books

Employees at Sony Group in all regions donate English children's books to the mobile library project sponsored by SAPESI (South African Primary Education Support Initiative), an NPO that provides educational support to South African children. We cooperated with this effort by offering free ocean transportation of those books. We shipped to South Africa the books that employees at each Sony Group company of Australia, Singapore, and Canada collected (one 20-foot container each).

The "K" Line Group began transport cooperation with SAPESI starting with a March 2011 shipment from Japan, and we intend to continue the cooperation in the years to come.



Cooperation in shipping English children's books



Relief for natural disasters

Relief for flood damage in Thailand

Miyagi Prefecture, which had received support from Thailand in the wake of the Great East Japan Earthquake, provided relief, such as water, medical and industrial gloves, towels, and masks to areas in Thailand damaged by flooding. We shipped a quantity of relief supplies, which required as much as nine 40-foot containers, free of charge.

In addition, "K" Line and K Line (Thailand) Ltd. together made a donation of 2 million bahts to the Thai Red Cross Society.



Cooperation by shipping relief supplies free of charge

Accepting internships

To develop human resources who will lead the next generation

Every year our company organizes an internship program for students of nautical colleges. In August 2011, we conducted four week-long internship programs and accepted 54 students in total.

The program consisted of an introduction to our business operations and lectures related to ship operation/management. Additionally, students of the navigation course observed the car carrier terminal and students of the engineering course paid a visit to the container terminal.

This program offered practical knowledge that could not be taught in a school classroom, and students were able to physically experience seeing the actual handling of cargo and size of the ship. We received feedback from the students that this was a very meaningful experience for them. We will continue to improve the content of this training program, so that we can further increase students' interest in the shipping industry.



Simulator training

Voice Giving massages as a volunteer

I used the company's volunteer leave system to travel to disaster areas in order to provide massages to the people there.

In the Akai region of Higashi Matsushima, where I gave most of my massages, houses had not been washed away, so it was possible for residents to return home from shelters sooner than was the case in other areas. However, the first floors of these homes smelled horrible as a result of tsunami water and sludge, and everything except the foundations and pillars needed to be

demolished and rebuilt. Despite this situation, many residents were still on a waiting list for construction.

I was only able to provide massages to a very small number of people in the areas I visited. However, I believe that I was able to help at least a few of the victims. I was glad that I went, and I would go again if there were another opportunity to do so.

Ichiro Kuroda
Masseur, Human Resources Group



Third-Party View



Yoshinao Kozuma
Professor, Faculty of Economics,
Sophia University, Japan

1. Strengthening the CSR promotion system

The midterm management plan “K” LINE Vision 100 - New Challenges” that was established in April 2011 was revised in response to the economic downturn in FY2011. A new midterm management plan, “K” LINE Vision 100 : Bridge to the Future” was established. My greatest concern regarding this change was that activities aimed at protecting the environment and contributing to society would slow down in order for business recovery to take place, because the cost of such activities is not easily recovered in the short term. However, there were no changes to the basic management principles of the “K” Line Group, which were entitled “Synergy for All and Sustainable Growth.” Issues such as environmental policies are still considered important and are continuing to be pursued.

What I particularly appreciate is that the CSR promotion system has been strengthened. Previously the CSR & Compliance Division of the General Affairs Group assumed a coordinating role within the company and promoted company-wide CSR. However, beginning this year, a CSR promotion network was built between each company in the Group, and CSR activities have been improved by shifting from a Head Office base to a group base. By strengthening the system, more results can be expected in the future for the group as a whole.

However, there is almost nothing listed in this report with regard to the specific functions and organization system of the CSR promotion network. There also seems to have been a delay in posting information about this matter on the website. Because the trouble was taken to strengthen the system, I hope that there is a more detailed explanation in the report for the following fiscal year with regard to what changed and how it changed.

2. Gas-fuelled ship development project

Among future environmental regulations for ships are the energy-saving regulations for newly built ships that have been established

by the International Maritime Organization (IMO) and which are to take effect in 2015, and the legal regulations to reduce sulfur content in ship fuel that have been set by the EU based on the original proposal of the IMO. For shipping companies, both of these are serious regulatory risks that could greatly impact midterm investment plans and future fuel costs.

In an effort to solve this problem, the “Gas-fuelled Ship Development Project” is featured in this report. If this concept is successfully implemented, particles released into the air can be reduced: CO₂ emissions can be reduced by 40% over the original value, and approximately 100% of sulfur oxides (SO_x) can be removed. Based on these calculations, the energy-saving regulations and sulfur reduction regulations can easily be satisfied.

In that sense, this is important news for stakeholders interested in CSR management at the “K” Line Group. However, the description of the regulatory risk is general in this report, which makes it difficult for readers to get a clear understanding of the significance of the project.

3. Response to stakeholders

Regarding stakeholder engagement, an organized explanation pertaining to each channel and implementation status was provided in reports issued in the past. However, the purpose of stakeholder engagement is to maintain smooth relationships with the stakeholders, who are providers of management resources critical to promoting business activities. Therefore, the needs and opinions of the stakeholders and how the company responded to them are very important information. The style of the current explanation does not sufficiently address this point, so I would like the company to continue to try and address that in the future.

4. Compact composition

Last year’s report was 46 pages, and this year’s report was reduced to 38. However, techniques have been implemented to prevent omitting an explanation of human resources data and the PDCA. Therefore, even though the number of pages was reduced, the quantity of information does not feel reduced. In particular, the explanation of the work-life balance also lists the number of system users, which makes it easier to read than last year. The company has succeeded in conveying that the PDCA is functioning properly with such a discreet improvement.

Reply to the Third-Party View

Thank you again for your valuable opinions this year.
Our company strives to improve the work-life balance under the name “Creating a Comfortable Work Environment.” In light of suggestions for improvements last year, we organized/improved human resources data, and are planning to adopt the credential reinstatement system in 2012, which makes it possible to catch up after a period of absence for childcare leave. We hope to continue strengthening efforts to develop the next generation and support raising children in the years to come.
Considering the suggestions that we received this time, we would like to start disclosing the group CSR promotion network system on our website without waiting for the next report to be published. As for the issue of responding to stakeholders, we understand your suggestion that we clarify the needs and opinions of stakeholders and how the company responded to them. We are aiming at enhancing transparency not only in this case, but also in future business activities, and are striving to further promote the various initiatives in the fields covered in the report.



Takashi Yamaguchi
Director, Executive Officer in Charge of CSR & Compliance

Human Resources Data

• This data applies to Kawasaki Kisen Kaisha, Ltd. and its employees.

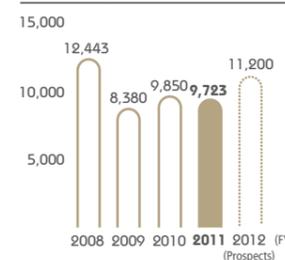
		FY2009		FY2010		FY2011	
		Onshore	Seafarer	Onshore	Seafarer	Onshore	Seafarer
Number of employees (As of the end of each fiscal year)	Male	322	186	323	181	340	171
	Female	111	4	114	5	146	7
	Total	433	190	437	186	486	178
Number of new employees (including mid-career employees)	Male	13	19	20	14	14	14
	Female	7	1	11	2	8	2
	Total	20	20	31	16	22	16
Average length of service (As of the end of each fiscal year) (Years)	Comprehensive work onshore	13.9		13.5		13.4	
	Clerical work onshore	21.2		19.4		19.3	
	Seafarers	11.5		11.9		10.5	
Turnover rate of employees 30 years old or younger* ¹ (%)	Onshore	1.42	0	1.53	3.3	1.33	1.0
	Seafarer	0	0	0	0	0	0
Percentage of people taking paid leave* ² (%)		44		40		44	
Percentage of eligible female employees taking childcare leave* ³ (%)	Onshore	100	-	100	-	100	-
	Seafarer	-	-	-	-	-	-
Number of employees taking nursing care leave	Male	0	1	0	0	0	0
	Female	0	0	0	0	0	0
Percentage of employees with disabilities* ⁴ (As of the end of each fiscal year) (%)		2.12		1.6		1.6	
Number of retired employees reemployed by the company (As of the end of each fiscal year)		35		17		3	
Number of working mothers* ⁵		21		16		13	
Number of industrial accidents* ⁶	Onshore	0	0	0	0	0	0
	Seafarer	0	0	0	0	0	0

- *1 Turnover rate of employees 30 years old or younger =
Number of employees departing the company at 30 or younger ÷ Number of employees 30 or younger engaging in comprehensive or clerical work
- *2 Including summer vacation.
Excluding seafarers on duty at sea.
- *3 Percentage = Number of female employees taking childcare leave ÷ Number of female employees giving birth
- *4 Employment rate of employees with disabilities complies with the provisions of the Act on Employment Promotion etc. of Persons with Disabilities. According to those stipulations, a 90% exclusion rate is applied in the calculation for crew members (excluding those working onshore).
- *5 Mothers with children who have not completed compulsory education (excluding those on childcare leave)
- *6 Excluding commuting accidents

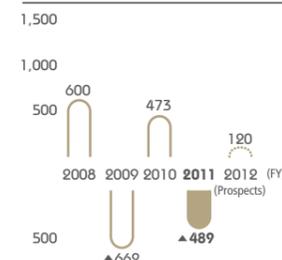
Primary Financial Data (consolidated)/Business Content

* Rounded down to the nearest 100 million yen.

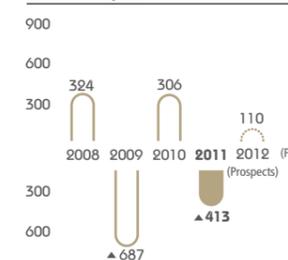
Operating Revenues (100 million yen)



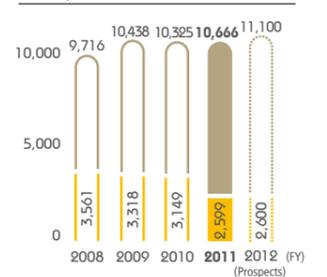
Ordinary Income/Loss (100 million yen)



Net Income/Loss (100 million yen)



Total Assets/Net Assets (100 million yen)



The above outlook is based on estimated values as of April 27, 2012, assuming an exchange rate at 80 Japanese yen to the US dollar and a fuel oil price of US\$720/MT.

Segment Breakdown of Operating Revenues



Business Content

Containership Business	Containership Services	We offer a transport service for cargo in containers. Cargo includes electronic devices, electric appliances, furniture, and clothes, as well as frozen foods, beverages, hops, consumer products, parts, and raw materials.
	Dry Bulk Carrier Services	We offer a bulk carrier transport service for raw materials, including coal, iron ore, grains (wheat, soy, corn, etc.), and paper-making materials.
Bulk Shipping Business	Car Carrier Services	We offer completed car transport service for passenger cars, trucks, etc. as a pioneer in car carrier services.
	Energy Transportation and Tanker Services	We transport utility gas and gasoline etc. that is very important to the lives of citizens, as well as commercial liquefied gas, crude oil, and petroleum products. We also offer offshore support vessel services to support the increasing development of marine energy.
	Heavy Lifter Services	We offer a heavy transport service that primarily transports large cargo related to energy industries and infrastructure.
Short Sea and Coastal Services	Short Sea and Coastal Services	The ships we operate in domestic waters include cargo-passenger ships, high-speed roll-on/roll-off ships, and specialized limestone carriers for steel and cement production. We operate liners and trampers that transport raw materials and processed goods across the waters between Japan and other Asian countries.
	Total Logistics Services	We provide total logistics services, including airfreighting, buyer's consolidation, warehousing and trucking.
Others	Other Services	In addition to those businesses mentioned above, we operate a ship management business and a real estate leasing and management business.

More details introducing our businesses are listed on our website.

Profile of the "K" Line (As of March 31, 2012)

Name:	Kawasaki Kisen Kaisha, Ltd.
Established:	April 5, 1919
Head Office:	Iino Building, 1-1, Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo 100-8540, Japan
Paid-in Capital:	65,032 million Japanese yen
Shares Outstanding:	765,382,298 shares of common stock including treasury stock
Employees:	Non-consolidated: 664 (511 males and 153 females) Consolidated subsidiaries: 3,381 (Japan), 4,322 (Overseas)
Workforce breakdown by region (Group):	Japan: 38.5%, Asia: 43.7%, North America: 7.0%, Europe: 9.1%, Others: 1.7%
Offices:	Head Office (Tokyo), Registered Office (Kobe), Branches (Nagoya and Kansai)
Overseas Representative Offices:	Beijing, Manila, Middle East (Dubai)

• Overseas Subsidiaries:

South Korea, China, Taiwan, Thailand, Philippines, Singapore, Malaysia, Indonesia, Vietnam, India, 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: 25, Overseas: 263, Equity Method Affiliates: 26 (Japan: 4, Overseas: 22)

• Fleet: 535 ships (37.79 million DWT)

- Containerships (Owned 11/Chartered 69) • Bulk Carriers (Owned 109/Chartered 224)
- Energy Transportation and Tankers (Owned 29/Chartered 18)
- Heavy Lifters (Owned 16/Chartered 0) • Offshore vessels (Owned 6/Chartered 1)
- Other (Owned 27/Chartered 25) • Owned 198/Chartered 337 Total 535

Enquiries

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Environment Management Division

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We also provide extensive information on our website:

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

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 quarterly (bimonthly in English)
- Shareholders' Newsletter (Japanese; issued in November)



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