Environmental and Social Report 2005
Green Shipping Corporate Group MOL, Friendly to Oceans and Environment

B l u e r  O c e a n s  &  C l e a n e r  E n v i r o n m e n t
MOL Group Corporate Principles

1. As a multi-modal transport group, we will actively seize opportunities that contribute to global economic growth and development by meeting and responding to our customers’ needs and to this new era.

2. We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency and promoting an open and visible management style that is guided by the highest ethical and social standards.

3. We will promote and protect our environment by maintaining strict, safe operation and navigation standards.

Corporate Profile (As of March 31, 2005)

- Name: Mitsui O.S.K. Lines, Ltd.
- Foundation: December 28, 1942 (Inauguration: 1884)
- President: Akimitsu Ashida
- Paid-in capital: ¥64,915 million
- Number of shares issued: 1,205,410,445
- Number of shareholders: 117,133
- Shares listed in: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Frankfurt
- Business: Multimodal transport mainly by ocean-going shipping
- Consolidated revenue: ¥1,173,322 million (for FY2005 ending March 31, 2005)
- Number of employees: 897 (611 on land, 286 at sea) excluding employees temporarily assigned to other companies
- Fleet: 518 vessels; 39,550,000 DWT
- Number of Group companies: 322 (consolidated)
- Number of consolidated subsidiaries: 62 in Japan, 219 overseas
- Number of equity method non-consolidated subsidiaries: 2 overseas
- Number of equity method affiliates: 13 in Japan, 26 overseas
- Number of employees in Group companies: 7,385 (consolidated companies)
- Group fleet: 646 vessels, 41,490,000 DWT
- Head Office: 2-1-1 Toranomon, Minato-ku, Tokyo 105-8688
- Branches in Japan: Sapporo, Yokohama, Nagoya, Osaka, Kobe, Kyushu
- Offices: Tomakomai, Hiroshima, Moscow Representative Office, Vladivostok Office
- URL: http://www.mol.co.jp

Overseas Network (29 nations)

Europe
- U.K.
- The Netherlands
- Germany
- Austria
- France
- Belgium
- Russia

Asia
- Malaysia
- Singapore
- Thailand
- Vietnam
- Philippines
- China
- Taiwan
- South Korea
- Indonesia
- India
- Sri Lanka
- Qatar
- Oman
- UAE

North America
- U.S.A.
- Canada
- Mexico
- Panama
- Brazil
- Chile

Others
- South Africa
- Australia
- New Zealand

MOL Head Office Building
Editorial Policies

The MOL Group has reported on its groupwide environmental protection activities every year since 2000, when we published the first Environmental Report. In 2003, we renamed the publication the Environmental and Social Report to encompass the Groups overall social contributions as well as environmental protection.

The goal of this report is to convey MOL's philosophy and actions on corporate social responsibility (CSR) including safe operation and environmental protection, which are the foundation of our business activities, to various stakeholders around the world.

This report covers four general areas – "management (including safe operations)," "the environment," "society," and "finance."

Targets and achievements in each category are shown on corresponding pages, so readers can see our progress at a glance.

For further reference:
- Environmental Report Guidelines 2004 and Environmental Accounting Guidelines 2002 issued by the Japanese Ministry of Environment:
- Sustainability Reporting Guidelines 2002 issued by Global Reporting Initiative (GRI)

Scope

Period
FY2004 (April 1, 2004 to March 31, 2005)

Exception: The organization chart in this report is as of July 1, 2005. In addition, some activities began prior to FY2004 and activities during FY2005 (April 1, 2005 to March 31, 2006) are reported with notes.

Organizations
In principle, MOL Group companies that do business in Japan and overseas.

MOL Group

Data
Financial reports are based on consolidated results unless otherwise noted.

Environmental aspects are divided into the following three categories. Reported activities are based on Nos. 1, 2, and 3, below, but data is available only for items covered in Nos. 1 and 2.

1. Activities conducted at MOL (including all operated vessels).

Since very small number of employees work in offices outside the Head Office, the environmental burden of these offices is extremely low, so data covers only the activities aboard MOL-operated vessels and in the Head Office.


3. In addition to No.2 above, activities conducted at equity method applied affiliates – Kansai Kisen Kaisha, Meimon Taiyo Ferry Co., Ltd., and Nippon Charter Cruise, Ltd., and four overseas regions (the United States, South America, Europe, and Asia)

Please see notes regarding scope of application for data other than above.

Consolidated Subsidiaries in Japan (62 companies)

1. Containership business (4)

Operate container terminals and offer liner shipping agency services.


2. Bulkship business (4)

Own or operate car carriers, dry bulk carriers, tankers, and LNG carriers, or offer transp agency services.


3. Logistics business (7)

Transport and store cargo, and offer "total logistics solutions."

MOL Osaka Nantico Physical Distribution Center Co., Ltd, MOL Logistics (Japan) Co., Ltd, M.O. Tourist Co., Ltd., International Container Transport Co., Ltd., Japan Express Co., Ltd (Yokohama), Japan Express Co., Ltd (Kobe), Japan Express Packing & Transport Co., Ltd.

4. Ferry and domestic transport business (12)

Offer passenger and container cargo by ferry, and transport domestic cargo


5. Associated business (24)

This segment includes real estate, cruise ship operation, tugboat services, trading, construction, temporary staffing, and marine consulting.


6. Others (11)

Mainly serve as MOL Group cost centers, for ship management excluding LNG carriers, Group-related finance, information, and accounting.


03
Creating an Excellent, Resilient Global Corporate Group

The MOL Group Corporate Principles include contributing to global economic growth; maximizing corporate value by promoting an open and visible management style guided by the highest ethical and social standards; and protecting our environment by maintaining strict, safe operation and navigation standards. By following these principles, we strive to create an excellent, resilient, global corporate group that promotes sustainable growth around the world.

Mitsui O.S.K. Lines, Ltd.
President
Akimitsu Ashida

Maximizing corporate value through open and visible management
I believe we can increase our corporate value through the pursuit of intellectual creativity and efficiency. The MOL Group is united in working to enhance corporate value by effectively using information, anticipating customer needs, creating new business and services, and increasing our global competitiveness.

And it is indispensable to recognize and respect social norms and corporate ethics, through compliance activities and highly transparent management.

Protecting our environment by maintaining strict safety standards
Safe navigation and operation are the foundation of the MOL Group’s business activities, and critical to protecting the environment. In addition, safety is a key element of the MOL reputation for quality and reliability. The MOL Group operates nearly 640 vessels all over the world. Directors and employees alike must bear in mind the serious social impact of even a minor marine accident, and remember that we have zero margin for error when it comes to safety.

Our vessels operate around the clock, often under severe weather and oceanic conditions. And despite space and other limitations, ships must meet unique environmental standards vastly different from those regulating land-based facilities. The MOL Group is acutely aware of the burden its activities place on the environment, and is working constantly to devise new technologies that help reduce that burden. We also consider the entire life cycle of our vessels to ensure the optimum balance of environment-friendliness and economic efficiency.

Contributing to global economic growth
Worldwide ocean trade volume has grown steadily in recent years thanks to economic globalization. We expect continued growth in the future. Ships are the only way to transport large volumes of cargo efficiently, cost-effectively, and with the minimum environmental burden. We have the world’s most environment-friendly, most advanced fleet, and our service network spans the globe. We hope to continue promoting global economic development as the world’s largest ocean shipping group.
Responding to change with financial flexibility and creativity

The MOL Group posted all-time record of ¥174.9 billion (US$ 1,629 million) in consolidated ordinary income for fiscal year (FY) 2004 ending March 31, 2005. This is significantly higher than the ¥100 billion (US$ 932 million) goal set out in the first year of our mid-term management plan, MOL STEP, which began in April 2004. We set out to make the MOL Group an excellent and resilient organization that leads the world’s shipping industry. Achieving that goal will require financial as well as organizational strength to overcome global competition, and a flexible mindset that allows us to respond swiftly to changes in the business climate. Accordingly, we improved the group’s ferry operations by accepting an increase of capital in Kansai Kisen Kaisha, strengthened our real estate operations by making Daibiru Corporation an MOL subsidiary, cemented ties with Utoc Corporation by acquiring its shares, and built a strategic tie-up with Kintetsu World Express, Inc., a major Japanese air freight forwarder. All these moves are based on the idea of flexibility.

Earning and maintaining society’s trust

MOL reorganized the Environment Committee into the CSR and Environment Committee to foster stronger groupwide approaches to corporate social responsibility (CSR), and established the CSR and Environment Office in the Corporate Planning Division in June 2004. The new office covers environment-related functions and promotes awareness of a broad range of CSR issues throughout the MOL Group. CSR priorities and approaches vary widely according to management goals, business conditions, and the needs of various stakeholders. The company conducted overhaul of CSR approaches last fall. Although we take pride in our generally high achievement in CSR, we are focusing on improving a relatively weak approach to social contributions and stepping up efforts to address global environmental problems, which show no sign of improvement. In March 2005, we joined an international initiative called the Global Compact, which brings companies together with UN agencies, labor, and society to support 10 principles covering human rights, labor, the environment, and anti-corruption measures.

As we work to achieve the MOL STEP goal of growth – developing a unique organization that will be the world’s largest, highest-quality, full-service ocean transportation group, we will strive as never before to promote sustainable development and prosperity around the world.

The Environmental and Social Report 2005 outlines our efforts to protect the environment and contribute to society during FY2004. It is a vital communication tool, linking stakeholders and MOL Group. We hope this report will give you a better understanding of MOL Group’s perspectives and approaches to environmental and social issues, and we look forward to your feedback.
Japan, as an island country, is naturally dependent on foreign trade. Imports and exports for 2003 totaled 9.84 million tons; of that amount, ships transported 99.7% by volume, or 68% by value. The MOL Group, centered on ocean shipping transport, plays a key role in transporting a range of cargoes that are essential to consumers and businesses around the world. As an indispensable industry for sustainable worldwide economic growth, the MOL Group is expanding its business while focusing on environmental protection and social needs.

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Product Transport Business

The logistics infrastructure is the foundation of the world economy.

- Containerships
  - Transport food, apparel, electric appliances, and other goods.
  - MOL has the world’s largest service network, with fast, state-of-the-art ships incorporating the latest environmentally friendly features. This fleet allows us to offer timely, efficient services on a global scale.

- Car Carriers
  - Transport automobiles, trucks, and other vehicles.
  - MOL launched Japan’s first car carrier in Japan in 1965, and since then has gained a worldwide reputation for excellence in this market. In recent years, we have promoted the development and adoption of next-generation, environmentally friendly vessels, taking a lead role in the design process.

- Dry Bulkers
  - Transport iron ore, coals and wood chips, and other commodities.
  - Bulk carriers have huge holds that accommodate massive quantities of dry bulk cargo. We are the world’s largest operator of dry bulkers.

- Tankers
  - Transport crude oil, petroleum products, and chemicals.
  - MOL also operates the world’s largest tanker fleet, including very large crude carriers (VLCCs) of over 200,000 dwt. The fleet also includes product tankers for refined petroleum products, chemical tankers for liquid chemicals, and liquefied petroleum gas (LPG) carriers.
Ocean shipping is a growing industry that supports the world economy.

The MOL Group Serves Various Stakeholders

In ocean shipping, which is core of MOL Group business, we transport cargo around the world, using most efficient method available – namely, vessels. Global ocean trade volume has shown a drastic increase, in step with rising population and economic globalization. The MOL Group has responded aggressively to changes in Japan’s industrial structure and international logistics, diversified customer needs, and rising demand for offshore trade. As a result, we are constantly developing new services.

The MOL Group continues to promote business activities that are friendly to various stakeholders all over the world.

Ocean shipping is a growing industry that supports the world economy.

**Worldwide ocean trade**

- **Unit:** million tons

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</thead>
<tbody>
<tr>
<td>Value</td>
<td>3,289</td>
<td>4,687</td>
<td>3,977</td>
<td>4,000</td>
<td>5,434</td>
<td>5,549</td>
<td>6,133</td>
<td>6,542</td>
<td>6,830</td>
</tr>
</tbody>
</table>

(Source: Fearnleys Review)

**Consolidated revenue by segment**

- **LNG carrier 5%**
- **Tankers 11%**
- **Car carriers 11%**
- **Bulk carriers 23%**
- **Associated business 6%**
- **Tramp carriers 50%**
- **Containership 34%**
- **Logistics 5%**

*LNG Carriers*

- Transport clean natural gas.

MOL holds the largest share in the worldwide liquefied natural gas (LNG) carrier market. LNG is a clean-burning source of energy that does not generate sulfur oxides or soot. What’s more, LNG’s carbon dioxide emissions are only about 60% of coal’s.

*LNG carrier SENSHU MARU*

*Logistics*

- Ensures seamless total logistics service.

The MOL Group has warehouses and logistics centers in Japan and around the world. We link these facilities with multimodal transport systems that link sea, land, and air, with services tailored to meet any customer’s needs.
Our philosophy on CSR

Earning the respect of society

I believe the essence of corporate social responsibility (CSR) is that companies should not seek profits alone; they must conduct their business activities with consideration of society, the environment, and human rights, and strive for sustainable growth as part of the global and local community. Corporations are one of the building blocks of modern society. And we have seen time and time again that when a company loses the trust of society, it is quite difficult to recover.

Looking back our nearly 120-year history, the company faced rough sailing at many times, but everyone pulled together and persevered. What’s more, we could never have succeeded without the support and trust of stakeholders such as customers, shareholders, business partners, and communities.

CSR is a recent term, but its elements – corporate governance, compliance, human rights, environmental measures, customer satisfaction, accountability, and social contribution – are not particularly new ideas. The MOL Group is united in efforts to build awareness of the importance of corporate principles and ethics. To enhance these initiatives, we reinforced our CSR structure in June 2004.

Reviewing activities during FY2004

Looking back at our CSR and environmental activities during FY2004, we failed to achieve the most important target of “no serious marine accidents.” This was because of the collision involving the crude oil tanker KAMINESAN. Fortunately, there was no secondary damage, such as injuries or oil spills. But as a company that makes safe operation its top priority, we regret this incident, and apologize for the trouble it caused. We pledge to work even harder on safety issues in the future.

Turning our attention to environmental protection, our total CO2, NOx, and SOx emissions increased because we expanded our fleet in response to booming global trade. However, we achieved one of our main targets in this area – reducing emissions per unit load from vessels – thanks to the launch of new energy-efficient vessels and more efficient operation.

In March 2005, MOL became the first Japanese shipping company to participate in the United Nations (UN) Global Compact, which brings companies together with UN agencies, labor, and society to support 10 principles covering human rights, labor, the environment, and anti-corruption measures. The MOL Group is expanding its businesses on a global scale, and promises to implement these 10 principles – universal values and rule of conduct recognized around the world – as a global corporate citizen. In the future, we will expand our Group CSR initiatives globally and strive to meet international standards through our Global Compact activities.

FY2005 activities

As our first effort after improving our CSR systems in June 2004 we re-evaluated our CSR activities. Then, we set forth the targets for FY2005, ending March 31, 2006. We established new policies aimed at creating a more comprehensive approach to social contributions. We also deepened our efforts on environmental protection, which has traditionally been our top concern. These targets are described on page 11, and we are working hard to reach them in FY2005.

CSR demands sustained effort. But we are recognizing anew how important it is for our Group companies to contribute to society and earn the respect of our stakeholders – respect that passes from one generation to the next.

With that in mind, we look forward to the support and involvement of various stakeholders to further deepen our CSR activities.
Review of FY2004 activities

Participation in UN Global Compact

http://www.mol.co.jp/csr.shtml

MOL joined the UN-backed Global Compact in March 2005. MOL is the 29th Japanese corporate member, but the first company from the Japanese shipping industry. The Global Compact resulted from UN Secretary-General Kofi Annan’s challenge to business leaders – join an international initiative that unites corporations with UN agencies, labor, and society to support 10 principles covering human rights, labor, the environment, and anti-corruption measures. It began its operational phase in July 2000. Participating companies, as good corporate citizens, help create a global framework to realize sustainable growth by demonstrating responsible leadership through support and practice of the 10 principles.

We continue our own CSR efforts, while cooperating with the Global Compact Japan Network (GCJN) which consists of participating Japanese companies.

The Principles of the Global Compact

<table>
<thead>
<tr>
<th>Phase</th>
<th>Principle</th>
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<tbody>
<tr>
<td>Human Rights</td>
<td>1: The support and respect of the protection of international human rights;</td>
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<tr>
<td></td>
<td>2: The refusal to participate or condone human rights abuses;</td>
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<td></td>
<td>3: The support for the protection of international human rights;</td>
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<td></td>
<td>4: The abolition of compulsory labor;</td>
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<td></td>
<td>5: The abolition of child labor;</td>
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<td></td>
<td>6: The elimination of discrimination in employment and occupation;</td>
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<td></td>
<td>7: The implementation of a precautionary and effective program to environmental issues;</td>
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<tr>
<td></td>
<td>8: Initiatives that demonstrate environmental responsibility;</td>
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<tr>
<td></td>
<td>9: The promotion of the diffusion of environmentally friendly technologies;</td>
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<tr>
<td></td>
<td>10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.</td>
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</tbody>
</table>

Further reinforcement of CSR system

In April 2003, MOL inaugurated the CSR Subcommittee, made up of group leaders and managers in the Administrative Division/Offices of the Head Office, to develop the best approaches to CSR for the MOL Group. And in June 2004, we reorganized the Environment Committee directly under the Executive Committee, as the CSR and Environment Committee, a move aimed at fostering stronger groupwide approaches to CSR, and established the CSR and Environment Office in the Corporate Planning Division. Please refer to page 10. We also published the CSR Handbook and distributed it to all employees.

PCTC, UTOPIA ACE receives Ship of the Year Award 2005 from Lloyd’s List

MOL remains in the forefront of developing and adopting environment-friendly technologies, such as new vessel designs that reduce wind and water resistance, and minimize the risk of bunker oil spills. In February 2005, our most advanced pure car and truck carrier (PCTC), the UTOPIA ACE, captured the Ship of the Year Award 2005 from the U.K.’s prestigious Lloyd’s List.

Please refer to page 24.

Helping nations struck by the Sumatra earthquake and Indian Ocean tsunami

http://www.mol.co.jp/contribution.shtml

The company transported aid supplies and collected monetary donations for victims of the December 26, 2004, earthquake off Sumatra Island and the resulting tsunami in the Indian Ocean. We transported the supplies at no cost from Japan and other countries around the world to Colombo, Berawan, and Chennai, utilizing our global container service network. The aid supplies were entrusted from various NPOs, corporations, and individuals totaled 187 TEUs*. We also called on our PCTC fleet to transport special-purpose vehicles such as large bulldozers and dump trucks used for local restoration projects.

MOL Group management and employees around the world collected a total of ¥20 million for donation through disaster relief and reconstruction agencies in affected countries.

Please refer to page 40.

* TEU: Twenty Feet Equivalent Unit

Shosen Mitsui Ferry wins logistics environmental grand prize

Shosen Mitsui Ferry Co., Ltd., along with Nippon Express, launched innovative high-speed, fuel-efficient roll-on/roll-off (RORO) ships to link Tokyo and Kyushu/Seto Inland Sea ports. For this breakthrough, the companies won the grand prize in the Japan Federation of Freight Industries (JFFI) environmental logistics competition. The JFFI award recognizes companies, organizations, and individuals in the logistics industry that make major contributions to environmental protection and awareness.

Shosen Mitsui Ferry and Nippon Express each launched two RORO ships to serve the Tokyo-Hakata route, and started joint operations in October 2003. They achieved the two seemingly conflicting goals – increasing cargo capacity by using larger, faster vessels while reducing CO2 emissions. The MOL Group, in the vanguard of a modal shift expected to reduce greenhouse gas emissions in Japan’s logistics industry, continues to promote such energy-saving activities.
The MOL Group does business with special attention to social justice, ethics, and the environment, and aims at sustainable growth of the company, society, and the global economy by meeting the needs of a broad range of stakeholders.

### Purposes of MOL Group's CSR Activities

1. **Embody MOL Group Corporate Principles.**
2. ** Maintain good relationships with all stakeholders.**
3. **Ensure sustainable growth by reinforcement of compliance, governance, and risk management.**
4. ** Improve corporate value through CSR efforts.**

### CSR approaches

In April 2003, MOL inaugurated the CSR Subcommittee to develop the best approaches to CSR for the MOL Group. And in June 2004, we reorganized the Environment Committee directly under the Executive Committee, as the CSR and Environment Committee, a move aimed at fostering stronger groupwide approaches to CSR, and established the CSR and Environment Office in the Corporate Planning Division. This allows more effective review and action on groupwide CSR issues as well as environment-related measures.

We established the CSR and Environment Office in the Corporate Planning Division in June 2004, not only to execute groupwide environmental measures and other affairs related to social contribution, but also to promote comprehensive groupwide CSR activities. In addition, the CSR and Environment Committee works in partnership with the Compliance Committee and the Operational Safety Committee, which report directly to the Executive Committee. These committees ensure a deep awareness of CSR’s importance throughout the MOL Group.

### Positioning of MOL Group Corporate Principles, CSR Concepts, and Activities (chart)

- **Improve corporate value and contribute to shareholders**
  - Society’s trust
  - Business activities
  - Society’s trust

### Approaches to CSR

- **Corporate governance**
- **Environmental measures**
- **Safe operation and risk management**
- **Customer satisfaction (CS)**
- **Social contribution**
- **Compliance**
- **Quality (control)**
- **Information disclosure, accountability**
- **Human rights, human resources, safety and health, employee satisfaction (ES)**
- **Promote good relationships with business partners**

### MOL's Approaches to CSR

- **Chief Officer (President)**
  - CSR and Environment Committee (Chairman: Vice President)
  - (1) Addresses corporate social responsibility (CSR) issues
  - (2) Formulates corporate strategies and organizations aimed at minimizing our environmental burden.
  - (3) Oversees research and survey activities and reviews relevant laws and regulations
  - (4) Examines technologies and systems aimed at minimizing our environmental burden.
  - (5) Deals with other CSR and environmental issues related to MOL and the MOL Group, as directed by the committee chairman.

- **Executive Committee**
  - Operational Safety Committee (Chairman: President)
  - Establishes basic policies and measures to ensure and reinforce the safety of MOL and MOL Group-operated vessels.

- **Compliance Committee**
  - (Chairman: Deputy President)
  - (1) Oversees the compliance system.
  - (2) Formulates systems to deal with compliance violations.
  - (3) Manages the MOL Group’s privacy protection structure.

These three committees, under the Executive Committee, take the lead in setting CSR-related policies.
## MOL’s Approaches to CSR: Achievements and FY2005 Targets

<table>
<thead>
<tr>
<th>Issues</th>
<th>Activities through 2003</th>
<th>Achievements in 2004</th>
<th>2005 Target</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>- Established compliance rules and Compliance Committee (’01)&lt;br&gt;- Compliance education (personnel training by position)&lt;br&gt;- Established the Compliance Advisory Service Desk, revised and officially announced rules of conduct; and publicized the Desk and the rules internally to all Group companies (’03)</td>
<td>- Audited and provided guidance on Group compliance status&lt;br&gt;- Provided information and training for Group employees</td>
<td>- Further promote compliance in MOL and Group companies&lt;br&gt;</td>
<td>12-13</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>- Ensured transparency of management by appointing outside directors and introducing the executive officer system (’00)&lt;br&gt;- Reviewed functions, authority standards, and governing structure of the Board of Directors, aiming to develop a more effective decision-making system and strategic management organization (’02)</td>
<td>- Reviewed ways to create an efficient/growth-oriented corporate body appropriate for the MOL Group.</td>
<td>- Closely review corporate governance based on both Japanese and overseas rules, regulations, and new corporate laws, as well as examples from other companies.</td>
<td>12</td>
</tr>
<tr>
<td>Respect for human rights and employees</td>
<td>- Introduced family friendly systems&lt;br&gt;- Various training for human rights and sexual harassment prevention&lt;br&gt;- Medical exam system, mandatory vacation system for long-term service, and career development workshops&lt;br&gt;- Executed fact-finding survey of overseas service employees, and introduced causal days (’01)</td>
<td>- Shifted to a new personnel system that more effectively challenges and motivates targeted senior management&lt;br&gt;- Streamlined company system related to implementation of privacy laws</td>
<td>- Extend and introduce the new personnel system to all employees except clerical workers.&lt;br&gt;- Execute survey of employees’ attitudes</td>
<td>35-39</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>- Set forth MOL Group Environmental Policy Statements, established Environment Committee, and Published Environmental Report (’04)&lt;br&gt;- Acquired ISO 14001 certification (’03)&lt;br&gt;- Introduced environmental goal system (’02)&lt;br&gt;- Developed and introduced various environmental technologies such as energy-saving and reducing risk of accidental oil spills.</td>
<td>- Set forth policies on vessel scraping and soil contamination prevention&lt;br&gt;- Introduced Group environmental compliance system, and introduced support system to promote environmental technologies</td>
<td>- Expand the scope of the Environmental system to cover all domestic consolidated subsidiaries&lt;br&gt;- Encourage Group companies to acquire outside certifications</td>
<td>17-33</td>
</tr>
<tr>
<td>Quality (control)</td>
<td>- Established safety management system based on the ISM Code and acquired ISO9001 certification for vessel management operations&lt;br&gt;- Provided manuals related to safe operations and executed vessel inspections.</td>
<td>- Examined status of safety and quality standards and environmental approaches by executing companywide safety checks&lt;br&gt;- Enhanced training of mariners.</td>
<td>- Further improve mariners’ training, and enhance ship management and inspections.</td>
<td>14-16, 38</td>
</tr>
<tr>
<td>Risk Management</td>
<td>- Improved management of all MOL operated vessels, including chartered ships, for safer operations.&lt;br&gt;- Executed various safety and table top drills.</td>
<td>- Domestic Group terminal companies acquired Japanese government approval for Port Facility Security Plans (PFSs)&lt;br&gt;- Employed consultant to verify MOL security measures in Straits of Malacca-Singapore&lt;br&gt;- Held drill to combat terrorism and piracy in the South China Sea.&lt;br&gt;- Acquired International Ship Security Certificates (OSSC) and Continuous Service Rating (CSR) of vessels introduced after the 9-11 terminal attack in the United States</td>
<td>- Further enhance training of mariners.&lt;br&gt;- Strengthen safety management system.</td>
<td>14-16, 38</td>
</tr>
<tr>
<td>Information disclosure/ accountability</td>
<td>- Top management took a leading role in IR activities.&lt;br&gt;- Published annual report and environmental and social report.&lt;br&gt;- Disclosed information through press releases and Web site.</td>
<td>- Top management held briefing sessions for investors and media, both in Japan and overseas.&lt;br&gt;- Opened corporate social responsibility (CSR) and social contribution pages on MOL Web site.&lt;br&gt;- Opened internal CSR message board.</td>
<td>- Set forth information disclosure standards appropriate for the times.&lt;br&gt;- Published CSR special section in in-house magazine. (Apr. 2005)&lt;br&gt;- Produced CSR Handbook for Group employees. (Sept. 2005)</td>
<td>42-43</td>
</tr>
<tr>
<td>Social contribution</td>
<td>- Cooperated on oceanographic research, participated in beach cleanup projects, cooperated on education on maritime issues, and helped transport aid supplies.&lt;br&gt;- Supported NPO alleviation activities through donations of used stamps and used cards. (’03)&lt;br&gt;- Cooperated on producing and transporting hand-made sweaters for former Yugoslavian children (volunteer activity of Mitsui Sumitomo Insurance Co., Ltd.) (’03)</td>
<td>- Set forth basic approaches to social contribution.&lt;br&gt;- Transported aid supplies at no cost and contributed monetary donations to nations struck by the Sumatra and Indian Ocean Earthquake and the resulting tsunami.&lt;br&gt;- Continued and initiated other current activities.</td>
<td>- Host Nippon Maru Kids’ Cruise, inviting elementary and junior high school students and their parents aboard the NIPPO MARU, aiming to promote a deeper interest and understanding of vessels and the ocean. (scheduled for the end of March ’06)&lt;br&gt;- Continue and develop other current activities.</td>
<td>38, 40-41</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>- Developed human-oriented customer services.&lt;br&gt;- Established MOL Japan (1999) and made both domestic and overseas sales organizations into subsidiaries, aiming to more closely offer customer service and flexibility&lt;br&gt;- Expanded functions of Liner Division’s global Web site (’03)</td>
<td>- Launched new vessels that meet customer needs&lt;br&gt;- Opened many offshore trade routes to meet customer needs and changing trade patterns&lt;br&gt;- Strengthened overseas structure and personnel in line with growth of offshore transport.</td>
<td>- Strengthen the organization and personnel to meet diversified customer needs and expand business in growing markets, such as Russia, China, and India.</td>
<td>44-45</td>
</tr>
<tr>
<td>Others</td>
<td>- Renamed Environmental Report as Environmental and Social Report. (’03)&lt;br&gt;- Established committees and organizations to address CSR concerns (’04)</td>
<td>- Participated in United Nation Global Compact Japan Network (GCJN).</td>
<td>- Deepen activities through Global Compact Japan Network (GCJN).</td>
<td>8-9</td>
</tr>
</tbody>
</table>
Corporate Governance and Compliance

One of the MOL Group Corporate Principles is to “Promote an open and visible management style that is guided by the highest ethical and social standards.” Corporate governance and compliance are top priorities at all levels of the group.

Basic concept of corporate governance

MOL believes that outside directors are indispensable for corporate governance, and that the optimum style of governance is that the board of directors supervises and encourages operations of the president, who serves as chief executive officer. So we have moved ahead with the reform of our management structure. We see our approaches to corporate governance as the key to improving transparency of management and maximizing stakeholder profits through the optimum allocation of management resources. This idea is set forth as follows in the MOL Corporate Principles: “We will strive to maximize corporate value by always being creative, continually pursuing higher operating efficiency, and promoting an open and visible management style that is guided by the highest ethical and social standards.”

Corporate governance

The Board of directors consists of eight inside and three outside directors. The three outside directors review management decisions and conduct, and at the same time play a significant role in revitalizing the board of directors by providing valuable insights about overall management.

The Corporate Planning Division explains discussion items to outside directors prior to board meetings. The division also reports them on important issues to be decided on a case-by-case basis. In this way, we create a structure that maximizes the benefits of the outside director’s supervisory function.

As for corporate business and affairs, we restructured the board of directors by introducing the executive officer system and inviting outside directors in 2000. The executive officers who are appointed by the board of directors and receive transfer of authority from the representative directors, strive to speed up management by complying with the best management policies determined by the board of directors. The executive committee, as the supreme decision-making body at the operational execution level, functions as a deliberative body on important issues related to basic management plans and key matters related to business execution.

MOL has adopted the corporate audit system, and two of four corporate auditors are appointed from the outside. Auditing is done by a contracted auditing company. The Internal Audit Office, which reports directly to the Executive Committee, is independent from all business divisions, and cooperates with the corporate auditors and the auditing company on audits of MOL and MOL Group companies.

Compliance

MOL believes “compliance” means conducting daily business operations in conformance with social norms and corporate ethics, and of course strictly respecting laws, regulations, and internal rules (including MOL’s own rules of conduct). The company’s social responsibilities become even more important in consideration of our expanding business, the diversification and expansion of our stakeholder base associated with globalization of our activities, and increased awareness of the need to protect the marine and global environments. The MOL Group takes these responsibilities to heart, and spares no effort to ensure compliance through the basic policies outlined below.

Basic Policies (Compliance Rules Article 3)

1. Strive to follow the MOL Corporate Principles and make them a reality.
2. Always recognize the public mission and social responsibilities of MOL’s business, and maintain the trust of the company’s stakeholders.
3. Strictly respect laws, regulations, and so on, and conduct fair and transparent corporate activities in the context of social norms and corporate ethics.
4. Never yield to antisocial influence, and never be a party to antisocial acts.

Approaches to compliance

Compliance Committee

MOL set up the Compliance Committee, chaired by the deputy president, as a subordinate organization of the executive committee. Its members are executive officers in charge of the Internal Audit Office, Human Resources Division, and Corporate Planning Division. The committee reinforces and enhances the company-wide compliance structure, and takes necessary measures when activities constitute a violation of our compliance policies.

Compliance officers

The company assigns the general managers of divisions, offices, and branches as compliance officers. Naturally, the compliance officers are required to strictly respect laws and regulations related to their division, office, branch, or Group
company, and to guide and supervise all of their subordinates as good supervisors, relying on social norms and corporate ethics. And if the compliance officers find a violation, or receive a report of a violation from an employee of their organization, they are responsible for reporting it to the Compliance Committee Secretariat Office so it can be immediately addressed. They are required to keep the details of such reports confidential.

**Compliance Advisory Service Desk**

In many cases, employees may feel uncomfortable about reporting problems to the Compliance Officer. To address these cases, MOL set up the Compliance Advisory Service Desk. The General Manager of the Internal Audit Office, which is independent from all divisions, offices, and branches, oversees operations of the desk. Employees may report problems to the Compliance Advisory Service Desk, by e-mail, telephone, or mail. The General Manager of the Internal Audit Office will meet and talk with the person reporting the problem, or assign the compliance officer, the general manager of the Counseling and Aid Center in the Human Resources Division, or another official to investigate. Officials strictly maintain the confidentiality of people reporting problems or violations. As the need arises, the General Manager of the Internal Audit Office reports to the Compliance Committee Secretariat Office (General Manager of Corporate Planning Division) to conduct necessary investigation and auditing. Then, he will report the results to the person who made the original claim. In addition, no one who reports a problem, or assists with any investigation, will face any sort of unfair treatment.

**Compliance system at MOL Group companies**

MOL Group companies, as independent corporations, develop their own compliance systems in keeping with their size and business operations. Group companies must immediately handle problems based on their internal regulations, and act to prevent similar problems in the future. At the same time, the compliance officer at MOL who is responsible for the relevant Group company, must report serious issues to the Compliance Committee Secretariat Office without delay. Problems that may affect group management, must also be reported to the Compliance Committee. Anyone in a Group company may also report violations or other problems to the Compliance Advisory Service Desk.

### Rules of Conduct (Compliance Rules Article 4)

All company personnel shall act within the following Code of Conduct when carrying out their work duties. Company personnel shall, at all times:

1. **Observe:**
   - the laws of Japan and all other nations, and "regulations and the like" and act in accordance with social standards and corporate ethics while at all times exercising due caution as a good administrator.

2. **Respect human rights and prohibit discrimination and harassment by:**
   - respecting every individual’s basic human rights; and not discriminating based on ethnicity, faith, religion, nationality, age, sex, class, disabilities, and the like.
   - understanding, appreciating, and valuing the diversity of cultures, customs, and so on, in every area and nation,
   - not subjecting anyone to sexual harassment or making offensive sexual remarks and not acting or speaking in a way that might be misunderstood as sexual harassment.

3. **Observe confidentiality of information and respect intellectual property rights by:**
   - not revealing confidential company information to a third party without permission and not using such information improperly.
   - handling confidential information from third parties such as clients and contractors in the same way as you would handle the company’s confidential information,
   - not buying or selling shares of our company or outside companies based on knowledge of important internal information until that information is officially announced (Insider trading is prohibited.),
   - not using or obtaining confidential information from third parties improperly,
   - not violating the intellectual property rights of third parties, for example, by copying or using computer software without authorization.

4. **Draw a clear line between official and personal conduct, and avoid conflicts of interest by:**
   - not acting against the company’s interests.
   - not using company property or funds for any activities against the company’s interests.

5. **Avoid antisocial activities by:**
   - taking a stern and uncompromising attitude against antisocial forces and groups that may threaten public order and safety, and not taking part in antisocial acts.

6. **Fulfill social responsibility by:**
   - endeavoring to make a positive contribution towards realization of better society as a good company citizen in international society and a community.
   - recognizing the importance of transparency in management and properly disclosing corporate information to promote understanding and trust among various stakeholders.

7. **Ensure safe operation and environmental protection by:**
   - voluntarily, aggressively working to protect the marine and global environment, by enforcing standards for vessel operating safety and respecting environmental laws and regulations.

8. **Build trust relationships with clients and contractors by:**
   - striving to build strong, trusting business relationships and partnerships with honesty, transparency, and equality,
   - respecting laws and regulations in various nations, including antitrust laws, to maintain and promote fair and free competition,
   - not giving or accepting money, expensive gifts, business entertainment, or economic earnings of an inappropriate value when dealing with representatives of contractors,
   - not offering bribes or unlawful profits, or promising them in any relationship with government agencies in Japan or overseas.

9. **Leadership and management demands that:**
   - directors and employees in management positions shall lead by example, carrying out the Code of Conduct honestly and demanding the same of affiliates, subsidiaries, and entrusted companies which dispatch employees.

10. **Report and consultation means:**
    - reporting and consulting with the Compliance Officer, Compliance Committee Secretariat, or Compliance Advisory Service Desk without delay, if a company individual learns of a breach of compliance or the one that may be considered; and not giving silent acquiescence or covering up breaches by him or her,
    - all company personnel shall cooperate with investigations related to any alleged breach,
    - the officer and his/her supervisor may be subject to caution/warning in Article 14 or disciplinary action in Article 15, if an investigation determines that a breach has occurred,
    - the company strictly maintains the confidentiality of company personnel who reported a breach and cooperated in related investigations to protect him or her from retaliation, and guarantee him or her that he or she shall not be treated unfairly.

© Articles 14 and 15 are omitted
Safe Operation

Safe operation is the very foundation of MOL Group business activities, and the basis of environmental protection. The entire MOL Group works to ensure safety in every aspect of operation.

**My philosophy on safe operation**

Our business depends on the ocean, which truly belongs to everyone – it’s used to transport people and goods, and provides a wide range of resources. Protecting the ocean is a critical duty for everyone on Earth. For those of us in the ocean shipping business, there is no margin for error when it comes to safety. We all have to recognize that vessel safety is the basic premise of our business.

**Basic policies of MOL’s safe operation**

1. Respect and follow laws and regulations.
2. Maintain safe operation.
3. Protect human life and the marine environment.
4. Improve personnel skills.
5. Ensure reliable vessel maintenance and management.

**Continuous improvement for safe operation**

MOL and its Group ship management companies share the same philosophy on vessel safety, and have developed a comprehensive ship management system including land-based support sections. Our efforts focus on both “hardware” and “software” aspects such as proper maintenance and management of vessel hulls and equipment, establishment of ship operation skill standards, and education and training of seafarers.

These efforts are reflected in the unique MOL Safety Management System. The system was certified by Det Norske Veritas (DNV) under ISO9001:2000 (Please see Logo). Third-party certification of international standards reinforces our ongoing efforts to improve the management of the MOL-operated fleet. What’s more, it is rare for a company with such a large fleet (more than 600 vessels) to earn ISO certification.

**Emergency response system**

We have developed a marine accident response manual to ensure an immediate, appropriate remedy to any level of accident. In case of a major accident, we have an emergency task force headed by the president and the executive officer in charge of the Marine Management Division. Our emergency response system centered on the task force, works to limit the spread of damage and ensure the safety of people and cargo. In addition, we conduct periodic table-top drills based on realistic accident scenarios.

**Anti-terrorism and anti-piracy measures**

Following the September 11, 2001, terrorist attacks in the United States, the shipping industry has strengthened security measures for vessels and marine cargo. MOL has developed the following systems.

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**MOL Group quality management system for safe operations**

![Fig.1](image1.png)

**MOL Group Corporate Principles**

- Set quality standards
- Management review
- Internal audit
- Audit customer satisfaction
- Audit and measure
- Corrective and preventive measures

- Provide resources
- Infrastructure
- Training and education
- Customer needs
- Provided services
- Record and report

**Table-top drill based on a presumed containership accident**

**Emergency steering training**

---

**ISO9001:2000**

**MOL Group Corporate Principles**

**Fig.1**

**Chart**

**Photo1, 2, and 3**
### Mid-term plan (FY2004-2006)
- **Ensuring safe operation**

### 2004 targets
- Prevent serious marine accidents

### Achievements
- One accident occurred in Singapore Strait.

### Evaluation
- ×: Not achieved

### 2005 targets
- Prevent serious marine accidents

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#### Collision involving the oil tanker KAMINESAN

The MOL-operated crude oil tanker KAMINESAN collided with another tanker off Singapore in May 2004. Fortunately, there were no injuries and no secondary damage such as oil leakage. But as a company that makes safety a top priority, we apologize for the trouble this caused. Following is a summary of our accident response, and the steps we are taking to prevent such accidents in the future.

#### Safety measures
1. Form the emergency task force (led by the President) to ensure urgent response
2. Steps to prevent recurrence,
   - Reinforce training on safe navigation in narrow channels and congested shipping lanes by implementing Bridge Resource Management (BRM) among all MOL-operated vessels.
   - Execute BRM training to VLCC officers and crews.
3. Review safety guidelines on navigation of the Malacca and Singapore Straits
   - Review current guidelines on tanker operations and reinforce the watch system.

#### Meeting international ISPS code for security of vessels and port/harbor facilities

The company established security plans for every vessel, based on the International Ship and Port Facility Security (ISPS) Code effective on July 1, 2004, and acquired International Ship Security Certificates (ISSC). In addition, we acquired Japanese government certification for our Port Facility Security Plan (PFSP) covering all four of our terminals in Japan.

We also developed our own manual outlining countermeasures to terrorism and piracy based on our emergency task force system. And we created a system that allows operating vessels and land-based staff to share the latest intelligence on terrorism and piracy all over the world. All of our vessels use the automated ship position monitor system (polling system), which relies on wireless satellite equipment and iridium satellite phones to stay in touch anywhere in the world.

#### Counterterrorism drill in South China Sea

In November and December 2004, MOL collaborated with the Japanese Coast Guard (JCG), the Ministry of Land, Infrastructure, Transport of Japan, the Japanese Shipowners’ Association, and the Philippine Coast Guard (PCG) to conduct drills aimed at combating terrorism and piracy in the South China Sea – one of the world’s most dangerous areas for pirate attacks.

#### Outside reviews of vessel security in Malacca and Singapore Straits

In September 2004, two consultants from ST Education and Training Pte. Ltd. went aboard six MOL-operated VLCCs in the Malacca and Singapore Straits to provide accident-prevention training and validate security measures.

---

[BRM](#): Bridge Resource Management

[ISPS Code](#): International Ship and Port Facility Security Code

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*(#) Bridge Resource Management (BRM)
Basic and comprehensive concepts such as teamwork, personal relationships, communication, and ship handling necessary to respond various situations during a voyage

*(#) International Ship and Port Facility Security (ISPS) Code
The international code covering security of vessels and harbor/port facilities. It consists of regulations (Part A) and recommendations (Part B).
Onboard assessments to improve vessel safety

Direct instruction and audits are important to monitor vessel status and develop more effective approaches to safety and environmental protection. For that purpose, regular vessel inspections are essential. MOL’s vessel inspections are intended to confirm that ship management companies are performing up to standards and reflect our policies on vessel operation, since we are the party involved in transport contracts. When visiting a vessel, we focus on both hardware and software, inspecting the bridge, deck, cargo holds, engine room, navigation instruments, fire protection equipment, and mooring, while reviewing operational methods, maintenance records, hydrographic chart updates, and spare parts inventory. Inspections also cover environmental aspects such as appropriate treatment and disposal of trash, waste oil, and bilge water, as well as onboard environmental training.

Companywide safety checks
(March-April 2005)

Since 1995, we have conducted annual companywide safety inspections in addition to the normal vessel visits. We set the following four priority items for inspection in FY2004, and selected 114 vessels of all types. Then, from March 1 to April 15, we implemented inspections to promote company policies on safe operation and environmental protection.

- Confirm environmental measures (Checking status of environmental protection activities)
- Reinforce overall vessel security system (Ensuring compliance with ISPS Code)
- Check Port State Control (PSC)\(^{(1)}\) inspection items
- Prevent engine trouble (Inspections of statistically analyzed problem areas including environmental measures)

We provided training and consultation to every ship management company and chartered shipowner, based on our analysis of these inspections and areas requiring improvement.

Education of seafarers

Software is far more important than hardware in ensuring safe operation. Education and training of officers and crew members are by far the most critical factors. MOL opened seven training centers around the world to offer a broad range of education including upgrades of seafarers’ technical skills. In May 2005, we conducted a seminar on bridge resource management (BRM) training in Tokyo, targeting both instructors and seafarers. The goal was to enhance and standardize future training on a global scale, and review the curriculum in each training center.

Most of the seafarers serving on MOL-operated vessels are Filipinos. To meet increasing demand for seafarers in the future, we are now expanding our training center in the Philippines. (Please refer to page 38.) Graduates of the center will become the captains, chief engineers, and land-based maritime managers of the future. They work hard to further improve their analytical skills, judgment, and communication ability, along with technical know-how.

Shipowner meeting in Japan
(September 2004)

We held a meeting of shipowners to exchange opinions about safe operation and ship management with 50 participants from every region of Japan. The meeting also provided an excellent opportunity to explain MOL Group policies and current conditions in ocean shipping.

Ship management companies and chartered vessels

About half of MOL-operated vessels are owned or bareboat chartered\(^{(2)}\). The rest are time-chartered\(^{(3)}\) from third parties. MOL-owned and bareboat-chartered vessels are managed through Group ship management companies. We assign highly skilled specialized supervisors to these companies to ensure efficient, systematic manning with top-quality seafarers, effective training on safe navigation, timely maintenance, and procurement of high-quality supplies and spare parts. Through these activities, they strive to increase quality both in vessel hardware and software.

In case of time charters, ship management is in principle entrusted to each shipowner. But MOL adopts its unique quality standards for all operated vessels, regardless of whether they are owned or chartered. Our vessel inspections provide a close-up look at ship management, and give us the chance to consult directly with shipowners and ship management companies to ensure comprehensive quality control.
MOL Group Environmental Policy Statement

As one of the world’s leading multi-modal transport groups, Mitsui O.S.K. Lines group is committed to protecting the health of our marine/global environment and therefore promotes and supports policies that:

1. Protect all aspects of the marine/global environment and foster safe navigation;
2. Comply with all environmental legislation and regulations that we are required to by law, and all relevant standards and other requirements that we subscribe to. And, whenever possible, further reduce the burden on the environment by setting and achieving even tougher voluntary standards;
3. Periodically review and revise our environmental protection measures on the basis of our framework for setting and reviewing environmental objectives and targets;
4. Conserve energy and materials through recycling and waste reduction programs;
5. Purchase and use environmentally safe goods and materials;
6. Promote the development and use of environmentally safe technology;
7. Educate and encourage group employees to increase their focus on protection of the environment through enhanced publicity efforts, and communicate our Environmental Policy to group employees;
8. Publish our Environmental Policy Statement and disclose our environmental information on a regular basis;
9. Always strive to ensure that our business activities contribute to and adequately support worthy environmental protection activities.

Established in September, 2000
Revised in March, 2003

MOL Group’s Stance on Environmental Activities

Protecting Invaluable Marine and Global Environments

The MOL Group is well aware of the environmental burden its business activities generate, and takes various steps to offer environment-friendly services. These include launching environment-friendly vessels; minimizing the environmental burden of vessel operations; measures to combat global warming; efforts to conserve energy; measures to reduce waste, air pollution, and soil contamination; recycling of resources, development and introduction of environment-friendly technologies; and many more.
The MOL Group and the Environment

The MOL Group not only offers shipping services, but also conducts a range of business activities on land and at sea. Starting in fiscal year 2004, we expanded the scope of our environmental activities to 62 consolidated companies in Japan. Our goal is to determine the effect of Group company activities in a more detailed manner, and find ways to reduce our environmental burden.

Evaluation of FY2004 achievements

Land-based (office) activities

Land-based activities for FY2004 significantly reduced consumption of both electricity and office paper compared to FY2003, which in turn resulted in lower emissions of CO₂, NOx, and reduced generation of waste. We continue to promote energy-saving steps, to reduce both power consumption and emissions.

On land

<table>
<thead>
<tr>
<th>MOL [non-consolidated]</th>
<th>Group companies[^1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td>43 k.[R]</td>
</tr>
<tr>
<td>Kerosene</td>
<td>133 k.[R]</td>
</tr>
<tr>
<td>Electricity</td>
<td>1.87 million kWh</td>
</tr>
<tr>
<td>City gas</td>
<td>2,069 m.[R]</td>
</tr>
<tr>
<td>Water</td>
<td>8,945 m.[R]</td>
</tr>
<tr>
<td>Office paper</td>
<td>7.81 million copies</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[^1]: Consolidated subsidiaries in Japan, not including data from small companies whose environmental burden is negligible. In addition, this category doesn’t include the actual figures for onboard activities.

At sea

<table>
<thead>
<tr>
<th>MOL [non-consolidated]</th>
<th>Group companies [domestic][^2]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td></td>
</tr>
<tr>
<td>Fuel Oil (C oil)</td>
<td>4.63 million tons</td>
</tr>
<tr>
<td>Diesel Oil (A oil)</td>
<td>55 thousand tons</td>
</tr>
</tbody>
</table>

[^2]: Data on SOx emission of some Group companies was not available.

| Group companies [oversea][^3] |
|-----------------------------|-----------------------------|
| Fuel                        |                             |
| Fuel Oil (C oil)            | 316 thousand tons           | Fuel         | 26 thousand tons |
| Diesel Oil (A oil)          | 26 thousand tons            | Diesel Oil (A oil) | 26 thousand tons |

[^3]: MOL Naiko, Ltd., Shosen Mitsui Ferry Co., Ltd., The Diamond Ferry Co., Ltd., Kyushu Kyuko Ferry Co., Ltd., Blue Highway Line Nankin Corporation, Nhon Tugboat Co., Ltd., Green Kaiji Kaisha, Ltd., Ube Port Service Co., Ltd., Kishohin Tugboat Co., Ltd., Green Shipping, Ltd., and Misai O.S.K. Techno-Trade, Ltd. (12 companies in total) However, these companies do not belong to the same segment.

[^1]: MOL Naiko, Ltd., Shosen Mitsui Ferry Co., Ltd., The Diamond Ferry Co., Ltd., Kyushu Kyuko Ferry Co., Ltd., Blue Highway Line Nankin Corporation, Nhon Tugboat Co., Ltd., Green Kaiji Kaisha, Ltd., Ube Port Service Co., Ltd., Kishohin Tugboat Co., Ltd., Green Shipping, Ltd., and Misai O.S.K. Techno-Trade, Ltd. (12 companies in total) However, these companies do not belong to the same segment.
Seagoing (vessel) activities

Seagoing activities for FY2004 resulted in increased emissions of CO₂, NOₓ, and SOₓ, a direct result of increased consumption of A and C oil associated with our fleet expansion. However, we succeeded in reducing vessel emissions per unit load thanks to the launch of new energy-saving vessels and more efficient operations. (Please refer to page 26.) We will continue to deepen our groupwide approaches, while sharing environment-related know-how among Group companies.

### EMISSIONS

<table>
<thead>
<tr>
<th></th>
<th>MOL [non-consolidated]</th>
<th>Group companies[^1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂</td>
<td>1.055 tons</td>
<td>47.482 tons</td>
</tr>
<tr>
<td>NOₓ</td>
<td>0.71 tons</td>
<td>26.3 tons</td>
</tr>
<tr>
<td>Waste</td>
<td>114 tons</td>
<td>1,943 tons</td>
</tr>
</tbody>
</table>

### On land

<table>
<thead>
<tr>
<th></th>
<th>MOL [non-consolidated]</th>
<th>Group companies[^2]</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂</td>
<td>14.29 million tons</td>
<td>718 thousand tons</td>
</tr>
<tr>
<td>NOₓ</td>
<td>393 thousand tons</td>
<td>20 thousand tons</td>
</tr>
<tr>
<td>SOₓ</td>
<td>271 thousand tons</td>
<td>N/A[^4]</td>
</tr>
</tbody>
</table>

### At sea

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂</td>
<td>1.04 million tons</td>
<td>718 thousand tons</td>
<td>29 thousand tons</td>
</tr>
<tr>
<td>NOₓ</td>
<td></td>
<td>20 thousand tons</td>
<td>N/A[^4]</td>
</tr>
</tbody>
</table>

[^3]: Data are for Group companies as a whole.
[^4]: N/A: Not applicable.
The MOL Group works continuously to reduce the environmental burden associated with its business activities, based on MOL EMS21 and MOL Group Environmental Target System.

### MOL EMS 21
MOL started to develop MOL EMS 21, its unique environmental management system, in April 2001. In January 2003, we extended to all our operated vessels (except vessels charted for terms of less than one year) and acquired the internationally recognized ISO14001 certification by Det Norske Veritas (DNV). We then expanded the scope of our certification to our Group companies: Mitsui O.S.K. Passenger, Ltd. acquired it in September 2003, followed by Shosen Mitsui Ferry Co., Ltd. in January 2004.

### MOL Group Environmental Target System and Group Environmental Meeting
We encourage environmental protection activities through the MOL Group Environmental Target System, which covers 59 Japanese subsidiaries and other main affiliates excluding Mitsui O.S.K. Passenger and Shosen Mitsui Ferry, and four overseas subsidiaries (as of July 2005).

Under the MOL Group Environmental Target System, each Group company sets its own targets at the beginning of the fiscal year, and tracks its progress using the “Plan-Do-Check-Act” (PDCA) cycle. Companies strive for continuous improvement, monitoring their results through half-year and year-end reports, respectively. We also hold the Group environmental meeting to ensure cooperative groupwide efforts and exchange information, ideas, and opinions.

### Environmental Management Encourage System
The CSR and Environment Committee, which reports directly to the president, reviews basic measures related to the environment and works closely with the Operational Safety Committee to implement MOL EMS21 and the MOL Group Environmental Target System.

### Environmental audits
Under MOL EMS 21, the chairman of the CSR and Environment Committee, as the executive in charge of environmental management, receives regular internal audit reports to confirm the effectiveness of the system. The CSR and Environment Office, that is, the Committee’s secretariat office, conducts environmental audits of all divisions in the Tokyo Head Office and the Marine Management Division executes environmental vessel inspections of vessels. We also receive annual maintenance audits as well as renewal audits every three years from an external certification body (DNV). In companies covered by the Group Environmental Target System, the CSR and Environment Office conducts audits with the Internal Audit Office from the standpoint of environmental compliance.

### Green Management Certification
Green Management Certification, developed by the EcoMo Foundation in cooperation with Japan’s Ministry of Land, Infrastructure and Transport, is an environmental certification system for transportation companies. This system objectively evaluates a company’s environmental efforts, with the goal of reducing the industry’s overall environmental burden. Our Kyushu Kyoko Ferry Co., Ltd. which operates ferries linking the ports of Oppama, Omaezaki, Kanda, and Oita, acquired certification in August 2005 as a top-runner.
MOL has continually expanded its environmental investments, such as introduction of new environmental technologies, efforts that resulted in significant economic benefits for the company during FY2004. We continue to promote the adoption of innovative, eco-friendly technology.

### Internal economic benefits grow

Our environmental accounting statements for FY2004 conform to the Environmental Accounting Guidelines 2002, issued by Japan’s Ministry of the Environment. These statements reflect the company’s non-consolidated activities. Thanks to our accumulated efforts, we achieved greater economic benefits for FY2004.

### System promoting investment in new environmental technologies

Since MOL relies on a strict profit control system in each division, we have had internal conflicts over the economic merits of adopting environmental technologies. But we believe environmental technologies are indispensable, considering today’s worsening ecological problems. The solution was to have the head office bear some of the additional investment related to the introduction of some environmental technologies. Since we initiated the system in November 2004, the head office has decided to fund some ¥500 million of the costs associated with new environmental technologies. We strive to promote more effective environmental measures by making the most of this system. (Note: The investment and expense of the new system are not reflected in the table below because the vessels concerned are slated for launching after 2005.)

### Investments and expenses for environmental measures (Table 1)

<table>
<thead>
<tr>
<th>Measures</th>
<th>FY2002 achievements</th>
<th>FY2003 achievements</th>
<th>FY2004 achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investments (¥ million)</td>
<td>Expenses (¥ million)</td>
<td>Investments (¥ million)</td>
</tr>
<tr>
<td><strong>Vessel</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recoat bottoms with anti-fouling paints (including sandblasting)</td>
<td>0</td>
<td>431</td>
<td>0</td>
</tr>
<tr>
<td>Install PBCF</td>
<td>46</td>
<td>45</td>
<td>12</td>
</tr>
<tr>
<td>Exhaust gas ecomizer</td>
<td>844</td>
<td>141</td>
<td>2,274</td>
</tr>
<tr>
<td>Other vessel-related investments (bilge separator and cylinder lubrication system)</td>
<td>14</td>
<td>3</td>
<td>160</td>
</tr>
<tr>
<td><strong>Office</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost for natural resource recycling</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>R&amp;D cost</td>
<td>0</td>
<td>0</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>904</td>
<td>647</td>
<td>2,524</td>
</tr>
</tbody>
</table>

1. Sandblasting: Removing rust or paint by spraying sand particles on the vessel surface. This reduces resistance under way, helping to save energy.
2. Exchange rate for FY2004 is ¥107.75 per US$. The average rate during the term.
3. Costs associated with building double-hull fuel tanks for seven containerships launched in 2003 and three PCTCs launched in 2004 are not included in the table because it is hard to calculate additional investments.
4. The company made additional investments for wind-resistance reducing design vessels although these are not included in the table because it is hard to calculate additional vessel cost associated with changes in specifications.
5. Costs associated with building double-hull structures for eight tankers launched in 2004 increased approximately ¥5.6 billion in total from the conventional single hull vessel, although it is not included in the table because it is based on legal requirements.
6. Some figures in the table were revised retroactively, along with reviewed classifications.

### Economic benefits (Table 2)

<table>
<thead>
<tr>
<th>Measures</th>
<th>Effects</th>
<th>FY2002</th>
<th>FY2003</th>
<th>FY2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vessel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Installation of PBCF</td>
<td>Reduced consumption of bunker oil (reduction of CO₂, NOx, and SOx emissions)</td>
<td>436</td>
<td>584</td>
<td>841</td>
</tr>
<tr>
<td>Exhaust gas ecomizer</td>
<td>Reduced consumption of bunker oil (reduction of CO₂, NOx, and SOx emissions)</td>
<td>516</td>
<td>1,384</td>
<td>1,059</td>
</tr>
<tr>
<td>Other investments</td>
<td>Reduced cylinder oil use</td>
<td>—</td>
<td>28</td>
<td>98</td>
</tr>
<tr>
<td><strong>Office</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy saving (reduction in use of electricity and water)</td>
<td>Reduced consumption of electricity, water</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Reduction of trash by recycling</td>
<td>Reduced waste volume</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>952</td>
<td>1,996</td>
<td>2,003</td>
<td></td>
</tr>
</tbody>
</table>

1. Installation of PBCF: Reduces fuel consumption and sulfur emissions.
2. Energy saving: Saved electricity and water.

### Content of ISO14001 certification (Scope is the same as MOL EMS 21)

- **Scope:** All MOL Head Office divisions and MOL-operated vessels (except vessels chartered for less than one year)
  - All divisions at Mitsui O.S.K. Passenger, Ltd. head office and NIPPON MARU
  - All divisions at Shosen Mitsui Ferry Co., Ltd. head office and their operated ferries.

- **Scope of application:** Business activities in “total logistics, cargo transport service, cruise services of the cruise ship NIPPON MARU, and ocean transport services of ferries” at local sites and head offices

- **Auditing authority:** Det Norske Veritas (DNV) in Norway

- **Scheme:** Read Voor Accredite (RVA) in the Netherlands

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Discussion at Group Environmental Meeting ◎ Photos
**MOL’s concept of marine environment protection**

Japan, a seafaring island nation, has enjoyed the benefits of the sea since ancient times. The seas account for 71% of the globe’s surface area, and have 98% of the world water resources. The blue water, also the source of life, is the very foundation of the global environment, due to the interaction between the water and the atmosphere. The ocean, which seems to purify everything, is itself deteriorating because of emissions from activities on land, vessels, and even pollutants washed down in the rain. At MOL, we believe it’s our responsibility to make every effort to prevent oil spills and other marine pollution, and promote the use of environment-friendly vessels to reduce the burden of our activities.

**Ballast water exchange in open sea**

After a ship discharges a large quantity of cargo in port, the screws are too close to the surface of the water to propel the ship safely and efficiently. To keep them at the proper level, and to adjust the trim and draft of the ship, seawater (called ballast water) is pumped into separate onboard tanks. Ballast water is drained at the next port before cargo is loaded, which poses a risk of transferring marine organisms between different ecosystems and can have disastrous effects. In 1997, the International Maritime Organization (IMO) adopted guidelines to prevent the transfer of marine organisms among different regions. And at a diplomatic conference in February 2004, the IMO adopted a new international treaty for the control and management of ships’ ballast water and sediments. Under this treaty, vessels cannot discharge ballast water unless it is treated to a certain standard. MOL ships currently change ballast water in the open sea, which is permitted until ballast water treatment methods are available. We are also conducting research and development on systems to render ballast water harmless. (Please refer to page 25.)

**Preventing spills with double hulls**

MOL owns the world largest tanker fleet, and is expanding its activities on a global scale as an expert in energy transport. Safe navigation is especially critical in the operation of tankers carrying massive volumes of crude oil. The company continues to improve safe navigation technologies and enhance training for employees on land and at sea to ensure a timely, appropriate response to any emergency. We are also aggressively pushing to accelerate the adoption of tankers with double hulls to prevent spills of oil, petroleum products, and chemicals even if the outer hull is ruptured in a collision or grounding. We currently operate 66 tankers including crude oil carriers, product tankers, and chemical tankers, and 48 of them, or 73%, feature double hulls.

**Double-hull fuel tanks for extra protection**

Today’s vessels also carry huge amounts of fuel, which also poses the risk of a spill in case of a collision or grounding. We are taking the lead in the shipping industry in adopting vessels with double-hull fuel tanks to minimize this risk. (Please refer to pages 24 and 25.)

**Repainting ship bottoms with TF coatings**

Paints containing tributyl tin (TBT) have conventionally been used to prevent barnacles and marine plants from attaching to ship’s bottoms, because these organisms create additional drag and reduce vessel speed. But in...
the late 1980s, research began to show that TBT was a danger to human health as an environmental hormone, and the IMO pushed for limits on its use. At a conference in 2001, the IMO adopted a new treaty banning the use of TBT paints as of January 1, 2003, and requiring an elimination of TBT paint off vessels, or safe substitutes that do not leach into seawater by January 1, 2008.

In Japan, concerned industries teamed up to affect a complete ban on the use of TBT paint on newly constructed vessels and those being repainted. MOL changed to tin-free (TF) paint on new ships built overseas starting in 1999, and has pressed forward to repaint dry-docked abroad. As a result, MOL is the first shipping company to use TF paint on all the vessels it manages.

We have also conducted practical tests of a new silicon resin paint that offers long-term antifouling performance.

### Proper disposal of onboard waste

MOL’s fuel oil preliminary treatment system extracts water and other contaminants from oil before it is used to run main engines, power generators, and boilers. The oil extracted along with water and impurities is called waste oil. Heating in a separate tank removes the water from this waste oil, and the remaining oil and impurities are burned in an incinerator that meets current environmental regulations.

When the waste oil has a high fuel content, we encourage its use as boiler fuel. We will continue to push ahead on new technologies to treat and reuse waste oil to reduce the need for incineration.

### Proper disposal of bilge water

Ships generate bilge water (wastewater containing oil) from leakage of pipes and equipment as well as maintenance work on engines, boilers, and so on. MOL introduced a bilge source separation system to collect and dispose bilge water generated onboard according to its oil content.

<table>
<thead>
<tr>
<th>Mid-term plan (FY2004-2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Address ship bottom paint issues.</td>
</tr>
<tr>
<td>• Oil pollution measures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2004 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Repaint MOL-managed vessels while in drydock using TF paint in advance of regulations</td>
</tr>
<tr>
<td>• Encourage replacement of single-hull tankers with double-hull tankers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Already executed.</td>
</tr>
<tr>
<td>• Ongoing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>○: Achieved</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2005 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Repaint all vessels with TF paint.</td>
</tr>
<tr>
<td>• Encourage replacement of single-hull tankers with double-hull tankers (continuous target).</td>
</tr>
</tbody>
</table>

Note: Please refer to pages 24 and 25 for information on new vessels featuring technology to reduce the risk of oil spills and addressing the issue of ballast water.

### Proper disposal of onboard waste

In addition to waste unique to vessels that is generated when loading/discharging, vessels generate garbage through the day-to-day lives of the seafarers on board. On MOL-operated vessels, we established onboard waste management plans requiring collection and separation of trash, based on the MARPOL73/78 treaty\(^{(2)}\), appointment of vessel waste management officers, and steps to educate crews about the need for environment-friendly waste management. Food waste and other biodegradable trash are finely ground and disposed of in specified areas of the open sea, and plastic waste is saved and disposed of safely on land.

### Efforts at Kansai Kisen

Kansai Kisen Co., Ltd. has covered the Seto Inland Sea since 1942, offering ferry service linking Hanshin (Osaka and Kobe), Shikoku (Matuyama), Kyushu (Beppu, Oita), Matuyama, and Kitakyushu. Since we carry so many passengers every day, safety is our top priority, followed closely by environmental protection. We make every effort to reduce exhaust emissions, prevent oil spills, and properly dispose of waste oil and other materials. In addition, we separate trash into eight categories, and our private salvage collector disposes of these items safely on land. We also set monthly targets to reduce waste volume. In June 2005, our environment month, we developed the Osaka Bay cleanup campaign. Seafarers aboard the SUN FLOWER KOGANE, when anchored in Osaka Nanko port, collected nearly 550kg (77 garbage bags) of floating garbage from the sea for safe disposal by our contracted garbage collector. The Seto Inland Sea is our workplace, and we want it to stay clean and blue forever.

\(^{(2)}\) Tin Free (TF)

Paints that contain no organic tin.

\(^{(2)}\) MARPOL73/78 Treaty

International Convention for the Prevention of Pollution from Ships 1973 as modified by the protocol of 1978. It sets forth technological standards such as vessel structure and facilities to prevent pollution. Japan ratified this treaty in 1983.
MOL Environmental Technologies

MOL builds vessels based on the life cycle design, which allows for both lifelong environment-friendliness and economic value. Our current mid-term management plan, MOL STEP, calls for the construction of many new vessels. We are always on the lookout for ways to further minimize our environmental burden by actively developing and adopting technologies that will help conserve energy and protect the environment.

My view on environmental technologies
Environmental technologies for vessels are based on the following three approaches:

1. Never generate environmental pollution
   Adopt double-hull fuel tanks in very large crude carriers (VLCCs), PCTCs, and so on.

2. Reduce exhaust emissions including CO₂
   Develop and adopt new wind resistance reducing designs; adopt Propeller Boss Cap Fins (PBCF) system as standard equipment; implement practical tests of wind power generating systems, and so on.

3. Minimize the environmental impact when scrapping a vessel
   Continue to adopt technologies such as the use of environment-friendly materials in the future, and enhance development of our unique environmental technologies to address the problem of ballast water disposal, and reduction of particulate matter (PM) such as soot and dust.

Energy Conservation
Energy-saving vessels with reduced wind resistance
In 2000, MOL, Universal Shipbuilding Corp., and Osaka University, began research and development on a new pure car and truck carrier (PCTC) design that reduces wind resistance. The new design features an aerodynamically rounded and beveled bow line to reduce wind resistance and thus increases fuel efficiency. The new design also includes wind channels along the sides at the top of the garage deck, which help the ship maintain a straight course. (Patent Office Registration No.1203639)

The company launched the first of these newly designed PCTCs, the COURAGEOUS ACE, and is modifying the design for a series of future vessels. The latest design reduces wind resistance by 20% compared to the conventional vessels, increasing fuel efficiency by at least 5% (in diagonal winds of 15m/s) and boosting maximum speed by 1 knot. The COURAGEOUS ACE was recognized for its innovative design, capturing the 2003 “Ship of the Year” award from the Society of Naval Architects of Japan (SNAJ). What’s more, the PCTC the UTOPIA ACE, which features the latest wind/water-resistance reducing design, received the 2005 Ship of the Year Award from Lloyd’s of the U.K. (Please see page 9 for details.)

PBCF maximizes engine power
The Propeller Boss Cap Fins (PBCF) system is an independently developed MOL technology. The device bolts onto the boss cap of an existing propeller, and breaks up the whirlpool-like vortex that forms behind the rotating prop. The result is a 4-5% improvement in fuel efficiency, which reduces CO₂, NOx, and SOx emissions. Since development started in 1987, over 900 vessels worldwide have been fitted with the PBCF system. The PBCF is also environmental-friendly because it can be produced from the recycled propellers of scrapped vessels. (The PBCF is patented in 12 nations including Japan.)

Practical tests of the wind power generating system
MOL, the Tokai University Research Institute of Science and Technology, and Nishishiba Electric Co., Ltd. started developing an onboard wind power generating system in 2002 and successfully produced a prototype model. In March 2004, the generator was installed on the TAIHO MARU for practical tests. This was the world’s first vessel to use such a system while in service. The compact, omnidirectional system generates power no matter what direction the wind is blowing. In addition, it can be made larger to meet the needs of many different vessels in the future. Starting with this test voyage, MOL will collect and analyze data on the system’s generating capacity, and then look for ways to apply the technology to a wider range of vessels, positioning it as a supplemental power source for the crew quarters and so on.

Protecting the Marine Environment
Containerships
The fuel tank of a containership is normally located in the bottom of the hull. Therefore, in case of an accident, there is a risk of oil leaking through a crack in the hull. To reduce that risk, MOL devised a way to store about 60% of the fuel in the walls between cargo holds. We are adopting this design on MOL and MOL Group-operated containerships, starting with the MOL ENCORE, which was launched in March 2003.

Pure Car and Truck Carriers
The new design enhances stability by moving the fuel tank, which is protected by a double hull, to the lowest deck (in the center of the carrier)
and centering the ballast tank in the lowest part of the ship. Another benefit of moving the ballast tank is that it frees up more cargo space on the 11th deck, allowing the vessel to accommodate more vehicles than conventional car carriers of the same size. We adopted this new design on PCTCs launched after July 2004.

**Newly Built VLCCs**

To reduce the risk of oil spills resulting from a marine accident, we use a double-hull design for our VLCCs, which positions empty or seawater-filled tanks around the fuel tanks.

We will adopt this new design to four VLCCs launched between May and December 2005.

**Ballast Water Purification Technology**

Ballast water is essential to stabilize a ship and adjust its draft to ensure safe, efficient navigation. When ballast water is discharged, it can transport marine organisms from one area to another, which threatens local ecosystems. (Please see P 22 for details.)

MOL has already developed purification technology that meets International Maritime Organization (IMO) ballast water discharge standards for plankton, by using an exclusive self-cleaning filter. We are examining ways to combine this with other purification methods to meet the standards for other bacterium, which are smaller and more difficult to remove by filtration.

**Exhaust Gas Purification Using Thinned Lumber**

Our group company M.O. Ship Management Co., Ltd. and K.K. Juon developed an exhaust gas purification system utilizing catalytic effects of tree oil. The system features a ceramic filter mounted inside the exhaust pipe of a ship’s diesel engine. Then, tree oil, extracted from thinned timber, is sprayed into the exhaust gas. The tree oil acts as a bio-catalyst, significantly increasing the efficiency of the filter, and capturing more PM.

Tests of a prototype installed on an MOL-operated car carrier in February 2005 showed a 40% reduction in PM emissions. Another environmental benefit of this system is that it makes effective use of timber thinned during forestry operations.

**Extra Care in Vessel Construction**

Many vessels have service lives of more than two decades. So we pay careful attention to balancing environmental friendliness and economic value, and use an environmental assessment sheet in determining vessel specifications. We also send our own engineer to the shipyard to supervise the construction and make sure it follows MOL policies and design guidelines, including environmental concerns.

**Vessel Scrapping**

MOL has established scrapping policies and guidelines that focus on environment-friendliness and workplace cleanliness and safety. We also use an environmental assessment sheet. When scrapping a vessel, we make sure the scrapping yard handling the job meets our standards based on the sheet. We sold two vessels that were slated for scrapping during fiscal year 2003. Whatever the case may be, the company designates an ISO14001 certified company that uses environment-friendly scrapping methods. And, when delivering a vessel to the scrapping company, we implement a range of measures such as minimizing the amount of fuel and ballast water on board and providing advance notice on any hazardous materials.
Preventing Air Pollution

Merchant ships are powered by large engines that run on fossil fuels such as “A-oil” and “C-oil” oils. These engines emit carbon dioxide (CO₂), which contributes to global warming, and nitrogen oxides (NOx), sulfur oxides (SOx), and soot that cause acid rain. The MOL Group is acutely aware of the burden its business activities place on the atmospheric environment, and works continually to reduce this burden.

**Prevention of Global Warming**

**Efforts in Japanese transportation sector (mainly vessels)**

- Involvement in Kyoto Protocol –

Green house gases (GHG) including CO₂ cause global warming. In February 2005, the Kyoto Protocol went into effect, aiming to reduce GHG emissions by more than 5% between 2008 and 2012 (the first commitment period) by all participating advanced nations.

Under the protocol, Japan is responsible for reducing emissions by 6% during the first commitment period. However, GHG emissions during 2003 totaled approximately 1,339 million tons of CO₂, an increase of 8.3% over the result of the benchmark year. As a result, Japan is required to take effective countermeasures. By segment, industrial sectors show a tendency to reduce CO₂ emission. On the other hand, CO₂ emissions from the transport and civilian sectors increased by 20% and 30%, respectively, compared to 1990 levels. While emissions from private vehicles – which account for 50% of the transport sector – rose significantly, those from logistics and public transport remained almost level.

In April 2005, the Japanese government adopted the Kyoto Protocol Target Achievement Plan, which clarifies measures and policies to achieve the 6% reduction in GHG emissions promised in the protocol. The plan includes a call for cargo owners and logistics businesses to cooperate on efforts to reduce CO₂ emissions, improve the efficiency of logistics through the modal shift, and increase the energy efficiency of vessels. In addition, cargo owners and logistics companies are working to execute the “Green Logistics Comprehensive Program” backed by Japan’s Federation of Economic Organizations (Keidanren).

GHG emissions from ocean-going vessels are separate from the Kyoto Protocol’s reduction targets, because ships operate in different nations. The issue will be addressed through the International Maritime Organization (IMO). At this point, there are no international regulations on GHG emissions from ocean-going vessels. The Japanese Shipowners’ Association (JSA) set an industry-wide goal for 2010 – a 10% reduction in CO₂ emissions per unit load from 1990 levels. Instead of overall volume, this per-unit goal is aimed at social accountability – meeting ever-increasing transport needs with environment-friendly, efficient services.

**MOL’s approaches**

- **Reducing CO₂ emission**

MOL, a leader in the drive to address environmental issues, has set its own goal of sustainable reduction of CO₂ emission per unit load from vessels, and is working hard to achieve it. The company expanded its fleet based on the mid-term management plan MOL STEP. As a result, total CO₂ emissions from our operated vessels in FY2004 increased over the previous year to 14.3 million tons. However, thanks to various measures to reduce fuel consumption, CO₂ emissions per unit load decreased by 4.9% compared to the previous year.

- **Reducing fuel consumption**

Fuel consumption volume increased to 4,680 thousand tons (C oil: 4,625 thousand tons; A oil: 55 thousand tons) from the previous year because we expanded the operated fleet in FY2004.

Reducing fuel consumption is fundamental to reducing emissions of various other gases such as NOx and SOx, as well as CO₂ and MOL is taking several steps to minimize fuel consumption, such as operating at slower speeds where appropriate; selecting optimum
routes; using top-quality vessels, engines, and equipment, and managing and maintaining them for peak efficiency; and cleaning and sandblasting vessel hulls while in dry dock. Other measures to improve efficiency include launching large, energy-conserving ships; examining and adopting various energy-efficient technologies. Examples include the PBCF, wind resistance-reducing vessel design, practical tests of wind-powered generating systems, and so on (Please refer to pages 24 and 25 for details.)

**MOL Group activities in Japan – Leader in modal shift –**

MOL works to reduce the use of fuel oil on our operated vessels, and minimize consumption of electricity in office operations. These efforts are showing steady progress. We also introduced the Group Environmental Target System, targeting our 59 domestic subsidiaries and other equity method affiliates involved in domestic transport, land transport, and harbor/port operations. This system, which aims at reduction of CO2 emissions related to these companies’ business activities, is based on a continuous “Plan-Do-Check-Act” (PDCA) cycle. That means setting environmental goals, executing them, monitoring the results, and reviewing the actions. As Japan’s largest domestic transport and ferry companies, the MOL Group is leading the way in the nation’s modal shift.

**MOL Group modal shift initiatives**

**The Diamond Ferry Co., Ltd.**

The Diamond Ferry offers a service linking Kansai and Shikoku/Kyushu, and transports parts for Daihatsu Corporation’s Nakatsu Plant, along with Aoki Unyu Soko K.K. The switch from truck transport to ferries eliminates about 5,800 tons of CO2 emissions every year. (This business was certified to receive aid from the Ministry of Land, Infrastructure and Transportation in 2004.)

**Meimon Taiyo Ferry Co., Ltd.**

The company’s service links Osaka and Shin-Moji. In a tie-up with Sagawa Express Co., Ltd., compared to truck-only transport, this service results in a net reduction of 1,900 tons of CO2 emissions every year. (This business was certified to receive aid from Land, Infrastructure and Transportation Ministry in 2004.)

**International Container Transport Co., Ltd.**

ICT drays 260,000 containers annually, with the motto “Safe, Speedy, and Reliable.” Its 230 trucks are equipped with Global Positioning System (GPS) units to ensure high efficiency and fine-tuned control of operations. GPS helps save fuel and reduce emissions of CO2 and other harmful gases.

**ENEX 2005 – The 29th Energy and Environment Exhibition**

In February 2005, the ENEX2005 was held at Tokyo Big Sight and at Intex Osaka, drawing nearly 90,000 visitors. It was organized with the support and cooperation of the Energy Conservation Center, Japan (ECCJ), government agencies, and various business and economic groups. MOL showcased a miniature PBCF in a water tank and panels showing the wind resistance-reducing design of the pure car and truck carrier (PCTC) COURAGEOUS ACE.
More efficient terminal operations – TraPac –

Trans Pacific Container Service Corporation (TraPac) handles about 1 million TEUs annually at Los Angeles and Oakland in the United States. It is highly regarded as the most efficient terminal with the most advanced IT technology on the U.S. West Coast. TraPac also goes to great effort to reduce its environmental burden by increasing the productivity of loading/discharging equipment to ensure faster operations. For example, its efficient gate operations minimize the time trucks must wait in line, which reduces idling time. TraPac also participates in joint research on environment sponsored by the Los Angeles Port Authority.

Modal shift in North America – MOL (America) Inc. –

MOL (America) (MOLAM) transports a vast amount of containerized cargo between loading/discharging ports all over the United States and the world. For example, it transported some 430,000 TEUs from Asia to North America in 2004. Over 60% of this cargo came from China. Total cargo volume is expected to keep rising in the future. About 40% of this cargo goes through gateway ports such as Los Angeles and Seattle on the West Coast, and is transported to major consumer markets such as Chicago in the Midwest and New York on the East Coast. MOLAM strives to minimize the use of truck transport and encourages the use of more environment-friendly railways, especially high-efficiency double-stack trains\(^2\), for inland transport.

Ocean Shipping and Acid Rain – MARPOL73/78 Treaty Annex VI –

To address the issue of NOx and SOx emissions from vessels, the International Maritime Organization (IMO) adopted the MARPOL 73/78 Treaty Annex VI (regulations to prevent air pollution by vessels) in September 1997. It took effect on May 19, 2005. Japan foresaw the need to revise the Law Relating to the Prevention of Marine Pollution and Maritime Disasters and introduced the same standards at the same time the MARPOL treaty annex went into effect.

MOL's efforts to reduce air pollution

MOL takes various measures to reduce fuel consumption, which in turn helps reduce emissions of CO\(_2\), NO\(_x\), SO\(_x\), and other pollutants. (Please refer to page 26 for details.)

• Measures to reduce NO\(_x\) emissions

Prior to the issuance of MARPOL 73/78 Treaty Annex VI, MOL equipped vessels launched after January 1, 2000, with engines that meet the treaty standards. We also work hard to optimize engine performance, for example, by precisely adjusting the timing of fuel injection. In addition, we developed an exhaust gas post-processing system, and are adopting electronically controlled engines that further reduce emissions of NO\(_x\) and soot.

• Measures to reduce SO\(_x\) emissions

In general, C oil used for vessel fuel has a relatively higher sulfur content compared to

\(^2\) Double-stack train
The number of containers loaded on a train increases by putting two tiers of two containers each on lightweight rail cars. This allows higher transport volume. Double-stack trains (DSTs) have been in practical use since 1970. In the 1980s, use of DSTs spread widely due to deregulation, increasing size of vessels, and the method’s superior efficiency.
other fuels. MOL currently procures oil that meets its own standards, which are stricter than the 4.5% sulfur content set out in regulations.

One of the main activities at our Technology Research Center (Tokyo, Japan) is to improve the quality of bunker oil used by MOL-operated vessels around the world. Every time one of our ships takes on bunker oil, a sample goes to the center, which tests sulfur content using an X-ray process and conducts other quality checks. This helps maximize the quality of fuel used in MOL-operated ships and streamline our bunkering operations.

Protecting the ozone layer

CFC refrigerants were traditionally used on ships for air conditioning systems and refrigeration of food, as well as to refrigerate cargo containers, and Halon was used in onboard fire extinguishing systems. MOL adopted R-22 (HFC), which has a smaller ozone depletion coefficient than R-12 (CFC) on vessels launched after the late 1970s. Then, we started to adopt R-404A on vessels launched starting in 2002, after carefully reviewing its environmental impact and performance as a refrigerant, and confirming that a stable supply was available.

We have also eliminated Halon fire-extinguishing equipment in favor of carbon dioxide systems, and are increasing our use of high-expansion foam extinguishers. And in our reefer containers, we have stopped using R-12 and adopted R134a, which has an ozone depletion coefficient of zero.

Mid-term plan (FY2004-2006)

- Continue to take measures against acid rain and ozone layer depletion

2004 targets

- Acid rain: Continue to reduce NOx and SOx emissions per unit load from vessels.

- Ozone layer depletion: Use R-404A as refrigerant for refrigeration units and air conditioning systems on newly built vessels.
- Continue to study air environment-friendly refrigerants.

Achievements

- NOx: Reduced 4.9% from FY2003
- SOx: Reduced 2.2% from FY2003

Evaluation

- Adopted R-404A on all newly built vessels during fiscal year.
- Continued to study air environment-friendly refrigerants.

2005 targets

- Continue to reduce NOx and SOx emissions per unit load from vessels.
- Continue to use low-sulfur content fuel.
- Continue to use R-404A for onboard refrigeration units and air conditioning systems on all new vessels.
- Continue to study air environment-friendly refrigerants.

Mesures to reduce soot and smoke emissions

Diesel engine emissions contain diesel emitted particulate (DEP) and dust, such as burned embers. MOL works hard to procure higher quality fuel, and takes various measures to reduce consumption. At the same time, we are taking the following steps:

- Study of purification system
  (Please refer to page 25 for details.)
- Practical tests of fuel additives

We began practical tests of a new type of fuel additive on four of our operated vessels in the summer of 2004. Our group terminal and ferry companies also started testing it in April 2005.

Comparison of ozone depletion potential and global warming coefficient by types of chlorofluorocarbon refrigerants

<table>
<thead>
<tr>
<th>Type</th>
<th>Refrigerant</th>
<th>Ozone depletion coefficient</th>
<th>Global warming coefficient</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC</td>
<td>R-12</td>
<td>0.9</td>
<td>8,500</td>
<td>Production suspended in 1995</td>
</tr>
<tr>
<td></td>
<td>R-134a</td>
<td>0</td>
<td>1,300</td>
<td>Simple refrigerant</td>
</tr>
<tr>
<td></td>
<td>R-404A</td>
<td>0</td>
<td>3,260</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R-407C</td>
<td>0</td>
<td>1,770</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R-410A</td>
<td>0</td>
<td>1,730</td>
<td></td>
</tr>
<tr>
<td>HCFC</td>
<td>R-22</td>
<td>0.055</td>
<td>1,700</td>
<td>Production to be suspended in 2020</td>
</tr>
</tbody>
</table>

IMO MARPOL 73/78 Annex IV regulations for NOx and SOx emissions

<table>
<thead>
<tr>
<th>Regulatory item</th>
<th>NOx</th>
<th>SOx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel engines over 130 kWh</td>
<td>17g/kWh</td>
<td>45g/kWh</td>
</tr>
<tr>
<td>Rated speed below n=130 rpm</td>
<td>Fuel sulfur content limited to 4.5%</td>
<td>No limit on sulfur content</td>
</tr>
</tbody>
</table>

Sulfur content in fuel oil used by MOL

<table>
<thead>
<tr>
<th>FY</th>
<th>A. oil</th>
<th>C. oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.96%</td>
<td>2.91%</td>
</tr>
<tr>
<td>2001</td>
<td>0.77%</td>
<td>2.75%</td>
</tr>
<tr>
<td>2002</td>
<td>0.73%</td>
<td>2.60%</td>
</tr>
<tr>
<td>2003</td>
<td>0.68%</td>
<td>2.71%</td>
</tr>
<tr>
<td>2004</td>
<td>0.62%</td>
<td>2.78%</td>
</tr>
</tbody>
</table>
MOL Group takes various measures to promote improved working conditions and reduce the environmental burden generated by office activities.

**Reduction of electricity use**
For three years starting in FY2002, our goal was to reduce electricity use in the Head Office by 3% from FY2001 levels. As of FY2004 the final year of the plan, we had achieved a 15% reduction. In April 2004, we replaced the air conditioning system in the computer room with the most energy-efficient type available. This played a huge role in surpassing our target. We will continue our energy-saving efforts in the future, for example, encouraging people to turn off unneeded lights and so on.

**Reduction of office paper use**
The company has worked hard to achieve the goal of reducing paper use in the Head Office by 5% from FY2001 levels, over the three years starting in FY2002. We also set divisional targets, reviewed the location of printers and other office equipment, and encouraged 2UP-printing and printing on both sides of paper. Other measures included placing recycling collection boxes in each division and office. Thanks to these efforts, by the end of FY2004, we had achieved a 15% reduction. Our efforts to conserve resources and energy continue.

**Green purchasing**
We began using 100% recycled papers in August 2002, and we use almost all recycled paper in the Head Office. In the future, we will keep up our efforts to purchase a greater share of recycled paper products.

**Head Office renewal plan**
The company plans to remodel the Tokyo Head Office building since it is now 26 years old. The renewal project will include measures to reduce the environmental burden and create a more comfortable work environment. However, the building was transferred to our consolidated subsidiary Daibiru Corporation in March 2005. MOL, as the building’s major tenant, will work closely with Daibiru in developing the renewal plan. Projects such as replacing air conditioning and other electrical equipment with new, energy-efficient models will begin after summer 2005.

**Policies to address soil contamination**
Japan enacted a law on soil contamination in February 2003, in response to the increasing incidence of soil contaminated with heavy metals, volatile organic compounds, and other substances on former industrial sites. Society is demanding more research on the health effects of soil contamination as well as improved measures to cope with polluted soil. At MOL, we strictly observe laws and regulations on the use of various chemical substances, and set forth our own policies on addressing soil contamination in November 2004. Under these policies, land transactions must include a historical survey of the land and the company’s environmental policies, and a disclosure of whether it housed specific facilities or whether specified harmful substances were used there.

**MOL Group company efforts in Japan**
Daibiru Corporation
http://www.daibiru.co.jp
- Leading the way in commercial real estate -
Daibiru Corporation, as a core of the MOL Group’s real estate business, owns and manages 21 office and commercial buildings, mainly in Tokyo and Osaka. The company also manages apartments for company workers, student dormitories, and condominiums for families.

Daibiru set out five rules of conduct – Strictly respect laws and regulations; Save energy; Contribute to a recycling-oriented society; Coexist with the environment; and Develop and disclose the environmental management system. Clearly, the company goes to great effort to reduce the environmental burden of its activities.

**[Approach case 1]**
Rooftop greenery and a relaxing environment
Daibiru puts greenery on and around all of

### Graph 1: Electricity usage volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Office equipment</th>
<th>Air conditioning system</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2001</td>
<td>647</td>
<td>842</td>
<td>911</td>
</tr>
<tr>
<td>FY2002</td>
<td>712</td>
<td>862</td>
<td>936</td>
</tr>
<tr>
<td>FY2003</td>
<td>647</td>
<td>862</td>
<td>822</td>
</tr>
<tr>
<td>FY2004</td>
<td>614</td>
<td>636</td>
<td>610</td>
</tr>
</tbody>
</table>

### Graph 2: Office paper usage volume

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2001</th>
<th>FY2002</th>
<th>FY2003</th>
<th>FY2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lights</td>
<td>9,305</td>
<td>9,220</td>
<td>9,200</td>
<td>9,200</td>
</tr>
<tr>
<td>Office equipment</td>
<td>647</td>
<td>647</td>
<td>647</td>
<td>647</td>
</tr>
<tr>
<td>Air conditioning system</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Rooftop greenery in Yaesu Daibiru Building (Tokyo)
its buildings to combat the urban heat-island phenomenon. It pioneered this approach with plants on top of the north wing of Osaka’s Shin Daibiru Building, completed in 1963, and the Yaesu Daibiru Building completed in 1968 in Tokyo.

The company also strives to create a relaxing area with waterfalls and sculptures, and won the first award from the city of Osaka for combining architecture and greenery for its Shin Daibiru Building in 1970—and the city’s 33rd award in 2002, when it was honored for the Umeda Daibiru Building.

[Approach case 2]
Energy saving
- Efficient operation of equipment
- Saving energy on air conditioning by fresh air circulation and automatic roller blinds on windows.

[Approach case 3]
Reduction of harmful substance
- Adoption of CFC-free refrigeration equipment
- Adoption of low-pollution cleaning materials such as neutral detergents and waxes free of environmental hormones.

[Approach case 4]
Recycling-oriented office building
- Separation and collection of garbage
- Reuse as non-potable water

**Mitsui O.S.K. Lines (Japan), Ltd.**
(MOL Japan)
http://www.moljapan.co.jp/
- Reducing paper consumption by using EDI<sup>1</sup> for shipping documents

To ensure smooth, speedy delivery, shipping documents such as cargo manifests and bills of lading (B/Ls) must be transmitted to the shipping agency at the discharging port before the vessel arrives. MOL Japan, established in April 1999 to serve as the shipping agency for MOL’s liner business in Japan, has adopted an electronic data interchange (EDI)<sup>1</sup> system. Instead of mailing documents, they can in many cases be scanned and e-mailed, which not only saves paper but also speeds up communication.

**MO Engineering Co., Ltd.**
- Commercializing a cogeneration system technology developed for vessels

MO Engineering Co., Ltd., established in 1988 to provide engine maintenance and other support services to MOL-operated vessels while in port, has in recent years expanded its land-based operations to include maintenance of cogeneration systems and sales, installation, and service of household and industrial air conditioning systems.

**MOL Group company effort overseas**

**MOL (Asia) Ltd.**
http://www.molasia.com

The Hong Kong Head Office of MOL (Asia), MOL’s liner subsidiary in Asia, introduced double-sided printers and encourages the use of e-document to reduce consumption of office paper. The company is also taking the initiative in green purchasing of recycled paper business cards and refillable detergent and beverage containers, and bulk buying of office supplies (once a month) to save cardboard boxes. The company is also encouraging employees to use their own cups instead of disposable ones, and separate office trash. Building on these small actions, MOL (Asia) is displaying posters and stickers saying “Reuse, Reduce, Recycle” to promote environmental awareness of employees.

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### Mid-term plan (FY2004-2006)

- Continuous efforts for energy saving, resource saving, and waste reduction.

<table>
<thead>
<tr>
<th>2004 targets</th>
<th>Achievements</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Head Office electricity use by 3% compared to FY2001: Last year of three-year plan</td>
<td>Reduced 15%</td>
<td>○</td>
</tr>
<tr>
<td>Reduce office paper use at the Head Office by 5% compared to FY2001: Last year of three-year plan</td>
<td>Reduced 15%</td>
<td>○</td>
</tr>
<tr>
<td>Reduce total garbage volume generated in the Head Office.</td>
<td>Reduced 4% from FY2003.</td>
<td>○</td>
</tr>
<tr>
<td>Step up green purchasing of office supplies.</td>
<td>Purchasing rate 77.9% Under review</td>
<td>△</td>
</tr>
<tr>
<td>Study environmental-friendly design of the Head Office renewal plan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2005 targets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote resource-saving actions at the Head Office.</td>
<td>○</td>
</tr>
<tr>
<td>Improve separation of garbage generated in the Head Office and improve recycling rate.</td>
<td>○</td>
</tr>
<tr>
<td>Study environment-friendly design for Head Office renewal plan</td>
<td>○</td>
</tr>
</tbody>
</table>

○: Achieved, △: Not achieved fully

---

<sup>1</sup> Electronic Data Interchange (EDI) transmission of electronic data
<sup>2</sup> Cogeneration system uses exhaust heat created by power generation for hot-water and air conditioning.
Each MOL Group company works hard to ensure ongoing improvements in environmental protection through MOL EMS21 or the MOL Group Target System, reflecting the MOL Group Corporate Principles and Group Environmental Policy Statements. Following is a summary of groupwide approaches.

Cruise operations ensure a cleaner environment and healthy conditions
Mitsui O.S.K. Passenger Line, Ltd.
http://www.mol.co.jp/cruise.shtml

The cruise ship NIPPON MARU, operated by Mitsui O.S.K. Passenger Line, Ltd. (MOPAS), acquired ISO14001 certification. The entire crew work to reduce the ship’s environmental burden in their day-to-day tasks and pay meticulous attention to health and sanitation issues. Reflecting their hard work, the NIPPON MARU since 1999 has earned top ratings among Japanese cruise ships in inspections by the US Public Health Service (USPHS), scoring an impressive 99 points out of a possible 100 from 2000 to 2002. The NIPPON MARU also earned 100 points in sanitation inspections by the Canadian government, and 98 points from Australia’s Department of Health.

Each department on the ships takes a strict approach to equipment and facility maintenance, water quality control, food safety management, and training employees on health and sanitation, based on the manuals provided by USPHS. While some disposable products are indispensable to sanitary operations, the ship makes every effort to protect the environment through separating trash and introducing recycled and environment-friendly products.

Promoting environment-friendly, high-quality building and real estate management services
Mitsui O.S.K. Kosan Co., Ltd.

Mitsui O.S.K. Kosan’s integrated building management system is based on a goal of creating a comfortable environment. The company acquired ISO9001:2000 certification, and introduced the bridge point (service master) system, which integrates know-how in cleaning and facility management. In cleaning operations, for example, Mitsui O.S.K. Kosan uses environment-friendly detergents and other products, and carefully separates recyclable trash.

Container sales company puts the environment first
Sanwa Marine Ltd.

Drawing on years of experience and accumulated technology in the ocean shipping industry, Sanwa Marine offers a range of products to help protect the environment, such as “BY FAR Z” oil separators, aeration systems for sewage treatment and water purification, ozone water treatment equipment featuring activated carbon tanks, and secondhand containers.

MOTEC sets sights on green tech trade
Mitsui O.S.K. Techno-Trade, Ltd.
http://www.motech.co.jp/english/

Mitsui O.S.K. Techno-Trade (MOTEC), an MOL Group technology trade company, offers vessel-related services as well as maintenance of offshore oil storage terminals, installation and maintenance of industrial equipment, real estate sales, and marketing of gardening and environment-related materials. The company also promotes sales of the PBCF (Please refer to page 24 for details).

MOTEC operates bunker barges that transport bunker oil and lubricants from refineries and storage depots to berthed or anchored ships. Naturally, any accident or spill in these operations could lead to an environmental disaster, and must be avoided at all costs. The MOTEC Safety Management Office has established its own policies on safe navigation and operation, worker health and safety, and environmental protection to underscore its commitment to safe, reliable bunker barge operation.
Creating new lives for used containers

Seven MOL Group companies

The marine containers MOL uses are manufactured to meet International Standards Organization (ISO) requirements for durability and resistance to shock, vibration, wind, and weather. They have to be tough enough to withstand the rigors of ocean and overland travel and repeated loading and discharging. After their useful service lives at sea, these containers are still rugged enough for limited use on land. What’s more, they are durable, watertight, easy to refurbish, and modestly priced. Uses range from storage sheds to garages, offices, stores, and even homes. We market secondhand containers through seven Group companies in Japan, making effective use of this re-usable resource.

Improved recycling of beverage cans responds to society’s needs

Kusakabe Maritime Engineering Co., Ltd.

Kusakabe Maritime Engineering has diversified into aluminum and steel can recycling in response to the needs of today’s environment-conscious society. In May 2004, the company established a can recycling plant in Nishi Ward, Kobe, called “Try-R Kobe.” Beverage cans collected through community and corporate recycling programs, are recycled into steel and aluminum pellets by a rotary kiln. The ultimate goal is to create a “can to can” factory.

In addition, Try-R Kobe is an environment-friendly plant fueled by natural gas, minimizing dioxin emissions. Recycled steel and aluminum pellets manufactured there are high quality, easy to use, and meet the needs of various customers.

Waste collection, transport, treatment, and recycling services

Urban Service Co., Ltd.

Urban Service, established in 1972, collects, transports, and disposes of waste discharged from vessels. In recent years, it has expanded its operations to general and industrial waste from offices, warehouses, and logistics centers as well as the MOL Head Office.

Developing environment-friendly moving and warehousing services

Japan Express Co., Ltd. (Yokohama)

http://www.japanexpress.co.jp/hikkoshi/eng.htm

Japan Express (Yokohama) provides moving services in Japan and overseas as well as warehousing, and international multimodal transport. The company recycles 80% of the waste materials generated during loading/unloading and packaging. They also made it possible to reuse nearly 1 ton of wooden boxes by repairing broken ones.
Contributing to the world by offering transport services that meet customer needs, while ensuring safety and protecting the environment, is the foundation of our business and the starting point of our corporate social responsibility (CSR) activities.

In 2004, MOL Group stepped up its CSR activities and set new policies on social contributions. The Group is working to create an organization that has even closer ties to stakeholders around the world and more involved and committed to society at large.
MOL Group knows that employees are the real power behind any company. So we make every effort to train world-class employees through unique education programs.

Building a world-class work force

Based on the philosophy outlined above, we are cultivating the professionals who will power MOL to the top of the worldwide shipping industry. Though seagoing and shoreside employees have very different responsibilities, qualifications, and abilities, excellence in both areas is absolutely essential to our success. Recognizing that fact, we shifted the administration of seagoing employees from the Marine Management Division to the Human Resources Division in an effort to create an integrated, standardized system. Land-based employees, of course, do not work on vessels, as this requires various certifications. But seagoing employees have been assigned to various shoreside duties including sales, and now land-based staff are allocated to the Marine Management Division, which was previously made up only of maritime professionals.

Meeting the needs of land-based employees

Basic policies on employment and training

MOL is united in its drive to create an excellent, resilient organization that leads the world shipping industry, and people are the key to that effort. Success demands many different skills and attributes: leadership to take the reins of a group with more than 300 companies around the world; communication skills to ensure smooth cooperation among companies, business partners, and other concerned parties in Japan and overseas; the vitality tenacity; and toughness to push relentlessly toward our goals.

Human resource development programs

Looking at the main career track for land-based employees other than clerical workers, we view the first 10 years of a person’s career as the cultivation period. It includes rotating employees to three positions. The goal is to provide a wealth of experience in different aspects of our business. In parallel with on-the-job training (OJT), we also have other programs such as position-specific group training, overseas training, and onboard training that only a shipping company can offer. We also offer English language courses, office automation equipment (OA) training, external training in various aspects of our business. In parallel with on-the-job training (OJT), we also offer other programs such as position-specific group training, overseas training, and onboard training that only a shipping company can offer. We also offer English language courses, office automation equipment (OA) training, external training in various aspects of our business.

New employee training

MOL hires about 20 new university graduates a year for land-based assignment. Our unique two-month training includes visiting harbor/port branches, vessels, shipyards, and so on, providing a practical look at our operations.

Promoting an international mindset

We help new employees build smooth communication with overseas companies and customers through an intensive English language program that takes a year and a half. Employees start this about six months after joining the company. This program is intended to foster the language skills that are essential to ocean shipping operations, and develop an internationally minded work force. In addition, we provide tuition assistance for night and correspondence courses for employees who want to learn other languages such as Chinese. And to help employees develop a global viewpoint, we provide opportunities for international internships in North America, Europe, and Asia, short-term overseas study programs, and language training.

Training/correspondence courses

<table>
<thead>
<tr>
<th>Common</th>
<th>Outside training/correspondence courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positions</td>
<td>New employee/ Young employee Chief</td>
</tr>
<tr>
<td>Position-specific training</td>
<td>Chief/training</td>
</tr>
<tr>
<td>Functional training</td>
<td>Accounting management course</td>
</tr>
<tr>
<td>Executive training</td>
<td>Management school</td>
</tr>
<tr>
<td>Overseas training</td>
<td>Training/international internship</td>
</tr>
<tr>
<td>Practical training</td>
<td>OA and PC Logistical/Financial accounting/Law and insurance/Employee evaluation training/Mental health/Others</td>
</tr>
<tr>
<td>Onboard training</td>
<td>Aboard MOL Group vessels</td>
</tr>
<tr>
<td>Intensive English language program</td>
<td>Building English language proficiency/Global business skills</td>
</tr>
</tbody>
</table>

Basic capabilities

- **Vitality tenacity**: innovative mind, openness to new challenges, breakthrough ability
- **Toughness**: flexibility, vitality, endurance
- **Leadership**: ability to take action, urging force, leadership ability
- **Communication skills**: dialogue skills, adaptation to different cultures, objectivity

New employee training

MOL hires about 20 new university graduates a year for land-based assignment. Our unique two-month training includes visiting harbor/port branches, vessels, shipyards, and so on, providing a practical look at our operations.
Going aboard a vessel for a close-up look at the business of shipping

Ships are where we do business. And knowledge of vessels is absolutely imperative for ocean shipping professionals. Every year, about 15 land-based employees get the opportunity to experience a sea voyage ranging from a few days to a month. The goal is to develop an understanding of safe operation and marine environmental protection, and build mutual understanding between employees on land and those at sea. Some MOL Group company employees also receive onboard training.

Management school builds tomorrow’s leaders

In MOL group training programs, led by outside experts, future executives conduct management analyses and propose new strategies for MOL Group companies. Group employees also attend these courses, gaining new insights on management and broadening their groupwide network of contacts. We also offer seminars focusing on the needs of Group company executives.

CSR-related education

MOL provides specialized training programs on human rights, environmental protection, antitrust law, prevention of insider trading, and other issues related to compliance and corporate social responsibility.

Creating a more dynamic company

One distinct feature of MOL’s corporate culture is our encouragement of “gachinko” – head-to-head confrontation and debate to address serious issues. We want to see thorough discussions, without regard to the positions or titles of those involved, in group and division meetings, the “Can-Do” meetings hosted by the president (Please see page 42 for details), and cross-sectional brainstorming. One small but significant example of our effort to create an open corporate environment is that we don’t use position titles such as president, and so on, when addressing each other.

Personnel and Evaluation Systems

Employees are MOL’s greatest resource, and it is critical to keep them motivated and challenged. During FY2004, we introduced a new compensation system based on their achievements and responsibilities. This new system initially targeted employees above the group leader level, and is being expanded to employees at manager level or below (except clerical workers) in FY2005.

This new personnel system requires fair and open evaluation of employee performance. Employee evaluations take place once a year, and employees and their supervisors set initial goals at the beginning of each fiscal year. They have four follow-up interviews a year to monitor their progress toward those goals. We also provide supervisors with training aimed at boosting their skills in evaluation, coaching, and communication.

Personnel exchanges among MOL Group companies

MOL and Group companies actively promote personnel exchange in Japan and overseas. Also Group employees meet together and enjoy each other through various activities such as flower arranging and football. And we encourage Group companies to conduct joint management training and recruiting activities.

Creating a global personnel system

People are the driving force behind our company, and our biggest mission in the Human Resources Division is to acquire and cultivate personnel who can play an active role in our expanding worldwide operations. As part of this mission, we are actively recruiting mid-career professionals and non-Japanese, and striving to make the most effective use of women employees. We believe that when all employees maximize their abilities and give their best efforts, the company is sure to grow and prosper. We have not fully achieved our goals, but we are making considerable progress in open personnel assignments (internally advertising available positions) and career development support. We also plan to conduct an employee satisfaction (ES) survey during FY2005. We continue working to maintain a good relationship between the company and employees.
Ensuring a healthy workplace

The physical and mental health of our employees is essential to our success. To maintain and improve the health of our workforce, we established the following systems:

- Yearly medical check-ups
- Routine medical services in the clinic located at the head office
- Mental health consultation service
- Physical exams for employees 35 and older, and their spouses through our health insurance association
- Medical exams before and after overseas postings, every year while on foreign assignments.
- Counseling and Aid Center in the Human Resources Division

The Counseling and Aid Center offers confidential assistance on personal and work-related issues. Serving both land-based and seagoing employees and their families, the center also helps employees facing sexual harassment, harassment by supervisors, discrimination, or other issues.

Supporting women employees and families

As more and more women join the workforce, lifestyles, values, and family needs have become more diverse than ever. MOL strives to be in the forefront of corporate efforts addressing these changes.

- Casual days
  Every Friday is casual day at MOL, and from June to September is "casual everyday". The company encourages casual attire at work, as long as it does not disrupt business operations.

- Maternity and child-care leave
  During pregnancy, MOL offers five-day leaves and one hour of flex time in daily work schedules, as well as eight weeks of leave (six weeks paid) before and after childbirth. Employees can also take unpaid leave until April 30 after the baby's first birthday, or until the child is 18 months old, whichever is later. About 40 employees have used this program since 1992. Best of all, no employees resigned from the company after having children. We are continuing to examine ways to more effectively meet the needs of our employees and their families.

- Mandatory paid-leave system for longtime service
  In addition to regular vacation time, employees receive five days off plus incentive pay after 15 years of service, and 10 days plus incentive pay after 25 years. At both their 15- and 25-year anniversaries, they can also opt for a Mitsui O.S.K. Passenger Line (MOPAS) cruise instead of incentive pay.

Assisting expatriate staff and helping local economies

As of March 31, 2005, 169 MOL employees were on duty overseas. These employees receive a wide range of assistance in daily living, safety and security, medical care, and their children's education. MOL also works to create new job opportunities around the world, with about 3,000 locally hired employees.

Labor relations

On-land employees belong to the Mitsui O.S.K. Lines Labor Union and seagoing employees are affiliated with the All Japan Seamen's Union. Both unions enjoy strong, trusting relations with management.
Caring for seagoing employees

Basic policies on recruitment

Employees at sea play a key role in maintaining safe operations and handling vessel operation and management. Naturally, these employees are subject to strict training and certification requirements. The company hires 15 to 20 seagoing employees every year, evenly divided between deck officers and engine officers. In 2004, we hired our first female deck officer, and we look forward to actively recruiting more qualified women.

Opportunities and career fields for seagoing employees continue to expand every year with the growth of MOL's business. As they gain experience and complete new training after joining the company, they can acquire more practical expertise. So when we recruit mariners, we look for energy, motivation, and flexibility.

The roles of seagoing employees

The duties of our marine professionals range from vessel operation and safety to sales support and land-based management of ships. Most have at least 10 years of experience at sea and acquire extensive training as future captains and chief engineers.

After that, they continue to experience various assignments on land according to their career path, and prepare for leadership roles in the MOL Group. MOL seagoing employees serve aboard some 30 MOL-operated vessels, while other ships are manned by Japanese from MOL Group companies, Filipino, Indian, and European mariners, and so on. All of these ships are subject to advanced quality control such as MOL's unique safe management system and environmental trainings. As our fleet expands, the tasks of our seagoing employees become ever more critical. To meet these growing demands, we have expanded our recruitment and hiring of seafarers, draw on the experience of MOL retirees in marine engineering and technology, and hire foreign marine professionals on short-term contracts.

Seafarer education and training

Some 95% of mariners serving aboard MOL-operated vessels are non-Japanese. We have maritime training centers in seven nations – Japan, the Philippines, India, Montenegro, Croatia, Indonesia, and Russia – where we recruit and train top-quality personnel. Specifically, we plan to expand our hiring of Filipino mariners, who currently make up two-thirds of our seagoing workforce of 15,000. By the end of FY2009, we will have some 15,700 Filipinos serving on our worldwide fleet. Since our fleet expansion will demand a larger workforce, we have improved and expanded our maritime training center in suburban Manila. This facility is the first ever established by a Japanese shipping company in the Philippines, and plays a central role in the MOL training network. It offers not only basic onboard practical training, but also the Kiken Yochi (risk anticipation) training (KYT) aimed at preventing accidents.

In 2002, the company received the first International Employers Award from the Philippine government for our contribution to expansion of job opportunities in the nation.

Caring for seagoing employees

Seagoing employees usually take a four-month leave after eight consecutive months of service. So we make extra effort to assist seagoing employees and the families who are holding down the fort at home.

MOL's response to asbestos exposure

In Japan, we are very concerned about the growing number of people exposed to asbestos. Since asbestos was routinely used on vessels built before the early 1990s, the Human Resources Division conducted a health hazard survey of all former seagoing employees, and provided a broad range of information about insurance, medical exams, and so on. We have continued to gather information, monitor the status of present and former employees, and take appropriate corrective measures. We have also stopped transporting asbestos.

MOL Training Center (Philippines)

Opened: April 12, 1993
Location: Dasmarinas City, Cavite (suburb of Manila, Philippines)
President: Restitute Villarus
Partners: Magsaysay Maritime Corporation, Fairmont Shipping
Fixed member: 440 shipping cadets (per year)
Features: This institute recruits candidates selected from maritime academies in the Philippines and offers a three-month training course before assignment to a vessel. Graduates serve as cadets on ships operated by MOL and the MOL Group. After a one-year on-board cadetship, they are entitled to take a certification exam. Successful candidates will be qualified as deck officers or engine officers on MOL and MOL Group vessels.

Classroom lesson at the Center

The MOL Maritime Training Center in the Philippines

(1) Occupational health and safety/health care

We established onboard health and safety committees on vessels to develop work plans and implement safety inspections of facilities and the working environment. We also make
every effort to improve working conditions through safety management, healthcare, and education. Onboard medical officers provide medical and mental health counseling and treatment for their fellow mariners.

In addition, vessels have workout rooms, libraries, and video collections to help the officers and crew unwind in comfortable environment during their off-duty hours.

(2) Care for families at home

The company has the Counseling and Aid Center for seagoing employees and their families in the Human Resources Division. Regional gatherings for families are organized by the Kaisho-kai, a service club for seagoing employees, providing information on company operation and consultation on a range of issues.

Vessel manning system

The number of Japanese seafarers has continued to decrease since 1974 at nearly 280,000, and totaled nearly 90,000 in October 2003. What's more, the workforce is aging, and the number of ocean-going seafarers decreased from 56,833 in 1974 to 3,336 in 2003.

The ocean-going shipping industry is exposed to keen global competition in today’s free-trade market in shipping. The rapid decline of the U.S. dollar against the yen following the Plaza Accord of 1985, was a direct blow to Japan’s ocean shipping industry, and brought on a prolonged recession. During that period, we had no choice but to reduce the number of Japanese seafarers, who were much more highly paid than those from developing nations.

While many industrialized nations regulate shipping companies in terms of the number of domestic vessels, seafarers training, and requisitions of ships in times of emergency, they also offer tax incentives and subsidies to ensure a transportation capacity that can meet national security and economic development needs.

Faced with an ongoing recession, Japan’s ocean shipping companies took drastic steps to rationalize their operations. Today, the industry is healthy because of the recent tremendous growth in global trade. However, we think it’s necessary to consider additional measures for the industry, based on the experience of other countries.

Seafarers’ duties

The deck section takes responsibility for ship operations, safe navigation, loading/discharging of cargo, hull maintenance, and so on. Since vessels operate around the clock, three deck officers and three able seamen partner off in six four-hour shifts to keep things running smoothly at all times.

The engine room section is in charge of maintenance and operation of the vessel’s engine and other equipment. Since merchant ships spend much of their time alone in the open sea, smooth-running, reliable equipment is critical. A day in the life of the engine room section starts with an early-morning meeting about the day’s work plan. They generally work a 9 to five day, but a rotating engineer is on call in case of engine trouble during the night, when the engine room is in “M zero” (unattended) operation.

The tasks of the general affairs section include preparing meals for the officers and crew, managing supplies, and onboard cleaning and sanitation. They work from early morning to night to prepare breakfast, lunch, and dinner, and take their meals and breaks during slow times.

The wonders of work at sea

I want a challenging job. I want to work with people from all over the world. Way back in high school, I used these reasons to apply to become a merchant marine officer. But in fact it was hard to adapt to life at sea when I started. But I gradually picked up the pace. My superiors carefully coached me, and I threw myself into my work. I’ll build on my experience and continue to discover fascinating things about my job. I also would like to look at things from all angles while making the most of being a female marine officer.

MOL seafarers by nationality (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>10%</td>
</tr>
<tr>
<td>India</td>
<td>3%</td>
</tr>
<tr>
<td>Japan</td>
<td>3%</td>
</tr>
<tr>
<td>Europe</td>
<td>5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3%</td>
</tr>
<tr>
<td>China</td>
<td>2%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2%</td>
</tr>
<tr>
<td>Russia</td>
<td>2%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
</tr>
</tbody>
</table>

Typical MOL vessel manning – 23 officers and crew

- **Captain**
- **Engine room section**
  - Chief engineer (1), First engineer (1), Second engineer (1), Third engineer (1), Engine crew (6)
- **Deck section**
  - Chief officer (1), Second officer (1), Third officer (1), Deck crew (6)
- **General affairs section**
  - Crew (3)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>67%</td>
</tr>
</tbody>
</table>

\[1]\) Number of officer or crew

Graph1: Typical MOL vessel manning – 23 officers and crew

Chart1: MOL seafarers by nationality (%)
The MOL Group contributes to society through the transport of various goods that support people’s lives and industries all over the world. We continue to expand our social contribution efforts.

### Transportation of aid supplies and monetary contributions

**Aid to nations struck by the Sumatra and Indian Ocean Earthquake and the resulting tsunami.**

The MOL Group conducted various aid activities for areas affected by the quake and tsunami immediately after they occurred on December 26, 2004. We transported aid supplies donated by NPOs, corporations, and individuals around the world to Colombo, Berawan, and Chennai, at no cost, utilizing our global container and car carrier service networks.

- **Transported by containerships:** 187 TEUs (equivalent to 187 20-foot containers)
- **Transported by car carriers:** 12 specialized vehicles such as construction machinery
- **Total cash contributions (including donation of Group employees and Group companies):** About ¥20.42 million (US$185,000)

Of that amount was donated to the Japan Red Cross and the rest was contributed through MOL overseas subsidiaries to disaster relief and reconstruction agencies in Sri Lanka, India, Indonesia, and Thailand.

**Collecting donations for Niigata Chuetsu Earthquake victims**

MOL employee volunteers collected cash contributions for Niigata Prefecture, which was struck by the Niigata Chuetsu Earthquake on October 23, 2004. We donated a total of ¥740,000, including corporate matching funds, to the Japan Red Cross.

**Others**

- Cooperative with the Together with Africa and Asia Association (TAAA) to transport a mobile library bus to South Africa.
- Cooperative collection of donations to the Red Cross and U.N. Children’s Fund

### Marine and global environmental protection

**Cooperate in marine research projects**

We still do not understand all the ways the oceans, covering 70% of the earth, affect the global environment. The MOL Group cooperates in a range of research projects to broaden our understanding of the seas. These include:

- **Observation research of surface water temperature by expendable bathythermograph (XBT)**
  This research focuses on the interaction between the ocean and atmosphere, the ocean’s role in climate change, and oceanic water circulation. The company conducts observations from the VLCC KATORI in the Indian Ocean.
- **Aerosol**\(^1\) **observation research**
  Equipment that automatically tracks the sun to collect data on aerosol density has been installed on the coal carrier YAHAGIMARU and iron ore carrier SHINZANMARU, in response to requests for research institutes.

### Environmental activities

**Beach cleanup projects**

In May 2005, we cleaned up two beaches – Odaiba Seaside Park in Tokyo and Yuigahama Beach in Kamakura, with 100 participants from MOL and MOL Group companies. This was the sixth consecutive year we have been involved in beach cleanup projects in Japan.

**Volunteer leader training sessions for oil spill response**

We support employees who want to contribute their time and skills to volunteer

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**Aerosol**

Microscopic particles floating in the air such as fine sand and dust, volcanic smoke, industrial emissions, and auto exhaust. It is recognized that aerosol particles reflect sunlight, help limit global warming, and generate clouds. So this indicates a link to climate changes and the destruction of ozone layer. However, the exact role of aerosol particles is still unclear, and more research is needed on global aerosol density.
activities, such as volunteering for emergency oil spill response training. With the cooperation of the Maritime Disaster Prevention Center, this training program was organized in 2004 by Umimori, a volunteer information center to protect the ocean, and The Japan Foundation. The goal was to cultivate volunteer leaders who have basic knowledge of coping with oil spill. The training helped MOL participants renew their commitment to preventing accidents, while they gained valuable skills on coping with spills in case they do occur. So far, 13 employees, most of whom work in land-based jobs, have completed this training program.

• Co-sponsored Kids ISO program (environmental education for elementary and junior high school students)
• Cooperated with NPO afforestation activities in Tanzania

The company donated used stamps and telephone cards that paid for about 500 seedlings, which were planted by the NPO Tanzania Pole Pole Club, which promotes afforestation activities in that nation.

Maritime education activities
• Conduct terminal tours and office tours for junior high and high school students
• Participate in Junior Achievement, which encourages vocational training for students in primary, junior high, and high school.
• Support seafarer training and education in the Philippines and other countries.
• Conduct joint research with Tokyo University of Marine Science and Technology and dispatched an instructor to the university.
• Dispatched an instructor to Aoyama Gakuin University.

MOL Group social contributions

MOL (Asia) Hong Kong
MOL (Asia), with cooperation of the Hong Kong Red Cross, organized a Blood Donation Day. A team from the Red Cross, set up a donation center in the Hong Kong office, and 45 employees donated blood.

Mitsui O.S.K. Passenger Line, Ltd.
• Displayed the work of young artists in the NIPPON MARU Gallery.
• Offered onboard tours for local citizens.
• Hosted an onboard tour for Tokyo schoolteachers.

Hosted a terminal tour for students and overseas trade trainees.

MOL Logistics (Japan) Co., Ltd.
• Regularly donated money to an organization that supports a school for the hearing-impaired.
• Provided transport services for a project to send hand-knitted sweaters to the former Yugoslavia. This effort was sponsored by the Smile Heart Club, the Mitsui Sumitomo Insurance volunteer organization.

MOL Kids’ Cruise
To promote interest in ships and the maritime industry among elementary and junior high school students, who represent Japan’s future as a seafaring nation, We will offer the MOL Kids’ Cruise on March 25-26, 2006. The excursion on the NIPPON MARU from Yokohama will include an overnight stay. One hundred fifty kids from fourth to eighth grade, and one parent – a total of 300 passengers – will be selected based on children’s essays about ships and the sea. The crew and volunteer employees will host various events about the vessel and ocean during the tour.
Basic policies

The MOL Group plays a vital role in supporting social and economic development by providing safe, reliable transport services. We believe it important for us not only to meet various customer needs all over the world, but also to communicate with our stakeholders. Our communication programs are based on promoting a deeper understanding of the MOL Group and listening to the opinions of all our stakeholders.

Internal communication

Can-Do meeting,

Fresh Can-Do meeting

The MOL President holds regular meetings with employees of each division and office. This helps motivate them and encourages them to consider issues from different viewpoints, as part of our brainstorming efforts. He holds these “Can-Do” meetings with people at or above the manager level, and “Fresh Can-Do” meetings with people at or below assistant manager level. The company also holds regular liaison meetings and conferences for those in specific positions, such as the Executive Officer liaison meeting, the General Manager meeting, and Group Management meeting for major Group company presidents. These help us exchange insights, information, and ideas.

CSR message board, environmental message board (Japanese)

We opened a CSR message board and environmental message board on our intranet. Employees, including those in major Group companies, can view news and commentary on how MOL is addressing these issues. We also publish the mail magazine called Gekkan Kankyo (Monthly Environment) covering the latest environment-related topics and build groupwide environmental awareness.

In-house magazines

(English and Japanese)

We share ideas and information with directors and employees of MOL and MOL Group companies through several channels, including the in-house Japanese-language magazine Unabara, which introduces a broad range of topics from a message from top executives and business news to introduction of workplaces and letters from overseas.

• Unabara (Monthly Japanese magazine for all employees including Group companies)
• Kaishokaiho (Monthly Japanese magazine for seagoing employees)
• Open Sea (Quarterly English online magazine for overseas Group employees)
• Open Sea Digest Version (Quarterly English magazine for non-Japanese seafarers)

Employee briefings on quarterly financial results

Along with the official announcement of each quarter’s financial results, the company holds a briefing session for mid-career and young employees. The president participates in this session to directly answer to their questions on performance, future management policies, and so on.

Communication with society

Online information

(Japanese/English: http://www.mol.co.jp)

The MOL Web site now features pages on CSR and social contributions, environmental protection and safe operations, financial data, and investor relations to meet the needs of different stakeholders. Our site also includes links to Group company sites to introduce a wider range of MOL Group business activities.

Environmental and Social Report

In 2000, we published our first annual edition of the Environmental Report in English and Japanese. We were the first Japanese shipping company to publish this kind of report. We renamed it the Environmental and Social Report in 2003. It introduces MOL Group approaches to safe operation, environmental protection, and CSR.
Considering a career with MOL. Interested in the MOL Group and for students.

It is an ideal introduction for people not only business activities, but also corporate culture and philosophy, often in the words of 17th-Century philosopher Baruch Spinoza, who viewed the world as an infinite chain in which each link affects the others.

MOL – Kaisha no Arukikata (MOL – A Guide to the Company), Japanese Publisher: Diamond Inc. 

This book was produced with MOL’s cooperation as a guide to the company – almost like a tour guide for a foreign country. It covers not only business activities, but also corporate culture and philosophy, often in the words of employees. It is an ideal introduction for people interested in the MOL Group and for students considering a career with MOL.

Evaluation by society

DJSI and FTSE4 Good Global Index (September 2004)

MOL was selected for inclusion in the Dow Jones Sustainability Indexes (DJSI) for the second year in a row in 2004 as a company positioned for long-term sustainable growth, reflecting our efforts in environmental measures, CSR, and IR activities. What’s more, we have been listed on the FTSE4Good Global Index for the second year in a row, a measure of the financial community’s high regard for our CSR efforts. The FTSE4Good Global Index is managed by FTSE, a global index company that is a joint venture between the Financial Times and the London Stock Exchange.

Environmental management rating

Green Top Runner (February 2005)

MOL submitted an application for the Environmental Management Rating, which selects companies for their efforts in three fields – management, environment, and society, held by the Sustainable Management Ratings Institute (SMRI), an organization affiliated with the NPO Sustainable Management Forum of Japan. We were selected as a “Green Top Runner” company – reflecting our superior efforts in environmental management – for three consecutive years. In the 69 criteria used in the selection process, we had no substandard rankings, but we are working hard to upgrade our good and acceptable rankings to excellent.

Excellence in IR award (November 2004)

MOL received the excellence in investor relations (IR) award from the Japan Investor Relations Association (JIRA) in 2004. JIRA is non-profit organization established in 1993 to promote and improve IR activities. This was the second time we have won this award since 2001.

Nikkei Award for annual report (December 2004)

The company’s annual report called “A Big Step Toward Sustainable Growth” was named the best of 2004 in the Nikkei Annual Report Awards sponsored by the Nihon Keizai Shimbun. We have worked hard to ensure transparent management and timely disclosure of information.

MOL CSR recognized by financial community

- MOL shares were included in the corporate governance fund created by the Pension Fund Association. (August 2004)
- MOL was selected the Best in Class by Norway Storebrand SRI Evaluation 2004.
- MOL was ranked 57th among Japanese company in Nikkei Business CSR ratings. (August 2004)
The MOL Group strives to be an excellent, resilient company that contributes to sustainable worldwide economic growth.

MOL Group mid-term management plan MOL STEP Review - Stepping up to new goals

We established a new three-year mid-term management plan called Mitsu O.S.K. Lines’ Strategy towards Excellent and Powerful Group (MOL STEP) covering FY2004 to FY2006. The theme of the plan is “Growth” – developing the MOL Group into the world’s largest, highest-quality, unique ocean transportation company group with a full range of services.

The company set all-time records for revenue, ordinary income, and net income for two consecutive years. In FY2004, we posted revenue of ¥1,173 billion (US$10.7 billion), ordinary income of ¥174.9 billion (US$1.59 billion), and net income of ¥98.2 billion (US$892 million). These results were due to favorable conditions in the ocean shipping market, strong economic growth in China, Europe, and the United States, the launch of larger, faster, more efficient ships, and improved performance in businesses outside of ocean shipping. Our results exceeded targets by a significant margin. For FY2005, we set consolidated financial goals of ¥1.2 trillion in revenue, ¥180 billion in ordinary income, and ¥113 billion in net income. We will continue our aggressive investment in resource and energy transport and expand our business activities in the Indian market.

In May 2005, we completed the MOL STEP Review, which includes new goals that take into account our expanding fleet and the latest ocean shipping market trends, based on the results of MOL STEP’s first year. We reviewed our FY2005/2006 financial plan and FY2009 goals and established new targets positioning the Group for higher growth.

But along with these financial goals, we also consider safe operation and global and marine environmental protection as key issues in our business activities. We are reinforcing our safety management and boosting facility investment related to safe operation, while enhancing education and training of Japanese and foreign employees. We also continue to examine ways to reduce our environmental burden, such as introducing Group Environment Target System and conducting environmental education in Group companies.

Strategies

Long-term vision: To make the MOL Group an excellent and resilient organization that leads the world’s shipping industry

Main theme: “Growth” – Develop the MOL Group into the world’s largest, highest-quality that leads the world shipping industry

Focusing on the expanding global ocean shipping market

1. Aggressive investment in shipping industry - Create a unique business portfolio by selectively allocating resources in growing areas
2. Solidify the MOL Group’s world-leading position by further expansion
3. Meet diversified customer needs and grow in time with the market
4. Natural resources/energy transport business
5. European and U.S. market
6. Emerging markets

Increase business in high-growth markets around the world

1. Chinese market
2. European and U.S. market
3. Emerging markets

Safe operation and environmental measures

To ensure sustainable growth of the MOL Group

1. Strengthen customer-oriented services
2. Strengthen cost competitiveness (accumulated target of cost reduction for 3 years: ¥20 billion)
3. Offer high-quality services

To prepare for a new stage of growth

1. Strengthen financial position
2. Expand groupwide management
3. Develop human resources

Fleet expansion plan

We are actively investing in our ocean shipping business to meet anticipated increases in demand for ocean shipping in the coming years.
Basic policies on profit sharing

We are acutely aware of the need to improve corporate value by aggressive business investment and returning profits to shareholders through dividend payments. These are key elements of our management policy. Based on our growth-oriented mid-term management plan, we are aggressively investing in our fleet while working to improve our financial strength. At the same time, we set a standard of paying 20% of net income in dividends in the meantime. However, we will continue striving to increase dividend payments in the medium and long term.

Financial performance in MOL Group mid-term management plan

Total assets and shareholders’ equity

Ratio of Number of employees by area (consolidated)

Number of employees in Japan
First of all, let me express my respect and appreciation to Mitsui O.S.K. Lines, which in March 2005 became the first Japanese shipping company to participate in UN Global Compact (GC) activities. Five years ago, GC activities started when United Nations Secretary-General Kofi Annan called on business leaders to join the Global Compact, an international initiative that would bring companies together with UN agencies, labor, and society to support 10 principles covering human rights, labour, the environment, and anti-corruption measures. Worldwide membership has grown to 2,200 corporations, with MOL the 29th Japanese corporation to join. Eight more have joined since, bringing the total number of Japanese companies to 37 as of September 2005.

I anticipate that MOL, which has supported oceanographic research, NPO afforestation activities in Tanzania, grant-in-aid transport of commodities, and monetary donations to nations affected by the Sumatra-Andaman Islands Earthquake and tsunami, will play a leading role in Japan’s future GC initiatives.

As globalization accelerates, the ocean shipping industry serves as the world’s main transport artery, supporting the distribution of commodities ranging from petroleum and coal to iron and steel, as well as food, clothing, and automobiles. For that reason alone, a stable shipping industry is key to the prosperity of Japan, an island country. On the other hand, shipping companies bear a large responsibility to protect the marine environment and to help prevent air pollution. Shipping companies also play a vital role in promoting cultural exchanges, as the point of contact for the diversification of cultures, nations, and societies because the shipping business brings together resource exporting and importing nations, industrial and agricultural nations, and developing and developed nations.

In that sense, I would like to focus on MOL’s efforts in corporate social responsibility (CSR) during 2005. In particular, the company has decided to conduct a survey of employees’ attitudes on human rights and to publish a CSR handbook for MOL Group employees. Needless to say, development of necessary organizations and systems is critical to effective CSR. Ultimately, the success of CSR efforts hinge on increased awareness among individual employees. It is generally agreed that themes such as protecting human rights and eliminating discrimination are essential to the success of CSR activities. Because MOL’s business is based on global activities involving multinational employees, it is important to survey individual attitudes and raise groupwide awareness of these issues.

MOL’s CSR activities have already earned the company an excellent reputation in Japan and around the world. For example, it was selected for inclusion in the Dow Jones Sustainability Indexes (DJSI), which lists the top companies in areas such as green initiatives and social responsibility. MOL was also listed in the FTSE4 Good Global Index established by the U.K.’s Financial Times and the London Stock Exchange. Powerful, dynamic companies can have a huge impact in today’s world. I hope MOL’s CSR activities will generate synergic effects, both in advancing the Japanese society, which faces a range of challenging social issues, and in achieving the goals set forth by the United Nations.

Mr. Nomura, thank you for making your comments on MOL’s CSR activities. In recent years, the world situation has become increasingly tense, but economic globalization has accelerated and nations have become more interdependent than ever. The MOL Group plays a vital role in maintaining in Japan’s trade lifeline. But every year, our overseas and offshore activities account for more and more of our business, so we can state with confidence that we are a corporate group that coexists with a broad range of cultures. We have strengthened and restructured our organization for more effective CSR. To maximize our CSR activities, as Mr. Nomura points out, we must raise the consciousness of all employees. The U.N. Global Compact’s 10 principles sum up values and standards of conduct that are recognized the world over. Many of the CSR goals set for by the MOL Group turn these 10 principles into tangible forms. We believe that adherence to these principles will promote the advancement of society and contribute to sustainable development.
**MOL Milestones**

### CSR and Environmental Protection Activities

- Established CSR and Environment Committee and CSR and Environment Office to strengthen CSR activities.
- Participated in U.N. Global Compact.
- Established the CSR Subcommittee.
- Issued MOL Group Corporate Principles.
- Developed Propeller Boss Cap Fins (PBCF) system to improve ships’ fuel efficiency.
- Began adoption of the Group Environmental Target System.
- Issued MOL Group Environmental Policy Statements.
- Published Environmental Report 2000, the first in the Japanese shipping industry.
- Strengthened corporate governance such as inviting outside directors, introducing the Executive Officer system, establishing the Executive Committee, and reducing the size of the Board of Directors.
- Established “Special Committee on Global Environmental Protection Issues”
- Started to use R-134a instead of R-12 in refrigerated containers.
- Decided to end use of TBT paint on newly built vessels.
- Established “Special Committee on Global Environmental Protection Issues”
- Established the first overseas crew training center in Manila.
- Issued MOL Group Corporate Principles.
- Established compliance rules and guidelines, founded Compliance Committee.
- Began adoption of the Environmental management system, MOL EMS 21.
- Established the first overseas crew training center in Manila.
- MOL celebrated its 120-year anniversary.
- Issued MOL Group Environmental Policy Statements.
- Published Environmental Report 2000, the first in the Japanese shipping industry.
- Strengthened corporate governance such as inviting outside directors, introducing the Executive Officer system, establishing the Executive Committee, and reducing the size of the Board of Directors.
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- Established the first overseas crew training center in Manila.

### Business Activities

- Mitsui & Co began exporting coal from Miike with the iron-hulled steamer HIDEYOSHI MARU
- Established Ocean Shosen Kaisha (OSK Line) in 1884
- Mitsui & Co. spinned off its shipping department to create Mitsui Steamship Co., Ltd. (Mitsui Line)
- Established the Navigation Technology Research Center (now called the Technology Research Center).
- OSK Line and Mitsui Line merged to create Mitsui O.S.K. Lines, Ltd. (MOL)
- With Shans Co. and Osaka Kaisha Kaisha merged into Osaka Line, Ltd. (O.S.K.) and Yamashita Steamship Co. and Shin Nihon Steamship Co. merged to create Yamashita-Shinnihon Steamship Co., Ltd. (YSL).

### Afterword

Thank you for reading the MOL Environmental and Social Report 2005. Ocean shipping, our core business, affects the lives of people all over the world, but is not familiar to people in general. In this report, we have tried to introduce the unique characteristics of the shipping industry - along with MOL’s approaches to CSR, safe operation, and environmental protection - in a way that’s easy for everybody to understand. We hope you will take the time to complete the enclosed questionnaire, as your frank opinions and ideas will help us improve our CSR activities as well as future editions of the MOL Environmental and Social Report.

### Contact

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URL: http://www.mol.co.jp
Issued in October 2005
This report is printed with a waterless printing process using 100% soy ink on Forest Stewardship Council (FSC) certified paper. FSC-certified paper is made from wood products that are properly managed through the cycle of afforestation, growth, and logging. MOL is helping to protect the environment by using a balance of FSC-certified paper and recycled paper.

Printed in Japan
The Principles of the Global Compact

**Human Rights**
Principle 1: The support and respect of the protection of international human rights;
Principle 2: The refusal to participate or condone human rights abuses.

**Labor**
Principle 3: The support freedom of association and the recognition of the right to collective bargaining;
Principle 4: The abolition of compulsory labor;
Principle 5: The abolition of child labor;
Principle 6: The elimination of discrimination in employment and occupation.

**Environment**
Principle 7: The implementation of a precautionary and effective program to environmental issues;
Principle 8: Initiatives that demonstrate environmental responsibility;

**Anti-Corruption**
Principle 10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.

### Environmental Performance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN1</td>
<td>Total materials use other than water, by type.</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation.</td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy use segmented by primary source.</td>
</tr>
<tr>
<td>EN5</td>
<td>Total water use.</td>
</tr>
<tr>
<td>EN7</td>
<td>Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater and marine environments.</td>
</tr>
<tr>
<td>EN8</td>
<td>Greenhouse gas emissions (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆)</td>
</tr>
<tr>
<td>EN9</td>
<td>Use and emissions of ozone-depleting substances.</td>
</tr>
<tr>
<td>EN10</td>
<td>NOₓ, SOₓ and other significant air emission by type.</td>
</tr>
<tr>
<td>EN11</td>
<td>Total amount of waste by type and destination.</td>
</tr>
<tr>
<td>EN13</td>
<td>Significant spills of chemicals, oil and fuels in terms of total number and total volume.</td>
</tr>
<tr>
<td>EN14</td>
<td>Significant environmental impacts of principal products and services.</td>
</tr>
<tr>
<td>EN15</td>
<td>Percentage of the weight of products sold that is reclaimable at the end of the products’ useful life and percentage that is actually reclaimed.</td>
</tr>
<tr>
<td>EN17</td>
<td>Initiatives to use renewable energy sources and to increase energy efficiency.</td>
</tr>
<tr>
<td>EN25</td>
<td>Impacts of activities and operations on protected and sensitive areas.</td>
</tr>
<tr>
<td>EN27</td>
<td>Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas.</td>
</tr>
<tr>
<td>EN28</td>
<td>Significant environmental impacts of transportation used for logistical purposes.</td>
</tr>
<tr>
<td>EN35</td>
<td>Total environmental expenditures by type.</td>
</tr>
</tbody>
</table>

### Social Performance Indicators: Labor Practices and Decent Work

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA1</td>
<td>Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers in co-employment relationships), segmented by region/country.</td>
</tr>
<tr>
<td>LA2</td>
<td>Net employment creation and average turnover segmented by region/country.</td>
</tr>
<tr>
<td>LA5</td>
<td>Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.</td>
</tr>
<tr>
<td>LA10</td>
<td>Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.</td>
</tr>
<tr>
<td>LA12</td>
<td>Employee benefits beyond those legally mandated.</td>
</tr>
<tr>
<td>LA16</td>
<td>Description of programmes to support the continued employability of employees and to manage career endings.</td>
</tr>
<tr>
<td>LA17</td>
<td>Specific policies and programmes for skills management or for lifelong learning.</td>
</tr>
</tbody>
</table>

### Human Rights

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1</td>
<td>Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.</td>
</tr>
<tr>
<td>Principle 3</td>
<td>Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue.</td>
</tr>
<tr>
<td>Principle 5</td>
<td>Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.</td>
</tr>
<tr>
<td>Principle 10</td>
<td>Description of appeal practices, including, but not limited to, human rights issues.</td>
</tr>
</tbody>
</table>

### Social Performance Indicators: Society

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO2</td>
<td>Description of the policy, procedures / management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption.</td>
</tr>
<tr>
<td>SO3</td>
<td>Description of policy, procedures / management systems, and compliance mechanisms for managing political lobbying and contributions.</td>
</tr>
<tr>
<td>SO4</td>
<td>Awards received relevant to social, ethical, and environmental performance.</td>
</tr>
<tr>
<td>SO7</td>
<td>Description of policy, procedures / management systems, and compliance mechanisms for preventing anti-competitive behaviour.</td>
</tr>
</tbody>
</table>

### Additional Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR6</td>
<td>Voluntary code of compliance, product labels or awards with respect to social and/or environmental responsibility that the reporter is qualified to use or has received.</td>
</tr>
</tbody>
</table>
Results of MOL Environmental and Social Report 2004 questionnaire

Thank you for sharing your opinions on the MOL Group’s Environmental and Social Report 2004 (published in September 2004). (Total respondents: 121, including three from overseas)

Following is a summary of the results:

1. What is your impression on the Environmental and Social Report 2005?

   - Difficulty: 1%
   - Average: 31%
   - Easy to understand: 68%

2. What topic(s) did you find the most interesting?

   - MOL Group Corporate Principles: 7%
   - Corporate Profiles: 1%
   - Message from the President: 2%
   - 120 Years of Mitsui O.S.K. Line: 3%
   - MOL Initiatives toward CSR: 11%
   - Corporate Governance and Compliance: 4%
   - MOL: Supporting the Lives of People Around the World: 4%
   - MOL’s Environmental Impact: 13%
   - Environmental Management System: 4%
   - Environmental Accounting: 2%
   - FY2003 Achievements and FY2004 Targets: 2%
   - Safe Navigation: 6%
   - Environmental Technology: 6%
   - Marine Environmental Protection: 8%
   - Air Pollution Prevention: 5%
   - Approach to Soil Pollution: 2%
   - Initiatives at the Head Office: 1%
   - Global Initiatives: 3%
   - MOL Group Environmental Activities: 1%
   - Care for People: 5%
   - Interaction with Society and People: 3%
   - Management Plan and Financial Data: 1%
   - Third Party Opinions: 3%
   - Chronology of Environmental Protection Activities: 1%

3. Main opinions

   - The report introduces only a few environmental protection activities overseas, even though the MOL Group operates all over the world. (20s, male, businessperson)
     - MOL’s response: The Group’s environmental burden is overwhelmingly the result of vessel operations. Since most people are not familiar with ships, we devoted considerable space to this topic. But this is not to minimize the importance of environmental activities at Group companies, affiliates, and subsidiaries both in Japan and overseas. We recognize that overseas activities may lag behind those in Japan, and we are working to improve.

   - The report doesn’t say very much about social contribution activities. (Male)
     - MOL’s response: Please look at pages 40-41 of this year’s report. We established our policies on social contribution activities in FY2004. Based on these policies, we have made various efforts related to global and marine environmental protection and international cooperation, especially the transport of aid supplies. What’s more, in March 2006, we will host the MOL Kids’ Cruise for children who represent the future of Japan as a seafaring nation.

   - I got a strong impression that MOL helps people all over the world and cares for the environment. But, I would like to ask the company to continue improving the safety of employees. I’ll never forget the sight of the blue ocean while heading home to Japan on a repatriation ship after the war. (60s, male, farmer)
     - MOL’s response: Safe operation is the foundation of the MOL Group business. All of us, from directors and executives to employees make the utmost effort to ensure safety, and we are always on the lookout for ways to improve.

Your feedback will shape our future environmental and social activities.
Thank you for your cooperation.
Thank you for taking the time to read MOL's Environmental and Social Report 2005.
To help us produce even more effective communications tools in the future, please take a few minutes to share your opinions and ideas about this report.

Q1 What is your impression on the Environmental and Social Report 2005?
- Clarity  □ Easy to understand  □ Average  □ Difficult to understand
- Content  □ Outstanding  □ Average  □ Poor

Q2 What topic(s) did you find the most interesting?
□ MOL Group Corporate Principles / Corporate Profile  □ Editorial Policies/Scope/Consolidated Subsidiaries in Japan /Contents
□ President’s Message  □ MOL Supports Prosperity around the World  □ MOL Group CSR
□ MOL Group CSR Activities  □ Corporate Governance and Compliance  □ Safe Operation
□ MOL Group Environmental Policy Statement/MOL Group’s Stance on Environmental Activities
□ The MOL Group and the Environment  □ Environmental Management System  □ Environmental Accounting
□ Marine Environment Protection  □ MOL Environmental Technologies  □ Preventing Air Pollution
□ Initiatives in the Office  □ Groupwide Approaches  □ Social Responsibility
□ Caring for Employees  □ Social Contributions  □ Communication
□ Financial Report  □ The Third Party Opinion  □ History

Q3 Please write down any comments below.

Q4 What is your occupation/relation to the MOL Group?
□ Business partner  □ Shareholder/investor  □ Government/administration  □ Environmental NGO/NPO  □ Financial institution
□ Student  □ Journalist  □ Corporate environmental protection/CSR specialist  □ Other (  )

Q5 How did you learn about this report?
□ Newspaper  □ Magazine  □ MOL Web site  □ MOL/MOL Group employee
□ Environmental seminar  □ Other (  )

Thank you for your cooperation.
Please complete the following optional information.

<table>
<thead>
<tr>
<th>Name</th>
<th>Sex</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone:</td>
<td>Fax:</td>
<td></td>
</tr>
</tbody>
</table>

Occupation (Company name, division/department)  E-mail  @

The company will use your answers to this questionnaire to develop future approaches to CSR.
We carefully manage any personal information in accordance with our privacy protection policies.

Fax:81-3-3587-7722

Mitsui O.S.K. Lines, Ltd.  CSR and Environment Office, Corporate Planning Division
Tel:81-3-3587-7063 / Fax:81-3-3587-7722 / E-mail:plemo@mail.mol.co.jp
In producing this report on MOL Group CSR activities, our No. 1 goal was to communicate the information in an easily understood way. We referred to the Global Reporting Initiative (GRI) Sustainable Reporting Guideline to select the items covered in this report. These GRI guidelines, standards of the U.N. Global Compact, which we joined in March 2005, and our activities are shown in the comparison chart below.

<table>
<thead>
<tr>
<th>Relevant Global Compact principles</th>
<th>GRI Guidelines</th>
<th>Relevant pages in this report</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Vision and strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Statement of the organisation’s vision and strategy regarding its contribution to sustainable development.</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>1.2 Statement from the CEO (or equivalent senior manager) describing key elements of the report.</td>
<td>4-5, 8-9</td>
<td></td>
</tr>
<tr>
<td>2. Profile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational Profile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Name of reporting organisation.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2.2 Major products and/or services including brands if appropriate.</td>
<td>2, 6-7</td>
<td></td>
</tr>
<tr>
<td>2.3 Operational structure of the organisation.</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>2.4 Description of major divisions, operating companies, subsidiaries, and joint ventures.</td>
<td>2-3</td>
<td></td>
</tr>
<tr>
<td>2.5 Countries in which the organisation’s operations are located.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2.6 Nature of ownership; legal form.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2.8 Scale of the reporting organisation.</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2.9 List of stakeholders, key attributes of each, and relationship to the reporting organisation.</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Report Scope</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.10 Contact persons for the report including e-mail and web addresses.</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>2.11 Reporting period (e.g. fiscal calendar year) for information provided.</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2.12 Date of most recent report (if any).</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2.13 Boundaries of report (Countries / regions, products / services, divisions / facilities/joint ventures / subsidiaries) and any specific limitations on the scope.</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2.16 Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers / acquisitions, changes of base years / periods, nature of business, measurement methods).</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>3. Governance structure and management systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structure and Governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation.</td>
<td>12-13</td>
<td></td>
</tr>
<tr>
<td>3.2 Percentage of the board of directors that are independent, non-executive directors.</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>3.4 Board-level processes for overseeing the organisation’s identification and management of economic, environmental, and social risks and opportunities.</td>
<td>10-20</td>
<td></td>
</tr>
<tr>
<td>3.6 Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>3.7 Mission and value statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental and social performance and the status of implementation.</td>
<td>2, 12-13, 17</td>
<td></td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.10 Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.</td>
<td>13, 36, 42, 46</td>
<td></td>
</tr>
<tr>
<td>3.11 Type of information generated by stakeholder consultations.</td>
<td>Questionnaire</td>
<td></td>
</tr>
<tr>
<td>3.12 Use of information resulting from stakeholder engagements.</td>
<td>46</td>
<td>Questionnaire</td>
</tr>
<tr>
<td>Overarching policies and management systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principle 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.13 Explanation of whether and how the precautionary approach or principle is addressed by the organisation.</td>
<td>26-27</td>
<td></td>
</tr>
<tr>
<td>3.14 Externally developed, voluntary economic, environmental and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses.</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>3.19 Programmes and procedures pertaining to economic, environmental and social performance. Include discussion of: priority and target setting; major programmes to improve performance; internal communication and training; performance monitoring; internal and external auditing; and senior management review.</td>
<td>11, 34, 20-21, 24-33, 34-43</td>
<td></td>
</tr>
<tr>
<td>3.20 Status of certification pertaining to economic, environmental and social management systems.</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>4. GRI Content Index</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 A table identifying location of each element of the GRI Report Content, by section and indicator.</td>
<td>Questionnaire</td>
<td></td>
</tr>
<tr>
<td>5. Performance Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrated Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systematic indicators</td>
<td>Systematic indicators relate the activity of an organization to the larger economic, environmental, and social systems of which it is a part.</td>
<td>26</td>
</tr>
<tr>
<td>Cross-cutting indicators</td>
<td>Cross-cutting indicators directly relate two or more dimensions of economic, environmental, and social performance as a ratio.</td>
<td>26, 29</td>
</tr>
<tr>
<td>Economic Performance Indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC1 Net sales.</td>
<td>2, 45</td>
<td></td>
</tr>
</tbody>
</table>