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

Name: Mitsui O.S.K. Lines, Ltd.

President: Akimitsu Ashida

Capital: ¥64,915 million

Number of shares issued: 1,205,410,445

Number of shareholders: 100,155

Shares listed in: Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Business: Multimodal transport mainly by ocean-going vessels

Consolidated revenue: ¥1,568,435 million (for FY2006 ended March 31, 2007)

Number of MOL employees: 871 (604 on land, 267 at sea) excluding employees temporarily assigned to other companies

Number of Group companies: 318 (consolidated)

Number of consolidated subsidiaries: 65 in Japan, 199 overseas

Number of equity method non-consolidated subsidiaries: 1 overseas

Number of equity method affiliates: 21 in Japan, 32 overseas

Number of MOL Group employees: 8,621 (The parent company and consolidated subsidiaries)

Group fleet: 805 vessels, 53,329 thousand DWT

Head Office: 2-1-1 Toranomon, Minato-ku, Tokyo 105-8688

Branches in Japan: Sapporo, Yokohama, Nagoya, Osaka, Kobe, Kyushu

Offices: Tomakomai, Hiroshima, Dubai, Moscow, Vladivostok

URL: http://www.mol.co.jp

(As of March 31, 2007)

Overseas Network (36 nations)

(As of March 31, 2007)

Editorial Policies

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

• The goal of this report is to convey how MOL Group thinks of and approaches to corporate social responsibility (CSR) including safe operation and environmental protection, which are the foundation of our business activities, to our concerned parties.


Issued in August 2006, and September 2007, and scheduled for issue in August 2008

Consolidated Subsidiaries in Japan (65 companies)

1. Bulk Carrier Business (5)


2. Container Business (7)

Utoc Corporation, Mitsui O.S.K. Lines (Japan) Ltd., International Container Terminal Co., Ltd., Shounan Koen Co., Ltd., Chiba Utoc Corporation, Utoc Stevedoring Corporation, Utoc Trading Services Corporation

3. Logistics Business (6)

MOL Osaka Nanko Physical Distribution Center Co., Ltd., MOL Logistics (Japan) 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 Transportation Business (12)


5. Associated Business (25)


6. Other Business (10)


Scope

Period

FY2006 (April 1, 2006 to March 31, 2007)

Exception: The organization chart in this report is as of June 21, 2007.

In addition, some activities begun prior to FY2006 and activities during FY2007 (April 1, 2007 to March 31, 2008) are reported with notes.

Organizations

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

* MOL Group

Mitsui O.S.K. Lines, Ltd and 318 consolidated companies (264 consolidated subsidiaries, 1 equity method non-consolidated subsidiary, and 53 equity method affiliates).


Data

Financial reports are based on consolidated results unless otherwise noted.

Environmental performance is divided into the following three categories. Reported activities are based on No.3 below, but data is available only for items covered in Nos.1 & 2.

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

2. Activities at MOL and 65 consolidated subsidiaries in Japan

3. In addition to No.2 above, activities conducted at equity method applied affiliates – Kansai Kisen Kaisha, Marimon Taio Ferry Co., Ltd, and Nippon Charter Cruises, Ltd, and major overseas companies (the United States, South America, Europe, and Asia)

Please see notes regarding scope of application for data other than above. Emissions per unit load (ton-mile) in the transition of MOL SOx emissions (page 25), transition of MOL NOx emissions (page 26), and transition of MOL SCN emissions (page 26), are calculated based on FY2001 as the benchmark year, since Navix Line merged into MOL in 1999. Social performance is based on MOL’s non-consolidated data.
A Commitment to Safe Operation and Environmental Protection

Fiscal year 2006 was a difficult year as four serious marine accidents occurred. One tragic incident led to the deaths of MOL Group seafarers. It was all the more regrettable considering that our company has made safe operation our highest priority. Please allow us to offer our sincerest apologies to our parties concerned including customers and local communities for the inconvenience and anxiety caused by these events. Ensuring safe operation is a group-wide top commitment, and is critical to our main ocean shipping business. Any accident has a huge impact on society, not to mention the marine and global environment. Our company has solemnly accepted that a series of these accidents occurred, returned to the basics of safe operation, and taken various measures to prevent future occurrences. These measures include the following:

1. We organized an Emergency Committee for Enhancement of Operational Safety, chaired by a Deputy President. It reports to the standing Operational Safety Committee, which I chair. The new committee concentrated on quickly analyzing all factors of these incidents and implementing and developing drastic and specific countermeasures for improvement.

2. To reinforce our safe operation management structure, we are investing an additional ¥35 billion over the next three years. This includes round-the-clock operation of the Safety Operation Supporting Center and enforcing the new “MOL Safety Standard Specifications.” We are enhancing seafarer education and training through initiatives such as launching our own training vessel, the first ever owned by a private company. This will foster a strong safety consciousness among all our mariners, while cultivating a highly skilled workforce.

3. We restructured our ship management organization on a site-oriented, vessel-centered model. And we formed the Safety Operations HQ, which includes the Marine Safety Division at the Tokyo Head office and ship management companies for each ship type (dry cargo ships, tankers, LNG carriers). This brings management closer to site operations. We further enhance shared risk management and unification of safety management standards under the Safety Operations HQ, aiming to achieve “zero accidents” and the world’s highest quality service. Sontoku Ninomiya, Japanese agricultural leader in the 19th century (Edo era) said, “Economics without morals is crime.” Our company takes the same approach to safety, and devotes its strength to recovering the trust of our stakeholders and protecting the environment.

Human Resources Support Growth

It almost goes without saying that personnel are the most critical element in ensuring safe operation and the future success of the MOL Group. I tell our group directors and employees that Safety should always be the primary concern. Constantly challenge yourself to think: safety at every
occasion. And today, our people face greater challenges than ever, with climate change bringing abnormal weather and sea conditions, as well as the knowledge that any incident involving today’s larger ships will have a proportionally greater impact on the environment. So I want everyone to be constantly vigilant against incidents, paying close attention to such unknown factors.

Ensuring safe operation requires all MOL Group employees to attend diligently to their duties, and develop a strong sense of morale. I think our training vessel is a concrete effort to cultivate human resources with the central aim of safe operation, by passing on the knowledge and experience of the MOL Group to future seafarers from many nations.

Human resources are a critical asset for MOL Group. We will achieve safe operation through the serious efforts of our Group directors and employees alike, combined with high morale and a “Can-Do” spirit.

MOL ADVANCE

Our company started a new three-year midterm management plan called Mitsui O.S.K. Lines’ Action and Direction at the Vanguard of Creating Excellence (MOL ADVANCE) in FY2007. “Growth with enhanced quality” is the main theme, so our top priorities are enhancing transport quality while improving safety. In other words, we will strive to ensure safe operation and the world’s highest level of transport quality based on what we learned from the serious incidents that occurred in FY2006. And as in previous plans, we will continue to expand our operating fleet while reinforcing cost competitiveness.

Global and Group support Growth. We will step up our globalization efforts to meet multipolar overseas trade and expand our business in growing markets such as India, Russia, Vietnam, and the Middle East. As we turn our attention to growth, with creative restructuring and cost reduction, we will further increase our corporate value.

Speaking of human resources, we will utilize group personnel including multinational seafarers, as well as our group’s decades of knowhow and experience, and work to promote further growth around the world. To achieve that goal, we recognize that refining our worldwide corporate governance structure is as essential as the wheels of a car, and will enhance our corporate value.

Our business is supported by various stakeholders such as customers, shareholders, business partners, and local communities all over the world. This environmental and social report is an important means of communication with these stakeholders. We hope this report will give you a better understanding of the MOL Group’s perspectives and approaches to CSR and tasks for the future, and we welcome your feedback.
Incident Reports for FY2006 and Efforts to Ensure Safe Operation

Four serious incidents occurred on our operated vessels during FY2006. Among them, the Giant Step, which ran aground in October 2006, caused a terrible accident – eight crew members died and two are missing.

Please allow us to offer our sincerest apologies to people who live near the incident site and to our stakeholders including customers for the inconvenience and anxiety caused by these events. Our company gravely accepts all responsibility, and the President and all directors and employees pledge to return to the basics of safe operation, and take preventive measures against these incidents.

We would like to report outlines of four incidents and preventive measures below.

### Giant Step Grounding

The iron ore carrier Giant Step departed Port Walcott, Australia, on September 11, 2007 with 190,000 tons of iron ore onboard. On September 25, it arrived off Kashima Port of Ibaraki Prefecture, Japan, and dropped anchor and stood ready to dock for unloading cargo. On October 6, the vessel was trying to weigh the anchor to evacuate offshore because of high winds due to extreme low atmospheric pressure, but was pushed by winds of approximately 30m/sec. into the sands about 2km offshore Kashima (water depth 16m). After that, the hull leaned about 50 degrees and suffered some cracks. On the same day, our company organized the emergency task force with the president as a chairman.

On next October 7, the hull cracked in two, and the cargo, powdered iron ore, was leaking from the cargo hold and some of the bunker oil spilled into the sea. We also formed a field task force, led by a director, that included personnel dispatched to the site when the accident occurred to work with various agencies on rescue and cleanup operations. Thus, we engaged in search and rescue activities for missing crew members, monitoring of spilled oil.

It was a prolonged task on the site of the accident, where sea and weather conditions are severe throughout the year, because we could not remove the oil and the wreckage immediately. But the oil removal was complete in late November, 2006, and cutting and removal of the wreck were completed by mid July 2007.

This accident led to the death of eight of the 26 crew members and two are still missing. We express our deepest condolences to deceased crew members and the families of crew members who lost their lives.

### MOL Initiative Fire Incident

On April 3, 2006, a fire occurred in the engine room of the container ship MOL Initiative off Hokkaido, under way from the U.S. port of Oakland to Tokyo. Crew members battled the fire by themselves, but couldn’t completely extinguish it and the crew quarters filled with smoke. Considering their safety as the top priority, our company asked the Kushiro office of the Japan Coast Guard to rescue them. On April 4, all of them were safely evacuated by a patrol boat’s helicopter. MOL Initiative was towed by a salvage ship arranged by our company, and on April 9, it was confirmed that the fire was completely extinguished as a result of full-scale firefighting activities. Thanks to our response, the damage was confined to the engine room, and none of the cargo was damaged. After that, the MOL Initiative was towed to Tokyo, and brought to the shipyard for repair after unloading the cargo. No crew members were injured and no oil was spilled.

<table>
<thead>
<tr>
<th>Outline of the vessel</th>
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<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Type</td>
</tr>
<tr>
<td>Flag nation</td>
</tr>
<tr>
<td>Crew members</td>
</tr>
<tr>
<td>Gross tonnage</td>
</tr>
<tr>
<td>Constructed in</td>
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<tr>
<th>Outline of the vessel</th>
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<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Type</td>
</tr>
<tr>
<td>Flag nation</td>
</tr>
<tr>
<td>Crew members</td>
</tr>
<tr>
<td>Gross tonnage</td>
</tr>
<tr>
<td>Constructed in</td>
</tr>
</tbody>
</table>
**Cougar Ace Marine Incident**

The car carrier *Cougar Ace* was under way from Japan to the North America West Coast with a load of completed cars. On July 24, 2006, its hull listed heavily to port and the ship was disabled at sea south of the Aleutian Islands. This occurred while exchanging ballast water (seawater loaded in dedicated onboard tanks to maintain the stability of the hull. The ballast water must be exchanged in the open sea to prevent damaging marine ecosystems in port). With the cooperation of the U.S. Coast Guard and other parties, the crew was rescued and work proceeded to stabilize and tow the vessel. As a result, the hull was returned to almost an even keel on August 15. No oil was spilled as a result of this incident.

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**Bright Artemis Collision**

On August 14, 2006, the crude oil tanker *Bright Artemis* was under way in the eastern Indian Ocean, bound for Japan after loading 249,997 tons of crude oil at Mina Al Fahal Port (Oman) and Ras Tanura Port (Saudi Arabia). It received a distress signal from a cargo ship that was on fire and drifting about 18 miles away. The tanker immediately proceeded to that position for the rescue. During the course of the rescue operations, the *Bright Artemis* carefully moved close to the wrecked ship, but strong winds and waves suddenly pushed the ship into contact with the tanker. One of the tanker’s cargo holds ruptured, and about 4,500 tons of crude oil spilled.

The tanker took measures to prevent any further spill by shifting the remaining oil in the damaged tank to other cargo tanks, and proceeded under its own power to Penang, Malaysia, for repairs. MOL chartered airplanes with oil spill containment experts to track the movement of the spill. These experts flew over the spill frequently. As a precautionary measure, MOL also dispatched a ship with oil removal equipment to the site in response to the risk of the spilled oil drifting down the coast to surrounding nations. Fortunately, the oil did not reach land, and was cleaned up and evaporated around mid September.

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### Outline of the vessel

**Cougar Ace**

<table>
<thead>
<tr>
<th>Name</th>
<th>Cougar Ace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Car carrier</td>
</tr>
<tr>
<td>Flag nation</td>
<td>Panama</td>
</tr>
<tr>
<td>Crew members</td>
<td>2 Singaporean, 8 Myanmar people, 13 Filipino, total 23</td>
</tr>
<tr>
<td>Gross tonnage</td>
<td>55,328 tons</td>
</tr>
<tr>
<td>Constructed in</td>
<td>1993</td>
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</tbody>
</table>

**Bright Artemis**

<table>
<thead>
<tr>
<th>Name</th>
<th>Bright Artemis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Crude oil tanker</td>
</tr>
<tr>
<td>Flag nation</td>
<td>Singapore</td>
</tr>
<tr>
<td>Crew members</td>
<td>4 Croatian, 1 Canadian, 18 Filipino, total 23</td>
</tr>
<tr>
<td>Gross tonnage</td>
<td>146,463 tons</td>
</tr>
<tr>
<td>Constructed in</td>
<td>1992</td>
</tr>
</tbody>
</table>
Under the president’s leadership, all MOL Group directors and employees are going back to the basics of safe operation and reinforcing our safety management structure as the highest priority. We are taking the following measures to ensure prevention of and appropriate response to various possible incidents, and to prevent recurrence of incidents similar to those that occurred last year.

Preventing Recurrence with a Back-to-Basics Approach to Safety

On September 29, 2007, we organized an Emergency Committee for Enhancement of Operational Safety headed by Deputy President Hidehiro Harada. Besides the investigation on causes of each incident and preventive measures we have usually made, the Committee’s mission was to verify the overall safety management structure and propose countermeasures to the permanent Operational Safety Committee by December 31, 2006.

The Emergency Committee for Enhancement of Operational Safety divided into teams to research the causes of these incidents in the relatively short time of three months. To achieve the Committee’s task, they had meetings with the interested parties involved in management and operation of our vessels (Head Office, ship management companies, crew manning companies, crew members). And, they held more frequent “Can Do” meetings, round-table conferences including the president, directors, and young employees. The scope of the meeting participants was expanded to increase awareness of safe operation, and gather the insights of employees in various positions and job titles. Various opinions gained through these meetings were put to use for research of the committee and planning of countermeasures.

We also employed the services of Det Norske Veritas (DNV, a Norwegian ship classification society), which offers consulting services on vessel safety, and conducted workshops for personnel in charge of ship management companies in our ship management centers of Tokyo, Singapore, and London. At the workshop, group discussions identified safety issues facing employees in their individual duties. We conducted similar workshops for crew members on leave in Manila, Mumbai (India), and Zadar (Croatia), too.

These researches pointed out the need for effective communication among personnel in charge at the ship management company, vessel, and the Head Office (Marine Safety Division and personnel in charge of operation), improvement of crew members’ work environment, enhancement of crew members’ education and training, restructuring of ship management, and changes in consciousness within the organization.

The Emergency Committee for Enhancement of Operational Safety formulated plans to reinforce the operational safety management structure in addition to analyzing the causes of each incident, and reported it to the Board of Directors via a proposal to the Operational Safety Committee on December 22, 2006. Our company is investing a total of ¥35 billion (¥22 billion for hardware, ¥13 billion for software) for three years from FY2007 to 2009. The Safety Assurance Committee, created on December 26, 2006, as a permanent organization under the Operational Safety Committee, continues to take responsibility for monitoring progress status of the measures to reinforce safety, checking of effectiveness, and proposal of necessary revisions, following up from the Emergency Committee for Enhancement of Operational Safety. (* 13 billion of the ¥22 billion for hardware measures, is related to MOL Safety Standards.)

The key points of the measures to reinforce safety are as follows.

Among the factors that may disrupt vessel safety in recent years are abnormal weather conditions and threats of terrorism. On February 1, 2007, we opened the Safety Operation Supporting Center in the Marine Safety Division of the Head Office, to help our operated vessels respond to these events in a timely, appropriate manner. At the center, two personnel including experienced captains are on duty around-the-clock every day, ready to provide vessels with detailed information. We will further reinforce the functions of the center by introducing the most advanced systems for tracking weather information.

- Continually tracking vessel movement with periodic position polling using the International Maritime Satellite Organization (INMARSAT) satellite.
- Observing hydrographic and atmospheric phenomena all over the world, based on risk assessment by Weather News Inc.
- Sending information related to safe operation (severe weather, tsunami, terrorism, pirates, regional conflicts, other navigation risks) to concerned parties (vessels, personnel in charge of operation, ship management companies)
- Serving as a help desk for concerned parties and responding to emergency inquiries.
To enhance education at our crew training centers around the world, we added a video simulation of marine incidents. In addition, we purchased the Ginga Maru, which had played an active role as a training vessel for students in Japanese nautical universities and colleges for many years. We remodeled the ship, renamed it the Spirit of MOL, and started operation as a training vessel in July 2007. This marks the first time that a shipping company has owned an exclusive training vessel.

Acquiring maritime certification requires one-year onboard practical training in addition to taking the required curriculum at a designated educational institution. During this process, cadets train for four to six months on the Spirit of MOL and learn MOL standard safety awareness and practices. After that, the trainees study navigation technology during actual vessel operation.

Our goal is to cultivate skilled MOL seafarers by offering the same training Japanese students receive, promote safe operation, and enhance cross-cultural communication by having cadets from different countries train together.

Review of MOL Safety Standards

Speaking of the hardware aspect, we have adopted various equipment and machinery that conform to international rules to maintain safe operation. But we have now reviewed all MOL Safety Standards (standard specifications for our safety equipment and machinery) by focusing on a viewpoint of “fail safe.” Referring to examples from other companies, we proactively introduce measures we find effective in maintaining and enhancing safety, and set them out as specifications in the MOL Safety Standards. We will also adopt new standard equipment and machinery on existing vessels as well as newly built vessels. This will require additional investment of about ¥13 billion for three years from FY2007 to 2009.

Measures to Increase Seafarer and Acquire Proficiency

We take the following measures from the software point of view.

- Add one or two crew members who are responsible for documentation when arriving and departing at ports, and on voyage watch as needed, in order to reduce the crew members’ work load
- When allocating captains and chief engineers to MOL vessels for the first time, their predecessors remain onboard for all or part of the voyage.
- Officers (captains, chief engineers) who have gained sufficient knowledge of MOL safety standards while serving on our operated vessels will spot and correct potential risk factors such as incorrect actions by crew members.

Internal Lecture for Safe Operation

In order to ensure safer, higher quality service, it’s vital to foster an environment in which both seagoing and shoreside personnel work to reinforce safety. Toward that end, our company held internal lectures on safe operation by captains and chief engineers with extensive onboard experience. These lectures target mainly onshore employees involved in vessel operation. The lectures are helpful for personnel in charge of practical affairs. MOL continues to implement these internal lectures from various viewpoints to deepen understanding of safe operation.

Safety Conferences Held in Seafarer Recruiting Centers

As one of our priorities in reinforcing safety measures, we held safety conferences at our major seafarer recruiting centers – Mumbai, India (January 15, 2007), Manila, Philippines (January 17), and Zadar, Croatia (January 30). MOL Deputy President Hidehiro Harada and top officers of the Marine Safety Division attended the conferences, explaining safety reinforcement measures to groups of 60 to 100 MOL seafarers. Then, they exchanged opinions about safe operation with the participants. All MOL Group directors and employees must work as a team and continue to reinforce safety, while continuing direct dialogue with seafarers.
Bulk carriers transport massive quantities of bulk materials such as iron ore, coal, and grain. The MOL Group, as the world’s largest dry bulker operator, has a variety of ship types, and links the world with stable transport of these indispensible commodities.

Tankers

MOL Group is proud to operate the world’s largest tanker fleet including very large crude carriers (VLCCs) loading over 200,000 tons, product tankers that carry refined petrochemical products, chemical tankers for liquefied chemical products, and tankers that carry ammonia and liquefied petroleum gas (LPG).

LNG Carriers

Liquefied natural gas (LNG) has drawn attention as a clean energy resource. Our company has taken the initiative to develop innovative vessels for many years, as a pioneer in LNG transport. The MOL Group holds the top share in LNG transport, and has won international acclaim for its advanced technologies and expertise.

Natural Resource and Energy Transport Business
MOL was the first Japanese shipping company to launch a pure car carrier (PCC), and provides services backed by abundant experience and an excellent performance record. We have introduced a succession of next-generation car carriers, featuring energy-saving, environment-friendly technologies. We continue to strengthen our car carrier service network while enhancing safety and environmental protection.

**Car Carriers**

MOL was the first Japanese shipping company to launch a pure car carrier (PCC), and provides services backed by abundant experience and an excellent performance record. We have introduced a succession of next-generation car carriers, featuring energy-saving, environment-friendly technologies. We continue to strengthen our car carrier service network while enhancing safety and environmental protection.

**Containerships**

MOL has launched cutting edge, large high-speed containerships to accommodate increasing cargo trade and boost transport efficiency. We will maintain our efforts to enhance the scale and efficiency of our services.

**Logistics**

The MOL Group has warehouses and distribution centers all over the world, all connected by a sophisticated logistics network. Warehousing and multimodal transport services link sea, land, and air transport, and provide total logistics solutions that promote the efficient flow of products and materials.

**Product Transport Business**

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

**Structure of the Ocean Shipping Industry**

In the ocean shipping business, vessels can call at any port in the world, based on the principles of free trade, so our competitors are ocean shipping companies all over the world. In other words, shipping companies from all nations can freely enter any shipping market under the same conditions.

The mission of the ocean shipping industry is to provide transport service, and naturally vessels are the backbone of the industry. Financing vessels requires huge amounts of capital, not only from within the company but from financial institutions. In some cases, we entrust operations and management to ship management companies that directly manage the seafarers and vessels. When calling at ports, we work closely with harbor and port authorities and companies that dispatch pilots, tugboats, and so on.

And of course, we work with customers in virtually every industry through our logistics infrastructure and transport segments encompassing energy, resources, and finished products.
Aiming to become an excellent and resilient organization that leads the global shipping industry and promotes sustainable worldwide economic growth

The MOL Group’s previous midterm management plan MOL STEP was completed in FY2006. The world economy generally firmed during FY2006, and ocean cargo trade grew steadily. On the other hand, bunker prices remained high and a slow containership freight rate market compressed the earnings. However, the entire group achieved another record high thanks to well-balanced fleet expansion that took advantage of higher spot market and ensured stable profits based on mid- and long-term contracts.

* MOL reevaluated the original MOL STEP plan and inaugurated the MOL STEP Review plan in 2005.

Starting in FY2007, our group set forth the new three-year management plan, Mitsui O.S.K. Lines’ Action and Direction at the Vanguard of Creating Excellent (MOL ADVANCE). Its main theme is “Growth with enhanced quality.” Our goal is to offer the world’s highest level of transport quality while ensuring safe operation as the top priority, based on the lessons learned from serious marine incidents that occurred during FY2006. At the same time, we will expand our fleet, which is the basis of our success, and reinforcing cost competitiveness – just as in earlier three-year plans. These measures include more effectively supporting our vessel operation and improving crew training centers. For example, we opened the Safety Operation Supporting Center, which operates around the clock. We will invest a total of ¥35 billion yen in measures to reinforce safe operation over the next three years. (Please refer to “Preventing Recurrence with a Back-to-Basics Approach to Safety” on page 6 and 7 for details of the measures.)

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**Fleet Expansion Plan**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Bulkships</th>
<th>Containership</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dry Bulk)</td>
<td>(Tanker)</td>
<td>(LNG Carrier)</td>
<td>(Cat Carrier)</td>
<td>(Total#)</td>
</tr>
<tr>
<td>At the end of Mar. 2007</td>
<td>336</td>
<td>162</td>
<td>58</td>
<td>94</td>
</tr>
<tr>
<td>Ships to join MOL fleet (Ordered)</td>
<td>67</td>
<td>60</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>At the end of Mar. 2010 (Plan)</td>
<td>400</td>
<td>200</td>
<td>80</td>
<td>120</td>
</tr>
<tr>
<td>Ships to join MOL fleet (Plan) FY2010-FY2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the end of Mar. 2013 (Target)</td>
<td>950</td>
<td>190</td>
<td>30</td>
<td>60</td>
</tr>
</tbody>
</table>

Notes: 1) Numbers of vessels at the end of fiscal years includes spot-chartered ships and those owned by joint ventures. 2) Numbers of vessels to join MOL fleet include those owned by joint ventures.
To reach the goal of “Growth with enhanced quality,” we must not only expand our fleet, but also emphasize the optimum balance between stable earnings and benefits of market conditions in our business portfolio. What’s more, we must carefully evaluate business risks and investment timing, as we strengthen our fleet in response to the growth in the ocean shipping market. In short, our “Growth” is supported by “Global (globalization)” and “Group (group management).”

In order to achieve the goals of MOL ADVANCE, we will accelerate our business strategies utilizing overseas resources to pioneer and acquire businesses in global markets, especially emerging areas. Speaking of group companies, we plan to further increase our corporate value by proactively restructuring with a focus on growth.

### Three “Gs” to Achieving Our Targets

To make the MOL Group an excellent and resilient organization that leads the world shipping industry

**Main Theme:** “Growth with enhanced quality” — Ensuring safe operation is the highest priority, while achieving sustainable growth and enhancing quality.

**Strategy 1**
Implement comprehensive measures to reinforce and enhance safe operation
- Thorough measures to reinforce and enhance safe operation (Restructure corporate organization, and take various measures backed by a total investment of ¥35 bl. for three years)
- Zero accidents, world-leading transport quality
- Gain customers’ ongoing trust

**Strategy 2**
Focus management resources heavily on growing fields in the ocean shipping industry
- Advance order of vessels: 196 for delivery from FY2007 to FY2009
- Expansion of fleet: 803 in Mar. 2007 to 1,000 in Mar. 2010 — Ensure fleet expansion exceeding growth of seaborne trade
- Maintain/reinforce the strategically balanced business portfolio — Emphasize a balance between stable earnings and benefits of market conditions

**Strategy 3**
Accelerate globalization and enhance sales capabilities in emerging markets
- Develop business on a global scale to meet growth and diversification of trade
- Expand businesses in emerging market and take a proactive approach to potential business (India, Russia, Vietnam, Middle East, etc.)

**Strategy 4**
Enhance Group-wide strength and competitiveness
- Contribution of Group companies to consolidated ordinary income (Target: ¥62 bl. in FY2009)
- Restructure corporate organization and create synergy to promote further growth of Group companies
- Creative efforts on cost reduction (Target for 3 years: ¥35 bl.)
- Expand business scale in fields with growth potential, related to logistics and businesses associated with ocean shipping

**Strategy 5**
Establish a governance structure that fulfills stakeholders’ trust

### Long-Term Vision
**Long-Term Vision:** To make the MOL Group an excellent and resilient organization that leads the world shipping industry

**Main Theme:** “Growth with enhanced quality” — Ensuring safe operation is the highest priority, while achieving sustainable growth and enhancing quality.

### Profit-Sharing Policies
Our company recognizes that increasing corporate value by proactive business investment and profit sharing with shareholders through dividends are important management policies. At present, we are investing mainly in vessels, based on the midterm management plan that aims at further growth, and we will also strive to increase corporate value while reinforcing corporate strength.

Accordingly, we have set a target of 20% consolidated dividend payouts for the time being, but we will continue looking at ways to increase the payout as a mid- and long-term management task.
# MOL Group’s Approaches to CSR: Achievements for FY2006 and Targets

The MOL Group will step up CSR activities and contribute to sustainable worldwide growth, and win the acceptance and trust of society.

<table>
<thead>
<tr>
<th>Issues</th>
<th>FY2006 main targets</th>
<th>FY2006 main achievement</th>
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| **Compliance** | • Maintain and reinforce the system through ongoing activities (i.e. thorough conformity with action guidelines of antimonopoly law).  
• Approaches to revised Energy Saving Law.  
• Report compliance with ISO14001 certification.  
• Report compliance with international labor standards.  
• Promote various stakeholder’s interest and understanding of ocean shipping, vessels, and the MOL Group. | • Held Compliance Committee (Sept.) to adjust responses to Group companies’ breaches of compliance, and to discuss draft revisions of compliance rules.  
• Checked compliance and execution status of internal rules related to cargo owner single guarantee of delivery and grant of freight credit, and report to the Compliance Committee.  
• Implemented e-learning training to increase understanding of electronic security rules and insider trading. |
| **Corporate Governance** | • Reinforce governance by enhancing internal control functions referring to New Corporate Law. | • Organized Corporate Auditor Office as an independent organization exclusive for supporting duties of Corporate Auditors.  
• Managed internal control Planning Office in Corporate Planning Division, to promote the project that will establish the internal control system required by J-SOX law. |
| **Consideration for human rights and employees** | • Promote use of retired workers.  
• Approaches to revised Energy Saving Law.  
• Strengthen system considering work-life balance.  
• Deepen communication with employees. | • Employed over 60-year-old retirees (three persons).  
• Promoted clerical workers to career employees (three persons), and introduced performance-based salary system.  
• Implemented internship mainly for young employees in overseas subsidiaries. (14 persons participated.)  
• Started a short-term language study overseas program. (5 persons participated.)  
• Enhanced onboard/overseas employee training institute. (Opened MOL Kakio Institute in Dec.)  
• Implemented an informal gathering for discussion between employees in child-care leave and managers.  
• Employees who worked many hours of overtime take a paid two-day recovery leave in the following month, and make an action plan to reduce an overtime work by holding a council meeting with concerned parties.  
• Made an annual leave plan chart to encourage employees to take leave, and promoted its use.  
• Human Resources GM interviewed with all clerical workers.  
• Enhanced portal/billboard of Human Resources Div.  
• Held an onboard employees’ family gathering. |
| **Environmental protection** | • Encourage domestic group companies to acquire external certification.  
• Approaches to revised Energy Saving Law.  
• Promote use of low sulphur fuel oil.  
• Promote disposal of onboard waste in a manner that exceeds legal standards. | • 9 companies newly acquired certifications (ISO14001: 4, Green Management: 5)  
• Promoted modal shift program, and organized an exclusive department with full-time employees.  
• Started use fuel oil containing 1.5% or less sulphur in Baltic Sea (May), and implemented trial in preparation for regulations covering the North Sea (Aug, 2007). |
| **Quality management** | • Continuously improve along with quality management system.  
• Set forth procurement policies. | • Organized Safety Operation Supporting Center based on improvement of the system, and implemented preventive actions by issuing Near-Miss reports, etc.  
• Implemented Rules of Conduct and Environmental Policy Statements. |
| **Safe operation and risk management** | • Restructure ship management system aiming at safe operation.  
• Reinforce approaches to seafarer employment and education.  
• Improve exchange of information with vessels through stepped-up vessel inspection. | • Restructured ship management companies by ship type (dry bulkship, tanker, LNG carrier) into the Head Office organization.  
• Organized Safety Operation Supporting Center to promote safe vessel operation and quick response.  
• Confirmed knowledge and understandings of seafarers related to safe operation, by proactive communication through questionnaire and vessel inspection.  
• Started MOL Class in China and Vietnam.  
• Introduced a cadet program in Ukraine and Russia.  
• Started an MOL training course at India’s Maharashtra Academy of Naval Education & Training (MANET).  
• Reinforced onboard skills by introducing MOL Rank STEP program.  
• Started to increase no. of crew to reduce burden of their duties and reinforced overlap boarding of crew, as part of safe operational measures.  
• Added ship inspectors (MOLUMI staff).  
• Implemented company-wide safety check inspection.  
• Implemented onboard ship inspector/support.  
• Set forth MOL safety standard specifications (related to safety equipment and machinery). |
| **Information disclosure and accountability** | • Check specifics of information disclosure in case of an incident.  
• Increase various stakeholders’ interest and understanding of ocean shipping, vessels, and the MOL Group. | • Disclosed information on incidents, etc. in a highly transparent manner.  
• Implemented meeting and training for crisis communication with the media in Japan and overseas (Kansai, Asia, Europe).  
• Developed manual for crisis communication with the media.  
• Implemented briefing related to media response, to personnel who would be allocated to overseas subsidiaries. |
| **Social contribution** | • Continuously work on existing activities.  
• Consider activities related to communities.  
• Implement activities to realize a sustainable society.  
• Introduce employee participation programs. | • Implemented 2nd Kids Cruise.  
• Accepted teachers under a private company training program.  
• Continuously cooperated with Tokyo Metropolitan environmental education program.  
• Implemented OHA Terminal tour program targeting elementary school students in Tokyo. (June)  
• Participated in oil-spill disaster volunteer leader training program, and implemented beach cleanup program. |
| **Others** | • Deepen deployment of CSR overseas. | • Cooperated with UN Refugee Agency (UNHCR), including overseas subsidiaries. |
MOL Group’s Current CSR Activities

Looking back FY2006 activities

During fiscal year 2006, four Serious incidents occurred on our operated vessels. Please allow us to offer our sincerest apologies to people who live near the incident site and to our stakeholders including customers for the inconvenience and anxiety caused by these events.

Our company takes these incidents very seriously. The President and all directors and employees pledge to return to the basics of safe operation. We have not only taken preventive measures against these incidents, but also work to prevent and respond accurately to various potential incidents, and reinforce the safe operation management system.

We explain details on measures to prevent reoccurrence of the incidents on pages 6 and 7 of this report, but continue to spare no effort to further reinforce and expand our safety programs.

The world economy during FY2006, showed an ongoing firm tone, and ocean shipping cargo trade increased steadily. Under this business climate, the total CO2, NOx and SOx emission volume increased from FY2005 as a result of our expanded fleet. However, thanks to our proactive efforts to introduce energy-saving and environmental technologies such as wind-resistance, water-resistance reducing designed vessels and energy-saving propellers, and developing the optimum ship type for more efficient operation, CO2 and NOx emission volume per unit load decreased by 2.9% while SOx by 5.5%.

Speaking of governance, we set forth basic policies to build an internal control system in response to Japan’s new Corporate Law in 2006. And we organized the Internal Control Planning Office in the Corporate Planning Division to ensure appropriateness of financial reporting based on the Financial Instrument Trade Law, and are building an internal control system. As for social contribution activities, we continue to offer the MOL Kids Cruise started last year.

FY2007 activities

FY2007 is the first year of our new midterm management plan MOL ADVANCE announced in March 2007. Its main theme is "Growth with enhanced quality." It aims to create the world’s highest level of transport quality, with safe operation as the highest priority, in order to acquire the trust of our stakeholders, based on lessons from serious marine incidents that occurred in 2006. Everyone in the MOL Group will make every possible effort to achieve “Growth with enhanced quality,” and accomplish “safe operation and the environmental protection” as stated in the MOL Group Corporate Principles. Fulfilling these social responsibilities must be our company’s top priority.
The MOL Group conducts business activities incorporating care for social justice, ethics, and the environment, and aims for sustainable growth of enterprises, communities, and the entire world, through management that takes into account the needs of various stakeholders.

**MOL Group Philosophy on CSR**
The MOL Group views CSR as a way to ensure that businesses, communities, and the world enjoy sustainable, synergistic growth through corporate management that considers not only economics but also various MOL Group stakeholders. The MOL Group believes this is a fundamental element of business.

**Background of MOL Group CSR Efforts**

1. **Put corporate principles into tangible form**
   In the MOL Group Corporate Principles, the Group expresses the need to contribute to society as a multimodal transport group. As a basis to put our corporate principles into practice, the MOL Group regards compliance — complying with social norms and ensuring the highest standards of corporate ethics — as quite natural, and conducts highly transparent corporate governance. In addition, the MOL Group considers safe operation as the foundation of its activities, and spares no effort to protect the environment.

2. **Maintain good relationships with stakeholders**
   Ocean shipping, which is the core of the MOL Group, operates on a global scale, so our stakeholders vary. We value our relationships with each stakeholder and continue to build better partnerships.

3. **Ensure sustainable growth by reinforcing governance and risk management**
   The MOL Group maintains management transparency and is acutely aware of the risks of any action that may cause a loss of credibility among stakeholders, such as compliance violations or serious incidents. In particular, we recognize that our business places a substantial burden on the environment, and do our utmost to minimize that impact.

4. **Increase corporate value as a result of CSR efforts**
   We will never lose sight of the trust society places in the MOL Group, and strive to increase our corporate value through CSR efforts based on that trust.

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**MOL Group Corporate Principles, and Positioning of CSR Concepts and Activities**

Society’s trust

Business activities

Corporate governance

Compliance

Environmental measures

Safety operation and risk management

Quality control

Customer satisfaction

Information disclosure, accountability

Human rights, employment, health and safety, employee satisfaction

Social contribution

Conscience with suppliers

MOL Group Corporate Principles
UNHCR supports about 33 million people who were driven from their homes by conflict and persecution. This number has increased 57% from the year 2006. Associated with this rapid increase of refugees, aid supplies are purchased and transported on a larger scale than ever before. UNHCR stores aid supplies such as tents, blankets, living ware, and cookware in warehouses around the world, and makes preparations for transferring these supplies to camps quickly according to need. Monetary donations and grant-in-aid transport of aid supplies from MOL, a major Japanese shipping company that has a transport network covering the world, strive to support the UNHCR through grant-in-aid transport of emergency supplies – meaningful from global and humane viewpoints – as one of our efforts to achieve a better society.

**Participation in the UN Global Compact**

In March 2005, MOL became the first Japanese shipping company to join the United Nations Global Compact. The Global Compact advocates support of 10 principles in four fields – human rights, labor, environment, and anti-corruption. Participating companies are expected to demonstrate strong corporate citizenship to address various issues faced by modern society, through support and execution of 10 principles.

Our company focuses its social contribution activities in fields rooted in our own business domain. In November 2006, we provided financial aid to purchase emergency supplies (emergency tents) for the United Nations High Commissioner for Refugees (UNHCR) and grant-in-aid transport of them between Shenzhen, China, and Dubai, U.A.E. This activity is one of our concrete approaches to the 10 principles in the UN Global Compact.

UNHCR is a UN refugee support agency for refugees who have lost the protection of their own nations due to war and persecution. As an ocean shipping company that has a transport network covering the world, we strive to support the UNHCR through grant-in-aid transport of emergency supplies – meaningful from global and humane viewpoints – as one of our efforts to achieve a better society.

**Overseas CSR**

CSR activities vary widely, and their focus and priorities change depending on areas where we are developing our business. Since the MOL Group is expanding all over the world, we not only work constantly to protect the environment through safe operation based on social norms and corporate ethics, but also focus on regional tasks considering each nation where we do business. The MOL Group builds good relationships with various stakeholders throughout the world through such CSR activities, and contributes to sustainable worldwide growth.

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**MOL Group Approaches to CSR**

At MOL, among the committees under direct control of the Executive Committee, the following three committees focus on CSR.

- **MOL Group Corporate Principles**
  - Chief Executive Officer (President)
  - Executive Committee

- **CSR and Environment Committee**
  - Chairman: Executive Vice President (Chairman: Executive Vice President)
  - Members: Relevant directors
  - Secretaries: General Manager of Marine Safety Division, and General Manager of Technical Division
  - Secretarial Office: Marine Safety Division (Administration Group)

- **Operational Safety Committee**
  - Chairman: President
  - Members: Relevant directors
  - Secretaries: General Manager of Marine Safety Division, and General Manager of Technical Division
  - Secretarial Office: Marine Safety Division (Administration Group)

- **Compliance Committee**
  - Chairman: Executive Vice President (Chairman: Executive Vice President)
  - Members: Relevant directors
  - Secretaries: General Manager of Internal Audit Office, General Manager of Corporate Planning Division, General Manager of General Affairs Division, and General Manager of Human Resources Division
  - Secretarial Office: Corporate Planning Division (Planning Group)

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One of the MOL Group Corporate Principles says the Group must “promote an open and visible management style that is guided by the highest ethical and social standards.” The MOL Group works to create an optimum governance system with a painstaking approach to compliance.

### Basic Concept of Corporate Governance

MOL believes the optimum governance style relies on management by the board of directors with participation of outside directors who are indispensable for corporate governance, supervising and encouraging the activities of the president as the chief executive officer. Based on this belief, we have taken various steps to restructure our management. The company also believes that improved corporate governance enhances the transparency of corporate management from the viewpoint of shareholders, and seeks to establish a system that maximizes stakeholders’ profits through optimum allocation of management resources. In the MOL Group Corporate Principles, this concept is stated as follows: “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.”

### Measures Concerning Corporate Governance

The Board of Directors consists of eight internal and three outside directors (as of July 2007). Three outside directors check the appropriateness of management decisions and the status of operational execution from the viewpoint of shareholders, and at the same time, play a key role in revitalizing the Board of Directors by expressing beneficial opinions on overall management. The Corporate Planning Division provides the outside directors with advance explanation of proposals or agenda items to be discussed at the Board of Directors Meeting, and reports important issues to them regularly. Thus, the company provides a system that allows outside directors to effectively carry out their supervising functions.

For business execution, MOL took steps to improve the functions of the Board of Directors by inviting outside directors and introducing the executive officer system in 2000. The executive officers, who are appointed at the Board of Directors and delegated authority from the representative directors, work to speed up management based on the best 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.

The company adopted the corporate auditor system, and two of four auditors are appointed from the outside. The Internal Audit Office, independent from each division and office as an organization directly controlled by the Executive Committee, audits the business operations of the divisions/offices and group companies in cooperation with the corporate auditors and independent public accountants that conducts the legal audit. In May 2006, MOL established the Corporate Auditor Office as an organization directly controlled by the corporate auditors and Board of Auditors, thus creating a system that allows for more practical and efficient oversight by corporate auditors.
Approaches to Compliance
MOL believes compliance means more than just strictly complying with laws, regulations, and internal rules (including “rules of conduct” set forth independently); it also covers corporate activities and daily operations based on social norms and corporate ethics. The range of social responsibilities the company should bear has continued to grow—obligations to stakeholders who have grown more numerous and more diverse as a result of our business expansion and globalization, and improved awareness of the need to protect the ocean and global environment. The MOL Group is well aware of this responsibility, and is painstaking in its approach to compliance.

Organizations Responsible for Compliance

Compliance Committee
The company established the Compliance Committee as a subordinate organization of the Executive Committee, with the Executive Vice President as the chairman and the membership made up of Executive Officers responsible for the Internal Audit Office, Human Resources Division, and Corporate Planning Division. The committee strengthens the companywide compliance system, and sets penalties for violations.

Compliance Officer
General managers of divisions, offices, and branches are appointed as compliance officers. They take a strict approach to compliance and are responsible to report any violation to the Compliance Committee Secretariat Office and promptly take necessary corrective actions. In addition, they are required to strictly preserve the confidentiality of anyone reporting a compliance issue.

Compliance Advisory Service Desk
The Compliance Advisory Service Desk handles cases that are difficult to report through compliance officers. The General Manager of the Internal Audit Office, independent from divisions, offices, and branches, is responsible for the desk. Consultation to the Advisory Desk is carried out by e-mail, telephone, or letter after the person reporting the issue gives his or her name. The General Manager of the Internal Audit Office will meet with persons reporting compliance issues depending on their needs, and ask the Compliance Officer and the General Manager of the Counseling and Aid Center in the Human Resources Division to assist, depending the nature of the problem. In these cases also, the confidentiality of anyone reporting a compliance issue will be strictly protected. Issues will be reported to the Compliance Committee Secretariat Office when the need arises, and they will conduct necessary investigations and auditing. The person reporting the issue will receive feedback on how the issue was resolved. In addition, the person reporting the complaint and those who cooperate in the investigation are protected from any retribution or unfair treatment.

Compliance systems at group companies
MOL Group companies, as independent corporations, build their own compliance systems. In case a violation occurs at a group company, the company shall promptly address it according to internal regulations, and take preventive measures. At the same time, the compliance officer of the MOL branch, division, or office responsible for management of that company, reports it to the Compliance Committee Secretariat Office without delay. If the violation may affect MOL Group management, it will be reported to the Compliance Committee. MOL Group companies’ directors and employees who find violations at a group company can also consult with the MOL Compliance Advisory Service Desk.

MOL Group Rules of Conduct
MOL sets forth rules of conduct for directors and employees, from the viewpoints of various stakeholders. When the company directors and employees properly implement the rules of conduct, the MOL Group will create a better working environment for everyone. Implementing the rules also improves corporate business activities, leads to winning and retaining the trust of our stakeholders, and contributes to a continuous increase in corporate value.

Rules of Conduct (Rules of Conduct Article 4)
All company personnel must 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 “rules and the line”
   - in the context of socially meaningful and corporate ethics

2. Respect human rights and prohibit discrimination and harassment by:
   - respecting every individual’s basic human rights; and not discriminating based on arbitrary, bad, religious, gender, age, race, disability, or the like
   - understanding, appreciating, and valuing the diversity of cultures, customs, and so on, in every area and corner
   - not subjecting anyone to sexual harassment or making offensive sexual remarks and not acting or speaking in a way that might be considered as such

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 (broker trading is prohibited)
   - not using or obtaining confidential information from third parties

4. Be free from ethics of personal and social and personal conduct, and avoid conflicts of interest by:
   - not acting against the interests of the company
   - not using company property or funds for any activities against the company’s interests

5. Avoid unethical activities by:
   - taking a clear and uncompromising attitude against unethical forces and groups that may threaten public order and safety, and not taking part in unethical acts
   - Fulfill social responsibility by:
     - endeavoring to make a positive contribution to realization of better society as a good corporate 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
     - ensuring safe operation and environmental protection by:
       - voluntarily, effectively working to protect the marine and global environment, by enforcing standards for vessel operating safety and respecting environmental laws and regulations
     - building relationships with clients and contractors by:
       - not using or obtaining confidences, such as clients

6. Build trusting relationships with clients and contractors by:
   - not subjecting anyone to sexual harassment or making offensive sexual remarks and not acting or speaking in a way that might be considered as such
   - not giving or accepting money, expensive gifts, business entertainment, or financial earnings or any inappropriate value when dealing with representatives of contractors

7. Leadership and management demands that:
   - directors and employees in management positions shall by example, carry out the Code of Conduct honestly and demanding the name of an individual, subordinates, and affiliated companies which dispose employees

8. Report and consultation means:
   - reporting and consulting with the Compliance Officer, Compliance Committee, Complaints, 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 putting that information, covering any breaches by him or her.
   - all company personnel shall cooperate with investigations related to any alleged breach.

Building an Internal Control System
MOL’s Board of Directors set forth the “Basic Policy for Building an Internal Control System” in response to the New Corporate Law effective May 1, 2006. We organized the Internal Control Planning Office in the Corporate Planning Division to ensure appropriate financial reporting based on the Financial Product Trade Law in June 2006, and are building an internal control system that will serve as the foundation of these activities. This system will enhance the transparency, standardization, and efficiency of business operations to flexibly meet changes in the business climate, and more effectively meet the needs of our stakeholders.
Further Reinforcing Safe Operation

As reported on page 6 and 7, our company reinforces the support structure for vessels, crew training and education, and vessel safety equipment and machinery, in order to prevent the reoccurrence of marine incidents. In addition, we have thoroughly restructured our ship management organization in the Head Office (formerly the Marine Management Division) and Group ship management companies, and stepped up our efforts toward ensuring safe operation.

Re restructuring Ship Management Organization

We restructured our ship management organization effective April 1, 2007, and introduced the Safety Operations Headquarters. We used to manage vessels indirectly through ship management companies, under control of the former Marine Management Division. However, we are working to unify and clarify responsibility and authority for ship management by shifting to a flat ship management structure, linked directly to the executive committee as shown below. This move will give us a more complete understanding of field-oriented operations, and establish a vessel-oriented structure.

New Organization

Details of restructuring

1. We developed a structure in which MOL’s core ship management companies – MOL Ship Management, MOL Tankship Management, and MO LNG Transport create and execute the ship management policies, holding head office authority over dry bulkers, tankers, and LNG carriers, respectively.
2. We organized a new group in charge of issues related to maritime operation in the Liner Division and Car Carrier Division to offer operational support focusing on specific fields, and opened a new office in charge of maritime issues for dry bulkships such as iron ore carriers, and assigned maritime experts in the new office.
3. We renamed the former Marine Management Division to the Marine Safety Division positioning it as a support organization to ensure the safe operation of our fleet.
4. We organized the Safety Operations Headquarters, which consists of the Marine Safety Division and the above three ship management companies. Our Executive Vice President serves as the Director-General creating a direct link between corporate management and vessel management.

Cultivating Seafarers and Developing a Training Structure

It’s vital to recruit and cultivate excellent seafarers to achieve a high level of vessel operating safety. We opened our first overseas crew training center in 1993 in the Philippines and now have centers in seven nations (Japan, the Philippines, India, Montenegro, Croatia, Indonesia, and Russia) to reinforce our training system.

New dormitory of self-operated crew training center in Philippine completed

In the Philippines, a major source of seafarers, we established a crew training center called the Magsaysay Institute of Shipping through a joint investment with two partner companies. The center
opened in 1993, and has graduated top-quality seafarers who fully understand the MOL Corporate Principles. We have continued to expand and update the facilities to enhance the quality of training.

We held a grand opening ceremony at a new dormitory on August 30, 2006. Nearly 300 people including Philippine President Gloria Macapagal-Arroyo, administration officials, the governor of Cavite State, local government officials such as the mayor of Dasmarinas city, and the Panamanian Ambassador, attended the ceremony.

<Outline of Facility Expansion Project>

- Extend the site area from about 28,000m² to about 43,000m², and six buildings (total floor area: about 5,700m²) to seven (8,900m²) including new dormitory (3,250m²) that accommodates 350 persons.
- Increase the number of classrooms from 14 to 22.
- Doubled the number of training kitchens for onboard cooking practice from two to four.
- Extend capacity of cadets from current 240 per year to 440.
- Hired six instructors with onboard practical experience, in addition to the current 15 instructors.

New training center established in India (Maharashtra State)

We have assigned some 500 Indian seafarers to about 70 of our-managed vessels, through our manning company Mitsui O.S.K. Lines Maritime (India) Private Limited. We have operated the MOL Training Center (India) in Mumbai through a tie-up with the International Maritime Training Center since 2001, to recruit and cultivate excellent seafarers. To meet the increasing need for seafarers as we expand our fleet, we established the new MOL Training Center (MANET-India) in Pune, Maharashtra State in partnership with the Maharashtra Academy of Naval Education & Training (MANET). This training center offers drills and training related to vessel operation, engine maintenance, welding, and lathe operation in addition to Bridge Resource Management (BRM) training with a high-performance vessel operation simulator.

Reinforcing BRM training structure with the vessel operation simulator

Our training centers offer BRM training using a high-performance vessel operation simulator from our Group M.O. Marine Consulting Co., Ltd. BRM encompasses both basic and comprehensive concepts such as organization and human relationships among the captain and seafarers, response to various voyage phenomena, communication, and overall judgment ability. BRM training is designed to teach these concepts. It aims to instill both skills and judgment in order to prevent marine incidents resulting from human error, by managing and fully utilizing all elements and resources (information, equipment/machinery, environment, human) existing on the bridge.

The vessel operation simulator reproduces a specific sea area and harbor/port on a large screen using computer graphics, and sets up various situations that seafarers face when operating an actual vessel. This allows them to learn vessel operations from the simulated bridge, under an environment close to an actual situation. We included detailed situations and analysis of the marine incidents that occurred last year and added a program that allows trainees to experience these incidents.

Cultivating cadets – Tie up with national maritime university in Russia and Ukraine

MOL tied up with the national maritime university in the Russia and Ukraine to recruit and cultivate cadets as captains and chief engineers, and introduced a seafarer cadet program with the universities in December 2006. The cadet program focuses onboard practical training with vessels operated by MOL, and trains about 20 students per year. Upon completion of the program, the cadets will serve aboard MOL-operated vessels.

Scholarships at maritime universities in Vietnam and China

Our company tied up with merchant marine universities in Vietnam (Vietnam Maritime University...
and University of Transport in Ho Chi Minh City) and China (Dalian Maritime University), and started a scholarship program targeting 40 to 50 students with outstanding academic results every year. We introduced the MOL Class providing classes taught by our Group instructors, to develop a work force that can ensure safe, reliable operation of our vessels in the future.

Introducing a system that manages seafarer training and skill level
MOL skill and training requirements for seafarers vary according to job title. We have developed a computer-based training system for mariners around the world to unify training standards. We adopted the Seagull Training System (STS) as the basis of the system, and incorporate training and video programs that are implemented in each crew training center, training management, and recording software into the system. This allows our seafarers to take training according to their own needs, and study while they are serving on a vessel or while on leave.

What’s more, the personal computers that incorporate seafarer skill evaluation software are placed in ship management companies, manning companies and our training centers all over the world. We can not only track the onboard history of seafarers, but can also integrate personal data, such as their specific skills. So we can precisely and efficiently determine their skill level and necessary education.

Concept of New Training System
Environmental Management

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 prevent global warming; efforts to conserve energy; measures to reduce waste, air/marine pollution, and soil contamination; recycling of resources, development and introduction of environment-friendly technologies; and many more.

MOL Group Environmental Policy Statement

As one of the world’s leading multi-modal transport groups, the MOL 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.

Environmental Management System

We introduced two unique environmental management systems, MOL EMS21 and the Group Environmental Target System, to promote business activities in accordance with our Environmental Policy Statements and work on environmental protection activities.

MOL EMS21

We started to operate our environmental management system, MOL EMS 21, in April 2001. In January 2003, we expanded the use of the system to all operated vessels (not including charter vessels on contracts of one year or less), and acquired ISO14001 certification. What’s more, we expanded the scope of our certification to Mitsui O.S.K. Passenger Line, Ltd. in September 2003 and MOL Ferry Co., Ltd. in January 2004.

ISO14001 Certification

(Scope is same as MOL EMS 21)

[Scope]
All divisions of MOL Head Office and all MOL-operated vessels (not including charter vessels on contracts of one year or less) and MOL Ferry Co., Ltd. Head Office and their operated ferries/RORO ships.

[Scope of application]
Business activities on site and at the head office, related to "total logistics and cargo transport services, Nippon Maru cruise service, and ocean transport services of ferries/ RORO ships".

[Auditing authority]
Det Norske Veritas (DNV) in Norway

[Schema]
Read Voor Accredited (RVA) in the Netherlands
In Japan, the law to prevent soil contamination was enacted in February 2003. The law came about after cases of soil contamination by harmful substances such as heavy metals and volatile organic compounds (VOC) associated with redevelopment of old factory sites were revealed. Society is much more aware and concerned about these issues. We don’t use harmful substances specified in the law, and strictly conform to national and local environmental regulations. Toward that end, in November 2004, we set forth policies to prevent soil contamination, outlining proper disposal in the context of the aforesaid land record survey and MOL Group Environmental Policy Statement, and confirmation of existence or non-existence about specific facilities and the past use of specific harmful substances.

Environmental Management Promotion System
The CSR and Environment Committee, directly under the Executive Committee, deliberates on basic policies about environmental issues, and manages and operates MOL EMS 21 and the MOL Group Environmental Target System.

Environmental Audits
Under MOL EMS21, the chairman of the CSR and Environment Committee, as the executive in charge of environmental management, receives results of regular internal audits, which are executed at least once a year, and confirms that the system functions effectively. While the internal audits are implemented by the CSR and Environment Office, targeting all divisions and offices at the Head Office, the Marine Safety Division implements environmental inspections of vessels. In addition, maintenance audits are implemented annually, and renewal audits are conducted every three years by an ISO14001 external certification body (DNV).

The CSR and Environment Office implements audits centering on environmental compliance of the target companies in the MOL Group Environmental Target System, in cooperation with the Internal Audit Office.

MOL Group Environmental Target System Covering 82 Group Companies
We have introduced the MOL Group Environmental Target System targeting major group companies in Japan and overseas. Each company sets its own environmental targets under guidelines based on the environmental impact associated with their own business activities, and formulates an action plan to achieve the target. We gather environmental impact data (consumption of fuel, electricity, and paper, generation of waste, etc.) from each company and tabulate the environmental burden as a group. During FY2006, 15 subsidiaries under control of MOL Asia (Hong Kong) joined this target system, which now covers 82 companies including 63 domestic group companies and 19 overseas subsidiaries.

2nd MOL Group Environmental Awards
We founded the MOL Group Environmental Awards in 2005 to educate and motivate MOL Group directors and employees about the importance of environmental protection activities.

The second MOL Group Environmental Awards winners were selected in June 2006. The Ports and Terminal Group, Liner Division and International Container Terminal Co., Ltd., which introduced a solar power generation system with a capacity 200kW in our operated terminal at the Tokyo International Container Terminal’s Ohi Wharf, received the highest award, and the following division and group company were also honored:
- Head Office division outstanding performance award:
  - Secretaries Office (Proactive and continual activities to reduce the environmental burden in the office, under MOL EMS 21)
- Group company outstanding performance award:
  - MOL Asia (Penetration and expansion of the Group Environmental Target System to overseas subsidiaries)

Reducing Environmental Burden in the Office
The MOL Group works hard to reduce its environmental burden generated by office operations (office paper, electricity, water, waste, etc.), through MOL EMS 21 and the Group Environmental Target System.
Specifically, each division in the Head Office and group company set targets to reduce use of paper, electricity, and so on, and works toward achieving those targets.
We also adopted sectional adjustment control on our air conditioning, reduced electricity consumption for lighting with occupancy sensors, installed water-saving type toilets and faucet sensors in the remodeling of the MOL building (Toranomon, Minato-ku) by our Group company Daibiru Corporation.

### Environmental Accounting

MOL quantitatively determines investments, costs, and savings related to environmental protection in business activities, to ensure the most efficient approaches to environmental protection. The company began disclosing this environmental accounting with the Environmental Report 2001 to inform stakeholders of our activities.

#### Volume of Investment and Costs of Environmental Measures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Cost</td>
<td>Investment</td>
<td>Cost</td>
</tr>
<tr>
<td>Vessel related</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Recoat ship bottoms with environment-friendly paint</td>
<td>Costs of environmental protection</td>
<td>0</td>
<td>263</td>
<td>0</td>
</tr>
<tr>
<td>• Equip vessels with PBCF</td>
<td>Costs of environmental protection</td>
<td>57</td>
<td>15</td>
<td>47</td>
</tr>
<tr>
<td>• Exhaust gas economizer*</td>
<td>Costs of environmental protection</td>
<td>485</td>
<td>291</td>
<td>821</td>
</tr>
<tr>
<td>• Other vessel-related investments</td>
<td>Costs of environmental protection</td>
<td>201</td>
<td>24</td>
<td>366</td>
</tr>
<tr>
<td>Investment in onshore facilities</td>
<td>Costs of environmental protection</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Office related</td>
<td>Costs of resource recycling</td>
<td>26</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td>R&amp;D costs</td>
<td>R&amp;D cost</td>
<td>8</td>
<td>31</td>
<td>0</td>
</tr>
<tr>
<td>Expenses for environmental man-</td>
<td>Cost for management activities, CSR activities</td>
<td>0</td>
<td>259</td>
<td>0</td>
</tr>
<tr>
<td>agement and social contribution</td>
<td>Total</td>
<td>777</td>
<td>885</td>
<td>1,260</td>
</tr>
</tbody>
</table>

* Exhaust gas economizer:
A system that collects and uses exhaust gas from main engine as steam, reducing energy consumption.

#### Economic Benefits of Environmental Measures

<table>
<thead>
<tr>
<th>Measures</th>
<th>Effects</th>
<th>FY2004</th>
<th>FY2005</th>
<th>FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessel related</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Equip vessels with PBCF</td>
<td>Reduce fuel oil consumption (reduce CO₂/NOx/SOx)</td>
<td>841</td>
<td>1,506</td>
<td>1,899</td>
</tr>
<tr>
<td>• Exhaust gas economizer</td>
<td>Reduce fuel oil consumption (reduce CO₂/NOx/SOx)</td>
<td>2,755</td>
<td>3,989</td>
<td>3,435</td>
</tr>
<tr>
<td>• Other vessel-related investment</td>
<td>Reduce cylinder oil consumption</td>
<td>98</td>
<td>249</td>
<td>379</td>
</tr>
<tr>
<td>Investment in onshore facilities</td>
<td>Reduce electricity use</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Office related</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Resource conservation (reduction of electricity and water consumption)</td>
<td>Reduce electricity use</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5,299</td>
<td>5,744</td>
<td>5,715</td>
</tr>
</tbody>
</table>

(Asumption)
1. Vessel-related economic benefits (cost reductions) are mainly due to fuel cost reduction.
2. Economic benefits of recoating ship bottoms with environment-friendly antifouling paints are not assumed.
The MOL Group conducts a range of business activities on land and at sea, including ocean shipping. In the course of those activities, we place a burden on the environment – for example, CO₂ emissions mainly associated with fossil fuel consumption. Following is a summary of MOL and MOL Group environmental impacts, such as consumption of fuel, electricity, and office paper during FY 2006. In the future, the MOL Group will continue to make serious efforts to reduce its environmental burden in various ways.

### The MOL Group and the Environment

<table>
<thead>
<tr>
<th>Activities at sea (vessels)</th>
<th>Activities on land</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOL (non-consolidated)</td>
<td>MOL (non-consolidated)</td>
</tr>
<tr>
<td>Fuel oil (C oil)*</td>
<td>Fuel</td>
</tr>
<tr>
<td>5,285 thousand tons</td>
<td>137 kl</td>
</tr>
<tr>
<td>Diesel oil (A oil)*</td>
<td>Electricity</td>
</tr>
<tr>
<td>73 thousand tons</td>
<td>1,810,470 kWh</td>
</tr>
<tr>
<td></td>
<td>Water</td>
</tr>
<tr>
<td></td>
<td>7,486 m³</td>
</tr>
<tr>
<td></td>
<td>Office paper</td>
</tr>
<tr>
<td></td>
<td>8,579 thousand copies</td>
</tr>
<tr>
<td>Group companies (domestic shipping)*3</td>
<td></td>
</tr>
<tr>
<td>Fuel oil (C oil)</td>
<td>CO₂</td>
</tr>
<tr>
<td>277 thousand tons</td>
<td>1,019 tons</td>
</tr>
<tr>
<td>Diesel oil (A oil)</td>
<td>NOx</td>
</tr>
<tr>
<td>17 thousand tons</td>
<td>0.64 tons</td>
</tr>
<tr>
<td></td>
<td>SOx</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Waste</td>
</tr>
<tr>
<td></td>
<td>129 tons</td>
</tr>
<tr>
<td>Group companies (ocean shipping)*4</td>
<td></td>
</tr>
<tr>
<td>Fuel oil (C oil)</td>
<td>CO₂</td>
</tr>
<tr>
<td>366 thousand tons</td>
<td>129,182 tons</td>
</tr>
<tr>
<td>Diesel oil (A oil)</td>
<td>NOx</td>
</tr>
<tr>
<td>26 thousand tons</td>
<td>16 tons</td>
</tr>
<tr>
<td></td>
<td>SOx</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Waste</td>
</tr>
<tr>
<td></td>
<td>4,059 tons</td>
</tr>
<tr>
<td>Group companies</td>
<td></td>
</tr>
<tr>
<td>Fuel oil (C oil)</td>
<td></td>
</tr>
<tr>
<td>1,162 thousand tons</td>
<td></td>
</tr>
<tr>
<td>Diesel oil (A oil)</td>
<td></td>
</tr>
<tr>
<td>25 thousand tons</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 Fuel oil (C oil): Mainly for main engines
*2 Diesel oil (A oil): Mainly for onboard generators
*3 MOL Naisoku Ltd., MOL Ferry Co., Ltd., The Diamond Ferry Co., Ltd., Kyushu Kyoko Ferry Co., Ltd., Blue Highway Line Nishihon Corporation, Nihon Tugboat Co., Ltd., Green Kaï Kaisha, Ltd. Ube Port Service Co., Ltd., Kitakihon Tugboat Co., Ltd., Green Shipping, Ltd., Mitsui O.S.K. Techno-Trade Co., Ltd., and Kobe Towing Co., Ltd. (12 companies in total) However, this category does not match the company’s segment classifications. (As of March 31, 2007)
*4 Mitsui O.S.K. Kinkai, Ltd., Tokyo Marine Co., Ltd., Mitsui O.S.K. Passenger Line, Ltd., and M.O. Cableship Ltd. (four companies in total) However, this category includes some results related to transport services in Japan.
*5 Data on SOx emissions of Group companies is not available.
*6 All consolidated subsidiaries in Japan, not including data from small companies whose environmental burden is negligible. In addition, this category includes the actual figures for activities such as terminals and on-land transport, as well as the environmental burden associated with consumption of such fuels at offices.
Vessels operated by burning fossil fuels such as A oil and C oil generate carbon dioxide (CO₂), nitrogen oxide (NOx), sulphur oxide (SOx), soot, and smoke. CO₂ is a cause of global warming, and NOx and SOx contribute to acid rain. The MOL Group is thoroughly aware of the environmental burden created by its business activities, and takes a proactive, ongoing approach to preventing air pollution.

### Prevention of Global Warming

#### Efforts on ocean shipping

Ocean shipping’s approach to environmental protection is, in principle to adopt the same standards in all sea areas and vessels, because the industry covers the world, and it is a single, global market. Therefore, the Kyoto Protocol regulates restriction and reduction of greenhouse gas (GHG) emissions from vessels involved in ocean shipping, through the International Maritime Organization (IMO*). In response, the IMO started providing calculation methods for GHG emissions from vessels that serve international routes, and assigned specific tasks to the Marine Environment Protection Committee (MEPC*). However, developing countries insisted that only vessels plying international routes of Annex I nations (advanced countries) as defined in the Kyoto Protocol should be responsible for GHG reduction. As a result, technical and political studies are under way separately. There are currently no international regulations concerning GHG emissions from ocean vessels. However, the Japanese Shipowner’s Association, to which MOL belongs, has been working hard to achieve an approximately 10% reduction in CO₂ emissions per unit load by 2010, compared to 1990 levels. This is part of a voluntary effort by the Japanese Federation of Economic Organizations (Keidanren), which represents 35 major industries. Evaluation by per unit load instead of total volume target aims both at social responsibility – meeting global transport demand, which increases every year – as well as more efficient, environment-friendly transport and operation.

#### Efforts on operated vessels

Our company works to prevent global warming by setting the midterm goal of a 10% reduction in vessel CO₂ emissions per unit load by FY2010 compared to FY2005, based on the industry-wide goal set by the Japanese Shipowner’s Association.

CO₂ emissions from our vessels during FY2006 increased about 771 thousand tons (4.9%) to 16,357 thousand tons from FY2005, due to the expansion of our fleet based on the FY2004-FY2006 midterm management plan MOL STEP.

However, as a result of the following measures, CO₂ emissions per unit load for FY2006 decreased about 2.9% from FY2005,

**Main measures for reduction of CO₂ emissions on MOL vessels**

- Improving transport efficiency by launching larger vessels
- Continually taking measures to maintain and improve vessel performance (fuel efficiency, speed, etc.), based on the analysis of vessel operation data.
  - Examples: Maintain and control quality level of engines and auxiliary equipment, Ship bottom cleaning, sandblasting while in dry-dock
- Adjusting speed according to conditions, selecting optimum routes, and introducing support system.
- Evaluating/introducing energy-saving vessels and other energy conservation technologies.
  - Examples: PBCF, wind/water resistance reducing designed vessels, use of combustion improver,
Marine Transport and Acid Rain

Combustion of fossil fuels such as A oil and C oil used as vessel fuel generates nitrogen oxide (NOx) and sulphur oxide (SOx) as well as carbon dioxide (CO₂). Precipitation (rain and snow) in which NOx and SOx are dissolved in the drops is called acid rain. In September 1997, the MARPOL73/78 Treaty Annex VI (regulations for preventing air pollution from vessels) for NOx and SOx emissions from vessels was adopted at IMO, and took effect May 19, 2005. Right now, the IMO is considering reinforcement of the current regulations, and secondary regulations are likely to be introduced around 2011, with more expected around 2015.

Other issues regarding the use of low-sulphur fuel oil includes restrictions in Europe (Baltic Sea, North Sea) and in the U.S. California coastal area.

MOL's Approaches

Reduction of fuel oil consumption contributes to reduction of NOx and SOx emissions, as is the case with CO₂ and other exhaust gases. So MOL takes various countermeasures to reduce the consumption of fuel oil (please refer to page 25).

Measures to reduce NOx

In advance of the MARPOL73/78 Treaty Annex VI, MOL began using engines that conform to its standards for vessels launched after January 1, 2000. We are also working to optimize engine conditions such as adjustment of fuel oil injection timing, and developing an exhaust gas post-treatment system.

What's more, the containership MOL Creation, equipped with electronically controlled engines that more effectively reduce NOx and soot/smoke emissions, was launched in June 2007.

Measures to reduce SOx

Generally, C oil used as vessel fuel has a relatively higher sulphur content. Based on our own quality standards, we generally procure oil that has a sulphur content well below the regulated value of 4.5%.

Approaches to Soot/Smoke and Dust Purification

Diesel engine exhaust contains soot and dust such as diesel emitted particulate (DEP) and burned embers. The MOL Group works hard to procure high-quality fuels, and undertakes the following measures to reduce emissions.

The MOL Group ship management company MOL Ship Management Co., Ltd. jointly developed an exhaust gas purification system for power generator engines, using the catalytic effects of tree oil extracted from timber harvested during forest thinning operations. This technology, developed jointly with Hiroshima-based Juon Co., Ltd. relies on a purification system installed inside the exhaust pipe of the diesel engine. Tree oil, a bio-catalyst extracted from thinned timber using a method patented by Juon, is sprayed into the exhaust gas. The tree oil significantly increases the efficiency of the filter, allowing more particulate material to adhere to the filter. This greatly reduces emissions of soot and smoke. This system is installed aboard the PCTC Euphony Ace launched in November 2005.

In addition to protecting air quality, the system makes effective use of thinned timber – an environment-friendly approach that helps protect forests.
Installed Solar Power Generation System in Container Terminal

In January 2007, MOL and MOL Group company, International Container Terminal Co., Ltd. (TICT) installed a solar power generation system with an output capacity of 200kW at the Tokyo International Container Terminal. TICT operates the container terminal at No.3 and 4 berths of the Tokyo Bay Ohi Wharf. It is one of the largest private solar systems in Tokyo.

This solar power generation system was adopted as a joint study of the field test project for solar power and other technologies backed by the New Energy and Industrial Technology Development Organization (NEDO), which encourages public participation. NEDO paid half of the system installation cost.

Some 1,200 solar generation panels were installed on about 1,600m² of space. The panels are mounted on the roof of the gatehouse where trailers bring cargo in and out of the terminal, and on the roof of the container washing facility. About 185,000kWh are generated annually, providing some 20% of the electricity used in the Terminal Office.

MOL and TICT started examining this system in December 2005, and the three-month construction project began in November 2006. A grand opening ceremony was held on March 23, 2007, inviting officials from the Tokyo Port Terminal Corporation and the Tokyo Metropolitan Government Bureau of Ports and Harbors.

MOL Group positions this terminal as a model eco terminal, and continues to develop various environmental measures.

Reducing Environmental Burden Effects

- **Solar panel**: 1,200 solar panels installed on the gatehouse and container washing facility
- **Generating capacity**: 167W × 1,200 panels = 200,400W
- **Projected annual generation volume**: 185,000kWh
- **CO₂ reduction effect**: 126 tons-CO₂/year
- **Crude oil saving volume**: 45,000 liters/year

*Crude oil volume used for 1kWh generation: 0.243kWh/liter (Crude oil conversion factor is 2,250kcal/kWh, and crude oil heat release value is 9,250kcal/liter)
MOL takes thorough measures to prevent the reoccurrence of marine incidents and, as shown below, proactively continues its work to eliminate pollution of the ocean, which is not only our place of business, but also the shared heritage of everyone on Earth.

**Double-Hull Tankers**
MOL has the world’s largest tanker fleet, and is expanding its global activities as an expert in energy transport. In particular, operation of tankers that transport mass volumes of crude oil demands strict safety standards. The company works toward continuous improvement of safe operation technologies and provides emergency response training to land-based employees as well as seafarers. What’s more, MOL is taking a proactive approach to adopting double-hull vessels in its tanker fleet—a key to preventing spills of crude oil, petroleum products, and chemicals in case the outer hull is breached by a grounding or collision with another vessel. As of March 31, 2007, double-hull vessels accounted for 91% of our tanker fleet.

**Using TF Ship Bottom Paints**
Fuel efficiency declines when barnacles and marine plants attach to the bottom of a vessel and increase the hull’s resistance as it travels through the water. The traditional approach to this problem has been to coat ship bottoms with paint containing tributyl tin (TBT). But in the late 1980s, researchers recognized that TBT, as an environmental hormone, poses risks to human health, and the IMO launched an initiative to limit its use. At a conference in 2001, the IMO adopted a new treaty banning the use of TBT paints as of January, 2003, and requiring elimination of TBT paint from vessels or overlaying coatings to prevent TBT from leaching into seawater, effective January 2008. In Japan, marine-related industries teamed up to effect a complete ban on the use of TBT paint on newly constructed vessels and those being repaired in Japan, starting in 1990. MOL also changed to tin-free (TF) paint even on new vessels built overseas starting in 1999, and has pushed forward to repaint vessels dry-docked overseas with TF paint since FY2000. As a result, MOL completed the switch to TF paint on all its managed vessels in FY2005.

We have also conducted practical tests of a new silicon resin paint that is expected to offer long-term antifouling performance.

**Processing Waste Oil**
Vessel fuel oil contains many impurities. Water and other contaminants are extracted by pre-treatment before the oil is used in main engines, power generators, and boilers. Waste oil from this process is heated in a separate tank to remove water, and then incinerated in conformity with environmental regulations. Waste oil that has a high fuel content is used to fuel boilers. MOL continues to reduce incineration of waste oil through proper disposal and effective use.
■ Processing Bilge Water  
In the vessel engine room, bilge water (waste water containing oil) is generated by leakage from seawater pipes and equipment, and during maintenance work. MOL introduced a bilge source separation system that categorizes bilge water in three stages according to oil density, and collects and disposes of it properly.

■ Onboard Waste Disposal  
Since seafarers spend all their time on board a ship, they generate the same type of garbage as a household, plus various waste unique to ships, such as loading and packing materials. On our-operated vessels, we established onboard waste management plans that require collection, separation, storage, and disposal of onboard waste based on the MARPOL73/78 treaty*. Waste management officers supervise this process, and work to build thorough awareness of the need for proper waste disposal among officers and crew members. Food waste and other biodegradable trash is ground finely and disposed of in specified areas of the open sea, and plastic waste is disposed of appropriately on land.

■ Caring for the Environment When Scrapping Vessels  
Aging vessels must often be removed from service and scrapped in the interest of safe operation and protection of the marine environment. Currently, many scrapping projects are carried out in India, Bangladesh, and China. Selection of scrapping yards must be based not only on environmental aspects, but also working conditions.

MOL formulates guidelines and environmental evaluation sheets when selling a vessel for scrapping. We confirm that the scrapping yard has acquired ISO14001 certification or the equivalent, and evaluate scrapping methods and procedures to ensure the safety of personnel and the environment. And when delivering a vessel for scrapping, we always minimize the volume of fuel oil and ballast water on board, and provide prior notice of the location of any hazardous materials.

In addition, most scrapped vessel parts/components and steel plates are recycled for effective use. Our company sold two containerships for scrapping in FY2006, and these were scrapped at a yard that complies with the above standards.

* MARPOL73/78 treaty  
(International Convention for the Prevention of Pollution from Ships 1973 as modified by the protocol of 1978 relating thereto)  
The international treaty to prevent marine pollution is known as the MARPOL Treaty. The treaty sets technical standards, such as vessel structures and anti-pollution equipment, with the objective of preventing marine pollution. Japan ratified the treaty in 1983.
MOL supports research and development related to vessels, and proactively develops and adopts technologies that boost energy efficiency and increase safety and reliability.

■ Reducing Wind Resistance to Improve Energy Efficiency

The shape of conventional car carriers makes them more susceptible than other ships to wind resistance. This results in a phenomenon called “leeway,” in which the wind pushes the vessel from the side. Naturally, that reduces fuel efficiency. MOL teamed up with Universal Shipbuilding Corp. and Osaka University to develop a car carrier with a wind resistance reducing design. We launched this innovative pure car and truck carrier (PCTC), called the Courageous Ace, in March 2003. Reducing wind resistance with an aerodynamically rounded and beveled bow line and wind channels along the sides at the top of the garage deck allow the vessel to maintain a straighter course than conventional PCTCs. It captured the 2003 “Ship of the Year” award from the Society of Naval Architects of Japan (SNAJ).

The Utopia Ace, launched in July 2004, features a hyper-slim energy-saving design under the waterline, reducing resistance by 8% compared to a conventionally designed vessel. Additionally, the ventilation covers on the shipside decks feature aerodynamically rounded sides, to further cut wind resistance. This Utopia Ace received the Ship of the Year Award 2005 from Lloyd’s Register in the U.K. in February 2005.

This type of ship design was registered in 2004, but we considered the technology as high-level intellectual property and it was patented in Japan and South Korea in August 2006. We will offer licensing to other companies as this ship type will gain wide use.

■ PBCF Maximizes Engine Power

A ship’s propeller moves the vessel by changing rotational energy into propulsion energy. Since water is twisted when the prop rotates, a vortex always occurs behind the propeller. This results in energy loss in the propulsion of the vessel. The MOL-developed Propeller Boss Cap Fins (PBCF) system has the same number of fins as propeller, and is installed at the rear of the propeller hub. The PBCF can enhance propulsion efficiency by effectively breaking up the hub vortex. The result is a 4-5% improvement in fuel efficiency (which also reduces CO₂, NOx, and SOx emissions) at the same speed. What’s more, the PBCF is produced from the recycled propellers of scrapped vessels. Since development started in 1987, all types of vessels worldwide have been fitted with the PBCF. Orders for the PBCF system topped 1,000 in January 2006. Demand for the PBCF has continued to grow as energy saving becomes more critical.
Prevention of Oil Spills in Case of a Collision or Accident

Our company carefully plans the position of fuel tanks in the vessel structure to minimize the risk of spilling bunker oil into the ocean in case of a grounding or collision with another vessel.

Meanwhile, the 54th MEPC held in 2006 adopted a measure requiring double-hull fuel tanks on vessels built after August 1, 2007.

Containerships

A large-scale container ship generally stores nearly 10,000 tons of fuel oil in tanks at the bottom of the hull. On our containerships launched after 2003, the risk of an oil spill is reduced significantly by storing about 60% of the fuel in tanks built into the walls between cargo holds.

Car carriers

Car carriers normally have more than 10 decks to hold automobiles. Fuel tanks used to be placed under the lowest car deck, but on the car carriers MOL launched starting in 2004, the tank is placed where the lowest car deck would normally be, in effect creating a double hull.

Very large crude carriers (VLCCs)

All MOL double-hull VLCCs launched after May 2005 have double-hull fuel tanks as well.

Ballast Water

When a vessel sails without cargo, it must take on ballast water to adjust the draft and ensure that the propellers are at the proper position in the water. Seawater is pumped into dedicated tanks aboard ships to serve as ballast. The ballast water is then discharged when the vessel reaches the port where it takes on cargo. As a result, marine organisms can be transported among different regions, causing harm to the marine environment. This problem became an international environmental issue in the late 1980s.

The International Maritime Organization (IMO) sought to address the problem by adopting a new international treaty for the control and management of ships’ ballast water and sediments in February 2004. The regulation that limits density criteria for organisms will be issued in the near future, probably in 2009. This will require the installation of ballast water purification system on newly built vessels. The scope of installation will expand in succession, and the treated water that does not meet a certain criteria cannot be disposed of starting in 2016. Our company complies with the guidelines of the treaty and the regulations and recommendations of the nations where our vessels call, and currently exchanges ballast water in the open sea, a specified distance offshore. We work proactively to develop ways to render ballast water harmless, and cooperate in the adoption of ballast water purification system and onboard demonstrations, in cooperation with manufacturers, researchers, and other concerned parties. When we installed a prototype on the container ship MOL Express and tested it in October 2006, we confirmed that it meet the concentration criteria required by the treaty. Our company is examining various possibilities to minimize the environmental risks posed by ballast water.
## Achievement and Assessment of FY2006 Environmental Targets,

Our company sets forth the midterm (FY2007 – FY2009) environmental targets and FY2007 targets, based on the FY2006 achievement and assessment.

<table>
<thead>
<tr>
<th>Theme</th>
<th>FY2006 Environmental Target</th>
<th>Achievement</th>
<th>Self-Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thoroughness of safe operation</strong></td>
<td>Prevent serious marine incidents including oil spill.</td>
<td>4 serious incidents occurred.</td>
<td>Didn’t achieve. (Refer to page 6-7 for prevention of recurrence).</td>
</tr>
<tr>
<td><strong>Marine and global environmental protection</strong></td>
<td>Reduce CO₂, NOx, and SOx emissions per unit load from vessels.</td>
<td>CO₂/NOx emissions per unit load decreased by 2.9%, SOx emissions by 5.5%, compared to FY2005.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Continuously study adoption of low-sulfur fuel oil.</td>
<td>Met the Baltic Sea regulation (started in May). Implemented trial with containerships that call at North Sea (regulation starts in Aug. '07).</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Assess and enhance development of ballast water purification technology.</td>
<td>Ongoing development with Mitsubishi Heavy Industries Yokohama Research &amp; Technology Center and Fuji Filter MFG. Installed a system developed by The Japan Association of Marine Safety and Mitsui Engineering &amp; Shipbuilding on our containerships to prepare onboard test.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Accelerate replacement of single-hull VLCCs, because all 2 double-hull VLCCs launched during the term.</td>
<td>3 vessels (Kasagisan, Asian Progress IV, Kashimasan) launched.</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Procurement of environment-friendly products, materials, and vessels</strong></td>
<td>Launch 2 wind resistance reducing design car carriers.</td>
<td>2 vessels (Firmament Ace, Favorite Ace) launched.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Encourage installation of electronically controlled engines.</td>
<td>Plan to adopt on 5 MASHOONTEU vessels launching from FY2009 through FY2010.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Increase PROCP installation.</td>
<td>Explained benefits to shipowners and customers while operating groups study.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Follow-through demonstration test of silicon resin paint.</td>
<td>Follow-through test with MOL Pride. Held briefing session with manufacturer.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Remodeled emission gas purification system.</td>
<td>Exhaust gas purification systems using tree oil are installed on 5 PCTCs.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Launch 2 car carriers and 3 VLCCs with features for prevention of oil spill.</td>
<td>2 car carriers (Firmament Ace, Favorite Ace) and 3 VLCCs (Kasagisan, Asian Progress IV, Kashimasan) launched during 1st half.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Adopt technology to reduce use of cylinder oil.</td>
<td>Adopted on all newly-built vessels launched during the term.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Continuously study fuel additives.</td>
<td>In use on PCTCs.</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Energy-saving, resource conservation, recycling, waste reduction</strong></td>
<td>Study and adopt environment-friendly architectural design for Tokyo Head Office building renewal work.</td>
<td>Took a wide variety of energy-saving measures (lighting with occupancy sensors, use of LED lamps, sectional adjustment control on air conditioning, etc.), water-saving measures (water-saving toilets, faucet sensors, etc.).</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Thorough waste separation in Head Office, encouragement of recycling.</td>
<td>Recycling rate is same level as same period of FY 2005 (36%).</td>
<td>Painstaking waste separation/ collection to increase recycling rate.</td>
</tr>
<tr>
<td></td>
<td>Save electricity in Head Office.</td>
<td>1% decrease from same period of FY 2005.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Reduce paper use in Head Office.</td>
<td>9% increase from same period of FY 2005.</td>
<td>Not achieved (Painstaking measures to reduce paper use and introduce target control per employee).</td>
</tr>
<tr>
<td></td>
<td>Continuously accelerate green procurement of office supplies.</td>
<td>Green procurement rate was 81.5%.</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Internal/external environmental communication</strong></td>
<td>Proactive disclosure of environment-related information through environmental and social report and Web site.</td>
<td>Issued Environmental and Social Report 2006, and distributed 3,600 copies to outside groups (companies, professors, students, others). Issued the report online, too.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Deepen activities by partnership with Environmental NGO.</td>
<td>Continued programs such as Kids ISO, NPO Pole Pole Club, Uminono, and Kanagawa Coastal Environmental Foundation.</td>
<td>Achieved</td>
</tr>
<tr>
<td><strong>Enhancement of group environmental management</strong></td>
<td>Extend/deepen activities for environmental protection through the Group Environmental Target System.</td>
<td>New consolidated companies including 4 Utoc Group companies participated in FY2006. Total number of companies whose environmental targets included reduction of CO₂ emissions associated with business activities was 19 in FY2006, an increase of 8 companies from FY2005.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Encourage acquisition of external environmental management certification (Green Management, Eco Action 21, ISO14001, etc.).</td>
<td>4 companies including MOL Logistics (Japan) acquired ISO14001, 5 companies including Kansai Kisen acquired Green Management.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Enhance environmental measures at container terminals and logistics warehouses.</td>
<td>Solar power generation system (generation capacity: 200kW) at Tokyo International Container Terminal started operation. Checkup of energy-saving was conducted at MOL Osaka Nanko Physical Distribution Center.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Respond to revised Energy Saving Law and Law Concerning the Promotion of the Measures to Cope with Global Warming.</td>
<td>Efforts were made on formulation of a department exclusive for the environmental protection in group companies.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Cultivate environmental education/eco leaders in group companies.</td>
<td>MOPAS completed e-learning system for internal environmental education. This system is proposed for development in MOPAS in FY2007.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Introduce group environmental accounting system.</td>
<td>Focus on reinforcing non-consolidated environmental accounting in the immediate future.</td>
<td>Not achieved</td>
</tr>
<tr>
<td></td>
<td>Develop group environmental compliance system.</td>
<td>Could not check compliance status due to lack of personnel in Secretariat Office.</td>
<td>Not achieved</td>
</tr>
<tr>
<td></td>
<td>Enhance response to Modal Shift.</td>
<td>Further enhanced the Modal Shift as a program implemented jointly by Meimon Togo Ferry and Hukyuwa Transport Co., Ltd was adopted for FY2006 by the Green Logistics Partnership Committee.</td>
<td>Achieved</td>
</tr>
<tr>
<td></td>
<td>Support environment-related business, offer information.</td>
<td>Introduced environment-related businesses of group companies in the Environmental and Social Report 2006.</td>
<td>Achieved</td>
</tr>
</tbody>
</table>
The most basic and critical environmental target “thoroughness of safe operation” could not be achieved for FY2006 due to the occurrence of four serious incidents. Exhaust gas from vessels (CO₂/NOx/SOx) per unit load decreased by 2.9%, 2.9%, and 5.5% respectively from the previous year, so the company achieved this target.

Our company also set forth midterm environmental targets from FY2007 through FY2009, associated with the new Group midterm management plan MOL ADVANCE. We set the target for FY2010 to reduce 10% of CO₂/NOx/SOx emissions from vessels per unit load compared to FY2005. To achieve this target, it is important not only to further increase transport efficiency by larger size of vessels, but also to reduce absolute value of emissions from vessels. To achieve the target, our company continues its efforts to develop and adopt energy-saving vessel technologies.

<table>
<thead>
<tr>
<th>Environmental Policies</th>
<th>FY2007-FY2009 Midterm Environmental Targets</th>
<th>FY2007 Environmental Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thoroughness of safe operation</td>
<td>Prevent marine incidents associated with marine pollution due to oil spills.</td>
<td>Prevent marine incidents associated with marine pollution due to oil spills.</td>
</tr>
<tr>
<td>Marine and global environmental protection</td>
<td>Reduce 10% of CO₂/NOx/SOx emissions from vessels per unit load in FY2010 from FY2006.</td>
<td>Reduce 2% of CO₂/NOx/SOx emissions from vessels per unit load in FY2007 from FY2005.</td>
</tr>
<tr>
<td>Proactive disclosure of environment-related information</td>
<td>Proactively disclose environment-related information through Environmental and Social Report and Web site.</td>
<td>Publish the Environmental and Social Report 2007 (proactively communicate measures to prevent recurrence of marine incidents to stakeholders).</td>
</tr>
<tr>
<td>Procurement of environment-friendly products, materials, and vessels</td>
<td>Increase PBCF adoption rate on our operated vessels.</td>
<td>Increase PBCF adoption on our operated vessels.</td>
</tr>
<tr>
<td>Procurement of environment-friendly products, materials, and vessels</td>
<td>Cooperate on the development of an effective ballast water treatment technology.</td>
<td>Cooperate on the development of an effective ballast water treatment technology.</td>
</tr>
<tr>
<td>Development and introduction of environmental technologies</td>
<td>Proactively research, develop, and adopt exhaust gas purification system and emulsion fuels, etc.</td>
<td>Study expansion of R&amp;D staff.</td>
</tr>
<tr>
<td>Development and introduction of environmental technologies</td>
<td>Organize R&amp;D structure (recruiting full-time researchers or organizing an exclusive department, utilizing the research institute, tie-ups with external institutions, etc.).</td>
<td>Study expansion of facilities and equipment/machinery, associated with relocation of the Technology Research Center.</td>
</tr>
<tr>
<td>Energy-saving, resource conservation, recycling, waste reduction</td>
<td>Reduce use of electricity by 3% (per employee) in Head Office from FY2006.</td>
<td>Reduce use of electricity by 1% (per employee) in Head Office from FY2006.</td>
</tr>
<tr>
<td>Energy-saving, resource conservation, recycling, waste reduction</td>
<td>Reduce use of office paper by 3% (per employee) in Head Office from FY2006.</td>
<td>Reduce use of office paper by 1% (per employee) in Head Office from FY2006.</td>
</tr>
<tr>
<td>Participation and support of activities for environmental protection</td>
<td>Proactively disclose environment-related information through Environmental and Social Report and Web site.</td>
<td>Continue current activities (Kids ISO, Beach Cleanup, NPO Pole Pole Club, oil-spill volunteer leader training, etc.), and study new activities.</td>
</tr>
<tr>
<td>Enhancement of group environmental management</td>
<td>Promote environmental activities at domestic group companies and overseas subsidiaries.</td>
<td>Environmental education at group companies.</td>
</tr>
<tr>
<td>Enhancement of group environmental management</td>
<td>Approaches to group environmental business.</td>
<td>Approaches to group environmental business.</td>
</tr>
</tbody>
</table>
The MOL Group makes serious efforts to continually reduce its environmental burden, through MOL EMS21 and the Group Environmental Target System, in line with the MOL Group Corporate Principles and MOL Group Environmental Policy Statements.

**Approaches to Modal Shift**
The MOL Group responds proactively to the Modal Shift and the needs of cargo owner companies by offering Japan’s most extensive ferry and domestic transport services, and contributes to reduce CO₂ emissions in the logistics industrial category of Japan as shown below:

- MOL Ferry Co., Ltd. received the “Sixth Logistics Environmental Grand Prize” sponsored by the Japan Federation of Freight Industries, for the Tokyo-Hakata liner route jointly operated with Nippon Express. The award honors the companies’ high achievement of a contradictory target – improving cargo space capacity and shortening transit time with larger and advanced vessels, while improving fuel efficiency.
- Meimon Taiyo Ferry Co., Ltd. changed the Kansai-northern Kyushu trucking service for small-lot consolidated cargo to ocean transport utilizing Meimon’s Osaka-Shinmoji ferry route in cooperation with Fukuyama Transporting, Co., Ltd.

**Efforts to Reduce the Environmental Impact of Cruise Ships**
Mitsui O.S.K. Passenger Line (MOPAS) operates the cruise ship *Nippon Maru*, which acquired ISO14001 certification for its cruise services. In addition to reduction of the environmental burden associated with ship operation, a major challenge for the *Nippon Maru* is to reduce the environmental burden peculiar to cruise ships. The company focuses its efforts to reduce the environmental burden by various approaches, while obtaining the support and understanding of passengers.

China and glass cups are used in the free drink zone in the dining room to reduce the use of paper and
plastic cups. The ship also limits the use of disposable meal boxes as much as possible and uses reusable meal boxes or those made of recycled paper, in an effort to promote environment-friendly products.

MOPAS also asks passengers onboard to cooperate in reducing the ship’s environmental burden, related to services in guest rooms, through TV and newspapers. Recently, they have accepted our requests more smoothly than ever before.

- **Promoting Beverage Can Recycling to Create a Recyclable Society**

  **Kusakabe Maritime Engineering Co., Ltd.**

  Kusakabe Maritime Engineering’s main business is marine construction, but it moved in another direction—toward creating a recyclable society—by establishing the “Try-R-Kobe” can recycling plant in May 2004.

  Compressed blocks of steel and aluminum beverage cans, collected by community, corporate, and private recycling programs are broken down into pieces and heated in a rotary kiln that uses new technologies to eliminate paints and coatings on can surfaces, and annealed. Then, high-quality steel pellets and aluminum pellets are collected through granulators and magnetic separators.

  All these pellets are high-quality products. Steel pellets are used as refrigerant for steelmaking and materials for cast metal, and aluminum pellets are used as a deoxidizing agent for steelmaking and as materials of secondary aluminum alloy.

  Clean-burning city gas is used to fire the plant, so CO₂ emissions are reduced by about 60%, compared to the conventional type plant using heavy fuel oil, and combustible gas collected in the kiln is further circulated in complete combustion. Thus the plant has a minimal environmental burden, and meets the needs of today’s environment-friendly society.

- **Green Management Certification**

  The MOL Group has taken the initiative in acquiring Green Management Certification, founded by the EcoMo Foundation to set environmental management standards for transportation companies. Up to now, the Group companies in the chart at right have acquired the certification (as of July 2007).

- **Contributing to the Environment through Sale of Environmental Products**

  **Mitsui O.S.K. Techno-Trade, Ltd.** [http://www.motech.co.jp/](http://www.motech.co.jp/)

  MOL Group technology trading company Mitsui O.S.K. Techno-Trade (MOTECH) is active in a broad range of businesses, especially vessel related activities as their main business. MOTECH promotes the sale and adoption of PBCFs (Please refer to page 30 for details) and supplies vessel equipment and components, materials, fuels, and lubricants. Other activities include installation and maintenance of industrial equipment, real estate sales, and sales of gardening and environment-related materials.

  MOTECH proactively and independently contributes to environmental activities through the sale of environment-related products. It approaches environmental protection as its top priority, in office activities and bunkering operations in Japan and overseas. To enhance its environmental organization, the company established an internal environmental management system, which received certification under Eco Action 21 (EA21), the environmental standards formulated by Japan’s Ministry of the Environment. It is the first MOL Group company to acquire EA21 certification.

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**MOL Group Companies with Green Management Certification**

<table>
<thead>
<tr>
<th>Company name</th>
<th>Acquired month</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Container Transport Co., Ltd.</td>
<td>October 2005</td>
</tr>
<tr>
<td>The Diamond Ferry Co., Ltd.</td>
<td>November 2005</td>
</tr>
<tr>
<td>Meimon Taiyo Ferry Co., Ltd.</td>
<td>December 2005</td>
</tr>
<tr>
<td>Diamond Line K.K.</td>
<td>February 2006</td>
</tr>
<tr>
<td>Green Kaiji Kaisha Ltd.</td>
<td>March 2006</td>
</tr>
<tr>
<td>Kansai Kisen Kaisha</td>
<td>May 2006</td>
</tr>
<tr>
<td>Nihon Tugboat Co., Ltd.</td>
<td>August 2006</td>
</tr>
<tr>
<td>Japan Express Packing &amp; Transport Co., Ltd.</td>
<td>November 2006</td>
</tr>
<tr>
<td>Utoc Trucking Services Corporation</td>
<td>February 2007</td>
</tr>
<tr>
<td>Kobe Towing Co., Ltd.</td>
<td>March 2007</td>
</tr>
<tr>
<td>International Container Terminal Co., Ltd.</td>
<td>June 2007</td>
</tr>
<tr>
<td>Green Shipping, Ltd.</td>
<td>July 2007</td>
</tr>
</tbody>
</table>
Building Better Relationships with Shareholders and Investors

In order to obtain the understanding of shareholders and investors, MOL works to execute transparent management by disclosing information on a timely basis, appropriately, fairly, with the president taking an initiative and responsibility for investor relations (IR). Our company believes that returning profits directly to shareholders through dividend payments is a key management policy. MOL will pay dividends based on a payout ratio of 20% as our criterion, and will address the need to increase the ratio under our mid- and long-term management policies.

Communication with Shareholders and Investors
MOL emphasizes the following points when communicating with shareholders and investors.

1. Explain business climates and strategies from mid- and long-term viewpoints, based on the midterm management plan
2. Disclose information by proactively answering questions that shareholders frequently ask and explaining tasks our company should undertake
3. Offer various data in easy-to-understand formats and explain it to shareholders, to deepen their understanding of the ocean shipping business

For example, our annual reports of recent years explain the expanding demand for ocean shipping and details of our midterm management plan based on that factor. In addition, by explaining our measures for such risk factors as market changes and rises in costs, we do our best to clarify the effectiveness of our corporate strategies and how they will result in sustainable growth. Then, our Investor Guidebook not only offers financial data, but also explains ocean shipping market trends, the position of the company, and the company’s strategies, in a simplified manner, using charts and figures. What’s more, our company strives to issue the latest information, by issuing monthly Shipping Market Information that explains the markets of every ship type and by posting our quarterly financial results on the MOL Web site.

Communication Opportunities
Our company holds our Annual General Meeting of Shareholders on a different date from most companies in Japan, which enables more shareholders to attend and participate.

We also hold small meetings in addition to briefing sessions to explain quarterly results to institutional investors. In order to ensure fair disclosure at home and abroad, we post financial information on our Web site in both Japanese and English when releasing quarterly financial results (Japanese-language only) on the Tokyo Stock Exchange TD-Net.

We strive to offer easy-to-understand information by regularly making presentations in briefings for individual investors and providing online information and updates via mobile phone.

Evaluations from Outside the Company

Adoption to SRI indices
The company has been included in the major social responsibility investment (SRI) indices and strives to disclose information on this aspect. We continued to be selected for inclusion in the Dow Jones Sustainability World Index (DJSI World) in September 2006 and FTSE4Good Global Index in April 2007.
Caring for Land-Based Employees

The MOL Group recognizes that employees are the real power behind any business. We go to great lengths to develop world-class shipping personnel through unique training and education programs.

Basic Policies on Employment and Education
MOL is determined to push forward to become an “excellent and resilient group that leads the world shipping industry.” Its driving force is employees, in other words, “human resources.” We demand four requirements and skills to accomplish these requirements, namely: leadership to govern the entire Group of over 300 companies around the world; communication skills to ensure smooth cooperation with business partners, customers, and other concerned parties in Japan and overseas; initiative to compete and win in today’s global market; and toughness to go forward to achieve our targets.

Human Resources Development Programs
A career-track (non-clerical) employee’s first 10 years in the company is considered a cultivation period. During this time, employees are rotated into different jobs, usually around three, to experience various workplaces and business activities. Along with on-the-job training (OJT), MOL provides other training systems, such as position-specific group training, overseas training, language instruction, onboard training that only a shipping company can offer, and outside training such as coaching programs. Furthermore, the company offers correspondence courses for personal development.

New Employee Training
MOL hires about 20 land-based employees every year. During new employee training, which lasts a month and a half, the company focuses on on-site operation and plans a unique menu including field trips to branches at ports, vessels, and shipyards.

Training Programs

<table>
<thead>
<tr>
<th>Common</th>
<th>Outside training</th>
<th>Correspondence courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position-specific training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training by theme</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboard training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Concept of Employees’ Basic Capabilities

<table>
<thead>
<tr>
<th>Communication skills</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dialogue skills</td>
<td>Ability to take action</td>
</tr>
<tr>
<td>Adaptation to different cultures</td>
<td>Unifying force</td>
</tr>
<tr>
<td>Open-mindedness</td>
<td>Leadership ability</td>
</tr>
</tbody>
</table>

Fundamental skills

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Flexibility</th>
<th>Vitality</th>
<th>Endurance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Open mindedness</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Leadership ability

| Ability to take action | Unifying force | Leadership ability |

Innovative mind

| Open to new challenges | Breakthrough ability |

MOL Kakio Institute
■ Developing Global Businesspeople (Intensive English-Language Program, Short-term Overseas Study, Practical Overseas Training, and Language Courses)
MOL provides English-language intensive programs, a half year after employees join the company, to increase language skill and develop the capability to communicate globally, which is indispensable for the worldwide ocean shipping business, and improve communication skills with non-Japanese. Our company also helps cover some of the tuition for employees who want to learn languages other than English through correspondence courses. In addition, the company arranges various opportunities such as practical overseas training (North America, Europe, and Asia), short-term overseas academic study, and language courses, to foster global viewpoints early in employees’ careers.

■ Learning about Vessels and Ports (Onboard Training)
MOL’s business takes place aboard vessels, so learning about vessels is indispensable for ocean shipping professionals. Onboard training is provided for about 15 employees a year, who experience a vessel voyage lasting from several days to a month. The goal is to promote understanding of safe operation, and the marine environment and build mutual understanding and cooperation with seafarers.

■ CSR-Related Education (Compliance, Human Rights, Environmental Education, etc.)
The company offers compliance training covering issues such as antimonopoly laws and prevention of insider trading, human rights training, and environmental training using e-learning.

Number of Environmental Education Trainees

<table>
<thead>
<tr>
<th>Types of training</th>
<th>FY2004</th>
<th>FY2005</th>
<th>FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>New employee training</td>
<td>18</td>
<td>32</td>
<td>24</td>
</tr>
<tr>
<td>Senior assistant training</td>
<td>33</td>
<td>34</td>
<td>47</td>
</tr>
<tr>
<td>Assistant manager training</td>
<td>41</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>Manager training</td>
<td>26</td>
<td>33</td>
<td>43</td>
</tr>
<tr>
<td>Group leader training</td>
<td>0</td>
<td>25</td>
<td>28</td>
</tr>
</tbody>
</table>

* Including 16 career employees

■ Creating an Energetic Company
One unique characteristic of MOL is that employees actively and seriously debate issues without regard to rank, at various places such as section, group, and division meetings, “Can-Do” meetings with the President (Please refer to page 44 for details), and cross-sectional brainstorming sessions. This openness is part of our corporate culture, and employees refer to each other as “Mr.,” “Ms.,” and so on, rather than using position titles.

■ Personnel System and Evaluation System
MOL realizes that it is important to motivate and energize employees, who are the company’s most important management resource. In FY2006, the company completed the adoption of a merit salary system, which properly reflects results and responsibilities, even for business assistant class (clerical) employees. Establishment of a “fair and transparent evaluation system” is critical for such a personnel system. Managers and their subordinates set annual targets at the beginning of each fiscal year and have quarterly evaluations and interviews. Through these evaluation systems, the company tries to evaluate employees fairly. And the company offers training in evaluation and coaching to those at and above manager level.
Developing the Next Generation of Top Executives in Our Management School

MOL offers group training programs by noted outside instructors and joint studies such as management analysis of Group companies and proposal of strategies at the Management School, to foster the next-generation of top executives for Group companies. Our Group companies’ employees also participate in this school, aiming to enhance Group management and human exchanges. We also offer the MOL Group Executive Seminar, which targets current top executives of Group companies.

Ensuring Employees’ Health and Protecting the Work Environment

Each employee works in a well-developed work environment, in a physically and mentally healthy condition – this is the foundation of the MOL workplace. To maintain such a working environment, MOL established the following systems:

- Yearly medical check-ups
- Medical services in the company clinic located in the head office
- Mental health consultation service
- Physical exams for employees and spouses 35 and older through the MOL Health Insurance Society
- Medical exams before and after overseas postings
- Yearly medical check-ups for employees working overseas
- Counseling and Aid Center in the Human Resources Division
- Casual Day (every Friday, casual everyday between June and September)

Supporting Systems for Women Employees and Family Life

As more and more women advance in the workforce, individual value and lifestyle diversify. MOL takes the initiative in such changes in the social environment, and continues to introduce and examine various systems as we plan to develop the next generation of employees.

| Maternity and child-care leave | introduced five (5)-day leave for maternity and one-hour flex time in daily work schedules. Employees can take eight weeks of leave before and after childbirth (all salary is paid six weeks before and after the birth). Child-care leave system pending acceptance at day care is available (without pay). About 51 employees have used these systems since 1993, and these have become established with almost 100% use. |
| "Refresh" leave | After 15 years of service, employees receive “refresh” leave of five days off plus incentive pay, and 10 days off plus incentive pay after 25 years of service. |

Status of career women at MOL (as of March 31, 2007)

<table>
<thead>
<tr>
<th>Number of woman employees</th>
<th>Highest position of woman employees</th>
<th>System to transfer to career employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career employees: 53, clerical workers: 145</td>
<td>Group Leader (the position following general managers of divisions, offices, and branches)</td>
<td>Clinical workers can transfer to career employment if they satisfy certain conditions and pass an exam.</td>
</tr>
</tbody>
</table>

Meeting the Needs of Expatriate Staff and Other Locally Hired Employees

A total of 168 expatriates work overseas, as of March 31, 2007. The company supports various aspects of their lives such as medical care, children’s education, and safety of the nation where they work. The company hired about 3,000 national staff all over the world, contributing to promote the growth of local economies.

Relationships with Labor Unions

Land-based 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 the company management.
Caring for Seagoing Employees

MOL’s seagoing employees are critical to its ocean-going shipping business. They play a key role in maintaining vessels’ safe operation and managing vessel operation, which are the basis of our company business.

Communication with Vessels to Ensure Safe Operation

The Marine Safety Division distributes the monthly safety magazine Gentle Breeze to concerned parties including captains and crews of our operated vessels, personnel in charge of these vessels, ship management companies, and shipowners. This is part of our efforts to share information among concerned parties and promote safe operation. We have taken various measures to reinforce operational safety management to prevent the recurrence of serious marine incidents we experienced in 2006. These include onboard support and the introduction of the Safety Operation Supporting Center. It takes different approaches to foster a Safety Culture. For example, the Marine Safety Division has done statistical analysis of incidents occurring on our operated vessels. While improving these review methods, we are sharing the results and findings with our operated vessels, helping to reduce the risk of problems and promote safety as a core value. Gentle Breeze plays a vital part in building communication between vessels at sea and the Marine Safety Division, which conducts operational safety management and support activities.

Health Hazards of Asbestos

MOL implemented a survey of health hazards of asbestos in July 2005. The company contacted about 4,000 former seagoing employees and notified them of medical exams available at company expense. As a result, five cases were registered on workers’ accident compensation insurance as of May 2007. The company continues to fully respond to the asbestos issue by providing advice on application procedures for insurance and issue of necessary documentation.

Caring for Seagoing Employees

Basic policies for employment

Since a national license is required to work as a seagoing employee, acquisition of seamen’s competency certification is an essential condition of employment. MOL’s policy is to hire about 20 seagoing employees every year — generally half deck officers and half engine officers. The company now has female deck officers, employed for the second straight year in FY2006. Operational range and activities of seagoing employees have expanded every year, requiring more expertise. They can gain expert knowledge through specialized training after joining the company and during onboard services, so the company considers motivation, enthusiasm, and flexibility in hiring decisions.

Roles of MOL seagoing employees

Many of MOL’s seagoing employees advance to positions in business support operations such as handling safety measures and coordinating vessels, port/harbor and business divisions, as well as land-based vessel and seafarer management. For the first 10 years of their careers, they concentrate on serving aboard ships and acquire extensive competence as future captains and chief engineers. Then, based on that experience, they are posted to land-based positions where they can utilize their accumulated know-how while they follow their own career paths by serving aboard various types of vessels. Thus, they are required to serve as all-round maritime experts to lead the MOL Group.

Occupational safety and health

The Onboard Management Committee and Onboard Safety and Health Committee were founded to serve seagoing workers. They strive to improve working conditions through onboard duty plans. The committees implement thorough safety checks of onboard equipment/machinery and working environment, and oversee health management and education for onboard operations. Qualified onboard health officers take responsibility for monitoring seafarers’ physical and mental health. The company ensures that employees receive adequate leave and maintain their health through implementation of dedicated checkups.

Caring for families at home

It is vital to care for seagoing employees and their families, who must spend considerable time apart. MOL established the consulting office for seagoing employees and their families in the Human Resources Division and organizes regional gatherings for employees and families (organized by a service club for seagoing employees, Kaisho-Kai) for both informational and social purposes.

Crew duties

Deck Department: Responsible for vessel navigation, safe cargo transport, loading/discharging operation, and hull maintenance. For safe operation, three teams of an officer and an able seaman, take deck watch (navigation and lookout) around the clock with six four-hour shifts while the vessel is under way.

Engine Department: In charge of maintenance and operation of vessel equipment and machinery including the engine. They are responsible for keeping vessel running in the best condition. The day
Thoughts on Serving Aboard an MOL Vessel

I was on my second voyage before I could say the steering order “Port five degrees!” without my heart beating fast. And I could laugh deeply starting around that time. I was aboard a vessel for training for about four and a half months starting in February 2007. It was my first professional assignment at sea, and basically my first experience. I was acutely aware of my inadequacy. I performed my duties by learning from the veterans. Through a succession of precious experiences, I gained a sense of the gravity of my responsibilities. The safety of the ship really depends on us doing our jobs.

I heard the captain say, “Judge logically, rationally when you are going to do something.” This holds true on shore as well as at sea, and I keep his words in mind, never forgetting the basics. I want to upgrade my skills as an officer, and communicate the importance of our job to many people. As a professional, I want to be able to proudly say, “I move the world.”

Katsuhisa Hirano
Third Officer

Society

in the engine room starts with working plan meeting early in the morning, and continues in principle from 9:00 a.m. to 5:00 p.m. But a rotating engineer is on call in case of engine trouble during the night, when it is in M zero (unattended) operation.

General Affairs Department: Takes responsibility for preparing meals for the seafarers, cleaning on board, and health and sanitation. Their working hours are from early morning to the night because they must prepare breakfast, lunch, and dinner. But they take their meals and breaks during slow times.

Organization of Vessel (an example in case of 23 crew members on board)

<table>
<thead>
<tr>
<th>Captain</th>
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<tr>
<td>Deck Department</td>
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<tr>
<td>Chief officer (1)</td>
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<tr>
<td>Second officer (1)</td>
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<tr>
<td>Third officer (1)</td>
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<tr>
<td>Deck crew (6)</td>
</tr>
<tr>
<td>Engine Department</td>
</tr>
<tr>
<td>Chief engineer (1)</td>
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<tr>
<td>First engineer (1)</td>
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<tr>
<td>Third engineer (1)</td>
</tr>
<tr>
<td>Second engineer (1)</td>
</tr>
<tr>
<td>Engine crew (6)</td>
</tr>
<tr>
<td>General Affairs Department</td>
</tr>
<tr>
<td>Crew (3)</td>
</tr>
</tbody>
</table>

Seafarer Education and Training

Needless to say, seafarers’ skills and experiences are vital to safe operation. MOL’s seafarers come from more than 20 nations, and serve aboard some 300 vessels. MOL has already opened crew training centers in seven nations. We of course, strictly enforce quality management, in which safe operation is a main pillar, but also seek to further develop education and training for a growing number of seafarers in our crew training centers all over the world, in step with our growing fleet and expanding business. Our company sets strict technical requirements of our own for onboard positions, in addition to the competency standards set by international treaties. What’s more, we started operation of our training vessel, the Spirit of MOL, to provide practical, hands-on instruction for cadets. New mariners of many nationalities train aboard the Spirit of MOL, gaining a strong identity as MOL Group seafarers, and building on our heritage of safe, reliable operation.

MOL Seafarers by Nationality

- Philippines
- India
- Europe
- Japan
- Indonesia
- Russia
- Others

41
The MOL Group contributes to society by transporting various commodities that support people’s lives and enhance economic growth around the world. We proactively promote social contribution activities based on our basic policies. For example, we work to help areas stricken by disaster in various ways. Utilizing our service networks linking the world, we collect and transport aid supplies from groups and individuals all over the world.

**Social Contribution Activities**

**Basic Policies**
- Transport of aid supplies
- Marine and global environmental protection
- International cooperation and maritime education
- Others (monetary contributions, etc.)

**Aid Supply Transport and Monetary Donation**

**Support for victims of the 2006 Central Java Indonesia earthquake**
- Donated to the local aid center by MOL and its overseas subsidiary.

**Support for the United Nations High Commissioner for Refugees (UNHCR)**
- Monetary donation (¥2.5 million) for purchase of aid supplies such as tents to the UNHCR through its Japan office, and grant-in-aid transport of five containers of relief supplies between Shenzhen (China) and Dubai (U.A.E.)

**Others**
- Cooperation with the Together with Africa and Asia Association (TAAA) to transport a mobile library bus to South Africa.
- Cooperation in collecting donations for the Japan Red Cross and UNICEF.

**Environmental Protection Activities**

MOL also focuses on social contribution and environmental activities at sea, where we do business.

**Cooperation in marine research projects**

Surface water temperature observation research by expendable bathythermograph (XBT) aims to clarify the interaction between the ocean and atmosphere, the role of the ocean in climate changes, and the ocean’s overall circulation. This research is conducted at sea aboard the MOL VLCC Kaminesan.

**Beach cleanup**

MOL started this campaign in 2000, and 2007 marked its eighth year. We conducted this cleanup campaign at the beaches at Kugenuma beach in Fujisawa and Odaiba Seaside Park in Tokyo, with 66 employees volunteering their time and effort.

**Volunteer leader training for oil spill response**

Since 2004, MOL has encouraged employee participation in this lecture co-sponsored by the Umimori volunteer information center and The Nippon Foundation, with cooperation from the Maritime Disaster Prevention Center. The sessions aim at developing volunteer leaders who have a basic knowledge of oil spill response, helping our employees build an even stronger awareness of the need for safe operation.

**Continually co-sponsoring Kids ISO program**

MOL continues to co-sponsor an environmental education program for pupils in elementary and junior high schools.

**Cooperation in afforestation activity in Tanzania**

MOL donated used stamps and telephone cards that paid for about 2,900 seedlings that were planted by the NPO Tanzania Pole Pole Club. The club promotes afforestation activities in that nation.

**International Cooperation and Maritime Education**

**2nd MOL Kids Cruise**

Our company hosted the second MOL Kids Cruise on the cruise ship Nippon Maru this year. This provides an opportunity for children, who represent the future of Japan as a seafaring nation, to build their interest in ships and the sea. During this Kids Cruise, our employee volunteers welcomed fourth to sixth grade pupils and their parents, presenting volunteers’ own original programs. A total of 306 guests – 153 pupil-parent pairs – participated in the program. The children enjoyed a range of educational...
activities, including lectures by Japanese illustrator Ryohei Yanagihara, who lives in Yokohama, and the first captain of Nippon Maru Keiichi Sawayama. MOL will continue to communicate the world of ocean shipping and the importance of marine and environmental protection through this program.

Others
- Supported seafarer education and training in the Philippines and other countries
- Opened MOL Class at Dalian Maritime University (China), Vietnam Maritime University (Vietnam), and other institutions.
- Participated in Junior Achievement, supporting vocational education for pupils in elementary, junior high, and high schools.
- Participated in People’s Hope Japan, which focuses on improving health and medical care in developing countries.
- Helped support the UN WFP, the Japan office of the United Nations World Food Programme (WFP).
- Dispatched instructors to other organizations.

MOL Group Companies’ Social Contribution Activities

Mitsui O.S.K. Passenger Line, Ltd.
- Opened the Nippon Maru gallery to display the work of young artists.
- Hosted visits to the ship by local citizens.
- Participated in cruise culture lectures.
- Offered information and reference materials to museums.

MOL Ferry Co., Ltd.
- Became a member and supported the Shiretoko Nature Foundation that addresses environmental issues in Shiretoko.

International Container Terminal Co., Ltd.
- Conducted container terminal tours for pupils in elementary and junior high schools and adults.

MOL Logistics (Japan) Co., Ltd.
- Cooperated on a project to send hand-knitted sweaters to children in the former Yugoslavia. This effort is sponsored by the Smile-Heart Club, the Mitsui Sumitomo Insurance volunteer organization.

MOL (China) Co., Ltd.
- Donated used calendar paper which can be used for Braille publications, to a school for the blind.

MOL (America) Inc.
- Cooperated with Nonprofit Organization (NPO) to transport wheelchairs to developing countries.

MOL (Asia) Ltd.
- Continually conduct blood drives in the office in cooperation with the Hong Kong Red Cross.
Communication

The MOL Group is open about its business activities and CSR efforts, and promotes two-way communication with stakeholders, listening closely to their opinions.

Communication in MOL and MOL Group

In person, in print, and online

MOL holds periodic liaison meetings and councils at various levels, so everyone is able to grasp our organization’s vision, information, and consciousness. These include Group Management Meetings for executives and presidents of major Group companies and Executive Officers’ Liaison Meetings, By-level Liaison Meetings such as General Managers’ Meetings, Can-Do Meetings, Fresh Can-Do Meetings, and “Understanding the Quarterly Financial Results and Prospects Meetings” for assistant managers and young employees, which are held in parallel with official announcements to the public.

Communications through in-house magazines and Intranet bulletin boards

Our company promotes internal and group-wide information sharing and information exchange through the following in-house magazines (Japanese and English).

- Unabara – monthly internal magazine for all employees, also distributed to Group companies
- Kaishokaiho – Monthly magazine for seagoing employees
- Open Sea – English Web site published quarterly for overseas Group company employees
- Open Sea (digest) – English-language magazine for non-Japanese seafarers on MOL ships
- Other portal sites, bulletin boards (“CSR” and “The Environment,” etc.) and online magazines such as the monthly The Environment and Gentle Breeze, etc.

External communication

- The MOL Web site (Japanese and English, http://www.mol.co.jp)
- Corporate Profile
- Annual Report (published in July of each year in Japanese and English)
- Environmental and Social Report (Published in August of each year in Japanese and English)
- Quarterly Ethica
- Kaisha no Arukikata (MOL – A Guide to the Company) (edited/published by Diamond Inc.)

External evaluations (FY2006)

- Continuing selection for the Dow Jones Sustainability Indexes (DJSI), FTSE4Good Global Index, Morning Star Index of Socially Responsible Investments
- Received the 7th Logistics Environmental Special Award, hosted by Japan Logistics Group Association

Logo mark

MOL introduced a new group logo mark on April 1, 2007. The new logo mark uses deep blue which symbolizes the ocean, with a motif of three characters “M (em),” “O (oh),”, and “L (el),” which have represented the company for a long time.

Under the new symbol, the company continues to build its group-wide strength and develop its global business, as a top ocean shipping company group that strives for sustainable growth.
MOL had four major marine incidents last year. The deaths of crew members, the impact on local residents, damaged cargo, and bunker and crude oil spills (though this ultimately did not affect the coastal ecosystem) affected many stakeholders. Though the direct causes of the incidents differ, the company responded with a general back-to-basics initiative on safe operation. Countermeasures to prevent recurrence and these executions were announced through the media and are even included in this report. But these measures should undergo continuing examination.

In particular, I want to call attention to the opening of the Safety Operation Supporting Center. Until now, MOL took measures for safe operation on a vessel-by-vessel basis, but this system will centralize information and support vessel operation by providing information to the concerned parties. Of course, an incident may occur even if the most advanced technologies are utilized. Did MOL believe that such major incidents would never happen because the company had an outstanding safety record? Safety is not an issue just for crew members — all employees on land and at sea must grasp this issue and raise their awareness of the need for safe operation. The company must also look at risk assessment after an incident. In particular, it is important to disclose incident-related information quickly. Companies are naturally reluctant to disclose negative information, but incidents in various industries underscore the need for transparency. In view of this, MOL has worked to disclose information on a timely basis in these recent incidents. Incident information, countermeasures, information on spilled bunker and crude oil were always announced by press releases, and details were disclosed on MOL’s Web site, too.

By the way, I wrote the third-party opinion for this report three years ago, too. That was the first year of the midterm management plan from FY2004 to FY2006, and the year the CSR and Environment Committee and the CSR and Environment Office were organized. In the meantime, the company started discussions on company-wide approaches from the viewpoint of CSR, and have written it up in the report. I think MOL’s CSR will move to a new level of importance from now on. In that regard, MOL needs to look back at how much understandings of CSR is spread from top management to front-line employees. In addition to the circulation of the CSR Handbook to all employees, it is also important to implement CSR training, further examine current subjects related to CSR at various meetings, and exchange opinions, job rank by rank, and division by division. It is desirable to create a place that welcomes ideas from inside and outside the company, and reflects these voices as part of our “stakeholder engagement.”

Three “Gs” for “Growth with enhanced quality” are set out in the midterm management plan from FY2007 to FY2009. But it is difficult to see how CSR is concretely incorporated in the plan. And speaking of the environment, the MOL Group Environmental Policy Statements were set forth, but I think it would be meaningful to show a “CSR charter” as an overall positioning of CSR in group companies.

MOL has been driven by strong performance in the past several years. But what kind of company does it aim to be in five years, or 10 years? Based on the corporate principles, CSR is critical if MOL is to be a first-class company that earns the trust and respect of its stakeholders. Top executives must demonstrate commitment and leadership in creating a higher-quality company from environmental, social, and economic aspects.

In closing, I would like to make two points. Regarding social contribution, MOL conducts meaningful activities, but why does it select those particular activities? And what results has it gained? I hope to see more concrete explanations. Speaking of the environment, the ocean shipping industry generates a big environmental burden, and must reduce CO₂ emissions. In addition to the current measures, I hope to see MOL replace heavy bunker oil with higher-quality fuel throughout the company, and lead the industry in this regard.
GRI Guidelines and U.N. Global Compact Comparison Charts

In producing this report on MOL Group CSR activities, our No.1 goal is to communicate the information in a way that is easy to understand. We referred to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines to select the items covered in this report. The chart below shows these GRI guidelines, the principles of the U.N. Global Compact, which we joined in March 2005, and our activities.
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and


Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
http://www.mol.co.jp

[For inquiries]
Mitsui O.S.K. Lines, Ltd.
Corporate Planning Division/CSR and Environment Office
Tel: +81-3-3587-7063  Fax: +81-3-3587-7722
E-mail: plemo@mail.mol.co.jp
URL: http://www.mol.co.jp

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Thank you for taking the time to read MOL’s Environmental and Social Report 2007. To help us produce even more effective communication tools in the future, please take a few minutes to share your opinions and ideas about this report.

Q1. What is your impression of the Environmental and Social Report 2007?
- Clarity
  - Easy to understand
  - Average
  - Difficult to understand
- Content
  - Outstanding
  - Average
  - Poor

Q2. What topic(s) did you find the most interesting? (multiple answers allowed)
- Top Commitment
- Incident Reports for FY2006 and Efforts to Ensure Safe Operation
- Mission as Multimodal Ocean Shipping Group Company
- Midterm Management Plan
- MOL Group’s Approaches to CSR: Achievements for FY2006 and Targets for FY2007
- Current Status of MOL Group’s CSR Activities
- Corporate Governance and Compliance
- Further Reinforcing Safe Operation
- Environmental Management
- The MOL Group and the Environment
- Efforts to Prevent Global Warming and Air Pollution
- Approaches to Marine Environmental Protection
- Approaches to Environmental Technologies
- Achievement and Assessment of FY2006 Environmental Targets, Midterm Environmental Targets, and FY2007 Targets
- Approaches at Group Companies
- Building Better Relationships with Shareholders and Investors
- Caring for Land-Based Employees
- Caring for Seagoing Employees
- Social Contribution Activities
- Communication
- Third-Party Opinion

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 know 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.

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<tr>
<th>Name</th>
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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.