

Key Systems Underpinning MOL: Corporate Governance and Corporate Social Responsibility

Contents

page 50	Board of Directors, Corporate Auditors and Executive Officers
page 52	Corporate Governance
52	MOL's Philosophy, Management Reforms and Achievements/Accountability
53	Director Compensation/Compliance
54	A Message from an External Director
55	Management's Report on Internal Controls Over Financial Reporting
page 56	Corporate Social Responsibility (CSR)
56	MOL's Approach to CSR/Rules of Conduct/Measures to Ensure Safe Operations
57	MOL's Distinctive Seafarer Training/Environmental Protection
59	Social Service Activities/Third-Party Evaluations
page 60	Feature: Environmental Technologies: ISHIN

Board of Directors, Corporate Auditors and Executive Officers

(As of June 22, 2010)

CORPORATE AUDITORS

KAZUMASA MIZOSHITA
Corporate Auditor

JUNICHI NARITA
Corporate Auditor

KENSUKE HOTTA
Corporate Auditor

SUMIO IIJIMA
Corporate Auditor

EXECUTIVE OFFICERS

AKIMITSU ASHIDA
Chairman

MASAKAZU YAKUSHIJI
Vice Chairman

KOICHI MUTO
President

YOICHI AOKI
Executive Vice President Executive Officer
(Assistant to President [Mainly in Administrative
Divisions, Technical Division, LNG Carrier Division],
Human Resources Division, Group Business
Division, Kansai Area)

MASAFUMI YASUOKA
Senior Managing Executive Officer
(Coal and Iron Ore Carrier Division, Bulk Carrier
Division)

TOSHITAKA SHISHIDO
Senior Managing Executive Officer
(Car Carrier Division)

HIROSHI TANAKA
Senior Managing Executive Officer
(Research Office, Dedicated Bulk Carrier Division)

KAZUHIRO SATO
Senior Managing Executive Officer
(LNG Carrier Division, MOL LNG Transport Co., Ltd.)

SOICHI HIRATSUKA
Senior Managing Executive Officer
(Human Resources Division, Marine Safety Division,
MOL Ship Management Co., Ltd., MOL Tankship
Management Ltd., MOL LNG Transport Co., Ltd.)

TSUNEO WATANABE
Managing Executive Officer
(Tanker Division, MOL Tankship Management Ltd.)

KENJI YOKOTA
Managing Executive Officer
(Technical Division)

TAKASHI KURAUCHI
Managing Executive Officer
(Car Carrier Division)



MAKOTO YAMAGUCHI
Managing Executive Officer
(Bulk Carrier Division, Dry Bulk Carrier
Supervising Office)

KENICHI NAGATA
Managing Executive Officer
(Coal and Iron Ore Carrier Division)

TETSUYA MINATO
Managing Executive Officer
(Liner Marketing, President of Mitsui O.S.K.
Lines (Japan), Ltd.)

SHUGO AOTO
Managing Executive Officer
(General Affairs Division, Finance Division,
Accounting Division, Investor Relations Office)

JUNICHIRO IKEDA
Managing Executive Officer
(Liner Division)

KAZUNORI NAKAI
Executive Officer
(Tanker Division)

MASAHIRO TANABE
Executive Officer
(Managing Director, MOL (Europe) B.V.)

SHIZUO TAKAHASHI
Executive Officer
(Internal Audit Office, Secretaries Office,
Corporate Planning Division, Public Relations
Office, MOL Information Systems, Ltd.)

MASAAKI NEMOTO
Executive Officer
(Marine Safety Division, MOL Tankship
Management Ltd., MOL LNG Transport Co., Ltd.)

KIYOTAKA YOSHIDA
Executive Officer
(General Manager of Technical Division)

HIROKAZU HATTA
Executive Officer
(General Manager of Human Resources Division)

MASATOSHI NAKAJIMA
Executive Officer
(General Manager of Bulk Carrier Division)

TAKESHI HASHIMOTO
Executive Officer
(General Manager of LNG Carrier Division)

HIROYUKI FUKUMOTO
Executive Officer
(General Manager of Car Carrier Division)

TETSURO NISHIO
Executive Officer
(General Manager of Dedicated Bulk Carrier
Division)

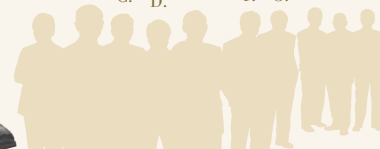
TOSHIYA KONISHI
Executive Officer
(General Manager of Liner Division)

BOARD OF DIRECTORS

From Left to Right

- A. MASAFUMI YASUOKA
Director
- B. KOICHI MUTO
Representative Director
- C. MASAKAZU YAKUSHIJI
Representative Director
- D. YOICHI AOKI
Representative Director
- E. AKIMITSU ASHIDA
Representative Director
Chairman
- F. TOSHITAKA SHISHIDO
Director
- G. TSUNEO WATANABE
Director
- H. SADAYUKI SAKAKIBARA
Director
(President, CEO and COO,
Representative Director
Toray Industries, Inc.)
- I. KUNIO KOJIMA
Director
(Advisor, Japan Securities
Finance Co., Ltd.)
- J. TAKESHI KOMURA
Director
(Executive Advisor of Tokio
Marine & Nichido Fire
Insurance Co., Ltd.)

A. B. C. D. E. F. G. H. I. J.



Corporate Governance

MOL'S PHILOSOPHY, MANAGEMENT REFORMS AND ACHIEVEMENTS

The MOL Group established the MOL Group Corporate Principles in March 2001. One of the pledges in our Corporate Principles states, "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."

In order to realize the ideals set forth in the principles, MOL reformed its corporate governance structure, instituting management reforms that brought external directors onto the board, separated management and executive functions, and set standards for accountability, risk management and compliance. These reforms were implemented as follows:

1997	Outside auditors increased from one to two out of a total of four auditors
1998	George Hayashi (former APL chairman) invited to join the Board of Directors. (Became Director and Vice President in 1999, following revision of the Shipping Act)
2000	Management organization reform 1. Introduced a system of executive officers 2. Abolished the Managing Directors Committee and established an Executive Committee (reduced the membership from 21 to 10) 3. Reformed the Board of Directors (redefined its duties as the highest-ranking decision-making body and the supervision of business activities) and reduced membership from 28 to 12 4. Elected two external directors 5. Established the Corporate Visionary Meeting Established the IR Office Started holding the Annual General Shareholders' Meeting on a day relatively free of other shareholders' meetings
2001	Established the MOL Group Corporate Principles Added one more external director, increasing the number of external directors to three Established Compliance Policy and a Compliance Committee
2002	Second stage of management reforms Reforms reinforced roles of the Board of Directors concerning determination of basic strategies and monitoring risk management while providing for faster decision-making at the business execution level 1. Board of Directors was reorganized to carry out three important functions: (1) deliberation on issues requiring approval by the directors; (2) receipt of reports on business operations; and (3) deliberation on corporate strategy and vision 2. Review and consolidation of issues submitted to the Board of Directors 3. Expanded jurisdiction of the Executive Committee regarding execution of business activities
2006	Decided basic policy on the establishment of internal control systems in response to enforcement of the new Japanese Corporate Law

Actions in Recent Years	
June 2006	In response to the enforcement of the Financial Instruments and Exchange Law, the Internal Control Planning Office was established in the Corporate Planning Division.
Fiscal 2007	The Internal Control Planning Office enhanced internal control systems for the purpose of ensuring the accuracy of financial reporting, in accordance with the Financial Instruments and Exchange Law.
Fiscal 2008	We have been using management evaluations of internal controls relating to financial reporting required by the Financial Instruments and Exchange Law since fiscal 2008, audits by the Internal Audit Office and advice based on the results of those audits, to improve internal controls throughout the group.
Fiscal 2009	We submitted an internal control report to the Kanto Local Finance Bureau in Japan containing an assessment by management that internal controls over financial reporting at MOL were effective.
Number of Meetings of Governance Bodies in Fiscal 2009	
The number of meetings during the fiscal year of the Board of Directors, Executive Committee and their sub-committees is shown in the Corporate Governance Organization chart on the opposite page.	

The chart on the next page shows the structure of our corporate governance organization.

At MOL we believe that the essence of corporate governance lies not in its structure or organization, but in whether or not it functions effectively. In our case, the corporate governance structure described previously functions as follows:

1. Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The 10 directors, including external directors, thoroughly evaluate and discuss the pros and cons of the projects and make decisions on their feasibility from many perspectives. Transferring the authority to implement projects within the scope of the basic policy to executive officers supervised by the president speeds decision making on individual projects. The separation of the management and execution functions was one important contribution to allowing the MOL Group to build up a fleet of the right type of vessels at the right time.
2. Another important responsibility of the Board of Directors is deliberation on corporate strategy and vision. At each meeting, the board focuses on a particular topic concerning management strategies, MOL's long-term vision or other subjects involving management.

These discussions provide an opportunity for lively debates that include the external directors and corporate auditors, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.

3. The Board of Directors has 10 members, including three external directors who are completely independent and have no conflict of interest with MOL. There are four corporate auditors, who are responsible for performing statutory auditing functions, including two individuals who are completely independent and have no conflict of interest with MOL. At a time when the auditing systems of corporations are taking on added importance, it goes without saying that the independence of auditors from management and policy execution is assured. Our corporate auditors work closely with the Internal Audit Office and independent public accountants to assure effective corporate governance. They also work on strengthening corporate governance and compliance throughout the group.

ACCOUNTABILITY

MOL believes that timely, full and fair disclosure of corporate and financial information is an important aspect of corporate governance. In addition to being accountable to shareholders and investors by providing information, the company makes every effort possible to reflect their opinions in management.

The distinguishing feature of our investor relations activities is that the president takes the lead in their implementation. In fiscal 2009, the president participated in the company's presentations of quarterly results and attended meetings with domestic and foreign investors. This reflects his conviction that it is the chief executive officer's responsibility to explain future corporate strategies to investors. The company is also aware of the need for full and fair disclosure to all investors, whether in Japan or overseas. At the same time its quarterly financial results in Japanese are released over the Tokyo Stock Exchange's TDnet, the company posts them to its website with an accompanying English translation. The Japanese and English drafts of presentation materials are also posted on the website. This information is e-mailed

on the same day to foreign investors registered with the company.

These types of activities have been highly evaluated, and in fiscal 2005, MOL received the Special IR Prime Business Award from the Japan Investor Relations Association (JIRA), which is presented to companies that have received the IR Prime Business Award three times. MOL also picked up the IR Prime Business Award again in 2008. Furthermore, in fiscal 2009 MOL was selected as one of the recipients of the Tokyo Stock Exchange's FY2009 Disclosure Award. Also, in the Nikkei Annual Report Awards, which are judged by institutional investors, MOL's annual report has been highly evaluated for its aggressive disclosure, winning the top prize once and the excellence prize three times.

The responsibility to provide information is not limited to management and financial issues. Accordingly, in regard to the four major marine accidents that occurred in fiscal 2006, MOL disclosed the situation directly after each incident, providing a total of 18 press releases for the four accidents. These accidents were highly regrettable, and MOL believes that it has a responsibility to disclose the situation to everyone who is directly or indirectly affected. While we will continue to do our utmost to prevent accidents, we will also maintain a policy of disclosing information, even if it is negative.

DIRECTOR COMPENSATION

The Board of Directors, including the external directors, determines compensation for the directors. Compensation paid to directors in fiscal 2009 is shown in the table below.

The company has granted stock options to all directors, executive officers, general managers of divisions and branch offices and managers in similar positions, as well as to presidents of consolidated subsidiaries, to motivate them to carry out operations for the benefit of shareholders.

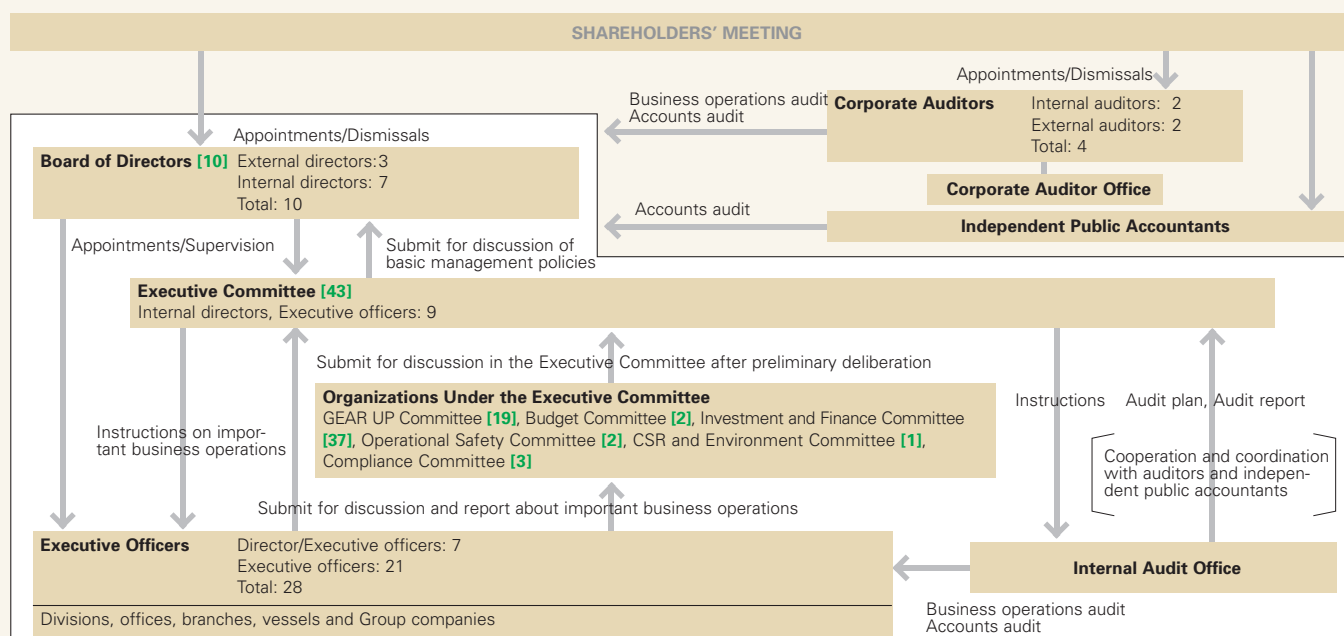
COMPLIANCE

The company is aware of the crucial role that compliance plays in living up to its broad corporate social responsibilities, and that compliance with the letter of the law is at the core of this role.

We have strengthened our compliance system by establishing a Compliance Committee, headed by the vice chairman, and formulating the Compliance Policy to assure strict adherence to rules and regulations and to take action against any violation. General managers of each division, department and branch office, are appointed as Compliance Officers for their respective organizations. They are responsible for enforcing compliance regulations and for reporting any violations to the Compliance Committee Office. The Internal Audit Office, a body that operates independently of the company's divisions, departments and branch offices, provides a counseling service and also acts as a hot line in the event it is difficult for a report to be filed with a Compliance Officer. The Internal Audit Office undertakes investigations and audits as necessary and reports steps taken to the Compliance Committee.

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2009 is shown in the table below.

CORPORATE GOVERNANCE ORGANIZATION (AS OF JUNE 22, 2010)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2009.

COMPENSATION FOR DIRECTORS AND CORPORATE AUDITORS

	No. of people remunerated	Total remuneration (¥ millions)	(Thousands of U.S.\$)
Directors (Excluding external directors)	11	¥516	\$5,552
Corporate auditors (Excluding external corporate auditors)	3	84	902
External directors and external corporate auditors	5	¥ 50	\$ 547

COMPENSATION FOR INDEPENDENT PUBLIC ACCOUNTANTS

	(¥ millions)	(Thousands of U.S.\$)
Compensation for auditing services	¥125	\$1,346
Compensation for auditing-related services	23	244
Total	¥148	\$1,590

A MESSAGE FROM AN EXTERNAL DIRECTOR A CORPORATE CULTURE OF TRUST AND TRANSPARENCY

My past work experience gave me some insights into the marine transport industry, mainly through customs-related and shipping finance activities. However, my experiences since being appointed as an external director have given me insights on the global marine cargo flow that simply could not be conveyed in the written word. Above all, I have been amazed by what a dynamic business marine transport truly is.

The discussions at MOL Board of Directors meetings are extremely lively and transparent. Important issues are always accorded ample time to discuss thoroughly, and to fully consider all the potential negatives or examples of past failure. This process of open, uninhibited discussion is possible because the members of the Board have a strong sense of trust in one another, and because everyone is working towards a common goal. I believe that this relationship of trust is one of the most important elements of corporate governance.

In fact, a sense of trust and responsibility is a characteristic that pervades the MOL corporate culture. It seems to prevail in all of the important decision-making of executive officers and is evident in how employees approach their work. The high level of credit quality cultivated by the company—including in terms of both financial strength and safe operations—is something that clearly influences customers when they choose a marine transport provider these days. I believe that the basis for this “credit quality” lies in MOL’s corporate culture of trust and transparency, and in the quality of the personnel who are standard-bearers for it.

One of MOL’s main strengths is the company’s successful focused approach to business. Though bold and decisive leadership was needed to prioritize business in this way, I think that the corporate culture of trust and transparency facilitated this effort. Furthermore, MOL does not seem complacent with its current structure. Despite past successes, the company seems constantly alert to change and risk. From 2003 until late in 2008, the company enjoyed an almost continuous run of favorable business conditions. Yet the company remained alert and conscious of the past challenges it had faced, and thus took great care to preserve a strong financial base. Consequently, the company was able to respond to the financial crisis that followed the collapse of Lehman Brothers, quickly and sharply reducing the size of its fleet, thus limiting the deterioration in earnings.

In the years ahead, I think the global economy will experience increasing uncertainty, and therefore I have constantly pressed the rest of the Board to maintain numerous scenarios and policy options to meet any eventuality. Under the leadership of Mr. Muto, the new president, MOL is implementing a new midterm management plan entitled “GEAR UP! MOL.” This plan draws upon past experience to develop a range of management scenarios and potential responses, along with financial evaluation, to various assumptions about global economic conditions. I give the Board of Directors extremely high marks for developing flexible and carefully considered plans.

As an external director, I think that it is my responsibility to give MOL’s executives a dispassionate outside perspective, even when the comments may be negative or critical. Beyond that, I would like to offer useful outside knowledge which can help contribute to the effectiveness of management.

TAKESHI KOMURA
Director



MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

MATTERS RELATING TO THE BASIC FRAMEWORK FOR INTERNAL CONTROLS OVER FINANCIAL REPORTING

Representative Director and President Koichi Muto is responsible for designing and operating internal controls over financial reporting of Mitsui O.S.K. Lines, Ltd., and has designed and operates internal controls over financial reporting in accordance with the basic framework for internal controls stipulated in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council of Japan.

The internal controls are designed to achieve their objective within a reasonable scope through the effective function and combination of their basic elements. Therefore, there is a possibility that misstatements in financial reports may not be completely prevented or detected by internal controls over financial reporting.

MATTERS RELATING TO THE SCOPE OF ASSESSMENT, THE RECORD DATE OF ASSESSMENT AND THE ASSESSMENT PROCEDURES

The assessment of internal controls over financial reporting was performed as of March 31, 2010, the fiscal year-end, and was performed in accordance with standards of internal controls over financial reporting generally accepted as fair and valid in Japan.

In conducting this assessment, we evaluated internal controls that may have a material effect on financial reporting as a whole on a consolidated basis (company-level control), and based on these results we selected business processes for evaluation. After analyzing these selected business processes, we identified key controls that may have a material impact on the reliability of financial reporting, and assessed the status of design and operation regarding these key controls, enabling us to assess the effectiveness of our internal controls.

We determined the required scope of assessment of internal controls over financial reporting for Mitsui O.S.K. Lines, Ltd., and its consolidated subsidiaries and equity-method affiliated companies, from the perspective of materiality that may affect the reliability of financial reporting, which was determined by taking into account the materiality of quantitative and qualitative impacts. We reasonably determined the scope of assessment of internal controls over business processes based on the results of assessment of company-wide internal controls for Mitsui O.S.K. Lines, Ltd., 22 consolidated subsidiaries and 2 equity-method affiliates.

The scope of assessment of process-level control involved selecting locations and/or business units in descending order of revenues (after the elimination of intercompany accounts) of the fiscal year under review, and two company businesses (bulkships and containerships) whose combined revenues reached around two-thirds of consolidated revenues for the fiscal year under review were selected as "significant locations and/or business units." At the selected significant locations and/or business units, we included in the scope of assessment business processes leading to revenues, trade receivables, and operating expenses and charterage included in cost of revenues as significant accounts that may have a material impact on the business objectives of the company. In addition to the selected significant locations and/or business units, we added to the scope of assessment, as business processes having high materiality considering their impact on financial reporting, those business processes relating to the high likelihood of material misstatements and significant accounts involving estimates and forecasts and those business processes relating to businesses or operations dealing with high-risk transactions.

MATTERS RELATING TO ASSESSMENT RESULTS

We concluded that the company's internal controls over financial reporting were effective as of the end of the fiscal year under review based on the results of the aforementioned assessment.

SUPPLEMENTARY INFORMATION

Not applicable

SPECIAL INFORMATION

Not applicable

Corporate Social Responsibility (CSR)

MOL'S APPROACH TO CSR

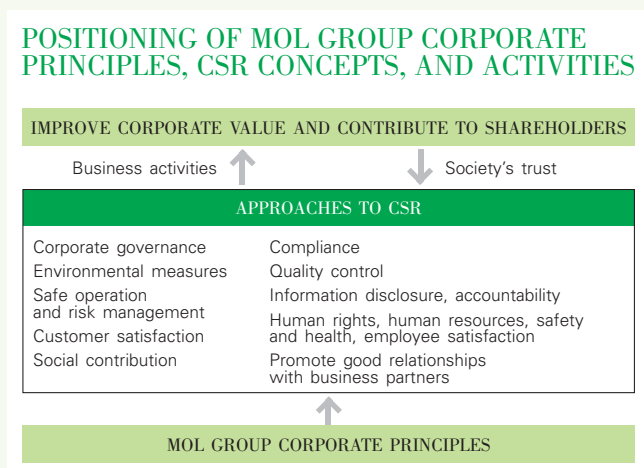
The foundations of corporate social responsibility (CSR) lie in ensuring that corporations give due consideration to social, environmental and human rights issues in their activities, thus achieving sustainable growth in harmony with society. Needless to say, companies are members of society and will be unable to continue in business should they lose the trust of society.

The MOL Group provides an indispensable service to society through its operation of a fleet of ocean-going ships. We have been able to grow steadily over the last 125 years because, from the very beginning, we have consistently followed business policies compatible with contemporary standards of CSR, thus earning the support of stakeholders, including clients, shareholders, business partners and communities. MOL has drawn up Group Corporate Principles, and the group now addresses such issues as corporate governance, compliance and environmental protection.

In June 2004, the MOL Group established the CSR and Environment Committee. The new committee emerged from a reorganization of the Environment Committee. In addition to its previous duties of formulating MOL Group environmental policies, the new committee takes on the added responsibility of studying and discussing CSR issues, with the purpose of creating a stronger framework for group-wide CSR activities.

Simultaneously, the CSR and Environment Office was established within the Corporate Planning Division. The CSR and Environment Office acts as the CSR and Environment Committee's secretariat and promotes CSR initiatives throughout the MOL Group.

The CSR and Environment Office positions CSR activities as shown in the diagram below and works to achieve targets it sets for each item each fiscal year.



RULES OF CONDUCT

All executives and employees are required to base their activities on the following standards.

1. Observe laws and regulations while at all times exercising due caution as a good administrator
2. Respect human rights and refuse to permit discrimination and harassment
3. Protect confidential information and respect intellectual property rights
4. Clearly separate official and personal conduct, avoid conflicts of interest
5. Oppose antisocial activities
6. Fulfill social obligations
7. Ensure safe operations and protect the environment
8. Build relationships with clients and contractors that conform to laws, regulations and social standards
9. Provide guidance and supervision by individuals in management positions
10. Report improper behavior, provide advice and deal with individuals who violate rules

In March 2005, the MOL Group's participation in the United Nations Global Compact initiative was acknowledged and accepted by the United Nations. The Global Compact was initiated in 1999 by United Nations Secretary-General Kofi Annan and was ratified in July 2000. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of 10 core values in the areas of human rights, labor standards, the environment, and anticorruption.



By participating in the Global Compact, which is consistent with the Rules of Conduct, the MOL Group has declared its commitment to working toward the realization of the Global Compact's core values.

MEASURES TO ENSURE SAFE OPERATIONS

Safety Operation Supporting Center—24-Hour Fleet Support System

Since its establishment in our Tokyo Head Office building in February 2007, the Safety Operation Supporting Center (SOSC) has been providing timely information required by ships to aid in safe navigation. Operating round-the-clock and staffed full time by experienced captains, the SOSC provides information on everything from weather and sea conditions to public safety. As a control center helping to maintain and improve the standard of safe operation at MOL, SOSC will continue to provide powerful support to our frontline marine transportation activities.

Simulator Training—Helping Prevent Accidents

MOL has installed the latest bridge simulators and cargo handling simulators for LNG carriers at its training centers around the world. At these facilities, MOL conducts drills using programs that faithfully recreate conditions faced by vessels based on scenarios prepared from the experience MOL has gained over many years of operations. In LNG carrier drills, in particular, MOL has broken down its training course into modules suited to the experience of seafarers, structuring training so that it leads to a direct improvement in safe operation by making training more detailed and motivating trainees.

Making Safe Operation Visible— Achieving Safe Operation Based on Objective Indexes

Under “GEAR UP! MOL,” we aim to make the accident prevention systems and operational processes that support safe operation visible by using objective indexes* for safety. Safe operation is achieved through repeated hard work in our workplaces. But communicating these efforts in a way that is easy for external parties (customers and the general public) to understand is no simple matter. However, in order to answer calls from the general public, which have grown increasingly louder in recent years, for the safe operation of oil tankers and LNG carriers, we will quantify our activities in terms of safe operation and proactively communicate these metrics outside the company.

* Examples of objective indexes for safe operations are LTIF: Lost time injury frequency rates (Number of incidents of lost time injury (LTI) per one million hours worked), and, TMSA: Tanker Management & Self Assessment (Guidelines of Oil Companies International Marine Forum (OCIMF))

ENSURING SAFE OPERATION— MOL'S DISTINCTIVE SEAFARER TRAINING

During our “GEAR UP! MOL” midterm management plan, we expect to increase the size of our fleet to 1,050 vessels by the end of March 2013. Naturally, the number of seafarers will increase

along with this fleet expansion. For that reason, ensuring that we have enough skilled seafarers who meet the safe operation standards required by MOL is a matter of considerable importance.

Training Ship

MOL develops future company seafarers by owning and operating its own training ship, *Spirit of MOL*. We are the only private-sector shipping company in the world with this type of training ship. *Spirit of MOL* provides intensive training to 180 new cadets from many different countries at the same time. Dedicated instructors with a wealth of experience offer cadets advanced and systematic training. At the same time, by living and working together on the ship, the multi-national young cadets develop strong bonds of cooperation and learn to take pride in becoming MOL seafarers with advanced seamanship skills.

OJT Instructor System

We take various opportunities to conduct safe operation training. One example is our unique On the Job Training (OJT) instructor system. Under this system, experienced captains and chief engineers provide direct instruction to seafarers aboard MOL vessels in daily service, with the focus being to pass on practical navigation and marine engineering skills accumulated inside MOL, as well as the spirit of dedication toward safety. This intensive and practical on-the-job instruction communicates knowledge and experience that cannot be conveyed through manuals alone, and fosters the safety awareness expected of MOL Group seafarers.

ENVIRONMENTAL PROTECTION

Environmental Management Systems and Certifications

MOL has two unique environmental management systems—MOL EMS21 and the MOL Group Environmental Target System. Through these systems we have taken steps to reduce our environmental burden.

BECOMING THE WORLD LEADER IN SAFE OPERATION

Measures to ensure safe operation earn recognition from customers and society as well as win confidence and are thus essential for the development of MOL's businesses. Determined not to let the lessons learnt from the serious marine accidents that occurred in 2006 fade with time, we aim to become the world leader in safe operation, and call on each and every one of the MOL Group's employees to renew their commitment to being responsible for safety. One of the MOL Group's corporate principles states, “We will promote and protect our environment by maintaining strict, safe operation and navigation standards.” To realize this principle, we will take steps as a Group to steadily improve safety measures and quality.

MASAAKI NEMOTO
Executive Officer



MOL EMS21: We introduced our environmental management system—MOL EMS21—in April 2001. In January 2003, we expanded its scope to all our operated vessels (except charter vessels on contracts of one year or less), and acquired internationally recognized ISO 14001 certification.



Certificate of ISO 14001, an international standard for environmental management (Certified by DET NORSKE VERITAS (DNV))

MOL Group Environmental Target System: This system applies to MOL's 60 main Group companies in Japan and 16 overseas affiliates and subsidiaries. It serves as a framework for Group-wide environmental protection activities. MOL Group companies in Japan are working hard on complying with the "green management" environmental certification system promoted by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. A total of 16 MOL Group companies have earned this certification.

Prevention of Global Warming and Air Pollution

Vessels burn fossil fuels and inevitably emit carbon dioxide (CO₂), which is a cause of global warming, as well as nitrogen oxide (NO_x), sulfur oxide (SO_x), soot and other emissions, which are linked to acid rain and atmospheric pollution. The MOL Group is fully aware of the effects on air quality associated with its business activities and thus proactively works to reduce the impact on an ongoing basis.

Environmental Technologies: MOL is engaged in various research, development and innovation of technologies for ships. (Refer to Pages 60 to 61: Feature: Environmental Technologies: ISHIN.)

Increasing Transportation Efficiency with Larger Ships: MOL believes that the introduction of larger vessels and improvement of propulsion are effective measures to fulfill the social responsibility of the shipping industry to meet burgeoning international demand for ocean shipping and, at the same time, to prevent global warming. In December 2007, MOL took delivery of the *Brasil Maru* (approx. 320,000 DWT), one of the world's largest iron ore carriers. The *Brasil Maru* boasts energy-saving design—despite her very large size, her shape gives her excellent propulsion, and her propellers are specially designed to improve propulsion efficiency. These qualities earned the *Brasil Maru*

selection as the "Ship of the Year 2007" by the Japan Society of Naval Architects and Ocean Engineers.

ECO SAILING Thoroughly Adopted:

MOL practices an approach we call ECO SAILING to save fuel and reduce environmental impact. We rigorously apply the principles of ECO SAILING whenever we operate vessels. Specifically, we 1) decelerate to the most economical navigation speeds, 2) take advantage of weather and sea condition forecasts, 3) select optimum routes, 4) reduce vessels' wetted surfaces, 5) optimize operation and maintenance of main engines, auxiliary equipment and the other machinery, 6) develop energy-efficient ship designs, and 7) equip vessels with Propeller Boss Cap Fins (PBCF).



Modal Shift: Approximately 20% of Japan's CO₂ emissions are accounted for by the transportation sector. In order to reduce these emissions, the Japanese Ministry of Land, Infrastructure, Transport and Tourism and other concerned agencies have set up programs to establish a transportation system with a low environmental burden and have promoted the so-called "modal shift" of using rail transport, shipping and other low-impact modes of transport. The MOL Group stands ready to do its utmost to facilitate this modal shift by providing Japan's largest lineup of ferry and coastal shipping services.

Eco Terminal: In March 2007, MOL and MOL Group company International Container Terminal Co., Ltd. (TICT) started operation of a solar power generation system at the Ohi Container Terminal in Tokyo Port. The system includes 1,200 solar panels that have been installed on the roofs of the gatehouse and container washing facility. With a generation capacity of 200 kilowatts, it is the largest private-sector solar power generation system in the Tokyo metropolitan area. The system's annual output is enough to supply about 60 typical households.

Approaches to Marine Environmental Protection

By rigorously ensuring safe operation, MOL is working to prevent marine pollution caused by marine accidents. At the same time, MOL is taking into consideration biodiversity and actively pushing ahead with measures to protect the seas and oceans, which are not only our place of business, but also the shared heritage of everyone on Earth.

Double-hull Tankers: We have been proactive in adopting double-hull vessels in our tanker fleet to prevent spills of crude oil caused by a grounding or collision of vessels. As a result, our fleet of crude oil tankers and product tankers is 100% double-hulled.



Double-hull structure

Caring for the Environment When Scrapping Vessels:

Aging vessels must often be scrapped in the interest of safe operation and protection of the marine environment. However, measures for workers' safety and the environment have been insufficient when scrapping ships in some Asian countries. MOL is working to create inventory lists of hazardous materials on ships ahead of the enforcement of The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, which was adopted in May 2009. At the same time, when selling a ship on the assumption that it will be scrapped, we check that the scrapping yard has acquired ISO 14001 certification (or the environmental management equivalent), and uses scrapping methods and procedures that are sufficiently safe for the environment and personnel.

In addition, care is exercised to reduce the impact on the oceans of normal operation of our vessels. MOL strictly adheres to all marine pollution treaties, including the International Convention for Prevention of Pollution from Ships, as well as applicable laws and regulations around the world. The company has stringent internal rules to prevent oil discharges and to ensure the proper disposal of lubricating oil and bilge water (which includes oil and other pollutants). Other measures in place to reduce environmental loads include use of environmentally responsible anti-fouling paint and proper management of ballast water.

SOCIAL SERVICE ACTIVITIES

MOL's basic policy on social contribution is to conduct ongoing activities that are closely associated with its business domain of ocean shipping. Looking ahead, while adhering to this basic policy, MOL will engage in activities that aim to play a role in helping solve social issues. These include contributing to achievement of the United Nations Millennium Development Goals, to the protection of biodiversity and the natural environment, and to communities in which MOL conducts business activities.

Cooperation with the Ocean Transport of Mobile Library

Vehicles: In October 2009, MOL helped transport by sea 12 used mobile library vehicles to the Republic of South Africa. This project

is coordinated by NPO Sapesi-Japan (South Africa Primary Education Support Initiative) as part of a program run by the South African Ministry of Education to raise literacy levels within the country. The used library vehicles will tour the many elementary and middle schools without libraries that dot the nation, lending books to teachers and students.

Disaster Relief: When a typhoon ravaged the Philippine island of Luzon in September 2009 and massive earthquakes struck Haiti, Chile and China's Qinghai Province in January, February and April 2010, respectively, MOL made donations to provide emergency supplies and support restoration activities in the affected areas. Furthermore, following a request from the Chilean consul general in Melbourne, Australia, MOL transported free of charge relief supplies, including hospital beds, collected by the Chilean community in Australia to Chile in four 40-foot containers.

THIRD-PARTY EVALUATIONS

MOL Selected for Continuing Inclusion in Dow Jones Sustainability Indexes (DJSI)

Since 2003, MOL has been included in the DJSI, a designation reserved for



companies capable of sustaining growth over the long term while maintaining excellence in environmental, social, and investor relations programs. In September 2009, MOL was selected for continuing inclusion in the DJSI.

MOL Selected for Continuing Inclusion in the FTSE4Good Global Index

FTSE is a global index company owned by *The Financial Times* and the London Stock Exchange. Since 2003, FTSE has included MOL in one of its major indices, the FTSE4Good Global Index, which is a socially responsible investment index. In May 2010, MOL was selected for continuing inclusion in the index.



MOL Selected for Continuing Inclusion in the Morningstar Socially Responsible Investment Index (MS-SRI)

The MS-SRI, Japan's first socially responsible investment index, is based on the stock prices of 150 of Japan's listed companies that have been selected by Morningstar Japan K.K. for superior social responsibility. MOL has been included in the MS-SRI since 2003. In September 2009, MOL was selected for continuing inclusion in the index.



MOL's approach to CSR and environmental issues is discussed in detail in our *Environmental and Social Report*.
URL: <http://www.mol.co.jp/csr-e>

Feature: Environmental Technologies: ISHIN

Senpaku ISHIN is a project under which we are forming and developing concepts for next-generation vessels that are technically practical in the near future. The project is underpinned by MOL's tradition of technological innovation aimed at ensuring sustainable corporate growth of the company and protecting the environment, regardless of the economic climate.

船舶維新
Senpaku ISHIN

Innovations in Sustainability backed
by Historically proven, INtegrated technologies

History
holds the key
to the
future

WHAT DOES SENPAKU ISHIN MEAN?

Our approach is reflected by the words "Senpaku ISHIN." Senpaku and ISHIN mean vessel and complete revitalization or reform, respectively, in Japanese. We also interpret ISHIN as "Innovations in Sustainability backed by Historically proven, INtegrated technologies" for this project.

Why do we go to such great lengths in our focus on vessel technologies? Because our top priority is to provide safe, reliable transport of the cargo entrusted to us by customers, while caring for the global environment.

At present, we are looking at introducing various technologies from both design and operational standpoints, with the goals of reducing environmental impact and combating rising bunker prices. We see this as our natural mission and it is something we have been doing for many years now. As

a result, MOL's ships incorporate many innovations. Always looking to innovate, we have taken a sure and steady approach to envisioning vessels that are one step ahead of the times. Senpaku ISHIN is a culmination of our past innovations and envisions vessels we think are realizable today.

From the perspective of corporate management, while achieving safe operations, we are boldly exploring the possibilities as a marine transport company of creating ships with existing technologies that address environmental problems.

The first next-generation vessel that is technically practical in the near future is an environmentally friendly car carrier, *ISHIN-I*. This vessel would use renewable energy, with solar panels installed on almost all of the upper deck and the electricity these generate would be stored in large-capacity lithium-ion batteries. Other features of this concept ship include a contra-rotating propeller drive system combining a diesel engine with an electric propulsion system, and an advanced wind resistance-reducing design. The combination of these various technologies offers the potential of achieving high levels of energy-saving and economical performance as well as environmental performance.

ISHIN-I—TWO MAIN FEATURES

1. While in port, and during loading and unloading, the vessel would achieve zero CO₂ emissions by using renewable energy
2. Once underway, this vessel would emit 50% less CO₂*

* A comparison of per unit CO₂ emissions of our conventional vessels (Pure Car/Truck Carrier (PCTC) with a capacity of 6,400 standard passenger cars) in case larger hulls are needed in the future.

ISHIN-I



“ISHIN” WEBSITE

Please visit our website at the following URL:
<http://www.mol.co.jp/ishin/en/>



The second concept vessel, *ISHIN-II*, is an environment-friendly ferry for transporting both cargo and passengers. As an environmentally friendly means of transport, ferries have a key role to play in modal shift. *ISHIN-II* would use LNG as fuel, which is a form of clean energy, leading to sharp reductions in CO₂, SO_x, NO_x, and particulate matter (PM). In addition to reducing environmental impact further by using electricity supplied from shore when berthed, this next-generation vessel would also enhance comfort for passengers.

ISHIN-II—THREE MAIN FEATURES

1. Use of LNG as fuel
2. Use of shore power supply system
3. Emphasis on comfort

(Note) By introducing (1) and (2) and adopting a combination of new technologies, CO₂ emissions would be reduced by 50%, NO_x by 90%, SO_x by 98–100%, and particulate matter (PM) such as soot, dust, and smoke by 98%, per voyage, compared to current MOL Group ferries.

ISHIN-II



The third concept vessel is *ISHIN-III*, a next-generation environment-friendly, large-scale iron ore carrier that could play a key role in future resource transport. MOL already operates the very large iron ore carrier *Brasil Maru* that offers a high level of environmental performance thanks to its pioneering transport concept and innovative technologies. The *ISHIN-III*, which would make full use of the characteristics of that vessel class, is a highly viable concept and aims to further reduce MOL's environmental burden by maximizing the use of technologies the company has developed and adopted.

ISHIN-III—TWO MAIN FEATURES

1. Waste heat energy recovery to assist propulsion
2. Reduction of CO₂ emissions even at low speeds, as well as during normal operation

(Note) By introducing (1) and (2) and adopting a combination of new technologies, CO₂ emissions will be reduced by 30%.

ISHIN-III

