

Key Systems Underpinning MOL: Corporate Governance and Corporate Social Responsibility

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BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

(As of June 21, 2013)



AKIMITSU ASHIDA
Representative Director
Chairman of the Board
Born 1943

Apr. 1967 Joined Mitsui O.S.K. Lines, Ltd.
Apr. 1995 General Manager of Liner Division
Jun. 1996 Director, General Manager of Planning Division
Jun. 1998 Managing Director
Jun. 2000 Senior Managing Director, Senior Managing Executive Officer
Jun. 2003 Representative Director, Executive Vice President, Executive Officer
Jun. 2004 Representative Director, President Executive Officer
Jun. 2010 Representative Director, Chairman of the Board, Chairman Executive Officer (current)



KOICHI MUTO
Representative Director
Born 1953

Apr. 1976 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2002 General Manager of Bulk Carrier Division
Jan. 2003 General Manager of Corporate Planning Division
Jun. 2004 Executive Officer, General Manager of Corporate Planning Division
Jun. 2006 Managing Executive Officer
Jun. 2007 Director, Managing Executive Officer
Jun. 2008 Director, Senior Managing Executive Officer
Jun. 2010 Representative Director, President Executive Officer (current)



KAZUHIRO SATO
Representative Director
Born 1953

Apr. 1975 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2001 General Manager of LNG Carrier Division (A)
Jun. 2004 General Manager of LNG Carrier Division
Jun. 2005 Executive Officer
General Manager of LNG Carrier Division
Jun. 2008 Managing Executive Officer
Jun. 2010 Senior Managing Executive Officer
Jun. 2013 Representative Director, Executive Vice President
Executive Officer (current)



TSUNEO WATANABE
Director
Born 1955

Apr. 1978 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2004 General Manager of Tanker Division
Jun. 2006 Executive Officer
Jun. 2008 Managing Executive Officer
Jun. 2010 Director, Managing Executive Officer
Jun. 2011 Director, Senior Managing Executive Officer (current)



JUNICHIRO IKEDA
Director
Born 1956

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2004 General Manager of Human Resources Division
Jun. 2007 General Manager of Liner Division
Jun. 2008 Executive Officer
Jun. 2010 Managing Executive Officer
Jun. 2013 Director, Senior Managing Executive Officer (current)



MASAHIRO TANABE
Director
Born 1957

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2003 General Manager of Logistics Business Division
Jun. 2008 Executive Officer, MOL Europe B.V. Managing Director
Jun. 2011 Managing Executive Officer
Jun. 2013 Director, Managing Executive Officer (current)



TAKESHI KOMURA
Director
Born 1939

Apr. 2008 President of The Salt Science Research Foundation (current)
Jun. 2008 Director of Mitsui O.S.K. Lines, Ltd. (current)



SADAYUKI SAKAKIBARA
Director
Born 1943

Jun. 2010 Chairman of the Board and Representative Member of the Board of Toray Industries, Inc. (current), Director of Mitsui O.S.K. Lines, Ltd. (current)



MASAYUKI MATSUSHIMA
Director
Born 1945

May 2011 Senior Advisor of The Boston Consulting Group K.K. (current)
Jun. 2011 Director of Mitsui O.S.K. Lines, Ltd. (current)

Corporate Auditors

MASAAKI TSUDA
Corporate Auditor
Born 1959

Apr. 1981 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2006 General Manager of General Affairs Division
Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

TAKEHIKO OTA
Corporate Auditor
Born 1960

Apr. 1984 Joined Mitsui O.S.K. Lines, Ltd.
Jun. 2008 General Manager of Investor Relations Office
Jun. 2013 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

SUMIO IJIMA
Corporate Auditor
Born 1941

Apr. 1966 Attorney at law, Tokyo Toranomon Law office (current)
Jun. 2006 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

HIROYUKI ITAMI
Corporate Auditor
Born 1945

Oct. 2008 Professor and Dean of Tokyo University of Science, Graduate School of Innovation Studies (current)
Jun. 2011 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)



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Executive Officers

1 AKIMITSU ASHIDA

Chairman

2 KOICHI MUTO

President

3 KAZUHIRO SATO

Executive Vice President Executive Officer
(Assistant to President)

4 TSUNEO WATANABE

Senior Managing Executive Officer
(Tanker Division, Tanker Safety Management Office)

5 TAKASHI KURAUCHI

Senior Managing Executive Officer
(Car Carrier Division)

6 KENICHI NAGATA

Senior Managing Executive Officer
(Coal and Iron Ore Carrier Division, Bulk Carrier Office, Dry Bulk Carrier Supervising Office)

7 JUNICHIRO IKEDA

Senior Managing Executive Officer
(Liner Division, Human Resources Division, Research Office)

8 MASAHIRO TANABE

Managing Executive Officer
(Finance Division, Accounting Division, Investor Relations Office)

9 SHIZUO TAKAHASHI

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

10 KIYOTAKA YOSHIDA

Managing Executive Officer
(Technical Division)

11 HIROKAZU HATTA

Managing Executive Officer
(General Affairs Division, Group Business Division, Kansai Area)

12 TAKESHI HASHIMOTO

Managing Executive Officer
(LNG Carrier Division, MOL LNG Transport Co., Ltd., Offshore Business)

13 TETSURO NISHIO

Managing Executive Officer
(Dedicated Bulk Carrier Division)

14 MASAAKI NEMOTO

Managing Executive Officer
(Human Resources Division, Marine Safety Division, Tanker Safety Management Office, MOL Ship Management Co., Ltd., MOL LNG Transport Co., Ltd., Safe Operation)

15 TOSHIYA KONISHI

Managing Executive Officer
(Liner Division)

16 TSUYOSHI YOSHIDA

Executive Officer
(President/Chief Executive Officer of MOL (America) Inc.)

17 TAKASHI MARUYAMA

Executive Officer
(General Manager of Finance Division)

18 AKIHIKO ONO

Executive Officer
(General Manager of Corporate Planning Division)

19 TAKAAKI INOUE

Executive Officer
(Marine Safety Division, Tanker Safety Management Office, MOL Ship Management Co., Ltd., MOL LNG Transport Co., Ltd.)

20 TOSHIYUKI SONOBE

Executive Officer
(Managing Director of Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd., Southeast Asia)

21 YOSHIKAZU KAWAGOE

Executive Officer
(General Manager of Technical Division)

22 HIDEO HORIGUCHI

Executive Officer
(General Manager of Accounting Division)

23 AKIO MITSUTA

Executive Officer
(General Manager of Tanker Division)

24 KOICHI YASHIMA

Executive Officer
(Human Resources Division)

MESSAGE FROM AN EXTERNAL DIRECTOR



**MASAYUKI
MATSUSHIMA**
External Director

Two years have now elapsed since I assumed the position of external director for MOL. Before my appointment, I had the image of MOL as “an organization that leads the world shipping industry.” This image has not changed. Indeed, in many respects my expectations have been surpassed, in terms of strong leadership under successive management teams, daring action geared toward providing best-fit solutions to customers, an extremely open corporate culture, and employees’ earnest approach to their work.

In the midst of the worst shipping recession in recent years, MOL now finds itself enduring a very rough passage. When freight rates for dry bulkers, tankers, and containerships all slump at once, the situation is akin to a violent hurricane and a tornado striking simultaneously. Even from my standpoint as an external director, I am struck by the uphill battle faced by those on the front line, in the face of this protracted industry downturn. As a leader within the marine transport industry, however, MOL has boldly changed tack and is forging ahead.

While it is critical, of course, that MOL determine how best to operate in the current market, I believe this is also an ideal opportunity for shipping companies to reassess how they should proceed going forward. They have endured hard times in the past, such as the oil shock of the 1970s, and the yen’s sharp appreciation after the Plaza Accord of 1985. Every time it faced these challenges, MOL made serious efforts to survive by adopting a broad range of policies from various cost-cutting measures and adjusting its fleet to large-scale restructuring, including two rounds of industry consolidation. The future will remain challenging and undoubtedly present every kind of risk. In this highly volatile business climate, I believe MOL must learn and think about how to identify and contain ever-present risks. Without the benefit of accumulated wisdom, MOL could not remain afloat in conditions that are worse than expected. It is no exaggeration to say that the heart of company management lies in its ability to prepare for potential risks.



To me, management does not mean avoiding the winds of risk, but rather facing into those winds and seeing them as your allies.

Currently, MOL is planning to reduce its free vessels. Some might think it sufficient only to reduce the number of free vessels and increase the ratio of medium- and long-term contracts, but I don't think so. It is far more important for MOL to establish a long-lasting business model that strikes the right balance between stable revenue and opportunity cost. In the process of building this model, the first job is to identify the risk profiles of vessel types and correlations of risk variables. And then MOL must explore the best mix of vessel type in its portfolio with reference to the global supply-demand outlook, taking into account the risk tolerance of the company.

Hedging against every possible risk to eliminate the influence of all risk is not what I would call management. To me, management does not mean avoiding the winds of risk, but rather facing into those winds and seeing them as your allies. In the shipping industry, the winds can fluctuate greatly. It is very important that employees across the entire company accept this reality, and maintain a sharp sense of the line between earnings optimization and risk tolerance, in both good times and bad.

MOL has bled huge red ink. I believe the company must retain the lessons learned this time about how to deal with market risk and incorporate it into management.

After MOL returns to profitability following its Business Structural Reforms, I would like to see it become a true global company in terms of both quality and quantity. I believe the company has made good progress in expanding its overseas operations, but still see scope for further globalization. In particular, I think MOL must take advantage of Asia's rapid growth. MOL already uses Hong Kong as the base of its containership business and Singapore as the hub for most tankers. With this latest round of reforms, the company has continued this shift to Asia by transferring the operation of dry bulker free vessels to Singapore as well. MOL employs people from many countries, and not just in sales activities on land; many seafarers, for example, hail from the Philippines. Going forward, I would like to see the company focusing not so much on setting up and expanding individual operating bases, but rather on building a united and organic trading sphere across Asia. To this end, MOL would do well to explore every possible means, including a stepped-up alliance strategy, personnel exchanges, enhanced sales partnerships among organizations around the world, and even video conferencing for exchanging and sharing information.

I would like to see it become a true global company in terms of both quality and quantity.



While it is only natural that the pursuit of profit is a major objective for companies, I believe that profit is not everything. It is also extremely important to find the optimal balance between the interests of various stakeholders, and to maintain accurate disclosure. Also, companies need to envision the roles and responsibilities expected of them by society, 5 and even 10 years down the track. Based on these considerations above, I would like to contribute to MOL's ongoing evolution.

MOL's Philosophy and Past Management Reforms

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 outside 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 outside 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 outside director, increasing the number of outside 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 Companies Act In response to the enforcement of the Financial Instruments and Exchange Act, the Internal Control Planning Office was established in the Corporate Planning Division.
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 Act.
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.
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.
2011	Revised the Mitsui O.S.K. Lines' Compliance Policy and Rules of Conduct

Corporate Governance Organization

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. We have put in place frameworks and organizations for this.

■ The Board of Directors

The Board of Directors, as the company's highest-ranking decision-making body, discusses and decides on basic policy and the most important matters connected with MOL Group management. It consists of nine directors, including three outside directors. In principle, the Board of Directors convenes around 10 times a year, and as necessary.

Major investment projects, such as the construction of new vessels, are submitted to the Board of Directors at the basic policy formulation stage. The 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.

■ Deliberation on Corporate Strategy and Vision

A major feature 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 outside directors and corporate auditors, thus helping to ensure that the perspective of shareholders is reflected in how MOL is managed.

THEMES DISCUSSED IN CORPORATE STRATEGY AND VISION DELIBERATIONS HELD IN FISCAL 2012 (4 TIMES)

May	2012	Strategies for recruiting and training seafarers
October	2012	Management plan formulation policy
December	2012	Structural reforms
February	2013	Shale revolution and energy transportation

■ Executive Committee and Committees

MOL established the Executive Committee in 2000 as part of reforms to its management organization. As the second step of those reforms, in 2002 the company expanded the jurisdiction of the Executive Committee regarding execution of business activities, and also transferred the authority to implement projects within the scope of the basic policy approved by the Board of Directors to executive officers supervised by the president to speed up decision-making on individual projects.

MOL has also established the following committees to study and discuss important matters that will be submitted to the Executive Committee for discussion and projects straddling divisions, as sub-committees of the Executive Committee.

RISE Committee

Executes and follows up on management plans for MOL and the MOL Group, and examines and discusses matters related to the MOL Group's management strategy.

Budget Committee

Formulates basic policy on budget preparation for MOL and the MOL Group and sets targets; ascertains the status of implementation at MOL and in the MOL Group of the overall budget; and studies and discusses results evaluation and other matters.

Investment and Finance Committee

Studies and discusses items that will be submitted to the Executive Committee such as matters related to investment and finance and guarantees of obligations, the fleet control plan for individual vessels, and important matters relating to Group company management.

Operational Safety Committee

Chaired by the President, this committee studies and discusses basic policies and measures for ensuring safe operation of MOL Group-operated vessels through rigorous attention to every detail.

As subordinate organizations of this committee, there are the Safety Assurance Committee, which monitors efforts to strengthen the safe operation system, confirms progress and achievements thereof, and discusses advice for making necessary revisions to measures; and the Ship Standard Specification Committee, which discusses standard specifications for MOL vessels and MOL Ship Management Standards.

CSR and Environment Committee

Studies and discusses corporate social responsibility (CSR), and matters related to company systems for reducing global environmental impact.

Compliance Committee

Studies and discusses the enhancement of the compliance system and actions for dealing with compliance violations, and matters related to establishing a structure for protecting and managing personal information, among other topics.

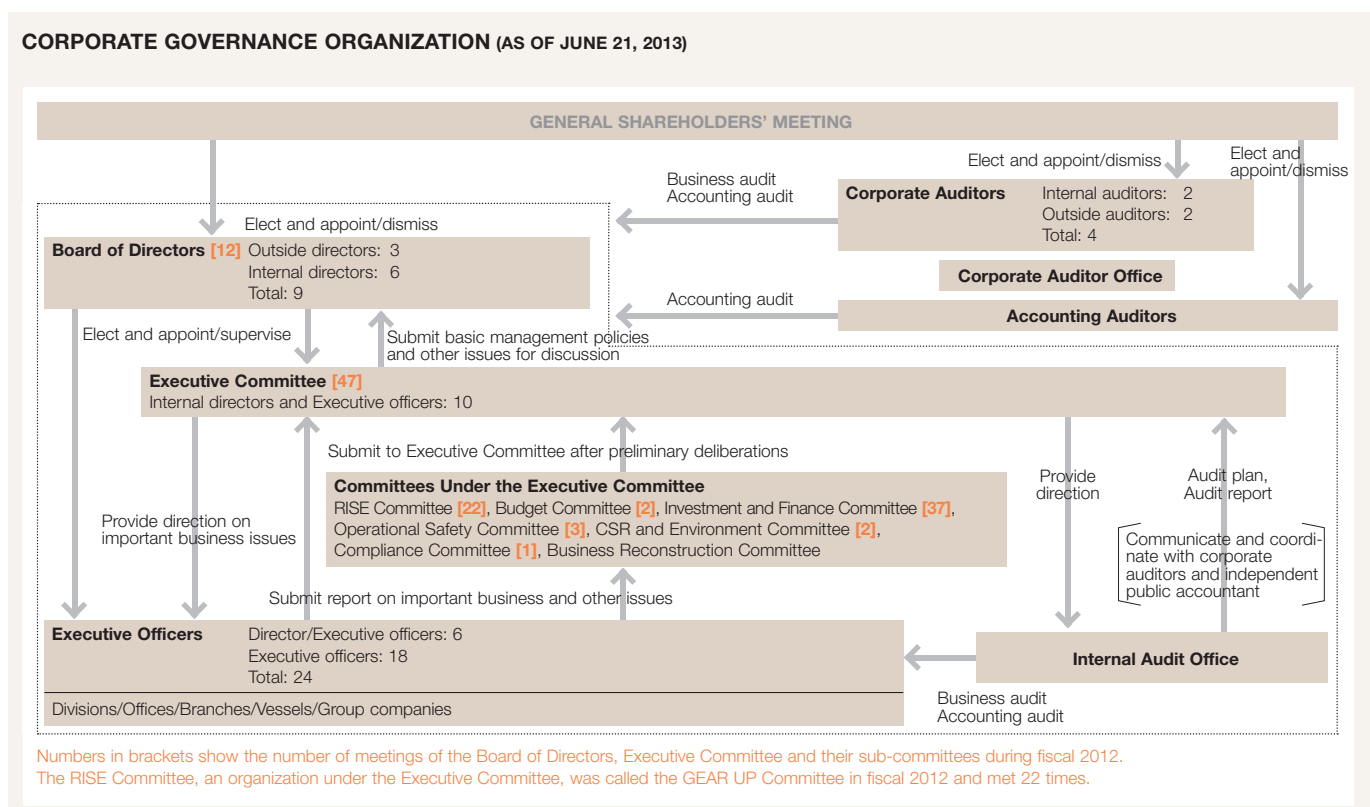
Business Reconstruction Committee

Studies and discusses matters relating to rehabilitation plans for depressed businesses.

Functions of Outside Directors and Reasons for Appointment

As part of efforts to strengthen corporate governance, MOL appoints outside directors, with the aim of bolstering oversight of the execution of business operations by bringing in an outside perspective to management.

MOL has appointed three outside directors: Takeshi Komura, who is President of The Salt Science Research Foundation; Sadayuki Sakakibara, who is Chairman of the Board and Representative Member of the Board of Toray Industries, Inc.; and Masayuki Matsushima, Senior Advisor of The Boston Consulting Group K.K. MOL has adjudged that all three individuals are independent and have neutral positions with no conflicts of interest with the company. The outside directors draw on their individual experience and insight to check the appropriateness of management and the status of execution of business operations from the shareholders' standpoint. At the same time, they express valuable opinions about management as a whole. In these ways, the outside directors play a major role in enhancing the operation of the Board of Directors.



Name	Position	Reason for Appointment
Takeshi Komura	President of The Salt Science Research Foundation	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his longtime experience in and knowledge of economic management and policy finance of Japan.
Sadayuki Sakakibara	Chairman and Representative Member of the Board of Toray Industries, Inc.	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective, with an objective view independent from that of internal executive management, based on his abundant experience and extensive knowledge as a corporate executive.
Masayuki Matsushima	Senior Advisor of The Boston Consulting Group K.K.	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his long-time experience in and knowledge of the financial sector.

(As of June 21, 2013)

■ Functions of Outside Corporate Auditors and Reasons for Appointment

The Board of Directors has nine members, including three outside directors who are completely independent and have no conflicts of interest with MOL. Likewise, there are four corporate auditors, who are responsible for performing statutory auditing functions, including two outside corporate auditors who are completely independent and have no conflicts 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.

Name	Position	Reason for Appointment
Sumio Iijima	Attorney at law, Tokyo Toranomon Law office	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his specialist knowledge as an attorney at law.
Hiroyuki Itami	Professor and Dean of Tokyo University of Science, Graduate School of Innovation Studies	MOL adjudged that he has a neutral position with no conflicts of interest with the company, and that he has wide-ranging experience and knowledge for checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on his specialist knowledge as a scholar of business administration.

(As of June 21, 2013)

Director and Corporate Auditor Compensation

The Board of Directors, including the outside directors, determines compensation for the directors and corporate auditors. Compensation paid to directors and corporate auditors in fiscal 2012 is shown in the following table.

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.

■ Compensation for Directors and Corporate Auditors

	No. of people remunerated	Total remuneration (¥ millions)	(Thousands of U.S.\$)
Directors (Excluding outside directors)	7	¥350	\$3,721
Corporate auditors (Excluding outside corporate auditors)	2	68	723
Outside directors and outside corporate auditors	5	51	542

■ Compensation for Independent Public Accountants

	(¥ millions)	(Thousands of U.S.\$)
Compensation for auditing services	¥106	\$1,127
Compensation for auditing-related services	16	170
Total	¥122	\$1,297

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 established a Compliance Committee, which is headed by a corporate officer appointed by the Executive Committee, and formulated the Compliance Policy to assure strict adherence to rules and regulations. General managers of divisions and offices are appointed as Compliance Officers. They are responsible for enforcing compliance regulations and are also required to report to the Compliance Committee Secretariat Office in the event of a compliance breach. The Internal Audit Office, a body that operates independently of the company's divisions and offices, provides a counseling service. The Internal Audit Office undertakes investigations of breaches and reports the results to the Compliance Committee. In addition to the existing counseling service, in fiscal 2011 we established an external compliance advisory service desk, which we entrusted an attorney to run.

The company works to assure a proper relationship with its independent public accountants. Compensation paid to independent public accountants in fiscal 2012 is shown in the table above.

Internal Control System

Since the fiscal year ended March 2009, the Financial Instruments and Exchange Act has obligated publicly listed companies to prepare a report evaluating their internal controls over financial reporting by management (Internal Control Reporting System) and to have this evaluation audited by auditors outside the company. This internal control reporting system involves management themselves confirming the effectiveness of the framework for disclosing information such as appropriate and proper financial reporting through methods that visualize and evaluate operations, and an audit by auditors from outside the company.

Using the occasion of this system reform, MOL went beyond the scope required of it by law, and is promoting activities to further enhance MOL Group management effectiveness, efficiency and transparency, namely ensuring the appropriateness of business operations and the trustworthiness of financial reporting.

In fiscal 2012, MOL again assessed the status of the internal controls over financial reporting and the operation thereof, confirming that there were no major flaws in the MOL Group's internal controls over financial reporting. Going forward, the MOL Group will continue working to enhance its internal control system.

Independent Directors/ Corporate Auditors

Due to partial amendments to the Securities Listing Regulations that came into force in December 2009, publicly listed companies are required to secure independent director(s)/corporate auditor(s) from the standpoint of protecting general investors (Rule 436-2 of the Securities Listing Regulations). An independent director/corporate auditor means an outside director or outside corporate auditor who is unlikely to have a conflict of interest with general investors. Independent directors/corporate auditors are expected to act to protect the interests of general investors. For instance, they are expected to state necessary opinions to ensure the interests of general shareholders are taken into consideration in a situation where a decision is made concerning business operations in the Board of Directors or other decision-making body of a publicly listed company.

MOL has designated its three outside directors and two outside corporate auditors as independent directors/corporate auditors, respectively, because there is no concern about a conflict of interest with general investors in conformity with the criteria for independent directors/corporate auditors of listed securities exchanges. Each of these individuals plays a major role in corporate governance by checking the appropriateness of management decisions and supervising the execution of business operations from the shareholders' perspective based on their experience and insight.

Annual General Shareholders' Meeting

MOL aims to hold open General Shareholders' Meetings. In addition to sending the notice of the general meeting of shareholders out about three weeks before the meeting, MOL avoids dates when many Japanese companies hold their annual meetings so that as many shareholders as possible can attend.

MOL has also enabled shareholders to exercise their voting rights by mobile phone and the Internet since the June 2006 annual meeting, in addition to postal voting, so that shareholders who cannot attend the annual meeting can vote on proposals. Furthermore, since the June 2006 annual meeting, MOL has used the electronic voting platform for institutional investors so that proxy voting rights holders can exercise voting rights. Moreover, a summary of questions received about matters reported and proposed at the annual meeting is posted on MOL's website after the conclusion of the meeting in the interest of fair disclosure.

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 2012, 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.

MOL actively disseminates information about management strategy, investment plans, market conditions and other information through its website. In fiscal 2012, MOL revamped its website to enhance accessibility to necessary information. The company received the 2012 Internet IR Commendation Award from Daiwa Investor Relations Co., Ltd.

The responsibility to provide information is not limited to management and financial issues. MOL's basic stance is to quickly disclose information, even if it is negative such as information on accidents, to all stakeholders. Furthermore, we hold regular drills for responding to the media in emergencies and are working to strengthen our ability to be able to quickly and properly disclose information.

MOL will continue working to raise confidence in its business policies and management through close communication with various stakeholders.

Fluctuations of Cargo Volume, Fleet Supply and Freight Rates

The global shipping business, like many other industries, is greatly affected by trends in the global economic cycle, and is thus subject to both macroeconomic risk, as well as business risk associated with trends in specific industries. There are a multitude of factors that are subject to change, such as fluctuations in the economies of individual countries, changes in the trade structure, demand for freight space, market conditions, and cargo volumes. Achieving the best performance hinges on coolly analyzing information so as to continually increase the probability, even if only low, of generating even higher earnings. With this in mind, MOL has adopted a strategy of “diversifying operations to reduce risk” and “raising highly stable profits” by aligning its fleet to match international marine transport demand in the transport of both raw materials and finished goods. In this way, we strive to maximize returns and sustain profit growth.

■ Diversifying Operations to Reduce Risk

MOL operates a “full-line marine transport group.” As of the end of March 2013, our fleet consisted of 958 vessels ranging from dry bulkers and tankers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Supply and demand trends fluctuate for each type of ship and each type of cargo. While there are some factors that are closely

related and affect all of these segments in the same way, there are also many factors which affect demand in each sector differently, so the impact in one sector offsets the impact in another in many cases. By maintaining a diverse, well-balanced assortment of ships, MOL can take advantage of this relationship to minimize risk and maximize return.

■ Raising Highly Stable Profits Through the Use of Medium- and Long-Term Contracts and Other Means

The company pursues medium- and long-term contracts won based on long-standing relationships of trust with customers. These contracts ensure a stable future cash flow that will help reduce the risk that market fluctuations could have on its results.

International marine transportation is increasing even amid lower exports from emerging markets to industrialized nations because of European economic sluggishness. The company aims to conclude contracts that are not largely affected by changes in the external business environment and constitute a stable source of profit. By expanding these contracts from a long-term perspective, MOL will create an even steadier earnings structure. To achieve this objective, one of the options we will look closely at as a matter of priority is M&As in growing sectors which enjoy a relatively stable cash flow.

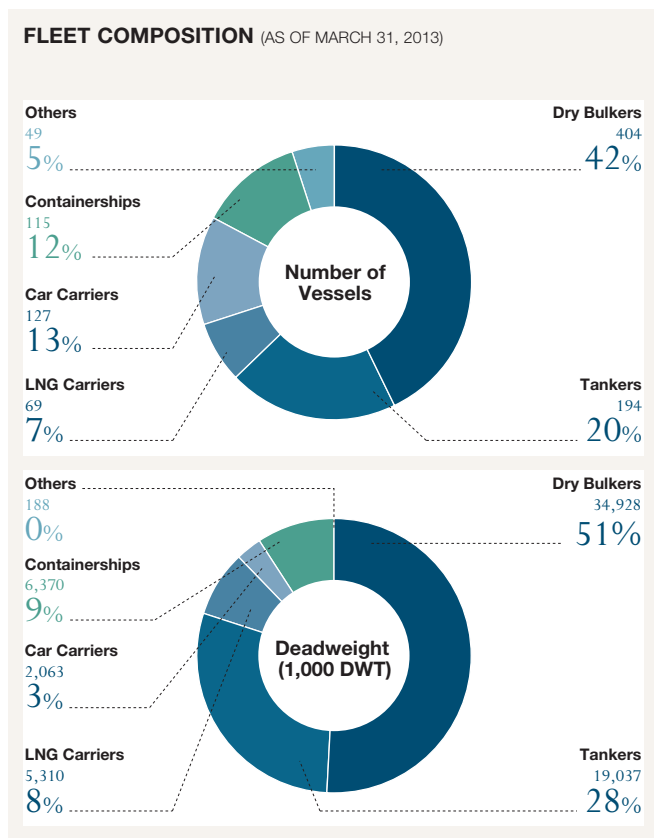
Exchange Rate Fluctuations

Apart from some Japanese clients, with whom MOL has concluded transport contracts on a yen-denominated basis, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Since U.S. dollar-denominated revenue exceeds U.S. dollar-denominated expenses, when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2013, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥2.0 billion on consolidated ordinary income.

As for changes in the value of the euro, MOL’s euro-denominated income and expenditures are roughly equivalent, as are euro-denominated receivables and payables. Therefore, changes in the euro-yen exchange rate have a limited impact on consolidated earnings.

Interest Rate Fluctuations

MOL depends mainly on the issuance of corporate bonds and funds borrowed from banks and other financial institutions to meet working capital and capital expenditure requirements. Loans are denominated in either yen or U.S. dollars, with funds procured at variable interest rates affected by interest rate fluctuations. As of March 31, 2013, interest-bearing debt totaled ¥1,046.8 billion, and between 50% and 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in interest rates on both yen-denominated and U.S. dollar-denominated

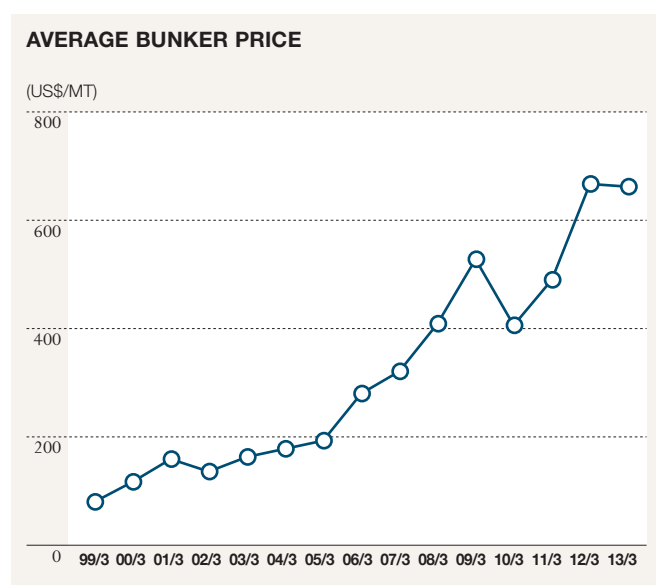


interest-bearing liabilities would impact annual consolidated ordinary income by approximately ¥4.5 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the Lehman Brothers collapse, the company is taking steps to mitigate the risk of a future interest rate rise. It plans to flexibly adjust the ratio of variable-rate and fixed-rate loans through interest swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

Bunker Price Fluctuations

The market price of bunker is generally linked to the price of crude oil, and any increase in bunker prices has a negative impact on earnings for the MOL Group. The Group operates a fleet of approximately 960 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The company is able to pass on about 50% of the risk to customers. Therefore, an increase of US\$1 per metric ton in the average annual price of bunker would lower earnings by approximately ¥0.18 billion (net of hedging).

The International Maritime Organization (IMO) has been considering possible measures to address the problem of sulfur oxide and nitrogen oxide emissions generated by ships. The IMO has already introduced restrictions up to Phase 2 mainly on the sulfur content of bunker used by ships, and the type of electrical generators and shipboard engines that vessels use, in order to reduce nitrogen oxide emissions. It is presently discussing the details of Phase 3 regulations. The introduction of Phase 3 restrictions could have an impact on fuel costs and ship costs. The company intends to take steps over time to pass on these higher costs via freight rate increases and higher charter fees, while watching developments with discussions at the IMO.



Sensitivity of Earnings to Exchange Rate/Interest Rate/Bunker Price Fluctuations

Exchange Rate (¥/US\$)	A ¥1 appreciation reduces ordinary income by approximately ¥2.0 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥4.5 billion
Bunker Price (US\$/MT)	A US\$1/MT increase reduces ordinary income by approximately ¥0.18 billion

Vessel Operations

MOL operates a fleet of approximately 960 vessels and it is therefore impossible to ignore the risks related to various incidents that may occur on the high seas. In order to prevent accidents, the company has introduced a variety of measures such as safety standards, a safety management system, comprehensive crew education and training, and new organizations to support safe operations.

Furthermore, MOL has arranged sufficient insurance coverage so that its financial results will not be materially impacted, should the company or a third party suffer damages in the unlikely event of an MOL-operated vessel being involved in a collision, sinking, fire or other marine incident.

Natural Disaster Risk

An earthquake or other natural disaster, or an outbreak of an infectious disease (hereinafter “disaster or such like”) could affect MOL-operated vessels, offices and facilities, as well as employees, hampering business operations.

MOL puts the highest priority on an ensuring the safety of its vessels and company personnel in the event of a disaster or such like. The company has formulated a business continuity plan documenting procedures to enable it to continue providing its core ocean transport services and quickly restore operations in the unlikely event that they are suspended. This business continuity plan establishes organizations and delegates authority for duties relating to maintaining the safe operation of vessels, execution of transportation contracts and charter agreements, financial preparation, securing required personnel and other matters. Furthermore, for some years MOL has been conducting regular disaster-preparedness drills at Head Office and outside of the company and other measures. By addressing issues arising from these drills, MOL believes that it has a high state of readiness. Nevertheless, in the event of a disaster or such like in which MOL cannot completely avoid damage, the company’s business performance may be affected.

SAFE OPERATION

Please allow MOL to offer its sincere apologies to customers and other parties concerned for the inconvenience and anxiety caused by the marine incident involving the MOL-operated containership *MOL COMFORT* in June 2013.

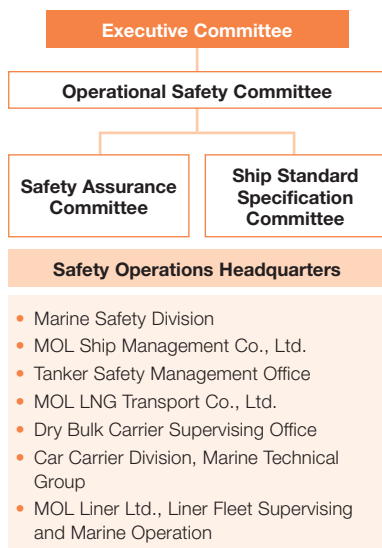
MOL has been aiming to become the world leader in safe operation and has until now implemented various measures for reinforcing safe operation in terms of ship facilities, seafarers, ship management and our safety culture. Rigorously ensuring safe operation is of the utmost importance for MOL. Aware that this is the starting point for earning the trust and patronage of stakeholders, MOL is working cohesively as a group on safe operation as a primary management imperative.

Safe Operation Management

Safe Operation Management Structure

MOL has an Operational Safety Committee, which is chaired by the president of MOL. Under this committee are the Safety Assurance Committee and the Ship Standard Specification Committee. The Operational Safety Committee discusses and determines basic policies and measures for ensuring safe operation of vessels through rigorous attention to every detail. The Safety Operations Headquarters, which consists of marine technical and ship management divisions, is responsible for implementing specific measures, with progress overseen by the Safety Assurance Committee. The Ship Standard Specification Committee discusses and determines MOL Safety Standards and owned ship maintenance standards from a fail-safe¹ perspective.

ORGANIZATIONAL STRUCTURE SUPPORTING SAFE OPERATION

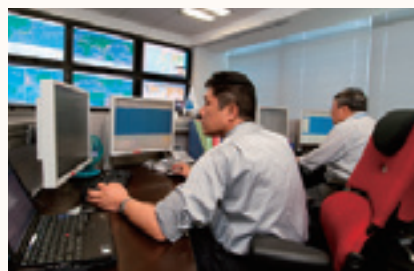


Emergency Response System

MOL continues to strengthen its systems so that it can provide an accurate response in the unlikely event of an emergency.

Safety Operation Supporting Center (SOSC)

The SOSC is staffed at all times by two marine technical specialists, including an experienced MOL captain, and supports the safe navigation of MOL-operated vessels around the clock 365 days a year. The center monitors the position and movement of more than 900 MOL Group-affiliated vessels, providing assistance from the captain's perspective by supplying information on abnormal weather and tsunamis and on piracy and terrorism incidents to relevant personnel on the ship and land. At the same time as serving as an information portal supporting the safe operation of MOL ships, the center also functions as a help desk for urgent inquiries from ships regarding safe operation. Since its establishment, the center has helped to steadily reduce the number of incidents involving adverse weather or emergency entry.



Safety Operation Supporting Center (SOSC)

Accident Response Drills

MOL regularly conducts accident response drills that simulate various situations such as an on-board fire or water immersion, or act of piracy or terrorism, so that seafarers can respond swiftly and appropriately in an emergency. Head Office conducts accident response drills twice a year with the cooperation of the Regional Coast Guard Headquarters. The drills involve MOL's president, other corporate officers, representatives of relevant



Evacuation drill

departments and ship management companies, and vessels. Furthermore, MOL Group companies that operate ferries and cruise ships conduct emergency response drills, including evacuation guidance, on a regular basis, as they put the highest priority on ensuring customer safety in an emergency. In July 2013, MOL Ferry Co., Ltd. held an evacuation drill on-board a ferry berthed at Oarai Port. This marked the first time in Japan that ordinary customers participated in an evacuation drill.

Safe Operation Measures

Efforts to ensure safe operation will never end. True to this statement, MOL continues to implement measures in fiscal 2013.

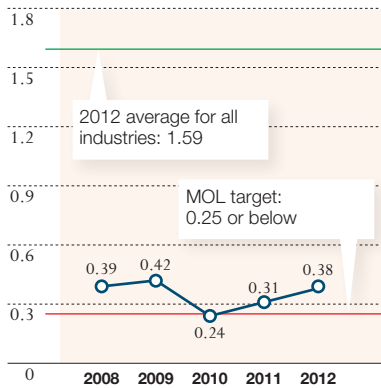
Making Processes for Realizing Safe Operation Visible

MOL has introduced objective numerical indicators for measuring safety levels, and also set the following numerical targets, including the Four Zeroes.

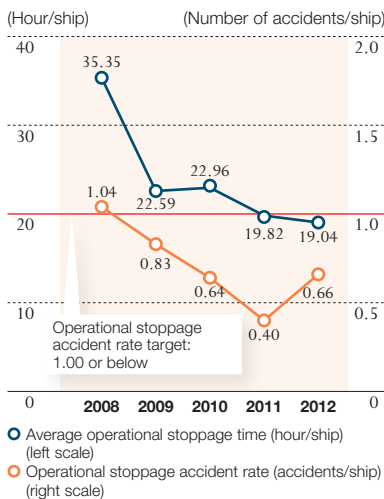


1. Four Zeroes (an unblemished record in terms of serious marine incidents, oil pollution, fatal accidents and cargo damage)
2. LTIF² (Lost Time Injury Frequency): 0.25 or below
3. Operational stoppage time³: 24 hours/ship or below
4. Operational stoppage accident rate⁴: 1.0/ship or below

LOST TIME INJURY FREQUENCY (LTIF)



OPERATIONAL STOPPAGE ACCIDENTS AVERAGE TIME AND FREQUENCY



In fiscal 2013, MOL will work on three important targets: (1) eradicate work-related accidents causing injury or death, (2) eradicate collisions and groundings, and (3) eradicate machinery trouble resulting in a dead ship condition (a ship being unable to move under its own power).

■ Breaking the Chain of Errors

We continue to make improvements related to both seafarer training and ship facilities to break the chain of errors in which minor factors combine and ultimately lead to major maritime accidents.

In terms of seafarer training, we are reinforcing our OJT Instructor System^{*5} on-board ships, and enhancing land-based education and training curriculums and programs such as “Hazard experience” training sessions. These measures are geared towards enhancing the ability of seafarers to perceive danger. In addition, we are working to raise safety awareness among seafarers by collecting information from each vessel in operation on examples of incidents and problems as well as close calls^{*6} and by using videos, photos and illustrations to appeal to the visual sense of seafarers. In terms of ship facilities, we are working to equip ships with error-resistant equipment. This involves promoting the fail-safe design concept by providing shipyards and equipment manufacturers with feedback from vessels in operation on areas of non-conformance and areas in need of improvement.



On-the-job Training (OJT) Instructor System

From the standpoint of protecting seafarers, it is the MOL Group’s ultimate goal to eradicate work-related accidents causing death. MOL analyzes the factors and causes behind accidents from various angles and uses the results to make

improvements in ship facilities. It also asks employees on land and at sea to discuss examples of serious incidents and problems “as if they are their problem” and to propose preventive measures as part of efforts to prevent accidents.

■ Cooperation for Safe Operation

The MOL Group works together with vessels, shipowners, and ship management companies to ensure the safe operation of all owned and chartered vessels by sharing safety-related information. MOL conducts “Safety Operation Meetings” and “Safety Campaigns” involving vessels, shipowners and ship management companies to deepen understanding of its safety standards and to discuss safety improvements. MOL also inspects vessels to check whether its safety standards are understood well and put into effect. If there is a need to make improvements, MOL will take corrective actions, communicating with the vessel, shipowner and ship management company in the process.

Glossary

- *1 **Fail-safe:** Equipment and systems are designed to operate safely at all times, even when trouble occurs due to operator error or malfunction.
- *2 **LTIF:** Number of work-related accidents per one million hours worked that resulted in time lost from work of one day or more. Average for all industries (2012) was 1.59; for shipping industry, 1.39; for shipbuilding and repair, 0.77. (Source: 2012 Survey on Industrial Accidents issued by the Ministry of Health, Labour and Welfare)
- *3 **Operational stoppage time:** Expresses the amount of ship operational stoppage time due to an accident per ship per year.
- *4 **Operational stoppage accident rate:** Expresses the number of accidents that result in ship operational stoppage per ship per year.
- *5 **OJT instructor system:** This system involves experienced captains and chief engineers who understand MOL standards of safe operations travelling onboard ships to identify unsafe practices and latent risks only discoverable on the ships in service and order immediate improvements.
- *6 **Close calls:** Risky incidents that came very close to causing a more serious accident.

MOL COMFORT Marine Incident

On June 17, 2013, *MOL COMFORT* (an 8000-TEU type containership built in 2008) suffered a crack amidships during inclement weather while under way from Singapore to Jeddah, Saudi Arabia, in the Indian Ocean. This made it impossible for the vessel to continue on under its own power. Subsequently, the vessel fractured into two parts and MOL organized to tow the vessel to rescue the cargo and hull. On June 27, however, the aft part of the containership sank. On July 6, a fire broke out on the fore part while being towed and this section later sank on July 11 with firefighting efforts hampered by adverse weather. As of the end of July 2013, no large-volume leakage of fuel oil and other oil due to this incident had been confirmed. All crew members were safely rescued.

Since directly after the incident, MOL has been continuing a thorough investigation to find the cause with the cooperation of the shipbuilder, the classification society and other parties. Because it may take some time to identify the cause of the incident, the company decided to take extra preventive measures for six sister vessels operated by MOL, including strengthening hull structures.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

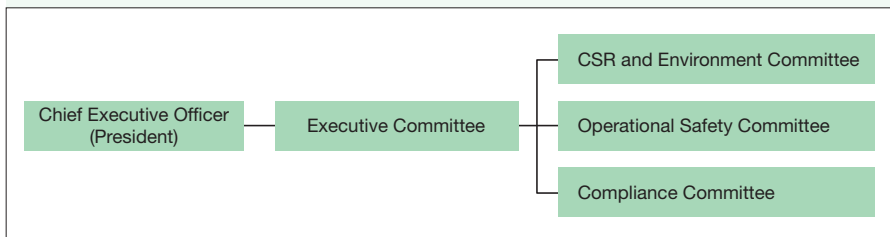
MOL's Approach to CSR

In our view, CSR means conducting business management that adequately takes into account laws and regulations, social norms, safety and environmental issues, human rights and other considerations, and developing together with society sustainably and harmoniously while earning the support and trust of stakeholders, including shareholders, customers, business partners, employees and local communities.



In order to fulfill these responsibilities, MOL deliberates on CSR-related policies and measures, primarily through the three committees under the Executive Committee.

ORGANIZATIONAL FRAMEWORK FOR CSR INITIATIVES



The CSR and Environment Committee was established in June 2004 by reorganizing the former Environment Committee. This committee works to promote CSR throughout the MOL Group by setting and reviewing annual targets for initiatives related to compliance, corporate governance, accountability, risk management, safe operation, human rights, care for employees and seafarers, social contributions and the environment.

The MOL Group Basic Procurement Policy

As a company that handles part of the supply chain of customers and in order to fulfill the social responsibility of the MOL Group itself, we formulated the MOL Group Basic Procurement Policy in 2012. This clearly documents our CSR activity policy regarding the Group's procurement activities. To embed this policy in the MOL Group, we work to observe laws and regulations in supply chains and social norms, incorporate consideration for environmental protection in our activities, pursue safety, engage in fair trading and build trust, with the understanding and cooperation of business partners. In this way, we aim to contribute towards the realization of sustainable societies together.

THE MOL GROUP BASIC PROCUREMENT POLICY

The MOL Group procures goods and/or services in accordance with the following basic policy:

1. We comply with applicable laws, regulations and social norms, and pay due consideration to the protection of the environment.
2. We procure goods and/or services, including the delivery or execution of such goods and/or services, that meet high safety standards.
3. We conduct fair trade, and endeavor to establish trusting relationships with contractors.

We work to make sure that our contractors understand our Basic Procurement Policy, with the aim of contributing towards the realization of sustainable societies together.

Participating in the UN Global Compact

CSR activities are broad and, from time to time, the strength and priority of those activities change depending on the operating environment, global circumstances and region where business is being developed. With business activities spread across the globe, MOL believes that building good relationships with various stakeholders worldwide and contributing to the realization of sustainable growth of society are vital as it seeks to realize the ideas set forth in the MOL Group Corporate Principles. In order to contribute to an international framework for realizing these goals, MOL became the first Japanese shipping company to participate in the United Nations (UN) Global Compact in 2005. Since then, MOL has worked to support and practice the 10 principles in 4 areas of the UN Global Compact, which shares the same values as MOL's Rules of Conduct, which were established as a set of guidelines for executives and employees.



■ 10 Principles of the Global Compact

Human Rights

- PRINCIPLE 1. Business 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.

Labour

- 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 6. The elimination of discrimination in respect of employment and occupation.

Environment

- 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.

Anti-Corruption

- PRINCIPLE 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Human Rights

MOL aims to be an organization that respects human rights and is rich in diversity. To this end, MOL sees human rights education as a core and important activity. While there are many issues surrounding the subject of human rights, MOL aims to foster a workplace environment where all corporate officers and employees share an understanding of the need for mutual respect and can carry out their work with a positive frame of mind. These efforts are designed to eliminate human rights breaches or discrimination caused by mistaken beliefs founded on baseless biases or delusions.

■ Basic Stance

MOL works to raise and entrench human rights awareness throughout the whole Group by ensuring awareness of the principles of important international human rights regulations such as the International Covenants on Human Rights. As one effort, MOL is participating in the UN Global Compact and is supporting and practicing universal principles regarding human rights and labor. Furthermore, MOL's Rules of Conduct state that the company will respect human rights and will not engage in discrimination and harassment.

■ Educational Activities

Every year, MOL conducts training based on various human rights themes by position, including new employees. In addition, the company disseminates information about human rights through its intranet to increase employee familiarity with the subject.

MOL is also an active member of a human rights awareness group. Insights obtained about human rights are reflected in internal training, and MOL collects "Human Rights Slogans" from MOL and MOL Group employees and their families and gives internal awards to the best entries.

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.

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 53 main Group companies in Japan and 17 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 14 MOL Group companies have earned this certification.

■ Prevention of Global Warming and Air Pollution

Although shipping is a more energy efficient mode than other modes of transport, 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. (Please refer to our website at the following URL: <http://www.mol.co.jp/ishin/en/>)

Increasing Transportation Efficiency with Larger Ships and Improved Propulsion:

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. With this in mind, MOL is conducting research and applying those results to vessels.



The iron ore carrier *BRASIL MARU*

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) take the optimum trim, 4) select optimum routes, 5) reduce vessels' wetted surfaces, 6) optimize operation and maintenance of main engines, auxiliary equipment and other machinery, 7) develop energy efficient ship designs, and 8) equip vessels with Propeller Boss Cap Fins (PBCF*).



* PBCF: PBCF efficiently recovers energy loss from the hub vortex generated behind a ship's propeller. This is an MOL proprietary technology that uses the same number of fins attached to the rear end of the propeller shaft.

Reducing NOx/SOx/Soot/Smoke and Dust:

MOL controls NOx emissions through the installation of electronically controlled engines. Regarding SOx, MOL has set a standard of using bunker oil with a maximum sulfur content below the current 3.5% for general sea areas in the MARPOL Convention. In respect of soot contained in ship exhaust gases, MOL teamed up with Akasaka Diesels Limited to develop a diesel particulate filter (DPF). This DPF has been trialed aboard an MOL Group-operated coastal ferry, where it was shown to remove more than 80% of particulate matter from diesel emissions.

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: MOL and MOL Group company Utoc Corporation installed one of the largest solar power generation systems in Tokyo at the Tokyo International Container Terminal. The system generates 200 kW of power. In 2007, 1,200 solar panels were installed on the



Tokyo International Container Terminal

roofs of the gate building, where trailer trucks enter and exit the terminal, and the vehicle wash building.

In fiscal 2012, this system generated approximately 236,000 kWh of power, which covered about 37% of the power needs for the control building. In addition, Utoc Corporation and Shosen Koun Co., Ltd. have also introduced hybrid transfer cranes at their container terminals in Tokyo and Kobe, respectively. These cranes consume approximately 40% less fuel than conventional ones.

Approaches to Marine Environmental and Biodiversity 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 adopting double-hull vessels in our tanker fleet to prevent spills of crude oil, petroleum products and chemicals caused by a grounding or collision of vessels. As a result, our fleet of 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 which was adopted in May 2009. Efforts are led by a task force made up of related divisions in the company that was established in 2010. 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.

Responding to Ballast Water Management Convention:

Ballast water is discharged when cargo is loaded. It may have an impact on local ecosystems by introducing foreign marine organisms from another location as well as the preservation and sustainable use of biodiversity. This potential cross-border transportation of foreign marine organisms in ballast water has been highlighted as an international issue since the late 1980s. As a result, the Ballast Water Management Convention was adopted by the IMO in 2004, and work is proceeding on ratification ahead of enforcement. We have developed a ballast water purification system and conducted on-board demonstrations in cooperation with manufacturers and other concerned parties.

In addition, care is exercised to reduce the impact of normal operation of our vessels on the oceans. MOL strictly adheres to all marine pollution treaties, including the International Convention for the Prevention of Pollution from Ships

(MARPOL Convention), 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) to protect the marine environment. Regarding anti-fouling ship bottom paints, MOL has switched to tin-free paints. These are just part of our efforts to help protect biodiversity.

Social Contribution Activities

MOL aims to be a company that grows sustainably and harmoniously with society. We therefore carefully consider social issues to tackle, and work to help solve them based on the following three principles. Guided by these principles, we proactively undertake social contribution activities that only a shipping company with a global network can.

- I. Contribute to the UN Millennium Development Goals* as a company growing in step with the global economy and social development.
- II. Contribute to protecting biodiversity and preserving nature as a company that impacts the environment to an extent and as a company that does business on the ocean, a rich repository of living organisms.
- III. Contribute to local communities as a good corporate citizen.

* The Millennium Development Goals consist of specific numerical targets to be achieved by 2015 in eight fields, including "achieve universal primary education" and "reduce child mortality."

Somalia Support Project

Frequent incidents of piracy in the Indian Ocean off Somalia pose a serious threat to global shipping. MOL and six other companies* reached an agreement to jointly address the need to stabilize Somalia. They announced plans to provide US\$1 million in funding to the Somalia Support Project, run by the United Nations Development Programme (UNDP).



This industry contribution will support long-term job creation and skill development for the younger generation in Somalia. By creating opportunities for stable employment, the program will contribute to safe operation in the seas off Somalia.

* Shell, BP, Maersk, Stena, Nippon Yusen Kabushiki Kaisha (NYK), Kawasaki Kisen Kaisha, Ltd. (K Line) and MOL

Daycare Center Opened in the Philippines

In November 2012, MOL opened a daycare center in Navotas in the Philippines.

This facility will provide education for pre-school children, health checkups, meals for underprivileged people, and other services. This program was launched based on a proposal from Philippines-based company Magsaysay MOL Marine, Inc., following the collection of "Social Contribution Activity Proposals" from MOL Group companies in fiscal 2010. More than half of MOL's seafarers come from the Philippines, and we believe that this daycare center will deepen ties with the country.



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 2012, 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 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 April 2013, 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 January 2013, MOL was selected for continuing inclusion in the index.



Environmental and Social Report

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/>

MOL's Environmental Technologies *Senpaku ISHIN*



With business activities spread across the globe, protecting the global environment is included as one of MOL's top priorities, alongside safe operation, in the MOL Group Corporate Principles. The *Senpaku ISHIN* project, our concept for next-generation vessels launched in September 2009, is a ground-breaking initiative that helps protect the environment in a substantive way by reducing carbon dioxide emissions using feasible technologies. Previously, MOL announced concepts for *ISHIN-I*, *ISHIN-II* and *ISHIN-III* as a series of next-generation vessels.

In June 2012, MOL took delivery of the *EMERALD ACE*, a new car carrier equipped with a hybrid electric power supply system, taking a major step toward realizing the company's *ISHIN-I* image of future car carriers. MOL will continue to work actively to develop technologies for reducing the environmental burden of ships and operations.

Other Next-Generation Vessels

ISHIN-II

Ferry that Uses LNG as Fuel

Features

- Use of LNG as fuel: By using liquefied natural gas (LNG) as fuel, the vessel has cleaner exhaust gases and greatly reduces CO₂ emissions.
- Use of shore power supply system: While in port and at berth, the ship uses electricity supplied from shore and rechargeable batteries to achieve zero emissions
- Emphasis on comfort
- CO₂ reduction: 50%



ISHIN-III

Very Large Ore Carrier With High-efficiency Waste Heat Energy Recovery System

Features

- Waste heat energy recovery to assist propulsion
- Employs technologies to reduce CO₂ emissions even at low speeds, as well as during normal operation
- CO₂ reduction: 30%



Details of the component technologies can be found on the *Senpaku ISHIN* section of MOL's website 🔗 <http://www.mol.co.jp/ishin/en/>