

# Management Foundation Underpinning MOL:

Corporate Governance and Corporate Social Responsibility

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# Board of Directors, Corporate Auditors and Executive Officers

(As of June 23, 2015)

## Board of Directors



**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  
 Jun. 2015 Representative Director, Chairman of the Board, Chairman Executive Officer (current)



**Junichiro Ikeda**

Representative 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  
 Jun. 2015 Representative Director, President, Chief Executive Officer (current)



**Kenichi Nagata**

Representative Director Born 1956

Apr. 1979 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2005 General Manager of Coal and Iron Ore Carrier Division  
 Jun. 2007 Executive Officer, General Manager of Coal and Iron Ore Carrier Division  
 Jun. 2009 Managing Executive Officer  
 Jun. 2013 Senior Managing Executive Officer  
 Jun. 2015 Representative Director, Executive Vice President 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, Managing Director of MOL Europe B.V.  
 Jun. 2011 Managing Executive Officer  
 Jun. 2013 Director, Managing Executive Officer  
 Jun. 2015 Director, Senior Managing Executive Officer (current)



**Shizuo Takahashi**

Director Born 1959

Apr. 1981 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2006 General Manager of Corporate Planning Division  
 Jun. 2008 Executive Officer, General Manager of Corporate Planning Division  
 Jun. 2010 Executive Officer  
 Jun. 2011 Managing Executive Officer  
 Jun. 2014 Director, Managing Executive Officer  
 Jun. 2015 Director, Senior Managing Executive Officer (current)



**Takeshi Hashimoto**

Director Born 1957

Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd.  
 Jun. 2008 General Manager of LNG Carrier Division  
 Jun. 2009 Executive Officer, General Manager of LNG Carrier Division  
 Jun. 2011 Executive Officer  
 Jun. 2012 Managing Executive Officer  
 Jun. 2015 Director, Managing Executive Officer (current)

## Independent Officers



**Takeshi Komura**

Outside Director Born 1939

Jun. 2008 Director of Mitsui O.S.K. Lines, Ltd. (current)  
 Jan. 2014 President of Capital Market Promotion Foundation (current)



**Masayuki Matsushima**

Outside Director Born 1945

Jun. 2011 Director of Mitsui O.S.K. Lines, Ltd. (current)  
 Nov. 2012 Chairman of NWIC Co., Ltd. (current)  
 Sept. 2014 Senior Advisor of Integral Corporation (current)



**Atsutoshi Nishida**

Outside Director Born 1943

Jun. 2014 Director of Mitsui O.S.K. Lines, Ltd. (current)  
 Jun. 2014 Advisor to the Board of Toshiba Corporation (current)

## Corporate Auditors

**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)

**Takashi Nakashima***Corporate Auditor* Born 1959

- Apr. 1982 Joined Mitsui O.S.K. Lines, Ltd.
- Jun. 2009 General Manager of Research Office
- Jun. 2011 General Manager of General Affairs Division
- Jun. 2015 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

**Independent Officers****Hideki Yamashita***Outside Corporate Auditor* Born 1954

- Apr. 1982 Attorney-at-Law (current)
- Apr. 1985 Established YAMASHITA & TOYAMA LAW AND PATENT OFFICE
- Mar. 1993 Patent Attorney (current)
- Jun. 2014 Corporate Auditor of Mitsui O.S.K. Lines, Ltd. (current)

**Hiroyuki Itami***Outside Corporate Auditor* Born 1945

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

## Executive Officers

**Koichi Muto**

Chairman

**Junichiro Ikeda**

President, Chief Executive Officer

**Kenichi Nagata**

Executive Vice President (Assistant to President, Bulk Carrier Office)

**Masaaki Nemoto**

Senior Managing Executive Officer (Dry Bulk Carrier Supervising Office, Tanker Safety Management Office, LNG Safety Management Office, Human Resources Division, Marine Safety Division, Safe Operation)

**Masahiro Tanabe**

Senior Managing Executive Officer (Finance Division, Accounting Division, Investor Relations Office, Liner Division, Port Projects &amp; Logistics Business Division, Research Office)

**Shizuo Takahashi**

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

**Hirokazu Hatta**

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

**Takeshi Hashimoto**

Managing Executive Officer (LNG Carrier Division, Offshore and LNG Project Division, LNG Safety Management Office)

**Tetsuro Nishio**

Managing Executive Officer (Dedicated Bulk Carrier Division)

**Toshiya Konishi**

Managing Executive Officer (Port Projects &amp; Logistics Business Division, Chief Executive Representative in Americas)

**Takaaki Inoue**

Managing Executive Officer (Tanker Safety Management Office, LNG Safety Management Office, Marine Safety Division)

**Takashi Maruyama**

Managing Executive Officer (Finance Division, Investor Relations Office)

**Akihiko Ono**

Managing Executive Officer (Liner Division)

**Akio Mitsuta**

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

**Naotoshi Omoto**

Managing Executive Officer (Car Carrier Division)

**Toshiyuki Sonobe**

Executive Officer (Managing Director of Mitsui O.S.K. Bulk Shipping (Asia Oceania) Pte. Ltd., Chief Executive Representative in Asia, Middle East &amp; Oceania)

**Yoshikazu Kawagoe**

Executive Officer (Technical Division)

**Hideo Horiguchi**

Executive Officer (Accounting Division)

**Koichi Yashima**

Executive Officer (Human Resources Division)

**Mitsujiro Akasaka**

Executive Officer (Managing Director of MOL (ASIA) LIMITED, Deputy Chief Executive Representative in Asia, Middle East &amp; Oceania)

**Toshikazu Inaoka**

Executive Officer (Dry Bulk Carrier Supervising Office, Marine Safety Division, General Manager of Dry Bulk Carrier Supervising Office)

**Toshiaki Tanaka**

Executive Officer (Coal and Iron Ore Carrier Division)

**Nobuo Ishihara**

Executive Officer (Managing Director of Mitsui O.S.K. Bulk Shipping (Europe) Ltd., Chief Executive Representative in Europe &amp; Africa)

**Kenta Matsuzaka**

Executive Officer (General Manager of LNG Carrier Division)



## Outside Director and Corporate Auditor Roundtable Discussion

We interview two outside officers (one director and one corporate auditor) on a range of topics from the insight they provide the Board of Directors to their impression of MOL's governance.



**Masayuki Matsushima**  
Outside Director

**Hiroyuki Itami**  
Outside Corporate Auditor

“ To help the Company establish a sustainable growth model as a truly global corporation, I'd like to fulfill my role as an outside officer and trusted advisor. ”

—Matsushima

“ I believe outside officers can make the most of their position and contribute to effective management by taking the initiative to say the things people inside the Company are afraid to say. ”

—Itami

### What are your thoughts on your respective roles as an outside director and an outside corporate auditor?

**Matsushima:** I'd like to first start off by saying that outside officers are not all powerful or all knowing. When it comes to business operations, officers from inside an organization can be more knowledgeable. So if you think about what kind of expectations outside officers can fulfill, the answer is clear: things that internal officers are unable to do, namely providing outside perspective. From the outside, it's possible to view the Company's management more objectively. Opinions rejected internally as nonsensical could be the very

ideas that lead to new creation. I think being able to provide an original point of view is one of the things expected of outside directors.

**Itami:** While I wholly agree with what Mr. Matsushima just said, I'd like to add that outside officers can talk straight about things that are known within the Company but talked about in hushed tones. Since outside officers don't have conflicts of interest with the Company or its management, they're in a good position to speak truth to management. I believe outside officers can make the most of their position and contribute to effective management by taking the initiative to say the things people inside the Company are afraid to say.

## What about the difference between a director and a corporate auditor?



**M:** In terms of actual function, there does seem to be a lot of overlap. When something comes up, if it's something the corporate auditor's responsible for, that doesn't

mean we as directors can avoid our responsibility.

**I:** Speaking from the position of an outside corporate auditor, there are functions set by law as specifically the responsibility of corporate auditors, like accounting audits and internal controls, and these must of course be fulfilled. However, on top of that, the auditor is in the position to attend Board of Directors' meetings and speak about management decisions. How should the auditor take on this involvement? The reaction could be completely different depending on the corporate auditor's own mindset or the corporate culture at the company. There are actually companies where corporate auditors attend board meetings but hardly ever say anything. Corporate auditors, myself included, don't have voting rights, but given our participation in board meetings, I feel we should voice our opinions about business management frankly. Corporate auditors have an obligation to audit management. Midterm management plans and management strategies are subject to auditing. And that's why while there is a difference in what is required of directors and corporate auditors by law, there is very little difference when it comes to participating in deliberations during board meetings.

## What would you commend about MOL's governance and what do you think should be improved?

**I:** I admire the system MOL has set up to reserve time for the Deliberation on Corporate Strategy and Vision<sup>\*</sup>, and encourage thorough discourse when outside directors and outside corporate auditors are in attendance. This is really good. As for what should be improved, there are times when the agenda is not implemented in a way that takes advantage of that system. Meaning: sometimes there are a large number of agenda items, explanations are too long, and insufficient time is left for discussion, albeit the company provides ample time for board meetings. Basically, I think the way the meetings are conducted needs to be improved.

**M:** I don't believe there are problems with the Company's governance overall. The board rarely simply approves the agenda items. The Board of Directors is highly open, debating the issues from various angles, setting aside issues for further debate, and offering support for items but with provisions attached. What I'm concerned about, though, is that while, in terms of corporate culture, everyone has superb communication skills and good character, nobody volunteers to play devil's advocate or say something unconventional when something happens. Considering MOL has in the past posted wide losses and once violated Japan's Antimonopoly Act, during trying times such as these, it would be much better if someone is brave enough to voice a contrary viewpoint.

**I:** That could also be because there's not enough time for that during the meeting.

**M:** Yeah, that's true. It would be even better if they could use technology or something during meetings to shorten speakers' explanations and set aside time to explain how the item relates to the strategies of the Company as a whole and how it connects with the corporate vision.

## Do you feel there are times when outside directors and corporate auditors should take on a leading role for the management team? What kind of situation do you think would merit such action at MOL?

**I:** I think taking on a leading role for the management team means speaking frankly with them. In general terms, the greatest responsibility of an outside officer is reining in management when they begin to get out of control. How you design a system or a control for that purpose is important. To be clear, I'm not implying or aware that any members of MOL's management team are out of control at present. But, as someone who thinks a lot about governance, it's important to have a system that can function during emergencies. Governance systems are like air: normally it's better not to be aware of its presence. But, if you fall to the bottom of a hole and begin running out of oxygen, that's when you first realize how much you need it. So I feel it's a really sound idea to ensure it is ready before something urgent happens.

**M:** Moreover, in terms of organizational change, people outside the company may be more likely to provide insight since



<sup>\*</sup>Deliberation on Corporate Strategy and Vision—

A major feature of MOL's Board of Directors. 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.

internal officers and employees are prone to following in the same old tracks. This includes reforming the organization and cutting losses. I think there are times when outside officers assess the situation from a long-term perspective and give management a bit of a push when they are hesitant to cut losses. In addition, speaking from my experience, I feel that outside directors can especially contribute to pointing out and preventing compliance issues.

**As an outside director and outside corporate auditor, looking back on major proposals and agendas for past board meetings and the Deliberation on Corporate Strategy and Vision, was there anything that left a particularly strong impression?**

**I:** As for the matters in which people outside the Company played an important role, what most sticks in my memory are those times when a wide range of opinions arose, such as the time when we discussed moving part of the dry bulkers division to Singapore. This move would lead to an extraordinary loss over ¥100.0 billion but improve the Company's standing. Another debate that stands out is when we discussed what to do about a struggling affiliate requesting financial support. I feel those were times I could really fulfill my function.

**M:** I recall one quite heated debate. Many opinions conflicted, causing the decision to be postponed to the next meeting. Ultimately an agreement was reached, but with provisions attached. I felt I was really able to contribute to the discussion as an outside director. And what impressed me when holding the Deliberations on Corporate Strategy and Vision at the Board of Directors meetings was the frequent discussion of the containership business. The debates

become quite lively and things begin to pick up steam. I have a positive impression of that.

**“STEER FOR 2020” was, in a sense, crafted in response to the result of a previous investment that led to excessive market exposure. Could you tell me what kind of opinions you gave as an outside director and outside corporate auditor?**

**M:** I stressed three points. The first was that, for management to really do its job, it would have to consider better insulating the Company from market forces, since shipping market conditions, exchange rates, bunker prices and other such factors are directly connected to corporate profits. I said that structural reform seemed necessary. Since it is the marine transport industry, I do think that it's impossible to be completely free from market forces and it's necessary to learn to live with them, but I added that I believe the Company should get out of the situation where it's easily shaken by the markets. The second point was truly global management. Until now, Japan has been the Company's major location. But with the changing demographics and geopolitics, Japan's proportion of global production and consumption are declining over the long term. To respond to these changes, I said the Company needs to pivot from its current business model to become a truly global corporation and establish a model for sustainable growth. This could be done by employing new technology or reorganizing trade routes from a global perspective while making use of alliances and local subsidiaries. Actually, I think management is aware of this as localization progresses at bases in Singapore and Hong Kong. The third was controlling risks for the Company as a whole. This also includes responses to environmental changes, not just market conditions. I told them that they should have a better



**“ I do think that it's... necessary to learn to live with market forces, but I added that I believe the Company should get out of the situation where it's easily shaken by the markets. ”**

**–Matsushima**

“ I asked if they’d done proper scientific calculations on how much risk the fleet portfolio was harboring. ”

–Itami



sense of how much risk they are operating under.

**I:** “STEER FOR 2020” was supposed to be formulated based on reflections of the past, and that’s just what happened. At that time, I asked if they’d done proper scientific calculations on how much risk the fleet portfolio was harboring.

**M:** You said that at a board meeting, right? That left a lasting impression.

**I:** If you measure the total risk exposure of the fleet portfolio, you could say, “this is too much risk to bear” or “in that case, let’s try decreasing this or increasing that,” and at least have somewhere to start a discussion about reorganizing the portfolio. But if you have no idea about the amount of risk, even if you’re told that there are risks, you won’t know if they’re big risks or small risks, right? Actually, when we began trying to quantify the risks, albeit imperfectly, the ratio of free vessels became a subject of debate. So I think it was meaningful that someone outside the Company said something should be done because it should be possible to express the risks quantitatively. In the meantime, while I do think it’s wonderful that the Company has recently been focusing on securing stable profits under “STEER FOR 2020,” there is the danger that the Company may go too far to minimize risks in divisions naturally exposed to market conditions, such as containerships and tankers. They really have to train people who can confront risks, but if the employees get immersed into “risk-free” tasks, the number of people who can grapple with risks will decrease. I asked them to consider that as well.

### Please tell us what your expectations are for MOL going forward, or share any last thoughts on your role.

**M:** As I said before, I’d like the Company to establish a sustainable growth model as a truly global corporation. And, to help accomplish that, I’d like to fulfill my role as an outside officer and trusted advisor.

**I:** I’d like MOL, as a world-leading shipping company with the world’s largest fleet, to continue to grow going forward. To

do that, the Company needs to pour money and human resources into the expanding areas of their portfolio. Training personnel is especially important. I’d like to see the Company soundly carry out its plans for securing and training the seafarers and captains it will need as the focus begins shifting to LNG carriers. Because companies are people. What I can do to help achieve this is, I think, to just speak frankly with management.

### Deliberation on corporate strategy and vision: Agenda Topics

FY2012	Agenda
May	Strategies for securing and training seafarers
Oct.	Policy on formulating management plan
Dec.	Structural reforms
Feb.	The shale revolution and energy transport

FY2013	Agenda
May	Prospects for offshore businesses and MOL’s initiatives
Oct.	Apprehending the business environment prior to formulation of the next midterm plan
Nov.	Technological revolution in marine transport
Feb.	Outline of the next midterm management plan

FY2014 –	Agenda
Aug.	Benchmarking against the competition in container shipping
Sep.	“STEER FOR 2020” management issues of the Containership Business
Nov.	Introduction of investment risk control indicators
Dec.	Impact of hydrogen-based society on the marine transport industry
Apr.	Corporate governance



# Corporate Governance

## Governance at a Glance

System of governance	Company with a board of corporate auditors
Total directors	9
Outside directors (ratio)	3 (1/3)
Total corporate auditors	4
Outside corporate auditors (ratio)	2 (1/2)
Independent officers (directors and corporate auditors)	5
Board of Directors' meetings held in fiscal 2014	11
Term of directors	1 year
Stock option system	Yes
Retirement benefit system	No
Anti-takeover measures	No
Compliance rules	Yes
External compliance advisory service desk	Yes

## History

### 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. Reviewed and consolidated 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

### 2011

Revised the MOL's Compliance Policy and Rules of Conduct

### 2014

Revised the Compliance Policy, establishing a chief compliance officer (COO)

## Corporate Governance that Supports Growth Dynamics

Effective corporate governance has two sides. The defensive side focuses on eliminating risks and ensuring business is conducted in line with social norms and corporate ethics. The other side is offensive, striving to maximize corporate value by accurately evaluating latent risks in the process of pursuing business opportunities, then actively taking those risks deemed reasonable. A company needs both wheels of governance. One brings order, the other provides growth dynamics. With both wheels firmly in place, a company can gain the trust of its customers, stockholders, business partners, employees, local communities and other stakeholders to sustainably conduct business.

MOL greatly shored up its management structure between 1997 and 2002. Taking a lead position among Japanese companies, MOL established an advanced, highly transparent corporate governance structure by, for example, inviting outside directors and introducing an executive officer system. We are reaping the benefits of those efforts, yet MOL has only arrived at its current position through a process of continuous improvement and evolution. We work hard to enhance corporate value.

## Corporate Governance Organization

MOL has established a corporate governance system that maximizes shareholder profits through the most appropriate allocation of management resources, with higher transparency of corporate management as shown in the chart on the next page. The Board of Directors (with the participation of independent outside directors, who are indispensable to corporate governance) supervises and encourages business operations, which are carried out by the President as chief executive officer. In addition, as a company with a board of corporate auditors, four corporate auditors, including two outside auditors, conduct business and accounting audits.

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. The framework described in the preceding paragraph is operated in the manner outlined in the following sections.

### 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.

And the Board of Directors holds 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. The fruit of this comprehensive deliberation was reflected in "STEER FOR 2020."

### 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. (See the chart below)

### Functions of Outside Directors and Reasons for Appointment

Although the revised Companies Act came into effect in May 2015, as part of efforts to strengthen corporate governance, MOL has been appointing outside directors since 2000, with the aim of bolstering oversight of the execution of business operations by bringing an outside perspective to management.

MOL has appointed three outside directors whose experience encompasses macroeconomic management, finance, and businesses in Japan. 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

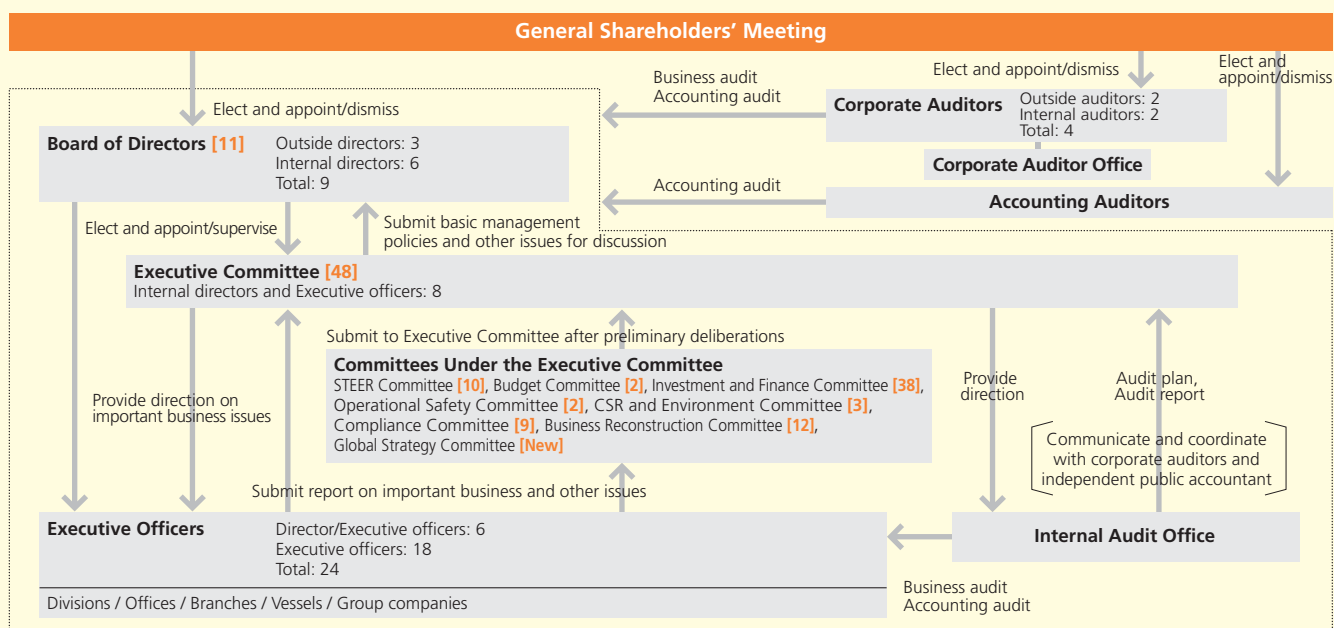
express valuable opinions about management as a whole. In these ways, the outside directors play a major role in enhancing the operation of the Board of Directors.

### Reasons for Appointment of Outside Directors

Name	Position	Reason for Appointment
Takeshi Komura	President of Capital Market Promotion 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.
Masayuki Matsushima	Chairman of NWIC Co., Ltd. Senior Advisor of Integral Corporation	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.
Atsutoshi Nishida	Advisor to the Board of Toshiba Corporation	MOL adjudged that he can offer advice 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.

(As of June 23, 2015)

### Corporate Governance Organization (as of June 23, 2015)



Numbers in brackets show the number of meetings of the Board of Directors, Executive Committee and their sub-committees during fiscal 2014. The number of meetings of the compliance committee includes review committee of recurrence prevention measures for anti competitive practices. (6 meetings)

## Functions of Outside Corporate Auditors and Reasons for Appointment

MOL has appointed 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.

### Reasons for Appointment of Outside Corporate Auditors

Name	Position	Reason for Appointment
Hiroyuki Itami	Professor 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.
Hideki Yamashita	Attorney-at-Law & Patent Attorney, YAMASHITA & TOYAMA LAW AND PATENT 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.

(As of June 23, 2015)

## Compensation for Directors, Corporate Auditors and Independent Public Accountants

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 2014 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	¥306	\$3,001
Corporate auditors (Excluding outside corporate auditors)	2	66	550
Outside directors and outside corporate auditors	7	57	479

### Compensation for Independent Public Accountants

	Compensation for audit operations (¥ millions)	Compensation for non-audit operations (¥ millions)	Total (¥ millions)	(Thousands of U.S.\$)
Parent company	¥109	¥17	¥127	\$1,060
Consolidated subsidiaries	111	1	113	944
Total	¥221	¥19	¥240	\$2,005

## Independent Officers

Due to partial amendments to the Securities Listing Regulations that came into force in December 2009, publicly listed companies are required to secure independent officer(s) from the standpoint of protecting general investors. An independent officer means an outside director or outside corporate auditor who is unlikely to have a conflict of interest with general investors. Independent officers 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 officers, respectively, because there is no concern about a conflict of interest with general investors in conformity with the criteria for independent officers 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.

## 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 2014, 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.

## 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 the Chief Compliance Officer, 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 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, we established an external compliance advisory service desk, which we entrusted an outside attorney to run. The desk provides anonymous counseling services.

### Measures Ensuring Compliance with the Antimonopoly Act

On March 18, 2014, the Japan Fair Trade Commission (JFTC) found MOL had violated Article 3 of the Antimonopoly Act regarding certain car carrier shipping trades. Considering this legal violation to be a very serious matter, we established the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices, which is headed by the President, in April 2014. The committee has examined and executed various concrete policies to prevent a recurrence of cartel activities, including revising the compliance system and reforming the corporate culture. The measures resolved by the Review Committee of Recurrence Prevention Measures for Anti-competitive Practices have been taken up by the Compliance Committee since October 2014.

For more detailed compliance information, see the Safety, Environmental and Social Report.



### 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 2014, the President participated in the Company's presentations of quarterly results and attended meetings with domestic and foreign

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.

Japan's Stewardship Code was enacted in February 2014 and the Corporate Governance Code entered into force in June 2015. MOL has already been proactively holding constructive dialogues with institutional investors and there will be no change to that policy. Feedback is regularly provided to management with regard to the content of discussions held with investors and analysts. Going forward, MOL will further bolster the quality and quantity of communication while being mindfully aware of fair disclosure.

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.

### IR Activities in Fiscal 2014 (April 2014–March 2015)

Activity	Frequency	Details	
For securities analysts and institutional investors	Business performance presentations	4 times	Quarterly results/forecasts
	President's small meetings	2 times	Held for analysts in Japan
	Operations presentations	1 time	LNG carriers and offshore businesses
For overseas institutional investors	Overseas investor road shows	4 times	Once in North America, twice in Europe, once in Asia (Hong Kong and Singapore)
	Conferences held by securities companies	6 times	Attended conferences in Japan and held individual meetings
For individual investors	Corporate presentations for individual investors	3 times	Attended seminars for individual investors in Tokyo, Osaka and Nagoya: once in each city.

### IR Materials (available on MOL's website)

Material	Japanese	English
Financial reports	Yes	Yes
Stock exchange filings (financial highlights, etc.)	Yes	Yes
Business performance presentation materials (including summaries of Q&A sessions)	Yes	Yes
Annual reports	Yes	Yes
Securities reports	Yes	No
Quarterly reports	Yes	No
Business reports for shareholders	Yes	Yes
Safety, Environmental and Social reports	Yes	Yes
Investor guidebooks	Yes	Yes
Market data	Yes	Yes



# Risk Management

The Company identifies the risks surrounding the MOL Group, such as fluctuations of freight rates, with the aim of managing and reducing these risks. In the midterm management plan “STEER FOR 2020,” MOL has designated the reinforcement of total risk control as one measure to strengthen its management foundation and support the successful execution of the plan. To fully exercise sustainable risk management, the Company transparently quantifies its comprehensive risk.

## 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 trade structures, vessel supply-demand balance, market conditions and cargo volumes. Achieving the best performance hinges on objectively analyzing information so as to continually increase the probability of generating 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. In accordance with our internal market risk management regulations, we appropriately reduce risks related to fluctuation, especially those arising from freight rates, bunker prices, exchange rates, and interest rates. The Investment and Finance Committee also identifies, analyzes and evaluates risks related to such material issues as investment in ships.

## Diversifying Operations to Reduce Risk

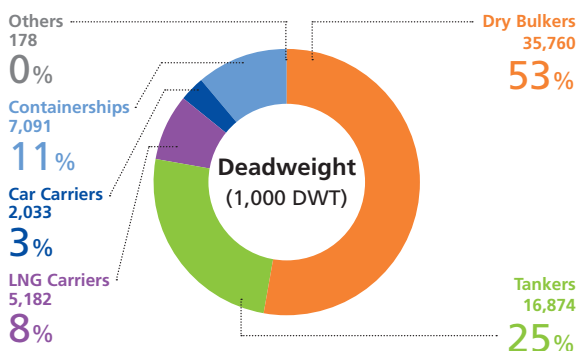
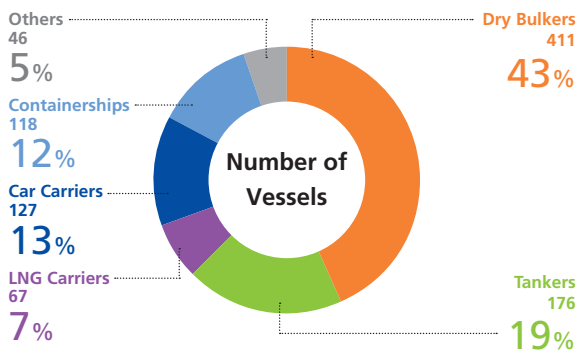
MOL operates a “full-line marine transport group.” As of the end of March 2015, we operated around 950 vessels, ranging from dry bulkers, tankers, and LNG carriers to car carriers and containerships, capable of transporting a diverse range of raw materials and finished goods. Each type of ship and each type of cargo have particular supply and demand trends, and create particular markets. While some of these markets are highly correlated with each other, others are negatively correlated depending mainly on the economic environment, so the impact in one sector offsets the impact in another. By assessing the suitability of a particular vessel type for medium- to long-term contracts and market exposure the Company expects, MOL constructs an optimum business portfolio, which allows the Company to pursue higher profits while mitigating risks.

## Building up 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 expanding, but considering the ongoing glut of shipbuilding capacity, more time will likely need to elapse before a structural turnaround is realized in the market environment. 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&A deals in growing sectors which enjoy a relatively stable cash flow.

**Fleet Composition** (As of March 31, 2015)



## Exchange Rate Fluctuations

Although MOL has concluded transport contracts on a yen-denominated basis with some Japanese clients, most transactions in the international marine transport business are concluded on a U.S. dollar-denominated basis. Despite our best efforts to incur expenses in U.S. dollars, U.S. dollar-denominated revenue currently exceeds U.S. dollar-denominated expenses, so when the yen strengthens against the U.S. dollar this can have a negative impact on Group earnings. In fiscal 2015, we project that each ¥1-per-dollar change in the yen-U.S. dollar exchange rate will have an impact of approximately ¥1.8 billion on consolidated ordinary income.

 Underlined words are explained in the Glossary on page 74.

## 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, 2015, interest-bearing debt totaled ¥1,183.4 billion, and around 60% of that loan principal is locked in at a fixed interest rate. As a result, an increase of 1 percentage point in market interest rates on both yen-denominated and U.S. dollar-denominated interest-bearing liabilities would impact annual consolidated ordinary income by no larger than approximately ¥4.0 billion. Although MOL has benefited from ultra-low interest rates in the aftermath of the financial crisis, 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 rate swaps and other means according to changes in financial conditions, taking into consideration the balance between variable- and fixed-rate interest.

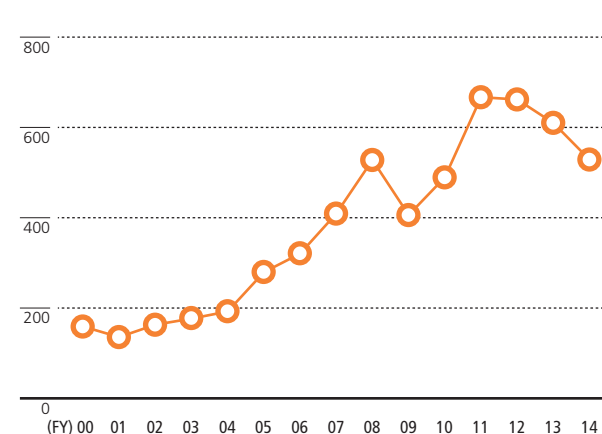
## Bunker Price Fluctuations

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 950 vessels, whose annual fuel consumption amounts to around 6 million tons of bunker. The Company is able to pass on about 40% 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 ¥0.19 billion (net of hedging) at the maximum.

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

Exchange Rate (¥/US\$)	A ¥1 appreciation reduces ordinary income by approximately ¥1.8 billion
Interest Rate (%)	A 1 point rise in both yen- and U.S. dollar-denominated interest-bearing debt reduces ordinary income by approximately ¥4.0 billion
Bunker Price (US\$/MT)	A US\$1/MT increase reduces ordinary income by approximately ¥0.19 billion

### Average Bunker Price (US\$/MT)



Stricter restrictions to reduce sulfur oxide emissions generated by ships could be introduced as soon as 2020. These restrictions would require the use of low-sulfur fuel oil containing less than 0.5% sulfur across all ocean regions, which could have an impact on fuel costs. In the event fuel costs rise, the Company intends to pass on these higher costs by raising freight rates and other fees.

## Vessel Operations

MOL operates a fleet of approximately 950 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 establishment of 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.

## Group Company Operational Management

The MOL Group Corporate Principles serve as the basis for setting regulations at MOL Group companies. Each Group company submits required reports to MOL in a timely manner in accordance with Group Company Management Regulations. After properly ascertaining the financial conditions and business risks, the Company, as a shareholder, requests Group companies obtain permission prior to executing important management matters.

## Natural Disaster or Similar Event

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

MOL puts the highest priority on ensuring the safety of its vessels and personnel in the event of a disaster or similar event. The Company has formulated a business continuity plan documenting procedures to enable it to continue providing 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 on and off premise at Head Office, aboard ships and throughout the Group's other facilities, as well as taking other measures to ensure preparedness. By addressing issues arising from these drills, MOL believes that it maintains a high state of readiness. Nevertheless, in the event of a disaster or similar event in which MOL cannot completely avoid damage, the Company's business performance may be affected.

# Corporate Social Responsibility (CSR)

## MOL's Approach to CSR

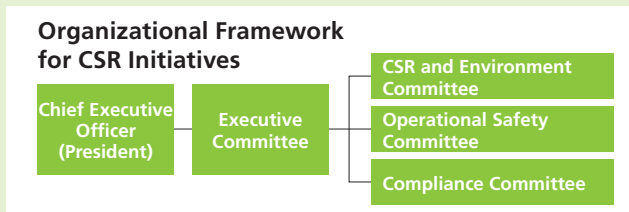
In our view, CSR means conducting business management that adequately takes into account laws and regulations, social norms, safety and environmental issues, human rights and other considerations, and developing together with society sustainably and harmoniously while earning the support and trust of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

The MOL Group's initiatives and policies regarding overall CSR are deliberated on by the CSR and Environment Committee, which then sets single-year, medium- and long-term targets and conducts regular reviews.

The Operational Safety Committee discusses basic policies and measures for ensuring safe operation of MOL Group-operated vessels through rigorous attention to every detail. The Compliance Committee discusses basic policies and measures for enhancing the compliance system, dealing with compliance violations, and establishing a structure for protecting and managing personal information.



## 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.

## The MOL Group Basic Procurement Policy

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 throughout our supply chain to observe laws and regulations 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.

## CSR Objective of Midterm Management Plan

1. Thoroughly implement safe operation and provide safe, secure, stable, high-quality services.
2. Deepen initiatives to ensure thorough compliance.



3. Strengthen initiatives on corporate governance.
4. Promote personnel training and diversity to strengthen comprehensive Group capabilities.
5. Make further progress on solving social issues and promoting environment initiatives as an environmentally advanced company.
6. Actively disclose sustainability data.
7. Promote social contribution activities related to MOL's businesses.

For more detailed CSR information, see the Safety, Environmental and Social Report.



For more detailed diversity information, see the Safety, Environmental and Social Report.



## Initiatives on the Environment

### Key Environmental Issues

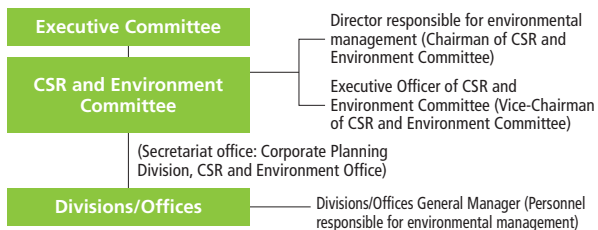
In March 2014, we identified the highest-priority environmental issues and set about addressing those issues in a proactive manner. To identify these priorities, we analyzed issues from international conditions regarding environmental issues; the opinions of stakeholders including customers, investors, and so on; as well as our own internal viewpoints. Finally, through discussions in the CSR and Environment Committee, we identified the following five issues.

- 1 Comply with environmental regulations
- 2 Utilize technologies to reduce environmental impact
- 3 Disclose environmental data
- 4 Ensure safe operation
- 5 Contribute to conservation of biodiversity

### Organizational Structure for Environmental Initiatives

To effectively promote environmental initiatives based on the MOL Environmental Policy, the CSR and Environment Committee, a sub-committee of the Executive Committee, oversees planning and promotion of environment-related measures under the direction of the president. The CSR and Environment Committee assesses environment-related risks and opportunities involving MOL, identifies the highest-priority issues in the group's environmental management, and sets environmental targets, striving to achieve environment-friendly business activities. In March 2014, we set new environmental targets in the midterm management plan "STEER FOR 2020" for three years starting from FY2014.

#### Organizational Structure to Promote the Environmental



### Environmental Management System

To precisely grasp and manage the environmental risks and opportunities in our businesses, we established the environmental management system MOL EMS21 in April 2001, and since then we have made ongoing efforts to improve it. Every year, the CSR and Environment Office conducts an internal audit based on MOL EMS21. The chairman, who is responsible for environmental management, receives the results of the internal audit and confirms whether the system is functioning effectively.

We also have a third-party audit by DNV GL Business Assurance Japan KK every year, and a renewal audit every three years, and have earned ISO14001 certification for our environmental management system. The results of our FY2014 audit showed no non-conformity.

### The MOL Group Environmental Target System

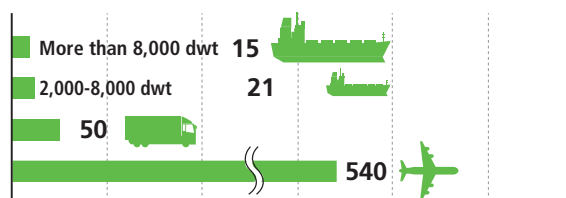
We have implemented the Group Environmental Target System, targeting major group companies in Japan and overseas. Every year, each company sets environmental targets to reduce the environmental impact of our business activities based on specific guidelines that are in line with midterm management plan, and establishes action plans to achieve those targets. Along with those targets, we collect each company's data on its own environmental impact (fuel consumption, electric power consumption, paper usage, waste, and so on).

### Ocean Shipping's Impact on the Environment

Compared to other modes of transport, ocean shipping can transport larger volumes of cargo at once and is an environmentally friendly mode, with lower emissions per ton-mile of CO<sub>2</sub> and other air pollutants.

However, with growth of the world economy spurred by the development of emerging markets, overall ocean cargo traffic continues to increase. Seaborne trade has exceeded 10 billion tons, and we anticipate further increases. As seaborne trade increases, CO<sub>2</sub> emissions will rise in step with growing energy consumption. This can exacerbate pressing environmental issues. CO<sub>2</sub> emissions from merchant vessels account for about 2% of global emissions, and the shipping industry must do more to protect the environment.

### Comparison of CO<sub>2</sub> Emissions from Aircraft, Trucks, and Ocean Vessels (Unit: grams/ton-km)



Source: ICS & NTM, Sweden

For more detailed environmental initiatives information, see the Safety, Environmental and Social Report.



Schedule of Environmental Regulations by IMO, etc

Regulations			2014	2015	2016	2017	2018	2019	2020	2025	
Tackling Global Warming	GHG emissions	EEDI* <sup>1</sup>	Phase 0	Phase 1				Phase 2	Phase 3		
		SEEMP* <sup>2</sup>	Mandatory								
			*Introduction of MRV (Monitoring, Reporting and Verification of actual fuel consumption) and MBM (Market-Based Measures) is under study toward further reduction of GHG emissions.								
Preventing Air Pollution	NoX emissions* <sup>3</sup>	General Sea Areas	Tier II								
		ECA* <sup>4</sup>	Tier II				Tier III				
	SoX emissions* <sup>5</sup>	General Sea Areas	Sulfur limit 3.5%						Sulfur limit 0.5%* <sup>6</sup>		
		ECA	Sulfur limit 1.0%		Sulfur limit 0.1%						
Marine Environment Protection	Ballast Water Management Convention* <sup>7</sup>	General Sea Areas	(Adopted in 2004: not ratified)		Expected to be mandatory						
		Regulation by USGC * <sup>8</sup>	(Enforced in 2012)		Mandatory						
	Minimizing the transfer of invasive aquatic species by shipping* <sup>9</sup>		(Guideline adopted in 2011)								
	Ship Recycling Convention* <sup>10</sup>		(Adopted in 2009: not ratified)								

- (\*1) EEDI (Energy Efficiency Design Index) is a measure of ships energy efficiency (g/ton-mile). The required EEDI of each Phase is as follows:Phase 0=0%, Phase 1=10%, Phase 2=20% (Applied to new ships)
- (\*2) SEEMP (Ship Energy Efficiency Management Plan) is required to be drawn up to show optimal measures of operation that should be adjusted to the characteristics of individual ships, and to be kept on board a ship. (Applied to both new and existing ships)
- (\*3) The regulation for reduction of NOx in exhaust gases: Tier I is applied to ships laid down in 2000-2010, Tier II to ships laid down in/after 2011, and Tier III to ships laid down in/after 2016.
- (\*4) The existing ECAs (Emission Control Areas) are: 1.Within 200 miles off the coast of USA and Canada (NOx/SOx) 2.The USA Caribbean Sea area (NOx/SOx) 3.The Baltic Sea and the North Sea areas (SOx)
- (\*5) The regulations for reduction of SOx contained in fuel oil (Applied to both new and existing ships)
- (\*6) A review in 2018 on the availability of the required fuel oil may conclude to postpone the application to 2025.
- (\*7) The convention shall enter in force 12 months after the following conditions are met, and it is increasingly likely that it enters into force in 2016. (Applied to both

- new ships and, after certain grace periods, to existing ships)  
Conditions: Ratification by not less than 30 countries representing a combined total G/T of more than 35% of the world's merchant fleet. (As of March 2015, 44 countries representing a combined total G/T of 32.86% have ratified.)
- (\*8) Regional regulation by U.S. Coast Guard.
- (\*9) The guideline aimed at minimizing transfer of invasive aquatic species attaching to the bottom of ships, recommending installation of the systems on vessels to keep the bottom clean without marine organisms and other measures. (It remains as a voluntary guideline during the review period.)
- (\*10) The convention prohibits and restricts the fitting and use of treaty-specified hazardous materials, and requires vessels to prepare, record and update inventory lists showing the quantity and location of hazardous materials on ships over a ship's lifetime. The convention shall enter into force 24 months after the following conditions are met:  
Conditions: Ratification by not less than 15 countries representing a combined total G/T of more than 40% of the world's merchant fleet and an annual ship recycling volume not less than 3% of the combined tonnage of the ratifying countries. (As of March 2015, 3 countries have ratified.)

Environmental Investments and CO<sub>2</sub> Reductions

Environmental Investments

	Fiscal 2014	Plan for FY2014-2016
Environment-related R&D activities	¥0.7	
Utilization and expansion of existing environmental technologies	2.1	
Responses to environmental regulations	0.5	
Initiatives to save bunker fuel	0.9	
Initiatives of Group companies	0.2	
<b>Total</b>	<b>¥4.3</b>	<b>¥20.0</b>

(Billions of yen)

CO<sub>2</sub> and Cost Reductions from Environmental Measures

(FY)	2012	2013	2014
CO <sub>2</sub> emissions reductions (1,000t)	302	279	348
Cost Reductions (¥ billions)	¥5.3	¥5.5	¥5.5

Third-Party Evaluations

Environment Related

■ ISO 14001 Certification

MOL has used its own environmental management system MOL EMS21 since April 2001, and also holds ISO 14001 certification, an international standard for environmental management. (Since 2003)



■ ISO 50001 Certification

MOL acquired ISO 50001 certification for its energy management system and ISO 14001 certification for its environmental management system. (2014)  
Certified companies: MOL Ship Management Co., Ltd. (2014),

MOL Ship Management (Singapore) Pte. Ltd. (2014), MOL Ship Management (Hong Kong) Company Ltd. (2014) and Magsaysay MOL Ship Management, Inc. (2015)

■ Recognized by CDP as Leader in Climate Change Transparency and in Corporate Action on Climate Change

MOL was recognized as a leader for the depth and quality of the climate change data it has disclosed for independent assessment through CDP, an international non-profit organization. At the same time, MOL earned a spot on the CDP Climate Performance Leadership Index (CPLI) for its actions to reduce carbon emissions and mitigate the business risks of climate change. (2014)



## 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 three principles. Guided by these principles, we proactively undertake social contribution activities that only a shipping company with a global network can.

## Three Principles of MOL's Social Contribution Activities

I. Contribute to the UN Millennium Development Goals\*

II. Contribute to protecting biodiversity and preserving nature.

III. Contribute to local communities

\* One of the common frameworks that integrates the Millennium Declaration adopted at the United Nations Millennium Summit held in September 2000, and the International Development Goals that were adopted at major international conference and summits in the 1990's. 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."

## Global Social Contribution Activities



## Third-Party Evaluations

### Overall CSR, including evaluation of socially responsible investment (SRI)

#### ■ CSR Rating by the Dow Jones Sustainability Indices (DJSI)

Since 2003, MOL has been included in the DJSI Asia Pacific, a designation reserved for companies capable of sustaining growth over the long term while maintaining excellence in environmental, social, and investor relations programs.



#### ■ CSR Rating by 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.



#### ■ The Morningstar Socially Responsible Investment Index (MS-SRI)

Since 2003, MOL has been selected by Morningstar Japan K.K. for superior social responsibility and included in the MS-SRI.



#### ■ The Global 100 Top Sustainable Companies

In 2011, MOL was selected for inclusion in the Global 100 Index published every year by the Canadian company Corporate Knights Inc.

#### ■ SMBC Sustainability Assessment Loan

In 2013, MOL became the first company to receive an SMBC Sustainability Assessment Loan from Sumitomo Mitsui Banking Corporation (SMBC), winning specific praise for timely and accurate disclosure of environmental, social, and governance (ESG) issues and for its initiatives on sustainability.

