

# Shinwa Kaiun Group CSR Report 2007

*Corporate Social Responsibility*



Safe Navigation and Global Environmental Protection to  
Earn the Trust of Society



# Shinwa Kaiun Kaisha, Ltd.

## CSR Report 2007

SHINWA KAIUN GROUP  
Corporate Social Responsibility Report 2007



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## Editorial Policy

Shinwa Kaiun has expanded former Environmental Report into "Shinwa Kaiun Kaisha, Ltd. CSR Report 2006" last year, to disclose how the company has been meeting its social responsibility while accomplishing its international marine transportation services, the company's primary business objective. Subsequently, the company has promote CSR activities cooperating with subsidiaries running coastal shipping services and other related business. These CSR activities of the Shinwa Kaiun Group as a whole are reported here. Our editorial policy is to provide readers with an understanding of how each company in the Shinwa Kaiun Group is participating in affairs related to the stakeholders that support the Shinwa Kaiun Group.

## Period Covered

April 1, 2006 through March 31, 2007

Please note that some matters that fall outside this period are also reported.

## Organizations Covered

Shinwa Kaiun and its related subsidiaries. 30 related subsidiaries in the international marine transportation services (8 domestic and 22 overseas), 8 coastal shipping service companies, and 6 other related services.

Previous issue: Late June 2006

Next issue: Scheduled for late June 2008

## Other Shinwa Kaiun Publications

- ① Corporate Brochure (in Japanese, English, and Chinese)
- ② Annual and semi-annual reports (in Japanese)
- ③ Annual and semi-annual financial reports (in Japanese)
- ④ Annual Report (in English)

Copies of these publications can be requested from the address below.

In addition to the publications listed under ①, ②, and ④ various kinds of information can be found on the Shinwa Kaiun website.

<http://www.shinwaship.co.jp/>

There is a questionnaire included with this report.  
Please take a moment to give us your honest opinion  
so that we can improve the content in future editions.

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## Message from the President



President

見孝彦

KAKEI Takahiko

*Shinwa Kaiun's fundamental policy, related to its business activities, is to fulfill its responsibility as a member of society and to contribute to its development, as mentioned in our "Corporate Philosophy". The company has been actively involved in activities related to Corporate Social Responsibility, or CSR, to suit the features and scale of the company's business activities, namely international marine transportation services. However, social demands are not limited to the scope of the company's business activities. It is recognized that the entire Shinwa Kaiun group's activities concern CSR. Since last year, we have disseminated CSR guidelines, such as "compliance" even to the coastal shipping business and other related subsidiaries within the Shinwa Kaiun Group. At Shinwa Kaiun Group, we view the safe navigation as the most important aspect for earning the trust of our customers and society as a whole. Without this trust, it is not possible for us to fulfill our responsibility toward each stakeholder, as well as to preserve the global environment.*

*It is Shinwa Kaiun's earnest hope that this CSR Report will be of assistance to you in understanding how the Shinwa Kaiun Group is responding to social demands.*

August 2007

## Corporate Philosophy

*Since its establishment, Shinwa Kaiun Kaisha, Ltd., has offered marine transportation services that are safe, superior and suited to clients' needs in oceans around the globe.*

*Shinwa Kaiun Kaisha, Ltd., will continue to be mindful of being a member of society and to be committed to the development of society through the introduction of transportation services that conform to evolving trends. We hereby establish our corporate philosophy.*

### 1 Social Mission

1. Respond to all needs of clients and remain dedicated to the development of society through provision of honest, credible, quality international maritime transportation services.
2. Nurture enterprising minds strong enough to succeed in international competition, so securing reasonable profit, and place importance on group management to increase the value of the Shinwa Kaiun Group as a whole, while striving to build a corporation that lives up to stockholders' expectations.

### 2 Safe Navigation and Conservation of the Global Environment

1. Strive to realize zero marine accidents and always prioritize safe navigation, playing a part in conserving the global environment, which is the common property of all mankind.
2. Continue the training process to improve the operational skills of crew on vessels and always endeavor to learn advanced technologies to cope with new demands.

### 3 Fair Corporate Activities

1. Comply with the laws of Japan and international society, and as a member of society, undertake fair and healthy corporate activities under ethical social norms.
2. Strictly refuse any anti-social activities.

### 4 Transparent Information Disclosure

Disclose information on corporate activities in a timely and reasonable manner, actively communicating with society.

### 5 Democratic Management

Respect the fundamental human rights of employees, and establish and maintain democratic management.

Established October 27, 2000

# Group Outline (as of March 31, 2007)

## Overview of the Shinwa Kaiun Group

Number of Companies in Group	Head Office - 1 Consolidated Subsidiaries - 30 Unconsolidated Subsidiaries (accounted for by the equity method) - 3 Unconsolidated Subsidiaries (unaccounted for by the equity method) - 5 Unaccounted Affiliates (for by the equity method) - 5 (total 44)
	<p style="text-align: center;"><b>Revenues (consolidated)</b> (Unit: ¥ million)</p> <p>Coastal shipping business: 16% (16,994)</p> <p>Other businesses: 1% (970)</p> <p>International marine transportation business: 83% (87,632)</p>
Number of employees	457 (consolidated)
Fleet	162 ships (consolidated), 5,610,000 DWT
Main companies engaged in international marine transportation business and associated services	Shinwa Kaiun Kaisha, Ltd. (transportation of general cargo, ownership and related businesses) Shinwa Marine Corp. (ship management) International Marine Consulting Co., Ltd. (supervision of cargo operations) Shinwa Chartering Corp. (broker) Shinwa Agency Co., Ltd. (broker) Shinwa (U.K.) Ltd. (broker) Shinwa (U.S.A.) Inc. (broker) Shinwa Shipping (H.K.) Co., Ltd. (broker, agents)
Main companies engaged in coastal shipping business and associated services	Shinwa Naiko Kaiun Kaisha, Ltd. (transportation of general cargo) Shinwa Chemical Tanker Co., Ltd. (transportation of gas and chemical products)
Main companies engaged in other businesses	Shinwa Systems Co., Ltd. (information processing) Shinwa Business Management Kaisha, Ltd. (general affairs and accounting agents, real estate management) Shinwa Engineering Services Co., Ltd. (maintenance of generators)

## Overview of Shinwa Kaiun

Company name	Shinwa Kaiun Kaisha, Ltd.
Head office	KDDI Otemachi Bldg., No. 8-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo, Japan 100-8108
Established	April 1, 1950
Principal lines of business	International marine transportation services and related businesses
Capital	¥8,100,000,000
Stock market listings	Tokyo (First Section), Osaka (First Section), Nagoya (First Section), Fukuoka
Number of employees	154
Fleet	85 ships, 5,430,000 DWT

# Social Responsibility Report

## The Shinwa Kaiun Group's Approach to CSR

1. Corporate Social Responsibility is demonstrated by the way a company responds to the wishes and expectations of society.
2. In general, society expects a company to contribute through its core business (in the case of Shinwa Kaiun, international maritime transportation services supporting international trade) to an improved quality of life, and to improvement in the operations of other enterprises and organizations. At the same time, society does not want to see a company become caught up in a single-minded drive for economic efficiency and the runaway pursuit of profit in its core business, which can lead to corporate activities that have an adverse social effect and result in damage to the company's stakeholders. There have been a number of scandals involving other companies in recent years, and these have served to remind Shinwa Kaiun that a company must serve as a responsible part of society like any other member of the public.
3. CSR management seeks through efficient communication, to win the understanding and trust of customers, suppliers, shareholders, employees, local communities, and other stakeholders for the company's activities, and to use various opinion and information in a continuous process of improvement, with the goal of increasing corporate value. This is the cornerstone of Shinwa Kaiun's management philosophy of interaction and Shinwa Kaiun has been attempting to interact with society along with the Group's companies.
4. What makes it possible for Shinwa Kaiun Group to realize these goals is the steady corporate management structure, at the nucleus of which is the awareness of compliance in corporate activities to laws, company regulations and ethical norms. Based on this premise, competitiveness in corporate activities of a financial nature and the achievement of profitability, together with consideration of environmental burden reductions, and the forging of strong ties with civil society, are carried out. The Shinwa Kaiun Group is engaged in CSR activities that balance in corporate scale and characteristics. The various aspects of, and reciprocal relationships among, the Shinwa Kaiun Group's CSR activities are shown below.





# Stakeholders Supporting Shinwa Kaiun Group

*Shinwa Kaiun Group's business is supported by a large number of stakeholders, including various maritime personnel, the government offices concerned, calling/passing port states, and local communities.*

Source: Website of the Japan Coast Guard



## Ties with customers

- Cargo owners  
(Steel mills, power stations, oil refineries, other manufacturing plants and trading companies)



- Shipping exchanges
- Ship brokers  
(London, New York, Tokyo)



- Cargo brokers and Agents
- Warehousing companies

## Operator work-related partners

- Shipping agents
- Fuel suppliers
- Stevedoring companies
- Pilots' associations and tugboat companies

## Shareholders and investors



- Sales Division of Shinwa Kaiun Group
- Ship-owner Division of Shinwa Kaiun Group

- Employees  
(administrative/technical)
- Labor unions



## Maritime authorities

- Ministry of Land, Infrastructure and Transport
- Japan Meteorological Agency
- Japan Coast Guard
- Marine Accident Inquiry Agency
- Port authorities
- Customs
- International organizations (such as the IMO)
- Flag state administrative organizations  
(Japan, Panama, Liberia, etc.)

- Auditors
- Marine surveyors
- Courts in various countries
- Marine arbitration  
(London, New York, Tokyo)
- Educational institutions

## Owner work-related partners

- Organizations such as the Japanese Shipowners' Association
- Ship owners
- Shipyards
- Classification societies
- Marine insurance companies
- Salvage companies
- Financial institutions
- Manning agents  
(Philippines and other countries)
- Ship' management companies
- Ship's spare parts and chandlery suppliers

- General consumers and civil society
- Port states and coastal states on ship's route  
(states that include Malacca Straits, Panama Canal, Suez Canal, and so on)

# Initiatives for Customers and Suppliers

## Customer Satisfaction

Shinwa Kaiun is principally engaged in Charter Ocean Transport of raw materials, energy resources and products for industries. The company meets the customers' needs for cargo transportation throughout the world by fully utilizing information of trade, vessels, shipping routes and cargo handling know-how accumulated over a long period at its bases in London, New York, and Tokyo where many shipbrokers are located, and strives to offer timely shipment in the most appropriate vessels, safely and at competitive freight rates.

The business style of communication by which the company pays direct visits to domestic and overseas customers becomes the foundation of relationships of trust. Regardless of long-term projects or a spot voyage, the company strives to generate customer satisfaction, build trust, and increase opportunities for its customers worldwide to do business with "a first-class industrial bulk carrier."

## Ensuring Safety and Quality in Transport Services (ISO 9001)

The Shinwa Kaiun Group's mission is to supply customers with safe and reliable quality transportation services. Shinwa Marine Corporation has established a quality management system, and has received ISO 9001:2000 certification of ship management operations.

## Participation in Safety Meetings with Customers and Partners

Shinwa Kaiun, together with Shinwa Naiko Kaiun Kaisha, Ltd. and Shinwa Chemical Tanker Co., Ltd., has continued to forge strong ties with the consignees of various industries such as steel mills, power stations, oil refineries, gas plants and other port-related personnel, has participated in many safety conferences within the country to ensure the safety of ships entering/leaving port and the safety of the region, has cooperated in periodic surveys, and has implemented risk management programs related to accidents, disasters and environmental pollution.

## Emergency Response Exercise and Explanations to Outside Parties

According to a series of emergency measures based on the regulations regarding the handling of disasters at sea and other emergency circumstances, Shinwa Kaiun is ready to respond to an emergency situation jointly with customers, salvors, insurers, shipping agents, shipyards and other partners, and related disaster prevention agencies. The company is also prepared to explain at appropriate times, to outside parties through media organizations and the company's website.

## Efficient Handling and Preserving Cargo

The International Marine Consulting Co., Ltd., makes use of experienced captains to supervise cargo loading/discharging operations, including cargo such as high-value steel products. The company supports efficient transportation and preserving cargo, utilizing its extensive experience and knowledge of cargo characteristics and worldwide port information that the company has accumulated.



ISO 9001:2000 registration certificate  
(periodic audit completed on May 14, 2007)



Simulated Press conferences during  
Emergency Response Exercise



Loading coils very carefully

# Initiatives for Shareholders and Investors



Management plan on the company's website



Investor information on the company's website

## Medium-term Business Plan III

Fiscal year 2005 was the first year of Shinwa Kaiun's Medium-term Business Plan III, a three-year plan with the goal of "enhancing the operating base for the next stage." The plan sets out six issues that the Shinwa Kaiun Group as a whole must address to achieve this goal. These are strengthening and expanding the business infrastructure, increasing business efficiency and cost competitiveness, improving financial standing and continuing to pay stable dividends, ensuring safe navigation and promoting environmental conservation, promoting CSR activities, and securing and educating qualified staff. Through these measures, the company seeks to become "a company with a strong presence" and "a trusted company," enjoying the confidence of shareholders, customers, suppliers, financial institutions, and other stakeholders.

## Timely Disclosure of Company Information

Shinwa Kaiun endeavors to ensure the timely and appropriate disclosure of investor-relations information through timely release to shareholders and investors of important corporate information that can have an effect on results. The information is disclosed on the websites of the Tokyo, Osaka, Nagoya, and Fukuoka stock exchanges, through the mass media, and on Shinwa Kaiun's website.

In addition, the company's Investor Relations Committee, which is composed of the directors in charge of the General Affairs Group, Finance and Accounting Group, and Project Group as well as the leaders of those groups, has formulated a public relations policy governing the release of information intended for investors. This committee is charged with responding to media coverage, holding press conferences, and posting articles on the company's website.

## Interactive Communication

Shinwa Kaiun works to provide information to domestic and overseas institutional investors. As far as possible, the company holds individual briefings with securities analysts upon their request, answering their questions and explaining the status of operations. In accordance with the policy established by the Investor Relations Committee, at least one director and one administrative officer participate in these briefings. Nineteen such individual briefings were held in fiscal 2006.

## Returning Profit to Shareholders

Shinwa Kaiun promotes fleet cost-competitiveness, and retains part of profits internally to cope with fluctuations in the shipping market condition, currency exchange rate, bunker oil price and so on, thereby reinforcing the corporate structure and aiming to offer stable and continual redistribution of profits to shareholders. For this reason, Shinwa Kaiun endeavors to maintain ordinary dividends of ¥6 per share (interim dividend ¥3; year-end dividend ¥3), and, based on a comprehensive evaluation of periodical performance, declares extra dividends whenever possible. For fiscal year 2006, Shinwa Kaiun has paid an interim dividend of ¥3 per share, and a year-end dividend of ¥8 per share (including extra dividend of ¥5).





## Initiatives for Employees



Shinwa (U.K.) Ltd. staff



Shipboard training for new employees



Assistant manager training in hostel



Training on how to use self-contained breathing apparatus on-board the ship

### Basic Employment Policy

There is a fundamental assumption that core staff, both administrative and technical, are permanent employees. In the spirit of Japan's Law on Securing Equal Opportunity and Treatment between Men and Women in Employment, hiring is based only on the aptitude and capabilities of each individual, and the growth of employees is fostered by the company's training system. We also strive to foster the capabilities of our non-Japanese crew and staff through expanded education and training programs that qualify them to occupy officers' positions and to maintain long-term on-board careers on vessels managed by the Shinwa Kaiun Group.

### Personnel System

In fiscal 2001, Shinwa Kaiun introduced a personnel system, under which promotion and advancement depend upon the individual's ability, motivation, and performance. Since its introduction, the company has fine-tuned the system based on the opinion of employees. This system has the primary aim of meeting each individual at his or her current level of competence, and further developing his or her abilities as well as ensuring fair treatment.

There are three career tracks for permanent employees: main career track, preparatory career track, and general employee. The path to advancement can open depending on the individual's motivation and ability. In fiscal 2007, one general employee shifted to the preparatory career track, and as of April 1, 2007, the number has increased to nine. Also, a specialist career system (for employees possessing specialized knowledge and working in technical fields), and a re-employment system (of seniors possessing extensive work experience), had been introduced in 2006. These systems have already proved to be successful.

### Training System

To develop new employees into professionals in the field of international shipping, Shinwa Kaiun provides training tailored for the career track and rank, with on-the-job training being the core of this training system. The company also offers training for new employees, training in shipping practice, languages, personal computers, domestic agency matters, boarding, and overseas administrative requirements, as well as stratified training and training for specific jobs. These provide each individual with various opportunities for progress, according to their position and requirements.

In accordance with the company's plan for quickly training young crew, exacting guidance and education is provided, allowing new employees to qualify as chief officer or first engineer in just three to four years after joining the company.

Non-Japanese crew-member qualification support systems are available, in which participants receive pre-boarding training in the country where they were hired and in Tokyo, classroom training, assistance in obtaining advanced ship officer certifications, and OJT.

### Employee Health and Safety

All employees of the Shinwa Kaiun Group receive annual health checkups, and the company bears the expense of comprehensive physical examinations for employees who satisfy the requisite conditions. In addition, an industrial physician and an administrator with nursing qualification operate a special Industrial Hygiene Office at the head office offering consultation and guidance on physical and mental health. Furthermore, in fiscal 2006, seminars on measures to prevent Norovirus and mental health checkups were implemented.

Safety is the top priority at sea, and the company has established and is thoroughly implementing a safety management system. In the unlikely event of an employee accident, compensations greater than those required by Japanese law are in place.

### Regulations for handling compliance consultations

To facilitate consultation for employees on matters related to compliance in line with the purport of protecting individuals who report company's informations for public interest, a consultation service guided by an outside lawyer has been arranged in addition to the conventional in-house compliance adviser, and its regulations were established in July 2006. There were no cases for consultation in fiscal year 2006.

## INTERVIEW

## Maternity Leave and Shortened Hours of Work — Child-caring Supported by Everyone

Coal/Bulk Carrier Group

Panamax Team, Kaoru Inoue

I gave birth to a boy in October of last year, and resumed work at the same department in April of this year (Coal/Bulk Carrier Group, Panamax Team). I am engaged in ship operations, the same Job I used to do before taking maternity leave. I have applied for shortened hours of work, until 4:15 PM, which is one hour less than normal working hours. Thus, I am responsible mainly for ships on the Indonesian and Australian routes, where the time difference is small. Although I wish to complete the day's work by 4:15 PM, I do have to wait for a response from the other side, and sometimes it isn't possible to conclude my duties by this time. Under such circumstances, someone responsible for other operations has to take over my work, which is somewhat disappointing. So I do my best to report to notify updates and consult with my superiors and colleagues so that the team is not inconvenienced by my absence at least.

The shortening of work hours, although by only an hour, is a precious hour for me and is a big help in caring for my boy. My boy is the

youngest in his nursery class, and needs frequent feedings, so it's difficult for him to spend time in a nursery school where no food is provided after 2:30 PM. Even if I go to the nursery school a little early and feed my boy so that he gets the rest he needs, it helps to build up his resistance to colds and stay healthy. Both my boy and myself have a perfect attendance record up to May at the nursery school and the company, respectively.

On my return to work, I was filled with uneasiness at the thought that I might be inconveniencing my colleagues, but I have now achieved a good balance between work and child-caring. I am filled with a sense of gratitude every day, thanks solely to the support of the team and the understanding of the company.

I am looking forward to actively participating in both child-care and work, so as to be a role model for female employees of the company who are considering taking maternity leave.



## Appropriate Management of Personal Data

Shinwa Kaiun appropriately controls information that can identify individuals, such as data on its employees, from the aspect of safeguarding private data. It adopts the policy of not offering personal data to any third party unless permitted to do so by law or when approval has been obtained from the individuals themselves. The data is only used for the purpose for which it is intended. In August 2006, the "Regulations for Appropriate Control of Personal Data" were established, and disseminated to all companies in the Shinwa Kaiun Group as Compliance Regulations.

There were no cases of claims in fiscal year 2006.

## Guidelines for Preventing Sexual Harassment

The Company maintains a friendly working environment based on the spirit of the Law on Securing Equal Opportunity and Treatment between Men and Women in Employment. To ensure that both male and female employees demonstrate their capabilities to the fullest extent, in addition to the company rules and the standards of conduct, the "Guidelines for Preventing Sexual Harassment" have been established, and these guidelines have been notified to all employees since April 2007 and have also been disseminated throughout the companies of the Shinwa Group.

## Work-Life Balance

Shinwa Kaiun strives to create a congenial work environment so that its employees can maintain a good balance between work and home, and lead a satisfactory life. The company offers safe motherhood, maternity leave, family-care leave, and other benefits more generously than required by law, and allows employees that satisfy conditions such as continuous service and age to take sabbaticals. The company provides dormitories, company housing, employee savings system, a housing loan interest supplementation system, and various other welfare and benefit programs, in addition to which it helps fund employee groups that engage in cultural activities (including sports).

## Relations with Labor Unions

Shinwa Kaiun's shore-side employees belong to the Shinwa Kaiun Labor Union, and its seagoing employees belong to the All Japan Seamen's Union. Shinwa Kaiun enjoys relationships of amity and trust with both of these unions.

## Child Labor and Forced Labor

There is no forced labor or child labor in any of the companies of the Shinwa Group, nor will there be in the future.



Baseball team practice



Party for the 10th Anniversary of Establishment of a Related Manning Agency



## Social Initiatives



A fire drill at the KDDI Otemachi Building



Employees participating as Marunouchi Fire Brigade Volunteers and performing rescue drills



Performance at the Kioi Hall



Graduation ceremony for scholars of the Philippine Merchant Marine Academy

### Support for Disaster Recovery Operations

The policy of the company is to continue providing support for disaster recovery not only in Japan, but also around the world, based on the relations formed in the course of international maritime transportation services, as well as those formed with the community. In fiscal year 2006, the company contributed funds to the victims of the Java earthquake.

### Joint Regional Disaster Prevention Programs

The companies of the Shinwa Kaiun Group, headquartered in the KDDI Otemachi Building (Chiyoda-ku, Tokyo), belong to the joint disaster prevention council of the building, through which they are actively engaged in fire drills and other joint regional disaster prevention programs. In addition, an in-house security and fire brigade has been organized within the Shinwa Kaiun Group, and it promotes the crime and disaster prevention inspections and education at the company's offices for both executives and employees.

Moreover, the company treats activities of employees participating in the office area's "Marunouchi Voluntary Fire Brigade" as part of the company's regular work hours.

### Support for Culture

Through the Nippon Steel Arts Foundation, Shinwa Kaiun, cosponsoring musical programs at the Kioi Hall, contributes to Japan's cultural development.

### Scholarship System

The company provides scholarships to students at the Philippine Merchant Marine Academy (PMMA). The future of marine transport depends on these young people.

### Rescue

Under the U.S. search and rescue system, when a question of rescue arises, the closest vessel is requested to perform rescue. For this reason, vessels under the management of Shinwa Kaiun participate in AMVER, a computer-based voluntary global ship-reporting system.

Japan has JASREP, which is a similar type of system, and all vessels under the management of Shinwa Kaiun participate in this system as well.

### Reporting of Meteorological Information

Weather charts published by the Japan Meteorological Agency and other organizations draw on data from surface, satellite, and shipboard observations. Correct information on weather and sea conditions is indispensable to safe navigation. Vessels under the management of Shinwa Kaiun are actively involved in reporting meteorological information.



## Shinwa Kaiun Group Environmental Statute

### Basic Ideology

Shinwa Kaiun Kaisha, Ltd. and its Group companies will strive to maintain a healthy global environment - a common property of all mankind - as a marine transportation corporate group providing services in worldwide waters.

### Environmental Policies

- 1 We recognize that a marine accident can cause huge damage to the environment, for example, marine pollution from an oil spill. We will strive to realize zero-marine perils and always remember safe navigation.
- 2 We will not only comply with laws and regulations concerning the environment, but also will establish our own criteria when necessary, and strive to reduce the burden on the environment.
- 3 We will establish "Environmental Objective" and "Target" considering the environmental burden impact brought about by marine transportation services and improve environmental preservation activities continually.
- 4 We will perform for energy-saving navigation and develop the technologies for improving it.
- 5 We will choose environmentally sound supplies when acquiring vessels, instruments, materials, and other products.
- 6 We will promote resource saving in all corporate activities, including those in land offices, as well as reducing the amount of waste generated by all facilities.
- 7 We will raise employees' awareness of environmental issues through environmental education and in-house promotional activities.
- 8 We will make public announcement of environmental preservation activities periodically.

(Established on October 26, 2001)

(Revised on December 17, 2004)


# Verification of Fiscal 2006 Implementation Plan (Environmental Management Programs)

PLAN ⇒		DO ⇒		CHECK ⇒	
Environmental Policies	Environmental Objectives	Target for 2006	Content of Activities	Verification of Results	Achieved
Promotion of Safe Operation	Preservation of the Marine Environment	Zero oil spill accidents from ships (6 years continuously)	• Compliance with procedure for receiving/ transferring Fuel Oil and Lubricating Oil • Compliance with regulation for preventing oil pollution	• Target not met because of occurrence of small lubricating oil spills from ship	
			• Recommendation to install oil-absorbing filter on deck • Instruction in prevention of oil-spill accidents		
		Complete exchange of ballast water in the ocean (100%)	• Set forth in Sailing Instructions • Compliance with procedure for changing ballast water	• Target could not be met. There were ships wherein target could not be implemented due to sea, weather and service routes' conditions	
		Adoption of TBT-free bottom paint (95%)	• Adoption of TBT-free paint as bottom paint for dry-dockings and newly built ships	• Achieved 100% use of TBT-free paint	
Natural Resource Saving and Reduction of Waste	Conservation of Natural Resources	10% reduction of fuel oil consumption per unit load over fiscal 1990	• Improving in propulsion efficiency by bottom cleaning and propeller polishing	• Carried out on dry-dockings	
			• Preparing of effective operation plan • Increasing loading cargo quantity • Instruction in saving fuel-oil consumption in port	• Achieved reduction of 15.64% in comparison with fiscal 1990	
		Selection of consumptionsaving equipment of Main Engine cylinder oil lubricator	• Adoption of improved machinery on existing ships	• Achieved by Installation in Kodaijisan	
		Reduction of consumption of paper	• Advance of electronic library	• The tabulation basis differed between 2005 and 2006; so no judgment could be made. (2005: Shinwa Kaiun 2006: Shinwa Kaiun, Shinwa Marine and Shinwa Business Management)	
			• Use Excel software to make AB-logs • Promoting paperless operations by introducing onboard vessel-management software		
	1% reduction of annual power consumption in the office over the previous year	• Notices on in-house electronic bulletin board • Saving electricity of unnecessary lighting	• Electricity consumption reduced by 7% after shift of office for the period September to March this year compared to September to March the previous year		
	Reduction of Waste Generation	Advance of landing shipboard waste (1% increase over the previous year)	• Recovery and re-use of supplied lashing materials • Complete segregated collection and retention • Management of quantity of shipboard waste and landing	• Compared to mean landed (taken ashore) volume per ship of 7.0 m3 + 277 kg; in fiscal 2005, the corresponding figure was 12.8 m3 + 109.1 kg.	
Complete segregation of wastes generated in the office (100%)		• Complete segregation of recyclables, combustibles and non-combustibles	• Target not met because segregation of waste had not been thoroughly implemented in some departments.		
Conservation of Air Quality	Reduction of Harmful Air Pollutants	10% reduction of NOx emission per unit load over fiscal 1990	• Adoption of improved machinery on newly built ships	• Because the method of measuring NOx emissions has not been established, no numerical value for emissions volume can be presented; however, based on a comparison of fuel usage, the company's target has been met (reduction of 15.62% in comparison with fiscal 1990)	
		10% reduction of CO2 emission per unit load over fiscal 1990		• Based on a comparison of fuel usage, the company's target for reduction in CO2 emissions has been met (15.62% reduction compared to fiscal 1990)	
		Supply of low-sulphur fuel (sulfur below 4.5%)	• Selection and analysis of fuel oil to be purchased	• Mean result for fiscal 2006 - 3.1% (target met) (the MARPOL Convention requires 4.5% or less)	
		Reduction of dioxin	• Adoption of incinerators of IMO-approved type on newly built ships	• No ships for delay of the delivery	
		Adoption of alternative CFC refrigeration equipment for newly built ships (100%)	• Adoption of alternative CFC (R404a) in refrigeration equipment and air conditioning systems for newly built ships	• No ships for delay of the delivery	
Environmental Education	Promoting an Environmental Mind	Education of shore employees	• Practice in-house seminar	• Implemented for new employees • Implemented at meeting of each department	
		Education of crew	• Practice pre-boarding seminar • Practice training in overseas companies • Practice shipboard education for crew	• 100% of crew trained prior to embarkation • Education imparted at manning company in Manila • Implemented in every ship under management	

# and Fiscal 2007 Implementation Plan

 : Achieved

 : Partly achieved

 : Need review

	ACT ⇒
Causes for Unachieved Items	Improvement Methods
Due to the deterioration of an oil seal ring (for lubricating oil retention) in the ship's stern tube sealing arrangement, defective contact occurred between the said seal and the propeller shaft leading to leakage of lubricating oil.	The circumstances of the accident and measures for prevention were notified in official document to all the ships under management. Using pre-boarding seminar for crew and other means, education is being imparted repeatedly.
Not practiced by some of the ships, taking into consideration navigation route and stability.	Shall practice as required taking into account safety and ship's stability
	Continue with the use of TBT-free paint for all ships under management
	Examine implementation also for ships in port
	Promote installation of this equipment on existing ships
	Promote appropriate use of ship management software
Environmental awareness of some of the employees inadequate	Re-educate shore employees on segregation of waste using in-house electronic bulletin boards
Delay for delivery	Continue to use in newly built ships
Delay for delivery	Continue to use in newly built ships
	Consider holding seminars on the environment by outside lecturers

PLAN ⇒	DO ⇒	
Target for 2007	Content of Activities	Term
Zero accidental oil spill from ships	<ul style="list-style-type: none"><li>• Compliance with procedure for receiving/ transferring Fuel Oil and Lubricating Oil</li><li>• Compliance with regulation for preventing oil pollution</li></ul>	Full year
	<ul style="list-style-type: none"><li>• Recommendation to install oil-absorbing filter on deck</li><li>• Instruction in prevention of oil-spill accidents</li></ul>	Full year
Complete exchange of ballast water in the ocean	<ul style="list-style-type: none"><li>• Set forth in Sailing Instructions</li><li>• Compliance with procedure for changing ballast water</li></ul>	Full year
10% reduction of fuel oil consumption per unit load over fiscal 1990	<ul style="list-style-type: none"><li>• Improving in propulsion efficiency by bottom cleaning and propeller polishing</li></ul>	Full year
	<ul style="list-style-type: none"><li>• Preparing of effective operation plan</li><li>• Increasing loading cargo quantity</li></ul>	Full year
Implement measures to conserve fuel	<ul style="list-style-type: none"><li>• Appropriate implementation of economic operations</li><li>• Instruction in saving fuel-oil consumption in port</li></ul>	Full year
Reduction in the quantity of cylinder lubricating oil	<ul style="list-style-type: none"><li>• Promote installation of equipment for reducing consumption of Main Engine cylinder lubricating oil</li></ul>	Full year
	<ul style="list-style-type: none"><li>• Advance of electronic library</li><li>• Promote the use of backing paper</li></ul>	Full year
	<ul style="list-style-type: none"><li>• Promoting paperless operations by introducing onboard vessel-management software</li></ul>	Full year
	<ul style="list-style-type: none"><li>• Notices on in-house electronic bulletin board</li><li>• Saving electricity of unnecessary lighting</li></ul>	Full year
Advance of landing shipboard waste (1% increase over the previous year)	<ul style="list-style-type: none"><li>• Recovery and re-use of supplied lashing materials</li><li>• Complete segregated collection and retention</li><li>• Management of quantity of shipboard waste and landing</li></ul>	Full year
Complete segregation of wastes generated in the office (100%)	<ul style="list-style-type: none"><li>• Complete segregation of recyclables, combustibles and non-combustibles</li></ul>	Full year
10% reduction of NOx emission per unit load over fiscal 1990	<ul style="list-style-type: none"><li>• Adoption of improved machinery on newly built ships</li></ul>	Full year
10% reduction of CO2 emission per unit load over fiscal 1990		Full year
Supply of low-sulphur fuel (sulfur below 4.5%)	<ul style="list-style-type: none"><li>• Selection and analysis of fuel oil to be purchased</li></ul>	Full year
Reduction of dioxin	<ul style="list-style-type: none"><li>• Adoption of incinerators of IMO-approved type on newly built ships</li></ul>	Full year
Adoption of alternative CFC refrigeration equipment for newly built ships (100%)	<ul style="list-style-type: none"><li>• Adoption of alternative CFC (R404a) in refrigeration equipment and air conditioning systems for newly built ships</li></ul>	Full year
Education of shore employees	<ul style="list-style-type: none"><li>• Practice in-house seminar</li></ul>	Full year
Education of crew	<ul style="list-style-type: none"><li>• Practice pre-boarding seminar</li><li>• Practice training in overseas companies</li><li>• Practice shipboard education for crew</li></ul>	June

## Ensuring Safe Operation



Inspection of fire-fighting equipment during ship inspection



Shipboard audit by corporate auditor



Shipboard drills

### Maintenance and Improvement of Safety Management System by In-house Ship Management Company

For Shinwa Kaiun, safe operation is one of the most important issues bearing on protection of the environment, and of the marine environment in particular.

Shinwa Marine Corp., advanced marine experts in ship management, manages all of the ships owned by the company. It established and implemented the safety management system (SMS), and has made continuous efforts to maintain and improve it, in order to ensure safety at sea, prevent fatal accidents, and avoid environmental damage, especially to the ocean, as well as damage to property, with the objective of offering highly reliable services that meet customer needs.

### Ship Inspections

One of the programs Shinwa Kaiun uses to ensure the safe operation of the ships it operates, is the annual inspection of each vessel owned or operated by the company, based on its own checklist, carried out by Shinwa Marine Corp.

The superintendent of the ship management group pays a visit to all the ships every six months to check their condition, provide guidance to the crew, and confirm that the ship maintenance plan is being carried out. These are in addition to the annual check for quality control and safety management.

We also carry out inspections of time-charter ships in accordance with our standard checklist to maintain the safety level of our entire fleet in cooperation with the ship's owners and management companies.

### Safety and Environmental Committee

For promotion of safe operation and environmental conservation, the Safety & Environmental Committee is assembled on a regular basis, with the president serving as the chairman (see the diagram on page 7 and the organization chart on page 20). The committee discusses issues of safe operation management from various perspectives, including research and analysis of marine danger, planning of prevention measures, establishment of risk management systems, and seamen's education and training.

### Accident Zero Achievement Committee

Based on studies and analysis of accidents that have actually occurred, effective management measures to prevent accidents beforehand are being formulated, and to implement these, the Accident Zero Achievement Committee meets on a regular basis. The minutes of the meetings of the committee are sent to all ships under management, and play a useful role in shipboard education.

### Shinwa Kaiun Group Safe Operation Management Committee

The basic policy related to safe navigation of ships operated by the Shinwa Group and environmental protection and the various issues that become its prerequisites (issues related to ship management, operations management, and risk management response) are deliberated from the perspectives of the entire Shinwa Group, and proposed to each company in the Group. The Shinwa Kaiun Group Safe Operation Management Committee meets regularly to ensure that each company is provided an opportunity to reflect the contents of the proposal in its management policy and that safe navigation is thoroughly implemented.

The Chairman is the Director of the Marine and Safety Management Group, Shinwa Kaiun Kaisha, Ltd., and the committee consists of the persons in charge of planning and safe navigation of Shinwa Kaiun Kaisha, Ltd., Shinwa Naiko Kaiun Kaisha, Ltd., Shinwa Chemical Tanker Co., Ltd., and Shinwa Marine Corp.





## INTERVIEW

### Seamen's Lifestyle, Work and Spirit

Chief Officer Kensuke Ohira

I have shipboard experience of five and a half years, interspersed 4 years experience at Tramp Chartering Group in Tokyo office. The type and appeal of work in ships and in office are quite different.

When working in office, I have met many people including customers, brokers and agency staff. The results of the work is shown by the number obviously, which can sometimes be relentless, but at the same time, the feeling of achievement can also be experienced.

Although safe navigation of the ship cannot be expressed quantitatively, the Chief Officer is responsible for management, loading/discharging of cargo, maintenance work, and shipboard safety management. When loading/ discharging work has been completed satisfactorily, or when disembarking after operations have been carried out without any major problems, the Chief Officer's feeling of relief cannot be expressed in words.

In ports such as Ras Tanura in Saudi Arabia, if the difference in quantity of loaded crude oil between ship's figures and shore scale varies considerably, the ship is not permitted to leave port. Thus, once erroneous quantity measurements have fallen within the permissible range, and the moment the ship is permitted to leave port with the statement "Cargo was released!" the feeling of relief is tremendous!

Another advantage of being a seaman is experiencing mass leave on regular work days. While working on board, one can rarely go ashore, and stress tends to build up in the constrained environment of an all-male household. Drinking alcohol is a good way to relieve such stress. One can listen to the various experiences of the Captain or the Chief Engineer, and talk about various issues unrelated to work, relieving

stress by socializing with other crew during off-duty hours.

One of the experiences I remember clearly is work before the tanker enters dry-dock. Tanks that have been filled with inert gas or petroleum gas\*, which are a "Deadly Atmosphere," are cleaned and replaced with clean air for crew and dockworkers to enter safely. Upon entering the tank of a ship that had been dry-docked, I came into a visionary world where rays of light pierced the dark tank through the lighting holes.

I also remember navigating mine sweeping areas of the Persian Gulf, although such an area no longer exists now. The minefield areas off Kuwait had been divided into narrow routes after the Japanese Self Defense Forces had swept the area clean of mines, but nearby, I saw American fighter planes taking off from aircraft carriers, and suddenly the thought struck me that the war I saw on TV was right there in front of my eyes.

There was the option of going to the Persian Gulf or disembarking during the Gulf War, but nobody left the ship. How about myself? I think I would have gone. Is it wise to entrust the transportation of resources to foreigners in an emergency in Japan, which is surrounded on all sides by water, with the number of Japanese ocean going mariner having decreased and said to have been threatend with extinction these days? The importance of ensuring an adequate number of Japanese seamen for the transportation of resources should be conveyed to as many people as possible.

\* Inert gas: man-made non-combustible gas used in tanks to prevent explosion of petroleum gas.



Emergency response exercise

## Implementation of Emergency Response Exercise

The company has been implementing emergency response drills on a regular basis so as to take prompt and thorough measures when an accident occurs unexpectedly to a ship in operation, and to minimize damage. In fiscal 2006, we carried out exercise assuming that a company-owned large tanker collided with another ship in the Singapore Straits resulting in a cargo oil spill, and verified the functions of the in-house system in an emergency situation.

On board ships, drills are regularly carried out in preparation against fires and other emergency situations.

## Near-miss Reporting Campaigns (Prevention of Human Error)

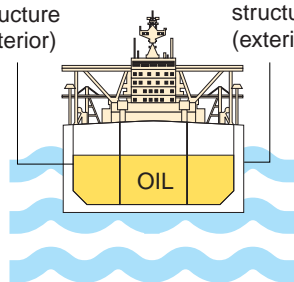
Heinrich's law resulted from studies of industrial disasters, and states that behind an outbreak of a serious accident, there are 29 small problems and 300 near-misses (i.e., incidents on the brink of an accident), and a large number of unrecognized states and acts preceding these.

The objective of the near-miss reporting campaign is to ensure safety by collecting near-miss information from each ship, analyzing it to identify risk factors and trends, and then take measures for safety. We consider it possible to reduce the probability of accidents if we make a multilateral analysis, instead of looking only at the direct cause, and communicate the optimal safety measures to our fleet.

## Preservation of the Marine Environment

### Transition to a Double-hull Structure

Double-hull structure (interior)  
External structure (exterior)

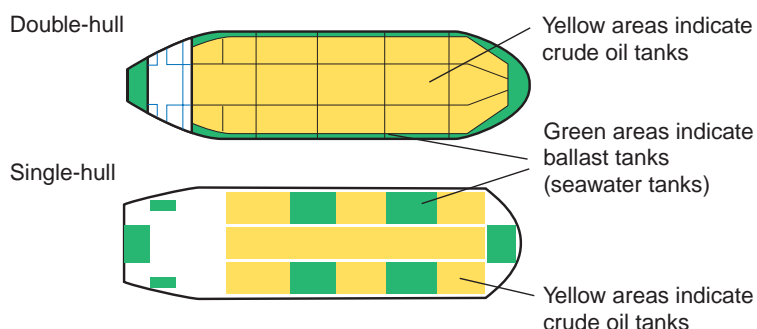


Crude oil supertanker "Yugawasan" - 302,481 tons fitted with the latest advanced equipment in consideration of the environment.

### Transition to a Double-hull Structure

A double-hull tanker has less risk of oil spillage in the event of a collision or grounding resulting in damage to the vessel's outer hull, because the cargo tank is protected by the inner hull. Our newly built oil tankers are all designed with double-hull structures. Existing single-hull tankers have been sold off, and thus all the tankers owned by the company currently have double-hull structures.

### Double-hull Tanker and Single-hull Tanker



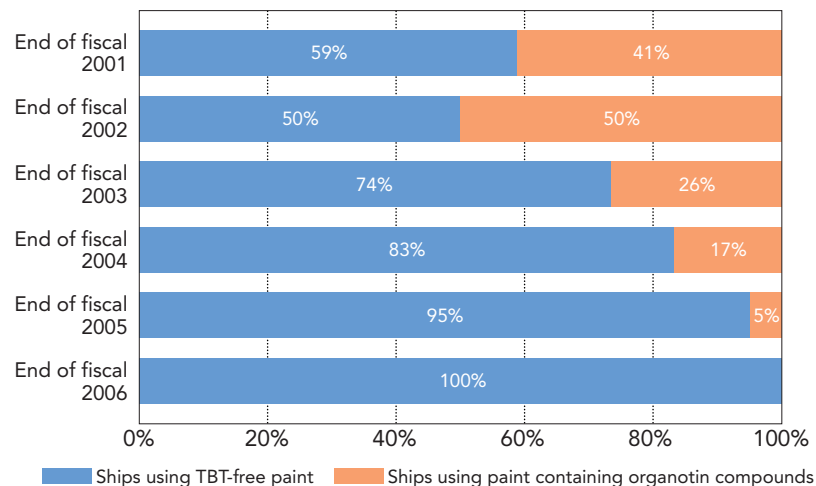
### Anti-fouling Hull Paints that Contain No Organotin Compounds

A ship's body in sea water is vulnerable to sea life such as algae and molluscs attaching themselves to the hull, with consequent speed reduction and increased fuel oil consumption. Due to the excellent anti-fouling effects of paints containing organotin compounds that prevent molluscs, etc., from sticking to the hull, a large number of ships have used such paints.

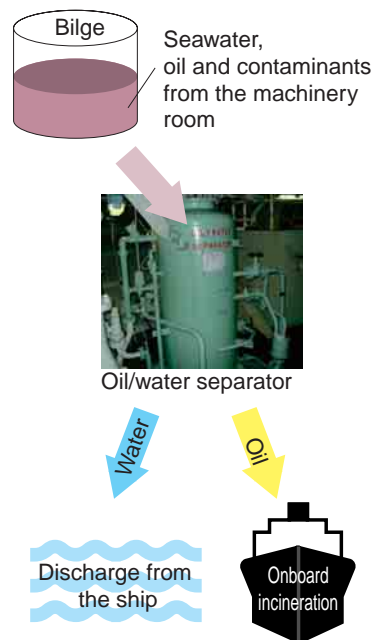
When it was discovered that organotin, an environmental hormone, has harmful effects on the human body, the International Maritime Organization (IMO) made the decision to call for global prohibition of the application of organotin compounds as biocides in anti-fouling systems on ships by 1 January 2003, and complete prohibition by 1 January 2008.

We use anti-fouling paints that do not contain organotin compounds, not only on newly built ships but also on ships that are treated in dry-dock. Currently, all the owned ships make use of TBT-free antifouling paints.

### Percentage of Tankers with TBT-free Hull Paint



### Disposal of Bilge and Waste Oil from the Engine Room



### Disposal of Bilge and Waste Oil from the Engine Room

Wastewater containing oil generated in the engine room is called "bilge." The bilge is processed with our special filtration system before it is discharged overboard in those areas of the ocean where this is allowed, ensuring that only water without oil is discharged. This system is called an oil/water separator. The water discharged overboard is constantly monitored with an oil sensor, and the discharge stops automatically when the system detects any oil.

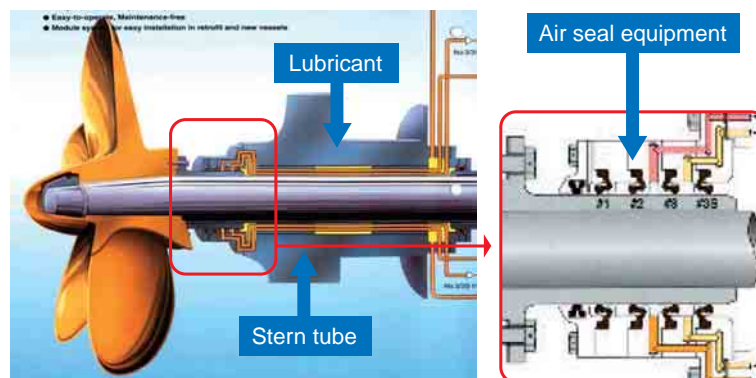
We perform maintenance on these systems at regular intervals and pay close attention to the bilge discharge. The removed oil is burned onboard as waste oil or may be taken ashore for disposal.

### Air-seal Stern Tube Sealing System

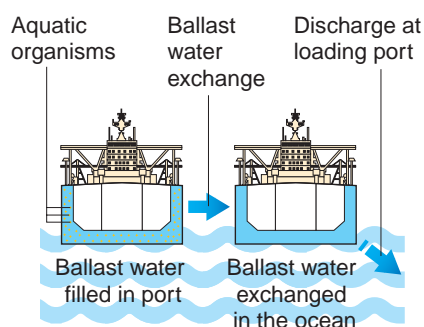
A stern tube sealing system prevents the ingress of seawater from around the propeller shaft, concurrently preventing the leakage of lubricating oil used in the propeller bearings into the sea.

We are actively adopting an air-seal-type stern tube sealing system, which has a better oil leak-preventing mechanism in all our newly built ships, replacing the conventional stern tube sealing system using lubricating oil.

#### Air-seal Stern Tube Sealing System



### Ballast water management



### Appropriate Ballast Water Management

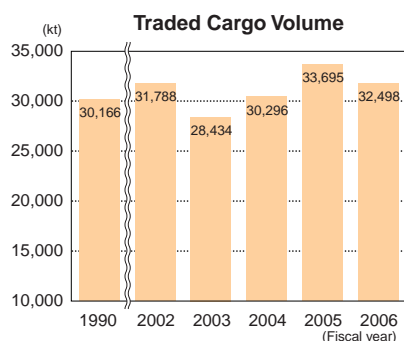
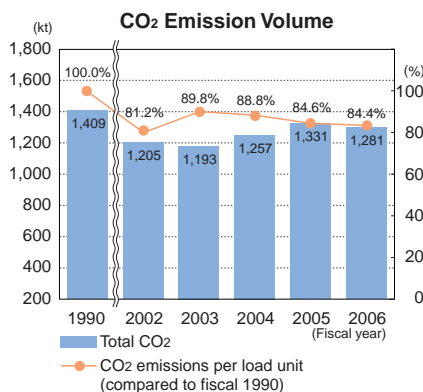
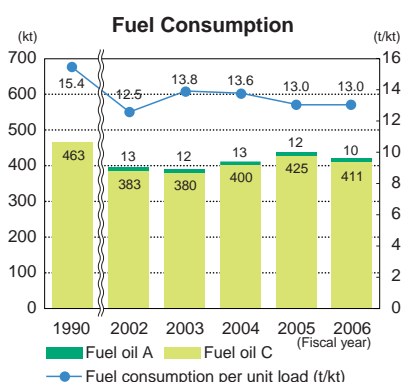
Sea water carried by a cargo ship in dedicated tanks to secure structural hull strength and maintain adequate draft for a safe non-cargo voyage is called ballast water. This ballast water is discharged when cargo is loaded. Ballast water contains aquatic organisms and pathogens originating in the region where it was taken on board, and may be discharged together with the ballast water into the sea where there are no such indigenous harmful aquatic organisms and pathogens, affecting the ecological system, and thus constituting a serious concern.

An international convention for ballast water treatment was adopted in February 2004, which requires ships to install ballast water treatment equipment that meets certain standards in the future. As an alternative method before the equipment is developed, exchanging ballast water in the ocean is allowed. We comply with the local regulations and recommendations provided by the country of the calling port regarding ballast water exchange.

# Protection of the Atmosphere



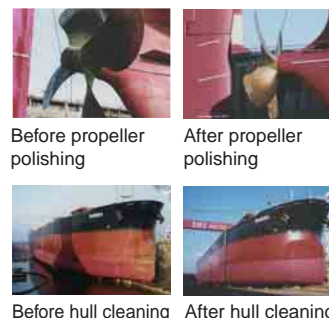
Shinwa Chemical Tanker Co., Ltd.  
Shinju Maru No. 1, which transports LNG,  
a fuel with very little CO<sub>2</sub> emissions



## Prevention of Global Warming

Global warming is said to be caused by greenhouse gases such as CO<sub>2</sub>. Vessels need to burn fossil fuel such as fuel oil to run, which emit CO<sub>2</sub>-containing exhaust fumes. At present, the only effective way to reduce this CO<sub>2</sub> gas is to reduce fuel consumption. We are taking the following measures to reduce fuel consumption:

- Use of energy-saving equipment and devices.
- Improvement in propulsion performance by hull cleaning/ polishing of propeller
- Speed reduction and best-route planning in accordance with various situations.
- Minimizing the fuel consumption per transported unit with efficient shipping schedules and increased cargo loads



## Prevention of Air Pollution (Prevention of Acid Rain)

Exhaust gases from ships contain nitrogen oxides (NO<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>), which cause air pollution inclusive of acid rain.

Regarding NO<sub>x</sub>, diesel engines with a power output of more than 130 kW installed onboard ships whose construction started on or after January 1, 2000 must comply with the NO<sub>x</sub> emission limits specified by the relevant convention. Each of our new vessels is equipped with a new model engine with low NO<sub>x</sub> emission.

Also, for SO<sub>x</sub> emission control, sulphur content of any fuel oil used onboard ships shall not exceed 4.5%. We procure fuel oil that meets ISO standards in order to restrict SO<sub>x</sub> emissions.

## Preventing the Generation of Dioxins

To prevent generation of dioxin, incinerators capable of rapidly cooling down the exhaust gas temperature to 200°C are installed in all newly built ships.

## Prevention of Ozone Depletion

Freon and halon are regarded as causes of ozone depletion. Freon was used for onboard freezing and cooling machinery, while halon has been used in fire extinguishing systems.

For our new ships, we have adopted freezing and cooling machinery that use alternatives to Freon.

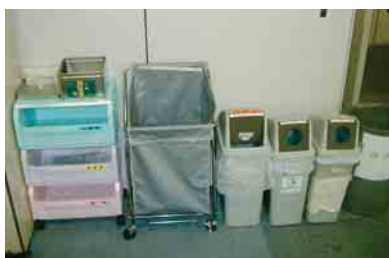
New installation of halon fire-extinguishing systems has been prohibited since July 1992, and most of our ships are now equipped with CO<sub>2</sub> fire extinguishing systems or high-expansion-foam fire extinguishing systems.



## Resource Conservation and Waste Reduction



Shoyo Maru of Shinwa Naiko Kaiun Kaisha, Ltd. transporting Fly ash for recycling resources



Waste segregation in the office



Proper disposal of onboard waste

### Reduction of Power Consumption in the Office

Reduction of power consumption has "cut annual power usage at our offices by 1% in comparison with the previous year." With this environmental slogan, we are making efforts day and night to reduce annual power consumption at our offices, encouraging power savings with such practices as turning off unused office machines and unnecessary lights.

Power consumption increased substantially in fiscal 2005, following the Head Office move.

However, comparison of actual power consumption from September to March of the year the Head Office moved with that in fiscal 2006, showed that electric power consumption was reduced by 7% on an average.

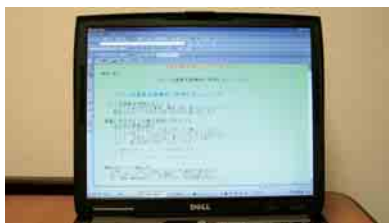
### Office Waste

For thorough separation of waste generated in offices, we have improved the arrangement of waste baskets, and are running an in-house campaign to implement waste segregation in compliance with local regulations. In addition we promote the effective use of recyclables:- since last fiscal year we encourage re-using blank reverse side of used paper, and using personal coffee and tea cups instead of disposable ones.

### Proper Disposal of Onboard Waste

Various kinds of waste are generated by the crew living onboard. Such onboard waste is thoroughly separated and collected as is done onshore, and is either burned onboard or duly disposed of onshore, except items suitable for ocean disposal after pulverization, such as food waste. Setting a target for shipboard waste disposed ashore (an increase of 1% over the previous fiscal year), Shinwa Kaiun is managing the volumes and methods of shipboard waste being disposed aboard and ashore.

## Environmental Education



Bulletin board screen promoting re-use of paper for copies



Classroom training in Manila

### Seamen's Environmental Education

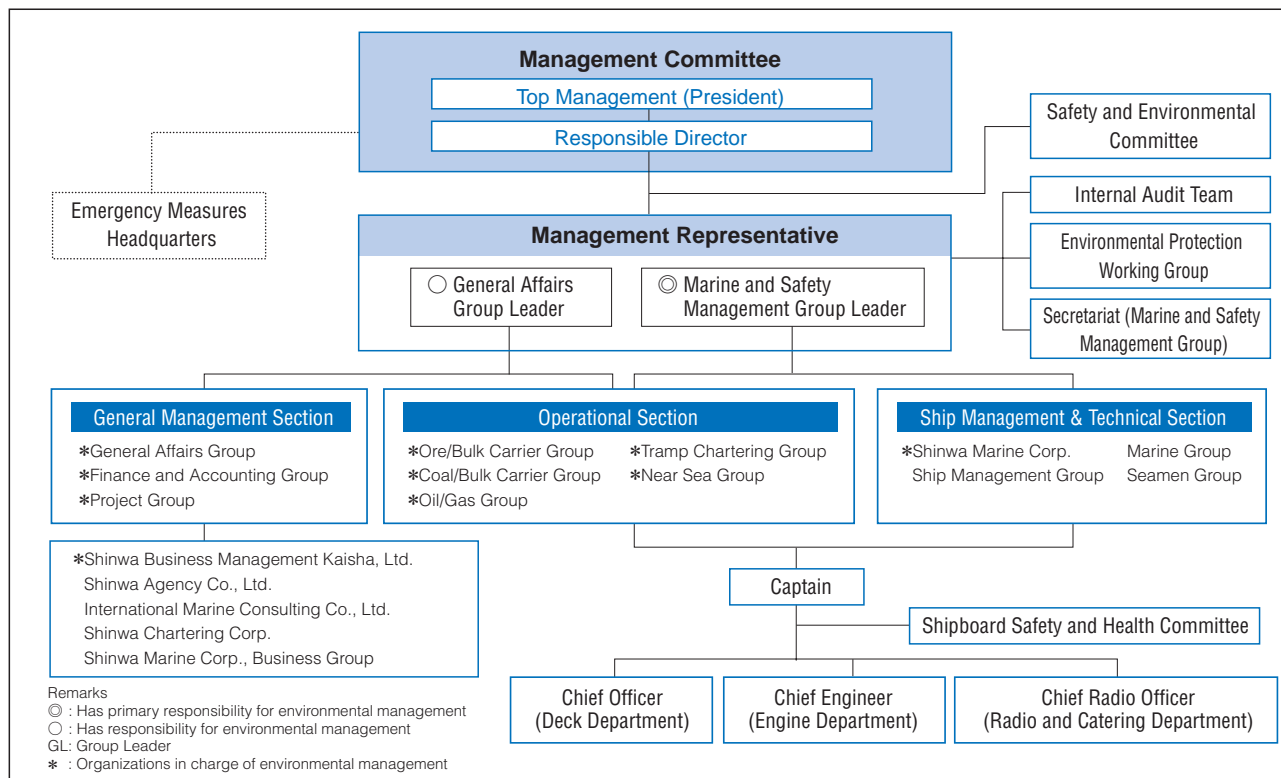
The company has formulated and implemented onboard education and training through On the Job Training (OJT) in addition to classroom training for crews. The plan includes items related to environmental protection, which serves to bring about seamen's awareness of environmental protection through pre-boarding seminar.

### Training non-Japanese Seamen

Twice a year, the company dispatches lecturers to hold seminars for Philippine seamen on leave, holds lectures on the environmental management system and strives to increase environmental awareness of the seamen.

# Shinwa Kaiun's Environmental Protection Activities

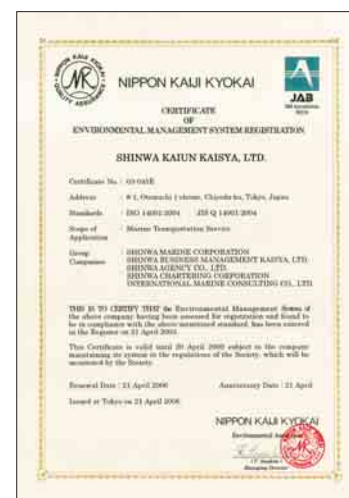
## Environmental Management System Organizational Chart



## History of CSR Activities at Shinwa Kaiun Group

May 2000	Safe Navigation Committee established.
October 2000	Corporate Philosophy of Shinwa Kaiun Kaisha, Ltd., established.
December 2000	Regulations regarding avoidance of accidents at sea and accident countermeasures established.
January 2001	Shinwa Marine Corporation received ISO 9002 certification (Class NK)
September 2001	Safety and Environmental Committee established.
October 2001	Shinwa Kaiun Group Environmental Statute formulated.
December 2001	Rules regarding control of inside information and insider trading revised.
May 2002	2001 Environmental Report published.
November 2002	Investor Relations Committee launched.
December 2002	Regulations regarding disasters at sea and other emergency circumstances revised.
April 2003	ISO 14001 certification received (Class NK) Companies included: Shinwa Kaiun Kaisha, Ltd. Shinwa Marine Corp. Shinwa Business Management Kaisha, Ltd. Shinwa Agency Co., Ltd. Shinwa Chartering Corp. International Marine Consulting Co., Ltd.
May 2003	Shinwa Marine Corporation received ISO 9001 - 2000 certification
September 2003	2003 Environmental Report published.
November 2003	Standards of Conduct established.
June 2004	2004 Environmental Report published.
July 2004	Established guidelines for use of computer equipment, e-mail, and the Internet.
December 2004	Compliance Committee established.
December 2004	Internal audit regulations established.
December 2004	Shinwa Kaiun Group Environmental Statute revised.
June 2005	2005 Environmental Report published.
July 2005	Shinwa Kaiun Group Safe Operation Management Committee launched.
May 2006	CSR Committee established. Policy for CSR programs formulated.
June 2006	CSR Report 2006 published
July 2006	Policy created for subsidiary representatives to participate as observers in the CSR Committee

[Note: Indicated for period after 2000]

ISO14001: 2004 Approval Registration Certificate  
(Periodic audit completed on June 7, 2007)

## Glossary

### Ballast water

This is seawater pumped into special tank to serve as ballast when a ship has no cargo aboard. This maintains a suitable draft and stability, and sufficient weight to maintain hull strength. The marine organisms taken aboard ships in ballast water and discharged far from their home waters have often been cited as a negative factor on biodiversity. In February 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments.

### Bilge

Wastewater that collects in the bottom of the engine room, contaminated by fuel oil and lubricants that leak out during the normal operation of a ship's engines. It is treated in oil/water separators and the oil and water are disposed of separately.

### Chlorofluorocarbons (CFCs)

CFCs are halogenated hydrocarbons containing carbon, fluorine, chlorine, and hydrogen. The word "Freon" is often used as a generic term for CFCs. Because they are colorless, odorless, and non-toxic, as well as thermally and chemically stable, they were widely used as refrigerants, cleaners, solvents, firefighting agents, and aerosol propellants. However, manufacturing of Freon has been prohibited since 1996 as an ozone depleting substance. Of the CFCs, Halon is particularly harmful CFCs to the ozone layer and its manufacture has been prohibited since 1994.

### Dioxins

Dioxins are highly toxic substances that are primarily formed during the incineration of waste, but may also be formed from natural causes such as wildfires and volcanic activity. They can cause cancer, birth defects, immune system suppression, and reproductive abnormalities. Because dioxins are formed when substances broken down at over 800 degrees recombine as they cool, the formation of dioxins can be limited by rapidly cooling exhaust gasses.

### Double-hull structure

To prevent spillage of cargo oil or fuel oil in the event that a collision or grounding should rupture a ship's hull, it is constructed with a second (hull within hull) inner layer.

### Draft

The vertical distance between the surface of the water and the bottom of a ship's hull, at any given condition. Normally defined as forward draft, aft draft, draft amidships.

### International Maritime Organization (IMO)

International Maritime Organization. The IMO is a specialized organization of the UN, which researches and establishes international maritime treaties and conventions. The IMO promotes cooperation among the governments of every nation with regard to technological and legal issues bearing on marine transport, including maritime safety, improvement in marine transport technology, prevention of pollution of the ocean by ships, and the abolition of discriminatory treatment between countries.

### ISO 14001

This is the international environmental standard established by the International Organization for Standardization (ISO) to guide companies in pursuing environmentally responsible business activities. It mandates environmental management policies, organizations and systems, operation, internal audits, and other measures, which are to be continually improved based on the PDCA cycle.

### ISO 9001

This is the international standard for quality control and quality assurance established by the ISO. It sets forth the requirements for a quality management system that extends to organizational management to achieve customer satisfaction and operational improvements.

The pursuit of customer satisfaction and improvement efforts through ISO 9001 allows a company to maintain the trust of the public and heighten its competitiveness.

### Organotin compounds

This refers to organic compounds containing tin, and in an environmental context often refers to tributyltin (TBT) compounds. These compounds were frequently used in anti-fouling paints to prevent crustaceans and other marine life from adhering to ships' hulls and fishing nets. However, it has been designated an environmental hormone that causes birth defects and reproductive abnormalities in marine life.

### Ozone layer

An atmospheric layer 20 to 25km above the Earth's surface that is rich in ozone (an allotrope of oxygen). It absorbs much harmful ultraviolet radiation from the sun, protecting organisms on the surface of the planet. Harm to the ozone layer would allow more harmful ultraviolet radiation to reach the surface, with harmful effects such as skin cancer and conjunctivitis.

### PDCA cycle

The PDCA cycle is a system for continuously improving environmental management systems. Using this cycle, a company will Plan (set targets and policies, and create a plan to achieve them), Do (execute its plan), Check (verify the outcomes and make adjustments), Act (make changes and improvements for the next step in the cycle), and then Plan and so forth again.

### Stern tube air seal equipment

It is necessary to prevent sea water from entering the ship where the propeller shaft penetrates the ship's hull, and to keep propeller shaft lubricant from leaking into the ocean. In the past, rubber seals and hydraulic pressure were used to prevent the entry of seawater, but the adoption of seals using air pressure also prevents the leakage of oil into the ocean.

### Work-life balance

This is a concept promoted by the UK Ministry of Trade that involves harmony between a person's professional and personal lives. It means maintaining health and happiness without sacrificing either the workplace or the family. In Japan, the Ministry of Health, Labor and Welfare established a study group in 2003, and is working to achieve the acceptance of this concept through regional governments nationwide. It is also called Life-Work Balance.

## Reader's Comments on "Shinwa Kaiun Kaisha, Ltd. CSR Report 2006" and Shinwa's Response

### Reader Comments

- I think an index for measuring the level of involvement in social activities and environmental protection is necessary. Rather than "we are implementing ...," more details of "what is being implemented to which level," "comparison with other implementations," and "comparison with conventional method" need to be incorporated.  
(Male employee, 40s, Shinwa Kaiun Kaisha, Ltd.)
- Although explanations are given in the end, too many English phrases are being used in Japanese version.  
(Male employee, 50s, Shinwa Kaiun Group)
- Today, when utilitarian corporate activities are shaking up society, this very timely pamphlet will arouse interest. In my present job, I am studying how to build trust while resolving conflicts. I can relate to the fact that gaining the trust of stakeholders is one of the objectives of CSR.  
(University professor, male)
- It is disappointing that there were no articles that have been checked by a third party in terms of CSR.  
(University student, 20s, male)
- Well done! Interesting articles and easy-to-understand pages.  
(Employee of other shipping company, male)

### Our Response

We thank readers for their cooperation in answering the questionnaire. We will try to answer the points you have raised.

First, regarding the index for initiatives for society, unlike economic value indexes, it is difficult to set a value index on this matter, and we are feverishly examining this point. We hope to deepen awareness of the PDCA cycle by specifying comprehensive action indexes and repeatedly verifying results.

Next, concerning the excessive use of English, in retrospect, this stems from the propensity of the global industry as a whole, and we will try henceforth to use easy-to-understand words in the future.

Finally, regarding checks by a third party, we have been receiving ClassNK approval related to safety, quality control and environmental management aspects. However, for other matters, we will consider the third party opinions, such as readers of the report, and incorporate them in studies related to future CSR activities.



**SHINWA KAIUN KAISHA,LTD.**

**<http://www.shinwaship.co.jp>**

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