



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



Shinwa Kaiun Group CSR Report 2008

Corporate Social Responsibility



Shinwa Kaiun Group

CSR Report 2008

Corporate Social Responsibility



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Editorial Policy

Shinwa Kaiun launched the first issue of "Shinwa Kaiun Kaisha, Ltd. CSR Report" in 2006 to publicly disclose how the company has been meeting its obligations while accomplishing the international marine transportation services that are the company's primary business objective. Starting in 2007, the CSR activities of the Shinwa Kaiun Group as a whole are reported here, including subsidiaries running coastal shipping service and other related business. Our editorial policy is to provide readers with an understanding of how the company in the Shinwa Kaiun Group engages in matters related to the stakeholders who have been supporting it.

Period Covered

April 1, 2007 through March 31, 2008

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

Organizations Covered

Shinwa Kaiun Group and its related subsidiaries. 31 related subsidiaries in the international marine transportation services (8 domestic and 23 overseas), 6 coastal shipping service companies, and 6 other related services.

Previous issue: June 2007

Next issue: Scheduled for June 2009

Other Shinwa Kaiun Publications

- ① Corporate Brochure (in Japanese, English, and Chinese)
- ② Annual and semi-annual reports (in Japanese)
- ③ Annual and quarterly 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/>

Referred Guidelines

Ministry of the Environment, "Environmental Reporting Guidelines, 2007 version"

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.

CSR Committee Secretariat

General Affairs Group

Shinwa Kaiun Kaisha, Ltd.

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Message from the President



President

筧 孝彦

KAKEI Takahiko

Shinwa Kaiun's Corporate Philosophy calls for the company to fulfill its responsibility as a member of society and contribute to social development. This is the basis of our business activities, and Shinwa Kaiun has been actively committed to Corporate Social Responsibility (CSR) activities that are in line with the scope and features of our core business, which is marine transportation services. Chief among our concerns is the safety of maritime navigation. The Shinwa Kaiun Group places this as a top priority for earning the trust of our customers and society as a whole, because without this trust it is not possible for us to fulfill our responsibilities toward each stakeholder, much less preserve the global environment.

In April 2008, we initiated our Medium-term Business Plan IV with the goal of "pursuing sustained growth." The Shinwa Kaiun Group will act as a unit, striving to achieve that goal. We are facing a harsh business environment, with the appreciation of the yen and soaring overhead costs, but we will continue strengthening our operational base and proactively fulfilling our social mission.

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 2008

Corporate Philosophy

Since its establishment, Shinwa Kaiun Kaisha, Ltd., has been offering marine transportation services that are safe, superior and meet clients' needs in oceans all over the globe.

Shinwa Kaiun Kaisha, Ltd., will continue to be mindful of its role as 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, thus 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 our 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 reject any anti-social activities.

4 Transparent Information Disclosure

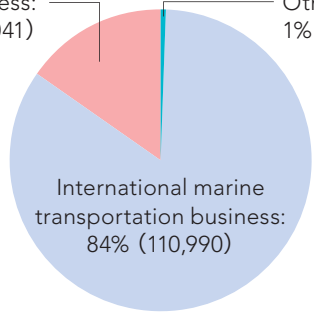
Disclose information on corporate activities in a timely and reasonable manner, actively communicating with society.

5 Democratic Management

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

Established October 27, 2000

Overview of the Shinwa Kaiun Group

Number of Companies in Group	Head Office - 1 Consolidated Subsidiaries - 31 Unconsolidated Subsidiaries (accounted for by the equity method) - 3 Unconsolidated Subsidiaries (unaccounted for by the equity method) - 4 Unaccounted-for Affiliates (by the equity method) - 4 (total 43)
	<p>Revenues (consolidated) (Unit: ¥ million)</p>  <p>Coastal shipping business: 15% (20,041)</p> <p>Other businesses: 1% (957)</p> <p>International marine transportation business: 84% (110,990)</p>
Number of employees	458 (consolidated)
Fleet	172 ships (consolidated), 5,860,000 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) Shinwa(Singapore) Pte. Ltd. (International transportation)
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	91 ships, 5,680,000 DWT

Social 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 a better quality of life, and to improvement in the operations of other enterprises and organizations. At the same time, society does not expect a company become caught up in a single-minded drive for economic efficiency or a 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 opinions 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 in cooperation 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.

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
- Warehouse companies



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 (The Philippines and other countries)
- Ship management companies
- Spare ship parts and chandlery suppliers



Shinwa Kaiun Group



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.)



Source: Website of the Japan Coast Guard

Operator work-related partners

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

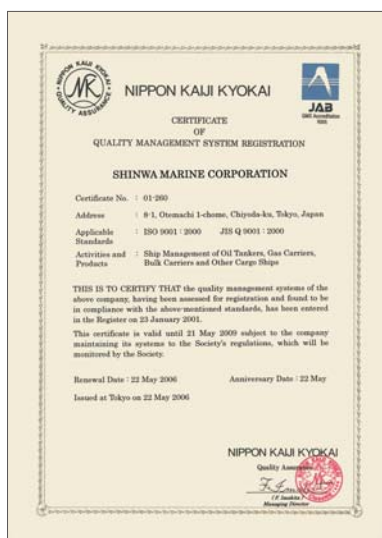
Shareholders and investors

Other Stakeholders

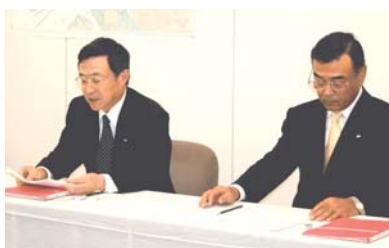
- Auditors
- Marine surveyors
- Courts in various countries
- Marine arbitration (London, New York, Tokyo)
- Educational institutions

- 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



ISO 9001: 2000 registration certificate



Simulated press conferences during
Emergency Response Exercise



Pipe loading state

Customer Satisfaction

Shinwa Kaiun has been principally engaged in worldwide logistics of raw materials, energy resources and products for industries. The company meets its 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 style of business communication by which the company pays direct visits to domestic and overseas customers becomes the foundation of relationships of trust. Regardless of whether a project is long-term 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 in ship management operations.

Participation in Safety Meetings with Customers and Partners

Shinwa Kaiun, together with coastal shipping body Shinwa Naiko Kaiun Kaisha, Ltd., and Shinwa Chemical Tanker Co., Ltd., has continued to forge strong ties with the domestic consignees of various industries such as steel mills, power stations, oil refineries, gas plants and other port-related personnel, and has participated in many safety conferences all over Japan 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.

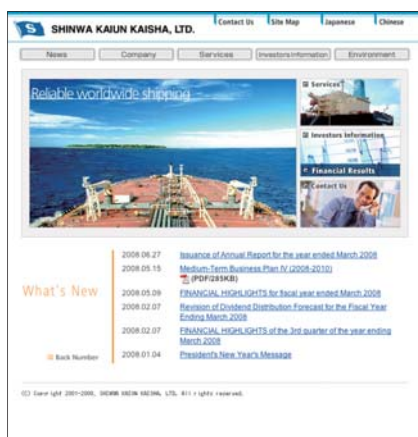
Emergency Response Exercise and Explanations to Outside Parties

According to a series of emergency measures based on 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 offer explanations at appropriate times to the public and concerned parties through media and the company's website.

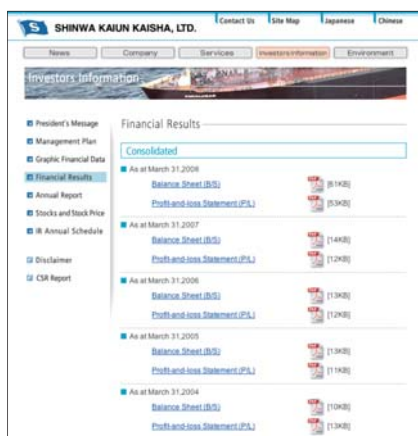
Efficient Handling and Preserving Cargo

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 preservation of cargo, utilizing its extensive accumulated experience and knowledge of cargo characteristics and worldwide port information.

Initiatives for Shareholders and Investors



Top page of the company's website



Investor information on the company's website

Medium-term Business Plan IV

Fiscal year 2005 was the first year of Shinwa Kaiun's commitment to Medium-term Business Plan III, a three-year plan with the goal of "enhancement of the operating base for the next stage." That plan concluded at the end of March 2008. The shipping business has enjoyed steep rises in rates due to rapid economic growth in emerging economies and the unprecedented expansion of shipping demand that has accompanied that growth. In part because of our efforts to overcome business challenges, profit levels posted new historic highs and net assets at the end of the last term had more than doubled over the past three years.

In April 2008, we began Medium-term Business Plan IV with the goal of "pursuing sustained growth." The Shinwa Kaiun Group is united in the commitment to strengthening and expanding our operational base, securing and educating qualified staff and increasing group-wide management efficiency, strengthening ship management functions and promoting environmental conservation, and improving our financial standing and enhancing management transparency.

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.

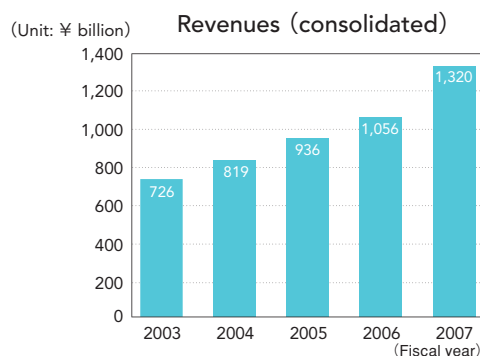
In addition, the company's Investor Relations Committee, which is composed of the directors in charge of the General Affairs Group, Finance and Accounting Group, and Project Group, as well as the managers of those groups, has formulated a public relations policy governing the release of information intended 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 request, answering questions and explaining the status of operations. In accordance with a policy established by the Investor Relations Committee, at least one director and one administrative officer participate in these briefings. Twenty-eight such individual briefings were held in fiscal year 2007.

Returning Profit to Shareholders

Shinwa Kaiun promotes fleet cost-competitiveness, and retains part of its profits internally as a hedge against fluctuations in shipping market conditions, currency exchange rate, bunker oil price, and other such costs. These measures are intended to reinforce corporate structure while offering stable and continuous redistribution of profits to shareholders. For this reason, Shinwa Kaiun has made a dividend payout ratio of approximately 20% (on a non-consolidated basis) a matter of dividend policy. For fiscal year 2007, Shinwa Kaiun has declared an interim dividend of ¥7 per share, and a year-end dividend of ¥9 per share.

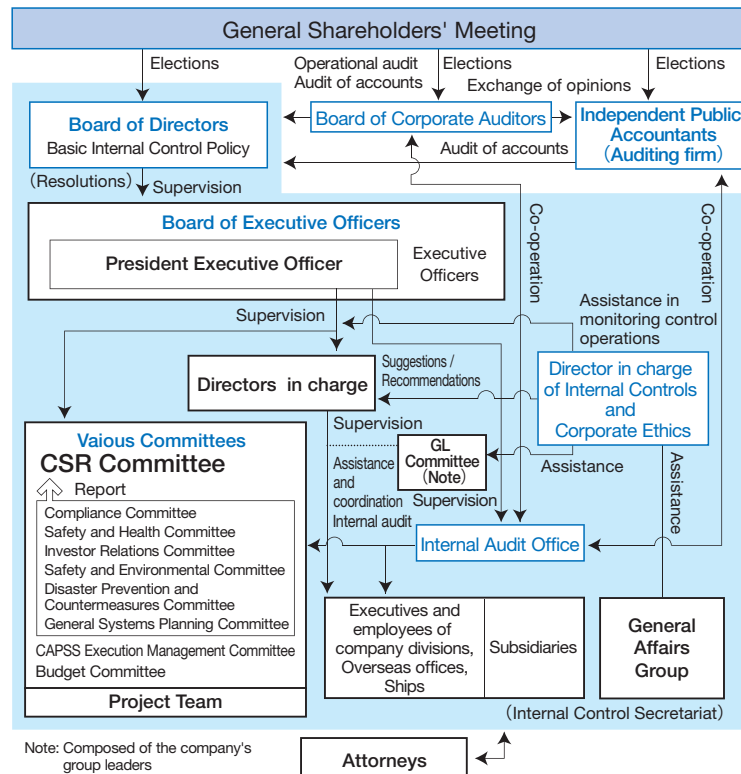


(Fiscal year)	Ordinary income	Net income
2003	40	20
2004	111	74
2005	104	54
2006	146	89
2007	219	161

Year (End of fiscal year)	Total assets	Net assets
2003	611	147
2004	690	215
2005	772	265
2006	846	381
2007	1,083	472

Shinwa Kaiun employs the corporate auditor system, and also strives to improve management efficiency by holding the board of directors to 10 or fewer directors, each with considerable expertise in Shinwa Kaiun's business. In June 2007, Shinwa Kaiun introduced an executive director system in order to address changes in the management environment appropriately and precisely. The company has four corporate auditors, of whom three are outside auditors. Each corporate auditor attends meetings of the Board of Directors, the Board of Executive Directors, the Compliance Committee, and other committees of various kinds, and audits the status of operations. Shinwa Kaiun also established an internal audit office in July 2006 for the purpose of contributing to risk management and supporting the evaluation of internal controls in accordance with Japan's Companies Act and the Financial Instruments and Exchange Act. Acting by order of the president, the internal audit office conducts internal audits of operations in every division, working in cooperation with the corporate auditors to enhance the effectiveness of corporate governance.

As of June 27, 2008



Shinwa Kaiun has established standards of conduct that articulate the practical implications of its corporate philosophy. In addition, in order to advance compliance the company has established a Compliance Committee chaired by the director in charge of the General Affairs Group. This committee's mandate is to ensure that each director, corporate auditor and employee complies with legal statutes, company regulations, and ethical standards in the execution of operations, and to heighten awareness of these issues.

In accordance with Japan's Company Law and its Enforcement Ordinance, the Board of Directors has established a basic internal control policy, while also working to ensure reliability of financial reports in accordance with the provisions of the Financial Instruments and Exchange Act.

Initiatives for Employees



The staff of Shinwa (Singapore) Pte. Ltd. together with Almanac staff



Shipboard training for new employees



Officer training



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 officer positions and to maintain long-term on-board careers on vessels managed by the Shinwa Kaiun Group.

Personnel System

In fiscal year 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, and 10 general employees had transferred to the preparatory career track as of April 1, 2008. Also, a specialist career system (for employees possessing specialized knowledge and working in technical fields) and a re-employment system (for seniors possessing extensive work experience) was 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 (English and Chinese), 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. The head office also has a special Industrial Hygiene Office where an industrial physician and an administrator with nursing qualifications offer physical and mental health consultations and guidance on a regular basis. Activities implemented in fiscal year 2007 included influenza prevention, information on sales of over-the-counter medicines at lower prices, and mental health checkups.

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 goal of protecting individuals who report company information of 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 2007.



INTERVIEW

Doing What We Can Where We Are

General Affairs Group
Secretary / Personnel Team
Yoriko Maseda

Ladies' CAPSS is a business improvement program implemented by female employees starting in January 2000. We are carrying on activities to reduce expenses, improve operational efficiency, maintain the workplace environment, protect the environment, and so on, working from a woman's perspective with a focus on tackling solutions that are accessible to us. We have members from a wide range of age groups and work assignments in the Shinwa Kaiun Group, and we share information and our opinions with each other. Specifically, our activities include urging people to use backing sheets when making

photocopies and to print on both sides of the paper, and providing general business information and hints for upgrading business manners and office skills on the in-house LAN. For environmental and social concerns, we make proposals for separation of trash, review stationery use, unify tea dispensers, check emergency packs, and so on. Furthermore, we provide stamps, cards, and other supplies for volunteer groups, and collect the caps from plastic bottles in cooperation with organizations that purchase vaccines for children around the world. In fiscal year 2008, our members will be taking the Certification Test for Environmental Specialists (Eco Test) held by the Tokyo Chamber of Commerce and Industry. We will acquire a broad knowledge of the environment, and hope to put it to use in resolving everyday environmental issues. Please feel free to let us know if you have any views or suggestions, even on the smallest everyday matters. We'll do what we can right where we are!



Plastic bottle cap collecting box



A flower arrangement activity

Maternity Leave and Shortened Hours of Work



Panamax Team, Coal/Bulk Carrier Group,
Kaoru Inoue

About a year has passed since Ms. Inoue came back from her maternity leave. She is actively involved in shipping operations, just as she was before taking pregnancy leave and maternity leave, and is currently using shortened work hours to get off at 16:15, an hour earlier than normal work hours.

Appropriate Management of Personal Data

Shinwa Kaiun appropriately controls information that can identify individuals, such as data on its employees, for the purpose 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, 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 2007.

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 adhering to company rules and standards of conduct, guidelines for preventing sexual harassment have been established and these guidelines have been brought to the attention of 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 a secure environment for working mothers, 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, an 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). In April 2008, Shinwa Kaiun also introduced lump-sum child-rearing support payments.

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 child labor or forced labor practiced anywhere in Shinwa Kaiun or the Group companies.

Initiatives for Society



A fire drill at the KDDI Otemachi Building
(Experiencing a smoke-filled environment)



Employees participating as Marunouchi Fire
Brigade Volunteers and performing water-
discharge drills.



A 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 2007, the company contributed funds to the victims of the mid-Niigata Prefecture earthquake and of the cyclone in Bangladesh.

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 for 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 to promote 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 Volunteer Fire Brigade" as part of the company's regular work hours.

Support for Culture

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

Scholarship System

The company provides scholarship funds to Philippine Merchant Marine Academy (PMMA) and Maritime Academy of Asia and the Pacific (MAAP) students to support future leaders in international maritime transport.

Rescue

Under the U.S. search and rescue system, when a question of rescue arises, the closest vessel is requested to perform the 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.

Environmental Report

Shinwa Kaiun Group Environmental Statement

Basic Ideology

Shinwa Kaiun Kaisha, Ltd., and its Group companies will strive to maintain a healthy global environment - the 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 objectives and targets considering the environmental 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 announcements of environmental preservation activities periodically.

(Established on October 26, 2001)
(Revised on December 17, 2004)

Verification of Fiscal 2007 Implementation Plan (Environmental Management Programs)

PLAN ⇒			DO ⇒	CHECK / ACT ⇒
Environmental Policies	Environmental Objectives	Target for 2007	Content of Activities	Verification of Results
Promotion of Safe Operation	Preservation of the Marine Environment	Zero accidental oil spills from ships	·Compliance with procedures for receiving/transferring fuel oil and lubricating oil ·Compliance with regulations for preventing oil pollution	·Achieved zero accidental oil spills through compliance with regulations and procedures together with widespread awareness through sailing instructions
			·Recommendation to install oil-absorbing filter on deck ·Instruction in prevention of oil-spill accidents	
		Complete exchange of ballast water in the ocean	·Set forth in sailing instructions ·Compliance with procedure for changing ballast water	·Set forth in sailing instructions and conducted in compliance with procedure for changing ballast water
Natural Resource Saving and Reduction of Waste	Conservation of Natural Resources	10% reduction in fuel oil consumption per unit load over fiscal year 1990	·Improving propulsion efficiency by bottom cleaning and propeller polishing	·Reduced 10.57% relative to fiscal year 1990 by carrying out complete hull cleaning and propeller polishing in dry-docks, and by reducing ballast voyages to the minimum and increasing cargo volume to the maximum
			·Preparing effective operational plans ·Increasing loading cargo quantity	
		Implement measures to conserve fuel	·Appropriate implementation of economic operations ·Instruction in reducing fuel-oil consumption in port	·Study and reevaluate economic operations on the basis of shipping plans and issue instructions to sail at economic speed to conserve fuel. Fuel conservation is being implemented by reducing on-board power use in ships at anchor
		Reduction in the quantity of cylinder lubricating oil	·Promote installation of equipment for reducing consumption of main engine cylinder lubricating oil	·Not achieved because the equipment could not be installed on one out of two ships in dry-docks
		Reduction in consumption of paper	·Improve electronic library ·Promote the use of backing paper	·Reduced consumption by approximately 12% compared to the previous fiscal year by promoting paperless operation through improved preparation of informational materials and effective use of shipping management software
			·Promoting paperless operations by introducing onboard vessel-management software	
	1% reduction in annual power consumption in the office over the previous year	·Notices on in-house electronic bulletin board ·Saving electricity from unnecessary lighting	·The target was not met as power consumption rose over 1% from the previous fiscal year because of increased use of computers and air conditioning resulting from the growth in operations caused by active sales expansion	
	Reduction of Waste Generation	Improve landing shipboard waste (1% increase over the previous year)	·Recovery and reuse of supplied lashing materials ·Completely segregated collection and retention ·Management of quantity of shipboard waste and landing	·Targets for on-shore disposal of on-board waste were met as follows: Fiscal year 2006 results: 12.8 m³ and 109.1 kg Fiscal year 2007 results: 18.8 m³ and 279.7 kg
Complete segregation of wastes generated in the office (100%)		·Complete segregation of recyclables, combustibles and non-combustibles	·Program for proper separation of waste material generated in our offices is being coordinated with office managers	
Conservation of Air Quality	Reduction of Harmful Air Pollutants	10% reduction in NOx emissions per unit load over fiscal year 1990	·Adoption of improved machinery on newly built ships	·A reduction of 10.54% relative to fiscal year 1990
		10% reduction in CO2 emissions per unit load over fiscal year 1990		
		Supply low-sulphur fuel (sulphur below 4.5%)	·Selection and analysis of fuel oil to be purchased	·Sulphur content of all fuel oil is 4.5% or lower
		Reduction of dioxin	·Adoption of incinerators of IMO-approved type on newly built ships	·Fitted on all newly built ships
		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	·Fitted on all newly built ships
Environmental Education	Promoting an Environmental Mind	Education of shore employees	·Practice in-house seminar	·Implemented in new employee training and in meetings in each department
		Education of crew	·Practice pre-boarding seminar ·Practice training at overseas companies ·Practice shipboard education for crew	·Conducted pre-boarding training and on-board education

and Fiscal 2008 Implementation Plan

 : Achieved
  : Partly achieved
  : Need review

	PLAN ⇒	DO ⇒	
Achieved	Target for 2008	Content of Activities	Term
	Zero accidental oil spills from ships	<ul style="list-style-type: none"> Compliance with procedures for receiving/ transferring fuel oil and lubricating oil Compliance with regulations for preventing oil pollution 	Full year
	Complete exchange of ballast water in the ocean	<ul style="list-style-type: none"> Recommendation to install oil-absorbing filter on deck Instruction in prevention of oil-spill accidents 	Full year
	11% reduction in fuel oil consumption per unit load over fiscal 1990	<ul style="list-style-type: none"> Set forth in sailing instructions Compliance with procedure for changing ballast water 	Full year
		<ul style="list-style-type: none"> Preparing effective operational plans Increasing loading cargo quantity Appropriate implementation of economic operations Instruction in reducing fuel-oil consumption in port 	Full year
	Reduction in the quantity of cylinder lubricating oil	<ul style="list-style-type: none"> Promote use of fuel additives 	Full year
	Reduction in the quantity of cylinder lubricating oil	<ul style="list-style-type: none"> Promote installation of equipment for reducing consumption of M/E cylinder lubricator oil (covers three newly built ships) 	Full year
	Reduction in consumption of paper	<ul style="list-style-type: none"> Improve electronic library Promote the use of backing paper 	Full year
		<ul style="list-style-type: none"> Promoting paperless operations by introducing onboard vessel-management software 	Full year
	1% reduction in annual power consumption in the office over the previous year	<ul style="list-style-type: none"> Promote installation of equipment for reducing consumption of M/E cylinder lubricator oil (covers three newly built ships) 	Full year
	Improve landing shipboard waste (1% increase over the previous year)	<ul style="list-style-type: none"> Notices on in-house electronic bulletin board Saving electricity from unnecessary lighting 	Full year
	Complete segregation of wastes generated in the office (100%)	<ul style="list-style-type: none"> Recovery and reuse of supplied lashing materials Completely segregated collection and retention Management of quantity of shipboard waste and landing 	Full year
	11% reduction in NOx emissions per unit load over fiscal year 1990	<ul style="list-style-type: none"> Complete segregation of recyclables, combustibles and non-combustibles 	Full year
	11% reduction in CO2 emissions per unit load over fiscal year 1990		Full year
	Supply low-sulphur fuel	<ul style="list-style-type: none"> Adoption of improved machinery on newly built ships 	Full year
	Reduction of dioxin	<ul style="list-style-type: none"> Select and analyze fuel with 4.5% or lower sulphur content to purchase Select and analyze fuel with 1.5% or lower sulphur content to purchase when entering an SOx Emission Control Area (SECA) 	Full year
	Reduction of dioxin	<ul style="list-style-type: none"> Adoption of incinerators of IMO-approved type on newly built ships 	Full year
	Implemented GREEN FLAG INCENTIVE PROGRAM (100%) in vessel placed in service at Long Beach Harbor in the United States	<ul style="list-style-type: none"> Sail at 12 knots or less within 20 miles of applicable ports 	Full year
	Education of shore employees	<ul style="list-style-type: none"> Practice in-house seminar Train internal environmental auditors 	Full year
	Education of crew	<ul style="list-style-type: none"> Practice pre-boarding seminar Practice training at overseas companies Practice shipboard education for crew 	Full year

Ensuring Safe Navigation



External ship inspection



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 visits to all ships every six months to check their condition, provide guidance to the crew, and confirm that the ship maintenance plan is being carried out. This is 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 ships' 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 operational management from various perspectives, including research and analysis of marine dangers, 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 committee meetings 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, as well as environmental protection and its various prerequisite issues (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 policies, and that safe navigation is thoroughly implemented. The committee membership includes the persons in charge of planning and safe navigation from Shinwa Kaiun Kaisha, Ltd., Shinwa Naiko Kaiun Kaisha, Ltd., Shinwa Chemical Tanker Co., Ltd., and Shinwa Marine Corp. The chair is held by the Director of the Marine and Safety Management Group of Shinwa Kaiun Kaisha, Ltd.

INTERVIEW

Putting Experience to Good Use

Ship Management Group,
Shinwa Marine Corp.

Zoilo H. Paa

Let me first introduce myself and outline my career as a seafarer:

I am Zoilo H. Paa, Marine Chief Engineer. After graduating from PMMA in 1987, I joined various kinds of vessels and worked on board with different kinds of nationalities (British, French, Indians, Dominican Republicans, Taiwanese and Chinese).

I spent nearly two decades in seafaring.

I worked on board Shinwa Vessels from 2000 to 2006, from 2nd Asst. Engineer up to Chief Engineer, and started work here at SMC as technical superintendent last September 2006.



Mingling with Shinwa Marine Japanese staff is not very difficult for me because I had experienced sailing with senior officers twice (two contracts), and communication is not a problem because most of the staff can communicate in English.

Working in Japan is a very different from to being a Chief Engineer on a Vessel. On board, your workplace is just below your cabin; it is just a few meters below, which you can reach in one minute or less if you are lucky enough to be assigned on a vessel equipped with elevator.

Compare that to 1 hour 20 minutes (door-to-door) and riding in a very crowded train; that is a small sacrifice on my part. Of course there are advantages and disadvantages to ship and office work, especially here in the Land of the Rising Sun.

It is an honor and privilege for me to join the Shinwa Marine-Ship Management Group. Becoming a Superintendent is a very challenging job: you have to manage allotted RESOURCES, TIME and most especially PEOPLE. And you must always be interconnected; otherwise it is very difficult to achieve your goal of becoming a successful Superintendent. Also, you have to make quick decisions to satisfy the owners so that there are no delays in the business. I am in the process of continuous learning, thanks to my colleagues. I do appreciate all the knowledge imparted to me by my colleagues, especially my Group Leader, Mr. K. Ishikawa, whose patience and understanding are UNLIMITED. Thank you, sir.

I am confident that by working closely together as a team, sharing fundamental and essential ideas, we will attain our common goal of progress, not only for ourselves but for the company as a whole.

I believe EXPERIENCE will teach me more and make a lot of difference!

I am also preparing myself to transfer to PSSI (Philippine Standard Shipmanagement Inc.) in the near future, because I believe that through personnel exchanges we develop a good atmosphere of working together to fulfill the company's vision...PROGRESS.

Somebody asked me if a seafaring career is already set aside ...Well, time will TELL!



KYT training for crew members while on leave

KYT Approach

The "K" in KYT stands for the Japanese *kiken*, which means hazard, "Y" stands for *yochi*, which means recognition, and "T" stands for *training*. The purpose of KYT is to heighten crew members' sensitivity to danger in order to prevent disaster. KYT is an old familiar term for Japanese marine experts, but it has practically fallen out of use in recent years as the presence of non-Japanese crew members has increased. Therefore we are reinforcing the KYT movement to heighten safety awareness among the crew and to reestablish the KYT approach as a shipboard presence. An introduction to the KYT method is given below.

① Implementing the point and call safety check routine

Before performing some work operation, we point a finger at the work object and call out in a loud voice, "XX – OK!" This brings the eyes, the finger, and the voice to bear on the object being checked to ensure safety.

② Four-round KYT

Pre-work meetings are held, divided into four rounds in a method that makes all the workers grasp the dangers efficiently and quickly.

Round 1: Grasp the current situation: Talk over the dangers latent in today's work.

Round 2: Look into the essence: Focus on key danger items.

Round 3: Set up countermeasures: Talk about countermeasures for key danger items.

Round 4: Set targets: Set targets for work activity and decide on a slogan.

③ Strict enforcement of touch and call

This is a way of reinforcing teamwork. The team members all put their left hands together and recite the slogan decided in Round 4 three times in unison, followed by "Touch and call, Zero Accident OK."

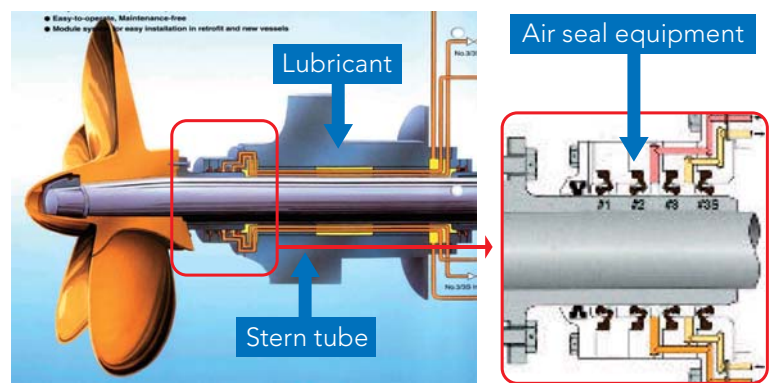
Preservation of the Marine Environment

Air-seal Stern Tube Sealing System

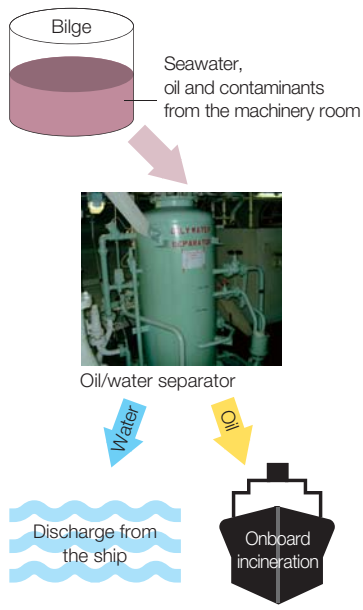
A stern tube sealing system prevents the ingress of seawater from around the propeller shaft, concurrently preventing the leakage of lubricating oil used in the propeller bearings into the sea.

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

Air-seal Stern Tube Sealing System



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.

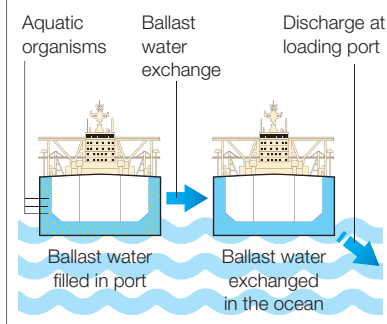
We perform maintenance on these systems at regular intervals and pay close attention to the bilge discharge. The removed oil is burned onboard as waste oil or may be taken ashore for disposal.

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 these may be discharged together with the ballast water into areas of the sea where there are no such harmful aquatic organisms and pathogens. This affects the ecological system and constitutes a serious concern.

An international convention for ballast water treatment adopted in February 2004 requires ships to install ballast water treatment equipment that will meet 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 all local regulations and recommendations provided by the country of the calling port regarding ballast water exchange.

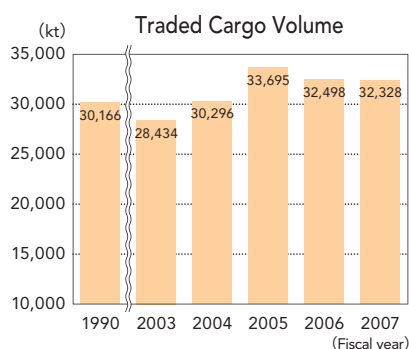
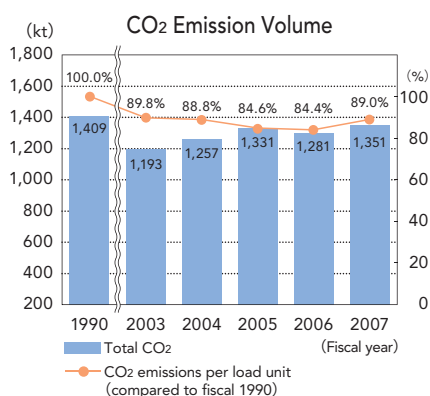
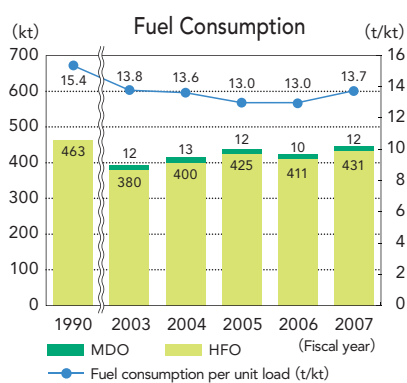
Ballast water management



Conservation of Air Quality



Shinwa Chemical Tanker Co., Ltd.
Shinju Maru No. 1, which transports LNG,
a fuel with very little CO₂ emissions



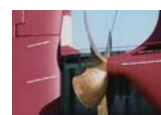
Prevention of Global Warming

Global warming is said to be caused by greenhouse gases such as CO₂. Vessels need to burn fossil fuel such as fuel oil to run, and these emit CO₂-containing exhaust fumes. At present, the only effective way to reduce this CO₂ gas is to reduce fuel consumption. We are taking the following measures to reduce fuel consumption:

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



Before propeller polishing



After propeller polishing



Before hull cleaning



After hull cleaning

Prevention of Air Pollution (Prevention of Acid Rain)

Exhaust gases from ships contain nitrogen oxides (NO_x) and sulphur oxides (SO_x), which cause air pollution, including acid rain.

Regarding NO_x, diesel engines with a power output of more than 130 kW installed on board ships whose construction started on or after January 1, 2000, must comply with the NO_x emission limits specified by the relevant convention. Each of our new vessels is equipped with a new-model engine with low NO_x emissions.

Also, for SO_x emission control, the sulphur content of any fuel oil used on board ships must not exceed 4.5%. We procure fuel oil that meets ISO standards for restricting SO_x emissions.

Preventing the Generation of Dioxins

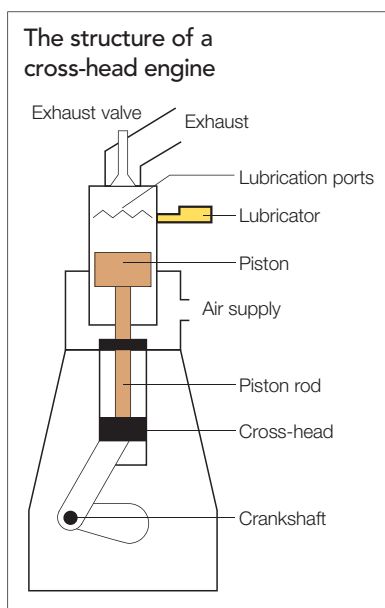
To prevent generation of dioxin, incinerators capable of rapidly cooling the exhaust gas temperature to 200°C are installed in all newly built ships.

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 CO₂ fire extinguishing systems or high-expansion-foam fire extinguishing systems.



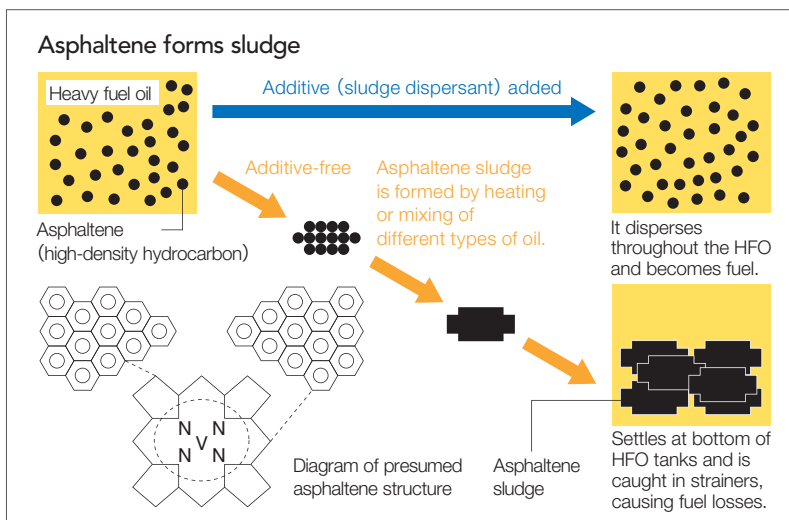
Promotion of Installation of Lubricant (M/E Cylinder Oil) Consumption-saving Equipment

The vessels owned by Shinwa Kaiun that have cross-head engines are being converted from mechanical to electronically controlled lubricators to reduce the amount of lubrication and lower cylinder oil consumption.

Cross-head engines use two types of lubricant: cylinder oil in the cylinder liner and system oil in the crankcase. The system oil undergoes a circulation cycle so that it can be reused. The cylinder oil, however, cannot be reused because it is burned up inside the cylinders, and this oil must be fed in constantly for the engine to continue operating. There used to be mechanical lubricators attached directly to the engine. These would feed oil at a fixed frequency (once every one or two revolutions of the engine). Now, however, electronically controlled lubricators have made it possible to feed oil accurately and in a way that is appropriate to the main engine's current operational status. Reducing the wasteful feeding of oil makes it possible to reduce the amount of lubrication and lower the consumption of cylinder oil. Shinwa Kaiun is actively engaged in fitting electronically controlled lubricators.

Use of Fuel Additives (Sludge Dispersants) to Improve Energy-saving Effectiveness

Large ships are ordinarily fueled by residual fuel, which is what remains after gasoline, diesel oil, and other light components have been extracted from crude oil. In fact they use a low grade of heavy oil known as heavy fuel oil. This heavy fuel oil contains a substance known as asphaltene (high-density hydrocarbon) that can agglutinate and form sludge when the fuel is heated or mixed. Asphaltene is a causal factor in various problems, such as precipitation in fuel tanks and increased fuel loss, causing equipment problems when it is caught in strainers, and so on. Heavy fuel oil has tended to become an even lower-grade fuel in recent years as the demand for light fuels such as gasoline and diesel oil has increased. Sludge countermeasures have accordingly taken on increased importance for both economic and safety reasons. Shinwa Kaiun places fuel additives (sludge dispersants) in the fuel for its ships to prevent the formation of asphaltene sludge. The purpose is to save energy by efficient use of fuel and improve safety by reducing sludge.



Provided by Nippon Yuka Kogyo Co., Ltd.



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. Using this as our 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.

In fiscal year 2007, however, increased use of computers and air conditioning resulting from the growth in operations caused by active sales expansion produced a rise in electric power demand. This resulted in an increase of 1% over the previous fiscal year. We intend to continue our efforts from the previous fiscal year to achieve the target.

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 have encouraged reusing blank reverse sides 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 on board. Such onboard waste is thoroughly separated and collected as is done on shore, and is either burned on board or duly disposed of on shore, except items suitable for ocean disposal after pulverization, such as food waste. By 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



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 seminars.

Environmental Seminar in Manila

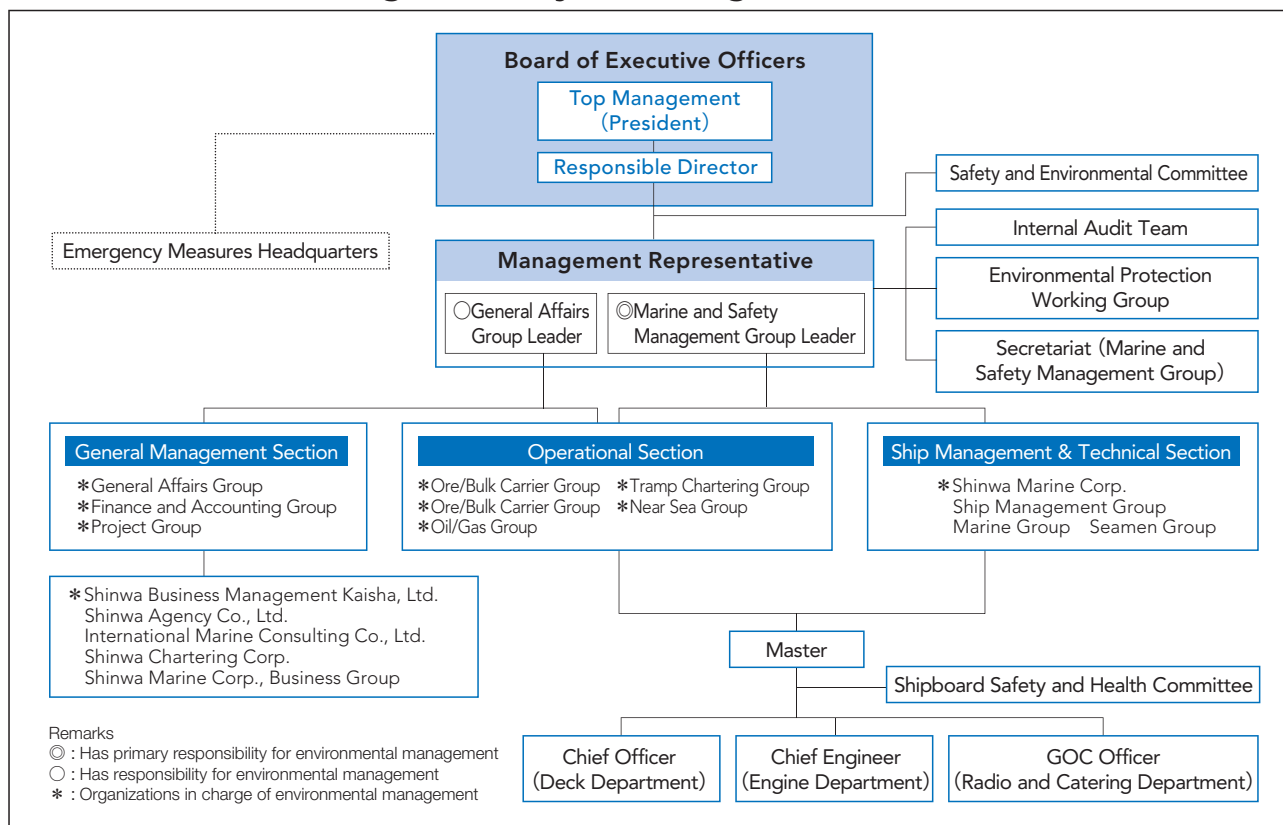
Twice a year, the company dispatches lecturers to hold seminars for Philippine seamen on leave, holds lectures on the environmental management system and strives to increase environmental awareness among the seamen.



Classroom training in Manila

Shinwa Kaiun's Environmental Protection Activities

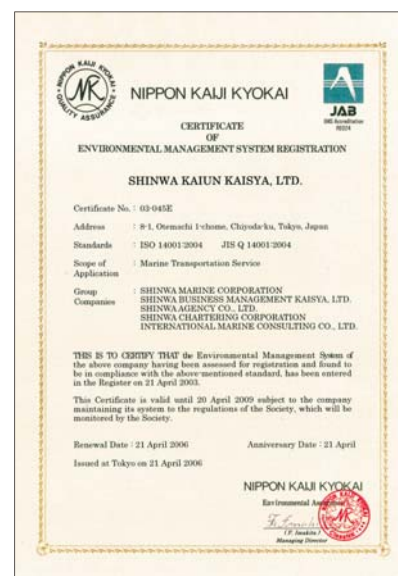
Environmental Management System Organizational Chart



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 Statement 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 Statement 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.
June	2007	CSR Report 2007 published.

[Note: For period after 2000]



ISO14001: 2004 Approval Registration Certificate
 (Periodic audit completed on May 27, 2008)

Glossary

Ballast water

This is seawater pumped into special tanks to serve as ballast when a ship has no cargo aboard. This maintains 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 because it is an ozone depleting substance. Of the CFCs, Halon is particularly harmful to the ozone layer and its manufacture has been prohibited since 1994.

Cross-head engine

Engine type that is commonly adopted for large two-cycle diesel engines. For structural reasons, it requires two different lubricants, cylinder oil and system oil.

Cylinder oil

Lubrication oil that lubricates the engine between the piston and the cylinder liner.

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.

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 that 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.

Ozone layer

An atmospheric layer 20 to 25 km 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.

Strainer

Filtering device that separates liquids and solids from a mixture of the two.

System oil

Lubrication oil that lubricates engine bearings and other drive components.

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.

From Reader Questionnaire included in Shinwa Kaiun Group CSR Report 2007

Reader Comments

- I would like to hear what future measures the company is thinking about taking to address environmental issues.
(Employee family member, 50s, female)
- It struck me that this report was created for shippers and other related parties. When I think that CSR means responsibility to society, however, I feel that it would be better addressed to society at large.
(Person affiliated with the maritime authorities, male)
- If ordinary people are the targets of this PR, and not just corporate people, then I think that the audience will find it easier to understand if the explanations start at a more basic level. (University professor, male)
- I think it will convey more to readers if, rather than saying "such-and-such measures were implemented," the report included more comments from employee perspectives that give a sense of something actually experienced. (Shinwa Kaiun employee, 20s, female)
- I wish the report could have carried more accounts about individual employees, their awareness and their commitment.
(University student, 20s, female)
- It seemed to me that every article was factual and objective. The report should probably include more commentary--evaluations and impressions concerning the facts. (Shinwa Group employee, 40s, male)

Our Response

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

First of all, we consider countermeasures for environmental issues to be a key concern that is, like safe navigation, part of the foundation for CSR activities. We intend to continue deepening our awareness of the PDCA cycle still further by setting concrete action indices and repeating the cycle of planning, doing, and verifying improvement measures.

We further intend to realize anew the perspective of transparent information disclosure. At the same time, we hope to convey information from a variety of viewpoints to more readers, and give them an understanding of Shinwa Kaiun's activities. To that end, we will endeavor to use language and expressions that people will find more easily understandable.

We intend to take into consideration the views of the readers of this report and other third parties, and incorporate them in our examination of future CSR activities.



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Thank you for your reading Shinwa Kaiun Group's CSR Report 2008.
Please take a minute to give us your opinions of the report.

- ① How well did you understand Shinwa Kaiun Group's thinking on CSR?
☐ Understood ☐ Partially Understood ☐ Did not understand
- ② How would you evaluate Shinwa Kaiun Group's CSR initiatives?
☐ Excellent ☐ Fair ☐ No opinion ☐ Some elements unsatisfactory ☐ Poor
- ③ Please evaluate this CSR report.
- | | | | |
|--------------------------|--|---------------------------------------|---------------------------------------|
| Quality of content: | <input type="checkbox"/> High | <input type="checkbox"/> Medium | <input type="checkbox"/> Low |
| Quantity of information: | <input type="checkbox"/> Plentiful | <input type="checkbox"/> Sufficient | <input type="checkbox"/> Insufficient |
| Number of pages: | <input type="checkbox"/> Too many | <input type="checkbox"/> Usual number | <input type="checkbox"/> Few |
| Readability: | <input type="checkbox"/> Very readable | <input type="checkbox"/> Readable | <input type="checkbox"/> Not readable |
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- ④ Which parts of the report did you find particularly interesting? (Select as many as you like)
- Social Report** ☐ The Shinwa Kaiun Group's Approach to CSR
☐ Stakeholders Supporting Shinwa Kaiun Group
☐ Initiatives for Customer and Suppliers
☐ Initiatives for Shareholders and Investors
☐ Initiatives for Employees ☐ Initiatives for Society
- Environmental Report** ☐ Shinwa Kaiun Group Environmental Statement
☐ Environmental Management Programs
☐ Ensuring Safe Navigation ☐ Preservation of the Marine Environment
☐ Conservation of Air Quality ☐ Resource Conservation and Waste Reduction
☐ Environmental Education
☐ Shinwa Kaiun's Environmental Protection Activities
- Which article interested you the most? (Page number: Sub-title:)
- ⑤ Please tell us what you'd like to know more about, and make any other comment you wish.
- ⑥ Please identify your relationship to Shinwa Kaiun Group or reason for reading this report.
- ☐ Customer ☐ Shareholder or investor ☐ Financial institution
☐ CSR or environmental manager for a company or organization ☐ NGO/NPO
☐ Research or educational institution ☐ Student ☐ SRI Index or other evaluative body
☐ Shinwa Kaiun Group employee or family ☐ Other ()
- ⑦ Would you like to receive our new CSR report?
☐ Yes ☐ No

Please fill in the following information as you feel comfortable providing.

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Department and position

Thank you very much for your assistance.

Privacy policy: The personal information gathered from this questionnaire will be used only for (1) evaluation and analysis of our CSR report, and (2) to provide next year's reports to those who request them. Your completion of this questionnaire indicates your consent to these conditions.