



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

# SHINWA KAIUN GROUP CSR Report 2009

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 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 Shinwa Kaiun Group engages in matters related to the stakeholders who have been supporting it.

### Period Covered

April 1, 2008 through March 31, 2009

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 2008

Next issue: Scheduled for June 2010

### 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"

### Status of Compliance with Environmental Regulations

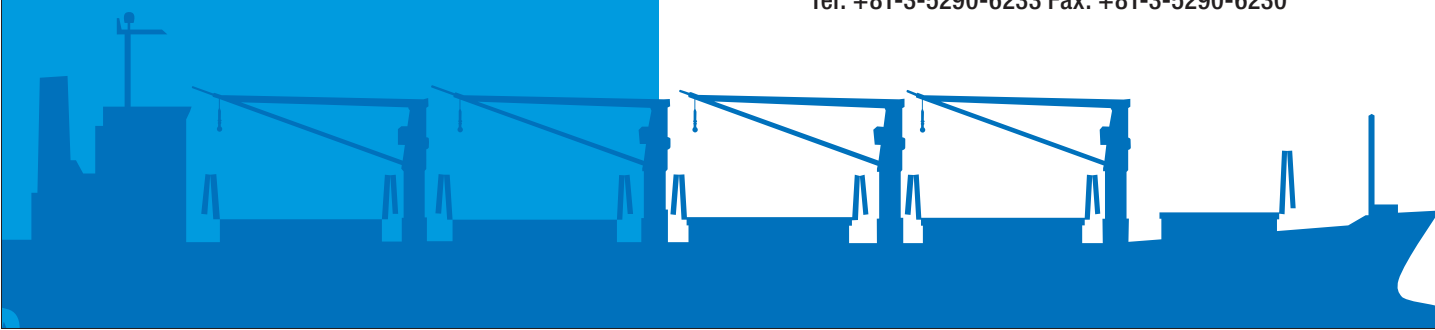
We have had no violations of environmental laws, regulations, or other such rules that involve guidance, warnings, orders, or punishment by regulatory authorities.

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.

Tel: +81-3-5290-6233 Fax: +81-3-5290-6230



## Message from the President

*Shinwa Kaiun's Corporate Philosophy calls for the company to fulfill its responsibility as a member of human society and contribute to development and growth for the society. This is the basis of our business activities, and Shinwa Kaiun Group has been continuously committed to activities that involve Corporate Social Responsibility (CSR) and are in line with the scope and features of our core business, marine transportation services. Among our concerns, most important matter is the safety of maritime navigation. 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 to each stakeholder, or help preserve the global environment.*

*In April 2008, we initiated our Medium-term Business Plan IV with the goal of "pursuing sustained growth". In the past year, due to a rapid slowdown in the world economy beginning in the third quarter, the shipping market experienced a sudden decline of larger magnitude than expected. Unfortunately, as a result, we were unable to meet profit plans for fiscal year 2009 (year ending March 31, 2009). But even in times like these, we are committed to the key task of strengthening our operating base and proactively fulfilling our social mission.*

*It is Shinwa Kaiun's earnest hope that the CSR Report 2009 will assist you in understanding how we are dealing with and responding to social demands.*



President

A handwritten signature in black ink, which appears to read 'T. Kakei'.

August 2009

Takahiko Kakei

## 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 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 needs.

### 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

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

### 5 Democratic Management

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

Established October 27, 2000

# Group Outline (as of March 31, 2009)

## Overview of Shinwa Kaiun Group

### Number of Companies in Group

Head Office  
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)

### Number of employees

465(consolidated)

### Fleet

164 ships (consolidated), 6,400,000 DWT

### Main companies engaged in international marine transportation business and associated services

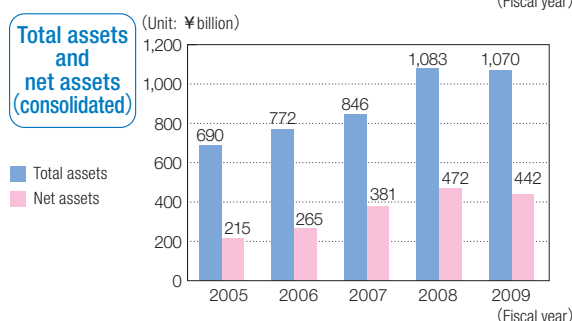
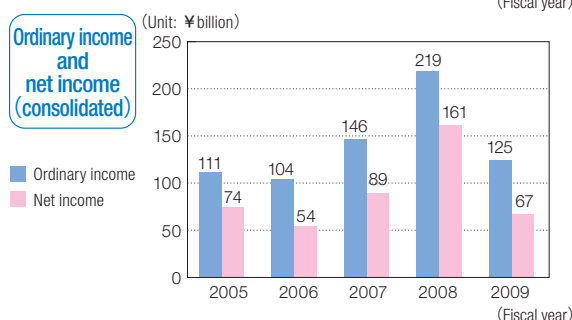
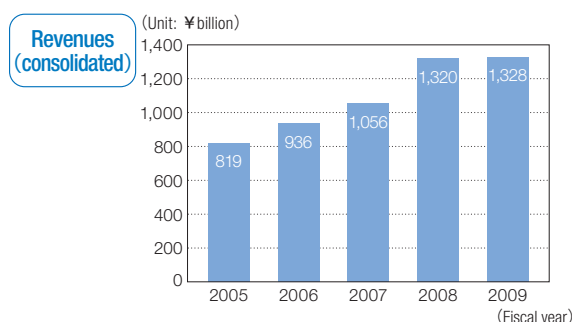
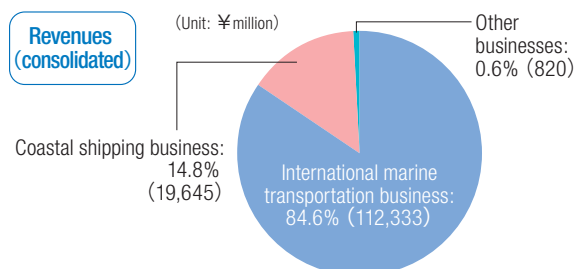
Shinwa Kaiun Kaisha, Ltd.  
(transportation of general cargo, ownership and related businesses)  
Shinwa Marine Corp. (ship management)  
International Marine Consulting Co., Ltd.  
(supervision of cargo operations)  
Shinwa Chartering Corp. (broker)  
Shinwa Agency Co., Ltd. (broker)  
Shinwa (U.K.) 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

162

### Fleet

91 ships, 6,240,000 DWT

# Social Report

## Shinwa Kaiun Group's Approach to CSR

1. Corporate Social Responsibility is demonstrated by the way how 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. Shinwa Kaiun Group is engaged in CSR activities that balance in corporate scale and characteristics.

The various aspects of, and reciprocal relationships among, 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



## Shareholders and investors

## Operator work-related partners

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

## 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

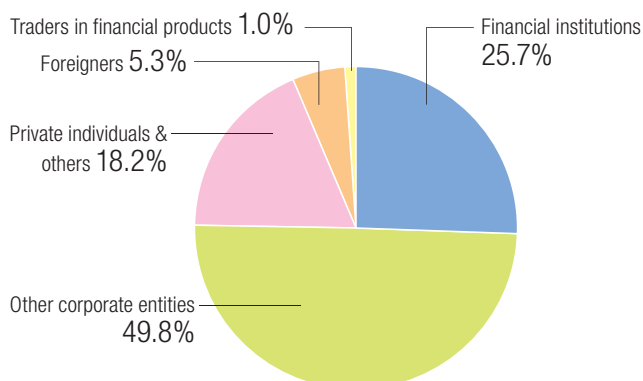
## Other Stakeholders

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

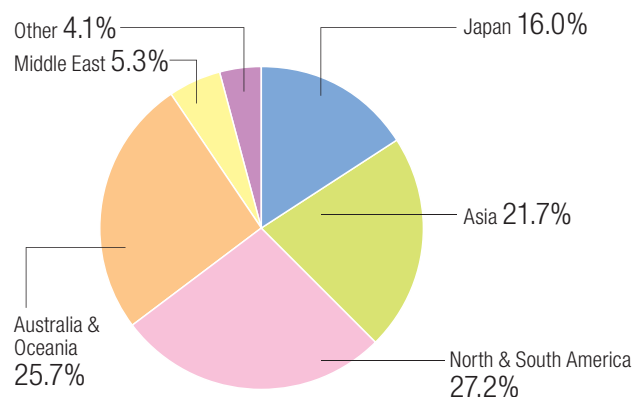
- General consumers and civil society

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

**Breakdown of Shares**  
(as of March 31, 2009)



**Sales breakdown by areas (consolidated)**  
(Fiscal year ended March 2009)



# Initiatives for Customers and Suppliers

## 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 9001:2008 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.



ISO 9001: 2008 registration certificate



Simulated press conferences during the Emergency Response Exercise



Wire rod loading state

# Initiatives for Shareholders and Investors

## Medium-term Business Plan IV

Fiscal year 2009 (year ending March 31, 2009) was the first year of Shinwa Kaiun's Medium-term Business Plan IV, a three year plan with the goal of "pursuing sustained growth." The Shinwa Kaiun Group is united in our commitment to becoming engaged in the four issues through which we are approaching our plan's goals, which are "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." Shinwa Kaiun Group will act as a unit, striving to be a company with an established presence that is recognized and trusted by our shareholders, customers, and business partners, as well as 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 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. We held 16 individual briefings during fiscal year 2009 (year ending March 31, 2009).

## Returning Profit to Shareholders

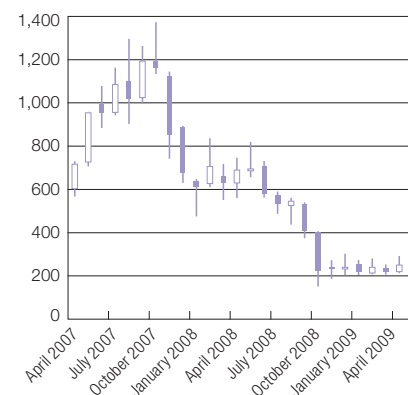
Shinwa Kaiun promotes fleet cost-competitiveness, and we retain part of our profits internally as a hedge against fluctuations in shipping market conditions, currency exchange rates, bunker oil prices, and other such costs. These measures are intended to reinforce our corporate structure while offering 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 2009 (year ending March 31, 2009), Shinwa Kaiun has declared an interim dividend of ¥8 per share. However we decided to suspend payment of year-end dividends for Fiscal year 2009 due to a significant decrease in net income.



Top page of the company's website

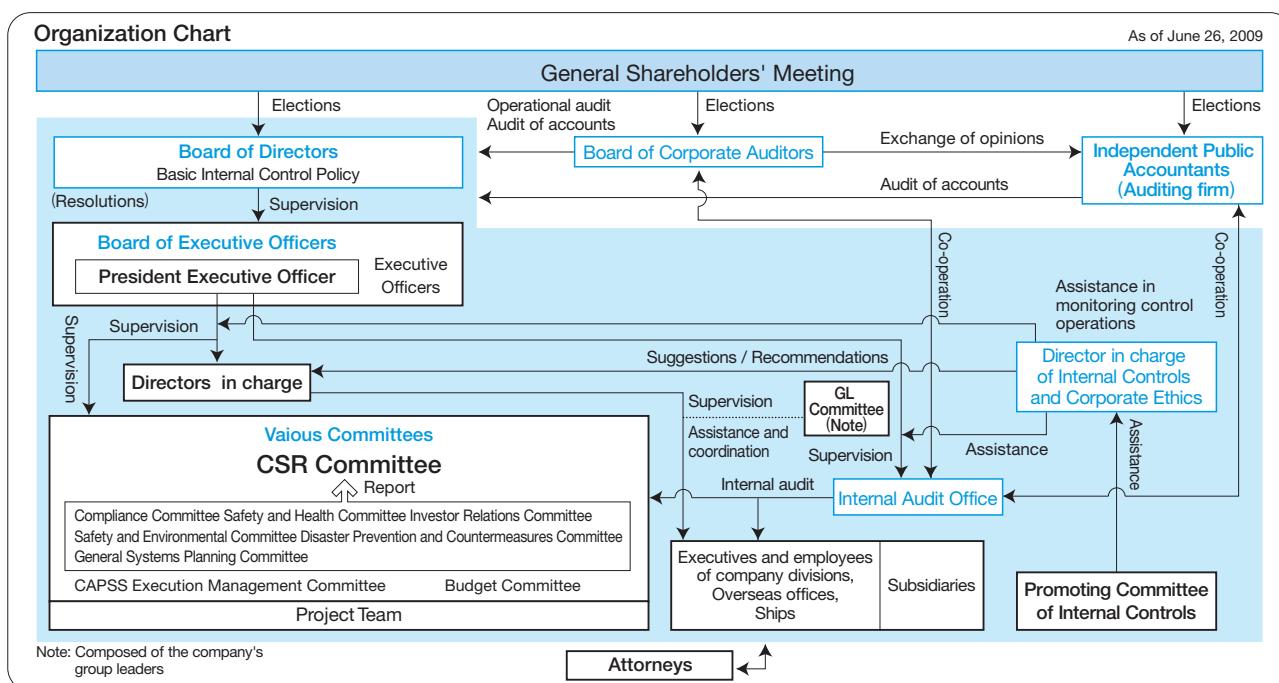
### Movement of the Shinwa Kaiun's Share Price

(Unit: Yen)





# Management Structure



## Corporate Governance

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.

## Compliance and the Company's Internal Controls System

Shinwa Kaiun has established standards of conduct that articulate the practical implications of our corporate philosophy. In addition, in order to advance compliance, the company has also established a Compliance Committee chaired by the director of the General Affairs Group. The 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 daily 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 the reliability of financial reports in accordance with the provisions of the Financial Instruments and Exchange Act.

Shinwa Kaiun has set up a structure for internal control this fiscal year in accordance with the Companies Act and the Financial Instruments and Exchange Act. An Promoting Committee of Internal Controls has been newly established, chaired by the director of internal controls and corporate ethics, in order to respond appropriately to findings from both auditing firms and our Internal Audit Office. This committee is working to monitor the status of progress on internal controls and enact prompt improvements. We find that internal control activities contribute to the improvement of management quality, and our highly reliable financial reporting heightens the credibility of Shinwa Kaiun among individual and corporate stakeholders. All the directors and employees of this company are committed to continuing our cooperative effort to establish and implement internal controls that are appropriate for Shinwa Kaiun.

## 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. Concerning our non-Japanese crews, we have strive to improve retention rates on vessels managed by Shinwa Kaiun Group by expanding various kinds of training available to crew and staff who are even on fixed-term contract, endeavoring in-house executive training through our qualification support system and giving preference to long-term employees.

## Personnel System

In fiscal year 2002(year ending March 31,2002), 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, 2009. 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 and applied in 2006.

## 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. For non-Japanese crew members, we have a qualification support system and skill improvement training programs in place. These include pre-boarding training, classroom training, assistance in obtaining advanced ship officer certifications, and OJT, provided both in the country where the crew members were hired and in Tokyo.

## Employee Health and Safety

All employees of 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 2009 included influenza prevention, information on sales of over-the-counter medicines at lower prices, and mental health checkups.

Pre-embarkation health checkups are mandatory when going to sea, and crew members are given guidance on periodic health checks while on board, as well. Safety is the top priority, and we have established a safety management system with safety measures that are implemented rigorously.

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 2009.



Staff of our office in Shanghai



Shipboard training for new employees



Employee in overseas business training (on right in photograph)



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

## INTERVIEW

## Being a Precedent for Childcare Leave

Officer

Chiharu Murata

This year is my seventh year since joining the company, and up until I started my maternity leave, I was assigned to the Project and Planning Team in the Project Group, where we worked on plans and research in the construction of new ships and purchase and sale of used ships. In March of this year, I gave birth to a baby boy. I am presently on childcare leave, and am scheduled to return to work in March of next year.

Much attention is being given to women's participation in society, and our company has made a variety of labor agreements to provide a secure environment for working mothers, while striving to provide support for two-income households like mine. No matter how well-developed a system is, it is meaningless if not put into action. Learning of my pregnancy, I felt rather anxious about job security due to the lack of a

precedent for child care leave. However, I received explanations from the company in advance about how to use the system, when to apply, and so on, so my initial worries turned out to be groundless. I had terrible morning sickness during my pregnancy, but with the understanding of my superiors and co-workers, I was able to make use of morning sickness leave, and somehow managed to make it through.

When I return to work after my childcare leave, I intend to apply for shortened work hours. I would be lying if I said I did not feel anxious about working while raising a child, however, with the continuous support of my superiors, co-workers and the whole company, I will try my best for the sake of other female employees who may take childcare leave.



## 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 2009 (year ending March 31, 2009).

## 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 land-based 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.



(The game of) Go club in activity

## Volunteers Help JOICFP with Donations



Since June 2006, Shinwa Kaiun Group employees have been taking part in drives to collect used stamps for the Japanese Organization for International Cooperation in Family Planning (JOICFP), which is engaged in the movement to improve the quality of life in developing countries.

## 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 2009 (year ending March 31, 2009), the company contributed funds to victims of the Sichuan earthquake.

## Joint Regional Disaster Prevention Programs

The companies of 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.

## 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.



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



# Environmental Report

## Shinwa Kaiun Group Environmental Policy

- 1 We will strive to maintain a healthy global environment - the common property of all mankind - as a corporate group that provides marine transportation services worldwide.
- 2 We recognize the environmental impact that marine transportation services can generate and will thus work toward promoting safe operations and accident prevention at sea.
- 3 We will not only comply with legal requirements concerning the environment, but will also establish our own criteria when necessary and strive to reduce environmental impact.
- 4 We will establish the Shinwa Kaiun Group's environmental objective and target and will continually improve on environmental preservation activities.
- 5 We will raise awareness of environmental issues, among all employees and others who work for the Shinwa Kaiun Group, through environmental education and promotional activities.
- 6 We will choose supplies designed to reduce environmental impact when acquiring vessels, instruments, and other products and materials required in our service provision.
- 7 We will promote resource conservation across the Shinwa Kaiun Group as well as reduction of waste generated by all facilities.
- 8 We will regularly announce the environmental preservation activities of the Shinwa Kaiun Group.



Takahiko Kakei

President

Shinwa Kaiun Kaisha, Ltd.

Established on October 26, 2001

Revised on December 17, 2004

Revised on April 30, 2009



# Verification of Fiscal 2009 Implementation Plan (Environmental Management Programs) and

## Five-Year Long-Term Objectives (Fiscal Year 2010 Formulation)

Working from the voluntary action plan of the Japanese Ship-owners' Association, we and to sustain the reduction rate of the fiscal year 2013 until fiscal year 2014.

PLAN ⇒			DO ⇒	CHECK / ACT ⇒
Environmental Policies	Environmental Objectives	Target for 2009	Content of Activities	Verification of Results
Promotion of Safe Operation	Preservation of the Marine Environment	Zero accidental oil spills from ships	<ul style="list-style-type: none"><li>• Compliance with procedures for receiving/ transferring fuel oil and lubricating oil</li><li>• Compliance with regulations for preventing oil pollution</li></ul>	• Achieve zero oil spills through compliance with regulations together with widespread awareness through sailing Instructions.
			<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>	
		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>	• Operate in compliance with procedure for changing ballast water.
Natural Resource Saving and Reduction of Waste	Conservation of Natural Resources	11% reduction in fuel oil consumption per unit load over fiscal year 1991	<ul style="list-style-type: none"><li>• Preparing effective operational plans</li><li>• Increasing loading cargo quantity</li><li>• Appropriate implementation of economic operations</li><li>• Instruction in reducing fuel-oil consumption in port</li></ul>	• Although the use of fuel additives has not yet been implemented by some ship owners, we reduced 11.59% relative to fiscal year 1991 by reducing ballast voyages to the minimum and implementing economic operations appropriately.
			<ul style="list-style-type: none"><li>• Promote use of fuel additives</li></ul>	
		Reduction in the quantity of cylinder lubricating oil	<ul style="list-style-type: none"><li>• Promote installation of equipment for reducing consumption of M/E cylinder lubricator oil (covers three newly built ships)</li></ul>	• Installed on all newly built ships.
		Reduction in consumption of paper	<ul style="list-style-type: none"><li>• Improve electronic library</li><li>• Promote the reuse of paper</li></ul>	• Paper consumption rose slightly over the previous fiscal year, so the target was not met.
		<ul style="list-style-type: none"><li>• Promoting paperless operations by introducing onboard vessel-management software</li></ul>		
	1% reduction in annual power consumption in the office over the previous year	<ul style="list-style-type: none"><li>• Notices on in-house electronic bulletin board</li><li>• Saving electricity by eliminating unnecessary lighting</li></ul>	• Electric power consumption was reduced 1% over the previous fiscal year, so the target was met.	
Reduction of Waste Generation	Improve landing shipboard waste (1% increase over the previous year)	<ul style="list-style-type: none"><li>• Recovery and reuse of supplied lashing materials</li><li>• Completely segregated collection and retention</li><li>• Management of quantity of shipboard waste and landing</li></ul>	• On-shore disposal of on-board waste was largely reduced as follows: Fiscal year 2008: 18.8 m³ and 279.7 kg Fiscal year 2009: 13.97 m³ and 158.5 kg	
	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>	• Created a special corner for reused products and worked to reuse instead of using new products as much as possible.	
Conservation of Air Quality	Reduction of Harmful Air Pollutants	11% reduction in NOx emissions per unit load over fiscal year 1991	• Adoption of improved machinery on newly built ships	• A reduction of 11.57% relative to fiscal year 1991
		11% reduction in CO2 emissions per unit load over fiscal year 1991		
		Supply low-sulphur fuel	<ul style="list-style-type: none"><li>• Select and analyze fuel with 4.5% or lower sulphur content to purchase</li><li>• Select and analyze fuel with 1.5% or lower sulphur content to purchase when entering an SOx Emission Control Area (SECA)</li></ul>	• Supplied fuel with sulfur content of 4.5% or less (1.5% or lower when entering an SOx Emission Control Area (SECA)).
		Reduction of dioxin	<ul style="list-style-type: none"><li>• Adoption of incinerators of IMO-approved type on newly built ships</li></ul>	• Fitted on all newly built ships.
		Implemented GREEN FLAG INCENTIVE PROGRAM (100%) in a vessel placed in service at Long Beach Harbor in the United States	<ul style="list-style-type: none"><li>• Sail at 12 knots or less within 20 miles of applicable ports</li></ul>	• Not implemented. Slated for consideration as occasion arises in future.
Environmental Education	Promoting an Environmental Mind	Education of shore employees	<ul style="list-style-type: none"><li>• Practice in-house seminars</li><li>• Train internal environmental auditors</li></ul>	• Education implemented in new employee training and at meetings in every department. Three persons acquired qualifications as internal auditors.
		Education of crew	<ul style="list-style-type: none"><li>• Practice pre-boarding seminar</li><li>• Practice training at overseas companies</li><li>• Practice shipboard education for crew</li></ul>	• Pre-boarding training and on-board education implemented.

# Fiscal 2010 Implementation Plan

intend to achieve a 15% reduction in CO<sub>2</sub> emissions (average) per unit load relative to fiscal year 1991 during fiscal years 2009 to 2013,

 : Achieved

 : Partly achieved

 : Need review

	PLAN ⇒	DO ⇒	
Achieved	Target for 2010	Content of Activities	Term
	Zero accidental oil spills from ships	<ul style="list-style-type: none"> <li>• Compliance with procedures for receiving/ transferring fuel oil and lubricating oil</li> <li>• Compliance with regulations 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
	13% reduction in fuel oil consumption per unit load over fiscal year 1991	<ul style="list-style-type: none"> <li>• Preparing effective operational plans</li> <li>• Increasing loading cargo quantity</li> <li>• Appropriate implementation of economic operations</li> <li>• Instruction in reducing fuel-oil consumption in port</li> </ul>	Full year
		<ul style="list-style-type: none"> <li>• Promote economic operations using BRIDGE (maritime meteorology and tidal current forecast information)</li> </ul>	Full year
		<ul style="list-style-type: none"> <li>• Promote use of fuel additives</li> </ul>	Full year
	Reduction in consumption of paper	<ul style="list-style-type: none"> <li>• Promote IT leading to electronic data conversion, implement of filing inspections, encourage use of electronic libraries</li> <li>• Promote printing on both sides of paper, reuse of paper when photocopying</li> </ul>	Full year
		<ul style="list-style-type: none"> <li>• Promoting paperless operations by introducing onboard vessel-management software</li> </ul>	Full year
	1% reduction in per capita annual power consumption in the office per capita over the previous year.	<ul style="list-style-type: none"> <li>• Instructions and notices on in-house electronic bulletin board for turning off unused lights, computers, and equipment</li> <li>• Saving electricity by eliminating unnecessary lighting</li> </ul>	Full year
	Improve landing shipboard waste (1% increase over the previous year)	<ul style="list-style-type: none"> <li>• Completely 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
	13% reduction in NO <sub>x</sub> emission per unit load over fiscal year 1991	<ul style="list-style-type: none"> <li>• Adoption of improved machinery on newly built ships</li> </ul>	Full year
	13% reduction in CO <sub>2</sub> emission per unit load over fiscal year 1991		Full year
	Supply low-sulphur fuel	<ul style="list-style-type: none"> <li>• Select and analyze fuel with 4.5% or lower sulphur content to purchase</li> <li>• Select and analyze fuel with 1.5% or lower sulphur content to purchase when entering an SO<sub>x</sub> Emission Control Area (SECA)</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
	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"> <li>• Sail at 12 knots or less within 20 miles of applicable ports</li> </ul>	Full year
	Education of shore employees	<ul style="list-style-type: none"> <li>• Practice in-house seminars</li> <li>• Train internal environmental auditors</li> </ul>	Full year
	Education of crew	<ul style="list-style-type: none"> <li>• Practice pre-boarding seminar</li> <li>• Practice training at overseas companies</li> <li>• Practice shipboard education for crew</li> </ul>	Full year



## 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.

## Accident Zero Achievement Committee · Shipboard Safety and Health 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.

Furthermore, on all ships under management of Shinwa Marine Corp., Shipboard Safety and Health Committees meet monthly to deliberate on matters related to shipboard safety and health, as well as the environmental management system, and work to increase awareness of safety, health and environmental conservation among crew members.

## 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."



External ship inspection



Maintenance work in the engine room



KYT Approach



## INTERVIEW

Maintenance Management of AMOSUP Training Ship *Kapitan Felix Oca* Begins

Manager-Technical, Philippine Standard Shipmanagement Inc. (PSSI)

Yoshiyuki Fujimaru

It will soon be two years since I was assigned to Manila. I have become entirely accustomed to the rhythms of life here, and am fully enjoying living in the Philippines as I apply myself to my duties.

The work here mainly involves assigning seamen to the Shinwa Group fleet, managing the vessels (coastal ships, chemical tankers) that are under Group control, and operations of that sort.

Some of the new activities that we have taken on since last March are duties related to a public and private sector project for training Asian seamen. This project is something that the International Mariners Management Association of Japan, the



All Japan Seamen's Union, the Associated Marine Officers' and Seamen's Union of the Philippines (AMOSUP), and other government, labor, and management organizations in Japan and the Philippines are working together closely on. We have begun handling

maintenance management of the training ship *Kapitan Felix Oca*, owned by AMOSUP.

This ship was formerly the first-generation *Seiun Maru* of the former Institute for Sea Training. According to shipbuilding records, it was launched on November 21, 1968, and will be 41 years old this year. During that time, it produced many of the people who are active in shipping companies today, and many of the people responsible for Japanese shipping. The ship has reached an age that disqualifies it for use as an ordinary commercial vessel, and had come to appear somewhat worse for the wear.

At the start of this year, the ship was given a major overhaul that took approximately a month to complete, and in April it was reborn as the *Kapitan Felix Oca*. It has begun service as a training vessel for trainees from the Philippine Merchant Marine Academy and other students who wish to work in Japanese shipping.

For those of us entrusted with the maintenance management of this ship, it has been a challenge to manage a training vessel, an entirely new and unfamiliar kind of work for us. I have been working closely with the PSSI staff in a day-to-day process of trial and error, and we are doing everything we can to ensure that this project succeeds with our support.

## Emergency Response Exercises

Shinwa Kaiun conducts periodic emergency response exercises to make certain that in the event of an unfortunate marine accident the response is swift and certain, in order to minimize resulting losses and environmental pollution. In fiscal year 2009 (year ending March 31, 2009), an exercise was conducted with the following scenario: a bulk carrier owned by our Group is seized by pirates, the ship's hulls hits bottom in shallow water, causing fuel oil A to leak into the sea, and the ship's captain is kidnapped. The functioning of our company's systems during such an emergency (the occurrence of an accident or incident) was verified through this scenario.

Training for responding to fire, flooding, and other such emergency situations is conducted on a regular basis on-board our ships.



Emergency response exercise

## Safety Campaigns

Shinwa Chemical Tanker Co., Ltd. sets up "Priority Safety Objectives" and "Voyage Safety Declarations" on a monthly basis. These are made known to ships under operational management and ship owners to heighten safety awareness. The company also conducts educational campaigns for safe operation, with an annual Zero Dense Fog Accident Campaign and Zero New Year's Accident Campaign.

## Energy-Saving Devices (Propeller Flow Optimization)

One of the most common systems for ship propulsion is the installation of propellers at the stern of the ship. These are turned using a diesel or other engine, propelling the ship forward or backward.

Various efforts have been made to improve our vessels' diesel engines, and fins to adjust the flow of water at the stern of the vessels have been adopted as energy-saving devices for more efficient propulsion.

Ships are propelled via water being forced away from rotating propellers, with effective propulsion depending on the movement of water into and away from the propellers.

To efficiently convert the flow generated by the propellers into propulsion, a fin or rudder designed to adjust the flow of water is installed either in front of or at the back of the propellers.

The M/V SHIN-EI and M/V SHINWA-MARU, delivered in 2008, feature blades and protrusions adjusting the flow of water at the back of the propellers. The M/V YUGAWASAN, delivered in 2005, features radial blades in front of the propellers, serving the same purpose.

These enable a 3-8% increase in propulsion efficiency, thus improving fuel efficiency by 3-8% and reducing CO<sub>2</sub> and other exhaust emissions.



Energy-saving device mounted on the *Yugawasan*



Energy-saving device mounted on the *Shin-Ei* and *Shinwa-Maru*  
Courtesy of Universal Shipbuilding Corporation

## Introduction of Electric Propulsion Ships

The domestic shipping industry is presently pursuing the research and development of next-generation coastal vessels (super eco-ships) that will be friendly to both people and the environment. Shinwa Naiko Kaiun Kaisha, Ltd. began time charters of electric propulsion ships in April 2009. These will form the core of our next-generation coastal vessels.

These electric propulsion ships (gross tonnage of 749 tons) use electricity produced by generators to turn motors and drive the propeller shafts. Conventional ships are equipped with diesel engines as their main engines as well as generators to produce electric power for the ship. In electric propulsion ships, however, the main engines are done away with and the number of generators is increased to supply electric power. This drive system has lower energy transmission efficiency because it has a larger mechanical element than conventional ships, but it has the advantage of allowing the choice of a hull shape with greater propulsive efficiency that yields reductions in CO<sub>2</sub>, NO<sub>x</sub>, and SO<sub>x</sub>, improved fuel economy\*, and a more compact engine room that allows greater cargo space than in conventional vessels of the same class.

\* Comparison based on the usual criteria of fuel consumption per ton of cargo per kilometer of transport.



The electric-propulsion ship *Yasutaka* introduced by Shinwa Naiko Kaiun Kaisha, Ltd.

## 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, and these 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.
- 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<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>), which cause air pollution, including acid rain.

Regarding NO<sub>x</sub>, 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<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> emissions.

Also, for SO<sub>x</sub> 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<sub>x</sub> emissions.

## Preventing the Generation of Dioxins

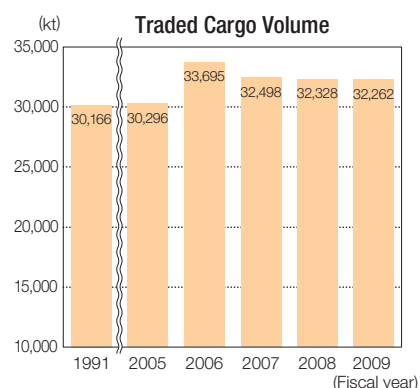
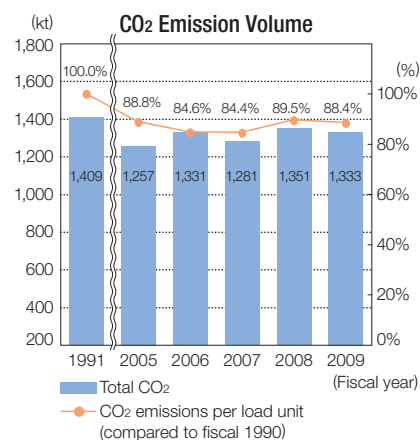
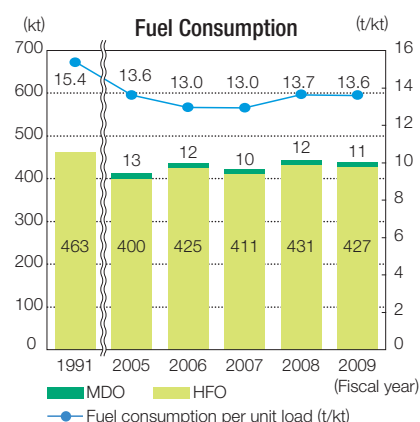
To prevent generation of dioxin, incinerators capable of rapidly cooling the exhaust gas temperature to 200°C are installed in all newly built ships.

## Prevention of Ozone Depletion

Chlorofluorocarbon 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 a Freon substitute. 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.



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



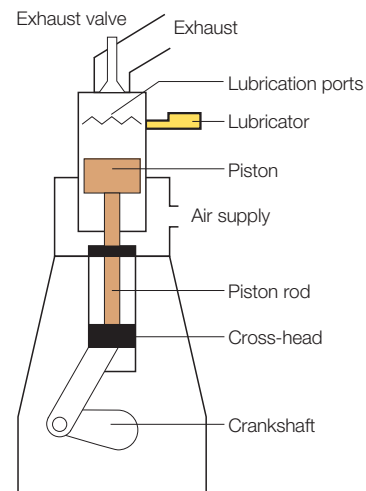
## Promotion of Installation of Lubricant (M/E Cylinder Oil) Consumption-saving Equipment

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.

The structure of a cross-head engine

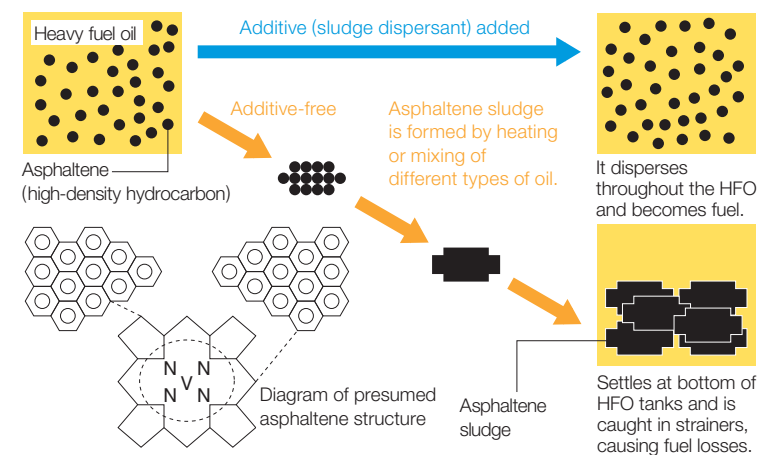


## Use of Fuel Additives (Sludge Dispersants) to Improve Energy-saving Effectiveness

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.

### Asphaltene forms sludge



Provided by Nippon Yuka Kogyo Co., Ltd.



## 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 2009 (year ending March 31, 2009), we achieved a 1% reduction in electric power consumption over the previous fiscal year. This year we will continue to work on achieving our 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 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.



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



Waste segregation in the office



Proper disposal of onboard waste

# 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.

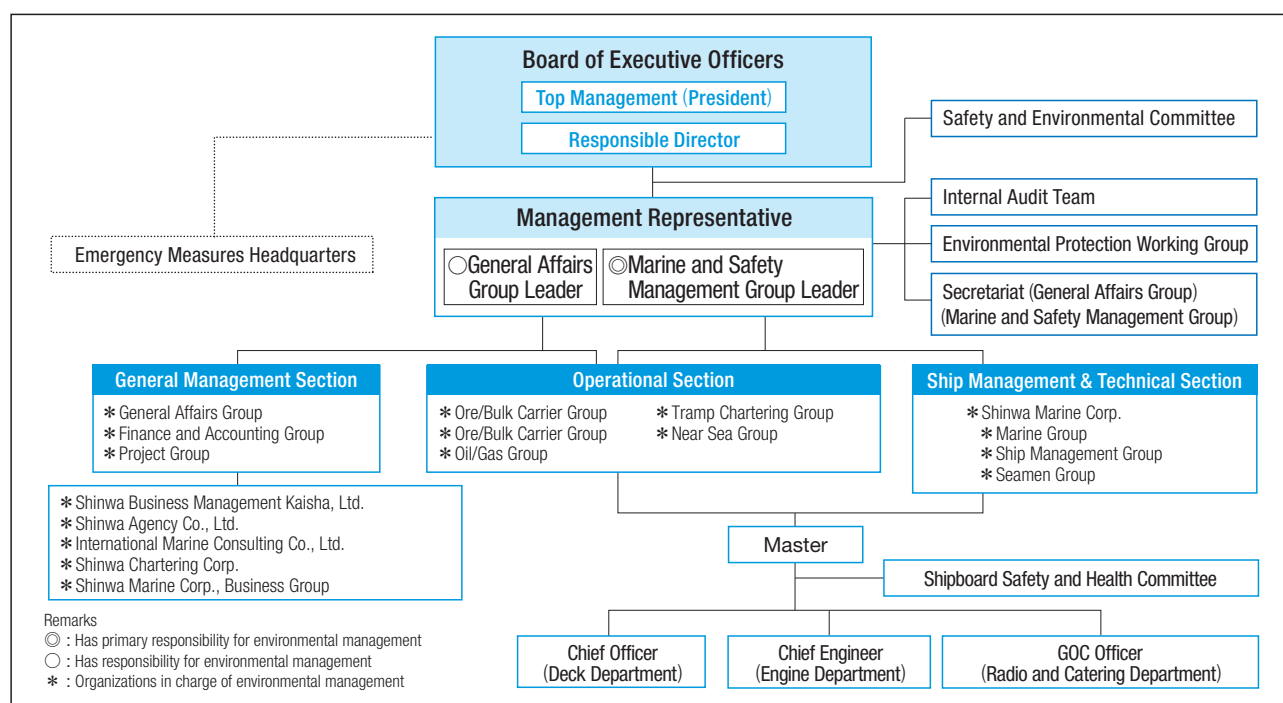


Classroom training in Manila

## 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.

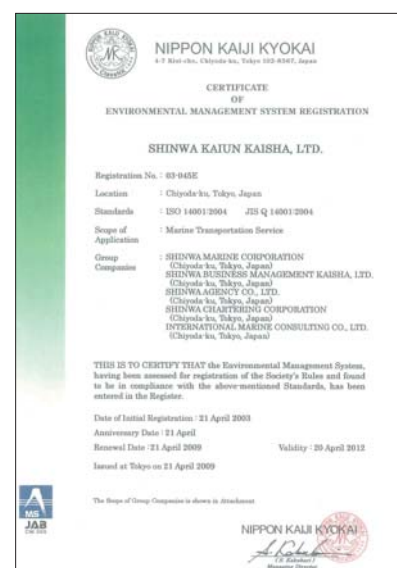
# Environmental Management System Organizational Chart



## 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.
June	2008	CSR Report 2008 published.
April	2009	Shinwa Marine Corp., acquires ISO9001 (2008 version)
April	2009	Shinwa Kaiun Group Environmental Statement revised as Environmental Policy

[Note: For period after 2000]



ISO14001: 2004 Approval Registration Certificate

## 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.

## Crankcase

Chamber enclosing the lower part of an engine. The up and down movement of the pistons is conveyed to the crankshaft in the lower part of the engine and converted to rotational movement. System oil lubricates the moving portions in the lower part of the engine.

## 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 liner

A cylindrical part that, together with the piston, forms the combustion chamber. While the engine is in operation, the piston moves up and down inside the cylinder liner. Cylinder oil is essential to the sliding parts of the piston and liner.

## 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.

## 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 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.

## 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.

## 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.

## 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 Shinwa Kaiun Group CSR Report 2008 Reader Questionnaire

### Reader Comments

- The explanations of various technologies were easy to understand and the content was very interesting, but references to in-house education about the company's initiatives were not sufficient.
- I think that including the views and experiences of employees would make this even easier to understand.
- I think the stakeholders would find this easier to follow if specific figures for implementation plans and objectives were included.

### Our Response

We thank readers for their cooperation in answering the questionnaire. We will try to answer the points you have raised. First, regarding our in-house education, we implement in-house training and lectures based on our environmental management program. The purpose is to raise awareness of environmental protection as a key function that is part of the foundation of our CSR activities, just as safe navigation is. In order to promote environmental protection and improvement activities steadily and efficiently, we also intend to further increase awareness of the PDCA cycle and repeat the pattern of planning, doing, assessing, and verifying improvement measures. We will endeavor to use language that people will find more easily understandable in order to give an understanding of Shinwa Kaiun's activities to more readers. We will refer to the views expressed by our readers in considering which CSR activities to pursue next, as well as in preparing the next report.

Thank you for your reading Shinwa Kaiun Group's CSR Report 2009.  
Please take a minute to give us your opinions of the report.

- ❶ How well did you understand Shinwa Kaiun Group's thinking on CSR?  
☐ Understood   ☐ Partially Understood   ☐ Did not understand
- ❷ How would you evaluate Shinwa Kaiun Group's CSR initiatives?  
☐ Excellent   ☐ Fair   ☐ No opinion   ☐ Some elements unsatisfactory   ☐ Poor
- ❸ 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 |
| Clarity:                 | <input type="checkbox"/> Very clear    | <input type="checkbox"/> Clear        | <input type="checkbox"/> Unclear      |
| Honesty:                 | <input type="checkbox"/> Very honest   | <input type="checkbox"/> Honest       | <input type="checkbox"/> Not honest   |
- ❹ Which parts of the report did you find particularly interesting? (Select as many as you like)
- |                      |   |
|----------------------|---|
| Social Report        | <input type="checkbox"/> The Shinwa Kaiun Group's Approach to CSR   |
|                      | <input type="checkbox"/> Stakeholders Supporting Shinwa Kaiun Group   |
|                      | <input type="checkbox"/> Initiatives for Customer and Suppliers   |
|                      | <input type="checkbox"/> Initiatives for Shareholders and Investors <input type="checkbox"/> Management Structure |
|                      | <input type="checkbox"/> Initiatives for Employees <input type="checkbox"/> Initiatives for Society               |
| Environmental Report | <input type="checkbox"/> Shinwa Kaiun Group Environmental Policy  |
|                      | <input type="checkbox"/> Verification of Fiscal 2009 Implementation Plan and<br>Fiscal 2010 Implementation Plan   |
|                      | <input type="checkbox"/> Ensuring Safe Navigation   |
|                      | <input type="checkbox"/> Reducing Environmental Impact  |
|                      | <input type="checkbox"/> Environmental Education  |
- Which article interested you the most? (Page number:                      Sub-title:                      )
- ❺ Please tell us what you'd like to know more about, and make any other comment you wish.
- ❻ Please identify your relationship to Shinwa Kaiun Group or reason for reading this report.
- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Customer   | <input type="checkbox"/> Shareholder or investor        | <input type="checkbox"/> Financial institution              |
| <input type="checkbox"/> CSR or environmental manager for a company or organization | <input type="checkbox"/> NGO/NPO                        |   |
| <input type="checkbox"/> Research or educational institution                        | <input type="checkbox"/> Student                        | <input type="checkbox"/> SRI Index or other evaluative body |
| <input type="checkbox"/> Shinwa Kaiun Group employee or family                      | <input type="checkbox"/> Other (                      ) |   |
- ❼ Would you like to receive our new CSR report?  
☐ Yes   ☐ No

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

Name \_\_\_\_\_ Gender ☐ M   ☐ F   Age \_\_\_\_\_

Address \_\_\_\_\_

Occupation (Name of company or school, etc.) \_\_\_\_\_

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.





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