

SHINWA KAIUN GROUP CSR Report 2010

Corporate Social Responsibility

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



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SHINWA KAIUN GROUP CSR Report 2010

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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, 2009 through March 31, 2010

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 2009

Next issue: Scheduled for June 2011

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

I was appointed President of the company on April 1, taking over for the previous incumbent, President Kakei.

The Shinwa Kaiun Corporate Philosophy proclaims that this company is mindful of being a member of society and will contribute to social development. This is the basis upon which we conduct our business. With this philosophy as our foundation, we continuously engage in Corporate Social Responsibility (CSR) activities in line with the scope and characteristics of our marine transportation business. In the Shinwa Kaiun Group, we place the greatest importance on the safety of maritime navigation. We do so in order to earn the trust of society, because without this trust, it would not be possible to fulfill our responsibilities with respect to the preservation of the global environment and to every stakeholder.

Fiscal year 2009 saw a rapid slowdown in the world economy from the third quarter that brought about a sudden and greater-than-expected decline in the shipping market. In fiscal year 2010, on the other hand, signs of recovering production activity and exports have extended to Japan, and business conditions have shown an increasing tendency to improve, although we consider it advisable to maintain watchful caution for some time yet. Even in such intensely volatile times, however, it is essential that we work to strengthen management and take productive steps to fulfill our social mission.

It is Shinwa Kaiun's earnest hope that this CSR Report 2010 will assist you in understanding the measures we are taking and the responses we are making to demands from society.

August 2010



President



Hiroshi Sugiura

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

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

5 Democratic Management

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

Established October 27, 2000

Group Outline (as of March 31, 2010)

Overview of Shinwa Kaiun Group

Number of Companies in Group

Head Office
 Consolidated Subsidiaries 31
 Subsidiaries (Unconsolidated) 8
 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 51)

Number of employees

591(consolidated)

Fleet

175 ships (consolidated), 6,730,000 DWT

Main companies engaged in international marine transportation business and associated services

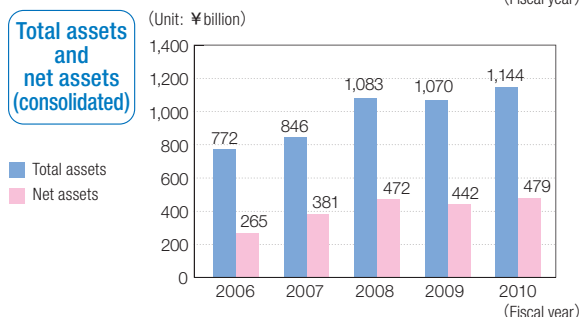
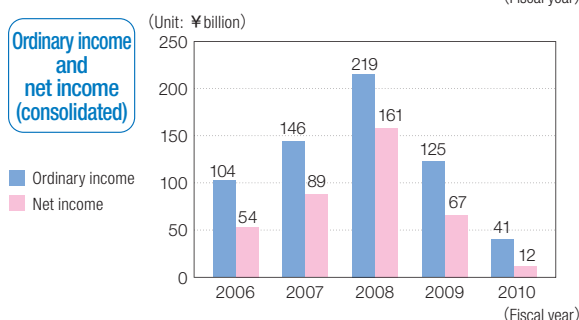
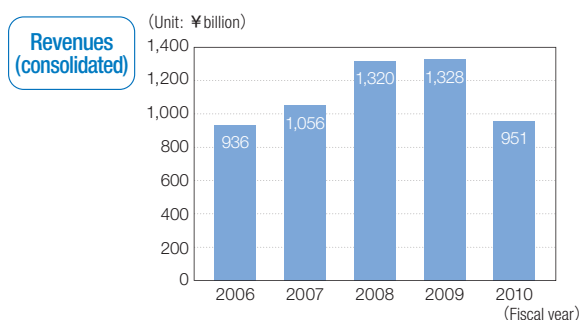
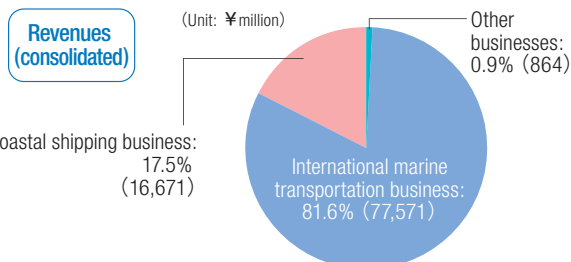
Shinwa Kaiun Kaisha, Ltd.
 (transportation of general cargo, ownership and related businesses)
 Shinwa Marine Corp. (ship management)
 International Marine Consulting Co., Ltd.
 (supervision of cargo operations)
 Shinwa Chartering Corp. (broker)
 Shinwa Agency Co., Ltd. (broker)
 Shinwa (U.K.) Ltd. (broker)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

165

Fleet

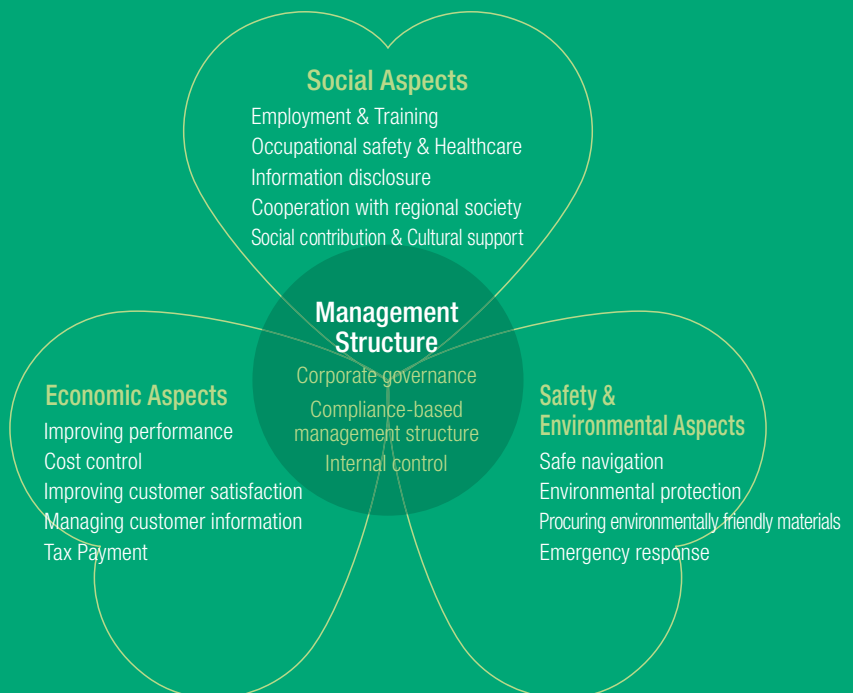
98 ships, 6,540,000 DWT

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

Maritime authorities

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

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



Source: Website of the Japan Coast Guard

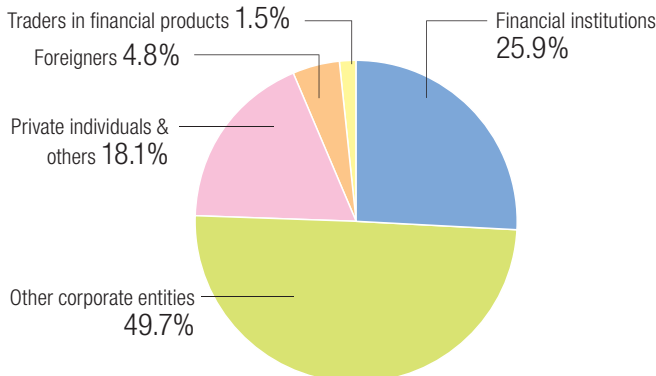
Other Stakeholders

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

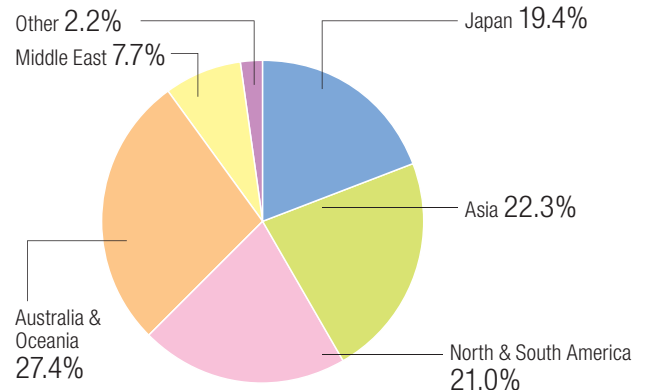
Shareholders and investors

- 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, 2010)



Sales breakdown by areas (consolidated)
(Fiscal year ended March 2010)



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 and Public Communication

Shinwa Kaiun maintains preparedness to implement emergency responses jointly with customers, salvors, insurers, shipping agents, shipyards, and other partners, and related authorities, in accordance with regulations regarding the handling of disasters at sea and other emergency circumstances. We also have systems in place to communicate explanations to the public at appropriate times by means of the mass media and the company website.

Efficient Stowage and Cargo Preservation

At International Marine Consulting Co., Ltd., a Shinwa Kaiun Group member, experienced ship's masters supervise the loading and discharging of high-value steel products and plant products, and other such cargo. The company uses its accumulated experience and knowledge of cargo characteristics and worldwide port conditions to preserve cargo and support efficient transportation.



ISO 9001: 2008 registration certificate



Marine engines stowed on board



Management Issues

The Shinwa Kaiun Group has identified certain management issues to be addressed by unified Group-wide action. These include strengthening and expanding our operational base; securing and educating qualified staff while increasing Group-wide management efficiency; strengthening ship management functions and promoting environmental conservation; and improving our financial standing and enhancing management transparency. Through these efforts, we will endeavor to become a company with a greater presence, one of which our shareholders, customers, and business partners, as well as financial institutions and other stakeholders, place their trust and expectations.

It has been decided that on October 1, Shinwa Kaiun will merge with Nippon Steel Shipping Co., Ltd., with our company as the surviving company. The new corporate name will be NS United Kaiun Kaisha, Ltd. The comprehensive strength of Shinwa Kaiun is supported by our broad business portfolio, which includes energy transportation as well as a client base with long-term contractual relationships. The strength of Nippon Steel Shipping, the industrial carrier for the Nippon Steel Corporation, lies in its high level of expertise in the transportation of raw materials and fuel for the iron manufacturing. By consolidating these strengths into one, we aim to further increase our corporate value while responding in a timely fashion to the changes expected to take place in the business environment.

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.

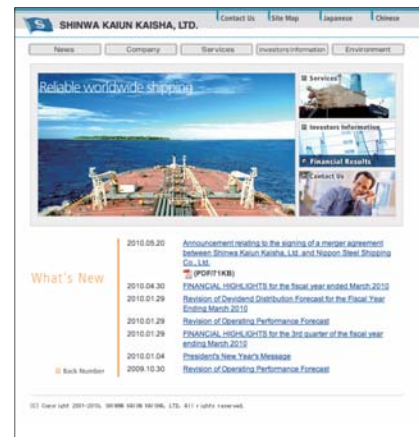
In addition, the company's Investor Relations Committee, which is composed of the directors in charge of the General Affairs Group, Finance and Accounting Group, and Project Group, as well as the managers of those groups, has formulated a public relations policy governing the release of information intended 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 14 individual briefings during fiscal year 2010 (year ending March 31, 2010).

Dividends to Shareholders

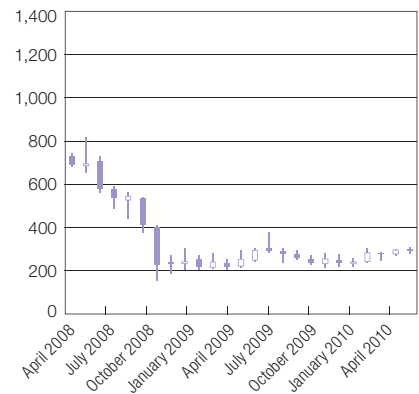
Shinwa Kaiun promotes fleet cost-competitiveness and hedges against fluctuations in shipping market conditions, currency exchange rates, bunker oil prices, and other factors by retaining a portion of our profits internally to reinforce our corporate structure. It is also our aim to provide a stable and continuous payment of dividends to our shareholders. Our payout ratio to date has been approximately 20% on a non-consolidated basis. Starting with fiscal year 2011, however, we have sought to further improve dividend payments to shareholders, and we have decided to change our basic policy regarding annual dividends to call for a payout ratio of approximately 20% on a consolidated basis, in order to better reflect the profit-oriented structure of the Shinwa Kaiun Group as a whole. For fiscal year 2010, we decided to pay a year-end annual dividend of two yen per share.



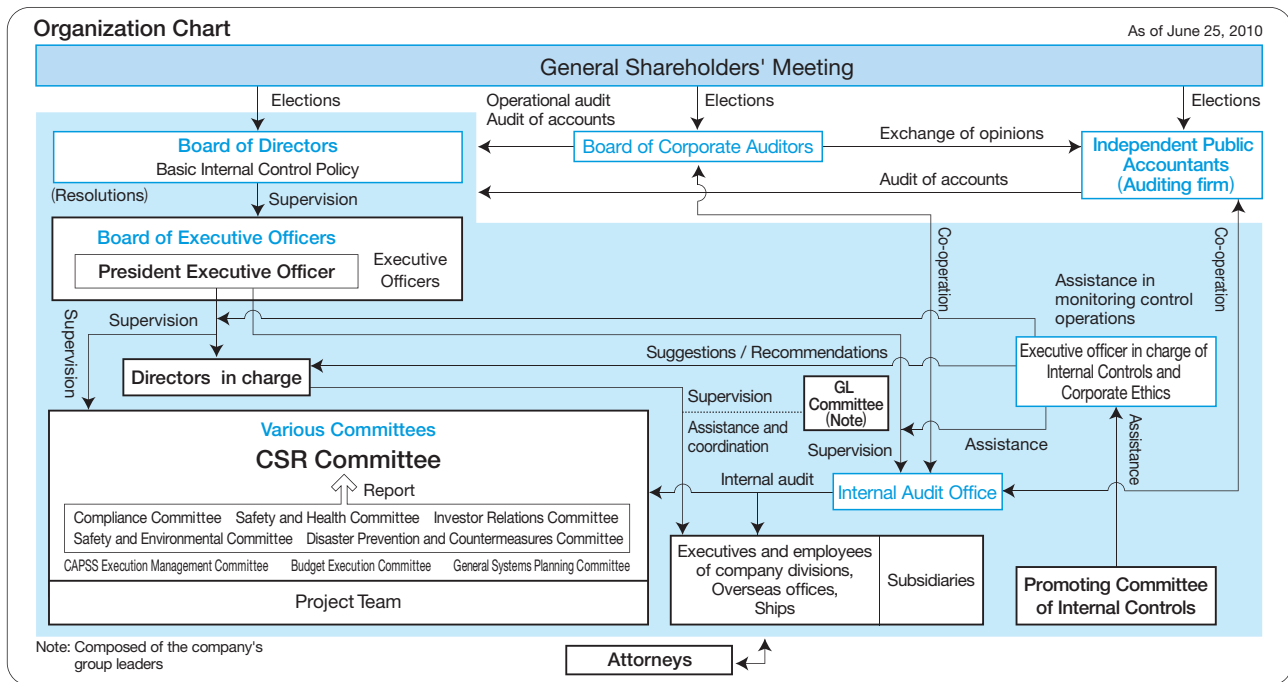
Top page of the company's website

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 5 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. Three of the four corporate auditors are outside auditors. Each corporate auditor attends meetings of the Board of Directors, the Board of Executive Directors, the Compliance Committee, and various other committees to conduct appropriate audits, as indicated, of management and business operations. One of the corporate auditors is appointed to serve as an independent board member who assures the objectivity and neutrality of the management review function. 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. The company has also established a Compliance Committee chaired by the director of the General Affairs Group in order to advance the goal of compliance. 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 controls policy, while also working to ensure the reliability of financial reports in accordance with the provisions of the Financial Instruments and Exchange Act. We find that internal controls activities contribute to the improvement of management quality, and our highly reliable financial reporting heightens the credibility of Shinwa Kaiun among both 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 appropriate for Shinwa Kaiun.

Initiatives for Employees

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, 2010. 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. Programs implemented in fiscal year 2010 also included prevention of influenza (including the new variety), information on purchasing over-the-counter medicines at reasonable prices, mental health checkups, and lectures on mental health (at residential seminars for management and at new employee training).

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 2010.



Shipboard training for new employees



Health Office at Shinwa Kaiun



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

CLOSE UP

Making use of childcare leave

Voyage Accounting Team, Finance and Accounting Group
Hiroko Nagase

In October 2008, I gave birth to a baby boy. After a year and a half of childbirth and childcare leave, I returned to work in this April. I had initially been scheduled to return to the company after one year, but I couldn't find a day-care center, so I had no choice but to extend my childcare leave for a half-year. I was hearing people use the expression "childcare leave chopping" (meaning to eliminate childcare leave, or to fire or downgrade employees on such leave), and I was in a position where I would probably have to quit my job if the company didn't have a system that allowed for extensions, so I felt truly fortunate when this extension came through. After that, I found a daycare center and was able to come back to work with a sense of security.

When I came back to work, I returned to the same Finance and Accounting Group I had been in before, and I have been handling accounting related to the voyages of our ships. I

am also using the system of reduced working hours, with the cooperation and understanding of my supervisor and teammates, and I am trying hard to work efficiently so that I can complete my duties within the time I have. As it happens, I am the third person in the company to apply for childcare leave, an extension of leave, and shortened working hours, and everything was processed smoothly, from preliminary consultation to application. My husband also works at Shinwa Kaiun, and he gave me his support by bringing information about what was happening in the company while I was on childcare leave, and helping with the applications. I feel that I was very fortunate in that regard, as well.

I am very grateful to have received the support of so many people in coming back to my job, and being given the opportunity to work just like before. I would like to continue balancing work and childcare.



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 2010 (year ending March 31, 2010).

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.



Mountain Skiing Team in activity

International Cooperation Campaign Holding a Major Cleanup



Books and CDs given by Shinwa Kaiun Group employees were sold to secondhand goods dealers and the proceeds were donated to Shapla Neer (Citizen's Committee in Japan for Overseas Support, a recognized NPO). The donations are being used in programs to assist street children in South Asia.



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 2010, donations were sent for relief of victims of the Chile earthquake.



A fire drill at the KDDI Otemachi Building

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.



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

Support for Culture

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



A performance at the 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.

Cooperation on a Donated Calendar Bazaar



Calendars donated by corporations and organizations throughout Japan were displayed in the 5th Donated Calendar Bazaar, held December 19 (Saturday) to 21 (Monday) of 2009 at three locations in Kagoshima Prefecture. Shinwa Kaiun also participated as part of its social contribution program, and we donated 115 calendars to the organizer, the Kagoshima Green Fund. The Shinwa Kaiun Group has been taking part in this bazaar every year since 2006. The proceeds are all donated to the Green Fund and used for support of forest improvement, greening promotion, and other such movements.

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.



Hiroshi Sugiura

President

Shinwa Kaiun Kaisha, Ltd.

Established on October 26, 2001

Revised on December 17, 2004

Revised on April 30, 2009

Verification of Fiscal 2010 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 fiscal year 2013 through fiscal year 2014.

PLAN ⇒		DO ⇒	CHECK / ACT ⇒	
Environmental Policies	Environmental Objectives	Target for 2010	Content of Activities	
		Target for 2010	Verification of Results	
Promotion of Safe Operation	Preservation of the Marine Environment	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 Recommendation to install oil-absorbing filter on deck Instruction in prevention of oil-spill accidents 	<ul style="list-style-type: none"> Target of zero accidental oil spills met by observing all the regulations and making them widely known by means of sailing instructions.
		Complete exchange of ballast water in the ocean	<ul style="list-style-type: none"> Set forth in sailing instructions Compliance with procedure for changing ballast water 	<ul style="list-style-type: none"> Operate in compliance with procedure for changing ballast water.
Natural Resource Saving and Reduction of Waste	Conservation of Natural Resources	13% reduction in fuel oil consumption per unit load over fiscal year 1991	<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 Promote economic operations using BRIDGE (maritime meteorology and tidal current forecast information) Promote use of fuel additives 	<ul style="list-style-type: none"> 14.71% reduction in fuel oil consumption per unit load over fiscal year 1991
		Reduction in consumption of paper	<ul style="list-style-type: none"> Promote IT leading to electronic data conversion, implement filing inspections, encourage use of electronic libraries Promote printing on both sides of paper, reuse of paper when photocopying Promoting paperless operations by introducing onboard vessel-management software 	<ul style="list-style-type: none"> Target was not met due to slight year-on-year rise (0.8% increase) in paper consumption
	1% reduction in annual power consumption in the office over the previous year	<ul style="list-style-type: none"> Instructions and notices on in-house electronic bulletin board for turning off unused lights, computers, and equipment Saving electricity by eliminating unnecessary lighting 	<ul style="list-style-type: none"> Electric power consumption was reduced 3% over the previous fiscal year, so the target was met. 	
	Reduction of Waste Generation	<ul style="list-style-type: none"> Improve landing shipboard waste (1% increase over the previous year) Complete segregation of wastes generated in the office (100%) 	<ul style="list-style-type: none"> Completely segregated collection and retention Management of quantity of shipboard waste and landing Complete segregation of recyclables, combustibles and non-combustibles 	<ul style="list-style-type: none"> On-shore disposal of on-board waste was largely reduced as follows: Fiscal year 2009: 13.97 m³ and 158.5 kg Fiscal year 2010: 10.44 m³ and 137.23 kg Created a special corner for reused products and worked to reuse as much as possible instead of using new products.
Conservation of Air Quality	Reduction of Harmful Air Pollutants	13% reduction in NOx emissions per unit load over fiscal year 1991	<ul style="list-style-type: none"> Adoption of improved machinery on newly built ships 	<ul style="list-style-type: none"> A reduction of 14.68% relative to fiscal year 1991
		13% reduction in CO ₂ emissions per unit load over fiscal year 1991		
		Supply low-sulphur fuel	<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) 	<ul style="list-style-type: none"> Use 100% fuel with 4.5% sulphur content (1.5% in SECA areas)
		Reduction of dioxin	<ul style="list-style-type: none"> Adoption of incinerators of IMO-approved type on newly built ships 	<ul style="list-style-type: none"> Adopted on newly built ships (Imabari 88-type and Imabari 76-type)
		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"> Sail at 12 knots or less within 20 miles of applicable ports 	<ul style="list-style-type: none"> No vessels in service
Environmental Education	Promoting an Environmental Mind	Education of shore employees	<ul style="list-style-type: none"> Practice in-house seminars Train internal environmental auditors 	<ul style="list-style-type: none"> Education implemented during training for newly hired employees and training for career employees One person recently obtained qualification as an internal auditor for land-based divisions
		Education of crew	<ul style="list-style-type: none"> Practice pre-boarding seminar Practice training at overseas companies Practice shipboard education of crew 	<ul style="list-style-type: none"> Implemented during pre-boarding training and ship visits

Fiscal 2011 Implementation Plan

intend to achieve a 15% reduction in CO₂ emissions (average) per unit load relative to fiscal year 1991 during fiscal years 2009 to 2013,

 : Achieved

 : Partly achieved

 : Need review

Achieved	PLAN ⇒	DO ⇒	
	Target for 2011	Content of Activities	Term
	Zero accidental oil spills from ships (without regard to amount)	<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
		<ul style="list-style-type: none"> • Recommendation to install oil-absorbing filter on deck • Instruction in prevention of oil-spill accidents 	Full year
	Complete exchange of ballast water in the ocean	<ul style="list-style-type: none"> • Set forth in sailing instructions • Compliance with procedure for changing ballast water 	Full year
	15.5% reduction in fuel oil consumption per unit load over fiscal year 1991	<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
		<ul style="list-style-type: none"> • Promote economic operations using BRIDGE (maritime meteorology and tidal current forecast information) 	Full year
		<ul style="list-style-type: none"> • Promote use of fuel additives 	Full year
	Reduction in paper consumption per employee	<ul style="list-style-type: none"> • Promote IT leading to electronic data conversion, implement filing inspections, encourage use of electronic libraries • Promote printing on both sides of paper, reuse of paper when photocopying 	Full year
		<ul style="list-style-type: none"> • Promoting paperless operations by introducing onboard vessel-management software 	Full year
	1% reduction in per capita annual power consumption in the office over the previous year.	<ul style="list-style-type: none"> • Instructions and notices on in-house electronic bulletin board for turning off unused lights, computers, and equipment • Saving electricity by eliminating unnecessary lighting 	Full year
	Improve landing shipboard waste (1% increase over the previous year)	<ul style="list-style-type: none"> • Collection and reuse of lashing materials • Completely segregate collection and retention • Management of quantity of shipboard waste and landing 	Full year
	Complete segregation of wastes generated in the office (100%)	<ul style="list-style-type: none"> • Complete segregation of recyclables, combustibles and non-combustibles 	Full year
	15.5% reduction in NO _x emissions per unit load over fiscal year 1991	<ul style="list-style-type: none"> • Adoption of improved machinery on newly built ships 	Full year
	15.5% reduction in CO ₂ emissions per unit load over fiscal year 1991		Full year
	Supply low-sulphur fuel	<ul style="list-style-type: none"> • Select and analyze fuel with 4.5% or lower sulphur content to purchase • Select and analyze fuel with 1.0% sulphur content to purchase when entering ECA 	Full year
	Reduction of dioxin	<ul style="list-style-type: none"> • Adoption of incinerators of IMO-approved type on newly built ships 	Full year
n / a	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 seminars • 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 of crew 	Full year

Ensuring Safe Navigation

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.



External ship inspection

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.



Maintenance work in the engine room

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.



KYT Approach

Near-Miss Report System

A near-miss report system has been established and put into practice as an accident prevention measure. Under the old system, there was a tendency for reports to go one-sidedly from the vessel to the company. We endeavor to realize safe navigation, and we have changed that system to one that now also takes measures to prevent recurrence of incidents.

CLOSE UP

Shinwa Marine Corp. Marine Group

Randy Q. Canencia

Changing career from Seafaring into Office work, as Marine Superintendent is not beyond too far away from being aboard the vessel, this new career of mine is entirely a Maritime affair. This time my main job is to manage the vessel's operational activities. Maintaining and assuring that our fleet constantly follows the Company's Safety Standards in accordance with our Safety Management System (SMM). Assuring that our vessel's regulatory requirements in statutory documentations and licensing are well taken care of. Providing our vessels with advance regulatory information making them aware; assisting our vessel during hard times in terms of any disputes arising in the course of her voyage. Giving immediate supports in emergency situations and of course our commitment to constantly motivate our brave and diligent crew to perform their job religiously and in accordance with our Safety Standards.

At first during my starting months in Shinwa Marine Corporation here in Tokyo, a lot of confusion has shaken me up. I was kind of a very hot rod; eager to make actions as easy as I could think, my head was full of something to command as instantly as I was still aboard the vessel. But actually I could not make my moves, as I have to consult senior colleague Superintendents who are ahead of me and considered to be experts. They've provided me some ideas and aspects to consider when communicating with the vessel. Each vessel's response to my orders and communication provides me a hint on how to effectively communicate with them.



As of now, as time flies by fast, I am a few months more to be exactly three (3) years as a Marine Superintendent. Eventually I understand how things work most specially in communication matter. I've encountered multiple problems and brain storming activities dedicated to the vessels under my charge. By this time I learned more on maritime affairs and nailed it into my mind most specially in managing a vessel. I could feel each Master's burdens so as to their courage in times of test and measures to be the best of their proficiency. Although I haven't have the command yet as a Master, my experience here in the office taught me a lot of things an ordinary Master haven't encountered yet and a lot of things a Master should do.

Through this I could say my new career as a Marine Superintendent brought me a balance of both the advantages and disadvantages. But one thing for sure, I will soon be back onboard because I still have some seawater in my blood and when that time comes, I will be a better Seafarer.

Crisis Management

In the unfortunate event that a marine accident occurs, Shinwa Kaiun must be able to take prompt, definite steps to handle the accident and keep losses and contamination of the environment due to the accident down to a minimum. To that end, we conduct periodic emergency response exercises as well as verification of the crisis management system and its functions.

Shinwa Kaiun also conducts exercises between company offices and vessels regarding security measures against piracy, terrorist activities, or other such risks.



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.

Reducing Environmental Impact

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 CO₂ 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

Construction of New Energy-Saving Ships

A newly built ship (a cement carrier) launched by Shinwa Naiko Kaiun Kaisha Co., Ltd., on April 22, 2010, has every available type of energy-saving fittings and equipment installed. This equipment has been approved as energy-saving by the Ministry of Land, Infrastructure, Transport and Tourism, so this vessel is effectively an "energy-saving ship" in accordance with Ministry standards. Shinwa Naiko Kaiun aims to achieve a further energy-saving effect by assigning this vessel to efficient routes in order to make full use of its superiority in terms of energy conservation hardware. Below are the principal particulars of this ship, along with an introduction to its energy-saving fittings and equipment.



Fuyo Maru No. 6, the newly built energy-saving ship of Shinwa Naiko Kaiun Kaisha Co., Ltd.

Principal Particulars and Energy-Saving Fittings on the Fuyo Maru No. 6

Principal Particulars		Energy-Saving Fittings and Equipment
Total length	98.00m	① Shaft generator
Width	16.00m	② Radial blades mounted before propeller (energy-saving stators)
Depth	8.50m	③ Variable-pitch propeller
Extreme draft	6.724m	④ Fins mounted on propeller boss (propeller boss cap with fins)
Gross tonnage	3,610t	⑤ Exhaust gas economizer
Deadweight tonnage	5,477mt	⑥ Main engine coolant heat recovery unit (central plate cooler)
Main Engine:		
Diesel 6UEC33LS II		
Output(horsepower)	2,721kW(3,700PS)	

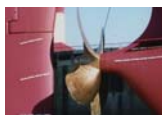
Prevention of Global Warming

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



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

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.

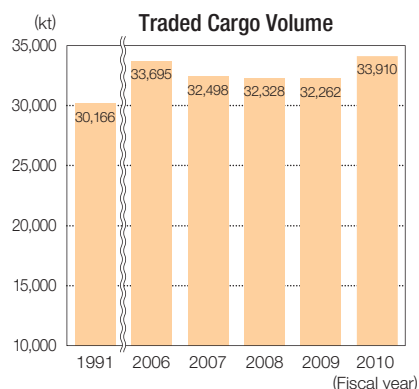
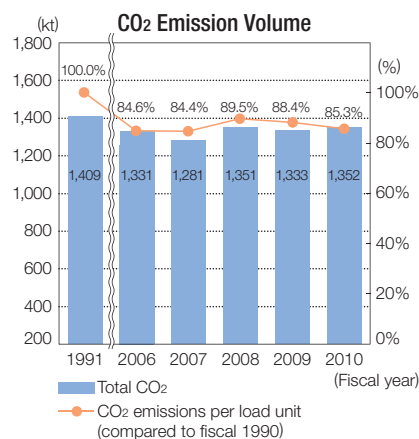
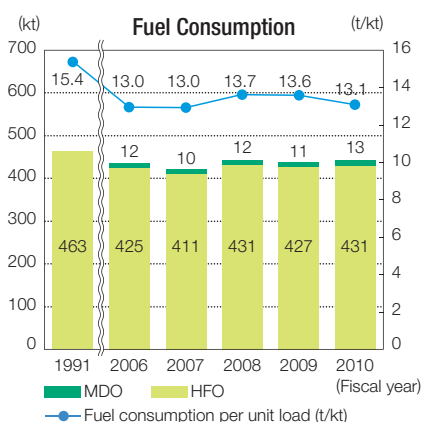
Also, for SO_x emission control, the sulphur content of any fuel oil used on board ships must not exceed 4.5%. We procure fuel oil that meets ISO standards for restricting SO_x emissions.

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

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

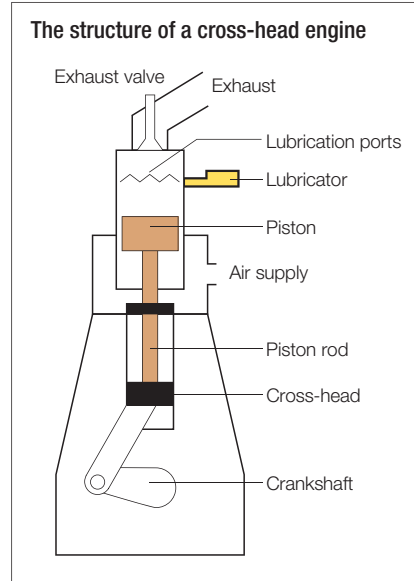


Promotion of Installation of Lubricant (M/E Cylinder Oil) Consumption-saving Equipment

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.

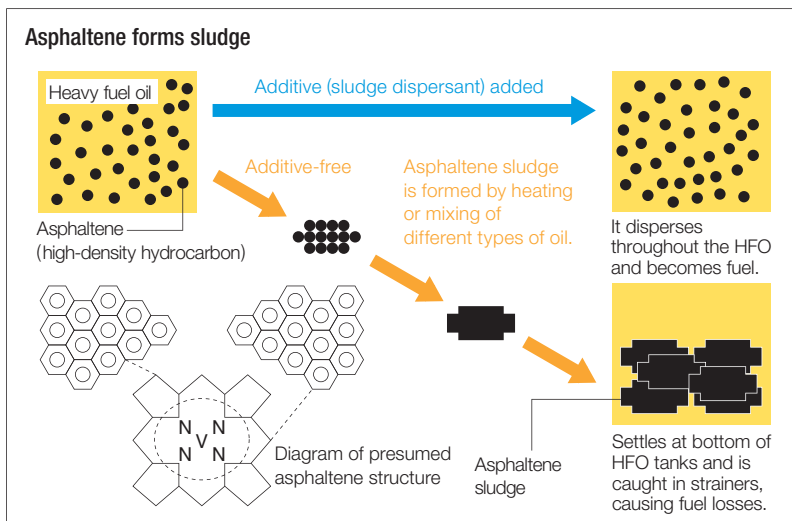
There used to be mechanical lubricators attached directly to the engine. These would feed oil at a fixed frequency (once every one or two revolutions of the engine). Now, however, electronically controlled lubricators have made it possible to feed oil accurately and in a way that is appropriate to the 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.

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 2010(year ending March 31,2010), we achieved a 3% 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.

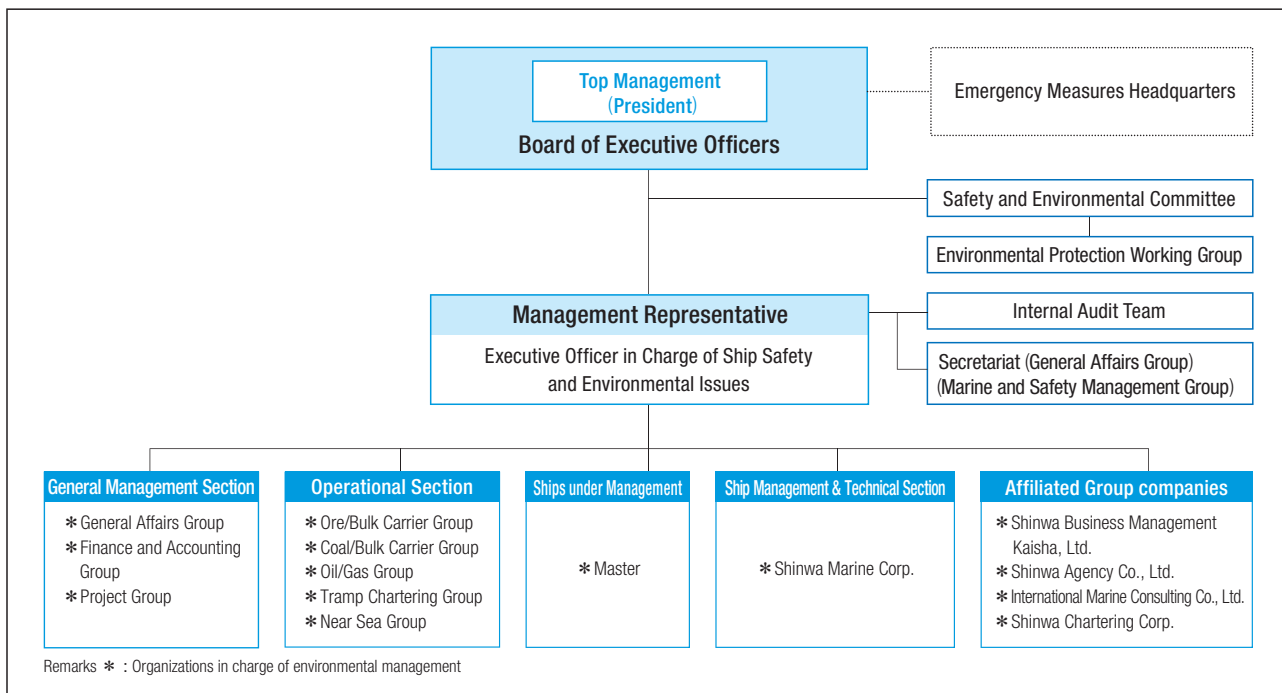
Environmental Seminar in Manila

Four times per 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

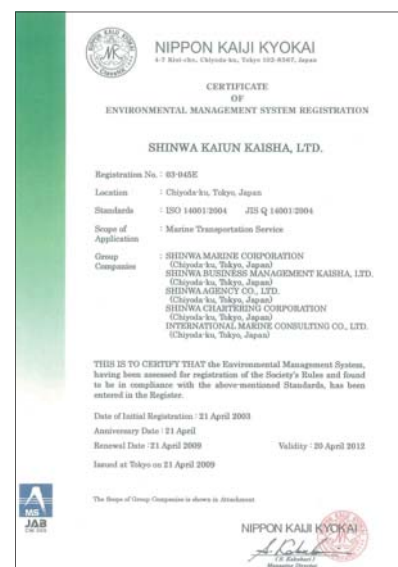
Environmental Management System Organizational Chart



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	2002 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
June	2009	CSR Report 2009 published.

[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 the Shinwa Kaiun Group CSR Report 2009 Reader Questionnaire

Reader Comments

- I would like to know how, as a shipowner, it might be possible to cooperate with Shinwa Kaiun CSR activities, and what kind of guidance might be received.
- It would be good to know more about the application-specific construction of ships, the methods of loading and discharging, the setups involved, and so on.
- I would like to know what an employee's daily schedule looks like.

Our Response

Our thanks to our readers for your cooperation in replying to the questionnaire. We will try to answer the points you have raised.

We conduct inspections of chartered ships on long-term charters, and are working hard to maintain the safety level of the Shinwa Kaiun fleet. We also provide ship inspection results as feedback to shipowners, and suggest improvement plans as necessary. We may need to exchange views with shipowners at any time, and therefore request your cooperation.

We will endeavor to make our reports more readable so that they convey a clearer understanding of Shinwa Kaiun's activities to more readers. We would like to make use of the views expressed by our readers in considering which CSR activities to pursue next, as well as in preparing our next report.



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Thank you for your reading Shinwa Kaiun Group's CSR Report 2010.
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 |
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- ④ Which parts of the report did you find particularly interesting? (Select as many as you like)**
- | | |
|---|---|
| Social Report | <input type="checkbox"/> 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 2010 Implementation Plan and Fiscal 2011 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:)
- 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.

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.