

# NS United REPORT 2015

For the fiscal year ended March 31, 2015



**NS United Kaiun Kaisha, Ltd.**

## Editorial Policy

The editorial policy of this report is to provide all of our stakeholders with an understanding of how the NS United Kaiun Group has been meeting our obligations—both profit-seeking and otherwise—while accomplishing the international marine transportation services that are the Company's primary business objectives.

## Period Covered

April 1, 2014 through March 31, 2015

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

## Organizations Covered

The NS United Kaiun Group and its related affiliates.

## Other NS United Kaiun Publications

- (1) Corporate Brochure (in Japanese, English, and Chinese)
- (2) Business Report, Semi-Annual Business Report
- (3) Securities Report, Quarterly Report

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

In addition to the publications listed, various kinds of information can be found on the NS United Kaiun website.  
<http://www.nsuship.co.jp/english/index.html>

## 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.

## Forward-Looking Statements

This report includes statements on forward-looking plans and business strategies concerning the future performance of the NS United Kaiun Group.

The statements are based on assumptions and projections by the Company's management in light of information currently available to it. Please note that these assumptions and projections may be affected by future changes in social and economic circumstances that could cause the actual business results of the Company to differ.

# CONTENTS

To Our Stakeholders	1
Profile	2
Group Corporate Philosophy	3
Group Overview	4
Our Core Group Businesses	5

## Business Strategy

Financial and Non-Financial Highlights	6
Message from the President	8
Our Major Vessels and Plan for Future Development	10
Overview by Business (FY2015)	11
Management Structure	12

## CSR Information

NS United Kaiun Group's Approach to CSR	14
Stakeholders Supporting the NS United Kaiun Group	15
With Our Customers and Suppliers	16
With Our Shareholders and Investors	17
With Our Employees	18
Initiatives for Society	19
NS United Kaiun Group Environmental Policy	20
Promoting Safe Navigation	21
Verification of FY2015 Implementation Plan and FY2016 Implementation Plan	22
Reducing Environmental Impact	24
Ensuring Safe Navigation	28
Topic/Glossary	30
History of CSR Activities at the NS United Kaiun Group	31

## Financial Data

Management's Discussion and Analysis	32
Consolidated Financial Statements	34

## Corporate Data

Outline of the Company	36
Stock Information	37

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

CSR Committee Secretariat

**General Affairs Group, NS United Kaiun Kaisha, Ltd.**

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## To Our Stakeholders

I would like to express my gratitude to our shareholders and stakeholders, as well as our customers, clients, and all parties involved with the NS United Kaiun Group, for your understanding and support of our business.

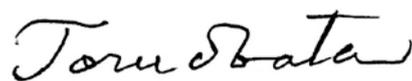
Until the fiscal year ended March 31, 2015, the Group traditionally issued a separate CSR Report and Annual Report. However, to better inform and facilitate a deeper understanding among our stakeholders regarding the Group's activities conducted over the course of the year, we have decided to prepare the present report, which integrates the Group's financial information such as operating results with nonfinancial information such as business strategies, corporate social responsibility (CSR), and environmental efforts starting from the FY 2015 edition.

Guided by its Corporate Philosophy, the Group aims in all its business undertakings to contribute to societal development, in line with the full acknowledgment that it is a member of society.

Based on this concept, we engage continuously in corporate social responsibility (CSR) activities in line with the scope and characteristics of our marine transportation business.

Furthermore, the NS United Kaiun Group places the greatest importance on the safety of maritime navigation as part of our Medium-Term Business Plan, which forms the basis of our management. We do so to earn the trust of society, because without this trust it would not be possible to fulfill our responsibilities to our stakeholders, including those with respect to preservation of the global environment.

It is NS United Kaiun's earnest hope that this report will assist you in understanding the measures we are taking and how we are responding to the demands of society.



*Toru Obata*

Toru Obata, President



## Operating in the global arena, we promote safe navigation and environmental conservation.

Connecting countries and areas around the globe, the NS United Kaiun Group aims to contribute to the development of industry, economy, and culture through its daily operations in maritime transportation services. At the same time, safe navigation and environmental conservation are both cornerstones of our business activities and our mission as a corporation that operates within the international arena.

With regard to safe navigation, the NS United Kaiun Group works to achieve zero marine accidents by establishing a safe navigation control system, conserving the environment, implementing risk control, and promoting training for crew member.

With regard to environmental conservation, we have established an environmental policy focusing on issues such as air pollution, marine pollution, and CO<sub>2</sub> emissions to promote global environmental conservation activities and we disclose our activities on a regular basis.

<p><b>Main Transportation Services</b></p>	<p>To date, we have provided marine transportation services for iron ore and coking coal for the steel industry, various energy resources, raw materials for other industries, industrial products, and feed grains. We will continue to respond flexibly to our customers' needs for safe and reliable operations by assigning staff with the requisite specialized knowledge and hands-on experience to each business section.</p>
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NS United Kaiun Kaisha, Ltd. offers safe, high-quality marine transportation services tailored to customer needs across the oceans of the globe. Ever-mindful of its position as a corporate citizen, NS United Kaiun Kaisha, Ltd. is steadfastly committed to the development of society by providing transportation services that conform to evolving trends. We hereby establish our corporate philosophy of the NS United Kaiun Group.

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## Basic Philosophy

The NS United Kaiun Group will contribute to the development of society by providing sincere and high-quality marine transportation services.

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## Management Philosophy

### 1. Credibility and Reliability

Increase the corporate value of the Group as a whole by practicing sound management that is credible and reliable.

### 2. Safe Navigation and Environmental Protection

Strive to ensure the safe navigation of vessels at all times and continue training to improve the operational skills of crews on vessels in order to take a role in protecting the global environment including the seas.

### 3. Response to Customers and Reform

Vigorously pursue further progress through reform while effectively responding to customer needs.

### 4. Nurture and Mobilize Employee Abilities

Nurture employees and mobilize their abilities to develop a dynamic Group in which they appreciate the pleasure of working.

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## Corporate Code of Conduct

1. Comply with laws and regulations and act with high ethical standards.
2. Engage in fair and free competition and appropriately conduct transactions to maintain sound, responsible relationships with policy makers and the government.
3. Broadly communicate with the public, proactively and fairly disclose corporate information, and strictly protect and manage information.
4. Create a safe, healthy, and pleasant working environment with due respect for the individuality and diversity of employees.
5. Actively contribute to the local community and society as a corporate citizen.
6. Have no relations whatsoever with anti-social forces or organizations, and take a firm stand against any unreasonable demands.
7. Conduct business in compliance with national and regional laws and with respect for international norms as well as culture and custom.
8. Comply with this code and establish a system for ensuring its implementation. In the event of infringement, we will endeavor to promptly investigate the cause, prevent a recurrence, and effectively fulfill our accountability.

Established October 1, 2013

## Overview of the NS United Kaiun Group (as of March 31, 2015)

### Number of Companies in Group

Head Office	
Consolidated Subsidiaries	<b>50</b>
Unconsolidated Subsidiaries (accounted for by the equity method)	<b>3</b>
Unconsolidated Subsidiaries (unaccounted for by the equity method)	<b>11</b>
Unaccounted for Affiliates	<b>4</b>

### Number of employees

**672** (consolidated)

### Fleet

**209** vessels (consolidated),  
**11,670,000** DWT

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

NS United Kaiun Kaisha, Ltd. (transportation of general cargo, ownership and related businesses)  
NS United Marine Service Corporation (safety supervising and supervising for new construction of ships)  
Nippo Marine Co., Ltd. (dispatching seamen)  
International Marine Consulting Co., Ltd. (supervision of cargo operations)  
NSU Chartering Corp. (broker)\*<sup>1</sup>  
NSU Logistics Co., Ltd. (broker)  
NS United Shipping (U.K.) Ltd. (broker)  
NS United Shipping (U.S.A.) Inc. (broker)  
NS United Shipping (H.K.) Co., Ltd. (broker, agent)  
NS United Tanker Pte. Ltd. (international marine transportation)  
NS United Bulk Pte. Ltd. (international marine transportation)

### Main companies engaged in coastal shipping business and associated services

NS United Naiko Kaiun Kaisha, Ltd. (transportation of general cargo) \*<sup>2</sup>  
NS United Coastal Tanker Kaisha, LTD. (transportation of gas and chemical products)

### Main companies engaged in other businesses

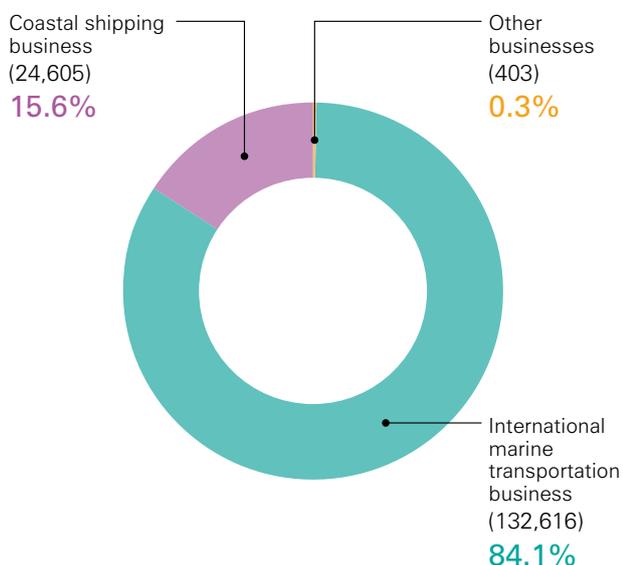
NS United Systems Co., Ltd. (development/maintenance of information systems)  
NS United Business Co., Ltd. (general affairs and accounting agents, real estate management)

\*1 NSU Chartering Corp. was dissolved on June 25, 2015.

\*2 Wholly owned subsidiary of NS United Kaiun Kaisha, Ltd. from August 1, 2015

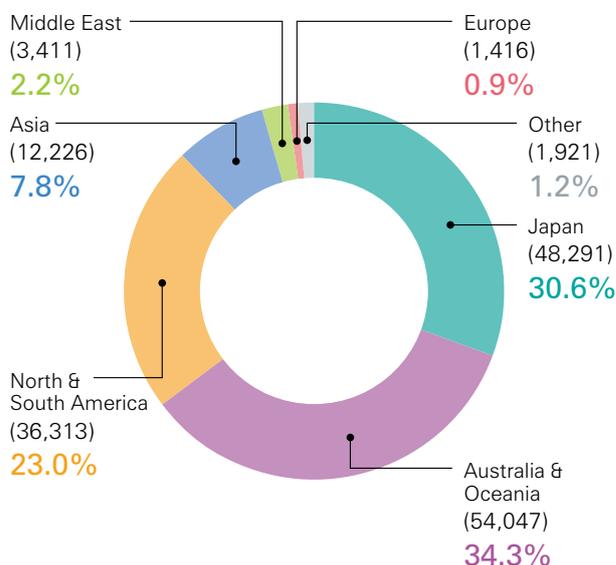
### Revenues by business segment (consolidated)

(millions of yen)



### Sales breakdown by area (consolidated)

(millions of yen)



## The NS United Kaiun Group Core Businesses

### Iron ore and coking coal transport service

Since our foundation, we have been transporting iron ore and coking coal. Our history essentially reflects the overall journey of the steel industry, the core of industrial development. We have consistently been at the cutting edge in providing larger, more efficient vessels, and have significantly contributed to reliable transport and reduced costs.



### Coal / bulk transport service

The NS United Kaiun Group has been offering worldwide transport services for coal and other sources of energy, particularly in India and China where there is soaring demand for these products in recent years. NS United Kaiun maintains two teams to satisfy our diverse customer needs: Coal/Bulk Carrier Team 1 (dedicated to Japanese electric power utilities) and Coal/Bulk Carrier Team 2 (carrying raw materials and coal for steel refineries and general industrial use).



### Oil /gas transport service

While actively addressing environmental concerns, the NS United Kaiun Group has promoted comprehensive vessel management by assigning expert marine technicians both onshore and onboard. We ensure the safe delivery of crude oil, LPG, and petroleum/petrochemical products from oil-producing countries, as well as oil refineries throughout the world.



### Tramp chartering service

The core of the fleet is our Handysize Bulkers (20,000 to 50,000 dwt), offering various transport services that connect the ports of the world. A variety of commodities are transported, including steel products and heavy structures such as plant infrastructure and bulky raw materials such as nonferrous ore concentrates, grain, fertilizer, salt, cement, and woodchips.



### Near sea service

Vessels which range from 5,000 to 13,000 dwt in size provide transport services throughout China and Southeast Asia for steel products and a variety of bulk cargo. We are especially proud of our top market share in the Japan-China trade, which takes advantage of our proven track record of over 65 years of transport services on the Japan-China route.



### Coastal shipping business

NS United Naiko Kaiun Kaisha, Ltd. provides steel-related transportation such as dry bulk domestic marine transportation while NS United Coastal Tanker Kaisha, LTD. offers energy-related transportation of LNG (liquefied natural gas) and LPG (liquefied petroleum gas) to our domestic customers.



## Financial and Non-Financial Highlights

### Financial Performance (Consolidated)

(millions of yen)

Years Ended March 31	2015	2014	2013	2012	2011
<b>Fiscal year:</b>					
Revenues	157,625	153,665	131,379	135,044	127,184
Operating income	9,474	8,842	1,173	1,627	7,394
Ordinary income	10,380	8,920	2,529	496	5,873
Income (Loss) before income taxes	10,691	12,005	(14,977)	(1,446)	4,717
Net income (loss)	8,626	10,778	(15,505)	(914)	3,236
<b>Per share data (yen):</b>					
Net assets per share	319.56	270.91	219.28	274.40	283.23
Net income (loss) per share	37.40	46.72	(67.21)	(3.96)	16.48
<b>At year-end:</b>					
Total assets	227,663	224,507	181,682	190,659	168,974
Net assets	76,481	64,943	52,633	65,581	67,364

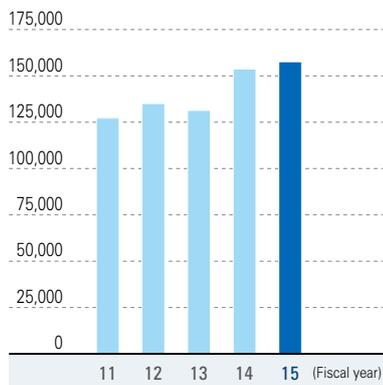
### Non-Financial Performance

(Thousand tons)

Years Ended March 31	2015	2014	2013	2012	2011
Number of Employees (persons)	672	663	665	685	676
Traded cargo volume	65,099	58,772	59,475	55,643	45,599
Fuel consumption	686	694	696	718	610
CO <sub>2</sub> emission volume	2,132	2,149	2,153	2,230	1,906

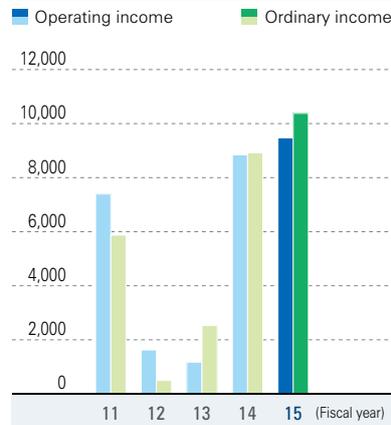
## Revenues

(millions of yen)



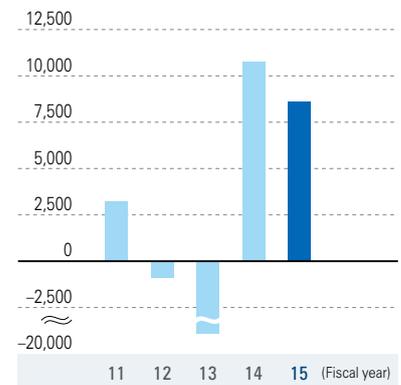
## Operating income / Ordinary income

(millions of yen)



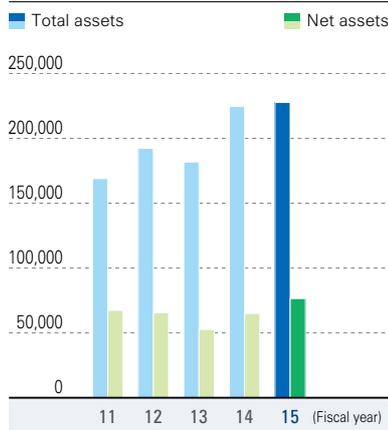
## Net income (loss)

(millions of yen)



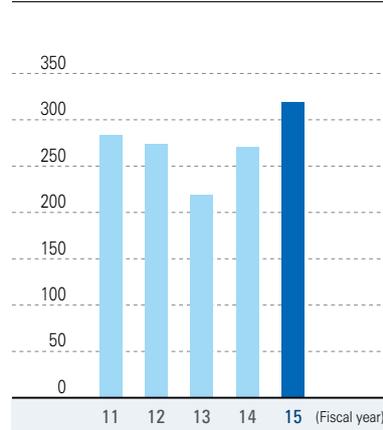
## Total assets / Net assets

(millions of yen)



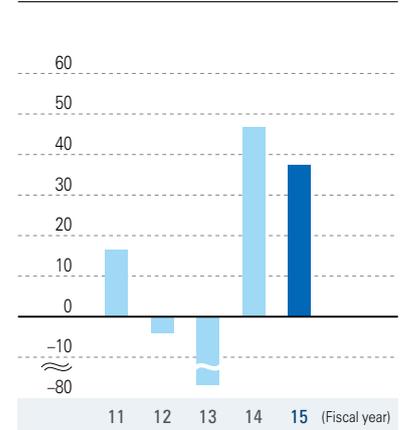
## Net assets per share

(Yen)



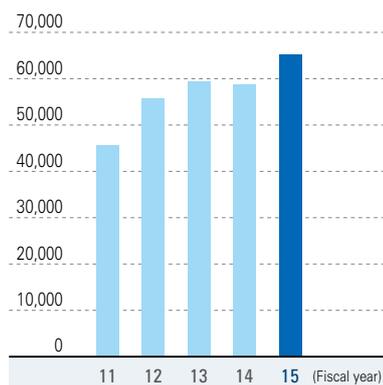
## Net income (loss) per share

(Yen)



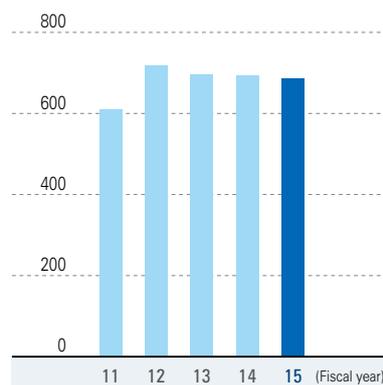
## Traded cargo volume

(Thousand tons)



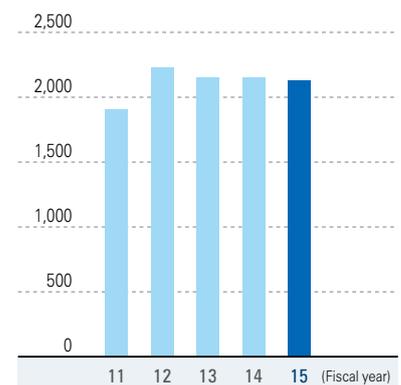
## Fuel consumption

(Thousand tons)



## CO2 emission volume

(Thousand tons)



### Message from the President

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#### Medium-Term Business Plan

The fiscal year ending March 31, 2016 will be the second year of our three-year Medium-Term Business Plan, "Unite & Full-Ahead! (Part II)," which was formulated in May 2014 and is presented below. The international marine transportation market is weak and the outlook remains uncertain. Under such circumstances, the whole Group will work together under the slogan of "Start for Further Development" to improve revenues in both international and coastal marine transportation by combining the entirety of our forces. We will also improve our presence by enhancing our strengths in resource transportation by large vessels.

#### Medium-Term Goals

Strengthen business foundation, mainly in dry-bulk shipping segment, to achieve financial goals by end of FY2019:

Consolidated Revenue: 200 billion yen

Consolidated Operating Income: 12 billion yen

To achieve our goals, we will steadily implement an action plan that focuses on the following five important strategies:

#### Five Important Strategies

1. Expand our shipping services to our domestic/worldwide customers including Nippon Steel & Sumitomo Metal Corporation Group.
2. Expand opportunities for obtaining new business by further collaboration within NSU group.
3. Safe and Stable shipping operation.
4. Reinforce corporate organization and develop human resources for further global expansion.
5. Strengthen our financial standings.

## Dividend

Thus far, the Company has set its dividend payout ratio at approximately 20% of the consolidated Net income given a comprehensive review of the Group's financial standing and to ensure that an appropriate amount of profits should be returned to shareholders. Meanwhile, it has decided interim dividends on the basis of the business performance trend for the first half of the term as well as the projected business performance for the second half. However, from the FY2015 in order to further increase profit returns to shareholders, we have decided to raise our dividend payout ratio to approximately 25% of consolidated business results.

## Efforts for Safe Navigation and Environmental Conservation

Connecting countries and areas domestically and overseas, our Group aims to contribute to the development of industry, economy, and culture through its daily operations: genuine, credible, high-quality international maritime transportation services designed to respond immediately to every customers need. At the same time, we contribute to environmental conservation with thorough implementation of safe navigation, zero marine accidents, vigorous efforts towards environmental conservation, and other initiatives. As a corporation with the world as its stage, safe navigation and environmental conservation are both cornerstones of our business activities and our mission.

With regard to safe navigation, the NS United Kaiun Group makes every effort to ensure safe navigation by Establishing a safe navigation control system, Instituting the Safety & Environmental Committee, Establishing a crisis management system, and Promoting training for crew members.

With regard to environmental conservation, the NS United Kaiun Group has established an environmental policy focusing on issues such as air pollution, marine pollution, and CO<sub>2</sub> emissions to promote global environmental conservation activities.

## With Our Stakeholders

It is the NS United Kaiun Group's earnest hope that this report will facilitate your understanding of and support for our activities.

The Company will be happy to receive your opinions as we hope to deepen interactive communication with our stakeholders.

We continue to aim for the kind of sustainable growth that lets us contribute to the wider community by combining the strengths of the entire Group. We greatly appreciate your continued support and feedback.

*Toru Obata*

Toru Obata, President



## Our Major Vessels and Plan for Future Development

### Capesize



**M/V NSU QUEST**

Deadweight: 207,362 KT

### Handysize



**M/V SPRING QUEEN**

Deadweight: 51,063 KT

### Small-sized carrier



**M/V HAYABUSA**

Deadweight: 11,415 KT

### Panamaxsize



**M/V RISING WIND**

Deadweight: 82,151 KT

### Tanker



**M/V YUGAWASAN**

Deadweight: 302,418 KT

#### Fleet Development Plan (FY2016)

Vessel Type	Number of Vessels	DWT (KT)
Capesize	3	543,500
Panamaxsize	0	0
Handysize	1	50,800
Small-sized carrier	0	0

#### Fleet Development Achievements (FY2015)

Vessel Type	Number of Vessels	DWT (KT)
Capesize	2	458,183
Panamaxsize	1	82,151
Handysize	3	157,260
Small-sized carrier	0	0

# Overview by Business (FY2015)

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## Capesize Bulk Carriers

Although the Capesize bulk carrier market saw average time charter rates for the primary routes starting at a level of 18,000 U.S. dollars per day at the beginning of the fiscal year, overtonnage continued despite robust cargo movement due to a decrease in congestion as a result of the enhanced loading and discharging capacity of ports. In addition, the rise in charter rates that is usually seen from October to December did not occur due to concerns about a slowdown in the Chinese economy since summer. Rates fell below 10,000 U.S. dollars in December and remained at a low level even after the beginning of the new year. Under such circumstances, our revenues saw an improvement as new vessels dedicated to Nippon Steel & Sumitomo Metal Corporation, a major customer, were delivered, and we actively acquired short-term voyage contracts from it. The injection of competitive new vessels and the benefits of yen depreciation also helped the improvement of business results. In collaboration with our overseas offices, we also aggressively carried out sales activities targeting overseas customers and these efforts yielded success in gaining multiple transportation contracts.

## Panamaxsize Bulk Carriers

In the Panamaxsize bulk carrier market, time charter rates remained at a level significantly below 10,000 U.S. dollars per day in the first half of the fiscal year for the Pacific Ocean (an average of approximately 6,000 U.S. dollars in the first half) due to ongoing supply side pressures from new vessels and a drop in China's coal imports. Although charter rates exceeded 10,000 U.S. dollars temporarily in late October, they subsequently suffered a rapid downturn to an ultra-low level of 2,000 U.S. dollars on the back of a decrease in the amount of cargo movement and deterioration in the supply-demand balance in each region. Even though rates bottomed in February, they remained at an extremely low level until the end of the fiscal year, resulting in a level below that of the previous fiscal year throughout the term under review (a full-year average of approximately 6,000 U.S. dollars). Under such difficult circumstances, we succeeded in reducing the impact of the drop in time charter rates on earnings to be negligible by i) renewing existing contracts and capturing new contracts from domestic power companies and general industry, ii) winning contracts with major customers for the Atlantic and Indian oceans through aggressive sales activities, iii) cutting fuel costs through slow-steam operation, iv) disposing of high-cost vessels and v) implementing efficient vessel allocation.

## Supramax/Handysize Bulk Carriers

The Supramax/Handysize bulk carrier market saw time charter rates remain at an average of 6,000 to 7,000 U.S. dollars per day, significantly below expectations, for both the Atlantic and Pacific oceans throughout the fiscal year due to prolonged sluggishness on the back of a extremely drop in freight space demand, which usually rises after the beginning of autumn. Cargo Movements of steel products for the gulf and the east coast of North America, the major cargo on outbound voyages, were robust, while steel exports to the west coast of Mexico and Southeast Asia increased dramatically, resulting in a year-on-year increase for overall steel exports in both volume and number of shipping operations. For major backhaul cargo, on the other hand, while stable revenues were secured in non-ferrous metal ores from the west coast of

South America, for which we have a high ratio of long-term contracts, the Grain trade was considerably affected by the negative impact of the drop in market conditions. Under such circumstances, we were substantially affected by sluggish market conditions, especially in the second half, although we strove to reduce average charter rates and implement thorough slow-steam operations and efficient vessel allocation by increasing the ratio of spot charters.

## Near Sea Small-Sized Carriers

With regard to the transport of steel products bound for China, the mainstay of this segment, the transport volume for the automobile industry rose, while the volume for consumer electronics, OA, and other industries decreased due to the use of local products. Under such circumstances, we strove for thorough implementation of dynamic adjustments to fleet size and efficient navigation in addition to receiving the benefits of the drop in fuel oil prices.

## Oil Tankers

In the tanker market, VLCC market conditions remained sluggish from the beginning of the fiscal period to early autumn but bounced back from November, when China's crude oil imports and tonnage demand for crude oil reserves increased alongside the drop in oil prices, and market conditions were robust thereafter. Freight rate conditions for VLGC (80,000 m<sup>3</sup> LPG vessels) trended at previously unseen elevated levels throughout the year on the back of a rise in LPG export volume from U.S. shale gas and a notable increase in marine transportation volumes and tonnage-miles owing to a rise in demand from emerging Asian markets such as China and India. Under such circumstances, we were able to secure gross income thanks to revenues from long-term contracts and the benefits of cost reductions for company-owned vessels through slow-steam operations.

## Coastal Vessels

With regard to dry bulk, while vessels dedicated to limestone for steel and cement companies saw steady operation as in the previous fiscal year, transportation volumes of industrial products by cement vessels decreased 10% year on year reflecting weak domestic demand. Transportation of steel products, iron ore, and power-related transportation by general cargo carriers saw steady operations in general throughout the year as a result of improved operational efficiency achieved by appropriate tonnage control, despite a drop in utilization rates attributable to bad weather in the second half. Under such circumstances, we achieved steady business results due to stability in the operation of dedicated vessels as well as our efforts in securing transportation volume for general cargo carriers and improving transportation efficiency.

With regard to tankers, while transportation of LNG remained at a level similar to the year before for the Setonaikai route, it increased for the Hokkaido route on the back of a rise in demand for secondary transportation of imported LNG owing to a decrease in natural gas production in Japan. On the other hand, market conditions for LPG transportation deteriorated due to a drop in demand for consumer use owing to a warm winter and electrification as well as demand stabilizing at a low level for industrial use. Under such circumstances, the Group secured stable revenues as a result of efforts regarding efficient vessel allocation and navigation.



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## 2 Risk Management

### ■ Risk Management System

Risk Management Regulations have been established as fundamental requirements for risk management. In this way, NS United Kaiun will accomplish its corporate social responsibility, even if substantial risks impacting operations should emerge.

The Company manages risks based on these regulations by analyzing risks and studying measurements in considering various risks that may arise in the course of our business activities. The Board of Executive Officers and Board of Directors discuss and determine issues related to risk management in addition to performing the year-end assessment of risk items and management implementation status based on the Risk Item List.

### ■ Appropriate Management of Personal Data

NS United 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 are 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 NS United Kaiun Group as Compliance Regulations to ensure appropriate management of personal data. There were no cases of claims in FY2015.

## 3 Our Efforts to Promote Compliance

NS United Kaiun has established standards of conduct that articulate the practical implications of our Group 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 all executives and employees comply with legal statutes, company regulations, and ethical standards in the execution of daily operations, and to heighten awareness of these issues.

### ■ Compliance Advisory Service Desk

NS United Kaiun established an Advisory Service Desk and associated regulations in July 2006 to accept direct reports from employees who had become aware of contravention of the law, misconduct or the like committed by executives or other employees. With the goal of protecting individuals who report company information of public interest, a consultation service guided by an outside lawyer has been arranged. Further, the Company appointed a female in-house compliance adviser in October 2011 to better serve its employees.

### ■ Compliance Awareness Month

NS United Kaiun has designated October as compliance awareness month to offer all executives and employees a chance to recognize their social responsibility and increase their awareness of ethics. Various initiatives were implemented this month: the president sent a message on compliance to all executives and employees; we established our new NS United Kaiun Group Corporate Philosophy on October 1, 2013 based on the previous corporate philosophy and reorganized corporate values that have been shared among Group companies in the course of business operations; we posted the Group Corporate Philosophy in our offices, distributed the Group Corporate Philosophy to the overseas offices and ships owned by the Company, and raised awareness of the policy.

## 4 Internal Controls

In accordance with Japan's Companies Act 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. In addition, the Board of Directors decided in April 2015 to revise the basic internal controls policy in order to meet the requirements of the amended Companies Act that was enforced in May 2015. We aim to further establish an internal control system in the future.

And in April 2012, NS United Kaiun Internal Controls Committee ensured better internal control of the Company by formulating annual plans and managing progress.

We find that internal controls activities contribute to the improvement of management quality, and our highly reliable financial reporting heightens the credibility of NS United 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 NS United Kaiun.

## NS United Kaiun Group's Approach to CSR

We believe that the CSR activities of the NS United Kaiun Group will contribute to the improvement of our corporate value by allowing us to deepen communication with a wide range of stakeholders such as customers, clients, shareholders, employees, and the communities in which we operate, thereby leading to greater understanding and trust in our corporate activities. Furthermore, we believe our CSR efforts will also contribute to improving our corporate value by providing us with opportunities to collect various opinions and information that we can incorporate into our operations by way of continuous improvement.

This is the cornerstone of our Group's management philosophy of interaction, and NS United Kaiun has been attempting to interact with society in cooperation with the Group's companies.

What makes it possible for the NS United Kaiun Group to realize the philosophy is the steady corporate management structure, at the nucleus of which is the awareness of compliance in corporate activities with 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.

The NS United Kaiun Group is engaged in CSR activities that match our corporate scale and characteristics.

The various aspects of, and reciprocal relationships among, NS United Kaiun Group's CSR activities are shown below.



# Stakeholders Supporting the NS United Kaiun Group

The NS United 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.



## With Our Customers and Suppliers

### Customer Satisfaction

NS United Kaiun has been principally engaged in worldwide logistics of raw materials, energy resources and products for industry. The Company meets its customers' need for cargo transportation throughout the world by fully utilizing information on 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.

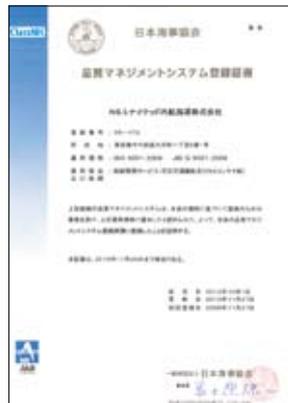
The style of business communication by which the Company pays direct visits to domestic and overseas customers becomes the foundation of relationships of trust. Regardless of whether a project is long-term or a spot voyage, the Company strives to generate customer satisfaction, build trust, and increase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

### Ensuring Safety and Quality in Transport Services

The NS United Kaiun Group's mission is to supply customers with safe and credible quality transportation services. NS United Kaiun, together with NS United Systems Co., Ltd., NS United Business Co., Ltd., NSU Logistics Co., Ltd., NSU Chartering Corp., and International Marine Consulting Co., Ltd., has established an environment management system and has gained ISO14001: 2004 certification in maritime transportation services. Our Company and NS United Naiko Kaiun Kaisha, Ltd. have incorporated the ISO 9001: 2008 quality management system into their vessel safety management system to maintain and operate it.



Registered certificate of our quality management system



ISO 9001: 2008 registration certificate for NS United Naiko Kaiun Kaisha, Ltd.

### Participation in Safety Meetings with Customers and Partners

NS United Kaiun, together with its coastal shipping body NS United Naiko Kaiun Kaisha, Ltd. and NS United Coastal Tanker Kaisha, 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 vessels 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

NS United Kaiun is always poised to implement an emergency response together with customers, salvagers, insurers, shipping agents, shipyards, and other partners, as well as related authorities, in accordance with our regulations regarding the handling of disasters at sea and other emergency circumstances. We also have systems in place to provide public explanations at appropriate times by means of the media and the Company website.

### Efficient Stowage and Cargo Preservation

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



Discharging of long rails

# With Our Shareholders and Investors

## Timely Disclosure of Company Information

NS United 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 stock exchanges, through the media, and on NS United Kaiun's website.

In addition, the Company's Investor Relations Committee, which is composed of the executives 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

NS United 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 executive and one from the committee secretariat participate in these briefings. We held 21 individual briefings during FY2015 (year ending March 31, 2015).

## Dividends to Shareholders

NS United Kaiun makes dividends to shareholders one of its key management policies. While retaining a portion of our profits internally to ensure future stable business development and strength to cope with changes in the business environment, we have set forth a basic policy to provide stable and continuous payment of dividends to our shareholders according to our operating results.

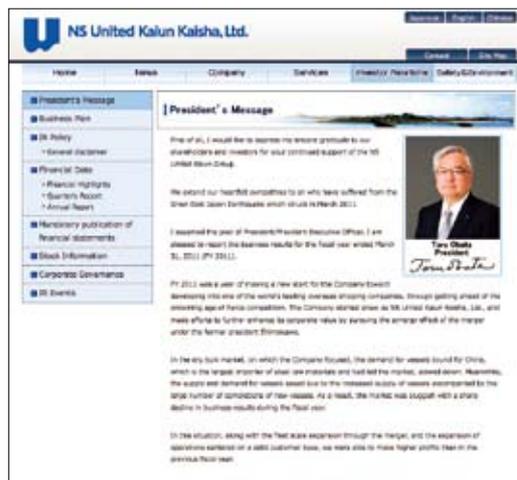
Our basic policy regarding annual dividends calls for a payout ratio of approximately 20% on a consolidated basis, but we have changed this to approximately 25%, following a comprehensive review of the Group's financial standing and to ensure appropriate shareholder return.

## IR Material on Our Website

- Securities Report, Quarterly Report (in Japanese)
- Corporate Governance Report (in Japanese)
- Corporate Disclosure
- Financial Results
- NS United REPORT (Integrated report; in English and Japanese)
- Business Report (Information for shareholders; in Japanese)



Front page of the Company website



IR page

# With Our Employees

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### ■ 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, employment is based only on the capabilities and aptitude of each individual and the growth of employees is fostered by the Company's training system.

Concerning our non-Japanese crew, we strive to improve retention rates on vessels managed by the NS United Kaiun Group by expanding various kinds of training available to crew and staff, supporting in-house executive training through our qualification support system and giving preference to long-term employees. Further, to explore and develop outstanding human resources, NS United Kaiun established a scholarship system.

### ■ Personnel System

In FY2002, the Company introduced a personnel system under which promotion and advancement depend upon an assessment of 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.

### ■ Training System

To develop new employees into professionals in the field of international shipping, NS United Kaiun provides training tailored to the career track and rank, with on-the-job training (OJT) being the core of this training system. The Company also offers training for new employees, training in shipping practice, languages (English and Chinese), domestic agency matters, onboard training, and overseas administrative requirements, as well as grade-specific 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 four to five 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 vessel officer certifications, and OJT, provided both in the country where the crew members were recruited and in Tokyo.

### ■ Employee Health and Safety

All employees of the NS United 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 Health Maintenance Office where an industrial physician with professional knowledge of mental health and an administrator with nursing qualifications offer physical and mental health consultations and guidance on a regular basis.

Programs provided also included health guidance for preventing metabolic syndrome and other lifestyle-related diseases, preventative education on infection, mental health checkups, and seminars on mental health.

Mandatory pre-embarkation health checkups are provided for crew members upon boarding, and they are also given guidance on periodic health checks while on board. 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.

### ■ Work-Life Balance

NS United 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 generous than required by law, and allows employees who satisfy conditions such as continuous service and age to take sabbaticals for self-improvement. Since April 2012, NS United Kaiun has been encouraging employees to take more paid leave on important dates, such as birthdays and anniversaries. 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 cultural groups that engage in cultural activities (including sports). In April 2008, the Company also introduced lump-sum child-rearing support payments.

### ■ Relations with Labor Unions

NS United Kaiun's shore employees belong to the NS United Kaiun Labor Union, and its onboard employees belong to the All Japan Seamen's Union. NS United Kaiun enjoys relationships of amity and trust with both of these unions.

## Initiatives for Society

### ■ Joint Regional Disaster Prevention Programs

The companies of the NS United Kaiun Group, headquartered in the Otemachi First Square (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 NS United 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 the 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 & Sumitomo Metal Arts Foundation, NS United Kaiun contributes to Japan's cultural development by cosponsoring musical programs at Kioi Hall.



Performance at Kioi Hall

### ■ Rescue

Different countries have established systems to report vessel location and request that the closest vessel perform a rescue when the need arises.

The systems include AMVER, a US-led, computer-based voluntary global ship-reporting system. Japan has a similar system, the Japanese Vessel Reporting System (JASREP), and all vessels under the management of NS United Kaiun participate in this system as well to offer mutual help.

### ■ Donated Calendar Bazaar

Calendars donated by corporations and organizations throughout Japan were displayed at the 10th Donated Calendar Bazaar held December 19 to 21, 2014 in Kagoshima Prefecture. NS United Kaiun participated as part of its social contribution program, donating 97 calendars and datebooks to the organizer, Kagoshima Green Foundation.

The NS United Kaiun Group has been taking part in this bazaar every year since 2006. The proceeds are all donated to the "Green Foundation" and used for support of forest improvement, afforestation promotion, and other such activities.

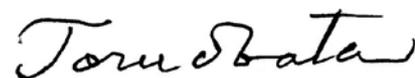


Beginners' class technical training for forest volunteers using proceeds from the bazaar (Toothing of chain saws)

## NS United Kaiun Group Environmental Policy

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-  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.
-  We will establish an environmental management system that we continuously update and strive to prevent pollution.
-  We will observe the laws and regulations and other environment-related requirements that are applicable to the navigation of our vessels and to our office activities.
-  Each section of our company will establish environmental objectives and targets that comply with our Environmental Policy and strive to attain these objectives and targets according to programs. We will also review performance on a regular basis to make sure these environmental objectives and targets are achieved.
-  We will strive to ensure that all employees of the NS United Kaiun Group increase their awareness of environmental issues and act in accordance with this Environmental Policy through environmental education and promotion activities.
-  We will choose supplies designed to reduce environmental impact when acquiring vessels, instruments, and other products and materials required for providing our services.
-  We will promote the conservation of energy and resources across the NS United Kaiun Group as well as the reduction and appropriate disposal of wastes.
-  We will disclose our Environmental Policy and environmental preservation activities as necessary.



Toru Obata  
President  
NS United Kaiun Kaisha, Ltd.

Established on June 28, 2011

# Promoting Safe Navigation

Striving for zero marine accidents, the NS United Kaiun Group makes every effort to maintain safe navigation based on the following four principles both to ensure high-quality services for our customers and to promote environmental conservation activities on a global scale.

## ▶ Establishing a safe navigation management system

Aiming for a stronger safe navigation management system and cooperation between sales and technology divisions, the NS United Kaiun Group has established a system to carry out vessel safety management of entire Group in an integrated fashion, and built a Safety Management System based on the International Safety Management Code of the International Maritime Organization (IMO). The Safety Management System is also qualified under the international quality management standard ISO 9001: 2008.

## ▶ Convening the Safety & Environmental Committee

The Safety & Environmental Committee, headed by the president, was held to review our Environment Management System (including our Environmental Policy) as well as to ensure safe navigation on a regular basis. We are genuinely committed to conserving the global environment by continuously improving our Environment Management System.

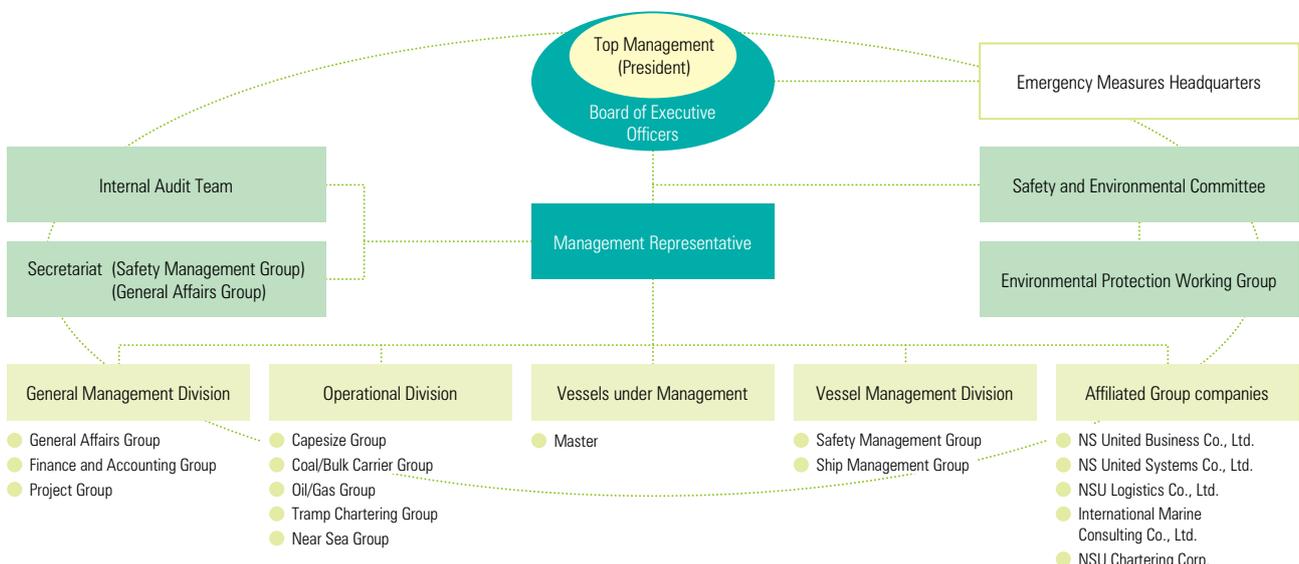
## ▶ Establishing a crisis management system

In accordance with our regulations regarding the handling of casualties at sea and other emergency circumstances, we have adopted measures to prevent marine accidents, including management strategies and internal systems to handle accidents if and when they occur, focusing on such activities as periodic emergency response exercises and regular reviews of our risk management systems.

## ▶ Offering training sessions for crew members

We provide training sessions, including seminars and OJT to all crew on our management vessels. For young Japanese officers, we established a "concentrated upgrade scheme" to develop officers in the short term. To enhance the employment and training of non-Japanese crew, we continually send our staff to the Philippines and Vietnam.

## Environmental Management System Organization Chart



\* NSU Chartering Corp. was dissolved on June 25, 2015.

Verification of FY2015 Implementation Plan (Environmental Management Programs) and FY2016 Implementation Plan

Five-Year Long-Term Objectives (FY2012 Formulation)

Achieve a 20% reduction in CO<sub>2</sub> emissions per ton/mile

PLAN →		DO →	CHECK / ACT →		
Environmental Policies	Environmental Objectives	Target for FY2015	Content of Activities	2015 Verification of Results	Achieved
Environmental Education	Promoting an Environmental Mind	Implement in-house education (at least three times a year)	Designate a training program for new employees Provide in-company training making use of group meetings	Implemented training in April 2014 for new employees Provided appropriate education at group meetings	UUUU
		Train internal environmental auditors (at least one)	Foster internal auditors within the environment secretariat	One employee participated in training provided by an external party.	UUUU
		Implement pre-boarding seminar (100%)	NS United Kaiun Kaisha, Ltd. implements the educational training to "Top4" (captain, chief engineer, C/O, and 1/E) and Japanese staff To those other than above, a manning company implements the training	Provided pre-boarding seminars to a total of 236 crew (151 sessions) throughout the year.	UUUU
		Implement onboard education of crew (once a year for each vessel)	Implement onboard education of crew	Implemented 100% as planned upon internal audit and vessel safety inspection. Implemented 60% upon track maintenance.	UUU
		Hold Shipboard Safety and Health Committee meetings (once a month)	Disseminate environment conservation matters by Shipboard Safety and Health Committee	Held Shipboard Safety and Health Committee meetings on monthly basis at all ships owned or managed by the Company	UUUU
Promotion of Safe Operation (Pollution prevention)	Preservation of the Marine Environment	Zero oil spills from vessels (without regard to amount)	Promote safe navigation (prevent contamination)	Lubricant oil that was mixed with rainwater leaked from a charter vessel, although the amount was small.	U
			Perform safe cargo handling on oil tankers		
			Implement safe bunkering and oil transfers Carry out maintenance work for potential oil leaks outside of vessels securely		
			Prevent oil leaks from the deck when at anchor and berthing		
		Familiarization with Emergency Response			
Implementation of Ballast Water Exchange	Execution of ballast water exchange in rigid compliance with port state regulations	Vessels have complied with ballast water exchange procedures in accordance with port state regulations and instructions by agencies (achievement: 100%).	UUUU		
Natural Resource Saving and Reduction of Waste	Conservation of Natural Resources	Maintain 20% or more reduction in fuel oil consumption per ton/mile unit load over FY2001	Implement effective operation by onshore organization	Achieved 30.95% reduction in fuel oil consumption per ton/mile unit load over FY2001	UUUU
			Implement effective onboard navigation Adding chemicals to boost combustion efficiency and reducing fuel oil consumption		
		Reduction in consumption of paper per employee	Reduction through converting reference documents to electronic data Reduction by saving paper	Paper consumption: 2015: 9,313 sheets/person 2014: 9,332 sheets/person Results: reduced 19 sheets per person (0.2%) over previous year	UUUU
			Promoting paperless operations by introducing onboard vessel-management software		
Conserve electricity	Made energy-saving efforts to cope with low power distribution, turning off unused lights, computers, and equipment and eliminating unnecessary lighting. Saved energy through Cool-Biz (casual summer office clothes) and other initiatives during summer.	Set room temperature at 28°C in summer (July through September). Promote "Super Cool Biz" casual wear.	UUUU		
Conservation of Air Quality (Contamination prevention)	Reduction of Harmful Air Pollutants	Maintain 20% or more reduction in NOx emission per ton/mile unit load over FY2001	Implement effective operation and navigation Improved devices can reduce NOx level. These will be installed on newly constructed vessels in accordance with regulations.	30.95% reduction in NOx emission per ton/mile unit load over FY2001	UUUU
		Maintain 20% or more reduction in CO <sub>2</sub> emission per ton/mile unit load over FY2001	Implement effective operation and navigation Note: Even with the latest models, it is impossible to reduce CO <sub>2</sub> emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	30.92% reduction in CO <sub>2</sub> emission per ton/mile unit load over FY2001	UUUU
		Reduce 20% CO <sub>2</sub> emission (average: 2013-2020) per transported unit over FY1991 (to be in line with the Japanese Shipowners' Association's Commitment to a Low Carbon Society)	Implement effective operation and navigation Note: Even with the latest models, it is impossible to reduce CO <sub>2</sub> emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	25.84% reduction in CO <sub>2</sub> emission per transportation unit load over FY1991	UUUU
		Implement GREEN FLAG INCENTIVE PROGRAM (100%) in a vessel placed in service at Long Beach Harbor in the United States	Sail at 12 knots or less within 40 miles of relevant port	Implemented a program for vessels calling at the port (9 vessels: seven vessels for the Coal/Bulk Carrier Group and two vessels for the Tramp Chartering Group)	UUUU

unit load (average) versus FY2001 figures by FY2016

 : Achieved 
  : Partly achieved 
  : Needs review

PLAN ⇨	DO ⇨	
Target for FY2016	Content of Activities	Term
Implement in-house education (at least three times a year)	Designate a training program for new employees	Full year
	Provide in-company training making use of group meetings	Full year
Train internal environmental auditors (at least one)	Foster internal auditors within the environment secretariat	Full year
Implement pre-boarding seminar (100%)	NS United Kaiun implements the educational training to "Top4" (captain, chief engineer, C/O, and 1/E) and Japanese crew To those other than the above, manning companies implement the training.	Full year
Implement onboard education of crew (once a year for each vessel)	Implement onboard education of crew	Full year
Hold Shipboard Safety and Health Committee meetings (once a month)	Disseminate environment conservation matters by Shipboard Safety and Health Committee	Full year
Zero oil spills from vessels (without regard to amount)	Promote safe navigation (prevent contamination)	Full year
	Perform safe cargo handling on oil tankers	Full year
	Implement safe bunkering and oil transfers Carry out maintenance work for potential oil leaks outside of vessels securely	Full year
	Prevent oil leaks from the deck when at anchor and berthing	Full year
Reduction of marine pollutant emissions	Treatment of soot when implementing soot blow for boilers and economizers	Full year
Implementation of Ballast Water Exchange	Execution of Ballast Water Exchange in rigid compliance with port state regulations	Full year
Maintain 20% reduction in fuel oil consumption per ton/mile unit load over FY2001	Implement effective operation by onshore organization	Full year
	Implement effective onboard navigation	Full year
	Adding chemicals to boost combustion efficiency and reducing fuel oil consumption	Full year
Reduction in consumption of paper per employee	Reduction through converting reference documents to electronic data Reduction by saving paper	Full year
	Promoting paperless operations by introducing onboard vessel-management software	Full year
Conserve electricity	Made energy-saving efforts to cope with low power distribution, turning off unused lights, computers, and equipment and eliminating unnecessary lighting. Saved energy through Cool-Biz (casual summer office clothes) and other initiatives during summer.	Full year
Maintain 20% reduction in NOx emission per ton/mile unit load over FY2001	Implement effective operation and navigation Improved devices can reduce NOx level. These will be installed on newly constructed vessels in accordance with regulations.	Full year
Maintain 20% reduction in CO <sub>2</sub> emission per ton/mile unit load over FY2001	Implement effective operation and navigation <small>Note: Even with the latest models, it is impossible to reduce CO<sub>2</sub> emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.</small>	Full year
Reduce 20% CO <sub>2</sub> emission (average: 2013-2020) per transported unit over FY1991 <small>(to be in line with the Japanese Shipowners' Association's Commitment to a Low Carbon Society)</small>	Implement effective operation and navigation <small>Note: Even with the latest models, it is impossible to reduce CO<sub>2</sub> emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.</small>	Full year
Implement GREEN FLAG INCENTIVE PROGRAM (100%) in a vessel placed in service at Long Beach Harbor in the United States	Sail at 12 knots or less within 40 miles of relevant port	Full year
Prevent use of low-quality fuel oil.	Implement fuel oil analysis. Use lower sulfur fuel oil in specific ocean areas.	Full year

## Reducing Environmental Impact

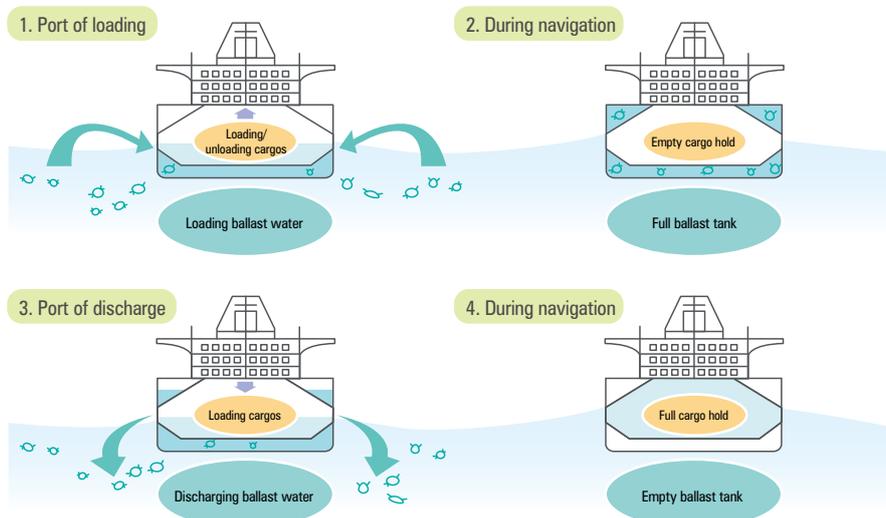
### Responding to the Ballast Water Management Convention (BWM)

In February 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments (also known as the Ballast Water Management Convention (BWM)), aiming to prevent damage to the ocean environment, the ecosystem, and human health caused by harmful aquatic life (e.g. algae and shellfish) or pathogenic organisms (e.g. *Vibrio cholerae*) contained in the ballast water in the vessel. The ballast water is loaded in the vessel and discharged at the destination. To enact the BWM, at least 30 and 35% merchant shipping tonnage is required. Currently, the

Convention has been ratified by 44 countries, whose vessels account for 32.86% of the total, meaning that most of the Convention's conditions have been satisfied and it has now entered the final stage.

Once the Convention is enacted, all vessels regardless of age (including those to be constructed in the future) will be under the control of the Convention and will be required to use a ballast water processor to remove, sterilize, and destroy aquatic life and pathogenic organisms contained in the ballast water.

Starting from 2013, NS United Kaiun started to install ballast water processors in newly constructed vessels. We will install the processors to existing vessels in the future to make contributions to ocean environment conservation.



Source: Materials released by the Ministry of Land, Infrastructure, Transport and Tourism "Travel of aquatic life through ballast water" (February 16, 2004)

### 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 fuels such as heavy 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.
- Slow steaming and optimized route planning in accordance with changing situations.
- Minimizing fuel consumption per transported unit



NS United Coastal Tanker Kaisha, LTD. AKEBONO MARU, which transports LNG, a fuel with very low CO<sub>2</sub> emissions

## ■ Constructing energy-saving newly built vessels

The new coal ash carrier *Himawari*, which is shared by NS United Naiko Kaiun Kaisha, Ltd. and EPDC Coal Tech and Marine Co., Ltd. and was completed on December 17, 2014, is equipped with a variety of energy conservation equipment and devices. These facilities and devices are approved by MLIT (the Ministry of Land, Infrastructure, Transport and Tourism) as energy-saving facilities.

The hull of the vessel was also constructed with consideration for safety and environmental friendliness by adapting a hold structure that ensures damage stability.

The following shows the main particulars of the vessel and its energy conservation equipment and devices:

### Main particulars of the vessel and energy conservation equipment and devices (HIMAWARI):

#### Major items:

Total length	100.90 m
Width	17.50 m
Depth	8.70 m
Maximum draft line	5.60 m
Gross tonnage	4,064 ton
Deadweight tonnage	3,802 mt
Hold capacity	4,079 m <sup>3</sup>
Main engine diesel	Diesel LH41LAG
Output	2,647 KW

#### Energy conservation facility and devices

##### Shaft Generator

Energy Conservation Stator: Radial fins attached forward of the propeller for rectification

Propeller Boss Cap Fin: Fin attached to propeller boss aft of the propeller for rectification

Central Plate Cooler: Heat exchanger for the main engine cooling water

Latest antifouling ship bottom paint



New vessel the *Himawari*, completed under shared ownership with EPDC Coal Tech and Marine Co., Ltd.

## ■ Preventing the Generation of Dioxins

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

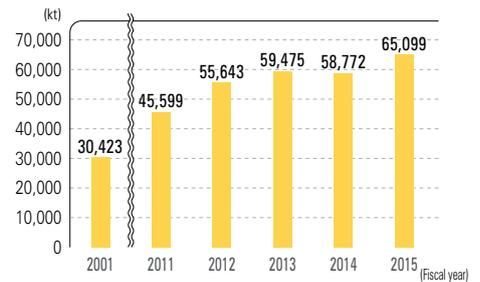
## ■ Prevention of Ozone Depletion

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.

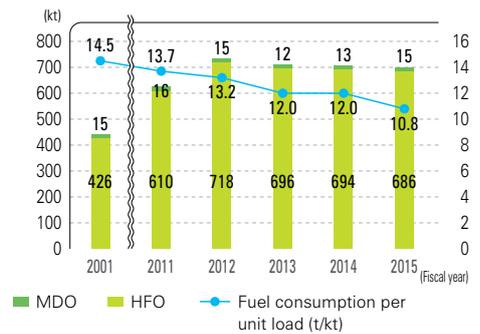
For our new vessels, we have adopted freezing and cooling machinery that uses a freon substitute, and fire extinguishing systems that use CO<sub>2</sub> or high-expansion foam.

New installation of freon or halon fire extinguishing systems has been prohibited; however, use of existing equipment is allowed.

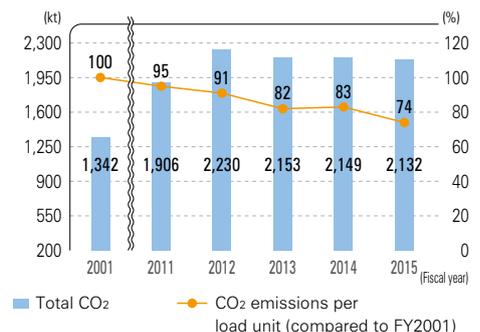
### Traded Cargo Volume



### Fuel Consumption



### CO<sub>2</sub> Emission Volume



## Reducing Environmental Impact

### Preventing air pollution caused by vessels

As introduced on the previous page, the International Maritime Organization (IMO) has adopted MARPOL Annex VI: Regulations for the prevention of air pollution from ships. The requirements for emissions of air pollutant substances are expected to be stricter in the future. The following explains our actions in order to comply with the stricter regulations.

#### Stricter regulations for SOx (sulfur oxides)

From January 2015, SOx emissions control has been tightened for ocean areas where emissions are limited (Europe: the North Sea and Baltic Sea; North America: the coastal area of the US and Canada) and the sulfur content of fuel oil will be limited from the current 1.0% or less to 0.1% or less.

After 2020 or 2025, it is thought that SOx emissions regulations will be further tightened in all ocean areas and the sulfur content of fuel oil will be limited from 3.5% or less to 0.5% or less. The

specific start time will be determined by deliberation of the IMO in 2018. We will closely watch the future trends.

Other than using lower-sulfur fuel oil, marine machinery manufacturers develop devices that clean exhaust gas from engines to remove SOx or use diesel engines run on natural gas. The Company will learn more in order to make the best choice from new technologies.

#### Stricter regulations for NOx (nitrogen oxides)

For new vessels to be constructed after January 2016, it is necessary to reduce NOx emissions by 80% compared to those constructed between 2000 and 2010, if the vessels navigate the NOx emission control area along the North American coastlines (US and Canada). To satisfy the requirements, vessels need to mount device to reduce NOx emissions. Therefore, we will keep a close eye on device development trends when considering the specifications of vessels to be constructed in the future.

### Area with limited emission



200-mile area from US and Canadian coast (NOx and SOx)



US and Caribbean Ocean area (NOx and SOx)

Note: It is possible to designate SOxECA and NOxECA separately.

Source: Japanese Shipowners' Association

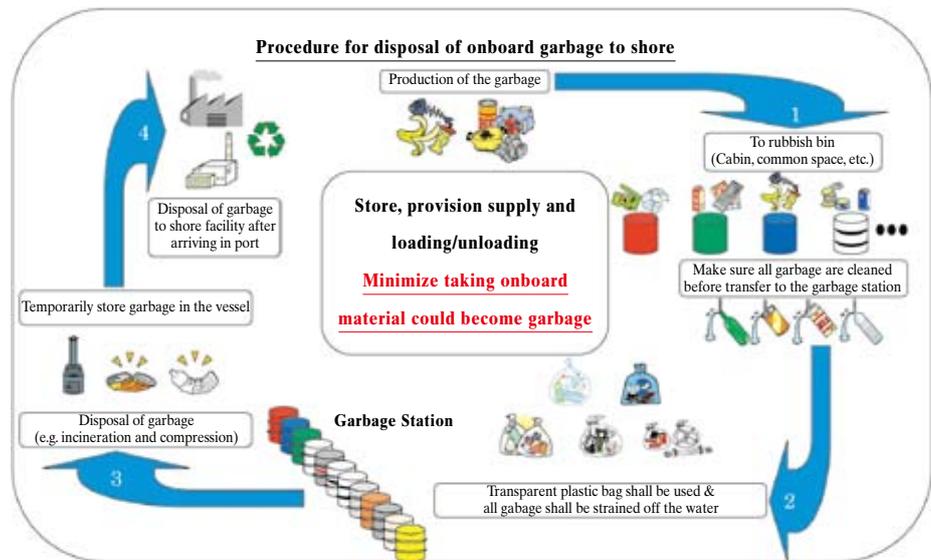
## ■ Proper Disposal of Onboard Garbage

Various kinds of garbage are generated by the crew accommodation onboard. Such onboard garbage was thoroughly separated and collected as is done onshore, and was either burned onboard or duly disposed of onshore, except items that can be disposed in the ocean after pulverization, such as food waste.

MARPOL Annex V has been revised and entered into force from 1st January 2013. According to the revised MARPOL Annex ocean disposal of V, all garbage generated onboard is prohibited (with the exception of food waste, cargo residue, and the like). Therefore, all vessels are urged to bring their garbage to a port and dispose of it onshore. Accordingly, we revised the Garbage Management Plan procedure and started a new system. The Plan has been approved voluntarily by Class and the current garbage management system onboard adopts a stricter garbage storing system (12 types) to meet garbage sorting and recycling requests at various ports.

In addition, the Company strives to formulate a storage system for onboard garbage by providing can crushers and garbage compressors, promoting garbage incineration, as well as minimizing items to load on the vessels (e.g. reducing the use of disposable paper cups and chopsticks, and unnecessary packaging materials).

The Company is monitoring the disposal process through reports from each vessel to ensure proper execution of the Garbage Management Plan.



Source: 3R (Recycle, Reuse, Reduce) policy of, Ministry of Economy, Trade and Industry Website: <http://www.meti.go.jp/policy/recycle/main/data/illust/index.html>

## Environmental Education

### ■ Crew Member's Environmental Education

NS United Kaiun has organized and implemented onboard education and training through OJT in addition to classroom training for crew members ashore. The plan includes items related to environmental protection and is implemented during pre-boarding seminars to improve crew awareness.

We provide pre-boarding seminars to Japanese crew members and the "Top 4" (namely, the captain, chief engineer, chief officer, and first engineer) at NS United Kaiun Kaisha. For the crew other than those listed above, overseas manning companies provide seminars on our behalf.

The items in the seminar include Revision of the Garbage Management Plan, Operation of the Ship Energy Efficiency Management Plan (SEEMP), responding to the MARPOL Convention, and Overview of Past Accidents and Countermeasures.

These seminars help take crewmember skills and awareness to the next level.

### ■ Upgrading of Crew

There have been a variety of seminars aiming to boost the performance level of crew in Philippines. To further increase professional knowledge, there is a seminar (called the "Technical Seminar") specially designed for captains, engineers, and officers on vacation. The seminar is provided two times a year with themes dedicated to officers and engineers, focusing on onboard tasks.

The seminar is also provided two times a year in Vietnam.



At the Technical Seminar in the Philippines.

# Ensuring Safe Navigation

### Efforts that Support Safe Navigation

Safe navigation is the core of the Company's business. We make efforts to achieve zero marine accidents and support safe navigation under the systems described below with the acknowledgement that safe navigation of vessels is the top priority issue in order to promote activities for the conservation of the global environment, especially the marine environment.

#### Accident Zero Achievement Committee

The Accident Zero Achievement Committee analyzes the causes of accidents that have occurred concerning vessels managed by the Company, looking in detail at both physical/hardware aspects and systemic or "soft" aspects. It also analyzes the causes in chronological order and examines preventive measures. These are fed back to each vessel site with the aim of achieving zero accidents.

#### Vessel Safety Management System Committee

Proposals for improvement by ships managed by the Company, accident statistics results of internal audits of ships owned by the Company and of the Vessel Management Division, and matters pointed out by external vessel inspections such as PSC are reported to the Vessel Safety Management System Committee, which reviews the vessel safety management system and quality management system—the core components of vessel management—and makes improvements on a continuous basis.

#### Near-Miss Report System

A near-miss box has been installed on ships owned by the Company for accident prevention and crew members have been encouraged to collect details of more near-miss incidents through its use. We pursue safe operation by analyzing near-miss incidents on board or at the Vessel Management Division and by studying preventive measures, which are aggregated and fed back to management vessels.

#### Shipboard Safety and Health Committee

NS United Kaiun convenes the Shipboard Safety and Health Committee with the participation of all crew members every month on each management vessel to read the minutes of the above-mentioned committees and discuss shipboard activities concerned with safety, health, and environmental protection with the aim of raising crew members' awareness regarding safety/health management and environmental conservation.



Safety and Health Committee activities on board

### ECDIS Training Initiatives

A new requirement for vessels to equip ECDIS\* was adopted at the International Maritime Organization (IMO) in July 2012. Training and qualification for operation is also required for all bridge watch personnel. NS United Kaiun is vigorously working on effective and smooth crew qualifications to cover all types of ECDIS on our management vessels and catch up with the requirements in a timely manner. Especially in the Philippines, a major crew supply country, we have facilitated a special training facility and promote in-house trainers at NS United Marine Philippine, Inc. (NSUMP) in collaboration with Tokyo Keiki Inc. and Nippon Kaiji Kyokai (Class NK)—the first in the Japanese shipping industry to approve ECDIS type specific training. The course also effectively provides quality training not only to Filipino crew members but also Vietnamese crew members on a daily basis.



Training session  
Lecturer: Training Manager Mr. Salvador I. Garay II



ECDIS EC-8600

ECDIS\*: The Electronic Chart Display and Information System (ECDIS) is a navigational aid which allows the simultaneous display of multiple pieces of information, such as Electronic Navigational Charts (ENCs), GPS position, and planned course line on a CRT. The system is also equipped with alerts, such as deviation from planned course and approach shallow water.

### Vessel Inspections

Vessel inspections are one of our management activities that ensure safe operation of our management vessels. Annual safety inspections are carried out to confirm conformity to our own safety standards. Semi-annual Superintendent (SI) visits are carried out to confirm the condition of the vessel, for maintenance planning and for crew education. Internal audit is carried out annually to confirm compliance with our Safety Management System, Environmental Management System, and Ship Security Plan. In addition to the above inspections for management vessels, charter vessel inspections are carried out periodically to maintain the NS United Kaiun safety standards in cooperation with owners and their ship managers.

## Safety Campaigns

The NS United Kaiun Group conducts campaigns to raise safety awareness and has designated the period from October to January as the campaign period for opinion exchange with crew members. Directors and group leaders (including President Toru Obata, who is concurrently Chairman of the Safety and Environmental Committee) visited vessels to facilitate communication between company and management vessels. To further strengthen safe operation, we are once again aware of the importance of safe navigation, which we consider to be the foundation of NS United Kaiun. Our united efforts with shore staff and crew are a core part of the Company's safe navigation.

### Content of the meeting:

- Notification and explanation of examples, causes, and preventive measures concerning recent accidents
- Notification of examples of near-misses that could lead to a major accident
- The importance of teamwork in maintaining safe operations

In the safety campaign, we confirmed with our crew members that we would go back to the basics to maintain safe navigation, and aim for zero accidents and disasters.

Under the slogan of "Striving for zero accidents", NS United Naiko Kaiun Kaisha, Ltd. formulates sub-slogans twice a year and visits vessels in operation to educate its crew and staff on the significance of safe navigation. The activities focus on raising safety awareness during the summer and thorough checking of navigation during winter.

### Campaign challenges:

- (1) Distributing Safety Campaign posters
- (2) Presenting awards to the winning vessels of the previous campaign
- (3) Distribution of campaign materials
- (4) Familiarization with preventative measures using past examples of accidents and problems

NS United Coastal Tanker Kaisha, LTD. announces Priority Safety Objectives and Voyage Safety Declarations on a monthly basis. These are made known to vessels under operational management and vessel owners to heighten safety awareness. The Company also conducts educational campaigns for safe operation, with an annual Zero Dense Fog Accident Campaign and New Year's Zero Accident Campaign.

Achieving zero accidents and zero disasters is a never ending mission. NS United Kaiun Group will ensure safe navigation for all vessels in operation by maintaining keen communication between vessels and shore in addition to continuing to visit vessels in the future.

## Emergency Response Exercises

On October 29, 2014, an emergency response exercise was carried out. The exercise assumed a scenario wherein one of our tankers fully loaded with crude oil collided with a container vessel in the Straits of Malacca while heading from Saudi Arabia to South Korea, resulting in both vessels stopping, with the bow of the container vessel cutting into the starboard bow of our vessel and rupturing the cargo tank of our vessel, causing oil to spill into the sea.

We had an operating oil tanker participate on the day of the exercise and carried out communication and reporting between land and sea as in an actual accident. As part of the drill, we established an emergency measures headquarters within the Company with the president as its chief. Since it is expected that details of such accidents made public, we also invited members of the press who report on maritime affairs to participate and held a mock press conference.



Emergency Response Exercises



Fire-fighting Drill (on board)



Safety Campaign

Topic

**Letter of Appreciation and Green Flag from Long Beach Harbor for Our Environmental Measures**

Long Beach Harbor in the United States has been implementing a coastal slow steaming program, the Green Flag Incentive Program, which aims to control gaseous emissions from ships, since 2005. Under the Program, ships stopping at Long Beach are advised to sail at 12 knots or less within 40 or 20 miles of Long Beach Harbor. An Environment Award is granted to shipping companies that observe the slow-down regulations in more than 90% of port calls a year and a Green Flag is given to shipping companies that observe the regulations 100% of the time.

The Company received a letter of appreciation and a Green Flag from the Port Authority of Long Beach Harbor in the United States in recognition of the slow-down being achieved in 100% of port calls by a total of nine ships in FY2015 (seven in the Coal/Bulk Carrier

Group, two in the Tramp Chartering Group). The Company will continue to cooperate with the efforts of ports and related parties in addition to making voluntary efforts in environmental conservation.



Navigation staff holding up the flag

Glossary

**ISO14001** ..... P16, P31

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.

**ISO9001** ..... P16, P21, P31

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.

**International Convention for the Prevention of Pollution from Ships, 1973, as Modified by the 1978 and 1997 Protocols (MARPOL Convention)** ..... P26, P27

The convention stipulates initiatives for preventing contamination through oil, water, and waste.

**SOx (sulfur oxides), NOx (nitrogen oxides)** ..... P22, P23, P26

Exhaust gas from engines and boilers used in vessels contains SOx (sulfur oxides) and NOx (nitrogen oxides) generated in the course of combustion. The NOx and SOx react with water vapor or oxygen in the air to become nitric acid and sulfuric acid respectively. These substances return to the earth in the form of acid precipitate after being absorbed by rain drops. The acid precipitate often causes severe environmental damage such as damage to forests or killing lake or river organisms.

**Ozone Depletion** ..... P25

An atmospheric layer 20 to 25 km above the Earth's surface that is rich in ozone (an allotrope of oxygen). It absorbs a large amount of harmful ultra-violet rays from the sun, protecting organisms on the surface of the planet. Damage to the ozone layer would allow more harmful ultra-violet rays to reach the surface, with harmful effects such as skin cancer and conjunctivitis.

**Greenhouse gas** ..... P24

This is a collective term for gases suspected to be harmful in terms of global warming. Among the greenhouse gases, CO<sub>2</sub> is emitted when fossil fuels, such as petroleum products and coal, are consumed. CO<sub>2</sub> is thus emitted as a result of fuel consumption during vessel navigation. Therefore, reducing CO<sub>2</sub> emissions that lead to global warming is directly connected to reduction of fuel consumption.

**Slow steaming** ..... P24

Generally, vessels can significantly reduce fuel consumption by sailing more slowly, since the fuel consumption is reduced faster than speed. Therefore, if the navigation schedule is not tight, CO<sub>2</sub> emission and fuel costs can be reduced by steaming at lower speeds.

**International Maritime Organization (IMO)** ..... P15, P21, P24, P26, P28

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 ocean pollution by vessels, and the abolition of discriminatory treatment between countries.

**Dioxins** ..... P25

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. Although dioxins are decomposed at over 800°C, they recombine as they cool down, so exhaust gases are cooled down rapidly to limit formation of dioxins.

**Ballast water** ..... P22, P23, P24

Ballast water is water used as a weight to stabilize the posture of vessels at sea. The vessels sink when loading cargo and float when unloading cargo. However, excess float may upset the balance of the vessel, so the vessels typically load ballast water into dedicated ballast tanks when unloading cargo in order to prevent excess float, and discharge the ballast water when loading cargos to ensure that adequate draft (depth of the ship in the water) is maintained.

**Chlorofluorocarbons (CFCs)** ..... P25

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.

**Work-life balance** ..... P18

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.

# History of CSR Activities at the NS United Kaiun Group

<b>May</b>	<b>2000</b>	Safe Navigation Committee established.
<b>October</b>	<b>2000</b>	Corporate Philosophy of Shinwa Kaiun Kaisha, Ltd. established.
<b>December</b>	<b>2000</b>	Regulations regarding avoidance of accidents at sea and accident countermeasures established.
<b>January</b>	<b>2001</b>	Shinwa Marine Corp., receives ISO 9002 certification (Class NK)
<b>September</b>	<b>2001</b>	Safety and Environmental Committee established.
<b>October</b>	<b>2001</b>	Shinwa Kaiun Group Environmental Statement formulated.
<b>December</b>	<b>2001</b>	Rules regarding control of inside information and insider trading revised.
<b>May</b>	<b>2002</b>	Environmental Report 2002 published.
<b>November</b>	<b>2002</b>	Investor Relations Committee established.
<b>December</b>	<b>2002</b>	Regulations regarding disasters at sea and other emergency circumstances revised.
<b>April</b>	<b>2003</b>	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.
<b>May</b>	<b>2003</b>	Shinwa Marine Corp., receives ISO 9001-2000 certification
<b>September</b>	<b>2003</b>	Environmental Report 2003 published.
<b>November</b>	<b>2003</b>	Standards of Conduct established.
<b>June</b>	<b>2004</b>	Environmental Report 2004 published.
<b>July</b>	<b>2004</b>	Guidelines established for use of computer equipment, e-mail, and the Internet.
<b>December</b>	<b>2004</b>	Compliance Committee established.
<b>December</b>	<b>2004</b>	Internal audit regulations established.
<b>December</b>	<b>2004</b>	Shinwa Kaiun Group Environmental Statement revised.
<b>June</b>	<b>2005</b>	Environmental Report 2005 published.
<b>July</b>	<b>2005</b>	Shinwa Kaiun Group Safe Operation Management Committee established.
<b>May</b>	<b>2006</b>	CSR Committee established. Policy for CSR programs formulated.
<b>June</b>	<b>2006</b>	CSR Report 2006 published.
<b>July</b>	<b>2006</b>	Policy created for subsidiary representatives to participate as observers in the CSR Committee.
<b>June</b>	<b>2007</b>	CSR Report 2007 published.
<b>June</b>	<b>2008</b>	CSR Report 2008 published.
<b>April</b>	<b>2009</b>	Shinwa Marine Corp., acquires ISO9001 (2008 version) certification
<b>April</b>	<b>2009</b>	Shinwa Kaiun Group Environmental Statement revised as Environmental Policy
<b>June</b>	<b>2009</b>	CSR Report 2009 published.
<b>June</b>	<b>2010</b>	CSR Report 2010 published.
<b>October</b>	<b>2010</b>	Merged with Nippon Steel Shipping Co., Ltd and changed registered name to NS United Kaiun Kaisha, Ltd.
<b>April</b>	<b>2012</b>	Internal Controls Committee established (after dissolving Internal Control Promotion Committee)
<b>June</b>	<b>2012</b>	CSR Report 2012 published.
<b>June</b>	<b>2013</b>	CSR Report 2013 published.
<b>October</b>	<b>2013</b>	Established Group Corporate Philosophy
<b>June</b>	<b>2014</b>	CSR Report 2014 published.



ISO14001: 2004 Approval Registration Certificate

Note: For period after 2000

## Management's Discussion and Analysis (FY2015)

### Overview of the Fiscal Year under Review

During the fiscal year under review, although economic trends varied between countries, the world economy lacked the momentum of emerging market growth in light of the tense situations in Ukraine and the Middle East, while developed countries saw recoveries led by domestic demand, particularly in the United States.

The United States saw robust growth led by capital expenditure and housing investments in the first half of the fiscal year and by consumer spending in the latter half. In European countries, consumer spending trended robustly, which was the primary factor in the economic recovery seen in the U.K., while the eurozone remained at a low growth level due to the sluggish growth of exports to Russia as the Ukraine crisis unfolded as well as weak capital expenditure. In China, economic growth slowed down due to structural adjustment by the government aimed at suppressing rapid economic growth. In Japan, signs of economic recovery were seen due to continued yen depreciation, the benefits of additional monetary easing and the drop in oil prices. This was despite the negative impact of the reaction to the last-minute demand prior to the consumption tax hike.

In international, the outlook remains uncertain as the dry bulk market continues to trend at extremely worrying levels, despite recovery in the oil tanker market.

The overall dry bulk market fell short of initial expectations in all carrier types, and trended at historical lows. This occurred following the lack of resolution of excess supply resulting from a large amount of new ships being completed in recent years, as well as because of factors that led to reduced tonnage demand such as the economic slowdown in China and the decrease in ship congestion in Australian and South American ports. The

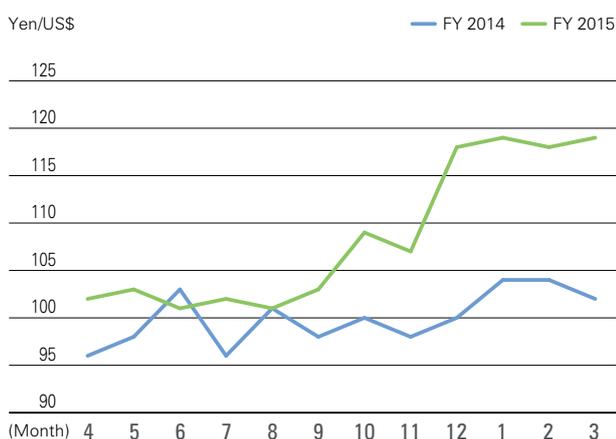
market for Capesize bulk carriers saw a deterioration of market mood and sluggish market conditions as the drop in iron ore prices reduced resource companies' willingness to ship, and as demand for transportation loaded in Brazil failed to increase during the demand season in autumn, contrary to overheated expectations following the surge in market conditions in the previous year. Furthermore, the market for handy- and medium-sized bulk carriers below the Panamax class remained sluggish due to a decrease in coal import volumes owing to a slowdown in the Chinese economy, and Indonesia's export ban on mineral ore.

On the other hand, while the oil tanker market had trended at low levels since the beginning of the term due to a drop in demand owing to regular maintenance by refineries, conditions improved from late October on the back of an increase in import volume by countries that entered a period of demand following the drop in oil prices, as well as an increase in offshore inventory in anticipation of future price rises.

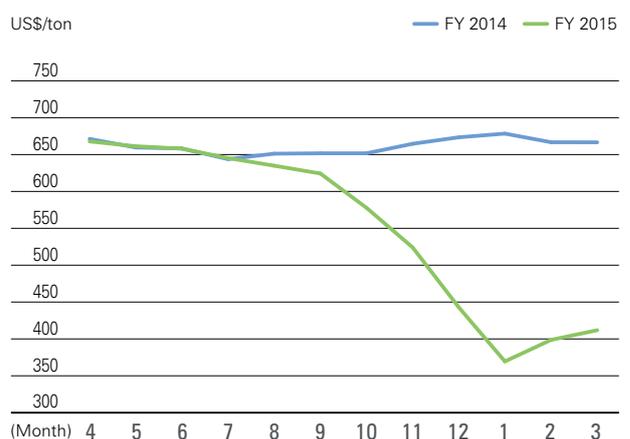
The coastal shipping business secured generally stable transportation volume for both dry bulk and tankers except for certain cargo such as cement and LPG.

With regard to fuel oil prices, the average purchase price of Bunker (fuel oil C) for overseas shipping for the fiscal year under review was approximately 627 U.S. dollars per ton in the first half, 460 U.S. dollars in the second half, and 539 U.S. dollars on average for the year, a drop of approximately 88 U.S. dollars compared to the previous year. Although fuel oil prices dropped further to the level of 300 U.S. dollars as of the end of the fiscal year, this did not lead to improvement in revenues for this fiscal year due to a decrease in freight contracts with BAF (bunker adjustment factor) as well as the time it takes to consume fuel oil that was purchased before prices dropped. As for the exchange rate of the

Trends in U.S. Dollar-Yen Exchange Rate (inter-office rate)



Trends in Prices of Fuel Oil (bonded fuel oil of Japan)



yen against the U.S. dollar, the average exchange rate was 102 yen for the first half, 115 yen for the second half, and 108.50 yen for the year, down 8.50 yen from the previous fiscal year.

Amid this business environment, the Company posted consolidated revenues of 157,625 million yen (up 2.6% year on year), operating income of 9,474 million yen (compared to operating income of 8,842 million yen a year earlier), and ordinary income of 10,380 million yen (compared to ordinary income of 8,920 million yen in the previous year). These increases in revenues and profits were made possible because the Company succeeded in thoroughly pursuing efficient navigation and cutting costs as well as realizing foreign exchange gains from the weaker yen and benefits from the reduction in free fleets through the sale of vessels in the previous year. The Company posted net income of 8,626 million yen (compared to 10,778 million yen a year earlier), which is less than that in the previous year due in part to the lack of extraordinary income in an amount similar to the year before, despite increases in operating income and ordinary income. The operations of the Group consist mostly of marine transportation. More than 80% of consolidated revenues come from overseas shipping services, while the coastal shipping service accounts for a little less than 20%.

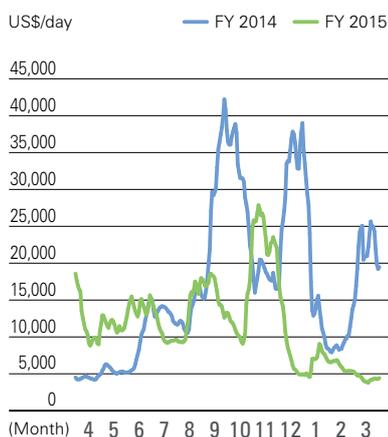
### Forecast for the Next Fiscal Year

In the next fiscal year (FY2016), the world economy is expected to remain in a state of moderate recovery due to a slowdown in economic growth in China and resource countries, despite tailwinds such as the drop in oil prices and the rise in the growth rates of developed countries such as the United States, where the labor market is seeing improvement.

In the overseas shipping market, a situation where early recovery of market conditions seems unlikely is expected to continue for a while due to the significant degree of impact of sluggish dry bulk freight market conditions on profits, although improvement in profits is expected due to a reduction in operation costs following the drop in fuel oil prices and the correction of the yen appreciation. Furthermore, since foreign exchange gains as large as the fiscal year under review cannot be expected due to stabilizing exchange rates, a significant deterioration of non-operating profit and loss is expected.

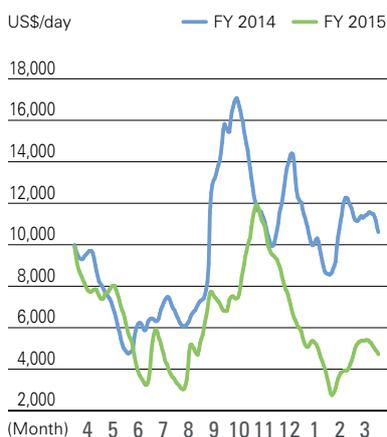
Given these business environments, we expect consolidated revenues of 158,000 million yen, operating income of 8,200 million yen, ordinary income of 6,100 million yen, and net income attributable to the owners of the parent company of 5,100 million yen in the next fiscal year. The assumptions in this forecast are an exchange rate of 115 yen to the U.S. dollar and a domestic (customs bond) Bunker price (fuel oil C) of 450 dollars per ton.

#### Capesize Bulk Carriers (Four Primary Routes)



Note: Figures for Capesize bulk carrier market conditions represent an average for four routes for May 5, 2014 and earlier, and for five routes (new standard) for May 6, 2014 and onward.

#### Trends in Time Charter Rates Panamaxsize Bulk Carriers (Pacific Ocean Round)



#### Handysize Bulk Carriers (Four Primary Routes)



## Consolidated Financial Statements (Summary)

## Consolidated Balance Sheet

Millions of yen

As of March 31	2014	2015
<b>ASSETS</b>		
Current assets	60,592	66,759
Fixed assets	163,915	160,904
Tangible fixed assets	155,857	152,848
Intangible fixed assets	253	235
Investments and other assets	7,804	7,821
<b>Total assets</b>	<b>224,507</b>	<b>227,663</b>
<b>LIABILITIES</b>		
Current liabilities	37,484	38,857
Long-term liabilities	122,080	112,325
<b>Total liabilities</b>	<b>159,564</b>	<b>151,181</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	10,300	10,300
Capital surplus	13,429	13,429
Retained earnings	39,721	46,127
Treasury stock, at cost	(27)	(27)
Total shareholders' equity	63,423	69,829
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	588	690
Gains (losses) on deferred hedge	(1,686)	2,758
Foreign currency translation adjustments	109	168
Remeasurements of defined benefit plans	59	268
Total accumulated other comprehensive income	(931)	3,885
Minority interests	2,451	2,768
<b>Total net assets</b>	<b>64,943</b>	<b>76,481</b>
<b>Total liabilities and net assets</b>	<b>224,507</b>	<b>227,663</b>

## Consolidated Statement of Cash Flows

Millions of yen

For the Years Ended March 31	2014	2015
Cash flow from operating activities	12,590	24,581
Cash flow from investing activities	(40,250)	(10,782)
Cash flow from financing activities	35,904	(11,978)
Effect of exchange rate changes on cash and cash equivalents	(270)	427
Net increase in cash and cash equivalents	7,974	2,248
Cash and cash equivalents at the beginning of the year	20,262	28,237
Cash and cash equivalents at year-end	28,237	30,485

## Consolidated Statement of Income

Millions of yen

For the Years Ended March 31	2014	2015
<b>Revenues</b>	153,665	157,625
<b>Operating expenses</b>	138,645	141,983
<b>Gross profit</b>	15,021	15,641
General and administrative expenses	6,179	6,167
<b>Operating income</b>	8,842	9,474
Non-operating income	1,799	2,855
Non-operating expenses	1,721	1,949
<b>Ordinary income</b>	8,920	10,380
Extraordinary profits	3,821	435
Extraordinary losses	737	124
<b>Income before income taxes</b>	12,005	10,691
Income taxes—current	815	907
Income taxes—deferred	(40)	785
<b>Income before minority interests</b>	11,229	9,000
<b>Minority interests</b>	452	373
<b>Net income</b>	10,778	8,626

## Consolidated Statement of Shareholders' Equity

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at March 31, 2014</b>	10,300	13,429	39,721	(27)	63,423
Cumulative effects of changes in accounting policies			(144)		(144)
Restated balance	10,300	13,429	39,577	(27)	63,280
Changes of items during the term					
Dividends of surplus			(2,076)		(2,076)
Net income			8,626		8,626
Acquisition of treasury stock				(0)	(0)
Change of scope of consolidation			(0)		(0)
Net changes of items other than shareholders' equity					
<b>Total changes of items during the term</b>	—	—	6,550	(0)	6,550
<b>Balance at March 31, 2015</b>	10,300	13,429	46,127	(27)	69,829

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized gains (losses) on securities	Gains (losses) on deferred hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at March 31, 2014</b>	588	(1,686)	109	59	(931)	2,451	64,943
Cumulative effects of changes in accounting policies						1	(142)
Restated balance	588	(1,686)	109	59	(931)	2,452	64,801
Changes of items during the term							
Dividends of surplus							(2,076)
Net income							8,626
Acquisition of treasury stock							(0)
Change of scope of consolidation							(0)
Net changes of items other than shareholders' equity	103	4,444	59	209	4,815	316	5,131
<b>Total changes of items during the term</b>	103	4,444	59	209	4,815	316	11,681
<b>Balance at March 31, 2015</b>	690	2,758	168	268	3,885	2,768	76,481

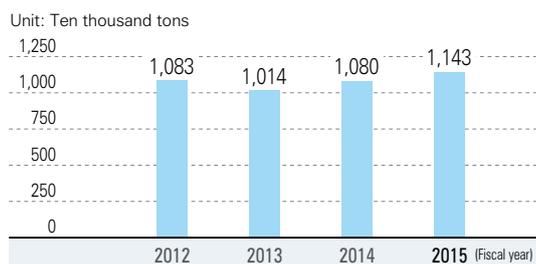
## Outline of the Company (As of March 31, 2015)

### Outline of Company

<b>Company name</b>	NS United Kaiun Kaisha, Ltd.
<b>Head office</b>	Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan
<b>Established</b>	April 1, 1950
<b>Principal lines of business</b>	International marine transportation services and related businesses
<b>Capital</b>	¥10,300,000,000
<b>Stock market listings</b>	Tokyo Stock Exchange (First Section)
<b>Number of employees</b>	228



**Fleet** 124 vessels, 11,430,000 DWT (including vessels owned by NS United Tanker Pte. Ltd.)



### Directors, Audit & Supervisory Board Members and Executive Officers (As of June 25, 2015)

#### Directors, Audit & Supervisory Board Members

<b>President</b>	<b>Directors (part-time)</b>
<b>President Executive Officer</b>	Kazuo Tanimizu
Toru Obata	Shingo Hayama
<b>Director</b>	<b>Outside Corporate Auditor (full-time)</b>
<b>Senior Managing Executive Officer</b>	Masaaki Noguchi
Hiroshi Hiramatsu	
<b>Directors</b>	<b>Corporate Auditor (part-time)</b>
<b>Managing Executive Officers</b>	Yoshio Sakamoto
Tai Sugawara	
Kazuuya Miura	<b>Outside Corporate Auditors (part-time)</b>
Shin Yaguchi	Naoki Takahata
	Yasuhiro Mitani

#### Executive Officers

<b>Managing Executive Officers</b>	<b>Executive Officers</b>
Hiroshi Sanda	Mitsuhiro Oyamada
Yasuhiro Minemura	Yoshifumi Nakata
	Kanji Ishikawa
	Kazushi Fukuda
	Naruhiko Miyai
	Makoto Yoshikawa

### Principal Overseas Subsidiaries

#### NS UNITED SHIPPING (U.K.) LTD.

1st Floor, 1 Knightrider Court, London EC4V 5BJ, UNITED KINGDOM  
 Tel: +44-20-7248-1227 Fax: +44-20-7236-3426  
 E-mail: admin@nsunited.uk.com (general/accounting)  
 bulk@nsunited.uk.com (chartering/business)

#### NS UNITED SHIPPING (U.S.A.) INC.

The Meadows Office Complex, 301 Route 17 North Suite 210, Rutherford, NJ 07070, U.S.A.  
 Tel: +1-201-348-2101 Fax: +1-201-933-3363  
 E-mail: susa@nsunited.com

#### NS UNITED SHIPPING (H.K.) CO., LTD.

Room 1002, Ocean Centre, Harbour City, 5 Canton Road, Tsimshatsui, Kowloon, HONG KONG  
 Tel: +852-2110-1228 Fax: +852-2370-9781  
 E-mail: akiyama@nsuship.com.hk

#### NS UNITED TANKER PTE. LTD.

3 Anson Road, #07-02 Springleaf Tower, SINGAPORE 079909  
 Tel: +65-6323-6716 Fax: +65-6323-6718  
 E-mail: tank@nsuship.com.sg

#### NS UNITED BULK PTE. LTD.

3 Anson Road, #07-02 Springleaf Tower, SINGAPORE 079909  
 Tel: +65-6224-9138 Fax: +65-6323-6718  
 E-mail: bulk@nsuship.com.sg

#### PHILIPPINE STANDARD SHIPMANAGEMENT INC.

5F New Solid Bldg., 357 Sen. Gil Puyat Ave., 1200 Makati City, PHILIPPINES  
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 E-mail: pssi@pssi-nsuship.ph

### Representative Offices

#### LONDON

NS UNITED KAIUN KAISHA, LTD. LONDON OFFICE  
 C/O NS UNITED SHIPPING (U.K.) LTD.

#### HONG KONG

NS UNITED KAIUN KAISHA, LTD. HONG KONG OFFICE  
 C/O NS UNITED SHIPPING (H.K.) CO., LTD.

#### SHANGHAI

NS UNITED KAIUN KAISHA, LTD. SHANGHAI OFFICE  
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 E-mail: oie@shinwaship-sh.com.cn

#### VIETNAM

NS UNITED KAIUN KAISHA, LTD. VIETNAM REPRESENTATIVE OFFICE  
 C/O VIETNAM MARITIME UNIVERSITY  
 484 Lach Tray, Haiphong, VIETNAM  
 Tel: +84-31-3829609 Fax: +84-31-3853590  
 E-mail: y-kishimoto@nsuship.co.jp

# Stock Information

## Stock Information (As of March 31, 2015)

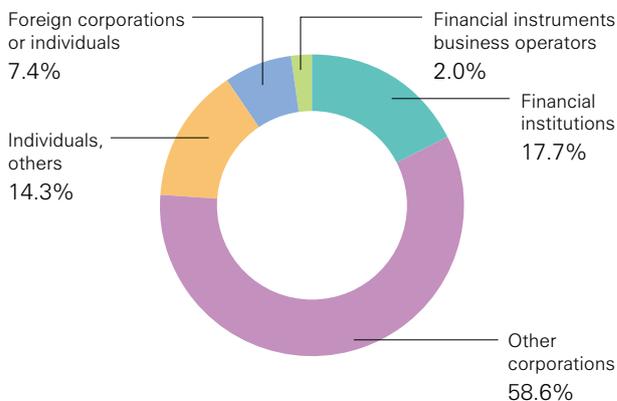
Total Number of Authorized Shares	600,000,000
Total Number of Shares of Common Stock Issued	230,764,400
Number of Shareholders	8,630

### Principal Shareholders

	Number of shares held (thousands)	Percentage of shares held (%)
Nippon Steel & Sumitomo Metal Corporation	78,456	34.01
Nippon Yusen Kabushiki Kaisha (NYK LINE)	43,247	18.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	10,016	4.34
Mizuho Bank, Ltd.	7,495	3.25
Mitsui Sumitomo Insurance Co., Ltd.	5,860	2.54
Mitsubishi Heavy Industries, Ltd.	5,400	2.34
HSIN CHIEN MARINE Co., Ltd.	5,048	2.19
Sompo Japan Nipponkoa Insurance Inc.	4,800	2.08
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,250	0.98
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	2,033	0.88

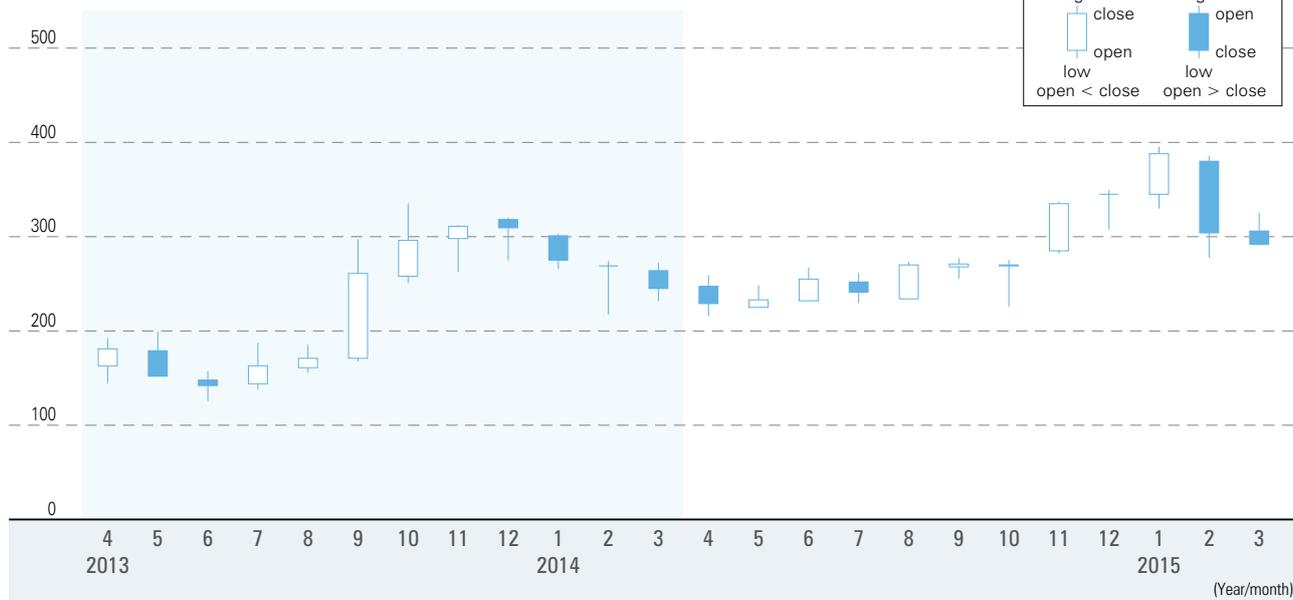
Note: Investment ratio was computed excluding total treasury stock of 91,308 shares.

### Distribution of Stock



### Share Price Chart

(Unit: Yen)





# NS United Kaiun Kaisha, Ltd.

CSR Committee Secretariat, General Affairs Group

Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan

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E-mail: LEGAL@nsuship.co.jp



Thank you for your reading NS United Group's Corporate report 2015.

Please take a minute to give us your opinions of the report.

**① Please evaluate this Corporate report.**

- Quality of content:     High                     Medium                     Low  
Quality of information:  Plentiful                     Sufficient                     Insufficient  
Number of pages:     Too many                     Usual number                     Few  
Readability:             Very readable                     Readable                     Not readable  
Clarity:                     Very clear                     Clear                     Unclear  
Approachability:     Approachable                     Sufficient                     Unapproachable  
Volume of picture:     Too many                     Usual number                     Few

**② Which parts of the report did you find particularly interesting? (Select as many as you like)**

- Business Strategy**     Financial and Non-Financial Highlights  
                                   Message from the President  
                                   Our Major Vessels and Plan for Future Development  
                                   Overview by Business (FY2015)  
                                   Management Structure
- CSR Information**       NS United Kaiun Group's Approach to CSR  
                                   Stakeholders Supporting the NS United Kaiun Group  
                                   With Our Customers and Suppliers  
                                   With Our Shareholders and Investors  
                                   With Our Employees  
                                   Initiatives for Society  
                                   NS United Kaiun Group Environmental Policy  
                                   Promoting Safe Navigation  
                                   Verification of FY2015 Implementation Plan and FY2016 Implementation Plan  
                                   Reducing Environmental Impact  
                                   Ensuring Safe Navigation

Which article interested you the most? (Page number:                    Sub-title:                    )

**③ Please tell us what you'd like to know more about, and make any other comment you wish.**

**④ Please identify your relationship to NS United 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  
 NS United Kaiun Group employee or family     Other(                    )

**⑤ Would you like to receive our next Corporate 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 corporate 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.