

Mid-Term Business Plan
(FY 2017-2019)

NSU 2021

~ **N**ext **S**tage after **U**nited for **2021** ~

May 29, 2017



NS United Kaiun Kaisha, Ltd.

Introduction

In our mid-term business plan for FY 2017–2019 “**NSU 2021 ~ Next Stage after United for 2021**”, we are concentrating on sustained group growth.

The organizational and financial merger between Shinwa Kaiun Kaisha Ltd. and Nippon Steel Shipping Co. Ltd. (October 2010), was followed with a successful post-merger integration program “**Unite & Full Ahead!**” in May 2011. The “**Unite & Full Ahead II!**” program of May 2014 leveraged our united strength in both international and coastal shipping. As a result, we have expanded our international commodity transport capacity in the ultra-large vessel segment – we are the first operator in Japan to place an order for a 400,000 ton ore bulk carrier. In addition, we have solidified our leading position in the coastal transport segment.

On the strength of the previous two programs, the objective of “**NSU 2021 ~ Next Stage after United for 2021**” is to be a trusted and preferred partner in providing global marine transport services.

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I . Mid-Term Business Plan (FY 2017-2019)



Basic Philosophy

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

Management Philosophy

Credibility and Reliability

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

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.

Response to Customers and Reform

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

Nurture and Mobilize Employee Abilities

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



At NSU Group we build our business with an eye on the future. We adhere to ESG (Environment, Society and Governance) principles by Environmentally friendly operations, Socially responsible management and rigorous Governance practices.

NSU Group

<Major group companies by functions and geographies>

International Capesize Group

- Ore carriers (230-300,000 DWT) and Capesize vessels (180-200,000 DWT)
- Transport raw materials for steel makers

International Tramp Chartering Group

- Handy / Handymax size vessels (30-60,000 DWT)
- Transport steel products and a variety of bulk cargoes

International Coal/Bulk Carrier Group

- Panamax size vessels (70-80,000 DWT)
- Transport coal for Japan and a variety of bulk cargoes

International Oil/Gas Group

- VLCC (300,000 DWT crude oil tanker) and VLGC (80,000m³ type LPG tanker)

International Near Sea Group

- Geared / general cargo carriers (5-20,000 DWT)
- Transport steel products and bulk cargoes including biomass

International NS United Tanker Pte. Ltd.

- Subsidiary in Singapore
- Transport liquefied chemicals by chemical tankers

Coastal NS United Naiko Kaiun Kaisha, Ltd.

- Transport steel products and bulk cargoes e.g. raw materials, cement, limestone, calcium carbonates etc.
- Allocate vessels dedicated to each cargo

Coastal NS United Coastal Tanker Kaisha, Ltd.

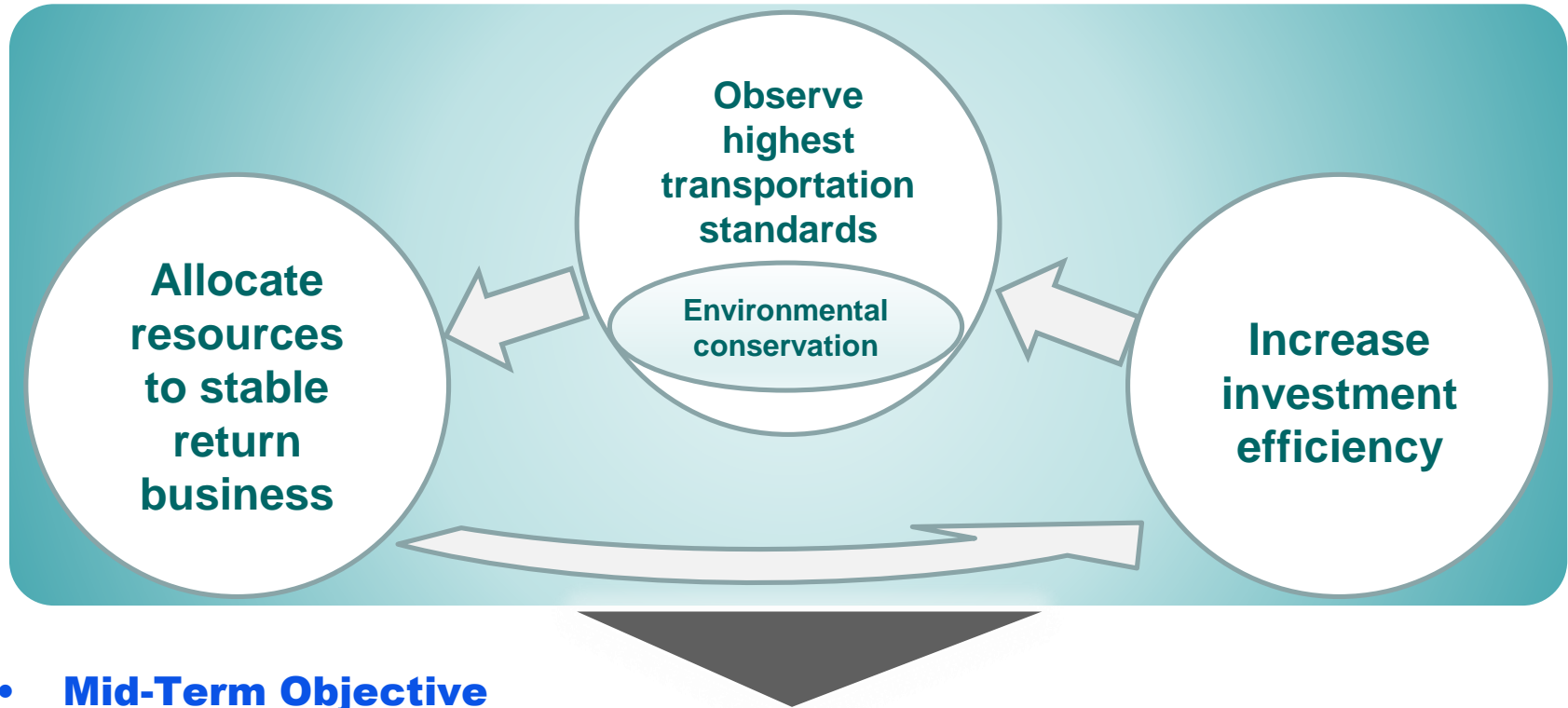
- Transport energy including LNG (liquefied natural gas), LPG (liquefied petroleum gas), other petrochemicals

Major Group Companies

NS United System Co., Ltd. NS United Marine Service Corporation
NS United Business Co., Ltd. International Marine Consulting Co., Ltd.

NS United Shipping (U.K.) Ltd. NS United Shipping (U.S.A.) Inc.
NS United Shipping (H.K.) Co., Ltd. NS United Bulk Pte. Ltd.
Philippine Standard Shipmanagement Inc.
NS United Marine Philippines Inc.

II. Key Strategies and Mid-Term Objective



- **Mid-Term Objective**

Our goal is to register 12 billion yen in consolidated operating profits in FY 2021. In order to achieve it, we are focusing on serving coastal and international dry bulk transportation demand with a wide array of services.

- **Key Strategies**

[Objective] Maximize our advantage in the industrial carrier and common carrier segments

Observe highest transportation standards

We continue to bolster our ship management and operation capabilities to remain a trusted and preferred partner delivering maritime transportation services.

Allocate resources to stable return business

We are expanding transport contracts with the world's leading dry bulk Charterers, Nippon Steel & Sumitomo Metal Corporation and its group companies. We also nurture a large portfolio of additional domestic and overseas customers.

Environmental Conservation

We pride ourselves on scrupulously meeting environmental regulations.

Increase Investment Efficiency

We are focusing on raising investment efficiency in order to maximize shareholder satisfaction.

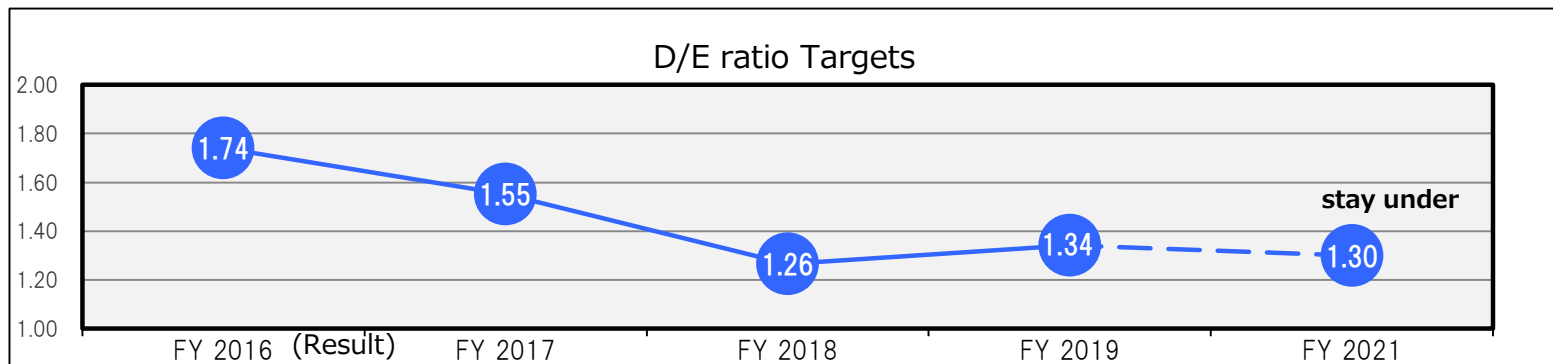
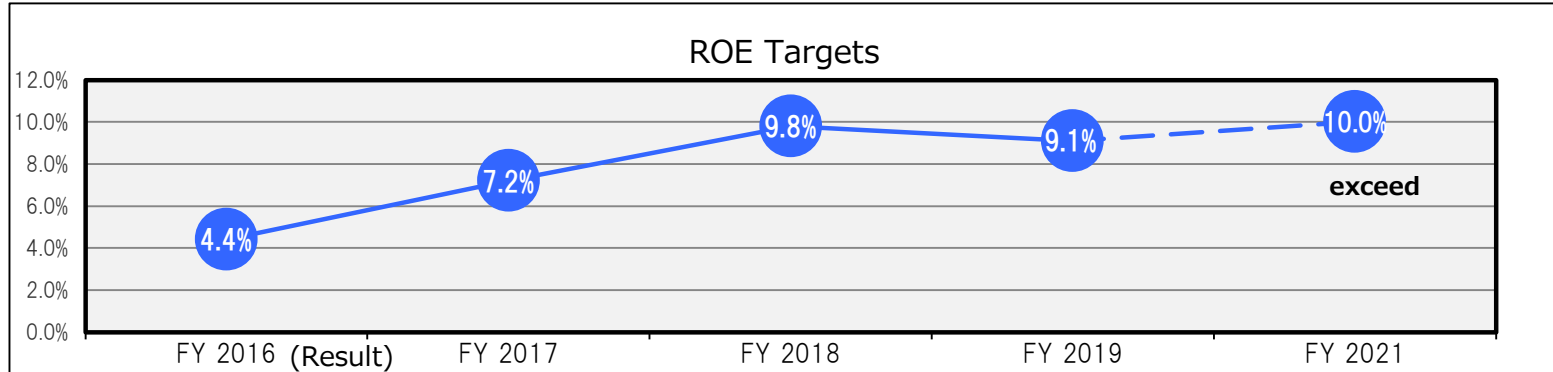
III. Financial Forecast

FY 2014	FY 2015	FY 2016	Plan [Consolidated] (Unit: Billion JPY)	FY 2017	FY 2018	FY 2019	FY 2021
157.6	137.1	125.3	Revenues	135.5	137.2	145.5	
9.5	6.5	6.6	Operating Income	6.7	7.5	9.2	12.0
10.4	4.1	4.6	Ordinary Income	4.9	6.2	7.9	
8.6	4.1	3.3	Net Income	5.7	8.3	8.3	
125.9	121.9	133.6	Interest-Bearing Debt	126.5	111.5	126.0	
73.7	75.4	76.8	Equity Capital	81.6	88.2	93.9	
1.71	1.62	1.74	Debt Equity Ratio	1.55	1.26	1.34	< 1.3
12.7%	5.5%	4.4%	Return on Equity	7.2%	9.8%	9.1%	> 10%

			Assumptions			
@¥108.50	@¥120.67	@¥108.50	Exchange Rate	@¥105	@¥105	@¥105
\$536	\$295	\$267	Fuel Oil Price	\$355	\$355	\$355
			Charter Rate			
\$10,702	\$6,964	\$9,165	Capesize	\$16,000	\$20,000	\$20,000
\$6,330	\$4,660	\$6,303	Panamax	\$9,750	\$11,000	\$13,000
\$7,125	\$5,575	\$6,825	Handymax	\$9,250	\$10,500	\$11,500
\$6,450	\$4,550	\$5,700	Handysize	\$8,000	\$9,500	\$10,500
Variable Effect			Exchange Rate; per JPY 1/US\$	0.20	0.21	0.25
(Unit: Billion JPY)			Fuel Oil Price; per US\$10/mt	0.06	0.06	0.06


IV. Financial Targets

We aim to improve profitability (ROE) through strategic investments. To maintain financial stability (D/E ratio), we are reducing interest-bearing debt. In addition, we are increasing dividend payments from free cash flow to optimize shareholder returns.

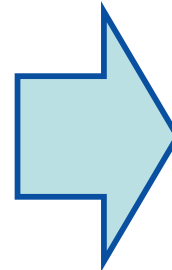


V. Operating Fleet

Maintain fleet expansion on supply-demand balance
 Estimated investment 60 billion yen +α (deliveries FY 2017-2019)



	Mar.31 2017	Mar.31 2020
International Shipping Fleet	124	124
(Capesize Bulkers)	(41)	(46)
Coastal Shipping Fleet	79	82
Group Total	203	206



[Forecast for 2021]

International shipping fleet

Approx. 130
 (50 Capesize Bulkers)

Group operating fleet

Approx. 210

Reference 1) Current Environment and Trends

➤ Global Economy in Moderate Growth

China: Although the growth slowdown brought an adverse effect on the world economy, government policies have been helping improve the economy.

Europe and America: While there is not much left from the effects of monetary easing, moderate recovery has been continuing due to improvements in employment and personal consumption.

Japan: Although there are some improvements in employment and income, spillover effect on capital investment and personal consumption is not yet sufficient.

➤ Resource Prices to Remain Steady

Iron Ore: Price remains steady thanks to increased demand in China, the largest consuming country, as well as improvement in supply and demand balance, mainly by the reduction of production capacity in the country.

Coal: Price maintains high standards as the reduction of production capacity in Chinese mines contributed to the reduction of inventory.

Crude Oil: Although price is softened due to increased shale oil production and regular repairing of refineries, as major oil-producing countries continue the coordinated reduction in oil output, the price unlikely to decline significantly.

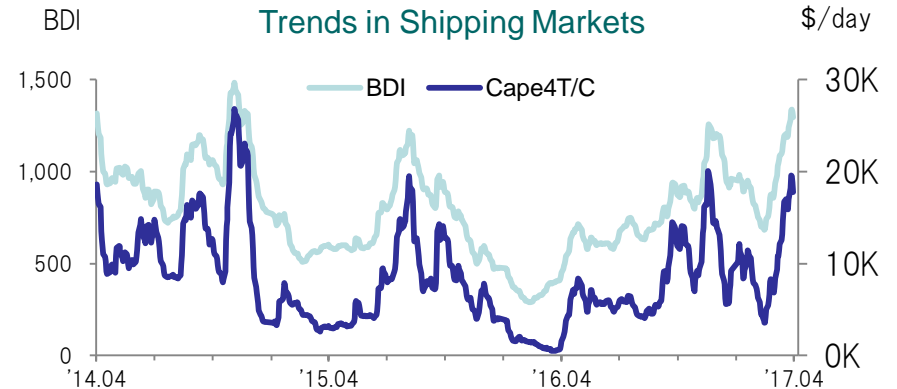
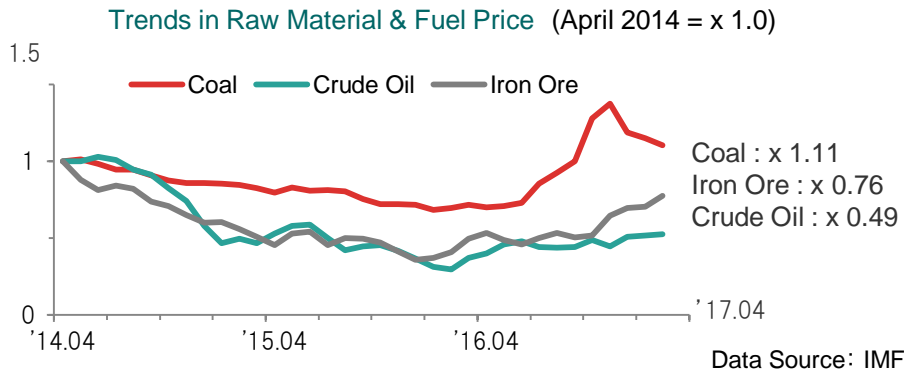
➤ Exchange Rate and Fuel Oil Price Trend

Exchange Rate: In 2015, on the back of the trend of Yen selling / Dollar buying, the Yen depreciated to around ¥122 against U.S. Dollar. In 2016, the Yen appreciated to around ¥100 as the reaction of the dollar's appreciation, and the Yen has been around ¥110 in these days.

Fuel Oil Price: It stopped high at the level of \$600 until 2014, then declined to the below \$200 level in February 2016 due to the increase in shale oil production in the U.S., and it recovered to the above \$300 level owing to the coordinated reduction in oil output by oil producing countries.

➤ Signs of Recovery in the Shipping Market

Dry-Bulk: The oversupply has continued due to the massive delivery of newly built ships since 2011, but as the scrapping of larger types of ships has progressed and the resource demand in China has further increased, the supply and demand of ships are gradually balanced.

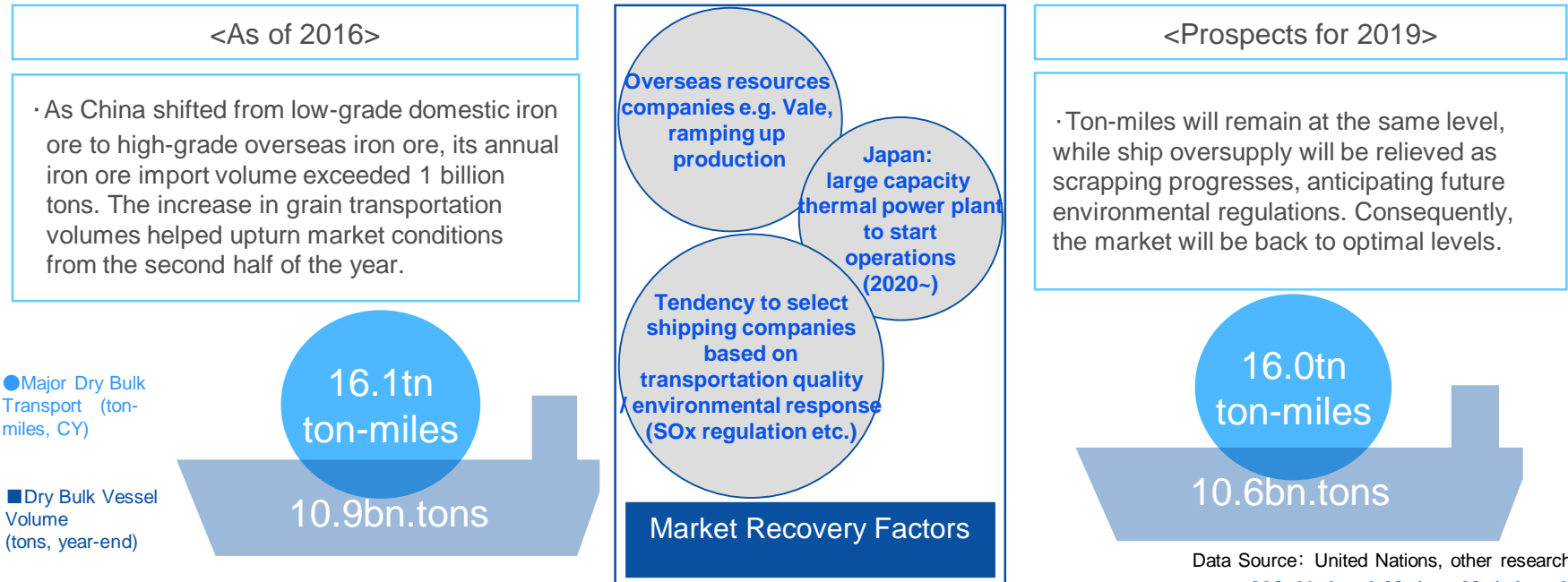


Reference 2) Mid-Term Business Forecast

➤ Expect Moderate, but Steady Market Recovery

<p>Vessel Supply-Demand</p>	<ul style="list-style-type: none"> As the global economy is maintaining a moderate recovery trend, growing grain demand is expected to increase the cargo transportation volume by 1.0 to 2.5% annually. On the other hand, vessel volume is expected to decrease by 1.0% a year after 2018 as the result of scrapping aged vessels, anticipating future environmental regulations.
<p>Shipping Market</p>	<ul style="list-style-type: none"> Although massive delivery of the newly built ships lowered the average age of vessels and the number of scrapping vessels tends to peak, markets are expected to gradually recover as the gap between supply and demand closes. Ship owners are increasingly considering new building orders in view of higher charter market forecasts and of newbuilding prices hitting the bottom. When environmental regulations are finalized, market composition could change drastically.

<Forecast, Dry Bulk Market>



Data Source: United Nations, other research

Reference 3) Review of Mid-Term Business Plan (FY 2014-2016) - Summary -

- We faced a sluggish market as the oversupply was exacerbated by deliveries of newly built ships and a slowdown in China's economy. Foreign exchange and crude oil prices continued to be unstable. In light of the above, it will be difficult to achieve the numerical targets ("Consolidated Revenue: 200 billion yen & Consolidated Operating Income: 12 billion yen in 2018") we set in the "Mid-Term Business Plan FY 2014-2016".
- While numerical targets are elusive, we successfully braced ourselves against market fluctuations by implementing the restructuring measures outlined in the "Mid-Term Business Plan of FY 2011–2013" and by increasing resource transport capacity, particularly large vessels. As a result, we recorded a surplus each fiscal year and invested in future growth. We have placed orders for large vessels, including 400,000 DWT ore carriers.
- Profitability in both coastal transport and international shipping businesses was restored by merging subsidiaries and by converting NS United Naiko Kaiun Kaisha, Ltd. into a wholly-owned subsidiary.
- We have built a robust and resilient financial structure. The balance of interest-bearing debt remains unchanged, equity capital is restored.

Reference 4) Review of Mid-Term Business Plan (FY 2014-2016)

- Profit and Loss Plan -

P/L Plan FY 2014-2016

(Unit: Billion JPY)

		FY 2014	FY 2015	FY 2016
Consolidated	Revenues	164.0	172.0	179.0
	Operating Income	9.5	9.5	10.0
	Ordinary Income	7.3	7.8	8.3
	Net Income	5.7	6.4	6.9
Consolidated	Interest-Bearing Debt	131.0	118.0	109.0
	Equity Capital	67.0	72.0	78.0
	Debt-Equity Ratio	1.96	1.64	1.40
Non-Consolidate	Revenues	138.5	144.6	151.3
	Operating Income	5.2	5.5	6.0
	Ordinary Income	5.4	6.0	6.6
	Net Income	3.8	5.1	5.8
Assumptions	Exchange Rate	@¥100.00	@¥100.00	@¥100.00
	Fuel Oil Price (US\$/pmt)	\$646	\$646	\$646
	Charter Capesize	\$20,000	\$22,000	\$22,000
	Rate(US\$) Panamax	\$13,000	\$13,500	\$14,000
	Handymax	\$10,000	\$11,000	\$11,000
	Handysize	\$9,000	\$10,000	\$10,000
Fleet	International Shipping	129	134	142
	Coastal Transport	79	82	82
	Total	208	216	224

Result

(Unit: Billion JPY)

		FY 2014	FY 2015	FY 2016
Consolidated	Revenues	157.6	137.1	125.3
	Operating Income	9.5	6.5	6.6
	Ordinary Income	10.4	4.1	4.6
	Net Income	8.6	4.1	3.3
Consolidated	Interest-Bearing Debt	125.9	121.9	133.6
	Equity Capital	73.7	75.4	76.8
	Debt-Equity Ratio	1.71	1.62	1.74
Non-Consolidate	Revenues	131.9	112.1	102.1
	Operating Income	5.4	2.6	3.3
	Ordinary Income	8.8	2.3	3.2
	Net Income	6.9	2.7	1.9
Assumptions	Exchange Rate	@¥108.50	@¥120.67	@¥108.50
	Fuel Oil Price(US\$)	\$536	\$295	\$267
	Charter Capesize	\$10,702	\$6,964	\$9,165
	Rate(US\$) Panamax	\$6,330	\$4,660	\$6,303
	Handymax	\$7,125	\$5,575	\$6,825
	Handysize	\$6,450	\$4,550	\$5,700
Fleet	International Shipping	124	115	124
	Coastal Transport	85	80	79
	Total	209	195	203