

NS United REPORT 2018





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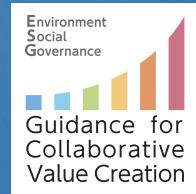
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● Editorial Policy

This report is intended to provide all of our stakeholders with an understanding of how the NS United Kaiun Group has been achieving our goals—for profit and otherwise—while supplying the marine transportation services that are the Group's primary business.

To clearly present the actions being taken to realize our sustainable growth, this report refers to *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation – For encouraging ESG Integration, Non-Financial Information Disclosure, and Investment in Intangibles* (published by the Ministry of Economy, Trade and Industry in May 2017). The Group will hold proactive dialogues with stakeholders through this report and will strive to disclose corporate information in an easy-to-understand way into the future.



● Period Covered

April 1, 2017 through March 31, 2018

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

Fiscal years referred to in this report cover the period from April 1 to March 31. Fiscal 2017 refers to the fiscal year ended March 31, 2018.

● Organizations Covered

The NS United Kaiun Group and related affiliates

● Other NS United Kaiun Publications

(1) *Corporate Brochure* (in English, Japanese and Chinese; Printed only)

(2) *Interim Business Reports* (in Japanese)

(3) *Securities Report, Quarterly Securities Report* (in Japanese)

(4) Financial Highlights by Quarter (in English)

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

In addition to the publications listed here, various other types of information are available on the NS United Kaiun website.

<http://www.nsuship.co.jp/en/>

● Status of Compliance with Environmental Regulations

We have had no violations of environmental laws, regulations, or other rules that involve guidance, warnings, orders, or punishment by regulatory authorities during the year under review.

● 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 available at the time. Please note that these assumptions and projections may be affected by changes in social and economic circumstances that could cause the actual business results of the Company to differ.

A questionnaire has been included with this report. Please take a moment to give us your opinion so that we can improve the content of future editions.

CSR Committee Secretariat

General Affairs Group, NS United Kaiun Kaisha, Ltd.

Tel: +81-3-6895-6404 Fax: +81-3-6388-2366

E-mail: LEGAL@nsuship.co.jp

Group Corporate Philosophy

NS United Kaiun Group 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 Group 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;

I Basic Philosophy

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

II 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 that employees can take pride in.

III 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 policymakers 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

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 daily operations of 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 in the international arena.

For ensuring safe navigation, we work to achieve zero marine accidents by establishing a safe navigation control system, conserving the environment, implementing risk control, and by promoting training crewmembers.

For environmental conservation, we have established an environmental policy focusing on issues such as air pollution, marine pollution, and CO₂ emissions to promote global environmental conservation, and we regularly disclose our activities.

Main Transportation Services

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, including the need for safe, reliable operations, by assigning staff to each business segment that have the required specialized knowledge and hands-on experience.



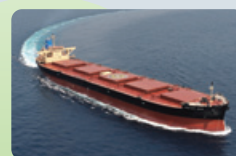
Focusing on safety and eco-friendliness
Oil/Gas Transport Service



Reducing costs through efficient transportation
Iron Ore and Coking Coal Transport Service



Supporting logistics for China and Southeast Asian countries
Near Sea Service



Transporting indispensable, bulk energy resources to destinations worldwide
Coal/Bulk Transport Service

Our Core Businesses

Offering a competitive and efficient shipping service with a firm commitment to safety, reliability, and speed
Coastal Shipping Service



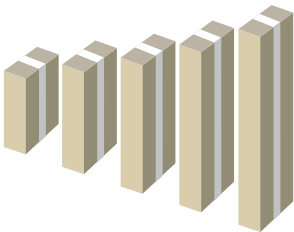
Flexibly responding to various transportation needs, at anytime, anyplace
Tramp Chartering Service



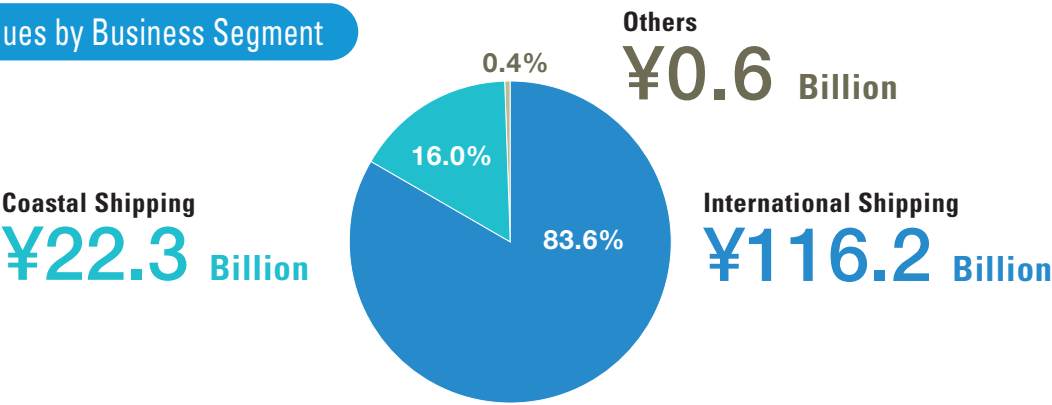
Statistical Profile of the NS United Kaiun Group

1 Revenues

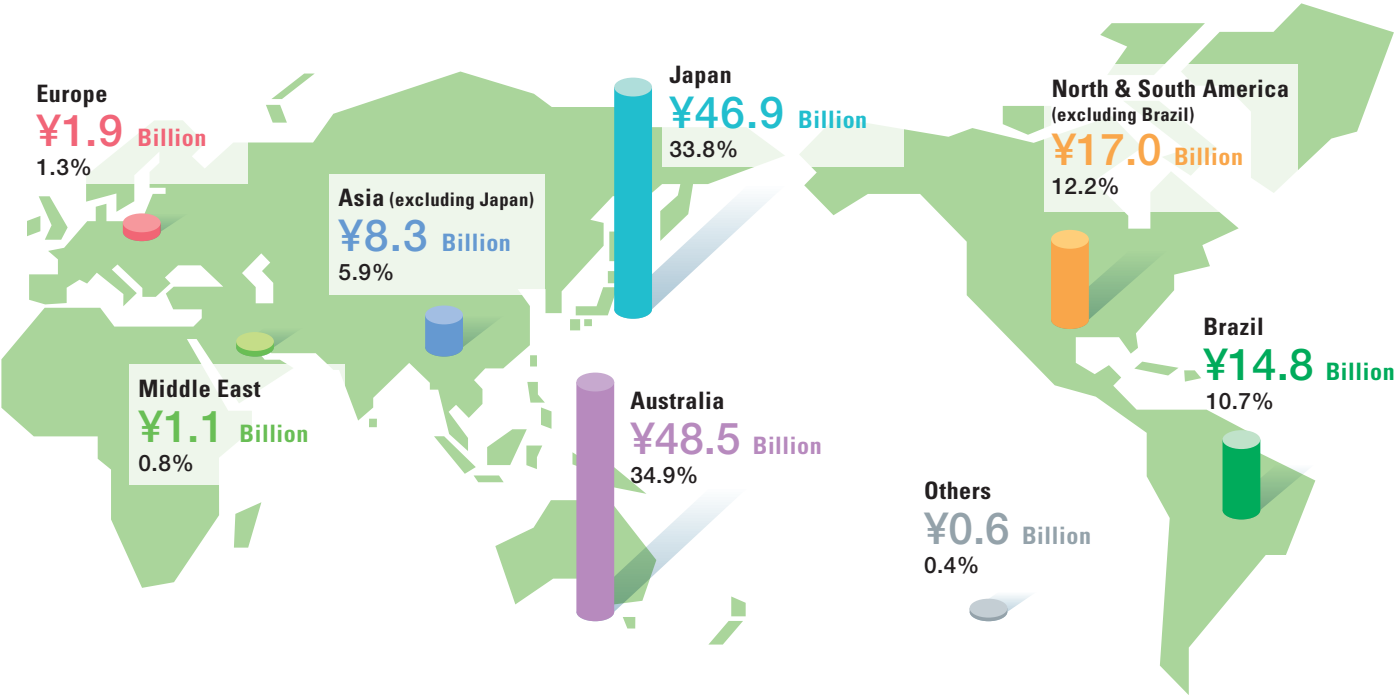
¥139.0 Billion



2 Revenues by Business Segment



3 Revenues by Region



4 Number of Companies



Head office



Consolidated subsidiaries

52



Nonconsolidated subsidiaries
(accounted for by the equity method)

3



Nonconsolidated subsidiaries
(unaccounted for by the equity method)

13



Affiliates
(unaccounted for by the equity method)

3

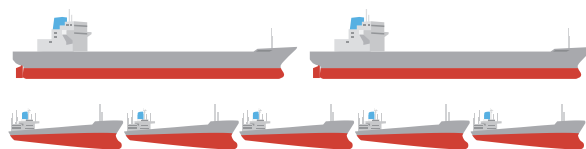
5 Number of Employees



670 (consolidated)

6 Number of Fleet Vessels

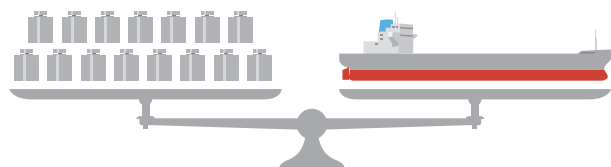
(As of March 31, 2018)



206 vessels (consolidated)

7 Fleet Tonnage

(As of March 31, 2018)



13.1 Million DWT
(consolidated)

8 Total Annual Cargo Volume



79.4 Million tonnes

9 Capital Investment



¥23.7 Billion

Financial and ESG Data Highlights

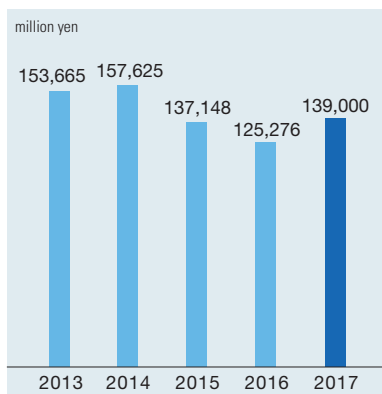
Fiscal years referred to in this report cover the period from April 1 to March 31. Fiscal 2017 refers to the fiscal year ended March 31, 2018.

Fiscal Year (consolidated)	unit	2013	2014	2015	2016	2017
Revenues	million yen	153,665	157,625	137,148	125,276	139,000
Operating income	million yen	8,842	9,474	6,475	6,558	7,361
Ordinary income	million yen	8,920	10,380	4,064	4,607	5,555
Profit before income taxes	million yen	12,005	10,691	4,343	3,814	6,419
Profit attributable to owners of parent	million yen	10,778	8,626	4,110	3,322	6,613
Per share data <small>Note 1</small>						
Net assets	yen	2,709.1	3,195.6	3,197.2	3,259.0	3,423.2
Net income	yen	467.2	374.0	175.4	140.9	280.6
Dividend	yen	90	90	40	40	85
At fiscal year-end:						
Total assets	million yen	224,507	227,663	217,524	233,071	228,781
Net assets	million yen	64,943	76,481	75,372	76,826	80,691
Equity ratio	%	27.8	32.4	34.6	33.0	35.3
Major Financial Indicators						
Return on equity (ROE)	%	19.1	12.7	5.5	4.4	8.4
Price earnings ratio (PER)	times	5.2	7.8	8.7	17.0	7.7
Dividend payout ratio	%	19.3	24.1	22.8	28.4	30.3
Interest-bearing debt	million yen	135,716	125,912	121,880	133,707	125,729
Debt equity ratio (DER)	times	2.17	1.71	1.62	1.74	1.56
Capital investment	million yen	58,295	20,344	24,733	29,491	23,656
ESG Data (non-consolidated)						
Fleet tonnage	millions of tonnes	10.72	11.35	11.24	12.19	12.84
Cargo volume	kton	58,772	65,099	64,088	62,483	62,134
Fuel consumption (MDO/HFO) <small>Note 2</small>	kton	13/694	15/686	19/658	21/644	22/634
Fuel consumption per unit load	t/kt	12.0	10.8	10.6	10.6	10.6
Fuel oil price (HFO/average price during period)	U.S. dollars	621	539	295	267	354
CO ₂ emission volume	kton	2,149	2,132	2,058	2,023	1,996
CO ₂ emissions per load unit (compared with fiscal year 2000, the fiscal year ended March 31, 2001)	%	83	74	73	73	73
Number of employees	number	226	228	227	228	226

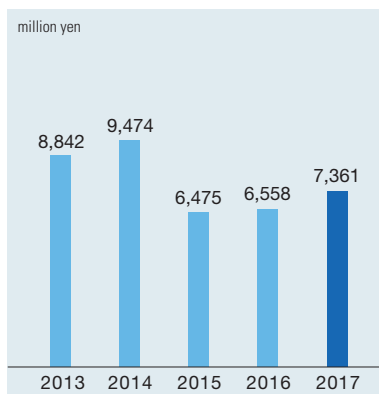
Note 1: The Company conducted a reverse stock split at a ratio of 1 to 10 common shares effective from October 1, 2017. The per share data shown above has been calculated as if the reverse stock split had been conducted at the beginning of fiscal year 2013.

Note 2: MDO: marine diesel oil; HFO: heavy fuel oil

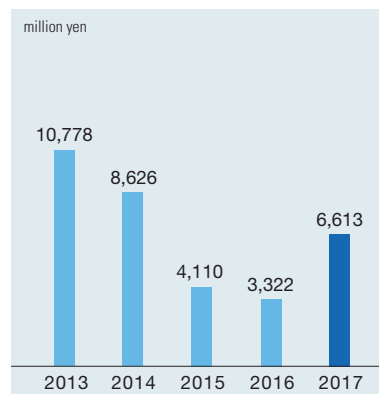
Revenues



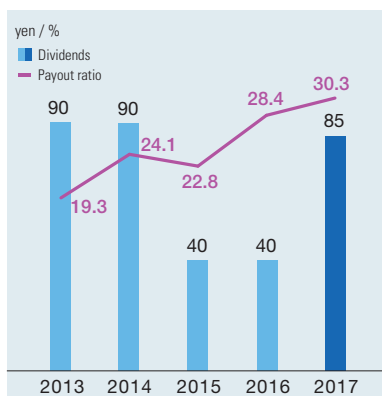
Operating income



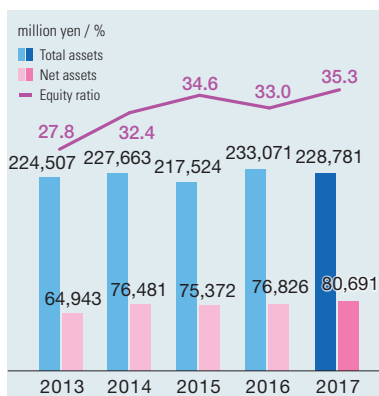
Profit attributable to owners of parent



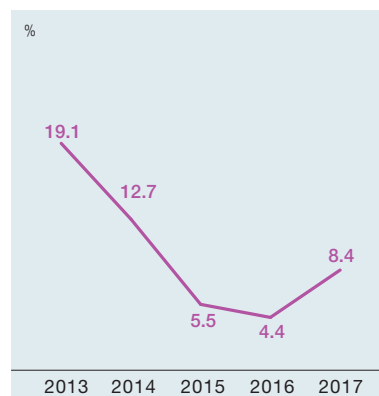
Dividend per share / Payout ratio



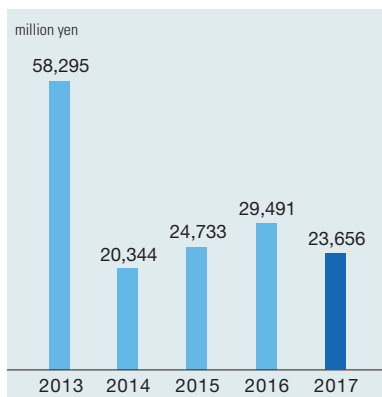
Total assets / Net assets / Equity ratio



Return on equity (ROE)



Capital investment



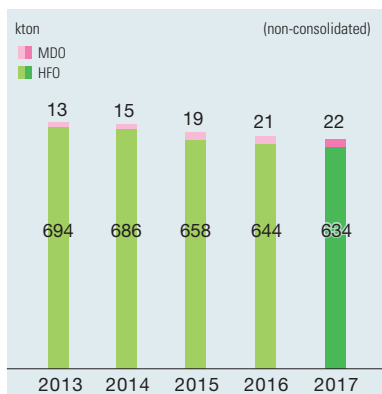
Fleet tonnage



Cargo volume



Fuel consumption (MDO/HFO)



CO₂ emission volume



Number of employees





Message from the President

Having been appointed as president on June 27, 2018, I, Kazuo Tanimizu, would like to take this opportunity to express my sincere gratitude to all stakeholders for their continued support of the NS United Kaiun Group.

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

The fiscal year 2017, ended 31 March, 2018 was the first year of our medium-term business plan, NSU 2021 ~ Next Stage after United for 2021 ~.

During this period, we strove to win new voyage contracts and maintain efficient vessel allocation. At the same time, fueled by a stable dollar-to-yen exchange rate and an upswing in the dry bulk shipping market, the Group posted more revenues and income than the previous fiscal year and was able to achieve the initial financial targets.

Looking ahead, the Group as a whole is strongly determined to achieve the medium-term objectives, not only by expanding the stable earnings base, but also by securing new voyage contracts by broadly capturing marine transportation needs around the world.

We deeply appreciate your continued guidance and support of the Group.

Q

How did the Company perform in fiscal year 2017, and how would you describe the operating environment?

A

Looking back at fiscal 2017, the global economy grew at a steady pace overall. Nevertheless, political risks increased as some national governments pushed for trade protection and important election results in some countries led to political instability. Geopolitical risks were also on the rise due to the situation in the Middle East and neighboring countries. At the same time, the resource and energy sectors recovered as international markets for oil and

other commodities picked up moderately on the back of continually improving employment conditions in the advanced economies. In China, government-led investment in infrastructure and other economic measures contributed to economic growth. In Japan, corporate earnings reached record-high levels due to strong manufacturing output and exports. Moreover, consumer spending and private-sector capital investment drove up domestic demand, while employment and personal income generally improved.

For the international dry bulk shipping business, the market grew substantially for all types of vessels compared with the previous fiscal

year as the market began recovering from historically low levels. The reason for the upturn — even though the pace of scrapping all types of vessels (either scrapped or disassembled for parts) was slow — was that the balance between supply and demand tightened, mainly for large vessels, because the oversupply of newly built ships has moderated.

At the same time, for the international tanker business, the market was sluggish on the whole, as older vessels continued to operate despite the ongoing delivery of newly built tankers. In addition, the coastal shipping market remained solid, backed by steady cargo shipments overall, especially for dry bulk cargo, despite low demand for certain cargo as well as bad weather conditions.

During fiscal year 2017, the average price of bunker C fuel oil for the international shipping business was up by about 87 dollars per tonne compared with the previous fiscal year. The dollar-yen exchange rate was generally stable, with the yen depreciating by 2.67 yen on average year on year, but the rate began appreciating towards the end of fiscal year 2017.

In that operating environment, the Company succeeded in increasing both consolidated revenues and profits compared with the previous fiscal year. Revenues rose 11.0% to 139.0 billion yen, operating income increased 12.2% to 7,361 million yen, and ordinary income climbed 20.6% to 5,555 million yen. Moreover, profit attributable to owners of the parent company shot up 99.1% to 6,613 million yen.

Q What progress has been made so far under the Medium-Term Business Plan NSU 2021?

A In fiscal year 2017, the first year of the plan, the Company not only posted year-on-year increases in both revenues and profits, but also reached the targets we set at the beginning of the year for revenues, operating income, ordinary income, and profit attributable to owners of the parent company. Results for return on equity and the debt equity ratio, which we see as the key performance indicators, also improved in line with the plan's targets.

In the first year of the plan, we benefited from steadily recovering markets and relatively stable exchange rates, but there are some causes for concern for the future, particularly the increase of new bulk carriers in the market, a slowdown in demand from China, and sudden shifts in financing conditions. Given these circumstances, one of the key strategies of our medium-term business plan is to allocate operational resources to businesses that generate stable returns, thereby reducing downside risk. For one specific step in this direction, the Company plans to own and operate three Valemax, very large ore carriers with a capacity of 400,000 deadweight tonnes each. Two of them are being built as part of the 25-year contracts of affreightment with Vale, the Brazilian resources company, of which the most recent contract was signed in November 2017 as a second one, while another ore carrier is under construction for Nippon Steel & Sumitomo Metal

Corporation. Furthermore, in the energy transportation sector, we will strive to strengthen our ties with existing customers by diversifying contracts for transporting fuel particularly by very large LPG (liquefied petroleum gas) carriers as well as by Panamax bulk carriers, which are mainly for coal. At the same time, we intend to optimize our shipping fleet by channeling resources into strategically important businesses at opportune times and places, including resolving the withdrawal from the international chemical tanker business operated by our subsidiary in Singapore.

Q What efforts are you making to achieve safe navigation and environmental conservation?

A By connecting countries and areas domestically and overseas, the Group's objective is to contribute to the development of industries, economies, and cultures through our daily operations: genuine, credible, high-quality marine transportation services designed to respond immediately to every customer's needs. At the same time, we will contribute to environmental conservation with a thorough implementation of safe navigation, zero marine accidents, vigorous programs for environmental protection, and other initiatives.

As a corporation with the world as our stage, we place safe navigation and environmental conservation as the cornerstones of our business activities and our mission.

For safe navigation, the Group has made every effort to ensure this by establishing a safe navigation management system, convening the Safety and Environmental Committee, establishing a crisis management system, and offering training sessions for crewmembers.

For environmental conservation, the Group has developed an environmental policy, focused on issues such as air pollution, marine pollution, and CO₂ emissions, to promote global environmental conservation. We understand that it will be particularly important to develop our fleet by complying with environmental regulations going forward. IMO NOx Tier III standards are already in effect, and the Ballast Water Management Convention became effective in September 2017. From 2020, regulations on SOx emissions are scheduled to be tightened. Moreover, regulations on greenhouse gases emissions, such as CO₂, are likely to take effect in the future. The NS United Kaiun Group is committed to complying with all of these environmental regulations.

Q Please discuss the Group's concept and approach to corporate social responsibility (CSR).

A We believe that the Group's CSR activities contribute to enhancing our corporate value in two ways. First, these activities allow us to deepen communications with a wide

range of stakeholders, including customers, partners, shareholders, employees, and the communities in which we operate, in this way gaining greater understanding and trust for our corporate activities. Second, CSR initiatives provide opportunities to collect a range of opinions and information that we can incorporate into our operations for making continual improvements.

This concept of CSR is the cornerstone of our corporate philosophy. By sharing this understanding, we promote interaction with society in cooperation with all Group companies. To realize our philosophy, solid corporate management systems are essential. Furthermore, it is our view that the key to effective management systems is awareness of the need to comply with laws and regulations, company rules, and social norms related to corporate activities.

Based on this belief, we will pursue CSR activities by taking an approach that matches our corporate scale and characteristics. Specifically, we will improve our ability to boost market competitiveness and profitability, while working to reduce the environmental impact of our activities and to forge deeper ties with society.

Q

What are the Company's major strengths and growth strategy?

A

We have developed two types of businesses: one as an industrial carrier that handles shipping mainly for Nippon Steel & Sumitomo Metal Corporation, and the other as a common carrier, meeting a wide range of marine transportation needs with our fleet, particularly dry bulk carriers. This dual nature of our business is our major strength. We will selectively promote operational resources for stable returns in fields where we have built up a strong track record, such as shipping raw materials for the steel industry, as well as resource- and energy-related cargo shipping, and will further boost our market share in the shipping market by broadening our services. On the other hand, to uncover and tap into new demand, which is expected to grow in the future, such as biomass shipping, and business in Asia, the Indian to Atlantic Oceans, we are stepping up cross-functional work that involves the entire Group, including our international and coastal shipping businesses, the head office in Japan, and subsidiaries around the world.

At the same time, we are capitalizing on growing opportunities for acquiring shipping rights by preparing for further tightening of environmental regulations ahead of our competitors, which allows us to minimize the risks associated with these regulations. In cooperation with other companies, including Nippon Steel & Sumitomo Metal Corporation, we are already planning to install SOx scrubbers in our vessels to comply with the IMO regulations for SOx emissions set to tightened in 2020, thereby raising the value of our fleet. We are doing our utmost to support these kinds of initiatives through steady investment in vessels and comprehensive measures for ensuring safe

navigation, as I mentioned earlier, in anticipation of reaching the next stage of growth by fiscal year 2021.

Q

What is your message to stakeholders?

A

Guided by our basic philosophy, we are committed to contributing to the development of society through business operations, always mindful of our role as a good corporate citizen. For that reason, we will continue carrying out CSR activities that are appropriate for the scale and characteristics of our shipping industry.

Foremost among these activities is safe navigation, essential for the Group to gain trust from everyone in the community.

Looking ahead, by integrating our Group strengths, we will continue to strive to achieve sustainable growth to meet the expectations of the communities we serve. As we pursue these goals, we ask for the ongoing support and encouragement of our stakeholders around the world.



Kazuo Tanimizu
President and Representative Director
NS United Kaiun Kaisha, Ltd.



Topics

Topic

1

Conclusion of a long-term contract to ship Brazilian iron ore

NS United entered into another 25-year contract of affreightment (COA) to transport Brazilian iron ore for the world's largest iron ore producer, Vale, on November 27, 2017.

The contract covers transporting an estimated 40 million tonnes over the contract's term by our new 400,000-dwt eco-type ore carrier and will begin in the first half of 2020 on the major service route between Brazil and China.

This COA follows the 25-year contract between NS United and Vale signed in December 2016 and will commence in the second half of 2019. As we are targeting a large portfolio of domestic and overseas customers based on the objectives in our Medium-Term Business Plan (FY 2017–2019), we are confident that this new long-term business will contribute to Vale's export growth strategy with more efficient and consistent shipping.



Topic

2

Relocation of NS United Shipping (U.S.A.) Inc.

NS United Shipping (U.S.A.) Inc. relocated their office from Rutherford, NJ, to Stamford, CT, at the end of March and started business operations on April 2, 2018.

In 1975, the company established Shinwa (U.S.A.) Inc. in Manhattan as our first base on the east coast of the United States. Since then, we have been highly active in trades in North/South America.

In addition to the original functions as a broker and agent of the Tokyo headquarters, the USA office started their own operations independent of the headquarters in 1993. The goal was to expand our business activities in the Atlantic, and we have been forging new relationships with local players.

One of the main reasons for this relocation was to capitalize on substantially better opportunities to expand and develop our business backed by the advantage of the location: many key players in the shipping markets, including charterers, owners, operators, and brokers, are located in Stamford, the major tramp-shipping base in the USA.

While our business goals, target markets, and growth objectives will remain the same, we are striving to become more competitive and aggressive than before, in order to offer high-quality services to old and new clients and to better adapt to today's tough shipping environment.

New address : 1055 Washington Blvd., Suite 620, Stamford, Connecticut, U.S.A. 06901

Telephone : 1-203-514-4773 (main)

Operation start date : April 2, 2018



Overview by Business Segment

Summary for Fiscal Year 2017

International shipping

During fiscal year 2017, the global economy grew at a steady pace overall, benefitting from growing job markets, improving resource and energy markets, and more government-led infrastructure investment in China. Reflecting that growth, further improvements in the shipping market were observed.

The overseas shipping market continued its recovery, since the oversupply of newly built ship was moderated. Our international shipping business posted more revenues and income than the previous fiscal year, with revenues of ¥116,177 million and operating income of ¥6,049 million.

Coastal shipping

The coastal shipping business posted more revenues and income than the previous fiscal year, with revenues of ¥22,316 million and operating income of ¥1,326 million.

FY 2017

Group Fleet Development Results

(including vessels chartered 5 years or longer)

International shipping	6 vessels 882,085 DWT (kt)
Coastal shipping	3 vessels 37,127 DWT (kt)

FY 2018

Group Fleet Development Plan

(including vessels chartered 5 years or longer)

International shipping	4 vessels 530,650 DWT (kt)
Coastal shipping	2 vessels 23,370 DWT (kt)

International shipping

Revenue

¥116.2 Billion

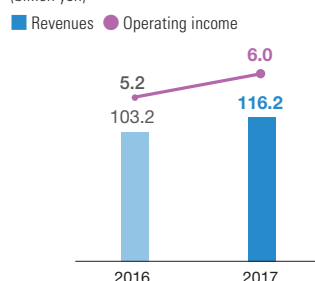
Operating income

¥6.0 Billion

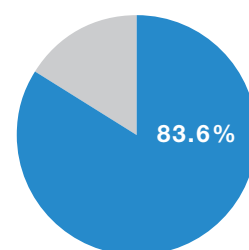
up 12.5% year on year

up 15.0% year on year

Change in revenues / operating income
(billion yen)



Breakdown of revenues



Capesize Bulk Carriers

In the capesize bulk carrier market (around 180,000 DWT), the average rates for the five primary routes of time charter were on the decline in the early spring of the fiscal year under review, dropping to the 6,000-dollar level for the daily charter rate in July. From August, however, iron ore shipments from Australia and Brazil were increased, bolstered by robust demand from China, which leads to port congestion in China and the east coast of Australia. Consequently, the supply-demand balance for tonnage tightened, and the daily charter rate recovered to the 30,000-dollar level by December 2017. Against this backdrop, the new dedicated capesize bulk carriers delivered for Nippon Steel & Sumitomo Metal Corporation, and we concluded other continual short-to-medium-term shipping contracts with them.

Looking ahead, we also entered into long-term contracts for iron ore shipping by very large ore carrier with an overseas client, while continuing operations in Japan and around the world. Due to the success of these activities, we were able to achieve our initial targets for this business segment.

Panamax Bulk Carriers

In the market for panamax bulk carriers (between 70,000 to 80,000 DWT), shipments of coal and grain to China were steady throughout the fiscal year under review. The market has remained strong since January 2017, and the market price broke through the previous record high set in the early autumn of 2014. Around the end of fiscal 2017, an upswing in the market rate was anticipated due to the South American grain exporting season coming up. Given these circumstances, we were able to meet our targets for this business segment by securing shipping contracts with major customers and by efficiently allocating our owned fleet.

Supramax/Handy-Size Bulk Carriers

The market for supramax/handy-size bulk carriers (between 20,000 to 50,000 DWT) was better than expected on the whole, with conditions in both the Pacific and Atlantic regions improving since August 2017 on the back of brisk shipping traffic. Shipments of steel products, our major cargo on outbound voyages, led to steady earnings, under the persistent impact from US anti-dumping regulations that had been in effect since last year, as well as by tapping into solid demand for steel shipments to Central America and successfully booking cargo for return voyages. This segment also generated steady earnings for major inbound cargo by securing new contracts for shipments of non-ferrous ores from ports along the west coast of Central and South America, and by efficiently assigning vessels to handle cargo secured through existing long-term contracts, including North American grain. As a result, we achieved our initial targets in this business segment.

General Cargo Carriers for Near Sea Service

In the market for shipments by small bulk carriers (around 16,000 DWT or below), our main cargo of this segment, steel products to China, exceeded initial expectations, benefitted from amid rising domestic steel prices in China and brisk steel shipments to its automotive industry.

However, in addition to high bunker prices, some voyages were suspended due to severe weather, for which we were not able to achieve the initial targets set for the fiscal year.

Oil Tankers

The market for VLCC tankers (300,000 DWT) and VLGC (80,000 DWT) carriers was generally stagnant due to high pressure on the supply of new vessels: in both categories, building new ships outpaced the scrapping of older vessels. Under these circumstances, we worked to stabilize earnings with contracts of long-time chartered out tankers, but we were not able to achieve our initial targets because of the inevitable impact of a sluggish market on some contracts.

With regards to the chemical tanker business segment operated by our Singapore-based subsidiary NS United Tanker Pte. Ltd, the market was sluggish through the fiscal year under review, and became even more competitive because of the steady appearance of new market players. Despite these conditions, we secured earnings through long-term contracts and then achieved our initial targets. Nevertheless, although the chemical tanker segment was positioned as a promising new field for development, we are now facing fierce cost competition and increasingly strict vessel regulations and foresee difficulties in sharpening our edge in this market, given the size of our fleet. On that basis, the Company completed the sale of all owned tankers, and following a decision by the Board of Directors in a meeting held on March 29, 2018, plans to close this business segment by fiscal year 2019.

Coastal Shipping

Revenues

¥22.3 Billion

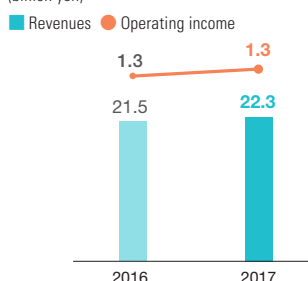
Operating income

¥1.3 Billion

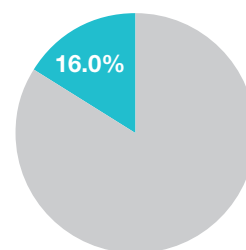
up 3.6% year on year

up 3.2% year on year

Change in revenues / operating income
(billion yen)



Breakdown of revenues



Coastal Vessels

The transportation of raw materials for the steel industry in the dry bulk market held steady compared with fiscal year 2016. While production of crude steel remained unchanged from the previous fiscal year, shipments by limestone carriers remained stagnant due to the impact of typhoons. However, general cargo shipments, mainly for auxiliary materials, contributed positive results backed by stable cargo shipments.

The volume of shipments for steel products was up year on year due to solid demand from the manufacturing and construction industries. Cement-related product shipments also increased year on year on the back of growing demand for public works projects in Japan and construction projects associated with the 2020 Olympic Games in Tokyo. At the same time, electrical-related and general cargo shipments were in line with the previous fiscal year. Along with these results, we faced higher costs for procuring vessels and rising prices for bunker oil in the latter half of the fiscal year under review. Nevertheless, we successfully reduced costs through more appropriate shipping capacity measures and by operating our vessels more efficiently. As a result, initial targets for this segment were reached.

For tankers, the volume of liquefied natural gas (LNG) shipments fell short of our targets, despite being better than expected for the route along Japan's Seto Inland Sea. The main factors for the decline included stagnant demand for LNG in Japan amid efforts to conserve energy and the shift to electrical power sources, and a decline in traded volume on the route along Hokkaido, reflecting a decrease in transfer demand coupled with steady output from gas fields there. Simultaneously, traded volume of industrial-use liquefied petroleum gas (LPG) lacked momentum due to slow domestic demand, but the volume was up for consumer-use LPG shipments as demand rose during the winter months. Against this backdrop, we strove to more efficiently allocate vessels and to operate them more effectively. As a result, we were able to meet the initial targets for this segment.

Fleet List

(As of March 31, 2018)

NS United Kaiun Kaisha, Ltd.

Capesize Bulk Carriers		
	Vessel name	DWT (kt)
1	SHINWA-MARU	297,541
2	NSU JUSTICE	250,835
3	NSU PRIDE	250,821
4	NSU INSPIRE	250,813
5	NSU MILESTONE	250,675
6	NSS DYNAMIC	233,584
7	NSS HONESTY	229,548
8	NSS CONFIDENCE	229,545
9	NSU ULTIMATE	208,788
10	NSU TRUST	208,747
11	NSU VOYAGER	208,745
12	NSU WELFARE	208,699
13	CSK UNITED	208,662
14	SHIN-EI	207,933
15	SHIN-REI	207,923
16	NSU OBELISK	207,819
17	NSU KATSURA	207,791
18	NSU KEYSTONE	207,684
19	NSU QUEST	207,362
20	SPRING NEXUS	206,562
21	NSS FORTUNE	184,872
22	UNITED FUTURE	183,230
23	UNITED ETERNITY	183,026
24	NSU SIRIUS	182,981
25	NEW FUTURE	182,598
26	GOOD HORIZON	182,342
27	SG UNITED	181,415
28	UNITED CROWN	181,381
29	NSU NEWSTAR	181,380
30	UNITED BREEZE	181,325
31	NEW DELIGHT	181,279
32	NSU RESPONSIBILITY	181,126
33	NEW ADMIRE	181,050
34	UNITED DIGNITY	180,818
35	UNITED ADVENTURE	180,745
36	NSU LODESTAR	180,690
37	NEW MIGHTY	179,851
38	E.R. BRANDENBURG	178,978
39	NSS GRANDEUR	176,882
40	NEW STAGE	176,877
41	NEW EXPEDITION	176,387
TOTAL		8,289,310

Post-Panamax & Panamax Bulk Carriers		
	Vessel name	DWT (kt)
1	DYNA GLOBE	99,347
2	AZALEA WAVE	95,584
3	CENTURY WAVE	91,686
4	DYNA CAMELLIA	91,569
5	SAKURA WAVE	88,299
6	DOUBLE HARMONY	88,270
7	JP VERDURE	88,269
8	BEKS YILMAZ	86,546
9	KAGUYA	83,900
10	GLORIOUS WIND	83,410
11	IBIS WIND	82,937
12	SEAGULL WIND	82,908
13	XING JI HAI	82,204
14	NEW ASCENT	82,179
15	RISE WIND	82,151
16	BRIGHT WIND	82,119
17	NORD BELUGA	81,841
18	ARGO WIND	81,761
19	SANTORINI	81,086
20	ROBIN WIND	78,228
21	DIAMOND WIND	76,536
22	CRYSTAL WIND	76,523
23	CAPETAN GIORGIS	76,447
24	PALMA BULKER	75,843
25	KEA	75,633
26	THISSEAS	75,049
27	MORNING CLOUD	74,962
TOTAL		2,245,287

General Cargo Carriers		
	Vessel name	DWT (kt)
1	ASIAN EXPLORER	16,656
2	NEW AUDACITY	13,559
3	KERRISDALE	13,559
4	HAYATE	13,121
5	HELIOS TRIUMPH	13,060
6	MERCURY TRIUMPH	13,060
7	JOYFUL SPIRIT	12,271
8	WINDS 3	11,759
9	GINGA	11,439
10	HAYABUSA	11,415
11	PACIFIC HORSE	11,401
12	ASAKAZE	11,382
13	TOYO HOPE	10,262
14	KHARIS PEGASUS	10,102
15	MIGHTY CHAMP	10,084
16	MIGHTY DANDY	10,072
17	BUNGO PRINCESS	10,034
18	TAMAKI PRINCESS	10,024
19	REIKA HARMONY	8,790
20	ALISHAN BLOSSOM	8,767
21	OCEAN SYMPHONY	8,313
22	OCEAN HARMONY	8,285
23	AZALEA	5,727
24	FIRST CLARITY	5,451
TOTAL		258,594

Supramax & Handy-Size Bulk Carriers		
	Vessel name	DWT (kt)
1	GLOBAL VISION	57,835
2	PACIFIC INFINITY	56,104
3	NEW BEGINNING	56,098
4	NEW DIRECTION	56,097
5	BULK AVANTI	56,024
6	NEW DESTINY	53,554
7	ANDES QUEEN	52,256
8	INCA QUEEN	52,199
9	ATACAMA QUEEN	51,213
10	ANCASH QUEEN	51,068
11	SPRING QUEEN	51,063
12	SUMAO QUEEN	51,052
13	AREQUIPA QUEEN	51,024
14	LESEDI QUEEN	50,412
15	YOU & ISLAND	38,309
16	SAKURA OCEAN	38,239
17	LOCOMOTION	38,046
18	OCEAN MERCURY	37,196
19	XING NING HAI	34,443
20	ATLANTIC GRACE	33,709
21	ATLANTIC RUBY	33,680
22	ATLANTIC VENUS	33,677
23	ATLANTIC GLORY	33,472
24	ATLANTIC OASIS	33,457
25	EOS VICTORY	33,451
26	ATLANTIC BRAVE	33,407
27	ATLANTIC RAINBOW	28,368
28	ATLANTIC EAGLE	28,339
29	KING CANOLA	28,207
30	ATLANTIC FAIRY	27,935
31	ATLANTIC TRAMP	27,930
32	PACIFIC SPIKE	24,041
TOTAL		1,331,904

VLCC / VLGC		
	Vessel name	DWT (kt)
1	YUGAWASAN	302,481
2	AQUARIUS WING	299,990
3	KODAIJISAN	58,591
4	NS FRONTIER	54,312
TOTAL		715,374

Note: The above list includes vessels chartered for a short period.

Corporate Governance

1 Corporate Governance

Based on our corporate philosophy of contributing to the development of society by providing genuine and high-quality marine transportation services, we strive for the sound and sustainable growth of the Group and to improve corporate value over the medium to long term, while responding to the expectations and gaining the trust of shareholders, customers, and all other stakeholders. To this end, we have developed corporate governance systems suited to the characteristics of the Group's business. These systems are periodically reviewed, with an eye on continual improvement, by enhancing the efficiency, soundness, and transparency of corporate management.

Basic Principles

The Board of Directors, having members who are highly knowledgeable about the Company's business and management, makes decisions on important operational concerns as well as basic management policies. Further, the Company has established an Audit & Supervisory Board, or a board of auditors as defined in Japan's Companies Act.

From their independent position, the Audit & Supervisory Board members are expected to exercise their authority to supervise directors and executive officers in the performance of their duties, particularly through attending Board of Directors' meetings.

We believe that this system is effective for ensuring efficient and sound corporate management. Particularly for ensuring sound management, Audit & Supervisory Board Members with a wealth of relevant experience and knowledge are elected to supervise the performance of directors and executive officers in fulfilling their duties.

The members of the Audit & Supervisory Board, who have advanced

knowledge and extensive skill in their fields of expertise, carry out routine audits of the Company's financial status and monitor the activities of directors and executive officers to ensure that their duties are being effectively carried out, in cooperation with the Company's public accountant, the Internal Audit Office, and corporate auditors from group companies, as appropriate.

In addition, to increase the opportunities for the Board of Directors to make decisions from a broader perspective and to boost the supervisory management function, the Board of Directors includes two or more outside directors with a wealth of experience and knowledge about corporate management and other areas of expertise.

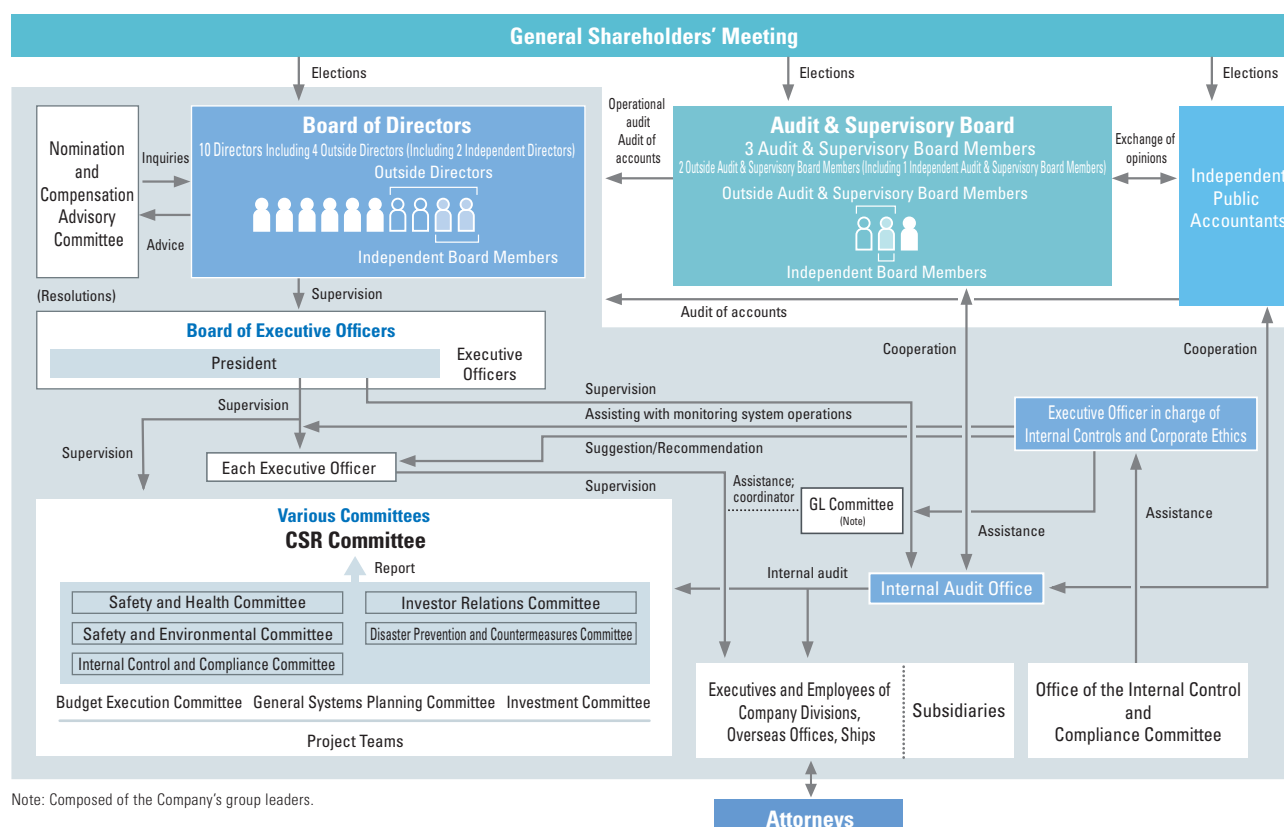
The Company seeks to appropriately disclose information to increase the transparency of management and to help our stakeholders more accurately understand the Group's business conditions. In addition to obligatory disclosures, including legal and regulatory requirements relating to financial instruments exchange, we voluntarily offer financial and nonfinancial information to the best extent possible and in a timely and easy-to-understand way.

Corporate Governance System

NS United Kaiun Kaisha, Ltd., a company with a Board of Directors, strives to improve management efficiency through meetings of the Board of Directors, composed of ten directors including four outside directors (as of June 27, 2018). In June 2007, the Company introduced an executive officer system to precisely address changes in the management environment. Two of the three Audit & Supervisory Board members are outside corporate auditors (as of June 27, 2018). Audit &

Organization Chart Including the Management System of Internal Controls

As of June 27, 2018



Note: Composed of the Company's group leaders.

Corporate Governance

Supervisory Board members attend meetings of the Board of Directors, the Board of Executive Officers, the CSR Committee, and various other committees to conduct audits, as indicated, of business operations and accounting. Two of the directors and one of the Audit & Supervisory Board members are appointed to serve as independent board members who ensure the objectivity and neutrality of the management review process.

The Company also established the Internal Audit Office in July 2006 to manage risk and support the evaluation of internal controls in accordance with Japan's Companies Act and the Financial Instruments and Exchange Act. By order and instruction from the president, the Internal Audit Office conducts operations in every division in cooperation with the Audit & Supervisory Board to enhance the effectiveness of corporate governance.

In addition, we established control systems at the Company as well as Group companies in accordance with the Corporate Governance Code that was formulated by the Financial Services Agency and the Tokyo Stock Exchange. We will also revise internal rules, as needed, to further

enhance corporate governance.

Since September 2016, we have arranged opportunities for the president and internal directors to regularly exchange information with outside directors.

Executive Compensation

At NS United Kaiun Kaisha, Ltd, the amount of compensation paid to executives is determined based on each person's management position, taking into consideration their level of ability and responsibility required for operating shipping services.

Guided by this policy, the amount of compensation for directors is decided in meetings of the Board of Directors within the limits approved at the general shareholders' meeting. In addition, a Nomination and Compensation Committee was established in October 2017 as an advisory body serving the Board of Directors to improve neutrality, objectivity, and accountability when making decisions on nominations and compensation for the directors.

Results for FY 2017

Executive category	Number of executives	Total amount of compensation
Directors (outside directors)	13 (5)	¥196 million (¥21 million)
Audit & Supervisory Board Members (outside Audit & Supervisory Board members)	4 (4)	¥40 million (¥40 million)

Note: The total amount of compensation for the Board of Directors and Audit & Supervisory Board members indicated above includes the amount paid to four Directors and one Audit & Supervisory Board member who retired on June 28, 2017 at the close of the 91st Ordinary General Shareholders' Meeting held on the same day.

2 Risk Management

Risk Management System

Risk management regulations have been established as fundamental requirements for risk management. By following these requirements, we meet our corporate social responsibility, even if substantial risks impacting operations should emerge.

The Company manages risk based on these regulations by analyzing risk and studying assessments when considering which one of these could arise in the course of business activities. The Board of Executive Officers and Board of Directors discuss and determine issues related to risk management in addition to performing a year-end review of risk items and management implementation status based on the Risk Item List.

In fiscal year 2017, we confirmed that risks were being properly managed. Risk management practices were examined with a focus on market risks, including changes in the shipping market as well as fluctuations in exchange rates, interest rates and bunker oil prices. At the same time, hedging was carried out against all types of risks, including those associated with markets, in accordance with internal rules, which are created and revised as necessary.

In addition, an Investment Committee was set up in August 2016 to identify any possible impact on the Company and serious risks associated with large and high-risk projects under consideration, before investment decisions are made by the Board of Executive Officers.

Appropriate Management of Personal Data

To safeguard personal data, NS United Kaiun has been effectively controlling information that can identify individuals, such as data on employees. We have adopted a policy of not offering personal data to any third party unless required by law or when approval has been obtained from the individuals themselves. Data is only used for the

intended purposes.

Following enforcement of Japan's revised Act on the Protection of Personal Information in 2017, the Company completely updated internal regulations on the management of personal data and made them known at all Group companies. Since that time, we have taken steps to ensure that all personal data is being managed appropriately.

In addition, following the introduction of the Social Security and Tax Number System, we promptly established internal regulations for handling specified personal information in January 2016, and have been conforming to the new system since then.

Business Continuity Plan (BCP)

NS United Kaiun Kaisha, Ltd. established a BCP following the Great East Japan Earthquake so that, in the event of a major disaster or other emergency, the Company can safeguard employees and their families as well as continue operations to fulfill the responsibility of delivering marine transportation services to customers as contracted.

In addition, the *Emergency Response Manual* was created to set out initial actions to be taken in the event of an emergency. Among these actions, the highest priority is given to promptly confirming the safety of employees and their families and reporting the results according to the established reporting line. To familiarize employees with the related procedures, periodic emergency drills are conducted using internal programs developed for employee safety.

At the same time, an international communications network has been set up to enable the Company's headquarters and subsidiaries outside Japan to relay information in the event of an emergency. Guidelines have been drawn up for initial emergency response via the network, and emergency drills have been carried out to verify that the network is working.

3 Our Efforts to Promote Compliance

Compliance Promotion System

Everyone in the Group understands that maintaining relationships of trust with stakeholders is the foundation of our growth together with the communities that we serve. To reinforce this concept, we created a Group Corporate Philosophy, along with a Corporate Code of Conduct, designed for putting the spirit of our philosophy into practice. Moreover, an Internal Control and Compliance Committee chaired by the president has been set up to promote full compliance throughout the Group. The committee strives to raise awareness of compliance so that all officers and employees obey all laws and regulations, as well as internal rules, social norms, and business ethics while performing their everyday work.

Compliance Advisory Service Desks (Whistleblower Hotlines)

NS United Kaiun established two Compliance Advisory Service Desks (whistleblower hotlines), one inside and one outside the Company, to accept direct reports from employees who are aware of contraventions of the law, misconduct, or similar acts committed by executives or other employees. Anonymous consulting can be arranged in both hotlines. With the goal of protecting individuals who report company information that is in the public interest, whistleblowers are guaranteed protection from unreasonable treatment as a result of making a report.

Further, the Company has appointed a female in-house compliance adviser to field inquiries via the internal hotline, while the external hotline is handled by an outside lawyer.

Compliance Awareness Month

NS United Kaiun Kaisha, Ltd. has designated October as the month for raising compliance awareness and is engaged in several activities across the Group. The campaign aims to remind all employees of the importance of this theme, implementing the range of activities to further enhance their awareness as well as give them the knowledge and information needed to practice compliance.

In fiscal year 2017, our president delivered a message about compliance to all officers and employees, and a series of in-house seminars were held to directly report on and make requests regarding compliance. The seminars clarified the criteria for categorizing the level of confidentiality and for displaying this on important documents; presented a comprehensive system for reporting on accidents and other serious incidents; and explained the rules for recording the meetings with businesspeople outside the Group to ensure compliance with Anti-Monopoly Act. In addition, the Company is providing training programs tailored to job positions and qualifications.

4 Internal Controls

Guided by Japan's Companies Act and our 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 both fiscal year 2016 and 2017, the Company assessed the effectiveness and status of implementing the basic internal controls policy. As a result, it was concluded that internal controls that are included in the basic internal controls policy and are developed and operated by the Company do cover risks that, among those anticipated, could result in significant damage to the Company. The controls are working effectively as a way to respond to material risks. After reaching this conclusion, the Board of Directors decided to adhere to the current controls, and intends to consolidate an internal control system in the future.

In recent years, internal controls and compliance initiatives taken by

corporations have been attracting an increasing amount of public attention. In that context, the Company merged the Internal Control Committee and the Compliance Committee into the Internal Control and Compliance Committee in April 2018 with a view to more effectively address these issues Company-wide. The committee membership was also reorganized to strengthen our own internal controls, with every executive officer in charge of a business division appointed as a member and the president and representative director appointed as the chairperson.

We find that internal control programs 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 NS United Kaiun will work together to strengthen compliance, establish an appropriate internal control system, and put it into practice.

5 Basic Policy on Communication with Shareholders and Investors

NS United Kaiun is committed to effectively communicating with shareholders and investors. After receiving an interview request, the Investor Relations Committee begins a process based on annual plans and investor relations (IR) standards. In general, executives in charge of IR then meet with and respond to individual interviewers. Interviews are held year-round, excluding the time prior to periodic reporting of financial results.

At General Shareholders' Meetings, we readily provide information and respond to individual questions in an appropriate way.

At a later time on the same day, we hold a dialogue session in which shareholders are invited to speak directly with our executives.

For IR-related interviews, executives deal with the required tasks in accordance with internal regulations on handling insider information (non-public material information about the business).

In response to Japan's fair disclosure rules^{Note} that went into effect from April 2018, we created a manual on compliance that includes these rules and distributed it to everyone responsible for disclosing IR-related information.

Note: The people who received the manual are required to fully comply with the rules, which are intended to ensure that when a listed company provides important information that could affect the Company's stock price to a third party before disclosing it to the public, the information must also be equally disclosed to all other investors.

Directors, Audit & Supervisory Board Members and Executive Officers (As of June 27, 2018)

Directors (outside*)



Kazuo Tanimizu

President / Representative Director /
President Executive Officer

Profile

Apr. 1981 Joined Sumitomo Metal Industries, Ltd. (currently Nippon Steel & Sumitomo Metal Corporation)
Jun. 2005 General Manager of Raw Materials Dept., Steel Sheet, Plate & Structural Steel Company
Oct. 2012 Executive Counselor, General Manager, Head of Div., Raw Materials Div.-I
Nippon Steel & Sumitomo Metal Corporation
Apr. 2014 Executive Officer, Head of Div., Raw Materials Div.-II
Apr. 2015 Executive Officer
Jun. 2015 Director (outside), NS United Kaiun Kaisha, Ltd.
Apr. 2016 Managing Executive Officer, Nippon Steel & Sumitomo Metal Corporation
Apr. 2018 Executive Officer
Jun. 2018 President, Representative Director, NS United Kaiun Kaisha, Ltd. (incumbent)



Masahiro Samitsu

Director
Senior Managing Executive Officer

Profile

Apr. 1980 Joined Nippon Yusen Kabushiki Kaisha
Apr. 2003 General Manager of Bulk/Energy Atlantic Group
Nov. 2006 General Manager of Fleet Management Group
Apr. 2007 General Manager of Tramp Co-ordination Group
Apr. 2008 General Manager of Corporate Planning Group
Apr. 2009 Corporate Officer
Apr. 2013 Managing Corporate Officer
Jun. 2013 Director, Managing Corporate Officer
Apr. 2015 Director, Senior Managing Corporate Officer
Apr. 2017 Director
Jun. 2017 Director, Senior Managing Executive Officer, NS United Kaiun Kaisha, Ltd. (incumbent)



Shin Yaguchi

Director
Managing Executive Officer

Profile

Oct. 1998 Joined Shinwa Kaiun Kaisha, Ltd.
Jun. 2007 General Manager of Oil/Gas Group
Oct. 2010 General Manager of Oil/Gas Group, NS United Kaiun Kaisha, Ltd.
Jun. 2011 Executive Officer
Jun. 2015 Director, Managing Executive Officer (incumbent)



Mitsuhiro Oyamada

Director
Managing Executive Officer

Profile

Apr. 1982 Joined Shinwa Kaiun Kaisha, Ltd.
Jun. 2007 General Manager of Ore/Bulk Carrier Group
Oct. 2010 General Manager of Capesize Group, NS United Kaiun Kaisha, Ltd.
Jun. 2011 General Manager of Project Group
Jun. 2012 Executive Officer, General Manager of Project Group
Jun. 2016 Managing Executive Officer
Jun. 2017 Director, Managing Executive Officer (incumbent)



Kanji Ishikawa

Director
Managing Executive Officer

Profile

Oct. 1981 Joined Shinwa Kaiun Kaisha, Ltd.
Oct. 2010 General Manager of Ship Management Group, NS United Kaiun Kaisha, Ltd.
Jan. 2014 Senior Counselor, General Manager of Ship Management Group
Jun. 2015 Executive Officer
Jun. 2017 Director, Executive Officer
Jun. 2018 Director, Managing Executive Officer (incumbent)



Toru Obata

Director
Senior Adviser

Profile

Apr. 1974 Joined Nippon Steel Corporation (currently Nippon Steel and Sumitomo Metal Corporation)
Jun. 1997 General Manager, Sydney Office
Apr. 2001 General Manager, Iron and Steel Business Group, Affiliated Companies Administration Div.
Apr. 2002 General Manager, Affiliated Companies Administration Div.
Apr. 2003 General Manager, Raw Materials Div.-II
Jun. 2004 Auditor (outside), Nippon Steel Shipping Co., Ltd.
Apr. 2005 Executive Counselor, General Manager, Raw Materials Div.-II
Jun. 2005 Director, Member of the Board
General Manager, Raw Materials Div.-II
Jun. 2006 Director
General Manager, Raw Materials Div.-II
Apr. 2007 Director
Jun. 2007 Director (outside), Nippon Steel Shipping Co., Ltd.
Apr. 2009 Managing Director, Nippon Steel Corporation
Jun. 2009 Managing Director, Member of the Board
Oct. 2010 Director (outside), NS United Kaiun Kaisha, Ltd.
Apr. 2011 Director, Member of the Board
Jun. 2011 President, Representative Director, NS United Kaiun Kaisha, Ltd.
Jun. 2018 President and Chief Executive Officer, East Nippon Expressway Company Limited (incumbent)
Jun. 2018 Director, Senior Adviser, NS United Kaiun Kaisha, Ltd. (incumbent)



Yasushi Aoki

Director*

Profile	
Apr. 1983	Joined Nippon Steel Corporation (currently Nippon Steel and Sumitomo Metal Corporation)
Apr. 2003	Group Manager, Hot-rolled Sheet Export Dept., Export Div.
Apr. 2005	Group Manager, Plate, Rail and Shape Dept., Global Marketing Div.
Apr. 2007	General Manager, Bangkok Representative Office
Jun. 2009	General Manager, Human Resources Div.
Apr. 2011	Sent to Nippon Steel (Thailand) Co., Ltd.
Oct. 2012	General Manager, Raw Materials Div.-I, Nippon Steel & Sumitomo Metal Corporation
Apr. 2015	Executive Officer, Head of Div., Raw Materials Div.-II
Apr. 2018	Managing Executive Officer, Head of Div., Raw Materials Div.-II (incumbent)
Jun. 2018	Director (outside), NS United Kaiun Kaisha, Ltd. (incumbent)



Masayuki Kinoshita

Independent Corporate Director*

Profile	
Apr. 1978	Joined Mitsui & Co., Ltd.
Apr. 2004	General Manager, Corporate Planning & Strategy Div.
Apr. 2007	Deputy Chief Operating Officer, Mineral & Metal Resources Business Unit
Apr. 2008	Managing Officer, Chief Operating Officer, Mineral & Metal Resources Business Unit
Apr. 2010	Executive Managing Officer, Chief Operating Officer, Mineral & Metal Resources Business Unit
Apr. 2011	Executive Managing Officer, Chief Information Officer, Chief Privacy Officer
Jun. 2011	Representative Director, Executive Managing Officer, Chief Information Officer, Chief Privacy Officer
Apr. 2012	Representative Director, Senior Executive Managing Officer, Chief Information Officer, Chief Privacy Officer
Apr. 2014	Representative Director, Executive Vice President, Chief Information Officer, Chief Privacy Officer
Apr. 2016	Director
Jun. 2016	Counselor
Jun. 2016	Director (outside), NS United Kaiun Kaisha, Ltd. (incumbent)



Masato Kimura

Director*

Profile	
Apr. 1985	Joined Nippon Steel Corporation (currently Nippon Steel and Sumitomo Metal Corporation)
Oct. 2001	Senior Manager, Head of Cold Strip Mill, Sheet & Coil Div., Kimitsu Works
Jul. 2003	Leader, Production Planning Group, Production & Business Planning Div., Kimitsu Works
Nov. 2004	Leader, Production Planning Group, Technical Administration & Planning Div.
Apr. 2009	General Manager, Head of Sheet & Coil Div., Kimitsu Works
Apr. 2011	General Manager, Head of Production & Technical Control Div., Kimitsu Works
Oct. 2012	General Manager, Head of Production & Technical Control Div., Kimitsu Works, Nippon Steel & Sumitomo Metal Corporation
Apr. 2014	General Manager, Head of Production & Technical Control Div., Kashima Works
Apr. 2016	General Manager, Vice Head of Kashima Works
Apr. 2017	Executive Counselor, General Manager, Head of Transportation & Logistics Div. (incumbent)
Apr. 2017	Director (outside), Nippon Steel & Sumikin Logistics Co., Ltd. (incumbent)
Jun. 2017	Director (outside), NS United Kaiun Kaisha, Ltd. (incumbent)



Setsu Onishi

Independent Corporate Director*

Profile	
Apr. 1978	Joined The Industrial Bank of Japan, Limited
Apr. 2002	General Manager of Corporate Banking Division No. 8, Mizuho Corporate Bank Ltd.
Apr. 2004	General Manager of Corporate Banking Division No. 8 and No. 4
Jun. 2004	General Manager of Corporate Banking Division No. 14
Apr. 2005	Executive Officer, General Manager of Corporate Banking Division No. 14
Apr. 2007	Managing Executive Officer, Head of Global Syndicated Finance Unit, Head of Global Financial Products Unit
Apr. 2010	Deputy President & Executive Officer Head of Internal Audit Group, Mizuho Financial Group, Inc.
Jun. 2010	Deputy President (Representative Director) Head of Internal Audit Group
Apr. 2011	Director
Jun. 2011	Adviser, IBJ Leasing Co., Ltd.
Jun. 2011	Director, Vice President
Apr. 2013	Director, President
Jun. 2016	Councillor, Mizuho Financial Group, Ltd.
Apr. 2017	Senior Counselor, Nippon Commercial Development Co., Ltd. (incumbent)
Jun. 2017	Director (outside), NS United Kaiun Kaisha, Ltd. (incumbent)
Mar. 2018	Audit and Supervisory Board Member (outside), Showa Denko K.K. (incumbent)

Audit & Supervisory Board Members (outside*)



Yasuhiro Minemura

Corporate Auditor (full-time)



Yasuhito Mitani

Independent Corporate Auditor*



Keizo Chihara

Corporate Auditor*

Executive Officers:

Yoshifumi Nakata
Managing Executive Officer

Kazushi Fukuda
Executive Officer

Naruhiko Miyai
Executive Officer

Makoto Yoshikawa
Executive Officer

Toru Fujita
Executive Officer

Naoki Asuwa
Executive Officer

Shinichi Kitazato
Executive Officer

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, government offices, calling/passing port states and local communities.



Community Initiatives

1 Ship tour for elementary school children

On October 24, 2017, school children were given a tour of M/V *United Eternity*, a 180,000-tonne bulk carrier originally built by Namura Shipbuilding Co., Ltd. The tour was jointly organized with the Japanese Shipowners' Association (JSA) as part of events marking the 50th anniversary of the Imari Port Opening in Saga Prefecture. About 50 children from grades five and six at a local elementary school were guided around the ship's deck, bridge, engine room, and captain's cabin. Showing great interest in the captain's explanations and excitedly asking questions, the children learned about the importance of maritime shipping for industry and people's lives in Japan.



Capt. Hirabayashi giving an explanation about the vessel

2 Rescue by the crew of the M/V Kibo

On the morning of May 9, 2017, a man needing to be rescued was seen off the Port of Yagi in Iwate Prefecture by the crew of the M/V *Kibo*, a limestone carrier operated by NS United Naiko Kaiun Kaisha, Ltd. The man was spotted on a capsized pleasure boat. The captain notified the Japan Coast Guard at the port and navigated his ship near the boat. The man was then safely rescued using a ring buoy (life preserver). The Japan Coast Guard's office at the Port of Yagi held a ceremony to commend the rescue on June 14, 2017, and a letter of appreciation from the Coast Guard commander was accepted by the captain of M/V *Kibo* on behalf of the crewmembers.



M/V Kibo



Capt. Okada and crew with the award

3 Participating in the Ecocap recycling program

We support a plastic bottle cap recycling program begun by an NPO called the Ecocap Movement by setting up collection boxes at workplaces and regularly delivering collected caps to the NPO. In addition to promoting recycling, it is expected to reduce CO₂ emissions that would otherwise occur if the caps were incinerated, and the proceeds from the sale of the recycled caps are used to create job opportunities for the elderly and people with disabilities to help them achieve self-reliance.



An employee helps collect bottle caps for the recycling program

4 Regional Disaster Preparedness

NS United Kaiun Group companies participate in a joint disaster preparedness council at the Otemachi First Square Building (Chiyoda-ku, Tokyo), where we lease office space. The companies carry out firefighting drills and participate in joint disaster preparedness with the local district. In addition, the Group has set up firefighting brigades, and executives and employees at their workplaces participate in inspections and training sessions for disaster preparedness and crime prevention.



Employees participate in a joint firefighting drill

5 Calendar Donation Drive

Every year since 2006, the NS United Kaiun Group has participated in a calendar donation for a forest conservation fund in Kagoshima Prefecture. For the tenth time, this was held in the prefecture from December 21 to 27, 2017, with participation by companies and organizations from all over Japan. We donated sets of 47 calendars and four notebooks to the event organizer as part of our social contribution. The proceeds from the sale of the calendars and notebooks are used for maintaining woodlands and supporting forest conservation.



Volunteers use donated funds to maintain woodlands

With Our Customers and Suppliers

Customer Satisfaction

NS United Kaiun is principally engaged in the worldwide shipping of raw materials, energy resources, and products for industry. The Company meets customers' needs for cargo transportation throughout the world by fully employing the information and know-how on trade, vessels, shipping routes, and cargo handling that has been accumulated over time at bases in London, New York, Singapore, and Tokyo. Many shipbrokers are located in these cities, and we strive to offer timely shipments employing the most suitable vessels, safely and at competitive rates.

For business communication, we visit domestic and overseas customers, building 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 customers worldwide to do business with "a first-class industrial bulk carrier."

Participating in Safety Meetings with Customers and Partners

NS United Kaiun Kaisha, Ltd., together with coastal shipping companies NS United Naiko Kaiun Kaisha, Ltd. and NS United Coastal Tanker Kaisha, Ltd., has continued to forge strong ties with domestic consignees from 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. We cooperate on periodic surveys and have implemented risk management programs related to accidents, disasters, and environmental pollution.

Emergency Response and Public Communication

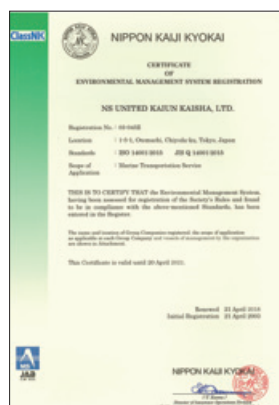
NS United Kaiun Kaisha, Ltd. is always ready to manage an emergency response together with customers, salvagers, insurers, shipping agents, shipyards, and other partners, as well as related authorities, in accordance with regulations regarding the handling of disasters at sea and other emergency circumstances.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



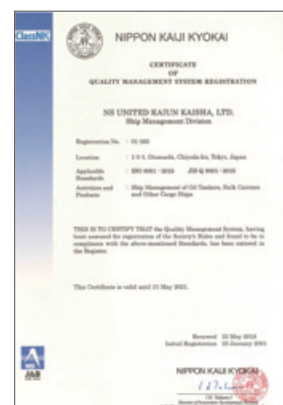
Accident response drill

Ensuring Safety and Quality in Shipping Services

The mission of the Group is to providing customers with high-quality marine transportation services. Therefore, NS United Kaiun Kaisha, Ltd., together with NS United Systems Co., Ltd., NS United Business Co., Ltd., and International Marine Consulting Co., Ltd., established an environmental management system that complies with the ISO 14001 international standard for environmental management systems, and implemented the new system throughout the Group's marine shipping services. Moreover, NS United Kaiun Kaisha, Ltd. and NS United Naiko Kaiun Kaisha, Ltd., respectively implemented a safety management system by incorporating the ISO 9001 international standard for quality management into vessel safety management. Following revisions to the ISO 14001 and ISO 9001 standards in 2015, the Company completed the required changes for the revised standards and was certified for both standards.



ISO14001:2015 certificate of EMS registration



ISO 9001:2015 certificate of QMS registration

Efficient Stowage and Cargo Preservation

At International Marine Consulting Co., Ltd., a NS United Kaiun Group member, experienced vessel masters supervise the loading and unloading of high-value steel and other manufactured products, as well as similar cargo. The Company uses the accumulated experience and knowledge of cargo characteristics and worldwide port conditions to preserve cargo and support efficient transportation.



Stowage of steel coil

With Our Shareholders and Investors

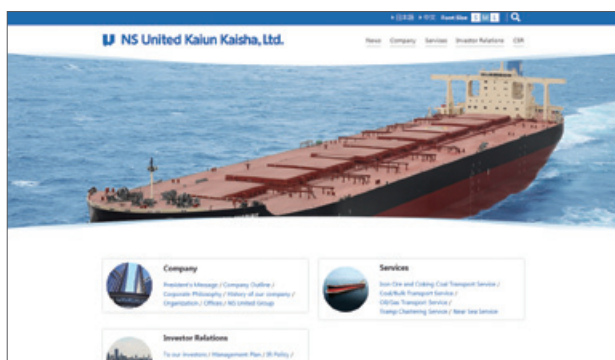
Timely Disclosure of Company Information

We comply with all laws and regulations, including the Financial Instrument Exchange Act, and with the timely disclosure rules set by the Tokyo Stock Exchange. We strive to ensure the timely, appropriate disclosure to our shareholders of IR and other important information that could affect business results. For full disclosure, we use our website, news media, and the Tokyo Stock Exchange's Timely Disclosure Network (TDnet), based on transparency, fairness and continuity. We also proactively provide certain information that is not required to be disclosed according to the timely disclosure rules if we believe the information is important for shareholders and investors.

In addition, the Company's Investor Relations Committee — composed of executives and general managers in the General Affairs Group, the Finance and Accounting Group, and the Project Group — 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.

IR Materials on Our Website

- *Securities Report, Quarterly Securities Report* (in Japanese)
- *Corporate Governance Report* (in Japanese)
- Corporate Disclosure
- Financial Results
- *NS United REPORT* (integrated report)
- Interim Business Reports (in Japanese)



Front page of the Company's website



IR web page

Interactive Communication

NS United Kaiun works to provide information to domestic and overseas institutional investors. As much as possible, the Company holds individual briefings with securities analysts and investors upon request, answering questions and explaining the status of operations. In line with a policy established by the Investor Relations Committee, at least one executive and one person from the committee secretariat participate in these briefings. We held 12 individual briefings during fiscal year 2017.

Dividends to Shareholders

To the Company, shareholder returns are an essential aspect of managing the business. Our policy is to maintain sustainable dividend payments that match the Company's performance while securing enough retained earnings to generate stable corporate growth.

One important strategy in our Medium-Term Business Plan, launched in 2017, is "Increase investment efficiency", where we focus on "raising investment efficiency in order to maximize shareholder satisfaction". We have thus enhanced our dividend policy in order to convey our proactive stance for profit distribution, we decided on a policy of increasing the payout target from approximately 25% to 30% in March 2018 to reflect consolidated financial results.



With Our Employees

Basic Employment Policy

There is a fundamental assumption that core staff, both administrative and technical, are permanent employees. In the spirit of Japan's Law on Securing Equal Opportunity and Treatment between Men and Women in Employment, employment is based solely on the capabilities and aptitude of each person, and the growth of employees is fostered by the Company's training system.

Concerning our non-Japanese crews, we strive to improve retention rates on vessels managed us by increasing the types 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.

Work-Life Balance

NS United Kaiun strives to create a congenial work environment so that employees can maintain a good balance between work and home and to lead a satisfying life. The Company offers a secure environment for working mothers as well as maternity leave, family care leave, and other benefits more generous than those required by law, and allows employees who meet certain 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. In addition, Wednesday has been designated as a No Overtime Workday, and employees are encouraged to follow the campaign practices to ensure effective implementation.

The Company provides dormitories (two locations in the Tokyo area), company housing, an employee savings system, a supplementary housing loan system, and various other welfare and benefit programs, in addition to helping fund employee cultural groups that engage in cultural activities (including sports). In April 2008, the Company also introduced lump sum childrearing support payments.

Employee Health and Safety

All employees of the NS United Kaiun Group receive annual health checkups, and the Company pays for 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.

The programs provided also include health guidance for preventing metabolic syndrome and other lifestyle-related diseases, preventive health education on infections, mental health checkups, and seminars on mental health.

Mandatory pre-embarkation health checkups are provided for crewmembers upon boarding. They are also given guidance by periodic health checks while on board. Safety is the top priority, and we have

established a safety management system with procedures that are rigorously implemented.

Personnel System

In fiscal year 2001, the Company introduced a personnel system for promotions and advancement based on an assessment of the individual's ability, motivation, and performance. Since its introduction, the Company has fine-tuned the system based on the opinions of employees. This system has the primary aim of making certain that every individual works at his or her level of competence, and to help them develop his or her abilities, while ensuring fair treatment.

Relations with Labor Unions

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

Training System

To develop employees into professionals in the field of international shipping, NS United Kaiun provides training tailored to the career track and rank of employees, with on-the-job training (OJT) at the core of this system. The Company also offers training for new employees, training in shipping practices and languages (English, Chinese and other languages), training for shipping agency staff, onboard training, training overseas, as well as grade-specific or job-specific training. These programs provide everyone with opportunities to progress according to their position and requirements.

- Training in shipping practices: Allows trainees to select from among multiple courses offered by the Company and maritime industrial associations covering a broad range of subjects from sales/marketing, insurance, and regulations to technology and treaties.
- Onboard training program: Offered to shore-based personnel in their second year or later with vessels under the Company's management. This training focuses on increasing trainees' knowledge of ships and awareness of the importance of safe navigation.
- Training abroad program: Trainees are sent for one year or so to the Company's overseas subsidiaries or representative offices to develop international business skills, including language and negotiation skills.

Guided by the Company's plan for developing young crewmembers in the short term, exacting guidance and education are provided, allowing new crewmembers to play instructive roles as chief officers or first engineers just four to five years after joining the Company. For non-Japanese crewmembers, we have a promotion support system and skill improvement training programs. These include pre-boarding seminars held both in the country of recruitment and in Tokyo, classroom training, assistance in obtaining advanced marine certifications, and OJT.

Onboard training program

Yuki Honda Finance Team

Onboard training program

March 10, April 6, 2018
M/V *NSS HONESTY* (229,500 DWKT) V-73 (iron ore)
Port Walcott, Australia to Kashima, Japan



An important thing I learned:
Problems get bigger little by little

I realized how challenging it is to complete a safe voyage during my training. I could see that the crewmembers had outstanding crisis management skills and were very good at spotting anything out of the ordinary. Indeed, the careful attention they paid to every detail during the voyage, from maintaining the deck and checking meter readings every day to cleaning all nuts and bolts, enabled them to immediately notice the signs of a problem.

If a problem occurs at sea, engineers cannot be sent out, so the crew must handle it on their own and continue to run the ship. While using a gyrocompass, they confirmed its accuracy with a magnetic compass, and although GPS systems were used, it was always assumed that high-tech equipment could break down, so celestial navigation logs were kept on paper. I was impressed by how the crew always made sure that they were prepared.

How the training changed me: I have a greater appreciation for routine work

Just like the crewmembers on board, for our work in my finance team we must closely coordinate with other people and departments. Through my training, once again I realized it is doing work properly over and over every day that allows us to manage funds, make sound investment decisions, and produce financial reports with a high degree of accuracy. We also need to be highly aware of crisis management techniques to prepare for market changes and to be able to detect anything unusual in the financial documents we produce by constantly checking them. To do that successfully, I intend to be very careful when doing my routine work every day.



Inspecting and cleaning inside of freshwater tank

Overseas Training Program

Yu Terasawa Secretary and Personnel Team

United Kingdom

July 2015–June 2016
NS United Shipping (U.K.) Ltd.



What impressed me most:
How the brokers handled their work

In London, brokers arrive at work early every morning, sorting out activities in the Far East, checking cargo and vessel information, informing clients as soon as possible. If they find that a deal is likely to close, they persuade and encourage chartering agents and ship owners, leading the deal to a close. I was fascinated by how professional their techniques are. Contrary to that observation, the brokers in my office watched sports on teleconferencing monitors and played darts during breaks. I was amazed by how the brokers in London varied the workday. By early evening, the market settles and shipping services are over, so most employees leave the office shortly after 5:00 p.m. to meet friends at the pub or go home to their families. I realized that for most people in London, balancing their work and private life is completely natural.

How this experience benefitted my job: a network of trusted contacts

The common point of the interesting brokers was high skill in coordinating negotiations as well as collecting and analyzing data for the purpose of offering accurate advice. In addition to that, they also had a wide network of business contacts, and I could see that they smoothly dealt with clients because they had formed relationships of trust.

Thanks to all the people who supported me during my stay in London, I was able to get acquainted with many brokers as well as shippers and ship owners. I plan to maintain these contacts now that I have returned to Japan, and although the operations and transactions we handle are in different places in the world, I hope to meet or work with them again.



I joined a charity running team called the Young Baltic Association, mainly made up of young members of the Baltic Exchange

NS United Kaiun Group Environmental Policy, Safe Navigation System

Environmental Policy

1

We, as a corporate group that provides marine transportation services worldwide, will strive to protect the global environment, the common property of all humankind.

2

We will establish an environmental management system and commit to continually improving it to enhance environmental performance and to prevent pollution.

3

We will comply with the laws, regulations, and other environment-related requirements that are applicable to the navigation of our vessels and to our business activities in offices.

4

Every department of our company will establish environmental objectives and targets that comply with our Environmental Policy and strive to attain these objectives and targets based on our environmental program. We will also review their performance on a regular basis to ensure these environmental objectives and targets are being achieved.

5

We will strive to ensure, through environmental education and promotion activities, that all employees of the NS United Kaiun Group raise their awareness of environmental issues and act in accordance with this Environmental Policy.

6


When acquiring vessels, instruments, other products, and materials required for providing our services, we will procure them by taking into consideration a reduction of the environmental impact and a life cycle perspective.

7

We, the NS United Kaiun Group as a whole, will promote energy and resource saving as well as the reduction and appropriate disposal of waste.

8

We will disclose our Environmental Policy and environmental preservation activities when necessary.



Kazuo Tanimizu

President,
NS United Kaiun Kaisha, Ltd.

Revised June 27, 2018

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 the vessel safety management of the entire Group in an integrated fashion, and has built a Safety Management System based on the International Safety Management Code of the International Maritime Organization (IMO). The Safety Management System also meets the ISO 9001:2015 international quality management standard.

Convening the Safety and Environmental Committee

The Safety and Environmental Committee, headed by the president, regularly reviews our Environmental Management System (including our Environmental Policy) and ensures safe navigation. We are deeply committed to conserving the global environment by continually improving our Environmental Management System.

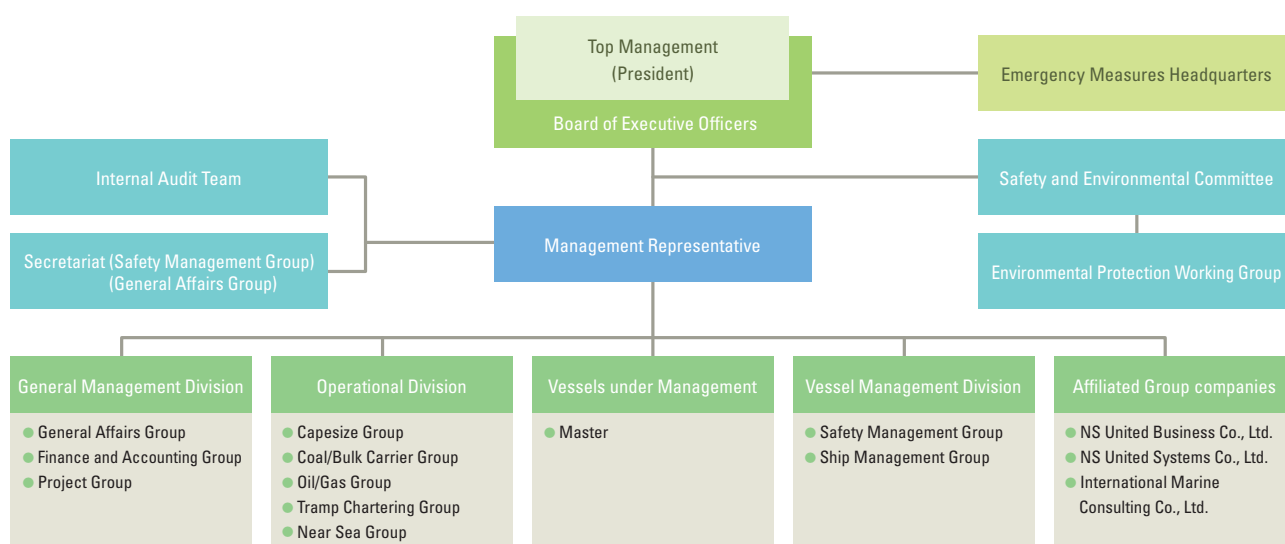
Establishing a crisis management system

Based on our regulations for handling casualties at sea and other emergencies, we have adopted initiatives 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 crewmembers

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

Environmental Management System Organization Chart (NS United Kaiun Kaisha, Ltd.)



Results of Environmental Management Programs Implemented in FY 2017 and

10-year long-term target (set in FY 2011 and revised in FY 2016)

Reduce annual average of CO₂ emissions per ton-mile

PLAN ➡		DO ➡		CHECK / ACT ➡	
Environmental Policies	Environmental Objectives	Target for FY 2017	Content of Activities	Verification of Results	Achievement
Environmental Education	Promoting Environmental Awareness	Implement in-house education (at least three times a year)	Designate a training program for new employees	Office workers: Provided training to new employees in April. Crewmembers: Provided training to newly hired graduates in September and new mid-career employee when they joined.	📄📄📄
			Provide in-company training making use of group meetings	All groups and teams held meetings or shared information on the plans to be implemented at least three times during FY 2017. Carried out Company-wide environmental awareness programs such as campaign to save photocopy paper.	📄📄📄
		Train internal environmental auditors (at least one)	Foster internal auditors within the environment secretariat	One employee participated in a related external program and became a qualified internal environmental auditor.	📄📄📄
		Implement pre-boarding seminar (100%)	NS United Kaiun implements the educational training of the “top four” (Capt, C/E, C/O, and 1/E) and Japanese crew. To those other than the above, manning companies provide the training.	In FY 2017, held pre-boarding seminars for the top four ranks of all non-Japanese crews as well as all Japanese crewmembers. 228 crewmembers attended 171 seminars (including during on-the-job training)	📄📄📄
		Implement onboard education of crew (once a year for each vessel)	Implement onboard education of crew	Held at least one of the onboard training activities on all 33 designated vessels during FY 2017. The Quality Control Team conducted 33 internal audits out of total 35 visits. The Marine Team conducted 27 safety inspections out of total 67 visits. The Ship Management Group conducted 29 maintenance inspections.	📄📄📄
		Hold Shipboard Safety and Health Committee meetings (once a month)	Disseminate environment conservation materials by Shipboard Safety and Health Committee	Provided monthly onboard training to crewmembers on all vessels managed by the Company, and reported this to the Safety Management Group.	📄📄📄
Promotion of Safe Operation (Pollution prevention)	Preserving of the Marine Environment	Zero oil spills from vessels (without regard to amount)	Promote safe navigation (prevent contamination)	Followed manual and instructions, achieved zero oil spills from vessels.	📄📄📄
			Perform safe cargo handling on oil tankers		
			Implement safe bunkering and oil transfers Carry out maintenance work for potential oil leaks outside of vessels		
			Prevent oil leaks from the deck when at anchor and berthing		
		Manage ballast water effectively	Execution of ballast water exchange in rigid compliance with port state regulations	Followed procedures for exchanging ballast water based on instructions from authorities and regulations in every country of operation. Planned to retrofit ships ballast water management systems according to the due date, for vessels owned and under our management in next drydocking and for new ships during construction. We will carry out installations in accordance with treaties and port regulations and provide guidance on operating these ballast treatment systems to have them accepted Company-wide on our vessels.	📄📄📄
Natural Resource Saving and Reduction of Waste	Conserving Natural Resources	Maintain 20% or more reduction in fuel oil consumption per ton-mile unit load over FY 2000	Implement effective operation by onshore organization	Achieve 26.83% reduction in fuel oil consumption per ton-mile unit load over FY 2000.	📄📄📄
			Implement effective operation by onboard organization		
			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: FY 2017: 8,621 sheets/person FY 2016: 8,676 sheets/person Results: A reduction of 0.6%, or 55 sheets/person, compared with the previous fiscal year	📄📄📄
			Promoting paperless operations by introducing onboard vessel mangement software	Continued to promote paperless operations by converting official documents into electronic data to the most extent possible since the previous fiscal year. Contribute to resource saving to comply with instructions.	📄📄📄
Conservation of Air Quality (Contamination prevention)	Reducing of Harmful Air Pollutants	Conserve electricity	Save energy 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 air conditioner to make room temperatures 28°C during the summer months (from July to September). Encouraged wearing light casual clothing. Adjusted air conditioning in each area of operation frequently and tried to save electricity.	📄📄📄
		Maintain 20% or more reduction in CO ₂ emission per ton-mile unit load over FY 2000	Implement effective operation and navigation	Reduced CO ₂ emissions per ton-mile by 26.82% compared with FY 2000.	📄📄📄
		Reduce 20% CO ₂ emission (average: FY 2013-2020) per transported unit over FY1990 (to be in line with the Japanese Shipowners' Association's Commitment to a Low Carbon Society)	Note: Even with the latest models, it is impossible to reduce CO ₂ emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	Reduced CO ₂ emissions per ton-mile by 28.99% on average over the period from FY 2013 to FY 2017 compared with FY 1990. Reductions compared with base year: 21.75% in FY 2013, 29.93% in FY 2014, 31.29% in FY 2015, 30.72% in FY 2016, and 31.27% in FY 2017.	📄📄📄
		Implement Green Flag Incentive Program (100%) in a vessel placed in service at Long Beach Harbor in the U.S.	Sail at 12 knots or less within 40 nautical miles of relevant port	Conducted operation followed by program (one vessel from Coal/ Bulk Carrier Group and two vessels from Tramp Chartering Group)	📄📄📄
		Prevent use of low-quality fuel oil.	Conduct fuel oil analysis Use lower sulfur fuel oil in designated emission control areas	Installed SOx scrubber in newly built vessel (KHI 1739) for using low-sulfur fuel oil in Sulphur Emission Control Areas (SECA) in compliance with MARPOL Convention.	📄📄📄

Goals of the Programs in FY 2018

by 20% compared with the FY 2000 level over the 10-year period from FY 2011 to FY 2020.

   : Achieved

  : Partly achieved

 : Needs review

PLAN ➡	DO ➡	
Target for FY 2018	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 of the "top four" (Capt, C/E, 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	Full year
	Carry out maintenance work for potential oil leaks outside of vessels	Full year
	Prevent oil leaks from the deck when at anchor and berthing	Full year
Manage ballast water effectively	Familiarize crew with actions for emergency response	November
	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 FY 2000	Responding to the Ballast Water Management Convention (BWMC)	Full year
	Implement effective operation by onshore organization	Full year
	Implement effective onboard navigation	Full year
Reduction in consumption of paper per employee	Add chemicals to boost combustion efficiency and reduce fuel oil consumption	Full year
	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	Save energy to cope with low power distribution, turning off unused lights, computers, and equipment and eliminating unnecessary lighting. Save energy through Cool-Biz (casual summer office clothes) and other initiatives during summer	Full year
Promoting recycling	Ensure correct implementation of trash separation and recycling that follows the laws and workplace building rules Collaborate in recycling and social contribution activities through the Ecocap Movement (used PET bottle caps) recycling program	Full year
Maintain 20% reduction in CO ₂ emission per ton-mile unit load over FY 2000	Reduction through converting reference documents to electronic data Reduction by saving paper	Full year
Reduce 20% CO ₂ emission (average: FY 2013 to FY 2020) per transported unit over FY 1990 (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 ₂ emissions as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	Full year
Implement Green Flag Incentive Program (100%) in a vessel placed in service at Long Beach Harbor in the U.S.	Sail at 12 knots or less within 40 nautical miles of the 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

Environmental/Safety Issues Involved in Marine Transportation Services

The NS United Kaiun Group supplies marine transportation services for port-to-port delivery of cargo, as contracted, via vessels under our operation.

A diesel engine system (main engine) is used to power propeller-driven ships. A power generator system produces the electricity needed onboard, ranging from operating machinery and equipment to everyday use by the crew. The major fuel to run these systems is heavy oil, which contains hazardous air pollutants such as carbon dioxide (CO₂), sulfur oxide (SO_x) and nitrogen oxide (NO_x) that result from burning this oil.

A ship can be likened to a small isolated town, though one that is moving across the sea. Many types of domestic waste are inevitably produced by the crew on board that are similar to the waste produced by households on land. These include both combustibles (such as clothing, paper, plastics) and incombustibles (such as glass bottles and metal).

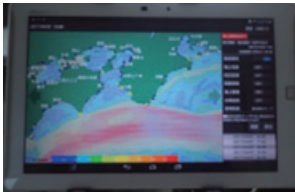
Self-reliant onboard emergency response drills are carried out by the crew, including repair work for equipment failures and firefighting. Crewmembers are trained so that they can effectively perform a variety of essential roles to respond to many types of emergency. Keeping these facts in mind will help you to understand the following reports on our activities entitled Reducing Environmental Impact (page 32) and Safe Navigation (page 34).

Adopting a Tidal and Ocean Current Forecasting System

In 2014, NS United Naiko Kaiun Kaisha, Ltd., adopted a system for forecasting tidal and ocean currents, something that was previously difficult to do with a high degree of accuracy. Information about the ocean is displayed on monitors onboard one of our vessels, *Kimitetsu Maru*. This system enables a ship to simultaneously gather weather information and rainfall radar information as well as to forecast the weather for the 300 primary ports throughout Japan.

Using this system, *Kimitetsu Maru* navigates safely and efficiently.

Based on the successful example of *Kimitetsu Maru*, we are planning to install this system on eight other vessels (excluding those assigned to the Seto Inland Sea route) from fiscal year 2017, and plan to install it on another 30 chartered ships from fiscal year 2018, with a view to improving the safety and efficiency of shipping operations and navigation.



Tidal and ocean current information

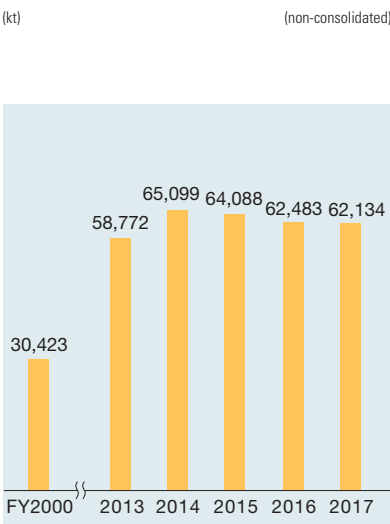


Weather information

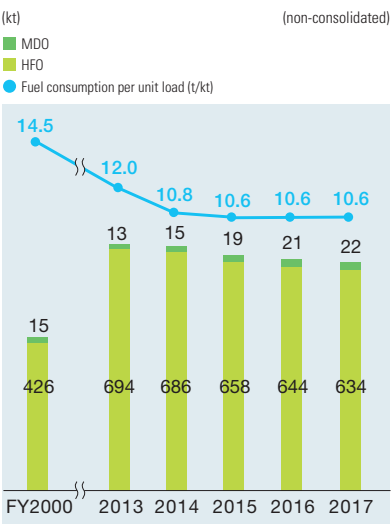


Display of a weather chart

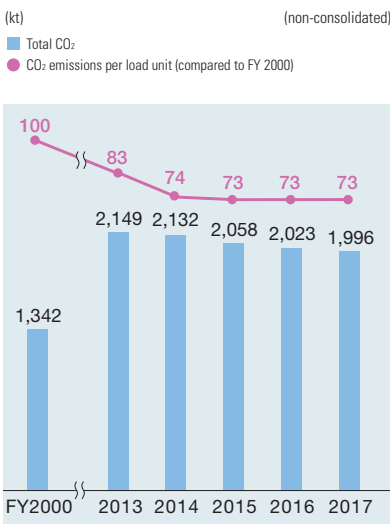
Traded Cargo Volume (fiscal year)



Fuel Consumption



CO₂ Emission Volume



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 pollution substances are expected to be stricter in the future. The following explains our actions for complying with the stricter regulations.

Stricter Regulations for SOx

From January 2015, SOx emissions controls has been tightened for ocean areas where emission are limited (Europe: the North and Baltic Seas; North America: coastal areas of the US and Canada), and the sulfur content of fuel oil has been limited to 0.1% or less.

From January 2020, SOx emission regulations will be further tightened in general ocean areas, excluding the areas specified above, and the sulfur content of fuel oil will be lowered from 3.5% or less to 0.5% or less.

To comply with the new regulations, besides using low-sulfur bunker oil, it is also possible to install diesel engines that run on natural gas containing no sulfur, or to reduce SOx emissions by installing equipment that cleans engine exhaust gases and reduces them to the required level. After reviewing these options, we are going to install exhaust gas cleaning systems on our vessels.

Stricter NOx Emission Regulations

NOx emission regulations have been made progressively stricter, with Tier III standards first going into effect in North America along the coasts of the United States and Canada, followed by other Emission Control Areas, including the Baltic and North Seas in Europe. Since vessels

navigating in NOx Emission Control Areas must install equipment for meeting the Tier III standards, we are considering specifying this new equipment for ships to be built in the future.

Reducing CO₂ (Carbon Dioxide) Emissions

The fuel efficiency of newly built vessels has improved with the adoption of the Energy Efficiency Design Index (EEDI), which indicates fuel efficiency for vessels built after 2013. The index becomes stricter approximately every five years. In addition, the Ship Energy Efficiency Management Plan (SEEMP) was drawn up. It is being used to reduce CO₂ emissions through more efficient vessel navigation.

Effective from 2019, the IMO (International Maritime Organization) will start a fuel consumption reporting system for ships as a way to verify the amount of CO₂ being emitted. The IMO has also set a target to reduce CO₂ emissions to half of the 2008 level by 2050, and has declared the intention to eventually phase out all emissions.

At the same time, the European Union (EU) began in 2018, ahead of the IMO, to monitor, report on and verify the fuel consumption of vessels that call at ports in EU nations (the EU-MRV regulation). Reducing fuel consumption has become an important issue not only for economic efficiency but for promoting environmental conservation as well.

We recognize the need to prepare for compliance with increasingly strict environmental regulations in the future, including tighter SOx emission regulations set to go into effect from 2020. Accordingly, in addition to our own work to reduce the fuel consumption of our fleet, we intend to cooperate with all the organizations involved in related environmental conservation.

Emission Control Areas (ECAs)



Baltic Sea and North Sea (SOx only)



200 nautical mile area from U.S. and Canadian coast (NOx and SOx)



U.S. and Caribbean Sea area (NOx and SOx)

Note: It is possible to designate SOx ECA and NOx ECA separately.
Source: Japanese Shipowners' Association

Reducing Environmental Impact

Responding to the Ballast Water Management Convention (BWMC)

In February 2004, the IMO adopted the International Convention for the Control and Management of Ships’ Ballast Water and Sediments (also known as BWMC or the Ballast Water Management Convention). The goal is to prevent damage to the environment, ocean ecosystems, and people’s health caused by any harmful aquatic organisms (e.g., algae and shellfish) or pathogens (e.g., *Vibrio cholerae*) contained in ballast water. Ballast water is taken on at one location and discharged at another.

The Ballast Water Management Convention came into effect on September 8, 2017. This convention requires ballast water to be replaced in the open sea or to use ballast water treatment systems to remove, sterilize, and destroy aquatic life and pathogenic organisms to prevent transferring these organisms to other environments.

The deadline for installing a ballast water treatment system is specified for every vessel (when renewing the IOPP certificate). Seven years after the effective date of the convention, all vessels will be required to adopt a management method that uses a ballast water treatment system.

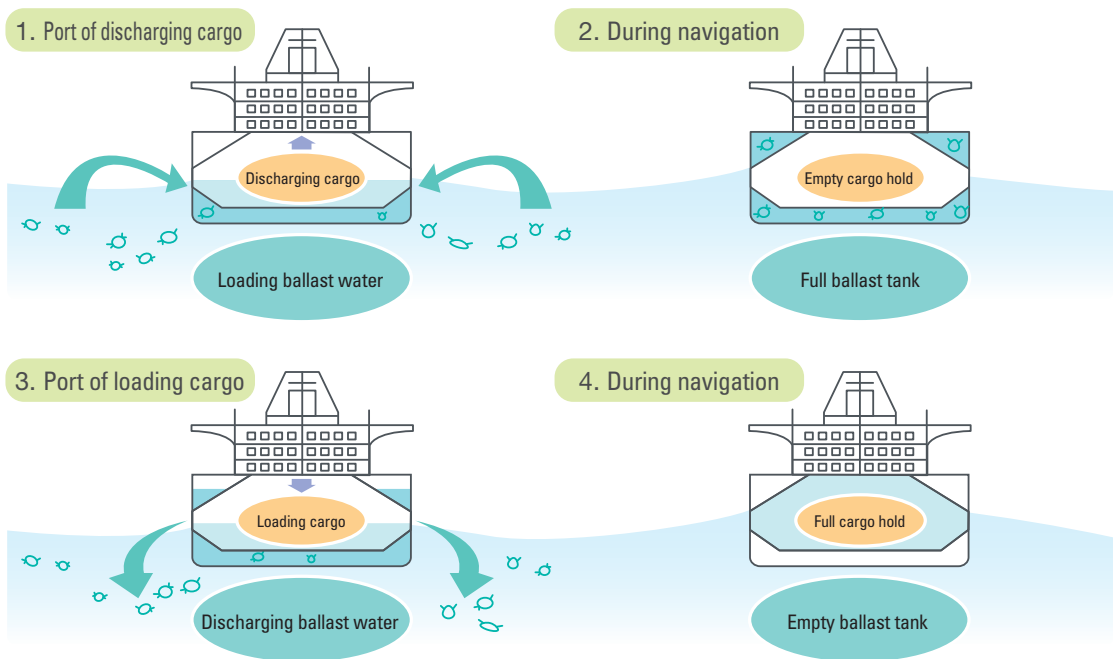
NS United Kaiun Kaisha, Ltd. has installed systems in newly built vessels since 2013. We will install these systems in our existing vessels in the future to help conserve the ocean environment.

Effective Disposal of Onboard Waste

Domestic waste of many types is generated from crew accommodations. Waste is disposed of using an onboard garbage management plan developed in compliance with the MARPOL Annex V provisions, which require onshore disposal of all types of waste produced onboard, excluding items such as food waste and cargo residue that is not harmful to the environment. This plan describes the procedures for sorting the garbage generated by all vessels managed by the Company into 13 types to meet the local sorting and recycling rules adopted in the ports of call. Also, to minimize the amount of disposal, certain measures have been implemented, including using incinerators that reduce dioxin emissions from burning combustibles and by providing can crushers.



Type-approved incinerator



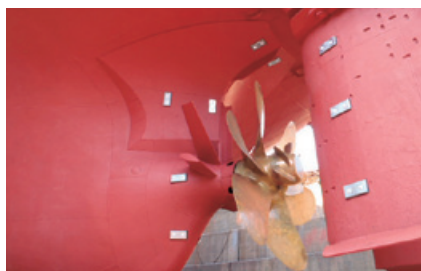
Source: Materials released by the Ministry of Land, Infrastructure, Transport and Tourism, “Travel of aquatic life through ballast water” (February 16, 2004)

Using Energy-Saving Equipment and Fuel-Efficient Anti-Fouling Paint

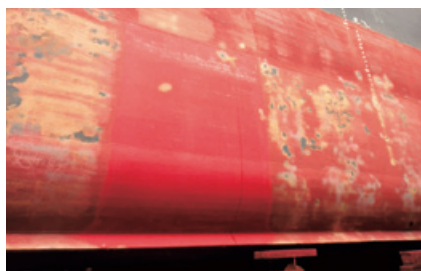
NS United Naiko Kaiun Kaisha, Ltd. introduced an energy-saving water flow rectifier and fuel-efficient anti-fouling paint for vessels in their twentieth year of service or later as part of dry dock maintenance.

A water flow rectifier was installed on *Shimokita Maru* (built at 1994). This energy-saving feature smooths the water flow generated at the stern when turning the propellers to increase propulsion efficiency. The fuel-efficient antifouling paint applied to *Kimitetsu Maru* (built in 1991) and *Fuyo Maru No. 5* (built in 1994) lowers friction compared with conventional hull paint. The adoption of these measures proved to be effective, cutting fuel consumption by 3–5% and reducing exhaust gases including CO₂.

An additional measure was adopted for *Shimokita Maru* and *Fuyo Maru No. 5* during recent dry docking. The two vessels underwent a full-blast paint stripping followed by repainting of their hulls to make the friction resistance similar to that of newly built vessels. As a result, they achieved a 1–3% reduction in fuel consumption.



Energy-saving rectifier on *Shimokita Maru*



Fuel-efficient antifouling paint on the hull of *Kimitetsu Maru*



Fuyo Maru No. 5 having paint stripped from her hull

Environmental Education

In-House Education

We created an Environmental Education Implementation Plan to provide training on the environment for our employees. This education plan has programs for new employees, including crewmembers, and workshops for each Group company.

New employee programs introduce the Environmental Management System that focuses on environmental policy. Group workshops include discussions, chiefly on the agenda of the Safety & Environmental Committee, as well as the results of internal environmental audits and external audit.

To respond to the September 2015 revision of the ISO 14001 international standard for environmental management systems, the NS United Kaiun Group's environmental management manual was revised on February 1, 2017, and the new system is being used. The new system was submitted for assessment by Nippon Kaiji Kyokai, a ship classification organization, on May 29 and 30, 2017 and has obtained ISO 14001:2015 certification.

Education for Crewmembers

We have developed and started using onboard education and training programs for crewmembers through OJT (on-the-job training) in addition to classroom training when on land. The curricula covers environmental protection and is being implemented during pre-boarding seminars to improve awareness of environmental issues.

We provide pre-boarding seminars to Japanese and the top four ranks of non-Japanese crew (Capt, C/E, C/O and 1/E). For crewmembers other than those listed above, overseas manning companies provide seminars on our behalf.

The items in the seminars include garbage management, operation of the Ship Energy Efficiency Management Plan (SEEMP), response to the MARPOL Convention, and an overview of past accidents and countermeasures. These seminars help crewmembers acquire skills and increase their environmental awareness.



Seminar in the Philippines

Safe Navigation

Supporting Safe Navigation

Safe navigation is at the core of the Company's business. We work to achieve zero marine accidents and support safe navigation under the systems described below with the knowledge that safe navigation of vessels is a top priority for promoting the conservation of the global environment, especially the marine environment.



Shipboard Safety and Health Committee activities on board

Accident Zero Achievement Committee

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

Safety Management System Management Committee

Proposals for improvements from ships owned and under our management, accident statistics, internal audits of ships and the Vessel Management Division, and matters pointed out by external vessel inspections, such as PSC (port state control), are reported to the Safety Management System Management Committee. This committee then reviews the vessel safety management system and quality management system — the core components of vessel management — and continually makes improvements.

Near-Miss Report System

A near-miss box has been installed on ships managed by the Company for preventing accidents and for crewmembers to collect details of more near-miss incidents. We pursue safe operation by analyzing near-miss incidents on board, or at the Vessel Management Division, and by studying preventive measures, which are collated and fed back to our vessels.

Shipboard Safety and Health Committee

The Shipboard Safety and Health Committee, with the participation of all crewmembers is held every month to discuss shipboard activities regarding safety, health, and environmental protection. The aim is to raise crewmembers' awareness of safety and health management as well as environmental conservation.

BRM and ERM Training for Safe Navigation

On the bridge, watchkeeping is an essential duty for ensuring that the entire voyage is completed safely. Officers perform this duty in relays to make sure that the vessel is prevented from colliding with other ships or running aground. At the same time, in the engine room, engineers inspect and maintain the engines and other equipment to ensure that they operate efficiently.

In high-traffic waters, such as Tokyo Bay, teams of navigation officers and a quartermaster are organized on the bridge under the command of the captain to navigate the vessel safely. At the same time, teams of engineers and oilers are organized in the engine room under the direction of the chief engineer to carry out inspections for ensuring that the engines run smoothly, instruments operate efficiently, and that breakdowns do not occur. This teamwork on the bridge and in the engine room is essential for a safe voyage.

To facilitate better teamwork on the bridge and in the engine room, captains and officers are provided with bridge resource management (BRM) training and engine resource management (ERM) training when off duty, using simulation equipment installed onshore.



ERM training

Vessel Inspections

Vessel inspections are carried out to ensure the safety of all ships operated by the NS United Kaiun Group. The ships undergo a safety inspection by marine superintendents once every year, and technical superintendent visit every six months to check the condition of the vessels, to give instructions to crewmembers, and to verify onboard maintenance plans.

Internal audits are carried out annually to confirm compliance with our Safety Management System, Environmental Management System, and Ship Security Plan. In addition to these inspections for owned vessels, chartered vessel inspections are carried out periodically to maintain 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.

The Company carried out a six-month campaign from October 2017 to March 2018. During the campaign period, the president, directors, and general managers visited vessels to exchange views with crews under the theme, Aim for Zero Injuries and No Fire Incidents (2). The objective of this project is for onshore and onboard members to work together to strengthen the Company's fleet safety management system. To reach this objective, onshore-onboard communication will be improved, while reminding the crew of the significance of safe navigation, the top priority of the Company.

Content of the Meetings:

- (1) Eliminating accidents causing injuries or casualties
Work allocations that consider the skills of each crewmember
Wearing safety gear in the right way
- (2) Preventing onboard fires
- (3) Reviewing accidents that occurred during the fiscal year under review

Under the slogan of "striving for zero accidents," NS United Naiko Kaiun Kaisha, Ltd. formulates mottoes twice a year and visits vessels in operation to educate the crew and staff on the significance of safe navigation. During the first visit, the focus is on preventing ocean pollution; During the second visit, the focus is on eliminating human error.

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 preventive measures using past examples of accidents and problems

NS United Coastal Tanker Kaisha, Ltd. announces Priority Safety Objectives and Voyage Safety Declarations every month. These announcements are shared with owned and managed vessels, as well as vessel owners, to heighten safety awareness. The Company also



A rescue drill performed onboard the ship

conducts educational campaigns for safe operation, with an annual Zero Dense Fog Accident Campaign and a New Year's Zero Accident Campaign.

Achieving zero accidents and zero injuries is a never-ending mission. To engage in sustained and concerted efforts to fulfill this mission, the NS United Kaiun Group will continue holding safety campaigns and offer a back-to-basics opportunity to maintain safety awareness. We will also continue working to increase communication between the shore-based management and the onboard operation, as well as management visits to vessels, as part of ongoing initiatives to ensure the safe navigation of all vessels.



Safety Campaign

Emergency Response Exercise

NS United Kaiun Kaisha, Ltd., NS United Naiko Kaiun Kaisha, Ltd., and NS United Coastal Tanker Kaisha, Ltd. regularly hold marine accident response drills.

On November 8, 2017, NS United Naiko Kaiun Kaisha, Ltd. conducted a joint accident response drill both in-house and on the ship under their management based on the scenario of an accident involving a vessel off the Port of Ito in Shizuoka Prefecture, specifically the ship dragging anchor and running aground in shallow waters while taking refuge from a typhoon. With the goal of improving the ability to handle this type of accident, the president, the Shipping Department, and related departments participated in the drill. The participants held a mock press conference for invited journalists from the maritime media to announce the details of the mock accident based on the scenario of the ship running aground in these waters.



Emergency Response Exercise at NS United Naiko Kaiun Kaisha, Ltd.

Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

Million yen

As of March 31	2017	2018
ASSETS		
Current assets	54,373	56,660
Fixed assets	178,698	172,121
Tangible fixed assets	167,036	159,790
Intangible fixed assets	2,987	2,593
Investments and other assets	8,675	9,739
Total assets	233,071	228,781
LIABILITIES		
Current liabilities	35,928	42,773
Long-term liabilities	120,317	105,317
Total liabilities	156,245	148,091
NET ASSETS		
Shareholders' equity		
Common stock	10,300	10,300
Capital surplus	17,181	17,181
Retained earnings	50,538	56,209
Treasury stock, at cost	(991)	(993)
Total shareholders' equity	77,028	82,697
Accumulated other comprehensive income	(219)	(2,020)
Non-controlling interests	17	14
Total net assets	76,826	80,691
Total liabilities and net assets	233,071	228,781

Consolidated Statement of Shareholders' Equity

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at April 1 2017	10,300	17,181	50,538	(991)
Changes of items during the term				
Dividends of surplus			(943)	
Profit attributable to owners of parent			6,613	
Acquisition of treasury stock				(2)
Change of scope of consolidation			0	
Net changes of items other than shareholders' equity				
Total changes of items during the term	—	—	5,671	(2)
Balance at March 31, 2018	10,300	17,181	56,209	(993)

Consolidated Statement of Income

Million yen

Fiscal years referred to in this report cover the period from April 1 to March 31. Fiscal 2017 refers to the fiscal year ended March 31, 2018.		2017	2018
Revenues		125,276	139,000
Operating expenses		112,868	125,896
Gross profit		12,407	13,105
General and administrative expenses		5,849	5,744
Operating income		6,558	7,361
Non-operating income		303	341
Non-operating expenses		2,254	2,147
Ordinary income		4,607	5,555
Extraordinary profits		549	2,778
Extraordinary losses		1,343	1,915
Profit before income taxes		3,814	6,419
Income taxes—current		567	560
Income taxes—deferred		(73)	(751)
Profit		3,320	6,610
Profit (Loss) attributable to non-controlling interests		(2)	(3)
Profit attributable to owners of parent		3,322	6,613

Consolidated Statement of Cash Flows

Million yen

Fiscal years referred to in this report cover the period from April 1 to March 31. Fiscal 2017 refers to the fiscal year ended March 31, 2018.		2017	2018
Cash flow from operating activities		18,944	15,783
Cash flow from investing activities		(27,141)	(6,514)
Cash flow from financing activities		10,643	(8,383)
Effect of exchange rate changes on cash and cash equivalents		3	(94)
Net increase (decrease) in cash and cash equivalents		2,450	791
Cash and cash equivalents at the beginning of the year		24,035	26,485
Cash and cash equivalents at year-end		26,485	27,276

Million yen

Accumulated other comprehensive income						Non-controlling interests	Total net assets
Total shareholders' equity	Unrealized gains (losses) on securities	Gains (losses) on deferred hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
77,028	591	(1,293)	188	295	(219)	17	76,826
(943)							(943)
6,613							6,613
(2)							(2)
0							0
	(185)	(1,458)	(229)	70	(1,801)	(3)	(1,804)
5,669	(185)	(1,458)	(229)	70	(1,801)	(3)	3,865
82,697	406	(2,751)	(41)	365	(2,020)	14	80,691

Glossary

ISO 14001 P.22, P.33
This is the international standard for environmental management system established by the International Organization for Standardization (ISO) to guide companies performing environmentally responsible business operations. The standard sets out the required environmental management policies, organizations and systems, operation, internal audits, and other initiatives, which are continually improved based on a PDCA cycle.

ISO 9001 P.22, P.27
This is the international standard for quality control and quality assurance established by the ISO. It sets out 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 through ISO 9001 allows a company to maintain the trust of the public and to improve competitiveness. Both the ISO 14001 and ISO 9001 standards were revised in 2015 in response to changes in the social environment.

MARPOL Convention P.28 P.31 P.32 P.33
International Convention for the Prevention of Pollution from Ships, 1973, as Modified by the 1978 and 1997 Protocols. This convention stipulates initiatives for preventing contamination through mishandling of oil, water, and waste.

SOx (sulfur oxide), NOx (nitrogen oxide) P.9, P.10, P.28, P.30, P.31
Exhaust gas from engines and boilers used in vessels contains SOx (sulfur oxides) and NOx (nitrogen oxides) generated in the course of combustion. 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 (acid rain) after being absorbed by raindrops. The acid precipitate often causes severe environmental damage such as damage to forests or killing lake and river organisms.

CO₂ (carbon dioxide) P.3, P.6, P.7, P.9, P.21, P.28, P.29, P.30, P.31, P.33
In this report, CO₂ (carbon dioxide) means the gases suspected to be harmful and that lead to global warming. CO₂ is emitted when fossil fuels, such as petroleum products and coal, are burned. CO₂ is therefore emitted as a result of fuel being burned while vessels are navigating. Consequently, reducing CO₂ emissions that lead to global warming is directly connected to reducing fuel consumption.

International Maritime Organization (IMO) P.9, P.10, P.20, P.27, P.31, P.32
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 P.32
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 decompose at 800°C, they recombine as they cool down, so exhaust gases are cooled down rapidly to limit the formation of dioxins.

Ballast water P.9, P.28, P.29, P.32
Ballast water is water used as a weight to stabilize the stance 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 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.

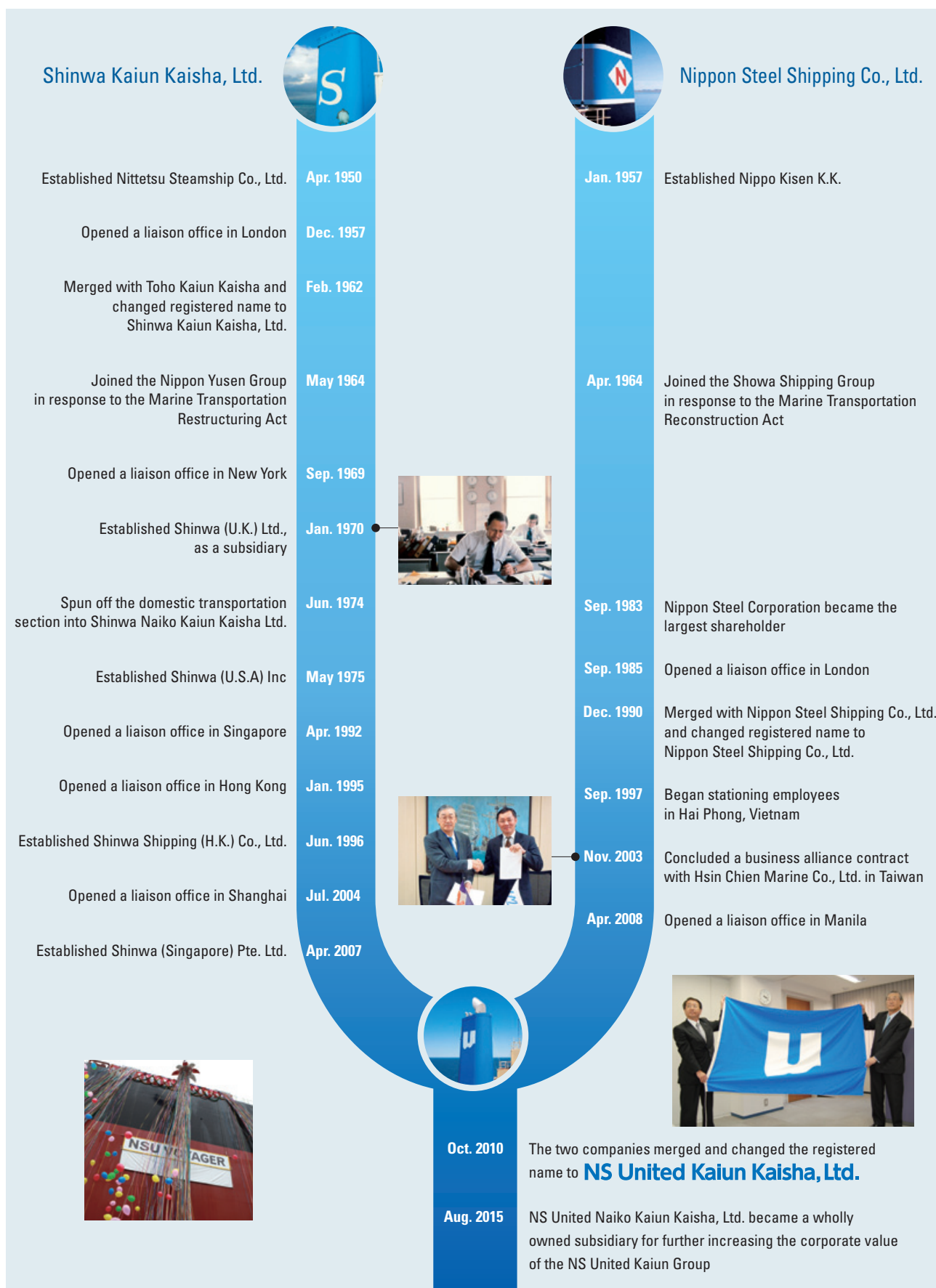
BRM (Bridge Resource Management) training P.34
BRM training aims to develop maritime management competence by encouraging mariners' attitudes and behavior to enable effective use of people and any other resources available on bridges, in turn to achieve safe, efficient navigation throughout an entire voyage.

ERM (Engine Resource Management) training P.34
This training is provided to ensure the safe and efficient operation of equipment in vessel engine rooms, including the main engines, and to minimize any damage or disruption in the event of a malfunction or other problem. The training also raises the awareness of the crewmembers of what needs to be done when operating equipment so that they can effectively manage the vessel's resources.

Work-life balance P.24
This is a concept, originally begun by the UK's Department of Trade and Industry, which promotes harmony between professional and personal lives. Work-life balance 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 across Japan.



History



Company Outline (As of March 31, 2018)

Outline of the Company

Company name	NS United Kaiun Kaisha, Ltd.
Head office	Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan
Established	April 1, 1950
Principal lines of business	International marine transportation services and related businesses
Capital	¥10,300,000,000
Stock Exchange Listing	Tokyo Stock Exchange (First Section)
Number of employees	226 (non-consolidated)
Fleet	128 vessels (12,840,000 DWT)



Major Consolidated Group Companies

Company	Main businesses
NS United Naiko Kaiun Kaisha, Ltd.	Coastal shipping business
NS United Coastal Tanker Kaisha, Ltd.	Coastal shipping business
NS United Marine Service Corporation	Seamen dispatching business, safety supervising and supervising construction of new vessels
NS United Business Co., Ltd.	General affairs and accounting agents, real estate management
NS United Systems Co., Ltd.	Development/maintenance of information systems business

Principal Overseas Subsidiaries & Representative Offices

Overseas Subsidiaries ■

United Kingdom
United States
Hong Kong
Singapore
Philippines

Representative Offices ▲

Shanghai, China
Hai Phong, Vietnam



Stock Information (As of March 31, 2018)

Shares Authorized	60,000,000
Shares Issued	23,970,679
Number of Shareholders	7,096

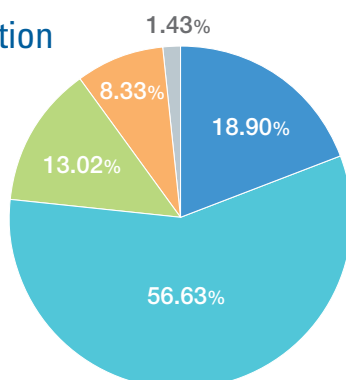
Major Shareholders

	Number of shares held (thousands)	Percentage of shares held (%)
Nippon Steel & Sumitomo Metal Corporation	7,861	33.36
Nippon Yusen Kabushiki Kaisha (NYK Line)	4,324	18.35
Mizuho Bank, Ltd.	798	3.39
Tokio Marine & Nichido Fire Insurance Co., Ltd.	741	3.15
Mitsubishi Heavy Industries, Ltd.	540	2.29
Hsin Chien Marine Co., Ltd.	504	2.14
Sompo Japan Nipponkoa Insurance Inc.	489	2.08
Mitsui Sumitomo Insurance Co., Ltd.	413	1.75
Japan Trustee Services Bank, Ltd. (Trust account)	351	1.49
DFA INTL SMALL CAP VALUE PORTFOLIO	335	1.43

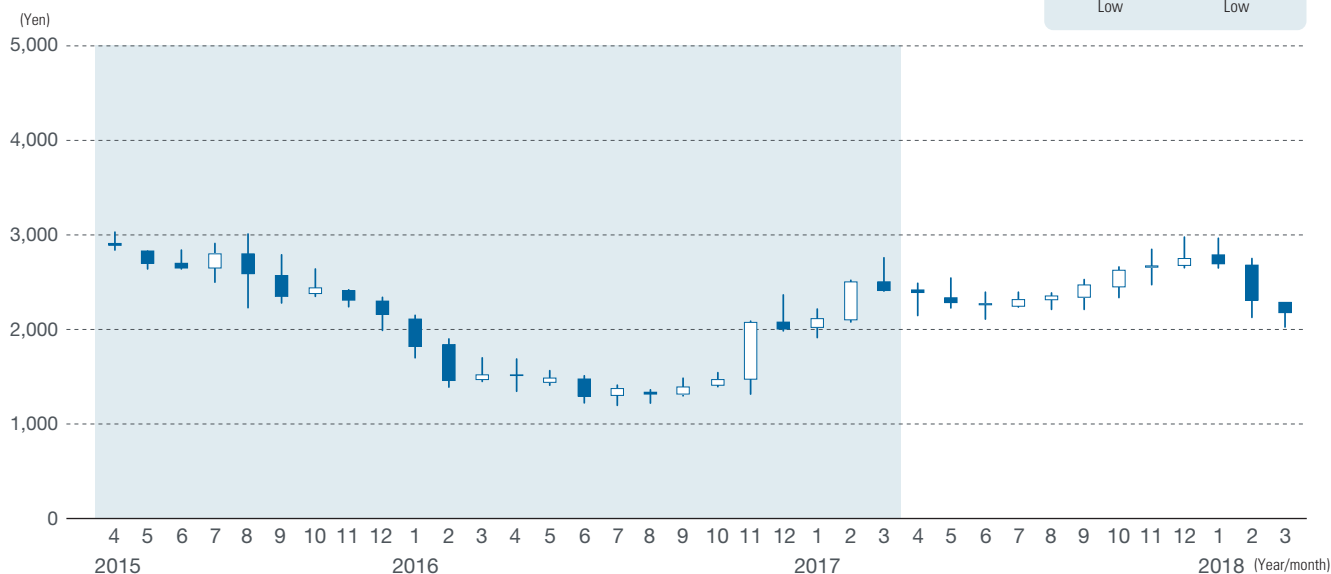
Notes: 1. The above list of major shareholders excludes NS United Kaiun Kaisha, Ltd., which holds 403,000 shares of treasury stock.
2. Percentage of shares held has been calculated excluding the treasury stock.

Shareholder Composition

- Financial institutions
- Other corporations
- Individuals, others
- Overseas investors
- Financial instruments companies



Share Price Trend



Notes: The opening price refers to the opening price on the first trading day of the month, and the closing price refers to the closing price on the last trading day of the month. The difference between the amounts is shown in white if the closing price was higher than the opening price, and in blue if the closing price was lower than the opening price. Effective from October 1, 2017, the Company changed the trading unit for shares from 1,000 to 100 shares, and conducted a reverse stock split at a ratio of one to ten shares. Accordingly, the Company's trading units on the Tokyo Stock Exchange have been changed from 1,000 to 100 shares from September 27. For convenience, share prices shown above up to September 2017 have been adjusted to reflect the reverse stock split.



<http://www.nsuship.co.jp/en/>

NS United Kaiun Kaisha, Ltd.

CSR Committee Secretariat, General Affairs Group

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E-mail: LEGAL@nsuship.co.jp



Thank you for reading the NS United Kaiun Group's *NS United REPORT 2018*. We would like to know your opinions and suggestions about this report so that we can make improvements and add to the content. You can respond online via QR code or URL as well. The online form is available on a website linked with the company's website.

NS United REPORT 2018
Reader's Comment Form

http://www.nsuship.co.jp/en/ir/nsu_reports/



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|-----------------------|----------------------------------------|---------------------------------------|-----------------------------------------|
| Quality of content | <input type="checkbox"/> Good | <input type="checkbox"/> Medium | <input type="checkbox"/> Low |
| Volume of Information | <input type="checkbox"/> Too much | <input type="checkbox"/> Adequate | <input type="checkbox"/> Too little |
| Number of pages | <input type="checkbox"/> Too many | <input type="checkbox"/> Usual number | <input type="checkbox"/> Too few |
| Readability | <input type="checkbox"/> Very readable | <input type="checkbox"/> Readable | <input type="checkbox"/> Not readable |
| Clarity | <input type="checkbox"/> Very clear | <input type="checkbox"/> Clear | <input type="checkbox"/> Unclear |
| Attractiveness | <input type="checkbox"/> Attractive | <input type="checkbox"/> Medium | <input type="checkbox"/> Not attractive |
| Number of pictures | <input type="checkbox"/> Too many | <input type="checkbox"/> Usual number | <input type="checkbox"/> Too few |

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

- | | | |
|------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Group Overview | <input type="checkbox"/> Group Corporate Philosophy | <input type="checkbox"/> Statistical Profile of the NS United Kaiun Group |
| | <input type="checkbox"/> Financial and ESG Data Highlights | |
| Message from the Management | <input type="checkbox"/> Message from the President | |
| Business Activities That Provide Value | <input type="checkbox"/> Topics | <input type="checkbox"/> Overview by Business Segment |
| CSR as a Cornerstone for Providing Value | <input type="checkbox"/> Corporate Governance | <input type="checkbox"/> Fleet List |
| | <input type="checkbox"/> Directors, Audit & Supervisory Board Members and Executive Officers | |
| | <input type="checkbox"/> Stakeholders Supporting the NS United Kaiun Group | |
| | <input type="checkbox"/> Community Initiatives | <input type="checkbox"/> With Our Customers and Suppliers |
| | <input type="checkbox"/> With Our Shareholders and Investors | <input type="checkbox"/> With Our Employees |
| | <input type="checkbox"/> NS United Kaiun Group Environmental Policy, Safe Navigation System | |
| | <input type="checkbox"/> Results of Environmental Management Programs | |
| | <input type="checkbox"/> Reducing Environmental Impact | <input type="checkbox"/> 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 comments.

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
☐ Research or educational institution ☐ Student ☐ SRI Index or other evaluative body ☐ NGO/NPO
☐ Family of NS United Kaiun Group employee ☐ Other ()

Thank you very much for your assistance

Please choose the most suitable answers below, unless the question is too personal.

- Gender ☐ Male ☐ Female
 Age group ☐ Teens ☐ 20s ☐ 30s ☐ 40s ☐ 50s ☐ 60s ☐ 70s ☐ 80s or over

This report is also published as a booklet in Japanese and English.

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