

CSR Report 2011



Corporate  
Social  
Responsibility  
Report



NS United Kaiun Kaisha, Ltd.

For NS United Kaiun Kaisha, Ltd., CSR constitutes the bedrock of our each and every corporate activity and is truly a “corporate philosophy”. We will pursue the satisfaction of our vast array of stakeholders based on CSR.



NS United Kaiun Kaisha, Ltd. offers safe, high-quality marine transportation services tailored to customer needs across the oceans of the globe. Ever-mindful of its position as a corporate citizen, NS United Kaiun Kaisha, Ltd. is steadfastly committed to the development of society by providing transportation services that conform to evolving trends. We hereby establish our corporate philosophy.

<b>1</b>	<b>Social Mission</b>	<ul style="list-style-type: none"> <li>1. Respond to all needs of clients and remain dedicated to the development of society through provision of honest, credible, quality international maritime transportation services.</li> <li>2. Nurture enterprising minds strong enough to succeed against international competition as an overseas shipping company focused on the transportation of dry bulk and energy resources to secure sustained profitability, placing importance on group management to increase the corporate value of the Group as a whole, while striving to build a company that lives up to stockholders' expectations.</li> </ul>
<b>2</b>	<b>Safe Navigation and Conservation of the Global Environment</b>	<ul style="list-style-type: none"> <li>1. Recognize that the safe navigation of vessels is the starting point of our business activities and conduct rigorous safety management based on international standards in order to take a role in protecting the global environment, including the seas and other resources shared by all humankind.</li> <li>2. Continue our training process to improve the operational skills of crew on vessels and always endeavor to learn advanced technologies to cope with new needs.</li> </ul>
<b>3</b>	<b>Fair Corporation Activities</b>	<ul style="list-style-type: none"> <li>1. Comply with the laws of Japan and international society, and as a member of society, undertake fair and healthy corporate activities under ethical social norms.</li> <li>2. Take a firm stand against anti-social forces and organizations and never make payoffs to such parties.</li> </ul>
<b>4</b>	<b>Transparent Information Disclosure</b>	<ul style="list-style-type: none"> <li>1. Disclose information on corporate activities in a timely and reasonable manner, actively communicating with society.</li> </ul>
<b>5</b>	<b>Democratic Management and Development of a Dynamic Workplace</b>	<ul style="list-style-type: none"> <li>1. Respect the fundamental human rights of employees, and establish and maintain democratic management.</li> <li>2. Develop a dynamic workplace where employees can grow through their work, take pride in their work, and appreciate the joy of working.</li> </ul>

Established October 1, 2010

## ▶▶ Editorial Policy

This is the first CSR Report published by the newly formed NS United Kaiun Kaisha, Ltd., a company born as a result of the consolidation of Shinwa Kaiun Kaisha, Ltd. and Nippon Steel Shipping Co., Ltd. that took place on October 1, 2010. Our editorial policy is to provide readers with an understanding of how the company in NS United Kaiun Group engages in matters related to the stakeholders who have been supporting it. Especially, how the new company has been meeting its obligations while accomplishing the international marine transportation services that are the company's primary business objectives.

## ▶▶ Period Covered

April 1, 2010 through March 31, 2011

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

## ▶▶ Organizations Covered

NS United Kaiun Group and its related subsidiaries.

Previous issue: June 2010

Next issue: Scheduled for June 2012

## ▶▶ Other NS United Kaiun Publications

- ① Corporate Brochure (in Japanese, English, and Chinese)
- ② Annual and semi-annual reports (in Japanese)
- ③ Annual and quarterly financial reports (in Japanese)
- ④ Annual Report (in English)

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

In addition to the publications listed under ①, ②, and ④, various kinds of information can be found on the NS United Kaiun website.

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

## ▶▶ Referred Guidelines

Ministry of the Environment, "Environmental Reporting Guidelines, 2007 version"

## ▶▶ Status of Compliance with Environmental Regulations

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

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

## CSR Committee Secretariat

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

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

E-mail: [LEGAL@nsuship.co.jp](mailto:LEGAL@nsuship.co.jp)

# Overview of NS United Kaiun

## Group Overview (as of March 31, 2011)

### Number of Companies in Group

Head Office	
Consolidated Subsidiaries	38
Subsidiaries (Unconsolidated)	2
Unconsolidated Subsidiaries (accounted for by the equity method)	3
Unconsolidated Subsidiaries (unaccounted for by the equity method)	5
Unaccounted for Affiliates (by the equity method)	4 (total 52)

**Number of employees**  
676 (consolidated)

**Fleet**  
207 ships (consolidated),  
10,250,000 DWT

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

NS United Kaiun Kaisha, Ltd. (transportation of general cargo, ownership and related businesses)  
NS United Marine Corp. (ship management)  
Nippo Marine Co., Ltd. (dispatching seamen)  
International Marine Consulting Co., Ltd. (supervision of cargo operations)  
Shinwa Chartering Corp. (broker)  
Shinwa Agency Co., Ltd. (broker)  
NS United Shipping (U.K.) Ltd. (broker)  
NS United Shipping (U.S.A.) Inc. (broker)  
NS United Shipping (H.K.) Co., Ltd. (broker, agents)  
NS United Tanker Pte. Ltd. (International transportation)  
NS United Bulk Pte. Ltd. (International transportation)

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

Shinwa Naiko Kaiun Kaisha, Ltd. (transportation of general cargo)  
Shinwa Chemical Tanker Co., Ltd. (transportation of gas and chemical products)

### Main companies engaged in other businesses

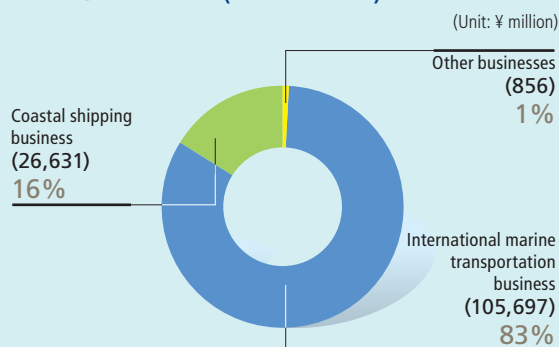
NS United Systems Co., Ltd. (information processing)  
NS United Business Co., Ltd. (general affairs and accounting agents, real estate management)  
Shinwa Engineering Services Co., Ltd. (maintenance of generators)

## Overview of NS United Kaiun

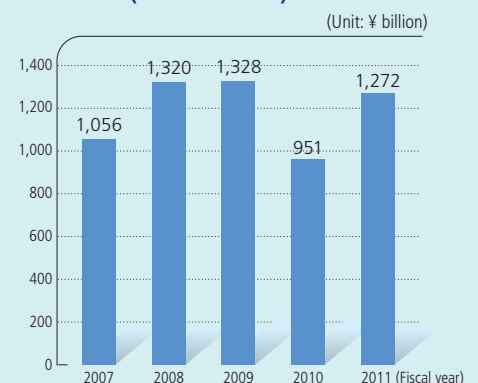
<b>Company name</b>	NS United Kaiun Kaisha, Ltd.
<b>Head office</b>	Otemachi First Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo, Japan 100-8108
<b>Established</b>	April 1, 1950
<b>Principal lines of business</b>	International marine transportation services and related businesses

<b>Capital</b>	¥10,300,000,000
<b>Stock market listings</b>	Tokyo (First Section), Osaka (First Section), Nagoya (First Section), Fukuoka
<b>Number of employees</b>	228
<b>Fleet</b>	128 ships, 10,050,000 DWT (including fleets owned by NS United Tanker Pte. Ltd.)

### Revenues (consolidated)



### Revenues (consolidated)



# NS United Kaiun Group Our Core Businesses

## Iron ore and coking coal transport service

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



## Coal/bulk transport service

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



## Oil/gas transport service

To actively address environmental concerns, the NS United Kaiun Group has converted all our crude oil carriers to a double-hull design, while promoting comprehensive ship management by assigning expert marine technicians both onshore and offshore. We provide the safe delivery of crude oil, LPG, and petroleum/petrochemical products from oil-producing countries, oil refineries, and petrochemical bases throughout the world.



## Tramp chartering service

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



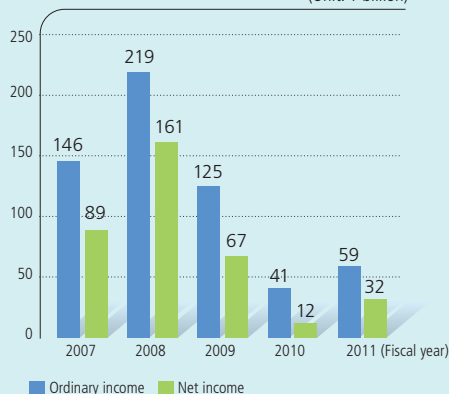
## Near sea service

NS United Kaiun Group vessels, which range from 5,000 to 10,000 dwt in size, provide transport services throughout Southeast Asia for steel products and a variety of bulk cargo. We are especially proud of our top market share in the Japan-China trade, which takes advantage of our proven track record of over 60 years of transport services on the Japan-China route.



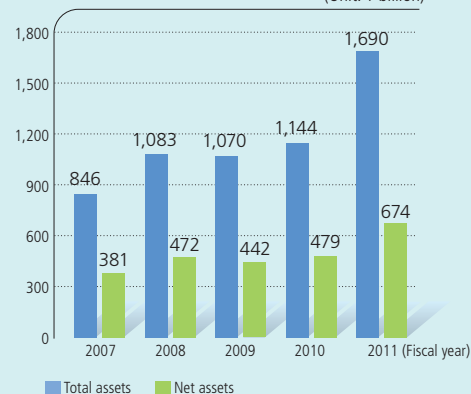
### Ordinary income and net income (consolidated)

(Unit: ¥ billion)



### Total assets and net assets (consolidated)

(Unit: ¥ billion)



## To stakeholders

Before I start, I would like to express my deepest sympathy to those shareholders affected by the Tohoku Earthquake that occurred off the Pacific coast in March of this year.

I was appointed president of the company on June 28, taking over for the previous president, Keiichiro Shimakawa. On October 1, 2010, Shinwa Kaiun Kaisha, Ltd. and Nippon Steel Shipping Co., Ltd. consolidated to take the next leap forward and make a fresh start as NS United Kaiun Kaisha, Ltd.

The NS United Kaiun Corporate Philosophy proclaims that the company is fully mindful of its position as a corporate citizen, and is steadfastly committed to the development of society by providing transportation services that conform to evolving trends. The Corporate Philosophy is the basis upon which we conduct our business.

With this philosophy as our foundation, we continuously engage in Corporate Social Responsibility (CSR) activities in line with the scope and characteristics of our marine transportation business.

In the NS United Kaiun Group, we place the greatest importance on the safety of maritime navigation as a part of our Mid-term Business Plan. The Business Plan is the basis upon which we conduct our management. We do so in order to earn the trust of society, because without this trust, it would not be possible to fulfill our responsibilities with respect to the preservation of the global environment and to every stakeholder.

### ▶▶ Mid-term Business Plan

Sailing out anew, as “NS United Kaiun Kaisha, Ltd”, we have now formulated our first Mid-Term Business Plan, “Unite & Full-Ahead—Aiming for New Value Creation” commencing in FY2012.

We currently face harsh business conditions. However, looking at the changes in mid-term economic conditions and market recovery, NS United Kaiun will take firm steps in line with the

NS United Kaiun Kaisha, Ltd.

**Toru Obata**

President





action plan, centering on the Five Key Strategies. By achieving our Mid-Term Goals the NS United Kaiun Group aims to take a giant leap forward as a shipping company, generating new value and surpassing the abilities cultivated by the former companies under slogan "Aiming for New Value Creation".

### Mid-Term Goals

Through prompt realization of synergy from the merger, we aim for a consolidated ordinary income of 10bn. yen in FY2014, and to establish business infrastructure capable of 15bn. yen on FY2016.

### Five Key Strategies

1. Expand shipping services to our customers worldwide
2. Expand in emerging countries
3. Operate safely and stably, and continue balanced fleet operation
4. Reinforce organization and develop human resources for further global operations
5. Maintain sound balance sheet

### ▶▶ Safe navigation and environmental conservation

Connecting countries and areas around the globe, NS United Kaiun aims to contribute to the development of industry, economy, and culture through its daily operations: maritime transportation services. At the same time, we contribute to environmental conservation with thorough implementation of safe navigation, zero marine accidents, vigorous efforts towards environmental conservation, and other initiatives.

As a corporation with the world as its stage, safe navigation and environmental conservation are both the cornerstone of our business activities and our mission.

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

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

It is NS United Kaiun's earnest hope that this CSR Report 2011 will assist you in understanding the measures we are taking and the responses we are making to demands from society.

## NS United Kaiun Group's Approach to CSR

- 1 Corporate Social Responsibility is demonstrated by the way how a company responds to the wishes and expectations of society.
- 2 In general, society expects a company to contribute through its core business (in the case of NS United Kaiun, international maritime transportation services supporting international trade) to a better quality of life, and to improvement in the operations of other enterprises and organizations. At the same time, society does not expect a company to become caught up in a single-minded drive for economic efficiency or a runaway pursuit of profit in its core business, which can lead to corporate activities that have an adverse social effect and result in damage to the company's stakeholders. There have been a number of scandals involving other companies in recent years, and these have served to remind NS United Kaiun that a company must serve as a responsible part of society like any other member of the public.
- 3 CSR management seeks through efficient communication to win the understanding and trust of customers, suppliers, shareholders, employees, local communities, and other stakeholders for the company's activities, and to use various opinions and information in a continuous process of improvement, with the goal of increasing corporate value. This is the cornerstone of NS United Kaiun's management philosophy of interaction, and NS United Kaiun has been attempting to interact with society in cooperation with the Group's companies.
- 4 What makes it possible for NS United Kaiun Group to realize these goals is the steady corporate management structure, at the nucleus of which is the awareness of compliance in corporate activities to laws, company regulations and ethical norms. Based on this premise, competitiveness in corporate activities of a financial nature and the achievement of profitability, together with consideration of environmental burden reductions, and the forging of strong ties with civil society, are carried out. NS United Kaiun Group is engaged in CSR activities that balance in corporate scale and characteristics.

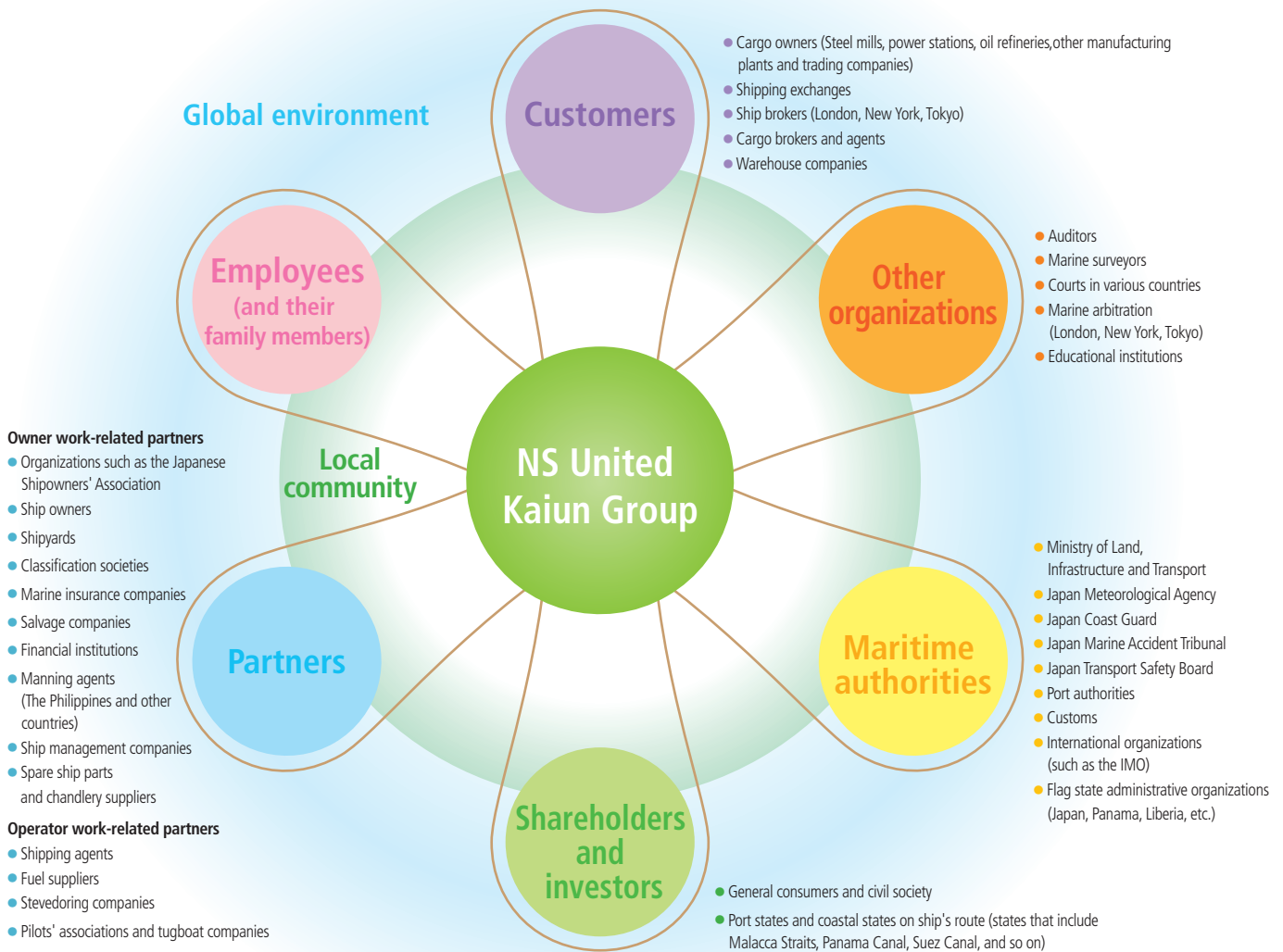
The various aspects of, and reciprocal relationships among, NS United Kaiun Group's CSR activities are shown below.



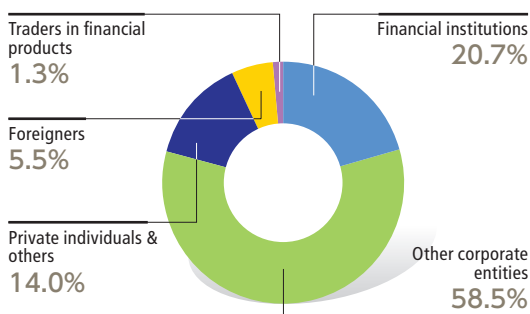


# Stakeholders Supporting NS United Kaiun Group

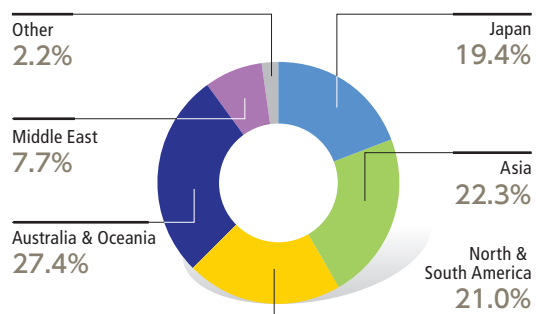
NS United Kaiun Group's business is supported by a large number of stakeholders, including various maritime personnel, the government offices concerned, calling/passing port states, and local communities.



**Breakdown of Shares**  
(as of March 31, 2011)



**Sales breakdown by areas (consolidated)**  
(Fiscal year ended March 2011)





# Initiatives for Customers and Suppliers

## ▶▶ Customer Satisfaction

NS United Kaiun has been principally engaged in worldwide logistics of raw materials, energy resources and products for industries. The company meets its customers' needs for cargo transportation throughout the world by fully utilizing information of trade, vessels, shipping routes and cargo handling know-how accumulated over a long period at its bases in London, New York, and Tokyo, where many shipbrokers are located, and strives to offer timely shipment in the most appropriate vessels, safely and at competitive freight rates. The style of business communication by which the company pays direct visits to domestic and overseas customers becomes the foundation of relationships of trust. Regardless of whether a project is long-term or a spot voyage, the company strives to generate customer satisfaction, build trust, and increase opportunities for its customers worldwide to do business with "a first-class industrial bulk carrier."

## ▶▶ Ensuring Safety and Quality in Transport Services (ISO 9001)

The NS United Kaiun Group's mission is to supply customers with safe and reliable quality transportation services. NS United Marine Corporation has established a quality management system, and has received ISO 9001:2008 certification in ship management operations.

## ▶▶ Participation in Safety Meetings with Customers and Partners

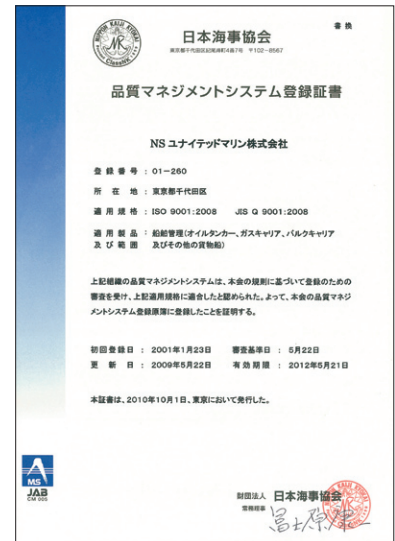
NS United Kaiun, together with coastal shipping body Shinwa Naiko Kaiun Kaisha, Ltd. and Shinwa Chemical Tanker Co., Ltd. has continued to forge strong ties with the domestic consignees of various industries such as steel mills, power stations, oil refineries, gas plants and other port-related personnel, and has participated in many safety conferences all over Japan to ensure the safety of ships entering/leaving port and the safety of the region, has cooperated in periodic surveys, and has implemented risk management programs related to accidents, disasters and environmental pollution.

## ▶▶ Emergency Response and Public Communication

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

## ▶▶ Efficient Stowage and Cargo Preservation

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



ISO 9001: 2008 registration certificate



Loading subway cars for Hong Kong

# Initiatives for Shareholders and Investors

## ▶▶ Timely Disclosure of Company Information

NS United Kaiun endeavors to ensure the timely and appropriate disclosure of investor-relations information through timely release to shareholders and investors of important corporate information that can have an effect on results. The information is disclosed on the websites of the Tokyo, Osaka, Nagoya, and Fukuoka stock exchanges, through the mass media, and on NS United Kaiun's website.

In addition, the company's Investor Relations Committee, which is composed of the directors in charge of the General Affairs Group, Finance and Accounting Group, and Project Group, as well as the managers of those groups, has formulated a public relations policy governing the release of information intended for investors. This committee is charged with responding to media coverage, holding press conferences, and posting articles on the company's website.



Top page of the company's website

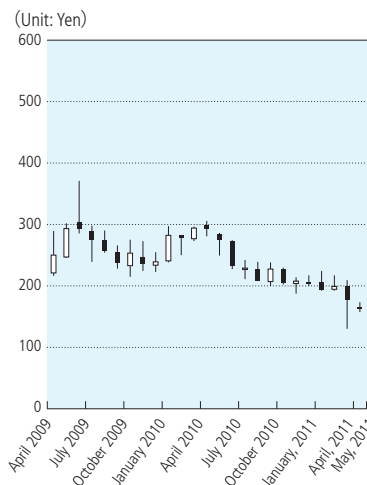
## ▶▶ Interactive Communication

NS United Kaiun works to provide information to domestic and overseas institutional investors. As far as possible, the company holds individual briefings with securities analysts upon request, answering questions and explaining the status of operations. In accordance with a policy established by the Investor Relations Committee, at least one director and one administrative officer participate in these briefings. We held 19 individual briefings during fiscal year 2011 (year ending March 31, 2011).

## ▶▶ Dividends to Shareholders

NS United Kaiun makes dividends to shareholders one of its key management policies. While retaining a portion of our profits internally to ensure future stable business development and strength to cope with changes in the business environment, we have set forth a basic policy to provide stable and continuous payment of dividends to our shareholders according to our operating results. Our basic policy regarding annual dividends to call for a payout ratio of "approximately 20% on a consolidated basis". For fiscal year 2011 we decided to pay a year-end annual dividend of three yen per share.

## Movement of the NS United Kaiun's Share Price





# Initiatives for Employees

## ▶▶ Basic Employment Policy

There is a fundamental assumption that core staff, both administrative and technical, are permanent employees. In the spirit of Japan's Law on Securing Equal Opportunity and Treatment between Men and Women in Employment, hiring is based only on the aptitude and capabilities of each individual, and the growth of employees is fostered by the company's training system. Concerning our non-Japanese crews, we strive to improve retention rates on vessels managed by NS United Kaiun Group by expanding various kinds of training available to crew and staff who are even on fixed-term contract, endeavoring in-house executive training through our qualification support system and giving preference to long-term employees. Further, to explore and develop outstanding human resources, NS United Kaiun established a scholarship system.



Lectures on practical shipping knowledge

## ▶▶ Personnel System

In fiscal year 2002, the company introduced a personnel system under which promotion and advancement depend upon the individual's ability, motivation and performance. Since its introduction, the company has fine-tuned the system based on the opinion of employees. This system has the primary aim of meeting each individual at his or her current level of competence, and further developing his or her abilities as well as ensuring fair treatment. There are three career tracks for permanent employees: main career track, preparatory career track, and general employee. The path to advancement can open depending on the individual's motivation and ability, and 14 general employees had transferred to the preparatory career track as of April 1, 2011. Also, a specialist career system (for employees possessing specialized knowledge and working in technical fields) and a re-employment system (for seniors possessing extensive work experience) was introduced and applied in 2006.



Health Maintenance Office

## ▶▶ Training System

To develop new employees into professionals in the field of international shipping, NS United Kaiun provides training tailored for the career track and rank, with on-the-job training being the core of this training system. The company also offers training for new employees, training in shipping practice, languages (English and Chinese), personal computers, domestic agency matters, boarding, and overseas administrative requirements, as well as stratified training and training for specific jobs. These provide each individual with various opportunities for progress, according to their position and requirements. In accordance with the company's plan for quickly training young crew, exacting guidance and education is provided, allowing new employees to qualify as chief officer or first engineer in just three to four years after joining the company. For non-Japanese crew members, we have a qualification support system and skill improvement training programs in place. These include pre-boarding training, classroom training, assistance in obtaining advanced ship officer certifications, and OJT, provided both in the country where the crew members were hired and in Tokyo.



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

## ▶▶ Employee Health and Safety

All employees of NS United Kaiun Group receive annual health check-ups, and the company bears the expense of comprehensive physical examinations for employees who satisfy the requisite conditions. The head office also has a Health Maintenance Office where an industrial physician with professional knowledge of mental health and an administrator with nursing qualifications offer physical and mental health consultations and guidance on a regular basis. Programs implemented in fiscal year 2011 also included special health guidance by a national registered dietitian, prevention of disease, mental health checkups, and lectures on mental health. Pre-embarkation health checkups are mandatory when going to sea, and crew members are given guidance on periodic health checks while on board, as well. Safety is the top priority, and we have established a safety management system with safety measures that are implemented rigorously. In the unlikely event of an employee accident, compensations greater than those required by Japanese law are in place.

## ▶▶ Regulations for handling compliance consultations

To facilitate consultation for employees on matters related to compliance in line with the goal of protecting individuals who report company information of public interest, a consultation service guided by an outside lawyer has been arranged in addition to the conventional in-house compliance adviser, and its regulations were established in July 2006. There were no cases for consultation in fiscal year 2011.

interview

**Shipboard training for new employees**

Legal and Insurance Team, General Affairs Group

Yusuke Kuramochi

I experienced ship-board training as a part of a two-week training course for new employees held in April 2010. During the training, I visited ULTRA ACE while it was discharging industrial salt after sailing a long way from Australia to Japan.

Even the 23,000 DWT type bulk carrier—actually one of the smallest in the fleet—looked huge to me. Though I had joined a marine transporter, it was my first encounter with a massive ship in person. A mountain of salt, a vast number of machines sitting in the engine room, a vivid blue funnel mark...I was truly overwhelmed by the enormous size of everything.

In the vessel, only a dozen Filipino seamen were busy doing maintenance or planning for the next voyage. By talking with

them, I learned that they spend days as seamen onboard and take pride in their work.

Also, transporting things by ship can be done only with support and emotional backing from various sources, including agencies, people working at ports, and seamen. Visiting the vessel was powerful motivation for me, and gave me a chance to commit to applying myself diligently to my future duties.



▶▶ **Appropriate Management of Personal Data**

NS United Kaiun appropriately controls information that can identify individuals, such as data on its employees, for the purpose of safeguarding private data. It adopts the policy of not offering personal data to any third party unless permitted to do so by law or when approval has been obtained from the individuals themselves. The data is only used for the purpose for which it is intended. In August 2006, regulations for appropriate control of personal data were established and disseminated to all companies in the NS United Kaiun Group as Compliance Regulations. There were no cases of claims in fiscal year 2011.

▶▶ **Guidelines for Preventing Sexual Harassment**

The Company maintains a friendly working environment based on the spirit of the Law on Securing Equal Opportunity and Treatment between Men and Women in Employment. To ensure that both male and female employees demonstrate their capabilities to the fullest extent, in addition to adhering to company rules and standards of conduct, guidelines for preventing sexual harassment have been established and these guidelines have been brought to the attention of all employees since April 2007 and have also been disseminated throughout the companies of the NS United Group.

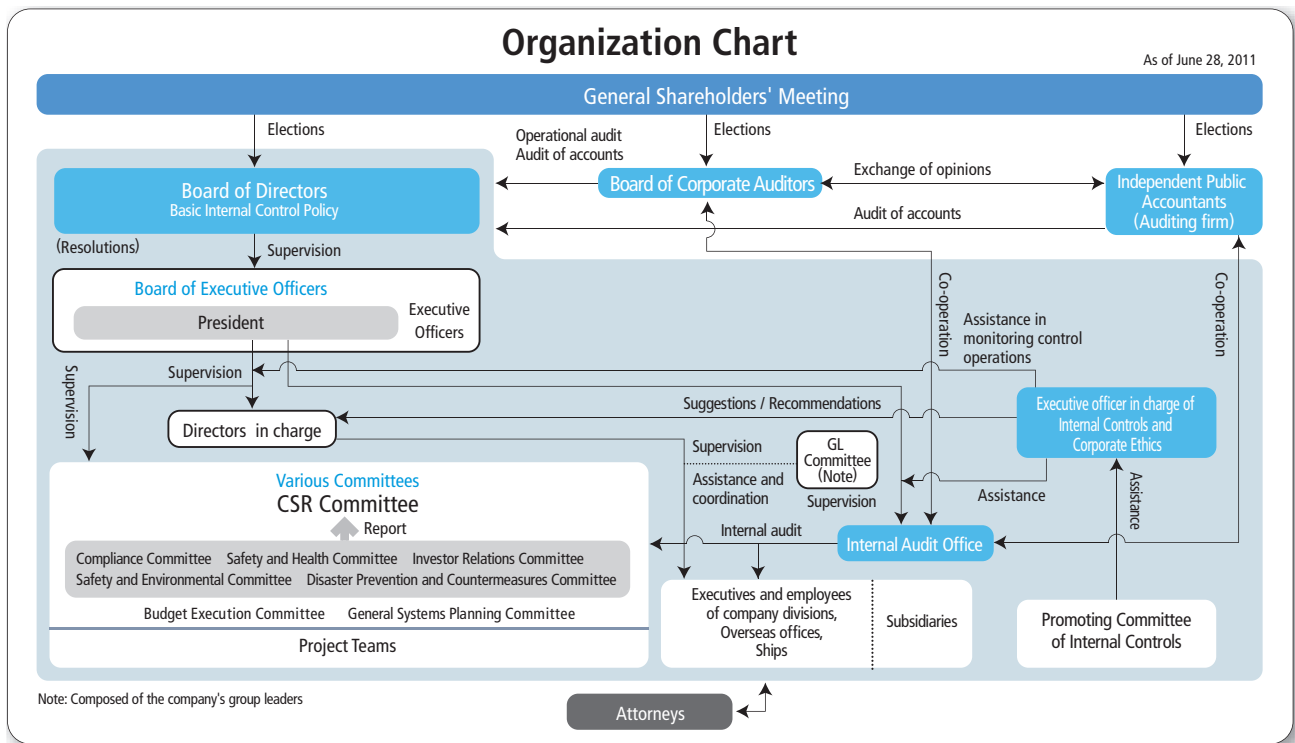
▶▶ **Work-Life Balance**

NS United Kaiun strives to create a congenial work environment so that its employees can maintain a good balance between work and home and lead a satisfactory life. The company offers a secure environment for working mothers, maternity leave, family-care leave, and other benefits more generously than required by law, and allows employees that satisfy conditions such as continuous service and age to take sabbaticals. The company provides dormitories, company housing, an employee savings system, a housing loan interest supplementation system, and various other welfare and benefit programs, in addition to which it helps fund employee groups that engage in cultural activities (including sports). In April 2008, the company also introduced lump-sum child-rearing support payments.

▶▶ **Relations with Labor Unions**

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

# Management Structure



### ▶▶ Corporate Governance

NS United Kaiun employs the corporate auditor system, and also strives to improve management efficiency by holding the Board of Directors to 7 directors, each with considerable expertise in NS United Kaiun's business. In June 2007, the company introduced an executive director system in order to address changes in the management environment appropriately and precisely. Two of the four corporate auditors are outside auditors. Each corporate auditor attends meetings of the Board of Directors, the Board of Executive Directors, the Compliance Committee, and various other committees to conduct appropriate audits, as indicated, of management and business operations. One of the corporate auditors is appointed to serve as an independent board member who assures the objectivity and neutrality of the management review function. The company also established an internal audit office in July 2006 for the purpose of contributing to risk management and supporting the evaluation of internal controls in accordance with Japan's Companies Act and the Financial Instruments and Exchange Act. Acting by order of the president, the internal audit office conducts internal audits of operations in every division, working in cooperation with the corporate auditors to enhance the effectiveness of corporate governance.

### ▶▶ Compliance and the Company's Internal Controls System

NS United Kaiun has established standards of conduct that articulate the practical implications of our corporate philosophy. The company has also established a Compliance Committee chaired by the director of the General Affairs Group in order to advance the goal of compliance. The committee's mandate is to ensure that each director, corporate auditor, and employee complies with legal statutes, company regulations, and ethical standards in the execution of daily operations, and to heighten awareness of these issues. In accordance with Japan's Company Law and its Enforcement Ordinance, the Board of Directors has established a basic internal controls policy, while also working to ensure the reliability of financial reports in accordance with the provisions of the Financial Instruments and Exchange Act.

We find that internal controls activities contribute to the improvement of management quality, and our highly reliable financial reporting heightens the credibility of NS United Kaiun among both individual and corporate stakeholders. All the directors and employees of this company are committed to continuing our cooperative effort to establish and implement internal controls appropriate for NS United Kaiun.

## Initiatives for Society

### ▶▶ Support for Disaster Recovery Operations

The policy of the company is to continue providing support for disaster recovery not only in Japan, but also around the world, based on the relations formed in the course of international maritime transportation services, as well as those formed with the community.

In fiscal year 2011, we contributed 15,120,000 yen collected from the NS United Kaiun Group, its executives, and onshore and offshore personnel to those affected by the 2011 Tohoku Earthquake off the Pacific coast as a form of community service.

### ▶▶ Joint Regional Disaster Prevention Programs

The companies of NS United Kaiun Group, headquartered in the Otemachi First Square (Chiyoda-ku, Tokyo), belong to the joint disaster prevention council for the building, through which they are actively engaged in fire drills and other joint regional disaster prevention programs. In addition, an in-house security and fire brigade has been organized within the NS United Kaiun Group to promote crime and disaster prevention inspections and education at the company's offices for both executives and employees. Moreover, the company treats activities of employees participating in the office area's "Marunouchi Volunteer Fire Brigade" as part of the company's regular work hours.

### ▶▶ Volunteer activities

As a part of NS United Kaiun's volunteer activities, we participated in the "International Charity Run" held on September 23, 2010 hosted by the Tokyo YMCA. The run had a large turnout from companies and groups throughout Japan, including two teams (of six runners each) from NS United Kaiun. Participation fees for the Charity Run will be used to support YMCA programs for the disabled.

### ▶▶ Support for Culture

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

### ▶▶ Rescue

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

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

### Cooperation on a Donated Calendar Bazaar



Calendars donated by corporations and organizations throughout Japan were displayed in the 6th Donated Calendar Bazaar, held December 18 (Saturday) to 25 (Saturday) of 2010 in Kagoshima city. NS United Kaiun participated as part of its social contribution program, and we donated 86 calendars to the organizer, the Kagoshima Green Fund. The NS United Kaiun Group has been taking part in this bazaar every year since 2006. The proceeds are all donated to the Green Fund and used for support of forest improvement, greening promotion, and other such movements.



International Charity Run



A performance at the Kioi Hall



# Environmental Report



## NS United Kaiun Group Environmental Policy

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

*Toru Obata*

Toru Obata  
President

NS United Kaiun Kaisha, Ltd.

.....  
Established on June 28, 2011





# NS United Kaiun Kaisha, Ltd. Promotes 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

NS United Marine Corp. manages ships under NS United Kaiun initiatives. To strengthen/establish a safe navigation management system, NS United Marine Corp. built a safety management system based on the International Safety Management Code advocated by the International Maritime Organization (IMO), in addition to acquiring and maintaining ISO9001:2008 certification.

## ▶ Instituting the Safety & Environmental Committee

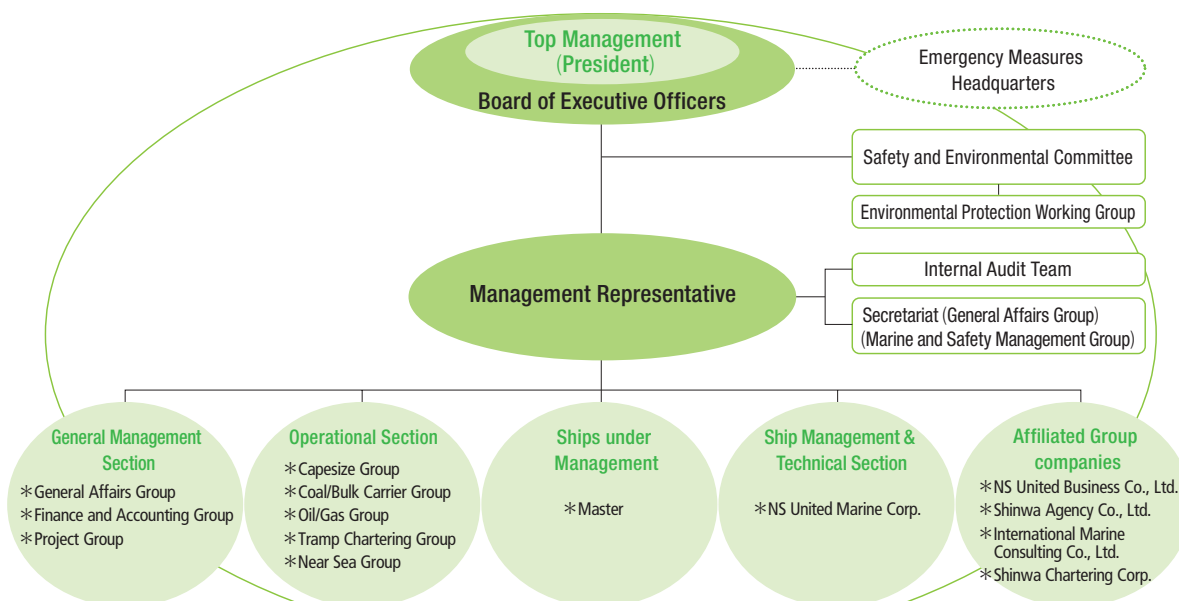
With the establishment of the Safety & Environmental Committee, we enacted our Environmental Policy and created an Environmental Management System. We are genuinely committed to conserving the environment as well as to ensuring safe navigation.

## ▶ Establishing a crisis management system

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

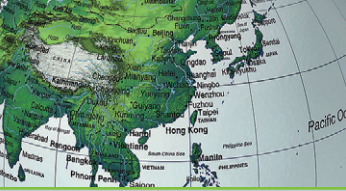
## ▶ Promoting training for seamen

NS United Marine Corp. provides onboard training sessions, including lectures and on-the job training to all seamen who board ships owned and managed by the company. In addition to implementing our Early Promotion Plan for Junior Japanese Officers, we are continually sending our staff to the Philippines and Vietnam to continuously promote the employment and training of non-Japanese seamen.



Remarks \* : Organizations in charge of environmental management

Environmental Management System Organizational Chart



# Verification of Fiscal year 2011 Implementation Plan (Environmental Management Programs)

## Five-Year Long-Term Objectives (Fiscal Year 2011 Formulation)



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

PLAN ⇒		DO ⇒	CHECK / ACT ⇒	
Environmental Policies	Environmental Objectives	Target for 2011	Content of Activities	
		2011 Verification of Results		
Environmental Education	Promoting an Environmental Mind	Education of shore employees	<ul style="list-style-type: none"> <li>Practice in-house seminars</li> <li>Train internal environmental auditors</li> </ul>	Education implemented during training for newly hired employees One person recently obtained qualification as an internal auditor for land-based divisions
		Education of crew	<ul style="list-style-type: none"> <li>Practice pre-boarding seminar</li> <li>Practice training at overseas companies</li> <li>Practice shipboard education of crew</li> </ul>	Implemented during pre-boarding training and ship visits
Promotion of Safe Operation	Preservation of the Marine Environment	Zero accidental oil spills from ships (without regard to amount)	<ul style="list-style-type: none"> <li>Compliance with procedures for receiving/transferring fuel oil and lubricating oil</li> <li>Compliance with regulations for preventing oil pollution</li> <li>Recommendation to install oil-absorbing filter on deck</li> <li>Instruction in prevention of oil-spill accidents</li> </ul>	Target of zero accidental oil spills met by observing all the regulations and making them widely known by means of sailing instructions.
		Complete exchange of ballast water in the ocean	<ul style="list-style-type: none"> <li>Set forth in sailing instructions</li> <li>Compliance with procedure for changing ballast water</li> </ul>	Changing ballast water as needed
Natural Resource Saving and Reduction of Waste	Conservation of Natural Resources	15.5% reduction in fuel oil consumption per unit load over fiscal year 1991	<ul style="list-style-type: none"> <li>Preparing effective operational plans</li> <li>Increasing loading cargo quantity</li> <li>Appropriate implementation of economic operations</li> <li>Instruction in reducing fuel-oil consumption in port</li> <li>Promote economic operations using BRIDGE (maritime meteorology and tidal current forecast information)</li> <li>Promote use of fuel additives</li> </ul>	10.57% reduction in fuel oil consumption per unit load over fiscal year 1991
		Reduction in consumption of paper per employee	<ul style="list-style-type: none"> <li>Promote IT leading to electronic data conversion, implement filing inspections, encourage use of electronic libraries</li> <li>Promote printing on both sides of paper, reuse of paper when photocopying</li> <li>Promoting paperless operations by introducing onboard vessel-management software</li> </ul>	Paper consumption per employee increased slightly (0.8% over the previous year) due to the increased workload generated by the business consolidation Target was not met
		1% reduction in annual power consumption per employee in the office over the previous year	<ul style="list-style-type: none"> <li>Instructions and notices on in-house electronic bulletin board for turning off unused lights, computers, and equipment</li> <li>Saving electricity by eliminating unnecessary lighting</li> </ul>	Electric power consumption per employee was reduced 5.6% over the previous fiscal year, achieving the target.
	Reduction of Waste Generation	Improve landing shipboard waste (1% increase over the previous year)	<ul style="list-style-type: none"> <li>Collection and reuse of lashing materials to be supplied to vessels.</li> <li>Completely segregated collection and retention</li> <li>Management of quantity of shipboard waste and landing</li> </ul>	Fiscal year 2010: 10.44 m3 and 137.23 kg Fiscal year 2011: 11.43 m3 and 98.37 kg
		Complete segregation of wastes generated in the office (100%)	<ul style="list-style-type: none"> <li>Complete segregation of recyclables, combustibles and non-combustibles</li> </ul>	Continued implementation of waste segregation and collection at each block.
	Conservation of Air Quality	Reduction of Harmful Air Pollutants	15.5% reduction in NO <sub>x</sub> emissions per unit load over fiscal year 1991	<ul style="list-style-type: none"> <li>Adoption of improved machinery on newly built ships</li> </ul>
15.5% reduction in CO <sub>2</sub> emissions per unit load over fiscal year 1991				
Supply low-sulphur fuel			<ul style="list-style-type: none"> <li>Select and analyze fuel with 4.5% or lower sulphur content to purchase</li> <li>Select and analyze fuel with 1.0% sulphur content to purchase when entering an Emission Control Area (ECA)</li> </ul>	Conduct analysis if bunkering outside of Japan. Use fuel with 4.5% sulphur content (1.0% in ECA areas)
Reduction of dioxin			<ul style="list-style-type: none"> <li>Adoption of machinery compliant with technical standards on newly built ships</li> </ul>	Adoption on newly built ships
Implemented GREEN FLAG INCENTIVE PROGRAM (100%) in a vessel placed in service at Long Beach Harbor in the United States			<ul style="list-style-type: none"> <li>Sail at 12 knots or less within 20 miles of applicable ports</li> </ul>	Sail alone at 12 knots or less

and Fiscal year 2012 Implementation Plan

ton/mile unit load versus fiscal year 2000 figures by fiscal year 2016

 : Achieved 
  : Partly achieved 
  : Need review

	PLAN ⇒	DO ⇒	
Achieved	Target for 2011	Content of Activities	Term
	Practice in-house education (at least three times a year)	Designate a training program for new employees	Full year
		Make use of group meetings	Full year
	Train internal environmental auditors (at least one)	Participate in outside lectures	Full year
		Organize in-house lectures	
	Practice pre-boarding seminar (100%)	Designate a training pre-boarding program	Full year
		Practice shipboard education of crew (once a year for each ship)	Provide education and training when visiting ships owned or operated by the company
	Zero accidental oil spills from ships (without regard to amount)	Compliance with procedures for receiving/ transferring fuel oil and lubricating oil	Full year
		Compliance with regulations for preventing oil pollution	
	20% reduction in fuel oil consumption per ton/mile unit load over fiscal year 2001	Recommendation to install oil-absorbing filter on deck	Full year
		Instruction in prevention of oil-spill accidents	
	20% reduction in fuel oil consumption per ton/mile unit load over fiscal year 2001	Preparing effective operational plans	Full year
		Increasing loading cargo quantity	
	Reduction in paper consumption per employee	Appropriate implementation of economic operations	Full year
		Instruction in reducing fuel-oil consumption in port	
	Reduction in paper consumption per employee	Promote economic operations using BRIDGE (maritime meteorology and tidal current forecast information)	Full year
		Promote use of fuel additives	Full year
	Conserving electricity	Promote IT leading to electronic data conversion, implement filing inspections, encourage use of electronic libraries	Full year
		Promote printing on both sides of paper, reuse of paper when photocopying	
	Conserving electricity	Promote IT leading to electronic data conversion, implement filing inspections, encourage use of electronic libraries	Full year
		Promote printing on both sides of paper, reuse of paper when photocopying	
	20% reduction in NOx emission per ton/mile unit load over fiscal year 2001	Conserving electricity to cope with electricity shortages by providing instructions and notices on in-house electronic bulletin boards regarding turning off unused lights, computers, equipment, and unnecessary lighting	Full year
		Summer electricity conservation should be conducted through individual announcements	
	20% reduction in CO2 emission per ton/mile unit load over fiscal year 2001	Adoption of improved machinery on newly built ships	Full year
		Implemented GREEN FLAG INCENTIVE PROGRAM (100%) in vessel placed in service at Long Beach Harbor in the United States	Sail at 12 knots or less within 20 miles of applicable ports

# Ensuring Safe Navigation

## ▶▶ Maintenance and Improvement of Safety Management System by In-house Ship Management Company

For NS United Kaiun, safe operation is one of the most important issues bearing on protection of the environment, and of the marine environment in particular. NS United Marine Corp., advanced marine experts in ship management, manages all of the ships owned by the company. It established and implemented the safety management system (SMS), and has made continuous efforts to maintain and improve it, in order to ensure safety at sea, prevent fatal accidents, and avoid environmental damage, especially to the ocean, as well as damage to property, with the objective of offering highly reliable services that meet customer needs.

## ▶▶ Ship Inspections

One of the programs NS United Kaiun uses to ensure the safe operation of the ships it operates is the annual inspection of each vessel owned or operated by the company, based on its own checklist, carried out by NS United Marine Corp.

The superintendent of the ship management group pays visits to all ships every six months to check their condition, provide guidance to the crew, and confirm that the ship maintenance plan is being carried out. This is in addition to the annual check for quality control and safety management.

We also carry out inspections of time-charter ships in accordance with our standard checklist to maintain the safety level of our entire fleet in cooperation with the ships' owners and management companies.



Repainting funnel mark

## ▶▶ Accident Zero Achievement Committee • Shipboard Safety and Health Committee

Based on studies and analysis of accidents that have actually occurred, effective management measures to prevent accidents beforehand are being formulated, and to implement these, the Accident Zero Achievement Committee meets on a regular basis. Furthermore, on all ships under management of NS United Marine Corp., Shipboard Safety and Health Committees meet monthly to deliberate on matters related to shipboard safety and health, as well as the environmental management system, and work to increase awareness of safety, health and environmental conservation among crew members.

## ▶▶ KYT Approach

The "K" in KYT stands for the Japanese kiken, which means hazard, "Y" stands for yochi, which means recognition, and "T" stands for training. The purpose of KYT is to heighten crew members' sensitivity to danger in order to prevent disaster. KYT is an old familiar term for Japanese marine experts, but it has practically fallen out of use in recent years as the presence of non-Japanese crew members has increased. Therefore we are reinforcing the KYT movement to heighten safety awareness among the crew and to reestablish the KYT approach as a shipboard presence.



KYT Approach

## ▶▶ Near-Miss Report System

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

▶▶ Safety Campaigns

The NS United Kaiun Group conducts a campaign designed to raise safety awareness. NS United Kaiun Kaisha Ltd. and NS United Marine Corp. defined the campaign period as January through March to raise safety awareness through on-board meetings between executives/supervisors and crews. The management team visited ships wholly or partially owned by NS United Kaiun Group and ships under management of NS United Marine Corp.

The results of the safety campaign will be used to maintain and promote future safe navigation, educate crews, and improve management methods.

**Campaign challenges:**

- (1) Made efforts to raise safety awareness through meetings with crews
- (2) Instructed crews on the significance of complying with cargo duty watch standing orders (bulk carriers)
- (3) Ship inspections revealed current status from both a hardware and software perspective

Under the slogan of "Striving for zero accidents", Shinwa Naiko Kaiun Kaisha Co., Ltd. formulates sub-slogans twice a year and visits ships in operation to educate its crews and staff on the significance of safe navigation.

The activities focus on raising safety awareness during the summer and overhauling navigation during winter.

**Campaign challenges:**

- (1) Distributing the Safety Campaign poster
- (2) Honoring the winners of the previous campaign and distributing cash prizes
- (3) Performing inspections using a checklist
- (4) Familiarization with preventative measures using past examples of accidents and problems

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

Achieving zero accidents and zero disasters is an unending mission. NS United Kaiun will ensure safe navigation for all ships in operation by maintaining keen communication between ships and shore in addition to continuing to visit vessels into the future.



Safety Campaigns

▶▶ Emergency response exercise

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

Last fiscal year, the exercise was held on January 12, 2011 with the themes of collision, oil spills, and man overboard.

We also conduct exercises between NS United Marine Corp. and vessels regarding security measures against piracy, terrorist activities, or other such risks.



Emergency response exercise mock press interview

# Reducing Environmental Impact

## ▶▶ Energy-Saving Devices (Propeller Flow Optimization)

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

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

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

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

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

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



Energy-saving device mounted on the M/V YUGAWASAN



Energy-saving device mounted on the M/V SHIN-EI and M/V SHINWA-MARU  
Courtesy of Universal Shipbuilding Corporation

## ▶▶ Adopting energy-saving devices and fuel-efficient antifouling coating

With the aim of energy conservation, Shinwa Naiko Kaiun Kaisha Co., Ltd. installed flow optimizers and used fuel-efficient antifouling coating for vessels reaching 20 years when they were docked during 2010. The energy-saving equipment (flow optimizers), equipped with M/V SHIMOKITA-MARU (delivered in 1994), increase propulsion efficiency by adjusting the flow of water at the stern of the vessel during propeller rotation. The fuel-efficient antifouling coating used on the M/V KIMITETSU-MARU (delivered in 1991) and the M/V FUYO-MARU No. 5 (delivered in 1994) features improved frictional performance over previous ship bottom antifouling coats. These energy-saving devices and coatings brought about a 3-5% reduction in fuel consumption, ensuring reduction in CO<sub>2</sub> and other emissions.



Energy-saving device mounted on the M/V SHIMOKITA-MARU



Fuel-efficient antifouling coating applied on M/V KIMITETSU-MARU

▶▶ Prevention of Global Warming

Global warming is said to be caused by greenhouse gases such as CO<sub>2</sub>. Vessels need to burn fossil fuel such as fuel oil to run, and these emit CO<sub>2</sub>-containing exhaust fumes. At present, the only effective way to reduce this CO<sub>2</sub> gas is to reduce fuel consumption. We are taking the following measures to reduce fuel consumption:

- Use of energy-saving equipment and devices.
- Improving propulsion performance by hull cleaning/ polishing of propeller.
- Speed reduction and best-route planning in accordance with changing situations.
- Minimizing fuel consumption per transported unit with efficient shipping schedules and increased cargo loads.



Before propeller polishing    After propeller polishing



Before hull cleaning    After hull cleaning

▶▶ Prevention of Air Pollution (Prevention of Acid Rain)

Exhaust gases from ships contain nitrogen oxides (NO<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>), which cause air pollution, including acid rain.

Regarding NO<sub>x</sub>, diesel engines with a power output of more than 130 kW installed on board ships whose construction started on or after January 1, 2000, must comply with the NO<sub>x</sub> emission limits specified by the relevant convention. Each of our new vessels is equipped with a new-model engine with low NO<sub>x</sub> emissions.

Also, for SO<sub>x</sub> emission control, the sulphur content of any fuel oil used on board ships must not exceed 4.5% in the general area, and 1.0% in designation area (the North Sea and Baltic Sea). We procure fuel oil that meets International standards ISO8217 for restricting SO<sub>x</sub> emissions.

▶▶ Preventing the Generation of Dioxins

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

▶▶ Prevention of Ozone Depletion

Chlorofluorocarbon and halon are regarded as causes of ozone depletion. Freon was used for onboard freezing and cooling machinery, while halon has been used in fire extinguishing systems.

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

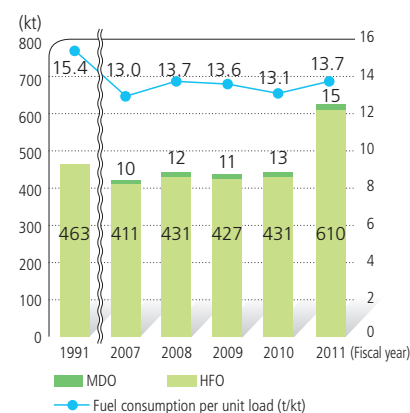
New installation of Freon or halon fire-extinguishing systems has been prohibited; however, using existing equipment is allowed.

The M/S KUNISAKI-MARU and M/S STAR FLOWER replaced their halon fire extinguishing systems with high-expansion-foam fire extinguishing systems. M/S DAISHIN-MARU replaced the refrigerant with its alternative to reduce ozone-depleting substances.

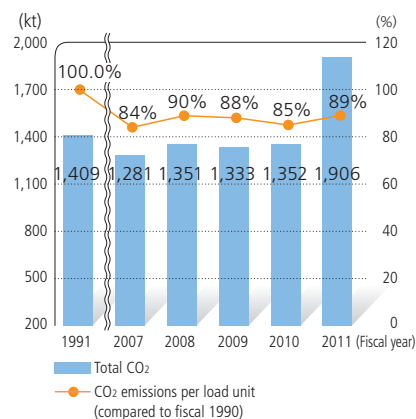


Shinwa Chemical Tanker Co., Ltd. Shinju Maru No. 1, which transports LNG, a fuel with very little CO<sub>2</sub> emissions

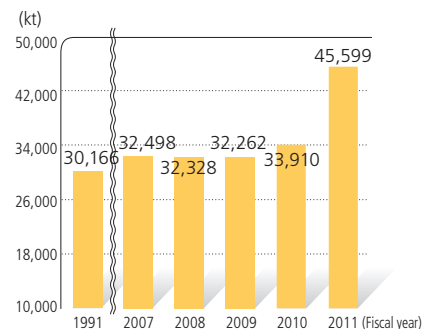
▶ Fuel Consumption



▶ CO<sub>2</sub> Emission Volume



▶ Traded Cargo Volume



# Reducing Environmental Impact

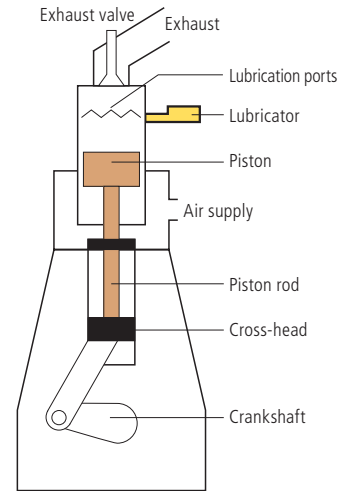
## ►► Promotion of Installation of Lubricant (M/E Cylinder Oil) Consumption-saving Equipment

The vessels owned by NS United Kaiun that have cross-head engines are being converted from mechanical to electronically controlled lubricators to reduce the amount of lubrication and lower cylinder oil consumption.

Cross-head engines use two types of lubricant: cylinder oil in the cylinder liner and system oil in the crankcase. The system oil undergoes a circulation cycle so that it can be reused. The cylinder oil, however, cannot be reused because it is burned up inside the cylinders, and this oil must be fed in constantly for the engine to continue operating.

There used to be mechanical lubricators attached directly to the engine. These would feed oil at a fixed frequency (once every one or two revolutions of the engine). Now, however, electronically controlled lubricators have made it possible to feed oil accurately and in a way that is appropriate to the main engine's current operational status. Reducing the wasteful feeding of oil makes it possible to reduce the amount of lubrication and lower the consumption of cylinder oil. NS United Kaiun is actively engaged in fitting electronically controlled lubricators.

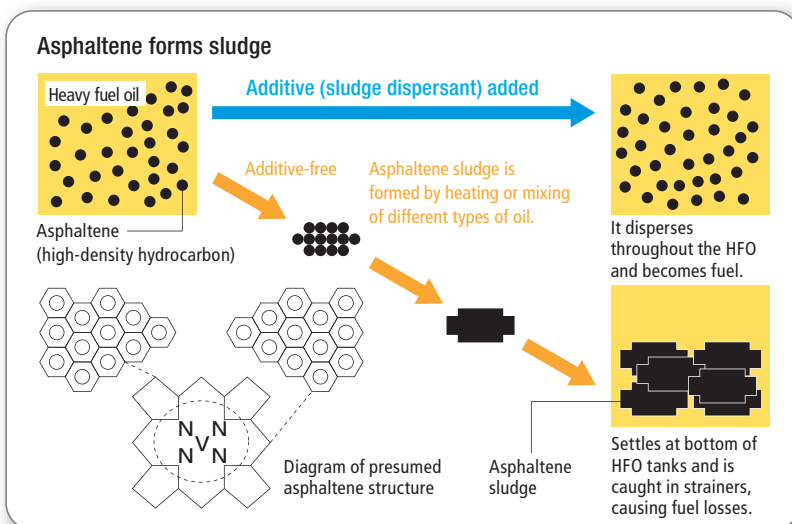
### The structure of a cross-head engine



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

Large ships are ordinarily fueled by residual fuel, which is what remains after gasoline, diesel oil, and other light components have been extracted from crude oil. In fact they use a low grade of heavy oil known as heavy fuel oil. This heavy fuel oil contains a substance known as asphaltene (high-density hydrocarbon) that can agglutinate and form sludge when the fuel is heated or mixed. Asphaltene is a causal factor in various problems, such as precipitation in fuel tanks and increased fuel loss, causing equipment problems when it is caught in strainers, and so on. Heavy fuel oil has tended to become an even lower-grade fuel in recent years as the demand for light fuels such as gasoline and diesel oil has increased. Sludge countermeasures have accordingly taken on increased importance for both economic and safety reasons.

NS United Kaiun places fuel additives (sludge dispersants) in the fuel for its ships to prevent the formation of asphaltene sludge. The purpose is to save energy by efficient use of fuel and improve safety by reducing sludge.



Provided by Nippon Yuka Kogyo Co., Ltd.



▶▶ Reduction of Power Consumption in the Office

With saving electricity as our environmental slogan, we are making efforts day and night to reduce annual power consumption at our offices, encouraging power savings with such practices as turning off unused office machines and unnecessary lights. In fiscal year 2011 (the year ending March 31, 2011), we achieved a 5.6% reduction per-capita in electric power consumption over the previous fiscal year. This year we will continue to work on conserving electricity.

▶▶ Office Waste

For thorough separation of waste generated in offices, we have improved the arrangement of waste baskets, and are running an in-house campaign to implement waste segregation. In addition, we promote the effective use of recyclables: since last fiscal year we have encouraged using personal coffee and tea cups instead of disposable ones.

▶▶ Proper Disposal of Onboard Waste

Various kinds of waste are generated by the crew living on board. Such onboard waste is thoroughly separated and collected as is done on shore, and is either burned on board or duly disposed of on shore, except items that can be disposed in the ocean after pulverization, such as food waste. NS United Kaiun disposes of non-marine disposable wastes aboard and ashore, and receives reports from ships owned and managed by the company to manage the volume of shipboard waste being disposed aboard and ashore.



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



Waste segregation in the office



Proper disposal of onboard waste



## Environmental Education

▶▶ Seamen's Environmental Education

The company has formulated and implemented onboard education and training through On-the-Job Training (OJT) in addition to classroom training for crews who board ships owned and operated by NS United Kaiun. The plan includes items related to environmental protection, which serves to bring about seamen's awareness of environmental protection through pre-boarding seminars.

▶▶ Environmental Seminar in Manila

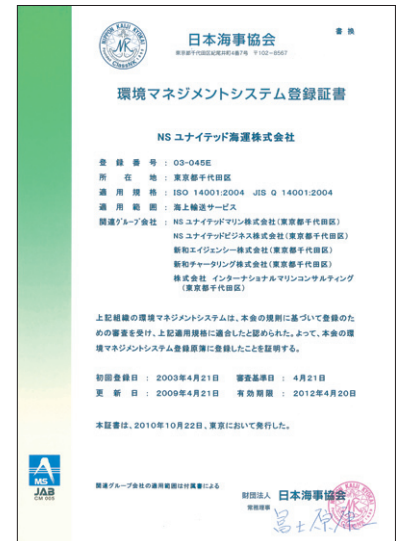
Four times per year, the company dispatches lecturers to hold seminars for Philippine seamen on leave, holds lectures on the environmental management system and strives to increase environmental awareness among the seamen.



Classroom training in Manila

# History of CSR Activities at NS United Kaiun Group

- May 2000** ▶ Safe Navigation Committee established.
- October 2000** ▶ Corporate Philosophy of Shinwa Kaiun Kaisha, Ltd. established.
- December 2000** ▶ Regulations regarding avoidance of accidents at sea and accident countermeasures established.
- January 2001** ▶ Shinwa Marine Corporation received ISO 9002 certification (Class NK)
- September 2001** ▶ Safety and Environmental Committee established.
- October 2001** ▶ Shinwa Kaiun Group Environmental Statement formulated.
- December 2001** ▶ Rules regarding control of inside information and insider trading revised.
- May 2002** ▶ 2002 Environmental Report published.
- November 2002** ▶ Investor Relations Committee launched.
- December 2002** ▶ Regulations regarding disasters at sea and other emergency circumstances revised.
- April 2003** ▶ ISO 14001 certification received (Class NK)  
Companies included: Shinwa Kaiun Kaisha, Ltd. Shinwa Marine Corp.  
Shinwa Business Management Kaisha, Ltd. Shinwa Agency Co., Ltd.  
Shinwa Chartering Corp., International Marine Consulting Co., Ltd.
- May 2003** ▶ Shinwa Marine Corporation received ISO 9001-2000 certification
- September 2003** ▶ 2003 Environmental Report published.
- November 2003** ▶ Standards of Conduct established.
- June 2004** ▶ 2004 Environmental Report published.
- July 2004** ▶ Established guidelines for use of computer equipment, e-mail, and the Internet.
- December 2004** ▶ Compliance Committee established.
- December 2004** ▶ Internal audit regulations established.
- December 2004** ▶ Shinwa Kaiun Group Environmental Statement revised.
- June 2005** ▶ 2005 Environmental Report published.
- July 2005** ▶ Shinwa Kaiun Group Safe Operation Management Committee launched.
- May 2006** ▶ CSR Committee established. Policy for CSR programs formulated.
- June 2006** ▶ CSR Report 2006 published.
- July 2006** ▶ Policy created for subsidiary representatives to participate as observers in the CSR Committee.
- June 2007** ▶ CSR Report 2007 published.
- June 2008** ▶ CSR Report 2008 published.
- April 2009** ▶ Shinwa Marine Corp., acquires ISO9001 (2008 version) certification
- April 2009** ▶ Shinwa Kaiun Group Environmental Statement revised as Environmental Policy
- June 2009** ▶ CSR Report 2009 published.
- June 2010** ▶ CSR Report 2010 published.
- October 2010** ▶ Merged with Nippon Steel Shipping Co., Ltd and changed registered name to NS United Kaiun Kaisha Ltd.



ISO14001: 2004 Approval Registration Certificate

[Note: For period after 2000]

## Glossary

### Chlorofluorocarbons (CFCs)

CFCs are halogenated hydrocarbons containing carbon, fluorine, chlorine, and hydrogen. The word "Freon" is often used as a generic term for CFCs. Because they are colorless, odorless, and non-toxic, as well as thermally and chemically stable, they were widely used as refrigerants, cleaners, solvents, firefighting agents, and aerosol propellants. However, manufacturing of Freon has been prohibited since 1996 because it is an ozone depleting substance. Of the CFCs, Halon is particularly harmful to the ozone layer and its manufacture has been prohibited since 1994.

### Crankcase

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

### Cross-head engine

Engine type that is commonly adopted for large two-cycle diesel engines. For structural reasons, it requires two different lubricants, cylinder oil and system oil.

### Cylinder liner

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

### Cylinder oil

Lubrication oil that lubricates the engine between the piston and the cylinder liner.

### Dioxins

Dioxins are highly toxic substances that are primarily formed during the incineration of waste, but may also be formed from natural causes such as wildfires and volcanic activity. They can cause cancer, birth defects, immune system suppression, and reproductive abnormalities. Because dioxins are formed when substances broken down at over 800 degrees recombine as they cool, the formation of dioxins can be limited by rapidly cooling exhaust gasses.

### International Maritime Organization (IMO)

International Maritime Organization. The IMO is a specialized organization of the UN that researches and establishes international maritime treaties and conventions. The IMO promotes cooperation among the governments of every nation with regard to technological and legal issues bearing on marine transport, including maritime safety, improvement in marine transport technology, prevention of pollution of the ocean by ships, and the abolition of discriminatory treatment between countries.

## From the 2010 CSR Report Reader Questionnaire

### Reader Comments

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- The Environment Management Program shows specific verification results even for unachieved items. I give you high marks for your sound methods.
- Environmental conservation issues, particularly air pollution and marine pollution, are closely related to the scope of the NS United Kaiun Group's business activities. This is where I paid special attention when reading the report. The report was clear enough in terms of current initiatives, but I wanted to know more about future challenges and vision.
- I felt that NS United Kaiun's has a high degree of problem awareness, since the company focused on problems that are considered problems for society as a whole.
- I wanted to know more about employee satisfaction and comfort level with the company.
- I want more detailed information on the company's contribution to society and culture.
- The report should provide more about effective stowage of cargo, providing examples of products related to plant infrastructure.

### Our Response

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Our thanks to our readers for your cooperation in responding to the questionnaire.

It is our pleasure to receive some understanding and high regards towards for our steady efforts to achieve clear indexes. At the beginning of this 2011 NS United Kaiun CSR report, we declared that the report would define all corporate activities based on our corporate philosophy of CSR, while pursuing satisfaction of all stakeholders from every domain, including employees, the local community, and business partners from all over the world. It is our sincere hope that this report will help further deepen understanding of our efforts toward CSR.

We would like to make use of the views expressed by our readers in considering which CSR activities to pursue next, as well as in preparing our next report.

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#### ISO 9001

This is the international standard for quality control and quality assurance established by the ISO. It sets forth the requirements for a quality management system that extends to organizational management to achieve customer satisfaction and operational improvements. The pursuit of customer satisfaction and improvement efforts through ISO 9001 allows a company to maintain the trust of the public and heighten its competitiveness.

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#### ISO 14001

This is the international environmental standard established by the International Organization for Standardization (ISO) to guide companies in pursuing environmentally responsible business activities. It mandates environmental management policies, organizations and systems, operation, internal audits, and other measures, which are to be continually improved based on the PDCA cycle.

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#### Ozone layer

An atmospheric layer 20 to 25 km above the Earth's surface that is rich in ozone (an allotrope of oxygen). It absorbs much harmful ultraviolet radiation from the sun, protecting organisms on the surface of the planet. Harm to the ozone layer would allow more harmful ultraviolet radiation to reach the surface, with harmful effects such as skin cancer and conjunctivitis.

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#### PDCA cycle

The PDCA cycle is a system for continuously improving environmental management systems. Using this cycle, a company will Plan (set targets and policies, and create a plan to achieve them), Do (execute its plan), Check (verify the outcomes and make adjustments), Act (make changes and improvements for the next step in the cycle), and then Plan and so forth again.

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#### Strainer

Filtering device that separates liquids and solids from a mixture of the two.

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#### System oil

Lubrication oil that lubricates engine bearings and other drive components.

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#### Work-life balance

This is a concept promoted by the UK Ministry of Trade that involves harmony between a person's professional and personal lives. It means maintaining health and happiness without sacrificing either the workplace or the family. In Japan, the Ministry of Health, Labor and Welfare established a study group in 2003, and is working to achieve the acceptance of this concept through regional governments nationwide. It is also called Life-Work Balance.

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



**NS United Kaiun Kaisha, Ltd.**

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Thank you for your reading NS United Kaiun Group's CSR Report 2011.  
Please take a minute to give us your opinions of the report.

**① How well did you understand NS United Kaiun Group's thinking on CSR?**

Understood    Partially Understood    Did not understand

**② How would you evaluate NS United Kaiun Group's CSR initiatives?**

Excellent    Fair    No opinion    Some elements unsatisfactory    Poor

**③ Please evaluate this CSR report.**

Quality of content:    High    Medium    Low  
Quantity of information:    Plentiful    Sufficient    Insufficient  
Number of pages:    Too many    Usual number    Few  
Readability:    Very readable    Readable    Not readable  
Clarity:    Very clear    Clear    Unclear  
Honesty:    Very honest    Honest    Not honest

**④ Which parts of the report did you find particularly interesting? (Select as many as you like)**

**Social Report**    NS United Kaiun Group's Approach to CSR  
 Stakeholders Supporting NS United Kaiun Group  
 Initiatives for Customer and Suppliers  
 Initiatives for Shareholders and Investors    Management Structure  
 Initiatives for Employees    Initiatives for Society

**Environmental Report**    NS United Kaiun Group Environmental Policy  
 Verification of Fiscal 2011 Implementation Plan and  
Fiscal 2012 Implementation Plan  
 Ensuring Safe Navigation  
 Reducing Environmental Impact  
 Environmental Education

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

**⑤ Please tell us what you'd like to know more about, and make any other comment you wish.**

**⑥ Please identify your relationship to NS United Kaiun Group or reason for reading this report.**

Customer    Shareholder or investor    Financial institution  
 CSR or environmental manager for a company or organization    NGO/NPO  
 Research or educational institution    Student    SRI Index or other evaluative body  
 NS United Kaiun Group employee or family    Other (                      )

**⑦ Would you like to receive our new CSR report?**

Yes    No

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

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

Address \_\_\_\_\_

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

Department and position \_\_\_\_\_

**Thank you very much for your assistance.**

Privacy policy: The personal information gathered from this questionnaire will be used only for (1) evaluation and analysis of our CSR report, and (2) to provide next year's reports to those who request them. Your completion of this questionnaire indicates your consent to these conditions.