

January 4, 2012

President's New Year Message

**Overcoming Difficulties through Combined Strength,  
Taking on New Business**

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President  
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I wish you all a happy New Year, and I hope that, whether at your home, visiting parents or family or on vacation, you had a pleasant New Year's holiday. As today, January 4, 2012, is the first day back at work, I would like to share with you, our employees, a brief message.

As I am sure you all know, 2011 was a particularly difficult year. There was the Great East Japan Earthquake and resulting tsunami, the accident in Fukushima nuclear power plant and then the floods in Thailand—all resulting in devastation that was distressing to view. Again, we express our sincere sympathy to those affected by the disasters and pray for a quick recovery.

On the economic front, the euro zone economic crisis arose and continued to spread uncertainty on a global scale. In the environment in which we operate there was the rapid appreciation of the yen, excess tonnage supply, global economic instability which produced extreme difficulties such as depressed markets, and soaring bunker oil prices.

Due to these factors, and in spite of all your very best efforts, we ended the first half of fiscal year 2011 with a ordinary loss of 1.2 billion yen and a net loss of 400 million yen on consolidated basis. This was most unfortunate. However, we have set ourselves the task of wiping out this loss in the second half of the fiscal year, and I ask for all your further efforts to achieve this.

Now, concerning 2012, I think it would be better for us to reckon that these adverse external conditions I have spoken about will continue. It would be quite difficult for the euro problem to be solved, for the strong yen to go away and for bunker oil prices to fall. We should also expect excess tonnage supply to continue. And in Japan, where the national debt is 200% of GDP, we can't expect the government to take large-scale supportive steps to alleviate deflation, and the government's lax fiscal discipline probably will not gain public support. The harsh circumstances that have been put before us will continue, and 2012 will be a year that will see companies forced to bet their existence in a contest of endurance.

Circumstances are not clear, and 2012 may bring us an even heavier storm, but our company is doing what is needed to pull through. In line with the Mid-Term Business Plan announced last year, we plan to increase the number of solid customers and raise our position in the industry.

Of course, the external environment we forecast is worse compared to when we made the plan so although alterations, such as additional action plans, might be necessary, there will be no change to the directions we have set.

While our company is a member of the Nippon Steel group, Nippon Steel and Sumitomo Metals are merging to form Nippon Steel & Sumitomo Metal Corporation. The integrated companies across the group, primarily with raw materials, steel products and plants, should have many new business opportunities as they expand their operations outside Japan. Meanwhile, within Japan, we can expect stronger demand for coal shipments due to what can be seen as a continuing shift from nuclear energy to fossil fuels.

As we turn our eyes to the rest of the world, although we certainly can't expect large economic growth in developed markets such as Europe, in emerging markets—primarily in Asia—with growth in population and middle-income-group as the backdrop, there will be economic development. And as we can foresee increase in movement of goods, we will have the opportunity to take advantage of that demand. Working together, let's keep our ears to the ground to catch these business opportunities.

The major premise for us to move forward into these businesses is safe navigation and management of our vessels: Accidents and problems do not make for a foundation of business. Safe navigation is a challenge for us at all times, and never-ending. We shall continue to combine the strengths of our staff on board and on land to maintain safe navigation.

Furthermore, it is important how we do what we have to. It is easier said than done. If we take our main operations as an example, one answer might be whether we succeed or fail in getting a contact with a customer after giving them a proposal. But from my point of view, apart from the result, it is the process, meaning the kind of relationship we are maintaining or developing with our customers, that is important. We gain their trust, we listen to their needs and we make a proposal. It is this kind of person-to-person relationship that is important. But what I would like to see is our customers knowing that these are not only person-to-person relationships, but also relationships as a team and also a company.

This does not only apply to our main operations, but also to our relationships with ship owners and also in all manner of work such as vessel management, accounting, general affairs and purchasing. As each employee steadfastly carries out his or her own work on an individual basis, we will also share this or provide support across teams and across the whole company.

It is over a year now since our first steps as NS United Kaiun Kaisha. The period of integration and merging has completed. We are now being evaluated as NS United Kaiun Kaisha. We have to establish and promote our individuality, our combined strength and our evaluation from the market.

I want you all to think about how we are going to achieve these goals. As I have often said, the most effective thing in carrying out work individually is close reporting, contact and discussion among managers and workers, and also with adjacent or related departments. By having an open and free flow of communication within our workplaces, and then by maintaining it, more information is shared and we move together toward the same goal. And by doing all of this, we will add profit and come to do compliant, correct and good work. This is what I would like to see.

As I stated earlier, 2012 is probably going to be a tough year, but the growing markets are right in front of us and I am sure we have the strength to grow. As the external environment is harsh, I intend to manage the company in a cautious manner but at the same time take advantage of new areas of growth. I ask for your help in these efforts. Teamwork and combined strength are the strengths of a company. So then, I would like you all to understand that it is by the strengths of each and every one of you making up this organization that we can prevail in our struggle for existence, and grow.

I would like to finish by expressing my heartfelt wishes for the safety of our voyages and for the happiness and health of our employees and their families.