

January 4, 2013

President's New Year Message

Strengthening the Fundamentals for Further Leap Forward

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President
NS United Kaiun Kaisha, Ltd.

I wish you all a happy New Year.

At the break of the New Year, I would like to address to you my message.

Conditions remain harsh

I addressed to you on January 4th last year, that in the year 2012, we would be experiencing a harsh environment. The outcome was beyond what the word “harsh” could describe.

Annual average for spot hire of capesize marked a historical low of about US\$7,700, while the market for panamax and smaller vessels kept under US\$10,000 for most time of the year. Under such circumstances, we incurred a consolidated ordinary loss of 1.4 billion for the first half of the FY2013, and are in the course of making an effort for the better for the full year result. In spite of the poor market conditions, there are some bright news, such as weakening of the yen. We should take every opportunity to make better results.

Securing firm business and expanding to new clients

On May 2011, we announced Mid-term Business Plan that covers the period from FY2012 to FY2014, and this year marks the final year in the plan. We forecasted that the ocean-going shipping market would recover towards FY2016 and that at the end of FY2014, we would be operating 150 vessels, posting consolidated ordinary income of 10 billion yen. However, the market and other fundamentals such as the exchange rate, fuel prices changed dramatically, rendering the debate on these target figures almost pointless.

Yet, the plan itself is of solid composition, allowing us to use it as a tool to assess what we did amid the changes. Neither does it change our philosophy to “provide sincere, trustworthy, and high-quality worldwide shipping services”. I also think that

the theme of the plan “Unite and Full-Ahead!” is excellent.

From the scope of the mid-term plan, how we approach and expand our business with Nippon Steel & Sumitomo Metal, formed by a merger in October 2012, will be our top priority as it has been so last year. Mainly focusing on their transportation of raw materials and steel products, we must secure a firm position in both overseas and coastal shipping for them. It is also important to have our eyes on wide range of cargo for companies associated with Nippon Steel & Sumitomo Metal, such as raw material for alloys, cokes and plant machineries. Expanding firm business for such cargo will be another major objective for this year.

Meanwhile, Nippon Steel & Sumitomo Metal is not our sole customer; we have important customers in power, non-ferrous metal and other industries. We also have newly acquired customers in growing countries such as India and Indonesia, and how we correspond to such customers is also an important issue. Despite the slight slowdown in growth rate, Asia and India both hold large populations and future growth is much anticipated. While securing domestic ground, it is essential and another important objective for this year that we take in the demand in such parts of the world in order to take the next leap forward. To reinforce the bond with existing customers and expand to new clients, I would like you to visit them more frequently. By talking to them and finding out what they need, we should be able to make adequate suggestions for a win-win relationship. Proving trustworthy may be a never-ending task. To accomplish such difficult task, it is important that you constantly improve yourself to earn the name “a trustworthy company and employee of NS United Kaiun Kaisha”. Your efforts to acquire not only linguistic skills but also extensive knowledge as tools of communication would be much appreciated.

Reinforcing financial structure

I mentioned earlier about the change in fundamentals from the mid-term plan and last year’s harsh environment. Who knows what lies ahead, but I believe that even under the present condition or that of last year, we must raise constant profit to meet the expectations of our stakeholders. To enable that and future expansion of our business, it is essential that we reinforce the company’s financial structure. Effects of measures such as slow steaming operation and reduction of administrative costs are clearly showing results. However, we must rid ourselves of further burdens such as time charters concluded and vessels built at high rates and unused assets to become more efficient and ready for the composition of the next mid-term plan. As to revising time charters, we redelivered 3 vessels during the last year, I intend for further

implementation while carefully observing the market. Appropriating huge losses may be painful, but reinforcement of financial structure will be a major subject for the coming year.

Accomplishing tasks with certainty

As I have stated already, the year 2013 will be difficult and challenging, but I believe that we, or should I say, our company, is potentially or substantially capable of overcoming such hardship. The capability as an individual or as a team does not fall short of other competitors nor should it yield to the external environment. To demonstrate or extend such prowess, it is essential that we carry out our daily operations with certainty. Safe operation, the fundamental of our business is a matter of course. Going back to basics with any operation, following set procedures, prompt communication, redefining the allocation of responsibility and authority; provided each individual is strongly conscious of those in carrying out their tasks, when combined, enables us to take the next leap forward. If quality work is done rightfully, it complies with the law and contributes to the operating results. Our company should already be in such state and I believe we are capable of taking it to a higher level. Please, have confidence in your daily tasks and carry them out with certainty. With your strengths integrated, I am confident that year 2013 will be a brighter year than the last. I will exercise my best effort in taking the lead, and I would much appreciate your cooperation.

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