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President's New Year Message

Strengthening Operating Base for New Development

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President

NS United Kaiun Kaisha, Ltd.

I wish a very happy New Year to all our employees and families.

As this year's New Year break was longer than any other, I hope everyone enjoyed, going on a trip or relaxing at home.

To begin this New Year, I would like to present a message to everyone.

Improved External Environment

Looking back on the previous year 2013, the environment surrounding us has been gradually getting better. As a result of the general election in December 2012, the Liberal Democratic Party took over the Democratic Party introducing a strong economic policy named Abenomics. This led to the chronic deflation being countered as correction of high yen and promotion of high stock prices are going well.

International situations are also improving with promising economic recovery and development in the US and Europe. While newly developing countries including China, Brazil and India are slowing down, they are not in depression either. The import of iron-ore and coal bound for China is continuously growing.

We had quite a few good news like hosting Tokyo Olympic and Paralympics in 2020 to overcome bad news such as water contamination problem, natural disaster from typhoon and heavy rain. To sum up, 2013 was a year of 'starting to move forward'.

Our Effort in Revenue Improvement

We have done our best in recovering our revenue. In the end of March last year, an extraordinary loss of more than 18 billion yen was posted due to early cancellation of the time charters agreed at high charter rates and impairment of high cost vessels. As for the operation management, having safety and stability, we reduced the speed to the minimum, putting great effort in cost reduction.

As a result of the above, the first half consolidated settlement turned out to be consolidated profit of 4 billion for the gross sales of 76.3 billion yen, estimating the whole 2013 FY to have a consolidated profit of 7.2 billion for the gross sales of 154 billion. In addition, we are planning to pay a dividend of 7 yen per stock this year, for the first time in these two years.

The cause of this profit improvement comes not only from external environment of high yen correction and market control or our financial restructuring. Rather, it derives from your ongoing hard work. I would like to express great appreciation for the great contribution of all of our executives, employees and seafarers. Let's gather full forces this year again to further increase our profit. At the present we are aiming for the target of the annual closing of account in coming March. Let's try to exceed the announced estimated value.

For the Further Step

So, what is 2014 going to be like? As commonly said, I also think that the external environment will continue to settle as it is. Although unforeseen events may always happen such as the impact of increased sales tax, unpredictable events and instability of shipping market, I believe that as a whole, this coming year will look more positive.

It is expected that our company will make a new step as we have covered the prerequisite to be more expeditious last year by financial restructuring and modification of management system within NS United Business and so on.

First, as for 'strengthening operating base', we have established 'Group Corporate Philosophy' last October as a new step of the third year after merging.

Management Philosophy, as a part of this Corporate Philosophy, includes four key areas; 1) Credibility and Reliability, 2) Safe Navigation and Environment Protection, 3) Response to Customers and Reform and 4) Nurture and Mobilize Employee Abilities.

While all the above 4 areas are important, I emphasise the statement within the first area, Credibility and Reliability 'practicing sound management that is credible and reliable'. To practice sound management, it is important to develop stable business partnerships. Strengthening relationships with existing customers for longer lasting business opportunities is vital for this. Last year we have succeeded in renewal and increase of new and/or long term shipping contract with Japanese steelmaker, electric and energy companies as well as South American non-ferrous metal company. I believe this is a great achievement. Our organization of the Marine related business is changing in this February and it is expected that further business success will be achieved through sales and management team working together while maintaining high level customer service based on safety.

For 'New Development', as often mentioned and stated in the President's New Year's Message in 2013, is to develop our business within potential overseas market such as South East Asia and India where the whole and the middle class population continues to increase. In the modern society where information is quickly spread and shared, all other competitors also take interest in the same market potential and work out to expand their business.

It is, therefore, vital to increase our presence in the market. How much can we take risks? How can we minimize risks? I believe that to find the way to the solution, we, including overseas staff, must gather and share information and ideas to build up our business little by little, one by one. It goes without saying that Japan market is also important and we have a business chance to expand our share. However, I would urge you all to pay good attention to overseas market including South East Asia as well.

Making a step or two forward this year for the 'new development' is my strong expectation.

For a Positive Year

Taking a look in the FY wise, our secretariat is preparing to start a new Mid-Term Business Plan. Although three years is a good duration to achieve the target value, I believe that it is also important to show our long term vision to share understanding in the direction and goal of our business. In order to smoothly execute and monitor the plan, it may be necessary to review the main business processing system.

Such new Mid-Term Business Plan should be based on the previously mentioned 'Group Corporative Philosophy'. Following 4 areas of management philosophy and 8 codes of conduct, I wish for all of our staff and group members to work happily and positively to achieve our goal in 2014. This is my sincere wish for the year.

I would like to finish by expressing my heartfelt wishes for the safety of voyages and all hard-working seafarers everywhere around the world, and for the happiness and health of our employees and their families.