

January 5, 2015

2015 New Year's Greeting
Stable Growth Through Our Group's Comprehensive Strength

NS United Kaiun Kaisha, Ltd.
President Toru Obata

Happy New Year!

Now that the long year-end holiday is over, it's time to get back to work. I would like to give a greeting to all of you at the beginning of this New Year.

First of all, I am looking forward to making 2015 into a great year for not only the company, but for all of us. For the last several years, the shipping market has seen weak growth. The expected market growth failed to appear last year, as well. Although we are optimistic about this year, we need to keep the possibility of a downturn in mind. That said, I hope that we can make this a year of strong profits and stable growth, whether we are faced with the current market conditions, or even deteriorating conditions.

Appreciation For Your Hard Work

Last year, we announced our medium-term plans for the period starting FY2015. In terms of consolidated numerical goals, in FY2017 we are aiming to achieve 180 billion yen in revenue, 10 billion yen in operating income, and 8.3 billion yen in ordinary income. In FY2018, we are aiming to achieve 200 billion yen in revenue, 12 billion yen in operating income, and 10 billion yen in ordinary income.

As you know, our financial statement for the first half of FY2015 (the first fiscal year of the current medium-term period) reported revenues of just under 80 billion yen, and ordinary income of 6 billion yen. We predict full-year numbers of 160 billion yen in revenues, and 10.4 billion yen in ordinary income. Although discrepancies from the precondition and the current condition of our medium-term plans, such as on currency exchange rates and bunker prices, mean that we cannot make a simple comparison, this is a good start to the first fiscal year of the period.

I am impressed by the fruits of your day-to-day efforts to not only navigate safely and reliably, but also to reduce costs and ballast voyages. You have my gratitude. Let's keep building upon these efforts in order to surpass our announced performance goals.

Uniting Our Strength As A Group

As you all know, the slogan of our medium-term plan is "Unite & Full Ahead! II". This slogan expresses our desire to expand upon previous medium-term business plan, "Unite & Full Ahead!", working together to unite the strength of the NSU group and achieve new growth.

Last February, we reviewed the functions and organization of NS UNITED MARINE CORP., and in May we organized the functions of our manning company and ship management

company in Philippines. Further, we changed the names of our coastal shipping companies to NS UNITED NAIKO KAIUN KAISHA, Ltd. and NS UNITED COASTAL TANKER KAISHA, LTD. and revised the operation of meeting structure, etc. to allow closer cooperation.

Proceeding into the future, I want to allow the leveraging of the strength of our group through sales, ship management, and all other aspects of our business. I ask all of you to keep that in mind as you go about your work.

Expanding Our Business Through Safe And Reliable Operation

Earlier I mentioned "a year of stable growth." By "stable," I was referring to the importance of ensuring strong business with our current customers. I want all of us to strive to not only assure the reliability of current business by anticipating the changing needs of our customers and proposing improvement ideas, but also by increasing current business as much as possible.

By "growth," I was referring to my desire for everyone to strive to gain and maintain business with new customers. Developing new customers, and gaining new business is no easy task. By building upon seemingly-futile efforts, and by making frequent outside visits, we will be able to open accounts, build up short-term business, gain trust, and finally achieve long-term business.

There are many things that are beyond the capabilities of a single person, or a single department. Therefore, in addition to collaboration between sales departments, I'd like the company to grow with the comprehensive strength of the entire group, including our overseas offices, our ship management department, and our coastal shipping companies.

One of our strengths is our ability to provide a wide range of shipping services with vessels large and small with a single company. Please think about how to further develop this strength, and follow through on those ideas. In order to do this, it is important to report, contact and discuss daily and frequently in order to allow for smooth communication within the workplace, and between organizations. Furthermore, I want those of you who are managers to strive to see the bigger picture, and make inter-workplace and intra-division collaboration a priority.

Further, there is a need to keep reminding ourselves that safe and reliable daily operation is a prerequisite for growing our business. As an operator, our ability to operate and manage ships is our foundation, and our market value. Total Off-hire period of the vessels we manage was just under 120 hours this fiscal year, as of November. While this is the lowest it has been in several years, I want everyone to strive to achieve zero Off-hire. Although safe, reliable navigation is clearly mentioned in our corporate philosophy, I would like all of you to follow the basic and your manuals, in order to achieve zero accidents, and zero incidents.

Anticipating Change To Lead To A Year Of Greater Growth

Although I earlier stated that the shipping market is in decline, the prices of iron ore, coal, and since last fall, crude oil have greatly fallen. The exchange rate has consistently moved towards a weak yen. Due to unpredictable elements in the market, all I can say for certain is that we don't have a clear picture of the future.

In the world economy, the U.S. economic health continued last year, while growth has begun to stagnate in China. Europe and Russia, as well as central and South American countries such as Brazil are largely seen as being in an economic slump. Politically, the Ukraine-related sanctions against Russia continue, and the Middle East remains in chaos.

To state the obvious, the world is always moving. I believe that violent fluctuations in energy and resource prices will continue to occur in 2015, while political change will also continue around the world. With the slowing of Chinese iron production, it is said that the amount of iron ore imports will also decline. Some predict that the weak yen that had been a tailwind for our company may change direction soon.

Although we need to continue to anticipate these sorts of changes, the one unchanging truth is that the world's population has already reached 7.2 billion. In all likelihood, the populations of Southeast Asia, India, and Africa will continue to grow for the foreseeable future. A growing population means economic expansion, which means more trade and flow of goods. In turn, demand for shipping as a whole will expand, and our business chances will expand with it.

While there is a possibility that stringent conditions in the shipping and other markets may continue in 2015, let's look towards the future and make this a year of great growth. I will be giving my best effort as well, so I want all of you give "Plus something extra" in each of your positions, and keep your ideas coming.

In conclusion of this New Year's greeting, I pray for safe voyages and the health and happiness of you and your family.