

January 4, 2016

2016 New Year's Greeting

Stable Growth Through Our Group's Comprehensive Strength

NS United Kaiun Kaisha, Ltd.

President Toru Obata

I wish a happy new year to everyone.

Please allow me to offer my new year's greeting to all.

Continued challenging environment

Looking back on the previous year, it was an unstable year.

In international politics, terrorist attacks by the religious extremists called ISIL (Islamic State in the Iraq and the Levant), which was formed resulting from the volatility of the Middle East, terrified the world. ISIL frequently acts and instigate the terror, and tragically, there were a large number of victims from numerous acts of terrorism in many parts of the world.

From an economic perspective, China, which had continued to grow with the importation of large amounts of materials, started shifting their economy to the self-claimed "New Normal" a moderate growth. This caused economic stagnation in the emerging economies. In the United States, the supplies of shale oil and gas have increased, and commodities' prices including that of crude oil continued to decline.

In the maritime transportation industry, where we belong to, the market condition remained sluggish except for some segment such as tanker market. In our major front, the dry bulk market, the situation has not just declined but been remained so severe that it could be called as deterioration, and you may recall that some domestic and international operators were forced out of business.

The current prolonged stagnant market situation was caused by the lack of demand for resource-importing countries, including China, but was also due to a structural problem where many vessels have been delivered into the market in the last 10 years, together with increase of the vessels' capacity, which resulted in an oversupply of vessels. Since the prices of crude oil, fuel and scrap metals are low, now there is an additional factor that old vessels with poor fuel efficiency hardly walk out of the market.

Keep making profit

It will be hard to find a solution to this structural problem of oversupply of the vessels. Although the exchange rate for Japanese yen to the U.S. dollar remains favorably low at around 120 yen per dollar, I would like you to understand our position and bear in mind that the dry bulk cargo market will still be in a significantly severe situation at least during the first half or the whole year in 2016. Besides, we must show to the market that we are able to increase profits and achieve stable growth. This is the first and for most challenge for this year.

In the first half of FY 2016, we recorded over 3 billion yen in profit. We are also expecting to be able to make a profit in this second half. I really appreciate and thank to you and the board members for the efforts, and at the same time, I would like to ask you to make stable profit in 2016, where the environment will become even more severe.

Develop new businesses and market

Since last year, as a part of new business and market developments, we have been promoting Medium-Term Plan under the catch phrase of “Unite & Full Ahead! II ~Start for Further Development~.” Unfortunately, we have not reached the target level yet due to significant changes in the external environments. In this situation, I do not think it is good idea to spend a lot of resource on analyzing the differences as to why the target has not been achieved. What I would like you to reconfirm is to review the direction of the mid-term management plan together. I would like you to bear in mind the direction where our company and group heading for, and a way to grow our businesses, as well as flexible response to the external environment through daily business.

Based on the policy of this mid-term management plan, we absorbed our subsidiary domestic shipping division to a wholly owned last year in pursuit of more efficient and strategic organization management. Also, in order to create a business structure where cape-size fleet consists of 50 vessels, we placed orders to build new vessels, arranged vessels, and purchased ones with contract of carriage. We have been developing the foundation of the plan in a steady manner. In addition, we managed to build a VLGC, which we have not involved in the business plan.

In 2016, I wish to increase the number of potential business opportunities and manage the business efficiently. I look forward to your further efforts. Though the current situation is not bright, we should generate new ideas and acquire future

business opportunities. I would like you to keep in mind that this is our second challenge for this year 2016. There are various changes around us, such as strict environmental regulation, business combination and alliances in our customers' industries. Let us develop new businesses and market, putting heads together and soon demonstrating originality and ingenuity.

However, even if it does, it is extremely unlikely that an innovative idea suddenly comes up in your mind or falling in from somewhere. Your imagination takes shape only by collecting information and accumulating knowledge on a daily basis and trying to trial and error in your mind. In this sense, it is important to be constantly sensitive what is happening around you, gather information from various sources including customers, and have business knowledge required for allowing you to thoroughly understand information and to rebuild it. It is like when you build a building; building with a weak foundation can easily collapse. Explore deeply what you have to do in your job and try to create something new on top of that.

Achievement of no accident and no disaster

What I would like to ask you is to ensure safe and stable operations and be sure that no accident and disaster will occur. In these few years, thanks to your efforts, there seems to be fewer major accidents such as grounding. However, it is very sad to hear that who are injured or sick during voyages or work, especially accidents caused by young crew during irregular operations. There will be more managed vessels and more crew allocated to them. So, please avoid accidents and try harder to achieve zero-accident and zero-disaster operations. To achieve this, I would like to ask all of you to place more importance on following operational manuals, thoroughly understand the basic operations, and ensure safety.

As I mentioned last year, ensuring safe and stable shipping operations as an operator results in higher evaluation in the market. I would like to achieve no-accident and no-disaster operations this year, having crew marine and office staffs work together and working closely with manning and ship management companies in the Philippines and Vietnam. To be more specific, I would like to create a corporate culture where we can foster people in a team and the members fully understand each other. This is a common theme in every workplace. I would like you especially in senior positions to keep in mind to create a good working atmosphere where everyone can learn from each other under an open workplace, and people can frankly exchange ideas. I believe that fostering

human resources who go ahead of the times is the key to growing the business in the end.

This is the end of my greeting. Finally, I sincerely hope that this year will be a good year for you, your family, and the company, as well as for safe shipping.

Thank you for your attention.