

NS United REPORT 2016

For the fiscal year ended March 31, 2016

CONTENTS

02

Group Overview

Provides an overview of the NS United Kaiun Group.

02 Group Corporate Philosophy

04 Statistical Profile of the NS United Kaiun Group

06

Message from the Management

President Toru Obata discusses the results for the fiscal year ended March 31, 2016, the progress of the ongoing Medium-Term Business Plan, and prospects for the future.

06 Consolidated Financial Highlights

07 Message from the President

● Editorial Policy

The editorial policy of this report is to provide all of our stakeholders with an understanding of how the NS United Kaiun Group has been meeting our obligations—both profit-seeking and otherwise—while accomplishing the international marine transportation services that are the Company's primary business objectives.

● Period Covered

April 1, 2015 through March 31, 2016

Please note that some matters that fall outside this period are also reported.

● Organizations Covered

The NS United Kaiun Group and its related affiliates.

● Other NS United Kaiun Publications

- (1) Corporate Brochure (in Japanese, English, and Chinese)
- (2) Business Report, Semi-Annual Business Report
- (3) Securities Report, Quarterly Report

Copies of these publications can be requested from the address below.

In addition to the publications listed, various kinds of information can be found on the NS United Kaiun website.
<http://www.nsuship.co.jp/english/index.html>

● Status of Compliance with Environmental Regulations

We have had no violations of environmental laws, regulations, or other such rules that involve guidance, warnings, orders, or punishment by regulatory authorities.

● Forward-Looking Statements

This report includes statements on forward-looking plans and business strategies concerning the future performance of the NS United Kaiun Group.

The statements are based on assumptions and projections by the Company's management in light of information currently available to it. Please note that these assumptions and projections may be affected by future changes in social and economic circumstances that could cause the actual business results of the Company to differ.

A questionnaire has been included with this report. Please take a moment to give us your honest opinion so that we can use it to improve the content of future editions.

CSR Committee Secretariat

General Affairs Group, NS United Kaiun Kaisha, Ltd.

Tel: +81-3-6895-6404 Fax: +81-3-6388-2366

E-mail: LEGAL@nsuship.co.jp

10

Business Activities That Provide Value

A report on the value we offer to stakeholders through our business activities, to fulfill our commitments set forth in the Group Corporate Philosophy

10 Overview by Business

12 Fleet List

13 Topics

14

CSR as a Cornerstone for Providing Value

Introduces our initiatives for CSR, including management systems related to corporate governance and risk management as well as environmental/safety activities, which are essential to creating and providing value.

14 Corporate Governance

Stakeholders

17 Stakeholders Supporting the NS United Kaiun Group

18 With Our Customers and Suppliers

19 With Our Shareholders and Investors

20 With Our Employees

21 Initiatives for Society

Environmental/Safety Activities

22 NS United Kaiun Group Environmental Policy, Safe Navigation System

24 Verification of the FY2016 Implementation Plan and FY2017 Implementation Plan

26 Reducing Environmental Impact

30 Ensuring Safe Navigation

32

Financial Data

32 Consolidated Financial Statements (Summary)

34

Corporate Data

34 Company Outline

35 History

36 Stock Information

37 Glossary

Group Corporate Philosophy

NS United Kaiun Kaisha, Ltd. offers safe, high-quality marine transportation services tailored to customer needs across the oceans of the globe.

Ever-mindful of its position as a corporate citizen, NS United Kaiun Kaisha, Ltd. is steadfastly committed to the development of society by providing transportation services that conform to evolving trends.

We hereby establish our corporate philosophy of the NS United Kaiun Group.

Basic Philosophy

The NS United Kaiun Group will contribute to the development of society by providing sincere and high-quality marine transportation services.

Management Philosophy

1. Credibility and Reliability

Increase the corporate value of the Group as a whole by practicing sound management that is credible and reliable.

2. Safe Navigation and Environmental Protection

Strive to ensure the safe navigation of vessels at all times and continue training to improve the operational skills of crews on vessels in order to take a role in protecting the global environment including the seas.

3. Response to Customers and Reform

Vigorously pursue further progress through reform while effectively responding to customer needs.

4. Nurture and Mobilize Employee Abilities

Nurture employees and mobilize their abilities to develop a dynamic Group in which they appreciate the pleasure of working.

Corporate Code of Conduct

1. Comply with laws and regulations and act with high ethical standards.
2. Engage in fair and free competition and appropriately conduct transactions to maintain sound, responsible relationships with policy makers and the government.
3. Broadly communicate with the public, proactively and fairly disclose corporate information, and strictly protect and manage information.
4. Create a safe, healthy, and pleasant working environment with due respect for the individuality and diversity of employees.
5. Actively contribute to the local community and society as a corporate citizen.
6. Have no relations whatsoever with anti-social forces or organizations, and take a firm stand against any unreasonable demands.
7. Conduct business in compliance with national and regional laws and with respect for international norms as well as culture and custom.
8. Comply with this code and establish a system for ensuring its implementation. In the event of infringement, we will endeavor to promptly investigate the cause, prevent a recurrence, and effectively fulfill our accountability.

Established October 1, 2013

Operating in the global arena, we promote safe navigation and environmental conservation.

Connecting countries and areas around the globe, the NS United Kaiun Group aims to contribute to the development of industry, economy, and culture through its daily operations in maritime transportation services. At the same time, safe navigation and environmental conservation are both cornerstones of our business activities and our mission as a corporation that operates within the international arena.

With regard to safe navigation, the NS United Kaiun Group works to achieve zero marine accidents by establishing a safe navigation control system, conserving the environment, implementing risk control, and promoting training for crew member.

With regard to environmental conservation, we have established an environmental policy focusing on issues such as air pollution, marine pollution, and CO₂ emissions to promote global environmental conservation activities and we disclose our activities on a regular basis.

<p>Main Transportation Services</p>	<p>To date, we have provided marine transportation services for iron ore and coking coal for the steel industry, various energy resources, raw materials for other industries, industrial products, and feed grains. We will continue to respond flexibly to our customers' needs for safe and reliable operations by assigning staff with the requisite specialized knowledge and hands-on experience to each business section.</p>
--	--



Statistical Profile of the NS United Kaiun Group (year ended March 31, 2016)

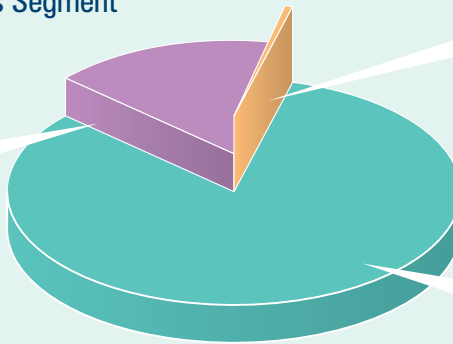
1 Revenues

¥137,148 million



2 Revenues by Business Segment

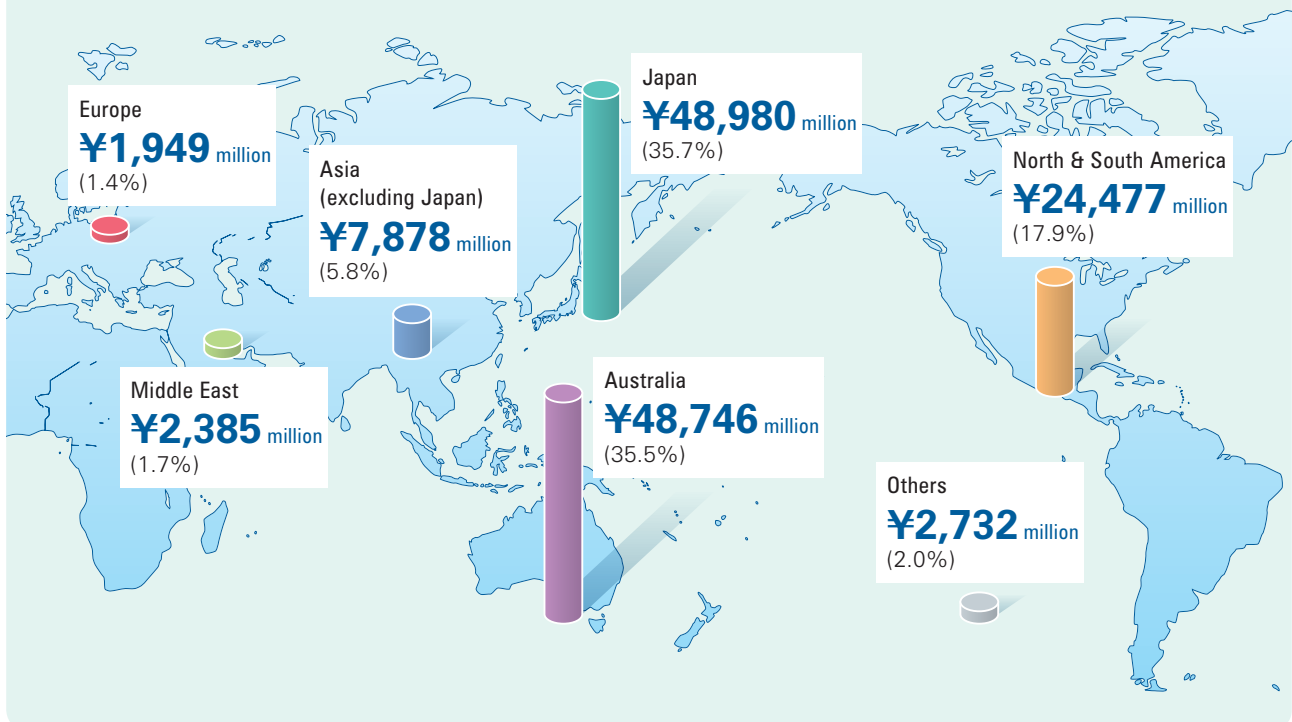
Coastal Shipping Business
¥23,392 million
(17.1%)



Others
¥403 million
(0.3%)

International Shipping Business
¥113,353 million
(82.6%)

3 Revenues by Region



Europe
¥1,949 million
(1.4%)

Asia
(excluding Japan)
¥7,878 million
(5.8%)

Japan
¥48,980 million
(35.7%)

North & South America
¥24,477 million
(17.9%)

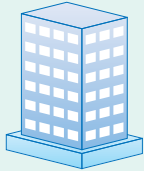
Middle East
¥2,385 million
(1.7%)

Australia
¥48,746 million
(35.5%)

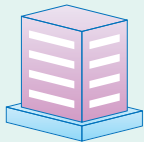
Others
¥2,732 million
(2.0%)

4 Number of Companies

Head Office

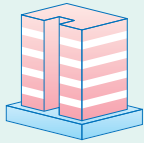


Consolidated Subsidiaries



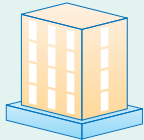
53

Unconsolidated Subsidiaries (accounted for by the equity method)



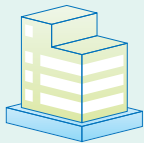
3

Unconsolidated Subsidiaries (unaccounted for by the equity method)



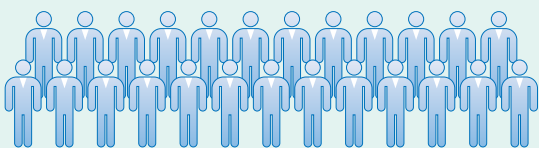
10

Affiliates (unaccounted for by the equity method)



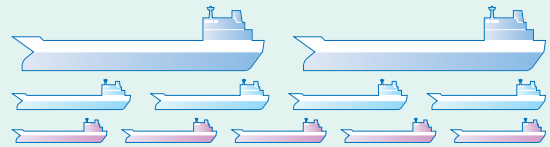
3

5 Number of Employees



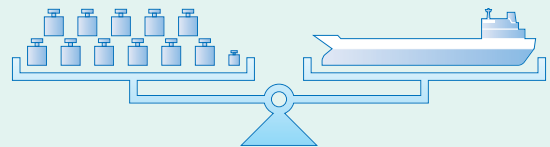
656 (consolidated)

6 Number of Fleet Vessels



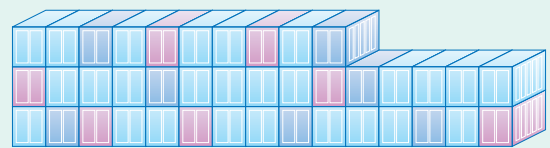
195 vessels (consolidated)

7 Fleet Tonnage



11,550,000 DWT

8 Total Annual Cargo Volume



79,250,000 tons

9 Capital Investment



¥24,733 million

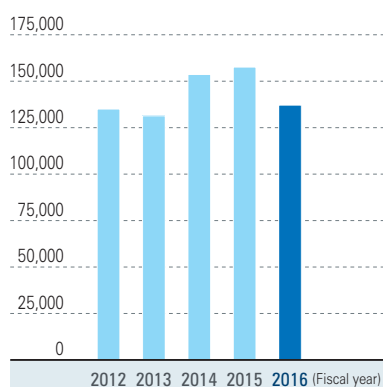
Consolidated Financial Highlights

(millions of yen)

Years Ended March 31	2016	2015	2014	2013	2012
Fiscal year:					
Revenues	137,148	157,625	153,665	131,379	135,044
Operating income	6,475	9,474	8,842	1,173	1,627
Ordinary income	4,064	10,380	8,920	2,529	496
Profit (Loss) before income taxes	4,343	10,691	12,005	(14,977)	(1,446)
Profit (Loss) attributable to owners of parent	4,110	8,626	10,778	(15,505)	(914)
Per share data (yen):					
Net assets per share	319.72	319.56	270.91	219.28	274.40
Profit (Loss) per share	17.54	37.40	46.72	(67.21)	(3.96)
At year-end:					
Total assets	217,524	227,663	224,507	181,682	190,659
Net assets	75,372	76,481	64,943	52,633	65,581

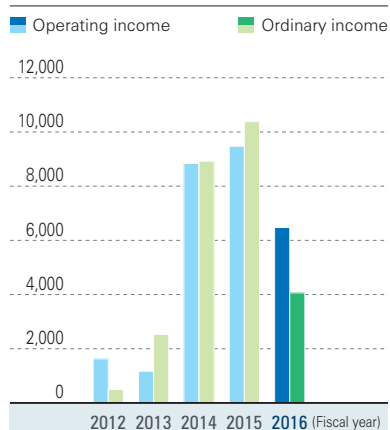
Revenues

(millions of yen)



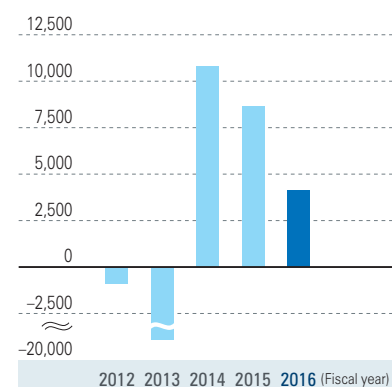
Operating income / Ordinary income

(millions of yen)



Profit (Loss) attributable to owners of parent

(millions of yen)



Message from the President



Q Please give us a business overview for the fiscal year ended March 31, 2016.

Despite the expectation for an upswing supported by the robust U.S. economy, the world economy remained unstable due to the downward risks such as a slowdown in the Chinese economy and falling resource prices during the fiscal year.

Japan's economy moved on a moderate recovery path backed by improved corporate earnings due largely to the government's economic and financial initiatives. However, this did not last through to the end of the term, showing weakness that reflected concerns about slower overseas economies and a stronger yen.

In the international shipping business, while the oil tanker market showed solid growth, the dry bulk market trended at historic lows for all vessel types amid the ongoing adverse business environment. Specifically, the business suffered from lingering overtonnage and continuing stagnant cargo movement as a result of the slowing economy in China, which showed no sign of recovery.

The coastal shipping business secured generally stable traded volume for both dry bulk carriers and tankers, despite a decrease in the shipment of steel products due to reduced steel production.

Fuel oil prices dropped throughout the term, and the average purchased bunker (fuel oil C) price for international shipping approached half the price of the previous fiscal year. This did not necessarily improve revenues, however, because vessels consumed bunker using the first-in first-out method, meaning that they consumed bunker that was previously supplied and whose prices were relatively high and lower freight rates were applied to contracts with bunker adjustment factor (BAF) terms.

Under these business conditions, for the fiscal year, the Company posted consolidated revenues of 137,148 million yen (157,625 million yen in FY2015), operating income of 6,475 million yen (9,474 million yen in FY2015), ordinary income of 4,064 million yen (10,380 million yen in FY2015), and profit attributable to owners of parent of 4,110 million yen (8,626 million yen in FY2015).

Message from the President

Q Please discuss the Medium-Term Business Plan, “Unite & Full-Ahead! II.”

FY2017 is the final year of our three-year Medium-Term Business Plan “Unite & Full-Ahead! II—Start for Further Development,” which was formulated in May 2014. We will begin formulating a new Medium-Term Business Plan to be launched in the next fiscal year.

The international shipping market is weak and the outlook of external factors such as foreign exchange rates and oil prices remains uncertain. If current conditions do not improve, we believe that it will be difficult to attain the numerical targets set forth in the plan: strengthen the business foundation and achieve consolidated revenues of 200 billion yen and consolidated operating income of 12 billion yen by the end of FY2019, mainly in the dry bulk shipping segment.

To address these challenging circumstances, the entire Group will work together under the slogan of “Start for Further Development,” aiming to improve revenues in both international and coastal shipping services and boost our presence by enhancing our strengths in resource shipment using large vessels. Toward this end, we will make a united and concerted effort to steadily and effectively implement the plans based on the Five Important Strategies as below.

Five Important Strategies

1. Expand and deepen our shipping services to our domestic/worldwide customers including Nippon Steel & Sumitomo Metal Corporation Group.
2. Expand opportunities for obtaining new business by further collaboration within the Group.
3. Ensure safe and stable shipping operation.
4. Reinforce corporate organization and develop human resources for further global expansion.
5. Strengthen our financial standing.

Q What efforts are you making for safe navigation and environmental conservation?

Connecting countries and areas domestically and overseas, our Group aims to contribute to the development of industry, economy, and culture through its daily operations: genuine, credible, high-quality international shipping services designed to respond immediately to every customer’s need. At the same time, we contribute to environmental conservation with thorough implementation of safe navigation, zero marine accidents, vigorous efforts toward environmental issues, and other initiatives. As a corporation with the world as its stage, we make safe navigation and environmental conservation the cornerstones of our business activities and our mission.

With regard to safe navigation, the Group makes every effort to ensure safe navigation by establishing a safe navigation control system, instituting the Safety and Environmental Committee, establishing a crisis management system, and promoting training for crew members.

With regard to environmental conservation, the Group has established an environmental policy focusing on issues such as air pollution, marine pollution, and CO₂ emissions to promote global environmental conservation activities.

Q Please discuss the Group’s concept and approach to corporate social responsibility (CSR).

We believe that the Group’s CSR activities will contribute to enhancing our corporate value in two ways: by allowing us to deepen communication with a wide range of stakeholders, including customers, partners, shareholders, employees, and communities in which we operate, thereby attaining greater understanding and trust regarding our corporate activities; and by providing us with opportunities to collect a range of opinions and information that we can incorporate into our operations for continuous improvement.

This concept of CSR serves as a cornerstone of the Group’s corporate philosophy. Sharing this understanding, we promote interaction with society in cooperation with group companies.

To achieve our philosophy, solid corporate management systems are essential. Furthermore, it is our view that the key to effective management systems is adequate awareness of the need for compliance with laws and regulations, company rules, and social norms in relation to corporate activities.

Based on this belief, the Group will pursue CSR activities by taking an approach that matches its corporate scale and characteristics. Specifically, we will seek to enhance our capabilities to boost our market competitiveness and profitability while working to reduce the environmental impact of our activities and forge deeper ties with society.

Q What are the Company's major strength and future growth strategies?

We have developed our business for two different customer categories: as an industrial carrier, primarily for Nippon Steel & Sumitomo Metal Corporation, and as a common carrier for other general customers. This dual-sided service format constitutes our major strength, and we will pursue further growth with this format. Specifically, we aim to boost market share in shipping raw materials and steel products of our main industrial client while striving to expand our common carrier service to other customers, using the expertise we have gathered to date.

In addition, we plan to advance globally to grow our customer base, particularly among resource companies and electric power companies in Europe and Asia, for which we will need to strengthen our personnel recruitment and development systems. We will enhance the functions of our overseas bases while maintaining our head office in Japan, which serves as the home base of our industrial carrier service.

Q What is your message to stakeholders?

Guided by its Group Corporate Philosophy and fully acknowledging that it is a member of society, the Group aims in all its business undertakings to contribute to social development. Based on this concept, we continuously engage in CSR activities in line with the scope and characteristics of our shipping business.

Among many themes, the Group places the greatest importance on the safety of navigation, which is critically important in earning the trust of society.

As one corporate group, we will continuously work together to meet the expectations of society and achieve sustainable growth.

We appreciate the continued support of our stakeholders.

Toru Obata

Toru Obata, President



Overview by Business



- Despite the historically weak market conditions, international shipping business posted 113,353 million yen in revenues and 5,074 million yen in operating income, as a result of our focus on efficient vessel operation and safe navigation.
- Coastal shipping business achieved stable results, posting 23,392 million yen in revenues and 1,394 million yen in operating income.

International shipping business

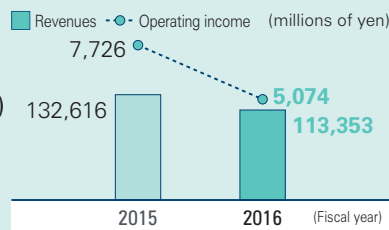
Revenues

¥113,353 million (down 14.5% year on year)

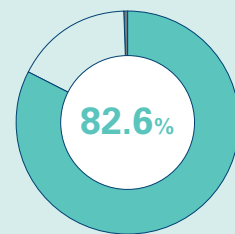
Operating income

¥5,074 million (down 34.3% year on year)

Change in revenues/operating income



Breakdown of revenues



Capesize Bulk Carriers

The Capesize bulk carrier (180,000 DWT) market trended at generally low levels throughout the year. The time charter weighted average rates for the five primary routes, which remained sluggish from the beginning of the term, recovered temporarily in August, backed by tighter tonnage supply resulting from the increased number of scrapped vessels and robust demand largely for iron ore shipment. Following this short-lived upswing, however, market rates took a downward turn owing to the slump in cargo movement, reflecting a slowdown in the Chinese economy, and hit their lowest level ever in March. In these circumstances, we carried out energetic sales activities in Japan and overseas, winning a number of short-term voyage and other contracts with Japanese and overseas customers, including Nippon Steel & Sumitomo Metal Corporation, a major

customer, for whom new dedicated vessels have been delivered. Through these efforts, we were able to reduce the impact of the weak market on our performance to an insignificant level, although we did not succeed in achieving the initial targets.

Panamax-Size Bulk Carriers

In the Panamax-size bulk carrier (70,000 DWT) market, charter rates remained at low levels throughout the year, trending significantly below the running cost of vessels. Market rates for the Pacific Ocean saw a slight upturn in late July following an uptrend in the Capesize bulk carrier market. However, this was followed by a prolonged downturn attributable to factors such as an unexpected weaker-than-usual grain shipping market during the demand season as well as sluggish spot charter demand for coal shipping in Asia, which led to a historic low in February. In

Coastal shipping business

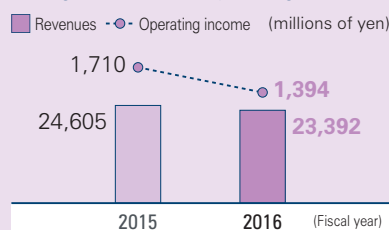
Revenues

¥23,392 million (down 4.9% year on year)

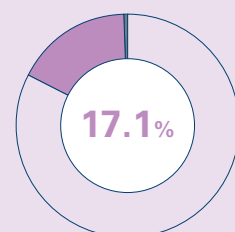
Operating income

¥1,394 million (down 18.5% year on year)

Change in revenues/operating income



Breakdown of revenues



FY2016 Group Fleet Development Results
(including vessels in their fifth or more year of service)

International shipping vessels:	9	1,459,004 DWT (KT)
Coastal shipping vessels:	3	6,500 DWT (KT)

FY2017 Group Fleet Development Plan
(including vessels in their fifth or more year of service)

International shipping vessels:	9	1,206,650 DWT (KT)
Coastal shipping vessels:	0	0 DWT (KT)

this difficult environment, we strove to minimize the impact of the slumping market, promoting efficient vessel operation as well as conducting vigorous sales activities targeting domestic power companies and general industry to secure stable revenues and improving operational profitability by controlling navigating speeds most effectively relative to fuel oil prices. These efforts, however, did not enable us to attain the initial targets.

Supramax/Handy-Size Bulk Carriers

In all regions, the Supramax/Handy-size bulk carrier (20,000–50,000 DWT) market suffered considerably lower trends than expected through the entire year. Cargo movements of steel products to the Gulf and east coast of North America, a major cargo item on outbound voyages, saw a substantial decline due to an impact of U.S. anti-dumping measures, among other factors. This was largely mitigated by an increase in cargo bound for Central America, keeping the overall decrease to a marginal level. For non-ferrous metals from the west coast of South America, a major inbound cargo, stable revenues were secured by maintaining the percentage of long-term contracts. In these circumstances, overall results for this segment fell short of the initial targets, significantly affected by the deteriorating freight market for non-contracted employment vessels, particularly in the second half of the year. This occurred despite efforts to promote efficient vessel operation mainly by raising the ratio of short-term charters.

Near Sea Small-Sized Carriers

In the near sea small-sized carrier (13,000 DWT or smaller) market, with regard to the transport of steel products bound for China, the mainstay of this segment, the shipping volume for the automobile industry grew steadily, while the volume for consumer electronics, office automation, and other industries declined due to China’s economic slowdown and the expanded use of local products. In this environment, we continued vigorous efforts to achieve efficient vessel navigation while enjoying the benefit from a drop in fuel oil prices. As a result, we accomplished our initial targets.

Oil Tankers

The oil tanker market showed a solid growth trend in the VLCC (300,000 DWT tanker) segment and a steady uptrend in the VLGC (80,000 m³ LPG carrier) segment. The Company did not benefit directly from the uptrending market, as our fleet serves under medium- to long-term charter contracts; nonetheless, stable revenues were posted for this term. For the chemical tanker business of NS United Tanker Pte. Ltd., a subsidiary based in Singapore, the off-hired period (non-operation time) was curtailed for the entire four-vessel fleet, improving service stability and increasing revenues.

Coastal Vessels

The dry bulk sector stagnated in general, chiefly owing to a decline in steel-related cargo shipment despite robust growth in cement-related cargo shipment. Power-related cargo shipment remained unchanged from the previous fiscal year’s level. Overall traded volume expanded thanks to new freight contracts, while revenues were affected by falling cargo movements of steel and related products.

For tankers, traded volume of LNG slightly exceeded the level of the year before for the Seto Inland Sea route despite weaker demand due to the warmer-than-usual winter weather and other factors, while the volume for the Hokkaido route remained at a similar level. Cargo movement for LPG shipment slowed, largely as a result of long-lasting weak demand. In these conditions, we secured stable revenues due to efforts to maintain efficient vessel allocation and navigation.

Fleet List

(As of March 31, 2016)

NS United Kaiun Kaisha, Ltd.

Capesize Bulk Carriers

Vessel name	DWT (KT)
1 SHINWA-MARU	297,541
2 NSU JUSTICE	250,835
3 NSU PRIDE	250,821
4 NSU INSPIRE	250,813
5 NSU MILESTONE	250,675
6 NSS DYNAMIC	233,584
7 NSS HONESTY	229,548
8 NSS CONFIDENCE	229,545
9 SHIN-EI	207,933
10 SHIN-REI	207,923
11 NSU OBELISK	207,819
12 NSU KATSURA	207,791
13 NSU KEYSTONE	207,684
14 NSU QUEST	207,362
15 SPRING NEXUS	206,562
16 NSS ENDEAVOR	184,887
17 NSS FORTUNE	184,872
18 NEW FUTURE	182,598
19 SG UNITED	181,415
20 UNITED CROWN	181,381
21 NSU NEWSTAR	181,380
22 UNITED BREEZE	181,325
23 NEW DELIGHT	181,279
24 NSU RESPONSIBILITY	181,126
25 NEW ADMIRE	181,050
26 UNITED DIGNITY	180,818
27 UNITED ADVENTURE	180,745
28 NSU LODESTAR	180,690
29 SHIN-ZUI	180,201
30 NEW MIGHTY	179,850
31 E.R.BRANDENBURG	178,978
32 SHIN-SHO	177,489
33 NSS GRANDEUR	176,882
34 NEW STAGE	176,877
35 NEW EXPEDITION	176,387
36 CSK FORTUNE	175,526
TOTAL	7,232,192

Post-Panamax & Panamax-Size Bulk Carriers

Vessel name	DWT (KT)
1 DYNA GLOBE	99,347
2 AZALEA WAVE	95,584
3 CENTURY WAVE	91,686
4 DYNA CAMELLIA	91,569
5 SAKURA WAVE	88,299
6 DOUBLE HARMONY	88,270
7 JP VERDURE	88,269
8 KAGUYA	83,900
9 GLORIOUS WIND	83,410
10 IBIS WIND	82,937
11 SEAGULL WIND	82,908
12 NEW ASCENT	82,179
13 RISING WIND	82,151
14 BRIGHT WIND	82,119
15 ROBIN WIND	78,228
16 NEW COMMAND	76,662
17 OCEAN WIND	76,619
18 DIAMOND WIND	76,536
19 CRYSTAL WIND	76,523
TOTAL	1,607,196

General Cargo Carriers

Vessel name	DWT (KT)
1 ORIENTAL XANADU	16,656
2 MIIKE	14,041
3 NEW AUDACITY	13,559
4 KERRISDALE	13,559
5 HAYATE	13,121
6 SUN NOBLE	12,131
7 GINGA	11,439
8 HAYABUSA	11,415
9 PACIFIC HORSE	11,401
10 ASAKAZE	11,382
11 PIONEER THIRD	10,738
12 TOYO HOPE	10,262
13 MIGHTY DANDY	10,072
14 BUNGO PRINCESS	10,034
15 TAMAKI PRINCESS	10,024
16 REIKA HARMONY	8,790
17 FOREST FRONTIER	8,782
18 ALISHAN BLOSSOM	8,767
19 FOREST ANGEL	8,763
20 HARUKAZE	7,568
21 SHINAKI MARU	6,167
TOTAL	228,673

Handymax & Handy-Size Bulk Carriers

Vessel name	DWT (KT)
1 PACIFIC INFINITY	56,104
2 NEW BEGINNING	56,098
3 NEW DIRECTION	56,097
4 NEW DESTINY	53,554
5 ANDES QUEEN	52,333
6 INCA QUEEN	52,199
7 CHAVIN QUEEN	51,241
8 ATACAMA QUEEN	51,213
9 ANCASH QUEEN	51,068
10 SPRING QUEEN	51,063
11 AREQUIPA QUEEN	51,024
12 OCEAN BEAUTY	38,246
13 SAKURA OCEAN	38,239
14 ATLANTIC GRACE	33,709
15 ATLANTIC RUBY	33,680
16 ATLANTIC VENUS	33,677
17 ATLANTIC GLORY	33,472
18 ATLANTIC OASIS	33,457
19 EOS VICTORY	33,451
20 ATLANTIC SPIRIT	33,427
21 ATLANTIC TREASURE	33,401
22 ATLANTIC EMBLEM	29,637
23 UNI AUC ONE	28,709
24 ATLANTIC DREAM	28,515
25 ATLANTIC DIANA	28,419
26 BRIGHT RAINBOW	28,397
27 ATLANTIC RAINBOW	28,368
28 ATLANTIC EAGLE	28,339
29 ATLANTIC FAIRY	27,935
30 ATLANTIC TRAMP	27,930
31 PACIFIC SPIKE	24,041
TOTAL	1,207,042

VLCC/VLGC/ Petrochemical Carriers

Vessel name	DWT (KT)
1 YUGAWASAN	302,481
2 IDEMITSU MARU	300,433
3 AQUARIUS WING	299,990
4 KODAIJISAN	58,591
5 CARIBBEAN ORCHID	19,998
6 ARABIAN ORCHID	19,984
7 BENGAL ORCHID	19,980
8 DIAMOND ORCHID	19,702
TOTAL	1,041,159

Notes: 1. The above list includes vessels chartered for a short period.

2. The last four vessels (Nos. 5 to 8) listed in "VLCC/VLGC/Petrochemical Carriers" are owned by a Singapore-based subsidiary of the Company.

Topics

NS United Naiko Kaiun Kaisha, Ltd. Becomes a Wholly Owned Subsidiary

We made NS United Naiko Kaiun Kaisha, Ltd. a wholly owned subsidiary, effective on August 1, 2015, by concluding a simplified share exchange agreement. This move aimed to strengthen collaboration among group companies, promote rapid decision-making and formulation of business strategies, and enhance management efficiency, flexibility, and mobility, thereby increasing the Group's corporate value.

This integration project was executed in line with our three-year Medium-Term Business Plan from FY2015 to 2017, "Unite & Full-Ahead! II—Start for Further Development." Under this plan, integrating capabilities of group companies has been selected as an important strategic theme, reflecting our belief that it is essential to build a strong corporate group that can continue growing by responding appropriately to potential changes in the business environment.

The two companies will expand their business scale and enhance their proficiency, focusing on the areas in which each is strong: shipment of iron ore and coking coal, energy resources, and materials and equipment. We will move ahead to utilize Group's management resources, share business strategies and improve our competitiveness.

Response to the Corporate Governance Code

The Corporate Governance Code, formulated by the Financial Services Agency and the Tokyo Stock Exchange, was launched in June 2015. Following this, we have started reviewing our current corporate governance system and its scope of disclosure and making specific examinations on necessary modifications and improvements to conform to the new code in a full, essential, and effective manner.

As part of the resulting actions, we sent by mail the notice of convocation of the 90th Ordinary General Shareholders' Meeting held on June 28, 2016 three weeks prior to the event. We also posted the same notice on the webpage of the Tokyo Stock Exchange as well as our company website four business days prior to the date of postal dispatch as a measure for early provision of information. In addition, one independent outside director was elected at the relevant General Shareholders' Meeting.

Support for Disaster Reconstruction

We offer support to disaster reconstruction efforts in a number of locations voluntarily on an as-needed basis, taking into consideration the extent of association with our international shipping service and our relationships with local communities.

For the Kumamoto Earthquake, which occurred in April 2016, the Group donated 3 million yen and individual executives and employees (shore-based/onboard) contributed 323,000 yen in total. These donations were made with the hope of helping disaster victims return to normal life at the earliest possible time.

Letter of Appreciation and Green Flag from Long Beach Harbor (U.S.A.) for Our Environmental Measures

Long Beach Harbor in the United States has been implementing a coastal slow steaming program, the Green Flag Incentive Program, which aims to control gaseous emissions from ships, since 2005. Under the program, ships calling at Long Beach are advised to navigate at 12 knots or less within 40 or 20 miles of Long Beach Harbor. An Environment Award is granted and a Green Flag is given to shipping companies that observed the slow-down regulations in more than 90% of port calls a year.

The Company received a letter of appreciation and a Green Flag from the Port Authority of Long Beach Harbor in recognition of the slowdown being achieved in 100% of port calls by a total of two ships in FY2016 (one in the Coal/Bulk Carrier Group and one in the Tramp Chartering Group). This is the second time we have received this recognition, following the first in FY2015. The Company will continue to cooperate with the efforts of ports and related parties in addition to making voluntary efforts in environmental conservation.



Navigation staff holding up the Green Flag

Corporate Governance

1 Corporate Governance

Based on its Corporate Philosophy of contributing to the development of society by providing genuine and high-quality shipping services, NS United Kaiun seeks to achieve the sound and sustainable growth of the Group and improve its corporate value over the medium to long term while striving to adequately respond to the expectations and trust of shareholders, customers, and all its stakeholders. To this end, the Company has developed corporate governance systems suited to the characteristics of the Group's business. These systems are subject to review for continuous improvement in terms of enhancing the efficiency, soundness, and transparency of corporate management.

Basic Principle

At NS United Kaiun, the Board of Directors, consisting largely of members who are highly knowledgeable about the Company's business and management, makes decisions regarding important operational matters as well as basic management policies. Further, the Company has established an Audit & Supervisory Board, a board of auditors as defined in the Companies Act. From their independent position, the Audit & Supervisory Board Members are expected to exercise strong authority to effectively supervise directors and executive officers in the performance of their duties, particularly through attending Board of Directors' meetings. We believe that this system is effective in ensuring efficient and sound corporate management.

Particularly for ensuring sound management of the Company, outside Audit & Supervisory Board Members with a wealth of experience and knowledge concerning relevant areas are elected to supervise the performance of directors and executive officers in fulfilling their duties. In addition, outside Audit & Supervisory Board Members are expected to monitor the Company's financial status on a routine basis, exerting strong legitimate authority as necessary, in cooperation with the independent public accountant, the Internal Audit Office, and Audit & Supervisory Board Members of each Group company, as appropriate.

To increase the opportunities for the Board of Directors to make decisions from a broader perspective and to boost the supervisory management function, the Board of Directors includes more than one outside director with a wealth of experience and knowledge about corporate management and other themes.

The Company seeks to appropriately disclose information to increase the transparency of management and help our stakeholders to more accurately understand the Group's business conditions. In addition to obligatory disclosures, including laws and regulatory requirements relating to financial instruments exchange, we voluntarily offer financial and nonfinancial information accurately to the extent possible and in a timely and easy-to-understand manner.

Corporate Governance System

NS United Kaiun is a company with Board of Directors, and strives to improve management efficiency through meetings of a Board of Directors composed of eight directors including three outside directors (as of June 28, 2016). In June 2007, the Company introduced an executive officer system to address changes in the management environment appropriately and precisely. All of the three Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members (as of June 28, 2016). Audit & Supervisory Board Members attend meetings of the Board of Directors, the Board of Executive Officers, the CSR Committee, and various other committees to conduct appropriate audits, as indicated, of business operations and accounting. One of the Directors and two of the Audit & Supervisory Board Members are appointed to serve as an independent board member who ensures the objectivity and neutrality of the management review function.

The Company also established an internal audit office in July 2006 to contribute to risk management and support the evaluation of internal controls in accordance with Japan's Companies Act and the Financial Instruments and Exchange Act. By order of the president, internal audits are conducted on operations in every division in cooperation with the Audit & Supervisory Board to enhance the effectiveness of corporate governance.

In addition, we established control systems at the Company as well as the Group companies in accordance with the Corporate Governance Code that was formulated by the Financial Services Agency and the Tokyo Stock Exchange and has been applied since June 1, 2015. We will also revise regulations as needed, in an effort to further enhance corporate governance.

Executive Compensation

At NS United Kaiun, the amount of compensation paid to executives is determined in accordance with each person's management rank and position, taking into consideration the level of ability and responsibility required for operating shipping services.

Based on the above policy, the specific compensation amount for individual executives is determined within the limit approved at the General Shareholders' Meeting, and the determination requires a resolution at the Board of Directors' meeting for Directors, and a discussion at the Audit & Supervisory Board meeting for its members.

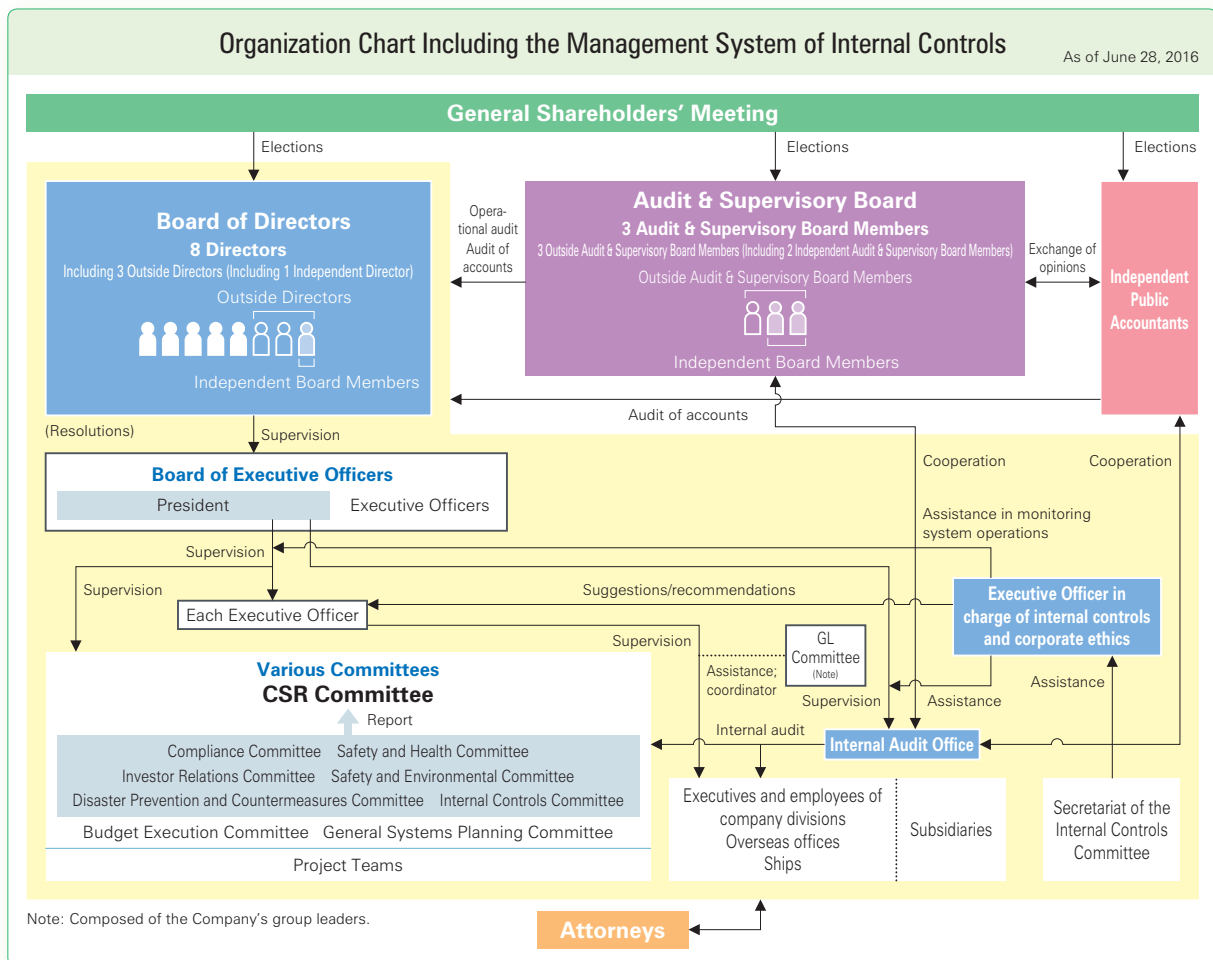
(Results for FY2016)

Executive category	Number of executives	Total amount of compensation
Directors (Outside Directors)	11 (3)	¥166 million (¥— million)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	4 (3)	¥48 million (¥37 million)

Note: The total amount of directors' compensation indicated above includes the amount paid to the four directors who retired on June 25, 2015 upon the close of the 89th Ordinary General Shareholders' Meeting held on the same day.

Organization Chart Including the Management System of Internal Controls

As of June 28, 2016



2 Risk Management

Risk Management System

Risk Management Regulations have been established as fundamental requirements for risk management. In this way, NS United Kaiun will accomplish its CSR, even if substantial risks impacting operations should emerge.

The Company manages risks based on these regulations by analyzing risks and studying measurements in considering various risks that may arise in the course of our business activities. The Board of Executive Officers and Board of Directors discuss and determine issues related to risk management in addition to performing the year-end assessment of risk items and management implementation status based on the Risk Item List.

Appropriate Management of Personal Data

NS United Kaiun appropriately controls information that can identify individuals, such as data on its employees, for the purpose of safeguarding personal data. It adopts the policy of not offering personal data to any third party unless permitted to do so by law or when approval has been obtained from the individuals themselves. The data are only used for the purpose for which they are intended. In August 2006, regulations for appropriate control of personal data were established and disseminated to all companies in the NS United Kaiun Group as compliance regulations to ensure appropriate management of personal data.

In addition, following the introduction of the Social Security and Tax Number System in January 2016, we promptly established the internal regulations for handling specified personal information to conform to the new system.

Business Continuity Plan (BCP)

NS United Kaiun established its BCP following the Great East Japan Earthquake so that, in the event of a large-scale disaster or other emergency, the Company can safeguard its employees and their families as well as continue its operations to fulfill its responsibility to deliver marine shipping services to customers as contracted.

Corporate Governance

In addition, an Emergency Response Manual was created to set forth initial actions to be taken in the event of an emergency. Among such actions, the highest priority is given to promptly confirming the safety of employees and their families and reporting the results according to the established reporting line. To familiarize employees with the related procedure, periodic emergency drills are conducted using Yunaito-kun and Ampiki-kun, internal programs developed for employee safety confirmation.

3 Our Efforts to Promote Compliance

■ Compliance Promotion System

Maintaining relationships of trust with stakeholders constitutes a foundation for businesses to achieve sustainable development in society. Based on this recognition, NS United Kaiun has implemented measures to enhance its compliance system. Specifically, these include stating the Corporate Code of Conduct within the Group Corporate Philosophy as well as forming a Compliance Committee chaired by the director in charge of general affairs. The Committee organizes awareness-raising activities to ensure that all executives and employees comply with laws and regulations, company rules, and social norms and ethics in carrying out day-to-day operations.

■ Compliance Advisory Service Desk

NS United Kaiun established an Advisory Service Desk and associated regulations in July 2006 to accept direct reports from employees who had become aware of contravention of the law, misconduct or the like committed by executives or other employees. With the goal of protecting individuals who report company information of public interest, a consultation service guided by an outside lawyer has been arranged. Further, the Company appointed a female in-house compliance adviser in October 2011 to better serve its employees.

■ Compliance Awareness Month

NS United Kaiun has designated October as the month for raising compliance awareness. The campaign aims to remind all personnel of the importance of this theme, implementing a range of activities to further enhance their awareness as well as giving them the knowledge and information necessary to practice compliance.

In FY2016, the president sent a message on compliance to all executives and employees. Other efforts included offering e-learning programs to encourage open-minded attitudes in the workplace and education regarding antitrust law.

4 Internal Controls

In accordance with Japan's Companies Act and its Enforcement Ordinance, the Board of Directors has established a basic internal controls policy, while also working to ensure the reliability of financial reports in accordance with the provisions of the Financial Instruments and Exchange Act. In addition, the Board of Directors decided in April 2015 to revise the basic internal controls policy in order to meet the requirements of the amended Companies Act that was enforced in May 2015. We aim to further establish an internal control system in the future. Since April 2012, NS United Kaiun Internal Controls Committee has ensured better internal control of the Group by formulating annual plans and managing progress.

We find that internal controls activities contribute to the improvement of management quality, and our highly reliable financial reporting heightens the credibility of NS United Kaiun among both individual and corporate stakeholders. All the directors and employees of this company are committed to continuing our cooperative effort to establish and implement internal controls appropriate for NS United Kaiun.

5 Basic Policy on Communication with Shareholders and Investors

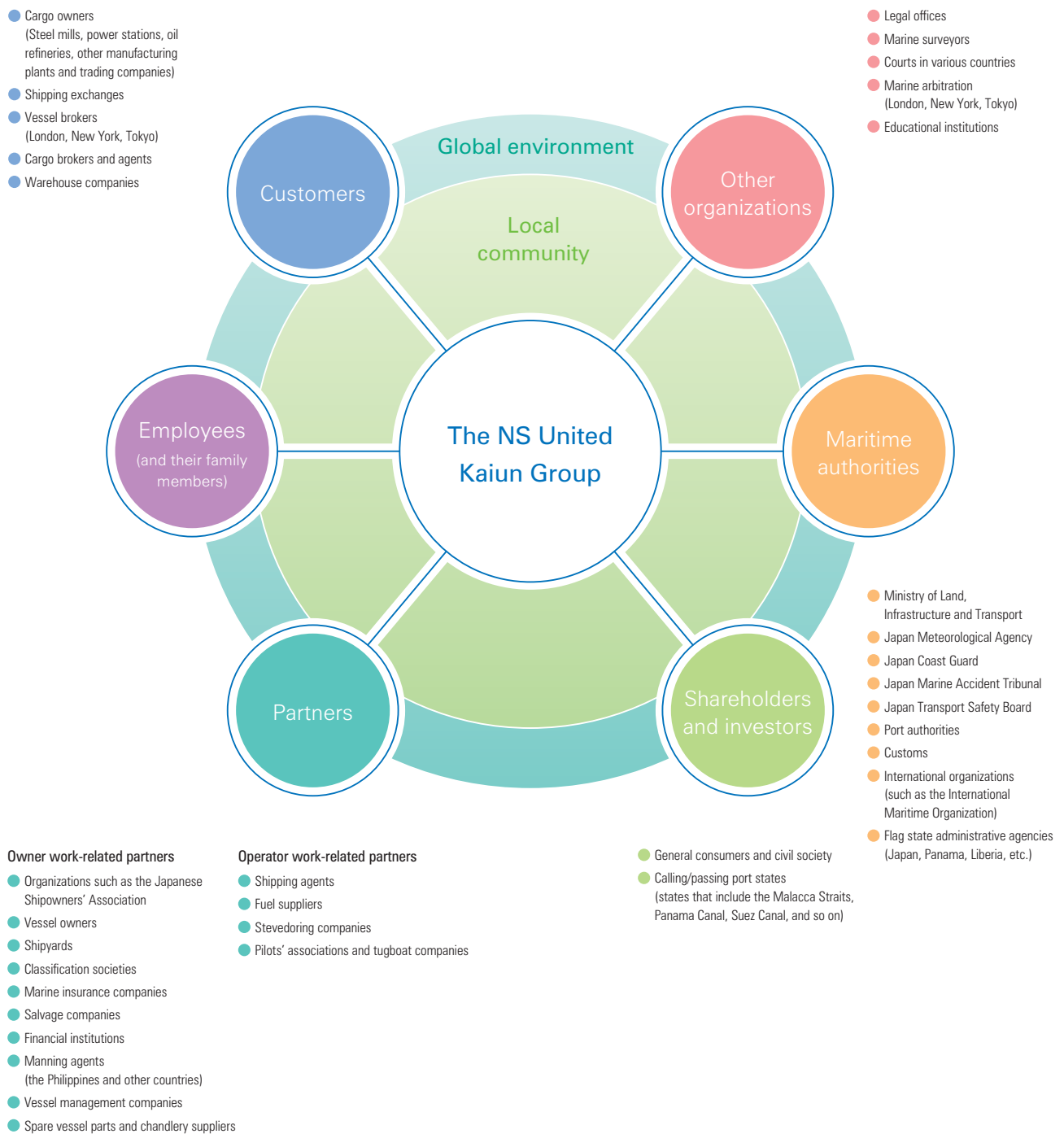
NS United Kaiun is committed to engaging in appropriate communication with its shareholders and investors. Upon receiving interview requests, the Investor Relations Committee handles related processes in accordance with annual plans and relevant investor relations (IR) standards while, generally, executives in charge of IR meet and respond to individual interviewers. Such arrangements are available at any time of the year, excluding a certain period of time prior to the periodic reporting of financial results.

At General Shareholders' Meetings, we readily provide information and respond to individual questions in an appropriate manner. At a later time on the same day, we hold a dialogue session in which shareholders are invited to speak directly with our executives.

For IR-related interviews, responsible executives deal with the required tasks in an appropriate manner in accordance with internal regulations on handling insider information (non-public material information about the business).

Stakeholders Supporting the NS United Kaiun Group

The NS United Kaiun Group's business is supported by a large number of stakeholders, including various maritime personnel, the government offices concerned, calling/passing port states, and local communities.



With Our Customers and Suppliers

Customer Satisfaction

NS United Kaiun has been principally engaged in worldwide logistics of raw materials, energy resources and products for industry. The Company meets its customers' need for cargo transportation throughout the world by fully utilizing information on trade, vessels, shipping routes and cargo handling know-how accumulated over a long period at its bases in London, New York, Singapore, and Tokyo, where many shipbrokers are located, and strives to offer timely shipment in the most appropriate vessels, safely and at competitive freight rates.

The style of business communication by which the Company pays direct visits to domestic and overseas customers becomes the foundation of relationships of trust. Regardless of whether a project is long term or a spot voyage, the Company strives to generate customer satisfaction, build trust, and increase opportunities for its customers worldwide to do business with "a first-class industrial bulk carrier."

Ensuring Safety and Quality in Shipping Services

The NS United Kaiun Group's mission is to supply customers with safe and credible quality shipping services. NS United Kaiun, together with NS United Systems Co., Ltd., NS United Business Co., Ltd., and International Marine Consulting Co., Ltd., has established an environment management system and has gained ISO 14001: 2004 certification in maritime transportation services. Our Company and NS United Naiko Kaiun Kaisha, Ltd. have incorporated the ISO 9001: 2008 quality management system into our vessel safety management systems to maintain and operate it.



Registered certificate of our quality management system



ISO 9001: 2008 registration certificate for NS United Naiko Kaiun Kaisha, Ltd.

Participation in Safety Meetings with Customers and Partners

NS United Kaiun, together with its coastal shipping body NS United Naiko Kaiun Kaisha, Ltd. and NS United Coastal Tanker Kaisha, Ltd., has continued to forge strong ties with the domestic consignees of various industries such as steel mills, power stations, oil refineries, gas plants and other port-related personnel, and has participated in many safety conferences all over Japan to ensure the safety of vessels entering/leaving port and the safety of the region. It has cooperated in periodic surveys, and has implemented risk management programs related to accidents, disasters and environmental pollution.

Emergency Response and Public Communication

NS United Kaiun is always poised to implement an emergency response together with customers, salvagers, insurers, shipping agents, shipyards, and other partners, as well as related authorities, in accordance with our regulations regarding the handling of disasters at sea and other emergency circumstances. We also have systems in place to provide public explanations at appropriate times by means of the media and the Company's website.

Efficient Stowage and Cargo Preservation

At International Marine Consulting Co., Ltd., a NS United Kaiun Group member, experienced vessel masters supervise the loading and discharging of high-value steel products and plant products, and other such cargoes. The Company uses its accumulated experience and knowledge of cargo characteristics and worldwide port conditions to preserve cargo and support efficient transportation.



Stowing wire rods

With Our Shareholders and Investors

Timely Disclosure of Company Information

NS United Kaiun endeavors to ensure the timely and appropriate disclosure of IR information through timely release to shareholders and investors of important corporate information that can have an effect on results. The information is disclosed on the website of the Tokyo Stock Exchange, through the media, and on NS United Kaiun's website.

In addition, the Company's Investor Relations Committee, which is composed of the executives in charge of the General Affairs Group, Finance and Accounting Group, and Project Group, as well as the managers of those groups, has formulated a public relations policy governing the release of information intended for investors. This committee is charged with responding to media coverage, holding press conferences, and posting articles on the Company's website.

Interactive Communication

NS United Kaiun works to provide information to domestic and overseas institutional investors. As far as possible, the Company holds individual briefings with securities analysts upon request, answering questions and explaining the status of operations. In accordance with a policy established by the Investor Relations Committee, at least one executive and one from the committee secretariat participate in these briefings. We held 11 individual briefings during FY2016.

Dividends to Shareholders

NS United Kaiun makes dividends to shareholders one of its key management policies. While retaining a portion of our profits internally to ensure future stable business development and strength to cope with changes in the business environment, we have set forth a basic policy to provide stable and continuous payment of dividends to our shareholders according to our operating results.

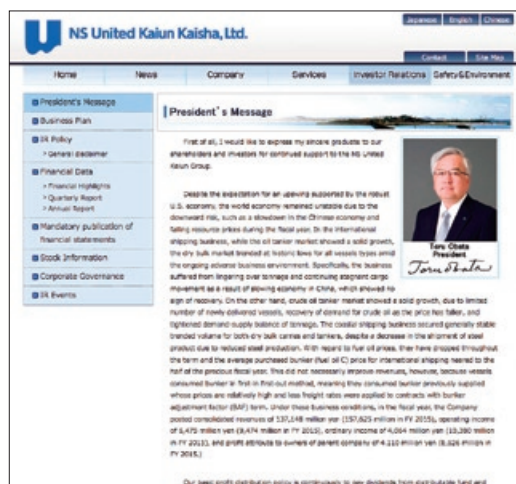
Our basic policy regarding annual dividends calls for a payout ratio of approximately 25% on a consolidated basis.

IR Material on Our Website

- Securities Report, Quarterly Report (in Japanese)
- Corporate Governance Report (in Japanese)
- Corporate Disclosure
- Financial Results
- NS United REPORT (integrated report; in English and Japanese)
- Business Report (information for shareholders; in Japanese)



Front page of the Company's website



IR page

With Our Employees

Basic Employment Policy

There is a fundamental assumption that core staff, both administrative and technical, are permanent employees. In the spirit of Japan's Law on Securing Equal Opportunity and Treatment between Men and Women in Employment, employment is based only on the capabilities and aptitude of each individual and the growth of employees is fostered by the Company's training system.

Concerning our non-Japanese crew, we strive to improve retention rates on vessels managed by the NS United Kaiun Group by expanding various kinds of training available to crew and staff, supporting in-house executive training through our qualification support system and giving preference to long-term employees. Further, to explore and develop outstanding human resources, NS United Kaiun established a scholarship system.

Personnel System

In FY2002, the Company introduced a personnel system under which promotion and advancement depend upon an assessment of the individual's ability, motivation and performance. Since its introduction, the Company has fine-tuned the system based on the opinion of employees. This system has the primary aim of meeting each individual at his or her current level of competence, and further developing his or her abilities as well as ensuring fair treatment.

Training System

To develop employees into professionals in the field of international shipping, NS United Kaiun provides training tailored to the career track and rank, with on-the-job training (OJT) being the core of this training system. The Company also offers training for new employees, training in shipping practice and languages (English, Chinese and other foreign languages), training onboard, abroad, or at domestic agencies, as well as grade-specific or job-specific training. These provide each individual with various opportunities for progress according to their position and requirements.

- Training in shipping practice: Allows trainees to select from among multiple courses offered by the Company and maritime industrial associations covering a broad range of subjects from sales/marketing, insurance and regulations to technology and treaties.
- Onboard training program: Offered to shore-based personnel in their second year or more with vessels under the Company's management. This training focuses on increasing trainees' knowledge of ships and awareness of the importance of safe navigation.
- Training abroad program: Trainees are sent for one year or so to the Company's overseas subsidiaries or representative offices to develop international business skills including language and negotiation skills.

In accordance with the Company's plan for developing young crew in the short term, exacting guidance and education are provided, allowing new onboard-based employees to play instructive roles as chief officers or first engineers just four to five years after joining the Company. For

non-Japanese crew members, we have a promotion support system and skill improvement training programs. These include pre-boarding seminars held both in the country of recruitment and in Tokyo, classroom training, assistance in obtaining advanced marine certifications, and OJT.

Employee Health and Safety

All employees of the NS United Kaiun Group receive annual health checkups, and the Company bears the expense of comprehensive physical examinations for employees who satisfy the requisite conditions. The head office also has a Health Maintenance Office where an industrial physician with professional knowledge of mental health and an administrator with nursing qualifications offer physical and mental health consultations and guidance on a regular basis.

Programs provided also included health guidance for preventing metabolic syndrome and other lifestyle-related diseases, preventative education on infection, mental health checkups, and seminars on mental health.

Mandatory pre-embarkation health checkups are provided for crew members upon boarding, and they are also given guidance on periodic health checks while on board. Safety is the top priority, and we have established a safety management system with safety measures that are implemented rigorously. In the unlikely event of an employee accident, compensations greater than those required by Japanese law are in place.

Work-Life Balance

NS United Kaiun strives to create a congenial work environment so that its employees can maintain a good balance between work and home and lead a satisfactory life. The Company offers a secure environment for working mothers, maternity leave, family care leave, and other benefits more generous than required by law, and allows employees who satisfy conditions such as continuous service and age to take sabbaticals for self-improvement. Since April 2012, NS United Kaiun has been encouraging employees to take more paid leave on important dates, such as birthdays and anniversaries. In addition, Wednesday has been designated as No Overtime Work Day, and employees are encouraged to follow the campaign practice to ensure its effective implementation.

The Company provides dormitories (two locations in the Tokyo area), company housing, an employee savings system, a housing loan interest supplementation system, and various other welfare and benefit programs, in addition to which it helps fund employee cultural groups that engage in cultural activities (including sports). In April 2008, the Company also introduced lump-sum child-rearing support payments.

Relations with Labor Unions

NS United Kaiun's shore employees belong to the NS United Kaiun Labor Union, and its onboard employees belong to the All Japan Seamen's Union. NS United Kaiun enjoys relationships of amity and trust with both of these unions.

Initiatives for Society

Joint Regional Disaster Prevention Programs

The companies of the NS United Kaiun Group, headquartered in Otemachi First Square (Chiyoda-ku, Tokyo), belong to the joint disaster prevention council for the building, through which they are actively engaged in fire drills and other joint regional disaster prevention programs. In addition, an in-house security and fire brigade has been organized within the NS United Kaiun Group to promote crime and disaster prevention inspections and education at the Company's offices for both executives and employees.

Moreover, the Company treats the activities of employees participating in the office area's Marunouchi Volunteer Fire Brigade as part of the Company's regular work hours.

Support for Culture

Through the donation to the Nippon Steel & Sumitomo Metal Arts Foundation, NS United Kaiun contributes to Japan's cultural development by cosponsoring musical programs at Kioi Hall in Tokyo.



Performance at Kioi Hall

Social Contribution Activities

We offer a donation to the Association of Employers Supporting Vocational Rehabilitation as a form of offender employment support efforts, hoping to contribute to a safer society.

Rescue

Various countries have established systems to report vessel location and request that the closest vessel perform a rescue when the need arises.

The systems include AMVER, a U.S.-led, computer-based voluntary global ship-reporting system. Japan has a similar system, the Japanese Vessel Reporting System (JASREP), and all vessels under the management of NS United Kaiun participate in this system as well offer mutual help.

Donated Calendar Bazaar

Calendars donated by corporations and organizations throughout Japan were displayed at the 11th Donated Calendar Bazaar held December 19 to 24, 2015 in Kagoshima Prefecture. NS United Kaiun participated as part of its social contribution program, donating 62 calendars and datebooks to the organizer, Kagoshima Green Foundation.

The NS United Kaiun Group has been taking part in this bazaar every year since 2006. The proceeds are all donated to the "Green Foundation" and used for support of forest improvement, afforestation promotion, and other such activities.



Forest volunteers clear underbrush in a project organized using proceeds from the bazaar.

NS United Kaiun Group Environmental Policy, Safe Navigation System

Environmental Policy

1

We will strive to maintain a healthy global environment—the common property of all mankind—as a corporate group that provides marine transportation services worldwide.

2

We will establish an environmental management system that we continuously update and strive to prevent pollution.

3

We will observe the laws and regulations and other environment-related requirements that are applicable to the navigation of our vessels and to our office activities.

4

Each section of our company will establish environmental objectives and targets that comply with our Environmental Policy and strive to attain these objectives and targets according to programs. We will also review performance on a regular basis to make sure these environmental objectives and targets are achieved.

5

We will strive to ensure that all employees of the NS United Kaiun Group increase their awareness of environmental issues and act in accordance with this Environmental Policy through environmental education and promotion activities.

6

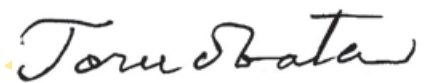
We will choose supplies designed to reduce environmental impact when acquiring vessels, instruments, and other products and materials required for providing our services.

7

We will promote the conservation of energy and resources across the NS United Kaiun Group as well as the reduction and appropriate disposal of wastes.

8

We will disclose our Environmental Policy and environmental preservation activities as necessary.



Toru Obata
President

NS United Kaiun Kaisha, Ltd.

Established on June 28, 2011

Promoting Safe Navigation

Striving for zero marine accidents, the NS United Kaiun Group makes every effort to maintain safe navigation based on the following four principles both to ensure high-quality services for our customers and to promote environmental conservation activities on a global scale.

▶ Establishing a safe navigation management system

Aiming for a stronger safe navigation management system and cooperation between sales and technology divisions, the NS United Kaiun Group has established a system to carry out vessel safety management of the entire Group in an integrated fashion, and built a Safety Management System based on the International Safety Management Code of the International Maritime Organization (IMO). The Safety Management System is also qualified under the international quality management standard ISO 9001: 2008.

▶ Convening the Safety and Environmental Committee

The Safety and Environmental Committee, headed by the president, was held to review our Environment Management System (including our Environmental Policy) as well as to ensure safe navigation on a regular basis. We are genuinely committed to conserving the global environment by continuously improving our Environment Management System.

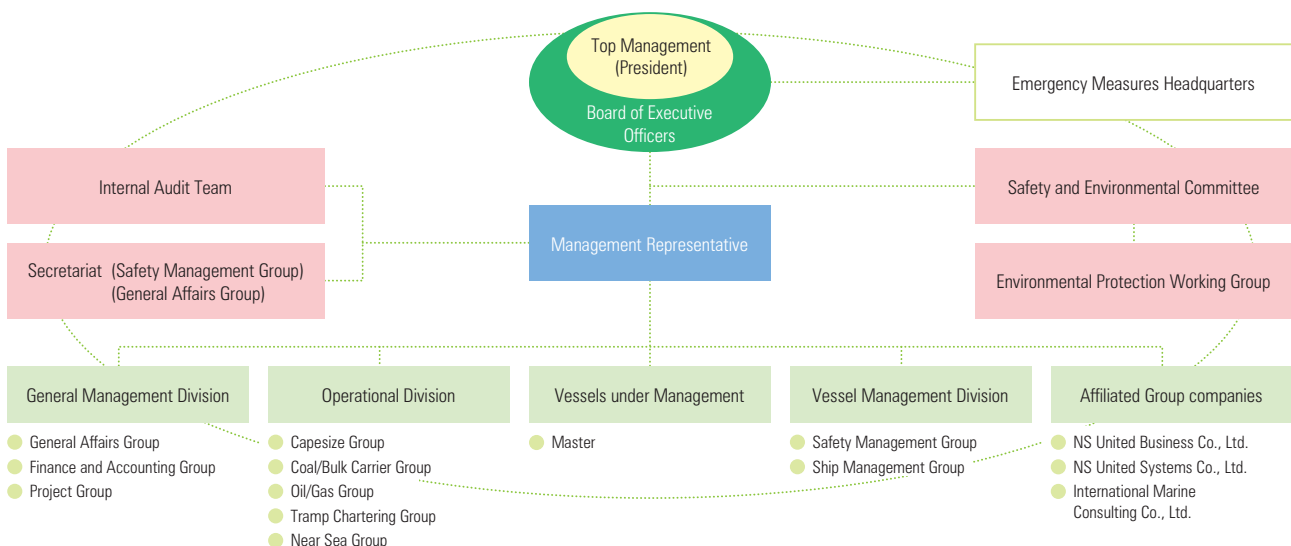
▶ Establishing a crisis management system

In accordance with our regulations regarding the handling of casualties at sea and other emergency circumstances, we have adopted measures to prevent marine accidents, including management strategies and internal systems to handle accidents if and when they occur, focusing on such activities as periodic emergency response exercises and regular reviews of our risk management systems.

▶ Offering training sessions for crew members

We provide training sessions, including seminars and OJT to all crew on our management vessels. For young Japanese officers, we established a "concentrated upgrade scheme" to develop officers in the short term. To enhance the employment and training of non-Japanese crew, we continually send our staff to the Philippines and Vietnam.



Environmental Management System Organization Chart (NS United Kaiun Kaisha, Ltd.)



Verification of FY2016 Implementation Plan (Environmental Management Programs) and FY2017 Implementation Plan

10-Year Long-Term Objectives (Formulated in FY2012; Revised in FY2017)

Achieve a 20% reduction in annual average of CO₂ emissions

PLAN ⇨		DO ⇨	CHECK / ACT ⇨		
Environmental Policies	Environmental Objectives	Target for FY2016	Content of Activities	Verification of Results	Achieved
Environmental Education	Promoting an Environmental Mind	Implement in-house education (at least three times a year)	Designate a training program for new employees Provide in-company training making use of group meetings	Provided training for new employees in April and October 2015 Implementation plans and certification renewal review results were shared through group circulars and at group meetings; some groups failed to hold three training sessions, the yearly requirement	 
		Train internal environmental auditors (at least one)	Foster internal auditors within the environment secretariat	One employee participated in a related external program and became a qualified internal environmental auditor	
		Implement pre-boarding seminar (100%)	NS United Kaiun Kaisha, Ltd. implements the educational training of the "top four" (captain, chief engineer, C/O, and 1/E) and Japanese staff. To those other than above, a manning company implements the training.	(1) Provided pre-boarding seminars for Japanese and the top four of non-Japanese crew (a total of 218 participants at 148 sessions in FY2016). (2) Explained the Environmental Policy and operational instructions aimed at preventing a serious environmental impact as part of pre-boarding seminars offered by a manning company.	
		Implement onboard education of crew (once a year for each vessel)	Implement onboard education of crew	Provided complete internal audit and vessel maintenance inspection as planned, while training in vessel safety inspections was not provided for three vessels	
		Hold Shipboard Safety and Health Committee meetings (once a month)	Disseminate environment conservation matters by Shipboard Safety and Health Committee	Provided onboard crew training on a monthly basis for all vessels managed by the Company	
Promotion of Safe Operation (Pollution prevention)	Preservation of the Marine Environment	Zero oil spills from vessels (without regard to amount)	Promote safe navigation (prevent contamination) Perform safe cargo handling on oil tankers Implement safe bunkering and oil transfers Carry out maintenance work for potential oil leaks outside of vessels securely	Held safety campaigns for vessels managed by the Company. Confirmed compliance with safety management manuals on internal audits Sent safety superintendents and port superintendents to discharging ports to supervise safe cargo handling operations Observed instructions, and achieved zero oil spills related to bunkering	  
		Reduce marine pollutant emissions.	Treat soot from soot blowers used for boilers and economizers.	Bridge watch personnel went on inspection rounds and performed cleaning as necessary	
		Implementation of Ballast Water Exchange	Execution of ballast water exchange in rigid compliance with port state regulations	All vessels managed by the Company performed on each voyage, appropriately in compliance with the rules and instructions of each port of call.	
		Maintain 20% or more reduction in fuel oil consumption per ton/mile unit load over FY2001	Implement effective operation by onshore organization Implement effective onboard navigation Adding chemicals to boost combustion efficiency and reducing fuel oil consumption	Achieved 31.07% reduction in fuel oil consumption per ton/mile unit load over FY2001	
		Reduction in consumption of paper per employee	Reduction through converting reference documents to electronic data Reduction by saving paper Promoting paperless operations by introducing onboard vessel-management software	Paper consumption: FY2016: 8,787 sheets/person FY2015: 9,313 sheets/person Results: reduced 526 sheets per person (5.6%) over the previous year Implementing paperless operations by converting official documents into electronic data	 
Conservation of Air Quality (Contamination prevention)	Reduction of Harmful Air Pollutants	Maintain 20% or more reduction in NOx emission per ton/mile unit load over FY2001	Implement effective operation and navigation Improved devices can reduce NOx level. These will be installed on newly constructed vessels in accordance with regulations.	31.07% reduction in NOx emission per ton/mile unit load over FY2001	
		Maintain 20% or more reduction in CO ₂ emission per ton/mile unit load over FY2001	Implement effective operation and navigation Note: Even with the latest models, it is impossible to reduce CO ₂ emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	31.05% reduction in CO ₂ emission per ton/mile unit load over FY2001	
		Reduce 20% CO ₂ emission (average: FY2014-2021) per transported unit over FY1991 (to be in line with the Japanese Shipowners' Association's Commitment to a Low Carbon Society)	Implement effective operation and navigation Note: Even with the latest models, it is impossible to reduce CO ₂ emission as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	A 27.65% reduction in annual average of emissions per ton/mile unit (an average of three years: 21.75% in FY2014, 29.93% in FY2015, and 31.29% in FY2016), from the FY1991 level.	
		Implement Green Flag Incentive Program (100%) in a vessel placed in service at Long Beach Harbor in the U.S.	Sail at 12 knots or less within 40 miles of relevant port	All vessels called at the port implemented the program (a total of two vessels: one vessel for the Coal/Bulk Carrier Group, and one vessel for the Tramp Chartering Group)	
		Prevent use of low-quality fuel oil.	Conduct fuel oil analysis. Use lower sulfur fuel oil in designated emission control areas.	Supplied low sulfur fuel oil to vessels navigating specific ocean areas and ensured the use of the fuel oil in these areas	

per ton-mile unit in the 10 years from FY2012 to FY2021, compared to the FY2001 level.

 : Achieved  : Partly achieved  : Needs review

PLAN ⇨	DO ⇨	
Target for FY2017	Content of Activities	Term
Implement in-house education (at least three times a year)	Designate a training program for new employees	Full year
	Provide in-company training making use of group meetings	Full year
Train internal environmental auditors (at least one)	Foster internal auditors within the environment secretariat	Full year
Implement pre-boarding seminar (100%)	NS United Kaiun implements the educational training of the “top four” (captain, chief engineer, C/O, and 1/E) and Japanese crew. To those other than the above, manning companies implement the training.	Full year
Implement onboard education of crew (once a year for each vessel)	Implement onboard education of crew	Full year
Hold Shipboard Safety and Health Committee meetings (once a month)	Disseminate environment conservation matters by Shipboard Safety and Health Committee	Full year
Zero oil spills from vessels (without regard to amount)	Promote safe navigation (prevent contamination)	Full year
	Perform safe cargo handling on oil tankers	Full year
	Implement safe bunkering and oil transfers Carry out maintenance work for potential oil leaks outside of vessels securely	Full year
	Prevent oil leaks from the deck when at anchor and berthing	Full year
	Familiarize crew with emergency response actions	November
Implementation of ballast water exchange	Execution of ballast water exchange in rigid compliance with port state regulations	Full year
Maintain 20% reduction in fuel oil consumption per ton/mile unit load over FY2001	Implement effective operation by onshore organization	Full year
	Implement effective onboard navigation	Full year
	Add chemicals to boost combustion efficiency and reduce fuel oil consumption	Full year
Reduction in consumption of paper per employee	Reduction through converting reference documents to electronic data Reduction by saving paper	Full year
	Promoting paperless operations by introducing onboard vessel-management software	Full year
Conserve electricity	Make energy-saving efforts to cope with low power distribution, turning off unused lights, computers, and equipment and eliminating unnecessary lighting Save energy through Cool-Biz (casual summer office clothes) and other initiatives during summer	Full year
Maintain 20% reduction in NOx emission per ton/mile unit load over FY2001	Implement effective operation and navigation Improved devices can reduce the NOx level. These will be installed on newly constructed vessels in accordance with regulations.	Full year
Maintain 20% reduction in CO ₂ emission per ton/mile unit load over FY2001	Implement effective operation and navigation Note: Even with the latest models, it is impossible to reduce CO ₂ emissions as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	Full year
Reduce 20% CO ₂ emission (average: FY2014 to FY2021) per transported unit over FY1991 (to be in line with the Japanese Shipowners' Association's Commitment to a Low Carbon Society)	Implement effective operation and navigation Note: Even with the latest models, it is impossible to reduce CO ₂ emissions as long as fossil fuels are being used. Therefore, reductions are derived only from more efficient navigation.	Full year
Implement Green Flag Incentive Program (100%) in a vessel placed in service at Long Beach Harbor in the U.S.	Sail at 12 knots or less within 40 miles of the relevant port	Full year
Prevent use of low-quality fuel oil.	Implement fuel oil analysis Use lower sulfur fuel oil in specific ocean areas	Full year

Reducing Environmental Impact

Environmental/Safety Issues Involved in Marine Transportation Services

To give an introduction to the following reports on our activities to reduce environmental impacts and ensure safe navigation, this section briefly describes the basic conditions of onboard activities in marine transportation services.

To deliver a cargo on order, vessels sail across the ocean from port to port with the crew on board. A diesel engine system is to power propeller-driven ship propulsion. The system also generates electricity to supply the entire amount needed for onboard activities, ranging from operating machinery and equipment to the crew's life. In addition, heat generated from the running engine is used to desalinate seawater to supply general-use water. The major fuel to run the system is heavy oil, which contains hazardous

air pollutants, such as carbon dioxide (CO₂), sulfur oxide (SO_x), and nitrogen oxide (NO_x), from the burning process.

From crew accommodation on board, many types of domestic waste are inevitably produced, as with general households on land. This includes both combustibles (such as clothing, paper, plastics) and incombustibles (such as kitchen garbage, wastewater, glass bottles, cans and other metals). A sailing ship can be likened to a small isolated town, albeit one that is moving across the sea, giving rise to the need to call at ports from time to time to obtain fuel, food, drinking water, and other daily necessities.

Due to restricted access to professional emergency services on shore, onboard emergency responses are carried out by the crew on a self-contained basis, including repair work for equipment failures and firefighting tasks. The crews receive appropriate training so that they can perform a variety of essential roles effectively to respond to many potential types of emergency.

Reducing Fuel Consumption and Preventing Global Warming

Global warming is said to be caused by greenhouse gases such as CO₂. Vessels need to burn fossil fuels such as heavy oil to run, and these emit CO₂-containing exhaust fumes. At present, the only effective way to reduce this CO₂ gas is to reduce fuel consumption. We are taking the following measures to reduce fuel consumption:

- Use of energy-saving equipment and devices
- Improving propulsion performance by hull cleaning/polishing of the propeller
- Slow steaming and optimized route planning in accordance with changing situations
- Minimizing fuel consumption per transported unit



Before propeller polishing

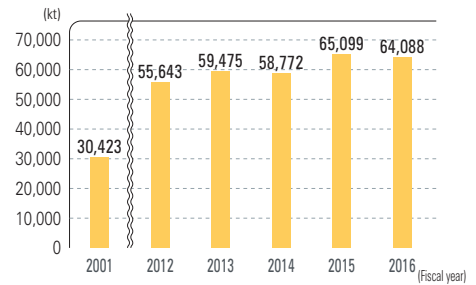
After propeller polishing



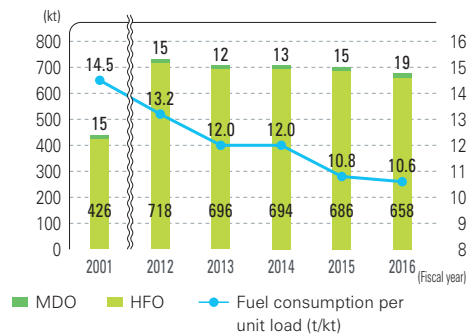
Before hull cleaning

After hull cleaning

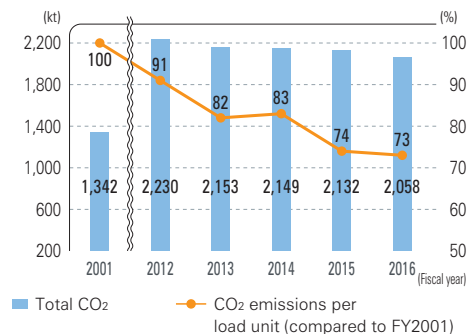
Traded Cargo Volume



Fuel Consumption



CO₂ Emission Volume



Preventing Air Pollution Caused by Vessels

As introduced on the previous page, the International Maritime Organization (IMO) has adopted MARPOL Annex VI: Regulations for the prevention of air pollution from ships. The requirements for emissions of air pollutant substances are expected to be stricter in the future. The following explains our actions in order to comply with the stricter regulations.

Stricter Regulations for SOx (sulfur oxides)

From January 2015, SOx emissions control has been tightened for ocean areas where emissions are limited (Europe: the North Sea and Baltic Sea; North America: the coastal area of the U.S. and Canada) and the sulfur content of fuel oil will be limited from the current 1.0% or less to 0.1% or less.

After 2020 or 2025, it is thought that SOx emissions regulations will be further tightened in all ocean areas and the sulfur content of fuel oil will be limited from 3.5% or less to 0.5% or less. The

specific start time will be determined by deliberation of the IMO in 2018. We will closely watch the future trends.

Other than using lower-sulfur fuel oil, marine machinery manufacturers develop devices that clean exhaust gas from engines to remove SOx or use diesel engines run on natural gas. The Company will learn more in order to make the best choice from new technologies.

Stricter Regulations for NOx (nitrogen oxides)

For new vessels to be constructed after January 2016, it is necessary to reduce NOx emissions by 80% compared to those constructed between 2000 and 2010, if the vessels navigate the NOx emission control area along the North American coastlines (U.S. and Canada). To satisfy the requirements, vessels need to mount device to reduce NOx emissions. Therefore, we will keep a close eye on device development trends when considering the specifications of vessels to be constructed in the future.

Area with limited emission



200-mile area from U.S. and Canadian coast (NOx and SOx)



U.S. and Caribbean Sea area (NOx and SOx)

Note: It is possible to designate SOxECA and NOxECA separately.

Source: Japanese Shipowners' Association

Reducing Environmental Impact

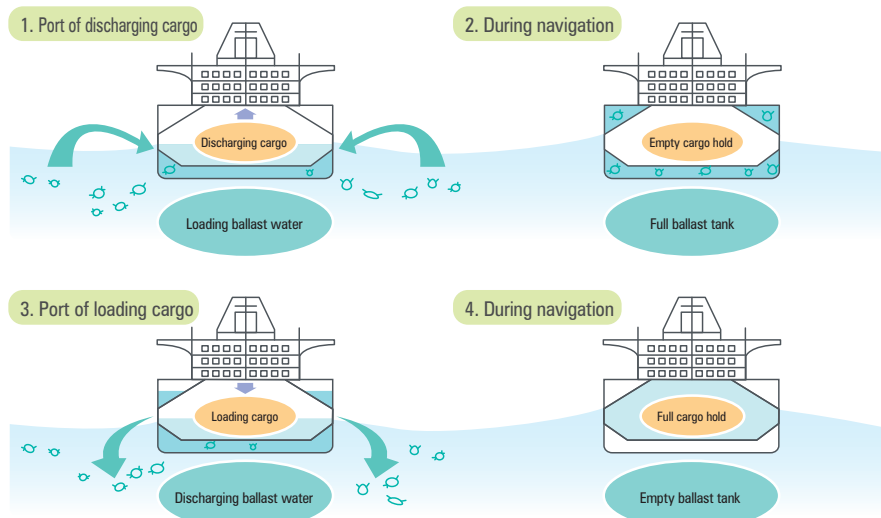
Responding to the Ballast Water Management Convention (BWM)

In February 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments (also known as the Ballast Water Management Convention [BWM]), aiming to prevent damage to the ocean environment, the ecosystem, and human health caused by harmful aquatic life (e.g., algae and shellfish) or pathogenic organisms (e.g., *Vibrio cholerae*) contained in the ballast water in the vessel. The ballast water is loaded in the vessel and discharged at the destination. To enact the BWM, at least 30 countries and 35% merchant shipping tonnage is required. Currently, the Convention

has been ratified by 49 countries, whose vessels account for 34.79% of the total, meaning that most of the Convention's conditions have been satisfied and it has now entered the final stage (as of April 30, 2016).

Once the Convention is enacted, all vessels regardless of age (including those to be constructed in the future) will be under the control of the Convention and will be required to use ballast water treatment systems to remove, sterilize, and destroy aquatic life and pathogenic organisms contained in the ballast water.

NS United Kaiun has installed the systems in newly constructed vessels since 2013. We will install the systems in existing vessels in the future to contribute to ocean environment conservation.



Source: Materials released by the Ministry of Land, Infrastructure, Transport and Tourism, "Travel of aquatic life through ballast water" (February 16, 2004)

Proper Disposal of Onboard Garbage

Domestic waste of many types is generated from crew accommodation onboard. Such waste is properly disposed of using an onboard garbage management plan developed in compliance with the MARPOL Annex V provisions, which require onshore disposal of all types of waste produced onboard, excluding food waste and cargo residue and the like.

This plan describes procedures for sorting garbage into 12 types to meet the local sorting and recycling rules adopted in the area of ports of call. Also, to minimize the amount of disposal, a number of measures have been implemented, such as introducing incinerators designed to reduce dioxin emissions from burning combustibles and providing can crushers and garbage compressors.



Type-approved incinerator

Adopting Energy-Saving Equipment and Fuel-Efficient Anti-Fouling Painting

NS United Naiko Kaiun Kaisha, Ltd. introduced an energy-saving water flow rectifier and fuel-efficient anti-fouling painting to old vessels in their 20th year or more of service as part of dry dock maintenance.

The water flow rectifier was installed in “SHIMOKITA MARU” (built in 1994). This is an energy-saving feature that rectifies water flow generated in the stern when turning screw propellers, to increase propulsion efficiency. The fuel-efficient antifouling painting, which was applied to “KIMITETSU MARU” (built in 1991) and “FUYO MARU No. 5” (built in 1994), possesses lower friction properties than conventional ship bottom paints. The adoption of these functions proved to be effective in cutting fuel consumption by 3–5% and reducing CO₂ and other gas emissions.

An additional measure was adopted for “SHIMOKITA MARU” and “FUYO MARU No. 5” during recent dock work. The two vessels underwent a full-blast paint stripping process followed by the repainting of their bottom plating to restore their ship resistance to that of newly built vessels. As a result, they achieved a 1–3% reduction in fuel consumption compared with before.



“SHIMOKITA MARU” with an energy-saving feature installed



“KIMITETSU MARU” with fuel-efficient antifouling painting applied to the bottom



“FUYO MARU No. 5” in the process of paint stripping work on the bottom plating

Environmental Education

In-House Education

NS United Kaiun has created an Environmental Education Implementation Plan to provide training on the environment to its workforce. It consists of programs for new employees, including onboard personnel, and workshops of each Group.

New employee programs offer an introduction to the Environmental Management System focused on the environmental policy. Group workshops, meanwhile, involve holding discussions, chiefly on the agenda of the Safety & Environmental Committee and results of internal audit and external review performed for this theme.

In relation to this, to respond in a corrective manner to the September 2015 revision of the ISO 14001 international standard for environmental management systems, the Company dispatched staff to seminars hosted by related associations, and one of the members participated in external programs to become a qualified internal auditor for ISO 14001 (2015 version). In addition, the Company’s environmental management system will be reviewed and revised to conform to the revision of the international standard.

Crew Members’ Environmental Education

NS United Kaiun has organized and implemented onboard education and training through OJT in addition to classroom training for crew members ashore. The plan includes items related to environmental protection and is implemented during pre-boarding seminars to improve crew awareness.

We provide pre-boarding seminars to Japanese and the top four of the non-Japanese crew (namely, the captain, chief engineer, chief officer, and first engineer) at NS United Kaiun. For the crew other than those listed above, overseas manning companies provide seminars on our behalf.

The items in the seminar include the garbage management, operation of the Ship Energy Efficiency Management Plan (SEEMP), response to the MARPOL Convention, and overview of past accidents and countermeasures. These seminars help crew members to take skills and awareness to the next level.



Crew seminar held in Vietnam

Ensuring Safe Navigation

Efforts That Support Safe Navigation

Safe navigation is the core of the Company's business. We work to achieve zero marine accidents and support safe navigation under the systems described below with the acknowledgement that safe navigation of vessels is the top-priority issue in order to promote activities for the conservation of the global environment, especially the marine environment.

Accident Zero Achievement Committee

The Accident Zero Achievement Committee analyzes the causes of accidents that have occurred concerning vessels managed by the Company, looking in detail at both physical/hardware aspects and systemic or "soft" aspects. It also analyzes the causes in chronological order and examines preventive measures. These are fed back to each vessel site with the aim of achieving zero accidents.

Vessel Safety Management System Committee

Proposals for improvement by ships managed by the Company, accident statistics results of internal audits of ships owned by the Company and of the Vessel Management Division, and matters pointed out by external vessel inspections such as PSC are reported to the Vessel Safety Management System Committee, which reviews the vessel safety management system and quality management system—the core components of vessel management—and makes improvements on a continuous basis.

Near-Miss Report System

A near-miss box has been installed on ships owned by the Company for accident prevention and crew members have been encouraged to collect details of more near-miss incidents through its use. We pursue safe operation by analyzing near-miss incidents on board or at the Vessel Management Division and by studying preventive measures, which are aggregated and fed back to management vessels.

Shipboard Safety and Health Committee

NS United Kaiun convenes the Shipboard Safety and Health Committee with the participation of all crew members every month to discuss shipboard activities concerned with safety, health, and environmental protection. The aim is to raise crew members' awareness of safety/health management and environmental conservation.



Shipboard Safety and Health Committee activities on board

BRM Training for Safe Navigation

Bridge watchkeeping is an essential duty established to ensure that the entire voyage is completed safely. Officers perform the duty in relay to make sure the vessel is prevented from colliding against other ships or running aground.

The recent development of autonomous steering technologies is remarkable, particularly in the automobile industry, where much attention has been drawn to advance automatic driving and braking technologies aimed at driverless vehicles. In this field, however, the marine navigation sector lags considerably behind, with current self-steering systems requiring significant progress to overcome external conditions, such as waves and winds that are difficult to control, to achieve comparable levels.

In heavy vessel traffic waters, such as Tokyo Bay, manual steering is indispensable. Officers and helmsmen form a team to ensure safe navigation under the leadership of the captain on the bridge, and this teamwork is the key to a safe voyage. To enhance this teamwork functionality, bridge resource management (BRM) training is offered to captains and officers who are off duty, using simulators installed in onshore facilities.



BRM training provided in Manila

Vessel Inspections

Vessel inspections are one of our management activities that ensure safe operation of our management vessels. Annual safety inspections are carried out to confirm conformity to our own safety standards. Semi-annual Superintendent (SI) visits are carried out to confirm the condition of the vessel, for maintenance planning and for crew education. Internal audit is carried out annually to confirm compliance with our Safety Management System, Environmental Management System, and Ship Security Plan. In addition to the above inspections for management vessels, charter vessel inspections are carried out periodically to maintain the NS United Kaiun safety standards in cooperation with owners and their ship managers.

Safety Campaigns

The NS United Kaiun Group conducts campaigns to raise safety awareness. In FY2016, NS United Kaiun carried out a five-month campaign from October to February. During the campaign period, President Toru Obata (who chairs the Safety and Environmental Committee), directors, and general managers visited vessels to hold opinion exchange sessions with the crew under the theme, "Aiming for Zero Accidents and Zero Injuries II." The objective of this project is for onshore and onboard members unitedly strengthen the Company's fleet safety management system by facilitating onshore-onboard communication, while reminding the crew of the significance of safe navigation as the essential foundation of the Company.

Content of the meeting:

- The importance of teamwork in maintaining safe operations
- Enhancing individual healthcare practice to prevent medical disembarkation
- Analyzing the causes of recent accidents and strengthening prevention measures

Under the slogan of "Striving for zero accidents," NS United Naiko Kaiun Kaisha, Ltd. formulates sub-slogans twice a year and visits vessels in operation to educate its crew and staff on the significance of safe navigation. The activities focus on raising safety awareness during the summer and thorough checking of navigation during the winter.



Ship evacuation drill

Accident Response Drills

NS United Kaiun, NS United Naiko Kaiun, and NS United Coastal Tanker organize a joint marine accident response drill on a regular basis.

The most recent drill was conducted on February 3, 2016, at NS United Naiko Kaiun, based on a mock scenario wherein its coal ash/calcium carbonate carrier collided with a Chinese live fish boat in the Seto Inland Sea area, resulting in injured crew members on its vessel and missing crew members on the other boat.

The simulation exercise was performed according to the established response procedures, including setting up an internal

Campaign challenges:

- (1) Distributing Safety Campaign posters
- (2) Presenting awards to the winning vessels of the previous campaign
- (3) Distribution of campaign materials
- (4) Familiarization with preventative measures using past examples of accidents and problems

NS United Coastal Tanker Kaisha, Ltd. announces Priority Safety Objectives and Voyage Safety Declarations on a monthly basis. These are made known to vessels under its operation and management and vessels' owners to heighten safety awareness. The Company also conducts educational campaigns for safe operation, with an annual Zero Dense Fog Accident Campaign and New Year's Zero Accident Campaign.

Achieving zero accidents and zero injuries is a never-ending mission. To engage in sustained and concerted efforts to fulfill this mission, the NS United Kaiun Group will continue holding safety campaigns and offer a back-to-basics opportunity to maintain safety awareness. We will also continue working to increase communication between the shore-based management and the onboard operation as well as management visits to vessels as part of efforts to ensure safe navigation for all vessels.



Safety Campaign

task force, maintaining onshore-offshore communication, and holding a press conference, in which specialized media representatives were invited to participate.



Accident response drill

Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

Millions of yen

As of March 31	2015	2016
ASSETS		
Current assets	66,759	51,979
Fixed assets	160,904	165,545
Tangible fixed assets	152,848	154,824
Intangible fixed assets	235	2,793
Investments and other assets	7,821	7,928
Total assets	227,663	217,524
LIABILITIES		
Current liabilities	38,857	51,260
Long-term liabilities	112,325	90,893
Total liabilities	151,181	142,153
NET ASSETS		
Shareholders' equity		
Common stock	10,300	10,300
Capital surplus	13,429	17,181
Retained earnings	46,127	48,160
Treasury stock, at cost	(27)	(991)
Total shareholders' equity	69,829	74,650
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	690	(10)
Gains (losses) on deferred hedge	2,758	(196)
Foreign currency translation adjustments	168	651
Remeasurements of defined benefit plans	268	258
Total accumulated other comprehensive income	3,885	702
Non-controlling interests	2,768	19
Total net assets	76,481	75,372
Total liabilities and net assets	227,663	217,524

Consolidated Statement of Cash Flows

Millions of yen

For the Years Ended March 31	2015	2016
Cash flow from operating activities	24,581	19,915
Cash flow from investing activities	(10,782)	(19,326)
Cash flow from financing activities	(11,978)	(6,909)
Effect of exchange rate changes on cash and cash equivalents	427	(131)
Net increase (decrease) in cash and cash equivalents	2,248	(6,450)
Cash and cash equivalents at the beginning of the year	28,237	30,485
Cash and cash equivalents at year-end	30,485	24,035

Consolidated Statement of Income

Millions of yen

For the Years Ended March 31	2015	2016
Revenues	157,625	137,148
Operating expenses	141,983	124,502
Gross profit	15,641	12,646
General and administrative expenses	6,167	6,172
Operating income	9,474	6,475
Non-operating income	2,855	421
Non-operating expenses	1,949	2,832
Ordinary income	10,380	4,064
Extraordinary profits	435	481
Extraordinary losses	124	201
Profit before income taxes	10,691	4,343
Income taxes—current	907	567
Income taxes—deferred	785	(307)
Profit	9,000	4,083
Profit (Loss) attributable to non-controlling interests	373	(27)
Profit attributable to owners of parent	8,626	4,110

Consolidated Statement of Shareholders' Equity

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2015	10,300	13,429	46,127	(27)	69,829
Changes of items during the term					
Dividends of surplus			(2,076)		(2,076)
Profit attributable to owners of parent			4,110		4,110
Acquisition of treasury stock				(964)	(964)
Disposal of treasury stock		(0)		0	0
Increase through share exchanges		3,748			3,748
Change of scope of consolidation			(1)		(1)
Change in shares of parent arising from transactions with non-controlling interests		3			3
Net changes of items other than shareholders' equity					
Total changes of items during the term	—	3,751	2,033	(963)	4,821
Balance at March 31, 2016	10,300	17,181	48,160	(991)	74,650

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gains (losses) on securities	Gains (losses) on deferred hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2015	690	2,758	168	268	3,885	2,768	76,481
Changes of items during the term							
Dividends of surplus							(2,076)
Profit attributable to owners of parent							4,110
Acquisition of treasury stock							(964)
Disposal of treasury stock							0
Increase through share exchanges							3,748
Change of scope of consolidation							(1)
Change in shares of parent arising from transactions with non-controlling interests							3
Net changes of items other than shareholders' equity	(700)	(2,954)	483	(11)	(3,182)	(2,748)	(5,930)
Total changes of items during the term	(700)	(2,954)	483	(11)	(3,182)	(2,748)	(1,110)
Balance at March 31, 2016	(10)	(196)	651	258	702	19	75,372

Company Outline (As of March 31, 2016)

Outline of the Company

Company name	NS United Kaiun Kaisha, Ltd.
Head office	Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan
Established	April 1, 1950
Principal lines of business	International marine transportation services and related businesses
Capital	¥10,300,000,000
Stock market listing	Tokyo Stock Exchange (First Section)
Number of employees	227 (parent company)
Fleet	111 vessels (11,237,000 DWT)

Major Consolidated Group Companies

Company	Main businesses
NS United Naiko Kaiun Kaisha, Ltd.	Coastal shipping business
NS United Coastal Tanker Kaisha, Ltd.	Coastal shipping business
NS United Marine Service Corporation	Safety supervising and supervising construction of new vessels
Nippo Marine Co., Ltd.	Seamen dispatching business
NS United Business Co., Ltd.	General affairs and accounting agents, real estate management
NS United Systems Co., Ltd.	Development/maintenance of information systems business
NS United Tanker Pte. Ltd.	International shipping business

Principal Overseas Subsidiaries & Representative Offices

Overseas Subsidiaries (■)

United Kingdom, United States, Hong Kong, Singapore, Philippines

Representative Offices (▲)

London, Hong Kong, Shanghai, Vietnam

Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 28, 2016)

Directors

President	Toru Obata
President Executive Officer	
Director	Hiroshi Hiramatsu
Senior Managing Executive Officer	
Directors	Tai Sugawara
Managing Executive Officers	

	Kazuya Miura
	Shin Yaguchi

Directors (Outside)	Kazuo Tanimizu
	Shingo Hayama

Director (Outside, Independent)	Masayuki Kinoshita
---------------------------------	--------------------

Executive Officers

Managing Executive Officers	Yasuhiro Minemura
	Mitsuhiro Oyamada

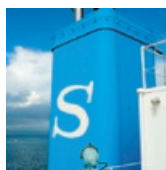
Executive Officers	Yoshifumi Nakata
	Kanji Ishikawa
	Kazushi Fukuda
	Naruhiko Miyai
	Makoto Yoshikawa

Audit & Supervisory Board Members

Audit & Supervisory Board Member (Outside)	Masaaki Noguchi
Audit & Supervisory Board Members (Outside, Independent)	Naoki Takahata
	Yasuhito Mitani



History



● Shinwa Kaiun Kaisha, Ltd.

- Apr. 1950** Established Nittetsu Steamship Co., Ltd.
 - Dec. 1957** Opened a liaison office in London
 - Feb. 1962** Merged with Toho Kaiun Kaisha and changed registered name to Shinwa Kaiun Kaisha, Ltd.
 - May 1964** Joined the Nippon Yusen Group in response to the Marine Transportation Restructuring Act
 - Sep. 1969** Opened a liaison office in New York
-
- Jan. 1970** Established Shinwa (U.K.) Ltd., as a subsidiary
 - Jun. 1974** Spun off the domestic transportation section into Shinwa Naiko Kaiun Kaisha Ltd.
 - May 1975** Established Shinwa (U.S.A.) Ltd.
 - Apr. 1992** Opened a liaison office in Singapore
 - Jan. 1995** Opened a liaison office in Hong Kong
 - Jun. 1996** Established Shinwa Shipping (H.K.) Co., Ltd.
 - Jul. 2004** Opened a liaison office in Shanghai
 - Apr. 2007** Established Shinwa (Singapore) Pte. Ltd.



● Nippon Steel Shipping Co., Ltd.

- Jan. 1957** Established Nippo Kisen K.K.
 - Apr. 1964** Joined the Showa Shipping Group in response to the Marine Transportation Reconstruction Act
 - Sep. 1983** Nippon Steel Corporation became the largest shareholder
 - Sep. 1985** Opened a liaison office in London
 - Dec. 1990** Merged with Nippon Steel Shipping Co., Ltd. and changed registered name to Nippon Steel Shipping Co., Ltd.
 - Sep. 1997** Began stationing employees in Hai Phong, Vietnam
 - Nov. 2003** Concluded a business alliance contract with Hsin Chien Marine Co., Ltd. in Taiwan
-
- Apr. 2008** Opened a liaison office in Manila



Oct. 2010 Merged with Nippon Steel Shipping Co., Ltd. and changed registered name to **NS United Kaiun Kaisha, Ltd.**

Stock Information (As of March 31, 2016)

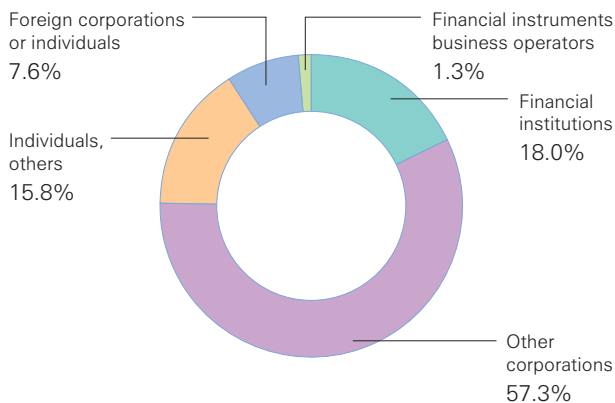
Total Number of Authorized Shares	600,000,000
Total Number of Shares of Common Stock Issued	239,706,793
Number of Shareholders	8,515

Principal Shareholders

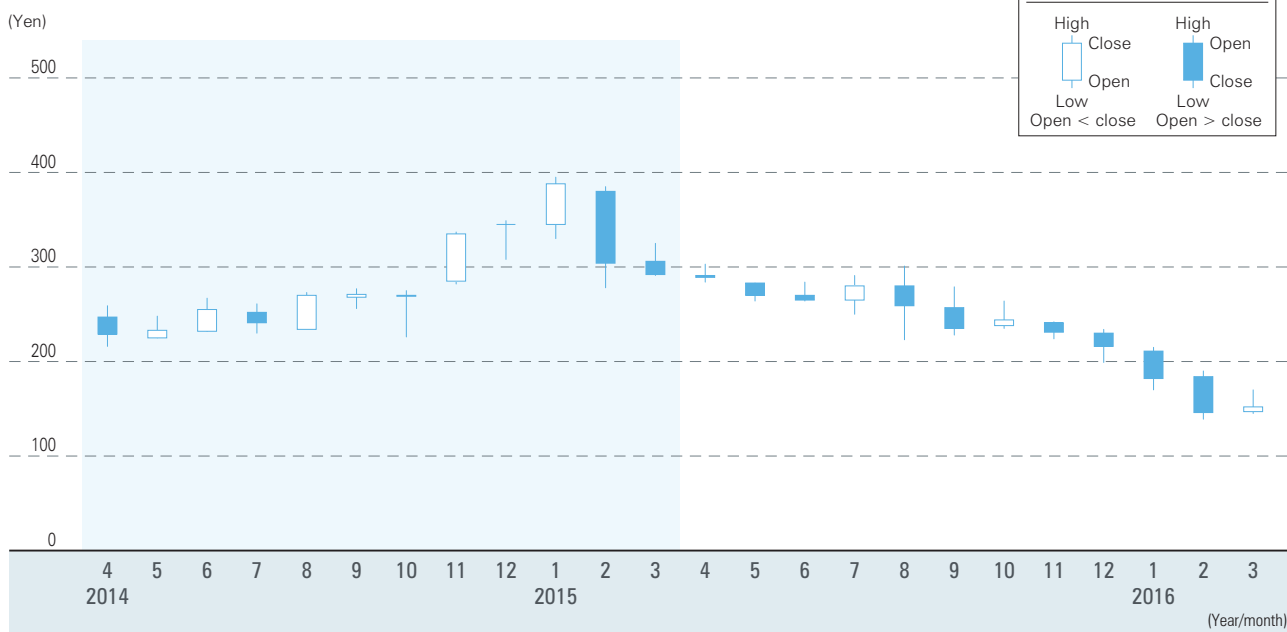
	Number of shares held (thousands)	Percentage of shares held (%)
Nippon Steel & Sumitomo Metal Corporation	78,612	33.36
Nippon Yusen Kabushiki Kaisha (NYK LINE)	43,247	18.35
Tokio Marine & Nichido Fire Insurance Co., Ltd.	10,113	4.29
Mizuho Bank, Ltd.	7,989	3.39
Mitsubishi Heavy Industries, Ltd.	5,400	2.29
Hsin Chien Marine Co., Ltd.	5,048	2.14
Mitsui Sumitomo Insurance Co., Ltd.	5,018	2.13
Sompo Japan Nipponkoa Insurance Inc.	4,896	2.08
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	3,132	1.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,594	1.10

Notes: 1. The above list of principal shareholders excludes NS United Kaiun Kaisha, Ltd., which holds 4,023,000 shares of treasury stock.
 2. Percentage of shares held has been calculated excluding the treasury stock.

Distribution of Stock



Share Price Chart



Glossary

ISO 14001 P18, P29

This is the international environmental standard established by the International Organization for Standardization (ISO) to guide companies in pursuing environmentally responsible business activities. It mandates environmental management policies, organizations and systems, operation, internal audits, and other measures, which are to be continually improved based on the PDCA cycle.

ISO 9001 P18, P23

This is the international standard for quality control and quality assurance established by the ISO. It sets forth the requirements for a quality management system that extends to organizational management to achieve customer satisfaction and operational improvements. The pursuit of customer satisfaction and improvement efforts through ISO 9001 allows a company to maintain the trust of the public and heighten its competitiveness.

International Convention for the Prevention of Pollution from Ships, 1973, as Modified by the 1978 and 1997 Protocols (MARPOL Convention) P27, P28, P29

The convention stipulates initiatives for preventing contamination through oil, water, and waste.

SOx (sulfur oxide), NOx (nitrogen oxide) P24, P25, P26, P27

Exhaust gas from engines and boilers used in vessels contains SOx (sulfur oxides) and NOx (nitrogen oxides) generated in the course of combustion. The NOx and SOx react with water vapor or oxygen in the air to become nitric acid and sulfuric acid respectively. These substances return to the earth in the form of acid precipitate after being absorbed by raindrops. The acid precipitate often causes severe environmental damage such as damage to forests or killing of lake or river organisms.

Greenhouse gas P26

This is a collective term for gases suspected to be harmful in terms of global warming. Among the greenhouse gases, CO₂ is emitted when fossil fuels, such as petroleum products and coal, are consumed. CO₂ is thus emitted as a result of fuel consumption during vessel navigation. Therefore, reducing CO₂ emissions that lead to global warming is directly connected to reduction of fuel consumption.

Slow steaming P13, P26

Generally, vessels can significantly reduce fuel consumption by sailing more slowly, since the fuel consumption is reduced faster than speed. Therefore, if the navigation schedule is not tight, CO₂ emission and fuel costs can be reduced by steaming at lower speeds.

International Maritime Organization (IMO) P23, P27, P28

IMO is a specialized organization of the UN that researches and establishes international maritime treaties and conventions. The IMO promotes cooperation among the governments of every nation with regard to technological and legal issues bearing on marine transport, including maritime safety, improvement in marine transport technology, prevention of ocean pollution by vessels, and the abolition of discriminatory treatment between countries.

Dioxins P28

Dioxins are highly toxic substances that are primarily formed during the incineration of waste, but may also be formed from natural causes such as wildfires and volcanic activity. They can cause cancer, birth defects, immune system suppression, and reproductive abnormalities. Although dioxins are decomposed at over 800°C, they recombine as they cool down, so exhaust gases are cooled down rapidly to limit formation of dioxins.

Ballast water P24, P25, P28

Ballast water is water used as a weight to stabilize the posture of vessels at sea. The vessels sink when loading cargo and float when unloading cargo. However, excess float may upset the balance of the vessel, so the vessels typically load ballast water into dedicated ballast tanks when unloading cargo in order to prevent excess float, and discharge the ballast water when loading cargos to ensure that adequate draft (depth of the ship in the water) is maintained.

BRM (Bridge Resource Management) training P30

BRM training aims to develop maritime management competence by fostering mariners' attitudes and behavior to enable the effective use of human and any other forms of resources available on bridges, to achieve safe and efficient navigation throughout an entire voyage.

Work-life balance P20

This is a concept promoted by the U.K. Ministry of Trade that involves harmony between a person's professional and personal lives. It means maintaining health and happiness without sacrificing either the workplace or the family. In Japan, the Ministry of Health, Labor and Welfare established a study group in 2003, and is working to achieve the acceptance of this concept through regional governments nationwide. It is also called life-work balance.



ISO 14001: 2004 Approval Registration Certificate



NS United Kaiun Kaisha, Ltd.

CSR Committee Secretariat, General Affairs Group

Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan

TEL: +81-3-6895-6404 FAX: +81-3-6388-2366

E-mail: LEGAL@nsuship.co.jp

