



January 4, 2017

2017 New Year's Greetings A Year to Progress

NS United Kaiun Kaisha, Ltd.
President Toru Obata

Please allow me to offer my new year's greetings to all.
Today, January 4, 2017 is a fresh start.

2016 was a Tough Year

A number of unforeseen incidents occur every year in the world. Last year, for example, the UK's vote to leave EU and the outcome of the presidential election in the United States were completely contrary to our expectations. The significance or the influence of these events have been discussed in newspapers and magazines, television coverage, etc., and therefore I do not dare to touch those topics further. However, it is my honest impression that these results were "surprising".

The shipping industry, though within the scope of expectation, remained sluggish throughout the year due to oversupply of all types of vessels. Hanjin Shipping in South Korea, which was mainly engaged in container transportation, applied for corporate reorganization. More recently, three major Japanese shipping companies announced their intention to merge their container shipping businesses in preparation for larger ships and further intensified competition. In the dry bulk market, towards February and March of 2016, the market rate for most vessel types --except for the near-sea cargo carriers-- fell as low as 2,000 dollars per day. Then, from the beginning of autumn to the present the market seemed to be in the recovery process. However, it can still be said that 2016 was a very severe year.

Regarding currency exchange, the market fluctuated in yen appreciation from the beginning of the year, and the rate became around 101 yen per dollar at the end of September. Hence, although we were able to post operating income of more than ¥ 2.3 billion in the first half year results, we all know that foreign exchange loss due to the appreciation of the yen has mounted, resulting in an ordinary loss of just under 100 million yen. Fortunately, the shipping market has improved slightly, and the yen weakened. Thus we earn more income than our budget projections, and expect to be able to record a surplus throughout the fiscal year. This 4th quarter will also be severe as in other years, but we ask all our employees to do our daily work with diligence. As I said in the 2016 new year's greetings, "we must show to the market that we are able to increase profits and achieve stable growth where the environment would even more be severe." I certainly ask the executives and the employees again to demonstrate this motto by posting profits throughout the year.

Towards the New Mid-Term Business Plan

What will 2017 look like?

As I mentioned earlier, prediction is just prediction. The reality could greatly deviate. In that sense, let us all think "what do we *want* the year 2017 to be?" rather than "what *will* 2017 look like?"

The current Mid-Term Business Plan, "Unite & Full Ahead II! ," will end in March this year. It seems that we could not achieve the profit targets and fleet development plan that we had targeted at the time of planning because the external environment and the market precondition changed significantly. However, the direction and approach that we had set forth was correct and is steadily succeeding. Our seaborne transport shares in our largest customer, Nippon Steel & Sumitomo Metal Corporation, has increased steadily and their dedicated vessels are on schedule as well. In addition, we also agreed with a major ore producer on the construction of a 400,000 DWT ore carrier. We are firmly progressing towards our fleet plan of 50 capesize vessels as well as three VLGCs. Moreover, we evaluate the cooperation between us and our two coastal transport subsidiaries is being smoother than anticipated.

The New Mid-Term Business Plan, starting from fiscal year 2017, is now under formulation. I will make it a strong plan that will grow the entire NS United Kaiun Group. In the new plan, we will continue to work proactively in stable growth. It can be predicted from the world's new shipbuilding plans that the supply and demand of the dry bulk market will gradually improve. It is assumed that environmental regulations on ships, such as ballast water management systems, SOx and NOx regulations will be further strengthened. Fuel oil prices will rise moderately. Consequently, it is expected that old vessels with poor fuel efficiency will be scrapped.

On the demand side, there is an increase in coal thermal power operation in Japan as well as in energy and steel demand in emerging countries such as India. There will be many new business opportunities. One of our strengths is that we can handle large vessels to small vessels, coastal to ocean-going shipping, all within our own company, as well as our group companies that work in the same office. By all means, let us all share information and cooperate among different departments more closely to expand our existing businesses and to secure new ones. We all gain and aggregate information across a wide range, so please share that information with each other to connect the dots to secure new businesses. It is essential for everyone to share the same policy towards our goal. Also, not every piece of information is comfortable to hear. Uncomfortable information, for example, reflects dissatisfaction or criticism against our company, but is critical as it shows us where we need to improve and focus our efforts. Therefore, it is important to capture all information openly and positively and use it to help us take the next step.

Safety and Stable Operation

Regarding ship operations, there was an accident in April that resulted in a ship's generator being damaged. The ship was completely stopped for about a week, but overall there was no big trouble in 2016; crew injury and illness were relatively few. Indeed, since our objective is "No Accident and No Disaster", we ask you again to work more closely with manning and ship management companies to ensure safe and stable operation in this year as well. The important point is to prevent accidents and disasters in advance and share safety and maintenance know-how. We strongly hope that every department in the company can work to

raise the quality of their performance by teamwork, skills utilization, and knowledge. Please make every effort to create a bright, free and open-minded workplace.

Towards a Better Year

As I mentioned earlier, we were able to show our strength last year.

The goal of this year is to make further growth by making the best use of this foundation, and to challenge and accomplish a higher level of performance and safety. A new mid-term plan will begin in fiscal year starting April 2017. Towards a brighter and better year, I will do my best.

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

Thank you for your attention.