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October 31, 2023

FINANCIAL HIGHLIGHTS for the 2nd quarter of the Fiscal Year Ending March 2024 (Under Japanese GAAP)

Company name: NS UNITED KAIUN KAISHA, LTD.
Listing: Tokyo Stock Exchange (TSE) Prime Market
Securities code: 9110 URL: <https://www.nsuship.co.jp>
Representative: Kazuma Yamanaka, President and Representative Director
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Schedule date to submit the financial statement report: November 10, 2023
Scheduled date to commence dividend payments: December 4, 2023
Preparation of supplementary material on financial results: Yes
Financial Results Presentation Held: No

(Amounts are rounded to the nearest million yen.)

1. Consolidated Operating Performance for the 2nd quarter of the Fiscal Year Ending March 2024 (from April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (Cumulative)

(Million yen)

(Percentages indicate year-on-year changes.)

	Revenues		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
For the 2nd quarter of the fiscal year ending March 2024	112,354	(14.1)%	12,194	(41.0)%	13,827	(42.7)%	10,989	(43.4)%
For the 2nd quarter of the fiscal year ended March 2023	130,836	45.9%	20,673	82.9%	24,128	130.6%	19,426	122.8%

(Reference) Comprehensive Income

For the 2nd quarter of the fiscal year ending March, 2024: 11,313 million yen (39.5) %

For the 2nd quarter of the fiscal year ended March, 2023: 18,705 million yen 103.3%

(Yen)

	Net Income per Share	Diluted Net Income per Share
For the 2nd quarter of the fiscal year ending March 2024	466.30	—
For the 2nd quarter of the fiscal year ended March 2023	824.33	—

(2) Consolidated Financial Position

(Million yen)

	Total Assets	Net Assets	Equity Ratio
For the 2nd quarter of the fiscal year ending March 2024	282,871	144,122	50.9%
For the fiscal year ended March 2023	275,784	137,405	49.8%

(Reference) Equity Capital

For the 2nd quarter of the fiscal year ending March 2024 : 144,122 million yen

For the fiscal year ended March 2023: 137,405 million yen

2. Cash Dividends

(Yen)

	Annual Dividends per Share				
	1 st Quarter	2 nd Quarter	3 rd Quarter	Year-end	For Full Year
For the fiscal year ended March, 2023	-	170.00	-	195.00	365.00
For the fiscal year ending March, 2024	-	80.00			
For the Fiscal year ending March, 2024 (Forecast)			-	100.00	180.00

(Note) Revision to quarterly dividend distribution forecast : Yes

3. Forecast of Consolidated Operating Performance for Fiscal Year Ending March 2024 (from April 1, 2023 to March 31, 2024)

(Million yen)

(Percentages indicate year-on-year changes.)

	Revenues		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
		(%)		(%)		(%)		(%)	
For full year	204,200	(18.6)%	18,100	(44.3)%	17,300	(48.3)%	13,900	(49.6)%	589.84

(Note) Revision to quarterly operating performance forecast: Yes

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Particular accounting methods used for preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - i. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - ii. Changes in accounting policies due to other reasons: None
 - iii. Changes in accounting estimates: None
 - iv. Restatement: None
- (4) Number of issued shares (common shares)
 - i. Total number of issued shares at the end of the period (including treasury shares)

For the 2nd quarter of the fiscal year ending March 2024:	23,970,679 shares
For the fiscal year ended March 2023:	23,970,679 shares
 - ii. Number of treasury shares at the end of the period

For the 2nd quarter of the fiscal year ending March 2024:	404,834 shares
For the fiscal year ended March 2023:	404,688 shares
 - iii. Average number of shares outstanding during the period (cumulative for the quarter)

For the 2nd quarter of the fiscal year ending March 2024:	23,565,951 shares
For the 2nd quarter of the fiscal year ended March 2023:	23,566,261 shares

* This document of financial highlights is outside the scope of audit by certified public accountants or an audit corporation.

* Proper use of financial results forecast and other special matters

The forward-looking statements including the financial results forecast contained herein are based on information currently available to the Company, as well as certain assumptions deemed reasonable by the Company. As such, the Company does not intend to guarantee the achievement of the forecast. In addition, actual results may differ significantly from the forecast due to various factors. For preconditions for the financial results forecast and precautions when using the financial results forecast, please see “1. Qualitative Information on Quarterly Results (3) Explanation of Consolidated Earnings Forecast and Future Outlook” on page 3 of the attachments. Please also refer to the “Notice of Difference between Forecast and Actual Results for First Half

of Fiscal Year Ending March 31, 2024 and Revision of Full-Year Earnings Forecast, and Revision of Dividend Forecast” separately disclosed on October 31, 2023.

(Supplementary material on financial results)

Supplementary material for quarterly financial results was posted on the Company’s website on Tuesday, October 31, 2023.

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1. Information on Quarterly Results

(1) Explanation of Operating Results

	Previous consolidated Six months ended (from April 1, 2022 to September 30, 2022)	Consolidated Six months ended (from April 1, 2023 to September 30, 2023)	Amount Change (Percentage change)
Revenues	130,836	112,354	(18,482) (14.1)%
Operating Income	20,673	12,194	(8,479) (41.0)%
Ordinary Income	24,128	13,827	(10,301) (42.7)%
Profit Attributable to Owners of Parent	19,426	10,989	(8,438) (43.4)%

Exchange rate (¥/US\$) (6 month average)	130.83	139.00	8.17 (6.2)%
Bunker price* (US\$/MT) (6 month average)	705	541	(164) (23.3)%

*Average price for all the major fuel grades including Very Low Sulfur Fuel Oil

For the first half of the current fiscal year (six-month period from April 1, 2023 to September 30, 2023), NS United Kaiun group reported net sales of 112,354 million yen (down 18,482 million yen year-on-year), operating income of 12,194 million yen (down 8,479 million yen year-on-year), ordinary income of 13,827 million yen (down 10,301 million yen year-on-year). Net income attributable to owners of the parent was 10,989 million yen (down 8,438 million yen year-on-year).

In the International shipping business during the first half of the current fiscal year, the dry bulk carrier faced downward pressure from monetary tightening in various countries in response to inflation caused by high global resource prices, as well as uncertainty over the Chinese economy. The market for Capesize bulk carriers (180,000 DWT type) continued to decline due to concerns about a slowdown in demand for steel-making raw materials transportation as a result of the real estate recession in China, and the easing of quarantine regimes at ports against the novel coronavirus, which has cleared the delays in shipments, resulting in a slackening supply and demand for shipping capacity, with average charter rates on five major routes temporarily fallen below \$9,000. Although they turned upward in September due to seasonal factors, the average for the April-September period was approximately \$14,000, lower than the same period last year. As for Panamax and medium and small bulk carriers (20,000 - 80,000 DWT type) also showed a downward trend in the first half of the period, but improved from August onward due to strong demand for grain transport mainly from South America.

For VLGCs (Very Large Gas Carriers), the market remained at a high level throughout the period, supported by strong LPG transport demand.

Under these circumstances, although the yen's depreciation, which progressed during the period, boosted earnings, both revenues and profits declined from the same period of the previous year.

In the coastal shipping business, dry bulk carrier was mixed condition. Cement-related cargo volumes were lower than in the same period of the previous year due to lower transportation demand from the construction industry and the impact of typhoons. As for steel-related cargo, while transport volume in the steel-making raw materials transportation sector was lower than the same period of the previous year, transport volume increased year-on-year due to an increase in the number of operating days as a result of an increase in the size of the fleet. As for tanker transport, despite efforts for efficient operation in both LNG and LPG transport, transport volume was sluggish due to a decline in vessel utilization caused by typhoons and a drop in demand.

Under these circumstances, the coastal shipping business achieved year-on-year increases in both revenues and profits as a result of long-term transport contracts as well as spot transport demand.

The Company's group business composition is almost entirely dominated by the marine transportation business, with the International shipping business accounting for about 90% of consolidated net sales and the coastal shipping business accounting for about 10%.

(2) Explanation of Financial Position

Total assets amounted to 282,871 million yen at the end of the second quarter, up 7,087 million yen from the end of the previous fiscal year. Current assets increased 5,783 million yen mainly due to an increase in cash and deposits. Non-current assets increased 1,304 million yen mainly due to an increase in vessels.

Total liabilities increased by 370 million yen from the end of the previous fiscal year to 138,750 million yen. Current liabilities increased 323 million yen mainly due to an increase in contract liabilities. Long-term liabilities increased 47 million yen mainly due to an increase in provision for special repairs.

Total net assets increased 6,717 million yen from the end of the previous fiscal year to 144,122 million yen, mainly due to an increase in retained earnings resulting from the net income attributable to parent company shareholders for the period, net of dividends paid.

(3) Explanation of Consolidated Earnings Forecast and Future Outlook

Forecast of Consolidated Operating Performance for Fiscal Year Ending March 2024

(Million yen)

	Full Fiscal Year			
	Previous Forecast	This Time Forecast	Change from Previous Forecast	
			Amount Change	Percentage change
Revenues	194,100	204,200	10,100	5.2%
Operating Income	15,600	18,100	2,500	16.0%
Ordinary Income	14,600	17,300	2,700	18.5%
Profit Attributable to Owners of Parent	12,300	13,900	1,600	13.0%

The assumptions used in the previous forecast (July 31, 2023) and the current forecast for the third and fourth quarter yen-to-dollar conversion rate and bunker oil prices are as follows:

Assumptions For 3rd and 4th Quarters	Previous Forecast	This Time Forecast
Exchange rate	¥130.00/ US\$	¥135.00/ US\$
Bunker price*	US\$549/MT	US\$587/MT

*Average price for all the major fuel grades including Very Low Sulfur Fuel Oil

With regard to the dry bulk market in the third quarter and beyond, the market is currently on an upward trend due to a recovery in demand for the transportation of steel-making raw materials in China and favorable exports of grains from South America. On the other hand, market conditions are expected to soften in the fourth quarter and beyond due to seasonal factors, and there are also concerns about the impact of the ongoing real estate recession in China and concerns about the global economic slowdown on transportation demand.

In light of the business results for the first half of the fiscal year and the business environment surrounding the company from the third quarter onward, we have revised our consolidated earnings forecast for the full fiscal year ending March 31, 2024, which we announced on July 31, 2023, as described above. As for the assumptions for the third quarter and beyond, we are projecting an exchange rate of 135.00 yen to the U.S. dollar and an average bunker oil price (all oil grades), including Very Low Sulphur Fuel Oil of \$587 per metric ton.

The company regards the return of profits to shareholders as one of its most important management policies, and has adopted a policy of maintaining an annual dividend payout ratio of approximately 30% of consolidated financial results.

The Board of Directors today approved an interim dividend of 80 yen per share for the fiscal year ending March 31, 2024, in line with the previous forecast, and the year-end dividend forecast is 100 yen per share, for an annual dividend of 180 yen per share, based on the above revised consolidated earnings forecast for the full fiscal year.

Please also refer to the separate "Notice of Difference between Forecast and Actual Results for the Second Quarter of the Fiscal Year Ending March 31, 2024, Revision of Full-Year Earnings Forecast, and Revision of Dividend Forecast" disclosed on October 31, 2023.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheet

(Million yen)

	Previous fiscal year (March 31, 2023)	Second quarter consolidated accounting period (September 30, 2023)
Assets		
Current assets		
Cash and deposits	30,314	34,480
Trade notes, accounts receivable, and contract assets	32,297	32,086
Securities	10,000	10,000
Inventories	13,382	13,763
Prepaid expenses	5,220	6,152
Derivatives	144	382
Other current assets	3,375	3,651
Allowance for doubtful accounts	(14)	(13)
Total current assets	94,718	100,501
Fixed assets		
Tangible fixed assets		
Vessels, net	165,140	167,080
Buildings, net	278	267
Land	397	397
Construction in progress	3,689	2,848
Other tangible fixed assets, net	215	241
Total tangible fixed assets	169,718	170,835
Intangible fixed assets	1,609	1,496
Investments and other assets		
Investment securities	4,420	4,942
Long-term loans receivable	10	10
Deferred tax assets	3,124	2,925
Retirement benefit asset	1,640	1,614
Other long-term assets	545	549
Total investments and other assets	9,739	10,040
Total fixed assets	181,066	182,370
Total assets	275,784	282,871

(Million yen)

	Previous fiscal year (March 31, 2023)	Second quarter consolidated accounting period (September 30, 2023)
Liabilities		
Current liabilities		
Trade notes and accounts payable	13,755	13,363
Short-term borrowings	19,685	20,010
Accounts payable – other	245	164
Accrued expenses	248	291
Income taxes payable	4,110	2,844
Contract liabilities	4,797	6,268
Provision for bonuses	758	758
Provision for bonuses for directors (and other officers)	59	10
Derivatives liabilities	785	757
Other current liabilities	5,587	5,888
Total current liabilities	50,031	50,354
Non-current liabilities		
Long-term borrowings	81,102	80,841
Deferred tax liabilities	631	700
Provision for special repairs	6,469	6,692
Retirement benefit liability	147	163
Other non-current liabilities	0	0
Total non-current liabilities	88,349	88,396
Total liabilities	138,379	138,750
Net assets		
Shareholders' equity		
Common stock	10,300	10,300
Capital surplus	17,181	17,181
Retained earnings	109,646	116,039
Treasury stock, at cost	(997)	(998)
Total shareholders' equity	136,129	142,522
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	1,770	2,131
Deferred gains (losses) on hedges	(401)	(262)
Foreign currency translation adjustment	(32)	(170)
Accumulated remeasurements of defined benefit plans	(62)	(100)
Total accumulated other comprehensive income	1,276	1,599
Total net assets	137,405	144,122
Total liabilities and net assets	275,784	282,871

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statements of Income (Consolidated Six months ended)

(Million yen)

	Previous consolidated Six months ended (April 1, 2022 to September 30, 2022)	Consolidated Six months ended (April 1, 2023 to September 30, 2023)
Revenues		
Shipping business revenue and other operating revenue	130,836	112,354
Operating expenses		
Shipping business expenses and other operating expenses	106,819	96,430
Gross profit	24,016	15,924
General and administrative expenses	3,343	3,730
Operating income	20,673	12,194
Non-operating income		
Interest income	5	7
Dividend income	126	155
Share of profit of entities accounted for using equity method	—	17
Foreign exchange gains	3,289	1,988
Other	618	158
Total non-operating income	4,038	2,325
Non-operating expenses		
Interest expenses	562	684
Equity in losses of affiliates	3	—
Other	17	8
Total non-operating expenses	583	692
Ordinary income	24,128	13,827
Extraordinary income		
Gain on sales of fixed assets	1	12
Gain on sales of investment securities	77	59
Total extraordinary income	78	71
Profit before income taxes	24,206	13,898
Income taxes	4,780	2,909
Profit	19,426	10,989
Profit attributable to owners of parent	19,426	10,989

Consolidated Comprehensive Income (Consolidated Three months ended)

(Million yen)

	Previous consolidated Six months ended (April 1, 2022 to September 30, 2022)	Consolidated Six months ended (April 1, 2023 to September 30, 2023)
Profit	19,426	10,989
Other comprehensive income		
Unrealized gains (losses) on securities	(333)	361
Deferred gains (losses) on hedges	(394)	139
Foreign currency translation adjustment	(53)	(193)
Remeasurements of defined benefit plans, net of tax	(6)	(38)
Share of other comprehensive income (loss) of entities accounted for using equity method	64	55
Total other comprehensive income (loss)	(721)	324
Comprehensive income:	18,705	11,313
Comprehensive income attributable to owners of parent	18,705	11,313

(3) Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated Six months ended (April 1, 2022 to September 30, 2022)	Consolidated Six months ended (April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	24,206	13,898
Depreciation and amortization	8,876	8,906
Increase (decrease) in allowance for doubtful accounts	6	(1)
Increase (decrease) in provision for bonuses	(8)	(0)
Increase (decrease) in provision for bonuses for directors (and other officers)	(54)	(50)
Increase (decrease) in provision for special repairs	351	139
Increase (decrease) in retirement benefit asset and retirement benefit liability	(52)	(12)
Interest and dividend income	(131)	(162)
Interest expenses	562	684
Foreign exchange losses (gains)	(1,425)	(923)
Share of loss (profit) of entities accounted for using equity method	3	(17)
Loss (gain) on sale of property, plant and equipment and intangible assets	(1)	(12)
Loss (gain) on sale of investment securities	(77)	(59)
Decrease (increase) in trade receivables	(9,011)	211
Decrease (increase) in inventories	(3,475)	(377)
Increase (decrease) in trade payables	2,683	(401)
Increase (decrease) in accounts payable - other	(19)	(5)
Other, net	3,328	961
Subtotal	25,763	22,779
Interest and dividends received	131	162
Interest paid	(546)	(677)
Income taxes paid	(5,032)	(4,091)
Net cash provided by (used in) operating activities	20,316	18,172
Cash flows from investing activities		
Purchase of vessels	(1,639)	(8,247)
Purchase of other fixed assets	(33)	(127)
Proceeds from sales of other fixed assets	1	16
Purchase of investment securities	(4)	(4)
Proceeds from sales and redemption of investment securities	172	139
Other, net	14	49
Net cash provided by (used in) investing activities	(1,489)	(8,175)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(70)
Proceeds from long-term borrowings	—	8,607
Repayments of long-term borrowings	(8,422)	(10,488)
Purchase of treasury stock	(1)	(1)
Dividends paid	(4,465)	(4,583)
Other, net	(173)	—
Net cash provided by (used in) financing activities	(13,061)	(6,535)
Effect of exchange rate change on cash and cash equivalents	1,155	754
Net increase (decrease) in cash and cash equivalents	6,922	4,216
Cash and cash equivalents at beginning of period	31,215	40,264
Cash and cash equivalents at end of period	38,137	44,480

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Notes in the Event of Significant Changes in Shareholders' Capital)

Not applicable

(Segment Information)

I Previous consolidated Six months ended (April 1, 2022 – September 30, 2022)

Information on the amounts of revenues, profit or loss, assets and other items by reportable segment, and information on disaggregation of revenue

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Carrying amounts on the quarterly consolidated financial statements (Note 3)
	International shipping business	Coastal shipping business	Total				
Revenues							
Revenues from contacts with customers	118,171	12,664	130,836	–	130,836	–	130,836
Sales to external customers	118,171	12,664	130,836	–	130,836	–	130,836
Intersegment sales or transfers	–	6	6	186	191	(191)	–
Total	118,171	12,670	130,841	186	131,027	(191)	130,836
Segment profit or loss	20,400	275	20,675	(4)	20,672	1	20,673

(Notes) 1. The "Others" segment includes information services and other services.

2. The adjustment of 1million yen for segment profit or loss is elimination of intersegment transactions.

3. Segment profit or loss is reconciled to operating income recorded in the quarterly consolidated statement of income.

II Consolidated Six months ended (April 1, 2023 – September 30, 2023)

Information on the amounts of revenues, profit or loss, assets and other items by reportable segment, and information on disaggregation of revenue

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustments (Note 2)	Carrying amounts on the consolidated financial statements (Note 3)
	International shipping business	Coastal shipping business	Total				
Revenues							
Revenues from contacts with customers	98,631	13,723	112,354	–	112,354	–	112,354
Sales to external customers	98,631	13,723	112,354	–	112,354	–	112,354
Intersegment sales or transfers	–	4	4	205	208	(208)	–
Total	98,631	13,727	112,358	205	112,562	(208)	112,354
Segment profit or loss	11,221	983	12,204	(12)	12,192	2	12,194

(Notes)1. The "Others" segment includes information services and other services.

2. The adjustment of 2 million yen for segment profit is elimination of intersegment transactions.

3. Segment profit is reconciled to operating income recorded in the consolidated statement of income.