



NS United  
REPORT  
2020

NS United REPORT 2020  
For the fiscal year ended March 31, 2020

F O R W A R D

2 0 3 0



## Contents

### Group Overview

- 2 ... 1. Basic Philosophy
- 4 ... 2. History
- 36 ... 3. Main Transport Services
- 38 ... 4. Statistical Profile of the NS United Kaiun Group

### Message from the Management

- 6 ... Message from the President

### Medium-Term Business Plan

- 10 ... FORWARD 2030

### Sustainable Growth and Value Creation Initiatives

- 14 ... 1. Stakeholders Supporting the NS United Kaiun Group
- 15 ... (1) With Our Employees
- 18 ... (2) With Our Shareholders and Investors
- 19 ... (3) With Our Customers and Suppliers
- 2. Safe Navigation
- 20 ... (1) Promoting Safe Navigation
- 21 ... (2) Securing Safe Navigation
- 3. Response to Environment
- 23 ... (1) NS United Kaiun Group Environmental Policy and Environmental Management System Organization Chart
- 24 ... (2) Results of Environmental Management Programs Implemented in FY 2019 and Goals of the Programs in FY 2020
- 26 ... (3) Reducing Environmental Impact
- 30 ... 4. Corporate Governance
- 34 ... 5. Directors, Audit & Supervisory Board Members and Executive Officers

### Business Activities That Provide Value

- 40 ... 1. Overview by Business Segment
- 42 ... 2. Financial and ESG Data Highlights
- 46 ... 3. Topics

### Financial Data

- 44 ... Consolidated Financial Statements (Summary)

### Corporate Data

- 47 ... Fleet List
- 48 ... Glossary
- 49 ... Company Outline  
Stock Information



## ● Editorial Policy

*NS United REPORT* is intended to provide all of our stakeholders with an understanding of how the NS United Kaiun Group has been achieving goals—for corporate profit and other considerations—using both financial and nonfinancial information, while supplying the marine transportation services that are the Group's primary business.

To clearly present the actions being taken to realize our sustainable growth, this report refers to Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation – For encouraging ESG Integration, Non-Financial Information Disclosure, and Investment in Intangibles (published by the Ministry of Economy, Trade and Industry in May 2017). The Group will hold proactive dialogues with stakeholders through this report and will strive to disclose corporate information in an easy-to-understand way into the future.



## ● Period Covered

April 1, 2019 through March 31, 2020

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

Fiscal years referred to in this report cover the period from April 1 to March 31.

Fiscal 2019 refers to the fiscal year ended March 31, 2020.

## ● Organizations Covered

The NS United Kaiun Group and related affiliates

## ● Other NS United Kaiun Publications

(1) Corporate Brochure (in English, Japanese and Chinese; printed only)

(2) Business Reports (in Japanese)

(3) Securities Report, Quarterly Securities Report (in Japanese)

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

In addition to the publications listed here, various other types of information are available on the NS United Kaiun website.

<http://www.nsuship.co.jp/en/>

## ● Status of Compliance with Environmental Regulations

We have had no violations of environmental laws, regulations, or other rules that involve guidance, warnings, orders, or punishment by regulatory authorities during the year under review.

## ● 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 available at the time. Please note that these assumptions and projections may be affected by 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 opinion so that we can 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: [general-affairs@nsuship.co.jp](mailto:general-affairs@nsuship.co.jp)



## Basic Philosophy

The NS United Kaiun Group will contribute to the development of society by providing

Based on our unwavering basic philosophy, we place management emphasis on tackling ESG initiatives, refine our U brand

Management Philosophy	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.	E Environmental Protection
	Response to Customers and Reform	Vigorously pursue further progress through reform while effectively responding to customer needs.	S Contributing to a Sustainable Society
	Nurture and Mobilize Employee Abilities	Nurture employees and mobilize their abilities to develop a dynamic group that employees can take pride in.	
	Credibility and Reliability	Increase the corporate value of the Group as a whole by practicing sound management that is credible and reliable.	G Corporate Governance

### What is ESG?

ESG is short for environment, social and governance. The idea that these three perspectives are necessary for long-term corporate growth has become widespread throughout the world.

### What are SDGs?

SDGs, or Sustainable Development Goals, were developed as successors to the MDGs, or Millennium Development Goals, formulated by the UN in 2001. SDGs are international development goals for the years from 2016 to 2030 indicated in the 2030 Agenda for Sustainable Development, adopted at a UN summit in September 2015.

trusted and high-quality marine transportation services

to offer even greater security and trust and increase our corporate value

NS United Kaiun Group ESG Activities		Related SDGs
Reducing Environmental Impact (pp. 26-29)	<ul style="list-style-type: none"> <li>◎ Initiatives to mitigate global warming</li> <li>◎ Initiatives to prevent air pollution</li> <li>◎ Preventing ocean pollution and protecting marine resources</li> <li>◎ Promotion of resource recycling</li> <li>Responding to other environment issue</li> </ul>	      
Ensuring Safe Navigation (pp. 21-22)	<ul style="list-style-type: none"> <li>◎ Utilizing data and digital technologies</li> <li>◎ Enhancing safety management system</li> <li>Safety and Environmental Committee activities</li> <li>Vessel inspections</li> <li>Safety campaigns, Emergency response drills</li> </ul>	      
Relationships with Customers and Suppliers (p. 19)	<ul style="list-style-type: none"> <li>Ensuring safety and quality in shipping services</li> </ul>	
Relationships with Employees (pp. 15-17)	<ul style="list-style-type: none"> <li>◎ Securing and developing diverse human resources</li> <li>Employee health and safety</li> <li>Creation of positive working environments</li> <li>Training system</li> </ul>	
Corporate Governance (p. 18, pp. 30-35)	<ul style="list-style-type: none"> <li>◎ Corporate governance</li> <li>◎ Risk management</li> <li>◎ Internal controls and compliance</li> <li>◎ Dialogue with stakeholders and information disclosure</li> </ul>	 

Items marked with a ◎ symbol are themes for the key strategies in FORWARD 2030, our medium-term business plan (see page 12).



## NS United Kaiun Kaisha, Ltd. celebrates the 10th anniversary of the merger

In 2020, NS United Kaiun Kaisha, Ltd. celebrates the 10th anniversary of being formed through the merger of Shinwa Kaiun Kaisha, Ltd. and Nippon Steel Shipping Co., Ltd. Over the next ten years, we will strive for further success, improve our corporate value and contribute to the realization of a sustainable society, by implementing ESG management.



Valemax, the world's largest iron ore carrier

*NSU CARAJAS*, an iron ore carrier delivered last year, is not only the world's largest dry bulk carrier, it crystallizes new technologies for saving energy and reduces our environmental impact. This ship symbolizes the strategic development of our fleet.



*UTASHIMA*, Japan's first hybrid coastal cargo carrier with a lithium ion battery-driven propulsion system

*UTASHIMA* is Japan's first coastal cargo carrier with a lithium ion battery-driven hybrid propulsion system. It represents our position as an environmentally advanced company and comprehensive strengths. The plug mark in the photo indicates that this ship is a Shore-Connect Hybrid Vessel (S.H.V).



### Shinwa Kaiun Kaisha, Ltd.

Apr. 1950

Established as 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.) Inc

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.



### Nippon Steel Shipping Co., Ltd.

Jan. 1957

Established as 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



NS United Coastal Tanker Kaisha, Ltd. has the top share in the coastal LNG carrier market

NS United Coastal Tanker Kaisha, Ltd., commanding the top market share, is a LNG transportation pioneer striving for a highly efficient and safe shipment with one of the largest fleets in the industry.

## The next ten years

May 2020

Medium-term business plan

### FORWARD 2030

~ Driving **U** forward over the next decade ~

May 2017

Medium-term business plan

### NSU 2021

~ Next Stage after United for 2021 ~

Aug. 2015

NS United Naiko Kaiun Kaisha, Ltd. became a wholly owned subsidiary for further increasing the corporate value of the NS United Kaiun Group

May 2014

Medium-term business plan

### Unite & Full-Ahead! II

Start for Further Development

May 2011

Medium-term business plan

### Unite & Full-Ahead!

Aiming for New Value Creation

Jul. 2004

Opened a liaison office in Shanghai

Apr. 2007

Established Shinwa (Singapore) Pte. Ltd.

Nov. 2003

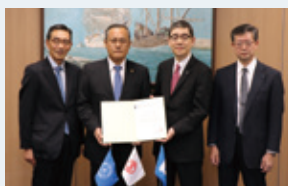
Concluded a business alliance contract with Hsin Chien Marine Co., Ltd. in Taiwan

Apr. 2008

Opened a liaison office in Manila



Elementary school students having our ship tour



Obtained Approval in Principle (AIP) for the design of bulk carrier powered by LNG fuel.



NSU QUEST received "Best Quality Ship Award 2019"

## Message from the President



Looking back over the past two or three years, the globalization that occurred after the Cold War, relationships with a rapidly rising China, as well as trade friction between the US and China resulting from those relationships, had a tremendous impact on the global economy, including the overhauling of supply chains. During the second half of last year, it seemed that a sense of crisis over slowing growth would restore some order to the relationship between the US and China. Japan, as well, transitioned from the Heisei to Reiwa eras, so that I looked forward to the coming era with hope.

Recently, the spread of COVID-19 has caused sweeping changes that have completely transformed the global economy, social life, and peoples' daily lives. We had almost forgotten about infectious diseases, but we learned again that the world has a history of epidemics and pandemics. I recalled the disinfection of my house when I was a child and the vaccines I received. I now recall that the protagonist of the film *The Godfather* was also quarantined when he immigrated into the US. The most important thing is the health of our employees and all other people, which is the starting point for everything that is to come.

For a shipping company, the greatest challenge of infectious diseases is how to perform crew changes while ensuring the health of the crewmembers. Why have some crewmembers been left at sea? The London-based magazine *The Economist* criticized this as "public indifference" and called for the world to offer greater support to seamen. That is a stance required of a nation that is a shipping giant. People generally travel by air, while goods are mostly transported by sea. We do our very best every day to carry out our duties as a shipping company.

Until, at the least, when vaccines become common, all countries are working to restart economic activity and gradually work toward a recovery while maintaining a balance with the spread of COVID-19. Stopping the movement of people has had a tremendous impact not only on the tourism, food service, and airline industries, but also on manufacturing, including the automotive and steel industries. The pandemic has also had a massive impact on the shipping industry, which is closely tied to people's lives and these industries. Without the demand for materials and products, ships will stop, operating efficiency will fall, and additional expenses will arise. Currently, our entire company is working as one to minimize this impact. We also need to look beyond the immediate future and see how the world will change after COVID-19. We will rapidly consider the response we need to take and then put that into action.



Q

## How did the Company perform in fiscal year 2019, and how would you describe the operating environment?

A

During this fiscal year, both revenues and income fell compared with the previous fiscal year. Compared with our previous medium-term business plan, we were also unable to achieve our targets. We expanded our revenue base by developing our fleet by replacing vessels with more advanced and larger ones. The shipping market also gradually improved after bottoming out in 2016. However, our vessel operation rates fell due to intensive SOx scrubber installation work performed as part of our environmental response during this fiscal year, and a sudden fall in crude oil prices resulted in an evaluation loss on fuel oil at the end of the fiscal year. These were the primary factors that put downward pressure on our revenue.

Fortunately, our scrubber installation work progressed smoothly. (Scrubbers were installed on 36 vessels: 20 existing and 16 new.) We also had no major operational issues. We plan to continue with our environmental response and to achieve more economic efficiency.

Q

## What are your thoughts on the decade since the merger?

A

This year marks the tenth anniversary of the merger between Shinwa Kaiun Kaisha and Nippon Steel Shipping. Over the decade, we undertook these initiatives:

- (1) Improved our balance sheet immediately after the merger
- (2) Revised our business portfolio and shifted from bulk plus liquid to bulk carriers
- (3) Grew stable business of the steel raw material and steel product shipping with steel companies and resource companies around the world, including Nippon Steel Corporation
- (4) Developed a fleet primarily of vessels with superior environmental performance for both coastal and international shipping and large vessels

Typical examples are *NSU CARAJAS* (Valemax), the world's largest 400,000 dwt iron ore carrier, and *Utashima*, Japan's first hybrid coastal cargo carrier with a lithium-ion battery system.

Looking at our current positioning, our business is structured as a "one-stop shop" with steel raw materials, steel products, and energy resources as our main business domains, providing integrated coastal and international services with a focus on bulk carriers for everything from large international to small coastal vessels. We also have a long history as an LNG shipping pioneer in coastal shipping. We are balanced between being an industrial carrier and a common carrier,

and as an owner and operator, the members of our marine and sales departments work together to produce a synergy, making us a unique mid-sized shipping company.

We have faced difficult times in the past, including an appreciating yen and slow markets, but we have grown our revenue base and raised our dividend payout ratio to 30%. As a result, we were able to resume interim dividend payments. After ten years, I feel that we have leveraged the strengths the two companies possessed before the merger and have slowly established our newly created U brand.

Q

## Could you discuss the formulation of FORWARD 2030, the new medium-term business plan?

A

The aim of the medium-term business plan is "Driving U forward over the next decade," so we named it FORWARD 2030. There are two key concepts here. The first is "U," the U brand that will serve as the source of our corporate value. The second is "next decade," our long-term perspective taking in the next ten years.

Based on our unwavering basic philosophy of "contributing to the development of society by providing trusted and high-quality marine transportation services," we will maintain a strong foundation of tackling ESG initiatives, while refining our U brand to offer even greater sense of security and trust and then using the brand to create corporate value. These activities will also help develop our corporate and organizational culture. These are long-term, rather than short-term, initiatives.

Looking forward to the next ten years, these are what I believe will be our key issues:

- (1) Changes in the business environment surrounding the shipping industry will be massive, the kind that only happen once in a few decades. If we cannot keep up with these changes, will we be forced to drop out?
- (2) We are doing fine now, but can we continue to operate in the same way? What will our company be like ten years from now?
- (3) We have been focused on the "hardware" aspects of our fleets, but are our "software" aspects, such as support personnel and technologies, good enough?

These are all dynamic issues, so I believe there is a sense of crisis that if we are not careful, we will find ourselves in an irreversible situation.

## Message from the President

Q

**What do you think the business environment and our priority issues (materiality) will be like over the next ten years?**

A

We must respond to dynamic business conditions, such as the acceleration in the world movement toward global warming countermeasures, technological innovation involving shipping, market trends, and our competitive environment.

The first example of this dynamism is the relationship between the environment and shipping. Shipping is a conventional industry, and shipbuilding is entering an age of innovation that comes only once in a few decades. The global environment, climate change, and CO<sub>2</sub> reduction initiatives are finally being seriously implemented, and now is the time for leveraging digital technology. We cannot allow ourselves to be left behind.

These factors will dramatically change the current shipping and shipbuilding industries. Customer demands and selecting a shipping company will become even more challenging due to these initiatives. To put it plainly, vessels today burn oil and emit CO<sub>2</sub> using analog technologies. Navigation depends on the skills of crewmembers, and vessels are essentially undifferentiated commodities. How will that change?

The second example of dynamism is the market, and that is effectively our customers. Looking at the market, it is unfortunately clear that Japan's presence in the world is slipping, especially in manufacturing industries such as steel. Cargo shipment volume to and from Japan is forecast to fall. In the Japanese market, which we have benefited from for many years, competition will become even fiercer. We must improve our own competitive strengths, turn our eyes again toward overseas markets and the requirements of a low-carbon society—both expected to grow—and closely watch trends in the steel and energy resource industries.

Recently these issues, which once seemed so distant, have moved much closer, and with issues such as the COVID-19 pandemic, market changes seem like they are accelerating. These changes include the impact on our core businesses of growing Chinese assertiveness and the growing competition that brings, as well as the impact on shipping volume due to the decentralization of the global economy and the rise of the consumption of locally produced products.

Given the above-mentioned business environment, we will continue to act based on our firm basic philosophy and work to become a sustainable company that is both profitable and socially responsible, as the Company's ideal state in 2030. We have defined six types of materiality as priority issues: safe navigation, environmental preservation, customer satisfaction, technological innovation, human resources, and corporate governance, which we must work on or otherwise we will be forced to drop out. Some of these are included in our management philosophy.

These are broad groupings of specific issues that have been deliberated on in worksite reviews, workplace-risk mapping, and questionnaires. I have also experienced close calls in this short two-year period. These include problems at a loading port in Western Australia, a complaint from a customer regarding our environmental and safety awareness, the loss of commercial business rights, and marine accidents.

There are many types of risk. Some must be prevented no matter what, while others are impossible to eliminate completely, though they must be minimized. Depending on the approach taken, there are some risks that can be turned into opportunities.

Failing to properly address these six types of materiality amid our changing business environment would produce tremendous risks. At the same time, these issues could become major opportunities. It is important to be diligent when working on them. We have thought about how we can do that, and our concrete conclusion is that we must focus not only on the "hardware" but on the "software" aspects as well, such as support personnel and technologies. These are themselves ESG initiatives. We are now persuading every employee of the need to tackle ESG issues, so that they think about them in their own daily operations and gain a deeper understanding of ESG.

Q

**What are the key strategies of the medium-term business plan?**

A

The details of individual key strategies can be found either in this report or on our website. Over the next ten years, we will further promote ESG initiatives, refine the U brand that we have developed to offer even more sense of security and trust and we hope to earn recognition from all of our stakeholders.

Touching on our U brand, one of its elements is environmental technology. For reducing CO<sub>2</sub> emissions, the Company has set a target of a 20% reduction in emissions per transported unit compared with 2019 by 2030, based on IMO movements. We plan to promote the introduction of IT and advanced digital technology for navigation and engage in open research on the introduction of LNG-fueled vessels and next-generation vessels powered by new types of fuel.

As a company in the shipping industry, I also think that collaborations with specialists, shipbuilders, and customers and using the connections for our own shipbuilding is inspiring and exciting. We plan to have deck personnel (officers), engine personnel (engineers), and sales staff collaborate by forming a new group and taking the next step forward, so that we can show our true abilities as both owner and operator.

Another element of our brand is human resources. In response to the COVID-19 pandemic, there have been discussions to promote proactive workstyle reforms and changes in workplace environments, and I am all for them. We must open-mindedly look at why productivity

improvements have made so little progress. Shipping companies depend on the hard work of every crewmember, and we must renew our realization of the importance of higher employee commitment, as this drives personal growth and fulfillment and contributes to the development of the Company and society as a whole.

Until now, shipping has been a market where vessels have been commoditized. Going forward, there will be greater selectivity as well. I believe if shipping is seen as a commodity, some degree of brand value is also essential. The goal—and this is the most important consideration—is to increase our corporate value and contribute to the realization of a sustainable society through the U brand. This is something that cannot be easily achieved. Instead, it will require meticulous attention from all employees. Ultimately, we will create a more sustainable business structure to establish a more resilient financial and management foundation by (1) deepening our stable core business, (2) taking on future growth fields, responding to the needs of a low carbon society, such as the demand for biomass fuel, and (3) being resilient in the face of market risks and other risks.

Through this cycle, we will move a step closer to becoming a company that is both profitable and socially responsible. This is how we will implement enterprise risk management (ERM) and work on the ESG issues at its core. The road will be long, and we may have to adjust our course toward our goals. Within the Company, we plan to establish a new steering committee for the medium-term business plan to review and revise the plan as necessary and follow up on progress.

Q

What is your message to stakeholders?

A

In financial terms, we will conduct business management with an emphasis on capital efficiency, aiming to achieve our medium-term business plan targets of consolidated operating income of 10 billion yen or more, ROE of 10% or more, and a net debt equity ratio of 1.0 or less. In this way, we will build an even stronger management foundation so that we can continue to provide stable dividends and meet the expectations of all shareholders and other stakeholders.

Finally, I would like to touch on financial targets and our stock price. Stock prices are affected by numerous factors around the world. Our Price Book-Value Ratio (PBR) as of March 31, 2020 was 0.36. Breaking the PBR down into Return on Equity (ROE) and Price Earnings Ratio (PER), our ROE was 6.6% and PER was 5.5. Both figures are low compared with the global average, though this is due in part to the nature of the shipping industry. What do these figures mean, and how can we improve them?

ROE is the product of Return on Sales (ROS), total asset turnover,

and financial leverage. The volume that vessels can ship is limited, and even if we strive to operate vessels more efficiently, there is a limit to how much we can improve total asset turnover. In the shipping industry, great care must be taken with financial leverage. Therefore, to improve ROE, it is essential to work steadily to increase operating income and improve ROS. For that reason, the medium-term business plan sets an operating income target of 10 billion yen.

Next, PER reflects how the market sees the future of the shipping industry and the Company. We plan to steadily demonstrate our corporate vision for the future, which is why we formulated this medium-term business plan. Above all else, it is important that we achieve this plan's targets. We will work toward becoming an appealing company that is both profitable and socially responsible, earning the trust and recognition of the market. We ask for the ongoing support of all our stakeholders.

Changing topics slightly, from this year, textbooks for fifth grade social studies classes have been revised; they now have some content on shipping and shipbuilding as part of a marine education. We are very pleased that more and more people, both children and adults, are becoming increasingly interested in the seas. This makes our job of supporting peoples' lives even more satisfying.

In the latest annual employee questionnaire, many employees responded that our company is one they are proud to be a part of. With this thought in mind, as well as shared ideas, every member of our company is working diligently under the U brand to meet the expectations of our stakeholders. Together with them, I also promise to give this my best effort.



Kazuo Tanimizu

President and Representative Director  
NS United Kaiun Kaisha, Ltd.

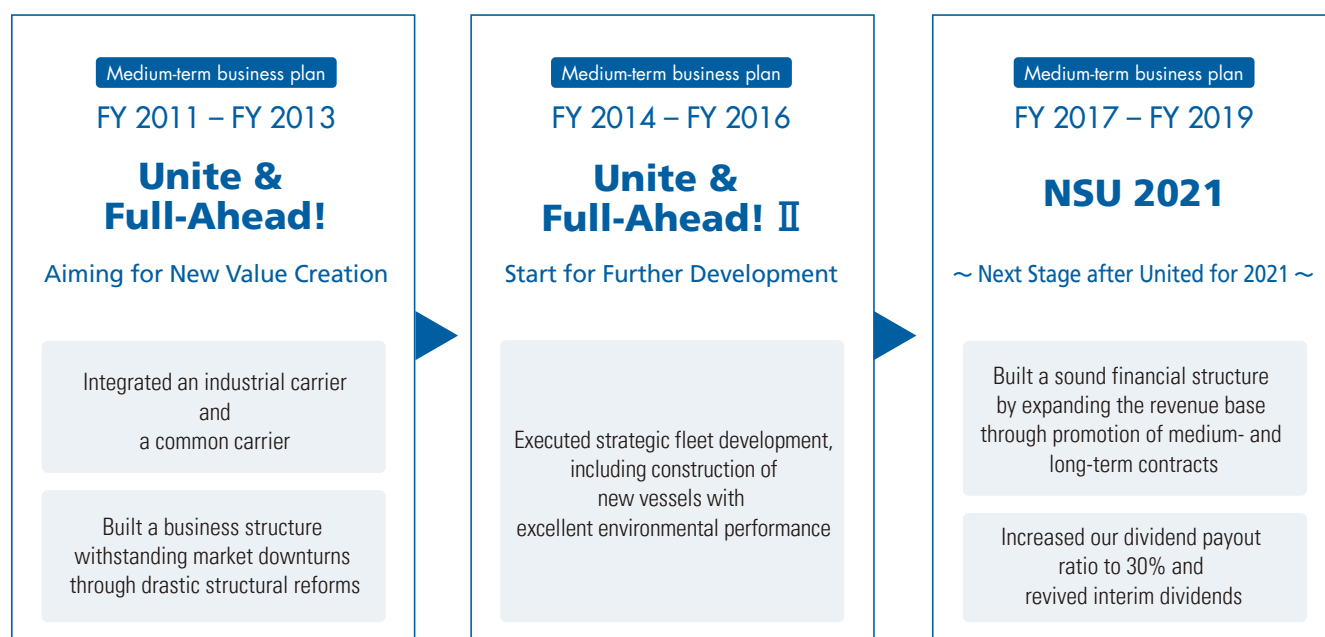
# FORWARD 2030

Driving  forward over the next decade

2020 marks the 10th anniversary of the merger that formed NS United Kaiun Kaisha, Ltd. Following the achievement of "NSU2021 ~ Next Stage after United for 2021 ~", the previous Medium-Term Business Plan, we have established our new Medium-Term Business Plan, FORWARD 2030, which is centered on ESG initiatives, to achieve further progress for the next decade based on our group corporate philosophy of contributing to the development of society by providing sincere and high-quality marine transportation services. We will continue to enhance our corporate value and contribute to the realization of a sustainable society through implementation of ESG management.



## Past Medium-Term Business Plans



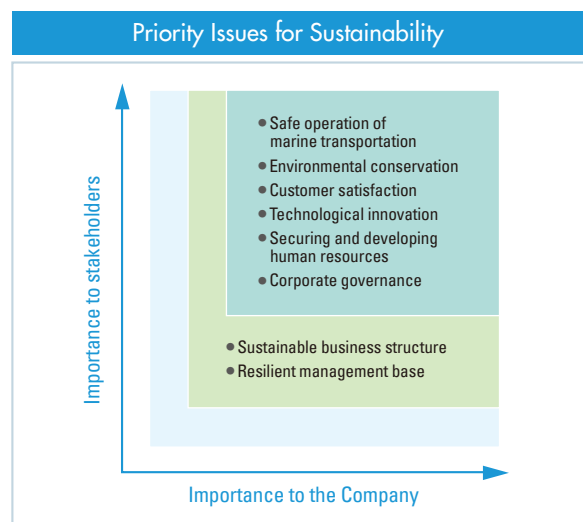


## Priority Issues for Sustainability to Be Addressed (Materiality)

Looking ahead to 2030, we expect changes in the business environment, such as increasing momentum toward a sustainable society, including controlling climate change and promoting resource recycling and accelerating technological progress, including digitalization. As in other industries as well, in the shipping industry technologies such as those related to digitization are also expected to grow at a tremendous rate. We recognize that in order to respond to these changes, we are positioning “ESG initiatives” as “the supporting base of business continuity.” Based on this recognition, we have identified the following key strategies (materiality) for sustainability that we must commit to going forward: safe operation of marine transportation, environmental conservation, customer satisfaction, technological innovation, securing and developing human resources and corporate governance.

Although marine shipments of iron ore to Japan and China will peak in the mid-2020s, they will gradually increase globally until 2030 due to increasing demand in the emerging economies. And seaborne trade of food and energy will increase due to increasing populations and rising standards of living in emerging economies. According to this situation, we must adapt our business structure to address these changes.

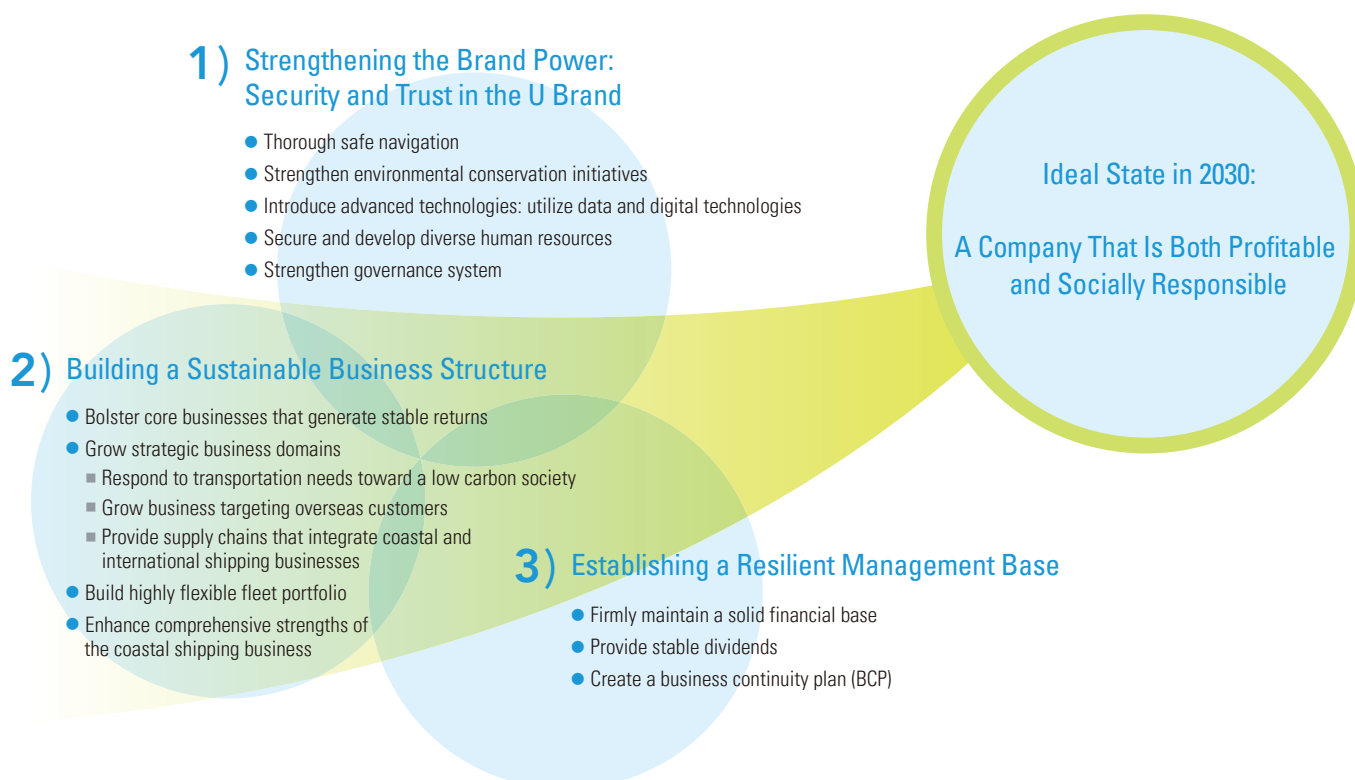
The impact of the spread of COVID-19 on the global economy is another important factor that overlaps with these long-term trends, and we must consider its impact with caution.



## Key Strategies for the Medium-Term Business Plan (FY 2020-2023)

Amid this business environment, we have set our vision for 2030 as “a company that is both profitable and socially responsible.” To this end, we have identified three major initiatives in our key strategies for 2030

to address materiality mentioned above: “Strengthening the Brand Power,” Building a Sustainable Business Structure” and “Establishing a Resilient Management Base”



Key Strategy ① Strengthening the Brand Power: Security and Trust of U Brand

The first key strategy is **strengthening the security and trust in the U brand**. Since our merger, we have built this brand as a symbol of peace of mind and reliability in the services and the quality that we provide to our customers. Placing our major initiatives within the ESG framework, examples of environmental conservation, the introduction of LNG-fueled vessels and considering next-generation vessels powered by new type of fuel, as well as initiatives to reduce CO<sub>2</sub> emissions. Examples of social initiatives (contribution to a sustainable society) include through safe navigation, introduction of digitization and other related advanced technologies, and incorporating sophisticated IT into

navigation, as well as securing and develop diverse human resources. We will carry out a wide range of measures aimed at achieving these initiatives and targets. Examples of governance initiatives include improving the effectiveness of the Board of Directors, by adding independent directors, and increasing our sustainability ratings by third-party institutions.

Environmental Conservation  
(Environment)

3 GOOD HEALTH AND WELL-BEING

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

- Initiatives to mitigate global warming
- Initiatives to prevent air pollution
- Preventing ocean pollution and protecting marine resources
- Promotion of resource recycling

Contribution to a Sustainable Society  
(Social)

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

14 LIFE BELOW WATER

- Utilizing data and digital technologies
- Securing and developing diverse human resources
- Enhancing safety management system

Corporate Governance  
(Governance)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

- Corporate governance
- Risk management
- Internal controls and compliance
- Dialogue with stakeholders and information disclosure

Key Strategy ② Building a Sustainable Business Structure

Our second key strategy is linking the U brand to our corporate value. We will bolster core businesses that generate stable returns and **build a sustainable business structure** by simultaneously improving profitability and social value, based on the following three pillars: a stable revenue base; growth fields that we expect will become future revenue sources; and resilience to risk.

Stability

First, we will enhance transport contracts with domestic and overseas customers, including Nippon Steel Corporation, which is a world-class dry bulk shipper, by leveraging specializations to offer services that meet customer needs. Also, we will assume a responsible position for the marine transport infrastructure for steel manufacturers across the world.

Growth

Also, responding to transportation needs toward the creation of a low carbon society, we will promote the expansion of our overseas business, including into the Indian Ocean, Southeast Asia, and the Atlantic Ocean. As well, we will double our biomass fuel transportation business and provide an integrated supply chain through coastal and international services.

Resilience

So far, we had already strengthened our resilience to market downturns in the face of a prolonged slump in the shipping market, by such means as restructuring, including repeatedly downsizing our fleet and cancelling charters, and by building a portfolio of stable shipping contracts over the medium to long term. However, we are currently facing a rapid change in the business environment due to the deceleration of shipping resulting from the spread of COVID-19. We will take advantage of our experience to carry out effective, well-targeted restructuring in our medium-term business plan in order to build a highly flexible fleet portfolio.

Number One Comprehensive Strength in Coastal Shipping

At the same time, the coastal shipping division of our group has the largest fleet tonnage and the leading market share in the industry as a pioneer in coastal LNG carrier. Having reached a major milestone after interim measures aimed at curbing excessive competition, the division will now strive to maintain and improve profitability through initiatives to adapt to these changes in the business environment. As an advanced environmental company, last year the coastal division also launched UTASHIMA, Japan's first hybrid ship powered by lithium-ion batteries. The Japan Society of Naval Architects and Ocean Engineers awarded UTASHIMA with Ship of the Year 2019 in the small cargo ship category. We will continue to strive to be the number one coastal shipper based on our comprehensive strengths for the service and quality demanded by our customers, and through initiatives that include environmental protection and advanced technology.

12 NS United REPORT 2020

## Key Strategy ③ Establishing a Resilient Management Base

Our third key strategy is **establishing a resilient management base**. Considering the current spread of COVID-19, we will do our best to further strengthen risk management to prepare for unforeseen events, and we will continue to improve our business continuity plan (BCP). We will also strive to be attractive to our shareholders and other stakeholders as a business enterprise, both by maintaining a strong balance sheet through management focused on capital efficiency and by continuing to pay stable dividends.

Our financial targets for fiscal year 2023, the final year of our medium-term business plan, FORWARD 2030, are consolidated operating income exceeding 10 billion yen, ROE exceeding 10%, and Net DER 1.0 or less. Although we currently face challenges due to the spread of COVID-19, we will strive to achieve our financial targets over the next four years by executing our medium-term business plan.

Financial Targets	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2023 Target	
Operating income (Billion yen)	7.4	8.9	7.0	exceed 10 billion yen	➔
Return on equity (ROE) (%)	8.4	11.0	6.6	exceed 10%	
Net debt equity ratio	1.22	0.98	1.29	1.0 time or less	
					Strong Balance Sheet
					Stable dividends (aiming at over 30% for the dividend payout ratio)

## Future Investment Plans

When making investment decisions during FORWARD 2030, we ascertain ESG-related risks and opportunities and evaluate a return on investment and social aspect. Specifically, we envision fleet maintenance that will focus on advanced environmental technologies, such as vessels powered by LNG and LPG, coastal LNG carriers and coastal hybrid ships; investments in upgrades to existing vessels; investments in strategic businesses, including establishing a P/E ratio

for overseas business development and businesses related to renewable energy, etc. and investments in software and systems, including optimal marine navigation systems, ship-to-shore communications equipment, condition-based ship management systems for damage prevention, crew training facilities, personal and work operation systems and digitization equipment, which has again showed its effectiveness amid the spread of COVID-19.

## Initiatives to Create a Sustainable Society in Partnership with Our Customers

As reported under Environmental Targets (Reduction of CO<sub>2</sub> Emissions) (page 27), we intend not only to meet our environmental targets, but also to meet the needs of customers who are focused on environmental conservation. We ship iron ore, a material that we have a strong connection with. Iron is ultra-recyclable; the quality does not deteriorate no matter how many times it is recycled. One of our challenges is to

reduce our carbon footprint when transporting raw materials and products in order to firmly establish the superiority of iron throughout its lifecycle. It is our mission to meet the needs of our diverse customers, and we will actively contribute to other customer initiatives as well.



# 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, government offices, calling/passing port states and local communities.





# With Our Employees

## Basic Employment Policy

We have a fundamental assumption that our 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 solely on the abilities and aptitude of each person, and the growth of employees is fostered by the Company's training system.

We have introduced a retirement age of 60. We have also established a reemployment program so employees who have reached the age of 60 can be rehired under one-year employment contracts; contracts can be renewed until employees are 65 years old. We will continue to consider this program in response to social demand.

Concerning our non-Japanese crews, we strive to improve retention rates on vessels managed by the Group by increasing the types of training available to officers and ratings, 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.

## Work-Life Balance

Through recent workstyle reforms and the diversification of workstyles, we are now cultivating a corporate culture where employees can maximize their potential and their individuality. We strive to further improve productivity and create positive workplaces. Specific examples include maternity protection, including both maternity leave and maternity pay, as well as childcare support, such as childcare leave, and reduced working hours. We are also offering nursing care leave and reduced working hours for employees providing nursing care. Through these programs that beyond what are required by law, we are creating working environments that are conducive to long-term employment, regardless of age or gender.

We have decided to introduce a flex-time system from August 2020, and, with the cooperation of shore unions, are listening to feedback from employees regarding the implementation.

We have been allowing employees to work from home since early March 2020. Although this emergency measure is originally meant to prevent the spread of COVID-19 and ensure the safety of our employees, we have introduced this as a permanent system in October.

We place high importance on enabling employees to maintain a good balance between work and home and to lead satisfying lives. For example, we have designated every Wednesday as a "no overtime day." We also allow employees who meet certain conditions, such as years of continuous service and age, to take sabbaticals for self-improvement, and we provide subsidies for the sabbaticals. Further, we thoroughly ask everyone within the Company to use their paid leave. In fiscal 2019, all employees meeting the criteria of the Revised Labor Standards Act, which was revised in conjunction with the workstyle reform bill, took the mandated minimum five days of annual leave.

The Company provides dormitories for single employees (two locations in the Tokyo area), company housing, an employee savings system, a supplementary housing loan system, and various other welfare and benefit programs, in addition to helping fund for employee

cultural groups that engage in cultural activities (including sports). In April 2008, the Company also introduced lump sum childrearing support payments.

## Personnel System

In fiscal year 2001, the Company introduced a personnel system for promotions and advancement based on an assessment of the individual's abilities, motivation, and performance. Since its introduction, the Company has fine-tuned the system based on the opinions of employees. This system has the primary aim of making certain that every individual works at his or her level of competence, and to help them develop his or her abilities, while ensuring fair treatment.

## Employee Health and Safety

All the shore-based employees of the NS United Kaiun Group receive annual health checkups, and the Company pays for 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. The programs provided also include health guidance for preventing metabolic syndrome and other lifestyle-related diseases, preventive health education on infections, mental health checkups, and seminars on mental health. Mandatory pre-embarkation health checkups are provided for crewmembers before boarding. They are also given guidance of periodic health checks while on board.

The global spread of COVID-19 has also caused difficulties switching out crewmembers. Stricter entry restrictions by individual countries as protection measures at ports and airports, together with flight cancellations and reductions by airlines, have increased the number of ports where crew changes are no longer possible. At ports where crewmembers can be changed, we are taking specific steps, such as having crewmembers self-quarantine for a period of time before boarding, tracking crewmembers' health, and having crewmembers undergo PCR testing to reduce the risk of bringing the COVID-19 virus onboard. When it is not possible to change crews at ports of call, ships are diverted to ports where crew changes are possible and crewmembers are switched there to avoid being at sea for long periods.

## Creation of Positive Working Environments

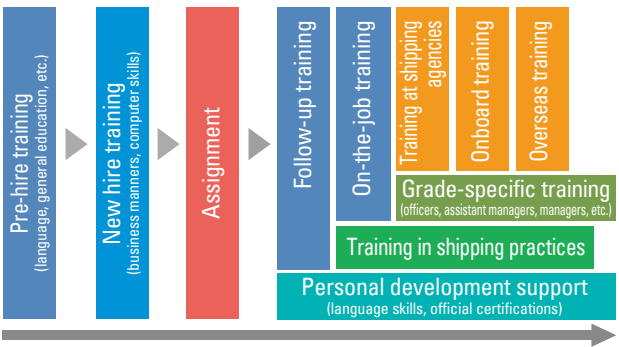
The percentage of women that make up our workforce is gradually rising. While there are no women in executive positions, over the past three years women have made up 40% of all new graduate hires for the main career track. Considering the significant life events that can place a heavy burden on women, we believe that creating a workplace environment favorable to ongoing employment is an important task. We are undertaking this task by using a variety of effective means such as IT-based approaches to improve operational efficiency and information sharing.

## With Our Employees

### Personnel Development

We intend to contribute to the development of society by providing trusted and high-quality marine transportation services. To do this, we have identified nurturing and mobilizing employee abilities as one element of our management philosophy. Specifically, we provide training tailored to the rank and the requirements of employees so that all of them can become a professional in the field of international shipping. On-the-job training (OJT) is at the core of this system which includes training for new employees, training in shipping practices, training at shipping agencies, onboard training, overseas training, and grade-specific and job-specific education.

#### Training system



- Training in shipping practices 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. Mid-career employees serve as instructors for internal education programs for employees learning about business practices, and we

focus on providing trainees with practical skills, giving concrete examples.

- In the onboard training program, shore-based employees (second year or later) plan and execute two to four weeks of work on one of the vessels under the Company's operation. This training focuses on increasing the trainees' understanding of ships and their awareness of the importance of communication between shore and sea and safe navigation.
- In the overseas training program, shore-based employees in roughly their fifth year or later are sent for one year or so to the Company's overseas subsidiaries to improve their language skills, their negotiating skills in a global environment, and their understanding of other cultures, with the aim of shaping them into future global leaders.
- The grade-specific training includes basic MBA training provided inhouse for assistant managers and managers. There are six educational themes: leadership, management strategy, critical thinking, marketing, accounting, and finance. The goal of this training is to develop future business leaders.

After joining the Company, crewmembers work at sea for three to four years and then cycle between shore and sea work in intervals of roughly three to five years. Through these transfers, they gather experience as seamen and for shore-based operations management, developing as independent officers with broad perspectives.

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

### An example of workstyle diversity



Ayuna Shigezumi

Finance and Accounting Group,  
Voyage Accounting Team

I was a member of the Tramp Chartering Group, Ocean-going Tramp Team. First until taking my first period of maternity leave. I was primarily responsible for operations of vessels carrying steel products. I gave birth to my daughter in June 2015 and returned to work in April 2016, becoming a member of the Finance and Accounting Group, Voyage Accounting Team, where I used the reduced working hour system. Then, in May 2018, I gave birth to my son, returning to work in April 2019 and continuing to use that system.

When I came back from my first period of childcare leave, I was assigned to the same section where I had worked when I first joined the Company. Since many years had passed, I struggled with the accounting operations, sometimes having to suddenly take time off due to health issues involving my daughter. I was unable to work like I had before giving birth and was not sure what to do, but my superiors and the other people on my team supported me. Thanks to them, I made it through that rough patch. When I returned to work, my superiors and colleagues welcomed me back, impressing on me again what a warm culture the Company has.

A year has passed since coming back to work after the birth of my second child. We now have staggered work hours and flex-time, making the working environment even more positive. Because of the COVID-19 pandemic in

2020, I found myself in a totally new work situation, raising my children while working from home. However, thanks to staggered work hours, the impact on my family has been minimal. I am currently using the flex-time system, coming home earlier to have more time with my family. One of the great things about the Company is that not only does it have these systems, but the Company's culture actively encourages us to use them. I will continue to maintain a good work-life balance while contributing to the Company's business through my day-to-day work.

## Training System

### Onboard Training



Naoki Nimura

Capesize Group,  
Capesize Team,  
Second (at the time)

Onboard Training May 4 to 23, 2019

UNITED CROWN 181,381 DWT  
(V38 Jingtang to Port Hedland, iron ore)

Other inspections and visits

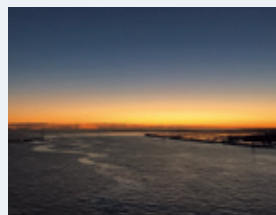
Visit to Wilhelmsen Ships Service on May 23;  
Visit to Almanac Singapore on May 27

The ultramarine color of the open sea. The expansive sky, stretching from horizon to horizon. Countless stars twinkling overhead at night. I was deeply moved by my experiences with nature, experiences I could never have while in the office. As our ship navigated a steady course, I was in awe of the size of the world and keenly felt the importance of our mission.

It is embarrassing to say this, but I have always been concerned about what others thought of me. However, during the training period, I had time to look inward. I realized how meaningless this fixation was and decided to live my life with confidence. I may have found myself by going into the open seas. The image I have now is, "*and the ship kept sailing on.*"

#### ★Holiday

The Indian chief engineer, the Bangladeshi first engineer, and I gathered in the Indian captain's quarters for a small party. They considered their countries to be part of a shared homeland and got along well. We roared with laughter, talking about subjects ranging from politics and culture to work and marriage. It was an unforgettable experience.



Dawn at Port Hedland



Port Hedland anchorage,  
viewed through binoculars

### Agency training



Waseto Jo

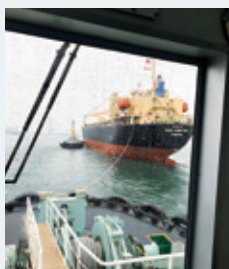
Capesize Group,  
Capesize Team,  
Second

Nagoya

October 21 to November 1, 2019,  
Port Operation Department,  
Goyo Kaiun Kaisha, Ltd.

In our training, as I was with the others, I learned a lot in the limited time available about the roles of agents at ports, procedures for obtaining accurate information about vessels' arrival and departure movements, stevedoring plans, pilot and tugboat arrangement, document creation, and other day-to-day operations that ship operators normally do not have the chance to observe.

What particularly made an impression on me was seeing how much agents valued building good relationships with people in the field every day, and how those good relationships enabled them to smoothly perform high-quality work. I was also allowed to observe work on numerous vessels and saw docking and undocking, unloading work, draft surveying, and other operations with my own eyes. It was an invaluable experience.



Onboard training for tugboat  
operations. Towing an incoming vessel.



Aboard UNITED ETERNITY, a vessel under the Company's operation,  
the captain, foreman, and agent's staff prepare departure documents.

## With Our Shareholders and Investors

### Timely Disclosure of Company Information

We comply with all laws and regulations of the Financial Instrument Exchange Act, and with the timely disclosure rules set by the Tokyo Stock Exchange. Based on transparency, fairness, and continuity, we strive to ensure the timely and appropriate disclosure of IR information, by providing shareholders and investors with important information that could affect investment decisions, through our website, news media, and the Tokyo Stock Exchange's Timely Disclosure Network (TDnet). We also proactively provide certain information that is not required to be disclosed according to the timely disclosure rules if we believe the information is important for shareholders and investors.

In addition, the Company's Investor Relations Committee—composed of executives and general managers in the General Affairs Group, the Finance and Accounting Group, and the Project Group—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.

### IR Materials on Our Website

- Securities Report, Quarterly Securities Report (in Japanese)
- Corporate Governance Report (in Japanese)
- Corporate Disclosure
- Financial Results and Supplementary Financial Highlights
- Materials for General Shareholders' Meeting
- Business Reports (in Japanese)
- NS United REPORT (integrated report in Japanese and English)



Front page of the Company's website



IR webpage

### Interactive Communication

NS United Kaiun works to provide information to domestic and overseas institutional investors. As much as possible, the Company holds individual briefings with securities analysts and investors upon request, answering questions and explaining the status of operations. In line with a policy established by the Investor Relations Committee, at least one executive and one person from the committee secretariat participate in these briefings. We held 14 individual briefings during fiscal year 2019.

### Dividends to Shareholders

To the Company, shareholder returns are an essential aspect of management. Our policy is to maintain sustainable dividend payments that match the Company's performance while securing enough retained earnings to generate stable corporate growth and to respond to changes in the business environment.

In order to better convey our proactive stance on profit distribution, we maintain a payout ratio of approximately 30% to reflect consolidated financial results. In fiscal year 2018, we paid out an interim dividend for the first time in a decade (since fiscal year 2008).

In fiscal year 2019, we paid out an interim dividend of 45 yen per share and a year-end dividend of 35 yen, for a total annual dividend of 80 yen.

We have positioned “establishing a resilient management base” as a key strategy of our newly established medium-term business plan. We will build a stronger financial base while continuing to provide stable dividends, in this way meeting the expectations of our shareholders and all our other stakeholders.





# With Our Customers and Suppliers

## Customer Satisfaction

NS United Kaiun is principally engaged in the worldwide shipping of raw materials, energy resources, and products for industry. Toward the customers' needs for cargo transportation throughout the world, we strive to offer timely shipments employing the most suitable vessels, safely and at competitive rates. We enable this by fully employing the information and know-how on trade that we have accumulated over time at bases in the UK, the US, Singapore, and in Tokyo, as well as by keeping up with the global shipping market with our 24-hour system. We believe our business style, visiting domestic and overseas customers to actively communicate with them, as the foundation of generating customer satisfaction, regardless of whether a project is long term or a spot voyage. We further build trust and develop our reputation from customers worldwide as "a first-class tramper."

## Participation in Safety Meetings with Customers and Partners

NS United Kaiun Kaisha, Ltd., together with coastal shipping companies NS United Naiko Kaiun Kaisha, Ltd. and NS United Coastal Tanker Kaisha, Ltd., has continued to forge strong ties with domestic parties from shippers in various industries such as steel mills, power stations, oil refineries, gas plants to 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. We cooperate on periodic surveys and have implemented risk management programs related to accidents, disasters, and environmental pollution.

## Emergency Response and Public Communication

NS United Kaiun Kaisha, Ltd. is always ready to manage an emergency response together with customers, salvagers, insurers, shipping agents, shipyards, and other partners, as well as related authorities, in accordance with 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 through the media and the Company's website.



Emergency response drill: meeting on emergency measures

## Ensuring Safety and Quality in Shipping Services

The mission of the Group is to provide customers with high-quality marine transportation services. Therefore, we established and are maintaining an environmental management system that complies with the ISO 14001 international standard for environmental management, and implemented the system throughout the Group's marine shipping services. Moreover, NS United Kaiun Kaisha, Ltd. and NS United Naiko Kaiun Kaisha, Ltd., respectively implemented a safety management system by incorporating the ISO 9001 international standard for quality management, into ship management.



ISO 14001:2015 certificate of EMS registration



ISO 9001:2015 certificate of QMS registration

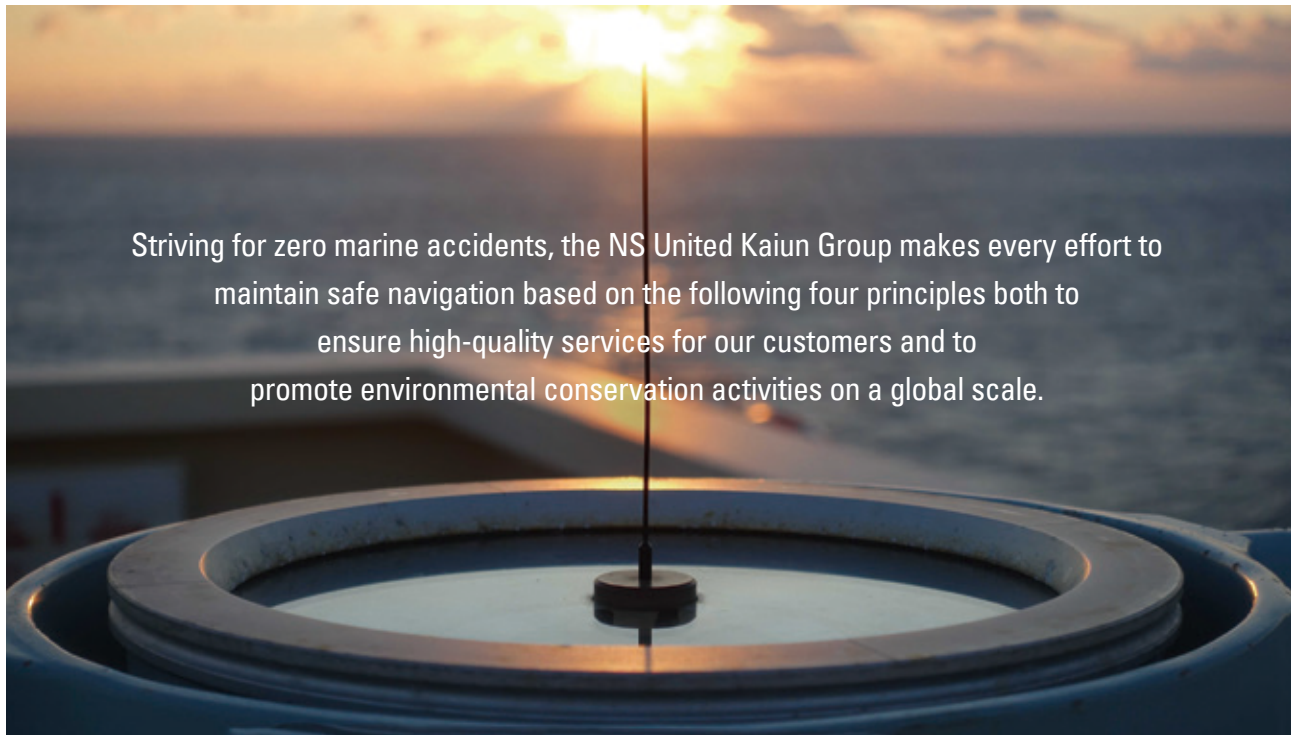
## Efficient Stowage and Cargo Preservation

The Group draws up stowage plans for high-value steel products, plant infrastructures, and other cargoes, as well as supervises cargo operations on site. We use our accumulated experience and expertise on cargo characteristics and world port conditions to preserve and efficiently transport cargoes.



Structure loading: stowage that considers cargo shapes and lashing space

### 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 the vessel safety management of the entire Group in an integrated fashion, and has built a Safety Management System based on the International Safety Management Code of the International Maritime Organization (IMO). The Safety Management System also meets the ISO 9001:2015 international quality management standard.

#### Convening the Safety and Environmental Committee

The Safety and Environmental Committee, headed by the president, regularly reviews our Environmental Management System (including our Environmental Policy) and ensures safe navigation. We are deeply committed to conserving the global environment by continually improving our Environmental Management System.

#### Establishing a crisis management system

Based on our regulations for handling casualties at sea and other emergencies, we have adopted initiatives 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 crewmembers

We provide seminars and OJT to all crewmembers on our owned vessels. For securing and fostering non-Japanese seamen, our staff live in the Philippines and Vietnam as overseas representatives while we invite non-Japanese seamen to Tokyo headquarters to learn ship management.

# Securing Safe Navigation

## Supporting Safe Navigation

Safe navigation is at the core of the Company's management. We work to achieve zero marine accidents, to say nothing of zero accidents causing injuries or casualties, and support safe navigation under the following systems with the knowledge that safe navigation of vessels is a top priority for promoting the conservation of the global environment, especially the marine environment.



Onboard education on fire extinguishing equipment

### Accident Zero Achievement Committee

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

### Safety Management System Management Committee

Proposals for improvements from vessels under our management, accident statistics, internal audit results of vessels and the vessel management division, and matters pointed out by external vessel inspections, such as PSC (port state control), are reported to the Safety Management System Management Committee. This committee then reviews the safety management system and quality management system—the core components of vessel management—and continually makes improvements.

### Near-Miss Reporting System

In April 2017, we established the Near-Miss Analysis Committee to more effectively utilize near-miss accidents.

The leader of the Safety Management Group serves as the committee chair and the leader of the Ship Management Group serves as the vice-chair. The committee also includes several other members and the secretariat. The aims of the Committee are to improve the crewmembers' awareness of safety and to build a safety culture.

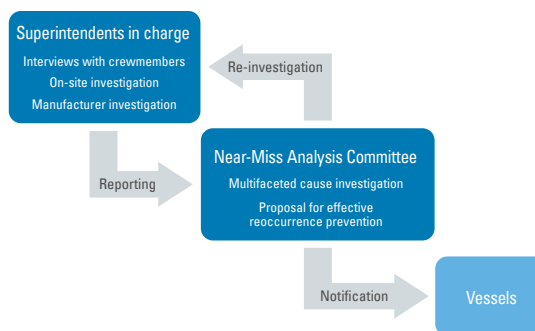
Near-miss accidents reported by vessels are first categorized by committee members into two categories: issues requiring more detailed analysis and other issues.

For issues requiring more detailed analysis, the superintendents in charge interviews crewmembers, requests an investigation to manufacturers, and reports to the committee. The committee performs a multifaceted investigation of incident causes, proposes effective

countermeasures to prevent a recurrence, and reports them as official documents to each vessel.

With other issues, near-miss accidents are officially reported to vessels and they are provided with cautionary information.

### Near-miss reporting system Issues requiring detailed analysis



### Shipboard Safety and Health Committee

Shipboard Safety and Health Committee meetings, chaired by the captain and all crew members attend, are held once a month. The aim is to raise awareness of safety and health management as well as environmental conservation onboard vessels.



A Shipboard Safety and Health Committee meeting

## BRM and ERM Training for Safe Navigation

At sea, on the bridge of ships the captain and watchkeepers share information and are prepared at all times to respond efficiently and effectively to changes in circumstances. Also, in the engine room, all the engineers under the chief engineer's command work together to achieve safe engineering operations by proactively managing equipment and information. Maritime incidents or disasters are mostly the result of



BRM training



### Securing Safe Navigation

an error chain consists of a series of non-serious incidents. Bridge and engine team members must recognize when an error chain is developing, and then take action to break the chain.

Bridge Resource Management (BRM) and Engine Resource Management (ERM) training are effective for cutting an error chain to prevent major incidents and disasters. This training is regularly given to all crewmembers using land-based training simulators.

### Safety Campaigns

The NS United Kaiun Group conducts campaigns to raise safety awareness.

The Company carried out a campaign from October 2019 to March 2020 with the theme of GO AHEAD STEP BY STEP!! The goals were 1) preventing accidents resulting in injuries or deaths, 2) thoroughly protecting the environment, and 3) establishing a safe shift system. The president, executives, group leaders, and team leaders visited vessels during the campaign period. Meetings were held with crewmembers with the aim of improving onshore-onboard communication. The main objective of this project is for onshore and onboard staff to work together as one to further strengthen the Company's fleet safety management system. To reach that objective, everyone from the president down will be reminded of the importance of safe navigation, the foundation of the Company management.

Under the slogan "Striving for Zero Accidents," NS United Naiko Kaiun Kaisha, Ltd. twice a year formulates specific action targets and visits all vessels that the Company operates. The goal is to raise awareness of the significance of safe navigation among the crewmembers. During the first campaign, the focus was on earthquakes and accident countermeasures. During the second campaign, the focus was on preventing trouble with fishing vessels and accidents during embarkation and disembarkation.

#### Campaign Challenges:

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

NS United Coastal Tanker Kaisha, Ltd. announces Priority Safety Objectives and Voyage Safety Declarations every month. These announcements are shared with operated vessels, as well as vessel



NS United Coastal Tanker Kaisha, Ltd.: President Yoshikawa visits a vessel during a safety campaign

owners, to improve safety awareness. The Company also conducts educational campaigns for safe operation, with an annual Zero Dense Fog Accident Campaign and a 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 communicate closely between the shore-based management and the onboard operation, as part of ongoing initiatives to ensure the safe navigation of all vessels.



President Tanimizu visits our operated vessel's engine room

### Vessel Inspections

Vessels safety inspections are carried out by our marine superintendents once every year to ensure the safety of ships operated by the Company. In addition, technical superintendents visit vessels every six months to check the condition of the vessels, to give instructions to crewmembers, and to verify onboard maintenance plans. Internal audits are carried out annually to confirm compliance with our safety management system, quality management system, environmental management system, and ship security plan.

Although the spread of COVID-19 has made vessel visits difficult, we are working to establish other ways of assessing vessel conditions, such as remote inspections.

In addition to these inspections for our owned vessels, chartered vessel inspections are carried out based on the Company's standard inspection checklists whose contents are regularly reviewed and revised. We visit overseas vessel owners and their ship management company, with whom we have close relationships, to explain the contents of our findings and the checked items, and to exchange information with them. By directly conveying this information to those in charge, we seek to maintain a high safety level of our fleet.



An internal audit onboard a vessel

# NS United Kaiun Group Environmental Policy and Environmental Management System Organization Chart

## Environmental Policy

1

We, as a corporate group that provides marine transportation services worldwide, will strive to protect the global environment, the common property of all humankind.

2

We will establish an environmental management system and commit to continually improving it to enhance environmental performance and to prevent pollution.

3

We will comply with the laws, regulations, and other environment-related requirements that are applicable to the navigation of our vessels and to our business activities in offices.

4

Every department of our company will establish environmental objectives and targets that comply with our Environmental Policy and strive to attain these objectives and targets based on our environmental program. We will also review their performance on a regular basis to ensure these environmental objectives and targets are being achieved.

5

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

6

When acquiring vessels, instruments, other products, and materials required for providing our services, we will procure them by taking into consideration a reduction of the environmental impact and a life cycle perspective.

7

We, the NS United Kaiun Group as a whole, will promote energy and resource saving as well as the reduction and appropriate disposal of waste.

8

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

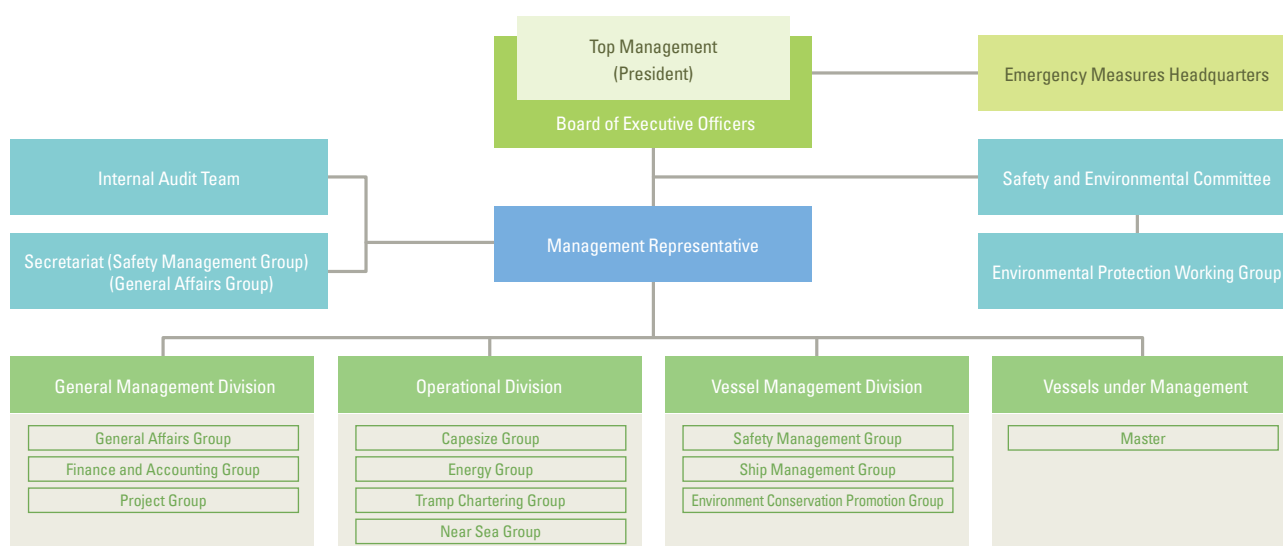
Revised June 27, 2018



Kazuo Tanimizu

President and Representative Director  
NS United Kaiun Kaisha, Ltd.

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





## Results of Environmental Management Programs Implemented in FY 2019 and Goals

## Medium-Term Target

Set in FY 2019 By FY 2030, reduce annual CO<sub>2</sub> emissions per ton-mile by 40%, compared with the FY 2008 level

PLAN ⇨		DO ⇨		CHECK / ACT ⇨	
Environmental Policies	Environmental Objectives	Target for FY 2019	Content of Activities	Verification of Results	Achievement
Environmental Education	Promoting Environmental Awareness	Implement in-house education (at least three times a year)	Designate a training program for new employees	Provided explanations/educations during new employee training and group/team meeting.	
			Provide in-company training making use of group meetings		
		Train internal environmental auditors (at least one person)	Foster internal auditors within the environment secretariat	While training was planned for the second half of the fiscal year, the COVID-19 situation made attendance in internal auditor training difficult, and we couldn't achieve this item.	
		Implement pre-boarding seminar (100%)	NS United Kaiun implements the educational training of the "top four" (Capt, C/E, C/O, and 1/E) and Japanese crew. To those other than the above, manning companies provide the training.	Provided pre-boarding seminars at the head office to the top four ranks of non-Japanese crewmembers and Japanese employees. Crew manning companies provided pre-boarding seminars to other crewmembers.	
		Implement onboard education of crew (once a year for each vessel)	Implement onboard education of crew	Provided onboard education and training to crewmembers through internal audits, safety inspections, and maintenance inspections.	
		Hold Shipboard Safety and Health Committee meetings (once a month)	Disseminate environment conservation materials by Shipboard Safety and Health Committee	Held meetings on each vessel every month and reported to the Safety Management Group.	
Promotion of Safe Operation (Pollution prevention)	Preserving of the Marine Environment	Zero oil spills from vessels (without regard to amounts)	Promote safe navigation	* Raised safety awareness through vessel visits and inspections. Maintained compliance with safety management manuals. * A vessel dragged an anchor due to a typhoon, spilling lubricating oil into the sea.	
			Implement safe bunkering and oil transfers Carry out maintenance work for potential oil leaks outside of vessels		
			Prevent oil leaks from the deck when at anchor and berthing		
		Manage ballast water effectively	Execution of ballast water exchange or ballast water management using ballast water treatment systems in rigid compliance with port state regulations Responding to the Ballast Water Management Convention (BWMC)	* Vessels complied with regulations of every country of calling and followed procedures of ballast water exchange and ballast water treatment system operation. * Carried out retrofit of ballast water treatment system based on installation deadlines and systems were installed in all newly built vessels during their construction.	
Natural Resource Saving and Reduction of Waste	Conserving Natural Resources	27% reduction in fuel oil consumption per ton-mile unit load over FY 2008			
			Implement effective operation by onshore organization	Achieved a 25.35% reduction in fuel oil consumption per ton-mile unit load compared with FY 2008. * Created efficient vessel allocation plans. * Performed economical navigation/reduced speed navigation. * Introduced operation support systems. * Used fuel additives.	
			Implement effective navigation by vessels Adding chemicals to boost combustion efficiency and reducing fuel oil consumption		
		Reduce consumption of paper per employee	Reduction through converting reference documents to electronic data Reduction by saving paper Promoting paperless operations by utilizing vessel mangement software	* Continued awareness raising through postings on Company bulletin boards, etc. Revised number of periodical subscriptions, verified circulation methods, etc., and internally recommended to use online periodical subscription approach. ITA is also leading deliberations regarding switching to an online approach for clipping news. * Confirmed through internal audits that safety management records had been maintained. (Safety Management Group)	
		Conserve electricity	Turning off unused lights, computers, and equipment Eliminating unnecessary lighting to save energy to cope with low power distribution Save energy through Cool-Biz (casual summer office clothes) and other initiatives during summer	Set air conditioners to maintain room temperatures of 28°C during the summer months (from July to September). Encouraged wearing light casual clothing. Monitored temperatures at Group business offices, adjusting the air conditioning accordingly.	
Promote recycling	Ensure full implementation of trash separation and recycling based on the laws, and the Company building regulations. Collaborate on recycling and social contribution activities through the collection of plastic bottle caps.	In addition to the collection of plastic bottle caps, we participated in the Book Baton Project and took part in a calendar donation drive.			
Conservation of Air Quality (Contamination prevention)	Reducing of Harmful Air Pollutants	27% reduction in CO <sub>2</sub> emissions per ton-mile unit load over FY 2008	Implement effective operation and navigation Plan new vessel design and installation of improved equipment	Reduced CO <sub>2</sub> emissions per ton-mile (unit load) by 25.33% compared with FY 2008. * Continued navigation at economical/reduced speeds. * Installed operation support system. * Arranged for supplementary blower additional supplies for ultra-low navigation speed use. * Acquired Approval in Principle for LNG fuel capesize bulk carriers as next-generation fuel vessels. * Decided on and modified vessel specifications to take EEDI regulations into consideration. * Collected information regarding new vessel types and improved equipment.	
		Reduce 20% CO <sub>2</sub> emission (average: FY 2013-2020) per transported unit over FY 1990 (to be in line with the Japanese Shipowners' Association's Commitment to a Low Carbon Society)		Reduced CO <sub>2</sub> emissions per transported unit on average over the period from FY 2013 to FY 2019 by 29.51% compared with FY 1990. (FY 2013: 21.75%, FY 2014: 29.93%, FY 2015: 31.29%, FY 2016: 30.72%, FY 2017: 31.27%, FY 2018: 29.05%, FY 2019: 32.54%)	
		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 nautical miles of relevant port	First half of the fiscal year: Provided appropriate instructions to three vessels calling at Long Beach. (Energy Group/Tramp Chartering Group) Second half of the fiscal year: Two vessels of Energy Group, one vessel of Tramp Chartering Group	
		Prevent use of low-quality fuel oil	Conduct fuel oil analysis Use lower sulfur fuel oil in designated emission control areas	* Followed instructions, and instructed and implemented appropriate bunkering procedures for each vessel. * Thoroughly ensured use of low-sulfur fuel oil by vessels sailing in designated emission control areas (ECAs). * Conducted oil analysis for each bunkering location. (Capesize Group/Tramp Chartering Group)	
Prepare for compliance with the 2020 Global Sulphur Cap (MARPOL Convention)	Install and start operation of SOx scrubbers	* Installation of SOx scrubbers. Retrofitting results: 16 vessels and three long-term chartered vessels New vessel results: Three vessels built for the first half of the fiscal year; five vessels built for the second half of the fiscal year * Created fuel-switching plans. Instructed and implemented appropriate fuel switching for each vessel. * Provided support through the legal consultation line.			
	Complete replacement to compliant fuel by December				

# of the Programs in FY 2020

The Environmental Management Program is a plan for achieving environmental targets based on our Environmental Policy, with the aim of continually improving our environmental management system.

## Medium-Term Target

   : Achieved   : Partly achieved  : Needs review

**Set in FY 2019, reviewed FY 2020** By FY 2030, reduce annual CO<sub>2</sub> emissions per ton-mile by 20%, compared with the FY 2019 level

PLAN ➡	DO ➡	
Target for FY 2020	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, including online	Full year
Train internal environmental auditors (at least one person)	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" (Capt, C/E, 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	Full year
	Implement safe bunkering and oil transfers	Full year
	Carry out maintenance work for potential oil leaks outside of vessels	Full year
	Prevent oil leaks from the deck when at anchor and berthing	Full year
Manage ballast water effectively	Execution of ballast water exchange or ballast water management using ballast water treatment systems in rigid compliance with port state regulations	Full year
	Responding to the Ballast Water Management Convention (BWMC)	Full year
Prevent environmental pollution resulting from scrapping vessels	Select environmentally friendly scrapyards	Full year
Reduce fuel oil consumption per ton-mile unit load by 2% compared with FY 2019	Implement effective operation by onshore organization	Full year
	Implement effective navigation by vessels	Full year
	Add chemicals to boost combustion efficiency and reduce fuel oil consumption	Full year
Maintain and reduce consumption of paper per employee	Reduction through converting reference documents to electronic data Reduction by saving paper	Full year
	Promoting paperless operations by utilizing management software	Full year
Conserve electricity	Turning off unused lights, computers, and equipment Save energy to cope with low power distribution by eliminating unnecessary lighting Save energy through Cool-Biz (casual summer office clothes) and other initiatives during summer	Full year
Promote recycling	Ensure full implementation of trash separation and recycling based on the laws, and the Company building regulations Collaborate on recycling and social contribution activities through the collection of plastic bottle caps	Full year
Reduce CO <sub>2</sub> emission per ton-mile unit load by 2% compared with FY 2019	Implement effective operation and navigation	Full year
	Plan new vessel design and installation of improved equipment	Full year
Formulate plans for achieving IMO GHG reduction targets	Prepare a roadmap for improving fuel efficiency by 20% compared with FY 2019 by 2030 Consider scenarios for improving fuel efficiency by 60% compared with FY 2019 by 2050	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 nautical 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

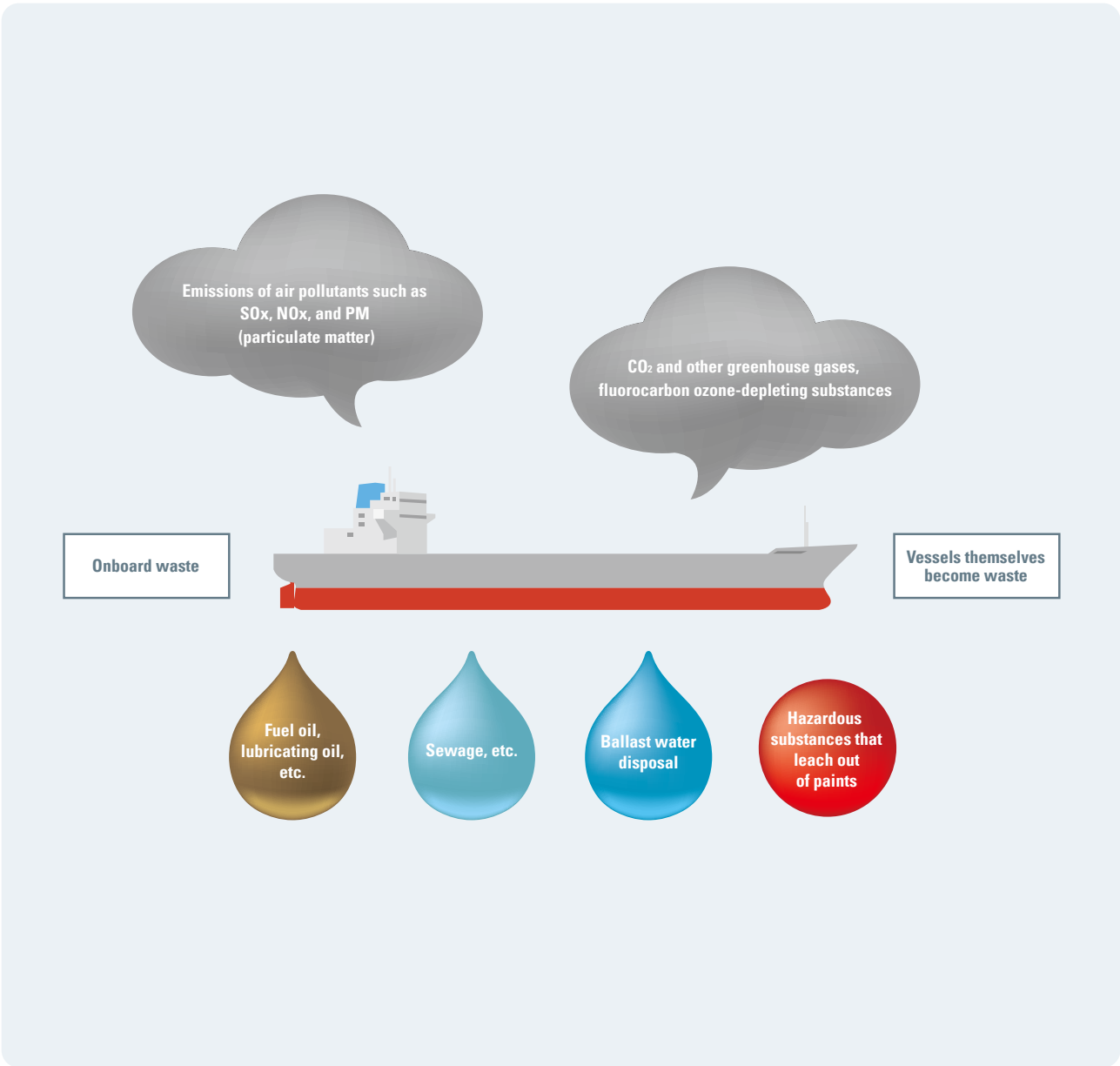
### Vessels Continue Taking Action for Environmental Conservation

The MARPOL Convention (The International Convention for the Prevention of Pollution from Ships, 1973, as Modified by the 1978 and 1997 Protocol) was initially developed to prevent oil spills and oil pollution of the sea caused by tanker accidents. It was then expanded to cover a wide variety of pollutants, such as chemical cargoes, urine and other water pollutants produced on vessels, as well as the waste produced on board and air pollutants, and it adopts emissions regulations.

In addition to the MARPOL Convention, there are numerous other conventions and restrictions, such as those aimed at preventing damage

to ecosystems caused by the exchange of ballast water, prohibiting the use of ship paints that contain toxic substances, and (though not yet effective) a convention that specifies hazardous substances on board of scrapped vessels. Operating and owning vessels run the risk of causing environmental harm. There are regulations that restrict or prohibit the release of harmful substances, and regular inspections are conducted to confirm compliance with these regulations.

The Group must strictly implement measures to reduce any environmental impact.



## The Future of GHG Emissions Regulations: The Paris Agreement and the IMO's Strategy to Reduce GHG Emissions

The 21st Session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) was held in Paris in 2015. The participating nations agreed to keep the average global temperature increase enough less than 2°C compared with pre-Industrial Revolution levels, and to work to limit the temperature increase to 1.5°C, with the goal of mitigating climate change.

Achieving these targets requires GHG emissions to be held in balance with the level of being absorbed by ecosystems. Nations have

begun initiatives aimed at achieving these targets. This means that every person needs to address climate change.

However, since the GHG emissions from international marine shipping do not fit in well with the country-specific measures of the UNFCCC, the International Maritime Organization (IMO) has considered this issue and set goals for reducing GHG emissions in 2018.

The Company responded to these goals by adding new environmental targets to the medium-term business plan.

### Establishing New Environmental Targets

The IMO's target is to improve fuel efficiency by 40% by 2030 while reducing CO<sub>2</sub> emissions by 50% by 2050, both compared with annual CO<sub>2</sub> emissions level in 2008. The ultimate goal is the complete elimination of CO<sub>2</sub> emissions.

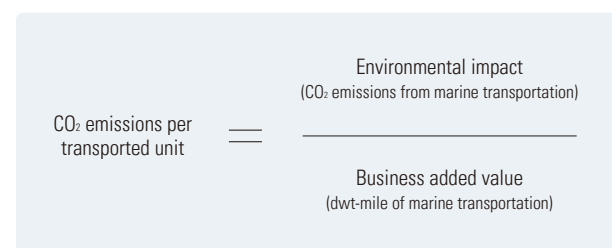
The Company will improve annual fuel efficiency, (CO<sub>2</sub> emissions per transported unit) by 20% by 2030, and by 60% by 2050, using 2019 as the base year.

	IMO's Strategy to Reduce GHG Emissions (Compared with 2008; for all international shipping)	The Company's Environmental Targets to Reduce GHG Emissions (Compared with the Company's emissions in 2019)
By 2030	Improve fuel efficiency by 40%	Improve fuel efficiency by 20% (40% improvement compared with 2008)
By 2050	Cut total GHG emissions by 50%	Improve fuel efficiency by 60% (70% improvement compared with 2008)
By 2100	Aim for zero GHG emissions as early as possible in this century.	

The Company's CO<sub>2</sub> reduction targets are specified as equivalent to the target reduction rates of the IMO's GHG reduction strategy. (The Company has improved fuel efficiency by approximately 25%, as of 2019, compared with the 2008 level.)

Over the past 10 years, the Company has reduced CO<sub>2</sub> emissions in several ways, including deploying larger vessels, navigating at reduced speeds, and more effective allocations to achieve both economic efficiency and reduced GHG emissions. Our new goals are based on fuel efficiency evaluation standards, in order to visualize the balance between maintaining and growing business activities while reducing

CO<sub>2</sub> emissions. Further, we established standards in 2019 to evaluate our new measures for promoting reduced GHG emissions.



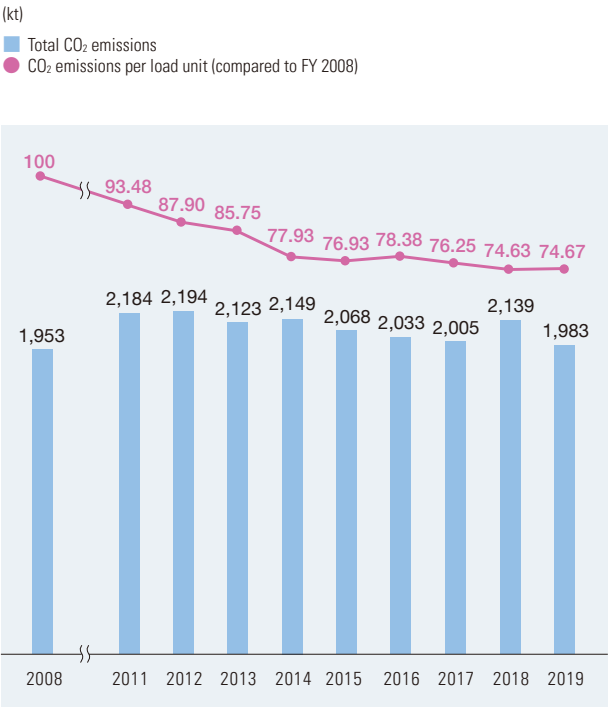
Reducing Environmental Impact

2019 Fuel Consumption and CO<sub>2</sub> Emission Volume

Fuel Consumption (nonconsolidated)



CO<sub>2</sub> Emission Volume (nonconsolidated)

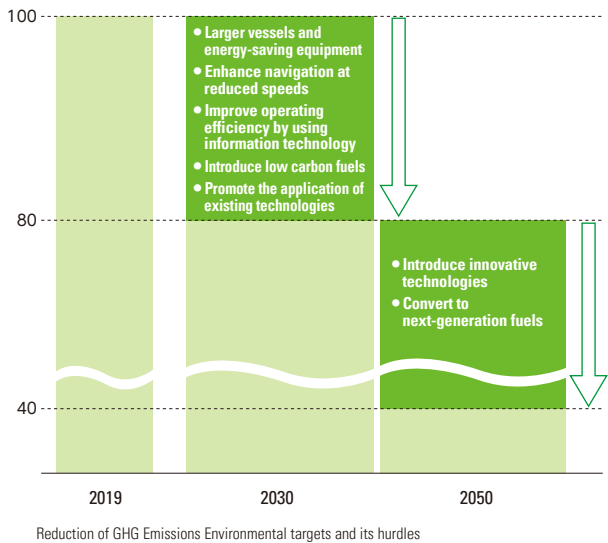


As one initiative to promote GHG reductions going forward, last year the Company carried out a trial design, jointly with Imabari Shipbuilding, of a vessel powered by LNG fuel. We obtained Approval in Principal for the vessel from ClassNK, a classification society. The Company is also speeding up ship-to-land communications and installing operational support systems.

Over the next 10 years, the Company will introduce information and digitization technologies as well as make improvement to the initiatives we have carried out so far. We will also develop other initiatives to achieve environmental targets, introducing such new technologies as LNG-powered vessels.



Capesize bulk carrier powered by LNG fuel (image)





## Environmental Education

### In-house Education

We created an Environmental Education Implementation Plan to provide education on the environment and carry this out during the training for new employees, including seamen, and at the meetings of each group. While the Environmental Management System that focuses on Environmental Policy is introduced during new employee training, the agenda of the Safety and Environmental Committee, and the status of internal and external environmental audits are shared at the meetings of each group.

### Education for Crewmembers

For crewmembers of our managed vessels, we have developed and conducted onboard education and training programs as part of OJT (on-the-job training) in addition to classroom training on land. The curriculum covers environmental protection and is being implemented during pre-boarding seminars and in-house seminars by crew manning companies to reinforce awareness of safe, efficient vessel operation, and environmental preservation.

Some of this training is conducted online, connecting offshore and onshore participants including manning companies via the Internet and satellite. As part of the in-house seminars, we provide a curriculum related to MARPOL Convention compliance that includes

vessel waste management, operation of the Ship Energy Efficiency Management Plan (SEEMP), and the structure and operation of scrubbers, together with the switchover of fuels, to comply with stricter NOx and SOx emissions regulations. Further, participants are provided with an overview of past accidents and countermeasures. The seminars raise awareness of cybersecurity programs. As well, they help crewmembers acquire new skills and improve existing ones.



Seminar by a manning company in the Philippines

### Emergency Response Drills

The NS United Kaiun Group regularly holds emergency response drills, assuming marine accidents.

We hold company-wide drills every year. Once every two years, we invite external parties (members of the shipping media, insurance companies, etc.) to participate in large-scale drills, including mock (simulated) press conferences. Every drill is based on the scenario of an accident involving an oil spill from a vessel, enabling participants to confirm the emergency procedures used to minimize marine pollution.

In November 2019, we conducted a company-wide emergency response drill based on the scenario of an accident where one of our operating bulk carriers loaded with coal collides with a coastal vessel, punctured the other ship's hull, causing it to sink and spill oil, and one of the ship's crewmembers went missing. Among those participating in the drill were the president, executives, and employees from the general affairs, finance and accounting, and concerned sales departments, in addition to the safety management and the ship management departments. We coordinated between the vessel and shore, and contacted the vessel management companies. The participants confirmed the response measures necessary during an emergency.

NS United Naiko Kaiun Kaisha, Ltd. uses accident scenarios involving the response of the ship in the event of a fire and the tremendous social impact of running aground at a fishing plant to confirm our ability to respond effectively.

NS United Coastal Tanker Kaisha, Ltd. used the scenario of an accident where one of its operating vessels collides with other coastal vessel, causing an oil spill, the ship listing due to taking on water, and a crewmember being injured by the collision, and focused training on confirming the initial response based on those conditions.



The president and other members taking part in a drill at NS United Naiko Kaiun Kaisha, Ltd.

## Corporate Governance

### 1 Corporate Governance

Based on our corporate philosophy of contributing to the development of society by providing trusted and high-quality marine transportation services, we strive for the sound and sustainable growth of the Group and to improve corporate value over the medium to long term, while responding to the expectations and earning the trust of shareholders, customers, and all other stakeholders. To this end, we have developed corporate governance systems suited to the characteristics of the Group's operations. These systems are periodically reviewed, with an eye on continual improvement, by enhancing the efficiency, soundness, and transparency of corporate management.

#### Basic Principles

The Board of Directors, having members who are highly knowledgeable about the Company's business and management, makes decisions on important operational concerns as well as basic management policies. Further, the Company has established an Audit & Supervisory Board, or a board of auditors as defined in Japan's Companies Act. From their independent standpoint, the Audit & Supervisory Board members are expected to exercise their authority to supervise directors and executive officers in the performance of their duties, particularly by attending Board of Directors' meetings. We believe that this system is effective for ensuring efficient and sound corporate management.

The members of the Audit & Supervisory Board, who have a wealth of related experience and advanced knowledge in their fields of expertise, carry out routine audits of the Company's financial status and monitor the activities of directors and executive officers to ensure that

their duties are being effectively carried out, in cooperation with the Company's independent public accountant, the Internal Audit Office, and corporate auditors from the Group companies, as appropriate. In addition, to increase the opportunities for the Board of Directors to make decisions from a broader perspective and to boost management supervision, the Board of Directors includes outside directors with a wealth of experience and broad knowledge of corporate management and other areas of expertise.

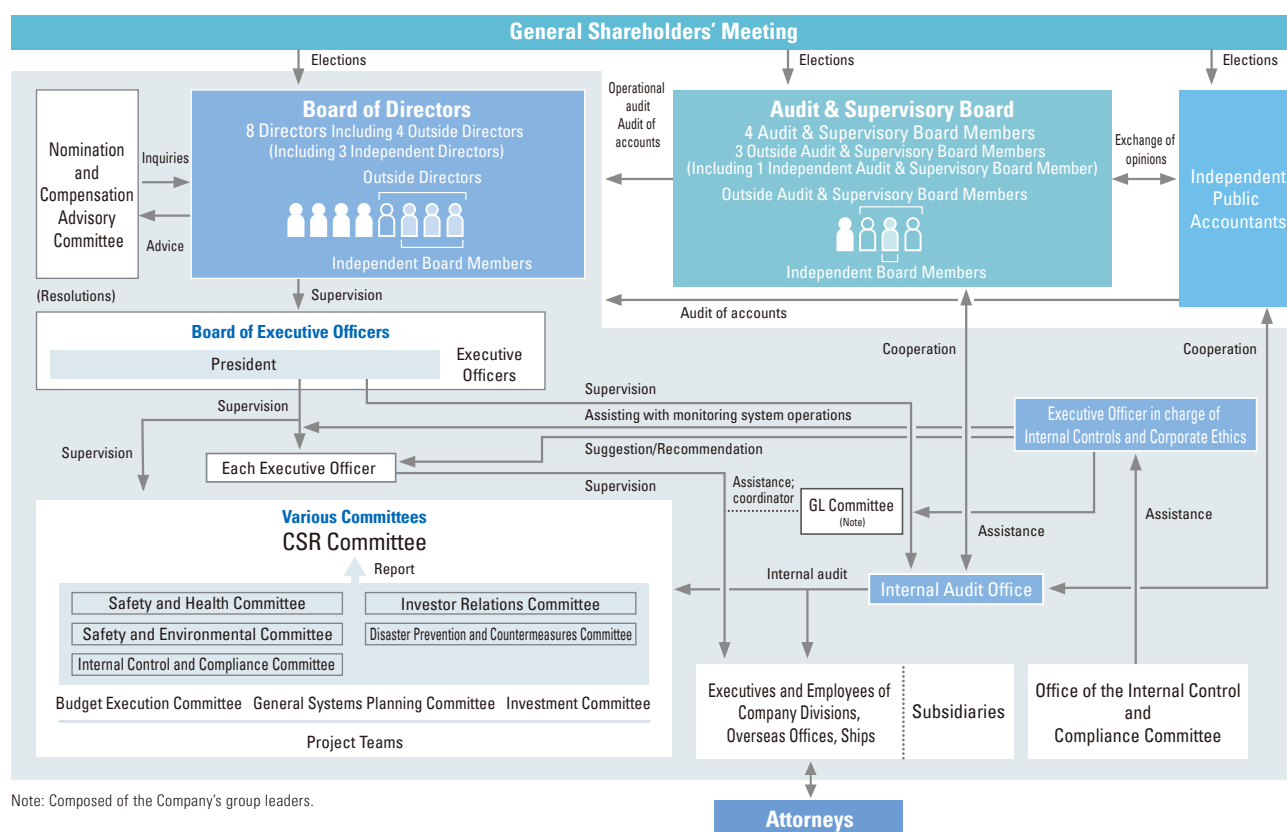
The Company seeks to appropriately disclose information to increase the transparency of management and to help our stakeholders more accurately understand the Group's business conditions. In addition to compulsory disclosures, including legal and regulatory requirements relating to financial instruments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

#### Corporate Governance System

NS United Kaiun Kaisha, Ltd., a company with a Board of Directors, strives to maintain and improve management efficiency through meetings of the Board of Directors, composed of eight directors including four outside directors (as of June 25, 2020). In June 2007, the Company introduced an executive officer system to precisely address changes in the management environment. We are also a company with an Audit & Supervisory Board, and three of the four Audit & Supervisory Board members are also outside Audit & Supervisory Board members (as of June 25, 2020). Audit & Supervisory Board members attend meetings

#### Organization Chart Including the Management System of Internal Controls

(As of June 25, 2020)



of the Board of Directors, the Board of Executive Officers, the CSR Committee, and various other committees to conduct audits of business operations and accounting in a timely, appropriate way. Three of the directors and one of the Audit & Supervisory Board members are appointed to serve as independent board members who ensure the objectivity and neutrality of the management review process. The Company also established the Internal Audit Office in July 2006 to manage risk and support the evaluation of internal controls in compliance with Japan's Companies Act and the Financial Instruments and Exchange Act. By order and instruction from the president, the Internal Audit Office audits operations in every division in cooperation with the Audit & Supervisory Board to improve the effectiveness of corporate governance. In addition, we established control systems at the Company as well as Group companies in compliance with the Corporate Governance Code, formulated by the Financial Services Agency and the Tokyo Stock Exchange. We will also revise internal rules, as needed, to further enhance corporate governance. Since September 2016, we have arranged opportunities for the president and internal directors to regularly exchange information with outside directors.

#### ● Board of Directors

The Board of Directors, as the Company's primary decision-making body, discusses and decides on basic policy and the most important matters connected with Group management. The Board of Directors is the decision-making body regarding matters stipulated by law; and the articles of incorporation and critical management issues defined in the discussion standards in our Regulations of Board of Directors. Furthermore, it is the body that supervises business operations. As a rule, the Board of Directors meets once per month. The Board of Directors comprises four internal directors (four of whom concurrently serve as executive officers), including the chairperson, the president, and representative director and four outside directors (three of whom are outside directors who are registered with the Tokyo Stock Exchange as independent directors as defined by the Tokyo Stock Exchange).

#### ● Board of Executive Officers

In accordance with the basic policy decided on by the Board of Directors, the Board of Executive Officers, as a rule, meets weekly to deliberate and decide on important matters related to business execution and management and to coordinate in advance the matters to be discussed by the Board of Directors. It includes 14 executive officers, selected by the Board of Directors, including the chairperson, the president executive officer.

#### ● Audit & Supervisory Board

The Audit & Supervisory Board has four members; one is an internal Audit & Supervisory Board member and three are outside Audit & Supervisory Board members. This board wields the authority required by law, organizes the Board of Directors meetings, defines auditing standards, and performs effective audit of the legal issues and the reasonableness of operations by directors, executive officers, and employees. Specifically, members attend the abovementioned meetings of the Board of Directors and the Board of Executive Officers, as well as important meetings and committee sessions of the CSR Committee, Internal Control and Compliance Committee, the Safety and Environmental Committee, and the Budget Execution Committee. The Audit & Supervisory Board strives

to identify management issues, to assess business conditions, to prevent violations of laws and the articles of incorporation, and to perform accurate and effective audits.

#### ● CSR Committee

The CSR Committee meets regularly every year to deliberate and decide on issues related to corporate social responsibility, one of the core elements of the Company's foundation. It comprises seven executive officers, including its chair, the president executive officer, as well as the president of NS United Naiko Kaiun Kaisha, Ltd. and the president of NS United Coastal Tanker Kaisha, Ltd., key Group companies. The CSR Committee deliberates and decides on CSR activity policies, provides direction from a CSR perspective to the internal committees (the Internal Control and Compliance Committee, Safety and Environmental Committee, Investor Relations Committee, Disaster Prevention and Countermeasures Committee, and Safety and Health Committee). It also approves the editing of this report (NS United REPORT).

#### ● Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee was established as an advisory body serving the Board of Directors to improve neutrality, objectivity, and accountability of the functions of the Board of Directors when making decisions on nominations and compensation for the directors. This committee comprises two internal directors including the president and representative director, and three outside directors, and is chaired by an independent outside director. Committee members are chosen by the president / representative director.

#### ● Overview of the Results of the Evaluation of the Effectiveness of the Board of Directors

Continuing on from fiscal year 2018, in fiscal year 2019, as well, a questionnaire was administered to all directors and Audit & Supervisory Board members in order to evaluate the effectiveness of the Board of Directors. The results of the study were shared with the Board of Directors. The study found that the composition, roles, and operation of the Board of Directors were functioning appropriately, and the Board of Directors was, as a whole, effective.

In fiscal 2019, the Board of Directors strove to make meetings opportunities for in-depth discussions that become the basis of considerations of future plans, such as the Medium-Term Business Plan. The Board of Directors will continue to leverage the expertise of outside directors by enriching the content of deliberations and by engaging in deep discussions among the directors, working even harder to improve the Board's effectiveness.

#### ● Executive Compensation

##### (1) Policy for Deciding Compensation

##### (a) Basic composition of compensation, etc.

Compensation for directors currently consists of fixed compensation, performance-based bonuses (executive bonuses) reflecting business performances for the fiscal year, and performance-based stock purchase compensation that reflects medium- and long-term increases in corporate value. Performance-based compensation, which consists of executive bonuses and stock purchase compensation, is designed to account for at most roughly one third of total compensation, and the ratio is identical for all positions.

##### (b) Fixed compensation

Fixed compensation is paid each month, and the standard amount is

## Corporate Governance

based on the director's position, taking into consideration the capabilities and responsibilities required of directors in the shipping industry, as well as conformity with global standards and wage gaps with employees.

### (c) Executive bonuses

In order to provide incentives for maintaining and improving revenues, bonuses are linked to dividends per share and are paid as compensation linked to short-term performance. This is based on dividend policies and the assumption of payment of special allowances to a certain percentage or more of employees.

### (d) Share purchase compensation

Share purchase compensation is paid as compensation linked to medium- and long-term performance. This compensation is linked to the degree of achievement of the current Medium-Term Business Plan and the amount of increase in corporate value (stock value). Specifically, stock purchase compensation is paid based on comprehensive evaluations which reflect the degree of achievement of Medium-Term Business Plan targets such as operating income, return on equity (ROE), and debt equity ratio (DER), the company's stock price, and safe navigation results. It aligns directors' interests with the interests of shareholders. Directors provide amounts equivalent to the stock purchase compensation they receive to the directors' shareholding association, purchasing stocks through the association. Calculation methods are reviewed and revised when

formulating new Medium-Term Business Plans. One of the elements of the Company's management philosophy is "safe navigation." We recognize this as a critical element that supports the foundation of marine transportation company management, so compensation is reduced only in the event of failure to meet targets for ship stoppage rates, which are an index of safe navigation. Compensation is not increased even if targets are achieved.

### (e) Compensation for outside directors and

#### Audit & Supervisory Board members

Outside directors and Audit & Supervisory Board members are paid fixed compensation since they are responsible for performing audits and providing advice regarding the Company and the entire Group's management from a position independent of business operations. Outside director compensation is decided by resolution of the Board of Directors, and Audit & Supervisory Board member compensation is decided through deliberation by Audit & Supervisory Board members.

### (2) Procedures for Determining Compensation

Compensation for directors is determined by the Board of Directors based on inquiries to and advice from the Nomination and Compensation Advisory Committee, which comprises five directors, including the president / representative director (a majority of which are outside directors).

Directors	Total fixed compensation (compensation for outside directors)	¥173 million (¥20 million)	10 persons (4 persons)
	Total performance-based compensation	¥50 million	6 persons
Audit & Supervisory Board Members	Total fixed compensation (compensation for outside Audit & Supervisory Board members)	¥57 million (¥34 million)	4 persons (3 persons)

Note: The total amount of compensation for the Directors indicated above includes the amount paid to one director who retired on June 26, 2019 at the close of the 93rd Ordinary General Shareholders' Meeting held on the same day.

## 2 Risk Management

### Risk Management System

Risk management regulations have been established as fundamental requirements for risk management. By following these requirements, we meet our corporate social responsibility, even if substantial risks impacting management should emerge. Based on these regulations, the relevant departments of the Company analyze risk and study assessments to such risk that could arise in the course of business activities. The Board of Executive Officers and Board of Directors discuss and determine these issues, in addition to performing a year-end review of risk items and report of management implementation status based on the Risk Item List.

In fiscal year 2019, we confirmed that risks were being properly managed as a whole; all risk items are managed in accordance with internal rules which are created and revised as necessary, and hedging was properly carried out against those risks.

In addition, the Investment Committee was set up in August 2016 to identify any possible impact on and risks to the Company associated with large and high-risk projects under consideration, before investment decisions are made by the Board of Executive Officers.

### Appropriate Management of Personal Data

To safeguard personal data, NS United Kaiun has been appropriately controlling information that can identify individuals, such as data

regarding employees. We have adopted a policy of not offering personal data to any third party unless required by law or when approval has been obtained from the individuals themselves. Data is only used for the intended purposes.

In conjunction with the enforcement of Japan's revised Act on the Protection of Personal Information, the Company completely updated internal regulations on the management of personal data and made them known at all Group companies. Since that time, we have taken steps to ensure that all personal data is being managed appropriately.

In addition, following the introduction of the Social Security and Tax Number System, we promptly established internal regulations for handling specified personal information in January 2016, and have complied with the new rules since then.

### Business Continuity Plan (BCP)

NS United Kaiun Kaisha, Ltd. established a BCP following the Great East Japan Earthquake so that, in the event of a major disaster or other emergency, the Company can safeguard employees and their families as well as continue operations to fulfill the responsibility of delivering marine transportation services to customers as contracted.

In addition, the Emergency Response Manual was created to set out initial actions to be taken in the event of an emergency. Among these 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 procedures, periodic emergency drills are conducted using internal programs developed for employee safety.

At the same time, an international communications network has been

set up to enable the Company's headquarters and subsidiaries outside Japan to relay information in the event of an emergency. Guidelines have been drawn up for initial emergency response via the network, and similar emergency drills are carried out.

### 3 Promoting Compliance

#### Compliance Promotion System

Everyone in the Group understands that maintaining relationships of trust with stakeholders is the foundation of our sustainable growth together with the communities that we serve. To reinforce this concept, we created a Group Corporate Philosophy, along with a Corporate Code of Conduct, designed for putting the spirit of our philosophy into practice. Moreover, an Internal Control and Compliance Committee chaired by the president has been set up to promote full compliance throughout the Group. The committee strives to raise awareness of compliance so that all officers and employees obey all laws and regulations, as well as internal rules, social norms, and business ethics while performing their everyday work.

#### Compliance Advisory Service Desks (Whistleblower Hotlines)

NS United Kaiun established two Compliance Advisory Service Desks (whistleblower hotlines), one inside and one outside the Company, to accept direct reports from employees who become aware of contraventions of the law, misconduct, or similar acts committed by executives or other employees. Both hotlines accept anonymous reporting. Whistleblowers are guaranteed protection from unreasonable treatment as a result of making a report, with the goal of protecting individuals who report company information that is in the public interest.

Further, the Company has appointed a female in-house compliance adviser to field inquiries via the internal hotline, while the external consultation hotline is handled by an outside lawyer.

#### Compliance Awareness Month

NS United Kaiun Kaisha, Ltd. has designated October as the month for raising compliance awareness and is engaged in several activities across the Group. The campaign aims to remind all officers and employees of the importance of this theme, implementing a range of activities to further enhance their awareness as well as give them the knowledge and information needed to practice compliance. In fiscal 2019, our president delivered a message about compliance to all officers and employees; internal seminars on harassment were conducted; awareness was raised within the Company regarding our internal controls; and a sense of responsibility for compliance was fostered among employees so that everyone can be actively engaged in compliance during their regular duties in their departments. Further, the Company conducted an employee attitude survey on internal controls and shared the results with employees in order for them to recognize issues in each department, which helped create a more open working environment.

### 4 Internal Controls

Guided by Japan's Companies Act and our 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 recent years, internal controls and compliance initiatives taken by corporations have been attracting an increasing amount of public attention. In that context, the Company merged the Internal Control Committee and the Compliance Committee into the Internal Control and Compliance Committee in April 2018 with a view to more effectively address these issues Company-wide. The committee membership was

also reorganized to strengthen our own internal controls, with every executive officer in charge of a business division appointed as a member and the president / representative director appointed as the chairperson. We find that internal control programs contribute to the improvement of management quality, and our highly reliable financial reporting heightens the credibility of NS United Kaiun among both society and corporate stakeholders. All the directors and employees of NS United Kaiun will work together to strengthen compliance, establish an appropriate internal control system, and put it into practice.

### 5 Basic Policy on Communication with Shareholders and Investors

NS United Kaiun is committed to effectively communicating with shareholders and investors. After receiving an interview request, the Investor Relations Committee begins a process based on annual plans and investor relations (IR) standards. In general, executives in charge of IR meet with and respond to individual interviewers. Interviews are held year-round, excluding the time prior to periodic reporting of financial results. At General Shareholders' Meetings, we readily provide information and respond to individual questions in an appropriate way. 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 interviews, executives in charge of IR deal with the required tasks in accordance with internal rules on handling insider information (non-public material information about the business).

In response to Japan's fair disclosure rules (FDR)\* that went into effect from April 2018, we created a manual that includes these rules and distributed it to everyone responsible for disclosing IR-related information.

\* These rules ensure that information is supplied fairly to all investors when a listed company provides important information that could affect the Company's stock price to a third party before disclosing it to the public.



## Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 25, 2020)

### Directors (\* indicates outside director)



**Kazuo Tanimizu**

President / Representative Director /  
President Executive Officer

#### Profile

Apr. 1981 Joined Sumitomo Metal Industries, Ltd. (currently Nippon Steel Corporation)  
Jun. 2005 General Manager of Raw Materials Dept., Steel Sheet, Plate & Structural Steel Company  
Oct. 2012 Executive Counselor, General Manager, Head of Div., Raw Materials Div.- I Nippon Steel & Sumitomo Metal Corporation (currently Nippon Steel Corporation)  
Apr. 2014 Executive Officer, Head of Div., Raw Materials Div.- II  
Apr. 2015 Executive Officer  
Jun. 2015 Director (outside), NS United Kaiun Kaisha, Ltd.  
Apr. 2016 Managing Executive Officer, Nippon Steel & Sumitomo Metal Corporation  
Apr. 2018 Executive Officer  
Jun. 2018 President, Representative Director, NS United Kaiun Kaisha, Ltd. (incumbent)



**Masahiro Samitsu**

Director  
Senior Managing Executive Officer

#### Profile

Apr. 1980 Joined Nippon Yusen Kabushiki Kaisha  
Sep. 2003 General Manager of Bulk/Energy Atlantic Group  
Nov. 2006 General Manager of Fleet Management Group  
Apr. 2007 General Manager of Tramp Co-ordination Group  
Apr. 2008 General Manager of Corporate Planning Group  
Apr. 2009 Corporate Officer  
Apr. 2013 Managing Corporate Officer  
Jun. 2013 Director, Managing Corporate Officer  
Apr. 2015 Director, Senior Managing Corporate Officer  
Apr. 2017 Director  
Jun. 2017 Director, Senior Managing Executive Officer, NS United Kaiun Kaisha, Ltd. (incumbent)



**Mitsuhiro Oyamada**

Director  
Managing Executive Officer

#### Profile

Apr. 1982 Joined Shinwa Kaiun Kaisha, Ltd.  
Jun. 2007 General Manager of Ore/Bulk Carrier Group  
Oct. 2010 General Manager of Capesize Group, NS United Kaiun Kaisha, Ltd.  
Jun. 2011 General Manager of Project Group  
Jun. 2012 Executive Officer, General Manager of Project Group  
Jun. 2016 Managing Executive Officer  
Jun. 2017 Director, Managing Executive Officer (incumbent)



**Kanji Ishikawa**

Director  
Managing Executive Officer

#### Profile

Oct. 1981 Joined Shinwa Kaiun Kaisha, Ltd.  
Oct. 2010 General Manager of Ship Management Group, NS United Kaiun Kaisha, Ltd.  
Jan. 2014 Senior Counselor, General Manager of Ship Management Group  
Jun. 2015 Executive Officer  
Jun. 2017 Director, Executive Officer  
Jun. 2018 Director, Managing Executive Officer (incumbent)



**Kazuma Yamanaka**

Director\*

#### Profile

Apr. 1986 Joined Nippon Steel Corporation (currently Nippon Steel Corporation)  
Apr. 1999 Group Manager, Personnel Dept., Yawata Works  
Jul. 2002 Manager, External Assignment Center, Personnel & Labor Relations Div.  
Apr. 2011 Department Manager, Personnel Dept., Human Resources Div.  
Nov. 2011 (General Manager), Department Manager, Personnel Dept., Human Resources Div.  
Apr. 2012 General Manager, Human Resources Div.  
Oct. 2012 General Manager, Human Resources Div. of Nippon Steel & Sumitomo Metal Corporation (currently Nippon Steel Corporation)  
Apr. 2014 General Manager, Head of Div., General Administration Div., Kashima Works  
Apr. 2017 Executive Counselor, General Manager, Head of Div., Machinery & Materials Procurement Div.  
Apr. 2018 Executive Officer Head of Div., Machinery & Materials Procurement Div.  
Apr. 2019 Executive Officer Head of Div., Machinery & Materials Procurement Div.  
Apr. 2020 Executive Officer Procurement : Raw Materials, Machinery & Materials (incumbent)  
Jun. 2020 Outside Director, NS United Kaiun Kaisha, Ltd. (incumbent)



**Masayuki Kinoshita**

Independent Director\*

#### Profile

Apr. 1978 Joined Mitsui & Co., Ltd.  
Apr. 2004 General Manager, Corporate Planning & Strategy Div.  
Apr. 2007 Deputy Chief Operating Officer, Mineral & Metal Resources Business Unit  
Apr. 2008 Managing Officer, Chief Operating Officer, Mineral & Metal Resources Business Unit  
Apr. 2010 Executive Managing Officer, Chief Operating Officer, Mineral & Metal Resources Business Unit  
Apr. 2011 Executive Managing Officer, Chief Information Officer, Chief Privacy Officer  
Jun. 2011 Representative Director, Executive Managing Officer, Chief Information Officer, Chief Privacy Officer  
Apr. 2012 Representative Director, Senior Executive Managing Officer, Chief Information Officer, Chief Privacy Officer  
Apr. 2014 Representative Director, Executive Vice President, Chief Information Officer, Chief Privacy Officer  
Apr. 2016 Director  
Jun. 2016 Counselor  
Jun. 2016 Outside Director, NS United Kaiun Kaisha, Ltd. (incumbent)  
Apr. 2019 Counselor, Kakaku.com, Inc. (incumbent)



**Setsu Onishi**

Independent Director\*

Profile	
Apr. 1978	Joined The Industrial Bank of Japan, Limited
Apr. 2002	General Manager of Corporate Banking Division No. 8, Mizuho Corporate Bank Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2004	General Manager of Corporate Banking Division No. 8 and No. 4
Jun. 2004	General Manager of Corporate Banking Division No. 14
Apr. 2005	Executive Officer, General Manager of Corporate Banking Division No. 14
Apr. 2007	Managing Executive Officer, Head of Global Syndicated Finance Unit, Head of Global Financial Products Unit
Apr. 2010	Deputy President & Executive Officer Head of Internal Audit Group, Mizuho Financial Group, Inc.
Jun. 2010	Deputy President (Representative Director) Head of Internal Audit Group
Apr. 2011	Director
Jun. 2011	Adviser, IBJ Leasing Co., Ltd.
Jun. 2011	Director, Vice President
Apr. 2013	Director, President
Jun. 2016	Councilor, Mizuho Financial Group, Ltd.
Apr. 2017	Senior Counselor, Nippon Commercial Development Co., Ltd. (incumbent)
Jun. 2017	Outside Director, NS United Kaiun Kaisha, Ltd. (incumbent)
Mar. 2018	Audit and Supervisory Board Member (outside), Showa Denko K.K. (incumbent)



**Isamu Nakamura**

Independent Director\*

Profile	
Nov. 1979	Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Jul. 2003	General Manager, Kansai Government Sector & Financial Institutions Dept.
Oct. 2004	General Manager, Kansai Government Sector & Financial Institutions Dept. of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Jun. 2006	General Manager, Defined Contribution Pension (401k) Dept.
Jul. 2009	General Manager, Banking Channels Business Promotion Dept.
Jul. 2010	Executive Counselor and General Manager, Banking Channels Business Promotion Dept.
Jun. 2012	Executive Officer and General Manager, Banking Channels Business Promotion Dept.
Jun. 2013	Managing Executive Officer
Apr. 2016	President & Chief Executive Officer, Tokio Marine Nichido Better Life Service Co., Ltd.
Jun. 2018	Outside Director of Nippon Care Supply Co., Ltd.
Apr. 2020	Corporate Adviser, Tokio Marine & Nichido Fire Insurance Co., Ltd. (part-time)
Jun. 2020	Outside Auditor, The Shizuoka Bank, Ltd. (incumbent)
Jun. 2020	Outside Director, NS United Kaiun Kaisha, Ltd. (incumbent)

## Audit & Supervisory Board Members (\* indicates outside auditor)



**Yasuhiro Minemura**

Audit & Supervisory Board Member (full-time)



**Naoki Yoda**

Audit & Supervisory Board Member (full-time)\*



**Yasuhito Mitani**

Audit & Supervisory Board Member  
Independent Auditor\*



**Keizo Chihara**

Audit & Supervisory Board Member\*

## Executive Officers

**Yoshifumi Nakata**  
Managing Executive Officer

**Kazushi Fukuda**  
Managing Executive Officer

**Naruhiko Miyai**  
Managing Executive Officer

**Toru Fujita**  
Executive Officer

**Naoki Asuwa**  
Executive Officer

**Shinichi Kitazato**  
Executive Officer

**Kiyoshi Kanemitsu**  
Executive Officer

**Yuji Fukuda**  
Executive Officer

**Toru Kihira**  
Executive Officer

**Yasuo Nakajima**  
Executive Officer

## Main Transport Services

### Iron Ore and Coking Coal Transport Service

Reducing Costs through Efficient Transportation

Since taking the global lead by building an 18,000 dwt iron ore carrier in 1958, we have stayed on the cutting edge of vessel size and efficiency improvements, contributing to more reliable transportation while reducing costs. Our fleet now includes bulk carriers ranging from 90,000 to 200,000 dwt and iron ore carriers (from 230,000 to 300,000 dwt). In 2019, we added the world's largest 400,000 dwt iron ore carrier *NSU CARAJAS* (Valemax).

We strive for sustainable growth by investing in the preservation of the environment, not only by deploying the most advanced energy-saving bulkers, but also by introducing SOx scrubbers to reduce environmental impact.

Bulk carrier: *NSU CHALLENGER*  
Built: 2020  
Length: 299.95 m  
Breadth: 50.00 m  
Dead weight: 208,359 metric tons



### Energy Resources Transport Service

Contributing to the Global Energy Supply

Led by 70,000 to 100,000 dwt bulk carriers and very large gas carriers (VLGCs), we transport bulk cargoes for both domestic and overseas customers as well as the LPG (liquefied petroleum gas) consumed by various industries and households. Our wide range of businesses include transporting raw materials to steel companies around the world, shipping grain across the Atlantic Ocean, and combined transportation: delivering raw materials from Asia to India and then delivering grain from Brazil to Asia through our subsidiaries in Singapore, London, and around the world. In addition, to secure a stable and cost competitive supply of fuel oil (bunker oil) for our fleet, we have established strong relationships with domestic and overseas oil companies, including through futures trading.

Bulk carrier: *IRIS WAVE*  
Built: 2020  
Length: 229.98 m  
Breadth: 38.00 m  
Dead weight: 88,769 metric tons



### Tramp Chartering Service

Flexibly Responding to Various Transportation Needs, at Any time, to Any Place

Led by 20,000 to 60,000 dwt bulk carriers, we offer diverse transportation services to connect ports around the world. We transport a wide range of commodities, including steel products and heavy structures such as plant infrastructures, as well as raw materials, such as nonferrous metals, grains, fertilizer, salt, cement, limestone, and biomass fuels for power generation. Especially for shipping steel products, we have developed unrivaled expertise since advancing into this field in 1966.

We were one of the first Japanese shipping companies to establish commercial bases in the UK and the US, which, along with Tokyo, enable us to closely monitor the global shipping market around the clock. Our US subsidiary operates its own fleet in the Atlantic Ocean and focuses on developing new businesses and new customers by meeting local needs in a timely manner.

Bulk carrier: *ATLANTIC PRISM*  
Built: 2019  
Length: 182.90 m  
Breadth: 31.00 m  
Dead weight: 39,172 metric tons





## Near Sea Service

Supporting Logistics for China and Southeast Asian Countries

With vessels ranging in size from 8,000 to 16,000 dwt, we provide transportation services throughout China and Southeast Asia for steel products, plant infrastructures, fertilizers, and biomass fuels which has growing demand as a renewable energy source. Especially in the Japan–China trade, we have secured our position as a main player, taking advantage of our proven track record in transportation services for the Japan–China route beginning in the 1950s. Through our subsidiaries in Hong Kong and Singapore and representative offices in Shanghai and Vietnam, we are gathering information in the continuously developing China and Southeast Asian region.

Near sea going vessel: *ASIAN FLOWER*  
Built: 2019  
Length: 134.5 m  
Breadth: 22.6 m  
Dead weight: 16,373 metric tons



## Coastal Shipping Service

Pursuing Efficiency and Safety with One of the Largest Coastal Fleets NS United Naiko Kaiun Kaisha, Ltd.

Since our foundation in 1961, NS United Naiko Kaiun Kaisha has built and maintained many state-of-the-art vessels, such as dedicated limestone carriers with self-unloaders, dedicated cement carriers, and dedicated calcium carbonate/fly ash carriers. We have also developed a wide range of transportation services in response to the needs of customers in various fields.

In recent years, we have been studying next-generation ships that are friendly to the environment and people. In 2019, *UTASHIMA* was delivered as the first Japanese coastal cargo carrier equipped with a hybrid propulsion system powered by lithium-ion batteries. Having realized energy saving and easing the labor burden on the crew, *UTASHIMA* won the Ship of the Year 2019 award in the small cargo ship category.

General cargo carrier: *UTASHIMA*  
Built: 2019  
Length: 76.19 m  
Breadth: 12.00 m  
Dead weight: 1,700 metric tons



An LNG Transport Pioneer

NS United Coastal Tanker Kaisha, Ltd.

NS United Coastal Tanker Kaisha provides coastal shipping services for liquefied petroleum gas (LPG) in addition to liquefied natural gas (LNG), which is drawing attention as an environmentally friendly energy source. For LNG transportation, in particular, the company launched the first coastal LNG carrier in Japan in 2003, and now operates three of Japan's six coastal LNG carriers, the largest operating volume in Japan. All the company's staff, at shore and sea, work together to refine the safety management system and to further solidify our position as a pioneer in coastal LNG transport.

LNG carrier: *AKEBONO MARU*  
Built: 2011  
Length: 99.37 m  
Breadth: 17.20 m  
Tank capacity: 3,556 m<sup>3</sup>

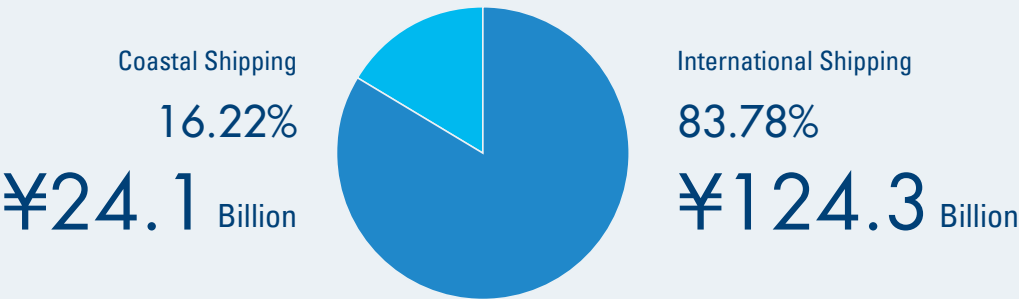


Statistical Profile of the NS United Kaiun Group

1 Revenues (FY 2019)

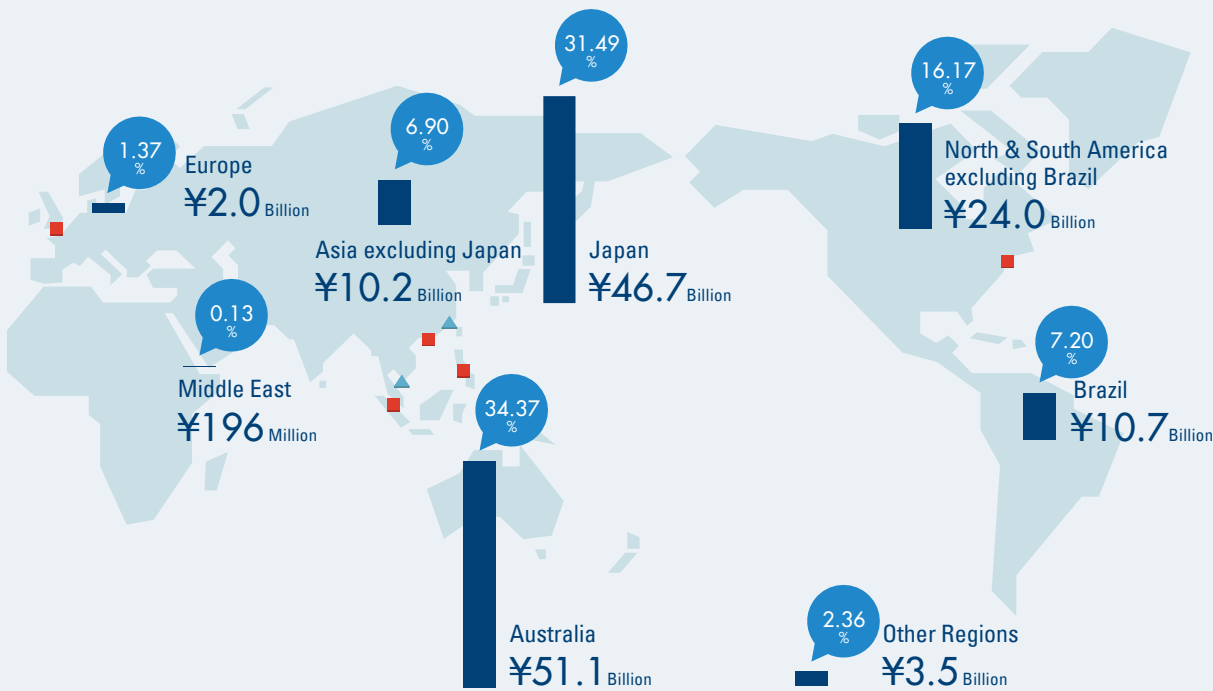
¥148.4 Billion

2 Revenues by Business Segment (FY 2019)



3 Revenues by Region (FY 2019)

■ Overseas subsidiaries: United Kingdom, United States, Hong Kong, Singapore, Philippines  
▲ Representative offices: Shanghai, Vietnam





## 4 Number of Companies (As of March 31, 2020)



Headquarters



Consolidated subsidiaries

52



Nonconsolidated subsidiaries  
(accounted for by the equity method)

3



Nonconsolidated subsidiaries  
(unaccounted for by the equity method)

9



Affiliates  
(unaccounted for by the equity method)

3

## 5 Number of Employees (as of March 31, 2020)



618

## 6 Number of Fleet Vessels (As of March 31, 2020)



197 vessels

## 7 Fleet Tonnage (As of March 31, 2020)



13.3 Million DWT

## 8 Total Annual Cargo Volume (FY 2019)



79.0 Million tonnes

## 9 Capital Investment (FY 2019)



¥60.8 Billion

## Overview by Business Segment

## Summary for Fiscal Year 2019

## International Shipping

The global economy experienced slow growth in fiscal year 2019 for several reasons, including expansion in the Chinese economy falling to 6% (due to such factors as trade friction between the US and China), Brexit in Europe, and rising tensions in the Middle East. The international dry bulk market, supported by solid shipping demand, generally performed above the previous fiscal year's levels until the third quarter. The market declined significantly from the end of the fiscal year onward, especially for large vessels, due to unfavorable weather in the major loading regions, Australia and Brazil, together with global economic uncertainty due to the spread of COVID-19.

Under these circumstances, the international shipping business segment posted lower revenues and income than the previous fiscal year, with revenues of ¥124,342 million and operating income, including loss on valuation of inventories, of ¥5,853 million.

## Coastal Shipping

The coastal shipping market was affected by several factors, including soft demand due to a decline in crude steel production and other factors with cargo owners as well as bad weather. These factors together weakened the market, especially for dry bulk shipments. As a result, the coastal shipping business segment posted lower revenues and income than the previous fiscal year, with revenues of ¥24,073 million and operating income of ¥1,185 million.

## FY 2019

## Group Fleet Development Results

(including vessels chartered for 5 years or longer)

International shipping	12 vessels 2,067,371 DWT (kt)
Coastal shipping	3 vessels 5,720 DWT (kt)

## FY 2020

## Group Fleet Development Plans

(including vessels chartered for 5 years or longer)

International shipping	8 vessels 1,213,000 DWT (kt)
Coastal shipping	3 vessels 18,200 DWT (kt)

## International Shipping

Revenue

¥124.3 Billion

down 1.8% year on year

Operating income

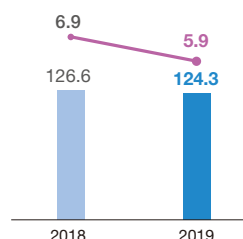
¥5.9 Billion

down 15.2% year on year

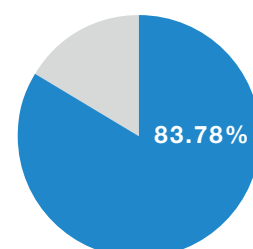
Change in revenues / operating income

(billion yen)

■ Revenues  
● Operating income



Breakdown of revenues



## Capesize Bulk Carriers

For capesize bulk carriers (roughly 180,000 dwt), the average daily charter rates for the five primary routes rose from the 4,000-dollar level in April to the 38,000-dollar level in September, due to robust demand for iron ore in China. However, the daily charter rate fell during the year-end off-season. From the start of the calendar year onward, the slowdown of the Chinese economy, bad weather in Australia and Brazil, and concerns over the global economic impact of the COVID-19 pandemic caused the daily charter rate to fall to the 2,000-dollar level in March. Given these business circumstances, we continued to take the initiative in sales, including using a series of newly built vessels, such as a 400,000-dwt iron ore carrier, to perform stable shipping contracts with domestic and overseas customers, such as Nippon Steel Corporation, a major shipper. In addition, vessels that were temporarily taken out of service to install SOx scrubbers were successively redeployed toward the end of the fiscal year. As a result, we mostly achieved our initial targets for this business segment.

## Panamax Bulk Carriers

The market for Panamax bulk carriers (between 70,000 and 80,000 dwt) remained strong in the first half of fiscal year 2019, backed by solid demand for grain shipments for China. In September, the average daily charter rate for the four primary routes rose to the 19,000-dollar level for the first time since 2010. Yet, from fall onward, demand for grain exports in South America peaked and then fell, shipments of coal to

China declined, and the COVID-19 pandemic spread from the start of the calendar year, weakening the market. Under these circumstances, we were able to meet our initial targets for this business segment by concluding shipping contracts with domestic and overseas customers and by efficiently allocating our fleet.

### Supramax/Handy-Size Bulk Carriers

The market for supramax/handy-size bulk carriers (between 20,000 and 50,000 dwt) was generally below our forecast due to trade friction between the US and China. Although the market temporarily recovered during the second quarter of fiscal year 2019, mainly for grain shipping in South America, the market declined from the start of the calendar year due mainly to the COVID-19 pandemic. Given these circumstances, despite strong performances in some areas, such as shipments of non-ferrous metal from Central and South America, our major outbound shipments of steel products for North America fell due to reduced export demand prompted by falling steel prices from the second half of the fiscal year onward as well as additional tariffs imposed under Section 232 of the US's Trade Expansion Act of 1962. As a result, we were unable to achieve our initial targets in this business segment.

### Near Sea Going Vessels

Shipping volume grew for biomass fuel shipments by near sea going vessels (around 16,000 dwt or below). Yet shipping volume for exporting steel products to China, our main business line, fell due to intensifying trade friction between the US and China and rising purchasing ratios for locally made steel. As a result, the overall market performance was weak. In addition, due to factors such as more frequent typhoons than usual and the COVID-19 pandemic from the start of the calendar year, we were unable to achieve our initial targets in this business segment.

### VLCC and VLG

In the market for VLGCs (very large gas carriers) and VLCCs (very large crude oil carriers), revenue was stable through long-term charter out contracts for all vessels. Market-linked contracts were concluded for some vessels, and we were able to significantly exceed our initial targets in this business segment due to the strong market throughout the year.

## Coastal Shipping

Revenue

¥24.1 Billion

down 0.8% year on year

Operating income

¥1.2 Billion

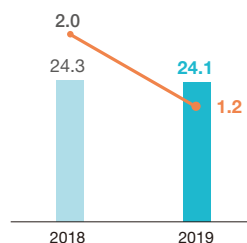
down 41.3% year on year

Change in revenues / operating income

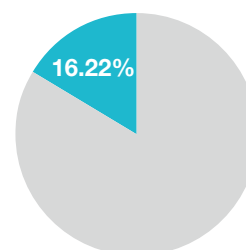
(billion yen)

■ Revenues

● Operating income



Breakdown of revenues



### Coastal Vessels

For steel-related shipping volume in the dry bulk segment, the volume for raw material shipments fell by a large amount due to bad weather and lower production from shaft furnace steelmakers, whose crude steel production dropped below 100 million tonnes due to lower steel exports and domestic steel demand. The steel shipment volume also fell in comparison with the previous fiscal year. For electrical-related cargo shipments, shipping volume fell slightly below our target, mainly due to factors related to power generation plants. At the same time, we began shipping fuel for biomass power plants from the second half of the fiscal year. Cargo volumes for cement were generally in line with our initial goals. However, we were unable to achieve the overall target that we set for this business segment due to a significant drop in the volume of steel-related shipments.

For tankers, demand for liquefied natural gas (LNG) shipments fell due to switching from gas-powered to electrical appliances, energy conservation, and a relatively warm winter. Yet, through more efficient vessel allocations and operation, we were able to exceed shipping volume targets. Shipping volume for liquefied petroleum gas (LPG) slowed, since demand for consumer use fell in the winter, when consumer demand is generally highest, due to a relatively warm winter; the termination of some shipping contracts; and declining domestic industrial demand. However, shipping volume for LPG as a chemical ingredient rose due to strong internal demand. Under these circumstances, we were able to meet the initial overall targets for this business segment.

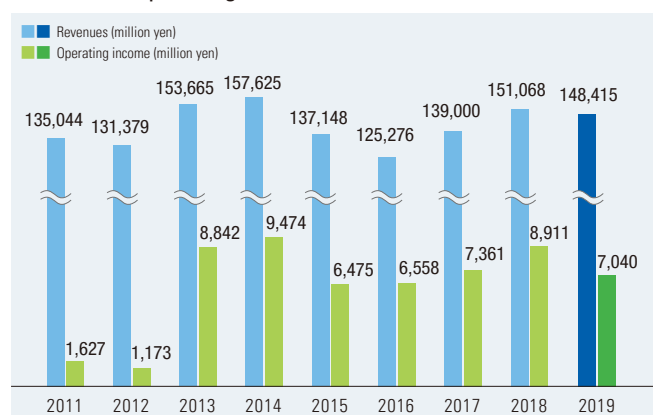
## Financial and ESG Data Highlights

Fiscal years referred to in this report cover the period from April 1 to March 31. Fiscal 2019 refers to the fiscal year ended March 31, 2020.

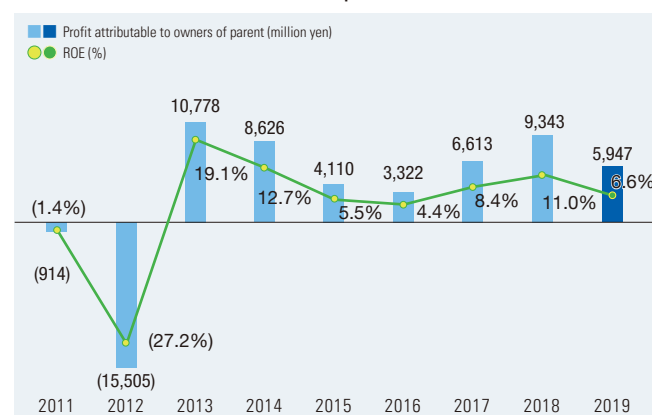
Fiscal Year (consolidated)	unit	2011	2012	2013	2014
Revenues	million yen	135,044	131,379	153,665	157,625
Operating income	million yen	1,627	1,173	8,842	9,474
Ordinary income	million yen	496	2,529	8,920	10,380
Profit before income taxes	million yen	(1,446)	(14,977)	12,005	10,691
Profit attributable to owners of parent	million yen	(914)	(15,505)	10,778	8,626
<b>Per share data*</b>					
Net income	yen	(39.6)	(672.1)	467.2	374.0
Net assets	yen	2,744.0	2,192.8	2,709.1	3,195.6
Dividends	yen	—	—	90	90
Share Price (Closing price on March 31)	yen	1,340	1,600	2,450	2,920
<b>At fiscal year-end</b>					
Total assets	million yen	190,659	181,682	224,507	227,663
Net assets	million yen	65,581	52,633	64,943	76,481
Equity ratio	%	33.2	27.8	27.8	32.4
<b>Major Financial Indicators</b>					
Return on equity (ROE)	%	(1.4)	(27.2)	19.1	12.7
Price earnings ratio (PER)	times	—	—	5.2	7.8
Dividend payout ratio	%	—	—	19.3	24.1
Interest-bearing debt	million yen	95,917	99,723	135,716	125,912
Net DER	times	1.24	1.57	1.72	1.29
Capital investment	million yen	30,505	23,275	58,295	20,344
<b>ESG Data (nonconsolidated)</b>					
Fleet tonnage	ten thousand tonnes	1,083	1,006	1,072	1,135
Cargo volume	kton	55,520	59,383	58,658	65,112
Fuel consumption (MDO/HFO)	kton	15/718	12/696	13/694	15/686
Fuel consumption per unit load	t/kt	13.2	11.9	12.0	10.8
CO <sub>2</sub> emission volume	kton	2,184	2,194	2,123	2,149
CO <sub>2</sub> emissions per load unit (compared with fiscal year 2008, the fiscal year ended March 31, 2009)	%	93.48	87.90	85.75	77.93
Number of employees	People	221	225	226	228

The Company conducted a reverse stock split at a ratio of 1 to 10 common shares effective from October 1, 2017. The per share data shown above has been calculated as if the reverse stock split had been conducted at the beginning of fiscal year 2011.

### Revenues / Operating income

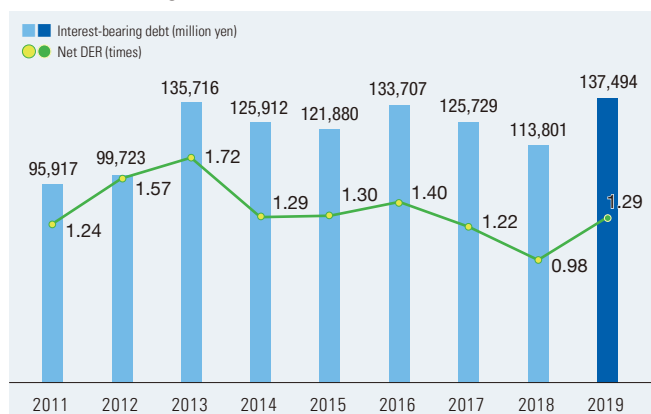


### Profit attributable to owners of parent / ROE

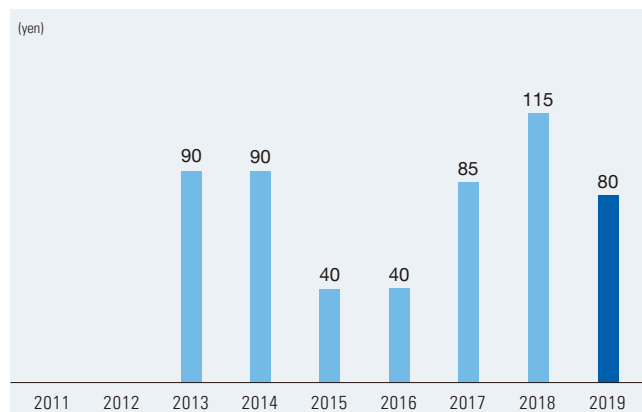


2015	2016	2017	2018	2019	Target 2023
137,148	125,276	139,000	151,068	<b>148,415</b>	Exceed 10 billion yen
6,475	6,558	7,361	8,911	<b>7,040</b>	
4,064	4,607	5,555	7,784	<b>5,479</b>	
4,343	3,814	6,419	10,502	<b>7,197</b>	
4,110	3,322	6,613	9,343	<b>5,947</b>	
175.4	140.9	280.6	396.4	<b>252.3</b>	
3,197.2	3,259.0	3,423.2	3,778.0	<b>3,866.0</b>	
40	40	85	115	<b>80</b>	
1,520	2,400	2,170	2,369	<b>1,387</b>	
217,524	233,071	228,229	223,528	<b>248,522</b>	
75,372	76,826	80,691	89,038	<b>91,110</b>	
34.6	33.0	35.3	39.8	<b>36.7</b>	
5.5	4.4	8.4	11.0	<b>6.6</b>	Exceed 10 %
8.7	17.0	7.7	6.0	<b>5.5</b>	
22.8	28.4	30.3	30.3	<b>31.7</b>	
121,880	133,707	125,729	113,801	<b>137,494</b>	
1.30	1.40	1.22	0.98	<b>1.29</b>	
24,733	29,491	23,656	18,602	<b>60,805</b>	1.0 time or less
1,124	1,219	1,284	1,180	<b>1,306</b>	
64,088	62,483	62,134	64,206	<b>62,577</b>	
19/658	21/644	22/634	28/672	<b>36/612</b>	
10.6	10.6	10.6	10.9	<b>10.4</b>	
2,068	2,033	2,005	2,139	<b>1,983</b>	
76.93	78.38	76.25	74.63	<b>74.67</b>	
227	228	226	227	<b>231</b>	

### Interest-bearing debt / Net DER



### Dividends





## Consolidated Financial Statements (Summary)

## Consolidated Balance Sheet

Million yen

As of March 31	2019	2020
<b>ASSETS</b>		
Current assets	57,261	50,484
Fixed assets	166,267	198,038
Tangible fixed assets	153,849	187,295
Intangible fixed assets	2,594	2,546
Investments and other assets	9,823	8,197
<b>Total assets</b>	<b>223,528</b>	<b>248,522</b>
<b>LIABILITIES</b>		
Current liabilities	32,140	52,630
Long-term liabilities	102,350	104,783
<b>Total liabilities</b>	<b>134,490</b>	<b>157,412</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	10,300	10,300
Capital surplus	17,181	17,181
Retained earnings	62,394	65,748
Treasury stock, at cost	(994)	(995)
Total shareholders' equity	88,881	92,235
Accumulated other comprehensive income		
Unrealized gains (losses) on securities	(17)	(0)
Gains (losses) on deferred hedge	(9)	(1,239)
Foreign currency translation adjustment	(124)	(55)
Remeasurements of defined benefit plans	307	169
Total Accumulated other comprehensive income	157	(1,125)
<b>Total net assets</b>	<b>89,038</b>	<b>91,110</b>
<b>Total liabilities and net assets</b>	<b>223,528</b>	<b>248,522</b>

## Consolidated Statement of Shareholders' Equity

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
<b>Balance at April 1 2019</b>	<b>10,300</b>	<b>17,181</b>	<b>62,394</b>	<b>(994)</b>
Changes of items during the term				
Dividends of surplus			(2,592)	
Profit attributable to owners of parent			5,947	
Acquisition of treasury stock				(1)
Change of scope of consolidation				
Net changes of items other than shareholders' equity				
Total changes of items during the term	—	—	3,354	(1)
<b>Balance at March 31, 2020</b>	<b>10,300</b>	<b>17,181</b>	<b>65,748</b>	<b>(995)</b>

For more details, please refer to the financial report on our website.  
<http://www.nsuship.co.jp/en/ir/financial-data/>

## Consolidated Statement of Income

Million yen

	FY 2018 (Apr. 1, 2018- Mar.31, 2019)	FY 2019 (Apr. 1, 2019 - Mar. 31, 2020)
Revenues	151,068	148,415
Operating expenses	136,382	135,613
Gross profit	14,687	12,802
General and administrative expenses	5,776	5,762
Operating income	8,911	7,040
Non-operating income	568	416
Non-operating expenses	1,694	1,977
Ordinary income	7,784	5,479
Extraordinary profits	3,254	2,888
Extraordinary losses	536	1,170
Profit before income taxes	10,502	7,197
Income taxes—current	823	541
Income taxes—deferred	337	710
Profit	9,342	5,947
Profit (Loss) attributable to non-controlling interests	(0)	—
Profit attributable to owners of parent	9,343	5,947

## Consolidated Statement of Cash Flows

Million yen

	FY 2018 (Apr. 1, 2018- Mar.31, 2019)	FY 2019 (Apr. 1, 2019 - Mar. 31, 2020)
Cash flow from operating activities	19,957	16,905
Cash flow from investing activities	(5,031)	(39,935)
Cash flow from financing activities	(15,491)	16,099
Effect of exchange rate changes on cash and cash equivalents	11	(55)
Net increase (decrease) in cash and cash equivalents	(554)	(6,985)
Cash and cash equivalents at the beginning of the year	27,276	26,738
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	16	—
Cash and cash equivalents at year-end	26,738	19,753

Million yen

Total shareholders' equity	Accumulated other comprehensive income					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	
88,881	(17)	(9)	(124)	307	157	89,038
(2,592)						(2,592)
5,947						5,947
(1)						(1)
	17	(1,230)	69	(138)	(1,282)	(1,282)
3,354	17	(1,230)	69	(138)	(1,282)	2,072
92,235	(0)	(1,239)	(55)	169	(1,125)	91,110

TOPICS

# Delivery of *NSU CARAJAS*, the first 400,000 dwt iron ore carrier in Japan



Large and small blocks are assembled



Steering training on simulator



Ship launching



In the sea trial



Maiden voyage in a farewell

## Valemax

Vale\* is one of the world's top resource companies, producing over 300 million tons of iron ore each year. Efficient transportation is vital to Vale's ability to maintain a competitive position. For this reason, Vale has invested heavily in the Valemax: the company can now transport massive amounts of high-grade iron ore in a single ship from Brazil to relay points such as China, with the aim of reducing transportation costs. The iron ore, after being blended at these relay points, is then delivered by Panamax vessels to Japan and other countries in Asia.

In addition to 35 first-generation valemax delivered from 2011, Vale has 33 second-generation eco-friendly vessels, such as this one, delivered from 2018 onward.

This ship is the first vessel of its type built so far in Japan, and it has the latest energy-saving technologies from JMU\*\*, an expert in building large vessels. It features several fuel efficiency improvements, including energy-saving duct and bulb that convert the rotational energy behind a propeller into propulsion, as well as fins that straightens the complex stern flow and reduces the hull resistance. In addition, SOx scrubbers are installed to reduce the environmental impact of the ship's exhaust.

\* Vale: Vale International S.A.  
\*\* JMU: Japan Marine United Corporation

## Fleet List (As of March 31, 2020)

Total number of ocean going vessels: 125  
Total DWT: 13,062 thousand kt

## NS United Kaiun Kaisha, Ltd.

Capesize Bulk Carriers		
Vessel name	DWT (kt)	
1 NSU CARAJAS	399,688	
2 SHINWA-MARU	297,541	
3 NSU JUSTICE	250,601	
4 NSU INSPIRE	250,599	
5 NSU PRIDE	250,592	
6 NSU MILESTONE	250,446	
7 NSU XANADU	250,125	
8 NSU BRILLIANCE	249,989	
9 NSS DYNAMIC	233,584	
10 NSS HONESTY	229,548	
11 CSK ENTERPRISE	208,662	
12 CSK UNITED	208,662	
13 NSU ULTIMATE	208,571	
14 NSU TRUST	208,530	
15 NSU VOYAGER	208,528	
16 NSU WELFARE	208,482	
17 NSU YOUNG STAR	208,462	
18 NSU ZENITH	208,439	
19 NSU AMBITIOUS	208,393	
20 NSU CHALLENGER	208,359	
21 NEW PROMISE	208,357	
22 SHIN-EI	207,933	
23 NSU OBELISK	207,590	
24 NSU KATSURA	207,545	
25 NSU KEYSTONE	207,452	
26 NSU QUEST	207,144	
27 UNITED FUTURE	183,230	
28 UNITED ETERNITY	183,026	
29 UNITED GRACE	182,922	
30 NSU SIRIUS	182,768	
31 NEW FUTURE	182,598	
32 GOOD HORIZON	182,342	
33 SG UNITED	181,415	
34 UNITED CROWN	181,381	
35 UNITED BREEZE	181,325	
36 NEW DELIGHT	181,279	
37 NSU NEWSTAR	181,380	
38 NEW ADMIRE	181,050	
39 NSU RESPONSIBILITY	180,915	
40 UNITED DIGNITY	180,818	
41 NSU LODESTAR	180,690	
42 UNITED ADVENTURE	180,414	
43 NEW EXPEDITION	176,387	
<b>TOTAL</b>	<b>9,077,762</b>	

Post-Panamax & Panamax 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 KIMIMACHI	91,296	
6 SAKURA WAVE	88,299	
7 DOUBLE HARMONY	88,270	
8 JP VERDURE	88,269	
9 KAGUYA	85,001	
10 MG SAKURA	84,808	
11 GLORIOUS WIND	83,410	
12 IBIS WIND	82,937	
13 SEAGULL WIND	82,908	
14 NEW ASCENT	82,179	
15 PORT STAR	82,177	
16 RISING WIND	82,151	
17 BRIGHT WIND	82,119	
18 AEOLIAN ARROW	82,019	
19 NORD BELUGA	81,841	
20 NORD PENGUIN	81,841	
21 ARGO WIND	81,761	
22 RU MENG LING	81,487	
23 ROBIN WIND	78,228	
24 DIAMOND WIND	76,536	
<b>TOTAL</b>	<b>2,045,723</b>	

Near Sea Going Vessels		
Vessel name	DWT (kt)	
1 ASIAN EXPLORER	16,656	
2 ASIAN FLOWER	16,239	
3 THOR THUNDER	14,451	
4 NEW AUDACITY	13,559	
5 KERRISDALE	13,559	
6 HAYATE	13,121	
7 MERCURY TRIUMPH	13,110	
8 HELIOS TRIUMPH	13,060	
9 WINDS 3	11,759	
10 EAGLE WIND	11,708	
11 GINGA	11,439	
12 HAYABUSA	11,415	
13 PACIFIC HORSE	11,401	
14 ASAKAZE	11,382	
15 TOYO HOPE	10,262	
16 MIGHTY CHAMP	10,084	
17 MIGHTY DANDY	10,072	
18 BUNGO PRINCESS	10,034	
19 ALISHAN BLOSSOM	8,767	
20 OCEAN SYMPHONY	8,313	
21 OCEAN HARMONY	8,285	
22 OCEAN FORCE	8,242	
23 AZALEA	5,727	
24 FIRST CLARITY	5,451	
<b>TOTAL</b>	<b>268,097</b>	

Supramax & Handy-Size Bulk Carriers		
Vessel name	DWT (kt)	
1 PACIFIC INFINITY	56,104	
2 NEW BEGINNING	56,098	
3 NEW DIRECTION	56,097	
4 ANDES QUEEN	52,256	
5 INCA QUEEN	52,199	
6 ATACAMA QUEEN	51,213	
7 ANCASH QUEEN	51,068	
8 SPRING QUEEN	51,063	
9 SUMAQ QUEEN	51,052	
10 AREQUIPA QUEEN	51,024	
11 LESEDI QUEEN	50,412	
12 ATLANTIC PRISM	39,172	
13 YOU & ISLAND	38,309	
14 SAKURA OCEAN	38,239	
15 SAKURA DREAM	38,213	
16 ATLANTIC STAR	37,065	
17 ATLANTIC BUENAVISTA	37,025	
18 ATLANTIC RUBY	33,680	
19 ATLANTIC VENUS	33,677	
20 ATLANTIC GLORY	33,472	
21 ATLANTIC OASIS	33,457	
22 EOS VICTORY	33,451	
23 ATLANTIC BRAVE	33,407	
24 DIANTHUS	28,396	
25 ATLANTIC RAINBOW	28,368	
26 ATLANTIC EAGLE	28,339	
27 BRIGHT HOPE	28,201	
28 ATLANTIC FAIRY	27,935	
29 ATLANTIC TRAMP	27,930	
30 PACIFIC SPIKE	24,041	
<b>TOTAL</b>	<b>1,200,962</b>	

VLCC / VLG		
Vessel name	DWT (kt)	
1 YUGAWASAN	302,481	
2 KODAIJISAN	58,591	
3 NS FRONTIER	54,312	
4 NS DREAM	54,052	
<b>TOTAL</b>	<b>469,436</b>	

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



## Glossary

### BRM (Bridge Resource Management) training ... pp. 21-22

BRM training aims to develop maritime management competence by encouraging mariners' attitudes and behavior to enable effective use of people and any other resources available on bridges, in turn to achieve safe, efficient navigation throughout an entire operation.

### ERM (Engine Resource Management) training ... pp. 21-22

ERM training aims to develop maritime management competence by encouraging mariners' attitudes and behavior to enable effective use of people and any other resources available on engine rooms, in turn to achieve safe, efficient operation of equipment in vessel engine rooms, including the main engines, or to minimize any damage or disruption in the event of a malfunction or other problem.

### GHG (Greenhouse Gas) ..... p. 25, pp. 27-28

Greenhouse gas is the collective term for the gasses considered to be the primary cause of global warming. In this report, GHG mainly refers to carbon dioxide, which is produced when vessels burn fuel. Carbon dioxide from any source, not just vessels, is the human-induced GHG with the greatest environmental impact and believed to contribute the most to climate change, so carbon dioxide emissions must be reduced.

### ISO 14001 ..... p. 19

This is the international standard for environmental management system established by the International Organization for Standardization (ISO) to guide companies performing environmentally responsible business operations. The standard sets out the required environmental management policies, organizational structures, operation, internal audits, and other initiatives, which are continually improved based on a PDCA cycle.

### ISO 9001 ..... pp. 19-20

This is the international standard for quality control and quality assurance established by the ISO. It sets out the requirements for a quality management system that extends to organizational control to achieve customer satisfaction and operational improvements. The pursuit of customer satisfaction and improvement through ISO 9001 allows a company to maintain the trust of the public and to improve competitiveness. Both the ISO 14001 and ISO 9001 standards were revised in 2015 in response to changes in the social environment.

### MARPOL Convention ..... p. 24, p. 26, p. 29

The International Convention for the Prevention of Pollution from Ships, 1973, as Modified by the 1978 and 1997 Protocols. This convention stipulates initiatives for preventing air pollution as well as contamination through mishandling of oil, water, and waste.

### SOx (sulfur oxide), NOx (nitrogen oxide)

..... p. 7, p. 24, p. 26, p. 29, p. 36, p. 40, p. 46  
Exhaust gas from engines and boilers used in vessels contains SOx (sulfur oxides) and NOx (nitrogen oxides) generated in the course of combustion. SOx and NOx 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 (acid rain) after being absorbed by raindrops. The acid precipitate often causes severe environmental damage such as damage to forests or killing lake and river organisms.

### UNFCCC (United Nations Framework Convention on Climate Change)

..... p. 27  
Increasing GHGs in the atmosphere (carbon dioxide, methane, nitrogen monoxide, nitrogen dioxide, fluorocarbons, etc.) are considered to be causes of global warming. Due to the dangers of their adverse effects

on the environment, this framework was created in order to protect the current and future climate and prevent adverse effects.

### (IMO) International Maritime Organization

..... p. 8, p. 14, p. 20, p. 25, p. 27

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.

### Work-life balance ..... pp. 15-16

This is a concept, originally begun by the UK's Department of Trade and Industry, which promotes harmony between professional and personal lives. Work-life balance 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 across Japan.

### Stock Indicators

Evaluation Criteria for the Current Share Price (High or Low)

Book-Value Per Share (BPS): ..... p. 42  
(net assets ÷ number of shares issued)

BPS is the value obtained by shareholders when the company is dissolved and assets are liquidated, after paying all debts. Higher values are better.

Price Book-Value Ratio (PBR): ..... p. 9  
(share price ÷ book value per share (BPS))

PBR indicates the multiple of book value per share (BPS) at which shares can be purchased. The higher the value, the more expensive the shares are. Generally, a PBR below 1x is considered undervalued.

Price Earnings Ratio (PER): ..... p. 9, p. 42  
(market capitalization ÷ profit = share price ÷ earnings per share)

PER indicates the multiple of the profit per share at which the shares can be purchased. The higher the value, the more expensive the share price is in relation to the company's earnings.

Return on Equity (ROE): ..... p. 9, p. 13, p. 32, p. 42  
(profit ÷ own capital)

ROE is an indicator of a company's profitability. It shows how much corporate profits (earnings) were generated from shareholders' equity (capital from shareholders = own capital).

Return on Sales (ROS): ..... p. 9  
(profit ÷ revenues x 100)

ROS is an indicator of profitability. Depending on the purpose of analysis, ROS can be applied to different types of profit, including gross profit, operating income, ordinary income, and profit attributable to owners of parent.

Net Debt Equity Ratio (Net DER): ..... p. 9, p. 13, p. 32, pp. 42-43  
([interest-bearing debt - cash and cash equivalents] ÷ own capital)

DER is a financial indicator of a company's health. It shows the ratio of a company's interest-bearing debt (loans) to its own capital (shareholders' equity; no repayment obligations) as a multiple. The lower the value, the sounder the company's financials.

Net DER is an indicator using real interest-bearing debt, which is calculated by deducting cash and deposits from interest-bearing debt.



# Company Outline (As of March 31, 2020)

## Outline of the Company

<b>Company name</b>	NS United Kaiun Kaisha, Ltd.
<b>Head office</b>	Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan
<b>Established</b>	April 1, 1950
<b>Principal lines of business</b>	International marine transportation services and related businesses
<b>Capital</b>	¥10,300,000,000
<b>Stock Exchange Listing</b>	Tokyo Stock Exchange (First Section)
<b>Number of employees</b>	231 (nonconsolidated)
<b>Fleet</b>	125 vessels (13,062,000 DWT)



## Major Consolidated Group Companies

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

## Principal Overseas Subsidiaries & Representative Offices

Overseas Subsidiaries	Representative Offices
United Kingdom	Shanghai, China
United States	Hai Phong, Vietnam
Hong Kong	
Singapore	
Philippines	

## Stock Information (As of March 31, 2020)

<b>Shares Authorized</b>	60,000,000
<b>Shares Issued</b>	23,970,679
<b>Number of Shareholders</b>	6,783

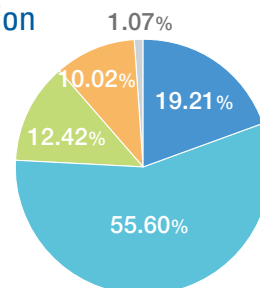
### Major Shareholders

	Number of shares held (thousands)	Percentage of shares held (%)
Nippon Steel Corporation	7,861	33.36
Nippon Yusen Kabushiki Kaisha (NYK Line)	4,324	18.35
Mizuho Bank, Ltd.	798	3.39
Tokio Marine & Nichido Fire Insurance Co., Ltd.	606	2.58
The Master Trust Bank of Japan, Ltd. (Trust account)	553	2.35
Japan Trustee Services Bank, Ltd. (Trust Account)	508	2.16
Hsin Chien Marine Co., Ltd.	504	2.14
Sompo Japan Nipponkoa Insurance Inc.	389	1.65
Mitsui Sumitomo Insurance Co., Ltd.	354	1.50
Mitsubishi Heavy Industries, Ltd.	340	1.44

Notes: 1. Number of shares held is rounded down to the nearest thousand.  
 2. The above list of major shareholders excludes NS United Kaiun Kaisha, Ltd., which holds 404,189 shares of treasury stock.  
 3. Percentage of shares held has been calculated excluding the treasury stock.  
 4. On April 1, 2020, Sompo Japan Nipponkoa Insurance Inc. changed its name to Sompo Japan Insurance Inc.  
 5. On July 27, 2020, Japan Trustee Services Bank, Ltd. changed its name to Custody Bank of Japan, Ltd.

## Shareholder Composition

- Financial institutions
- Other corporations
- Individuals, others
- Overseas investors
- Financial instruments companies



## Share Price Trend



Notes: The opening price refers to the opening price on the first trading day of the month, and the closing price refers to the closing price on the last trading day of the month. The difference between the amounts is shown in white if the closing price was higher than the opening price, and in blue if the closing price was lower than the opening price. Effective from October 1, 2017, the Company changed the trading unit for shares from 1,000 to 100 shares, and conducted a reverse stock split at a ratio of one to ten shares. Accordingly, the Company's trading units on the Tokyo Stock Exchange have been changed from 1,000 to 100 shares from September 27. For convenience, share prices shown above up to September 2017 have been adjusted to reflect the reverse stock split.



<http://www.nsuship.co.jp/en/>

## **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: [general-affairs@nsuship.co.jp](mailto:general-affairs@nsuship.co.jp)

