



**NS UNITED
REPORT
2022**



NS United Kaiun Kaisha, Ltd.

For the fiscal year ended March 31, 2022



Basic Philosophy

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

Management Philosophy

1. Credibility and Reliability

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

2. Safe Navigation and Environmental Protection

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

3. Response to Customers and Reform

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

4. Nurture and Mobilize Employee Abilities

Nurture employees and mobilize their abilities to develop a dynamic Group that employees can take pride in.

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Editorial Policy

This report explains to all stakeholders, using both financial and non-financial information, how the NS United Kaiun Group fulfills its social responsibilities, including ESG commitments, as well as pursuing corporate profits by supplying marine transportation services.

In editing this report, we have referred to the *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation* of the Ministry of Economy, Trade and Industry. Our goal is to provide a stronger understanding of the Group's strategy for sustainable growth. In addition to this report, other information is available on our website.



NS United Kaiun Website
<https://www.nsuship.co.jp/en/>

● Period Covered

April 1, 2021 through March 31, 2022

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 2021 refers to the fiscal year ended March 31, 2022.

● Organizations Covered

NS United Kaiun Group, and related affiliates

Forward-Looking Statements

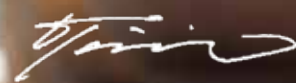
The forward-looking statements in this report, including performance forecasts, plans, and business strategies, are based on information available at the time and are subject to risks and uncertainties. Please note that actual business results could differ substantially due to several factors, including changes in the business environment.



Message from the President

The U Brand Value Creation Story with Sustainability Management as a Pillar

Kazuo Tanimizu
President and Representative Director
NS United Kaiun Kaisha, Ltd.



The previous fiscal year saw a rapid economic recovery from the damage caused by the COVID-19 pandemic, such development was not foreseen one year ago. Supported by the favorable external condition, NS United Kaiun (NSU) posted its highest profits since the merger in 2010, when NSU was formed out of the former Shinwa Kaiun Kaisha, Ltd. and former Nippon Steel Shipping Co., Ltd. Integrating industrial carrier and common carrier functions centering on bulk shipping through this merger, the NS United Kaiun Group has expanded its business capabilities to operate both large and small vessels and offer both coastal and international shipping services. We have thus established our presence as an essential player of the supply chain, specifically, a shipping company for the import and export of cargo for Japan's key industries, such as steel.

Companies should understand that as they expand their business scale and make global advances, they need to be more responsible for the effects of their business activities on society. More importantly, the significance of their existence will be determined in light of their relationship with society, which is subject to constant change depending on the needs of the times. We will also redefine our roles and responsibilities as a shipping company on an ongoing basis while contributing to the development of society and the economy as well as the improvement of people's lives through our business activities. We must be at all times ready to review and renew our goals, and motivate ourselves to continue to advance.

It is said that the world is experiencing a "cataclysmic change" of a kind not seen since World War II. The postwar society had sought for material abundance; during the post-Cold War period, the capitalist society developed in the pursuit of profits and efficiency; and our present society is challenged by the negative side of this past growth and has started discussing approaches to a better future. Today, there is growing concern over serious global challenges, especially those posed by climate change, and international efforts, such as the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement, are being accelerated to tackle such challenges. Reflecting these, the world now is sharing the concept of "sustainability," which stands for the values and principles that support the sound development of society. The term began to be used in this context from the 1990s, and has become much more popular today. Going forward, it will play an even more important role in broadly inspiring actions on a global scale that will enable future generations to continue to achieve sustainable growth.

Against this background, many companies have rapidly begun to build strategies to integrate sustainability and business management so as to achieve a "trade-on" between these two factors, which were traditionally considered mutually exclusive. In the past, environmental problems and social issues were externalized beyond the scope of corporate responsibility, drawing on market failure theory. Today, this is no longer acceptable, and businesses are required to internalize market externalities, which is driving companies to meet expectations for solving various issues faced by society through their businesses. For this purpose, each company needs to rigorously assess their strengths and weaknesses with regard to their business models and corporate history in exploring possible approaches to boost their competitive advantages.

To the above end, NSU is working to establish a profound understanding of the SDGs in light of its corporate philosophy created at the time of founding, and places greater value on relationships with stakeholders in order to enhance value improvement activities in three areas: the economy, the environment, and society. We will endeavor to boost our established brand value and competitive advantages, and develop businesses to deal with environmental issues and social challenges appropriately, seeking approaches to both social issues and business profitability. As a tool for managing these activities, we have formulated the Basic Sustainability Policy, which was approved at the Board of Directors' meeting last year.

The gravest challenge facing international marine transportation is climate change. NSU is aiming to decarbonize marine transportation as part of the concerted efforts made by the sector under the leadership of the International Maritime Organization (IMO). In addition, we set goals to achieve carbon neutrality by 2050 last year. In order to fulfill our new commitment to attaining the net-zero goals, we will start to lay out specific plans while working on the challenging issues to be overcome.

Based on the above recognition, NSU has re-examined what the relationship between the Company and society should look like, in particular, what kind of value the Company should provide to society. We then established our Purpose (the meaning of existence) of "Through Marine Transportation, We Will Work Together to Shape the World Today and Create a Sustainable Future." This statement represents our vision to hold firm long into the future, and has been shared within and outside the Group. It also reflects our view of the ocean as a "connector" of the world, rather than a divider.

The purpose of the company has significant meaning for employees. People do think about what they are working for. In order to feel spontaneously motivated to work for a given organization, you need to feel that you are contributing to the organization's efforts to accomplish something large and important, and that you are needed by the organization to complete the process. I'd like to cite a Chinese saying contained in the Analects of Confucius, which is translated as "know, like, enjoy" (One who only knows it is no match for one who likes it. One who only likes it is no match for one who enjoys it.). I suggest that the three items may well be followed by an additional item of "help" or "serve." This is related to the recent trend I have noticed regarding an increasing number of Olympians and Paralympians expressing their wishes that their own "performance at the Games will help other people have more confidence in themselves," which is about more than just competing in the Games for their own enjoyment.

To promote actions for ESG, a key area of sustainability activities, we will focus on six issues of materiality, as specifically described later. Our plan is to identify risks associated with these issues, seeking to view them as an opportunity to increase our corporate value at the same time as implementing measures to minimize them. In order to move forward amid uncertainty, it is essential to develop strong management strategies from a long-term perspective. For this purpose, we incorporate the concept of sustainability into our organizational culture, management process and strategies, and business models so as to attain our goals, while also ensuring governance systems operated by the Board of Directors.

Future Business Environment in Light of Current Global Conditions

The world economy and shipping industry still have remained on a general recovery track since last year, following the damage inflicted by the COVID-19 pandemic. Our view is that this uptrend will likely continue despite a number of countervailing factors, such as China's zero-COVID policy and the Russian invasion of Ukraine, as long as the US economy remains strong. We look forward to breaking away from the past prolonged period of stagnation and ushering in a new age of economic revitalization to start building a new global order and economic relationships. Meanwhile, the investment environment is undergoing a major transformation due to soaring resource and energy prices, increasing prices of vessels, and rising capital costs, which will increase the difficulty of making decisions.

The recent phenomenal events have allowed Japan and the rest of the world to reckon with the important roles and positions taken by Japan in the regional (Asia) and international community. Given this situation, NSU, as a leader in the shipping industry, will work to resolve major global challenges, such as climate change, encouraging international organization and meeting the expectations of society.

Boosting Our Strengths Based on Our U Brand Value

The "U Brand" is an intangible asset of NSU, based on the invaluable trust and confidence we have built over the years since the merger. The U Brand specifically represents assured safe navigation, environmentally friendly marine transportation, and fine-tuned customer service, among others. Shipping business requires good teamwork, backed by functional personnel and an appropriate workplace environment. We will enhance these strengths to increase safety and confidence under the U Brand name.

Purpose of NSU

NSU has formulated its Purpose, as stated earlier, to define what the relationship between the Company and society should look like, in particular, what kind of value it should provide to society. The formulation process involved dialogues with employees. The Purpose should be used as a guide to put us on the right path whenever we face an uncertain situation and to remind us of our original premise should we stray from it. This project alerted me to the notable effect of expressing a philosophy in suitable language. Also, living in an age of diversity, we are promoting initiatives for workplace diversity, while giving due consideration to inclusion within the organization to be able to exercise an appropriate unifying force.

Continuously Updating Business Models in Response to Changes in the Market and Business Environment

NSU must review and update its business models, as described earlier, on an ongoing basis in response to environmental changes. Major issues expected are summarized as follows. First, our established market for transporting import and export cargo for the steel and other industries will likely dwindle away as the industrial structure is changing. Second, shipping demand for liquid cargoes, such as ammonia and hydrogen, which are major alternatives to fossil fuels like coal, is expected to grow as the fuel and energy transition is accelerated toward 2050, the target year for achieving carbon neutrality, and we will need to build a new supply chain to respond to the expected demand. Third, contribution to the environment and society, particularly in association with the carbon neutrality goal, will be viewed as a differentiation factor by customers evaluating service providers, while long-term stable customer relationships will be anytime required as in the past. And fourth, technology development and infrastructure building necessary for boosting future competitive advantages and their associated risks will more often than before require more resources than a single company can provide, which will necessitate the exploration of appropriate partnerships with the public and/or private sector. For this purpose, we will take a comprehensive inventory of our assets and resources while seeking suitable partners who share our visions and values.

Promoting Various Initiatives to Address the Six Issues of Materiality

We have defined six issues of materiality, for which detailed discussions are provided in separate sections. Here I'd like to give additional descriptions for two of the six issues: human resources and customer satisfaction.

I will start with the issue of human resources. Since the introduction of the Corporate Governance Code, major areas of financial and non-financial activities to be enhanced by corporate management have centered on ensuring profitability and addressing sustainability challenges. Recently, target areas have been shifting to developing human resources as a source of corporate value. Behind this development is a call to update Japan's corporate conventional personnel system, which was highly regarded for its role in supporting the country's rapid economic growth in the past and has subsequently failed to keep up with the changing times. Under the new paradigm, our corporate management will: examine what kind of qualities management should possess; assess "As-Is and To-Be"; and consider what employees are seeking with respect to evaluation, treatment, diversity, opportunity to develop and demonstrate capabilities, and work motivation.

Accordingly, we are working to create systems that can at once effectively serve the purposes of both management and employees.

Next, I'll share my view about customer satisfaction. We are promoting ESG initiatives with a view to increasing our environmental and social value, which must also increase our economic value. This is essential to fulfilling the purpose of the initiatives. The key to this is customer value and customer satisfaction, a component of our core value. Tackling climate change, the most urgent challenge, requires an enormous amount of investment for building vessels powered by new fuels and other functions. And new rules are yet to be introduced for restrictions and incentives for economic methods specific to the marine transportation industry. NSU will persist in building and maintaining win-win cooperative ties with customers, drawing on long-established relationships based on shared values.

Challenges and Initiatives in the Second Half of the Medium-Term Business Plan

Top-priority issues addressed during the second half of the medium-term business plan period center on achieving carbon neutrality by 2050. Risks and opportunities associated with this goal are assessed, and related results are incorporated into business strategies developed appropriately from a medium- to long-term perspective. Specific actions to be carried out are summarized for the following three objectives.

The first objective deals with actions for NSU's operations. We are considering the roadmap to get to the goal, and scheduling necessary shipbuilding projects according to the plan. The current business plan primarily describes preparations for relevant actions to be implemented from 2025 onward. The most immediate challenge is to attain the emissions reduction target for 2030 (20% from 2019 levels) prior to the 2050 goal. Our approach to this end involves: meeting engine output requirements; improving fuel efficiency; and switching from heavy oil to alternative fuels. We are laying out an array of issues and tasks to address, specifically for identifying and assessing technical issues related to utilizing wind power and ammonia fuel, for which we have received a government subsidy under the Green Innovation Fund for zero-emission fuels; planning the schedule for launching demonstration ships and measures for the transition period up to the large-scale commercialization of zero-emission ships; and developing appropriate investment and cost management strategies.

The second objective is about contributing to carbon neutrality actions taken by the steel industry. The steel industry, our largest customer, has begun to promote earnest efforts toward carbon neutrality. We will support these efforts, while facilitating cooperation of coastal and international shipping services, in order to build a supply chain for green materials and fuels to reduce Scope I emissions.

The third objective is to contribute to achieving a carbon neutral society. At present, ammonia and hydrogen fuels are drawing public attention as a key solution. Also, the transport of carbon will be an important market for anchors. Last year, we decided to reorganize our business portfolio by altering the previous policy of shifting our focus to dry bulk shipping and instead resuming liquid shipping services as a new growth business, and we have begun necessary preparations and discussions with related parties.

Message to Our Stakeholders

NSU is listed on the Tokyo Stock Exchange's Prime Market—the market's top-tier section launched this year under its reorganized listing structure. To justify this recognition, we will dedicate all our strength to better meet the expectations of all our stakeholders. What constitutes a good company? We are constantly striving to answer this question, and working to make the answer a reality, while encouraging our Board of Directors, executive officers, and employees alike to demonstrate strong teamwork based on shared visions. We sincerely ask for the support of all our stakeholders.



History of the Company

As a marine transportation service provider, the Company is committed to meeting the expectations of society and earning the trust of its stakeholders while building flexible and resilient corporate functions. The above commitment and achievements will empower us to effectively respond to significant changes in the times so that we can continue contributing to the present and future society.

2011

Transported emergency relief supplies to flood-hit Thailand.



2013

A vessel operated by the Company rescued 11 victims of a shipwreck off the western coast of India.

2015

NS United Naiko Kaiun Kaisha, Ltd. became a wholly owned subsidiary in order to strengthen sales capabilities and competitiveness by integrating coastal and international shipping and to improve the efficiency of Group management.



2016

Concluded a 25-year long-term shipping contract with Vale, and decided to build a 400,000-dwt ore carrier.

Oct. 2010

Two companies merged into a new company named

NS United Kaiun Kaisha, Ltd.



Comprehensive service provider boasting robust customer relationships based on long-term contracts and a broad business portfolio

Expert in iron ore and coking coal transport with solid experience built by serving for long years Nippon Steel, Japan's largest steelmaker

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.

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.

Jul. 2004

Opened a liaison office in Shanghai

Apr. 2007

Established Shinwa (Singapore) Pte. Ltd.

Apr. 2008

Opened a liaison office in Manila

Sep. 1983

Nippon Steel Corporation became the largest shareholder

Sep. 1985

Opened a liaison office in London

Dec. 1990

Merged with Nippon Steel Shipping Co., Ltd. and changed registered name to Nippon Steel Shipping Co., Ltd.

Sep. 1997

Began stationing employees in Hai Phong, Vietnam

Nov. 2003

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

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 Restructuring Act



2022

Conducted a trial operation using biodiesel-blended marine fuel on a Very Large Ore Carrier with the cooperation of Nippon Steel Corporation as the charterer.

2022

SAKURA BRIGHT won the Best Quality Ship Award 2021, which is given to vessels acknowledged as outstanding by the Pilots' Associations, and marking the third consecutive year of honor to vessels operated by the Company.

2018

Installation of ballast water treatment systems is in full operation to prevent the impact of ballast water discharge on health and the marine environment.

2018

Paid out an interim dividend for the first time in a decade, or since 2008.

Medium-Term Business Plan

FY2014-FY2016

Unite & Full-Ahead! II

~Start for Further Development~

Executed strategic fleet development, including construction of new vessels with excellent environmental performance.

Medium-Term Business Plan

FY2011-FY2013

Unite & Full-Ahead!

~Aiming for New Value Creation~

Implemented the integration of industrial and common carriers while establishing a business structure capable of withstanding market downturns.



2019

Installation of SOx scrubbers (exhaust gas cleaning systems) was in full operation in preparation for stricter SOx emission regulations to conserve air quality.

2020

UTASHIMA, a coastal cargo carrier equipped with a hybrid propulsion system powered by lithium-ion batteries, won the Ship of the Year 2019 award in the small cargo ship category, an acknowledgement of ships built in Japan that are outstanding technologically, artistically, and socially.

Medium-Term Business Plan

FY2020-FY2023

FORWARD 2030

~Driving U forward over the next decade~

The Company aims to be both profitable and socially responsible by 2030, based on the key strategies of strengthening our brand power, building a sustainable business structure, and establishing a resilient management base.



2021

Published joint research on fuel efficiency technology using wind power from sails

2021

Signed an agreement to construct a vessel equipped with a hybrid propulsion system using a LNG-fired engine and a battery (Coastal service)

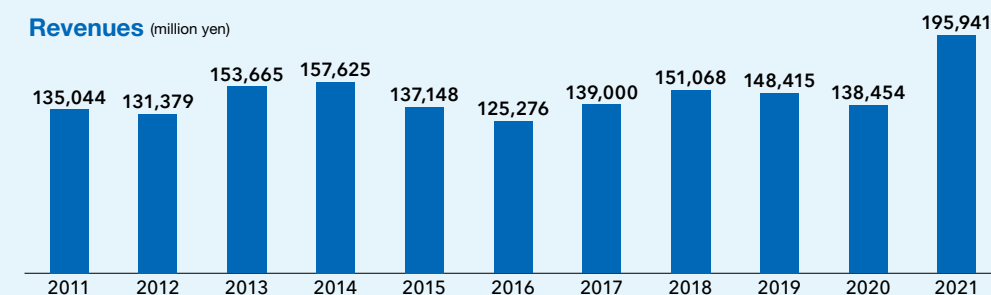
2020

IBUKI, a biomass fuel carrier was delivered.

2020

Enhanced the BCP, launched remote work systems

Revenues (million yen)



Highest revenues recorded since the merger

Value Creation Process



The NS United Kaiun Group's Purpose **Through Marine Transportation, We Will Work**

Together to Shape the World Today and Create a Sustainable Future.

Business model of the **U** brand

FORWARD 2030 (FY2020–FY2023 Medium-Term Business Plan) ▶ pp. 16-17

INPUT

Human capital

- A total of 650 employees onshore and offshore who have extensive experience, superior skills, and rich individuality

Intellectual capital

- Extensive expertise in shipping iron ore and coking coal
- Comprehensive strengths in shipping various types of cargo

Natural capital

- 40 kilotons of DO and 688 kilotons of FO consumed as fuels, including those expected to help reduce CO₂ emissions

Financial capital

- Stable revenue base that has enabled ordinary income to be posted every year since the merger in 2010, even during the unprecedented recession in the shipping market
- Financial base solidified by expanding the revenue base

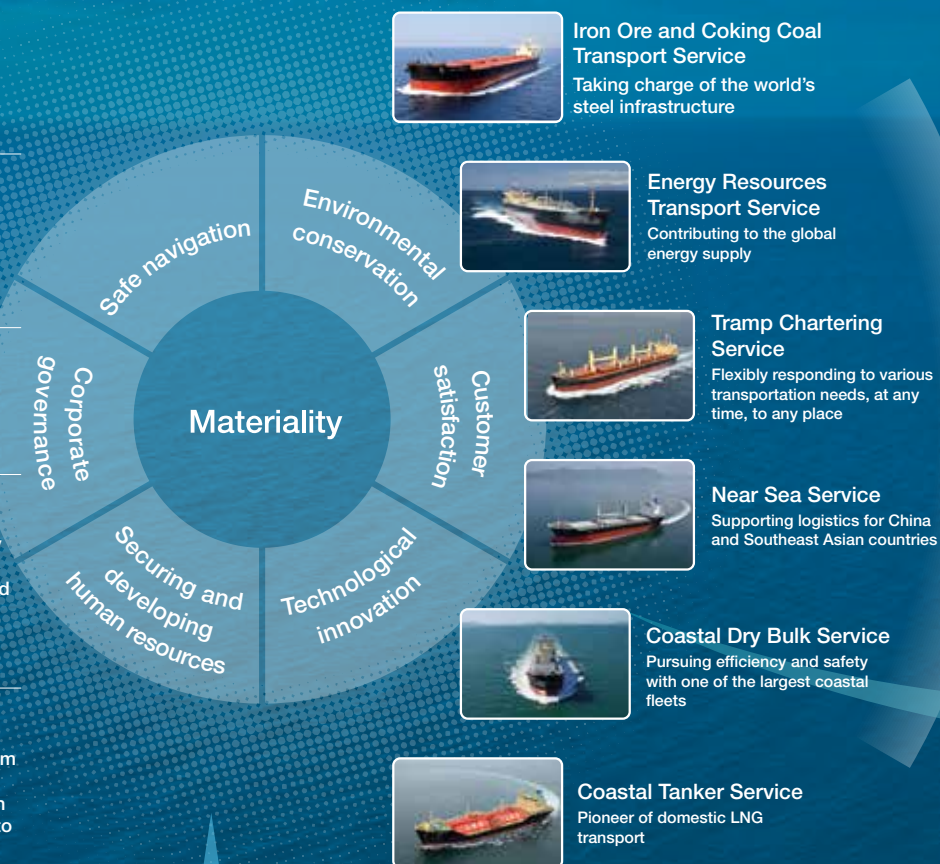
Manufactured capital

- Broad fleet portfolio of 200 vessels ranging from the world's largest vessels to coastal carriers
- Offices and ship management bases located in eight countries/regions to be able to respond to shipping needs at any time around the clock

Social and relationship capital

- Long-established security and trust in the U brand
- Partnerships with stakeholders around the world

Business Services



Risks surrounding our business



Driving **U** forward over the next decade

OUTPUT

Three Key Strategies

Strengthening the Brand Power

Security and Trust in the U Brand

Financial targets for FY2023

- Operating income 10.0 billion yen or more
- ROE 10% or more
- Net DER 1.0 time or less

Environmental targets

CO₂ emissions
20% reduction by 2030 compared with 2019
Net zero by 2050

Building a Sustainable Business Structure

Establishing a Resilient Management Base

OUTCOME

Ideal State in 2030:

A company that is both profitable and socially responsible

Establishing ESG management

Turning sustainability issues into opportunities

- Contributing to a sustainable society
- Further evolution of the U brand that builds on the security and trust of customers

Improving profitability

- Bolster core businesses that generate stable returns
- Grow strategic business domains
- Build highly flexible fleet portfolio
- Enhance comprehensive strengths of the coastal shipping business

Improving social value

- Growing businesses that contribute to creating a sustainable society

Megatrends

Changes in the business environment

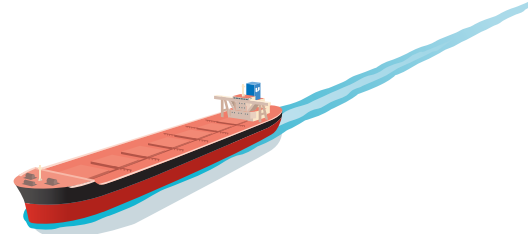
- Growing momentum for a sustainable society, including mitigating climate change and promoting resource recycling.
- Accelerating technological progress, including digitalization.

Outlook for shipping demand

- Although shipping demand for iron ore to Japan and China will peak out in the mid-2020s, it will gradually increase globally until 2030 due to increasing demand in emerging economies.
- Shipping demand for food and energy will go up due to increasing populations and rising standards of living in emerging economies.

SUSTAINABLE DEVELOPMENT GOALS

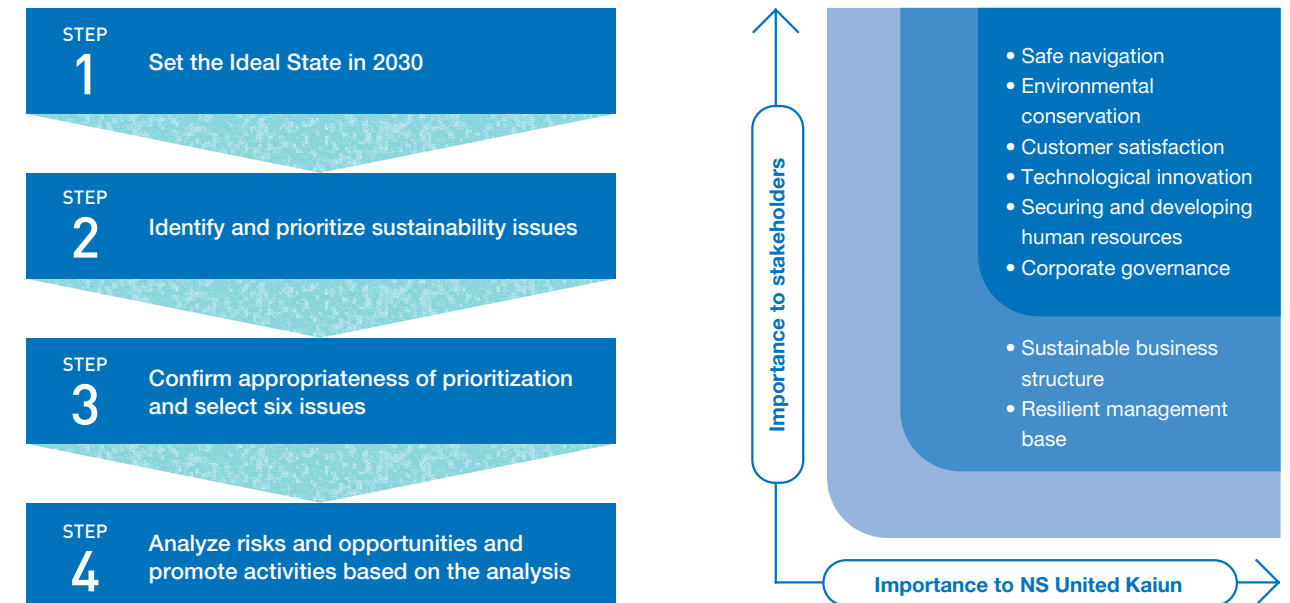
Sustainability Priority Issues



NS United Kaiun is committed to be “a company that is both profitable and socially responsible” as its Ideal State in 2030. To fulfill this commitment, we have selected six priority issues for sustainability (materiality). We will tackle these challenges, looking to capture growth opportunities and enhance our corporate value.

In line with the medium-term business plan FORWARD 2030, we defined the Ideal State in 2030 as “a company that is both profitable and socially responsible.” To achieve this state, we selected six sustainability priority issues for promoting ESG management: safe navigation, environmental conservation,

customer satisfaction, technological innovation, securing and developing human resources, and corporate governance. We are carrying out related activities by analyzing risks and opportunities associated with each issue while paying attention to changes in the external environment.



Materiality	Related pages in this report	Risks	Opportunities	Major activities	Related SDGs
Safe navigation	pp. 22–25	<ul style="list-style-type: none"> • Credibility lowered as a result of accidents 	<ul style="list-style-type: none"> • Earn the trust of customers who value safe transportation 	<ul style="list-style-type: none"> • SAKURA BRIGHT won the Best Quality Ship Award 2021, hosted by the Japan Federation of Pilots' Associations • NSU MILESTONE achieved a record of “no accidents, no casualties, no illnesses” for the seventh consecutive year 	
Environmental conservation	pp. 26–27 pp. 41–45	<ul style="list-style-type: none"> • Decline in demand for shipping fossil fuels • Impact of tightened environmental regulations on business 	<ul style="list-style-type: none"> • Earn the trust of customers who value the reduction of environmental impacts in the supply chain • Increase business opportunities chiefly related to expanding usage of renewable energy 	<ul style="list-style-type: none"> • Launched the ESG Committee and set up the Environment Conservation Promotion Group • Formulated the Basic Sustainability Policy and established the Purpose • Ammonia-fueled ship project adopted as a Green Innovation Fund business • Conducted a trial operation using biodiesel fuel 	
Customer satisfaction	pp. 34–39	<ul style="list-style-type: none"> • Share reduced in the shipping market as a result of decline in service quality • Loss of stable revenue base 	<ul style="list-style-type: none"> • Contribute to customers' decarbonization efforts, differentiation through effective information provision • Win new customers and expand markets by increasing the U brand value 	<ul style="list-style-type: none"> • Providing information related to next-generation fuel-powered vessels and energy saving types of vessels to domestic and overseas customers, and offering proposal sales more actively 	
Technological innovation	p. 17 p. 27 p. 43 p. 47	<ul style="list-style-type: none"> • Lost business opportunity resulting from failure to keep up with technological innovations • Obsolescence of existing vessels resulting from the emergence of new technologies 	<ul style="list-style-type: none"> • Utilize advanced technologies to optimize transport operations and boost competitiveness • Improve the environmental performance of shipping service by sophisticating IT systems 	<ul style="list-style-type: none"> • Published joint research on fuel efficiency technology using wind power from sails • Signed an agreement to construct a vessel equipped with a hybrid propulsion system using an LNG-fired engine and a battery (Coastal shipping) • Conducting research on the introduction of energy saving devices and operation support systems for improved fuel efficiency 	
Securing and developing human resources	pp. 30–32 pp. 46–49	<ul style="list-style-type: none"> • Seamen shortage due to the low birthrate and aging society in Japan • Difficulty in continuing business as a result of failure to take appropriate measures 	<ul style="list-style-type: none"> • Enhance labor productivity and boost competitiveness by promoting workstyle reforms • Increase capabilities to respond to changes in the business environment 	<ul style="list-style-type: none"> • Started flextime and remote work systems • Conducting remote vessel inspections and raise safety awareness and educate seamen 	
Corporate governance	pp. 28–29 pp. 50–55	<ul style="list-style-type: none"> • Difficulty in continuing business as a result of dysfunctional corporate governance • Credibility damaged as a result of violating laws and regulations 	<ul style="list-style-type: none"> • Establish stable growth foundations 	<ul style="list-style-type: none"> • Reclassified into the Prime Market of Tokyo Stock Exchange • Enhanced governance structure by selecting four outside directors, including three registered with the Tokyo Stock Exchange as independent directors, as defined by the organization, resulting in independent directors accounting for one-third of the board membership. 	

Value Creation Strategies

Medium-term business plan “FORWARD 2030”

Driving U forward over the next decade

The ongoing medium-term business plan (FY2020–2023), which was formulated to achieve an additional leap for the next decade, has reached its third year, starting off the second half of the plan. We are drawing on the achievements made during the first two years to solidify the management base, and carrying out business strategies for the second two years while effectively responding to changes in the external environment. We are thus continuing with our endeavors to become a company that is both profitable and socially responsible.

Results of the three key strategies implemented during the first two years

Key strategy 1 Strengthening the brand power

Strengthening the U brand as a symbol of security and trust by promoting ESG management with a focus on environmental protection, contributions to a sustainable society, and corporate governance

- October 2020
Launched the ESG Committee, set up the Environment Conservation Promotion Group
Participated in alternative-fuel ship development projects, conducted a trial operation using biodiesel fuel, performed TCFD scenario analysis, started other initiatives currently underway
- October 2021
Formulated the Basic Sustainability Policy, established the Purpose
- April 2022
Reclassified into the Prime Market of Tokyo Stock Exchange

Key strategy 2 Building a sustainable business structure

Building a business structure that support profitable and socially responsible operations by improving the stable revenue base to withstand a volatile shipping market while at the same time enhancing the management of sustainability to increase its social value

- Valemaxes, a representative project of our strategic fleet development, and other new vessels were delivered, providing a robust long-term stable revenue earner
- Improved profitability by implementing structural reforms, principally related to the sale of high-cost vessels ordered under soaring shipping market conditions and early termination of time charter contracts
- Increased long-term and spot shipping contracts for biomass and grains in addition to traditional major cargoes, such as iron ore and coking coal and steel products

Key strategy 3 Establishing a resilient management base

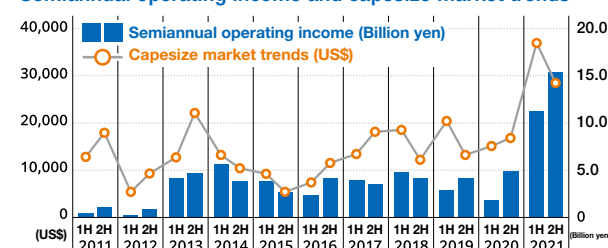
Improving the business continuity plan (BCP) on an ongoing basis to prepare for unforeseen events and build a solid financial base that enables prompt action against changes in the business environment

- Established remote work systems by introducing work-at-home systems and enhancing IT functions
- Enhanced risk management by scrutinizing the business portfolio and evaluating investments from a social point of view
- Reduced interest-bearing debt according to financial management policies and took measures against exchange risks

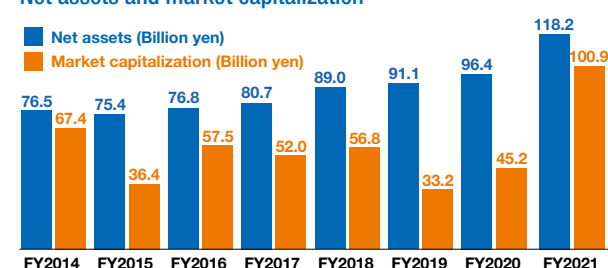
Medium-term financial targets achieved ahead of schedule

	Target	FY2021 results
Operating income	10 billion yen or more	26.7 billion yen
ROE	10.0% or more	22.0%
Net DER	1.0 time or less	0.78 times

Semiannual operating income and capesize market trends



Net assets and market capitalization



Strategies to be implemented during the second two years while responding to external changes

Achievements made and issues identified during the first two years

- | | |
|--|---|
| Achievements <ul style="list-style-type: none"> ● Expanded a stable revenue base centering on long-term contracts with domestic and overseas customers ● Built a solid financial base to prepare for future capital needs | Issues <ul style="list-style-type: none"> ● Promote businesses that directly help reduce greenhouse gas (GHG) emissions at customers and in society ● Promote R&D aimed at shift of marine fuels and reduction of fuel consumption ● Promote DX initiatives for operational efficiency improvement and environmental impact reduction |
|--|---|

Future changes in the external environment

- | | |
|---|---|
| Risks <ul style="list-style-type: none"> ● Inflation of fuel and material prices ● Slowdown of Chinese economy due to tighter controls including the zero-COVID policy ● Decline in demand for fossil fuels used in blast furnace and thermal power generation ● Obsolescence of existing vessels resulting from development of environmental technologies | Opportunities <ul style="list-style-type: none"> ● Change of trade patterns brought by expanding geopolitical risks and global economic division ● Further economic growth in Asia and emerging countries including India ● Increase in demand for next-generation fuel-powered vessels and energy saving types of ships ● Generation of demand for new cargoes related to decarbonization |
|---|---|

Business strategies developed anticipating future changes in the shipping market

Following the Russian invasion of Ukraine, many countries, including the United States and those in Europe, began to impose import restrictions on a broader range of Russian resources and products. These countries have begun to shift to alternative locations to source necessary products, and this trend is expected to continue for the time being, bringing a change in the international trade patterns.

In response to this situation, we will meet demand for alternative shipping in cooperation with our business bases located around the world.

Also, from a long-term perspective, we are working to obtain business rights in emerging countries in Asia, particularly India, where the population and economic growth will likely accelerate infrastructure development. At the same time, we are exploring possibilities to develop businesses that can directly help our domestic and overseas customers with environmental initiatives, such as environmentally friendly steel production methods and energy shifts, seeking effective partnerships with external parties.

Investment strategies to promote ESG management

Noticing that many sectors are actively discussing topics on emissions trading and the introduction of carbon taxes, the Company has introduced a full-fledged Internal Carbon Pricing (ICP) system to use as an evaluation tool for making appropriate investment decisions to ensure profitability and social responsibility at once. Also, we have decided to make strategic investments for the future in research and development of new decarbonization technologies and fleet development. These plans will be implemented in a timely manner, making effective use of the solid financial base.

Research and development toward the goal of achieving carbon neutrality by 2050

Being aware of the importance of sharing the social responsibility for climate change, the Group has established the goals of reducing CO₂ emissions per ton-mile by 20% by 2030 compared with the 2019 level, and achieving net zero emissions by 2050. To accomplish these goals, we are encouraging research efforts for commercializing vessels powered by alternative fuels such as ammonia, and developing operation support systems that reduce fuel consumption as well as energy saving devices.



Ammonia-fueled ship

DX promotion for operational efficiency improvement and environmental impact reduction

We are actively adopting and implementing advanced digital technologies in order to improve the efficiency of day-to-day operations and increase productivity. We are pursuing digitalization to organize and verify vessel operation and port-related data, seeking to ensure optimal vessel allocation and operation.

Financial Strategy

Masahiro Samitsu

Director, Senior Managing Executive Officer
In charge of Finance and Accounting Group
and Project Group



**Record High Profits
Posted Driven by
Strong Shipping
Market**

Review of FY2021 and Forecast for FY2022

In FY2021, the international shipping business benefitted from the significant improvement in the shipping market for dry bulkers in general, which was attributable to a pickup in seaborne volumes driven by the resumption of economic activities as lockdown restrictions on mobility began to be relaxed with a view to accelerating the economic recovery from the damage caused by COVID-19. In the coastal shipping business in Japan, demand turned upward following a pandemic-induced slump and brought an increase in the shipping volume for steel and electric power-related sectors as well as for LNG and LPG, which exceeded the initial forecasts. As a result, we posted 26.6 billion yen in consolidated ordinary income for FY2021, marking the highest profits since the merger in 2010.

Outlooks for the shipping market for FY2022 indicate the number of new vessels to be delivered in that year will trend as low as previously, suppressing the growth of transport capacity. On the demand side, backed by robust shipping demand for grains and minor bulk cargoes, such as non-ferrous metals, the growth of seaborne volumes will likely exceed the growth of transport capacity, bringing a tighter supply and demand. The Russian invasion of Ukraine will have mixed effects on the global shipping market. Specifically, shipments from Russia and Ukraine will fall, easing the shipping capacity constraints, while ton-miles demand is likely to benefit from the shift in trading patterns with longer-haul supplies replacing these shipments, tightening transport capacity. Shipping demand for China will remain as same as in the previous year, principally due to stagnant economic activities resulting from implementation of the zero COVID policy, as opposed to earlier expectations

for steel production to recover from the steel cuts due to the energy shortage and environmental policy related to the Beijing Olympic Games. Unlike FY2021, when reduced fleet productivity owing to stringent COVID-19 protocols of port quarantine controls resulted in a significant rise in the dry bulk market, FY2022 is unlikely to face similar market runups given port delay is falling back as port quarantine controls are eased, and should instead see the market trending at levels that matches the fundamental supply and demand.

As for the exchange rate, the Company's income is mostly denominated in the US dollar, so depreciation of the yen against the dollar will boost earnings. Due to the worsening trade balance in Japan and the widening gap in policy interest rates between Japan and the United States, the yen temporarily plunged against the dollar, breaking above the 130 mark. Considering these strong shipping market and exchange rates, we expect FY2022 results to exceed the last year's record high.

Financial Position

Since the merger, we have steadily accumulated profits without posting an ordinary loss for the full fiscal year. To further strengthen the solid financial base established through this robust performance, we have been working to reduce interest-bearing debt, principally by allocating our own funds to refinance bank loan. As a result, the balance of interest-bearing debt was reduced to 123.7 billion yen at the end of FY2021, from 149.2 billion yen at the end of FY2020.

Our policy for investments is to pursue social responsibility—as part of ESG management practices—as well as investment returns. In addition to evaluating

profitability based on investment criteria that take into account the cost of capital (WACC), the Investment Committee performs examinations from a social perspective, particularly by introducing Internal Carbon Pricing (ICP) programs, in order to determine the suitability of investments. In respect to the construction of new vessels, *UTASHIMA*, a coastal cargo carrier equipped with a hybrid propulsion system, was launched in 2019, which will be followed by the launch of a coastal LNG-fueled carrier, the first of its kind in Japan, scheduled for 2024. For international shipping services, as the fleet development plan that had been underway has passed a peak period, we have started discussions with shipyards on building next-generation vessels, including LNG-fueled or wind-powered vessels, with a view to reducing CO₂ emissions. Additionally, we have participated in a development project supported by the New Energy and Industrial Technology Development Organization (NEDO), aiming to achieve a ship powered by ammonia, a carbon-free fuel. Given a significant amount of funds will be required for implementing carbon neutrality initiatives, we will keep to the minimum necessary orders of new vessels until the mid 2020s, when the delivery of next-generation fuel-powered vessels will go into full swing, in order to prepare for future capital needs.

striving to attain financial goals set under the present medium-term business plan in FY2022. Through carrying out the medium-term business plan, we are committed to increasing our corporate value while contributing to achieving a sustainable society. To fulfill this commitment, we are striving to grow our strategic business domains directed at responding to transportation needs for a low-carbon society, with a focus on transportation of biomass and ammonia, known as a carbon-free fuel.

Shareholder Returns

While securing internal reserves necessary for future growth, we will continue to pay dividends of approximately 30% of consolidated financial performance as a stable return of profits to our shareholders. As of April 2022, the Company is listed on the Prime Market of the Tokyo Stock Exchange, the top-tier section of the market launched to replace the First Section, where we were formerly classified, under the market's reorganization of its listing structure. While pursuing higher standards of governance that are suitable for a Prime Market-listed company, we conduct information disclosures according to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Thus, we will continue endeavoring to satisfy the expectations of our stakeholders.

Progress of the Medium-Term Business Plan

Under our medium-term business plan, FORWARD 2030, we aim to achieve the targets of operating income of 10.0 billion yen or more, ROE of 10% or more, and Net DER of 1.0 or less by FY2023, the final year of the plan. Toward this end, we have been pressing ahead with structural reforms to build a highly flexible fleet portfolio able to accommodate fluctuating shipping markets. In FY2021, thanks to a favorable shipping market, we posted 26.7 billion yen in operating income, 22.0% in ROE, and 0.78 in Net DER, achieving the above targets two years ahead of schedule. Going forward, soaring prices of energy and other resources may threaten global economy. However, paying close attention to these business-related risks, we will continue

Change in Financial Position

	2018	2019	2020	2021	2022 (plan)
Cash and cash equivalents (billion yen)	26.7	19.8	27.6	31.2	40.0
Interest-bearing debt (billion yen)	113.8	137.5	149.2	123.7	104.0
Own capital (billion yen)	89.0	91.1	96.4	118.2	135.0
Net DER (times)	0.98	1.29	1.26	0.78	0.47
ROE (%)	11.0	6.6	6.5	22.0	20.5
Cash flow from operating activities (billion yen)	20.0	16.9	22.7	32.9	39.0
Cash flow from investing activities (billion yen)	(5.0)	(39.9)	(25.0)	0.1	(2.0)
Depreciation (billion yen)	14.6	15.0	17.9	17.7	17.0

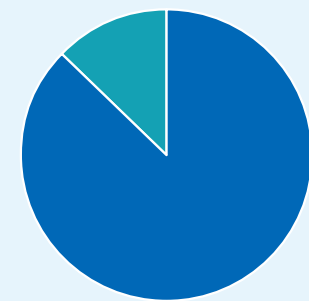
At a Glance

The NS United Kaiun Group in Numbers

Revenues (FY2021)

195,941
million yen

Revenues by segment (FY2021)



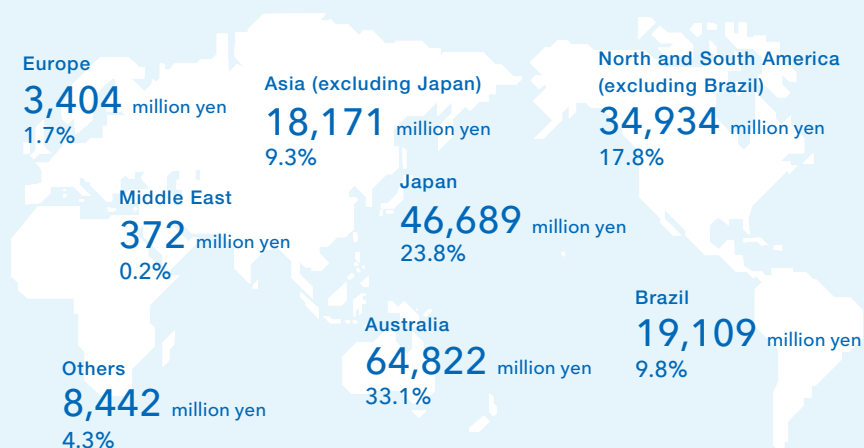
International shipping

172,219 million yen

Coastal shipping

23,722 million yen

Revenues by region (FY2021)



Number of fleet vessels

198 vessels

Fleet tonnage

14 million DWT

Total annual cargo volume

96 million tons

Number of employees

645

CO₂ emissions

2,784,000 tons

Capital investment

5,564 million yen

Part 2

NS United Kaiun's Value Creation —Materiality Topics—

Topic 1

Safe navigation



For More Robust Safety

We are aware that safety constitutes the bedrock of transport service, and we have a social responsibility to ensure safe operation and contribute to environmental conservation. With this in mind, NS United Kaiun is reviewing its past safe management systems and pursuing their redevelopment for more robust safety.



Takamasa Takami

Executive Officer
Safety Management Group,
General Manager

Redeveloping safe operation systems in accordance with the newly established Purpose

Sustainability is a challenge to be tackled by society as a whole, and businesses should contribute to the sustainable development of society while pursuing their growth. In 2021, based on this recognition, the Company established its Purpose: "Through Marine Transportation, We Will Work Together to Shape the World Today and Create a Sustainable Future." As clearly described in this statement, we have responsibilities to fulfill as a marine transport operator in order to contribute to the present and future society in many ways, and the most important among them is to ensure safety. That is our top priority for conducting our shipping business, and awareness of this should be shared by the management and all personnel alike. We must stand firm on this to be able to provide sustainable service and earn the trust of our stakeholders.

Despite this, we had a series of vessel collisions in 2020. Although those incidents fortunately caused no injuries, oil pollution, or damaged cargo, we take these events seriously. We need to keep in mind that the impact of a marine casualty may not be limited to physical damage to vessels and cargo, but it may result in loss of public confidence in the shipping company responsible for the accident, depending on its nature. We are thus determined to be more keenly aware of the need for efforts to prevent accidents and redevelop systems for safe management.

Improving management methods and enhancing crew education from a medium- to long-term viewpoint

In order to create more robust safety management systems, we have set medium- to long-term safety management plans and targets with a focus on two issues: revising safety management content and methods, and enhancing crew education and training programs. The relevant overhaul initiatives have got underway. Some details are provided below.

We performed an in-depth analysis into the causes of the above-mentioned accidents. In addition to direct causes, we also looked into indirect, human factors for any issues with the behavior of the captain and crewmembers onboard the relevant ship. Then, areas for improvement were identified as extensively and specifically as possible. They included many suggestions for: improving the attitude toward basic rules, paying more careful attention to the situation surrounding the vessel, assigning more than one person to conduct inspections, and filling gaps between areas of responsibility assigned to individual crewmembers to prevent any areas from being left unchecked. Each of these issues and suggestions are assessed and analyzed in light of risk management, on an ongoing basis, to be incorporated into the safety management content and methods.

Initiatives for sustainable safe operation

Upgrade skills of crews	<ul style="list-style-type: none"> ● Improve and enhance training and education programs ● Clarify promotion standards by ranks
Develop new operation capabilities	<ul style="list-style-type: none"> ● Resume vessel management for liquid cargo shipping ● Prepare for new types of fuel ● Assign non-Japanese crewmembers to onshore operations
Promote DX for vessel management	<ul style="list-style-type: none"> ● Implement new software for vessel management and improve operations ● Utilize digital database for vessel management
Improve workplace environment	<ul style="list-style-type: none"> ● Provide harassment education ● Promote awareness raising activities to maintain and improve mental health ● Promote initiatives to reduce crew casualties, injuries and illnesses



To carry out thorough improvement activities, it is also essential to have crewmembers with appropriate qualities and experience. Thus, in April 2022, the Seafarer Training Team was formed within the Safety Management Group, with the aim of enhancing crew education and improving operational efficiency and expertise. The team is composed of engineers and officers responsible for training the crew. The new organization is to authorize them to perform the role in an independent and dedicated position, as opposed to the previous structure assigning them to serve as a member of the Seamen Team, while encouraging cooperative mobilization within the team, thereby enhancing the education structure.

The Seafarer Training Team is tasked with raising the crew's skill levels from every aspect. In order to provide appropriate upskilling training to individual crewmembers, it is necessary to develop a curriculum that systematically corresponds to many different ranks and skill types, which is often very difficult as the duties of the crewmembers have too extensive a range to be effectively standardized and systematized. Also, in addition to adequate knowledge, the crew must have quality experience for proper vessel operations. Obtaining this requires more than simply spending a long duration of time on board the ship. Conscious efforts are required to build the quality experience that enables crewmembers to be keenly aware of the situation, detect risks, and take appropriate action. The team is working to enhance interactive training programs incorporating the three key elements of "knowledge, experience, and awareness," and it is crucial to upgrade these programs on an ongoing basis.

In addition to ramping up education initiatives, it is important to maintain high levels of safety awareness at the workplace and to raise them further. This is a challenging issue, however. If a crewmember has acquired a great deal

of knowledge through their duties, their control of awareness and attention will naturally tend to weaken after a certain period of time. To deal with this problem, we are considering effective approaches, including providing a program to refresh their knowledge, on top of continuing the existing curriculum and programs.

Enhancing education opportunities and quality, ensuring the mental health of crews for stronger safety

Since FY2021, we have focused primarily on standardizing and systematizing training and assessment programs. As part of such efforts, we have started in-house seminars online and carried out related improvements. These seminars are provided to crewmembers on vacation in their home country, in order to help them update their knowledge and raise awareness chiefly about new topics related to revised regulations and safe operation of a vessel. Previously, in-person meetings were organized for this purpose in various locations. However, as a result of the COVID-19 pandemic, it became difficult to hold the seminars in this style, so they were replaced by the online programs launched in FY2022 based on a proposal made by the Seafarer Training Team. After improving the onboard communication environment and preparing appropriate content, we conducted webinar sessions in May on all the vessels under our management. Going forward, this platform will be rolled out to provide crew education programs in the Philippines and Vietnam.

We also strive to promote and maintain the mental health of crews, which is a key to ensuring safe operation. Noticing stressful conditions resulting from COVID-19, such as restricted opportunities to go shore and rigorous embarkation/

disembarkation controls, we started working from FY2021 to increase the effectiveness of mental health measures in various ways. As part of such efforts, the Seamen Team has created e-learning programs on the importance of ensuring mental health.

We are also striving to prevent onboard harassment, a problem considered to have a strong correlation with the crew's mental health. Specifically, appropriate guidance is provided according to procedures for preventing harassment as described in the Ship Safety Management Manual and its procedure. Also, consultation desks have been set up in Vietnam, the Philippines, and Tokyo, so that any crew of our managing vessels can use the service to address harassment and mental health problems. This procedure has been distributed across the entire crew.

Implementing medium- to long-term plans effectively to provide sustainable marine transportation services

Digital transformation (DX) initiatives have been accelerated on land, partially due to COVID-19, but also to notably increase operational efficiency. In keeping with this progress, we are endeavoring to spur DX initiatives on ships. Our focus is the digitalization on vessel and operations management as well as labor saving and efficiency improvements, with the aim of providing safe, sustainable marine transportation services. In one major initiative, the Safety Management Group began preparing to implement a new software for vessel management in FY2021. This software will be installed in the onshore operations management division as well as the entire fleet, seeking to significantly reduce the work burden as a whole.

Additionally, we are looking to utilize the digital database resulting from DX initiatives for the purpose of safe operation and environmental conservation. Specific plans are laid out to use data related to past hull and machinery problems to develop measures to prevent incidents and problems, among other activities aimed for stronger safety.

The NS United Kaiun Group is carrying out an array of measures to ensure safe operation, including those for preventing recurrence of past incidents. We are striving for effective implementation of these measures to strengthen the safety of our shipping service, thereby increasing the trust of our stakeholders. Looking at the future, for the Company to proactively develop new marine transportation services to achieve carbon neutrality, the Safety Management Group has major missions for securing and training crews capable of effectively handling innovative technologies related to a new types of vessels and fuels. While making ongoing efforts to ensure safe operation, we will respond to technological innovation in a flexible manner. We will work as one to do the above effectively, aiming to provide truly sustainable marine transportation services to customers.

Holding safety meetings with shipowners

Our fleet is composed of our owned vessels and chartered vessels. In FY2021, the Company started to hold a safety meeting with ship-owners in response to the recent occurrence of marine casualties and incidents as well as increasing requirements of shippers for safety. The conference is attended by ship-owners for the Capesize Group, which is in charge of the Company's largest fleet segment, and the sales and safety management divisions. At the meeting, we describe casualties and incidents that occurred on our vessels and measures to prevent recurrence, and exchange opinions with each of the participating companies in a sincere, frank manner. These activities will help raise the awareness and quality of safety for our entire fleet.

Conducting safety campaigns

Every year, the president, executives and employees of the Group visit vessels under our management to help continually raise safety awareness both on land and at sea. Last year, this event was replaced by video messages sent from the president and directors to all the managed vessels, as a measure against COVID-19.

Many accidents and incidents are caused by human errors. Learning from the collision of vessels under our management occurring in 2020, and going back to basics, we are developing varied activities to increase safety awareness. These include a safety campaign conducted under the slogan "Borderless Communication," which is aimed at inspiring teamwork and emphasizing the importance of having several people constantly paying attention in order to stop accidents before they happen.



Crewmembers listening to the president's message

NSU MILESTONE achieved zero accidents for the seventh consecutive year

Since 2014, the Company has been presenting an annual award to its vessels that have recorded "no accidents, no casualties, no illnesses*" onboard during the year. In FY2021, among the 12 qualified vessels for the year, NSU MILESTONE was honored with a special commendation for achieving a clean record for the seventh consecutive year. The commendation certificate and related gift were presented to the crew of the ship. We will continue this internal award program as part of our efforts to boost onboard safety awareness.

*The award is given to vessels under the Company's management that have reported no onboard accidents or casualties affecting operations, or injuries or illnesses involving disembarkation of affected crewmembers, during the year.



Promoting a three-step method —basics, improvement, and updates— for addressing issues

Tomohisa Nobuoka

Seafarer Training Team, Manager

Recently, the shipping industry is suffering from shortage of seamen. Specifically, the early promotion of crewmembers is unavoidable, resulting in a workforce lacking in experience suitable for responsible positions. Also, the number of experienced officers and ratings is decreasing, raising concerns about inadequate functions to transfer essential onboard knowledge, skills, and wisdom.

To deal with this situation, it is vitally important to ensure that crews have built solid basic abilities. Therefore, we need to carry out appropriate measures such as setting training standards and ability requirements by job grade and improving screening criteria for promotions. Following this, we need to identify every relevant issue related to day-to-day operations and reflect them in education content and programs appropriately to facilitate improvement while accumulating the related know-how. Then, it is crucial to provide crews with the latest information to update their knowledge. As described above, we are promoting a three-step method of "basics, improvement, and updates," as an approach to building the skills of the Company's crews.

Topic 2

Environmental conservation



Promoting Environmental Conservation Activities toward Carbon Neutrality

According to our Purpose: "Through Marine Transportation, We Will Work Together to Shape the World Today and Create a Sustainable Future," the Environment Conservation Promotion Group is committed to achieving carbon neutrality. We are laying out a battery of scenario-based plans, focusing on the production and supply of future vessel fuels.

Implementing new technologies and setting ever-more challenging goals for environmental protection.

Toru Fujita

Director,
Managing Executive Officer
Environment Conservation
Promotion Group,
General Manager



Environmental policy revised in response to intensifying international calls and public awareness

NS United Kaiun has established its environmental management system based on international standards, and the system has been operated principally in the following four areas: 1) promoting safe navigation (protection of the marine environment), 2) air quality conservation, 3) resource saving and waste reduction, and 4) environmental education. Specific activities are planned with a focus on ensuing compliance, especially for preventing accidents and responding to tightening environmental regulations.

These activities need to keep up with the times. The most relevant recent events were the 2015 Paris Agreement and the related GHG reduction strategies adopted by the

International Maritime Organization in 2018. In response to this development, we began to consider in earnest taking up a challenge to achieve the ambitious target of reducing GHG emissions from vessels by at least 50%.

In 2020, signatories to the Paris Agreement started activities in its framework, and concerns over the global environment were intensifying. Against this background, the Company formulated the Basic Sustainability Policy in 2021, and our Group revised the environmental policy at the same time. We also announced our commitment to reducing environmental impacts and contributing to a sustainable society, particularly by achieving carbon neutrality. Actions plans for the environmental management system were also revised, adding the two items of GHG emissions reduction and biodiversity conservation. Accordingly, we are considering usage of LNG and ammonia, among other alternative fuels, as well as adoption of various energy saving technologies, such as wind propulsion devices, and a number of plans are underway.

Pressing ahead with ongoing activities while looking at future scenarios

In order to reduce GHG emissions from vessels to achieve carbon neutrality as a climate change action, a fuel shift is imperative. However, there is still no market for zero emission fuels for vessels at present. The technological development of marine engines supporting zero emission fuels, including ammonia, will likely require some time before appropriate technologies become marketable. Nevertheless, we need to draw a specific timeline to achieve carbon neutrality by 2050, as we have pledged in public. We are formulating

plans based on scenarios related to production and supply of future vessel fuels while considering a long timeframe and various uncertain factors.

While preparing to develop future zero-emission fuel strategies to ensure navigation safety and security, we are at the same time striving to reduce CO₂ emissions from conventional fuel-powered vessels that are currently in operation.

For example, we have required each vessel to collect and report fuel consumption and other operation data since 2019. We intend to use the data to monitor CO₂ emissions for each vessel, looking to rank C in the fuel efficiency rating (CII) system launched in 2023. This is a plan to diminish the overall CO₂ emissions for the entire fleet.

Committed to fulfilling our responsibility to the future of oceans and the earth

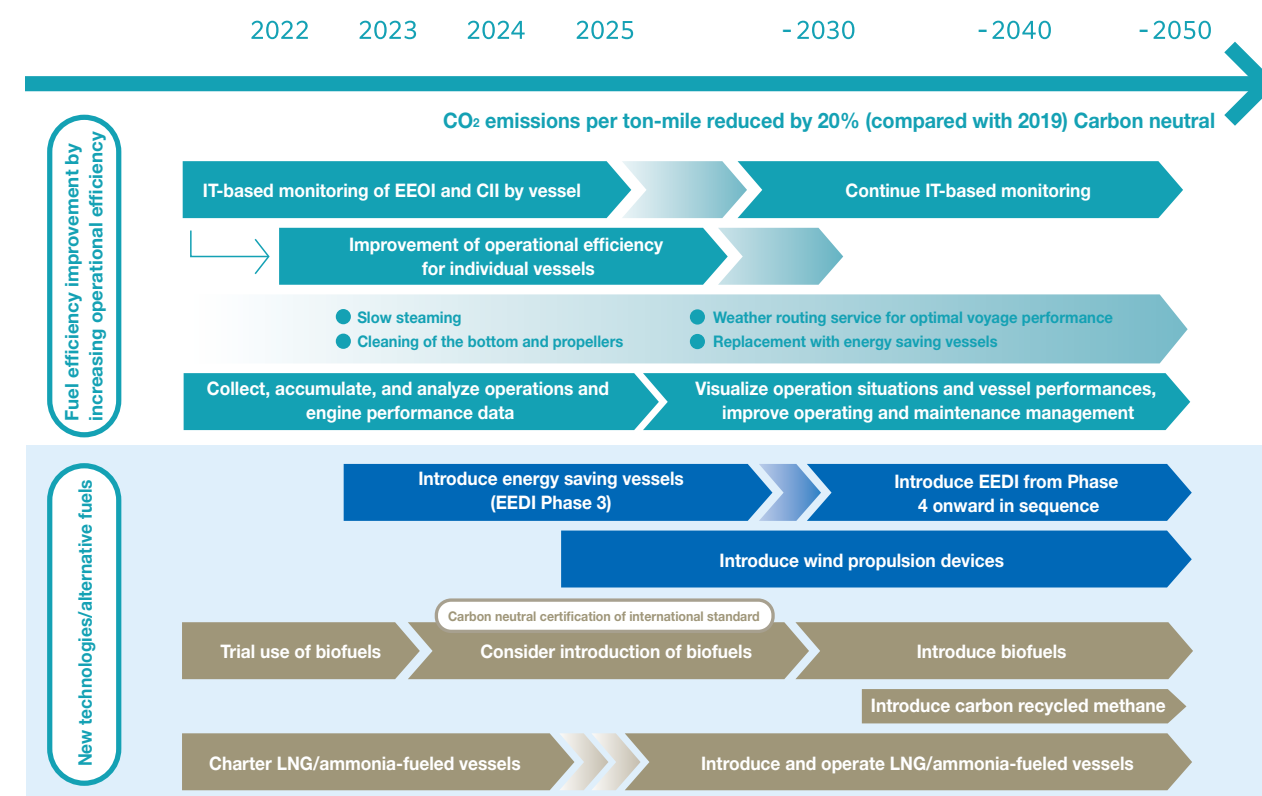
Ship grounding accidents often involve oil spills, which may cause serious environmental impacts. Therefore, the prevention of ocean pollution is one of our top-priority issues. One approach to accident prevention is to learn from past experiences. A few years ago, when a near-miss incident was reported from a vessel under our management, we investigated the situation and created an analysis report to

be distributed across the fleet as a guidance for preventing similar cases. Ensuring safe navigation means committing to environmental conservation. To prepare for the event of an oil spill, each vessel conducts an emergency response drill for preventing leaks and removing contamination—at least every three months. Thanks to these efforts, we have been achieving "Zero oil pollutions" target, which is one of our safety KPIs.

We are also working to improve internal awareness. We provide useful information and content related to environmental issues, looking to arouse the interest of individual executives and employees and encourage their action. In FY2021, we distributed related content online, including self-made materials about various environmental regulations related to fuels and shipping as well as carbon taxes (eight sessions) and video clips and e-mail publications sourced from the Internet (12 sessions).

Through providing shipping services, we add value to cargo, thereby contributing to the development of society. At the same time, we inevitably emit CO₂ by operating ships. While focusing on reducing fuel consumption as an effective means of CO₂ emissions reduction at present, we are also promoting group-wide efforts to fulfill our responsibility to the future of the global environment, adopting various new technologies and setting ever-higher goals.

Timeline up to 2050, the target year of carbon neutrality



Topic 3

Corporate governance



Roles of Independent Directors to Support the Company's Growth from a Medium- to Long-term Perspective

In order to achieve sustainable growth, NS United Kaiun must look at its future from a diverse range of perspectives, and reflect them in management strategies as appropriate while considering changes in the business environment. Our independent directors describe their roles and share views on issues of the Company.



Masayuki Kinoshita

Independent Director

When the Company began to promote ESG management systematically the year before last, I placed overriding importance on highlighting the essential nature of this issue. Behind this was my experience in working on this issue as a corporate manager of the previous company. While people began to use new terms such as CSR, MDGs, CSV, and SDGs, it was not easy to clarify what is truly important and incorporate it fully into corporate activities.

From this viewpoint, the approach the Company took to formulate the Purpose last year should be highly regarded. I think it was significant that the whole company, including the president and new hires alike, engaged in the same discussion process. Going forward, I would like to help the Company engage in substantial discussions to develop its ESG management as part of its growth strategy.

Around the same time, the outbreak of COVID-19 began to have an extensive impact on business and corporate operations, including workstyles. The Company should see this situation as a good opportunity to encourage subsequent positive changes, and the key to this is to promote DX and diversity. The Company has an unrivalled strength as a bulk carrier, but for this very reason, it is prone to monocultural or exclusive thinking. I believe I could help the Company have effective discussions to take huge strides in the areas of DX and diversity, drawing on my experience serving a general trading house as CIO.

As the Company operates across the oceans of the world, its management is susceptible to potent impacts from geopolitical and economic security risks, which have been growing recently. I will offer appropriate advice and recommendations about this issue, not only by utilizing my knowledge built from past engagement in international business, but also by providing perspicacious views based on the latest information regardless of past experiences and former achievements. This is one of my essential roles.

Career summary

Apr. 1978	Joined Mitsui & Co., Ltd.
Apr. 2014	Representative Director, Executive Vice President, CIO and CPO of Mitsui & Co., Ltd.
Jun. 2016	Outside Director of the Company (current position)
Jun. 2020	Outside Director of Kakaku.com, Inc. (current position)



Setsu Onishi

Independent Director

At the bank and the leasing company where I previously served, I was engaged in various areas of business, such as corporate planning, internal auditing, and project finance, including for environment projects. One of my responsibilities in order to contribute with speed to the Company management is to offer proper advice at board of directors' meetings, chiefly from the financial and risk management points of view, based on my past experience while also referring to the world's latest trends.

The Company is promoting ESG management, addressing the SDGs and other social issues while endeavoring to increase corporate value. I highly evaluate the many notable achievements the Company has made over the past year, specifically: posting its highest profits in FY2021, backed by the demand-driven, strong shipping market; achieving medium-term financial targets ahead of schedule; being reclassified into the TSE's Prime Market; and joining the project for use of ammonia as marine fuel under a forward-looking initiative.

Looking ahead in FY2022, however, the Company needs to explore approaches to adapting to post-COVID-19 environment while dealing with many challenges resulting from soaring resource prices, the Russian invasion of Ukraine, confusion due to China's zero-COVID policy, and the significant depreciation of the yen. In addition, the Company will have to increase sensitivity to external changes, particularly brought by geopolitical risks as well as AI and other digital technology innovations, to be able to make decisions more decisively.

From a long-term viewpoint, the Company also needs to address many more new issues appearing while working to redefine existing concepts and situations from a broader perspective in light of the 17 SDGs. One major example is related to discussions being held in the United States about Impact-Weighted Accounts, a project to urge corporations to report their comprehensive performance in a way that effectively reflects the positive and negative impacts their activities have on society. The Company should work to enhance business performance according to the medium-term plan as well as from a medium- to long-term view while responding to current issues in an agile manner. I hope I will continuously help the Company with these efforts so that it can increase its corporate value.

Career summary

Apr. 1978	Joined the Industrial Bank of Japan, Limited. (currently Mizuho Bank, Ltd.)
Apr. 2010	Deputy President & Executive Officer and Head of Internal Audit Group of Mizuho Financial Group, Inc.
Jun. 2011	Director & Vice President of IBJ Leasing Co., Ltd. (currently Mizuho Leasing Co., Ltd.)
Apr. 2013	Director & President of IBJ Leasing Co., Ltd.
Jun. 2017	Outside Director of the Company (current position)
Mar. 2018	Outside Audit & Supervisory Board Member of Showa Denko K.K. (current position)



Isamu Nakamura

Independent Director

My roughly 40 years have been spent working principally for life and non-life insurance companies, a joint venture with

an overseas non-life insurer, a bank for rehabilitation, and a nursing care supplier as manager. From my past experience, I have come to believe that, in order to make a strong organization and carry out purposes of a company, it is essential to ensure the adequate understanding of employees and an inspiring workplace. To this end, I work to establish effective communication with employees, emphasizing three forms of mindset: positive thinking, action oriented, and innovation-in order to facilitate a behavior change to respond to changes in the environment.

A company will have a lively and strong organization adaptable to external changes if its employees are all inspired to work on their own initiative, promote their independence, and have a sound sense of crisis. In the event of an emergency, such employees will promptly share information to take appropriate action, the key to building a sound and resilient corporate structure.

The Company recently formulated its Purpose, a statement of the fundamental objective of its business, by taking the bottom-up approach to involve all personnel in discussions. The statement will help align the directions of organization and build a sense of togetherness shared by all personnel. I eagerly applaud this achievement.

Being a graduate with a degree in navigation, I have a strong interest in this field. So, at board of directors' meetings, I share my views on the Company's top-priority issue of safe navigation, presenting what I notice and recognize as useful based on my academic background. I would like to continue with my duties while reminding myself constantly that it is onboard operations that play the most essential role in ensuring safe navigation, and management from the viewpoints of the crew is directly important to safety.

I am aware that our business environment is undergoing major changes, so I will elevate my sensitivity to society at large to take agile action when necessary, while looking for different views and diverse ideas that may help us to make the proper decisions in order to help the Company's management.

Career summary

Nov. 1979	Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Apr. 2016	President & CEO of Tokio Marine Nichido Better Life Service Co., Ltd.
Jun. 2018	Outside Director of Nippon Care Supply Co., Ltd.
Jun. 2020	Outside Audit & Supervisory Board Member of The Shizuoka Bank, Ltd. (current position)
Jun. 2020	Outside Director of the Company (current position)



Topic 4

Securing and developing human resources



Future NSU Envisioned by Diverse Workforce

NS United Kaiun (NSU) promotes human resources development and engagement improvement initiatives to increase productivity and corporate value. With a diverse range of workstyle options available, what should the future of the Company and individual employees look like? Representatives of NSU's diverse workplace share their views and thoughts about their work and the Company.

Note: The roundtable session was held in early June. Affiliations and titles are as of the time of the event.



“When I see a number of vessels with the funnel of U forming a line at sea, I feel proud to be an employee of NSU.”

Q Did your workstyle and attitude to work change as a result of the COVID-19 outbreak?

Kawashima: I joined NSU the year before COVID-19 broke out, and was assigned to the Tramp Chartering Group. Most operations were yet to be computerized during the first year of the outbreak, but in the second year, digital technologies were introduced to digitalize documents and offer chat functions to communicate with customers, as DX implementation began to be accelerated. This enabled us to respond to customers with more speed.

Awano: The efficiency of sales operations has improved more than I expected. I'm in charge of chartering contract, and it is crucial for me to obtain relevant information from



Fumiyuki Watanabe

Manager, Quality Control Team

Joined NSU in 2005 as a seaman. After working at sea and on land as a member of the Safety Management Group and the Seamen's Union, he was promoted to captain in his 16th year with the Company. Since May 2022, he has been in charge of operating safety & quality control systems and vessel inspections within the Safety Management Group.

parties concerned, which was often difficult in the past. But now, the chat functions help us more readily share the details we need. The tool has also made it easier to hold meetings with overseas customers. Given these improvements, I feel some major challenges for sales operations have been solved. What are the situation at sea?

Watanabe: Offshore operations take place in an isolated environment by nature, so there have been no major changes to operations themselves. However, disembarkation opportunities are largely restricted during port calls, which particularly gives young members a lot of stress. Before the outbreak of infection, they could have enjoyed visiting various port cities, a precious opportunity to see how their work supports the life of people living there. At present, however, their activities are limited only to loading/discharging duties, and they are not allowed to go downtown. I want them to have such an experience.

I was transferred to the onshore division in May of this year, after working at sea for five years. On land, I was stunned to see how much work conditions have changed over these years. Five years ago, flextime was not available, and every male employee wore a tie throughout the year.

Kunieda: When I entered NSU in 2021 as a mid-career recruit, I found flextime and remote work systems had been substantially prepared, and thought the Company was relatively quick at promoting DX. In the Finance and Accounting Group, adequate remote working systems are established for some operations to virtually eliminate the need for attendance in the office. The unfortunate thing is that the very established system has deprived me of opportunities to meet some members of the Company in person. I feel it's unfortunate



Masato Kunieda

Assistant Manager,
General Accounting Team 1

Joined NSU in 2021 as a mid-career from a tax accountant office. He is in charge of preparing financial statements, tax filing, and performing disclosure procedures within the Finance and Accounting Group.

because I had been looking forward to working in an office of appropriate size for everyone to get to know each other naturally.

Hirai: That's true. It is unfortunate that new employees have only limited events and occasions to meet, and it inevitably takes a longer time before they feel comfortable in the workplace. With those systems, convenience for workers has

definitely increased, but at the same time, we have fewer occasions for exchanging small talk, whether or not related to work, and ordinary conversations.

Awano: Did your work motivation and enthusiasm for your jobs change? For me, I felt that having fewer opportunities to be present at onboard operations was not enough. I miss feeling I'm part of the large shipping business, as I usually have while visiting vessels.

I sometimes remember an event that happened in my earliest days with the Company. One day when a vessel carrying wheat, a cargo on the contract I won, arrived at the Port of Yokohama, my mother called me from her house near the port, saying "I see the ship of your company from the veranda." I imagined the vessel sailing near my parents' house after making a long voyage across the ocean, and I felt uplifted, because I spend my ordinary days in the office engaging in paperwork and freight rate calculations.

Hirai: I understand how you feel. I do not usually think I like the Company, but occasionally, when I see a number of vessels with the funnel mark of U forming a line at sea—a sight available from Umihotaru PA—I feel proud to be an employee of NSU."

Watanabe: You can also see a good view of U mark of vessels from the Port of Kisarazu. When I went on a trip there together with my family and the family of my child's friend, we had a meal in a restaurant with a good outlook over the port, where there was a line of ships bearing the U mark. I told the children, "Those are ships from my company," which made me feel very proud.

Kawashima: I sometimes take customers to our vessels and show them around, and some express their admiration for the well-cleaned holds of vessels. Such praise is very encouraging. I was not particularly interested in shipping before entering the Company, but I gradually began to take pride in serving the Company while learning more about marine transportation and working to win contracts.

Kunieda: Before joining NSU, I worked in a tax accountant office. I left the office, seeking to get a job in a company where

I could work with a greater sense of ownership and engage in larger-scale projects. At NSU, I was impressed by how each individual displays a strong sense of professional responsibility at work, which I can recognize when handling figures and talking with them. This is exactly what I was looking for.

“We need more systematized education and training functions.”

Q What are the issues related to human resources development and workplace conditions?

Awano: We have no systematic manuals for providing on-the-job training, so instructors have to teach with nothing to reference. I wish I could improve the instruction quality, but for this purpose, I need to have at least an overall framework of manuals as a guide. The Company is aware of this issue, and has started to take the necessary measures.

Kawashima: I agree. In the marine transportation business, relevant know-how varies broadly by type of vessel and cargo. So, currently, experienced employees in each division teach specialized knowledge to their juniors, which is efficient in itself. However, I think this is not enough.

Kunieda: If I should be transferred from the financial to sales division, which is very unlikely, I, as a 40-year-old employee with no experience in sales, would have extreme difficulty acquiring the knowledge necessary for a salesperson only from on-the-job training. And I don't think this would serve the Company. So I suggest that the Company should have training systems to allow employees to share the basic knowledge and skills of sales operations, anticipating the possibility of such a career path. They may be internal or external ones.

Watanabe: Onboard operations have established a chain of command, which assigns responsibility for instruction and training. This is good, but the system also poses issues related to opinions of lower-level personnel receiving less attention. Recently, a 360-degree feedback program has been introduced to the offshore personnel evaluation, for the first time in this offshore organization. I think this new tool has enabled us to make more accurate evaluations.



Hiroshi Awano

Officer,
Capesize Team, Second

Joined NSU in 2014. After working in the Tramp Chartering Group for four years, he was assigned to a U.S. subsidiary as a trainee. Since 2019, he has been in charge of operation and chartering within the Capesize Group.



“The ship management division and the shipping service division have a close relationship. This is an advantage and should be more effectively used by employees to boost it.”

Q What do you think is important for you and the Company to continue to grow?

Hirai: I spent many years working for the Safety Management Group, where seamen are assigned to engage in onshore duties. During that time, I was given opportunities to participate in onboard training and other programs, as I was not a mariner. On board of the ship, I was able to learn many things that were difficult to do by forming pictures in mind when working on land, and it helped me in performing my day-to-day duties. I suggest that other departments create similar personnel development plans using internal resources.

Kunieda: Mid-career employees such as myself know little about marine transport but have expertise in other industries. In contrast, newly graduated employees become experts in individual sections of marine transportation but unfamiliar with other sections. Given this situation, I hope there will be occasions where members of different divisions can share their knowledge and thoughts with each other. I believe such cross-organizational communication will encourage the entire workforce share the mindset for achieving common goals, which will help solidify the corporate foundation.

Watanabe: What do you think constitutes the strengths of NSU? I think the first and foremost is that the ship management division and the shipping service and sales division share the same floor of the office, and they engage in close cross-organizational communication on a day-to-day basis. This marks a clear contrast with the standard practice

of the industry, where functions for ship management, ship owners, and shipping service are established as independent companies, or even if they are within one company, they form separate organizations of substantial size and with substantial independence for each. Also, NSU sends seamen to visit customers for sales purposes, which is unique to the

Company. As Mr. Kunieda suggested, individuals in different divisions should share knowledge and experience to promote the overall growth of all functions, including sales and operation. Employees should be more aware of taking advantage of these organizational characteristics, aiming to reinforce our strengths.

Awano: I agree. I am aiming to become a professional in dry bulk services. The sector involves a wide range of approaches according to vessel type and the sea area. So, I think it's important to exchange information with specialists in areas outside of my field on a routine basis and learn about other divisions. In addition to marine transportation, I need to become familiar with other subjects, including natural resources, even if they may be seemingly less associated with my business. So, I would like to ask the Company to prepare systems to keep employees better informed about applicable training options, and also allow them to share internally what they have learned from external seminars.

I strongly hope that the Company will actively support aspiring, ambitious employees and invest in realizing their aspirations and ambitions. To justify this request to the Company, employees should make vigorous efforts to achieve growth.

Hirai: NSU can display its strengths most effectively when employees both on shore and at sea enjoy working for the Company, understanding each other and desiring to continue working together.

Kunieda: When each individual employee has a sense of ownership at work, the Company will be respected by other organizations, and capture opportunities to achieve continued growth.

Kawashima: I think so as well. In order to be an employer chosen by many people, NSU must be an attractive company with good growth potential, by, for example, offering employee-friendly conditions, such as a broad range of workstyle options. Going forward, shipping demand will be subject to major changes due to decarbonization trends. In response to the expected changes, we in the sales division need to explore possible approaches to addressing new issues with shipping services. We will do all we can with what we have.



Ayako Hirai

Assistant Manager,
Environment Conservation Promotion Team

Joined NSU in 2008 for the administrative position. She transferred to the semi-career track in her third year with the Company. After serving the Safety Management Group for about ten years, she transferred to the Environment Conservation Promotion Group. She is in charge of EMS operation, GHG computation, and CDP-related affairs.



Kotaro Kawashima

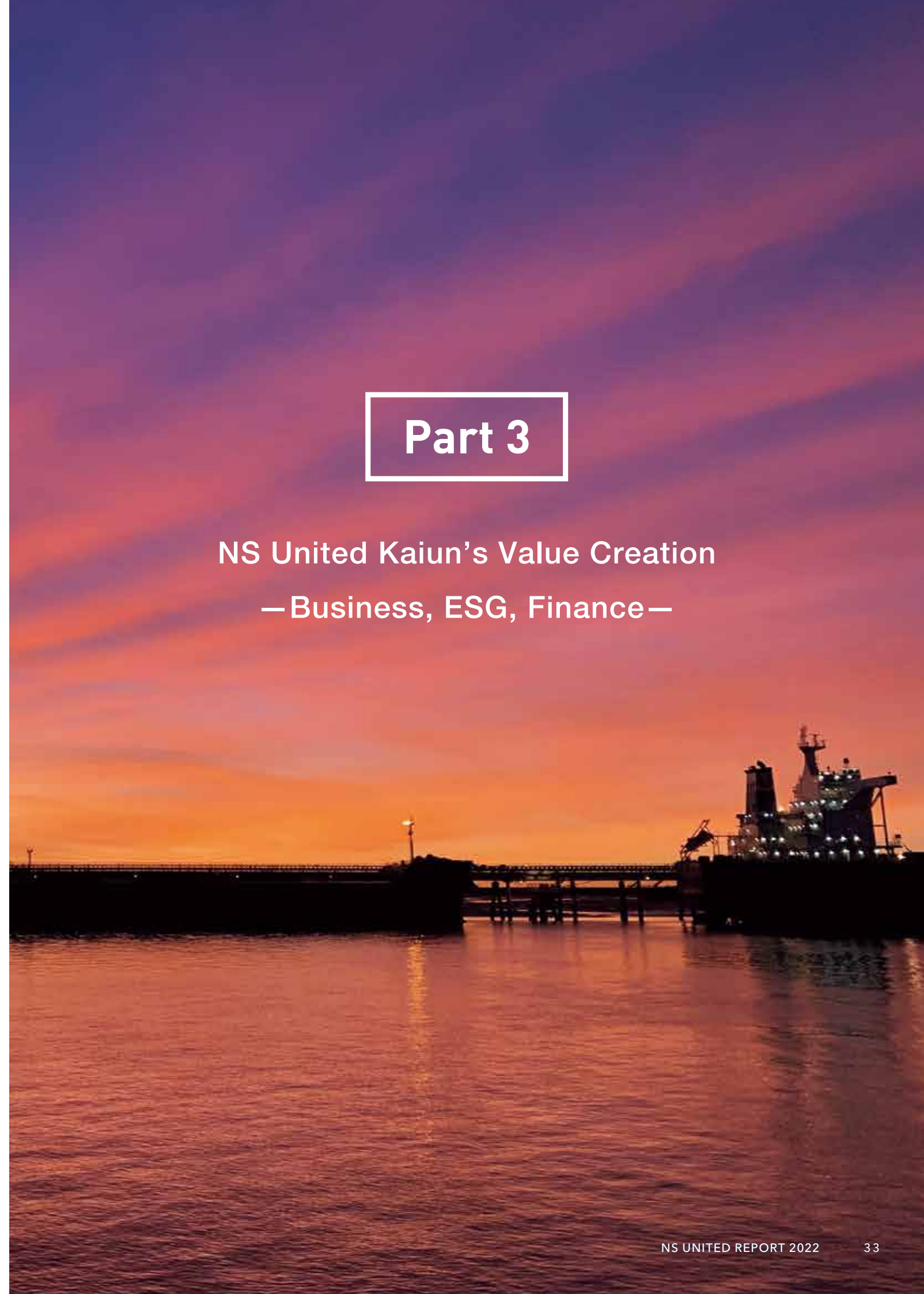
Secretary,
Ocean-going Tramp Team, Second

Joined NSU in 2019. He is in charge of operation and chartering within the Tramp Chartering Group.

Part 3

NS United Kaiun's Value Creation

—Business, ESG, Finance—



Business Overview and Strategies

In fiscal year 2021, the world economy achieved a high growth rate as a whole, backed by active stimulus policies implemented by governments to facilitate a recovery from the economic slowdown caused by COVID-19. Due to this favorable external environment, the recent depreciation of the yen, and improved profitability as a result of the Company's fleet development plans carried out up to fiscal year 2020, the NS United Kaiun Group recorded its highest profits since the merger in 2010.

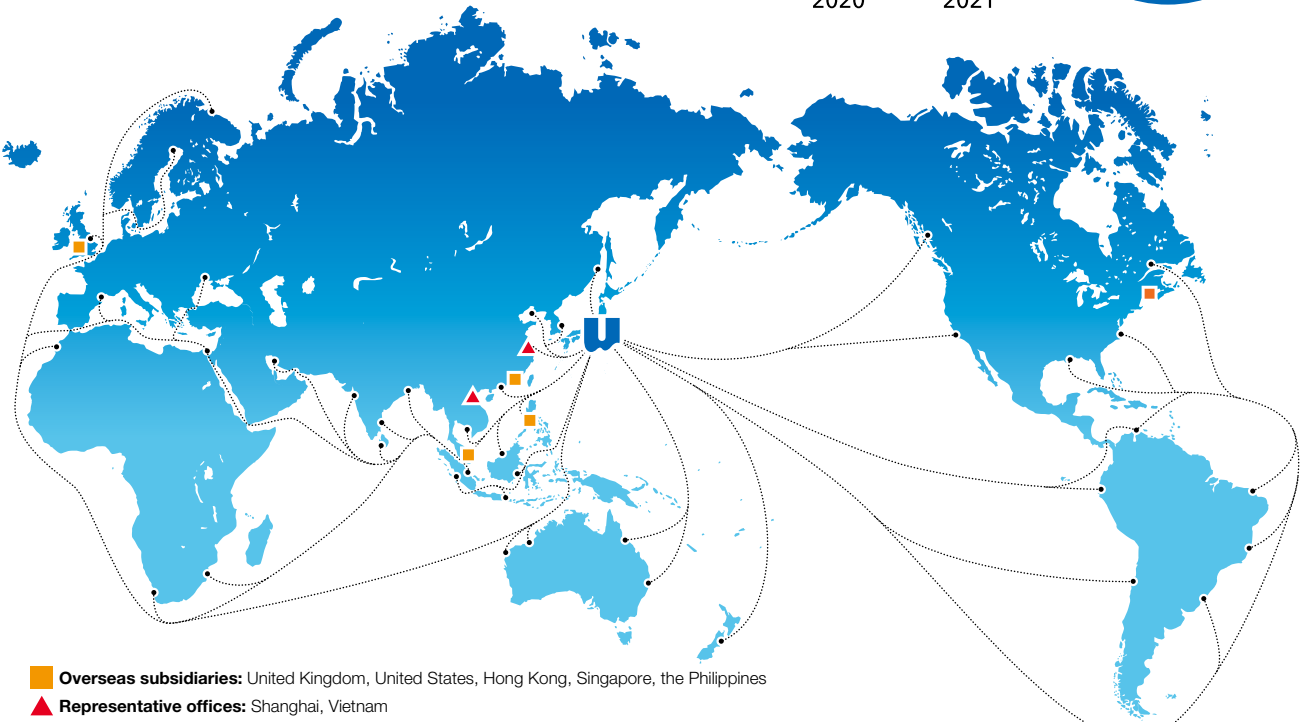
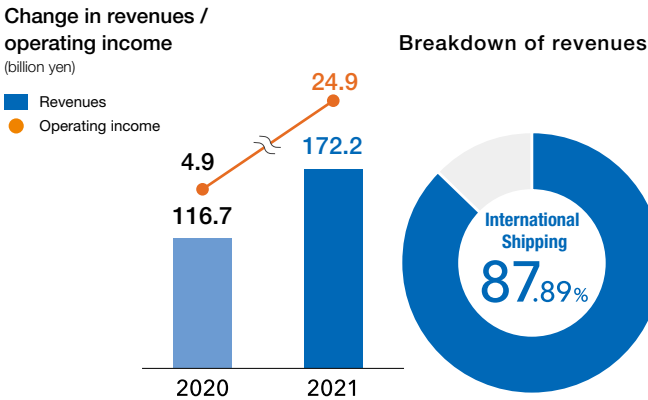


International Shipping

Overview for FY2021

Revenues
¥172.2 Billion Up 47.5% year on year

Operating income
¥24.9 Billion Up 404.5% year on year



Capesize Group

An integral part of the world's steel infrastructure



Business overview and strengths

The Capesize Group specializes in transporting iron ore and coking coal, and operates its business with a fleet of 50 vessels ranging from 100,000 to 400,000 dwt. Rather than expanding the number of vessels or fleet sizes, we are focusing on ensuring safe navigation and reducing costs at once, and building business structures to respond to customers' needs quickly, flexibly, and precisely. As such, we play an important part in supporting the world's steel infrastructure.

Within our fleet portfolio, the core of our stable revenue earners comprises of 200,000-plus dwt vessels assigned to exclusive use for long-term shipping contracts with Nippon Steel and other customers. And highly versatile, free 180,000 dwt capesize vessels serve short- and medium-term contracts with steel companies in Europe and major resource companies in Australia and Brazil. While maintaining good relationships with world-leading steel companies, we are looking for new customers, including those for a spot delivery services. Also, we are aiming to increase medium-term contracts for free capesize vessels as a way to protect against risks associated with fluctuating market conditions.

FY2021 results and future issues and plans

In fiscal year 2021, the capesize bulk carrier (roughly 180,000 dwt) market picked up as demand for shipping iron ore and coking coal grew along with the recovery of the world economy. This drove a sharp uptick in the average daily charter rate for the five main routes, a major index, to temporarily exceed 85,000 dollars in early October from 20,000 dollars at the beginning of the fiscal year. Then the rate turned downward due to a number of factors. These included a decline in China's crude steel production beginning in summer as the government tightened environmental regulations, and the sluggish iron ore exports from Brazil due to unexpected low productivity from the beginning of 2022. As a result, the market entered a correction phase, temporarily falling below 10,000 dollars.

To profit despite these highly volatile markets, the Company proactively concluded medium- to long-term contracts with domestic and overseas customers as a measure to secure stable earnings, and expedited cargo booking activities for free

capsize operations. These efforts helped minimize the impact of the decline in market, resulting in profits dramatically exceeding the initial targets.

At present, we are facing major issues related to the need to adapt to the post COVID-19 environment as well as intensifying uncertainty about the world economy due to geopolitical and other factors. Under these circumstances, while continuing to implement measures to make us capable of profiting despite highly volatile markets, we are promoting efforts to ensure navigation safety—a foundation of stable profitability. We are sharing these efforts with relevant parties, particularly by holding safety conferences regularly with owners of our chartered vessels. Thus, we are striving to increase customers' trust in our Company.

Our most important future action is to address environmental issues, especially stepping up initiatives for GHG emissions reduction. Specific plans are underway to develop next-generation fuel-powered vessels. Last year, we conducted trial operation on iron ore carrier using biodiesel fuel. We have also participated in joint projects to develop a ship with hard sails and ammonia-fueled ships. Going forward, we will pursue these development projects and consider research and commercialization together with customers and partners from other industries.

	Type of vessel	*As of March 31, 2022
	90,000 to 200,000 dwt bulk carrier and 250,000 to 400,000 dwt ore carrier Total: 51 vessels	
	Major cargoes	Iron ore, Coal

Energy Group

Contributing to energy supply in Japan and around the world



Business overview and strengths

The Energy Group is responsible for transporting bulk cargo and LPG for both domestic and overseas customers and transporting raw materials for steel companies around the world through our overseas offices, as well as combined transportation, specifically for delivering raw materials from Asia

to India and then delivering grains in South America to Asian countries.

Seeking to respond to customers' needs widely from around the world and to facilitate efficient provision of diverse services, we have transferred operations of part of our fleet to offices in the UK and Singapore. This rational structure helps to keep us constantly updated of regional situations to be able to capture more business opportunities in a timely manner. We also procure marine fuel for the Company's fleet. We are committed to environmental consideration as well as stable, competitive fuel procurement activities. Based on our wealth of skills and experience built up over long years and now from closer locations to many customers, we are offering quality services to them and increase their trust in our business.

FY2021 results and future issues and plans

The Panamax bulk carrier (between 70,000 and 80,000 dwt) market remained at a high level throughout fiscal year 2021, supported by a number of factors. These included coal demand growing along with the economic recovery, increased ton-miles for transporting coal to China after the country switched its procurement source from other than Australia, and a firm growth in shipping demand for grains to China. As a result, the average daily charter rate for the five main routes rose to surpass 35,000 dollars in October, which subsequently turned downward to plunge to the mid-10,000-dollar level in February due to the impact of Indonesia's coal export ban. The rate then took an upturn, driven by strong grain transport demand and increasing need for securing energy resources in consequence of the Ukraine crisis.

Under these circumstances, we performed contracts with domestic and overseas customers, by, for example, utilizing spot time-chartered ships, resulting in profits exceeding the initial targets.

All of our VLGCs (very large gas carriers) are engaged in time charter-out contracts and contribute to securing stable revenue. However, market-linked contracts underperformed because of a decline in LPG demand and soaring fuel prices, resulting in targets not being achieved.

In fiscal year 2021, since newbuilding prices increased along with a buoyant dry bulk market, we purchased a second-hand vessel operated under a charter contract since fiscal year 2020. The vessel is still less than five years old, and will engage in services for our customers. Some of long-term chartered vessels were redelivered in fiscal year 2020 and fiscal year 2021, and we replaced them with shorter period charter contracts in order to avoid possible market risk.

Our priority issue to address going forward is to expand



Type of vessel *As of March 31, 2022
80,000 to 100,000 dwt bulk carrier: 24 vessels
VLGC (Very Large Gas Carrier): 3 vessels
Major cargoes
Coal, Coke, Grains, LPG (liquified petroleum gas)

transportation of steel raw materials for India and South America—where the markets are expected to grow in years to come—in cooperation with overseas offices. We will also promote activities for shipping liquid cargoes, not only LPG but also NH3 and LCO2, and the related project for newbuilding, in addition to encouraging collaborations with customers for GHG emissions reduction.

Tramp Chartering Group

Flexibly responding to various transportation needs, at any time, to any place



Toru Kihira
Managing Executive Officer

Business overview and strengths

The Tramp Chartering Group's business centers on transporting steel products and other bulk cargoes. Our fleet consists of highly versatile and favorably regulated supramax and handy-size bulk carriers. We connect the world through a range of transportation services, particularly in the steel products segment, where we have developed unrivaled expertise since entering the market in 1966. To the Americas and Asia, we carry steel products and on the return routes we transport grains, ore, biomass fuels, and other cargoes. These services have been highly appreciated by our customers around the world. As for the steel product shipping segment, we own and manage a vessel that boasts a capacity for artefacts up to 150 meters long. In addition, our U.S. subsidiary operates its own fleet in the Atlantic Ocean to serve customers in that geography better.

FY2021 results and future issues and plans

The market for supramax/handy-size bulk carriers (between 20,000 and 60,000 dwt) trended strongly throughout the fiscal year, owing to a tight supply: a result of growing shipping demand and supply chain disruptions. A combination of additional factors contributed to this strong market: the volume of minor bulk cargoes, such as steel products, cement etc. increased; the tight supply of containership capacity channeled the demand to alternative shipping services; the political conflict between Australia and China as well as the Ukrainian crisis shifted the resource procurement routes, leading to a growth in ton-miles.

Under these favorable conditions brought by expanding shipping demand reflecting the increasing seaborne volumes, we answered the needs of our customers by maximizing the potential of our human resources, won new customers and expanded the fleet. Correspondingly, the main routes' shipping volume saw a large increase from the previous year, and our financial results exceeded the initial targets by a significant margin.

With respect to the transport of biomass fuel as a solution to climate change, we made progress in building capabilities to effectively meet the future needs of customers. We are aiming to meet this by an emphasis on further enhancing partner relationships, by renewing the existing charter contracts, by newbuilding orders compliant with the latest environmental requirements, and by building a future-looking organization. Furthermore, in addition to biomass fuel, we are opening capacity for various cargoes conducive to decarbonization. As for our major strength, the steel products segment, we are extending capabilities to include a wide range of general cargo from plants to miscellaneous cargo in addition to the steel products.



Type of vessel *As of March 31, 2022
20,000 to 60,000 dwt bulk carrier: 29 vessels
Major cargo
Steel products, Nonferrous metals, Grains, Fertilizers, Salt, Cement, Limestone, Biomass fuel

Near Sea Group

Supporting logistics for China and Southeast Asian Countries



Naruhiko Miyai
Director,
Managing Executive Officer

Business overview and strengths

The Near Sea Group has extended transportation networks across the entire region covering China and Southeast Asia and handle various sizes and volumes of cargo in a flexible manner. Especially in the Japan-China trade, we have established our presence as a leading shipping service provider for the route

since entering the market in the 1950s.

We promote efficient service operations, specifically round-trip combined transport to export steel products and other goods and import bulk items. Especially for steel products, we offer a range of comprehensive transport options to cater to customers' needs. These include inland trucking services from discharging ports to the customer's factories, as well as transshipment to barges at coastal ports for transport to river ports inland.

FY2021 results and future issues and plans

In the market for near sea going vessels (around 16,000 dwt or below), the shipping volume of steel products rose from the previous year, owing to expanding demand for export from Japan to China and Southeast Asia as an outcome of the reduction of crude steel production in China, where environmental regulations were tightened. Also, in the first half of fiscal year 2021, the Chinese government imposed stricter control on ports and many other public facilities for the purpose of preventing the spread of COVID-19. This resulted in increased demurrage and lower vessel operation rate, a factor for the market remaining at a high level. The demurrage rate improved in the second half the same year.

Under these circumstances, we steadily expanded the transportation of biomass fuel and other bulk cargoes, and promoted the efficiency oriented, round-trip combined transport of steel products and bulk items. As a result, our profits notably exceeded the initial targets.

As a new fleet development plan, we have adopted environmentally friendly types of ships. Going forward, we will continue to study approaches to reducing environmental impact in cooperation with shipbuilders and other related parties.

In Japan, there are a limited number of shipbuilders of near sea going vessels, and overseas, only a few are interested in building this type of ship. Considering this situation, it is unlikely that the supply-demand balance of the shipping market will be disturbed by supply side factors at least for the time being. Meanwhile, as the shipping volume of biomass fuel is expected to increase, the ongoing trend toward tighter supply will likely continue. Taking note of this outlook, we will carry out appropriate fleet development strategies in order to ensure stable fulfillment of contracts of our long-established customers while striving to win new customers and expand our business.



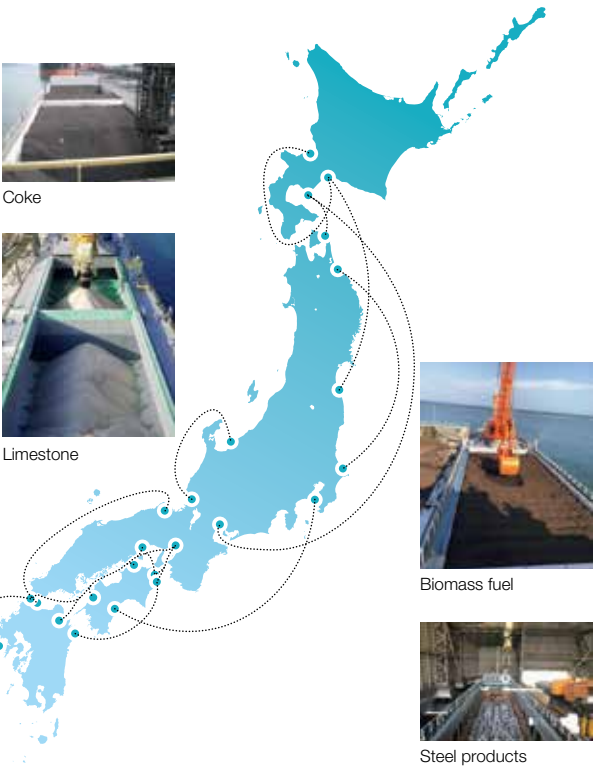
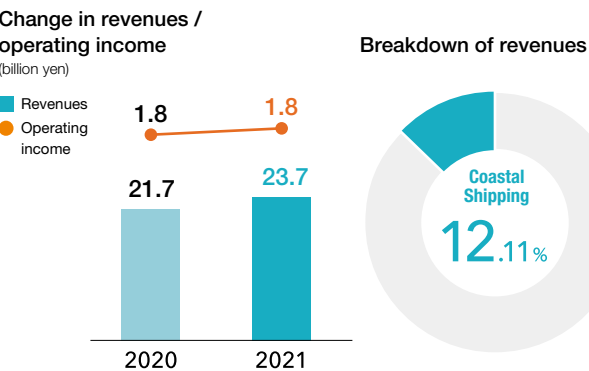
Type of vessel *As of March 31, 2022
8,000 to 16,000 dwt general cargo carrier: 20 vessels
Major cargo
Steel products, Biomass fuel, Fertilizers, Dolomite, Gypsum

Coastal Shipping

Overview for FY2021

Revenues
¥23.7 Billion Up 9.2% year on year

Operating income
¥1.8 Billion Up 0.2% year on year



NS United Naiko Kaiun Kaisha, Ltd.

Pursuing safety, environmental friendliness, and efficiency with the largest coastal fleets



Business overview and strengths

Since its founding in 1961, NS United Naiko Kaiun has built and maintained Japan's largest dry bulk fleet comprised of many state-of-the-art vessels for dedicated purposes, in response to diverse customer needs. We boast various types of vessels of all sizes, which enables flexible responses to requests for emergency transportation. Based on this robust capability, we have appropriately responded to many unexpected requests for shipping large-volume of cargo utilizing a ship with large cranes and any other types of ships, particularly when equipment failed at customers' sites.

We undertake the coastal shipping of cargo related to nuclear power generation, a business unique to the company. This function played a key role in a transportation to support the operation of coal-fired thermal power plants immediately after the Great East Japan Earthquake of March 2011. We sent our qualified radiation protection supervisors to perform dosimetric measurements in the plant area to confirm safety, helping obtain approval for the first port entry of a coal ash carrier after the earthquake. This was made possible by effective cooperation between offices to fulfill the necessary tasks while controlling risks associated with exceptional situations.

We are a leader in the coastal shipping industry with respect to investment in environmental initiatives. For example, we handled the delivery of the first Japanese coastal cargo carrier equipped with a hybrid propulsion system powered by lithium-ion batteries, and we are also working on the development of a coastal carrier powered by LNG and batteries.

Our customer relationship strategies will center on maintaining long-term contracts and close communication with existing electricity companies and developing sales activities supported by fast information collection and analysis capabilities. To respond to the ongoing trend toward new types of fuel transported, we are increasing investments in building the necessary capabilities. One related project is to build a ship dedicated to biomass fuel, which is being promoted under cross-organizational activities within the NS United Kaiun Group. Also, we are offering coastal shipping service for delivering alternatives to Russian fuel in prompt response to requests by Japan's cement manufacturing sector, in which most major companies are our customers.

FY2021 results and future issues and plans

In the area of steel-related cargo, the shipping volume of raw materials surpassed the initial targets due to the recovery of the manufacturing and construction sectors. However, the volume of steel products fell short of the targets because of a slowdown in automobile production as an outcome of the supply shortage of semiconductors. Meanwhile, cement-related cargo shipments surpassed the targets due to booming construction demand and diversifying procurement sources chosen by shippers. Electricity-related cargo shipments also exceeded the targets, reflecting increased use of coal, a relatively low-cost energy source, as well as seasonal demand growth in summer.

Going forward, we will respond to changes in shipping needs of customers concerning carbon neutrality to increase shipping volume. In order to step up our efforts to reduce CO₂ emissions from our fleet, we will study and implement relevant advanced technologies. We will adopt a hybrid propulsion system combining natural gas-fired engines and batteries for a limestone carrier scheduled for delivery in February 2024 to replace an existing vessel for a steel company. The replacement is expected to bring about a 30% CO₂ reduction.

In efforts to improve safety, we are conducting a trial of a navigation support system and studying a ship with autonomous, unattended navigation systems. Additionally, we will work to increase the effectiveness of safety training for crews, workstyle reforms, and employment management systems as a way to prevent marine accidents.



Type of vessel	*As of March 31, 2022
600 to 21,000 dwt general cargo carrier: 64 vessels	
Major cargo	
Steel products, Biomass fuel, Limestone, Cement, Coke	

NS United Coastal Tanker Kaisha, Ltd.

LNG transport pioneer contributing to achieving a low-carbon society



Business overview and strengths

NS United Coastal Tanker launched Japan's first coastal LNG carrier in 2003, and since then the company has established a leading position in the market with three of the country's six coastal LNG carriers under its possession, operation, and management. We have developed this area into our core business. With a particular focus on building the personnel capable of operating vessels unique to this business, we will increase our skill-building efforts in order to ensure safe operations to meet the expectations of customers and play an important role in ensuring the stable supply of city gas throughout the country.

Our distinct strengths lie with quality services enabled by the entire operation process managed under the consistent control of the company. The three LNG carriers are in the possession of the company and its group companies, and the group has established consistent management systems for the repair, maintenance, and improvement of vessels as well as the recruiting and training of crewmembers. With these systems in place, we have developed solid expertise and experience, which we use to ensure safe, secure operations and provide fine-tuned service—a source of the long-time trust we receive from many customers.

Generally, the LNG business undertakes only long-term contracts created according to the schedule of customers' long-term projects, which thus provides a dependable revenue base regardless of market trends.

FY2021 results and future issues and plans

For tankers, both LNG and LPG shipping volume exceeded our initial targets due to a pickup in demand in the second half of the fiscal year after the stagnation induced by the spread of COVID-19. In particular, LNG shipments topped the previous year level, which was partially attributable to operations started for new long-term contracts concluded with users in the Kyushu region. Under these circumstances, we committed to the efficient allocation and operation of vessels, which resulted in profits exceeding the targets.

In the future, we will enhance our efforts for human resources development, which is the key to continuing to offer quality services and ensuring safe, secure operations. We will place particular importance on addressing issues related to crew management, such as securing and developing the necessary manpower, transfer of skills, and workstyle reforms.

LNG is a clean fossil fuel, and has been attracting attention as a suitable option to complement renewable energy sources. Taking advantage of our strengths as a leader of the LNG shipping market, we will expand activities to acquire commercial rights in broader regions while responding to various related needs. Through these efforts, we are aiming to contribute to achieving a low-carbon or decarbonized society.



Type of vessel	*As of March 31, 2022
1,700 to 2,500 dwt LNG carrier: 3 vessels	
1,000 dwt LPG carrier: 4 vessels	
Major cargo	
LNG (liquefied natural gas), LPG (liquefied petroleum gas)	

Sustainability

In 2021, NS United Kaiun formulated the Basic Sustainability Policy. Each individual employee in the Company engages in issues related to sustainability on their own initiative through studying and discussing such issues in the process to establish the Purpose.



Part 3

1 Process for Formulating the Policy

In recent years, business corporations have been expected to more actively commit to sustainability through taking actions to achieve the SDGs and facilitating improvements based on revised corporate governance codes. In response to these social expectations, the Company has formulated its Basic Sustainability Policy.

The formulation process was designed to engage the entire workforce in discussions on approaches to promoting sustainability, thereby encouraging and enhancing employees' understanding of this issue. Then, based on achievements from this process, representatives of each division held deliberations to establish the Purpose (the meaning of existence of the Company). Following these procedures, the Basic Sustainability Policy was finalized after the resolution of the Board of Directors.



2 Basic Sustainability Policy

We believe that our Company holds responsibility for connecting the world through marine transportation services to support the lives of people, and commits to fulfilling this responsibility both now and well into the future. The Purpose has been created to explicitly state the above belief. This statement, together with the basic philosophy described below and related strategies, compose the Basic Sustainability Policy. The strategies were created in order to promote initiatives for six materiality issues (priority issues for sustainability). Committees under the ESG Committee and business divisions and departments have started discussions on the relevant KPIs.

Purpose

Through Marine Transportation, We Will Work Together to Shape the World Today and Create a Sustainable Future.

Basic Philosophy (outline)

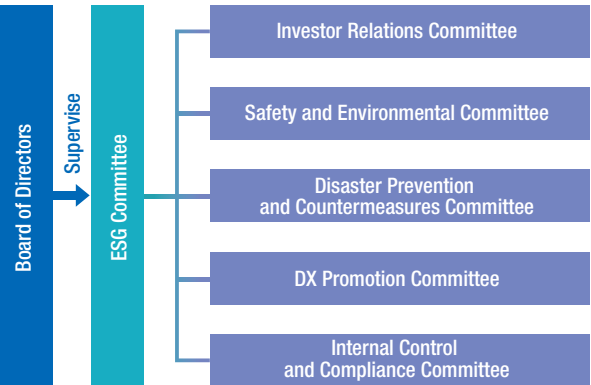
- Enhance the understanding of sustainability as a management issue and develop business strategies to create value through sustainability
- Improve economic, environmental, and social value at once from a long-term point of view in order to contribute to the sustainable development of society
- Encourage collaborations with various stakeholders to create innovations
- Incorporate sustainability into organizational culture and management processes to enhance corporate sustainability initiatives
- Create a workplace where all individual employees are highly motivated to display their abilities and thrive on challenges, while being committed to making a contribution to solid affluence that will be appreciated by all stakeholders and society at large

3 Promotion Structure

In order to address a broad range of issues related to ESG, the Company's sustainability management is promoted under the leadership of the ESG Committee—composed of eight executives (President Executive Officer, Directors and Executive Officers, Managing Executive Officers) and the presidents of key Group companies—in cooperation with other internal committees and under the supervision of the Board of Directors.

With the above structure in place and a stance toward ESG initiatives as the foundation for corporate sustainability, we aim to achieve the goal of becoming a company that is both profitable and socially responsible.

Promotion Structure



4 Revising Existing Policies

In association with the formulation of the Basic Sustainability Policy, we have revised our corporate philosophy as well as the action policies and guidelines. We placed focus on ESG-related topics for which there is greater social expectation, such as carbon neutrality, diversity, and human rights. Through this revision, we aimed to express our attitude toward these issues clearly.

The revision of the corporate philosophy and the Code of Conduct, which is a set of specific rules to practice the philosophy, included the addition of topics on respect for human rights. The revised Environmental Policy included descriptions about efforts to reduce environmental impacts with the aim of achieving a sustainable society. Furthermore, we have created the Diversity & Inclusion (D&I) Action Guideline to describe initiatives to address women's empowerment, workstyle reforms and other issues.

5 Stakeholder Engagement

In order to promote its sustainability management, the Company must encourage collaborations with its stakeholders. To continue to earn the respect of all its stakeholders, the Company will carry out the following dialogue programs and activities to understand their requests and expectations for our Group through close communication, and use the findings to improve our activities.

Stakeholder Dialogue

Stakeholder	Major dialogue programs/activities
Shareholders and Investors	● General shareholders' meeting ● IR interviews ● Disseminate the following information via various media (corporate disclosures, integrated report, securities reports, quarterly securities reports, corporate governance report, materials for general shareholders' meetings, business reports)
Customers and Suppliers	● Interviews with customers ● Participation in safety meetings with customers and suppliers ● Sending supervisors to cargo operation sites ● Joint research on low-carbonization and decarbonization
Employees, Seamen (Families)	● Personnel system ● Training system ● Measures related to workstyle reforms ● Questionnaire survey on employee awareness ● Physical and mental health checks
Maritime Authorities, Regulatory Authorities, and Other Organizations	● Compliance with conventions and regulations related to vessel operations ● Providing safety-related information ● Participating in a project to promote the introduction of LNG fuel systems, etc.
Local Communities and the Global Environment	● Initiatives for safe navigation and environmental conservation ● Community contributions (support for disaster-stricken areas, etc.)

Environment

As a corporate group that provides marine transportation services worldwide, we contribute to creating a sustainable society by protecting the global environment, the invaluable asset shared by all humankind.



1 Environmental Initiatives

NS United Kaiun Group is playing its part in the preservation of the global environment, including the oceans, through efforts to assure the safety of vessel navigation, in order to prevent marine pollution by oil leakage, etc., caused by accidents.

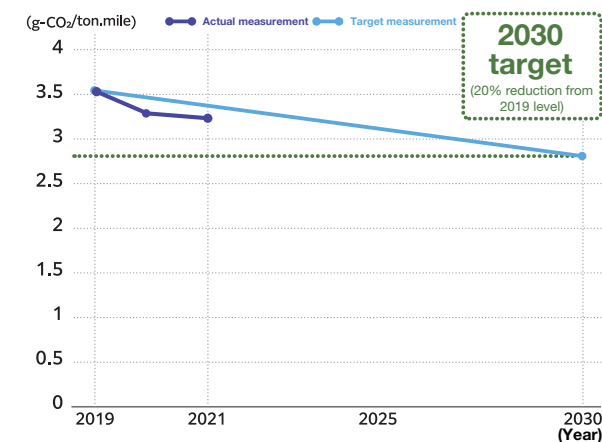
Under NS United Kaiun's Environmental Policy, environmental protection activities are being implemented in accordance with the policy directions. For continual improvement, it has built and is implementing its environmental management system in compliance with the international standard ISO 14001. Under this system, a management plan to achieve the designated targets is developed at the start of each fiscal year. This involves development of action plans in each category defined under the Environmental Policy, namely, action on climate change, marine pollution prevention, protection of biodiversity, air pollution control, conservation of resources and environmental education. A wide range of programs are executed to achieve the annual targets.

Especially in the area of climate change mitigation activities, medium-term and long-term goals have been established, with realization of carbon neutrality set forth as our ambitious, long-term goal. Although the realization of this goal involves overcoming major hurdles, including fuel conversion, we are working on what we can do to reduce CO₂ emissions.

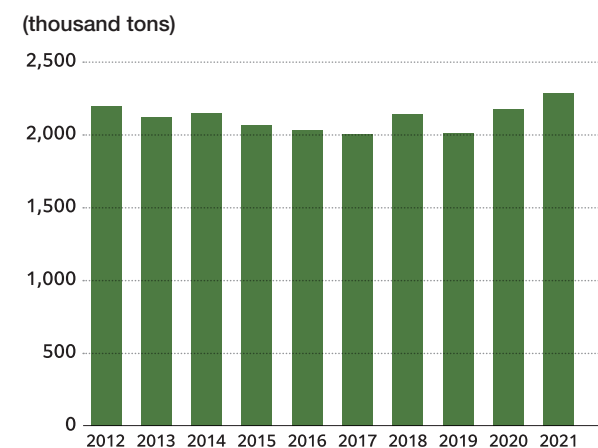
- Medium-term goal: 20% reduction in CO₂ emissions per transportation unit (ton-mile) by 2030 from 2019 level
- Long-term goal: Achievement of carbon neutrality by 2050

2 Environmental Data (results for 2021)

CO₂ emissions per transportation unit (ton-mile) (Non-consolidated)



CO₂ emissions (Non-consolidated)



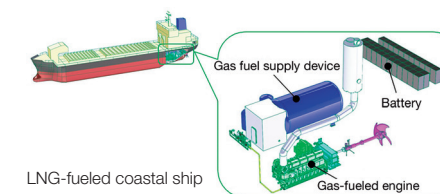
*CO₂ emissions: Based on fiscal year until 2018: Based on calendar year from 2019

3 Activities

Action on climate change

Ship building agreement for the first Japanese coastal LNG-fueled cargo carrier

In September 2021, NS United Naiko Kaiun concluded an agreement for the construction of a vessel powered by a hybrid propulsion system that combines a natural gas-fueled engine and batteries. The vessel is scheduled to be delivered in 2024 as the first LNG-fueled vessel for coastal shipping in Japan.



Ammonia-Fueled Ship Project

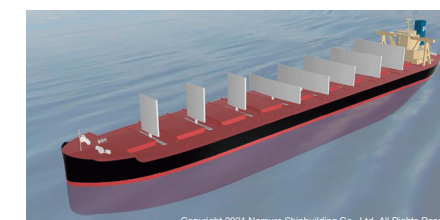
In June 2021, NS United Kaiun joined more than 30 other companies in the council on research into ammonia, which is regarded as the next-generation marine fuel. A joint study involving businesses in various industries is being conducted on safety assessment of ammonia-fueled ships and ammonia fuel supply, specifications as marine fuel, net CO₂ emissions in manufacturing, etc., to speed up implementation in society.



Ammonia-fueled ship

Joint research on a vessel with hard sails

For development and implementation of wind-powered fuel-saving technology using sails, joint research with Namura Shipbuilding Co., Ltd., has been conducted since May 2021. The new vessel is characterized by: (1) sails that can be stowed below deck so as not to obstruct cargo operation,



Vessel with hard sails

(2) in order to get the maximum wind force, the sails are outspread in the width direction to expand the wind receiving area and (3) use of multiple sail shapes in order to secure visibility from the bridge, as set forth in the International Convention for the Safety of Life at Sea (SOLAS Convention).

Trial navigation using biodiesel fuel

Trial operation on a very large ore carrier using biodiesel fuel, refined from used cooking oil and supplied in Singapore, was conducted in March 2022 and was completed successfully. Bio diesel fuel is regarded as a highly versatile, low-carbon fuel because of its usability with existing vessel engines and possible use of existing infrastructure for fuel supply.

Air Pollution Control

Response to SOx & NOx regulations

Regulations on sulfur oxides (SOx) were strengthened in 2020. We have addressed this issue with the use of fuel compliant with statutory regulations and containing sulfur of 0.5% or less and installation of SOx scrubbers on large vessels. The sulfur content of exhaust gas released after filtering with the scrubber has been found to be less than the regulation level, contributing to mitigation of air pollution by vessel exhaust. For regulations on nitrogen oxides (NOx), devices that meet the regulatory specifications are being installed, maintained and used.

Green Flag Program

In 2005, the Port of Long Beach in the United States introduced a coastal vessels speed reduction program called the Green Flag Program aimed at reducing exhaust gases from ships. The program recommends vessels approaching the port to slow down to 12 knots or less in the ocean within 40 miles of the port. NS United Kaiun complies with and implements the recommendations for all of its operating vessels calling at the port.

Marine Pollution Control

Through the diligent and uninterrupted efforts of our crew on board vessels and management departments on land, we have succeeded in achieving zero oil pollutions target once again this year (as of June 7, 2022). In addition, vessels are being equipped with ballast water management system and used in compliance with regulations, for protection of the marine environment and biodiversity. At the same time, eco-friendly paint is being used on vessel hulls. A newly introduced paint product is expected to improve energy-saving effect, leading to fuel conservation.

4 Action on the TCFD Recommendations

Basic Policy

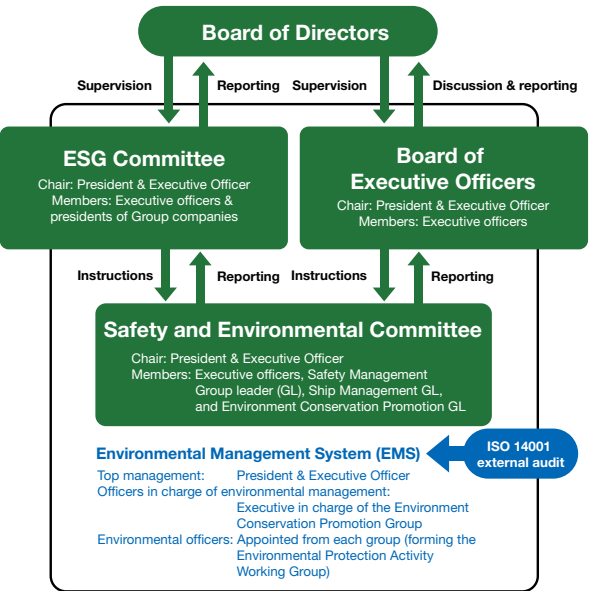
With the impact of climate change aggravating each year, it has become a global issue that requires urgent attention. Amid rising social interest represented by the Sustainable Development Goals (SDGs), Paris Agreement goals and net-zero greenhouse gas (GHG) emission goals in various countries, business corporations are required to take proactive action.

As a provider of marine transportation services, NS United Kaiun Group also recognizes that climate change is an important management issue, in view of its potential of having a great impact on our business environment.

In the company's medium-term business plan FORWARD 2030, strengthening the brand power, building a sustainable business structure, and establishing a resilient management base are recognized as priority strategies. In the Basic Sustainability Policy adopted in autumn of 2021, reinforcement of climate change initiatives has been established as one of our materialities (priority issues).

For further sustainable growth of corporate value, we announced its support of the TCFD Recommendations in July 2021 and has decided to disclose information regarding the four elements in the Recommendations (governance, risk control, strategy and indicators/goals). Active information disclosure in compliance with the Recommendations is expected to continue into the future. As a member of the Japanese Shipowners' Association, the Company also plans to work toward realizing carbon neutrality for all of society through its supply chain and strive to realize net zero CO₂ emissions in 2050.

*TCFD: Task Force on Climate-related Financial Disclosures



Governance

Due to the grave importance of climate change in terms of the sustainability of our business operations, the Company's president and executive officer is fulfilling the responsibility and is engaged in the development and execution of measures under the supervision of the Board of Directors.

Board of Directors

The Board is the decision-making body on basic management policy and important matters and is also responsible for supervision of the status of business execution. It convenes once a month as a general rule.

Board of Executive Officers

With the introduction of the executive officer appointment system, the Board of Executive Officers engages in business execution regarding management issues and priority matters, including climate change, under the resolutions and supervision of the Board of Directors and based on the basic policy passed by the Board of Directors.

ESG Committee

In recognition of ESG initiatives as the foundation of business sustainability, the previous CSR Committee was reorganized in 2020 into the ESG Committee in order to strengthen its governance framework. Recognizing also that the commitment of the Board of Directors toward ESG is important, the Committee is fulfilling its role as the driver in this area under the supervision of the Board of Directors.

Safety and Environmental Committee

Headed by the company president and executive officer, the Committee reviews and conduct assessments into the state of progress achieved in the annual targets, activities organized, the means employed, activity schedule, etc., in order to achieve the environmental goals. The environmental issues are reported by the Committee to the Board of Executive Officers, with the output applied to the plan for the next fiscal term. Additionally, the state of activity and activity plans of the Committee are reported to the ESG Committee.

Environmental Management System (EMS)

Under the Environmental Policy of the NS United Kaiun Group, an environmental management system has been developed for steady and effective execution of activities aimed toward environmental protection and improvement. Each year, internal audit is conducted on all vessels under management and each business department, with the findings reported to the company president and executive officer, who chairs the Safety and Environmental Committee, for inspection and confirmation that the system is functioning

effectively. The system has been certified under the international standard ISO 14001:2015, with external audit conducted annually by Nippon Kaiji Kyokai (ClassNK).

Analysis of the Impact of Climate Change

In order to identify the risks and opportunities pertaining to climate change, a long-term phenomenon involving a high level of uncertainty, scenario analysis has been executed in accordance with the TCFD Recommendations in order to engage in objective debate over its impact on the Group.

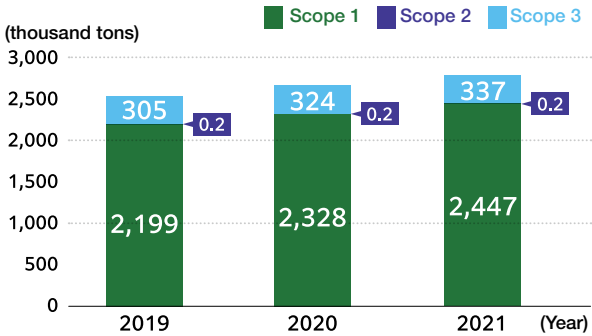
In order to secure the resilience of the entire Group in the face of future uncertainties, Scenario Analysis is being conducted on the "under 2°C scenario" targeted to achieve the goals of the Paris Agreement to "limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-Industrial Revolution level." In addition, the "1.5°C scenario" assuming the realization of net zero CO₂ emissions and carbon neutrality by 2050, long-term goal, and the "3°C scenario" that assumes measures against climate change around the world fail to make adequate progress are being examined.

The identified risks and opportunities vis-à-vis changes in the future business environment assumed in each scenario are shown in the following chart.

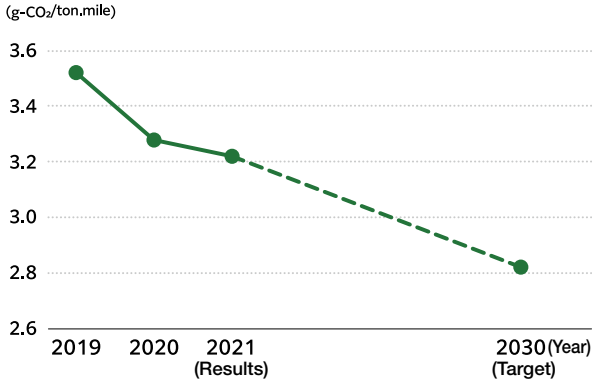
Business environment changes			Anticipated risks ■ / opportunities ■	Measures to be implemented	Main reference scenario
1.5°C scenario / under 2°C scenario	Government policies/ laws & regulations	Introduced and enforced carbon pricing	Increase in operation costs	Greater emphasis on slower steaming; promoting introduction of alternative fuel-powered vessels, high-efficiency vessels & energy-saving equipment	IEA World Energy Outlook • Sustainable Development Scenario (SDS) • Net Zero Emission by 2050 Scenario (NZE)
		Reinforced environmental regulations (EEXI, CII, etc.)	Increase in capital investment & decline in revenues		
	Technology	Fuel conversion & new technology introduction	Existing vessels becoming stranded assets	Assessment of appropriate shipping demand & business opportunities	
		Market	Change in energy mix		
	Change in steel-making method		Increase in shipping demand for scrap Demand for iron ore and coking coal transport to remain roughly identical to present		
			Progress in CO ₂ capture & storage (CCS) technologies	Creation of CO ₂ transport business opportunities	
	Reputation	Stakeholder trend toward decarbonization/lower carbon levels / Assessment and ranking by ESG rating bodies	Loss of business opportunities due to delay in taking action	Promotion of information disclosure related to climate change	
			Increase in marine shipping demand with promotion of modal shift	Greater emphasis on slower steaming; promotion of introduction of high-efficiency vessels, etc.	
	3°C scenario	Acute	Increasing frequency and gravity of abnormal climate conditions	Increase in vessel repair and management expenses	
Increase in navigation expenses					
Wind & water disasters on land		Loss of marine distribution opportunities due to disconnection from land distribution			
Chronic		Rise in sea level	Disruption of continuing use of port facilities & reduction in vessels' size using ports	Closer relationships with shippers and port-related parties	
		Rise in ocean and air temperature	Increase in vessel repair and management expenses		
			Increase in cargo temperature control costs		

Indicators & Goals

CO₂ emissions (consolidated)



CO₂ emissions per transportation unit (ton-mile) (Non-consolidated)



Social

The company believes that in order to contribute to the achievement of a sustainable society, we must place importance on developing human resources that can respond to diverse changes in the business environment, and that feel pride and motivation in contributing to the growth of the company. To achieve this, we are working not only on our existing programs for personnel development, but also on improving our personnel system and implementing efforts to reform our ways of working in order to create an organization that has vitality and to be a company that is rewarding to work for.



1 Basic Policy on Human Resources

The Company's human resources are based on the premise that our employees, both administrative and technical, are hired for the long term. And in accordance with 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 encouraged by the Company's training system.

The percentage of women that make up our workforce is gradually rising. While there are no women holding executive positions at this point in time, women account for 40% of all new graduates hired for career-track positions over the past three years. And when considering the various life events that people experience, we believe in the importance of creating a workplace environment favorable to ongoing employment. We are undertaking this task by using a variety of effective means, such as IT-based approaches to improve operational efficiency and information sharing.

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. In addition, we offer a scholarship program to discover and train even more talented people.

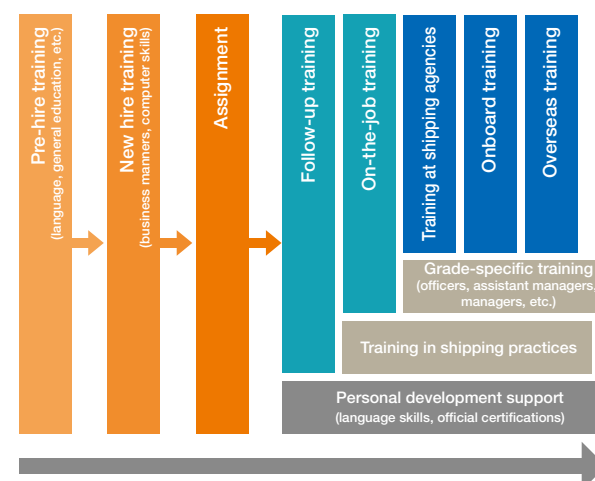
The Company's retirement age is 60, but we also established a reemployment program that enables those who reach the retirement age to be rehired under a one-year employment contract that can be renewed until the age of 65. We will continue to consider programs for extended employment in response to social demand.

2 Personnel Development

One element of our management philosophy is to nurture and mobilize employee abilities. 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.

After joining the Company, seamen 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 of shore-based management, developing as independent officers with broad perspectives. For non-Japanese seamen, 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.



3 Personnel System

Our personnel system was introduced in fiscal year 2001 to accurately reflect the assessment results of the employees' abilities, motivation, and performance toward their promotions and advancement, and we have been striving to gain an understanding of the employees' current situation and working to develop their abilities toward their future, while providing fair compensations for their performance. Now that more than 20 years have passed, changes in our business environment,

such as advances in environmental and DX technologies and the heightened awareness toward sustainability, have made it imperative that we implement strategic investments in areas that have high sustainability and growth opportunities, and to establish a human resources management system that will enable us to execute such activities. Accordingly, our personnel system is currently being reviewed. Our aim is to create a workplace environment where employees feel psychologically safe enough to respond to change in a positive frame of mind, are encouraged to take on challenges, and are able to work for a long period of time with a sense of reassurance.

4 D&I Action Guideline

Among the issues related to ESG, society strongly requires us to ensure diversity in human resources. The Company's approach to this issue has been clearly defined in the Diversity & Inclusion (D&I) Action Guideline and Plan. Based on this guideline, we will continue and strengthen initiatives as detailed below.

Promoting the Active Participation of Women

Goal

By fiscal year 2025, we will increase the number of female executive employees from the current zero to at least one, with a goal of attaining two or more. (The number of women in career-track positions as of April 2021 is 11 employees.) Our goal for 2030 is to have at least three female executives, with the ultimate goal of having five or more.

Specific initiatives

- (1) **Increase the number of recruited women**
 - Strengthen efforts to increase the recruitment of women, including for career-track positions.
 - Encourage those in semi-career track and administrative positions to transfer to career-track positions.
- (2) **Measures to prevent turnover**
 - Improve the system to prevent resignations due to life events, such as by enhancing childcare and nursing care leave and expanding remote working (including from places other than their homes), etc.
 - Host trainings and seminars to support women's career development.
- (3) **Job allocations and training programs that will lead to appointments in executive positions**
 - Conduct advanced training in anticipation of potential life events (overseas training, etc.).
- (4) **Executive training and building understanding within the workplace**
 - Educate the executives in order to create an atmosphere throughout the entire workplace that makes it easier for women to participate actively.



Mana Nishikawa

Secretary, Transferred for training to NS United Bulk Pte. Ltd. from the General Affairs Group

I started working at the Singapore subsidiary in November 2021 as an overseas trainee. I perform ship operation and facilitate negotiations between our head office and major resource companies in Singapore as well as customers in India. I also receive various opportunities to gain experience from diverse perspectives, such as by going to work for a couple of weeks at a related company and by going on business trips to surrounding countries.

Employment of Older Aged and Disabled Persons

Goal

(1) Employment of older aged persons

In April 2021, the Act on Stabilization of Employment of Elderly Persons was amended to require companies to make an effort to provide employment opportunities to their employees until age 70. In response to this, the Company began by first working toward changing the retirement age to 65, while continuing to keep a close watch on our obligations and social trends.

(2) Employment of disabled persons

The Company currently fulfills our obligation to meet the employment ratio of disabled persons, but we will continue to keep a close watch over trends in legal amendments and will strive in our efforts with the goal of exceeding the legally required employment rate.

Workstyle Reforms

Goal

We will pursue the elimination of long work hours*1 (reduce the total work time from 1,916 hours in fiscal year 2020 to 1,850 hours in fiscal year 2025), and encourage diverse methods of taking leave from work.

Specific initiatives

(1) Ways of working

- Break away from a workstyle premised on working long hours at the office.
- Executives to strive toward creating an organizational management that is not based on demanding long work hours from their staff.
- Reform the personnel evaluation system to move away from a system that looks favorably upon long work hours, and toward one which places importance on results.
- Accelerate reform in business operations and DX promotions.

*1 Fact-finding survey on work hours from 2020, by the Federation of Economic Organizations
Average work hours in 2019: 1,987 hours (manufacturing) / 2,014 hours (non-manufacturing)

(2) Ways of taking leave

- Strengthen and continue initiatives for taking paid vacations, with the goal of having employees take their annual and seasonal paid vacation days at a combined average of one day or more per month.^{*2}
- Encourage male employees to take childcare leave. Recommend male employees to use it when their spouse gives birth.

^{*2} Company's current average vacation days taken: 8.6 days of annual paid leave, 4.1 days of seasonal paid leave
Comprehensive survey on labor requirements by the Ministry of Health, Labour and Welfare in 2020
Average vacation days taken in 2019: 9.2 days (for all industries with employees between 100 to 299 persons), 10.0 days (transportation industry, postal service industry)

The Company is aware of the extreme importance of DX. We may lose business opportunities if we do not respond in a timely manner to technological innovations. In recognition of this, we will optimize transportation services and strengthen our competitiveness by implementing advanced technologies and by utilizing data and digital technologies.

Our activities thus far include having established the DX Promotion Committee in order to achieve operational efficiency, and launching a number of projects related to DX. For example, the management division is in the process of making payment settlement operations paperless and digitizing internal documentation, which will make it possible to shift daily business operations from using paper-based documents to digital documents. This will enable us to develop a system that makes it possible to immediately access the required information, thereby contributing to increasing the Company's competitiveness and in enhancing the efficiency of our business operations.

The ship management division launched a project team in 2020 within its division. This team is looking into problems concerning the software that we have long been using to manage ships, which is based on a system that uses Word and Excel programs and thereby makes it inadequate for use as a database.

To address this issue, we compared and selected different ship management software offered by multiple vendors, and then decided to implement a system. It covers major ship management operations including maintenance and management planning, management of backup items and spare parts for ships, management of reporting documents related to the safety management system, and the management of non-Japanese crewmembers. Implementation started in fiscal year 2022, with installation into all managed ships scheduled to be completed in fiscal year 2024.

Furthermore, an automatic analysis system for marine engines has been installed into a number of our managed ships, and we are currently in the process of studying whether the deployment of this system to other ships is viable. We are also conducting trial implementation of a remote monitoring system for SOx scrubbers. In the future, we will promote further initiatives to improve our business through the implementation of DX, such as by making use of big data in the operation of ships.



Kenta Eboshi

Assistant Manager, General Affairs Team
(DX Promotion Committee Project Member)

I am striving to improve work operations by making use of IT, even on a personal level. For example, the previous person in charge had been performing their calculations using a string of Excel files, but I consolidated them into one Excel file, and made it so that calculations are performed using a pivot table. With this change, by my estimate, the work hours spent on such calculations have been reduced by anywhere between a couple hours to more than a dozen hours.

Preventing Harassment

Goal

Bring reform to the individual's awareness and to the workplace climate in order to create an environment that makes it easier to talk to others about harassment.

Specific initiatives

- Enhance the system for the Compliance Advisory Service Desks, and engage external service desks.
- Educate and promote compliance among employees by continuing the monthly program for internal control and compliance awareness.
- Continue the use of e-learning.
- Educate employees by conducting training in each level of job position to have them acquire an appropriate understanding and acceptance toward LGBTQ issues.

Promoting Health

Goals

Health exams: Conduct efforts to improve percentage of employees taking exams
Stomach cancer screening: Raise the percentage of employees ages 35 and up getting screened
Specific health guidance: Give guidance to all relevant persons

Specific initiatives

(1) Health exams

Inform those who have not taken their health exams, along with their superiors, of their obligation to take the exam, and strive to raise the percentage of those taking the exam.

(2) Cancer

Strengthen efforts to have employees get screened for

stomach and bowel cancer as designated by the Company in order to ensure early discovery and treatment of cancer.

(3) Brain and heart diseases

Strengthen efforts in specific health guidance to improve lifestyle habits.

(4) Mental diseases

- In order to promote early discovery and treatment, inform and spread awareness among all employees that either directly by the employees themselves or through their superiors they have the opportunity to receive consultations with industrial doctors or with consultation services.
- Continue mental health check-ups.

Employee Situation

		FY2019		FY2020		FY2021	
		Onshore	Offshore	Onshore	Offshore	Onshore	Offshore
Number of employees by gender	Male	125	42	127	47	131	44
	Female	38	2	35	3	36	4
	Total for male and female	163	44	162	50	167	48
	Total for onshore and offshore	207		212		215	
Number of recruits by gender	Male	5	4	6	6	8	4
	Female	2	1	2	1	2	1
	Total	7	5	8	7	10	5
Average years of service		15.66	11.34	15.69	11.37	15.07	12.03
Turnover rate (%) (Number resigned during the fiscal year / Number of employees at start of fiscal year × 100)		1.82	6.98	4.14	2.27	4.76	4.44
Number of employees who resigned with less than three years of service		0	2	2	0	0	0
Monthly average overtime work per employee (hours)*		14:55		11:55		11:28	

*Monthly average overtime hours for employees at Tokyo head office

Employee Support System

	FY2019	FY2020	FY2021
Average days of paid leave taken*	8.8	8.6	9.3
Number of employees who took maternity leave	0	1	0
Number of employees using childcare leave system	0	2	2
Male	0	1	1
Female	0	1	1
Rate of employees returning after childcare leave	100	100	100
Number of working mothers**	7	7	7
Rate of employees who took nursing care leave	0	0	0
Number of employees using nursing care leave system	0	0	0
Number of employees using continued employment system	1	2	6
Number of employees using rehiring system***	-	-	-
Number of whistle-blowing reports	2	1	0

*Average days of paid leave taken by employees at the Tokyo head office

**Number of women with school children as of the end of the fiscal year

***Number of users of the job return system

Employee Diversity

	FY2019	FY2020	FY2021
Rate of women	19	18	19
Rate of women in executive positions	0	0	0
Rate of disabled employees	0.66	0.66	1.35

Labor Health & Safety

		FY2019	FY2020	FY2021
Number of persons certified as having an industrial accident	Deaths	0	0	0
	Injuries	0	1	0
	Diseases	0	0	0
	Total	0	1	0
Rate of employees receiving health exams		86	88	88

Corporate Governance

Based on our corporate philosophy of contributing to the development of society by providing trusted and high-quality marine transportation services, our Group strives for its sustainable growth 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 developed corporate governance systems suited to the characteristics of our Group's operations. These systems are continuously reviewed and improved, with a focus on enhancing the efficiency, soundness, and transparency of corporate management.



1 Corporate Governance

Corporate Governance System

The Board of Directors, having members who are highly knowledgeable about our Company's business and management, makes decisions on important operational execution 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.

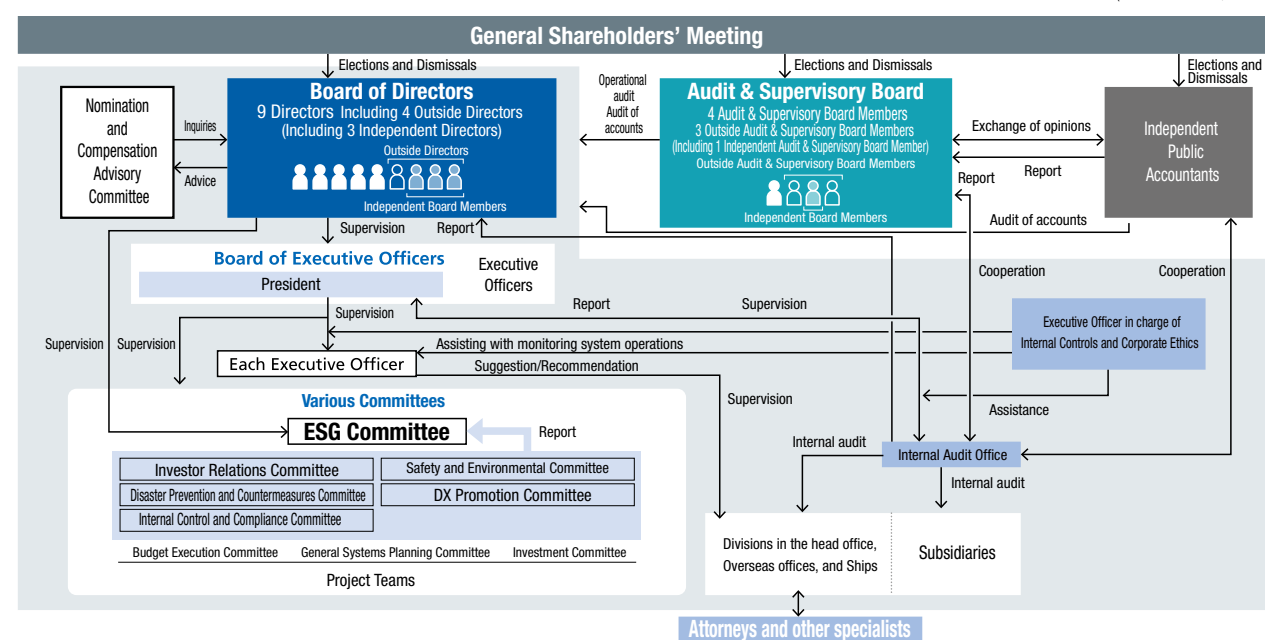
Our Company seeks to appropriately disclose information to increase the transparency of management and to help our stakeholders more accurately understand the Group's business conditions. In addition to compulsory disclosures, including legal and regulatory requirements relating to financial instruments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

Board of Directors

The Board of Directors, discusses and decides on basic policy and the most important matters connected with Group management. The Board of Directors decides matters

Corporate Governance

(As of June 28, 2022)



guided by the 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 includes five internal directors (all five concurrently serve as executive officers), including the chairperson, the president, and four outside directors (three are outside directors who are registered with the Tokyo Stock Exchange as independent directors, as defined by the Tokyo Stock Exchange). Independent outside directors now account for one-third of the members.

Board of Executive Officers

In accordance with the basic policy decided on 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 13 executive officers selected by the Board of Directors, including the chairperson and 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 (of whom, one is an independent officer). The Board wields the authority required by law, organizes Audit & Supervisory Board meetings, defines auditing standards, and performs effective audits of the legality and the reasonableness of operations by directors, executive officers, and employees. Specifically, members attend meetings of the Board of Directors and the Board of Executive Officers, as well as important

meetings and committee sessions of the ESG Committee, the 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 performs accurate and effective audits.

ESG Committee

Our medium-term business plan, “FORWARD 2030” was formulated in 2020. In the plan, we set the goal of becoming a company that is both profitable and socially responsible by 2030. To achieve this goal, we see ESG initiatives as the foundation for supporting corporate sustainability.

As part of these initiatives, we reorganized the CSR Committee in 2020 into the ESG Committee to strengthen its governance. The ESG Committee has eight executive officers comprised of a chairperson, which is a role served by our president, as well as committee members made up of our directors and managing executive officers, and the presidents of key Group companies, NS United Naiko Kaiun Kaisha, Ltd., and NS United Coastal Tanker Kaisha, Ltd. The ESG Committee deliberates and decides on ESG action policies, provides directions to the internal committees under its supervision (the Internal Control and Compliance Committee, the Safety and Environmental Committee, the Investor Relations Committee, the Disaster Prevention and Countermeasures Committee, and the DX Promotion Committee), and approves the editing of this report (NS UNITED REPORT).

The ESG Committee communicates between the Board of Directors and the committees and divisions that are under its supervision. It works toward resolving issues, notifying the Board of Directors of problems that arise at the worksites, and relaying the demands from the Board of Directors to the worksites.

Skill Matrix

Skills required for the Board of Directors		Skills expected of the board members								
		Internal directors					Outside directors			
		Kazuo Tanimizu	Masahiro Samitsu	Naruhiko Miyai	Toru Fujita	Shinichi Kitazato	Masayuki Kinoshita (Independent)	Setsu Onishi (Independent)	Isamu Nakamura (Independent)	Kazuma Yamanaka
Management	Corporate management	○	○				○	○	○	○
	Market & business	○	○	○			○	○		○
	Worksite & technologies (including ICT)			○	○	○			○	
Individual	Accounting & finance		○					○		
	Governance, risk management, compliance	○				○	○	○	○	○
	Human resources management				○	○	○		○	○
	Sustainability	○	○		○	○	○	○	○	
	Customer relations			○						
Experience	Overseas assignment (global)	○	○	○			○	○	○	
	Employment at another company (internal directors)	○	○							
	Management experience (outside directors)						○	○	○	○

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. The committee comprises five directors, including the president, the majority of whom are independent outside directors, and it is chaired by an independent outside director. Committee members are selected by the president.

Results of Evaluating the Effectiveness of the Board of Directors

Every year since fiscal year 2015, we have been conducting a questionnaire administered to all directors and Audit & Supervisory Board members in order to evaluate the effectiveness of the Board of Directors. The results for this fiscal year were again 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 overall was effective, while also recognizing the achievements and issues as noted below. We will strive to further bolster the effectiveness of the Board of Directors by continually working on the issues that were identified.

Achievements

- The Board of Directors was able to review and hold discussions on the current situation and the future of the Company.
- Many issues related to ESG were raised. In particular, during deliberations on the basic policy for sustainability, advice received from outside directors was shared and acted on throughout the Company.

Issues

- Discussions need to delve deeper into broader and wider perspectives, such as on management policies and business strategies. To enable this, improvements should be made to the ways that deliberations are held within the Board, such as by clarifying the points of discussion and figuring out other ways of operation.

Executive Compensation

(1) Policy for Deciding Compensation

(a) Basic composition of compensation, etc.

Compensation for directors is designed to ensure consistency with management strategies so that it functions sufficiently as a sound incentive to enhance corporate value. Specifically, the compensation 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.

(b) Fixed compensation

Fixed compensation is paid in cash each month, with a standard amount established based on the director's position, taking into consideration the capabilities and responsibilities required of directors in the shipping industry.

(c) Performance-based executive bonuses

Bonuses are linked to dividends per share for each term and are paid in cash as compensation linked to short-term performance. This is based on dividend policies and the assumption of paying a certain percentage or more special allowances (bonuses) to 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 medium-term business plan and the amount of increase in corporate value (stock value). 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.

(e) Compensation for outside directors and Audit & Supervisory Board members

Outside directors and Audit & Supervisory Board members are only 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 Deciding Compensation

Compensation for directors is determined by the Board of Directors based on inquiries to and advice from the Nomination and Compensation Advisory Committee. The Nomination and Compensation Advisory Committee examines the appropriateness of calculated executive compensation, and reports its findings to the Board of Directors. At the same time, the Board of Directors determines the amount of compensation for each individual director based on the report of the Nomination and Compensation Advisory Committee by confirming that the method and content of the decision are consistent with the decision policy resolved by the Board of Directors.

Directors	Total fixed compensation (compensation for outside directors)	¥176 million (¥31 million)	9 persons (3 persons)
	Total performance-based compensation	¥63 million	5 persons
Audit & Supervisory Board Members	Total fixed compensation (compensation for outside Audit & Supervisory Board members)	¥52 million (¥29 million)	6 persons (4 persons)

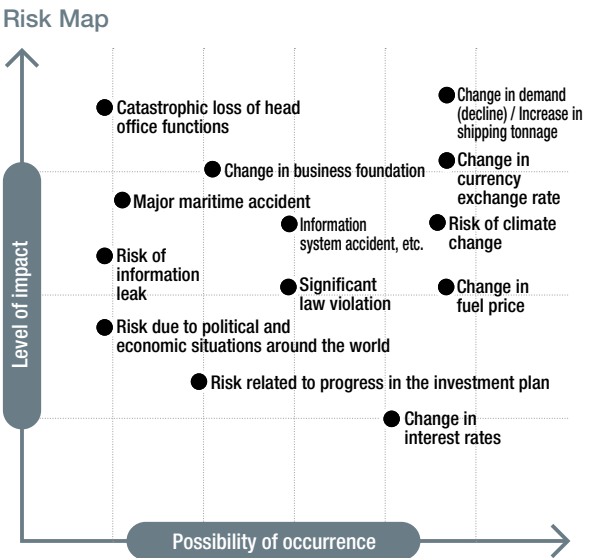
The total amount of fixed compensation for Directors and Audit & Supervisory Board Members indicated above includes the amount paid to one Director and two Audit & Supervisory Board Members who retired on June 28, 2021 at the close of the 95th Ordinary General Shareholders' Meeting held the same day. The amount does not include that related to one non-paid Director.

2 Risk Management

Risk Management System

Risk management regulations have been established as fundamental requirements for risk management. By following these requirements, we ensure the continuation and stable development of our business, even if substantial risks impacting management should emerge. Based on these regulations, the relevant departments of the Company analyze and study measures against the various potential risks that could arise in the course of business activities and the Board of Executive Officers and Board of Directors discuss and determine these issues. At the end of each fiscal year, we perform review of risk items and reporting on the management implementation status based on the Risk Item List. For fiscal year 2021, it was 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.

Also, we created a risk map in order to comprehensively understand risks and identify them by priority (level of impact). This supplements the Risk Item List and informs the entire Company of the risks in greater depth, reaching down to the working levels, with more details and using specific examples. In a situation where the global community is making efforts to reduce GHG emissions, we risk losing business opportunities if we are late in responding to such issues. Therefore, starting in fiscal year 2022, climate change has been newly recognized as an independent risk, and we are striving to address this by including it on the Risk Item List. In addition, with regards to large, high-risk projects, the Investment Committee deliberates in advance on the possible impact or risks on the profitability, business performance, and on the financial situation of the Company,



and provides its findings to the Board of Executive Officers and the Board of Directors.

Management of Personal Data

To safeguard personal data, the Company 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, we are in compliance with the Social Security and Tax Number System based on internal regulations that we established for handling specified personal information.

Business Continuity Plan (BCP)

A BCP has been established so that, in the event of a major disaster, the Company can safeguard employees and their families as well as continue operations to fulfill our social responsibility of being reliable in delivering marine transportation services to our customers even in times of emergency. As our main systems are installed in a data center, we are prepared to work from home even if our head office is shut down in the event of a major disaster. We regularly update our security systems and software to the latest versions to strengthen our cybersecurity, in response to recent cyberattacks on other companies. 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 a system to confirm 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 executive officer 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 Compliance Advisory Service Desks (whistleblower hotlines), both inside and outside of the Company, to accept direct reports from employees who become aware of or have suspicions of contraventions of the law, misconduct, or similar acts committed by executives or other employees in our Group. 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. Additionally, a third-party organization has been newly appointed in April 2022 to serve as a hotline that offers a high level of anonymity.

Compliance Awareness Month

The Company 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 executives and employees of the importance of this theme, implementing a range of activities to enhance their awareness as well as give them the knowledge and information needed to practice compliance. In fiscal year 2021, our president delivered a message on compliance to all executives and employees. We also conducted internal awareness-raising activities, such as distributing a self-inspection check sheet on harassment prevention to have everyone review their daily language and behavior, accompanied by explanations for those check items, so that every employee can develop a sense of ownership of compliance. Further, the Company conducted an employee awareness survey on internal controls

and shared the results with the Group 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 Regulation for Enforcement of the Companies Act, 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.

Internal controls and compliance initiatives taken by corporations have been attracting an increasing amount of public attention. To effectively address these issues across the Company, we organize the Internal Control and Compliance Committee, appointing the president as the chairperson and each executive officer in charge of a business division as a committee member. Furthermore, every department established a system for autonomous internal controls, where they proactively identify local risks in daily operations and makes improvements to mitigate these risks.

We recognize that internal control activities help enhance the quality of our business management, and that financial reports which have high reliability give rise to trust in our Company by our stakeholders and from society. All the executives and employees of the Company will continue to work together to strengthen compliance, establish and implement an appropriate internal control system.

5 Basic Policy on Information Disclosure and Dialogues with Shareholders and Investors

The Company has established the Investor Relations Committee as a system to respond to requests for interviews from shareholders and investors. In accordance with the annual plan and our investor relations (IR) interview standards, such interviews are mainly being handled by executives in charge of IR, except for certain periods prior to the disclosure of financial results. Insider information (non-public material information about business) is being handled appropriately in accordance with internal rules.

At general shareholders' meetings, we readily provide information and respond to individual questions. At the same time, we offer live streaming of general shareholders' meetings in order for shareholders who are unable to attend in person to view the meeting in real time from remote locations via the Internet. We also accept questions in advance.

Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 28, 2022)

Directors (* indicates outside director)



Kazuo Tanimizu

President / Representative Director /
President Executive Officer
Chairperson of the Board of Directors
Member of the Nomination and
Compensation Advisory Committee



Masahiro Samitsu

Director, Senior Managing
Executive Officer



Naruhiko Miyai

Director, Managing Executive
Officer



Toru Fujita

Director, Managing Executive
Officer



Shinichi Kitazato

Director, Managing Executive
Officer
Member of the Nomination and
Compensation Advisory Committee



Kazuma Yamanaka

Director*



Masayuki Kinoshita

Independent Director*
Chairperson of the Nomination and
Compensation Advisory Committee



Setsu Onishi

Independent Director*
Member of the Nomination and
Compensation Advisory Committee

Audit & Supervisory Board Members (* indicates outside auditor)



Isamu Nakamura

Independent Director*
Member of the Nomination and
Compensation Advisory Committee



Yoshifumi Nakata

Audit & Supervisory Board
Member
(full-time)



Masanori Ando

Audit & Supervisory Board
Member*
(full-time)



Yasuhito Mitani

Audit & Supervisory Board
Member
Independent Auditor*

Executive Officers

Naoki Asuwa

Managing Executive Officer

Kiyoshi Kanemitsu

Managing Executive Officer

Toru Kihira

Managing Executive Officer



Shohei Yamamoto

Audit & Supervisory Board
Member*

Yasuo Nakajima

Executive Officer

Takamasa Takami

Executive Officer

Hideto Soya

Executive Officer

Yuji Ono

Executive Officer

Yoshinori Sato

Executive Officer

Financial & Non-financial Data

Fiscal Year (consolidated)	unit	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	million yen	131,379	153,665	157,625	137,148	125,276	139,000	151,068	148,415	138,454	195,941
Operating income	million yen	1,173	8,842	9,474	6,475	6,558	7,361	8,911	7,040	6,736	26,711
Ordinary income	million yen	2,529	8,920	10,380	4,064	4,607	5,555	7,784	5,479	5,532	26,606
Profit before income taxes	million yen	(14,977)	12,005	10,691	4,343	3,814	6,419	10,502	7,197	7,351	29,069
Profit attributable to owners of parent	million yen	(15,505)	10,778	8,626	4,110	3,322	6,613	9,343	5,947	6,131	23,582
Per share data											
Net income	yen	(672.1)	467.2	374.0	175.4	140.9	280.6	396.4	252.3	260.2	1,000.7
Net assets	yen	2,192.8	2,709.1	3,195.6	3,197.2	3,259.0	3,423.2	3,778.0	3,866.0	4,090.6	5,015.2
Dividends	yen	—	90	90	40	40	85	115	80	80	285
Share Price (Closing price on March 31)	yen	1,600	2,450	2,920	1,520	2,400	2,170	2,369	1,387	1,885	4,210
At fiscal year-end											
Total assets	million yen	181,682	224,507	227,663	217,524	233,071	228,229	223,528	248,522	270,760	274,871
Net assets	million yen	52,633	64,943	76,481	75,372	76,826	80,691	89,038	91,110	96,402	118,189
Equity ratio	%	27.8	27.8	32.4	34.6	33.0	35.3	39.8	36.7	35.6	43.0
Major Financial Indicators											
Return on equity (ROE)	%	(27.2)	19.1	12.7	5.5	4.4	8.4	11.0	6.6	6.5	22.0
Price earnings ratio (PER)	times	—	5.2	7.8	8.7	17.0	7.7	6.0	5.5	7.3	4.2
Dividend payout ratio	%	—	19.3	24.1	22.8	28.4	30.3	29.0	31.7	30.7	28.5
Interest-bearing debt	million yen	99,723	135,716	125,912	121,880	133,707	125,729	113,801	137,494	149,207	123,695
Net DER	times	1.57	1.72	1.29	1.30	1.40	1.22	0.98	1.29	1.26	0.78
Capital investment	million yen	23,275	58,295	20,344	24,733	29,491	23,656	18,602	60,805	41,330	5,564
ESG Data (nonconsolidated)											
Number of employees Onshore (women)	people	123(30)	166(34)	163(34)	158(37)	160(37)	158(37)	158(37)	163(38)	162(35)	167(36)
Offshore (women)	people	42(—)	39(—)	42(—)	44(—)	47(—)	45(1)	43(2)	44(2)	50(3)	48(4)
Fleet tonnage	number of the vessels / ten thousand tonnes	121/1,006	125/1,072	124/1,135	115/1,124	124/1,219	128/1,284	121/1,180	125/1,306	127/1,403	127/1,381
Ship stoppage rate		5.49	1.39	3.07	0.51	1.20	0.43	0.58	2.16	11.95	7.01
Cargo volume	kton	59,383	58,658	65,112	64,088	62,483	62,134	64,206	59,866	72,149	73,725
Fuel consumption (MDO/HFO)	kton	12/706	13/681	15/688	19/658	21/644	22/634	28/672	35/609	35/662	40/688
CO ₂ emission volume	kton	2,194	2,123	2,149	2,068	2,033	2,005	2,139	2,008	2,175	2,284
Reduction rate of CO ₂ emission per load unit (compared with 2019)	%	—	—	—	—	—	—	—	Base year	6.77	8.61
ESG Data (consolidated, CO₂ emissions)											
Scope 1 (Direct emissions from our activities)	kton	—	—	—	—	—	—	—	2,199	2,328	2,447
Scope 2 (Indirect emission from the use of purchased electricity, heat, and steam.)	kton	—	—	—	—	—	—	—	0.2	0.2	0.2
Scope 3 (Other indirect emissions)	kton	—	—	—	—	—	—	—	305	324	337

*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 2012.

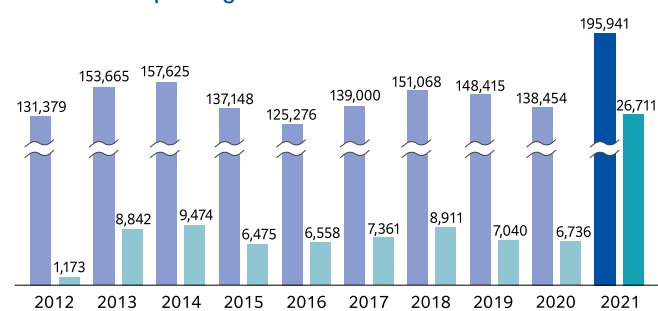
*Ship stoppage rate = Total annual ship stoppage hour ÷ Total annual operating hour × 1,000

*Among ESG Data, figures of cargo volume and below are calculated on a fiscal year basis until 2018, and on a calendar year basis in and after 2019.

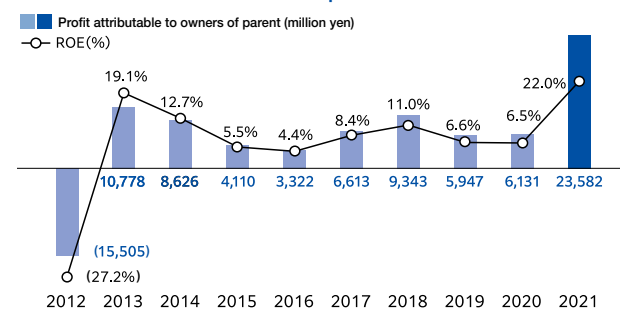
*The Company received third-party verification from Nippon Kaiji Kyokai (ClassNK) and acquired a verification statement for the amount of CO₂ emitted by our Group as calculated by our Company.

*Category 5 (waste) was added into Scope 3 in 2021, in addition to Category 3 (upstream fuel & power) and Category 7 (commuting), which were included up to 2020.

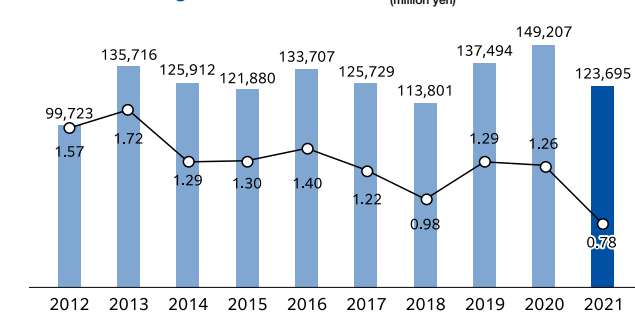
Revenues / Operating income



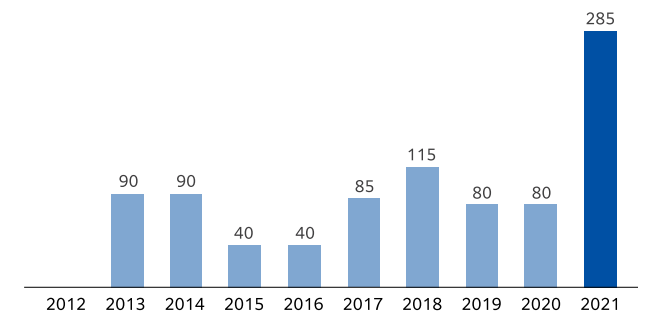
Profit attributable to owners of parent / ROE



Interest-bearing debt / Net DER



Dividends



Glossary

IMO (International Maritime Organization)..... pp. 7,26
IMO is a specialized organization of the United Nations 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.

ICP (Internal Carbon Pricing) pp. 17,19
A method where companies establish their own price for the amount of CO₂ emissions, and uses this as an index when making investment decisions.

WACC (Weighted Average Cost of Capital) p. 19
The average cost of raising capital which includes interest and dividends that companies incur when they raise funds by borrowing from banks or through investments from shareholders.

ISO14001 pp. 42,44
An international standard for environmental management created by the International Organization for Standardization (ISO), stipulating the issues that are necessary to enable companies to make continuous improvements based on a PDCA Cycle—such as environmental management policies, organizational structure, operations, and internal audits—in order for the company to continue its business activities in a manner that is considerate of the environment.

GHG emissions Scope 1 - 3 pp. 9,45,56
The GHG Protocol (an international standard for the calculation and reporting of GHG emissions) classifies emissions as follows.
Scope 1: Direct greenhouse gas emissions by the reporting company itself.
Scope 2: Indirect emissions from the use of electricity, heat, or steam supplied by others.
Scope 3: Other indirect emissions besides Scope 2 (Emissions by others related to the company's activities).

SOx (sulfur oxide), NOx (nitrogen oxide) pp. 11,43,48
Exhaust gas from engines and boilers used in vessels contains SOx and NOx generated in the course of fuel 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 rain after being absorbed by raindrops. The acid rain often causes severe environmental damage such as damage to forests or killing lake and river organisms.

EEOI (Energy Efficiency Operational Indicator) p. 27
This indicates the amount of CO₂ in grams that are actually emitted in order to transport one ton of cargo for a distance of one mile.

EEDI (Energy Efficiency Design Index) p. 27
A fuel efficiency regulation stipulated by the IMO toward newly built ships, which is being gradually stepped up starting from Phase 0. Phase 3 will be applied toward new ships with shipbuilding contracts finalized on or after 2025, in which such ships will be required to reduce CO₂ emission by 30% compared to Phase 0.

CII (Carbon Intensity Indicator) pp. 27,45
An environmental regulation stipulated by the IMO for ships in service, effective starting in 2023. This regulation will call for the grading of the ship's fuel efficiency, and those that receive low grades will be asked to implement improvement measures.

TCFD (Task Force on Climate-related Financial Disclosures) pp. 16,19,44,45
Established in 2015, in response to a request from the G20, by the Financial Stability Board (FSB) that monitors the global financial system. The task force recommends that companies disclose their governance, strategies, risk management, indexes and goals so that investors can make appropriate evaluations of the company's risks and opportunities related to climate change.

Green Innovation Fund pp. 9,15
The Fund offered by the New Energy and Industrial Technology Development Organization (NEDO) provides continuous support that covers all processes from research and development to verification and social implementation, to assist companies striving to achieve carbon neutrality. The goal is to significantly accelerate structural transformations in the energy and industrial field and to encourage innovations through investments in order to achieve a carbon neutral future by 2050.

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

Price Earnings Ratio (PER): p. 56
(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): pp. 16,19,56
(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).

Net Debt Equity Ratio (Net DER): pp. 16,19,56,57
[(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.

Corporate Profile (As of March 31, 2022)

Company name	NS United Kaiun Kaisha, Ltd.
Head office	Otemachi 1st Square West Tower, 5-1, Otemachi 1-Chome, Chiyoda-ku, Tokyo 100-8108, Japan
Established	April 1, 1950
Principal lines of business	International marine transportation services and related businesses
Capital	¥10,300,000,000
Stock exchange listing	Tokyo Stock Exchange (Prime Market)
Number of employees	Non-consolidated 215 Consolidated 645
Fleet	Ocean-going: 127 vessels (13,812,000 dwt) Coastal: 71 vessels (224,000 dwt)



Principal Overseas Subsidiaries & Representative Offices

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

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
NS United Systems Co., Ltd.	Development/maintenance of information systems business

Stock Information (As of March 31, 2022)

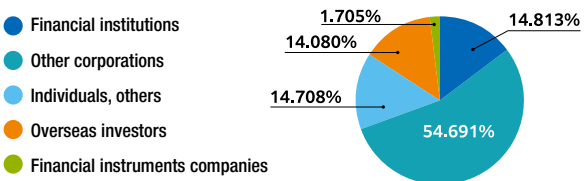
Shares Authorized	60,000,000
Shares Issued	23,970,679
Number of Shareholders	12,355

Major Shareholders (top 10)

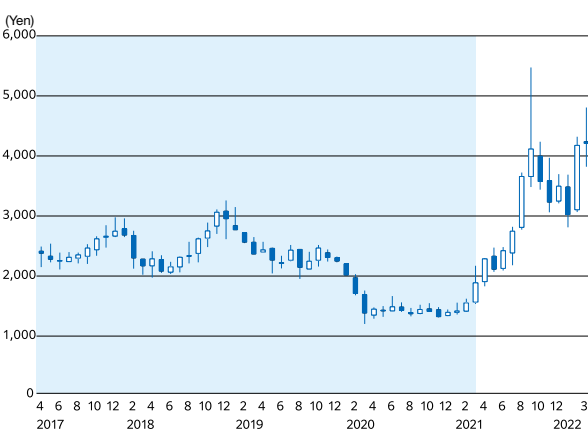
	Number of shares held (thousands)	Percentage of shares held (%)
Nippon Steel Corporation	7,861	33.36
Nippon Yusen Kabushiki Kaisha (NYK Line)	4,324	18.35
The Master Trust Bank of Japan, Ltd. (Trust account)	1,336	5.67
Mizuho Bank, Ltd.	798	3.39
BNYM AS AGT/CLTS NON TREATY JASDEC	517	2.20
Hsin Chien Marine Co., Ltd.	504	2.14
Tokio Marine & Nichido Fire Insurance Co., Ltd.	455	1.93
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	359	1.52
MUFG Bank, Ltd.	259	1.10
STATE STREET BANK AND TRUST COMPANY	218	0.93

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 404,351 shares of treasury stock.
3. Percentage of shares held has been calculated excluding the treasury stock.

Shareholder Composition



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.



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

NS United Kaiun Kaisha, Ltd.

ESG Committee Secretariat, General Affairs Group
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*Thank you for reading the NS UNITED
REPORT 2022. We would like to hear your
opinions and suggestions about this report
so that we can make improvements and add
to the content for future publications.*

<https://questant.jp/q/2443X3B3>

