



4<sup>th</sup> January, 2022

## **President's New Year Message**

### **“Preparing for Second Half of the Medium-Term Business Plan”**

The following message was addressed to all officers and employees by President Kazuo Tanimizu, as business opened for 2022.

Happy New Year to everyone at NS United Kaiun Group.

I'd like to open by expressing my gratitude to all those working at sea for their unwavering efforts to ensure safe operations during the year-end holidays. The prolonged impact of the COVID-19 pandemic has given us the opportunity to reflect deeply on the position of shipping companies in supporting the global economy and logistics, the hard work of seamen, and the significance of safety and health. We would like to express our appreciation and respect to everyone welcoming the New Year somewhere in the world, and also share with all employees our commitments to giving safety top priority and supporting the shipping industry.

I hope you were able to better enjoy this year's year-end holidays now that activity restrictions have been eased for the first time in a long time. While uncertainty is sure to persist for some time, we will continue to take all possible measures to prevent infections, to maintain the highest priority on the safety of our employees and their families, and to address any remaining BCP issues at workplace from last year.

### **Changes around Us**

Looking back, the past two years of the COVID-19 pandemic has prompted us to think about many things, and has also brought about a variety of changes in Japanese society, economic activity, daily life, companies, and workplaces. It is important that we try to change things around us that we have not been able to change in the past. Also, if we are going to change, we should do it now, and perhaps we can more constructively

evaluate this period now we have been given a good opportunity to re-examine the workplace.

We have completed the first two years of our current four-year Medium-Term Business Plan, and the second two years will finally begin this year, in 2022. As we look ahead to the rest of the 2020s, we need to think about what kind of seeds we can sow now, work towards realizing our ideas to date, and connect these with our next budget with forward-looking perspective by each division.

At this point, I would like to go over some of the noteworthy developments concerning our company.

The first point is that sustainability has become the value norm in terms of the tone between corporate activities and society. The typical SDGs are those you are all familiar with. Based partly on reflecting on the past history of capitalism, we are now in an era where companies can achieve their own growth by contributing to the sustainability of the environment and society. Going forward, companies will be expected to show a willingness to internally come up with solutions for the environment and other issues that used to be seen not as direct matter for companies in the past, and view them as business opportunities to boost corporate value.

ESGs represent the three aspects that companies need to focus on to achieve sustainable growth, and while we are working to improve the U brand as a priority issue in our current Medium-Term Business Plan, it is fair to say that the importance of this is on the rise. In particular, we need to exercise due caution since changes in the business environment and the underlying value norms themselves could alter the prerequisites of our competitive advantage, which includes things like conventional demand and technology.

Given the above circumstances, last year we reorganized our sustainability initiatives, formulated a basic policy, and with your participation were able to express in words our company's purpose and reason for existing. They were: "Through marine transportation, together with society we will fulfill both our responsibility to create today's world, and our responsibility to ensure our actions connect positively to future generations." This condenses our thoughts and feelings and also incorporates the essence of our company's basic philosophy. I feel that it is also a statement that resonates with our organization and employees. I would like to ask all of you to keep the above in mind as the foundation of your work activities.

The second point is the challenge of international shipping, which is aiming to be carbon neutral (CN) by 2050. As the world moves in step toward CN, we too must begin our long journey toward striking a balance between the environment and corporate value. While it is important to start by taking steps within reach, since the road to CN is still

unclear, it is also important that we share the risks and costs associated with investment, and we would also like to put efforts toward working with stakeholders who share our vision.

The third point is listing on the Prime Market. In line with the scheduled restructuring of the Tokyo Stock Exchange, from this April we are planning to be listed on its highest-level market, the "Prime Market." As this is an attractive market for global investors, we will be expected to improve our earning power and corporate value based on a high level of governance rooted in sustainability, diversity, etc.

We need to improve the effectiveness of our board of directors as well as enhance our abilities on the executive side. We also need to close the gap between management and the workplace to raise the level of our business operations.

## **Major Future Initiatives**

In light of these major milestones, I would like to touch on some of our major future initiatives.

First is safety awareness and crew issues. Since last year, including chartered vessels, there have been five collision incidents. Although some of these occurred under the navigation of pilots, what they all had in common were a lack of safety awareness, insufficient perception of danger, and inadequate management on the bridge. We have already implemented measures to prevent recurrences and enhanced safety training, however, mistakes like these have the potential to turn into a major catastrophe, and we need to address this matter with a renewed sense of urgency.

In the medium to long term, we also need to consider better ways to foster our crew, provide technical support, and carry out management in order to ensure safe operation, which is the basis of our company. In order to prepare for the situation where it may be difficult to secure enough Japanese seamen in the future due to Japan's declining population, it is urgent that we consider skill-upgrading and utilization systems for foreign seamen, which is also part of the Medium-Term Business Plan.

Second, we need to build ships with a focus on CN and for 2025 and beyond. Last year we completed our fleet development, which was focused on large vessels. In addition to stable revenue from long-term shipping contracts, we have been able to match this with a successful market recovery. For the time being, we will take full advantage of our competitive fleet, but we must also consider how to proceed with the next phase of development based on the CN trend.

The first point is our CN-focused initiatives. Our Environment Conservation Promotion Group has laid out the picture, and we will begin by taking steps within reach

for 2030 and beyond. We will steadily make improvements to the efficiency of our operations and fuel efficiency, and prepare for the use of new fuels. With regard to LNG fuel, training is already underway on the crew side with the cooperation of NS United Coastal Tanker Kaisha, Ltd. As for ammonia fuel, in collaboration with other companies and with the support of the GI (Green Innovation) Fund, we have already begun investigating the construction of the first ammonia-fueled ship.

The second point is the contribution to CN of the steel industry. As the zero-carbon steel initiative goes into full swing, we must cooperate in domestic and international shipping to build a supply chain for the green raw materials that will be required.

The third point is the contribution to CN of our society. At present, ammonia and hydrogen are being advocated as the keys to achieving this. The transport of carbon dioxide is also becoming important as an anchor. Although we have been shifting towards bulk transport until now, we would like to re-examine this portfolio and direct efforts towards liquids again as one of the growth areas. Given that this is a company-wide initiative, we would like to ask for the cooperation of our marine departments.

Even though we have just gotten started with these efforts, we have been recognized with a B rating from CDP (Carbon Disclosure Project) as an external rating of our activities to date. This year, we will also work on disclosure based on TCFD (Task Force on Climate-Related Financial Disclosures).

The third point is our commitment to people. The "S" of ESGs is very broad but includes issues everywhere around us, such as human rights, diversity and inclusion (D&I), consideration of the work environment, fair and appropriate treatment, and investment in people. Looking again at the meaning of work, we feel that the cornerstone of a rewarding workplace is one where the goals of management and the mindset of a diverse workforce overlap. Thus, we would like to reflect on the current status of personnel-related measures in light of internal and external trends, and start developing measures that will lead to greater employee engagement.

The fourth point is internal controls in the ESGs era. Internal controls are risk management, and although these were focused on compliance in the past, they have broadened to include management itself, and cannot be discussed without ESGs these days. Internal controls tend to have a legal and externally-enforced aspect, but I believe that ESGs are initiatives that should be free and unique to each company and fit in with their original autonomous activities.

We are currently developing key performance indicators (KPIs) that will allow us to follow up on our efforts to address the six material issues listed in our Medium-Term Business Plan. Our hope is to take these KPIs one step further and link them to new autonomous activities unique to our company. Your suggestions and support will be

important as we do this.

Thank you for taking the time to listen to my requests and other information above.

Last but not least, I would like to express my gratitude to all of you. Although there are still three months left, thanks to your support, for FY2021 we expect to achieve our highest profit since the integration. I would like to take this opportunity to express my sincere respect and gratitude to all employees for your dedicated teamwork and hard work despite the highly inconvenient work environment in these days. Thank you!

Thanks to you, shipping market is also forecast to remain strong for the time being, and we look forward to making this another good year. Thank you for your attention and I look forward to your continued cooperation.