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MESSAGE FROM THE PRESIDENT

Continuing to Grow Beyond the Scope of a Comprehensive Global Logistics Enterprise

Having announced its medium-term management plan in 2023, the NYK Group is targeting further growth through the implementation of a four-year action plan comprising five management strategies and financial strategies. We will continue to deliver value to society and meet stakeholder expectations.

Career Profile

Joined NYK in 1984. Became the general manager of the Automotive Logistics Group in 2010, a corporate officer in 2015, and a managing executive officer in 2020. Appointed as a senior managing executive officer in 2021 and the chief financial officer in 2022.

After working in the liner trade and cruise enterprise businesses, he accumulated many years of experience overseas and supported the development of LNG-fueled pure car and truck carriers, a trailblazing initiative in the industry.

Pathfinding in Uncertain Times

After a 13-year career overseas that included positions in Singapore, London, and Thailand and serving as the president of an overseas subsidiary, I was appointed chief executive of the Automotive Transportation Headquarters and CFO before assuming the position of president in April 2023. The experience of having to overcome unprecedented crises has taught me how to approach work and other situations. I have learned that carefully thought-out proposals, not half-hearted answers, gain acceptance. I have also come to realize that an ability to listen is needed to draw out the talents of employees as they have diverse personalities, backgrounds, and cultures.

Society is at a major turning point. Factors associated with this change include COVID-19 pandemic-related logistics disruptions and their resolution; an unpredictable international situation; and the evolution of AI. Despite these uncertain times, I want to be a pioneer who boldly shows the way forward. My two cherished mottoes are “If you keep your mind clear, even fire feels cool” and “Laughter is the key to happiness.” Whether or not a situation is a hardship depends on one’s mindset. For this reason, I believe in smiling from the outset, even when facing potential difficulties. My attitude is to find enjoyment no matter what the situation. Accordingly, I intend to relish the evolution of society while continuing to take on ambitious initiatives.

Significantly Surpassing Goals and Identifying New Issues during the Previous Plan

Under the previous medium-term management plan, the NYK Group posted profits above ¥1.0 trillion for two consecutive fiscal

years thanks in the main to a hike in container freight rates that resulted from the COVID-19 pandemic. Recognizing that this situation will of course draw to a close, we have been making steady preparations over the past two years to ensure stable, sustained profits when the situation normalizes.

Despite being greatly affected by external factors, we made great progress regarding the three basic strategies of the previous plan, namely, “optimize the business portfolio,” “expand businesses that secure stable freight rates,” and “increase efficiency and create new value.” As a countermeasure for volatile businesses, we also addressed the issue of high-cost vessels, which had been a long-standing concern. The success of a strategy of strictly managing exposure to market volatility to minimize its impact made the dry bulk business a leaner organization with a higher basic level of profit generation.

On the other hand, an enormous amount of cash also comes with challenges. Mindful of our accumulated capital, we thoroughly discussed and examined how to generate stable, sustained profits. On the financial side, the weighted average cost of capital is too high. We carefully considered how and to what extent to lower the shareholders’ equity ratio and then created financial key performance indicators (KPIs) accordingly. I will discuss our financial strategy in greater detail later in this message. In short, however, we will begin optimizing the shareholders’ equity ratio by strengthening shareholder returns, including share buybacks.

Other important issues are the increasing costs of addressing climate change—which requires urgent measures worldwide, including those for reducing GHG emissions—and the increasing costs of measures to convert to such new fuels as ammonia and hydrogen. With its sights set on the ambitious goal of achieving net-zero emissions by 2050, the NYK Group

introduced the “Sail GREEN” brand—originally established by the Automotive Transportation Division (now the Automotive Business Division)—to other divisions in fiscal 2021, and launched “NYK GREEN EARTH” as a new brand in fiscal 2022. In addition to providing low-environmental-impact services in a variety of logistics businesses that are mainly engaged in maritime shipping, we are contributing to our customers’ value chains by reducing GHG emissions. In all our green businesses, we are strengthening initiatives to create new value. In the period through 2030, we will implement aggressive up-front investments of ¥450.0 billion in climate change initiatives. We believe that by remaining a leader in the industry we can turn risks into opportunities.

Going beyond the Scope of a Comprehensive Global Logistics Enterprise during the Medium-Term Management Plan

The NYK Group will continue supporting society as an integral part of the transportation infrastructure while demonstrating leadership in the industry as a whole. Reflecting this commitment to society and the industry, we prepared a growth strategy based on environmental, social, and governance (ESG) principles, which is outlined in the medium-term management plan released in March 2023: “Sail Green, Drive Transformations 2026 – A Passion for Planetary Wellbeing.”

After backcasting from our 2050 target state and forecasting the business environment, we set out a new vision for 2030: “we go beyond the scope of a comprehensive global logistics enterprise to co-create the value required for the future by advancing our core business and growing new ones.” The elements of this new vision that we



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want to emphasize are “go beyond the scope of a comprehensive global logistics enterprise” and “co-create.” These elements express our desire to work together with diverse stakeholders in significantly tackling environmental issues and various other social issues in ways that a single company could otherwise not do alone. In particular, as we are a comprehensive global logistics enterprise that forms an integral part of society’s infrastructure by underpinning supply chains, I am focusing on how we can create virtuous cycles that create environmental and social value throughout supply chains. The plan includes four basic management strategies: make ESG core to the medium-term management plan, execute an active investment strategy to expand the business in growth areas, accelerate decarbonization efforts based on the plan to achieve net-zero emissions by 2050, and further enrich human capital and corporate infrastructure. To realize our new vision, we will advance growth strategies centered on ESG principles.

Advancing Five Strategies for Sustainable Growth

Our two interlinked core strategies entail exploration of new growth businesses (which we refer to as “business transformation” or “BX”) and further development of existing core businesses (“ambidexterity” or “AX”). A particular aim of the AX strategy is to strengthen the Liner & Logistics segment.

Our core businesses have a social mission to provide transportation infrastructure. With this in mind, we will actively capture economic growth in emerging

countries with a view to expanding Ocean Network Express Pte. Ltd. (ONE). In addition, as the logistics business is sure to grow as long as the global population continues to increase, the NYK Group will capture demand, actively strengthen growth, and fulfill the mission of supporting daily life by utilizing Yusen Logistics Co., Ltd. (YLK), as the foundation of the Group’s overseas network.

Meanwhile, new businesses will increase our involvement in the carbon dioxide, hydrogen, and ammonia value chains, covering upstream through to downstream areas. These are initiatives that I particularly want to highlight in the medium-term management plan. The new vision’s phrase “go beyond the scope” expresses how we view the initiatives. As a result, more of our businesses will be related to the environment. However, even if we build and introduce ammonia-fueled ships, an ammonia fuel supply system does not yet exist. For this reason, we are determined to become involved in the new fields related to ammonia fuel production and supply, not only by ourselves but also by entering into collaborative initiatives with external partners.

As for the supporting strategies of the core strategies, in addition to the corporate transformation (CX) and digital transformation (DX) strategies—which entail human resource development, organizational reform, and other measures to strengthen corporate foundations—we will accelerate our energy transformation (EX) strategy, which is focused on decarbonization.

As part of our CX strategy, in fiscal 2022 we conducted our first global Groupwide employee engagement survey, which showed that levels of awareness of our basic philosophy vary by country and region. In response, we will steadily instill our Mission, Vision, and Value in employees so that they focus on the same goals and continue to grow. I am in the process of holding discussions with the relevant divisions to determine if we can utilize the results of the survey in the formulation of KPIs.

In fiscal 2023, we transitioned to a Company with Audit & Supervisory Committee governance system. We now have six inside directors and six outside directors, and the percentage of independent outside directors on the Board of Directors has risen to 50.0%. Our aim is to



expedite decision-making and establish flexible, agile management by strengthening the monitoring function of the Board and delegating some of its decision-making authority to executive directors. Deliberations among Board members with diverse experience and expertise will facilitate supervision of the appropriateness of the Company's direction and well-balanced decisions.

In line with our DX strategy, we will develop foundations that enable change, thereby enhancing our fundamental ability to both further develop existing core businesses and explore new growth businesses. Specifically, we will provide a range of reskilling opportunities to step up the development of digital technology specialists, and we will assign such specialists to all divisions so that they can independently advance DX in their organizations.

Taking Decarbonization to the Next Level

In fiscal 2022, there was strong transport demand as the impact of the COVID-19 pandemic on production eased, and efforts to reduce fuel consumption through the introduction of LNG-fueled vessels and optimized operations resulted in a reduction in GHG emissions compared with fiscal 2021. In our decarbonization initiatives, simply reducing the GHG emissions from the ships operated by us is not enough. Instead, we work together with our customers and regularly discuss GHG emissions reduction amounts, methods, and costs. Our efforts do not end with the transportation of goods. As a link in supply chains, the NYK Group has a responsibility to participate in initiatives that take into consideration senders, receivers, and ultimate recipients. With this in mind, we will increase the volume and visibility of our quantitative data, enhance in-house analytic capabilities, and develop discussions that are even more constructive and advanced with customers and business partners.

We are also considering the introduction of internal carbon pricing (ICP) as a tool for making investment decisions. For example, we are testing a system for evaluating changes in internal rates of return in accordance with the ICP set on the building of new low-GHG-emission ships. Specific methods to effectively incorporate this system in-house are being studied by the ESG Strategy Headquarters, which I will mention again later. We aim to establish a system in the near future.

Executing Financial Strategies to Increase Corporate Value

In the period through fiscal 2026, we will invest a total of around ¥1.2 trillion with the aim of realizing stable shareholder returns going forward. Specifically, we have earmarked ¥560 billion for core businesses, ¥460 billion for ship decarbonization and M&As, ¥100 billion for new businesses such as offshore wind power, and ¥30 billion for the development of new markets and customers through participation in the biomass value chain and other fields.

Concerning shareholder return policy, we will improve capital efficiency, raise the dividend payout ratio target from 25% to 30%, and use approximately ¥200 billion to purchase treasury stock in the period from fiscal 2023 to fiscal 2024. Also, we have raised the minimum dividend to ¥100 per share, an amount commensurate with greater resilience to downside volatility.

Speaking in financial terms, improving investment efficiency as much as possible is one of the major focuses of the medium-term management plan. Since fiscal 2022, we have been using return on invested capital (ROIC) on a trial basis. I believe that in the near future we should begin a cycle of evaluating investment efficiency on a division-by-division basis and examining measures to improve investment efficiency

even further. Our business model includes existing businesses that generate returns over relatively short periods as well as businesses that require very long lead times to generate returns, with new investments in the environmental field being a particularly good example of the latter type of business. If we apply the same ROIC criteria to both types of businesses, we may miss promising investment opportunities in the future. Therefore, in managing businesses we will exercise sound financial discipline and make appropriate investment decisions based on a thorough understanding of the characteristics of each type of business.

Implementing ESG Management

In February 2021, we announced our first NYK Group ESG Story. Over the two years since then, a range of initiatives under the strong leadership of former President Hitoshi Nagasawa built awareness of ESG management Groupwide. Now, I am glad to say we have reached a stage where employees are taking ownership of ESG initiatives, and the establishment of the ESG Strategy Headquarters marked the beginning of ESG management implementation. Over the past two years, we have planted the seeds of growth in a wide range of fields. We have begun conversion to the fuels best suited to a decarbonized society, developed autonomous ships, advanced regional revitalization, and invested in new businesses. Going forward, we will begin full-scale commercialization and advance a broad range of specific measures.

Personnel have long been one of the strengths of the Company and the NYK Group. I would like to create an organization where the individuality and personal circumstances of each employee are truly respected, where such individuality can be fully expressed, and where employees are able to work with vitality.

Under the previous medium-term management plan, we revised our human resource strategy and created a system in which the Company and teams set goals, work autonomously toward reaching said goals, and receive recognition when they are achieved. The final step before completing the reform of our global human resource system is organizational reform. We must consider how to create an organization that enables each of our over 35,000 employees worldwide—or more than 46,000 employees if crew members are included—to work with satisfaction and pride. First, we need to understand the aptitudes of employees and assign them positions accordingly. The resulting heightened employee motivation will help advance the NYK Group as a whole.

Until now, the identification and management of business risks have been conducted by the Risk Management Committee. However, since risk identification was conducted by individual divisions, fragmentation was a concern. In consultation with risk advisors, we have recently upgraded our risk identification methods. Instead of an approach that examines which risks belong to which divisions, the senior management team will assess risks based on a Companywide viewpoint.

As I mentioned at the beginning of this message, we are facing an uncertain business environment. Therefore, flexibility and agility will be the hallmarks of our business management. In terms of conducting business operations, we will establish firm premises, based on which we will prepare concrete action plans and hypotheses. If verification reveals that our hypotheses are not viable, we will formulate alternative hypotheses.

Pursuing My Presidential Vision for the NYK Group

Technologies and—as I have already mentioned—personnel are strengths of the

Company and the NYK Group. Employees' strong sense of responsibility and focus on teamwork are the products of a corporate culture nurtured over many years by the Group. I want to protect people's day-to-day lives and livelihoods through my work in maritime shipping, which accounts for more than 99% of Japan's trade. This was my motivation for joining the Company, and it remains close to my heart. I am sure many Group employees feel the same. One of our advantages is that we can move forward powerfully toward a shared goal.

Our world-class technological capabilities—another of our long-standing strengths—encompass not only ships and safe ship operations, as well as the development of low-carbon and decarbonized ships, but also logistics technologies that heighten our value as a part of customers' supply chains. Further enhancing technologies and personnel will directly benefit corporate value. By redoubling efforts to showcase our personnel and technologies to the outside world, I want to establish them as major differentiators.

Meeting My Responsibilities through Sincere Dialogues with Our Stakeholders

In determining the direction of business management, I value momentum, but I also place importance on seeking opinions and information from colleagues. Rather than rushing headfirst, I will pursue sustained corporate growth by taking the views of colleagues into account and using a process of trial and error learned from dealing with past crises.

The Mission of "Bringing value to life" has been passed down since our founding more than 137 years ago. Guided by this mission, the NYK Group will work tirelessly with the aim of "keeping the logistics lifeline

open" and developing a corporate culture that recognizes diversity and promotes mutual growth. Moreover, we will take pride in the support we provide for day-to-day life around the world and continue engaging in sincere dialogues with our stakeholders.

As we enter a new phase, I would like to ask our stakeholders for their continued support and understanding.

Takaya Soga

President, Representative Director,
President and Chief Executive Officer,
Group Chief Executive Officer

To Our Stakeholders



Profile

Hitoshi Nagasawa
Chairman, Director

Profile

Takaya Soga
President, Representative Director, President and Chief Executive Officer, Group Chief Executive Officer

Message from the Chairman

The 2010s were a challenging decade for the NYK Group due to sluggish performance, misconduct, and other issues. However, during this period the Group strengthened its capabilities and advanced structural reforms, thereby laying the foundations for stable earnings. Further, employees' unflinching efforts aimed at "keeping the logistics lifeline open" have supported our favorable performance in recent years.

With ESG management entering the implementation phase and a new medium-term management plan beginning, April 2023 was an opportune juncture at which to pass on the baton to a new president. When considering ESG principles, the focus tends to be on environmental issues. However, governance is also extremely important. Recognizing that heightened awareness of governance is a prerequisite for corporate activities, as chairman and director I will regularly hold one-on-one discussions with outside directors so that I can listen to their frank opinions and help build highly transparent governance.

Under the leadership of the new president, the NYK Group will continue earning the trust of stakeholders and delivering value to society.



Our Vision for the Future Is Entering a New Stage

We aim to be a company even more essential to society, achieving further sustainable growth.

The NYK Group has announced its new medium-term management plan, “Sail Green, Drive Transformations 2026 - A Passion for Planetary Wellbeing,” as its action plan for the next four years, based on an ultra-long-term view.