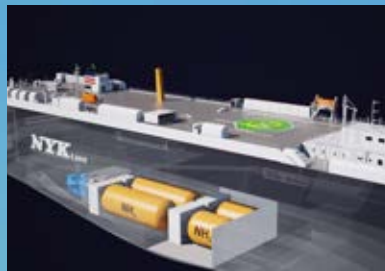
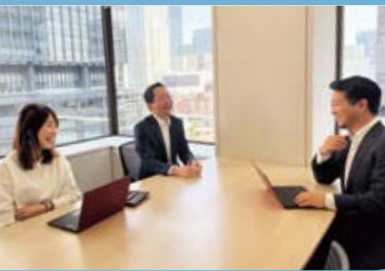


# Aiming to Further Enhance the Corporate Value of the NYK Group

Since its foundation in 1885, the NYK Group has continued to make every effort to support society. It is through this consistent effort that the Group has acquired its unique competitive advantages. These advantages are the driving force for the Group's continued evolution.



## The NYK Group's Three Strengths



### Corporate Culture



A free and open corporate culture of mutual respect for diversity that encourages people to take on challenges has been cultivated while supporting society and is the foundation that supports the NYK Group's high technological capabilities. Such a culture is essential for strengthening teamwork and enabling individuals to enhance one another's capabilities. [P.38](#)



## Competitive Advantages Realized by the NYK Group



### Technological Capabilities

As it is our Mission to gain a close understanding of customers' expectations and deliver their cargoes in a safe and environmentally friendly manner, ours is a history of building up tacit knowledge from our own experience and repeated trial and error. By continuing to pass this mindset down the generations, the NYK Group has developed high-level technological capabilities. [P.39](#)



### Human Resources

The NYK Group has over 35,000 employees worldwide, over 70% of whom are based outside of Japan. Our highly knowledgeable personnel are proud of their work supporting people's lives, and put "Bringing value to life" into practice.

[P.39](#)

# Process for Corporate Value Improvement

Our corporate spirit of continuous transformation, constantly aiming higher in an effort to support society, has been passed down to us today along with our corporate Mission, "Bringing value to life." We have formulated a management strategy looking ahead to our target state in 2050. By reinforcing said strategy with the competitive advantages and financial base that we have developed through our business activities, we will build an even stronger business foundation. This reinforced foundation will be the backbone for the steady execution of the NYK Group's management strategy and ongoing transformation, which aims to further improve corporate value.

## The NYK Group's Competitive Advantages P.38

Over the years since its foundation, the NYK Group has built up three competitive advantages through its business activities: a free and open corporate culture of mutual respect for diversity that encourages people to take on challenges; high-level technological capabilities that support best-quality, safe transportation services; and human resource capabilities including talented personnel with a wealth of diverse knowledge and experience and training systems. These advantages will provide the driving force for our efforts to achieve sustainable improvements in corporate value.

## Origin of Corporate Value P.34



ONE Fleet Size

**1,557k TEUs (No. 7 in the world)**



Car Transport Fleet

**104 vessels (No. 2 in the world)**



Bulk Carrier Fleet

**207 vessels (No. 2 in the world)**



Tanker Fleet **67 vessels**



Number of Group Employees

(Including Non-Japanese Seafarers) **46,124**

To sustainably improve corporate value through the business foundation that we have continued to reinforce since 1885, the NYK Group advocates ESG management. With this in mind, each employee puts ESG management into practice on the front lines.

Some of the NYK Group's initiatives are also featured on the corporate website.

## The NYK Group ESG Story in Practice on the Front Lines

► Discover Our ESG Stories

 <https://www.nyk.com/english/esg/does/>



## Financial Base P.36

As a result of the basic strategies carried out under the previous medium-term management plan and the impact of market fluctuations, NYK's shareholders' equity ratio has improved significantly. Based on this accumulated financial base, in the current medium-term management plan, we announced our intention to execute business investments in the order of ¥1.2 trillion by fiscal 2026.

We will support the steady execution of our management strategy while remaining mindful of an appropriate balance between increasing capital efficiency and making investments for sustainable growth.

## Corporate Value Improvement

Our **competitive advantages** and **financial base** support our **management strategy**, which will continue to refine and transform our **business foundation**, taking us to greater heights.

## Management Strategy

## Formulation of a new vision for 2030 P.16

## Target state for 2050

We strive to contribute to society and achieve sustainable growth.

Projecting the megatrends of 2050, we have visualized our target state and through backcasting from that year formulated the new medium-term management plan.

## Understanding Megatrends P.18



Population



Globalization



Technology



Environment

## Medium-Term Management Plan (ABCDE-X) P.19



We will move toward realizing our new vision through our key strategy (AX and BX), with its two pillars of core business advancement and new business development, and our plan of supporting the key strategy through CX, DX, and EX.

# The NYK Group's Business Foundation (Business Model)

—Businesses Supporting Society and Industry at Sea, on Land, and in the Air—

## → Cargo

## → Business Scale

\*1 Jointly established through the integration of NYK's liner trade business with those of MOL and "K" Line

\*2 Fleet capacity by number of 20-foot container equivalents  
Source: Ocean Network Express (ONE) Fiscal 2022 Financial Results Presentation Materials

\*3 Including those leased out to other companies

\*4 Source: Prepared by NYK based on data from Armstrong Associates, Inc.

\*5 Source: Hoesnes Shipping AS "The Car Carrier Market 2022"

\*6 Source: Compiled by NYK based on data from Clarksons Research

## → Contract Format

Note: Short term = Less than two years;  
Medium to long term = two years or longer

## → Competitive Advantages

## → Resilience to Market Conditions

## → Short- and Medium-Term Business Strategy

## → Cross-Divisional Initiatives for the Next Growth Stage

### Liner & Logistics Headquarters



■ General consumer goods, auto parts, semiconductor parts

■ ONE\*<sup>1</sup> Fleet Size  
**1,557k** TEUs  
(as of March 31, 2023)\*<sup>2</sup>

No. 7  
in the world

■ NCA's fleet:  
**15** aircrafts\*<sup>3</sup>  
(as of March 31, 2023)

■ Number of YLK Warehouses  
**374** locations  
(as of March 31, 2023)\*<sup>4</sup>

■ Mainly short-term cargo contracts

■ Price competitiveness due to secure trade volume / Transportation quality

■ Market volatility risk

■ Strengthen cost competitiveness / Respond to the environment / Expand operational network

Safety

Advancement of NAV9000 original unified safety standard / Expansion of systems for safe operations / Imp

Environment

GHG emissions reductions toward achieving net-zero emissions by 2050 / Promotion of carbon reductions and

Human Resources

Building of organizations with diversity and inclusion as foundations / Enhancement of training program designed to streng

Development of seafarers who maintain NYK quality / Development of crews for LNG-fueled vessels

Governance

Strengthening of Group governance

### Automotive Business Division



■ Passenger cars, trucks, construction machinery, railcars

■ Car Transport Fleet  
**104** vessels  
(as of December 31, 2022)\*<sup>5</sup>

No. 2  
in the world

■ Number of Automotive Logistics Business Sites  
**36** locations  
(as of March 31, 2023)

■ Spot cargo contracts / Short- and medium- to long-term cargo contracts

■ Value-added services resulting from integrated transportation for finished vehicles / Transportation quality

■ Stable freight rates

■ Ensure total supply-chain capabilities / Carry out digital transformation / Respond to the environment



The NYK Group supports society and industry in a myriad of ways. The Group boasts one of the world's largest ship fleets and an extensive marine transportation network, in addition to a land and air transportation service network, terminal operations, and a broad range of offshore businesses derived from the maritime shipping industry. Bringing together the competitive advantages and strengths of its four business divisions, the Group is implementing numerous cross-divisional initiatives for its next growth stage.

## Dry Bulk Division



■ Iron ore, coal, wood chips, grain

No. 2  
in the world

■ Bulk Carrier Fleet

**207** vessels  
(as of January 1, 2023)\*

■ Spot cargo contracts /  
Medium- to long-term  
cargo contracts

■ Diverse, high-quality fleet /  
Advanced operation technology

■ Market volatility risk

■ Establish flexible business structure  
resilient to market volatility /  
Respond to the environment

## Energy Division



■ Crude oil, oil products, chemicals,  
LNG, LPG, offshore business,  
green business

■ Tanker Fleet

**67** vessels  
(as of January 1, 2023)\*

■ LNG Capacity Share

**6.3%**  
(as of March 31, 2023)

■ Medium- to long-term  
cargo contracts

■ Track record and credibility / Transport  
technology / Seafarers and engineers who have  
expertise in transporting hazardous material

■ Stable freight rates

■ Create value chain strategy from  
upstream to downstream / Respond to  
the environment

Implementation of cybersecurity measures

P. 41

and decarbonization in transport modes

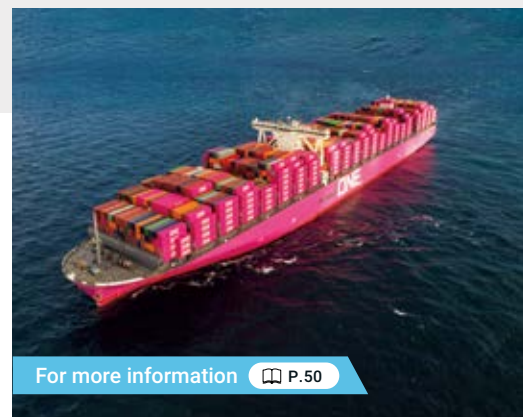
P. 41

Strengthen the overall abilities of employees / Development of problem-solving leaders centered on digital transformation (DX)

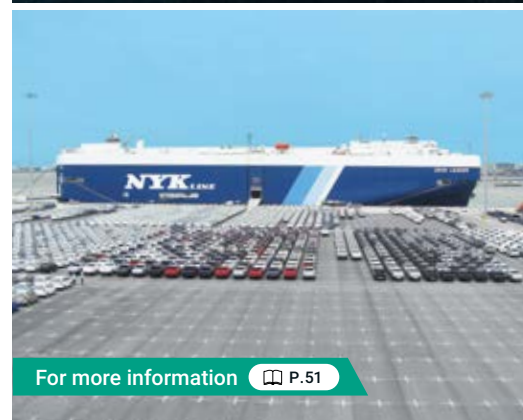
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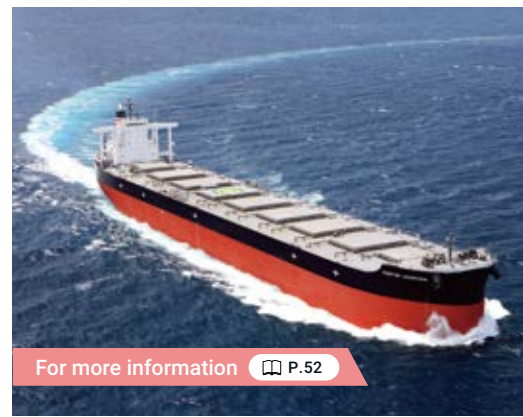
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For more information P. 50



For more information P. 51



For more information P. 52



For more information P. 53

## Message from the CFO

### Viewing Decarbonization as an Opportunity and Implementing Financial Strategies Focused on Capital Efficiency Enhancement

Our new medium-term management plan sets out specific financial strategies.

In this section, the CFO explains the implementation of financial strategies that simultaneously improve capital efficiency and realize investments for growth, financial discipline, and shareholder returns. Further, he outlines how these strategies will advance decarbonization and generate earnings power.



#### Profile

**Akira Kono**  
Representative Director, Executive Vice-President, Executive Officer  
Chief Financial Officer  
Chief Executive of Management Planning Headquarters, Chief  
Executive of ESG Strategy Headquarters

### Financial Plan Outlook, Cash Allocation, and Financial Strategies

Introducing return on invested capital (ROIC) as a key performance indicator (KPI) toward 2030, the medium-term management plan calls on the Group to realize ROIC of at least 6.5%. We introduced this KPI to visualize the earnings power of businesses, which will help ensure financial discipline as we aggressively invest in growth in response to our significantly improved financial position. Also, in relation to investment efficiency and capital structure optimization, ROIC has greater compatibility with the weighted average cost of capital (WACC) than other indicators. As well as focusing on ROIC, we want to build a business portfolio optimized for sustainable growth by ensuring that the portfolio aligns with the tenets of our corporate philosophy and encourages synergies related to human resources and technologies.

Regarding cash allocation, we plan to invest a total of ¥1.2 trillion by fiscal 2026 with the aim of simultaneously sustaining an increase in value creation and improving capital efficiency. At the same time, plans call for providing shareholder returns of ¥430.0 billion through a combination of two measures: acquiring ¥200.0 billion of our own stock from fiscal 2023 through fiscal 2024 and raising the dividend payout ratio target and the minimum dividend.

Under the medium-term management plan, business investments and shareholder returns combined will result in cash outflows of more than ¥1.6 trillion in the four-year period from fiscal 2023 to fiscal 2026. This amount includes ¥140.0 billion earmarked for management allocation, which we will have the option of using for additional shareholder returns in light of analysis of future trends in, and the balance of, operating and investing cash flows. While providing stable shareholder returns aimed at increasing total shareholder returns (TSR), we will steadily implement the strategies of the medium-term management plan to ensure that our share price appropriately reflects corporate value.

### Decarbonization Initiatives for Heightened Future Corporate Value

We are closely monitoring developments that concern our decarbonization initiatives, which is one of our specific fields of investment, to determine the pace at which global trends toward decarbonization are likely to emerge going forward. As markets change, prior implementation of decarbonization initiatives will help us secure environmental advantages. Of the total investment of ¥1.2 trillion mentioned, we plan to invest ¥290.0 billion in ship decarbonization as up-front investments which will further differentiate our businesses. Europe leads the world in the design of carbon pricing systems. In 2024, the European Union Emissions Trading Scheme (EU ETS) will also apply to maritime shipping. In other words, since GHG emissions themselves will become a cost, efficiently reducing

GHG emissions will lead to cost competitiveness. GHG emissions reductions will also add value by enabling our core businesses to secure and increase earnings.

Newly established in fiscal 2023, the ESG Strategy Headquarters has established the Decarbonization Group as a department dedicated to decarbonization. Efforts are currently underway to increase the frequency of GHG emissions aggregation in order to achieve real-time monitoring in the future, and an actual system is scheduled to be operational from 2024. Also, we are expediting the introduction of a system that facilitates visualization and management of the carbon costs of each business.

Outside the decarbonization field, we view the liner trade and logistics businesses as growth industries and will actively invest in them accordingly. Further, the transportation of “bridge energy” LNG and the fuels that will eventually replace it is a field where demand will grow in step with megatrends and expectations of society. In addition, during the current medium-term management plan we will make up-front investments in new businesses and in the development of new markets and customers. These investments are expected to begin producing results during the period of the next plan. In addition to my role as CFO, I am responsible for a wide range of fields, serving concurrently as the chief executive of the Management Planning Headquarters and the ESG Strategy Headquarters. My multi-role position has been established to link financial information and non-financial environmental, social, and governance (ESG) initiatives and to enable the implementation of strategies from a cross-divisional, big-picture viewpoint. In conducting business management, I will focus on achieving unimpeded decision-making and collaboration among headquarters as well as an optimal balance between decarbonization initiatives and capital efficiency enhancement.

## Results Befitting a Transformed Group

As of the end of fiscal 2022, the shareholders' equity ratio was 66.0%, and we intend to maintain financial soundness at an appropriate level. While resilience to market conditions can be strengthened through the acquisition of stable long-term contracts and various other measures, market fluctuations inevitably affect certain aspects of maritime shipping. I understand that some observers remain concerned about the risk of business performance fluctuations due to significant exposure to market volatility. It is my strong belief that we must consistently achieve plans and produce results to definitively mark the progress we have made in fundamentally changing our characteristics as a corporate group.

We have to thoroughly explain our goals and how they will be achieved so that shareholders and other stakeholders develop a greater understanding of the NYK Group's appeal. At the same time, we must always be an entity that benefits and is essential to society. In accordance with our corporate philosophy of “Bringing value to life,” we will continue advancing businesses that enrich day-to-day life, thereby growing corporate value—including shareholder value—and remaining a corporate group that is the preferred choice of all stakeholders, customers, and society.

(From an interview conducted on May 16, 2023)

## Financial Plan Results and Outlook

	FY2022 results	FY2026	FY2030
<b>Recurring Profit</b>	¥1,109.7 billion	¥270.0 billion	¥340.0 billion
<b>Others</b>	¥339.4 billion	¥150.0 billion	¥160.0 billion
<b>ONE (Our Estimate)</b>	¥770.3 billion	¥120.0 billion	¥180.0 billion
<b>Net Income</b>	¥1,012.5 billion	¥240.0 billion	¥310.0 billion
<b>Shareholders' Equity Ratio</b>	66%	57%	Around 57%
<b>After Changing to On-Balance Sheet</b>	55%	49%	Around 50%
<b>ROIC</b>	35.7%	6.5%	Over 6.5%
<b>ROE</b>	48.3%	10.2%	Over 10%

Note: The forecasts in this financial plan are based on assumptions aligned with the March 7, 2023, announcement concerning the air cargo transportation business.



# The NYK Group's Competitive Advantages

We have developed competitive advantages in corporate culture, technological capabilities, and human resource capabilities (see page 30 for details). In a free and open corporate culture that encourages the surpassing of the achievements of our predecessors, our competitive advantages interact closely and create synergies to support the NYK Group's growth.



## Corporate Culture

Since our founding in 1885, we have fostered a free and open corporate culture of mutual respect for diversity that encourages people to think independently and take on challenges, guided by our Mission of supporting people's daily lives. While encouraging employees of the NYK Group globally to reach their full potential as individuals, we also engage in our daily business operations through collaboration and creativity.

### Example: NYK Digital Academy

- A course for the Group's employees that is designed to develop business leaders by building human relationships across industry boundaries and taking on the challenge of creating new markets
- Seminars from the Research Center for Advanced Science and Technology, the University of Tokyo, as well as from invited lecturers from inside and outside the Company
- The program runs for two hours a week, on average, over a period of around nine months.
- Participants learn about business skills, such as the key points of business strategy and management, data science, design thinking, and liberal arts. Through field work, they research and discuss topics as well as generate and test new business prototypes and present their research and ideas to the president and top management.

### Results



Total number of students of NYK Digital Academy (from October 2019) **75**



Satisfaction level of NYK Digital Academy participants **86%**



Ratio of projects that reached the collaboration / contractual stage with external companies and research institutes **40%**



Lectures and training provided to external companies by NYK Digital Academy

**1,202 participants,**  
**52 companies**



### COLUMN

#### Tangible Benefit of the Three Competitive Advantages: Participation in Space Business by NYK Digital Academy Graduates

A three-person team that participated in the third NYK Digital Academy program (second half of fiscal 2020) and which worked in China and Singapore at the time planned and proposed a one-stop platform for launching a satellite using a rocket-launching ship. When recovering the rocket, it is essential in terms of safety to use autonomous ship technology to enable a crewless recovery ship. This drew the team's attention to NYK's unique technologies developed for handling ships.

In March 2022, the team and Mitsubishi Heavy Industries, Ltd., submitted a joint application to the Innovative Future Space Transportation Program of the Japan Aerospace Exploration Agency (JAXA). The application was accepted, and the three parties started joint research on the theme of marine retrieval of a reusable rocket.

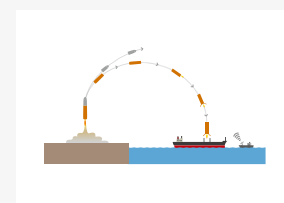
The passion of the team members who proposed the idea was noted by the management team, and the space-related business was adopted as one of the new business ideas in the medium-term management plan announced in March 2023. In April, an Advanced Tech

and Space Business Development Team was created. Currently, NYK is taking the central role, partnering with Group companies such as MTI Co., Ltd., and Yusen Logistics Co., Ltd., to engage in a Groupwide space project in which each company can demonstrate its particular strengths.

This initiative resulted in part from having the ability to work and co-create with external partners, motivated by our enthusiasm and flexible ideas, without being bound by our work locations.



Left: Daisuke Suga of the Advanced Tech and Space Business Development Team,  
Right: Makoto Yamaguchi of MTI



Conceptual drawing of rocket recovery by a ship at sea

## Technological Capabilities



Combining the technological capabilities of people with diverse digital transformation (DX) initiatives, we continue to grow in the areas of people, frontline performance, and data collection and utilization. In addition to NYK's Technical Headquarters, we have Group company laboratories at MTI Co., Ltd., Japan Marine Science, Inc., NYK Business Systems Co., Ltd., Symphony Creative Solutions Pte. Ltd., and Nippon Yuka Kogyo Co., Ltd. These technical organizations lead our wide-ranging developments supporting safe ship operations, environmental-impact reductions, and various operational improvements. In 2023, the NYK Group's industry-leading DX initiatives were recognized with its selection as a 2023 DX Grand Prix company (see page 7 for details). Furthermore, the Group's high-quality technological capabilities as a comprehensive global logistics enterprise, such as Yusen Logistics Co., Ltd.'s advanced logistics technologies, are a source of formidable strength.

### Example: High-Level Technological Capabilities

- Provision of services desired by customers through high-level ship management, maritime technical support, and other means
- Enhancement of DX for soft aspects of operations to support safe ship operations and development of autonomous ship technology
- Advanced decarbonization initiatives with cutting-edge environmental technologies
- Logistics technology capabilities of Group companies forming part of customers' supply chains

### Performance



Number of patents

**205**

(As of March 31, 2023)



Number of internally trained Japanese seafarers\*

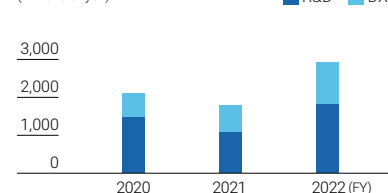
**Over 120**

(As of April 2023)

\* Personnel who acquired their license through a period of in-house training

### Amount of Investments in R&D and DX (Actual)

(Millions of yen)



Note: DX figures are for headquarters (including certain Group companies), and R&D figures are on a consolidated basis.

## Human Resources

We develop the capabilities and skills of employees by having them work in various environments, including assignments at other Group companies globally. For seafarers, we propose the opportunity to learn business during their ground-duty period, where they leverage their knowledge cultivated on board. In this work environment, employees can form networks and utilize their diverse skills and characteristics, which help to strengthen our organizational capabilities and encourages co-creation with Group companies around the world.

Having developed human resources and powerful organizational strength, the NYK Group seeks to utilize them in taking on the challenges set forth in the medium-term management plan (see page 22 for details). By sharing our Mission, Vision, and Value with Group employees globally, we can increase engagement and ensure diversity and inclusion while aiming to increase our co-creation capabilities and competitiveness overall.

We also leverage our brand power to build partnerships with leading companies as we continue to grow with external talent (see page 71 for details).



### Example: Global Mobility

- Vigorous collaboration among employees of diverse backgrounds
- Transfer of employees between Group companies
- Assignment of non-Japanese seafarers and engineers at our head office

### Performance



Competitive human resource development: cumulative number of NYK-TDG Maritime Academy (NTMA) graduates **1,360** (As of November 2022)



Held Global NYK Group Week for management candidates of the NYK Group  
Cumulative number of participants **549** (Held in fiscal 2022)



Average training and education expenses per seafarer **¥682,969** (Fiscal 2022)

PDF P.75 (full report version)

# Special Feature 2

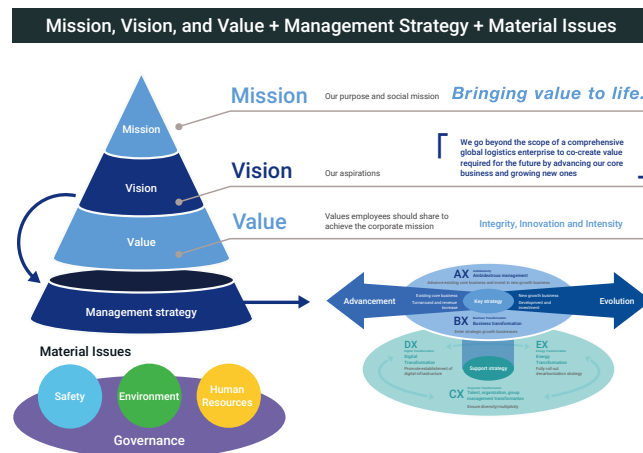
## Material Issues as the Basis of Management

— Safety, Environment, and Human Resources —

The NYK Group is working to promote Groupwide awareness of three material issues that are deeply connected to its business. We are promoting discussion to increase such awareness internally.

### Material Issues of the NYK Group

The NYK Group has positioned Safety, Environment, and Human Resources as its three material issues, with governance underlying them. These issues relate directly to our business, so employees are broadly aware of their importance. As we implement ESG management, our material issues form the core of management. The Group has formulated a specific management strategy to realize the new vision of the medium-term management plan announced in March 2023. The figure on the right presents the relationship between our Mission, Vision, and Value, as well as our management strategy, material issues, and governance.



### Process for Identifying Material Issues

To realize its mission statement, the NYK Group has identified material issues by ascertaining stakeholders' expectations and placing importance on the changing social impacts of its business activities. In the first fiscal year of the medium-term management plan, we identified more specific key themes associated with our material issues with a view to further advancing them. The ESG Strategy Headquarters took the lead in drafting the contents, which was discussed over multiple sessions with the ESG Strategy Committee. Thereafter, said proposals were submitted to the Board of Directors via the Management Meeting for confirmation and discussion regarding their appropriateness. In the process of careful discussion by many employees and members of lower, middle, and upper management, in addition to directors, the material issues, which have already penetrated the organization, are grasped more deeply by the Group's employees as they take more personal ownership of them. To realize our target state for 2050, we will continue to discuss material issues and identify key themes.

#### Process for Identifying Material Issues

##### (1) Identify key themes

The ESG Strategy Headquarters takes the lead, and the key themes that the NYK Group should engage with are determined through comprehensive consideration, discussion, and selection, making reference to the medium-term management plan, ISO 26000, GRI Standards, SASB, ESRS, the SDGs, and other companies.

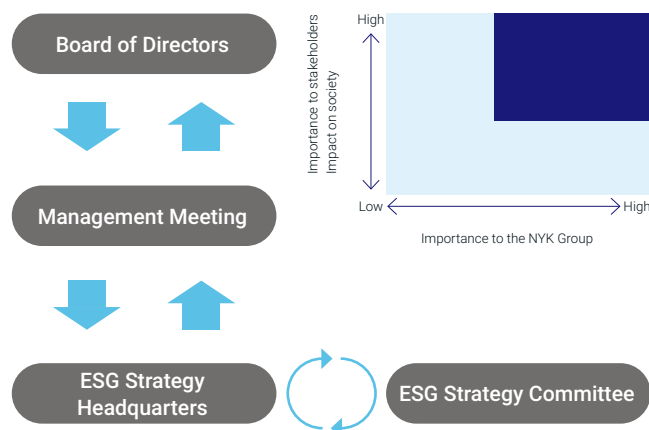
##### (2) Establish importance

After discussions by the ESG Strategy Committee, which includes external advisors, the importance of the themes is evaluated with respect to both the Group and its stakeholders.

##### (3) Confirm appropriateness

The ESG Strategy Headquarters submits a report, which is discussed at the Management Meeting and then discussed and approved by the Board of Directors.

Note: Going forward, the ESG Strategy Committee will continuously discuss the contents of material issues and key themes.






## Material Issues' Vision and Key Themes

In the identification process for making the material issues more specific for the new vision announced in the medium-term management plan, the NYK Group has formulated Material Issues' Vision and has set key themes to realize them. Governance is positioned as the foundation, and upon this foundation specific initiatives are determined for realizing the vision.

Material issues	Material Issues' Vision	Key themes	
	The NYK Group supports logistics sites with expert knowledge, skills, and experience based on a high level of safety awareness, and continues to be an organization where people create safety and safety protects and nurtures people's lives and livelihood.	<ul style="list-style-type: none"> <li>Prevent serious accidents and incidents</li> <li>Maintain and enhance safety awareness</li> <li>Compliance with occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Operational risk response</li> <li>Strengthen cyber security</li> </ul>
	The NYK Group will continue to be a force that supports the sustainable development of the Earth and humanity by taking a leading role in solving environmental issues on a global scale through continuous co-creation of necessary value for the future beyond the scope of a comprehensive logistics company.	<ul style="list-style-type: none"> <li>Promotion of decarbonization</li> <li>Climate change risk response</li> <li>Preservation of marine and biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of air pollution</li> <li>Sustainable supply chains</li> </ul>
	The NYK Group encourages all employees to vigorously bring their best and authentic selves to work and to perform at their full potential, enabling us to remain a good corporate citizen implementing social sustainability initiatives.	<ul style="list-style-type: none"> <li>Enhancing employee engagement</li> <li>Ensuring diversity and inclusion</li> <li>Leveraging the capabilities of our people (all employees) to take on challenges as the NYK Group</li> <li>Co-creating to achieve our mission of "Bringing value to life"</li> </ul>	<ul style="list-style-type: none"> <li>Respecting for human rights affected by our business activities</li> <li>Co-existing with local communities</li> <li>Fostering ethical workplaces</li> </ul>
Foundation: Governance			

## Non-Financial Targets (KPIs) and Performance

Based on its material issues, the NYK Group has set numerical targets on non-financial KPIs and announced them in the medium-term management plan together with its financial indicators, return on invested capital (ROIC), net income, and ROE. Looking ahead, to monitor the progress of the key themes for realizing Material Issues' Vision, the Group will continue to examine and discuss setting more specific KPIs, such as those to heighten safety awareness (Safety), provide detailed GHG reduction targets (Environment), and utilize engagement surveys (Human Resources).

Material issues	Target	FY2021	FY2022
	Number of major accidents: 0 accidents	1 accident	2 accidents
	Net-zero emissions from oceangoing shipping by 2050 Reduction in GHG emissions from shipping of at least 30% (vs. FY2021) by FY2030	Environmental management indicator: +2.7% (vs. FY2015)	Environmental management indicator: -6.6% (vs. FY2021) Environmental management indicator: -4.1% (vs. FY2015) GHG emissions from shipping: -5.5% (vs. FY2021)
	Women manager ratio of 30% by 2030 (non-consolidated and consolidated)	Non-consolidated: 14.0% Consolidated: 25.9%	Non-consolidated: 13.7% Consolidated: 25.2%

Note 1: Safety: The scope of application for the number of major accidents is currently under examination.

Note 2: Human Resources: Consolidated information disclosed in the annual securities report in June 2023

## Identification of Relevant SDGs Related to the Group's Businesses

In conducting the identification process for material issues, we matched the NYK Group's current businesses with the Sustainable Development Goals (SDGs) to re-identify the 10 most relevant SDGs. We will continue contributing to the achievement of these SDGs through our business activities.



# Practical Steps for Resolving Frontline Material Issues

The NYK Group has positioned Safety, Environment, and Human Resources as the three material issues to be addressed via its various activities, with governance underlying all. We work to impress these issues firmly on employees to ensure they retain their authenticity. In this section, we will present practical steps taken on our front lines to address the elements of each issue.

## Material Issue: Safety

## Protecting Valuable Employees for Sustainable Growth

### Holding the First Joint Meeting for Sharing Safety Measures

In March 2023, the First Joint Meeting for Sharing Safety Measures was held with 19 members of NYK and Yusen Logistics Co., Ltd. (YLK), at YLK's Narita Logistics Center. The objective of the meeting was to share safety and quality management initiatives with Group employees who did not have direct experience at frontline logistics work-sites and to foster deeper collaboration on safety and quality through discussions based on observations and case studies.

For example, the YL Group operates over 2,500 forklifts all over the world. Any accident with a forklift poses a high risk of fatal injury, thus we must prioritize safety

over everything else. On the other hand, we learned for the first time that there is a high risk of fatal injury at sea as well, and different measures are being taken from those of YLK. This made us reaffirm the importance of ensuring the safety of our employees.

### Working to Ensure Safety Utilizing the Y.E.S. Quality Management System

With regard to ensuring safety and quality management, the YL Group has included the wording "consistently high quality of service" in its management philosophy. Furthermore, to realize the Yusen Logistics Group Quality Policy, the YL Group also established the Yusen Excellence System

(Y.E.S.) in April 2020 as a global quality management framework to help ensure safety.

Y.E.S. consists of the Y.E.S. concept, which is a required quality standard, and a method, which describes specific measures for meeting the standard. It is updated as necessary based on actual frontline incidents, and a PDCA cycle is executed.

To minimize safety risks is our top priority because safe working environments for employees are essential. We are committed to working on initiatives across the YL Group to enable valuable employees to maximize their capabilities without safety concerns, along with accumulating and sharing knowledge, which contributes to smoother logistics, the lifeblood of the global economy.



At YLK's Narita Logistics Center



The First Joint Meeting of Sharing Safety Measures

#### ► Committed to Quality

[https://www.yusen-logistics.com/jp\\_en/about-us/our-quality](https://www.yusen-logistics.com/jp_en/about-us/our-quality)



#### ► No Growth without Safety Commitment to Safety Rooted in Our Corporate Culture

[https://www.nyk.com/english/esg/does/stories/detail\\_04.html](https://www.nyk.com/english/esg/does/stories/detail_04.html)



#### Profile

### Makoto Sasaki

Quality Management Team Quality & Performance Improvement Group,  
Yusen Logistics Co., Ltd.





**Material Issue: Environment****Urgent Climate Change Response**

Decarbonization is more than just a response to climate change; it is also the NYK Group's growth strategy. The Decarbonization Group was launched in April 2023 and is engaged in formulating specific policies for reducing greenhouse gas (GHG) emissions, designing systems for the Company and Group companies, and implementing a PDCA cycle. Through steady progress, we will control carbon risk, which increases with the transition to a decarbonized society, realizing a decoupling of economic growth and



A Climate Fresk workshop

environmental impact that will lead to increased corporate value.

We promote various measures to help all employees fully understand the importance of reducing GHG emissions. To achieve this, we held the Climate Fresk\* workshop for personnel responsible for collecting GHG emissions data in each head office department. Group discussion and learning about the causal relationship between the rising concentration of GHG in the atmosphere and climate change, as well as the impacts on people and life on earth, encourages people to take personal responsibility for reducing GHG emissions. We will continue to plan a broad range of awareness-raising initiatives, such as internal study sessions, as we work toward net-zero emissions.

\* A climate change education workshop. Participants learn interactively about climate change and causal relationships using 42 cards based on the latest IPCC report.

**Profile****Yohei Mozumi**

Decarbonization Promotion Team, Decarbonization Group

**Material Issue: Human Resources****35,000 Group Employees to Work Positively Together**

In response to the increasing importance of human capital management, the HR Design Team was set up in July 2022 to plan and execute personnel measures tightly linked to our business strategy. Under the medium-term management plan, the Company has advocated a strategy of supporting ambidextrous management and



business transformation, with our 35,000 employees vigorously bringing their best to work and take on the Group's challenges. Moreover, building our organization based on diversity and inclusion (D&I) is essential for reflecting diverse perspectives in decision-making and encouraging Group employees to take on challenges and innovate. Therefore, in April 2023, the team was also given responsibility for D&I promotion functions. After its launch, the team conducted the first Groupwide global engagement survey and has developed several measures to support employees' career development and work-life balance. The team still has a long to-do list, and we are

making a united effort to be a company that encourages employees' passion and motivation by respecting each person's individuality.

We aim to increase the ratio of women managers to 30%, one of our KPIs, at Group companies. We will start by making a Groupwide effort on clear gender diversity targets, with the ultimate aim of fostering an inclusive corporate culture based on mutual respect, where people with different backgrounds and experience can work vigorously together. We will continue to implement measures that encourage passion and motivation among Group employees and set corresponding KPIs in due course.

**Profile****Hiromi Uchida**

HR Design / Diversity &amp; Inclusion Team, Human Resources Group

# The NYK Group's Global Environmental Preservation Initiatives

The NYK Group is accelerating its initiatives to preserve the global environment, including a revision of its internal systems, to ensure that it can achieve net-zero emissions globally by 2050, in other words, become net zero as a corporate group experiencing sustainable growth.

## Policy of the NYK Group

ESG management is now in the implementation phase, and the NYK Group reclarified its recognition of issues to be addressed with the revision of the NYK Group Environmental Vision and Environmental Policy in March 2023, followed in April by the establishment of the ESG Strategy Headquarters (see page 24 for details). We are accelerating our initiatives for global environmental preservation, including not only responses to climate change but also actions to contribute to biodiversity conservation, prevention of air pollution, water resource conservation, and forest conservation.

The Company is widening its scope beyond its current targets (see page 49 for details) and preparing to formulate new GHG emissions reduction targets (medium term and long term) for the NYK Group. At the same time, we will improve our GHG emissions data collection methods. Recognizing the financial value of GHG emissions, from fiscal 2023 we have assigned persons responsible for GHG emissions data collection to each head office department, and we are establishing a GHG emissions data collection system that covers Scope 3 emissions for all businesses.

### ► NYK Group Environmental Policy

<https://www.nyk.com/english/profile/green/>



### ► NYK Group Environmental Vision

<https://www.nyk.com/english/esg/envi/vision/>



## EX Strategy

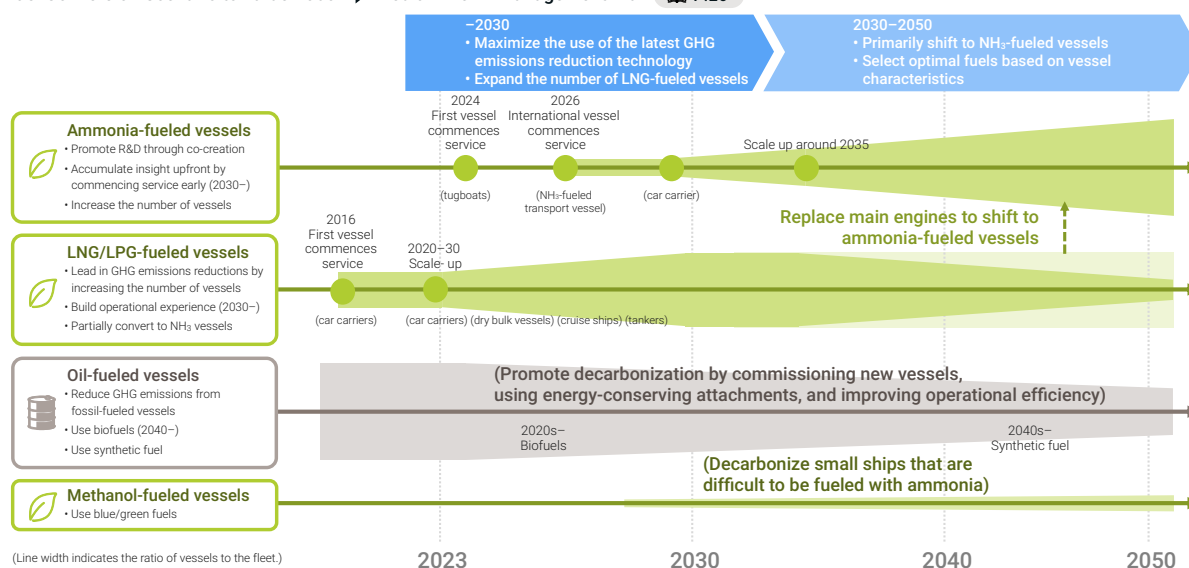
We have set milestone targets for 2030 as an interim point on the way to becoming net zero by 2050. We will work to reduce the Company's Scope 1 GHG emissions using a strategy based on four levers for such reductions: 1) hardware and fuel conversion, 2) optimal operations, 3) energy-saving technology implementation, and 4) use of biofuels.

In efforts to decarbonize oceangoing vessels, we will promote the introduction of new LNG-fueled vessels as part of our fuel conversion through to 2030, along with maximizing the use of technology that contributes to GHG emissions reductions on the vessel operation side.

From around the mid-2030s, we plan to expand the fleet and begin full-scale introduction of next-generation zero-emission vessels, mainly through the building of new ammonia-fueled vessels. For vessel-types that are difficult to decarbonize, we aim to become net zero by 2050 through the use of biofuels and carbon offsets.

We are expecting 45 new low-carbon or decarbonized vessels to be delivered between 2023 and 2030. Including said vessels, we are planning investments totaling ¥450 billion in vessel decarbonization by 2030.

## Vessel Fuel Conversion Scenario towards 2050 ► Medium-Term Management Plan P.26



## Initiatives for Global Environment Preservation

The NYK Group aims to realize a sustainable society, that is, a green and beautiful earth, and pass on a peaceful society to future generations. We will thus accelerate our initiatives for addressing not only climate change, including decarbonization, but also natural capital, which is closely linked to climate change. We will work together with our customers and partners to co-create a range of initiatives across the entire value chain.



### Decarbonization

The NYK Group strives to lead the entire world in decarbonization, not only to contribute to the decarbonization of the world but also because we recognize such an undertaking to be a growth driver for the Group. We are working on a wide range of initiatives, from the decarbonization of operated vessels and current transport tools of the logistics business to participation in the hydrogen and ammonia supply chain and new business creation.



... A brand that targets efforts for new value generation toward low-carbonization and decarbonization through NYK's green businesses



... A brand that emphasizes NYK's efforts to reduce GHG emissions through the transport of goods and contribute to the eco-friendly supply chains of customers, regardless of the mode of transport (e.g., by sea or land, through terminals, etc.)

### Biodiversity and Natural Capital

As a global logistics business operator, the NYK Group is promoting various initiatives in order to continue providing stable services. We recognize the importance of conserving biodiversity and natural capital, since they are the foundation of human welfare, a healthy planet, and economic prosperity.



... A series of initiatives for increasing corporate value through various attempts to resolve social issues in line with the theme of "giving back to the oceans, earth, and people"

### Case 1: LNG

## LNG Bunkering Business in the Kyushu and Setouchi Area

The NYK Group has positioned LNG fuel for ships as a bridging solution until the practical implementation of zero-emission fuel becomes possible, and we are leading the industry in the deployment of LNG-fueled vessels and LNG bunkering operations. As a shipping company, we are involved in both the demand and supply sides, and we are proceeding to build LNG fuel value chains at key locations around the world.

In February 2022, the Company established a four-way joint venture with Kyushu Electric Power Co., Inc., ITOCHU ENEX CO., LTD., and Saibu Gas Co., Ltd. In March 2024, the joint venture will start supplying LNG fuel from its base at the Tobata LNG Terminal to vessels calling at or sailing nearby ports in the Kyushu and Setouchi area. It is Japan's first LNG bunkering project to supply LNG to vessels over the vast Kyushu and Setouchi area.



LNG bunkering vessel



## Case 2: Terminal

### ICO Terminal at the Port of Zeebrugge



#### Profile

**Fanni Arvai**

Innovation & Sustainability  
Manager  
International Car  
Operator N.V.

International Car Operator N.V. (ICO) is a pioneer in green initiatives, highlighted by our launch of the largest onshore wind turbine park in the Flanders region of Belgium in 2019. With 11 turbines in the Port of Zeebrugge, we generate an average of 110 GWh of renewable energy yearly, powering 30,000 families and reducing CO<sub>2</sub> emissions by 50,000 tons. To further our commitment, we have installed 12,600 square meters of solar panels and plan to expand the wind farm and introduce battery storage, aiming for full operation on renewable energy.

Optimization measures like our yard system and digital simulation tool enhance efficiency and reduce emissions. By 2028, all ICO vehicles will be electric as part of our fleet electrification plan. Through the implementation of comprehensive sustainability strategies, ICO aims to minimize its ecological footprint while maximizing operational efficiency.

Beyond climate actions, our new Sustainability Department aligns our strategic objectives with the UN Sustainable Development Goals (SDGs), promoting sustainable development in all areas. These efforts position ICO as a leader in sustainability, adding value to society and setting us apart from other terminals.

## Our Business Development Timeline in the Energy Field (as of August 2023)

The NYK Group is steadily promoting low-carbon and decarbonized modes of transportation and the establishment of a value chain framework to realize a decarbonized society in the future. Our initiatives include participation in renewable-energy businesses such as offshore wind power generation, technology development for ammonia- and hydrogen-fueled vessels, and the creation of supply chains for these fuels.

► NYK Website "Environment"

► <https://www.nyk.com/english/esg/envi/>

Climate Change Initiatives

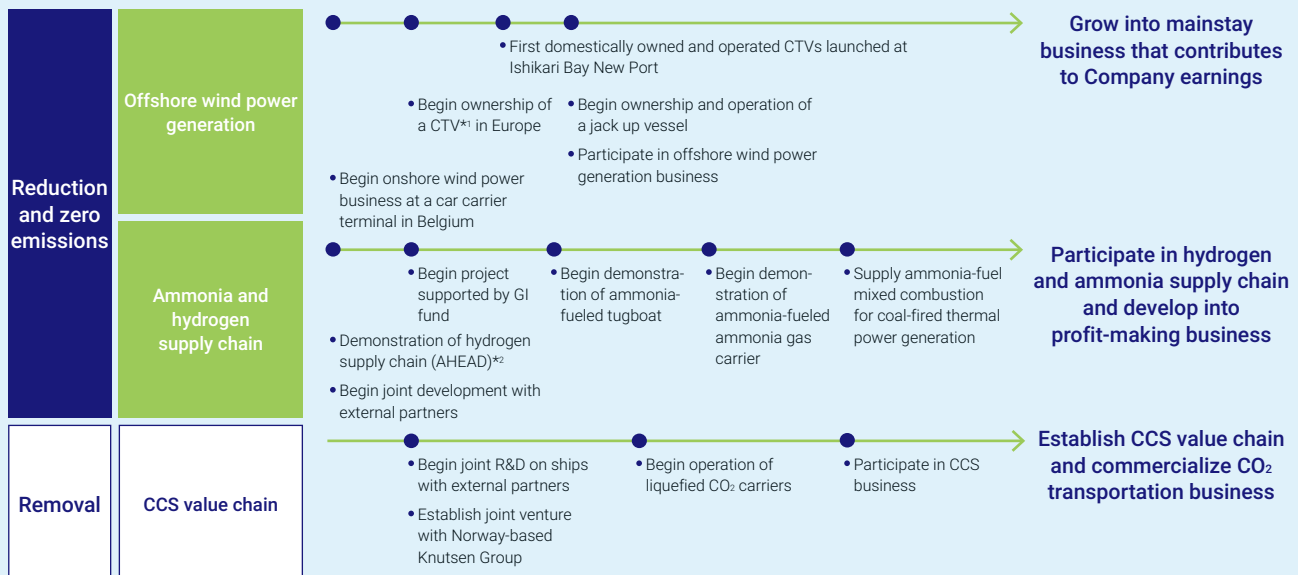


### GHG emissions

2020

2030

2050



\*1 CTV: crew transfer vessel

\*2 AHEAD: Advanced Hydrogen Energy Chain Association for Technology Development, established in July 2017 by four companies: NYK, Chiyoda Corporation, Mitsubishi Corporation, and Mitsui & Co., Ltd.

## Case 3: Ammonia

## Development of Ammonia-Fueled Tugboat



## Profile

Naoto Takamori

Marine Group

Ammonia is expected to be a next-generation fuel to help achieve net zero. It has been 120 years since its first industrial use, but the attempt to combust it to provide energy for a ship's propulsion plant is a world first. There are many unknowns regarding the behavior of the machinery plant, and we are working with shipbuilders and manufacturers to gradually advance the detailed design and conduct test operations, solving the problems one at a time through repeated discussions. There is also a risk that ammonia could be harmful to human health. NYK's willing marine engineers, who have both tangible and intangible experience with machinery plant operations, are working together seriously on safety countermeasures for crew members to improve the health and safety aspects of ammonia fuel.

Even for a next-generation fuel, operational failures and accidents at sea are never acceptable. The knowledge that we obtain in this endeavor is the foundation for building oceangoing ammonia-fueled ships. By incorporating ship operation expertise, we aim to achieve safe ship operations and expand our net-zero fleet.

## Initiatives Related to Natural Capital and Biodiversity

The NYK Group's main business operates on the oceans, where it is taking steps to conserve biodiversity. By fitting our ships with ballast water treatment systems, we are working to prevent the spread of marine organisms beyond their natural environments. Installation of these systems on all ships is expected to be completed in 2024. To make our biodiversity conservation efforts even more effective, we need to ascertain the impact of our business operations on the marine environment and then identify and implement the appropriate measures to be taken. We, therefore, consider it essential to grasp the current status of the marine environment and pinpoint the factors that are impacting it. To this end, the NYK Group has partnered with universities and other institutions in Japan in an effort to sample ocean microplastics and environmental DNA in the open seas using the Group's

fleet to amass scientific knowledge. In this way, we are contributing to an understanding of the current status of ecosystems that are essential for ascertaining environmental impacts and for which there are currently no clear yardsticks anywhere in the world. We aim to help establish indicators for measuring the impact of business activities on these ecosystems. Furthermore, since there are very few methods for observing the marine environment and ecosystems, particularly in the open seas, ships play the role of sensors gathering scientific data that underpins conservation of the marine environment and biodiversity. In the medium to long term, it is possible that the data collected by ships will become a source of added value. We thus believe that our initiatives on ocean microplastics and environmental DNA can lead to the creation of new opportunities beyond the scope of maritime transport.

The NYK Group is promoting initiatives to visualize its impact on biodiversity and natural capital, targeting disclosure based on the TNFD\* framework.

## Research on Ocean Plastics

We are conducting open sea surveys of ultrafine microplastics in partnership with the Chiba Institute of Technology, as there are concerns regarding the negative impact of these plastics on ecosystems, including the oceans. We will contribute to fundamental solutions to the issue of ocean plastics.



## River Cleanup Project in the Philippines

Every year, a huge volume of plastic waste is discarded in rivers in the Philippines, where river pollution is causing serious environmental issues. We are thus participating in a river cleanup project promoted by major Philippine conglomerate San Miguel Corporation.



## Participation in the ANEMONE Consortium

The ANEMONE consortium is a biodiversity observation network that uses environmental DNA sampled from ocean and river water. A collaboration between the private, public, and academic sectors, the consortium aims to realize a new society that advances while enriching nature.



## Reforestation Project

This project aims to restore rich biodiversity in desolated forests through human activities. The initiative contributes to local communities while increasing NYK Group employees' awareness of environmental preservation and GHG emissions reduction activities.



\* TNFD: Taskforce on Nature-related Financial Disclosures

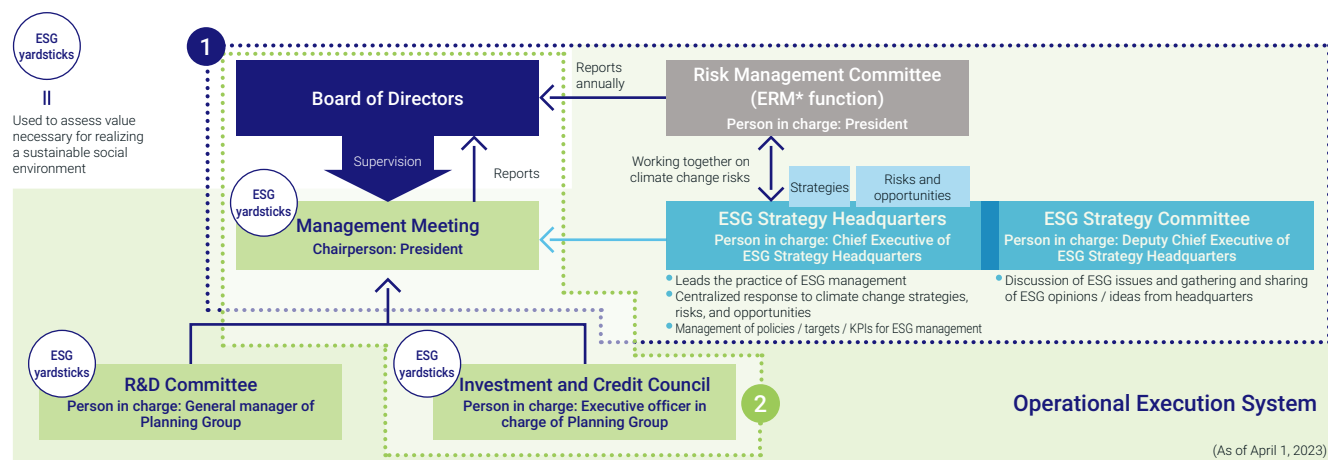




# Action to Mitigate Climate Change

The NYK Group recognizes that appropriate responses to climate change are among the most important management issues. In terms of both risk and opportunity, we investigate how climate change affects the Group's business and finances, take measures for them, and increase the transparency of their progress. We will strive to disclose appropriate information in the four thematic areas of governance, risk management, strategy, and metrics and targets in accordance with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## Governance



\* Enterprise Risk Management

## Key Management Points

- ✓ Established the ESG Strategy Headquarters. An executive vice president and executive officer serves as the head of the headquarters and promotes ESG-related operations, including climate-change measures, as chief executive of ESG strategy.
- ✓ Established the ESG Strategy Committee to discuss ESG-related matters, including climate change measures. The ESG Strategy Headquarters reports on the ESG strategy, including climate change, to the Management Committee. The strategy is then discussed by this committee and approved by the president.
- ✓ The executive officer in charge of the ESG Strategy Headquarters or the general manager of the ESG Strategy Headquarters participates in important meeting bodies (Management Meeting, Investment and Credit Council, R&D Committee). ESG yardsticks are reflected in decision-making and judgments for individual projects.

## Risk Management

### 1 Companywide Management of Climate Change Risks

#### Management of Climate Change Risks

At the Company, the status of management of material risks on a Companywide basis is evaluated at meetings of the Risk Management Committee, which are attended by the president, chairman, executive officers who are chief executives, full-time Audit & Supervisory Committee members, etc. Climate change risks are discussed at the ESG Strategy Committee and compiled by the ESG Strategy Headquarters. The risks are integrated into Companywide risks and reported to the Board of Directors once a year.

#### Selection of Risks and Opportunities

Risks and opportunities related to climate change are discussed and selected by the ESG Strategy Headquarters. Based on the selected risks and opportunities, strategies are formulated from a medium- to long-term perspective and are discussed more deeply by the ESG Strategy Committee.

### 2 Risk Assessment of Individual Investments

#### Introduction of ESG Yardsticks for Individual Investment and Lending Projects

Decisions are made after comprehensive deliberation, not only based on traditional economic yardsticks that measure economic efficiency and business scale but also in accordance with ESG yardsticks that measure contributions to the resolution of social and environmental issues from a long-term perspective. In fiscal 2020, we introduced internal carbon pricing (ICP). The Investment and Credit Council and Management Meeting currently use ICP as reference information when making investment decisions. Prices are determined with reference to the European Union Emissions Trading System (EU-ETS) prices and are reviewed every six months upon ascertaining the latest social conditions.

## Strategy

### Core Strategies and Response to Climate Change

The Company has integrated ESG principles with the Company's management strategies and aims to contribute to the resolution of social and environmental issues from a long-term perspective. In March 2022, the Sustainable Growth Task Force\* formulated scenarios and strategies from a long-term perspective, with an eye on the business environment in 2050. With the core strategy of "Ambidexterity," which engages in further development of existing core businesses and exploration of new growth businesses, we aim to increase the profitability of each business. We also aim to achieve sustainable growth by providing value to clients, contributing to a sustainable society, and earning and investing simultaneously. The Company has formulated a new medium-term management plan titled "Sail Green, Drive Transformations 2026 – A Passion for Planetary Wellbeing." We have positioned the new plan as an action plan for the four years to fiscal 2026, during which we will promote growth strategies with ESG at the core. By promoting these core strategies, we will respond to risks and opportunities related to climate change.

\* Launched in April 2021, the task force is chaired by the executive officer in charge of the Management Planning Headquarters and had the Planning Group as a secretariat. One year later, we reorganized the task force and renamed it the Medium-Term Management Plan Formulation and Preparation Committee.

#### Advance Existing Core Businesses

For our existing core businesses, where changes in the business environment, including climate change, are expected by 2050, we will promote low-carbon and decarbonized investments in our own vessels ahead of other companies to enhance our environmental advantage and competitiveness.

#### Develop New Growth Businesses

In growth fields where the impact of climate change is neutral and in fields where growth is expected due to climate change responses, etc., we will actively develop and invest in businesses based on the knowledge we have cultivated through existing core businesses and develop them into pillars of earnings.

#### [Main Target Fields]

Advanced fleet design, operation, and management / Hydrogen and ammonia value chain / Carbon dioxide value chain / Offshore wind value chain / Space-related business

### Resilience of Strategies

We incorporated the core strategies into our business and investment plans on a timeline up to 2050 and estimated the impact in terms of the financial aspect using multiple scenarios. As a result, even under the 1.5°C scenario, it is expected that the decline in earnings in existing businesses due to climate change can be covered by an increase in earnings in new growth businesses. Therefore, we have judged that our strategy has a certain degree of resilience at this stage. Going forward, we will continue to review the scenarios that form the prerequisites as appropriate and strive to improve the resilience of our strategies.

## Metrics and Targets

### Medium- to Long-Term Targets for Climate Change Response

Target year	Applicable items	Target
2030	• Scope 1 (Ships, aircraft)	–30% (Base year: Fiscal 2015)*1
2050	• Oceangoing business (NYK Line / Time of announcement: Sep. 2021) • Logistics business (Yusen Logistics Co., Ltd. / Time of announcement: Jan. 2022)	Net-zero emissions

### Metrics

We have introduced an environmental management indicator\*2 to ascertain our GHG emissions and manage reduction targets. The progress toward achieving the medium-term targets based on this indicator is shown in the table below.

Types of vessels	Environmental management indicator (g-CO <sub>2</sub> e per ton or km)								Improvement rate (%)
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	Base Year: FY2015
Scope 1 (Ships, aircraft)	6.36	6.33	6.26	6.20	6.18	6.11	6.53	6.10	–4.08

\*1 In 2018, we acquired Science Based Targets (SBT) certification for this target, based on the scenario of a 2°C increase in the global temperature. We plan to reacquire SBT certification for the 1.5°C scenario by the end of fiscal 2023 and to review the target year, base year, and target after reacquiring SBT certification.

\*2 The environmental management indicator uses GHG emissions intensity that complies with guidelines of the International Maritime Organization (IMO) and is calculated using the following formula.  
Environmental management indicator = Environmental impact (GHG emissions) / Value added by the business (Mass of cargo in tons X Transport distance in kilometers).

# Liner & Logistics Headquarters

We will maximize earnings by strengthening core businesses through collaboration with companies based on our shared Mission, Vision, and Value.

## Takuji Banno

Managing Executive Officer

Chief Executive of Liner & Logistics Headquarters



### Risks and Opportunities

- Compliance with environmental regulations
- Significant effects of market fluctuations and geopolitical risks
- Compliance with regulatory changes across a widespread network of business locations
- Transportation demand stemming from economic growth in emerging countries

### Goals and Target State P.34

The Liner & Logistics Headquarters supervises companies mainly handling general consumer goods, including Ocean Network Express Pte. Ltd. (ONE) and Yusen Logistics Co., Ltd. (YLK). Through dialogue with these companies, we aim to share the direction of ESG management advancement and strengthen our overall capabilities. With respect to the outlook for the external environment, supply-demand constraints are expected to ease. Meanwhile, steady transportation demand for general consumer goods is projected due to global population growth. As the Group's core business and a social infrastructure mainstay, the Liner & Logistics Headquarters will pursue stable management and continuous growth.

## Strategy

Nippon Cargo Airlines Co., Ltd. (NCA), the transfer of whose shares was announced in March 2023, is a dedicated air cargo transportation company that has benefited society and NYK business for many years. However, the decision was made to transfer these shares with the aim of contributing to the survival and improved competitiveness of a Japan-based entity capable of providing high-quality air cargo freighter services. We will continue to optimally allocate resources as a conscious supporter of sustainable social infrastructure.

As a ONE shareholder, we will actively assist the company in strengthening its international competitiveness in the liner business sector. At the same time, we will broaden the foundations of the YLK global network through an active growth strategy that includes M&A as a means of achieving inorganic growth.\* In these ways, we will continue strengthening the growth of ONE and YLK as businesses that drive the NYK Group forward. In line with these efforts, our assignment of personnel will transcend the boundaries of these companies to develop an organization where companies take full advantage of their mutual expertise and networks to maximize organizational capabilities. Furthermore, we will develop the offshore wind power value chain—where we have been laying foundations—by expanding our services through the establishment of tugboat and harbor transport service businesses.

\* Growth through alliance with or acquisition of other companies

## Business Direction in the Medium-Term Management Plan

Core business



Pursue growth in developing markets

# Automotive Business Division

We will pursue high-quality transportation and differentiation strategies to provide innovative solutions and further build customer trust.

## Yutaka Ikeda

Managing Executive Officer

Chief Executive of Automotive Business Headquarters



### Risks and Opportunities

- Fundamental changes in mobility and in production and sales markets due to emergence of CASE vehicles
- Manufacturing fluctuations and shipping capacity shortages
- Impact of geopolitical risks on safe ship operations
- Compliance with environmental regulations

### Goals and Target State P.34

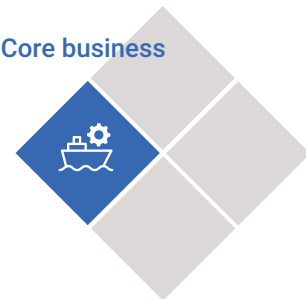
The Automotive Transportation Headquarters has changed its name to the Automotive Business Headquarters, reflecting a commitment to extend beyond automotive transportation and provide a more comprehensive lineup of automotive business-related solutions. With a view to realizing our mission to deliver vehicles safely and reliably to every corner of the world, we will further strengthen coordination between maritime shipping and inland automotive logistics. In addition, by leveraging such initiatives as the "Sail GREEN" differentiation strategy in the environmental value chain, we will promote the environmental advantages and brand power of the NYK Group.

## Strategy

As well as reorganization, in anticipation of a rapidly changing business environment, we have established four key management goals focused on reforms. These goals are (1) Establishing a standard of business quality for the headquarters and maintaining safety by increasing the quality of ships, cargo, and ship operations; (2) Leading environmental initiatives by introducing ships that use new fuels and reforming the structure of ship operations; (3) Providing new logistics solutions that reflect diverse changes related to vehicles; and (4) Building systems that function appropriately, improve workstyles, and heighten the quality of work and daily life. We will further heighten our added value in the industry through the energetic pursuit of these reforms. Specific initiatives include the continued development of systems that improve and increase the efficiency of ship operations, ship allocation, and cargo handling operations; utilization of slow-steaming operations to reduce environmental impact; continued construction of LNG-fueled ships; customer portfolio reform; and realization of job satisfaction as an organization. As a pioneer in the introduction of LNG-fueled ships, rather than struggling to comply with future environmental regulations, we will advance environmental initiatives one step ahead of the industry to retain a leading position in value chains and in the Group.

## Business Direction in the Medium-Term Management Plan

Core business



Respond to changing market demand

## Dry Bulk Division

With safety as its first priority, the Dry Bulk Division will integrate four basic strategies with an ESG-based growth strategy to establish a Company advantage.

### Hiroaki Nishiyama

Managing Executive Officer  
Chief Executive of Dry Bulk Division



#### Risks and Opportunities

- Decline in global demand for major cargo such as iron ore and coal
- Increase in transportation of grain and minor bulk cargo
- Decarbonization of customer value chains
- Impact of market fluctuations and geopolitical risks

#### Goals and Target State P.35

While rigorously ensuring safe ship operations, we will increase resilience to market fluctuations, build a flexible fleet portfolio to advance core businesses, and actively seek new participation in supply chains that extend beyond the maritime shipping industry. As part of the social infrastructure, we are even committed to value delivery that extends to our customers' customers. The transportation of raw materials such as iron ore and coal remains an essential business that supports the activities of society. Our customers are also in the process of transforming with the aim of realizing a sustainable society. Accordingly, we will help them decarbonize their value chains, thereby establishing a Company advantage.

## Strategy

The division caters to large-scale cargo demand of approximately 5 billion tons per year and has a diverse customer base. Our fundamental approach of evolving four basic strategies by integrating them with an ESG-based growth strategy is unchanged. The four basic strategies we are pursuing are (1) Enhancing the sophistication of exposure management and market forecasting; (2) Evolving into a non-asset dry bulk business; (3) Strengthening the specialized carrier business to build up long-term stable profits; and (4) Participating in supply chains beyond the maritime shipping industry to develop new businesses. Having reduced our exposure through structural reform, we are now focusing on how best to utilize and manage the fleet portfolio. In October 2022, we introduced a platform that encompasses a series of operations, including charter contracts, ship operations, revenues and expenditures, and fuel management. We will continue utilizing digital transformation and other tools to visualize risks and opportunities, thereby building a fleet portfolio that can flexibly meet customer requests, regardless of the contract period. Furthermore, through the introduction of environment-friendly ships and the use of slow-steaming operations and various other methods, the total GHG emissions of the division will be reduced steadily in a phased manner.

## Business Direction in the Medium-Term Management Plan

Core business



Respond to changing market demand



# Energy Division

We will support the entire energy value chain by evolving existing businesses and developing new ones.

## Hironobu Watanabe

Managing Executive Officer

Chief Executive of Energy Division



### Risks and Opportunities

- **Uncertainty of energy prices and transportation market conditions**
- **Decrease in conventional energy transportation demand due to the acceleration of decarbonization, and growing demand related to zero-emission energy and renewable energy**
- **Energy security issues arising from geopolitical risks, particularly changes in trade flows**

### Goals and Target State P.35

The mission of the division is to provide stable supplies of energy in accordance with its goal of “Bringing energy safely and more cleanly to all.” Specifically, we will cater to energy demand by reducing and eliminating carbon in the conventional energy transportation of our existing businesses while taking steps to capture the growth in demand being experienced by zero emissions and renewable energy-related businesses. With the aims of practicing “ambidextrous management” and growing business earnings, we will advance core businesses and develop new businesses to provide value across the entire energy value chain.

## Strategy

In fiscal 2023, the Steaming Coal Group of the Dry Bulk Division was transferred to the Energy Division, and the Fuel Solution Group was then established. Through unified management, the new group will provide optimal solutions that meet the needs of customers who are advancing decarbonization. On the one hand, decarbonization is accelerating; on the other, heightened geopolitical risks are making the business environment more unpredictable. The Energy Division will co-create value with customers based on long-term viewpoints. It will ensure that investment decisions reflect an awareness of exposure management and make fixed-point observations of business risks with reference to *World Energy Outlook* published by the International Energy Agency. In addition, as a handler of hazardous materials, the division gives first priority to safe transportation and will continue to rigorously implement safety measures and focus on human resource development. Further, we will build a platform that consolidates energy-related expertise and enables the utilization of knowledge accumulated in existing businesses for the development of new businesses. In conjunction with the promotion of the “NYK GREEN EARTH” brand, we will step up new co-creation initiatives focused on businesses related to CO<sub>2</sub>, offshore wind power, and ammonia, among other businesses.

## Business Direction in the Medium-Term Management Plan

Core business



New business

Respond to changing market demand

Enter rapidly growing markets