

Basic strategies of “Staying Ahead 2022 with Digitalization and Green”



Step 1

Reconfigure business portfolio to withstand volatile market conditions

- ◆ Decisively reform the dry-bulk business
- ◆ Lead the new container JV (ONE) to success

Step 2

Develop well-balanced revenue structure

- ◆ Leverage logistics capabilities with YLK
- ◆ Strengthen car carrier and auto-logistics businesses
- ◆ Reinforce LNG and offshore businesses

Step 3

Accelerate growth by constantly improving our technological, informational and network capabilities

- ◆ Implement Digitalization and Green initiatives

Dividend policy

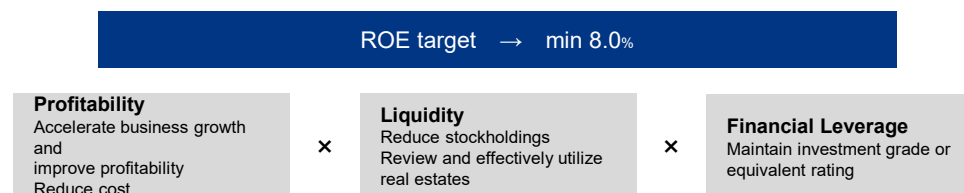
- Basic policy for the return of profits to shareholders is to pay stable dividends aiming for a payout ratio of 25% on a consolidated basis

Earnings and financial targets

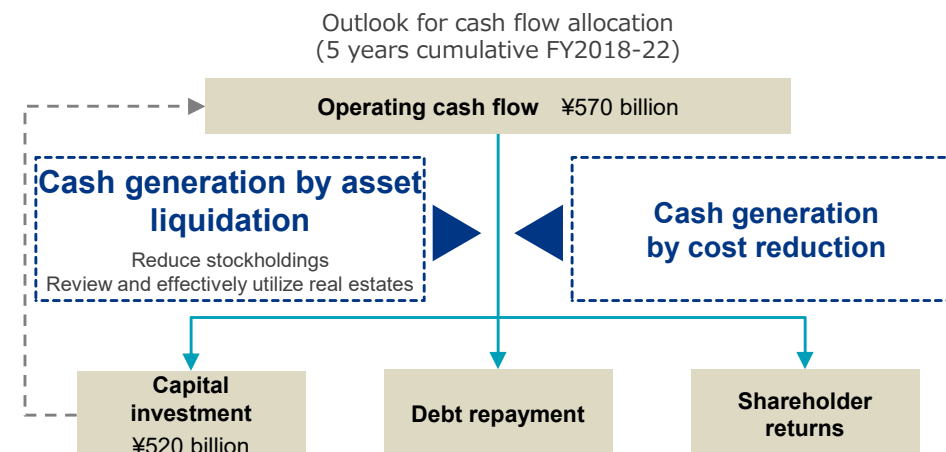
	FY2017 Results	Medium-Term Target (by FY2022)
Recurring Profit	¥28 billion	¥70~100 billion
ROE	3.8%	min 8.0%
Equity Ratio	26.6%	min 30%
DER	1.78	1.5 or lower
Exchange rate (1US\$)	¥111.19	¥105
Bunker oil prices (1MT):	\$341.41	HSFO \$320 LSGO \$620*

*HSFO = High Sulphur Fuel Oil / LSGO = Low Sulphur Gas Oil

To achieve ROE target



Cash Flow Management



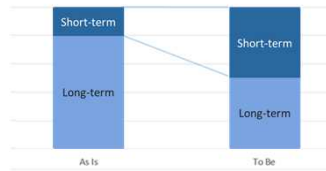
Dry-bulk

Decisively reform dry-bulk business and improve its profitability

Strengthen business structure to withstand volatile market conditions

- Strictly control market risk exposure
- Separate owner/operator functions in aim to gain cost competitiveness and market adaptability
- Optimize fleet composition based on cargo contracts
- Secure stable earnings with efficient operation and fleet allocation

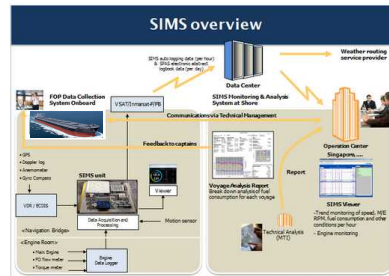
Short-term chartered vessels ratio among total fleet in operation



< image >

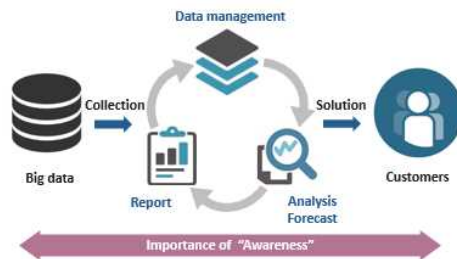
Reduce fleet and operating costs by effective application of ICT expertise

- Differentiate through expertise in IT and vessel operation
- Enhance practical application skills with usage of onboard IoT data management system (SIMS)



Enrich customer engagement with proposal-based marketing and sales activities

- Accurately identify customer needs and provide best solutions
- Further strengthen long-term and stable win-win partnership with the customers



Container shipping

Made a major strategic shift pursuing operational efficiency and economy of scale through the integration of container shipping business

Initiatives to date

Reformed service structure

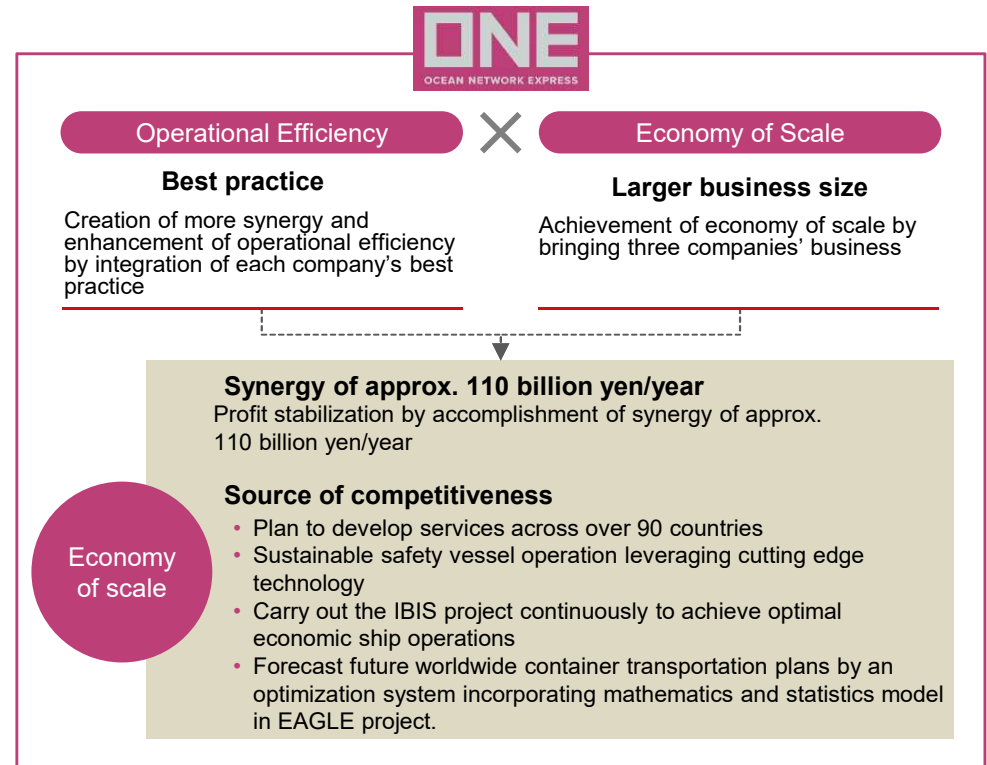
- Expanding container shipping service network through THE Alliance

Reduced market volatility

- Switching to newly built large vessels with high cargo-loading rates and fuel efficiency
- Reducing fuel consumption by upgrading existing vessels
- Saving fleet and operating costs by efficiently deploying vessels
- Efficiently utilizing containers for higher profit margin

Improved technological capabilities

- Working to ensure safe, fuel efficient operations by utilizing big data



Promote growth (Logistics Car carriers Auto logistics)

Initiatives to date

Logistics

Fully acquired Yusen Logistics

- Repositioning logistics business as the Group's core business
- Deepening collaboration of each business and strengthening sales capabilities
- Seeking synergetic effect by mutually utilizing its global network and management resources



Car carriers Auto logistics

- Globally expanding roll-on/roll-off (RORO) terminal facilities and onshore value-added services in addition to maritime automobile transport
- Focusing on technological innovation and human resource development to maintain the highest level of quality control



Future actions

Logistics

- Enhance total logistics business and run a selective and concentrated investment policy focusing on growing industries and emerging markets
- Fully utilize the Group's management resources supported by the pillars of people, assets, IT, and capital to strengthen sales capabilities

Car carriers Auto logistics

- Focus on improvement of transportation/cargo handling efficiency using digital techniques and make proactive efforts on environmental issues
- Develop and provide a sophisticated, high-quality finished-car logistics looking ahead to the structural changes in the automotive industry

Enhance investment (LNG Offshore business)

Initiatives to date

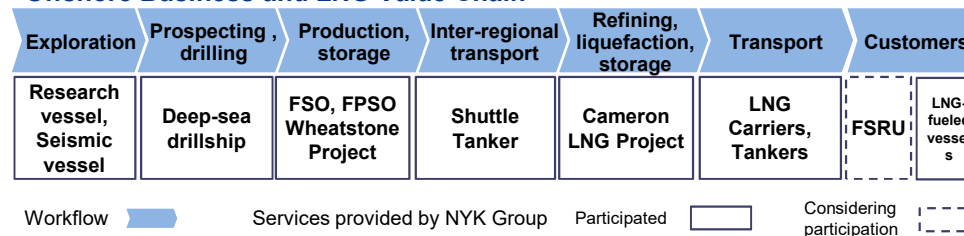
LNG

- Winning orders for the transportation of LNG, sourced from shale gas fields in North America
- Expanding its business scope to feature offerings for transporting LNG, operating LNG-fueled vessels, and supplying and marketing LNG as marine fuel

Offshore business

- Developing business at every stage of the energy value chain, from upstream to downstream

Offshore Business and LNG Value Chain



Future actions

LNG

- Further expand and develop business in newly emerging countries.
- Strongly promote LNG marine fuel sales business in response to the increasing interest in LNG-fueled vessels

Offshore business


- Make selective investments in areas of strength and technological expertise
- Enter into new businesses in regards to the broad transformations in the global energy landscape and to effectively meet customers needs

Initiatives to date


Working on various technological developments and increasing operational efficiency

R&D of proprietary technologies

- Preventing engine accidents and reducing maintenance cost




Kirari NINJA



Unmanned Machinery Space (UMS) check system

Solutions through mobile apps


- Enhancing operational efficiency and service improvement through information sharing mobile apps



GEAR

Onboard IoT data management system

- Enabling safe, efficient operations through data gathering, monitoring, sharing system between ship and shore



SIMS

Digitalization


Increase operational efficiency

Green

Planned improvement : **10 billion yen/year**


Energy efficient vessel design

- Improving vessel energy efficiency and complying with environmental regulations



Vessels powered by next-generation fuels


- Developing LNG-fueled vessels to reduce CO2, NOX, and SOX emission



LEFT : LNG-fueled tugboat
CENTER : LNG-fueled car-carriers
RIGHT : LNG bunkering vessel

Expansion of optimum vessel operation

- Intensifying fuel-saving efforts by expanding the IBIS project to various vessel types




IBIS Project


Transform the entire supply chain

Transform the entire supply chain more environmentally sustainable with the application of the latest digital technology


Simulation technology by Digital Twin concept



Optimization of route, operation, and cargo space planning



R&D for advanced automation ship



NYK

Ocean Transportation

Port

Port

Inland transportation

Production

Sales

Order

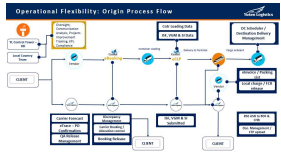
Transportation Storage

Data sharing


Lead-time reduction

Operational Process efficiency

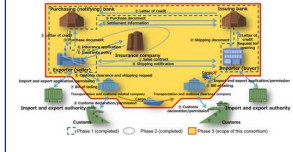
Visualization of the entire supply chain with centralized information



Digital forwarding



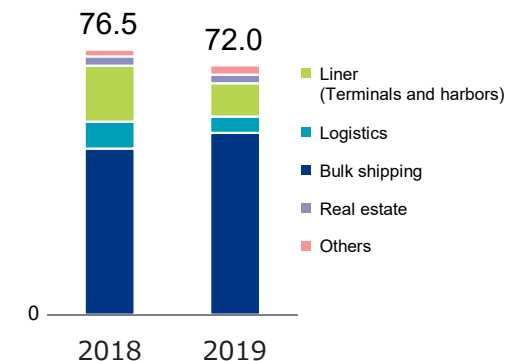
Trade platform development using block chain technology



		Plan	FY19 Results
Step 1 Optimize business portfolio	Dry-bulk	Strictly control market risk exposure. Revise long-term chartered vessels ratio. Strengthen medium-/long-term relationships with customers.	Decided to return two high-cost chartered vessels early. (Cumulative nine ships since FY2018) Increase medium-/long-term contracts by 15%. (vs. end of FY2017) Reduced market exposure from 35% to 28% (vs. end of FY2017)
	Container	Merge our liner business together with those of two other Japanese companies. Pursue efficiencies and economies of scale. Generate JPY110 billion synergy.	Implemented the following initiatives to improve year-on-year performance significantly and record net profits: <ul style="list-style-type: none"> Optimized cargo portfolio, strengthened yield management Optimized products Optimized organization Achieved targets one year ahead of projections through integrated effect.
	Others		NCA: Operated our own vessels at higher capacity than expected. Introduced further improvements to governance in response to the impact of temporary operations suspension in the prior year due to improper maintenance.
Step 2 Secure stable- freight-rate business	Promote growth	Leverage group business infrastructure for sales.	Cooperation with YLK results in securing project cargo. Also, strengthen coordination of internal audit function.
	Enhance investment	LNG fleet plan: 97 ships (end of FY22) Developing business at every stage of the energy value chain, from upstream to downstream.	As of the end of FY2019, we operated 78 LNG carriers. We plan on completing nine new vessels in the next fiscal year and beyond. We also operate three shuttle tankers and one FPSO vessel under medium-/long-term agreements.
Step 3 Increase efficiency and create new values	Digitalization	Transform the entire supply chain more sustainable with the application of the latest digital technology.	Implementing trials of MarCO Pay (cashless ships). Completed successful proof-of-concept tests for automated ship navigation. Moving toward autonomy in ship engine plants. Implementing advanced maintenance via continuous sensor-based monitoring and diagnosis. Created an internal digital academy to foster leaders who are digital natives.
	Green	Implement Green Business initiatives to take new challenges on renewable energy business for driving future growth and value creation.	Signed memorandum of understanding with an overseas partner to promote engagement in offshore wind power business. Formed a sustainability link loan. Launched operations of tidal power generation project. Launched large-scale open sea survey of microplastic distribution.

Stable-freight-rate business

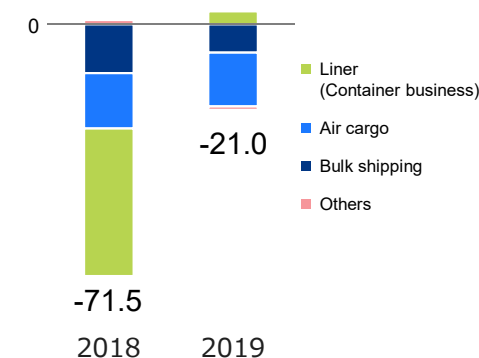
(billion yen)



*Bulk shipping consist of car carriers, dry-bulk (med-/long-term contracts), and liquid (med-/long-term contracts).

Other businesses

(billion yen)



* Bulk shipping consist mainly of dry-bulk and liquid other than med-/long-term contracts.