

CEO Message

We will enhance our corporate value by evolving into an agile organization that adeptly navigates market fluctuations

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We have tremendously improved the quality of our earnings

Fiscal 2025 is the third year of the current Medium-Term Management Plan, “Sail Green, Drive Transformations 2026 - A Passion for Planetary Wellbeing” (fiscal 2023–2026). We have reached the halfway point, and in general, the plan’s key actions have progressed more steadily than expected, placing us at about 65% of the way to our goals. In particular, our fuel conversion efforts for reducing environmental impact and our DX initiatives are producing results ahead of schedule. This progress is epitomized by our completion of the world’s first commercial ammonia-fueled tugboat in August 2024, the expansion of our LNG carrier fleet, and the deployment of a ship status monitoring and preventive maintenance system that uses operational IoT data. Meanwhile, our DX initiatives

have earned high marks from external organizations, including our selection for the past three years in a row as a “DX Stock” by Japan’s Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. However, this is not a time to rest on our laurels—instead, we need to further accelerate our efforts, and thus will continue investing in initiatives such as automation and data-driven management that integrates diverse data.

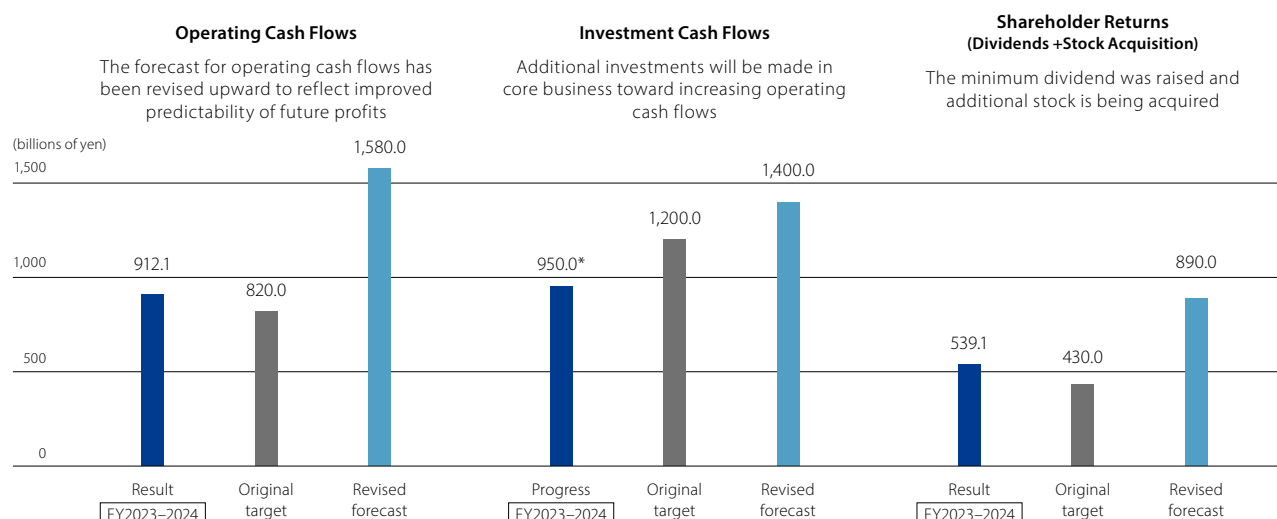
Looking back at fiscal 2024, all businesses performed strongly for the most part, buoyed in part by an increase in containership freight rates that stemmed from factors such as tight shipping capacity supply and demand due to the situation in the Red Sea. As a result, we generated net income totaling 477.7 billion yen (up 109% year on year) and an ROIC of 13.2%, which greatly surpassed the fiscal 2030 goal of 6.5%. In addition to the effect of favorable conditions in our external environment, this success was also the result of the management reforms we have implemented over the years,

including restructuring the container shipping business and other businesses, advancing risk management for the dry bulk business, growing the logistics business, and establishing a firm financial standing. I truly believe that, despite the impact of market conditions, the quality of our earnings has steadily improved and we have transformed to a corporate structure that flexibly surmounts market fluctuations.

Turning to the forecast for fiscal 2025, we will inevitably need to adjust freight rate levels due to the falling off of special factors, an increase in shipping capacity from the delivery of new vessels ordered during favorable shipping market conditions, and other factors, and this will exert a certain amount of downward pressure on earnings. However, we anticipate that each business division’s efforts and operational management will enable us to secure solid profits. Going forward, we will take a management approach that focuses on stable long-term growth without overreacting to each fluctuation in market conditions. Given such structural improvements and the expectation that profits will be reliably generated, NYK has decided to revise its capital policy. Seeking to improve our capital efficiency as called for by the Medium-Term Management Plan, we have acquired roughly 330 billion yen in treasury stock since fiscal 2023. We are now carrying out an additional round of share buybacks that is capped at 150 billion yen and will be completed by the end of April 2026.

At the same time, we have raised the target consolidated dividend payout ratio from 30% to 40%, and doubled the minimum dividend per share from 100 yen to 200 yen. This reflects not only the strengthening of our financial standing but also the confidence gained from the improved predictability of medium-term performance. It also embodies our aspiration to separate the risks of holding shares of NYK from the risks of fluctuations in maritime shipping market and short-term business performance so that our shareholders will be encouraged to maintain their holdings over the long term. The decision on this policy shift was based on dialogue with investors and analysts around the world, and subsequent extensive discussions with outside directors.

NYK has reached the halfway point of the Medium-Term Management Plan and achieved 65% progress toward the plan’s targets



*As of the end of fiscal 2024, approx. JPY950 billion worth of investment projects were authorized for launch during the period of the current Medium-Term Management Plan.

We have revised upward the earnings outlook for fiscal 2030

We have revised upward the outlook for net income in fiscal 2030 from 310 billion yen to 400 billion yen. The outlook as initially set in the Medium-Term Management Plan was based on assumptions at the time. The decision to revise it was based on our performance in fiscal 2023 and 2024, and on the more positive numerical results of a simulation that reflected a qualitative evolution. Our higher confidence in future earnings stems from the improved predictability in management that we have gained from our efforts in the past two to three years to enhance our approaches for minimizing the impact of market volatility on business performance. In the automotive business, we began in 2020 the full-scale implementation of a system for ordering new environmentally friendly LNG-fueled vessels on a regular, fixed-quantity basis, coordinating with customers regarding the outlook for future demand.

Using this approach, we are seeking to achieve growth while controlling risk by aligning new ship investments with actual demand without being swayed by conditions in the shipbuilding market and by charging appropriate freight rates. Since around 2018, we have carried out business structural reforms in the dry bulk business by liquidating unprofitable ship operations where charter costs outweighed freight rates. In the past we ordered many ships to accommodate special demand in China, but subsequently the market sharply declined, tightly squeezing our profits. Taking a lesson from that bitter experience, we have shifted to a system of decision-making based on neutral, objective indicators. We are also increasing the sophistication of fleet management to be able to deal with volatile conditions in the market. In particular, we have taken steps to optimize our market exposure by aligning fleet scale with actual demand,

limiting the percentage of charter contracts in which risk is taken on in anticipation of market upswings. These initiatives have greatly advanced over the past five years, and are now important pillars that support the stability of our earnings.

When necessary, we use forward freight agreement to hedge against revenue fluctuation risks. In fiscal 2024, we adopted value at risk (VaR) on a trial basis as a monitoring indicator for quantitatively and multidimensionally analyzing revenue fluctuation risks from various angles, and put it into full operation in fiscal 2025. By combining an objective measure like VaR with the intuitive market sense that we have cultivated in day-to-day operations, we have created a system that keeps investment caps and hedge ratios in line with acceptable risk levels, thus supporting optimal risk taking in business operations. As a result of these measures, we have enhanced the predictability of how well we can solidly attain returns in the dry bulk business, one of our core businesses, while also firmly improving our financial standing. This has allowed us to steadily boost investment in LNG and LPG carriers, with the medium-term management plan's original business investment outlay of 1.2 trillion yen up through fiscal 2026 rising to 1.4 trillion yen. We are certain that these investments will become a foundation for our growth toward 2030.

As for our liner trade business, the launch of Ocean Network Express Pte. Ltd. (ONE) in 2017 through the integration of our container shipping business with those of two other industry players was made possible at a time of broad realignment of the industry because the top



management of the three companies forged a shared vision and mutually respected the best practices of one another. While the shift to larger containerships has lowered the slot cost per container, it has also raised the operational cost per vessel. The result is a paradigm shift that helps to stabilize business performance because there is an incentive to idle containerships when freight rates fall with a decline in cargo volume. The investment plan, as outlined in ONE 2030, aims to maintain the fleet capacity at an internationally competitive level of 3 million TEUs.

We will lead the world in sustainability management

We believe that environmental, social, and governance (ESG) initiatives should be implemented not as three separate pursuits but as an integrated approach to improving our corporate value. For this reason, we reorganized our ESG Strategy Headquarters into the Sustainability & Transformation Headquarters to place sustainability at the core of management.

The most important part of sustainability management is to become a company that earns unwavering trust from society. To accomplish this, we will ensure that both management and employees share high ethical standards, and that transparency is constantly maintained in all our systems. At the same time, we will develop our organization

into one that enables diverse individuals to autonomously demonstrate their strengths so that we can harness diversity as a wellspring of corporate value.

The key to decarbonizing maritime shipping is fuel conversion. We believe that the greatest decarbonizing effect comes from conventional fuel oil-burning to engines capable of using alternative fuels, which significantly reduce greenhouse gas (GHG) emissions. In addition to helping to protect the environment, this can also directly strengthen our competitiveness with its differentiating effect, and thus is a very important subject for us.

In 2020, we began operating Japan's first LNG-fueled car carrier, opening the door for LNG-fueled vessels to grow into an industry standard. We are also a global leader in the development of ammonia-fueled ships. Our demonstration testing of Sakigake, the world's first commercial ammonia-powered tugboat, revealed the potential to reduce GHG

emissions by up to around 90%, and did not find any significant safety issues. We have also determined that nearly all technical barriers to practical deployment have been eliminated.

LNG fuel already enables a roughly 30% reduction in CO₂ emissions, but switching to ammonia fuel can realize even greater GHG cutbacks. We are pursuing this project under the premise that ammonia will become mass-producible worldwide and that there is still much leeway for lowering its price. Of course, all assumptions come with risks. If ammonia cannot be mass-produced extensively, its price will not fall, and without sufficient demand to support it, the construction of ammonia supply infrastructure will stall. Consequently, it is vital that we reach out across the industry and spread our conviction that ammonia is "the next big thing." The creation of demand for ammonia, including its use in power generation and industrial applications, is integral to the effort to establish ammonia supply chains.

NYK's ammonia-fueled ammonia gas carrier, scheduled for completion in 2026 (Image)



When we began introducing LNG-fueled vessels, we led the way in publishing the test data needed to help convince the market to shift to LNG as a fuel. We will do the same with ammonia, leveraging early adoption and data publishing to encourage shipbuilders and fuel suppliers to get on board, and thus lay out a clear-cut path toward ammonia transition.

We will evolve the frontline through DX and achieve transformation

In addition to switching to alternative fuels, digital transformation (DX) is another indispensable driver of our business transformation. To simultaneously promote talent diversity, reinforce a safety culture, and expand our businesses, we must evolve the way we work. The key to this is pursuing three elements that I believe are crucial: data, a communication environment, and AI.

Advances in communication technology have enabled the development of an environment in which shipboard data can be transmitted in real time to sites on land. This, combined with AI, begins converting data into value. The central function for this is status monitoring. For example, sensors can be used to constantly acquire data on potential issues such as engine problems or fuel system pressure fluctuations. Then, AI can be employed to detect signs of trouble in that data and issue alerts to the crew and sites on land. As a result, ship operations can shift from experience-dependent troubleshooting to preventive maintenance. Such use of technology is also steadily reducing the incidence of accidents and near misses.

Safety is our top priority. This is why we consider safety to be the first domain where we need to advance DX.

We will link our endeavors in this area with future research and practical development of autonomous ships and labor-saving solutions. Transitioning to a system where AI takes over certain shipboard monitoring and inspection

functions for constant monitoring by a control center on land will enable crews to engage in more sophisticated decision-making and focus more closely on safety-related duties. My credo is “Let machines handle what they can handle so that people can concentrate on generating value.” We will implement this ideal in the operating site to achieve concrete results.

We will strive to create new value

New energy resources represent new growth opportunities. One big challenge for NYK going forward is to lay the groundwork for responding to future demand for ammonia, hydrogen, and CO₂ transportation—including developing technologies for safe transport, securing the necessary human and ship resources, and exploring the potential for automation—while continuing to capture the expected rise in LNG transportation demand.

Another endeavor that I want us to focus on is realizing a circular economy that utilizes our Group’s technologies and assets. One avenue for this is ship recycling, which would enable new ships to be constructed with steel manufactured from recovered high-quality ship plates using low-carbon electric furnaces. We will further support the development of a circular-economy-based society through our space-

related business, specifically a project selected for the Japan Aerospace Exploration Agency’s (JAXA) Space Strategy Fund that involves using ships for applications such as offshore rocket launches and recovery of reusable rockets. Here, we will utilize our Group’s insights and experience to exploit a technology unique to ship operation, dynamic positioning systems. We will take on these challenges as growing opportunities that help to advance decarbonization and realize a circular economy.

The value required by people evolves with changes in society. I want us to increase the NYK Group’s corporate value by continuously transforming ourselves so that we will be able to reliably answer tomorrow’s needs with goods and services that we provide as a normal part of everyday life, and by creating new value that contributes to the realization of a circular economy.



Remote Diagnostic Center (RDC) at Philippines



My Key Messages as CEO

- NYK is evolving into a growth company resilient to market fluctuations
- We have achieved 65% of the Medium-Term Management Plan at its halfway point
- We are enhancing the quality of our earnings
- We have revised upward the outlook for net income in fiscal 2030 from 310 billion yen to 400 billion yen
- We are leading the world in the shift to fuels with low environmental impact
- We are accelerating our highly rated DX initiatives
- We are boosting shareholder returns through dividends and stock acquisition
- We raised the minimum dividend from per share 100 yen to 200 yen to encourage long-term holding of Company shares
- The effectiveness of the Board of Directors is being increased through lively discussions
- We are committed to enhancing our corporate value by “Bringing value to life.”

We will continue enhancing our corporate value by “Bringing value to life.”

In the 140 years since its founding, the NYK Group has been a pillar of Japanese trade and logistics, connected countries worldwide, and supported the lifestyles and industries of many countries. Moreover, we have gone beyond simply transporting goods by striving to “reliably deliver what’s needed now to where it’s needed.” Through our day-to-day operations we have sustained people’s lifestyles and cultures, and the supply chains that support them. I see this as the very essence of our mission of “Bringing value to life” and the responsibility that we should fulfill to society. Our creation of value does not end with the provision of marine and inland transportation as forms of infrastructure. For example, the overseas expansion of Yusen Logistics Co.,

LTD. contributes to local employment and the creation of new industrial opportunities. And, in our B to C offerings, the cruise business that we operate under the Asuka brand provides society with enriching moments in the form of extraordinary experiences and excitement. I firmly believe that these two aspects—the “backbone” services that increase the value of comprehensive global logistics and the “vibrancy” services that stir the heart—are what really expands the scope of the value created by our Group.

Our corporate value cannot be enhanced without taking action to evolve our corporate governance. Two years have passed since we transitioned from a company with an audit & supervisory board to a company with an audit & supervisory committee. In that time, the monitoring function and effectiveness of the Board of Directors have grown tremendously. The Board’s exchanges through briefing sessions, directors’ retreats, and other modes

of meaningful dialogue outside of formal meetings are creating opportunities for in-depth discussion of the essence of our businesses and the management issues we face. I truly feel that frequent constructive dialogue with outside directors is paying off with positive results, particularly in regard to decision-making surrounding capital policy, growth investments, and shareholder returns.

In this time of turbulent change, we must constantly sustain the flow of goods and services, lead the transition to the forms of energy and resources demanded by society, and provide new value as we strive to realize sustainable growth. This is our mission. The NYK Group will continue building a path to the future for society, the planet, and people by sincerely taking on the dual challenge of sustainably growing profits and solving social issues.

Please look forward to the future of the NYK Group.