

Message from the Chairperson of the Board of Directors

I will lead the Board of Directors toward the sustainable improvement of our corporate value

Hitoshi Nagasawa
Chairman, Director

The environment surrounding the maritime shipping industry is experiencing an unprecedented level of growing uncertainty. Over the years, I have worked hard as a senior executive to improve the NYK Group's corporate value. In my current role as the Group's chairman and the chairperson of the Board of Directors, I am striving to maximize our corporate value by leveraging the experience I gained as president and the insights shared by our outside directors. Our strategy for achieving this is to strike the optimal balance between managed investments for long-term growth and shareholder returns, while minimizing the impact of market fluctuations.

Corporate value can be defined in different ways. Personally, I see it as something that should be measured with not only quantitative metrics like market capitalization, but also qualitative elements such as the company's purpose, shareholder trust, and ability to implement its Medium-Term Management Plan. The mission of the Board of Directors is to develop a framework for sustainably growing such corporate value and to continue improving the effectiveness of that system.

To that end, I am particularly focusing on engaging in dialogue with outside directors. It has been two years since we transitioned to a company with an audit & supervisory committee. The first year required some experimenting with how to proceed under our new system, but I believe that we made significant strides forward in the second year. In order to improve the quality and effectiveness of Board discussions, we created a system for sharing with outside directors important information prior to each meeting, such as the background of our management challenges and the content of Management Meeting discussions. This approach also has the function of helping outside directors to monitor whether corporate management is being executed in line with the Board's discussions. Prior to the transition, project briefings by executives took up a considerable portion of Board meetings, leaving little time for delving into big picture topics such as the direction of the Group as a whole. However, this issue has been solved

by the new system, enabling the Board to devote more time to discussion.

Another improvement we have made to boost the Board's effectiveness was establishing an opportunity at the start of each fiscal year to align our outside directors with the year's agenda, allocating sufficient time for thorough, in-depth discussion. We also arrange tours of operating sites for them to aid their understanding of our businesses, and schedule several one-on-ones between them and me during the year to exchange thoughts, with the aim of correcting the imbalance in their access to information and talking about topics that are hard to bring up in Board meetings. One of the Board's current challenges is to clearly map out a CEO succession plan, and we are progressing discussions centered on the Nomination Advisory Committee to facilitate discussion and consensus building among the entire Board. We count on our outside directors to be deeply involved in the Board's duties, and in our process of selecting candidates, we look for those whose responsibilities at other companies will not prevent them from devoting the time needed to keep our Board operating effectively.

The key to sustainable profit creation is ROIC management. The Board is overseeing the responsibility to meet the Medium-Term Management Plan's goal of achieving ROIC of 6.5% or more, including efforts to visualize the returns of each segment and replace underperforming assets. The outside directors support this by frankly questioning whether certain businesses should continue to be held, and the executives clearly present evidence-backed defenses. The framework for such dialogue is in itself a force for improving our corporate value.

Our Group has long operated businesses by creating value that is necessary for society through logistics, while agilely adapting to change. Our forward-looking commitment to keep the flow of people and goods going is a strength that we have cultivated over our 140-year history, and is the foundation that supports our innovation. No matter what comes our way, we will continue moving forward by anticipating the future, engaging in discussion, and boldly taking on challenges. The Board, including its outside directors, will lead the way while constantly pursuing sincere dialogue with investors. We look forward to your continued valuable support.

Actions for Energizing Board Meetings

- Various briefings for outside directors
- Advance briefings for outside directors on Board meeting agenda
- Review Session by outside directors
- Business segment progress reports for outside directors
- One-on-one meetings between outside directors and the chairperson of the Board
- Directors intensive discussion (1 full day/year or 2 half days/year)
- Domestic/overseas operating site visits for outside directors (once a year or so)



Messages from Outside Directors

Now that the Company's capital foundation has improved, it's time for proactive governance that strategically takes on risk

Eiichi Tanabe

Chief Outside Director, Independent Director



Maritime shipping is an industry exposed to dramatically fluctuating market conditions, and thus strategic risk-taking is an essential part of the drive to achieve sustainable growth. Over the past several years, NYK has tremendously strengthened its foundation as a company by improving its financial standing and realigning its business portfolio. This has inspired the Board of Directors to increasingly take a positive attitude toward proactive investment, respecting the management's entrepreneurial spirit, while assessing the boundaries for how far risk can be taken.

The Board has engaged in repeated discussions to determine a management strategy aimed at achieving stable profitability that remains resilient to market volatility. At the macro level, we are optimizing our business portfolio based on ROIC, while at the micro level, we are managing

market exposure for each type of vessel and hedging risks through the use of derivatives and other measures. This approach allows the Board to develop a more comprehensive understanding of frontline operational issues, thereby strengthening our overall risk management capabilities. In addition, the Board is paying attention to Ocean Network Express Pte. Ltd., which operates the container shipping business, and in-depth discussions are underway. While there is no silver bullet to defeat market fluctuations, steady efforts to minimize their impact are being taken, including optimizing the non-spot/spot contract ratio, increasing capital efficiency, and reforming the management structure. The Board is continuing to be involved in and support these initiatives.

In order to adapt to recent complex risks such as avoidance of Suez Canal transit amid instability in the Middle East and

newly emerging geopolitical challenges, action is being taken to further develop NYK's system for assessing exposure in each region and analyzing risk scenarios. The board is working to increase the Company's flexibility toward risk, leveraging our experience and insights from the front lines.

The Board's understanding of the theme of an ideal management strategy for a stable profit creation is evolving by going beyond merely managing profit targets to encompass frequent discussion of how to reduce volatility impacts overall by building up a business portfolio as a comprehensive global logistics enterprise and harnessing the diversification effect of individual businesses.

Guided by the Board, the Company is strengthening its framework for enhancing corporate value overall with an approach that balances offense and defense.

NYK is building a diverse management structure through efforts that include the Group companies

As chairperson of the Nomination Advisory Committee, I am involved in succession planning. The Board of Directors has developed into a 12-person organization that includes six outside directors, three of whom are women, and has left behind the era of selecting the next generation of leaders without seeking outside opinion. Instead, we are now implementing a new selection process that is designed to foster a level-headed assessment of candidates. The Company is striving to construct a diverse management structure that includes human resources development across all Group companies.

We will enhance corporate value with an approach that balances shareholder returns and growth investment

As for the effectiveness of the Board of Directors, we have worked to develop a system that enables it to focus on weightier discussion through smarter selection of topics and use of time. For example, discussions of capital policy

have become more sophisticated through factor analysis of topics such as the balancing of shareholder returns and growth investment, capital structure optimization, and leverage levels. To boost its corporate value, NYK is leveraging its stronger capital foundation to exit businesses with low strategic purpose and aggressively pursue growth investments, including acquisitions in the energy and logistics business sectors. The Board of Directors supports the actions to substantially reduce cost of capital by transforming the business portfolio and strengthening risk management capabilities. However, we believe that enhancing communication and dialogue with investors remains a challenge for the Company.

Sharing NYK's mission as a transport infrastructure company, we will contribute to the enhancement of its corporate value

The NYK Group is a transport infrastructure company that supports the nation's energy and food security, and I believe there is still much room for it to play its part as a core member of the global maritime shipping value chain. The decarbonization movement and advances in ICT (Information and Communication Technology) have created new revenue opportunities, and I believe that the Group can cultivate new business opportunities by leveraging its world-class ship operation technologies and wealth of data as it firmly carries out its mission of supporting the next generation of transport infrastructure.

I believe that outside directors also act as representatives of shareholders and other stakeholders. Corporate value cannot be built up without improving the quality of management and effectively communicating those enhancements to stakeholders. In a company's dialogue with investors, the role of outside directors is to provide them with objective insights. I would like to be involved in future dialogue with investors by sincerely answering their questions about whether or not governance is functioning properly. I ask the Group's shareholders to gently but firmly watch over this challenging journey to surmount the market's vicissitudes and achieve long-term growth.

I will contribute to the improvement of corporate value through thoughtful and constructive discussion

Satoko Shisai

Outside Director, Independent Director

Since my appointment as an outside director a year ago, I have come to highly appreciate the fact that the Board of Directors broadly discusses not only financial matters but also non-financial topics such as human capital, sustainability, and DX, and that we are able to engage in thoughtful and constructive discussion thanks to the deeper understanding of the industry and the background of agenda items provided through diverse types of meetings. In particular, in my experiences at other companies, I have rarely encountered anything like Chairperson Nagasawa's commitment to encouraging directors to ask any questions they may have and to holding one-on-one talks with outside directors several times a year to eliminate their information asymmetry. Another positive aspect of NYK's Board of Directors is that even though the selection of agenda topics is becoming more challenging, Chairperson Nagasawa will readily set up opportunities for discussion of important topics we bring up.

With regard to DX, NYK has been selected as a "DX Stock" for three years in a row and is highly acclaimed for its contributions to the advancement of DX, including in the development of industry standards. Another factor behind this recognition is that the Company has incorporated DX into its Medium-Term Management Plan as a strategy, and all departments are working together to implement it. The Company views DX as a growth enabler, and has high expectations for further advances in its efforts to develop industry standards through the use of generative AI and ERP (Enterprise Resource Planning) system innovation.

Looking at diversity and inclusion (D&I) initiatives, NYK



is also seeking to become a truly global company where each member of its 35,000-strong diverse workforce can utilize their individual talents to the fullest. As part of its non-financial indices and KPIs, NYK has set a goal of increasing the women manager ratio to 30% by 2030, and is steadily working toward it through awareness-raising activities and training, as well as by recruiting outside talent. The development of women managers won't happen overnight, but I will use my role as an outside director to help advance this endeavor.

My fellow outside directors and I earnestly engage in discussion with management while maintaining an appropriate distance from them. Taking to heart the weighty responsibility of the votes we each cast at Board meetings, we strive to advance optimal solutions for enhancing NYK's corporate value through shareholder returns and growth investments. I consider the critical insights shared by investors, analysts, and shareholders to be valuable input for our growth, and I will continue aspiring to meet their expectations by taking part in constructive discussions.