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To whom it may concern:

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Submission of Improvement Plan for Administrative Measures by Nippon Cargo Airlines Co., Ltd.

As Nippon Yusen Kabushiki Kaisha (hereinafter "NYK") has disclosed on July 20, 2018, Nippon Cargo Airlines Co., Ltd. (hereinafter "NCA"), our consolidated subsidiary engaged in air cargo transportation, received the administrative measures by the Minister of Land, Infrastructure, Transportation and Tourism for the inappropriate operations of aircraft maintenance etc.

Today, NCA submitted an improvement plan to the Minister of Land, Infrastructure, Transportation and Tourism based on analysis of the background, issues, and factors that led this matter.

We sincerely apologize the inconvenience caused to our customers, shareholders and all other stakeholders. As for the resumption of flight operations of NCA's aircraft, two of the 11 aircraft have already resumed flight operations, and the remaining aircraft are scheduled to be returned to operation after receiving airworthiness tests after confirming the soundness of the aircraft.

1. Contents of the administrative measures that NCA received on July 20, 2018

Based on the acknowledgement for the inappropriate operations of aircraft maintenance, deliberate falsification and disguise actions of maintenance records, NCA received the order to improve operations of the site of maintenance and the company business mainly focused on the following subjects.

- (1) Assurance of awareness of safety consciousness and compliance training
- (2) Appropriate formulation of the safety management system
- (3) Appropriate records of maintenance
- (4) Appropriate maintenance related to the aircraft structure
- (5) Appropriate operations for damages potentially corresponding to aircraft accidents
- (6) Confirmation for soundness of aircrafts
- (7) Suspension of maintenance operations, etc. to the aircraft structure

2. Contents of factors and improvement plan that NCA submitted to the Minister of Land, Infrastructure, Transportation and Tourism

I. Main factors and issues in this matter

(1) Insufficient countermeasures to the causal background in maintenance department (Increased business volume and insufficient of personnel)

Though B747-400F aircraft had been operated since the establishment of its own maintenance system in July 2007, the business volume has increased to deal with multi-model maintenance compared to one model as B747-8F was introduced in succession from 2012. In addition, the number of aircraft operated was approximately 1.6 times higher in FY2016 than in FY2011, while the number of personnel in the maintenance division has only slightly increased. As a result, it is considered that the number of employees in the maintenance department was getting gradually insufficient compared to the size of flight operations.

(2) Shortage of support for maintenance department

Against the background of this increase in business volume, the management and staff departments of the maintenance division became unable to provide adequate systematic support to the actual maintenance operational division, creating an environment in which the maintenance operational division can make own decisions and interpretations as well as opinions could not be expressed to persons in charge with long experience and much knowledge, which led, as a result, falsification of the maintenance records and concealment.

(3) Insufficient countermeasures for case of strict precautions

The causes of the failure of the measures taken by the Minister of Land, Infrastructure, Transportation and Tourism to take strict precautions for inappropriate maintenance work effectively in October 2016, were the fact that the measures were not properly implemented based on the understanding of the background of the occurrence of the problem and the introduction of specific cases of strict precautions was not disseminated throughout the company to prevent specifying individual. As a result, information about the strict precautions was not shared and opinions were not heard within the company.

II. Contents of improvement plan

(1) Measures to deal with background factors in the maintenance department

(a) The size of flight operations will be revised in accordance with the number of personnel, including consideration of the adoption of only one model for B747-8F aircraft.

(b) Based on the "Strategic Business Alliance" concluded with All Nippon Airways Co., Ltd. (hereinafter "ANA") in February this year, five personnel support from ANA were received in April 2018 to strengthen the maintenance staff department and the maintenance operational division. Furthermore, from September 1, 2018, NCA will receive additional three personnel support from ANA to strengthen the management of the quality assurance, technical, and operational divisions, thereby strengthening the structure of the entire maintenance group.

(2) Measures to cope with insufficient support for maintenance department

(a) Each person in charge of technical management, production control, and quality control, which are the maintenance-indirect departments, will be stationed in the maintenance operational division to

strengthen support systems for each function.

- (b) In order to support the maintenance of airports other than Narita during the flights peak hours, the number of managers in departments providing 24-hour maintenance support will be increased from one to two.

(3) Measures against the failure in implementation of countermeasures for case of strict precautions

- (a) The details of inappropriate maintenance, falsification of maintenance records, and concealment will be shared throughout the company, and group discussions are to be held in each department to share information and hear opinions throughout the company.
- (b) Opportunities of direct conversation between all departments and the president/the general safety manager will be provided to foster awareness of safety and compliance.
- (c) Training on safety and compliance awareness, including stratified education training, will be provided for all executives and employees. In addition, in order to firmly establish these awareness, managers should monitor and provide guidance on a daily basis, and external experts should provide opportunities of checking the status of each workplace and having discussion.

(4) Changes in valid period of airworthiness certification

Establish a system to ensure the airworthiness certificate renewal and the airworthiness test of all aircraft (change from continuous type to one year of validity) shall be promptly implemented.

(5) Consignment system of aircraft structure repairs

Until completing the restructure of the company's own maintenance system, the company will continue to consign maintenance companies in Hong Kong (HAECO) and Taiwan (EGAT), and plans to receive support from ANA from the perspective of timely action in the future.

3. Prevention of recurrence and ensuring thorough compliance with laws and regulations as NYK Group

As the parent company of NCA, NYK will supervise and support NCA in implementing the improvement measures submitted as described above, including ensuring thorough compliance with laws and regulations and fostering intensive safety awareness, and in working on continuous improvement actions appropriately reviewed as well as strengthening the compliance system and taking measures to prevent recurrence. NYK will also make every effort to ensure thorough compliance with laws and regulations throughout NYK Group as a whole.

End