

# Contributing to Industry and People’s Lives Along with the Changing Times

For over 130 years since its founding, the NYK Group has evolved alongside social and economic changes in Japan and around the world. In addition to transporting all kinds of cargo, the Group contributed to industrial development and the livelihoods of countless people as

the Group quickly met emerging needs amid those changes. While responding to the changing times, the Group has continued to draw upon the NYK Group Values of “integrity”, “innovation”, and “intensity” to provide abundant value around the world.

## From 1885 Charting a Course for Japan’s Shipping Industry to Reach Europe and North America

At a time when maritime shipping routes were practically monopolized by Western shipping companies, the Company was Japan’s first steamship company to commence long-distance liner services. Despite severe price competition, the Company helped open the doors to international trade for Japan’s textile industry and other burgeoning industries.



The Tosa Maru (left) was the Company’s first vessel on its shipping route to Europe



The Osakabo textile factory (photo courtesy of Toyobo Co. Ltd.)

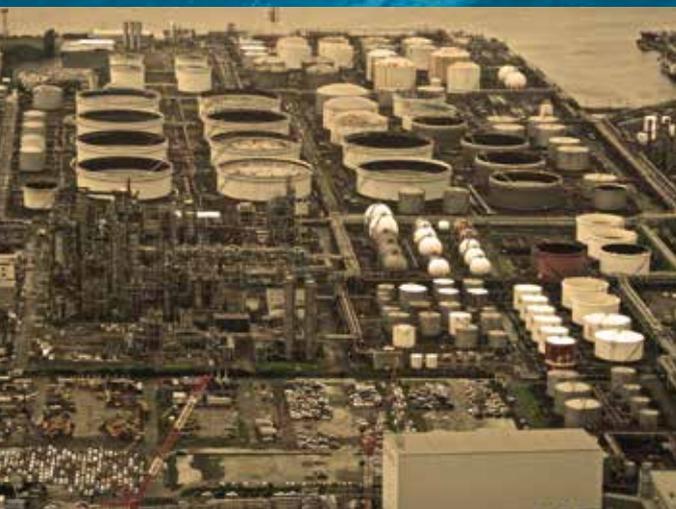
1970

1960

1885    1890    1900    1910    1920    1930    1940    1950

- The Company founded
- The Company commenced Japan’s first long-haul liner service

- The Company built its first crude oil tanker
- The Company built its first ore carrier



An oil refinery

## From 1950 Providing Marine Shipping Services That Help Drive Japan’s Post-War Revival and Rapid Economic Growth

Following the Second World War, demand grew rapidly for oil, iron ore, and other resources, particularly from heavy industry. To help import raw materials to Japan, the Company commissioned large specialized vessels for such commodities, greatly contributing to the country’s industrial development.



The Company’s first crude oil tanker, Tamba Maru

1980

1985

1990

- The Group commenced comprehensive global logistics business handling maritime, land, and air transport services

## From 1985 Supporting the Supply Chains of Various Industries as a Comprehensive Global Logistics Enterprise

While its customers progressively globalized their supply chains, the Group was able to speedily and flexibly respond to customers' diversifying needs by expanding beyond maritime shipping as a comprehensive global logistics enterprise.



Zeus Leader (pure car and truck carrier)



Land transport services provided by semitrailers



A Boeing 747-8F jet operated by the Group

From 2010

## Helping Develop an Energy Value Chain

Amid growing awareness of environmental concerns and ahead of the competitors, the Group began focusing on liquefied natural gas (LNG), hydrogen, and other energy sources that have less environmental burden. The Group joined offshore oil and gas development projects, which have been growing in number worldwide, while putting systems in place for broadly responding to energy projects from the upstream to downstream stages of the value chain.

2000



A Floating Production, Storage, and Offloading (FPSO) unit\*



Engie Zeebrugge LNG bunkering vessel

2010

2022

- The Company joined projects operating FPSO units\* off the coast of Brazil
- The Company built the world's first new LNG bunkering vessel

\* FPSO units are floating vessels that produce and store crude oil and gas from offshore oil and gas fields, and directly load it to tanker ships

# Responding to Diverse Shipping Needs Through a Broad Lineup of Maritime, Land, and Air Transport Services

## Flexibly Transforming the Business Portfolio to Meet the Needs of Customers

Logistics infrastructure is indispensable for industry and people’s livelihoods, and demand for logistics services has been on the rise along with economic globalization and the rapid growth of emerging countries. In response to such global trends and market shifts, the Group has strategically transformed its business portfolio. In addition to offering marine transport services by its world-class fleet, the Group responded to customers’ needs by developing businesses that provided “more than shipping”, including land transport by semitrailers, air transport by cargo aircraft, terminal and warehouse management, and a finished vehicle pre-delivery inspection service that also handles maintenance and the supply of parts. Looking ahead, the Group intends to continue responding to diverse needs that arise with the changing times.



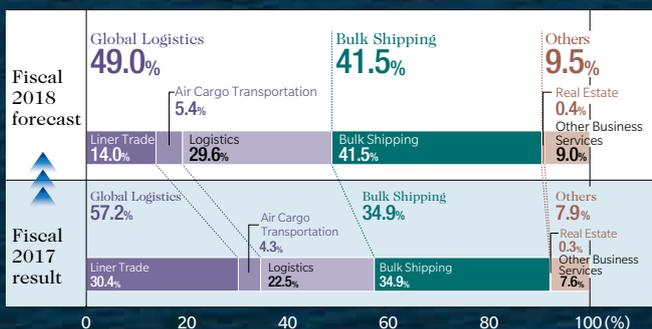
## Envisioning the Future of Shipping Based on Emerging Social and Environmental Needs

The Group is looking to develop its businesses beyond cargo transport by leveraging the advanced shipping expertise and know-how it has built up over many years, along with its global network and partnerships with various companies and organizations. Accordingly, the Group is pursuing various forward-looking initiatives, including the promotion of digitalization in shipping as a way to create new business opportunities, as well as the development of green businesses, such as the Group’s service that supplies and sells fuel to LNG-fueled vessels, which have a comparatively lower burden on the environment. Based on projections of emerging social and environmental trends, the Group intends to respond to the hopes and demands of all kinds of stakeholders around the world by creating new value for their communities through the Group’s business activities.

## Safely Transporting Goods and Energy Resources



## Change in the Proportion of Revenues by Business Segment



## Training and Effectively Utilizing Human Resources



### Reducing Environmental Impact

### Driving Innovation



### Engaging with Communities



# Exploring Opportunities for Continuous Growth Amid Calls for Better Risk Management

For the Group to continue growing, it will be vital to capitalize on opportunities for growth while also effectively managing risks based on an accurate understanding of trends and the Group's operating environment. The Group not only faces an increasingly volatile maritime shipping market but also other dramatic changes taking place around the world, such as growing

geopolitical risks and rapid advancements in digital technologies. In light of the political and economic trends confronting the international community, the Group's management examines the operating environment from a long-term perspective and formulates business strategies and measures aimed at maximizing opportunities and reducing risks.

## Mega-Trends

### Political and Economic Trends

- Geopolitical risks affecting global political affairs, including growing tensions in Northeast Asia and the Middle East
- Rise of trade protectionism
- Changes in international and regional economic conditions
- Increasing investible funds due to excess liquidity

### Social Trends and Environmental Issues

- Growing population in emerging and developing countries
- Widening income disparity and the North-South divide
- Climate change and ocean conservation problems
- Shift to a low-carbon and decarbonized society
- Workplace culture reforms in Japan

### Technological Innovations

- Advancements in AI and digital technologies
- 3D printers and changes in supply chains
- Blockchain platforms

## Major Opportunities

- Appearance of alternative supply areas
- Growing demand for alternative long-distance shipping services
- Rising demand for maritime shipping
- Need to restore supply chains
- Demand for high-quality shipping services
- Stricter evaluations of vessel quality and Shipmanagement
- Growing calls for safety and environmental measures
- Increasing need for digital technology development

## Major Risks

- Decreased demand for maritime shipping
- Blockades of shipping routes
- Rising market volatility
- Oversupply from excess tonnage
- Foreign exchange and bunker oil price fluctuations
- Increasing likelihood of maritime accidents
- Declining competitiveness due to technological obsolescence
- Mobility or loss of key personnel

## Improving the Group's Ability to Withstand Market Changes

The Group's management recognizes that the structure and organization of the Group's operations must be reformed in order to reduce its vulnerability to conditions in the maritime shipping market, which fluctuate dramatically due to a wide variety of factors. Accordingly, management is working to overhaul the structure of the dry bulk transport business to effectively limit the impact of downturns, more accurately predict market trends, and generate steady profits regardless of market changes.

Refer to pages 54 – 55 in the "Strategies in Each Business" section



## Promoting Digital Technologies

The Group utilizes the latest digital technologies together with the expertise of the Group's highly experienced ship crews to analyze vast amounts of data on ocean conditions and the Group fleet, one of the world's largest and most varied selections of operating vessels. Using open platforms in collaboration with other companies and organizations, the Group works to ensure that its vessels operate efficiently and safely, which includes preventing collisions, accidents, and equipment troubles, while applying a feed-improvements-forward concept to enhance all kinds of logistics capabilities and commercial shipping processes.

Refer to page 22 in the "Digitalization and Green Initiatives" section



## Preparation for New Environmental Regulations

Amid growing awareness of environmental concerns around the world, including climate change and threats to marine biodiversity, environmental regulations in the maritime shipping industry are becoming increasingly strict. In response, the Group not only plans to comply with such regulations but also intends to differentiate its services from competitors by leveraging leading-edge technologies and expertise accumulated at the Group's four R&D laboratories.

Refer to page 20 in the "Digitalization and Green Initiatives" section



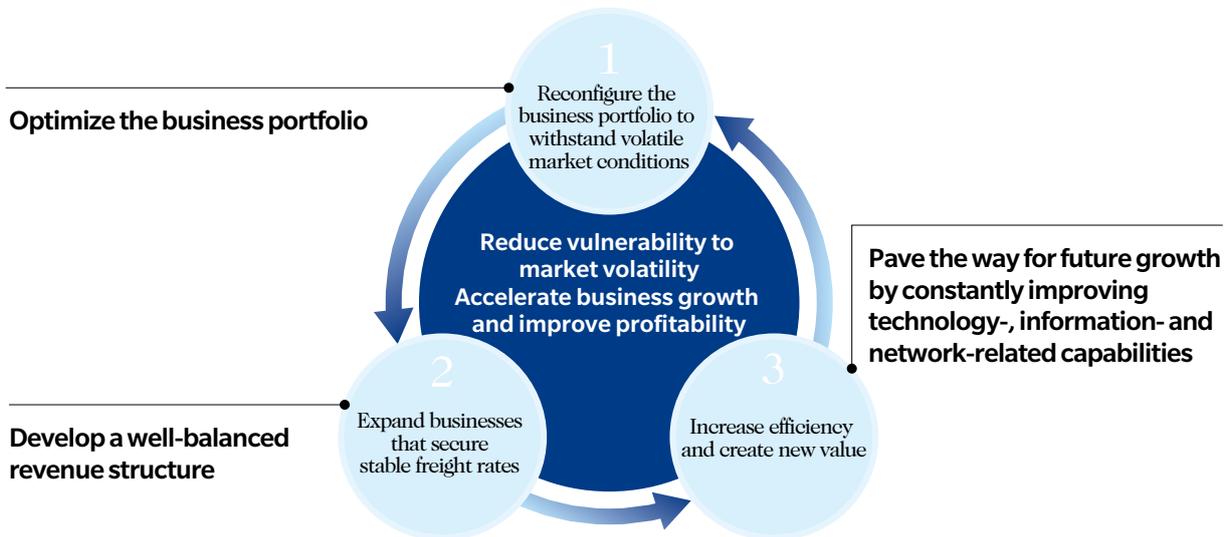
## Enhancing Enterprise Risk Management

Regularly examining how to effectively allocate capital while setting levels of risk appetite and risk tolerance are essential for enabling a company to grow sustainably. Therefore, the Group pays close attention to risk management while always responding to related requests and demands from stakeholders and the public, periodically confirming levels of risk, and conducting reviews of the Group's risk management as necessary.

Refer to page 68 in the "Corporate Governance" section



# Aiming for Continuous Growth under a New Medium-Term Management Plan



	Fiscal 2017 results	Medium-term management plan target by Fiscal 2022
Recurring profit	28 billion yen	70 – 100 billion yen
Return on equity (ROE)	3.8%	min 8.0%
Shareholder's equity ratio	27%	min 30%
Debt-to-equity ratio	1.78	Less than 1.5

## Materiality



## Governance

→p.68

The Group has established a new five-year medium-term management plan called Staying Ahead 2022 with Digitalization and Green. Under this plan, the Group intends to optimize its business portfolio in order to reduce its vulnerability to market volatility, and improve profitability by securing a stable-freight-rate business. At the same time, the Group plans to accelerate the adoption of Internet of Things (IoT) technologies and more quickly expand environmentally conscious businesses through “digitalization and green” initiatives. Guided by its basic philosophy of “Bringing value to life”, the Group is aiming to grow over the medium- to long-term and create new value for customers and people all over the world.

### Value from Transportation of Goods

- Delivery of goods vital to daily living
- Achievement of prosperity for people
- Provision of a stable supply of energy
- Support of a stable supply chain for economic growth



### Value from Global Business Development

- Creation of employment around the world
- Creating global logistics network especially in emerging and developing countries
- Revitalization of the global economy through transportation



Creating value

# Bringing value to life.

### Value from Responding to Environment and Safety

- Reduction of CO<sub>2</sub> emissions during transport
- Prevention of ocean/air pollution, preservation of the ecosystem
- Innovation for next-generation fueled vessels

