

## Internal

### Directors



#### Tadaaki Naito

Chairman, Director  
Chairman and Executive Officer

Number of shares held: 46,013  
Attendance at Board of Directors' meetings: 14/14

1978	Joined the Company
2004	General Manager of Petroleum Group
2005	Corporate Officer
2007	Managing Corporate Officer
2008	Director, Managing Corporate Officer
2009	Representative Director, Senior Managing Corporate Officer
2013	Representative Director, Executive Vice-president Corporate Officer
2015	President, Representative Director, President Corporate Officer
2019	Chairman, Director, Chairman Corporate Officer
2020	Chairman, Director, Chairman and Executive Officer



#### Hitoshi Nagasawa

President, Representative Director  
President and Chief Executive Officer  
Executive Chief of ESG Management

Number of shares held: 28,648  
Attendance at Board of Directors' meetings: 14/14

1980	Joined the Company
2004	General Manager of LNG Group
2007	Corporate Officer
2009	Managing Corporate Officer
2011	Director, Managing Corporate Officer
2013	Representative Director, Senior Managing Corporate Officer
2018	Representative Director, Executive Vice-president Corporate Officer
2019	President, Representative Director, President Corporate Officer
2020	President, Representative Director, President and Chief Executive Officer



#### Eiichi Takahashi

Representative Director  
Senior Managing Executive Officer  
Chief Financial Officer  
Chief Executive of Management  
Planning Headquarters

Number of shares held: 19,975  
Attendance at Board of Directors' meetings: 14/14

1982	Joined the Company
2010	General Manager of Accounting Group
2012	Corporate Officer
2016	Director, Managing Corporate Officer
2018	Director, Senior Managing Corporate Officer
2019	Representative Director, Senior Managing Corporate Officer
2020	Representative Director, Senior Managing Executive Officer



#### Hiroki Harada

Director, Senior Managing Executive Officer  
Chief Executive of Global Logistics  
Services Headquarters

Number of shares held: 7,646  
Attendance at Board of Directors' meetings: 11/11

1983	Joined the Company
2011	General Manager of Tramp Co-ordination Group
2014	Corporate Officer
2018	Managing Corporate Officer
2019	Director, Senior Managing Corporate Officer
2020	Director, Senior Managing Executive Officer

\* Attendance by Hiroki Harada at meetings of the Board of Directors is indicated from June 19, 2019, the date he assumed his current positions.



#### Yutaka Higurashi

Director, Managing Executive Officer  
Chief Compliance Officer  
Chief Executive of General Affairs Headquarters

Number of shares held: 6,986  
Attendance at Board of Directors' meetings: N/A

1985	Joined the Company
2014	General Manager of Legal Affairs Group
2016	Corporate Officer
2020	Managing Corporate Officer
2020	Director, Managing Executive Officer

### Executive Officers

Senior Managing Executive Officers

**Tomoyuki Koyama**  
**Akira Kono**

Managing Executive Officers

**Takaya Soga**  
**Koichi Uragami**  
**Shohei Yamamoto**  
**Svein Steimler**

Executive Officers

**Nobuhiro Kashima**  
**Toru Kamiyama**  
**Masashi Suda**  
**Shinya Hitomi**  
**Taizo Yoshida**  
**Kotaro Seki**  
**Muneaki Saitoh**  
**Kazumasa Okazaki**  
**Hideki Suzuki**  
**Hiroshi Kubota**  
**Shinji Umehara**  
**Yuko Tsutsui**  
**Toru Maruyama**  
**Hiroaki Nishiyama**  
**Hisaya Higuchi**  
**Hironobu Watanabe**  
**Patrick Brennan Jr.**

### Audit and Supervisory Board Members



#### Hiroshi Hiramatsu

Number of shares held: 10,536  
Attendance at Board of Directors' meetings: 14/14  
Attendance at Audit and Supervisory Board meetings: 16/16

1978	Joined the Company
2004	General Manager of Corporate Planning Group
2006	Corporate Officer
2008	Managing Corporate Officer
2009	Director, Managing Corporate Officer
2013	Resigned
2017	Audit and Supervisory Board Member



#### Noriko Miyamoto

Number of shares held: 11,954  
Attendance at Board of Directors' meetings: 11/11  
Attendance at Audit and Supervisory Board meetings: 11/11

1983	Joined the Company
2012	General Manager of IR Group
2014	Corporate Officer
2018	Managing Corporate Officer
2019	Audit and Supervisory Board Member

\* Attendance by Noriko Miyamoto at meetings of the Board of Directors and the Audit and Supervisory Board is indicated from June 19, 2019, the date she assumed her current position.

## Outside

### Independent Outside Directors



#### Yoshihiro Katayama

Chief Independent Outside Director

Number of shares held: 12,996

Attendance at Board of Directors' meetings: 14/14

1974 Joined Japan's Ministry of Home Affairs  
 1998 Resigned from the ministry  
 1999 Governor of Tottori Prefecture  
 2007 Completed term as governor, Professor at Keio University  
 2010 Minister of Internal Affairs and Communications  
 2011 Resigned from the ministry  
 2016 Outside Director of NYK  
 2017 Retired from position as professor at Keio University  
 2017 Professor at Graduate School of Public Management, Waseda University (current position)  
 2019 Chief Independent Outside Director of NYK



#### Hiroko Kuniya

Number of shares held: 5,091

Attendance at Board of Directors' meetings: 13/14

1981 Announcer and writer for English-language broadcasts of NHK General TV's "Seven O'clock News;" Researcher for "NHK Special" (NHK = Nippon Hoso Kyokai (Japan Broadcasting Corporation))  
 1987 Newscaster on NHK satellite broadcasting's "World News"  
 1993 Newscaster on NHK General TV's "Today's Close-Up"  
 2016 Trustee of Tokyo University of the Arts (part-time; current position)  
 2017 Independent Outside Director of NYK



#### Eiichi Tanabe

Number of shares held: 0

Attendance at Board of Directors' meetings: 11/11

1978 Joined Mitsubishi Corporation  
 2008 Senior Vice President  
 2012 Executive Vice President  
 2016 Senior Executive Vice President, Corporate Functional Officer  
 2016 Representative Director, Senior Executive Vice President  
 2018 Retired from Mitsubishi Corporation, Advisor of Mitsubishi Corporation  
 2019 Independent Outside Director of NYK  
 2020 Retired as Advisor of Mitsubishi Corporation

\* Attendance by Eiichi Tanabe at meetings of the Board of Directors is indicated from June 19, 2019, the date he assumed his current position.

### Independent Outside Audit and Supervisory Board Members



#### Hiroshi Nakaso

Number of shares held: 0

Attendance at Board of Directors' meetings: N/A

Attendance at Audit and Supervisory Board meetings: N/A

1978 Joined the Bank of Japan  
 2003 Director-General of Financial Markets Department of the Bank of Japan  
 2008 Executive Director of the Bank of Japan  
 2013 Deputy Governor of the Bank of Japan  
 2018 Retired as Deputy Governor of the Bank of Japan  
 2018 Chairman of Daiwa Institute of Research Ltd. (current position)  
 2020 Independent Outside Audit and Supervisory Board Member of NYK



#### Satoko Kuwabara

Number of shares held: 0

Attendance at Board of Directors' meetings: N/A

Attendance at Audit and Supervisory Board meetings: N/A

1990 Registered as Attorney-at-Law (Daini Tokyo Bar Association)  
 1990 Joined Mori Sogo (currently Mori Hamada & Matsumoto)  
 1998 Partner of Mori Hamada & Matsumoto  
 2020 Resigned as Partner of Mori Hamada & Matsumoto  
 2020 Partner of Gaien Partners (current position)  
 2020 Independent Outside Audit and Supervisory Board Member of NYK

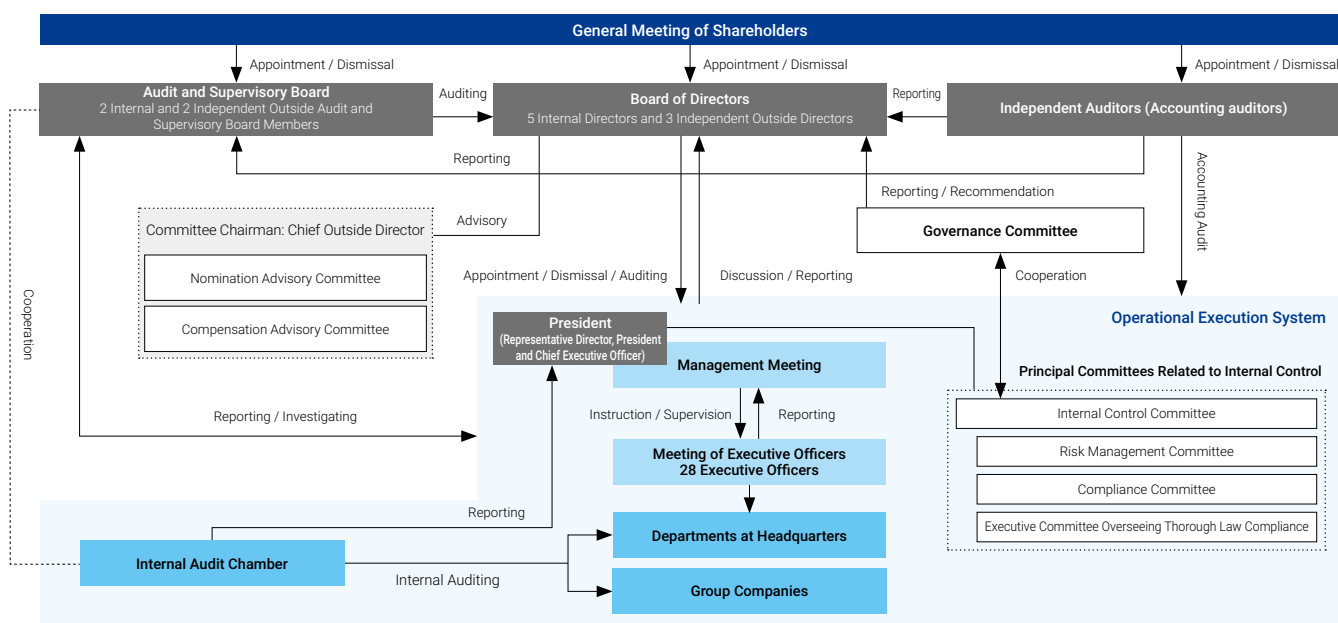


History of Enhancing Corporate Governance

	2000	2010
Enhance management transparency	2006 Established Advisory Board	2008 Abolished Advisory Board and elected Outside Directors 2010 Filed notification of all Outside Directors and Audit and Supervisory Board members as independent officers 2017 Established Chief Outside Director
Change in the number of Directors	2002 [22 people]	2008 [16 people] → 2016 [12 people] → 2018 [9 people] → 2019 [8 people] → 2020 [8 people]
Effectiveness of the Board of Directors		2008 Reduced term of office of Directors from two years to one year 2016 Conducted a non-anonymous self-evaluation survey on Board effectiveness (2018 Appointed an outside agency in charge of tabulation and analysis, etc.)
Advisory Committees		2016 Established Nomination Advisory Committee and Compensation Advisory Committee
Compensation system		2016 Introduced performance-based stock remuneration program
Corporate Governance Code		2015 Established Corporate Governance Guidelines

▶ Corporate Governance Guidelines [https://www.nyk.com/english/profile/pdf/gvn\\_report\\_01.pdf](https://www.nyk.com/english/profile/pdf/gvn_report_01.pdf)

NYK's Corporate Governance Organization Chart (as of June 29, 2020)




Initiatives in Fiscal 2019

- Maintained a ratio of independent outside directors and outside audit and supervisory board members of one-third or higher (37.5% for directors and 41.7% for directors and audit and supervisory board members).
- Changed chair of Nomination Advisory Committee and chair of Compensation Advisory Committee to independent outside directors to ensure transparency.
- Revised decision-making process and established Management Meeting in April 2020 to ensure flexible decision-making.
- Changed naming conventions (changed from corporate officer to executive officer) in June 2020 and changed position and prominence of Meeting of Executive Officers to clarify executive responsibilities.
- Enhanced internal auditing function as a means to strengthen Group governance.

☑ Expertise and Experience of Directors (as of June 29, 2020)

The expertise and experience of the directors have been disclosed and communicated to all investors since 2018.

	Age	Number of Years as Director	Portrait	Expertise and Experience														
				Academia / Education	Business Ethics	Business Head / Administration	Corporate Governance	Environment / Safety	Investment	Financial Expertise / Literacy	Government / Public Policy	Foreign Affairs / Geopolitics	Business Assignment Overseas*	Marketing / Sales	Risk Management	Legal / Marine Insurance	Media / Corporate Social Responsibility	Talent Management
<b>Tadaaki Naito</b> Chairman, Director, Chairman and Executive Officer	64	12			●	●	●	●	●	●			Germany	●	●		●	●
<b>Hitoshi Nagasawa</b> President, Representative Director, President and Chief Executive Officer	62	9			●	●	●	●	●				U.K.	●	●		●	
<b>Eiichi Takahashi</b> Representative Director, Senior Managing Executive Officer	61	4			●	●	●		●	●			U.S.				●	
<b>Hiroki Harada</b> Director, Senior Managing Executive Officer	59	1			●	●	●		●				U.K. / Belgium	●				●
<b>Yutaka Higurashi</b> Director, Managing Executive Officer	56	-			●	●	●						U.K.		●	●		
<b>Yoshihiro Katayama</b> Independent Outside Director Chief Outside Director	68	4		●	●		●								●		●	●
<b>Hiroko Kuniya</b> Independent Outside Director	63	3		●	●		●	●					U.S.		●		●	
<b>Eiichi Tanabe</b> Independent Outside Director	66	1			●	●	●		●	●			U.K.		●			

\* Includes overseas experience at other companies

We need to deeply instill our purpose and the values we should cherish in all employees, and create a system that enables people to work ambitiously.

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**Yoshihiro Katayama**

Independent Outside Director  
Chief Outside Director



The NYK Group should aim to be a leader in decarbonizing logistics.

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**Hiroko Kuniya**

Independent Outside Director



New businesses are expected to emerge amid ESG responses.

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**Eiichi Tanabe**

Independent Outside Director



**T**he Governance Committee has been established for one year now, but I am not so sure that we have achieved a common recognition of governance itself. Rather than top-down enhancement of governance, I would like the Group to focus on creating a system and environment in which the members of the organization take on board its mission and code of conduct, with all employees developing a deep sense of their own purpose and the values that they should cherish. Looking back over fiscal 2019, I have been interested in structural problems at subsidiaries and affiliates that seem prone to misconducts or failures, and I have made proposals regarding what I have noticed, such as the status of officers' personnel matters. For loss-making subsidiaries, I encourage giving them autonomy and independence so that they can transform themselves into good companies. Moreover, while the Company has certain limitations due to the nature of its operations, the ratio of

**I**nitiatives on the environment are expected to become an increasingly important factor for measuring competitive strength going forward. Within the ESG (Environment, Social, Governance) framework, the NYK Group should actively address environmental issues, to become a leader in decarbonizing logistics. As we go forward, the Group should communicate both internally and externally the impact of the climate crisis on its business, its GHG reduction targets for 2030 and 2050, and its commitment to them. In the next medium-term management plan, it would be desirable to show reduction targets for each business division, as well as to specifying the personnel and budgets required to meet these targets. Moreover, the Group should deepen its exchanges with companies taking a proactive stance on decarbonization and constantly expand its business opportunities while staying abreast of the latest trends in Japan and overseas. The medium- and long-term scenarios for 2030 and 2050 need to be analyzed. The ability to

**T**he business environment for companies is changing rapidly, with the advancement of technology as well as responses to climate change and push-back against globalization. The experience of COVID-19 is accelerating these changes. Amid changing social needs and lifestyles, adapting to the business environment and continuing to grow are difficult tasks for companies. However, times of change also present opportunities to create new businesses. The Company should recognize that stabilizing and entrenching its existing business portfolio alone will make it difficult to grow earnings over the medium to long term and prevent it from meeting the needs of society. The NYK Group has been advocating "Digitalization and Green" initiatives for some time now, and I expect to see new businesses emerging amid its ESG response.

Amid this dramatic change, the pressing question is how well the Company can take risks, which also includes forming alliances with

female managers is low, and I must say there is much room for effort and improvement to ensure diversity. I intend to continue focusing on strengthening governance from all aspects going forward.

In risk management, while the NYK Group continues its current business model of using fossil fuels to transport fossil fuels, it is extremely important to be constantly aware of the future beyond this. As we have seen with the current COVID-19 pandemic, it is virtually impossible to accurately project the future of markets and society and to grasp risks in detail. Rather, I think it is vital to have the ability to infer how the near future will play out from daily phenomena.

engage in sufficiently deep debate on climate change risks will be an important aspect of risk management for investment decisions.

With respect to social initiatives, diversity of personnel leads to strength and creativity. Diversity should also lead to stronger risk management and accelerated innovation. The rapid spread of the COVID-19 pandemic brought economic activities to a sudden halt all over the world, taking us by surprise. Sudden dramatic changes in the business environment require flexible and resilient responses. To that end, we should take this opportunity to review and determine whether the Group has created an environment rich in ideas and solutions where diverse personnel, including people on the front lines as well as head office, sales, and engineering personnel, whether they are male or female, young or experienced, can freely express their opinions across organizational lines.

other companies. Improving governance is also in alignment with this objective, and while the Governance Committee established in 2019 is beginning to produce results in this regard, further improvement of organizational capabilities is to be desired.

At Board of Directors' meetings, I monitor management decision-making carefully to ensure that it is acceptable from the viewpoint of every stakeholder. I believe that even more than judgment on individual proposals, it is extremely important to see that a system and culture for making appropriate decisions are taking root firmly in the Company. I will strive to contribute from this perspective as an outside director.



# Initiatives to Strengthen Corporate Governance

**Yutaka Higurashi**

Director, Managing Executive Officer,  
Chief Compliance Officer,  
Chief Executive of General Affairs Headquarters

## ► Overview

I have spent the past year working to enhance our corporate governance framework. There are two issues that I have addressed. The first was a review of management's decision-making process. We changed the positioning of the Committee of Corporate Officers (currently, the Meeting of Executive Officers)—which was previously tasked with business execution—and newly formed the Management Meeting, comprising executive directors and chief executives. We also clarified the president's decision-making authority as the person responsible for execution and made the decision-making process of the meeting faster and more transparent. Furthermore, to raise the quality of the discussions themselves, we strengthened the systems for organizing and providing high-quality information. Matters of significant importance are to be resolved by the Board of Directors. In the process of proposing matters to the Board, the process of examination and meeting agenda items formulated by the internal execution side are presented in detail to enhance the discussions of and resolution by the Board of Directors.

The second issue was to further enhance internal controls. The NYK Group has over 34,000 officers and employees working at about 200 companies. We have thus created an internal control framework for ensuring that management's intentions are shared across all organizations and levels of the Group and realized. Generally, an internal control framework is categorized into first defense (management within operating divisions), second defense (management support from corporate divisions), and third defense (internal audit divisions). In line with this categorization, we have clarified the location and function of responsibility for each category and organized a chain of command. We have also revised the Company Rules, renewing them to clarify areas of responsibility and

the officers in charge thereof, in a universally understandable manner. Now that we have improved clarity of our rules, we hope to quickly identify issues and autonomously move to improve them, while increasing the sophistication of our internal audit methods and concentrating the Group's relevant resources to make the internal audits themselves more effective.

## Action Plan for Strengthening Corporate Governance

Having formulated an action plan for realizing effective operations, we are now implementing it sequentially.

1

### Improve Board of Directors' effectiveness

- Enhance methods for sharing information with independent outside directors
- Hold discussion meetings

2

### Strengthen structure for supporting and enacting the business decisions of the president

- Reinforce business-planning functions
- Adopt a flexible and transparent decision-making process

3

### Strengthen Group governance

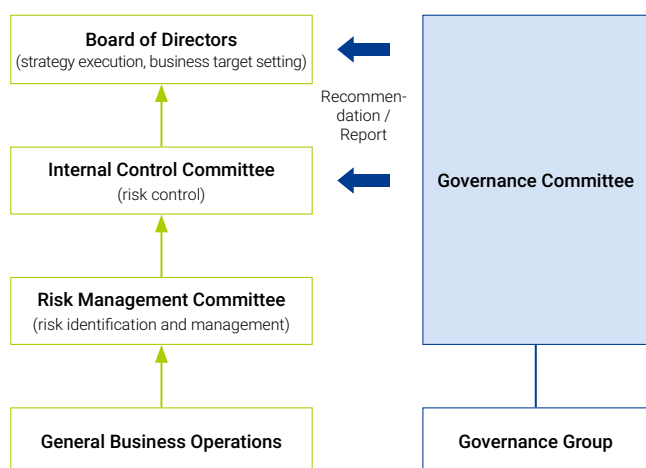
- Bolster operations of internal control functions
- Clarify roles and supervisory responsibilities for first and second lines of defense (first: operating divisions; second: corporate divisions) to prevent or quickly uncover fraudulent activity
- Reinforce internal control functions
- Revise scope and targets of internal audits and utilize IT to strengthen internal controls as a third line of defense
- Extension to domestic and overseas group companies
- Coordinate lines of communication across four global axes

## Toward Even Better Corporate Governance

The Governance Committee has now entered the second half of its time-limited activities. In the second year, fiscal 2020, we will consolidate the advances in our internal control initiatives, which we executed in the first year, and shift our focus toward getting the process for autonomously continuing improvements on track. As part of these efforts, we have started “Governance Talk” sessions among senior management and young employees. The sessions are used to precisely confirm that the new corporate governance framework is operating correctly and that participants understand their responsibilities under the new Company rules. We will widen the scope of these sessions to include Group companies in Japan and overseas, aiming to increase awareness of corporate governance among all Group employees. In the process, we will rectify any issues that we find with the framework. Once this PDCA cycle enters its second iteration, we will be able to confirm that the abovementioned first to third lines of defense are functioning soundly, thus seeing the Governance Committee complete its mission.

I was appointed to the legal department in 2014, and the task assigned to me by the Company at that time was to reform the department into one that will play an essential role for the Group now and into the future. The background to this task was an infringement of the Antimonopoly Act that occurred in 2012 (see page 74 for details). Regrettably, compliance violations continued to occur thereafter within the Group. Since my appointment, I have promoted reforms, but, in fact, we have only just arrived at the base camp of the mountain we are to climb. By “base camp,” I mean that, by working to deal with these issues, we have finally reached a point where we can see a wider view and are determined to continue climbing even further alongside with many others toward achieving an appropriate level of corporate governance. Over the past few years, the number of groups colleagues that have also started out on this journey has increased. As we hear about the various expectations of our stakeholders, I hope that our operating divisions, corporate divisions, and internal audit division will advance together step by step toward the summit.

### Governance Committee Diagram



### Governance Committee Members (Fiscal 2019)

	Name
Independent Outside Director	Yoshihiro Katayama
Chief Outside Director	
Independent Outside Director	Hiroko Kuniya
Independent Outside Director	Eiichi Tanabe
Internal Audit and Supervisory Board Member	Hiroshi Hiramatsu
Internal Audit and Supervisory Board Member	Noriko Miyamoto
Independent Outside Audit and Supervisory Board Member	Hirohide Yamaguchi
Independent Outside Audit and Supervisory Board Member	Toshinori Kanemoto
Director, Senior Managing Corporate Officer, CCO	Yoshiyuki Yoshida
Director, Senior Managing Corporate Officer, CFO	Eiichi Takahashi

## Enhancement of Risk Management

The NYK Group's Risk Management Committee is chaired by the president and meets twice a year. The committee's role mainly comprises three aspects. The first is risk identification. The committee confirms the risks that have an impact on the business activities of each of the seven headquarters and of the Group companies under their supervision in Japan and overseas. Risks may be known risks or newly identified ones. The second aspect is confirming the

probability of risks arising and the individual countermeasures for minimizing the negative impacts of their materialization. Since risks constantly emerge, the committee confirms whether the current risk management system continues to be effective or not. The third aspect is selecting risks that seem material to management from a risk matrix presented by the committee secretariat based on the size of the impact on management and the predicted frequency



of occurrence. The Risk Management Committee performs an important function in terms of risk prevention by ensuring there are no oversights in daily efforts to ascertain and respond to risks.

The Group has provided various kinds of value through comprehensive logistics services based on its original maritime transportation business, and including land and air transportation services. Looking ahead, we will strive to transport value in a host of new ways; however, challenges necessarily involve risks. Naturally, we will employ risk hedges through insurance and similar methods, but it will be essential to co-create with various stakeholders in the challenges we plan to take on going forward. Doing so will necessitate wide-ranging risk control that covers more than just the

Company itself. In other words, we need broad-based corporate governance management that begins with decision-making based on management's judgment and extends to correct business execution after investment.

I believe the broad-based corporate governance management we need going forward will require even greater diversity. The Group actually has a very diverse global workforce. I am of the opinion that sharing organizational targets among our workforce and eliciting their various opinions to entrench diverse viewpoints in frontline business operations constitute the most surefire risk response measure.

### | Column |

## How to Be a Resilient Corporation

The NYK Group's basic philosophy is "Bringing value to life," and its livelihood is in the business of delivering various kinds of value. With the recent spread of COVID-19, there is a possibility of a decrease in the goods and value that we have transported to date. However, people always pursue good fortune, and if we change our perspective, we can always generate new value and other transport needs.

Each division must bring all of its organizational capability to bear by carefully observing changes to cargo volumes and trade patterns due to COVID-19, while actively employing all of the Group's accumulated knowledge and expertise. I am in charge of the NYK Maritime Museum and Hikawa Maru, both in Yokohama. Whenever I see these facilities, I am inspired by thinking of the tremendous hardships that the Company has overcome through innovation. COVID-19 may be the first instance we have faced of a threat occurring simultaneously all around the world, but when I look at the museum and Hikawa Maru, I am confident that the strategy to counter this threat will come from our daily efforts and creative ideas.

What I think is best at this point is to make ourselves more resilient as a company, akin to a ship that stabilizes to an upright position after being rocked by a strong wave. I will strive to

ensure that this organization will continue to be one where all of the over 34,000-strong team of Group executives and employees each question their existing ideas of the status quo, become inspired by new viewpoints and approaches, and vigorously discuss the issues they face.



## Board of Directors and Operational Execution System

NYK seeks to construct an appropriate management system that supports transparent and efficient management capable of swiftly and accurately responding to sudden changes in the business environment and that supports fully informed decision-making and oversight by the Board of Directors.

The Board of Directors comprises eight directors, including three outside directors that have met the criteria for independence. The directors are selected to bring diversity and expertise to the Board to stimulate substantive and deep discussions. The Board is configured this way to ensure a sufficient number of internal directors who are well versed in the business of the Group, which is mainly global shipping and logistics operations, and a certain number of independent outside directors with high levels of specialized knowledge that will contribute to corporate management and further enhance the supervisory function of the Board of Directors.

The independent outside directors serve on the Board of Directors and the chief outside director serves as chairman of both the Nomination Advisory Committee and the Compensation Advisory Committee. The independent outside directors also share opinions with the audit and supervisory board members and attend important corporate meetings, including meetings of the Governance Committee, which discusses issues related to internal control. To ensure substantive discussion and deliberation at meetings of the Board of Directors, the independent outside directors are provided with full explanations of discussion topics prior to the meetings and participate in discussion meetings\* among directors and audit and supervisory board members to share information and opinions.

The Company also maintains a system of executive officers comprising 28 executive officers from domestic and overseas group companies, including individuals also serving on the Board of Directors. By resolution and under the supervision of the Board of Directors, the executive officers are authorized to make prompt decisions related to the execution of resolutions of the Board based on prior deliberations and within the scope of authority delegated to them. Furthermore, in April 2020 the Management Meeting was established comprising executive directors as well as chief executives of various headquarters and divisions to ensure more flexible and substantive decision-making. The meeting deliberates on matters to be discussed during meetings of the Board of Directors and other important matters related to business execution.

\* Held after regular meetings of the Board of Directors to exchange opinions on medium- to long-term management issues. The meeting comprises directors, members of the audit and supervisory board, and chief executives of various headquarters and divisions.

## Governance Committee

NYK established the Governance Group in January 2019. The Company is also formulating a governance structure to facilitate active efforts to grasp and report issues and propose ways to improve, and it has established the Governance Committee comprising independent outside directors, audit and supervisory board members, and internal directors to provide highly objective and independent viewpoints on governance issues.

The Governance Committee includes two internal directors with an extensive knowledge of the status of the Group's internal control system and independent outside directors and audit and supervisory board members to provide opinions from an objective point of view. The majority of the committee is outside members to create an atmosphere conducive to discuss that reflect opinions from outside the Company. The committee monitors and evaluates the Group's governance and the business execution of management from an objective perspective and shares its assessments with the Board of Directors to enable executive board members to quickly identify internal control issues and implement effective improvement measures (see page 71 for details). The committee also monitors the progress of the Company's governance improvement action plans, engages in deliberations and discussions about improvements related to strengthening the Company's governance system and improvements related to internal control activities, and gives its recommendations and reports to either the Board of Directors or the Internal Control Committee.

## Internal Control System

The NYK Group maintains the Internal Control Committee that acts as a complementary body to the Board of Directors. This committee is chaired by the president and monitors the status of internal control in four areas: reliability of financial reporting, legal compliance, operating effectiveness and efficiency, and protection of assets. In the event an issue is found, the committee implements corrective measures to ensure the relevant department performs appropriate and effective internal control operations.

The Internal Control Committee monitors the activities of corporate departments that determine companywide systems and internal committees and meetings responsible for cross-functional systems with the objectives of verifying the operating status and strengthening the internal control system.

To establish a more solid group management base, in fiscal 2019 the Group worked to enhance operations of its internal control system with the support of external experts through actions that included implementing a review of the Company rules and strengthen the internal audit function. Furthermore, to strengthen internal governance and spread awareness groupwide, we made efforts to facilitate two-way communication and actively transmit information through events such as talk sessions and by establishing a governance portal site. Through these efforts, we are working to improve understanding of governance among all employees.

### ■ Activities to Strengthen Governance and Spread Awareness

- Conducted talk sessions
  - Three events in January 2020, with a total of 135 participants
  - Four events from July to September 2020, with a total of 399 participants
- Launched governance portal site
  - Launched in January 2020, the site serves as a platform to transmit such information as the Group's efforts to strengthen governance and to communicate messages from executive officers.

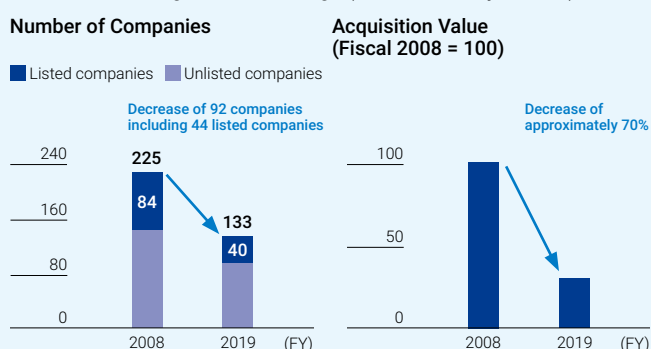
- Posted regular articles in Group magazine  
Provided information related to governance on a monthly basis
- Launching of e-learning  
From fiscal 2020, we plan to implement governance-themed e-learning for both domestic and overseas group companies.

### Policy for Holding Strategic Shareholdings

The Company has adopted a policy to reduce its holdings of strategic shareholdings and has divested approximately 70% (in terms of purchase value) compared to the acquisition value since fiscal 2008. Also, as stipulated in the Corporate Governance Guidelines adopted in November 2015, the Board of Directors annually conducts a comprehensive review of the purpose and objectives of holding individual strategic shares with a focus on the return targets based on the capital cost, the revenue from dividends, general trading conditions and business activities. The number of listed companies in the Company's strategic shareholdings was 40 as of the end of fiscal 2019, down three from the number of 43 as of the end of fiscal 2018.

The Company's current strategic shareholdings are of companies considered to be important business partners with which the Company expects to maintain long-term relationships that will help maintain stable results for the Company. The Board of Directors determined that retaining these shareholdings is suitable for maintaining and strengthening relations with those companies. The Company has set specific standards related to the exercise of voting rights with companies for which it has strategic shareholdings. Under these standards, the Company confirms whether a certain vote will damage the investee company and whether it will contribute to the corporate value of the Company. After these criteria are confirmed and evaluated, a decision to approve or reject a proposal is made.

#### Volume of Strategic Shareholdings (at each fiscal year end)



### Internal Audits

The Internal Audit Chamber conducts internal audits of the Company and domestic group companies based on internal audit rules.

Internal audits for overseas group companies are performed by internal auditors that belong to four overseas regional management offices (the Americas, Europe, Southeast Asia, and East Asia) based

on the policies and guidance of the Internal Audit Chamber.

In fiscal 2019, the Company conducted internal audits of 13 group companies in Japan and 53 business sites overseas. As part of a project to enhance internal auditing, the Company continued to review internal auditing activities and verified the effectiveness of its data analysis methods, which involved checking all expenses-related data, identifying outliers, and other actions.

As this project has progressed, more specialized knowledge and human resources have been required, and, in a move aimed toward improving audit quality, the Company has seconded a total of seven internal audit staff from group companies Yusen Logistics Co., Ltd. and Nippon Cargo Airlines Co., Ltd.

### Group Management Structure

With the overarching objective of enhancing its corporate value, the NYK Group is structuring a Group governance framework and promoting asset efficiency. The Group is revising the management appointment and remuneration decision processes of domestic group companies to improve transparency and unify operating procedures. In addition, the Company has a system of dispatching auditors from a dedicated department to each Group company to oversee directors' business execution and to ensure consistency in the judgment criteria during audits.

For group companies overseas, we have established companies to oversee operations in four regions—the United States, the United Kingdom, Singapore, and China. These companies work with the corporate divisions of the Company to support, strengthen, and optimize governance at overseas subsidiaries in these regions. Moreover, to ensure that management resources are utilized effectively within the Group, we are promoting company integration and expanding shared Group services.

### Executive Committee Overseeing Thorough Law Compliance

The NYK Group previously maintained the Executive Committee Overseeing Thorough Antitrust and Anti-bribery Law Compliance dedicated to ensuring complete Group compliance with the Antimonopoly Act, laws related to bribery, and economic sanctions.

In March 2019, the committee was renamed the Executive Committee Overseeing Thorough Law Compliance, and its scope was broadened beyond compliance to specific laws to cover compliance of all laws, regulations, and licenses.

### Complying with Antitrust Laws

In the global shipping industry, which is subject to the principle of the freedom of shipping (free navigation in international waters and innocent passage in territorial waters), anyone is free to enter or leave the market, which means that it is easy for competition to intensify. To reduce the potential negative impacts from that, such as interruptions to the stable shipping network and reduced shipping and industry competitiveness in emerging countries, the industry

has historically been exempted from the scope of antitrust laws under certain conditions.

With these legal protections diminishing in recent times, it has become common for shipping companies to cooperate through vessel sharing agreements and slot exchanges in order to fulfill infrastructure responsibilities, maintain and improve diverse navigation networks, and manage the frequencies of port calls. As such, companies in the industry encounter many opportunities to make contact with competitors.

Since September 2012, the NYK Group has been subject to investigation by overseas authorities for allegedly violating antitrust laws regarding the shipping of automobiles and other cargo. The Company and some overseas group companies are also subject to class action damage compensation suits in multiple regions.

We offer all our stakeholders a sincere apology for the concerns that we caused.

We implemented various measures including the president declaring thorough compliance with antitrust law, building and operating a control network spanning the entire Group in Japan and overseas, and educating and raising employee awareness through training and manuals on antitrust law and rules concerning contact with other companies in the same industry. Nevertheless, we solemnly accept the fact that this situation occurred and are constructing and initiating a system to ensure absolute compliance with antitrust laws while continuing to raise the awareness of all group employees\* and executive officers.

\* Includes company employees, personnel seconded from other companies, and temporary staff

### ■ Antitrust Laws and Other Legal Compliance Measures

- Annual meetings of the Executive Committee Overseeing Thorough Law Compliance  
Meetings are chaired by the president and attended by directors, executive officers, audit and supervisory board members and general managers.  
September 2019: Meeting held with 107 attendees  
March 2020: Meeting postponed due to COVID-19
- The Executive Committee Overseeing Thorough Law Compliance has met 14 times in total as of March 2020.
- Formulate prevention guidelines and conduct risk assessments of all operating departments of group companies in Japan and overseas
- Review new investment projects by in-house lawyers, etc.
- Obtain written oaths regarding antitrust laws and competition law compliance
- Adopt an application system\* for each officer and employee at headquarters seeking to participate in industry gatherings

\* The system is designed to limit opportunities to interact with companies in the same industry and to require pre-approval to attend necessary meetings and a report on the discussion content after a meeting.

### Absolute Prohibition of Bribery

In January 2014, the Company updated its basic policy and guidelines related to prohibiting bribery to reflect the Japan Unfair Competition Prevention Act (prohibiting the bribing of foreign public officials), the U.S. Foreign Corrupt Practices Act, and the U.K. Bribery Act 2010. Since fiscal 2015, the Company has conducted anti-bribery training for employees in Japan and overseas.

In addition, the Company has been a member of the Maritime Anti-Corruption Network (MACN) since fiscal 2015. MACN is a global network engaged in activities to prevent and eliminate corruption in order to realize fair trade across the entire maritime shipping industry while investigating the root causes of corruption. To reduce the incidence of corruption, MACN has established cooperative relationships with major stakeholders, such as government officials, government authorities, and international organizations.

In April 2016, the Company established a system to prevent the bribery of overseas public officials. When considering new businesses in high risk countries, our legal department screens candidate partners and agents for bribery issues and provides advice and checks, including establishing anti-bribery clauses when creating agreements.

### Fortifying Compliance

Companies around the world are being required to comply with increasingly strict regulations in all regions. The Group's Compliance Committee has been established to maintain and promote awareness of compliance, and it deliberates and makes resolutions regarding the Group's annual compliance plan, policies for compliance-related activities, and other important compliance-related matters.

The Group's Compliance Committee convenes twice yearly and reports its agenda items to the outside directors by way of the Board of Directors.

The NYK Group has set September as the month for strengthening compliance, during which it conducts comprehensive compliance checkups and provides opportunities for staff members to review their conduct and work processes. One activity designed to raise employee awareness of compliance issues is a compliance survey that is distributed throughout the Company followed by several opportunities to provide feedback via the Company's internal web bulletin board.

In April 2020, the Company revised its internal rules related to compliance. In addition to clarifying the rules for reporting compliance incidents (including potential incidents), we held multiple in-house briefing sessions\* regarding the revised rules and the importance of compliance.

\* In-house briefing sessions regarding revised rules held 10 times in remote format from May 2020 to June 2020 (total of 690 participants)

### Compliance Training Programs

Training Programs in FY2019	Number of Programs	Number of Participants
Training on compliance*1	16	553
Training on antitrust law and the prohibition of bribery, etc.*2	199	3,135
e-learning	1	6,198

\*1 Since fiscal 2002, we have held 441 training sessions with 12,488 participants.

\*2 Training was conducted at 111 domestic and overseas group companies in 29 countries, with eight training sessions in Japan and one session every 12 to 18 months in each region overseas. Since the program started in 2009, the program has had some 39,375 participants.

\*3 Data on the transition of the participants mentioned above is indicated in the section "Data on the NYK Group's Sustainability" (see page 43 for details).