



**Nippon Yusen Kabushiki Kaisha
NYK Report**

Financial, Social and
Environmental Performance

Action For Innovation

2021



Contents

Nippon Yusen Kabushiki Kaisha NYK Report 2021

FINANCIAL, SOCIAL AND
ENVIRONMENTAL PERFORMANCE



Our Message

- 4 Message from the President
- 10 The Leaders Driving ESG Management
- 12 Independent Outside Directors' Messages
- 14 The Goals of ESG Management
- 18 Action to Mitigate Climate Change
- 20 **Special Feature 1: Achieving a Real Increase in Corporate Value**

Business Review

- 24 **The NYK Group's Passion and Value Creation Story**
- 26 Our History of Value Creation
- 28 Sustainability Highlights
- 30 The NYK Group's Value Creation Model
- 32 The NYK Group's Business Foundation (Business Model)
- 34 Securing and Strengthening Management Resources of the NYK Group
- 38 Message from the CFO
- 44 Strategy Story: Ensuring Safe Ship Operations / Taking On Ambitious Initiatives in the Energy Field
- 50 **Special Feature 2: NYK Group Innovative Story**
—Circulating Value through MarCoPay
- 56 Co-Creation with Stakeholders through Shared Understanding
- 60 Business Overview
 - Liner & Logistics Headquarters
 - Car Transportation Division
 - Dry Bulk Division
 - Energy Division

Governance and Corporate Data

- 68 **Corporate Governance**
- 74 Directors, Audit and Supervisory Board Members, and Executive Officers
- 76 10-year Summary
- 80 Environmental Data
- 82 Environmental Accounting / NYK Green Bond Fund Allocation Report
- 83 Human Resources Data
- 86 Corporate Data
- 87 External Evaluations

COVER INSPIRATION

The cover represents the NYK Group advancing the implementation of its current reforms backed by powerful business execution capabilities covering the sea, land, and air.



Ship name: Sakura Leader
Type: Pure car and truck carrier
Gross tonnage: 72,285 tons
Length overall: 199.96 meters
Total capacity: 7,000 units (based on conversion to standard vehicle units)

Inaugural ship of the "Sail GREEN" project, an ESG brand being promoted by the Car Transportation Division, delivered in October 2020 to become the first LNG-fueled pure car and truck carrier built in Japan (see page 57 for details)

Action
For
Innovation

Editorial Policy for the NYK Report

NYK Report 2021 is the ninth iteration of the NYK Group's integrated report, which first launched in 2013. Targeting a wide range of the NYK Group's stakeholders, the report is designed to present the Company's various initiatives to solve environmental, social, and governance (ESG) issues, as well as its management strategies, which are strongly oriented toward contributing to the sustainable growth of society and industry as well as of the NYK Group. Building on last year's report, which focused on our raison d'être, NYK Report 2021 tells the story of how we create value, featuring examples of outstanding financial and ESG performance and continuous provision of social value.

Website

General business activities https://www.nyk.com/english/		
Financial information Website section: Investor Relations https://www.nyk.com/english/ir/	Non-financial information Website section: ESG Management https://www.nyk.com/english/esg/	
NYK Report (booklet, PDF (full version), financial results), etc.		
Fiscal statements	Fact Book I, II	Corporate Governance Code-related documents
Business reports		

Cautionary Statement with Regard to Forward-Looking Statements

Some statements made in this report are forward-looking statements that are based on information currently available and involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Please be advised against undue reliance on such forward-looking statements. NYK undertakes no obligation to publish revised forward-looking statements to reflect events, circumstances, or unanticipated events after the present juncture.

Scope of Report

- **Reporting period:** Fiscal 2020 (April 2020 to March 2021)
However, certain information from April 2021 and after is included.
- **Coverage:** The activities of NYK and its consolidated Group companies in Japan and overseas are included.
The scope of coverage is indicated when there are differences in the major companies involved in specific business operations.
- **Date of issue:** September 2021 (previous: October 2020; next: September 2022)
Edited based on the Japanese version of NYK Report 2021 issued in August 2021.

Target Reader

This report has been prepared for all parties who have an interest in the activities of the NYK Group, including customers, shareholders, investors, business partners, employees, local communities, NPOs/NGOs, students, certification bodies, researchers, and those responsible for CSR/ESG at other companies.

Guidelines for Disclosure about the Environment, Social, and Governance factors

- International Integrated Reporting Framework Version 1.0 by the International Integrated Reporting Council (IIRC)
- GRI Standards, global standards for sustainability reporting produced by the Global Reporting Initiative (GRI)
- ISO 26000
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation by the Ministry of Economy, Trade and Industry
- Japan Business Federation
Society 5.0—Co-Creating the Future

Sustainable Solution Provider

Bringing value to life.

In supporting society and industry for over 135 years, we have done much more than simply “transport” cargo.

We have played an essential role in society because we have boldly taken on new challenges that no-one else has and achieved results.

Today, we are witnessing the dramatic dawning of a new era.

We believe that environmental, social, and governance (ESG) issues constitute the key theme for value creation going forward. Taking a completely new approach, we will continue to play an essential role in the world as a corporate group, winning the favor of society in the new era.





Hitoshi Nagasawa

President,
Representative Director,
President and
Chief Executive Officer

MESSAGE

In fiscal 2021, the first official year of ESG management at the NYK Group, we will take a great leap forward by making a strong commitment to changing our mindset.

Turning a “Lost Decade” into a “Decade of Preparation”

In the past 10 years, NYK’s share price has recovered from a low point of around ¥1,000 at one stage to approach the ¥6,000 mark. The industry structure of our main maritime shipping business makes it highly susceptible to the balance of vessel supply and demand, which had cast a longstanding shadow over the appeal of the business to investors. Now, however, we feel that the business can meet expectations for profitability. Considering the price-to-earnings ratio and the price-to-book ratio, the current share price is by no means excessively high.

The year 2008 marked a turning point, when the dry bulk market experienced soaring prices. Then, over these past 10 years, despite favorable performance in certain businesses—such as energy transportation and car transportation—the liner trade, air cargo transportation, and dry bulk businesses have struggled to overcome difficulty in raising revenues as supply outstripped demand. Moreover, trust in the Company’s level of compliance was also shaken by an infringement of the Antimonopoly Act in the car transportation business and safety issues in the air cargo transportation business, as the Group

encountered various issues in Japan and overseas. As we faced these challenges and reflected on these issues seriously, every Group employee used all means possible to achieve results one by one. These past 10 years have not been a “lost decade” but a “decade of preparation,” which the NYK Group has seized as an opportunity to work together as one to prepare for a leap forward.

Furthermore, the past year has been extremely adverse, with the spread of COVID-19 causing a sharp, temporary drop in cargo volumes and difficulties in conducting crew changes. Our frontline workers have put their heads together and made a combined effort to resolve issues with the understanding of our customers. However, with the appearance of mutant strains of COVID-19, the situation has become even more difficult, and it is ongoing. This has been a year for reaffirming the importance of our mission to be a lifeline for the world and a support for industry at sea, in the air, and on land as well as the necessity of maintaining the safety and health of our employees, who are committed to “keeping the logistics lifeline open” through their work in transportation.

Structural reforms of the dry bulk business are ongoing, and I mentioned in last year’s NYK Report that, “Once these

reforms reach a certain stage, we will be able to formulate a long-term strategy for the next leap forward.” In fiscal 2020, we achieved record profits and gained experience through the COVID-19 pandemic, and thus I am pleased to say that we have truly succeeded in preparing for that next leap forward.

Changing a Highly Volatile Business into a Sustainable One

Fiscal 2020 was a mix of both the expected and the unexpected amid a high level of uncertainty due to the COVID-19 pandemic. In the Liner & Logistics segment, our container vessels were expected to see a considerable drop in cargo volumes due to the pandemic. In fact, while that did happen in the first quarter, volumes rebounded sharply from summer onward. Partly due to shipping companies’ adoption of flexible vessel assignments, while a decrease in demand conventionally translates into a decrease in freight rates, in this case freight rates did not fall, and revenues grew. In the air cargo transportation business of Nippon Cargo Airlines Co., Ltd. (NCA), we had expected freight rates to increase due to limited cargo transportation space on

Creating an organization where economic yardsticks and ESG yardsticks permeate

passenger services, which had been reduced; however, the rate increase was greater than expected as congested ports prompted some senders to transport their cargoes via air instead of by sea to ensure timely delivery. Meanwhile, logistics business operator Yusen Logistics Co., Ltd. (YLK) also achieved strong earnings resulting from an improvement in the profit margins of its forwarding business for both marine and air cargoes, in addition to a solid performance in contract logistics. We recognize that these trends occurred under special circumstances and both should return to normal levels later. Nevertheless, in the container shipping business, Ocean Network Express Pte. Ltd. (ONE) realized business integration synergies by enhancing its efficiency in a myriad of ways, such as employing best practices. Therefore, it is unlikely that we will be exposed to the kind of fiercely competitive environment experienced in the past. Beyond benefiting from improved profit margins due to rising freight rates, YLK has succeeded in implementing structural reforms, including strengthening its management foundation. With regard to NCA, it is finding new business opportunities, such as vaccine transportation, although these are subject to international passenger transport trends. That being said, firm transportation demand is expected to continue in the near term.

Meanwhile, in the Bulk Shipping segment, the energy transportation business, which mainly comprises long-term contracts, continues to perform solidly, and the car transportation business securely recovered cargo volumes from the second half of the

fiscal year under review, following a steep drop in the volume of cars for transportation. Overall, the segment has achieved steadily improving results. The dry bulk business had been an unresolved issue, but we finally managed to make some headway toward implementing structural reforms by accelerating the return of high-cost vessels. I think it is a notable achievement that we managed to return the dry bulk business to a profitable state using cash generated without selling assets or depleting our financial base.

Under the current medium-term management plan ending in fiscal 2022, we originally targeted consolidated recurring profit of between ¥70.0 billion and ¥100.0 billion by the final year of the plan; however, we achieved this target ahead of schedule in fiscal 2020. Moreover, we have been able to prepare a foundation for achieving earnings above that target in fiscal 2021 and onward as well. The changes in business conditions will create fluctuations in the financial results of each business, but I am increasingly confident in the earnings capacity of the Group, which is more stable than ever.

Promoting Integrated Thinking In-House to Take ESG Management to the Next Stage

In February 2021, the NYK Group issued the NYK Group ESG Story. Rather than setting out specific strategies and targets in the manner of the medium-term management plan, the ESG Story presents the Group's vision and intended direction for the

future. Up until now, our decision-making criteria have been centered mainly on economic viability; however, with the addition of ESG yardsticks, we are working to become a Sustainable Solution Provider that will continue to be the preferred choice of society in the future. By promoting the most advanced ESG management in the maritime shipping and logistics industries, my aim is to position the Group so that customers will consider it an essential component for increasing the competitiveness of their own supply chains. As long as the Group is the preferred choice, our business opportunities will increase and our growth and differentiation strategies will become more sophisticated, thereby enabling us to continuously generate profits. Moreover, the Group has several resources for generating new value inspired by ESG, such as the Technical Headquarters. I am confident that joining forces with competent partners in Japan and overseas, to make the fullest use of these resources, while also incorporating digital transformation (DX) and technology, we will be sure to produce good results.

Each front line and business entity in the Group will have specific discussions about measures to contribute to ESG, centered on the ESG Story. At this stage, we have made full-fledged starts on various new businesses, such as our offshore wind power-related business and MarCoPay Inc. In addition, the Automotive Transportation Headquarters has launched the ESG brand "Sail GREEN" project and extensively sold environmentally friendly, total logistics services as part of a value chain, focusing on the LNG-fueled pure car and truck carrier Sakura Leader. This brand has been highly

praised for providing a quantitative visual representation of the environmental impact associated with transportation, enabling information about the amount of CO₂ emissions reductions to be shared with customers.

Furthermore, when considering ESG management, rather than treating its individual components—"environmental," "social," and "governance"—separately, it is important to consider them as mutually interactive. For example, regarding the issue of conducting crew changes in the face of the COVID-19 pandemic, being highly sensitive to the "social" aspect gave rise to a company culture that avoids asking crews to assume heavy workloads. Doing so enabled us to maintain and increase frontline motivation and, as a result, we ensured crew safety and prevented accidents, which have a major impact on the marine environment, thereby contributing to the "environmental" aspect as well. "Governance" was also involved as encouraging employees to constantly act and make decisions with ESG yardsticks helps prevent compliance infringements, leading to trust from employees and other stakeholders, which in turn contributes to the "social" aspect.

Viewed in this light, ESG management can be thought of as nothing less than a reformation of awareness. It takes time to effect a complete change in the awareness of an entire organization, but such a development should result in dramatic changes to all areas of the Group. For example, when business divisions previously provided an explanation of an investment, the main focus was on profitability. Now, however,



ESG-related aspects are always considered as well, such as contributions to reducing CO₂ emissions. If stage one of the Group's ESG management has been the period up to the formulation of the ESG Story, then we have now moved into stage two, in which our integrated thinking combining economic viability and ESG will take shape in one form after another. We will ensure that Group employees around the world have a firm understanding of ESG in their respective positions and that they demonstrate it through their actions. The accumulation of these actions will produce excellent results in every location where the Group operates, ultimately giving rise to a sustainable society and environment that are truly rich and worth living in. I look forward to the realization of this goal.

Ready to Accelerate ESG Management

Our efforts to reform awareness in the NYK Group will not stop at the front lines. Discussions among the management team are gradually beginning to show a greater awareness of the medium- to long-term

perspective. Over the past few years, our key themes have included the improvement of the shareholders' equity ratio and structural reforms, but the discussion thereon has always tended to veer back to the short term. Since the prospect of achieving structural reforms is now in sight and the shareholders' equity ratio has improved to nearly 40%, we have been able to take a medium- to long-term view in our discussions. In terms of our structure, riding on the momentum from the 2019 establishment of our Governance Committee, in April 2021 we established the ESG Management Committee, of which I am the chair. Executive Officer Yuko Tsutsui, who plays a central role in promoting ESG management, has been appointed as the vice chair of the committee. Among the members of the committee are seven executive officers representing each headquarters as well as the head of the Environment Group. We have also invited Daigo Shimizu, general manager of the Business Development Department of Goldman Sachs Japan Co., Ltd., to create a team that will enhance the effectiveness of ESG management. Currently, these headquarters are discussing setting key performance indicators (KPIs) for accelerating ESG management, and an overview thereof

Continuing to be a company that contributes to society

is to be prepared during fiscal 2021. We will be reporting on our progress on specific set targets and indicators in these NYK Reports.

In addition, my idea of ESG management does not end with setting KPIs to enhance effectiveness. Before we decide on our current ESG management initiatives, we started preparing our long-term scenarios and worked backward to formulate our next medium-term management plan. Thus, ESG management is thoroughly woven into our plans for every time frame: our vision (long term), our medium-term management plan (medium term), and our business policies (short term). As part of this, in conjunction with the establishment of the ESG Management Committee, we established a Sustainable Growth Task Force. The task force discusses the vision for the Group under various scenarios envisaging the business environment in 30 years' time, making reference to the latest technological

trends and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Sustainable Growth Task Force also comprises the seven executive officers mentioned above. In fiscal 2021, they will thoroughly discuss the long-term scenarios, and in fiscal 2022 we intend to have them work on formulating a proposal for the next medium-term management plan.

Companies with businesses that rely heavily on fossil fuels face a sense of crisis that these businesses may be eliminated. However, we seek to transform this into a prime opportunity to identify major differentiation strategies. I want to rebuild the Company from the ground up and, as we move forward, enable Group employees to play a major role. This strong desire of mine is gradually taking shape, and now is the time to fully implement it. Simply making environmental adaptations to existing

vessels and launching LNG-fueled vessels will not be enough to achieve carbon neutrality and zero emissions by 2050. We need considerable innovation, including the development of vessels fueled by ammonia and hydrogen. We must also acquire a much deeper knowledge of carbon pricing, such as emissions trading schemes. Finally, since LNG-fueled vessels are more expensive than conventional ones, while naturally making every effort to control costs on our side, we must also strive to convince customers to bear some of the increased costs. Regarding coal, which has been the main scapegoat for environmental problems, it is difficult to suddenly switch all of the world's electricity generation over to renewable energy sources at the same time. Furthermore, considering that there are certain industries still in need of coal and customers with the desire to transport it, as a logistics company we will engage in coal transportation by innovating to achieve the most environmentally friendly methods of transportation we can. ESG management is not about whitewashing. We are ready to blaze a trail as a front-runner in ESG management while emphasizing constant efforts to gain the understanding of our stakeholders, including customers, and have sincere dialogues with them.

In Conclusion

Amid the prolonged aftermath of the collapse of the maritime shipping bubble from 2008 onward, since my appointment as president in June 2019, I have been working hard to transition the Group to a sustainable business structure as quickly as possible by conducting structural reforms in the dry bulk business, rebuilding governance, and thoroughly reinforcing our financial foundation. Even as ESG management continues to advance gradually, I do not intend to relax my efforts targeting these issues by one iota.

To further accelerate ESG management going forward, I plan to increase my own engagement with our front lines. I would like to make greater use of this and subsequent NYK Reports by asking all Group employees to read them and provide feedback regarding how we might give form to integrated thinking combining economic viability and ESG in frontline operations. In addition, diversity and inclusion is an essential part of achieving ESG management. Our workforce in the future needs to have diverse perspectives and values, and to create such a workforce we have started reforming the human resource system so as to provide more opportunities for experiencing demanding jobs and frontline operations to employees. We will also look at personnel exchanges between our Group companies ONE and YLK and the head office. As well as a human resource system that enables employees to acquire a broader perspective through job rotation, it is also good to allow people to hone their expertise in a particular division. I want our

organization to be one where diverse human resources of any nationality or gender can grow in a global context and make full use of their capabilities in their own way.

In addition to our front lines, management must make even greater changes. Beyond establishing the ESG Management Committee, we have made an effort to further raise the effectiveness of the Board of Directors by increasing the number of meetings of the Nomination Advisory Committee and Compensation Advisory Committee, while adequately making time to explain all information openly at each meeting. Doing so enables discussions to be properly compartmentalized between the management and business execution functions. The feedback so far in this regard has been positive, with members indicating that it increases effectiveness. Furthermore, we will examine all options for strengthening governance and increase transparency, including a structure that separates the two abovementioned functions.

At the beginning of this message, I said that we have completed our preparations. We have finished preparing for full-scale ESG management, and fiscal 2021 is set to be our first official year of ESG management. As we give full play to the strengths and achievements that we have cultivated to date, I expect you will see the NYK Group continue to evolve into a corporate group with an unrivaled presence in ESG, guided by our mission statement, "Bringing value to life." Thank you for your continued support.



Hitoshi Nagasawa

President, Representative Director,
President and Chief Executive Officer



The NYK Group ESG Story should serve as a type of infrastructure.

I admire the decision of the NYK Group's senior management to take bold action to address key environmental, social, and governance (ESG) issues. Furthermore, I also think it highly commendable that the Group has adopted a process of carefully creating its ESG Story with an emphasis on the exchange of opinions with employees on the front lines, instead of through a top-down approach. The front-line dissemination of the NYK Group ESG Story is of key importance. Rather than a mold into which employees and the organization must

fit, the ESG Story should serve as a type of infrastructure supporting the organization and employees as they autonomously engage in their work, based on the Group's philosophy and basic management policy. If there have been any divisions hiding in the shadows, I hope that they will use this ESG Story as an opportunity to become more active.

To give the ESG Story validity, each employee must be fully convinced by it. In addition to providing training opportunities, it is important to achieve daily communication with management and employees using ESG yardsticks. At the same time, it is also necessary to proactively disseminate information to encourage suppliers, customers, shareholders, and other stakeholders to come on board with the NYK Group's philosophy and management policy regarding ESG. In this regard, it is essential to adopt a stance linking environmental and social initiatives with improvements in productivity and profitability, rather than using such initiatives to excuse deteriorations

in performance and earnings capability. Doing so requires the organization and employees to exercise their creative originality each day, and it is important that management should encourage this. The precious ESG Story must not be allowed to remain only in name. I hope that the NYK Group will take care to ensure that it maintains the flexibility and decision-making capabilities to constantly monitor the direction of social and economic trends and respond appropriately to change.

Profile

Yoshihiro Katayama

Independent Outside Director
Chief Outside Director



I expect top management to communicate its commitment to the entire Group and take the lead in fulfilling it.

The NYK Group ESG Story has sent a message to break away from short-term economic thinking. It has done an excellent job of indicating the Group's vision to enhance its sustainability and value creation by focusing on solving social and environmental issues with a long-term perspective. Without initiatives to promote the planet's sustainability, the NYK Group will not be able to create a vision for its future and proceed toward it. To realize this vision, it will be essential for top management to communicate its strong commitment to the entire Group and take the lead.

The most important challenge for the Group in implementing its ESG Story is how to combine the maximization of profit with ESG yardsticks and actually execute it in the operation and management. It is necessary to identify key areas related to sustainability, clarify issues and set key performance indicators in order to manage the Group's progress. Allocation of necessary human resources and budget will be necessary.

At Board of Directors' meetings, I have repeatedly shared the seriousness of global warming and the accelerating speed of decarbonization around the world and emphasized the need for the NYK Group to ambitiously reduce its GHG emissions.

I have also communicated the importance of diversity at the decision-making level, in order to promote innovation and strengthen



organizational governance.

Moving forward with the ESG Story, I would like to contribute toward strengthening management by looking at whether 1) ESG yardsticks are properly reflected in decision-making at the Management Meeting, 2) investment proposals are assessed in the appropriate process, and 3) business ideas by the younger generation are evaluated fairly and are given opportunities for business creation. I believe discussions by the ESG Management Committee will be a valuable reference for deepening discussions by the Board.

Profile

Hiroko Kuniya

Independent Outside Director



We need to act with a broader perspective than ever.

In today's world, companies can no longer grow without dealing appropriately with ESG issues. This is mainly due to the global nature of society, with its large-scale and complex issues as a result of economic development and technological progress. Companies that have optimized themselves within the scope of their own activities must now act with a wider perspective than ever, and a leading example of this is the global environment. The NYK Group has always coexisted with the sea and supported transportation infrastructure. I would therefore like to see the NYK Group leverage its capabilities not only in response to climate change but also in areas such as maritime safety, improved working environments, and the education of young employees. To ensure that ESG does not become simply a buzzword, companies must take a frontline-focused approach using their proprietary technologies. Fortunately, an environment is forming in the Group where young employees are taking the lead in proposing a number of innovative ideas. I have strong expectations that the Group will harness such capabilities and advance them steadily.

With regard to governance, there have been several incidents of misconduct in the past; however, the NYK Group has directly addressed these incidents and its operating companies and employees have been making a laudable effort to create a corporate culture of acting correctly. While I am of the opinion that diversity is significant in itself, I think it is particularly important for creating an



environment where minorities can voice their opinions easily. Outside directors are intended to bring diversity, as their name suggests, and I seek to bring an elevated perspective to the role as I undertake it.

I would like to see management create a company that balances its ESG objectives with financial returns and provides a motivating environment for its employees.

Profile

Eiichi Tanabe

Independent Outside Director

The Goals of ESG Management

Since our goal is to be a Sustainable Solution Provider that remains essential to society and industry going forward, our first step is to have every Group employee begin to use the “ESG yardsticks*” in addition to the existing economic yardsticks for measuring business efficiency and scale.

If rigorous analysis based on ESG yardsticks reveals that a business will help the NYK Group to remain essential to society, we will focus management resources—namely, talent, assets, investments, and data—on these businesses over the long term.

We are confident that this will further strengthen our business foundations and increase the Group’s corporate value.

* The new ESG evaluation standards that measure contributions to the resolution of social and environmental issues

TOPIC 01

The NYK Group’s Framework for Promoting ESG Management

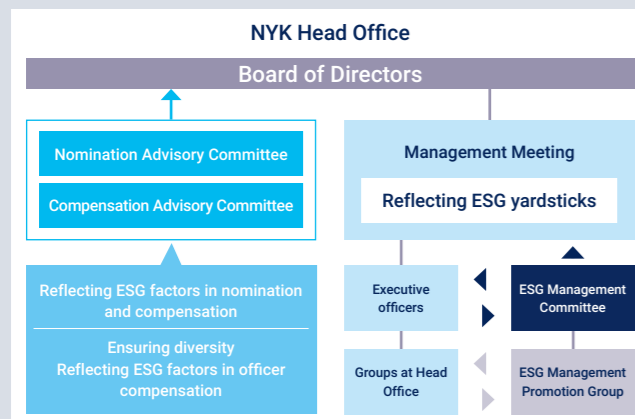
In order to build a system that actively reflects feedback from diverse stakeholders in business management and promote greater management soundness, transparency, and efficiency, the Group established the ESG Management Promotion Group in January 2021 and set up the ESG Management Committee, chaired by the president, in April of the same year.

In addition, we are working to establish a governance system that will accelerate ESG management at NYK, for example, by including ESG factors in the discussions of the Nomination Advisory Committee and the Compensation Advisory Committee.

Toward the Development of Governance That Accelerates ESG Management

- Maintain and enhance the expertise and diversity of members of the Board of Directors
- Deliberate ESG issues at meetings of the Board of Directors
- Incorporate ESG evaluations into officer compensation
- Reflect ESG perspectives in the risk management system

Framework for Promoting ESG Management (April 1, 2021)



ESG Management Committee

With the ESG Management Promotion Group as its secretariat, the ESG Management Committee is chaired by the president and includes executive officers representing each headquarters. We have invited an external expert with extensive knowledge and experience of capital markets and a strong track record in awareness-raising activities regarding ESG and the SDGs to serve as an advisor, to ensure that the committee’s discussions are productive. At its meetings, the committee shares ESG as a Companywide issue to be addressed, eliciting and discussing relevant topics for each headquarters and taking the following actions. The results and status of progress on these actions are regularly reported to the Management Meeting and the Board of Directors four times per year.

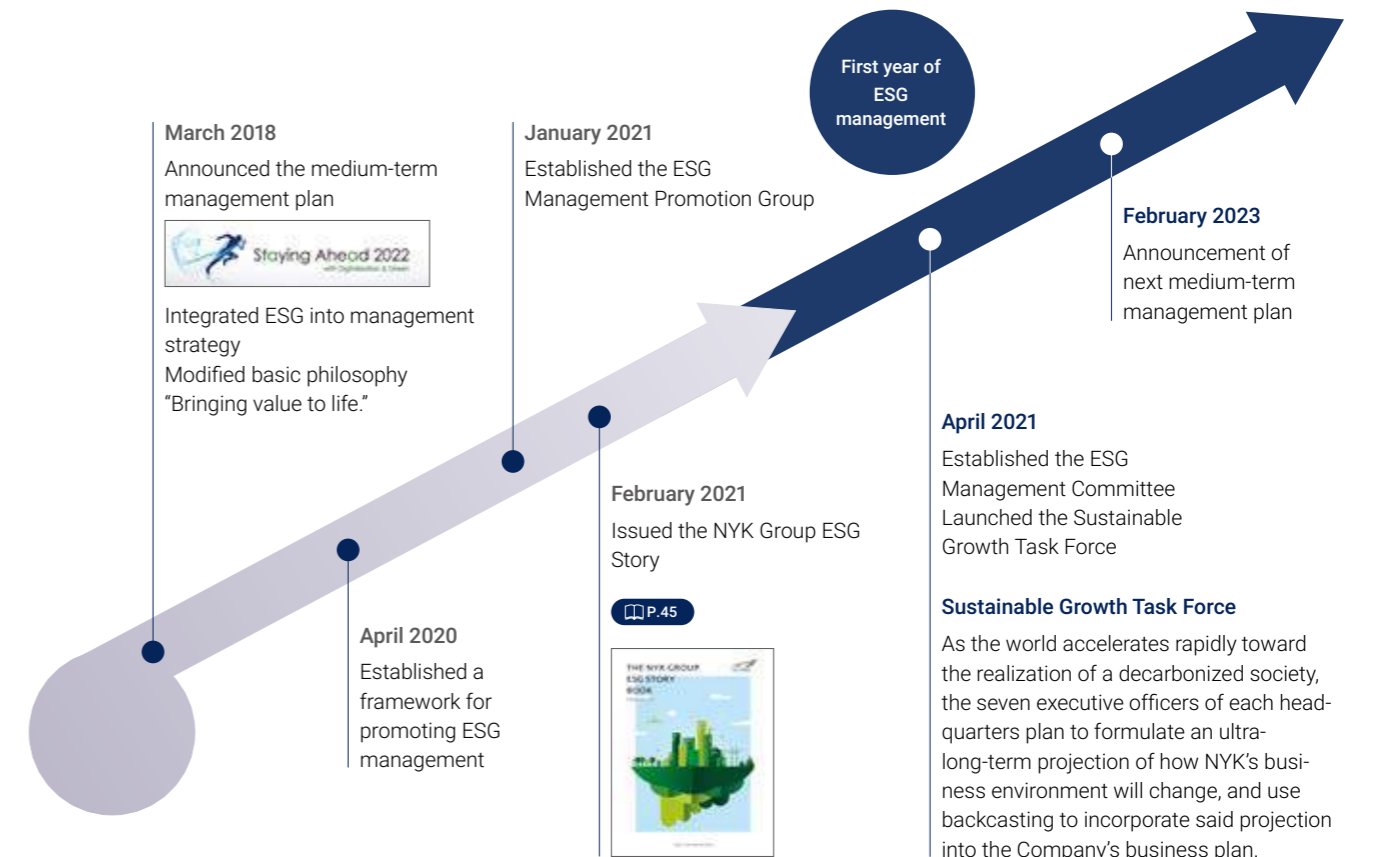
- Make ESG management policy and define targets and KPIs
- Manage and evaluate progress on agreed KPIs and action plans
- Promote internal integration of ESG management

Committee Members

Chair	President Hitoshi Nagasawa
Vice Chair	Executive Officer Yuko Tsutsui
Advisor	Daigo Shimizu, Goldman Sachs Japan Co., Ltd.
Members	Seven executive officers of each headquarters General Affairs Headquarters, Management Planning Headquarters, Liner & Logistics Headquarters, Car Transportation Division, Dry Bulk Division, Energy Division, Technical Headquarters
	General Manager of the Environment Group

TOPIC 02

History of ESG Management Promotion



C O L U M N



Profile
Yuko Tsutsui

Executive Officer
Vice Chair of the ESG Management Committee

Strengthening Corporate Governance to Support the Promotion of ESG Management

I believe that constant efforts to strengthen corporate governance belong at the core of ESG management promotion activities. Corporate governance is a touchstone for judging whether the direction of growth strategies for the future is correct. At the same time, solid governance is essential for helping Group employees to deepen their understanding of ESG yardsticks while visualizing their own activities, and sharing them with stakeholders. Moreover, I would like to incorporate systems that provide each employee with a sense of excitement about their own role in realizing ESG management. Looking ahead, we will not shrink from the challenge of self-transformation as we aim to become a Sustainable Solution Provider offering even more valuable logistics services while pursuing ideal forms of governance.

TOPIC
03

Measures for Disseminating the NYK Group ESG Story

➔ Disseminating the ESG Story from the Top Down and the Bottom Up

To promote ESG management, it is important for the president and management team to take initiatives and make commitments. As such, they will conduct top-down initiatives through the newly established ESG Management Committee. The issues shared and discussed within the committee are taken back to each headquarters, where everyone from the chief executive to the assigned employees think independently about what issues are relevant to their own work and how they might contribute, before putting their thoughts into action. Their results and progress are reported to the committee at its quarterly meetings.

On the other hand, in ESG management we must inspire individual employees to take action and play their part in shaping the ESG Story for the sustainable long-term growth of the NYK Group; otherwise, the effort is meaningless. Therefore, we are promoting the ESG Story not only through the hierarchy of each headquarters but also through wider-ranging bottom-up reforms. To inspire independent activities, the secretariat of the committee, the ESG Management Promotion Group, will strengthen activities to promote integration of ESG management as well as activities for gathering feedback directly from the front lines, ensuring a direct route for reporting to the committee.

Through these top-down and bottom-up initiatives, the committee will be able to grasp feedback within the Group in detail and promote a repeating cycle of self-transformation. In this way, the committee will drive ESG management forward and promote a change in awareness among employees.

As a global business operator, the NYK Group is composed of Group companies based in Japan and other countries, each with varying business activities and scales. In addition to direct dialogue with Group companies in Japan, the Group maintains good communication between the head office and its regional bases, and between the regional bases, via regional management offices

(RMOs) located in the Americas, Europe, East Asia, and South Asia. Through this communication network, the Group can communicate its corporate philosophy and vision for ESG management to each of its Group companies, with the aim of increasing corporate value through responsible business activities aligned with a highly ethical perspective and social norms.

Structure for Promoting Integration of ESG Management



➔ Initiatives for Promoting ESG Management Integration

Examples of Activities to Promote ESG Management

Details	Target	Time	Number of participants
Townhall meetings with the president	For employees of Group companies in Japan and overseas	February 2021	1,665*
Internal presentation meeting for NYK Report 2020 (integrated report)	For employees of Group companies in Japan and overseas	January 2021	172
Two keynote lectures Kenji Fuma of Neural Inc. Eiji Oishi of Minna-denryoku, Inc.	For employees of Group companies in Japan and overseas	Second half of 2020	570 in total

* Including number of streams broadcast after the date



Townhall meeting

MESSAGE

Promoting ESG Management at Group Companies

Profile

Kaori Nagamizo

Executive Officer
Chief Business Development Officer (CBDO)
Yusen Logistics Co., Ltd.

Yusen Logistics Co., Ltd. (YLK) is a global supply chain logistics company providing a range of services including air freight forwarding, ocean freight forwarding, warehousing, land transportation in 47 countries and regions around the world. Our global workforce of approximately 24,000 employees has a shared mission "to become the world's preferred supply chain logistics company." We aim to further refine the value that we provide in the form of "insight," "service quality," and "innovation" and to build closer, better relationships with our customers in order to achieve our mission.

We are facing a difficult period of supply chain confusion caused by shortages in transportation space and containers due to the sharp recovery in cargo movements driven by stay-at-home demand during the COVID-19 pandemic. Regardless of difficulty, it is YLK's responsibility and mission to continue to provide logistics services, which are part of social infrastructure. All YLK employees work together as a team, drawing on our collective knowledge to ensure that our customers' logistics flow remains uninterrupted. As a result, I am proud to say that we are now the preferred choice of even more customers.

Amid growing awareness of environmental and social issues, ESG and the SDGs have become important management priorities. Customers increasingly ask what

measures are being taken by YLK. To achieve sustainable growth together with our customers, we ourselves must achieve a proper understanding of ESG and the SDGs and formulate an ESG management policy that both leverages YLK's characteristics and places the customer at the heart of our approach.

Accordingly, we held an internal seminar to create an opportunity for thinking about ESG and the SDGs at YLK. Rather than following the same format as NYK's head office, we tailored the seminar to our business, by introducing YLK's activities and initiatives and specific inquiries and requests from customers. The seminar drew a surprisingly large response, with around 180 employees participating from within and outside Japan. I think it provided an excellent opportunity.

Our forwarding business has no assets, making it difficult to measure the amount of our CO₂ emissions. Thus, there are many areas we can focus on, from visualizing the effect of reducing environmental impacts to forming alliances with leading outside partners. We must build structures that will enable us to propose more environmentally aware supply chain reforms to customers through completely new innovations.

Having begun to understand the importance of ESG and the SDGs, our employees are already taking action in areas where they can act independently. The key to

promoting ESG management throughout YLK's wide-ranging business fields is to see how many employees can take ownership over ESG in their daily business activities. We will actively support these kinds of bottom-up activities. We will promote integration of ESG management by formulating YLK's own version of the NYK Group ESG Story showcasing employee activities and sharing our vision with an increasing number of associates.



Action to Mitigate Climate Change

The NYK Group recognizes climate change as an important management issue. In December 2018, we announced our support for the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are advancing disclosure in line with TCFD recommendations. Aiming to approach climate change issues from a medium- to long-term viewpoint and further accelerate discussions at all levels of our in-house organization, we established a new governance structure in 2021.

Governance

The NYK Group has long had a system in place for the discussion of climate change, an important management issue. The Board of Directors has supervised such activities, while the Risk Management Committee (see page 73 for details) has identified risks and monitored the progress of risk countermeasures.

In addition to the ESG Management Committee (see page 14 for details), which was established in April 2021, we have launched new organizations that enable us to pursue our medium- to long-term environmental goals. These organizations include the GHG Reduction Task Force, comprising mainly managers, and the IBIS Challenge, comprising primarily personnel engaged in ship operations. We will make a concerted action to step up the pace of our climate change countermeasures.

» GHG Reduction Task Force «

- Mainly comprises the managers of relevant sales divisions
- Exchanges information on and gives concrete form to greenhouse gas (GHG) reduction initiatives being tackled in collaboration with customers and partners, shares information on technology development, and discusses the possibility of introducing LNG-fueled vessels and how to balance profitability and environmental issues
- Convenes discussions at least four times a year and reports details to the ESG Management Committee

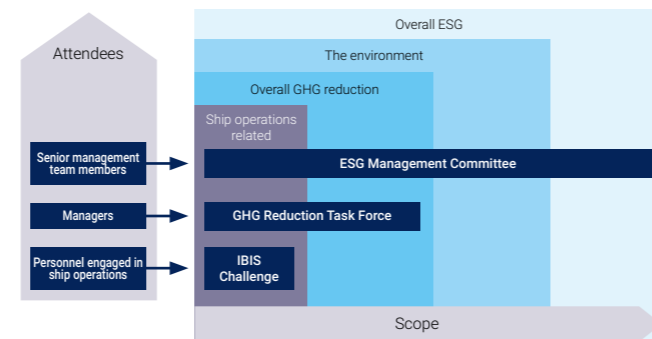
» IBIS Challenge «

- Mainly comprises the personnel of relevant business divisions who are engaged in ship operations
- A new organization within IBIS TWO Plus,* which pursues optimal ship operations
- Exchanges information and discusses specific measures with the aim of improving the efficiency of ship operations, which is directly linked to GHG reduction
- Convenes discussions approximately four times a year and reports details to the ESG Management Committee

* In 2012, we began the IBIS Project with the aim of realizing optimized, economic container ship operations. In 2013, we launched IBIS-TWO to optimize the operations of ships other than container ships. In 2019, we renamed the project IBIS TWO Plus and extended the scope of the project's activities.

Relationships between the New Organizations and the ESG Management Committee

System for sharing information on policies and progress



Group Medium- to Long-Term Environmental Targets (GHG Reduction Targets)

	2016	2017	2018	2019	2020	2030 (Target)	2050 (Target)
Ships	-0.5%	-1.6%	-2.4%	-2.8%	-3.9%	-30%	-50%
Aircraft							

Note 1: CO₂ emissions per ton-kilometer (base year fiscal 2015)
 Note 2: Since June 2018, these targets have been recognized as science-based by the international Science Based Targets (SBT) initiative.

Strategies and Risk Management

Internal Carbon Pricing

In fiscal 2020, the NYK Group introduced an internal carbon pricing scheme, which can be used as a reference for making decisions at meetings of the Investment and Credit Council and the Management Meeting.

We determine the applicable prices by referring to the European Union Emissions Trading System (EU ETS) and other prices. While keeping abreast of the latest social conditions, we review the prices as necessary.

Scenario Analysis

The NYK Group is factoring climate change into its original forecasts on transportation demand, in addition to taking steps to manage risks and grasp opportunities based on socially plausible scenarios. The Company uses the World Energy Outlook (WEO) presented by the International Energy Agency (IEA) as a reference point for future energy-related trends and analyzes the IEA's main Stated Policies Scenario (STEPS) and Sustainable Development Scenario (SDS), which assume the Sustainable Development Goals (SDGs) of the

United Nations will be fulfilled. Further, to enable responses to future changes in scenarios, we have introduced a new management method that entails monitoring events by fixed-point observations. We have begun said scenario analysis measures in the Energy Division. We are also considering the introduction of such analysis to other business divisions. In light of the details revealed by scenario analysis, we will proceed to disclose our long-term profile and resiliency.

Major Potential Risks and Opportunities from Climate Change

The NYK Group is working to understand the various risks and opportunities that may arise from climate change. The Risk Management Committee monitors the risks facing the Group and its responses thereto and meets annually to confirm the impact of climate change on the Group's businesses from a long-term perspective.

Potential Risks and Opportunities

		Potential risks and opportunities	Impact on the Group
Transition Risks	Policies, laws and regulations	<ul style="list-style-type: none"> • Stricter environmental regulations (EEDI, GHG reductions) • Restrictions on the use of heavy oil, fuel conversion, obligatory use of renewable energy • Adoption of market-based measures (MBMs) 	<ul style="list-style-type: none"> • Increased capital expenditure, ships become stranded assets • Reduced service capabilities • Increased costs to purchase credits
	Technology	<ul style="list-style-type: none"> • Response to new technologies and investments 	<ul style="list-style-type: none"> • Higher R&D expenses to develop new technologies • Existing technologies or technologies under development become obsolete
	Market	<ul style="list-style-type: none"> • Changes in logistics market (local production and consumption, recycling) • Installation of renewable energy and autonomous vehicle technology 	<ul style="list-style-type: none"> • Changes in cargo demand, reduced cargo volumes • Increased capital expenditures
	Reputation	<ul style="list-style-type: none"> • Avoidance of use of fossil fuels • Bidding criteria introduced for environmental performance 	<ul style="list-style-type: none"> • Earlier conversion to new fuels • First-mover market capture, increased differentiation
Physical Risks	Acute	<ul style="list-style-type: none"> • Increased incidences of abnormal weather 	<ul style="list-style-type: none"> • Schedule delays, increased cargo damage, and quality impairment • Increased risk of machinery troubles and ship-handling accidents • Increased ship operating costs
	Chronic	<ul style="list-style-type: none"> • Climate change-induced shifts in populations, regional activity • Ship investments to meet cargo demand trends • Impact on port facilities from rising sea levels 	<ul style="list-style-type: none"> • Changes in cargo demand, reduced cargo volumes • Revised investment plans, increased investment costs
Opportunities	Market	<ul style="list-style-type: none"> • Development of new businesses • Development of new technologies 	<ul style="list-style-type: none"> • Increased business related to renewable energy such as wind power • Increased shipping opportunities for alternative energy sources such as biomass, hydrogen, and ammonia • Development of new businesses using existing technologies • Reduced fuel consumption due to new technologies

Countermeasures for Climate Change-Related Risks (Example)

The NYK Group is moving forward with the following measures to mitigate risks related to climate change.

- Development of governance system
- Development of decision-making process for investments that factors in climate change
- Introduction of risk management methods that account for climate change and performance of scenario analysis
- Greater understanding of cargo demand, including fossil fuels, etc.
- Promotion of switch to LNG-fueled vessels (see page 29 for details)
- Development and practical application of technologies for switching to new types of fuel to power vessels (see page 49 for details)
- Acceleration of fuel conservation activities
- Stable procurement of fuel oil compliant with IMO regulations
- Active ESG engagement with financial institutions and investors (see page 59 for details)

Achieving a Real Increase in Corporate Value

With the recent establishment of the ESG Management Promotion Group, the publication of the NYK Group ESG Story, and the creation of the ESG Management Committee, the NYK Group has made steady progress in preparing for a full-fledged drive toward ESG management. What is needed to ensure that these activities retain their authenticity and effectiveness?

President Hitoshi Nagasawa leads these ESG management initiatives, while Daigo Shimizu, the head of the Business Development Department of Goldman Sachs Japan Co., Ltd., has been invited to advise the ESG Management Committee. In this dialogue, they exchange opinions on future issues regarding ESG management.



Dialogue



Profile

Hitoshi Nagasawa

President, Representative Director, President and Chief Executive Officer

Profile

After joining the Company in 1980, Hitoshi Nagasawa became the general manager of the LNG Group in 2004, a corporate officer in 2007, and a managing corporate officer in 2009. He has been in charge of the Energy Division since becoming a director in 2011 and has chaired a committee overseeing the strategies of bulk shipping since being appointed as an executive vice-president corporate officer in 2018. Mr. Nagasawa was involved in the Company's acquisition of upstream interests in the LNG business and development of the offshore business. His motto is, "Be a nail that sticks out, even if you get hammered."



Profile

Daigo Shimizu

Head, Business Development Department, Equity Sales Group, Global Markets Division Goldman Sachs Japan Co., Ltd.

Profile

After graduating with a master's degree from Kyoto University in 2001, Daigo Shimizu joined Nikko Salomon Smith Barney Limited (currently Citigroup Global Markets Japan Inc.) and then started working at Goldman Sachs Japan in 2007, in charge of SDGs and ESG as head of the Business Development Department. His motto is, "Live as if you were to die tomorrow. Learn as if you were to live forever."

How do you get people on board with ESG?

■ Nagasawa Recently, the ESG Management Promotion Group conducted an employee awareness survey about ESG management. Compared with the survey results for 2020, the results for 2021 showed a definite increase in awareness of ESG, but still not what we could consider satisfactory. For example, I was most disappointed to see employees answering that they "don't have time to engage in ESG," even though they understood its importance. Time spent working at one's company is also part of the time one spends engaging in society. Carrying out one's work from an ESG perspective is the same as conducting individual daily activities from an ESG perspective. So, it is not really a question of having time.

How can we get people interested in ESG at a personal level? Finding the answer to that is currently one of our most pressing management issues. The ESG management team has been bolstered considerably, including the establishment of the ESG Management Committee, which Mr. Shimizu has joined. That being said, even among committee members there are gaps in and varying degrees of ESG awareness. It might seem like a circuitous route, but I think that the quickest way to achieve the kind of ESG management I envisage may be to take *The NYK Group ESG Story Book*, translated in Japanese, English, and Chinese, and use it as the basis of open and sincere dialogues with Group employees around the world.

■ Shimizu I think that when people say they do not have time to engage in ESG, it shows that they still perceive ESG as

something outside of their business. I feel that open and sincere dialogue is important as a way to get employees to integrate ESG thoroughly into their day-to-day business—pressure from the top is certainly not the way to go.

On the other hand, time itself is also an important theme in ESG management. While the management team always makes decisions based on a medium- to long-term time frame with an awareness of various stakeholders, frontline employees who face customers on a daily basis inevitably tend to make decisions based on a short-term time frame. Many companies are facing the issue of frontline employees perceiving ESG as an issue for other people. How can they be encouraged to take personal ownership over ESG efforts, which have a different time frame, as they focus on their daily work? In addition to dialogue, perhaps some other specifically targeted approach

is needed? For example, having employees own NYK's shares is one way, I think.

■ Nagasawa I have heard of cases in which a company has encouraged not only management but also its employees to hold their company's shares in a bid to change their collective mindset. At NYK, we plan to change our executive compensation system by incorporating ESG-related results as one of the evaluation items. In addition, we will also look at introducing this into employees' evaluations. The fact is that there is still a deeply rooted tendency to regard business and ESG as being distinct from each other.

■ Shimizu As a head of my department, I also want it to be an organization that will make a big impact on society. Therefore, even in the securities industry, which tends to focus on short-term profits, I am strongly

aware of time-line management. For example, we can organize our approximate periods for monetization along one-year, three-year, and five-year time frames. By doing this, in our department we will be able to naturally discuss medium- to long-term projects using “ESG yardsticks.” I have had individual discussions regarding the above with members of NYK’s ESG Management Committee and I feel that they are gradually beginning to be on the same page. However, since each member comes from a different career background, there still seems to be some slight differences in

more employees incorporating an ESG perspective into their daily activities and striving to not waste food can draw a lot of empathy, increasing corporate value as a result. Examined closely, ESG management may really be about human resource development with a strong focus on changing the awareness of individuals. Some divisions are already fully engaged in ESG through their business activities, while some have not quite got a handle on it yet. What is most important is to raise the level of ESG awareness among all divisions.

■ **Shimizu** I would like NYK Group to be an organization that has the empathy of the public and where individual employees feel that they can make a positive impact through their business. Working backward from there, what kind of initiatives should we engage in now? There are various approaches, such as schemes whereby employees hold NYK’s shares, information networks via which they can foresee global trends, and efforts to rigorously ensure com-

pliance. However, I think the most critical element is a corporate culture. Governance is usually associated with internal controls and compliance. Nevertheless, for me governance is really about an awareness of goals and a way of thinking. That is to say, it is almost one and the same with corporate culture. Under a rules-based approach, people tend to simply stop thinking, which may prevent the kind of real change in mindset you are aiming to achieve. I think that what is needed is a corporate culture in which individual employees exercise discretion about their day-to-day activities while keeping in mind the goal to be a

what they say and what they mean in the discussion process. When these are harmonized, I think that the NYK Group’s ESG management will evolve even further.

■ **Nagasawa** I am also hopeful that this will happen. The Group has wide-ranging operations, with different types of vessels in its maritime shipping industry as well as in the air cargo transportation business and the logistics business. There may also be some who think that management does not understand the front lines. However, as parts of the world today suffer from food shortages, for example, companies with

continuously indispensable company in the society of the future.

■ **Nagasawa** I think you are absolutely right. As the times and society continue to change, there is not much point in setting out detailed rules. It is important to have an awareness of whether your own actions are in line with the Company’s goals, whether the current rules need to be changed, and so forth. On the other hand, there will also be situations in which people do not know what to do or find it difficult to decide the best course of action. I would like frontline employees to begin by making judgments based on “ESG yardsticks.” For situations that are difficult to call, we are thinking of establishing a consultation desk and creating a system to give specific direction as a company. My main objective is to ensure that Group employees do not have any confusion or worries about ESG. If we think about it in terms of a Group management framework, then there are jobs that I have never experienced in each operating company, but that does not make it permissible to make errors of judgment. I regret to say that, in the past, we have had cases when the NYK Group failed to fully learn the lessons from incidents of misconduct at Group companies and implement them Groupwide. I would like all of our Group companies in Japan and overseas to seek consultation whenever they are really unsure about how to best carry out their business activities in the future, in addition to enhancing the governance functions of NYK itself.

How can you achieve a mindset that can forgo making a profit?

■ **Shimizu** From a perspective of really increasing corporate value, it might be necessary to decide not to make a profit in certain situations. This also ties in with the concept of a time frame. Even if a company makes a profit in the short term, in some cases it could result in a loss when considered over a 10-year period due to reputational damage or fines and so forth. We should consider the costs and benefits from a medium- to long-term perspective and, when it is difficult to make a decision, seek consultation. There are no free lunches in business—some degree of risk is always involved. Before deciding to target short-term profits, we must use “ESG yardsticks” and consider the risks and returns precisely across different time frames. In my department, we are careful to judge whether or not a business will continue to steadily grow into the future, and we clearly identify businesses in which we should not engage. Of course, there are times when a competitor takes a profit opportunity from in front of our noses; however, if we had taken it the Company might have suffered reputational damage and sacrificed returns over the medium to long term. I believe that such decisions will allow the Company to develop unrivaled competitive advantages five or 10 years down the road. One simple way of describing governance might be a mutual awareness that some decisions involve accepting not making a profit in the short term. Also, even if a business gets derailed as a result of taking a risk, this should not be taken as a failure but as fuel for the next successful venture. Although being overly hesitant to take risks is not ideal, that does not mean one can be insensitive to the risks one takes. Finding the proper balance when taking risks is an important point for developing a long-term vision.

■ **Nagasawa** There are times when I hear from the front lines that they would like to embark on projects that would contribute to ESG management but sacrifice profits in the short term. I give the go-ahead to these projects if the commercial viability and risks thereof are well organized in terms of time frame and if the front line in question has a clear vision for creating future corporate value. We need to be patient when it takes time for a business endeavor to contribute to earnings. On the other hand, if we take a risk and the business fails, we need to review it carefully to see where the process management or evaluation was inadequate.

■ **Shimizu** Companies are increasingly required to show their long-term vision and strategy over a 10- or 20-year time span and to be accountable. In order to have a dialogue with a long-term view, trust and determination are required and the Company has to make considerable effort. I think this is quite a dramatic change, comparable to a kind of Meiji Restoration of the business world, moving from a feudal to a modern era. This is not an easy task at all.

However, I felt that being asked to serve as advisor on the ESG Management Committee is truly a great opportunity. If a venerable company with a long history such as the NYK Group can dramatically transform its mindset, it will have a huge influence on other Japanese companies. I hope to leave my name in the NYK Group’s history as something of a modern-day version of Japan’s late-19th-century reform advocate Ryoma Sakamoto.* With this admittedly grandiose inspiration, I will do my best in the role.

■ **Nagasawa** After listening to your seminar, I became acutely aware that the NYK Group really does need to make changes. From that moment, I completely changed my awareness and started to think about our ESG Story. I am greatly encouraged by what you have said today, and I would ask you to continue giving thoughtful opinions from multiple perspectives to members of the ESG Management Committee. Thank you for your help.

* Ryoma Sakamoto was a samurai born in 1836 in the Tosa Domain on the Japanese island of Shikoku. He later founded the private trading company Kameyama Shachu in Nagasaki and was instrumental to bringing about the Meiji Restoration, which led to the opening of Japan to foreign trade.



The NYK Group's Passion and Value Creation Story

- 24 The NYK Group's Passion and Value Creation Story
- 26 Our History of Value Creation
- 28 Sustainability Highlights
- 30 The NYK Group's Value Creation Model
- 32 The NYK Group's Business Foundation (Business Model)
- 34 Securing and Strengthening Management Resources of the NYK Group
- 38 Message from the CFO
- 44 Strategy Story: Ensuring Safe Ship Operations / Taking On Ambitious Initiatives in the Energy Field
- 50 **Special Feature 2: NYK Group Innovative Story—Circulating Value through MarCoPay**
- 56 Co-Creation with Stakeholders through Shared Understanding
- 60 Business Overview: Liner & Logistics Headquarters / Car Transportation Division / Dry Bulk Division / Energy Division
- 68 Corporate Governance
- 74 Directors, Audit and Supervisory Board Members, and Executive Officers
- 76 10-year Summary
- 80 Environmental Data / Environmental Accounting / NYK Green Bond Fund Allocation Report / Human Resources Data
- 86 Corporate Data
- 87 External Evaluations



Our History of Value Creation

— History and Development of Materiality —

Since its foundation in 1885, the NYK Group has walked together with Japan on its journey, taking the safe and reliable delivery of cargo as its most important mission. We will combine our three material issues of safety, the environment, and human resources together with digital transformation (DX) to create new value.

► The History of the NYK Group

<https://www.nyk.com/english/profile/history/>



- Safety
- The Environment
- Human Resources



1998
Introduced NAV9000 original unified safety standard



2001
Created Safety and Environmental Management Committee



2002
Obtained ISO 14001 certification
Acquired world's first certification to include chartered vessels



2003
Started working on the concept of NYK Maritime College (NMC)



2004
Established NYK Business College



2006
Started in-house seafarer training program for Japanese graduates of non-maritime colleges and universities, a first for a Japanese shipping company



2007
Opened NYK-TDG Maritime Academy (NTMA)
Established maritime academy in the Philippines to bolster training of seafarers



2008
Started operation of the Ship Information Management System (SIMS)



2009
Launched in-house vessel operator certification system
Aimed to enhance abilities of onshore vessel operators



2009
Announced NYK SUPER ECO SHIP 2030 as a concept ship



2012
Launched the IBIS Project for optimal economic operations



2012
Launched the IBIS Project for optimal economic operations



2014
Initiated Big Data Utilization Project



2015
Commenced "Kirari Dojo" (Creative Solutions Workshops) as program to develop innovation leaders



2017
Appointed first woman ship captain



2017
Jointly developed J-Marine NeCST, a navigation support tool



2017
Jointly developed J-Marine NeCST, a navigation support tool



2018
Introduced NIBIKI, a ship management platform



2018
Announced NYK SUPER ECO SHIP 2050 as a concept ship
Formulated medium- to long-term environmental goals



Digitalization



2019
Formed NYK Digital Academy



2020
Cultivated first ship captain via in-house training



2021
Appointed for the first time a graduate from the NTMA as captain



Human resource development



2020
Developed KiSEKI, an accident analysis system
Established the Remote Diagnostic Center (RDC) for centralized monitoring of our fleet



1998-2021

As of July 30, 2021

Highlights of the NYK Group's History

1885 –

Born of the merger of Mitsubishi Mail Steamship Company and Kyodo Unyu Kaisha, NYK resultantly expanded its business from the seas of Asia to the oceans of the world under a "nibiki" flag featuring two thick red lines on a white background to symbolize the union of the two companies from which NYK arose.



Tosa Maru (left), the first NYK vessel to begin trade in Europe

1945 –

During World War II, NYK tragically lost its two key assets—ships and crew members. Following the war and throughout a period of high economic growth, the Company embarked on the development and leveraging of the specialized carrier business to support Japan's economic growth.



Akagi Maru II with the Japanese flag flying as the ship enters New York Harbor



Japan's first container ship, Hakone Maru

1985 –

The yen appreciation stemming from the Plaza Accord in 1985 had a major impact on the cost structure of shipping companies. We responded by shifting to a multinational mix of our seafaring workforce and beginning a structural transformation, to become a comprehensive global logistics enterprise centered on the maritime shipping industry.



Establishment of the first Japanese railway transport company in the United States

2010 –

In addition to expanding into new business fields, such as the shuttle tanker and off-shore businesses, we continue to take on the challenge of new fields that go beyond the conventional framework of a comprehensive global logistics enterprise, such as introducing ships powered by LNG fuel to decouple the Company's environmental impact and entering the green business field.



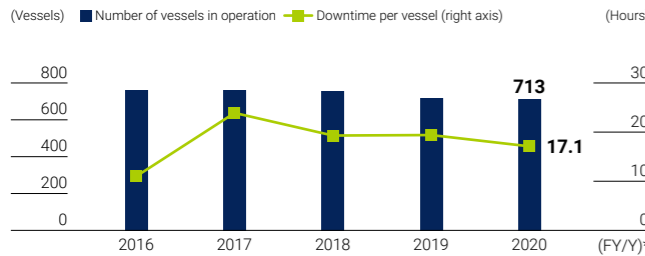
Sustainability Highlights

– Commitment to Sustainable Growth –

The NYK Group has been providing solutions for a range of social issues related to its material issues—safety, the environment, and human resources. In this section, we set out the Group's key initiatives in ESG management, pursuing profit maximization in tandem with social and environmental sustainability, illustrated with data and historical developments.

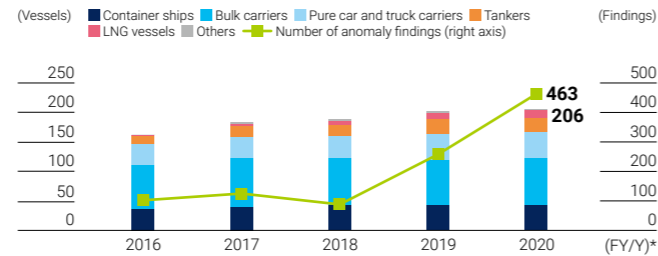
Materiality in Figures

Trends in Downtime Safety



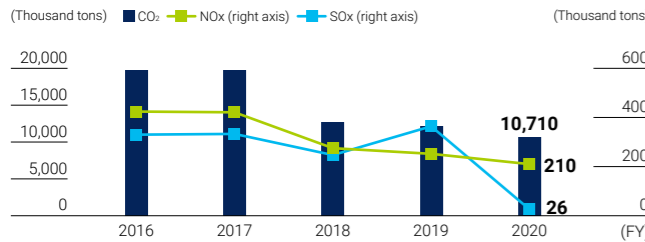
The NYK Group uses the downtime of vessels, during which operations are halted due to accidents and trouble, as a measure of the achievement of safe operations.
 * From fiscal 2020, the data collection method was changed from fiscal year to annual totals. The data for 2020 contains a partial overlap with fiscal 2019 (covering January to March 2020).

Number of SIMS-Equipped Vessels and Number of Anomaly Findings Safety



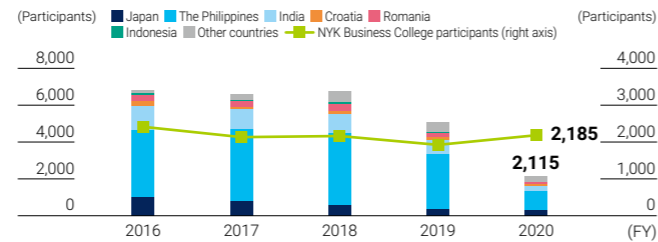
NYK is promoting analysis of engine plant data collected by SIMS with the aim of quickly detecting anomalies that may lead to serious engine trouble.
 * From fiscal 2020, the data collection method was changed from fiscal year to annual totals. The data for 2020 contains a partial overlap with fiscal 2019 (covering January to March 2020).

CO₂, NO_x, SO_x Emissions The Environment



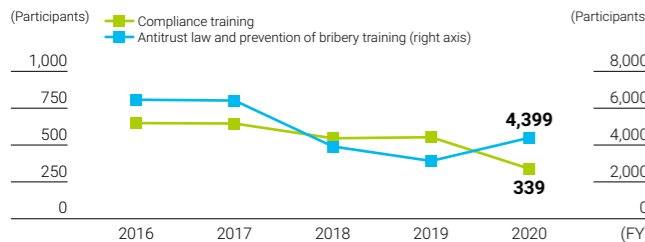
The GHG emission volumes of vessels and aircraft are monitored and measured to reduce emissions.
 Note 1: From fiscal 2018, figures do not include container ships due to the integration of the liner trade businesses of NYK, MOL, and "K" Line to form new joint venture ONE.
 Note 2: To comply with UN IMO global sulfur cap regulations, from January 1, 2020 we changed our vessel fuel from HSF0, which has a maximum sulfur content of 3.5%, to LSF0, which contains a maximum of 0.5%, thereby reducing our sulfur oxide (SO_x) emissions.
 PDF Further details are provided on page 80 of the full version.

Number of NYK Business College Participants / Number of NYK Maritime College Seafarer Participants (by Nationality) Human Resources



The NYK Business College for office workers and the NYK Maritime College for seafarers have extensive training systems to enhance the overall abilities of Group employees.
 Note 1: The number of NYK Business College participants includes Group employees.
 Note 2: The number of NYK Maritime College (NMC) participants reflects a decrease in the number of lectures held at training centers since the end of fiscal 2019 as a result of the COVID-19 pandemic.

Number of Participants in Compliance, Antitrust Law, and Prevention of Bribery Training Human Resources



Group employees receive training to improve their understanding of corporate governance.
 Note 1: Compliance training was expanded to overseas Group companies in fiscal 2020. The training method at domestic Group companies changed from group to individual training, tailored to the needs of each company.
 Note 2: The number of participants decreased from fiscal 2018 due to the integration of the liner trade businesses of NYK, MOL, and "K" Line.

ESG DATA BOOK 2020

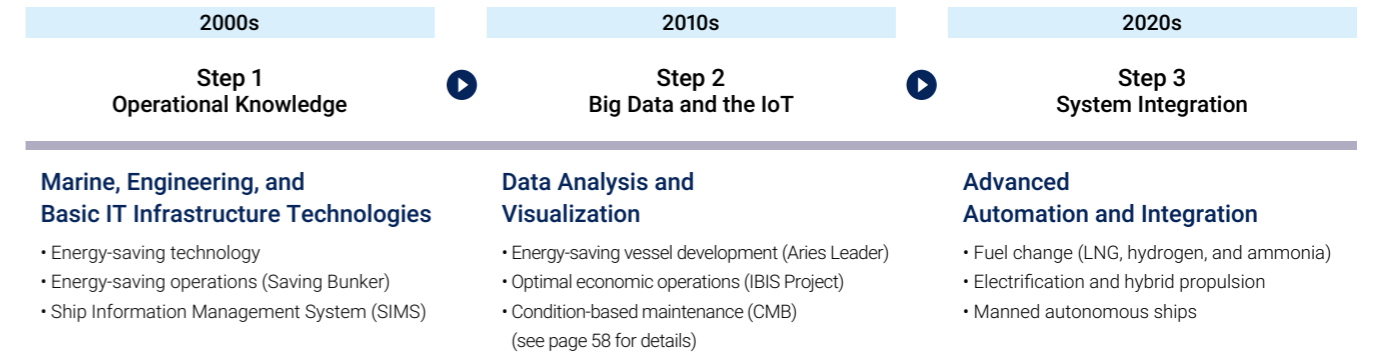
In March 2021, the NYK Group published its ESG DATA BOOK 2020 (in Japanese), which features detailed ESG-related performance data. This report contains more ESG-related data for the purpose of supplementing information disclosure.

https://www.nyk.com/news/2021/_icsFiles/afield-file/2021/04/01/ESGDATABOOK2020.pdf



Accumulated Technological Development (Optimization of Vessel Design and Operations)

The NYK Group's Technological Capabilities Supporting New Value Creation through Safe Operations and Carbon Neutrality



The NYK Group has continuously worked to solve issues through front line vessel operations in its comprehensive global logistics business, using the marine and engineering technologies it has acquired as the operator of one of the world's largest fleets. We have gradually progressed toward data analysis, visualization, and advanced automation, working with a range of partners to create new value aiming for social implementation of the coming zero-emission vessels and manned autonomous ships.

Vessel Fuel Change

Implementation of Advanced LNG-Fueled Vessels and Introduction of Next-Generation Fuels

Year	Event	Image
2015	Japan's first LNG-fueled tugboat, Sakigake, delivered	
2016	World's first LNG-fueled pure car and truck carrier, Auto Eco, delivered	
2017	World's first purpose-built LNG bunkering vessel, Green Zeebrugge (current vessel name), delivered	
2019	Methanol-fueled vessel Takarao Sun delivered	
2020	<ul style="list-style-type: none"> Japan's first LNG-fueled pure car and truck carrier (PCTC), Sakura Leader, delivered Japan's first LNG bunkering vessel, Kaguya, delivered 	

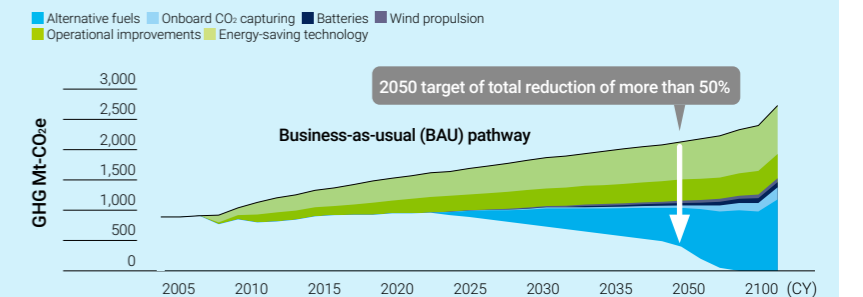
Supplied by Central LNG Marine Fuel Japan Corporation

Reductions in GHG Emissions in International Shipping

The International Maritime Organization (IMO) has come up with a scenario for achieving zero GHG emissions from international shipping during this century. The IMO expects that the 2030 target will be achieved mainly by operational and technical energy-efficient measures, and beyond 2030, the introduction of zero-carbon fuels will be the main method for reducing GHG emissions.

Source: MTI Co., Ltd. based on data from the Japan Ship Technology Research Association

Pathway toward Zero GHG Emission



The NYK Group's Value Creation Model

The NYK Group places its material issues at the heart of its management strategies, formulating growth strategies with a long-term perspective.

The Group's value creation model, which places ESG management at the center, emphasizes autonomous initiatives, including various discussions and measures that emerge spontaneously in all divisions, levels, and regions. By carefully nurturing each of these initiatives and having our stakeholders share in them, we believe that ESG management will become the Group's growth strategy itself.



The NYK Group's ESG Management

To strengthen corporate governance and support the foundation of our business, we have introduced new ESG yardsticks for management—a focus on the sustainability of society and the environment—in addition to the existing yardsticks of the maximization of earnings. This approach of contributing to the creation of a sustainable society while aiming to increase corporate value is the essence of ESG management as practiced by the NYK Group.



Materiality as the Basis of Management

In the comprehensive global logistics industry, we face enormous impacts from accidents, tough regulations, and competition for securing human resources. We consider safety, the environment, and human resources to be the three material issues for management to address in order to realize the sustainable growth of the NYK Group, and we have taken various initiatives accordingly.

Major Themes in the Three Material Issues

- Safety:** Accidents (collisions, engine trouble, human) • Natural disasters • War, terrorism, and cyberattacks • Piracy • Maintenance of vessel condition
- The environment:** Climate change • Decarbonization • Ocean conservation • Optimal operations • Biodiversity
- Human resources:** Diversity and inclusion • Human resource development • Workstyle reforms • Health and productivity management

The NYK Group's Material Issues

<https://www.nyk.com/english/esg/concept/materialissue.html>



The NYK Group's Business Foundation (Business Model)

– Businesses Supporting Society and Industry at Sea, on Land, and in the Air –

The NYK Group supports society and industry in a myriad of ways. The Group boasts one of the world's largest fleets of ships and an extensive marine transportation network, in addition to a land and air transportation service network, terminal operations, and a broad range of marine businesses derived from the maritime shipping industry. Bringing together the competitive advantages and strengths of its four business divisions, the Group is implementing numerous cross-divisional initiatives for its next growth stage.

→ Cargo

→ Business Scale

*1 Jointly established through the integration of NYK's liner trade business with those of MOL and "K" Line
 *2 Fleet capacity by number of 20-foot container equivalents
 Source: Ocean Network Express (ONE) Fiscal 2020 Financial Results Presentation Materials
 *3 Nippon Cargo Airlines Co., Ltd.
 *4 Source: Hoesne Shipping As "The Car Carrier Market 2020"
 *5 Source: Compiled by NYK based on data from Clarksons Research

→ Contract Format

* Short term = Less than two years;
 Medium to long term = two years or longer

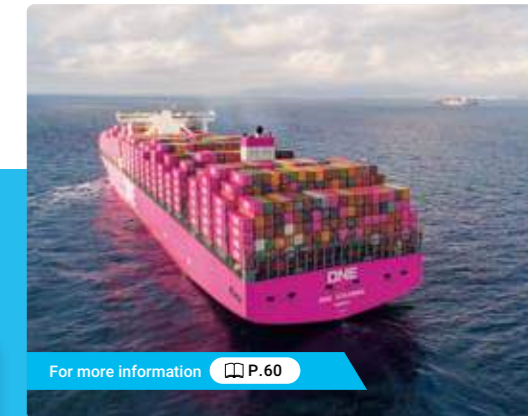
→ Competitive Advantages

→ Resilience to market conditions

→ Short-and medium-term business strategy

→ Cross-divisional initiatives for the next growth stage

	Liner & Logistics Headquarters	Car Transportation Division	Dry Bulk Division	Energy Division
	<ul style="list-style-type: none"> General consumer goods, auto parts, semiconductor parts 	<ul style="list-style-type: none"> Passenger cars, trucks, construction machinery, railcars 	<ul style="list-style-type: none"> Iron ore, coal, wood chip, grain 	<ul style="list-style-type: none"> Crude oil, oil products, chemicals, LNG, LPG, offshore business, green business
	<ul style="list-style-type: none"> ONE*1 Fleet Size 1,605k TEUs*2 (as of March 31, 2021) No. 6 in world Number of NCA*3-Owned Aircraft 8 airplanes (as of March 31, 2021) Number of YLK Warehouses 348 locations (as of March 31, 2021) 	<ul style="list-style-type: none"> Car Transport Fleet 96 vessels (as of December 31, 2020)*4 No. 1 in world Number of Automobile Logistics Business Sites 35 locations (as of March 31, 2021) 	<ul style="list-style-type: none"> Bulk Carrier Fleet 160 vessels (as of January 1, 2021)*5 No. 2 in world 	<ul style="list-style-type: none"> Tanker Fleet 72 vessels (as of January 1, 2021)*5 LNG Capacity Share 5.8 % (as of March 31, 2021)
	<ul style="list-style-type: none"> Mainly short-term cargo contracts 	<ul style="list-style-type: none"> Spot cargo contracts Short- and medium- to long-term cargo contracts 	<ul style="list-style-type: none"> Spot cargo contracts Medium- to long-term cargo contracts 	<ul style="list-style-type: none"> Medium- to long-term cargo contracts
	<ul style="list-style-type: none"> Price competitiveness due to secure trade volume / transportation quality 	<ul style="list-style-type: none"> Integrated transportation for finished vehicles / Value-added services and transportation quality 	<ul style="list-style-type: none"> Diverse, high-quality fleet / Advanced operation technology 	<ul style="list-style-type: none"> Track record and credibility / Transport technology / Skilled seafarers and engineers
	<ul style="list-style-type: none"> Market volatility risk 	<ul style="list-style-type: none"> Stable earnings 	<ul style="list-style-type: none"> Market volatility risk 	<ul style="list-style-type: none"> Stable earnings
	<ul style="list-style-type: none"> Strengthen cost competitiveness / Expand operation network 	<ul style="list-style-type: none"> Ensure total supply chain capabilities / Carry out digital transformation / Formulate environmental responses 	<ul style="list-style-type: none"> Establish flexible business structure resilient to market volatility 	<ul style="list-style-type: none"> Create value chain strategy from upstream to downstream
	<ul style="list-style-type: none"> Advancement of NAV9000 original unified safety standard 			
	<ul style="list-style-type: none"> Greenhouse gas reduction to reach medium- to long-term environmental targets 			
	<ul style="list-style-type: none"> Enhancement of training program designed to strengthen the overall abilities of employees / Development of problem-solving leaders centered on digital transformation (DX) 			
	<ul style="list-style-type: none"> Development of seafarers who maintain NYK Quality / Development of crews for LNG-fueled vessels 			
	<ul style="list-style-type: none"> Strengthening of Group governance 			



For more information [P.60](#)



For more information [P.62](#)



For more information [P.64](#)



For more information [P.66](#)

Securing and Strengthening Management Resources of the NYK Group

Explaining the Group's Sustainable Growth Foundation from the Perspective of the Five Capitals

Human Capital

Human Resources Data	
PDF P.83 (Full version)	
● Number of employees, etc.	
Number of Group employees	Approx. 35,000
Number of training program participants (FY2020)	
NYK Business College	2,185 in total
NYK Maritime College	2,115 in total
e-Learning	39,500 in total
● Development of problem-solving leaders centered on digital transformation: Participants who have graduated from NYK Digital Academy	
Second half of fiscal 2019–first half of fiscal 2021	39 in total

We will develop human resources among our approximately 35,000 Group employees who demonstrate leadership, tolerance and flexibility, and management skills.

Specific Measures

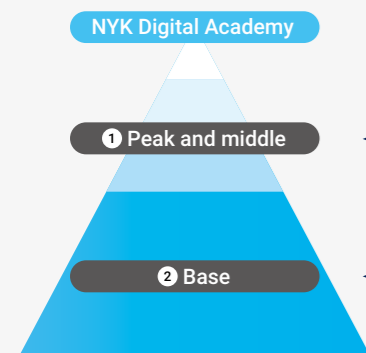
- Promotion of diversity and inclusion (see page 36 for details)
- Formulation of an objective tree for the transition to ESG management (see page 36 for details)
- Training programs designed to strengthen the overall capabilities of Group employees
- Enhancement of the NYK Business College and NYK Maritime College programs
- Promotion of human resource development to drive innovation: NYK Digital Academy, in-house training for Japanese seafarers, NYK-TDG Maritime Academy, etc.

<TOPIC> Developing Next-Generation Personnel through Project Mt. Fuji

Objective

Representing the distribution of the Company's employees as Mt. Fuji, the peak represents the leadership layer, the middle the supporter layer, and the base the follower layer. Education, training, and information are provided for each layer, aiming to ensure a smooth response to social changes and a deeply rooted culture of embracing innovation throughout the organization.

- 1 The peak targets the 20% of the population who are said to play an important role in promoting and firmly establishing new values and products in the market. By putting innovation into practice for themselves, they play the role of internal influencers.
- 2 Based on the concept of "Leaving no one behind," the employees belonging to the base layer must have a transformative attitude and a necessary understanding of major trends to jointly promote activities led by the leadership and supporter layers.



Financial Capital

Fiscal 2020 Financial Data	
PDF P.76	
● Recurring profit, etc. (Billions of yen)	
Recurring profit	215.3
Return on equity (ROE)	25.6%
Shareholders' equity ratio	29.4%
Debt-to-equity ratio (DER)	1.52 times
Cash flows from operating activities	159.3
Cash flows from investing activities	(16.8)
Free cash flow	176.2

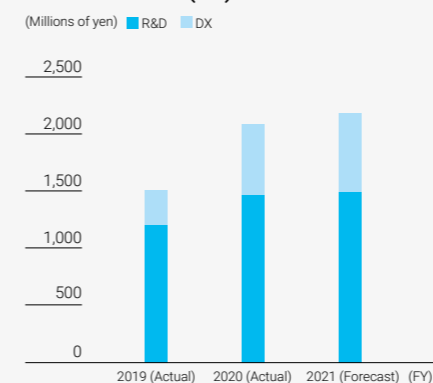
As a basic principle, we will lay the financial foundation for implementing ESG management from a medium- to long-term perspective.

Specific Measures

- Securement of commitment credit lines and long-term funding
- Making of investment decisions and procurement of funds from an ESG perspective
- Prioritization of maintaining a positive free cash flow and allocation of the generated cash to reduce interest-bearing debt
- Improvements in the efficiency of assets and capital
- Realization of stable returns to shareholders

Intellectual Capital

Amount of Investments in Digital Transformation (DX) and R&D*



* NYK non-consolidated

We aim to resolve frontline issues while simultaneously providing new value to customers through user-inspired digital transformation and R&D.

Specific Measures

- Technology development in line with vessel technology and innovation road map
- Co-creation with various partners centered on the maritime cluster: Nippon Foundation program for crewless maritime autonomous surface trial ships, etc.
- Use of AI and simulation technologies (see "Pure Car and Truck Carrier Sailing Schedule Creation Assistance System" on page 57)
- Continued upgrading of infrastructure for accurate data and its utilization: Participation in Internet of Ships Open Platform operated by Ship Data Center Co., Ltd.



Social and Relationship Capital



Speaking at an international symposium held by the International Maritime Organization

Under our basic philosophy of "Bringing value to life," we will proactively take part in international initiatives for contributing to the realization of a sustainable society.

Major Initiatives in Which the Group Participates

- Getting to Zero Coalition
- TCFD Consortium
- Japan Climate Initiative
- Ship-recycling information disclosure platform, Ship Recycling Transparency Initiative
- International Maritime Organization (IMO)
- United Nations Global Compact

Note: Social and relationship capital refers to the total value of activities that have an influence on society and which secure a competitive advantage through relationships with society and various stakeholders.

Natural Capital

Environmental Data	
PDF P.80 (Full version)	

GHG Emissions and Ratio (FY2020)

Scope	Item	Emissions*1	Ratio
Scope 1	Vessels and aircraft, etc., in operation	11,650,054.83	87.4%
Scope 2	Offices	49,444.52	0.4%
Scope 3	Shipbuilding, commuting, business trips	1,623,678.31	12.2%
Total		13,323,177.66	100.0%

*1 Emission units: ton-CO₂e CO₂e = CO₂ equivalent.

We will reduce greenhouse gas emissions that affect the climate by reducing our use of fossil fuels and through the implementation of decarbonization technologies.

Specific Measures

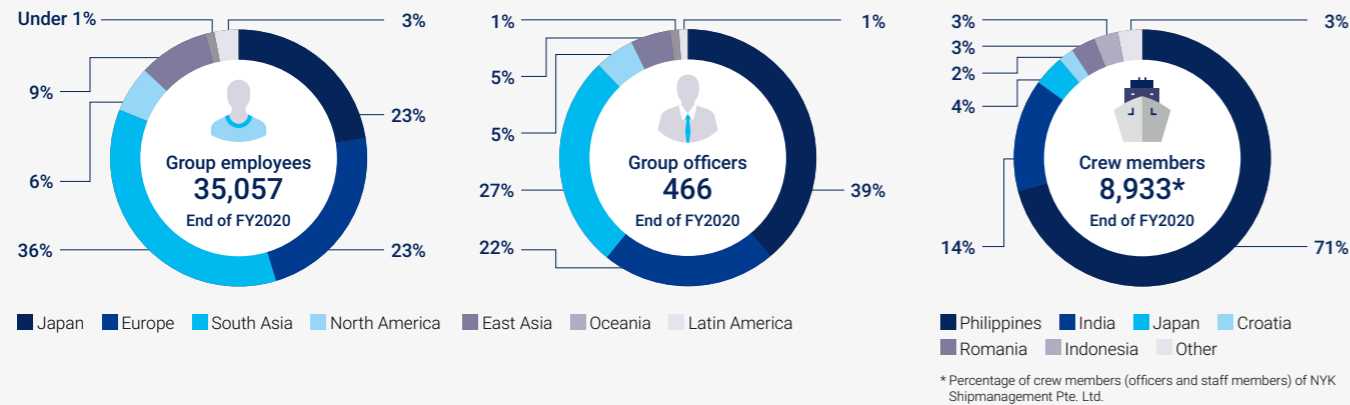
- Initiatives for achieving our medium- to long-term environmental targets (see page 18 for details)
- Decarbonization of vessel fuel and implementation of zero-emission vessels
- Examination of the use of new technologies to reduce greenhouse gas emissions: CCS,*2 CCUS,*3 etc.
- Promotion of the IBIS TWO Plus project for pursuing optimal vessel operations

*2 CCS: Carbon dioxide capture and storage; *3 CCUS: Carbon dioxide capture, utilization, and storage. Note: Natural capital refers to capital formed from nature, such as forests, soil, water, air, and bio-organisms. It is considered an important capital that is indispensable for human life and corporate activities.

We will promote diversity and inclusion as well as organizational and human resource system reforms, aiming to foster human resources who can create new value.

➔ Building an Organization That Fully Leverages the Diversity among Its Approximately 35,000 Employees

The NYK Group has around 35,000 employees involved in its global business operations, 70% of whom work overseas, and the percentage of female employees stands at 37%, while the percentage of female managers (manager or higher) is 25%. We aim to be a highly diverse organization where all talented human resources of any gender can fully demonstrate their potential. Moreover, the Group's fleets are crewed by multinational seafarers, with onshore and offshore teams working together as one to create new value.



Highly Diverse Organization (Diversity and Inclusion)

➔ Initiatives in Line with the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children (NYK Head Office)

The Company has already formulated action plans for responding to each of these acts. Launched in April 2021, our new action plans promote the establishment of an environment and workplace culture that enable our diverse and talented human resources to meaningfully participate with a view to realizing diversity and inclusion.

■ Secondary Action Plan for the Act on the Promotion of Female Participation and Career Advancement in the Workplace

We aim to balance life events that can affect anyone and career development planning in order to promote participation by all employees.

Action plan period: April 1, 2021 to March 31, 2026 (Five years)

Action plan (1)

- Increase participation by female employees in external dispatch training aimed at cross-industry exchange and skills acquisition to 30%
- Ensure that one-half of all employees dispatched are female, including providing training for female employees only

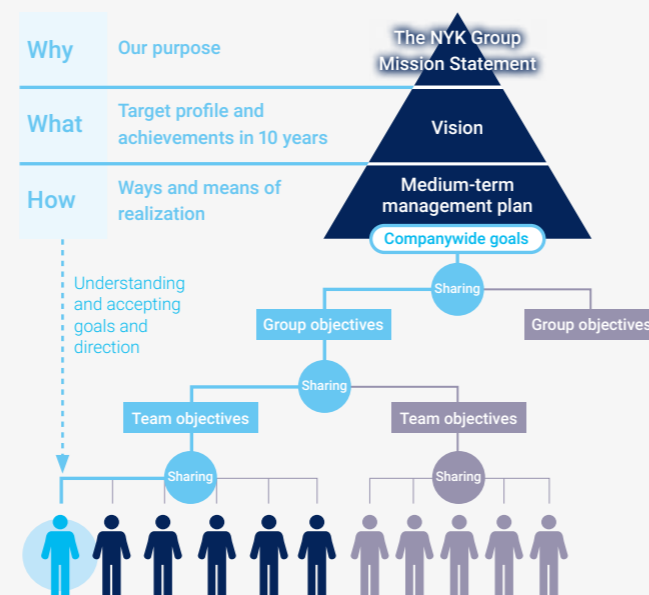
Action plan (2)

- Achieve 100% use of childcare leave by male employees (including onshore employees (navigation officers and engineers))

Human Resource System That Clarify the Connection between the Organization and Individuals

➔ Objective Tree (NYK Head Office)

We will ensure that each employee works based on an understanding of the Company's ambitious goals, thereby leveraging the combined capabilities of the entire organization and accelerating our transformation into a Sustainable Solution Provider.



MESSAGE

Building an organization that meets the needs of the times by developing human resources who can lead the way in a period of change

Profile

Yutaka Higurashi

Director, Managing Executive Officer
Chief Compliance Officer (CCO)
Chief Executive of General Affairs Headquarters

The NYK Group operates multiple modes of transportation, including ships, aircraft, and trucks, but it is ships that play the central role in our business. Furthermore, ships produce the lowest GHG emissions per ton-mile of any mode of transportation. The total amount of emissions is significant; thus, we are accelerating efforts to reduce our environmental impact across all aspects of the Company, including technology, operations, and production systems. The maritime shipping and logistics industries are about to experience a once-in-decades period of change driven by key trends including environmental, social, and governance (ESG) factors, IT, big data, and environmental regulations. To transform our organization into one that can deliver solutions to social issues from a new perspective in a way that harnesses the NYK Group's distinctive capabilities, it is essential to have human resources who are able to drive innovation from multiple viewpoints. Drawing from its approximately 35,000 employees, the Group aims to develop human resources who possess the three essential skills and attributes of leadership, tolerance and flexibility, and management skills to lead our innovation, together with staff with frontline capabilities to support such a transformation.

As part of this endeavor, we have set an organizational goal of becoming a Sustainable Solution Provider that can answer the needs of the times. To this end, in a bid to align the operations of each individual employee with the Group's ambitious goal of promoting ESG management, we introduced an objective tree framework. This framework uses the company goal as a starting point, then cascades it down to Group, team, and personal objectives. Doing

so creates an autonomous human resource system in which individuals take responsibility for achieving their own objectives while remaining aware of the organizational goal with regard to ESG management. NYK has always had a relatively small number of personnel, and one of its unique strengths has been the relatively flat structure within personnel started working in the same year, where all members equally strive to achieve their tasks till the retirement age. However, during this time of transformation, we recognize that strong leadership is imperative for realizing such an innovative change. Therefore, we have begun to implement the human resource system that allows much more distinction through important appointments, irrespective of the length of service, and awards significantly different compensation, even among people working in the same position, based on the degree of performance achievements in terms of the objective tree. These human resource system reforms have already been implemented in certain parts of the Company. We will carefully analyze and evaluate the results as we continue with our planned Companywide implementation from April 2022 onward. Furthermore, in addition to our programs such as the NYK Digital Academy and NYK-TDG Maritime Academy for developing the next-generation of human resources, for specialists who work in rapidly evolving areas, such as technicians and digital specialists, we are promoting measures including increasing the proportion of mid-career hires.

Introducing the criterion of contribution to the organizational goal to our evaluation scheme, aiming our transformation to the ESG management, is inseparable from our efforts to promote diversity and inclusion. In our corporate culture

to date, employee evaluations tended to be influenced by the amount of time spent together at the Company premises. The change to the above evaluation criterion will remove various restrictions arising from life events, such as limitation on working time and location, or gaps created from language and distance barriers. This should be an important means to overcome various challenges brought some from our old culture and, at the same time, I believe that the incorporation of broad insight gained from the promotion of diversity and inclusion should also be vital for the NYK Group's true transition and acceleration toward ESG management.



MESSAGE

Financial Strategies for Realizing Our ESG Story and Achieving Sustainable Growth in Corporate Value

Capitalizing on the strong earnings achieved by the efforts of all Group employees, including those who work in our day-to-day operations, to carry out our mission of offering logistics services without disruption, we will continue to promote our policy of keeping the Company in sound financial condition and maintaining disciplined capital expenditures.

Summary of Results for Fiscal 2020 and Forecast for Fiscal 2021

At the start of fiscal 2020, the impact of the COVID-19 pandemic on our business in the future was uncertain, and both the preparation and announcement of our financial results for fiscal 2019 were delayed. In addition, this uncertainty forced us to revise our budget so that our financial forecast for fiscal 2020 was to break even. The revised budget was made with management's will and determination that, even under such difficult circumstances, we would manage to achieve a profit in fiscal 2020. As fiscal 2020 progressed, the recovery of demand in the container transportation business far exceeded our expectations, mainly due to stay-at-home demand, while supply chain disruption due to the COVID-19 pandemic also brought about a tight supply-demand situation. As a result, in each quarter our financial forecast was upwardly revised.

In the car transportation business and the dry bulk business of the Bulk Shipping segment, the recovery in market conditions was basically in line with our initial forecast; however, in the liner trade, logistics, and air cargo transportation businesses, market conditions remained at a higher level than we had expected. As a result, in our results for fiscal 2020, recurring profit was up ¥170.8 billion year on year, to ¥215.3 billion, and net income was up ¥108.0 billion, to ¥139.2 billion. These were the highest results in the NYK Group's history, and I would like to thank all our employees and pay tribute to their efforts to fulfill our mission of offering logistics services without disruption, which has produced these strong earnings.

NYK's financial performance in fiscal 2021 will be strong, as it was in fiscal 2020, due to continued tight supply and demand in the liner trade, air cargo transportation, and logistics businesses, as well as favorable market conditions surrounding the dry bulk business.

At the release of the Company's first quarter financial results for fiscal 2021, full-year recurring profit and net income are both forecasted to be ¥500.0 billion, respectively. These figures will set new profit records for us. Although our performance continues to be strong, we do not expect the current level of cargo movements and freight market rates to continue indefinitely, and we need to be prepared for changes in the business environment in the future. There is still uncertainty regarding when we might see an end to the COVID-19 pandemic and what changes we may have in our business environment in the post-COVID-19 era. Moreover, while our earnings structure is now more stable than before, the maritime shipping business, which is in the core of our business portfolio, is still subject to volatility in market conditions. Capitalizing on our favorable results for fiscal 2020 and the strong forecast for fiscal 2021, we will work to strengthen our stability and achieve sustainable growth in corporate value.

Progress under the Medium-Term Management Plan

The current medium-term management plan ("the current plan") is a five year plan covering the period from fiscal 2018 to fiscal 2022, with a medium-term target for recurring profit ranging between ¥70.0 billion and ¥100.0 billion. We have now passed the midway point of the current plan, and two years remain. In the current plan's first year, we had an extremely hard start, in which we ended up recording a recurring loss of ¥2.0 billion and net loss of ¥44.5 billion. Although it was a disappointing result for our first year, the Company managed to achieve recurring profit of ¥44.4 billion in the second year. In fiscal 2019 Ocean Network Express Pte. Ltd. (ONE), our joint venture in the container transportation business, achieved profitability in the second year of its operations. Also, in fiscal 2019, our car transportation and energy transportation businesses delivered solid performances. In fiscal 2020, the third year of the current plan, we achieved a record-high profit, as I stated in the above, even amid the unprecedented crisis caused by the COVID-19 pandemic.

The financial results for fiscal 2020 have already exceeded the profit targets set in the current plan. As we had achieved our targets, internal discussions were held

Hiroshi Kubota

Director, Managing Executive Officer
Chief Financial Officer, and Chief Executive
of Management Planning Headquarters



Overview of Progress under the Medium-Term Management Plan

	Medium-Term Management Plan Targets (by FY2022)	FY2020 (Results)
Recurring profit	¥70.0 billion–¥100.0 billion	¥215.3 billion
ROE	Min. 8.0%	25.6%
Equity ratio	Min. 30.0%	29.4%
DER	1.5 times or lower	1.52 times

regarding whether we should renew the current plan and revise our target figures. In conclusion, the Company decided to continue with the current plan, because the direction of the basic strategies provided in the current plan remains unchanged and effective. We consider that we should

continue in this direction for the remaining period, while intensively discussing our new medium-term management plan. In formulating the new medium-term management plan, we will analyze the business environment with a view toward 2050, consider climate change risks and decarbonization

efforts, and put these factors and possible impacts in our long-term strategy for realizing our ESG Story.

At this point, I would like to show our progress concerning the basic strategies of the current plan. The first part, or Step 1, of the current plan is "Optimize the business

portfolio." In line with this strategy, we carried out structural reforms of the dry bulk business and, through these reforms, recorded extraordinary losses of ¥54.7 billion in fiscal 2020. With this, we have mostly completed structural reforms of both the medium-sized and large-sized vessels in this business segment. Despite recording considerable extraordinary losses, the Company managed to deliver relatively strong earnings for fiscal 2020 and to complete structural reforms without substantially damaging its financial strength. Business portfolio optimization is one of the most important elements of our basic strategy under the current plan, having said that we assume these structural reforms had been made in a timely and appropriate manner. There was also a major improvement in the profitability of ONE, and we have made a certain level of progress on the business portfolio optimization targeted in the current plan. The second part, or Step 2, is "Expand businesses that secure stable-freight-rates." Here, we managed to build up stable business contracts in our LNG and offshore businesses. The car transportation business remains our focus as a source of stable revenues, and the earnings capacity of the logistics business has also improved. In the area of digital transformation (DX), we have accelerated efforts to enhance operational efficiency and create new value, while in our green business we have started concrete initiatives toward commercial breakthroughs in several areas in the future. In these ways, we are rapidly expanding the scope of our third basic strategy, or Step 3, "Increase efficiency and create new value." These initiatives are also presented in the NYK Group ESG Story, which was published in February 2021. They will support the NYK Group's efforts to create new value for the NYK Group.

The current plan sets recurring profit of ¥100.0 billion as our target. We have already achieved this target in fiscal 2020, and we expect to achieve much higher figures in

fiscal 2021. We will use this strong performance as an opportunity to make our business foundation more solid and profitable and consider how to allocate both financial and non-financial resources to the areas of growth with our ESG Story.

Approach to Financial Strategy for Business Development Going Forward

As the NYK Group's business portfolio continues to change and evolve, we review and discuss how we will renew and implement the management KPIs that we have used so far. We need to consider which management KPIs, both financial and non-financial, should be adopted for the next medium-term management plan. Return on equity (ROE), the shareholders' equity ratio, and the debt-to-equity ratio (DER) used in the current plan are still as important as ever for measuring capital efficiency, financial discipline, and capacity for investment for our sustainable growth. We will continue to focus on these management KPIs, paying attention to the balance between increasing capital efficiency and maintaining financial discipline, including the improvement of our credit ratings.

On our balance sheet, funds procured through debt and equity have previously been utilized mainly for tangible assets such as vessels, property, plant and equipment. However, the proportion of funds allocated to investments and other assets has been increasing as more business development progress is made by equity-method affiliates in Japan and overseas. Furthermore, with the continuous development of overseas business activities, business assets denominated in foreign currencies have also increased. In these circumstances, our fund raising methods and currency portfolio should be reviewed in line with our business development. Although we continue to procure funds primarily in the form of bank loans and

corporate bonds, we will make further effective use of our existing commitment credit lines to maintain our flexibility and prepare for fluctuations in earnings. We also intend to work to diversify our fund procurement methods and proactively engage in green finance, such as transition finance and sustainability-linked loans. In addition to the cash flows generated from the business operations of the Company and its subsidiaries, cash flows associated with the amounts and timing of dividends received from equity-method affiliates will also become more important elements in our fund procurement. This is because we have seen an increase in gains and losses from investments in equity-method affiliates. Under these circumstances, we need to ensure proper monitoring of the investment plans and capital policies of our investee companies as we manage the overall cash flows of the NYK Group. Our intention and goal are to promote financial strategies and capital policies that achieve a good balance of stable returns to shareholders, sound financial discipline, and proper investments in growth areas.

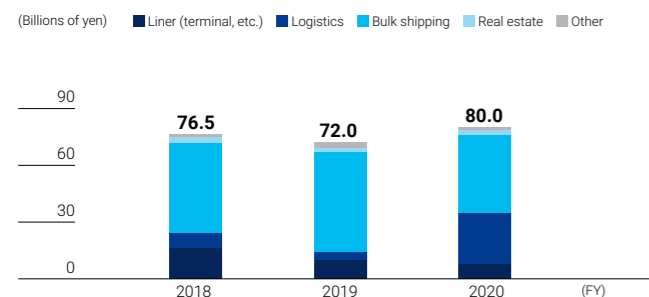
My Role as CFO and How I Make Decisions

I have seen a change in the nature of our investments and capital expenditures. Although the Company's investments and capital expenditures used to be mainly for tangible assets such as vessels, as I stated above, the ratio of investments in other areas has been increasing. The business development of ONE and investments in equity-method affiliates, primarily in the energy sector, digitalization, and green business, can be clearly seen in our business portfolio. In addition, accelerating ESG management also requires investments in the areas of human resources and R&D. My responsibility is to map out the expected investments in each business division over the coming years and periodically review

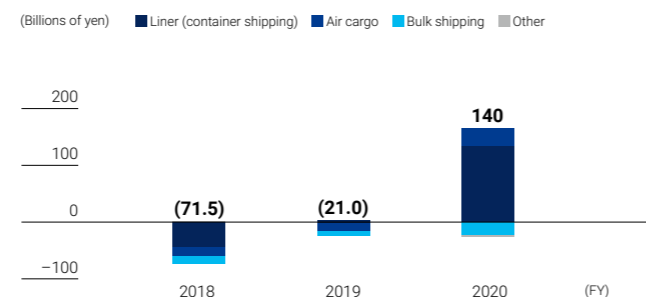
Medium-Term Management Plan Progress

	Plan	Fiscal 2020 Progress and Initiatives
STEP 1 Optimize business portfolio	Dry Bulk	Strictly control market risk exposure Reform our fleet portfolio Strengthen medium- to long-term relationships with customers Reduce market exposure to withstand volatile market conditions Implement structural reforms primarily of medium-sized and large-sized vessels • Early redelivery of 10 high-cost chartered vessels since FY2018 • Extraordinary loss of approx. ¥54.7 billion was recorded in FY2020
	Container (ONE)	Integrate our liner trade business together with those of MOL and "K" Line (ONE) Pursue efficiencies and economies of scale and generate ¥110 billion through synergies Achieve integration effect through synergies by adopting best practices Work hard to stabilize issues such as schedule delays and a shortage of containers due to congestion at ports and inland areas for the time being Continue to work on medium to long term fleet development planning to further improve competitiveness
STEP 2 Expand businesses that secure stable-freight-rates	Logistics (YLK)	Pursue synergies through effective use of global network and management resources
	Car Transportation	Leverage Group business infrastructure for strengthening sales Promote more business by LNG-fueled vessels and accelerate more renewable energy use in Roll-on/Roll-off terminal for finished vehicles Contribute to GHG reductions in customer supply chains
	LNG and Offshore Business	LNG fleet plan: around 97 vessels (end of FY2022) Develop business at every stage of the energy value chain, from upstream to downstream Secure stable-freight-rate business by acquiring medium- to long-term contracts (Number of LNG vessels: FY2022 forecast: 89 vessels)
STEP 3 Increase efficiency and create new value	Digitalization	Optimize supply chain using digital technology Run NYK Digital Academy to nurture talents who can promote innovation Support frontline business activities with DX
	Green	Create new value for the next generation under themes including renewable energy Accelerate initiatives such as LNG fuel supply, offshore wind power, zero emissions (hydrogen and ammonia), etc. Several billions of yen in recurring profit per year by around fiscal 2030

Stable Freight Rate Business (Recurring Profit Basis)



Non Stable Freight Rate Business (Recurring Profit Basis)



the timing, scale, feasibility, and the risks of those investments. Taking a bird's-eye view of operating cash flows based on NYK's projected income statement, investing cash flows based on the Company's investment plan, and financing cash flows based on NYK's financial strategies, I periodically examine and scrutinize these cash flows in order to maintain our financial condition with a certain degree of discipline. At the same time, I try to keep financial flexibility for allocating funds for growth areas. While each business project will continue to be scrutinized with predetermined internal rules, including targeted investment returns, I will monitor the changes in our overall assets and the projections for them. If our investments and capital expenditures are made beyond a certain tolerable range resulting in a change in our risk portfolio, we may end up in taking excessive risks. As the Group's business portfolio continues to

evolve, I will pay appropriate attention to ensure that its overall investments do not exceed the bounds of financial discipline. In terms of shareholder returns, our current dividend policy is to aim for a consolidated payout ratio of 25% with a minimum annual dividend of ¥20 per share. The Company's goal of realizing stable shareholder returns has not changed. We have now made a certain amount of progress with improving our financial foundation and achieving the targets shown in the current plan for profitability and financial position. Accordingly, we will continue to review our basic policy on shareholder returns. To enable shareholders and investors to correctly understand our policies on shareholder returns, it is important that we correctly understand the policies and ourselves. It is also important for NYK to properly ascertain how stakeholders evaluate its various published materials, such as this

NYK Report, timely disclosures, and press releases. To continue to be a company that remains essential to society and is chosen by its customers, we must be sensitive to the requirements shown in our ESG Story. Introducing an internal carbon-pricing system and factoring the carbon costs into each business division's investment plan and decision-making process are good examples of this. As CFO, I need to be mindful and vigilant in ensuring that our sense and awareness do not diverge from the generally accepted views of society. At the same time, I will work diligently to strengthen our management foundation for realizing our ESG Story. I am fully committed to sustainably improving the corporate value of the Group by utilizing our track record, knowledge, and expertise, even if changes in our business circumstances and trade structure bring about changes to our business structure.

“ I am committed to realizing sustainable growth in corporate value by utilizing the NYK Group's expertise even if the times and trade structure change. ”

C O L U M N

The CFO's Financial Analysis of the NYK Group

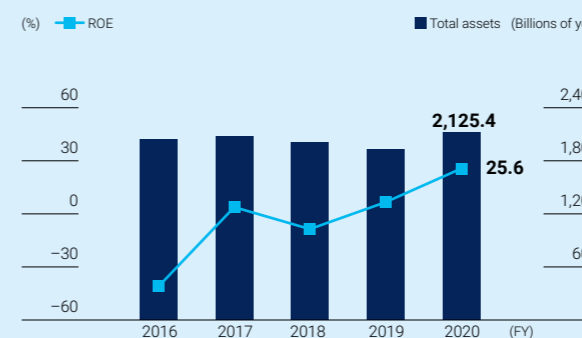
I will explain the NYK Group's profitability, efficiency, and financial leverage with the aid of graphs showing management KPIs.

Revenues / Recurring Profit



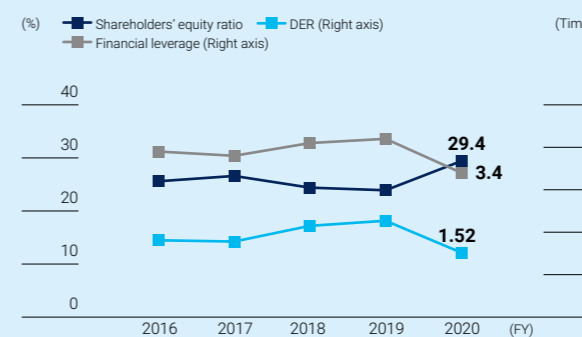
In the Liner & Logistics segment, the profitability of the liner trade, air cargo transportation, and logistics businesses improved significantly. In the dry bulk transportation business, we promoted structural reforms to establish a profitable business structure. There is some uncertainty regarding market conditions and when the COVID-19 pandemic will subside; however, our earnings quality has certainly become stronger.

ROE / Total Assets



Partly because of foreign exchange rate effects, total assets exceeded the ¥2 trillion level for the first time in two fiscal years. ROE rose above 25% due to a dramatic improvement in profitability and is expected to remain at a high level in fiscal 2021. Going forward, we will reduce cross shareholdings and review our real estate holdings, aiming to increase management efficiency in line with the improved earnings quality of our businesses.

Shareholders' Equity Ratio / DER / Financial Leverage



Although total assets ballooned slightly, the shareholders' equity ratio reached 29.4% due to the improvement in our earnings, and in fiscal 2021 we expect it to clear the 30% target of the current medium-term management plan. Meanwhile, DER improved to 1.52 times and the financial leverage ratio to 3.4 times. We will continue to strengthen our financial foundation toward improving our credit ratings, while pursuing a capital policy that balances our allocation of management resources between stable shareholder returns, maintenance of financial discipline, and growth investments to support ESG management.



Strategy Story

– Changing Awareness on the Front Lines and Implementing ESG Management –

The NYK Group's Vision for ESG Management

Integration of ESG into Management Strategies

The NYK Group stated its intention to integrate ESG principles into its management strategies in the medium-term management plan announced in March 2018.

By making judgments from a long-term perspective using ESG yardsticks, we will invest management resources—namely, talent, assets, investments, and data—in order to contribute to the differentiation of existing businesses, expansion of business domains, and solutions to social and environmental issues. In doing so, we aim to continue being the preferred choice of stakeholders, strengthening our brand, and increasing employees' job satisfaction and pride.

▶ The NYK Group's ESG Management

<https://www.nyk.com/english/esg/concept/>



Becoming the preferred choice of clients and partners / Enhancing employee satisfaction



The NYK Group ESG Story

The NYK Group's concept of ESG management and specific initiatives are presented in the NYK Group ESG Story, which was released in February 2021.

The story outlines how the Group will realize new value creation by merging the maximization of earnings with the pursuit of social and environmental sustainability.



▶ The NYK Group ESG Story

https://www.nyk.com/english/esg/pdf/esgstory_booklet.pdf

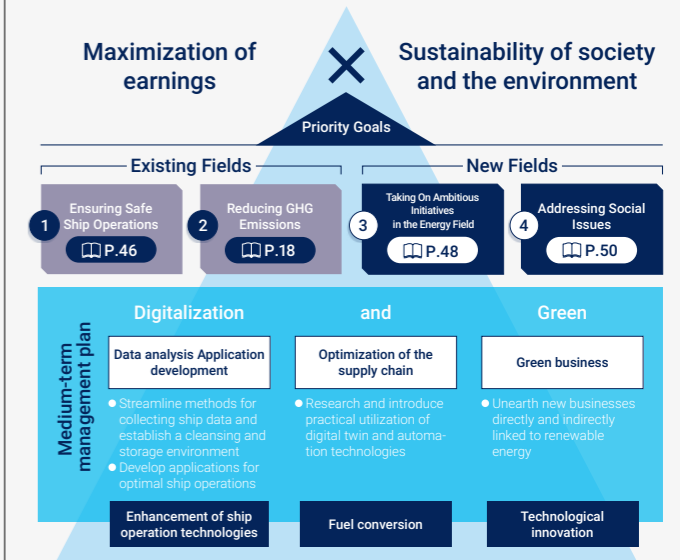
P.15



Strategy Story on the Front Lines

ESG management is concerned with promoting both the maximization of earnings and social and environmental sustainability. The NYK Group aims to improve its corporate value by promoting safe operations in existing areas and furthering the efforts it has made in new areas, such as reducing GHG emissions.

Example: Value the NYK Group will create going forward –Four business themes reevaluated using new yardsticks–



The NYK Group's ESG Management and SDG Correspondence Table

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Existing Fields	Ensuring Safe Ship Operations (P.46)		●	●					●						●			
	Reducing GHG Emissions (P.18)													●				●
New Fields	New Businesses*1 (P.48)						●	●	●					●	●			●
	Social Issues*2 (P.50)								●	●	●							●
Business Infrastructure	Fostering of skills and attributes (P.34)								●									
	Diversity and inclusion (P.36)					●			●									
	Human resource system (P.36)								●									
	ESG management (P.14)								●									
	Sound governance Groupwide (P.68)								●									●
	Human rights*3 (P.58)										●		●					●
Medium-term management plan and related goals				●				●	●	●				●				●

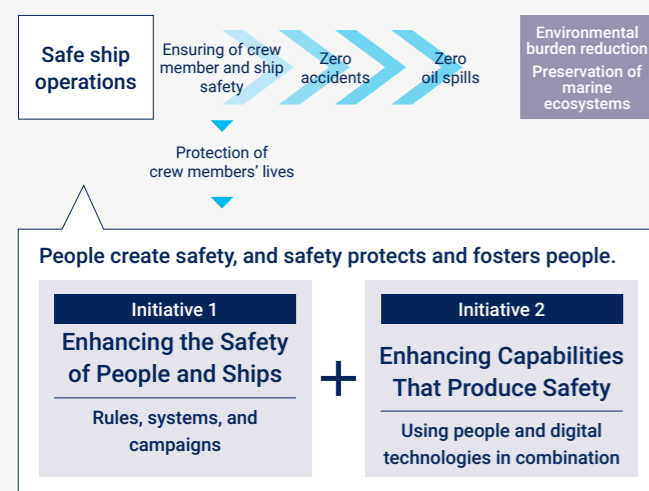
*1 Businesses related to the energy field *2 MarCoPay (electronic money platform for seafarers) *3 Ship recycling

Ensuring Safe Ship Operations

With its social mission of “keeping the logistics lifeline open,” the NYK Group makes every effort to ensure not only the safety of seafarers working at sea and on its ships but also ship operations that are considerate of the global environment.

➔ Safe Ship Operations Are the Group’s Mission

Protect Crew Members’ Lives and the Environment through Safe Ship Operations



➔ Problems with Crew Changes and the Triple “C” Task Force

Crew Changes

The Group’s fleet is manned by around 5,000 seafarers (around 9,000 including those on leave). Our seafarers are from various nations, including the Philippines, India, Japan, and Romania. Crews are usually changed after three to nine months working on board vessels.

Crew Change Issues Due to COVID-19 and Current Status

During the state of emergency declared globally between February and March 2020, restrictions on movement around the world created situations in which crews were obliged to extend their time at sea and continue performing their duties. Although around 800 seafarers are changed each month usually, crew change rate for April 2020 was dropped only to 5%, and we improved it to as much as 113%. Subsequently, with the emergence of variant strains of COVID-19, the change rate fell to the 70% level, but it recovered now to 90% level. This situation is expected to continue for the time being (as of July 2021).

► Our mission: Keep the logistics lifeline open! (2)

🌐 https://www.nyk.com/english/news/2021/covidinfo_20210625_01.html



Formation of the COVID-19 Crew Change Task Force

The COVID-19 Crew Change Task Force (Triple “C” TF) was established in September 2020, aiming to organically link various internal organizations to resolve crew change issues. We have surveyed the possibility of having crews embark and disembark from vessels in areas around the world and established transportation means and quarantine systems, as well as coordinating with government agencies, industries, and relevant people inside and outside the Company. We have also strengthened the onboard telecommunications environment to enable better communication between crew members and their families in view of their long periods of separation. We recognized expenses of roughly ¥2.2 billion related to these crew changes (between the start of the COVID-19 pandemic and March 31, 2021). In May 2021, we started offering optional vaccinations in the United States to crew members. Our policy is to continue working to maintain and secure the flow of logistics while striving to ensure crew safety in cooperation with vaccination programs in their own countries.

Comment from the Front Lines

Ship management companies NYK Shipmanagement Pte. Ltd., NYK-Fil Ship Management, Inc., and NYK LNG Shipmanagement Ltd. are responsible for overseeing the manning of seafarers on the NYK Group’s vessels. Regulations and so forth at said vessels’ ports of call can change from day to day, so the embarkation and disembarkation arrangements for seafarers vary depending on their individual status. For example, the points of embarkation and disembarkation can often be far from the seafarer’s own country, necessitating the arrangement of accommodation for a quarantine period of around two weeks before embarkation and after disembarkation, in addition to multiple PCR tests. As we make manning arrangements for up to 900 people a month, we are navigating our way through this difficult time by coordinating with the COVID-19 Crew Change Task Force.

➔ Signatory to the Neptune Declaration

In January 2021, the Company signed the Neptune Declaration for Seafarer Wellbeing and Crew Change, which calls for global action to end the unprecedented crew change crisis caused by COVID-19.



MESSAGE

We will pursue advanced, safe operations, by combining human resources and digital transformation (DX), and promote ESG management.

Profile

Tomoyuki Koyama

Senior Managing Executive Officer
 Chief Safety Officer (Marine)
 Chief Information Officer
 Chairman of Group IT Strategy Committee
 Chief Executive of Technical Headquarters (Executive Chief of Environmental Management, Chairman of Technology Strategy Committee)

Safe operations are the first priority of ESG management, but this is nothing new for NYK, where safety has been the top priority of management for over 130 years. The NYK Group makes constant efforts to cultivate a safety culture, and we invest management resources without reservation in maintaining and improving the safety and skills of our crew members, especially those who work on the front lines.

Amid the COVID-19 pandemic, which has been of a historic scale, we implemented rigorous infection prevention measures not only at sea but also in crew members’ home countries. With passenger airline services still on hold, we used our ingenuity to conduct crew changes safely and smoothly (see page 46 for details). In addition, we maintained our previous high standard of training by actively incorporating online education and training.

In April 2021, we saw a graduate from our privately operated maritime academy in the Philippines—the NTMA*—become a captain for the first time. The Company’s high standards of safety are inculcated not only through training and drills but also through academy education.

Going forward, we will realize even higher levels of safe operations by combining human resources with digital transformation. We are proud of our industry-leading technologies for big data analysis and diagnosis using data on voyages, engines,

weather, and maritime conditions obtained via our Ship Information Management System, SIMS, as well as operation management data obtained from our safety management system, NiBiKi.

In August 2020, we opened the Remote Diagnostic Center in Manila to carry out centralized monitoring of the fleet. At the center, specialist maritime technicians search for abnormal values in vessel power plants detected by advanced AI technology and provide detailed and highly accurate information to operating vessels, helping prevent engine trouble or detect it early. Through this system, both AI and human experts are able to function efficiently within a cycle encompassing detection, diagnosis, communication, and feedback. We are also working to develop manned autonomous ships, which reduce the workload on crews while dramatically increasing the level of operating safety. With the combination of advanced AI technology and the general rules adhered to by our crews, we expect to achieve the full implementation of these systems within a few years.

In other initiatives, we are promoting the introduction of a system that readily confirms safety and shares voyage plans between ships and onshore bases, as well as introducing a new collision risk indicator display to assist crew members steering vessels. We have started combining assessment data

based on the NAV9000 unified safety standard—which we have adhered to for many years together with operating vessels, vessel owners, and ship management companies—with data obtained from class societies, flag states, and industry bodies to quantify risk levels for use in safety management, with the aim of accelerating the development of a system for data-driven safety management.

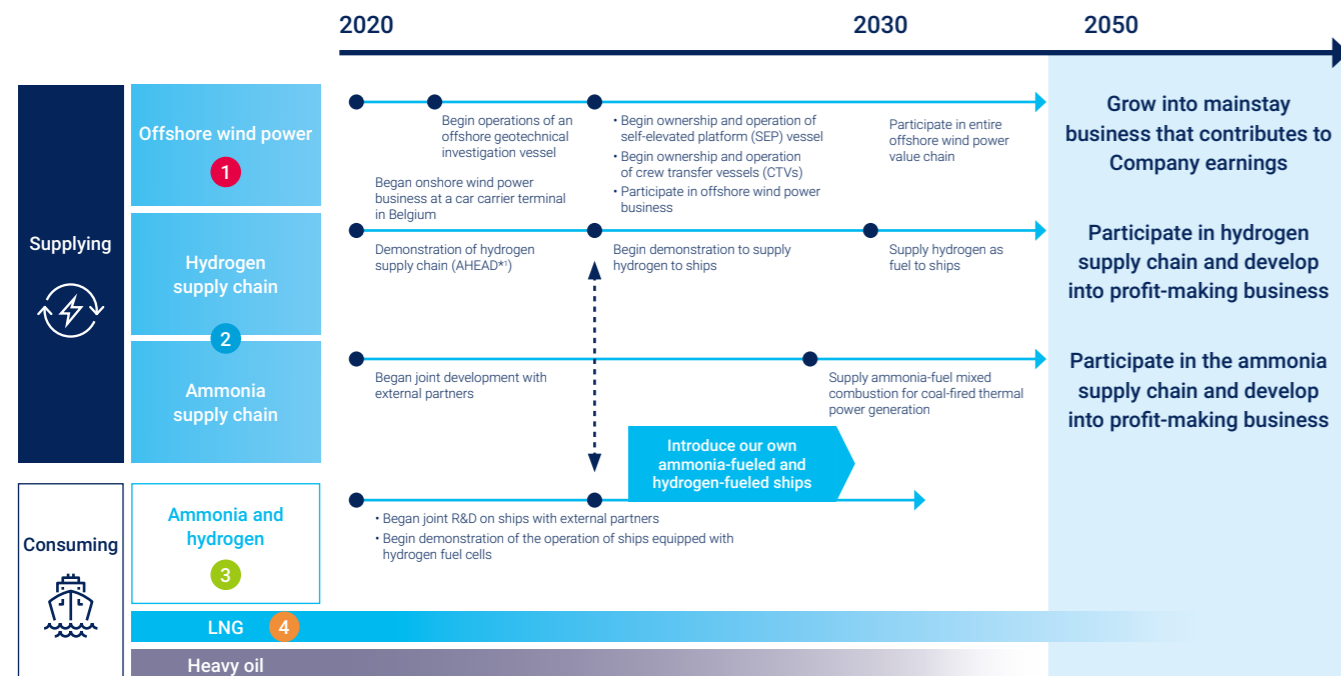
* NTMA: The NYK-TDG Maritime Academy. Established in 2007 with the objective of training top-class Filipino crew members, the academy has over 1,100 graduates, who are active in the NYK Group’s shipping operations.



Taking On Ambitious Initiatives in the Energy Field

Leveraging its expertise and technological competence accumulated over many years and its global network, the NYK Group is tackling ambitious projects in the renewable energy field with the aim of creating a new core business. We are participating in research together with start-ups focusing on new technologies for ships in the field of alternative fuels and promoting global business development.

Our Business Development Timeline in the Energy Field (As of July 2021)



*1 AHEAD: Advanced Hydrogen Energy Chain Association for Technology Development, established in July 2017 by four companies: NYK, Chiyoda Corporation, Mitsubishi Corporation, and Mitsui & Co., Ltd.

The NYK Group's Participation in Decarbonization Projects

We are steadily promoting low-carbon and decarbonized modes of transportation and the establishment of a value chain concept to realize a decarbonized society in the future.

- Offshore wind power**
 - Japan**
 - Agreed a memorandum of understanding on offshore geotechnical investigation partnership for the domestic offshore wind power industry
 - Agreed a memorandum of understanding with Akita Eisen KK for crew transfer vessel business for offshore wind power generation systems
 - Europe**
 - Concluded a bareboat charter contract with Northern Offshore Group AB for crew transfer vessel in offshore wind industry
 - Began wind power generation at finished vehicle logistics terminal in Belgium
 - Signed a memorandum of understanding with Van Oord Offshore Wind B.V. to own and operate offshore wind turbine installation vessels
- Creation of supply chains for hydrogen, ammonia, and decarbonized energy**
 - Japan**
 - International demonstration project for transportation of hydrogen executed by AHEAD
 - Invested in ammonia production venture company Tsubame BHB Co., Ltd.
 - Changed status in Clean Fuel Ammonia Association to board member
 - Participated in the Public-Private Sector Conference on Fuel Ammonia Introduction and the Public-Private Sector Conference on the Promotion of Methanation, both held by the Ministry of Economy, Trade and Industry
- Technology development for ammonia- and hydrogen-fueled vessels**
 - Japan**
 - Carried out joint research into an ammonia-fueled ammonia gas carrier (AFAGC) and an ammonia floating storage and regasification barge (A-FSRB)
 - Started joint R&D to put ammonia-fueled tugboat into practical use
 - Signed a comprehensive alliance agreement on demonstration project for a high-power hydrogen fuel cell vessel with Yokohama City
 - Europe**
 - Joined international assessment project for decarbonization of marine fuels, The Maersk Mc-Kinney Moller Center for Zero Carbon Shipping
 - NYK Bulkship (Asia) Pte. Ltd. signed a contract of affreightment for renewable fuel with Neste Oyj subsidiary Neste Shipping Oy
 - Signed a memorandum of understanding regarding joint study of an AFAGC with Yara International ASA
- Promotion of LNG fuel and supply business**
 - Japan**
 - Japan's first LNG-fueled tugboat, Sakigake, delivered in 2015; Japan's first LNG bunkering vessel, Kaguya, delivered in 2020
 - Japan's first LNG-fueled pure car and truck carrier, Sakura Leader, delivered in 2020. Scheduled a total of 20 such vessels to be constructed by fiscal 2028. World's first LNG-fueled large coal carrier (scheduled delivery in 2023)
 - Conducted the first LNG bunkering demonstration trial in Setouchi, Kyushu region
 - Europe**
 - World's first purpose-built LNG bunkering vessel, Green Zeebrugge, delivered in 2017
 - Terminated Gas4Sea J/V and acquired all shares of exclusive vessel holding company

COLUMN

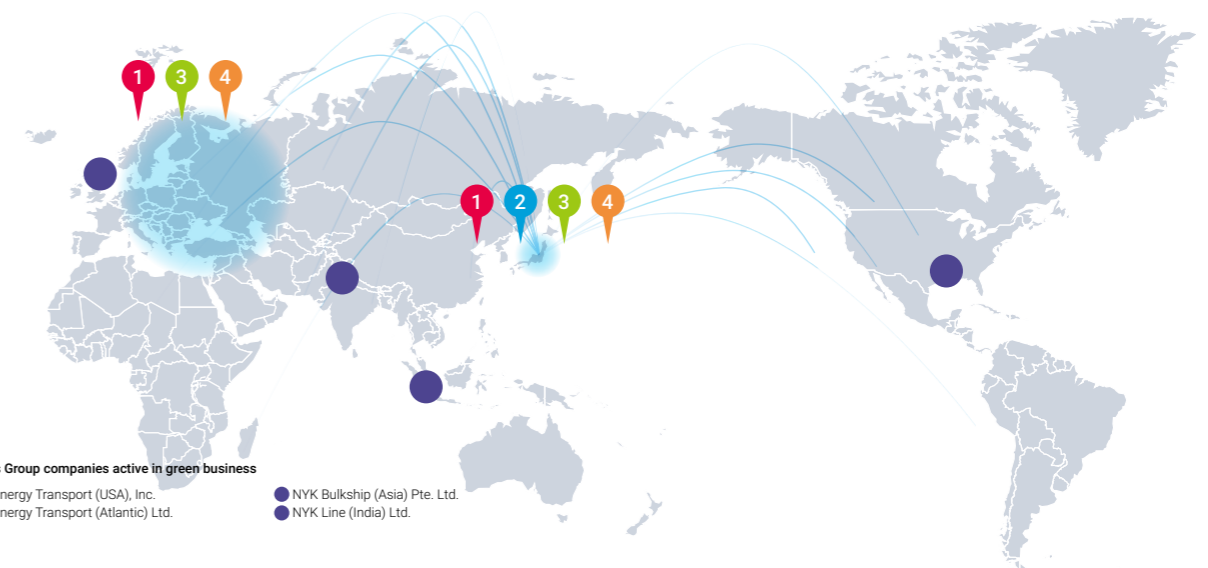


Profile
Kazumasa Taruishi

NYK Energy Transport (USA), Inc.
Vice President

Budding ESG Activities Also Spreading Overseas

The United States is one of the world's leading producers and consumers of oil and natural gas. Large-scale tankers operated by NYK are also involved in the marine transportation of energy produced in the United States (LNG, LPG, crude oil, and petroleum products) to various export destinations, including Japan. Realizing a decarbonized society requires both an essential reduction in the overall cost of supply chains, including marine transportation of low-carbon energy, and technological innovation to make this possible. The NYK Group is also required to create partnerships and connections that differ from those with its traditional customer base. We believe that fostering human relationships and networks in the United States will also promote ESG management, and we therefore participate in international seminars held locally to communicate our initiatives. After the seminars, I am encouraged by a large number of inquiries from U.S. companies, which show strong interest in us.



NYK Group Innovative Story

Circulating Value through MarCoPay

Many non-Japanese seafarers encounter various financial problems due to their fixed-term employment for each period of work aboard a ship, which can be more than six months.

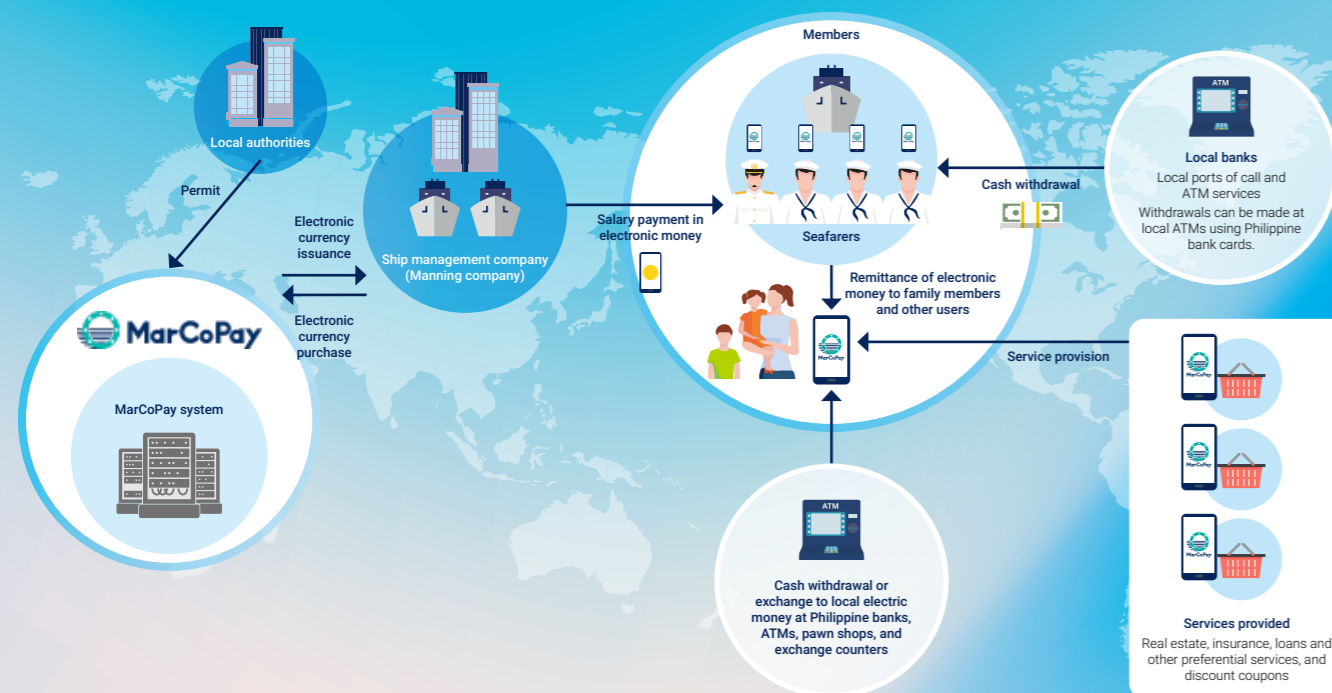
To improve the daily lives of seafarers as much as possible, we established MarCoPay Inc. and worked tirelessly to resolve social issues. This section provides a glimpse of how MarCoPay works in practice.

What is MarCoPay?

It is an electronic money platform for seafarers.

Many talented seafarers hail from the Philippines. With local financial infrastructure still underdeveloped in many ways, seafarers previously faced difficulties in obtaining personal loans and other services. Through MarCoPay, we can help solve these issues and contribute to improving the quality of life for seafarers.

Conceptual diagram of onboard use of electronic money platform



01

Full-Scale Operation of the MarCoPay Platform Created by a Maritime Shipping Company

MarCoPay was officially launched in the Philippines in 2021. Jointly operated by NYK and its long-standing business partner in the Philippines, Transnational Diversified Group (TDG), MarCoPay is a life-supporting platform for seafarers that utilizes electronic money. The platform enables users to receive their salaries in electronic money, transfer money to family members and friends, pay bills, and convert the electronic money back into cash at bank counters, ATMs, and non-bank institutions across the Philippines, as well as apply for loans prior to embarking on ships. The system is licensed by the central bank of the Philippines and is also recognized by the Department of Labor and Employment and related government agencies. In the Philippines, ongoing restrictions on movement and other measures to prevent infection during the COVID-19 pandemic are driving growth in needs for digital settlements, and the amount of settlements made using electronic money is growing exponentially. However, the core concept of MarCoPay is much more than just an electronic money settlement service.

In addition to basic financial services such as deposit management and money transfers, MarCoPay focuses on the potential value of seafarers and their financial needs. It aims to serve seafarers as a life-supporting platform that provides services such as loans, insurance, and communications—which are necessary at each stage of life—with better conditions. “MarCoPay reduces the burden of dealing with cash on seafarers and those around them,” says Toshiaki Fujioka, the president and CEO of MarCoPay Inc. “Our mission is to provide opportunities for seafarers to harness their economic potential to enrich their lives. I believe that achieving this mission will lead to not only the success of our business but

Profile

Toshiaki Fujioka

MarCoPay Inc.
President and CEO



Mr. Fujioka joined NYK in 2000. After working at NYK Bulkship (Atlantic) NV and in the Nippon Yusen Secretary Group and Digitalization Group, he was appointed to his current position in October 2019.

also the sustainable growth of the maritime community, based on which MarCoPay is named.”

The Philippines provides more global seafarers than any other country. While they earn higher than the average income in their home country, the immature state of the financial infrastructure in the Philippines and the fact that seafarers from there have fixed-term contracts for each period of work aboard ships mean that their economic value is not properly recognized by society and its systems. There are almost no local loan services in the country available to seafarers, and those that are available have high interest rates. Even captains, whose annual income exceeds ¥10 million, are required to provide proof of employment when using loan services. However, proof of employment is issued just before boarding. This means that they have virtually no access to unsecured personal loan services at appropriate interest rates. To address this issue, MarCoPay launched a personal loan service in the Philippines in the fall of 2020. The service provides loans with competitive conditions in cooperation with a crew manning company, and the loans do not require collateral. “In addition to electronic money, we aim to be a provider of

attractive services that closely reflect the lifestyles of seafarers and their families, including loans and insurance. We also aim to provide seafarers with ways to enrich their lives by encouraging them to not only use money but also build assets, including savings. This personal loan service is the first step toward realizing this vision,” explains Mr. Fujioka.

The COVID-19 pandemic will also help to increase the use of MarCoPay. The Philippines comprises over 7,000 islands, not all of which have banks or ATMs within the areas where people live. Strict controls on people going out have made it even more difficult to access banks. Ship management companies are actually beginning to distance themselves from cash dealings. There are also signs of cross-industry efforts to improve the environment for seafarers under the influence of COVID-19. MarCoPay will surely prove to be a valuable service for many seafarers.

02

The Unique Perspective of a Maritime Shipping Company



MarCoPay is based in the Philippines for several reasons. First, Filipinos make up a significant proportion of the world's seafarers, particularly on Japanese ships, where they account for 80% of crew members. Another major reason is that financial infrastructure and financial literacy in the Philippines are still developing, and there is a lack of services that match the economic potential of seafarers.

Seafarers and their families often spend long periods living apart. Therefore, they tend to face problems with various aspects of life, such as funds and healthcare. The MarCoPay concept is based on developing services to provide multifaceted support for talented seafarers, as well as making the overall maritime shipping industry more

competitive through the circulation of value. It is for this reason that MarCoPay has adopted a neutral position and offers its services broadly to all shipowners, ship management companies, and crew-manning companies. "The maritime shipping and logistics businesses involve more than just transporting goods; they are excellent at circulating value. However, measured by the yardsticks of value in industry and society overall, these businesses tend to be underappreciated. MarCoPay was established from a sense of urgency that we and the younger generations must do something ourselves," Mr. Fujioka emphasizes.

Today, MarCoPay receives many inquiries from various companies, including NYK Group-related companies. MarCoPay's

initiatives are drawing strong interest from an increasing number of operators from the perspectives of ESG and the SDGs. Mr. Fujioka has also noticed the surge in interest: "As the yardsticks for measuring value evolve with the times, people are beginning to appreciate the significance and value of MarCoPay even more."

and that anxiety has increased during the COVID-19 pandemic. Along with expanding the insurance lineup, we intend to look at ways for possibly reducing anxiety about medical care. Third, with regard to security, we want to provide systems that enable people to not only receive loans but also dispel anxiety about their futures by providing opportunities and support for asset portfolio building, including savings and investments. Specifically, we want to provide attractive services linked to savings and asset formation through the MarCoPay platform. I believe these services will promote long-term security and better

support for different life stages. We will carefully gather feedback from seafarers and other relevant people through questionnaires in order to further develop these services."

Taking Extra Care during Favorable Times

The platform has made a smooth start, but Mr. Fujioka and other people involved are treading carefully. "We feel a palpable response in terms of business development and employee growth, but it is because things are progressing favorably that we are

taking extra care in fully deploying the services. In particular, since we are handling loan services, we need to take every precaution to address security risks. We aim to both expand services that will realize and increase value and continue to steadily offer services that our customers expect."

We will continue to focus on innovation generated by MarCoPay.



Potential for the Future

03

In the Philippines, MarCoPay has set up a system to handle certain loan and insurance agency services as well as an app, in a bid to increase the numbers of seafarers and operators participating in the electronic payment platform. In other services, the company plans to collaborate with a wide range of partners that share its mission.

The company is also promoting the launch of community-focused services. It set up group insurance services that people can join at discounted rates and introduced global SIM cards in cooperation with

telecommunications providers. In the Philippines, where there is an ongoing house-building boom, MarCoPay provides discount coupons for people purchasing condominiums. These services are able to attract ideal users such as seafarers, and Mr. Fujioka's strategy is clear: "We plan to increase the number of users of electronic currency, loans, telecommunications, and coupons to widen our platform while expanding our offerings to include insurance and deposits."

In June 2021, the Japanese trading company Marubeni Corporation decided to

invest and participate in MarCoPay. Now, Mr. Fujioka plans to develop services to enrich the lives of seafarers and their families. "Going forward, our service development will adopt three themes: securing options, health, and security. First, there are plenty of opportunities to acquire a car or a house, so we will expand the lineup of loan and insurance services to secure options for users. Second, we have also heard that people are anxious about health and medical treatment in the Philippines, where the national health insurance system is still in development,

Service Concept for the Future (as of July 2021)

	Service Menu				
Target	Seafarers (some services include those for families and onshore personnel in the maritime shipping industry)				
Service	Electronic money	Loans (preferential conditions)	Insurance (preferential conditions)	Asset formation	Discount services
Details	Salary payment	Salary loans	Life insurance	Financial seminars	Real estate
	Transfers and conversion to cash	Unsecured loans	P&C insurance	Investment trusts	Cars
	Conversion to other electronic currencies	Car loans	Health insurance	Stock investments	Motorcycles
	Bill payment	Home loans	Medical insurance		Home appliances
	QR code payment		Note: All with preferential conditions		Travel
	Debit card				Education
Key theme	Contributing to fulfilling lives for seafarers, their families, and everyone involved in the maritime shipping industry				

Currently available services

History of MarCoPay Inc.

- End of 2017** Several voluntary study meetings held to examine the basic concept
- Feb. 2018** Basic concept announced internally, and with approval from the president and other members of senior management, discussions moved ahead
- Nov. 2018** Shipboard remittance test carried out in cooperation with Japan Card Network Co., Ltd. (applied for patent for a system able to manage electronic currency in an unstable telecommunications environment)
- Feb. 2019** Concluded a memorandum of understanding with business partner TDG
- July 2019** Established MarCoPay Inc.
- Dec. 2019** Acquired license as an electronic money issuer from the central bank of the Philippines
- Oct. 2020** Launched personal loan service in the Philippines
- Apr. 2021** Provided preferential services for home purchase transactions, etc.
- May 2021** Started salary payments in electronic money for seafarers at sea
- June 2021** Investment and participation by Marubeni Corporation

CEO Message



MarCoPay Inc. currently has 40 employees. As a business operating in the cutting-edge field of fintech, we continue to attract talented personnel. Our team members are strongly motivated by the sense that they can deliver significant value to society through MarCoPay. Even if the work is challenging, such as negotiating with financial authorities, developing new partnerships, and implementing security

measures, our people continue to apply themselves with dedication. Our employees are energized by the idea that they can be instrumental in solving social problems such as access to financial services and in transforming the situation of seafarers and their families, who struggle because of these issues. I feel this also contributes significantly to their own personal growth.

Although financial services are currently limited in terms of access and options in our home market, the Philippines, the potential is limitless, with a large population of young people—similar to the situation in Japan in the past. Local people, in particular the young generation, have a desire for growth that is rapidly propelling them forward. They may overtake Japan sooner than one might think in the near future. As the world's largest supplier of seafarers, the Philippines has great potential. We intend to start here, aligning ourselves with the real needs of seafarers and related parties, helping them overcome the chal-

lenges they face, and developing solutions with them moving forward.

At the same time, we are also preparing to deliver value to a large number of seafarers and related parties outside the Philippines as well.

One of the appealing features of platforms such as MarCoPay is that it enables even greater value sharing among people as the circle of supporters and participants widens. Together with many people in the maritime shipping industry and surrounding sectors, we desire to realize solutions to cash-related issues and inconveniences, nurture potential value to be realized, and then tap into that value.



(Top) CEO Toshiaki Fujioka and Vice President Areson Cuevas
(Right) MarCoPay Inc. employees



COLUMN

Aiming to Impress through Service

The COVID-19 pandemic is having a tremendous global economic and social impact. One positive outcome of the pandemic for society in the Philippines, however, has been the increasing awareness and use of electronic money among Filipino citizens, as restrictions on movement helped increase their reliance on the safety and speed of online financial transactions.

We in the MarCoPay team start each day with the mindset of "the sky's the limit." There are so many gaps in the Philippine financial industry that can be bridged through the use of financial technology. This brings MarCoPay to the forefront by having a very focused market—the Filipino seafarers—which has high growth potential but is oddly underserved by traditional financial companies.

Seafarers' Feedback Is at the Heart of Management

Two or three times a week, Filipino seafarers tell us that they cannot get home loans, that they are lonely being separated from their families or spouses, that they are worrying about their parents' health, or that they want to give their children a good education. These statements greatly interest and motivate us, as this kind of feedback is filled with hidden keys to unlock our market. We set to work right away, carefully identifying the issues and building and examining potential solutions with colleagues and supporters both within and outside the company. Over the past two years, we have openly repeated this process again and again, and continuing it will always be MarCoPay's most important task. This, however, is not something that can be achieved by one person alone. It is only made possible by receiving a broad range of opinions from people

Contributing to Business Growth with a Shared Aspiration

The maritime shipping industry handles 99% of the world's logistics and is supported by a large number of seafarers. Marubeni Corporation moved to invest and participate in MarCoPay Inc. in June 2021, having shared its aspiration to enrich the lives of seafarers and those connected to them. This is Marubeni's first foray into services for seafarers, but we are encouraged and delighted to be working in partnership with a global maritime shipping company such as NYK.

MarCoPay Inc.'s initiatives are very advanced. They not only provide solutions to problems seafarers are facing but also identify latent needs and create completely new value. We are confident that MarCoPay Inc.'s life-supporting platform will provide a foundation for seafarers to build better futures. As a *sogo shosha* (integrated trading and investment business

conglomerate), our business domains are diverse, and we can therefore link our operations in financial and medical services, communications, and other areas with the platform provided by MarCoPay Inc. to provide a wide range of services to seafarers. This will boost the growth of the platform and give us the means to bring greater convenience to the lives of seafarers.

Profile

Areson Cuevas

Vice President and Chief Operating Officer



Profile

Ryota Takenaka

Chief Sales and Strategy Officer



Profile

Mikio Wakabayashi

Assistant General Manager
Ship Project Department,
Marubeni Corporation





Co-Creation with Stakeholders through Shared Understanding

Throughout its history of over 135 years, the NYK Group has developed countless innovations in co-creation with various stakeholders, whether by understanding customers, cooperating with suppliers, or supporting local communities, among others. The following are examples of co-creation with customers, suppliers, employees, local communities, and shareholders, who are among our most important stakeholders.

Customers

Car Transportation Business

The "Sail GREEN" Project for Ensuring GHG Emission Reductions in Customers' Supply Chains

The Car Transportation Division focuses on providing transportation services with ever-lower environmental impact while remaining cost competitive. In 2021, we started the "Sail GREEN" project, which aims to provide globally connected greenhouse gas (GHG) emissions reduction services for finished vehicle logistics. Through the project, we aim to reduce GHG emissions, not only in marine transport operations but also at finished vehicle logistics terminals around the world, as well as inland transport operations. The major objective of the project is to provide the emission reductions achieved to our customers' supply chains. We are working on a range of innovations targeting both hardware measures, such as the use of LNG-fueled pure car and truck carriers (PCTCs) that emit less CO₂ than conventional heavy-oil based engines, and intangible measures, such as using precise calculations to improve the operating

efficiency of vessels and trucks used in land transportation operations in order to minimize fuel consumption.

For example, in transport services from Japan to Europe, we can load vehicles to vessels at terminals that use 100% renewable electricity and carry them to Europe on LNG-fueled PCTCs. Along the way, the cargo can be transhipped onto LNG-fueled PCTCs sailing within the European region at terminals with wind power generators and recycled water facilities*1 to carry the vehicles to their final destination. Using this approach, the project aims to encourage GHG reductions across every section of the value chain, from loading through to landing at the final destination, rather than confining reductions to a single section of the supply chain.

*1 Port of Zeebrugge, Belgium: One of the world's largest terminals for finished vehicles, operated by NYK's subsidiary, International Car Operators N.V. (ICO). In February 2021, 11 wind turbines came into operation at the port, providing enough electricity to meet 100% of demand inside the terminal.

Employees

Development of System by Young Employees to Reduce Environmental Impacts and Improve Vessel Operations

One element of the "Sail GREEN" project is a software innovation launched in April 2021 to create PCTC sailing schedules that reduce environmental impacts and improve vessel operations. A team led by young employees from the Business Department began to develop the system in 2018. Subsequent developments proceeded as a Companywide digital transformation project, with cooperation from the Digitalization Group and Group company NYK Business Systems Co., Ltd. Digital technologies enabled to optimize schedule calculations that could not be automated from conventional manual calculation, helping schedule

coordinators to decide more efficient sailing schedules. The new system collects operational data on each vessel from other in-house systems, automatically retrieving conditions such as calling ports and the number of loading or discharging units. The system rapidly executes hundreds of thousands of simulations to present the optimal sailing schedule for each vessel, including port arrival time and navigation speed. In addition, the system allows users to formulate schedules that minimize GHG emissions from vessels, which is expected to contribute significantly to realizing services that address climate change.

Customers and Business Partners

Sakura Leader: the First Ship in the World to Acquire Digital Smart Ship Notation.*2

Sakura Leader, operated by NYK, is Japan's first LNG-fueled PCTC. Upon delivery in October 2020, it was accredited by Nippon Kaiji Kyokai (ClassNK) as the world's first digital smart ship (DSS), a notation confirming that the vessel is equipped with advanced digital technology.

DSS notation was developed with the aim of supporting environmental conservation, safety improvements, and sustainable development at sea by promoting the expansion and development of new technologies.

We aim to further improve environmental protection and safety by making use of our technical know-how for future technological development. Through these efforts, we will strive to explore and create new needs for our customers.

Three Functions of the DSS Notation Acquired by Sakura Leader

- "DSS (Energy Efficiency)" for analysis of energy efficiency
- "DSS (Machinery Monitoring)"
- "DSS (Connected Ship)" for onboard data processing and transmission of data to land

The main initiatives include use of actual ocean area data by Ship Information Management System (SIMS) and onshore monitoring of the vessel's engine plant. These functions have been certified as advanced vessel functions by a third-party institution.

*2 Notation: Codes given by each classification society to ships and systems that meet specific requirements

"Sail GREEN" Project Environment Value Chain Model

Environmental value chain from Port of Yokoyama to Port of Oslo via Port of Zeebrugge

1 Loading point: Daikoku C-3 Terminal, Port of Yokohama

100% of the electricity used at this terminal is confirmed as renewable, generated by wind power generation in Happo Town, Akita Prefecture.



2 Marine transport: LNG-fueled PCTCs

Cargo is shipped from the Port of Yokohama to the Port of Zeebrugge, Belgium, using LNG-fueled PCTCs.



3 Landing: ICO Terminal, Port of Zeebrugge (photograph on page 57)

Electricity used inside the terminal is generated by its on-site wind turbines. Recycled water is used for PDI* facilities.



4 Second leg of marine transport: Cargo is carried by LNG-fueled PCTCs operated by Group company United European Car Carriers (UECC).

Cargo is transported from ICO Terminal, Port of Zeebrugge, to the Port of Oslo, Norway, by LNG-fueled PCTCs operated by UECC.



Photograph supplied by Central LNG Marine Fuel Japan Corporation

ICO Terminal at Port of Zeebrugge





Customers and Business Partners

Technological Innovation

Joint Research with a Bureau of Shipping and a Main Engine Manufacturer to Realize Advanced Condition-Based Maintenance (CBM)

In working on the vital task of eliminating major accidents, the NYK Group has created a vessel technology innovation road map that includes "Introduction of autonomous engines and advanced CBM."^{*3} Group company MTI Co., Ltd. has been working with ClassNK and Japan Engine Corporation on joint research into diesel main engines since November 2019, with a view to establishing advanced CBM, a new maintenance and management method for vessel engine plants. In May 2021, the "Guidelines for Selection of Target Equipment and Methods for CBM and Maintenance" developed through this research were adopted in the "CBM Guidelines (Edition 2.0)"

published by ClassNK. We have also developed a system that collects and shares detailed information about sensors installed in the diesel engine main bearing and the engine plant so that they can be continuously monitored by classification societies, engine manufacturers, shipowners, and ship management companies. We are currently starting to install the system on NYK's vessels, and the Company plans to apply for CBM-operation certification in the future.

^{*3} Condition Based Maintenance (CBM) is a preventive measure, whereby the state of equipment is monitored continuously, so that maintenance can be performed as needed, rather than after a breakdown or on a periodic basis.

International Community

Initiative

Participation in International Initiatives to Increase Transparency in Ship Recycling

Ships contain a large amount of high-quality steel, and appropriate disposal of valuable recyclable resources is important for the realization of a circular economy. Meanwhile, there are various issues to be addressed, such as the minimization of industrial accidents and environmental pollution when ships are dismantled. Prior to the adoption of the ship recycling convention^{*4} in 2009 by the International Maritime Organization (IMO), NYK formulated its own recycling policy incorporating the final proposal for the convention in 2008. In May 2021, the Company became the first Japanese company to participate in the Ship Recycling Transparency Initiative

(SRTI), an information disclosure platform hosted by the Sustainable Shipping Initiative (SSI)^{*5} for enhancing ship recycling transparency. Through participation in SRTI, the Group's ship-dismantling process has become more transparent, and the Group is promoting safe, responsible recycling of its ships, with consideration for the environment and human rights, aiming to build a healthier supply chain.

^{*4} The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships ensures that ships being recycled after reaching the end of their operational lives do not pose any unnecessary risk to human health and safety or to the environment.

^{*5} An international non-profit organization that operates across sectors with the aim of contributing to a sustainable maritime industry.

<https://www.nyk.com/english/esg/envi/ocean/>

Local Communities

Cruise Business

Initiatives to Co-Create with Local Communities and Revitalize Regions as Seen through a Newly Built Passenger Ship

In March 2021, Group company NYK Cruises Co., Ltd. concluded a contract for the construction of a ship with the German shipbuilding company MEYER WERFT GmbH & Co. KG. The new ship, scheduled for delivery in 2025, will feature an engine that can use three types of fuel, including LNG, marking the first time for a medium-sized passenger ship to be fitted with such an engine.

The ship will feature the latest infection-prevention equipment, such as a 100% outside air intake-type ventilation system and touchless operation elevators. Furthermore, the maximum passenger capacity has been reduced by 15% to provide more space per person. In addition, passengers will enjoy "Asuka Luxury," combining the Japanese-style customer service developed on the first two ships in the Asuka series with the latest technologies. Construction costs were incurred

by the shipping investment fund of Anchor Ship Partners Co., Ltd., which is one of NYK Cruise's shareholders. A large number of Japanese regional banks have also participated in the project.

Through Asuka cruises, we aim to introduce the delights of regions throughout Japan, while promoting initiatives for regional revitalization with local residents and building the future of cruise culture.



Artist's depiction of the newly built passenger ship

Shareholders and Investors

IR Engagement

Improvement of Corporate Value While Incorporating Feedback from Shareholders and Investors into Management

The Company believes that timely and appropriate disclosure to shareholders and investors and frequent two-way communication are key to an accurate evaluation of its corporate value. Through constructive dialogues, valuable feedback

from shareholders and investors is reported regularly and promptly to the management team, who can use it to improve the Company's management.

Engagement Activities

Activity	Numbers of Companies / Meetings / Participants		Description
	FY2019	FY2020	
Financial results presentations	4 times / 537 people ^{*6} in total	4 times / 566 people ^{*6} in total	Quarterly financial results presentations
Small meetings	35 companies	38 companies	Dialogues between president and investors
Shareholder relations activities	20 companies / 80 people in total	14 companies / 40 people in total	Dialogues with persons in charge of exercising voting rights for domestic institutional investors
ESG engagement	—	7 companies / 8 times in total	
NYK Group ESG Story presentation	—	1 time / 135 companies	Presentation on ESG management at NYK Group held in February 2021
General Meeting of Shareholders	1 time / 111 people in total	1 time / 138 people in total	—

^{*6} Excluding the Company's officers
Note: Activities in fiscal 2019 and fiscal 2020 were held remotely to prevent the spread of COVID-19 (except for the General Meeting of Shareholders).

Dialogues with Ratings Agencies and Financial Institutions

The Company believes that having adequate and frequent communication with ratings agencies helps ensure an accurate evaluation of the Group's business model, profitability, and financial foundation. Furthermore, the Group holds constructive dialogues with institutional investors as well as financial institutions to flexibly procure the funds essential for stable business activities and further growth.

Total Shareholder Return (TSR)



Note 1: Rate of return on an investment made at the end of March 2016, taking into account dividends and stock price as of the end of March 2021
Note 2: NYK's figures and those of TOPIX (Tokyo Stock Price Index) are indexed taking the investment amount at the end of March 2016 as 100
Source: Prepared by NYK based on Bloomberg data

Liner & Logistics Headquarters

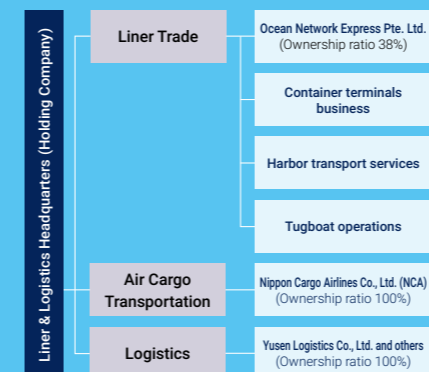


Fiscal 2020 earnings represent our first step in becoming a sustainable transportation business with stable freight rates. The Liner & Logistics Headquarters will continue to strengthen its competitive advantages by working closely with each business company.

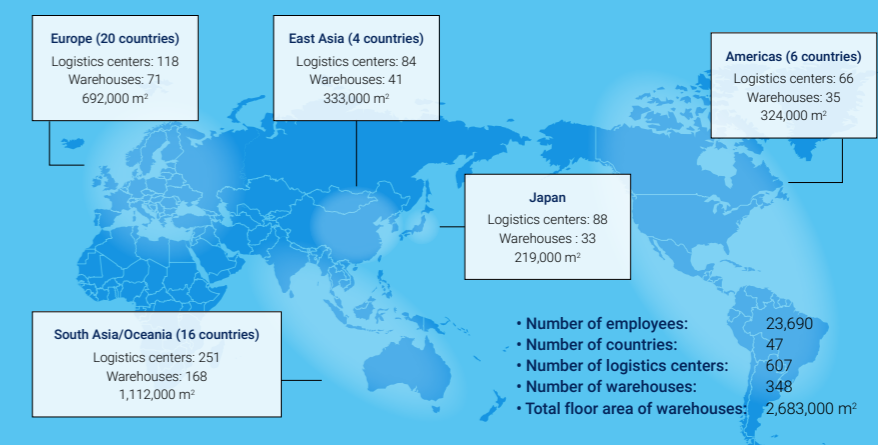


Hiroki Harada
 Representative Director,
 Senior Managing Executive Officer
 Chief Executive of Liner & Logistics Headquarters

Business Model of the Liner & Logistics Business



Logistics Center Locations (As of March 31, 2021)



Role of the Liner & Logistics Headquarters

The organizational structure of the Liner & Logistics Headquarters is similar to that of a holding company. It is committed to bringing together and supporting such business companies as Ocean Network Express Pte. Ltd. (ONE), Nippon Cargo Airlines Co., Ltd. (NCA), and Yusen Logistics Co., Ltd. (YLK). The newly named Liner & Logistics Headquarters (formerly the Global Logistics Services Headquarters) will work with business companies to develop sustainable growth strategies based on the liner business, which provides highly efficient container operation and transportation services, and the logistics business, which provides high-added-value forwarding services. The transportation via containers of parts and products from production areas to consumption areas will always be an essential business activity, as long as people around the world aspire to improve their lifestyles. The Liner & Logistics segment will continue to grow, but achieving sustainable earnings growth will require further enhancement to the competitiveness of each business. We will aim to become a sustainable business with stable freight rates through investments to update

assets such as vessels and containers, as well as through the acceleration of digital transformation (DX) initiatives to improve operational excellence and customer experiences.

Review of Fiscal 2020 and Business Direction for Fiscal 2021

Liner Trade

Cargo volumes dipped sharply due to the impact of the COVID-19 pandemic, but they recovered rapidly as the pandemic created stay-at-home demand and sparked a trend shifting consumer appetite away from intangible services toward physical products, mainly in the United States. Subsequently, the impact of shortages in transportation space and containers, in addition to the increasing acuteness of labor shortages in ports and on transportation front lines, ensured that the balance of demand and supply remains under pressure. This unprecedented trend led to a surge in freight rates, resulting in record-high earnings for ONE in fiscal 2020, with profit for the year exceeding US\$3.4 billion. Currently, ONE is taking every measure to minimize these impacts on its customers by working to remedy supply chain

confusion occurring around the world through the stabilization of schedules and elimination of shortages in transportation space and containers, among other measures. In fiscal 2021, the company will continue to promote initiatives for maintaining supply chains and supply vessels and execute operations that are finely attuned to demand trends.

Air Cargo Transportation

NCA continued to transport medical supplies and related goods as dedicated cargo aircraft kept flying even as international airline passenger services were halted due to the spread of COVID-19. In fiscal 2020, average freight rates and utilization remained high as a result of a sharp decrease in supply from passenger services, despite temporary depressed demand as economic activity stalled under the COVID-19 pandemic. In addition, shortages of space on container ships resulted in some maritime cargoes being transported by air. Accordingly, the Air Cargo Transportation segment recorded recurring income of ¥33.2 billion in fiscal 2020, reversing a recurring loss of ¥15.5 billion in fiscal 2019. Under its primary mission of conducting safe operations, NCA strove to maintain its transportation systems and

meet demand as far as possible during a fiscal year that highlighted the social mission of dedicated cargo aircraft. Looking ahead to fiscal 2021, the return of international airline passenger services is expected to take some time, and the business environment of fiscal 2020 is likely to persist. We will continue working to meet demand via safe operations.

Logistics

As the core business company of the Logistics segment, YLK recognized that growth in logistics demand could not be expected in fiscal 2020 due to the impact of the spread of COVID-19. The company worked to prepare for the recovery in demand by strengthening its foundation through long-needed organizational reforms. Against expectations, stay-at-home demand and growth in e-commerce provided impetus for significant growth in earnings in the air freight forwarding and contract logistics businesses. In fiscal 2021, we will further strengthen our organizational foundation and provide solutions that will resolve issues by using our competence in discerning customers' essential needs and our operational know-how and technical capabilities. In these ways, we will establish a new position as a strategic partner offering new value.

ESG Story / Medium- to Long-Term Business Direction

ONE has concluded a basic agreement regarding 15-year, long-term charter contracts for six new 24,000 TEU ultra-large containerships (ULCSs) fitted with state-of-the-art, energy-efficient technologies. The larger size of the vessels is expected to contribute to a dramatic reduction in CO₂ emissions. Going forward, ONE also intends to consider ordering new vessels that run on low-environmental-impact LNG fuel and using biofuels. To further lower its volume of CO₂ emissions, ONE has not only taken steps to reduce wasted container journeys and overall transportation distance, by optimizing the reservation system for matching import and export containers, but also started to propose changes to empty container return sites and environmentally considerate routes through the operation of a system that handles CO₂ emission information.

Meanwhile, on the safety front, there was an accident caused by heavy weather in the northern Pacific Ocean in which containers on an operating vessel were swept into the sea and container stacks on the ship collapsed. Although there was no secondary damage, the incident harmed our mission

as a provider of social infrastructure and reinforced the fact that avoiding accidents is the greatest aspect of ESG.

Furthermore, as a new business, we have started joint R&D for practical application of tugboats fueled with ammonia in our tugboat business, and we are discussing entry into the crew transfer vessel (CTV) business for serving offshore wind farms, which has been drawing attention globally, and into the tugboat business serving floating wind turbines. The NYK Group has the world's largest tugboat business, and we believe that we can leverage this strength to capture business opportunities with regard to offshore wind power generation systems. We will aim to continue being involved across a wide range of supply chains and contributing to the spread of offshore wind power.

Car Transportation Division



We will promote a strategy of overwhelming differentiation, optimally managing vessels and other operations with consideration for the three aspects of the environment, safety, and economy as a whole, in order to earn even greater trust from our automotive manufacturer customers.



Takaya Soga

Senior Managing Executive Officer
Chief Executive of Automotive Transportation Headquarters

Review of Fiscal 2020 and Business Direction for Fiscal 2021

In fiscal 2020, the Car Transportation Division faced an adverse business environment, with automobile shipping volumes in the first half of the year dropping to less than half that of the previous first half due to the impact of the COVID-19 pandemic. From the second half, signs of recovery gradually emerged, led by demand for automobiles in North America, Australia, and China in particular. Over the full year, the Car Transportation Division achieved profitability. However, this achievement was not due to the recovery in automobile demand alone.

During the phase when automobile demand had dropped sharply, leading to a rapid decrease in transportation volumes per vessel, the Car Transportation Division optimized its ship assignments. With the consent of customers, we reduced services and integrated routes and operated vessels at close to the maximum load factor. We saw other companies choose to retire aging vessels or redeliver charters early in order to cope with the rapid decrease in automobile transport volume. The Car Transportation Division, however, decided early on to retain its fleet portfolio in preparation for a rebound in cargo

volumes from the second half onward. In fact, going into the second half of the year, cargo volumes rebounded as expected, and we were well positioned to pick up the volumes that other shipping companies were unable to handle. As a result, despite the overall adverse business environment, we earned greater trust from our customers, which was reflected in our operating results.

With the assumption that global automobile sales volumes and transportation volumes will recover to fiscal 2019 pre-COVID-19 levels in fiscal 2023, in fiscal 2021 we will focus on responding to environmental and safety factors, emphasizing efficiency gains and profitability while promoting the following four business strategies.

The first strategy is to overwhelmingly differentiate ourselves through the "Sail GREEN" project. This initiative aims to make us the preferred automobile transportation and logistics company for the ESG era by proposing a low-environmental impact transportation network operated by the NYK Group for our customers' supply chains, including the systematic introduction of LNG-fueled vessels, which we have been promoting for some time, as well as the development of environmentally considerate green terminals that use wind power electricity generation. We will offer our customers a

quantitative representation of the amount of greenhouse gas emissions reduced per automobile transported, working in partnership with them toward a decarbonized society. We have decided to launch 20 LNG-fueled vessels by fiscal 2028, and we are also promoting fuel conversion of vessels, with a view to introducing ammonia-fueled vessels from fiscal 2029 onward. Furthermore, we will utilize Sakura Leader, which was completed in October 2020, and other vessels, to accelerate our efforts to train and secure crews with high-level expertise in LNG-fueled vessels.

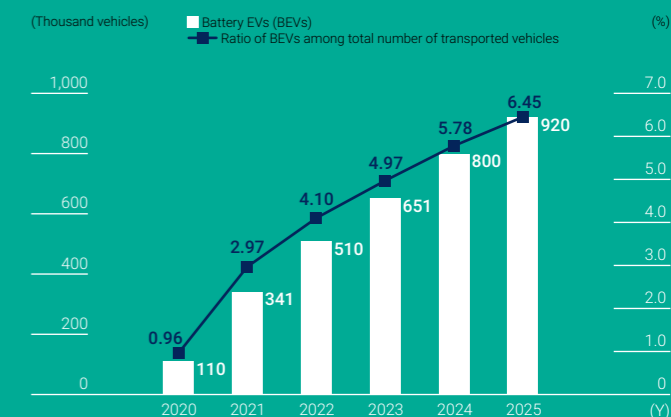
Our second strategy is to strengthen the sales capabilities of our base in China. In preparation for the rapid expansion of automobile electrification around the world, we will focus on capturing business related to finished vehicles exported from China. In addition to opening a direct China and Europe trading route with at least one regular service per month, we will strengthen sales of rail transport from China to Europe. By offering services with low environmental impact, multi-modal options, and stable transportation, we aim to seize the business opportunities emerging with the expansion of exports from China.

Our third strategy is to accelerate our technological response to the electrification

Initiatives of the "Sail GREEN" Project Other Than LNG-Fueled Vessels

Auto Logistics Group ESG Initiative Examples	Business locations
Wind power generation business at finished vehicle logistics terminals	Belgium
Solar power generation equipment installed	Belgium, China (Shanghai)
Use of LED lighting at ports	Belgium, Thailand, Turkey
Use of electricity generated from renewable sources	Japan (Yokohama)
Electric vehicle (EV)-charging equipment installed	Belgium
Use of LNG trucks	Russia, China (Tianjin)
Seamless transportation through extension of railway lines into terminals	China (Shanghai, Dalian)
Installation of rest areas where employees of cargo-handling operators can take a break	Japan (Yokohama)

Projected trend in Numbers of EVs in Global Seaborne Trade



Source: Estimated by NYK
Note: BEV: Battery electric vehicle

of automobiles. Electric vehicle (EV) shipment volumes are expected to increase ninefold between 2020 and 2025. EV transportation requires different technologies and knowledge from conventional vehicles, such as how to deal with battery drain or fires occurring during transportation. For example, if an EV catches fire, conventional fire-extinguishing methods will not work, and it may take time to completely control the blaze.

The Car Transportation Division plans to conduct on-site trials and formulate essential procedure manuals for fires, along with other initiatives to put thorough safety precautions in place for EVs, as the market share for these vehicles is expected to expand more rapidly going forward. In this way, we aim to set the industry standard for transportation quality.

The fourth strategy is frontline and office innovation through digital transformation (DX). We are working to develop an optimal vessel operation support system using artificial intelligence (AI), utilizing big data, reducing the number of personnel in terminal operations, and promoting non-contact remote material-handling attendance and inspections to enable safe transportation and other operations.

In addition, we will actively introduce DX not only to reform office workstyle, but also

to make further efficiency gains through operations, predictive management, and visualization of income and expenditures.

ESG Story / Medium- to Long-Term Business Direction

The key point for automobile transportation going forward will be realizing optimal vessel operations taking into account environmental, safety, and efficiency factors. The Car Transportation Division is accelerating the switch to LNG-fueled vessels, which can achieve low-carbon operations with existing technology. At the same time, we envisage the launch of our first next-generation fuel vessel in around 2030, which will pave the way for zero emissions. We will execute a careful fleet enhancement plan designed to reduce greenhouse gas emissions to as close to zero as possible by 2050. Our LNG-fueled vessels and the next-generation fuel vessels that follow them are expected to cost more to build than conventional pure car and truck carriers. To soften the impact of the price increase, we will work together with shipyards to reduce costs by standardizing vessel specifications, increasing their size, and sharing components. We will also devise further operational measures, such as

maximizing the number of vehicles loaded per voyage, improving fuel efficiency through route optimization, and increasing the rotation rate by concentrating ports of call. We aim to achieve sustainable growth by providing value that holistically integrates the environment, safety, and economy for customers aiming to decarbonize their logistics processes.

The automotive industry overall will propose new ways of enjoying mobility, such as mobility as a service (MaaS); however, cars themselves will not disappear. Nevertheless, we must focus on changes in transport routes and modal shifts due to supply chain changes in the automotive industry. The Car Transportation Division aims to meet these transportation needs by securing a diversity of transportation means and proposing the best finished vehicle logistics services for its customers. Moreover, there are emerging issues that require attention in relation to managing automobile production delays caused by recent shortages of various semiconductors. We will deal with these issues sincerely while actively working to differentiate ourselves through our environmental value chain and providing services that customers will prefer, having understood the value they will derive from them.

Dry Bulk Division



Making bold structural reforms, we will strive to secure stable earnings and create a sustainable business entity through the enhancement of long-term contracts and expansion of the non-asset tramp business.



Nobuhiro Kashima
Managing Executive Officer
Chief Executive of Dry Bulk Division

Review of Fiscal 2020 and Business Direction for Fiscal 2021

The Dry Bulk Division operates about 400 dry bulkers in various categories, safely and stably transporting dry bulk cargoes such as iron ore, coal, grain, and woodchips, which make up about half of global seaborne trade, to countries around the world. In the present situation, rapid changes in social trends and the global economy have made the future difficult to read, and the ratio of long-term contracts is declining. On the other hand, as medium- and short-term transport contracts increase, the Dry Bulk Division faces the issue of high-cost vessels purchased in the past, which has made our business structure more susceptible to market fluctuations. Specifically, we recorded approximately ¥54.7 billion in extraordinary losses and made steady progress on the redelivery of high-cost vessels. In April 2020, we established the Tramp Fleet Team to undertake centralized management of our exposure to market conditions. The team is promoting the use of digital tools to create a system that can retrieve information with increased frequency, enabling even more timely and precise management. In the

non-asset tramp business, where we transport freight with tonnage procured from the market, we have steadily accumulated earnings, even in the midst of a market slump, and we aim to continue securing stable earnings going forward. During fiscal 2020, in our efforts to maintain and expand long-term contracts, which are the cornerstone of stable earnings, we renewed or newly acquired nine contracts for three years or longer. As a result, our market exposure was reduced from 35% to 16% (compared with the end of fiscal 2017), improving the ratio of matches between freight contract periods and charter vessel contract periods.

Our efforts to create new value from an ESG perspective are centered on the Technical Solutions Sales Team, which was established in the Dry Bulk Division in 2019. In particular, we have been accelerating initiatives such as the dry bulk coastal transportation business, which is expected to help reduce CO₂ emissions. In fiscal 2020, we established the Dry Bulk Sustainable Supply Chain (DBSSC) project. Led mainly by young employees, it aims to explore new opportunities for business in areas peripheral to dry bulk. The project will bring together knowledge from inside and outside the Company and contribute widely

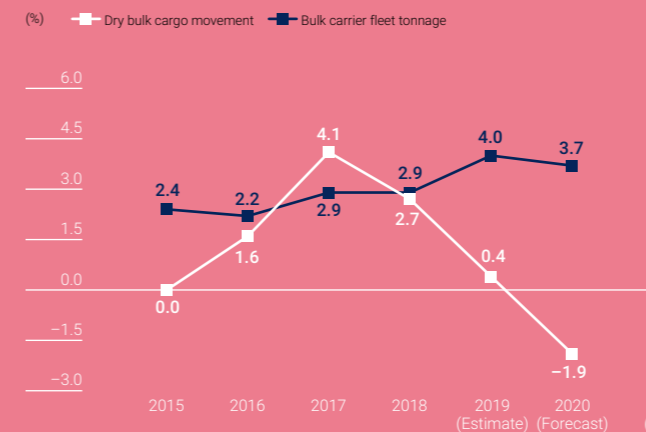
to solving customers' issues in the logistics value chain.

Through the structural reforms of fiscal 2020, I believe we have made solid progress in building a dry bulk business that is highly resilient to market conditions, one of the objectives in the medium-term management plan. In the near term, we face various challenges, including shorter contract periods, a plateau in domestic demand, challenges in coal transportation, expectations of high transportation quality from shippers, and fleet enhancement, including LNG-fueled vessels. In fiscal 2021, we will continue to promote our twin strategies of acquiring long-term contracts while also expanding the non-asset tramp business, with the aim of creating a more sustainable business that can constantly generate stable earnings.

ESG Story / Medium- to Long-Term Business Direction

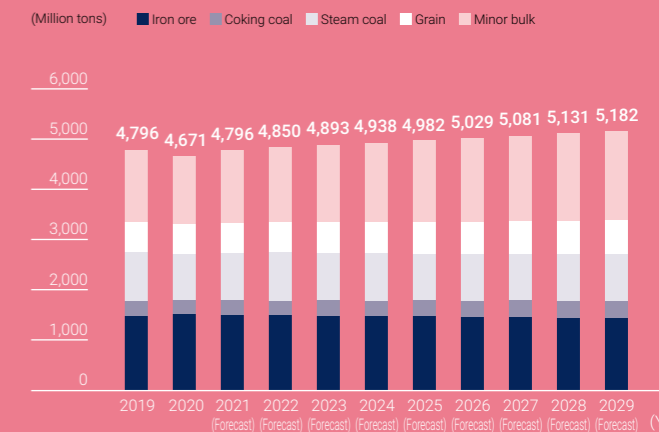
Safe operations are the most important priority of the Dry Bulk Division. Moreover, a growing awareness of safety and the environment has spurred demand for even higher vessel quality from customers including major global resource companies. While quality requirements differ by

Growth in Dry Bulk Seaborne Cargo Movements and Fleet Tonnage



Source: NYK based on Clarksons Research Dry Bulk Trade Outlook, February 2021

Volume of Dry Bulk Seaborne Cargo Movements and Forecast



Source: Created by NYK (including estimates)

customer and port, we will pursue the world's highest standards of vessel quality using our technological and human resource capabilities. In addition to our existing safety awareness-raising activities, we will continuously carry out various initiatives, such as promoting remote communication with vessels, strengthening relationships with major resource companies through locally stationed vessel captains, and establishing a place within the Dry Bulk Division for groups to share knowledge and challenges in order to implement best practices. In an effort to reduce greenhouse gas emissions, we have established carbon offset contracts with electric power companies and enhanced our fleet of LNG-fueled dry bulkers through a process of replacement, improved the operational efficiency of existing vessels, and actively promoted the use of environmental impact-reducing technologies such as paints and fuel-saving fins. The division transports coal, which has become controversial in terms of CO₂ emissions reduction, but our intention is to fulfill our responsibilities by safely transporting a necessary source of energy to eliminate chronic electricity shortages in Southeast Asia and other developing nations and by providing lifelines that support people and industries. We are

proud of being the operator that has taken the toughest measures to reduce CO₂ emissions in the industry, and we remain committed to responding sincerely to the needs of customers with strong environmental awareness and to continuing our mission in the future.

In the area of new businesses, we launched the abovementioned DBSSC project. The Dry Bulk Division will work together with the Company's ESG Management Promotion Group, Marine

Group, Technical Group, and Digitalization Group, as well as Group companies such as MTI Co., Ltd., to promote this initiative. We will take a wide view of the dry bulk transportation value chain beyond maritime shipping and actively promote the proposals of young Group employees, who tend to have a strong interest in ESG, and work to create new value through innovative ideas and technologies.

Bulk Carrier Fleet Ranking

(As of January 1, 2021)

Rank	Company	Kt (dwt)	Vessels
1	China COSCO Shipping	32,744	299
2	NYK	14,968	160
3	Fredriksen Group	14,901	118
4	"K" Line	13,185	109
5	China Merchants	13,183	115
6	Star Bulk Carriers	12,859	116
7	Berge Bulk	11,338	59
8	MOL	10,834	89
9	Oldendorff Carriers	10,448	101
10	Pan Ocean	10,360	72
11	ICBC	9,178	33
12	NS United KK	8,644	47
13	Imabari Shipbuilding	8,535	80

Source: Compiled by NYK based on Clarksons Research Database

Energy Division



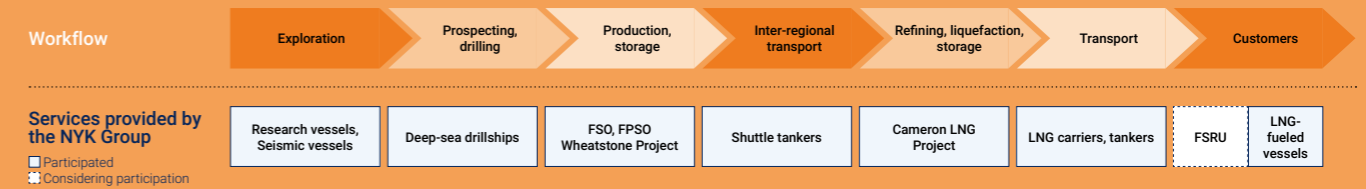
We will remain highly attuned to demand trends and strive to realize safe clean-energy transportation.

Akira Kono

Senior Managing Executive Officer
Chief Executive of Energy Division



Offshore Business and LNG Value Chain



Examples of Initiatives Related to Environmental Consideration

Specific Initiatives for Reducing GHG Emissions

- In fiscal 2020, the Company ordered new LPG carriers that will also be fueled by LPG. Compared with marine fuel oil-fired engines, using LPG as the fuel can reduce emissions of sulfur oxide (SOx) in exhaust gas by more than 85%, and reduce carbon dioxide (CO₂) by more than 15%. The new vessels will be compliant with the EEDI* Phase 3 CO₂ emission regulations that will be in force when they are delivered.
- The Company has also decided to build small-scale tankers equipped with dual-fuel engines that can use both marine fuel oil and low-environmental-impact methanol as fuel.
- In LNG carriers, the Company aims to further reduce GHG emissions with the addition of vessels fitted with the latest propulsion engines (X-DF, ME-GI) to its fleet.

* EEDI: Energy Efficiency Design Index

Characteristics of the Energy Division

The Energy Division operates diverse businesses, including transportation of energy such as crude oil and liquefied natural gas (LNG), the offshore business and green business, and fuel supply and sales. Since 2020, the impact of the COVID-19 pandemic has caused a temporary decline in global energy demand. However, the end of the pandemic is in sight, with the spread of vaccination programs.

The International Energy Agency (IEA) and other external institutions have also forecast full normalization of global economic activity from 2022 onward, with an accompanying rebound and expansion of total global energy demand.

In addition, massive investments are expected in the field of renewable energy, including public funds, aimed at accelerating the global transition toward decarbonization and carbon neutrality. The Energy Division will capture this demand and business opportunities, appropriately balancing our needs for fossil fuels and renewable energy to further grow our business.

Since we handle fossil fuels, which are a global environmental issue, we are making fixed-point observations on important

change phenomena that we have listed based on the Stated Policies Scenario (STEPS) in the International Energy Agency's (IEA) annual World Energy Outlook as an indicator of energy demand trends. As the global shift toward carbon neutrality accelerates, we are reviewing our business strategy with a long-term view of the potential impacts and risks to our business due to changes to future scenarios.

The Green Business Group is developing the renewable energy business while working with internal and external partners who have expertise in the offshore wind power business or LNG fuel supply business. In particular, in the offshore wind power business in Japan, we have leveraged the existing expertise of our Group companies and established a structure covering the major part of the value chain, including offshore geotechnical surveys, marine consulting, wind turbine installation, crew transfer vessel, and marine coordination. As of 2021, the first round of public invitations for Japanese offshore wind power generation operators has been conducted, and the Group will steadily continue to accumulate individual projects with a view to expanding the offshore wind power business as a core business for the next era.

Review of Fiscal 2020 and Business Direction for Fiscal 2021

In fiscal 2020, there was a marked decline in energy demand due to the spread of COVID-19, while geopolitical risks also became starkly prominent. Although oil prices experienced a sharp temporary drop, stockpiling activity increased among countries taking advantage of the lower prices. This drove an increase in demand for vessels, which led to a significant rise in freight market rates. Subsequently, the market settled, but as oil-producing nations continue to cooperatively reduce output, from January 2021 onward there have been movements to withdraw offshore stockpiles and the supply and demand balance has deteriorated.

Under these conditions, the impact of declining energy demand has been limited as the majority of our energy transportation business is based on medium- and long-term contracts.

In addition, we made conservative use of the freight forward agreement market to mitigate the impact of the slump in freight market rates, and the financial results exceeded the initial forecast. I am pleased to say that this was as a result of all of the

Group's employees and crew members, both inside and outside the Energy Division, fully recognizing the importance of our social mission of "Bringing value (energy) to life" and committing themselves to it, even in the face of the unprecedented crisis posed by the COVID-19 pandemic.

In fiscal 2021, we expect to continue acquiring new contracts in LNG and the offshore business, and thereby to secure stable earnings.

ESG Story / Medium- to Long-Term Business Direction

The Energy Division will engage in businesses across the energy value chain from upstream to downstream, based on its core Value Chain Strategy.

As a low-environmental-impact energy source that can play an important supporting role in the period of energy transition, LNG is expected to see firm demand continue to expand going forward. In emerging countries, ensuring stable electric power is essential for supporting population growth, society, and industry, and we will also work with customers and business partners to prepare gas infrastructure, including floating storage and regasification units (FSRUs). In addition, in our LNG projects in

Nigeria and Angola, we are proudly working to develop local crew members and transfer technology, an important initiative that contributes to local economic development.

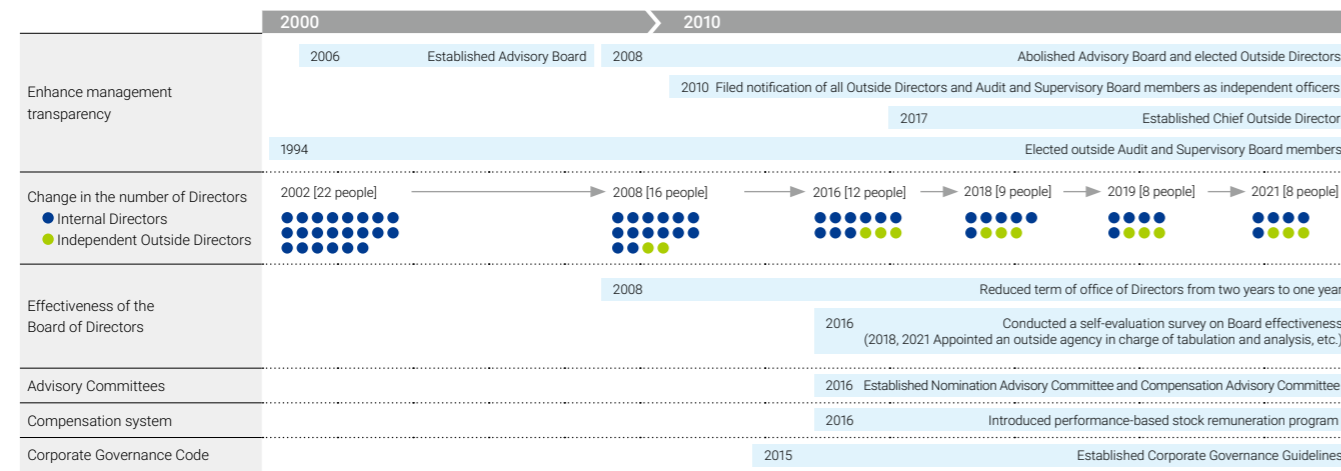
The energy transportation business requires sophisticated cargo management, and ensuring safe operations and material handling will continue to be our supreme priority going forward. The division will build support systems that include not only crew members but also onshore maritime technicians and engineers. In order to prevent increasingly sophisticated equipment from developing faults during voyages, we are working with ship management companies to enhance safety at the vessel construction stage, by including mechanisms to provide feedback on technological problems on newly built or converted vessels.

In an effort to reduce carbon and greenhouse gas emissions, we are introducing more efficient propulsion engines and making use of fuels that have low environmental impact. In addition to using existing technologies, such as LNG-fueled vessels, we will focus on developing technologies for vessels that use carbon-neutral fuels such as ammonia and hydrogen, while pursuing efficient, safe, and low-environmental-impact transport services and maximizing the latent growth

potential of our existing businesses.

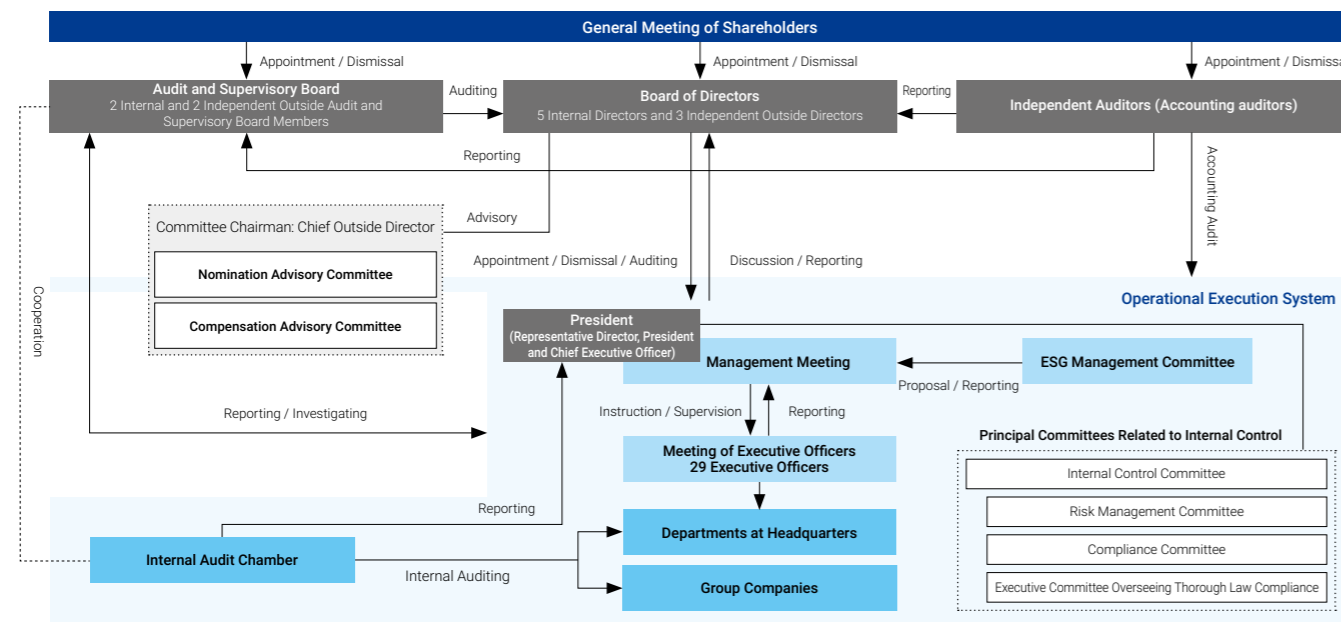
At the same time, we will actively participate in establishing supply chains that address both demand for and supply of carbon-neutral fuels. We will carefully consider R&D investments, including the use of the Green Innovation Fund, since technology-based differentiation and ensuring a competitive advantage are key to promoting the commercialization of green businesses and achieving zero emissions. The Energy Division will remain highly sensitive to its environment as it continues to provide services that meet customers' needs.

History of Enhancing Corporate Governance



➔ Corporate Governance Guidelines https://www.nyk.com/english/profile/pdf/gvn_report_01.pdf

NYK's Corporate Governance Organization Chart (as of June 18, 2021)



Initiatives in Fiscal 2020

- 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)
- Began deliberations on future officer compensation at meetings of the Compensation Advisory Committee
- Revised the policy for determining executive compensation in line with the revised Companies Act of Japan
- Established the ESG Management Committee to ensure steady implementation of ESG management (April 2021)
- Invited an external expert from an institutional investor to participate in the ESG Management Committee

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 which supports fully informed decision-making and oversight by the Board of Directors.

The Board of Directors comprises eight directors, including three outside directors who 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 who will contribute to corporate management and further enhance the supervisory function of the Board of Directors. To ensure substantive discussion and deliberation at the Board of Directors, the independent outside directors and independent outside audit and supervisory board members 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.

The Company maintains a system of executive officers comprising 29 executive officers from domestic and overseas Group companies, including individuals also serving on the Board of Directors of such companies. By resolution and under the supervision of the Board of Directors, the executive officers conduct deliberations prior to the Management Meeting and are authorized to make prompt decisions within the scope of the authority delegated to them. Furthermore, the Management Meeting, which was established in April 2020 and comprises executive directors as well as chief executives of various headquarters and divisions, conducts thorough deliberations on matters to be discussed during the Board of Directors as well as 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.

The Nomination Advisory Committee and the Compensation Advisory Committee

To further enhance corporate governance and ensure the transparency of the Board of Directors, the Company has established the Nomination Advisory Committee and the Compensation Advisory Committee, both of which are chaired by the chief outside director and have a majority of independent outside directors. In response to requests for advice received from the Board of Directors, these committees discuss important items and provide advice regarding the appointment, dismissal, and compensation of directors and then refer the related agenda items to the Board of Directors.

Moreover, to improve the functioning of the committees by ensuring adequate exchanges of opinions, the president consults with the chairman and each independent outside director individually when the Nomination Advisory Committee and the Compensation Advisory Committee are convened.

Nomination Advisory Committee and Compensation Advisory Committee—Members and Attendance in Fiscal 2020

		Nomination Advisory Committee	Compensation Advisory Committee
Chairman, Director (Chairman and Executive Officer)	Tadaaki Naito	4/4	2/2
President, Representative Director (President and Chief Executive Officer)	Hitoshi Nagasawa	4/4	2/2
Director (Independent Outside Director and Chief Outside Director)	Yoshihiro Katayama (Committee Chairman)	4/4	2/2
Director (Independent Outside Director)	Hiroko Kuniya	4/4	2/2
Director (Independent Outside Director)	Eiichi Tanabe	4/4	2/2

Internal Control System

The NYK Group maintains the Internal Control Committee, which 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 their operating status and strengthening the internal control system.

In fiscal 2020, the Company bolstered the operation of the internal control system for the entire Group by establishing the Management Committee to change the decision-making process, by amending the Company's regulations, and by strengthening internal auditing functions.

As planned at the time of its establishment, the Governance Committee was dissolved in March 2021. The committee's activities have been assumed by the Legal & Fair Trade Promotion Group, the ESG Management Promotion Group, and the Internal Audit Chamber.

A Review of the Activities of the Governance Committee

Action Plan

(1) Improve effectiveness of the Board of Directors

- Conduct self-evaluation survey to assess the effectiveness of the Board of Directors
- 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

- Establish the Management Meeting
- Adopt a flexible, transparent decision-making process

(3) Strengthen Group governance

- Bolster the operation of internal control functions
- Strengthen internal auditing functions
- Extend to domestic and overseas Group companies

(4) Conduct activities to strengthen governance and spread awareness

• Hold governance roundtables

Held three times in fiscal 2019, 135 participants in total
Held four times in fiscal 2020, 399 participants in total

• Conduct governance dialogues with regional governance officers and regional management offices*

Together with the regional governance officers of the four overseas regions, confirmed the progress and penetration of governance activities

* The functions of regional management offices
We have established regional management offices at our business sites in the Americas, Europe, South Asia, and East Asia.
Under the supervision of regional governance officers, regional management offices provide direction and guidance on legal affairs, compliance, internal auditing, accounting, finance, and crisis management. For Group companies in their respective regions, the offices are also responsible for gathering information in relation to public relations, the environment, and the internal control reporting system (the Financial Instruments and Exchange Act (J-SOX)).



Tadaaki Naito, NYK's chairman, speaking at a governance roundtable (second from the left)

Overseas Regional Management Companies



The Functions of Regional Management Offices



Evaluating the Effectiveness of the Board of Directors

With a view to increasing the effectiveness of the Board of Directors, since 2016 the Company has been conducting surveys of all directors and audit and supervisory board members, which asks them to provide self-evaluations of the effectiveness of the Board of Directors for the previous fiscal year. The Board of Directors discusses issues and the direction it should take with reference to the findings of the surveys.

The following measures are being taken to enhance the effectiveness of the Board of Directors.

Concrete Measures

- (1) Enhancing the provision of preliminary explanations to independent outside directors and audit and supervisory board members
- (2) Enhancing the quality of agenda items and documents that provide supplementary explanations
- (3) Establishing a system for responding to opinions given by directors and audit and supervisory board members and ensuring feedback is provided
- (4) Conducting lively discussions on the SDGs and environmental, social, and governance (ESG) factors led by the president
- (5) Sharing information and exchanging opinions at discussion meetings among directors and audit and supervisory board members at the Board of Directors

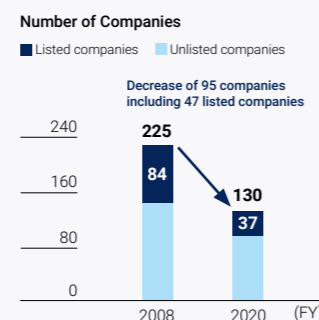
Moreover, the Company will enhance the effectiveness of the Board of Directors continuously by tackling any areas that are recognized as needing improvement.

Policy on Strategic Shareholdings

The Company is pursuing a policy aimed at reducing its strategic shareholdings. 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 37 as of the end of fiscal 2020, down three from the total of 40 as of the end of fiscal 2019.

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. Further, internal audits of overseas Group companies are performed in accordance with the policies and guidance of the Internal Audit Chamber by internal auditors who belong to four regional management offices in the Americas, Europe, South Asia, and East Asia.

In fiscal 2020, the Company conducted internal audits of 24 cases in Japan and 32 cases at business sites overseas. In addition, as part of a project to strengthen internal auditing, the Company continues to reform internal auditing processes. Having verified data analysis methods that check all expenses-related data and flag abnormalities, the Company is introducing new data-based auditing methods.

Given that increasing the project's capabilities requires personnel with specialist knowledge, seven Internal Audit Chamber personnel have been seconded to the Company from Group companies Yusen Logistics Co., Ltd., and Nippon Cargo Airlines Co., Ltd. (NCA) since fiscal 2020. To enhance the quality of auditing, the Company is promoting understanding of new auditing duties and providing opportunities to attend seminars hosted by audit firms.

Group Management Structure

With the overarching objective of enhancing its corporate value, the NYK Group has structured a Group governance framework and is promoting asset efficiency. The Group is revising the management personal appointment and remuneration decision-making 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 Americas, Europe, South Asia, and East Asia. 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 therefrom, 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 have caused.

We implemented various measures including the president's declaring thorough compliance with antitrust laws, 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 laws 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

Measures to Prevent Recurrence of Misconduct, Implemented Continuously since 2013

- Annual Holding of the Executive Committee Overseeing Thorough Legal Compliance

Chaired by the president and attended by directors, executive officers, audit and supervisory board members, the regional governance officers*1 of overseas regional management companies, NYK head office general managers, and respective groups' compliance managers

Held in September 2020, 121 participants

As of September 2020, the committee has convened 15 times, if meetings of the former Executive Committee Overseeing Thorough Antitrust and Anti-bribery Law Compliance are included.

- Formulation of guidelines and implementation of risk assessments of all operating divisions, including domestic and overseas Group companies
- Obtaining written oaths regarding compliance with antitrust and competition laws
- Adoption of an application system*2 for officers and employees at headquarters and domestic and overseas subsidiaries who want to participate in industry gatherings

*1 As part of governance-strengthening measures, the committee's membership was extended to include the regional governance officers of the four overseas regional management companies beginning from fiscal 2020.

*2 The system limits the opportunities of employees for interaction with competitors' employees. If any participation for a meeting with them is required, employees must obtain approval in advance and report content of the 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. The 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, the 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 outside directors and audit supervisory board members by way of the Board of Directors.

The NYK Code of Conduct, which sets forth norms that officers and employees must follow in the course of their duties, is reviewed

periodically to reflect changes in the business environment and social conditions. September has been designated a compliance-strengthening month in which comprehensive compliance checkups are conducted that allow employees to take the initiative in reviewing their conduct and work processes. As part of comprehensive compliance checkup activities, the Company raises employee awareness of compliance issues by conducting a compliance awareness survey and then providing feedback on the survey results on multiple occasions via its internal bulletin board.

Compliance Training Programs

Training Programs in FY2020	Number of Programs	Number of Participants*3
Compliance training*1	18	339
Antitrust law and bribery prohibition training, etc.*2	213	4,399
e-Learning	1	6,298

*1 Cumulative totals since fiscal 2002: 459 compliance training sessions and 12,827 participants.

*2 Training was conducted for 110 domestic and overseas Group companies in 29 countries. Training was conducted three times in Japan (changed from Group training to training for individual companies). Overseas, training is conducted once every one to three years in each region. A cumulative total of 43,774 employees have participated in the training since fiscal 2009.

*3 Participant numbers are included in Sustainability Highlights (see page 28 for details).

Whistleblower System

The Company provides several consultation services for employees to discuss concerns about or report workplace misconduct, harassment, and such compliance issues as the violation of laws or regulations. These services include the Yusen Chat Room, which enables consultations with nominated employees or an outside lawyer, and a telephone consultation line operated by an outside contractor. A helpline available to approximately 70 domestic Group companies, the Yusen Chat Room comprises six personnel, including an outside lawyer, who receive a wide range of compliance-related inquiries and whistleblowing reports.

While responding sincerely to inquiries or reports received and using them to improve workplace environments, the Company always places the utmost importance on protecting those who use the service. Of course, all inquiries and reports remain confidential.

Number of Whistleblowing Reports and Consultations Received by the Internal Reporting Systems Managed by Headquarters

FY	Number of Consultations
2020	37

In October 2020, the Company's whistleblower system was certified as a "whistleblowing compliance management system (WCMS)" by Japan's Consumer Affairs Agency. By using this certification as an opportunity to increase the effectiveness of its whistleblower system even further, the Company is stepping up efforts to foster excellent workplace environments and sound corporate ethics.



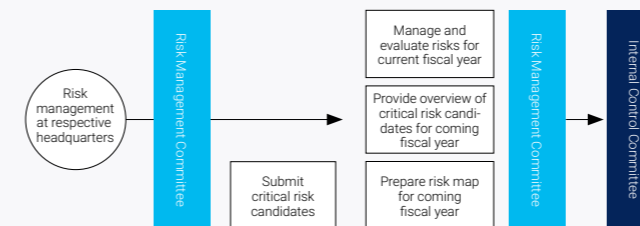
Risk Management

Based on its risk management policy, the NYK Group has established an appropriate risk management system, which helps prevent the materialization of risks by identifying and assessing risks and formulating counterstrategies accordingly. If risks materialize, NYK gives first priority to dealing with matters that may endanger human lives. At the same time, the Company avoids or mitigates risks by obtaining appropriate information on all materialized risks in a timely manner so that the proliferation of damages can be prevented and operations can be promptly restored.

Risk Evaluation and Monitoring

The businesses and performance of the Group could be affected by technological innovations, natural disasters, and social factors such as the economic and political climate, environmental regulations, and safety and security in countries worldwide. As they best understand the nature of operations, the personnel of operating divisions conduct quantitative and qualitative evaluations of risks in accordance with the Company's risk management policy and rules.

Risk Management System

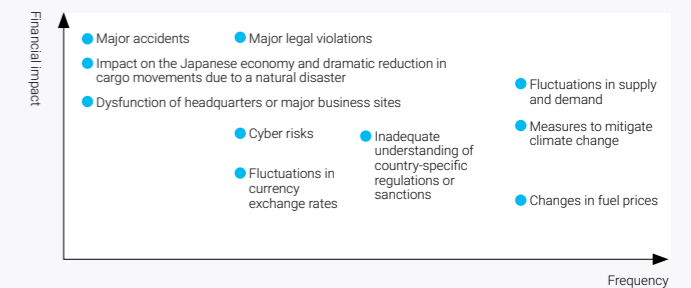


Enterprise Risk Management (ERM)

In accordance with its risk management policy and rules, the Group convenes twice yearly the Risk Management Committee, which assesses and receives reports regarding progress in managing critical risks that could have a significant impact on the Group's business management, and reports findings to the Board of Directors. The Group defines risks as uncertainties that could adversely affect its achievement of continuous growth. Chaired by the president and comprising chief executives, the Risk Management Committee identifies critical risks based on reports from each headquarters, determines the headquarters responsible for advancing countermeasures for each critical risk, and promotes risk reduction activities for the entire Group. The most critical risks, namely, risks that could have a significant impact on the continuity of the Group's businesses, include compliance risks, major accidents and other operational risks, risks related to damages caused by natural disasters, measures to mitigate climate change, risks related to infectious diseases such as novel coronaviruses, and cyber risks. In addition, critical risks that could significantly affect the Group's business management include strategic risks, market fluctuation risks, operational risks, and financial and accounting risks. Each year, the Risk

Management Committee selects the most critical risks that business managers view as having the potential to significantly affect the Company's business management.

Risk Map



Information Security

The NYK Group continuously reinforces multilayered defenses in readiness for cyberattacks, which are evolving and diversifying on an almost daily basis. However, given that the perfect defense is infeasible, the Group is also developing countermeasures focused on cyber resilience, thereby enabling rapid recovery from damages. Moreover, the Group is putting in place "zero trust" countermeasures, which are not reliant upon the boundary defenses of the networks used when introducing cloud computing or telecommuting.

Specifically, the Group is introducing an endpoint detection and response (EDR) system while employing a global security operation center (GSOC) to monitor IT equipment worldwide around the clock. These systems are designed to minimize damages by rapidly detecting and countering hacks. Further, in regions worldwide the Group has established computer security incident response teams (CSIRTs), which coordinate with each other globally. By promptly sharing information not only with IT departments but also with other departments when an incident occurs, the teams underpin a system that enables the Group to deal with incidents appropriately.

In addition, based on information system security regulations, the Group assesses the cybersecurity of all domestic and overseas Group companies to heighten their levels of cybersecurity. Other initiatives have already been introduced, including cyberattack prevention training to improve employees' cybersecurity knowledge and awareness and the introduction of an educational platform for domestic and overseas Group companies.

Internal

Directors



Tadaaki Naito
Chairman, Director
Chairman and Executive Officer

Number of shares held: 46,013
Attendance at Board of Directors' meetings: 17/17

- 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
Chairperson of ESG Management Committee

Number of shares held: 28,649
Attendance at Board of Directors' meetings: 17/17

- 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



Hiroki Harada
Representative Director,
Senior Managing Executive Officer
Chief Executive of Liner & Logistics Headquarters

Number of shares held: 7,647
Attendance at Board of Directors' meetings: 17/17

- 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
- 2021 Representative Director,
Senior Managing Executive Officer



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

Number of shares held: 7,113
Attendance at Board of Directors' meetings: 13/13

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

Note: Attendance by Yutaka Higurashi at meetings of the Board of Directors is indicated from June 29, 2020, the date he assumed his current positions.



Hiroshi Kubota
Director, Managing Executive Officer
Chief Financial Officer
Chief Executive of Management Planning Headquarters

Number of shares held: 1,632
Attendance at Board of Directors' meetings: N/A

- 1989 Joined the Company
- 2018 General Manager of Corporate Planning Group
- 2019 Corporate Officer
- 2020 Executive Officer
- 2021 Director, Managing Executive Officer

Audit and Supervisory Board Members



Noriko Miyamoto
Number of shares held: 13,086
Attendance at Board of Directors' meetings: 17/17
Attendance at Audit and Supervisory Board meetings: 15/15

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



Eiichi Takahashi
Number of shares held: 19,976
Attendance at Board of Directors' meetings: 17/17
Attendance at Audit and Supervisory Board meetings: N/A

- 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
- 2021 Audit and Supervisory Board Member

Executive Officers

Senior Managing Executive Officers

Tomoyuki Koyama
Akira Kono
Takaya Soga

Managing Executive Officers

Svein Steimler
Nobuhiro Kashima
Toru Kamiyama

Executive Officers

Masashi Suda
Kazumasa Okazaki
Hideki Suzuki
Shinji Umehara
Yuko Tsutsui
Toru Maruyama
Hiroaki Nishiyama
Hisaya Higuchi
Hironobu Watanabe
Patrick Brennan Jr.
Takeshi Kato
Kenichiro Sutoh
Yasunobu Suzuki
Yuji Nishijima
Takuji Banno
Yutaka Ikeda
Toshi Nakamura
Keita Sataka

Outside

Independent Outside Directors



Yoshihiro Katayama
Chief Independent Outside Director
Number of shares held: 17,182
Attendance at Board of Directors' meetings: 17/17

- 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

Independent Outside Audit and Supervisory Board Members



Hiroshi Nakaso
Number of shares held: 219
Attendance at Board of Directors' meetings: 13/13
Attendance at Audit and Supervisory Board meetings: 10/10

- 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
- 2021 Member of ABAC (Japan), Chair of Advisory Group

Note: Attendance by Hiroshi Nakaso at meetings of the Board of Directors and the Audit and Supervisory Board is indicated from June 29, 2020, the date he assumed his current position.



Hiroko Kuniya

Number of shares held: 6,810
Attendance at Board of Directors' meetings: 17/17

- 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



Satoko Kuwabara

Number of shares held: 658
Attendance at Board of Directors' meetings: 13/13
Attendance at Audit and Supervisory Board meetings: 10/10

- 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

Note: Attendance by Satoko Kuwabara at meetings of the Board of Directors and the Audit and Supervisory Board is indicated from June 29, 2020, the date she assumed her current position.



Eiichi Tanabe

Number of shares held: 1,753
Attendance at Board of Directors' meetings: 17/17

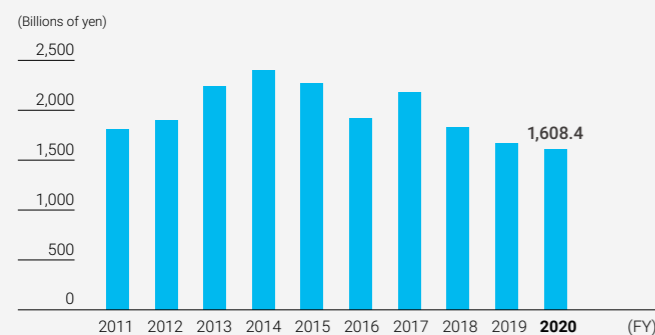
- 1978 Joined Mitsubishi Corporation
- 2008 Senior Vice President
- 2012 Executive Vice President
- 2016 Senior Executive Vice President,
Corporate Functional Officer
- 2016 Representative Director,
Senior Executive Vice President
- 2018 Retired from Mitsubishi Corporation,
Advisor of Mitsubishi Corporation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

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Results of Operations:							
Revenues	¥ 1,807,819	¥ 1,897,101	¥ 2,237,239	¥ 2,401,820	¥ 2,272,315	¥ 1,923,881	¥ 2,183,201
Costs and expenses	1,661,112	1,704,591	1,991,043	2,127,207	2,009,547	1,736,723	1,952,401
Selling, general and administrative expenses	170,831	175,075	201,200	208,419	213,802	205,236	202,974
Operating profit (loss)	(24,124)	17,434	44,995	66,192	48,964	(18,078)	27,824
Recurring profit (loss)	(33,238)	17,736	58,424	84,010	60,058	1,039	28,016
Profit (loss) attributable to owners of parent	(72,820)	18,896	33,049	47,591	18,238	(265,744)	20,167
Capital expenditures	309,288	302,326	248,230	199,343	115,791	155,993	200,443
Depreciation and amortization	100,857	97,522	105,956	101,045	103,347	92,004	87,839
Financial Position at Year-End:							
Total assets	2,122,234	2,430,138	2,551,236	2,569,828	2,244,772	2,044,183	2,071,636
Interest-bearing debt	1,067,125	1,292,191	1,241,963	1,098,357	940,576	945,391	983,432
Shareholders' equity	579,342	650,490	720,270	810,311	773,678	522,471	551,887
Cash Flows:							
Operating activities	29,837	93,951	136,522	136,448	142,857	27,924	89,090
Investing activities	(139,402)	(135,566)	6,409	26,755	(46,895)	(144,612)	(137,994)
Financing activities	72,159	177,966	(95,485)	(199,007)	(160,260)	1,952	17,587
Per Share Data:							
Basic net income (loss)	(429.19)	111.40	194.85	280.60	107.54	(1,572.35)	119.57
Equity	3,415.35	3,834.95	4,246.65	4,777.86	4,562.10	3,097.96	3,272.21
Cash dividends applicable to the year	40.0	40.0	50.0	70.0	60.0	-	30.0
Dividend payout ratio	-	35.9%	25.7%	24.9%	55.8%	-	25.1%
Management Indicators:							
Return on equity (ROE)	(11.5%)	3.1%	4.8%	6.2%	2.3%	(41.0%)	3.8%
Return on assets (ROA)	(3.4%)	0.8%	1.3%	1.9%	0.8%	(12.4%)	1.0%
Return on invested capital	(0.6%)	1.1%	2.3%	3.1%	2.6%	0.6%	1.7%
Debt-to-equity ratio (DER) (Times)	1.84	1.99	1.72	1.36	1.22	1.81	1.78
Shareholders' equity ratio	27.3%	26.8%	28.2%	31.5%	34.5%	25.6%	26.6%

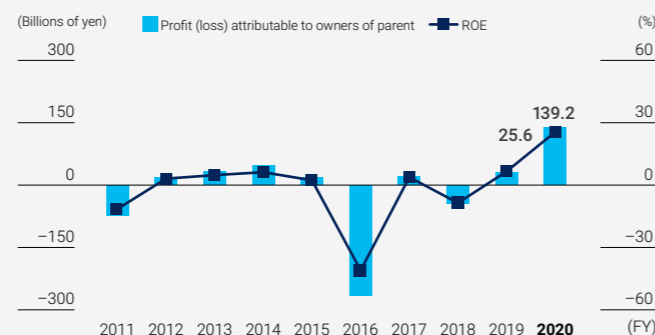
* The dividend payout ratio has not been stated when loss attributable to owners of parent has been recorded.

* On October 1, 2017, the Company conducted a 1-for-10 reverse stock split. The dividends per share in this 10-year summary take into consideration the effect of this reverse stock split.

Revenues

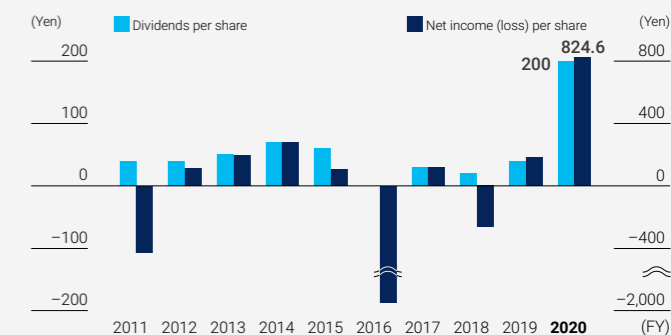


Profit (Loss) Attributable to Owners of Parent / ROE

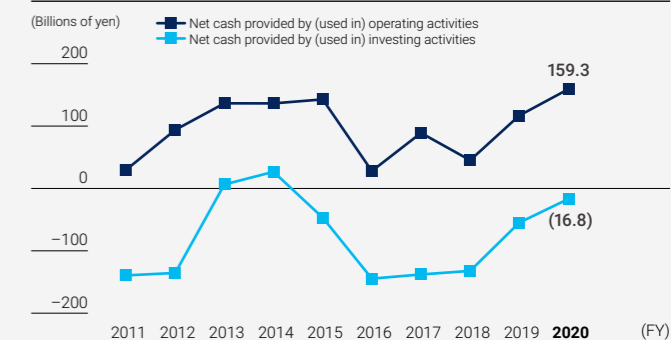


FY2018	FY2019	FY2020
(Millions of yen)		
¥ 1,829,300	¥ 1,668,355	¥ 1,608,414
1,634,188	1,461,434	1,375,232
184,026	168,225	161,644
11,085	38,696	71,537
(2,052)	44,486	215,336
(44,501)	31,129	139,228
170,776	139,232	101,778
89,713	104,057	98,803
(Millions of yen)		
2,001,704	1,933,264	2,125,480
1,046,182	1,049,853	951,143
487,432	462,664	625,332
(Millions of yen)		
45,260	116,931	159,336
(132,292)	(54,867)	(16,871)
62,715	(61,733)	(125,483)
(Yen)		
(263.80)	184.39	824.55
2,889.26	2,740.41	3,703.27
20.0	40.0	200.0
-	21.7%	24.3%
(Yen)		
(8.6%)	6.6%	25.6%
(2.2%)	1.6%	6.9%
0.9%	2.7%	12.8%
2.15	2.27	1.52
24.4%	23.9%	29.4%

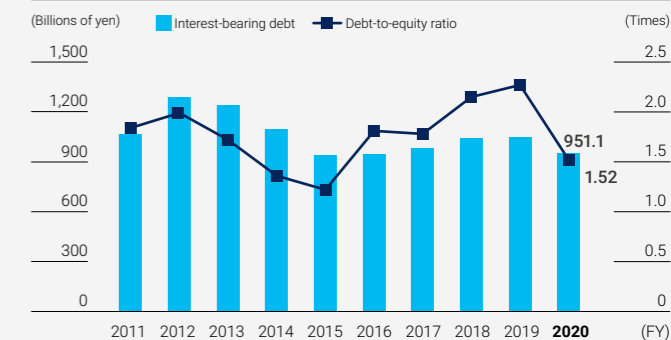
Cash Dividends per Share / Basic Net Income (Loss) per Share



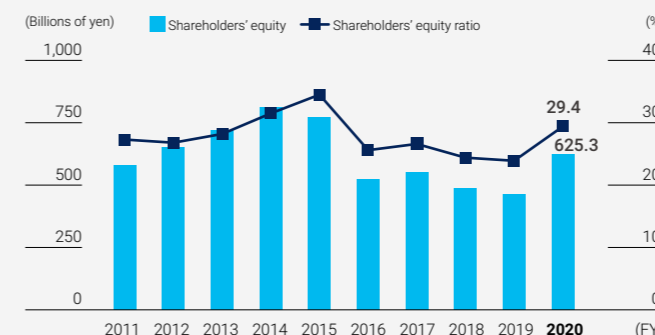
Cash Flows



Interest-Bearing Debt and Debt-to-Equity Ratio (Gross)



Shareholders' Equity / Shareholders' Equity Ratio



Ratings

(As of April 1, 2021)

Rating Company	Type of Rating	Rating
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating (Outlook)	A- (Stable)
	Bond Rating	A-
Rating and Investment Information, Inc. (R&I)	Issuer Rating (Outlook)	BBB+ (Stable)
	Long-term	BBB+
	Short-term	a-2
Moody's	Issuer Rating (Outlook)	Ba2 (Stable)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Revenues:										(Millions of yen)
Liner Trade	¥ 418,744	¥ 441,863	¥ 617,494	¥ 696,352	¥ 706,366	¥ 585,904	¥ 691,433	¥ 286,339	¥ 202,248	¥ 170,537
Terminal and Harbor Transport	140,089	140,804	-	-	-	-	-	-	-	-
Air Cargo Transportation	82,612	77,864	88,854	99,110	91,101	81,919	97,826	56,750	75,157	122,459
Logistics	365,191	366,829	431,567	486,919	496,509	461,361	512,332	525,826	476,326	561,234
Bulk Shipping	730,854	795,587	988,489	995,851	902,291	717,729	795,606	841,358	819,807	681,564
Real Estate	10,849	10,423	9,946	9,504	9,781	9,439	7,941	7,617	7,346	6,884
Cruises	32,471	35,042	45,270	49,802	-	-	-	-	-	-
Other Business Services	184,577	173,635	192,767	170,607	147,015	146,614	172,300	188,158	165,690	129,789
Elimination and Corporate	(157,571)	(144,950)	(137,150)	(106,327)	(80,751)	(79,087)	(94,238)	(76,751)	(78,220)	(64,055)
Consolidated Total	1,807,819	1,897,101	2,237,239	2,401,820	2,272,315	1,923,881	2,183,201	1,829,300	1,668,355	1,608,414
Recurring Profit (Loss):										
Liner Trade	(44,757)	(9,433)	(782)	9,807	(321)	(12,716)	10,874	(26,401)	13,442	140,821
Terminal and Harbor Transport	7,748	6,952	-	-	-	-	-	-	-	-
Air Cargo Transportation	3,384	(4,862)	(7,371)	699	1,585	2,631	1,811	(15,969)	(15,583)	33,281
Logistics	9,266	4,773	6,534	10,794	11,869	7,650	2,382	7,728	4,721	27,049
Bulk Shipping	(7,786)	18,623	54,884	60,082	46,595	(4,168)	9,643	33,791	44,187	18,605
Real Estate	3,902	3,940	3,824	3,257	3,379	12,079	2,659	2,747	2,564	2,584
Cruises	(5,823)	(3,744)	717	2,117	-	-	-	-	-	-
Other Business Services	811	1,475	672	(596)	(53)	(1,496)	3,167	3,082	1,773	(2,251)
Elimination and Corporate	15	11	(55)	(2,153)	(2,997)	(2,940)	(2,522)	(7,031)	(6,619)	(4,754)
Consolidated Total	(33,238)	17,736	58,424	84,010	60,058	1,039	28,016	(2,052)	44,486	215,336
Assets:										
Liner Trade	261,554	280,701	452,479	499,804	419,247	401,983	405,307	361,893	296,981	428,685
Terminal and Harbor Transport	158,466	166,070	-	-	-	-	-	-	-	-
Air Cargo Transportation	69,766	90,311	78,845	56,221	47,597	53,004	77,362	64,122	63,205	65,535
Logistics	205,224	217,455	237,998	274,382	250,303	255,189	277,919	281,834	281,608	348,707
Bulk Shipping	1,295,649	1,412,501	1,502,207	1,501,200	1,338,549	1,269,346	1,256,094	1,285,305	1,269,819	1,271,637
Real Estate	54,596	57,372	53,841	56,835	63,542	56,266	58,854	57,328	54,948	52,400
Cruises	28,117	28,659	33,786	44,273	-	-	-	-	-	-
Other Business Services	457,568	607,828	552,979	414,123	251,326	209,981	195,238	171,748	159,032	173,614
Elimination and Corporate	(408,711)	(430,536)	(360,902)	(277,012)	(125,795)	(201,587)	(199,141)	(220,530)	(192,330)	(215,099)
Consolidated Total	2,122,234	2,430,364	2,551,236	2,569,828	2,244,772	2,044,183	2,071,636	2,001,704	1,933,264	2,125,480
Depreciation and Amortization:										
Liner Trade	11,471	12,607	16,858	17,660	20,173	17,646	13,770	11,754	11,668	9,891
Terminal and Harbor Transport	4,776	4,789	-	-	-	-	-	-	-	-
Air Cargo Transportation	787	2,320	2,247	2,595	2,160	2,360	2,825	4,485	4,006	3,232
Logistics	6,214	6,376	7,327	8,043	8,202	7,175	8,355	9,088	19,881	19,913
Bulk Shipping	73,710	67,388	75,469	68,688	68,942	61,223	59,404	60,465	65,982	63,293
Real Estate	924	909	917	1,090	1,118	1,056	1,259	1,285	1,355	1,366
Cruises	1,860	2,044	2,114	1,800	-	-	-	-	-	-
Other Business Services	1,122	1,094	1,030	1,387	2,916	2,543	2,244	2,672	1,216	1,159
Elimination and Corporate	(10)	(8)	(9)	(220)	(166)	(1)	(19)	(37)	(53)	(53)
Consolidated Total	100,857	97,522	105,956	101,045	103,347	92,004	87,839	89,713	104,057	98,803

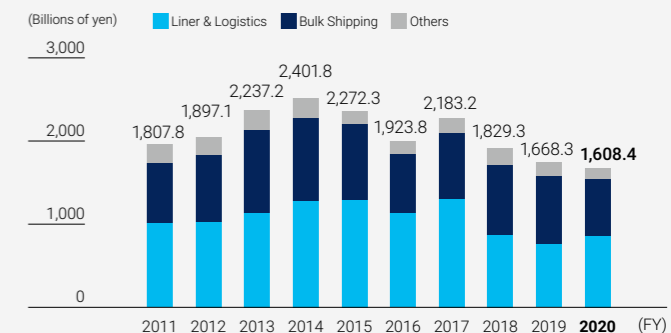
Note 1: Since fiscal 2013, "Terminal and Harbor Transport" has been included in "Liner Trade." In addition, some consolidated subsidiaries have been moved from "Liner Trade" to "Bulk Shipping."

Note 2: Since fiscal 2015, "Cruises" has been included in "Other Business Services."

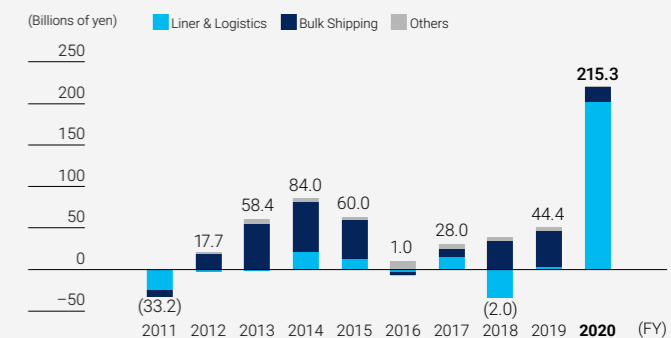
Note 3: From fiscal 2021, "Global Logistics" has been renamed "Liner & Logistics."

Note 4: Figures before changes to business segment classifications have not been restated.

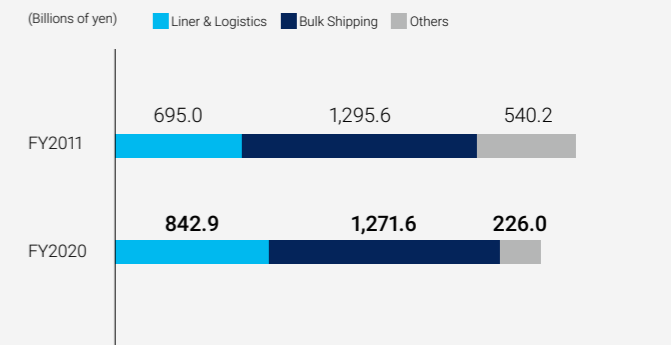
Revenues



Recurring Profit and Loss



Assets



NYK Group GHG Emissions by Scope for Fiscal 2020

Item	Emissions (ton-CO ₂ e)	Ratio
Scope 1 Ships, aircraft, semitrailers, etc.	11,650,054.83	87.4%
Scope 2 Offices	49,444.52	0.4%
Scope 3 Vessel construction, commuting / business trips	1,623,678.31	12.2%
Total	13,323,177.66	100.0%

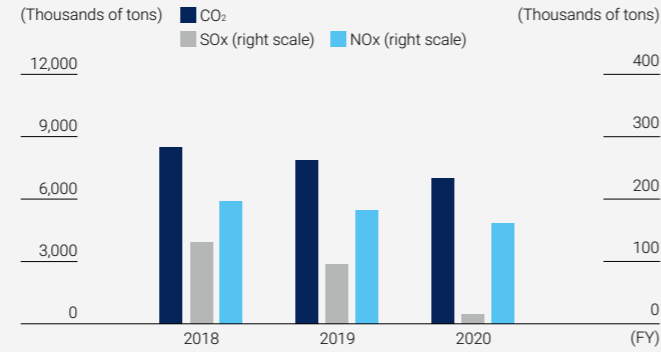
Note 1: CO₂e: CO₂ equivalent
 Note 2: GHG emission data for Scope 1, Scope 2, and Scope 3 has been verified by a third-party organization.
 Verification Report (<https://www.nyk.com/english/esg/envi/data/>)

Ships / Aircraft

NYK

INPUT (Ships)				OUTPUT			
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Heavy oil C	2,574	2,361	2,103	CO ₂ emissions	8,473	7,860	6,954
Heavy oil A	0	0	0	SOx	131	96	20
Diesel	143	153	126	NOx	196	182	161

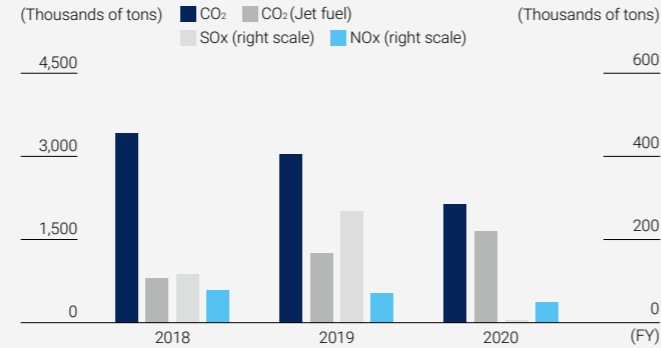
Note: To comply with UN IMO global sulfur cap regulations, from January 1, 2020 we changed our vessel fuel from HSF0, which has a maximum sulfur content of 3.5%, to LSF0, which contains a maximum of 0.5%, thereby reducing our sulfur oxide (SOx) emissions.



Japan and Overseas Group Companies

INPUT (Ships)				OUTPUT			
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Heavy oil C	973	876	624	CO ₂ emissions	3,413	3,040	2,114
Heavy oil A	20	20	17	SOx	116	268	6
Diesel	100	76	36	NOx	79	70	49

Note: To comply with UN IMO global sulfur cap regulations, from January 1, 2020 we changed our vessel fuel from HSF0, which has a maximum sulfur content of 3.5%, to LSF0, which contains a maximum of 0.5%, thereby reducing our sulfur oxide (SOx) emissions.



INPUT (Aircraft)				OUTPUT			
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Jet fuel	322,673	506,459	666,878	CO ₂ emissions	803	1,247	1,642

Note: The above does not include the amounts of LNG fuel use and CO₂ emissions for NYK and its Group companies in Japan and overseas.
 (Reference) Input: 186,000 tons; output: 510,000 tons

Offices Input indicates resources and energy we have used.

NYK Headquarters

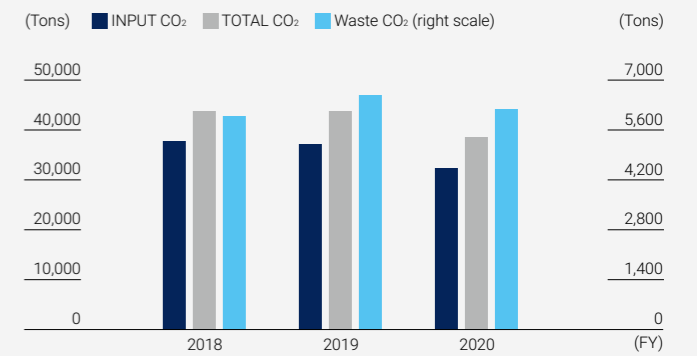
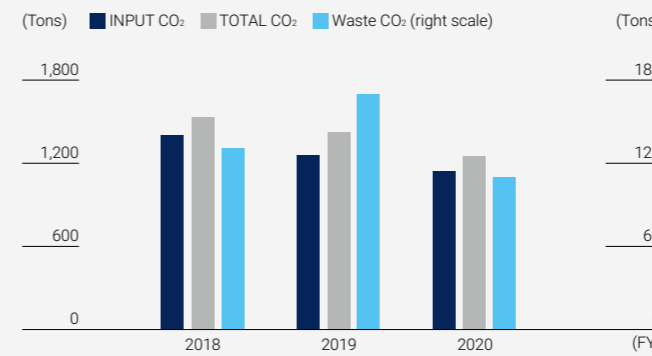
INPUT				OUTPUT			
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Electricity	2,353	2,194	1,960	Ordinary waste	40	52	33
Heavy oil A	0	0	0	Industrial waste	4	5	4
Heavy oil B and C	0	0	0	Recycling	103	83	50
Diesel	0	0	0	Waste CO ₂ emissions	131	170	110
Kerosene	0	0	0	INPUT CO ₂ emissions	1,405	1,256	1,144
Gasoline	15	12	8	TOTAL CO ₂ emissions	1,536	1,426	1,254
LPG	0	0	0				
City gas	21	20	11				
Steam	1,352	1,028	1,352				
Heated water	0	0	0				
Cooled water	0	0	0				
Water supplied by utilities	17	15	10				
Paper	20	18	7				

Note 1: Electricity consumption includes shared spaces with tenants in the headquarters building.
 Note 2: CO₂ emission volume from electric power consumption for fiscal 2020 has been calculated using the coefficient of 0.457 kg-CO₂/kWh (actual figure for 2019) for TEPCO Energy Partner, Incorporated (formerly, Tokyo Electric Power Company, Incorporated).
 Note 3: The waste volume recycling rate was 57%.
 Note 4: Input CO₂ emissions are CO₂ emissions created by input items.

Group Companies in Japan

INPUT				OUTPUT			
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Electricity	49,292	51,930	47,007	Ordinary waste	939	957	765
Heavy oil A	9	9	7	Industrial waste	1,211	1,426	1,495
Heavy oil B and C	0	0	0	Recycling	314	317	244
Diesel	4,624	4,415	4,145	Waste CO ₂ emissions	5,981	6,594	6,194
Kerosene	50	47	48	INPUT CO ₂ emissions	37,785	37,213	32,387
Gasoline	615	579	477	TOTAL CO ₂ emissions	43,766	43,807	38,581
LPG	51	71	62				
City gas	377	317	261				
Steam	222	134	174				
Heated water	1,519	2,048	95,211				
Cooled water	163,121	115,012	627,758				
Water supplied by utilities	218	123	103				
Paper	457	420	362				

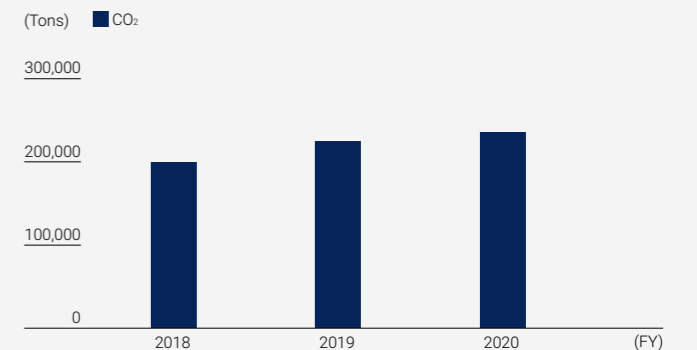
Note 1: CO₂ emission volume from electric power consumption for fiscal 2020 has been calculated using the coefficients for each electricity provider (actual figures for 2019) published by Japan's Ministry of the Environment.
 Note 2: Figures are for consolidated subsidiaries.
 Note 3: Input CO₂ emissions are CO₂ emissions created by input items.



Overseas Group Companies

INPUT				OUTPUT			
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Electricity	55,866	60,793	68,552	CO ₂ emissions	199,471	224,465	235,100
Gasoline	42,278	26,344	48,703				
Diesel	21,050	48,520	27,372				
LPG	616	588	314				
Natural gas	7,137	4,921	9,486				

* The Company referred to the Carbon Footprint/Greenhouse Gas (GHG) Protocol for conversion coefficients used in the calculation of CO₂ emission volumes from electric power consumption.
 * Figures are for consolidated subsidiaries.



The NYK Group annually reviews its environmental results to promote responsible environmental protection in its business activities and to accurately track costs associated with environmental activities.

In fiscal 2020, we completed construction of Sakura Leader, Japan's first LNG-fueled vessel. We continue to take other measures to prevent global warming and air pollution, such as installing SOx scrubbers and so forth.

Comparison of All Costs and Results Related to Environmental Activities

	(Millions of yen)	
	FY2019	FY2020
Prevention of global warming and air pollution, conservation of marine environments, conservation of resources, and deployment of environmental technologies	13,679	13,744
Environmental protection costs	13,679	13,744
Year-on-year savings	396	1,687

NYK's In-House Classifications

(Millions of yen)			
Environmental policies	Objectives	Items	Environmental protection costs
1. Continuous improvement	Maintenance of environmental management systems	Construction, operation, ISO certification (including personnel costs)	114
2. Compliance	Restorative work in response to environmental degradation	Restorative work in response to marine pollution, etc.	0
3. Safe operations	Reduction of accidents and trouble	NAV9000 and other safety promotion activities (including personnel costs)	157
4. Prevention of global warming and air pollution, protection of ocean environments, conservation of natural resources	Prevention of global warming and air pollution	Use of fuel additives to improve combustion, activities to reduce ship fuel consumption, propeller polishing, etc.	382
	Prevention of marine pollution	Use of corrosion-resistant steel in VLCC cargo tanks, etc.	0
	Conservation of natural resources	Environmentally conscious purchases*1	0
5. Use of environment-friendly technologies	Prevention of global warming and air pollution	Installation of electronically controlled engines, installation of LNG-fueled propulsion systems and other energy-saving devices, low-sulfur fuel measures, etc.	8,664
	Prevention of destruction of the ozone layer	Ship air-conditioners, refrigerators and freezers, etc.	0
	Prevention of marine pollution	Ballast water management systems and the NYK bilge treatment system, etc.	3,547
	R&D expenses	Smart fleet operations, technology to reduce the CO ₂ and NOx emissions of large main engines in vessels	856
6. Environmental education	Greater environmental awareness and promotion of our Green Policy	Environmental e-learning, environmental protection campaigns, etc.	1
7. Community activities to promote environmental awareness	Environmental information disclosure, social contributions, etc.	Expenses for NYK Report, sponsorship of environmental organizations, etc.	21
Total			13,744

*1 The Company uses FSCR-certified paper, but the price difference is not substantial and is thus recorded as zero.

Classification According to the Environmental Accounting Guidelines of the Ministry of the Environment

(Millions of yen)		
Environmental protection costs	Investments	Expenses
(1) Costs within NYK business activities:		
a. Pollution prevention costs	9,495	5
b. Global environmental protection costs	2,734	360
c. Recycling costs	0	0
(2) Upstream and downstream costs	0	0
(3) Management activity costs:		
a. Operation and maintenance of environmental management systems	0	272
b. Environmental information disclosure, environmental advertising	0	19
c. Environmental education and training	0	2
d. Expenses for environmental improvement	0	0
(4) R&D costs:		
Environmental-burden reduction	0	856
(5) Social contribution activities costs:		
Social contribution activities	0	2
(6) Environmental damage response costs	0	0
Total	12,229	1,515

Calculation methodology:

- The period is from April 1, 2020 to March 31, 2021. (The calculation period for activities to reduce ship fuel consumption is from January 1, 2020 to December 31, 2020.)
- The scope is primarily business activities associated with NYK's headquarters and branch offices, NYK-operated terminals, fleet, and ancillary activities in Japan. (Expenses to maintain ISO 14001 certification are included for certified Group companies in North America, Europe, South Asia, and East Asia.)
- The Ministry of the Environment's fiscal 2005 Environmental Accounting Guidelines were used.
- Investment amounts refer to costs for depreciable environment-related facilities acquired during the term.
- Expenses include maintenance and management of facilities for the purpose of environmental protection and associated personnel costs, but do not include depreciation.
- Results are noted only to the extent that impacts can be quantified.

Use of Proceeds and Environmental Improvements from the Issue of Unsecured Corporate Bonds No. 40 (NYK Green Bonds)

Fund Allocation Report (All proceeds of the bond has been allocated in October 2020.)

- Allocated to LNG-related investments (LNG-fueled vessels, LNG bunkering vessels): ¥8.6 billion
- Allocated to regulation compliance-related investments (scrubbers, ballast water management systems): ¥1.4 billion
- Refinancing ratio related to the above: 24%

Impact Report	FY2018	FY2019
1. LNG-fueled vessels	1 ship	2 ships
• GHG emissions	35,730 mt per ship per year	
• GHG reduction rate	21%	
• CO ₂ reduction rate	30%	
• NOx reduction rate	30%	
• SOx reduction rate	99%	
2. LNG bunkering vessels	1 ship	1 ship
• GHG emissions	3,647 mt per ship per year	
• GHG reduction rate	15%	
• CO ₂ reduction rate	30%	
• NOx reduction rate	76%	
• SOx reduction rate	99%	
3. BWMS	1 ship	2 ships
• Volume managed	348,000 mt per ship per year	
4. SOx scrubbers	-	9 ships
• SOx reduction rate	86% per ship	

* The target period of the Impact Report covers the fiscal year under review (one-year period from April 1, 2019 to March 31, 2020).

* The number of vessels refers to the cumulative number of vessels funded during the period from the issuance of corporate bonds to the fiscal year under review; however, incomplete vessels are not included.

* Environmental improvement effect is a theoretical value that uses an annual impact estimation model with the consent of third-party organization Vigeo Eiris.

* Figures for GHG emissions and GHG reduction rates take into account methane gas emissions.

* LNG-fueled vessels do not transport products related to "controversial activities" as defined by Vigeo Eiris.

NYK Group (Includes NYK Headquarters) As of the end of each company's fiscal year

Employee Demographics Number of employees of consolidated companies (long-term employees, employees on contracts for more than six months)

		FY2018	FY2019	FY2020	
Total number of employees (a)		35,711	34,857	35,057	
By region	Japan	7,968	7,753	7,932	
	Europe	7,029	7,412	7,957	
	South Asia	13,763	12,934	12,650	
	North America	2,106	1,987	1,964	
	East Asia	3,352	3,303	3,207	
	Oceania	363	311	205	
	Central and South America	1,130	1,157	1,142	
	Japan	Men	264	230	176
		Women	4	4	6
	Europe	Men	55	68	84
	Women	8	5	18	
South Asia	Men	112	83	119	
	Women	17	14	5	
Number of employees promoted to director by region*1	Men	28	24	23	
	Women	1	2	2	
	Men	27	25	21	
	Women	1	4	0	
	Men	7	5	6	
	Women	0	0	0	
	Men	6	12	5	
	Women	0	3	1	

*1 National staff hired locally. Excludes employees seconded from headquarters and other organizations

			FY2018	FY2019	FY2020
Ratio of management by region and gender (%)*1	Japan	Men	89.4	89.9	91.5
		Women	10.6	10.1	8.5
	Europe	Men	79.1	72.8	73.6
		Women	20.9	27.2	26.4
	South Asia	Men	67.6	66.2	60.6
		Women	32.4	33.8	39.4
	North America	Men	67.9	64.6	66.3
		Women	32.1	35.4	33.7
	East Asia	Men	63.9	63.0	62.9
		Women	36.1	37.0	37.1
	Men	87.7	93.0	86.0	
	Women	12.3	7.0	14.0	
	Men	72.1	72.7	69.2	
	Women	27.9	27.3	30.8	
By gender	Men	23,688	22,265	22,436	
	Women	12,023	12,592	12,621	
By job type	Office workers*2	34,692	33,976	34,185	
	Seafarers*3	1,019	881	872	
	Total	6,997	5,170	3,889	
New hires	Men	4,508	3,305	2,452	
	Women	2,489	1,865	1,437	
Ratio of voluntary resignations (%)		-	10.4	12.2	

*1 National staff who are managers or higher. Includes employees seconded from headquarters and other organizations

2 Includes navigation officers and engineers at office locations as well as employees seconded from Group companies

*3 Excludes non-Japanese seafarers

Note: Navigation officers and engineers either hold a seafaring license or are in the process of acquiring one at a maritime college.

Employee Diversity

		FY2018	FY2019	FY2020
Number of non-Japanese seafarers	Total (b)	18,055	17,742	17,254
	Vessels under Group management	6,879	6,434	6,166
	Chartered vessels	11,176	11,308	11,088
Ratio of women employees (%)		34.6	37.0	37.0
Ratio of women managers (%)*1		23.8	25.0	25.0

*1 Managers or higher

Number of Group Employees (Including Non-Japanese Seafarers)

	FY2018	FY2019	FY2020
Total (a + b)	53,766	52,599	52,311

Occupational Health and Safety

	FY2018	FY2019	FY2020
Lost time injury (LTI) rate (%)	-	1.55	2.22
Number of work-related deaths	11	5	4
Mortality rate (%)	0.03	0.01	0.01

Calculation method: (Number of work-related accidents requiring leave) / (Total working hours) x 1,000,000
Total working hours are calculated as 2,000 hours per person.

→ NYK Headquarters

Employee Demographics

		FY2018	FY2019	FY2020	
Total number of employees		1,732	1,774	1,788	
By gender	Men	1,410	1,450	1,465	
	Women	322	324	323	
Long-term employees	Office workers (excludes navigation officers and engineers at office locations)	758	767	759	
	Women	265	265	258	
	Navigation officers and engineers	566	574	575	
	Women	19	19	19	
Fixed-term employees	Office workers	74	93	120	
	Women	38	32	38	
	Seafarers	12	12	8	
	Women	0	0	0	
Non-fixed-term employees*1	Office workers	—	4	3	
	Women	—	8	8	
	Seafarers	—	0	0	
	Women	—	0	0	
Long-term employees and fixed-term employees*2	Office workers (excludes navigation officers and engineers at office locations)	1,135	1,169	1,186	
	Navigation officers and engineers	597	605	602	
Average age (years old)*3	Office workers (excludes navigation officers and engineers at office locations)	40.9	41.5	41.3	
	Navigation officers and engineers	37.9	38.4	38.6	
Age range*4	Office workers (excludes navigation officers and engineers at office locations)	Under 30	211	217	207
		30–49	516	496	495
		50 and older	296	319	315
	Navigation officers and engineers	Under 30	141	140	139
		30–49	364	354	347
		50 and older	80	99	108
New hires*4	Total	53	61	54	
	Office workers (excludes navigation officers and engineers at office locations)	Men	22	29	25
		Women	6	7	7
	Navigation officers and engineers	Men	24	24	20
		Women	1	1	2
	Rate of turnover within three years after hire (%)*5	Office workers (excludes navigation officers and engineers at office locations)	0.9	1.0	0.0
Navigation officers and engineers		1.2	7.8	5.6	
Ratio of voluntary resignations (%)*6		0.8	1.5	1.0	
Turnover rate at NYK (%)*7		3.7	3.8	4.2	

*1 Employees who converted to employment contracts with no fixed period
 *2 Long-term employees + fixed-term employees + non-fixed-term employees for fiscal 2019 and beyond
 *3 Excludes fixed-term employees
 *4 New graduates and mid-career hires
 *5 Calculation method: Number of new graduates and mid-career employees hired in the previous three years who resigned in each fiscal year / Number of new graduates and mid-career employees hired in the previous three years
 *6 Calculation method: Number of employees who resigned at their own request in each fiscal year / Total number of long-term employees at the end of each fiscal year
 *7 Calculation method: Number of employees who resigned in each fiscal year / Total number of long-term employees at the end of each fiscal year

Employee Diversity

		FY2018	FY2019	FY2020
Ratio of women employees (%)	Office workers (includes navigation officers and engineers at office locations)	21.2	20.9	20.4
	Seafarers	2.9	2.9	3.5
Ratio of women managers (%)*1 (a)	Office workers (includes navigation officers and engineers at office locations)	18.0	17.1	16.6
	Seafarers	0.0	0.0	0.0
Ratio of women managers to the total number of women employees (long-term) (%)*1 (b)		13.0	12.7	13.0
Employment ratio of people with disabilities (%)		2.4	2.2	2.0

*1 Office workers include employees at manager level or higher. Seafarers include captains and chief engineers.
 Calculation method: (a) Women managers / Total managers; (b) Women managers / Total number of women employees (long-term)

Occupational Health and Safety (Includes Fixed-Term Employees)

		FY2018	FY2019	FY2020
Number of occupational accidents*1	Total	0	1	2
	Office workers (includes navigation officers and engineers at office locations)	0	0	0
	Seafarers	0	1	2
Lost time injury (LTI) rate (%)*2		0.00	0.44	0.00
Number of work-related deaths	Total	0	0	0
	Office workers (includes navigation officers and engineers at office locations)	0	0	0
	Seafarers	0	0	0
Number of lost days caused by occupational accidents	Total	0	89	0
	Office workers (includes navigation officers and engineers at office locations)	0	0	0
	Seafarers	0	89	0

*1 Excludes commuting accidents
 2 Employees working at headquarters, including navigation officers and engineers who are working at office locations, seconded employees from Group companies, and contractors for business consignment, etc.
 Calculation method: (Number of work-related accidents requiring leave) / (Total working hours) × 1,000,000
 * Engineers refer to those holding a diploma in marine engineering or those attending a technical college or institute to acquire such a diploma.

Employee Support Systems

		FY2018	FY2019	FY2020
Average number of days of paid leave taken*1		17.0	17.2	15.4
Number of employees who took maternity leave*2		21	14	8
Number of employees who used parental leave program*2	Total	52	60	49
	Men	15	28	25
	Women	37	32	24
Ratio of employees who returned to work after taking parental leave (%)		93.8 (Number of employees who left the Company: 1)	100.0	100.0
Retention rate of employees who used parental leave program (%)		100.0	93.8 (Number of employees who left the Company: 1)	100.0
Number of employees who used shortened working-hour program*2	Total	22	25	21
	Men	0	1	1
	Women	22	24	20
Number of working mothers*3		56	61	71
Number of employees who used family-care leave program*2	Total	1	0	0
	Men	0	0	0
	Women	1	0	0
Ratio of employees who returned to work after taking family-care leave (%)		100.0	100.0	100.0
Retention rate of employees who used family-care leave program (%)		100.0	100.0	100.0

*1 Excludes seafarers and employees currently seconded to other companies / Includes paid summer holidays
 *2 Total number of users, excluding those who left the Company
 *3 Mothers with children in compulsory education or younger / Excludes mothers on maternity or parental leave

Education

		FY2018	FY2019	FY2020
Average number of hours employees participated in training programs	Company average	77.4	67.4	43.0
	Office workers*1 (includes navigation officers and engineers at office locations)	34.9	30.3	17.2
	Seafarers	237.6	210.7	142.1
Average expenditure on educational and training programs (yen)	Company average	271,137	255,107	177,610
	Office workers*2 (includes navigation officers and engineers at office locations)	131,334	140,304	85,021
	Seafarers	798,241	697,821	533,995

*1 Excludes workers trained outside the Company
 *2 Programs for office workers trained inside or outside the Company

Established

September 29, 1885

Paid-in Capital

¥144,319,833,730

Employees

- Consolidated: 35,057 (NYK and consolidated subsidiaries)
 - Non-consolidated: 1,788 (1,186 office workers (excluding seafarers); 602 seafarers)*
- * The non-consolidated number of employees includes employees currently assigned to domestic and overseas Group companies.

Headquarters

3-2, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-0005, Japan
Telephone: +81-3-3284-5151
Website: <https://www.nyk.com/english/>

Common Stock

- Number of authorized shares: 298,355,000 shares
- Number of issued and outstanding shares: 169,558,156 shares (excluding treasury stock: 496,942)

Stock Exchange Listing

First Section of the Tokyo Stock Exchange

Share Registrar and Special Management of Accounts

Mitsubishi UFJ Trust and Banking Corporation
Contact Information:
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
1-1 Nikkocho, Fuchu city, Tokyo 183-0044
Toll-free: 0120-232-711

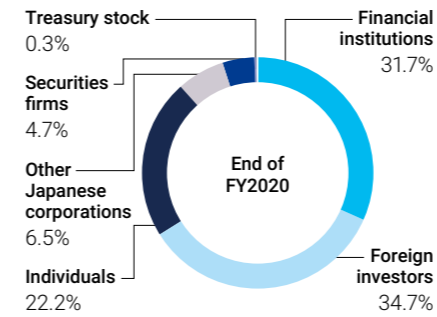
Method of Public Notice

The Company's public notices are available through electronic distribution.
Website: <https://www.nyk.com/ir/stock/koukoku/>
However, in the event that electronic distribution is impossible, due to an accident or other unavoidable circumstances, the Company's public notices will appear in the *Nihon Keizai Shimbun* published in Tokyo, Japan.

American Depositary Receipts (ADR)

Symbol: NPNYY
CUSIP: 654633304
Exchange: OTC
Ratio (ADR: shares of common stock): 5:1
Depository:
BNY Mellon Shareowner Services
P. O. Box 505000
Louisville, KY 40233-5000
Toll-free:
(Within the U.S.) 888-BNY-ADRS (888-269-2377)
(From overseas) 1-201-680-6825
Website: <https://www.adrbnymellon.com/>
Email: shrrelations@cpushareownerservices.com

Shareholder Composition

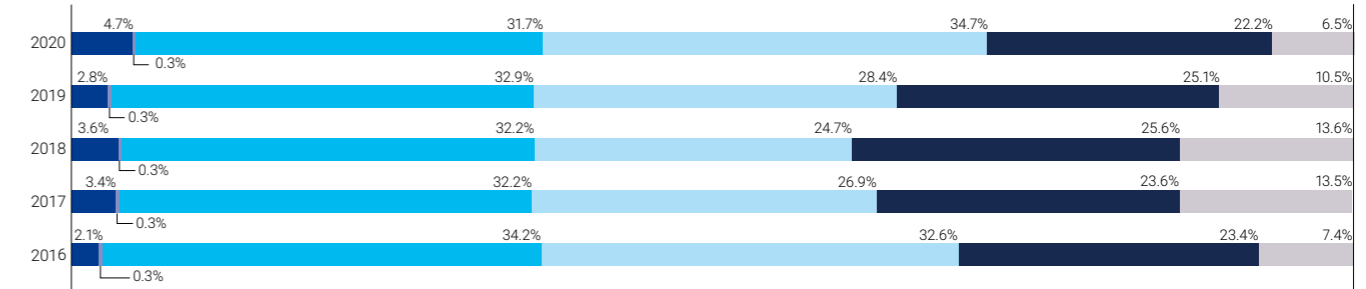


Principal Shareholders (As of March 31, 2021)

Name	Number of shares held
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,556,300
Custody Bank of Japan, Ltd. (Trust Account)	9,312,800
Mitsubishi Heavy Industries, Ltd.	4,103,831
Meiji Yasuda Life Insurance Company	3,447,326
Custody Bank of Japan, Ltd. (Trust Account 7)	3,004,900
Tokio Marine and Nichido Fire Insurance Co., Ltd.	2,894,578
THE BANK OF NEW YORK MELLON 140044	2,621,047
STATE STREET BANK WEST CLIENT – TREATY 505234	2,456,812
Custody Bank of Japan, Ltd. (Trust Account 5)	2,425,900
Custody Bank of Japan, Ltd. (Trust Account 6)	2,152,700

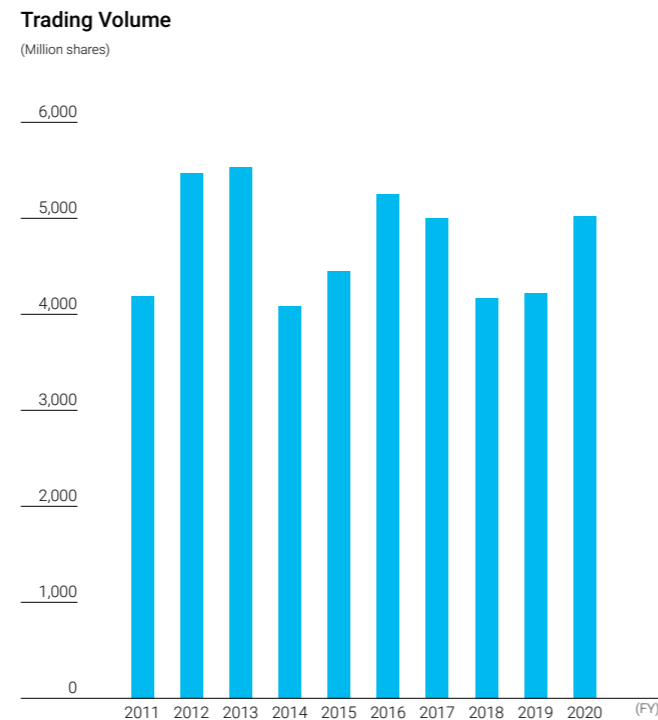
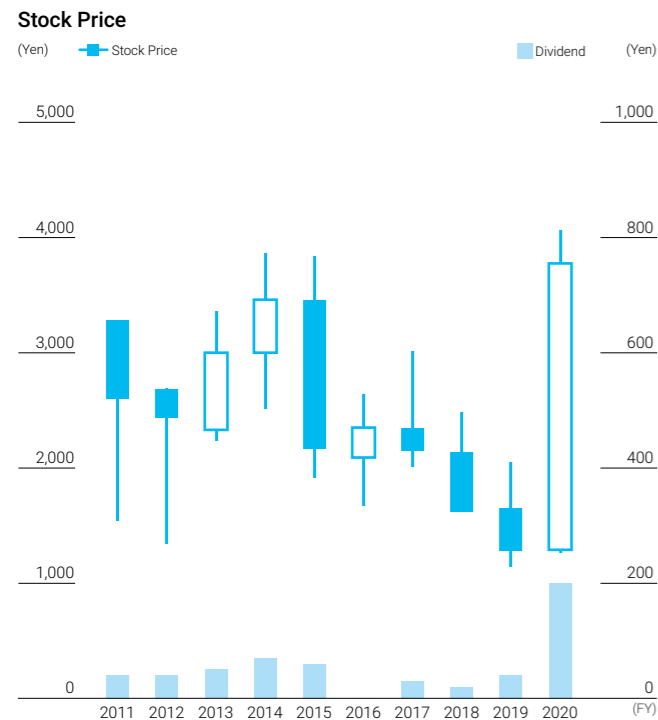
Shareholder Composition

(End of fiscal year)



Stock Price Range and Trading Volume

* On October 1, 2017, NYK conducted a 1-for-10 reverse stock split. The amounts in the below graph take into consideration the effect of this reverse stock split.



External Evaluations

ESG Indexes

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

2020 MSCI ESG Leaders Indexes Constituent

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2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIW)

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Other Awards and Certifications

Please visit the website below for more information about each evaluation, award, and certification.

<https://www.nyk.com/english/esg/evaluate/>





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