

CEO MESSAGE

I will drive the enhancement of the NYK Group's corporate value through a business concept based on the Group's Mission of *"Bringing value to life."*

Takaya Soga

President, Representative Director,
President and Chief Executive Officer,
Group Chief Executive Officer



A Year of Steady Results through a Range of Measures

Appealing Growth Investment

Fiscal 2023, the year ended March 31, 2024, saw major changes in the external environment mainly due to geopolitical risks. In addition to the situation in Ukraine, tensions in the Middle East led to Suez Canal diversions, Panama Canal navigation was restricted due to climate change, and resource prices soared. Despite these conditions, the NYK Group's performance remained solid thanks to appropriate exposure management and ship allocation plans coupled with rigorous management of ship operations. In November 2023, we announced the NYK Group Decarbonization Story, a concrete road map for the realization of a decarbonized society. In line with this story, we have been working to improve the energy efficiency of our ships and to switch to alternative fuels. *NYK Report 2023* set out our transition from instilling ESG management to implementing it.



True to these words, we have been steadily working on the measures set forth in the current medium-term management plan. At the same time, fiscal 2023 was a year in which we made significant progress in collaboration and co-creation with external partners such as shipyards and fuel suppliers.

Recently, we have been receiving an increasing number of questions about our capital policy initiatives to improve the price-to-book ratio, responses to geopolitical risks, and the progress of decarbonization efforts. I feel that our true value is being questioned. We are being asked how, after our unprecedentedly favorable performances in fiscal 2021 and fiscal 2022, we will increase corporate value going forward and whether it is possible to do so. As stated in our medium-term management plan, our measures for shareholder returns, which are based on an awareness of improving capital efficiency, include the implementation of a ¥300.0 billion acquisition and retirement of treasury stock between fiscal 2023 and fiscal 2024, an increase in the dividend payout ratio and the minimum dividend amount, and steady investment for growth. Recent share price trends show that market capitalization has risen compared with that of the pre-COVID-19 period. However, I believe our market capitalization is not commensurate with our higher shareholders' equity and future earnings growth, indicating that we are not being fully understood by capital markets. We are thus taking a range of measures, such as aiming to raise ROE above the cost of shareholders' equity, growing profits, seeking an optimal balance sheet, and conducting business management based on return on invested capital (ROIC).

Fiscal 2024 will be an important year in which we closely review the results of the aforementioned measures. Similarly, we must rigorously evaluate the results of our decarbonization efforts. We are under six years away from 2030 and our target of achieving a 45% reduction in GHG emissions (Scope 1 + Scope 2) compared with the fiscal 2021 level. The NYK Group Decarbonization Story has attracted a great deal of interest from shareholders and investors due to its concreteness. We will steadily advance this plan, which will lead to business differentiation and enhanced profitability. Next, I would like to talk about our vision for 2050 from five perspectives.

Aim of Ambidextrous Management

Ambidextrous management is one of the business strategies set out in our current medium-term management plan. While establishing a strong financial base in its existing core businesses, NYK will allocate profits to new growth businesses and pursue scale and quality in the Group as a whole. This strategy applies not only to "goods and money" but also to "people," another important management resource in the Company. In Japan, where the population continues to decline, securing new personnel is not easy. The recruitment of personnel with specialized skills is even more difficult. For this reason, we have established NYK Digital Academy in-house, which is developing leaders who can take on the challenges of change. We will also continue reassigning personnel from core businesses to new businesses. In either case, one of our management tasks is to realize growth by forging ahead with efforts to both enhance operational efficiency and introduce labor-saving measures. These efforts will be supported by our digital transformation (DX) strategy.

DX goes beyond creating new business opportunities to also being very useful in fundamental

efforts aimed at increasing efficiency and saving labor. We believe that DX will help accelerate ambidextrous management. Moreover, NYK is improving operational efficiency in all kinds of divisions. In conjunction with these efforts, we are advancing initiatives to create high-quality services that do not require the presence of people. For example, with the aim of saving labor, we are conducting verification tests of autonomous ships, automating terminals and warehouses, and operating unstaffed gantry cranes. In Japan, where the population is expected to continue declining, the NYK Group's efforts will certainly help address the problems of the maritime industry, such as the aging of crew members and port workers and the decreasing number of applicants for these jobs.

Groundbreaking Initiatives That Advance the Maritime Industry

In 2015, as the officer in charge of the Automotive Transportation Headquarters (now the Automotive Business Division), I made the decision to work with a Japanese automaker to build liquefied natural gas (LNG)-fueled pure car and truck carriers. In first-time initiatives, failure is a risk. Nonetheless, given the significance of using environmentally friendly ships for transportation, representatives of said Japanese automaker and I began efforts to win over our respective in-house colleagues. Through collaboration across corporate boundaries, we were able to make the project a leading example for the maritime shipping industry. In addition, customers praised our initiatives that anticipated the future of transportation, including the ordering of LNG bunkering vessels to build an LNG fuel supply chain. Eight LNG-fueled pure car and truck carriers have already been delivered. Including ships under construction, the fleet has grown to comprise some 20 ships.





The ammonia-fueled vessels and ammonia gas carriers that we are currently working on are also examples of industry-leading co-creation. Neither LNG, methanol, ammonia, nor hydrogen can meet the future demand for marine fuel on their own. To achieve fuel conversion, we need companies that focus on methanol fuel as well as companies like ours that are researching ammonia and hydrogen. In the future, if we bring the results of our research together and share our know-how, it will be possible to make effective use of the resources of all involved parties. While the reluctance of engineers conducting research in the field to share their know-how with other companies is understandable, the benefits to be gained by the global spread of decarbonization technologies will far outweigh the benefits to be gained as a first mover.

Pursuit of Further Significant Advances through New Businesses

Regarding new businesses, there are several key aspects to creating business opportunities. First of all, you must take advantage of your company's expertise and experience. At the moment, we are actively investing in the transportation of next-generation energy, such as liquefied CO₂, ammonia, and hydrogen. We will use our own expertise to solve technical issues in the transportation of such energy. For example, in our project to build an ammonia-fueled ammonia gas carrier, the ships must be designed to prevent leaks from piping and tanks. Further, fail-safe measures to protect crew members' lives in the event of a leak are essential. In January 2024, we decided on the construction of our inaugural ammonia-fueled ammonia gas carrier. This decision was made after we determined that a level of safety and environmental friendliness sufficient for social implementation had been achieved. We reached this level by further

improving double and triple measures through the reflection of risk assessments and recommendations made from the perspective of crew members, mainly chief engineers and engineers.

Our expertise and experience will also be utilized in the space industry. We are proceeding with a business that will enable the launching of rockets from ships at sea through the use of a dynamic positioning system (DPS). Our DPS technology was developed in the offshore business and automatically holds ships at fixed points at sea. Moreover, the business will retrieve rockets. The idea for this business came from NYK Digital Academy, which I mentioned earlier. To ensure safety, the ship will be crewless. The technology needed for autonomous ship operations is precisely the focus of current R&D efforts in which the NYK Group is playing a leading role.

Another key aspect for the creation of business opportunities is the circular economy. The NYK Group is participating in the building of a large-scale value chain that extends from CO₂ separation and capture through to transportation and storage, as this is an effective way of realizing a decarbonized society. In 2022, we established a new company for the maritime shipping and storage of liquefied CO₂. Our other initiatives include the development of a liquefied CO₂ carrier equipped with proprietary technologies that enable the stable transportation of liquefied CO₂ at ambient temperatures. Through liquefied CO₂ transportation, we intend to support projects related to carbon dioxide capture and storage (CCS) technology, which are being tackled around the world. If we look at matters from the perspective of the circular economy, I believe that many more business opportunities will become apparent.

Brand Power of Navigation Officers and Engineers

The creation of new businesses in the offshore wind power value chain is set out in our medium-term management plan. In May 2024, we opened the Akita School of Wind and Sea, a training center for offshore wind power generation workers and for the crew members of crew transfer vessels used in offshore wind power operations in the training building of Akita Prefectural Oga Kaiyo Senior High School. The number of trainees is rising. We are also contributing to regional revitalization by attracting many trainees from outside the prefecture, which is spawning an influx of people to Akita. This initiative indirectly complements our business and may become one of our future recruitment strategies. Given our expertise, I believe that such education-related businesses have growth potential. Further, the NYK Group has accumulated a vast amount of data on everything related to ships. The Group is using this data to improve the efficiency of ship operations, prevent accidents, and develop autonomous ships. We are focusing on how to use this data to transform our businesses going forward.

In 2021, the former Automotive Transportation Headquarters launched the "Sail GREEN" brand as part of efforts to create new value related to carbon reduction and decarbonization. Since then, we have been expanding and enhancing our environmentally friendly services for finished vehicle logistics. When conducting sales activities for pure car and truck carriers together with personnel who are qualified captains, I have felt the overwhelming acceptance and trust that their explanations inspire in customers. The same is true in other divisions. It is my opinion that the technical skills of our navigation officers and engineers and their experience and expertise in relation to safety and quality—which have been cultivated over the approximately 140-year history of the Group—are the very source of our brand power.

Effective Human Resource Investment and Group Management

Since my school days, I have enjoyed the tea ceremony. Created more than 400 years ago, the ceremony's basic principles are expressed by the motto "harmony, respect, purity, and tranquility." "Harmony" refers to mutual recognition, "respect" calls for respecting the dignity of others, "purity" means keeping one's mind and surroundings pure, and "tranquility" is about remaining unperturbed by events. These principles can be applied to business management in the current era by recognizing individuality and diversity, respecting each other, creating a pure organization that does not tolerate misconduct, and acting with a strong determination not easily swayed by minor events. Although all these principles are important, I believe that "purity" stands out. In the context of corporate management, "purity" can be seen as referring to corporate governance. In my view, "purity" means that we cannot accomplish significant results if each employee pursues a different goal. I also interpret it as referring to the need for frameworks and systems that enable every employee to work with vitality.





For a company, generating profits and returning them to stakeholders is of course the critical mission. In addition, companies whose employees are excited about working toward a grand vision are better companies and the most productive. As with the DX strategy mentioned earlier, the corporate transformation strategy set forth in the medium-term management plan is a foundational strategy that supports ambidextrous management in terms of our personnel and organization.

Productivity enhancement is often seen as a part of DX. Going forward, however, the success or failure of productivity enhancement will depend on whether individual employees truly enjoy their work and whether companies can provide workplaces that foster such enjoyment. While the maritime shipping industry has hitherto sought generalists who are able to perform all manner of tasks on their own, in the future the industry will require specialization. The basic concept is for each employee to find their areas of

core competence in the course of their work and acquire other knowledge centered on these areas. Each person will take the initiative in thinking about their own growth as a generalist with areas of core competence. Our newly introduced position application system, the Global Challenge Program, is part of efforts in this regard. The NYK Group will establish systems that promote excellent personnel, regardless of nationality, gender, or language, so that the Group's more than 35,000 employees around the world can make major contributions to operations. As well as advancing the localization of Group company management, we will accelerate cross-border assignments, such as personnel exchanges between the Group's head office and overseas Group subsidiaries as well as among overseas Group subsidiaries. We believe that it has become more important than ever to shift from an approach entailing personnel assignment centered on Japanese employees toward one of assigning the right person to the right place on a

I want our 35,000 employees to work with even greater excitement.

global basis, whereby personnel who are suited to a job or function are appointed from around the world.

In the process of growing as a generalist with areas of core competence, employees may find that the characteristics they recognize in themselves differ slightly from the evaluations of their coworkers. If employees have more opportunities to objectively learn about their own characteristics, understand them, and have them understood, and if as a result employees are assigned to positions and roles that suit their characteristics, they will become even more motivated. With respect to personnel becoming more excited about work, I would like to encourage personnel to place even greater importance on direct communication with those around them.

"Bringing value to life" as the Starting Point of All Strategies

We will strengthen existing businesses and pioneer new businesses. At first glance, this may seem like stating the obvious, but the combination of these two elements with our Mission of "Bringing value to life" will enable us to create a growth strategy that is unique and robust. To support people's lives, in each era we create and deliver new value that meets society's needs. No matter the era, our Mission always guides us in the right direction.

Through involvement in numerous frontline initiatives, I have learned many lessons that are applicable to business management today. For example, in my capacity as the manager of the first Asuka cruise ship, which was completed in 1991, I endeavored to establish the luxury cruise business in Japan from scratch. In 2010, my efforts focused on building a logistics service that would cater to demand stemming from the globalization of automotive production and transportation. One lesson has been that you should

devote 120% effort to rigorously thinking things through from all angles. Another is having the imagination to think beyond the task at hand. Also, I have learned that you must have a broad view of the world and at times consider overall optimization rather than only focusing on increasing your company's profits. I believe that these insights align with the integrity, innovation, and intensity of the NYK Group, all of which embody its Values.

In addition, we have stepped up initiatives for tackling environmental issues. In 1982, we began cooperating in research on the global distribution and circulation of greenhouse gas. The year 2007 saw the commencement of our participation in a mangrove planting program in Thailand. Since 2021, NYK has been supporting river restoration projects in the Philippines and cooperating with marine plastic analysis surveys and environmental DNA surveys. In May 2024, we opened Yu no Mori, an ambitious reforestation project in Gotemba, Shizuoka Prefecture. All of these projects are aimed at preserving the marine environment or restoring ecosystems. As a group with its origins in the maritime shipping industry, we are taking on the challenge of creating new corporate value by "giving back to the oceans."

Please keep looking forward to the NYK Group's evolving story of value creation and corporate transformation.

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