

Top Five Reasons to Invest in NYK

(Cautionary Statement with Regards to Forward-Looking Statements)

Some statements made in this material are forward-looking statements, which 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, which are based on information currently available. NYK undertakes no obligation to publish revised forward-looking statements to reflect events, circumstances, or unanticipated events after the present juncture.





Five Reasons to Invest in NYK

More Than Shipping: We are not your “typical” shipping company!

1. Diversified and Balanced Portfolio

- a) Balance between shipping and non-shipping
- b) Less reliance on the liner business
- c) Globally Diversified
- d) Growth of businesses having stable freight rates (We will no longer be a “volatile = typical” shipping company)

2. Intensive Investment in Growing Areas

- a) Reconfigure business portfolio
- b) Why LNG?
- c) Why offshore?
- d) Why auto logistics?

3. Measures Being Taken to Further Curb Fluctuation Risk

- a) Effected by volatile shipping market – the liner business
- b) Effected by volatile shipping market – dry-bulk shipping

4. Stable Financials

- a) Seeking for healthier Balance Sheet / Credit rating
- b) Dividend policy

5. Sustainability

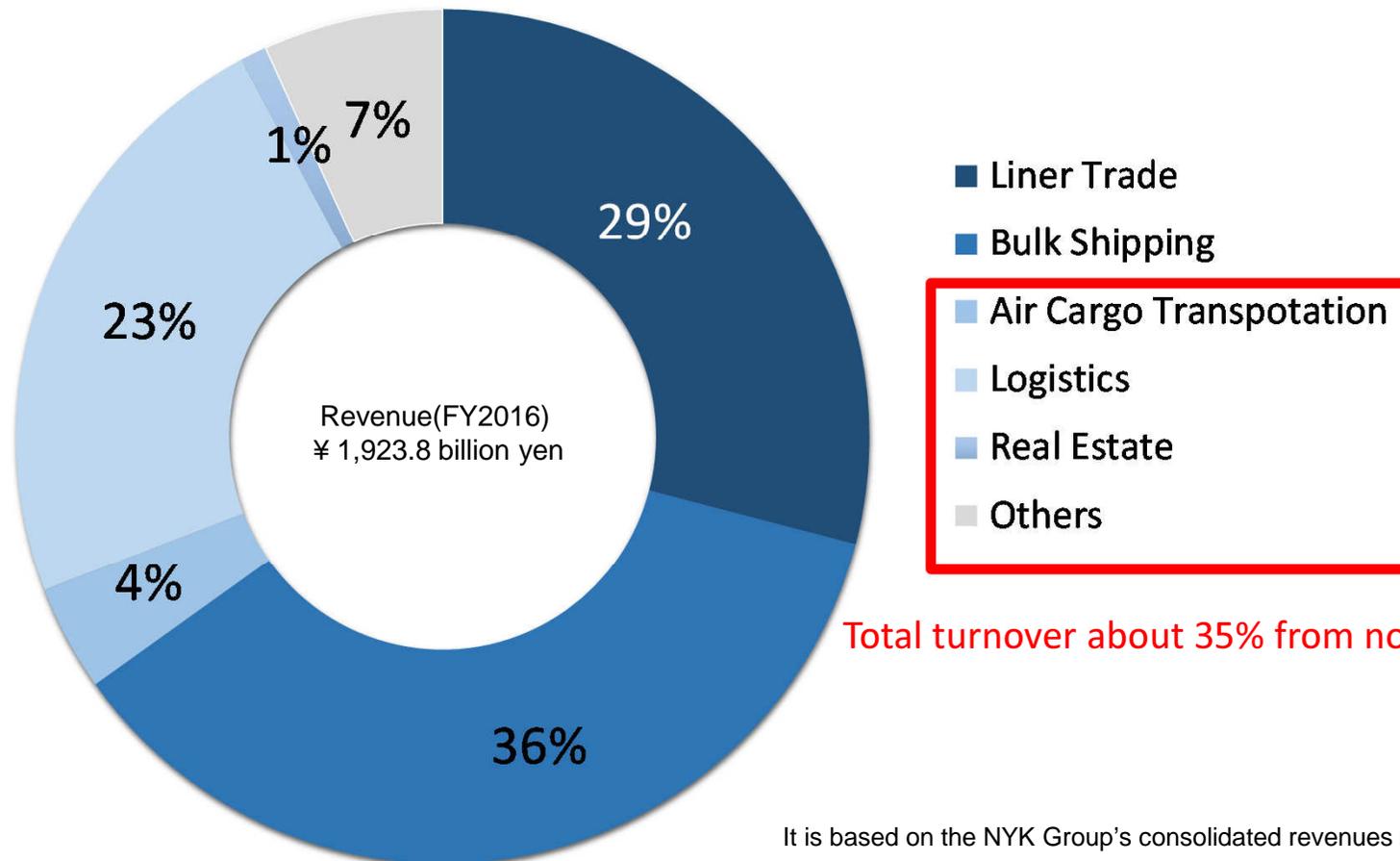
- a) 130 years in operation
- b) Differentiation through Creative Solutions
- c) External evaluations

1. Diversified and Balanced Portfolio



a) Balance between shipping and non-shipping

Although we are a shipping company, we also have fairly large non-shipping business activities in the logistics, aircargo transportation and real estate sectors. In fact, these account for more than 35 percent of the NYK Group's total turnover. Our shipping and non-shipping businesses complement each other and thus contribute to stabilizing the Group's profit.



Total turnover about 35% from non shipping businesses

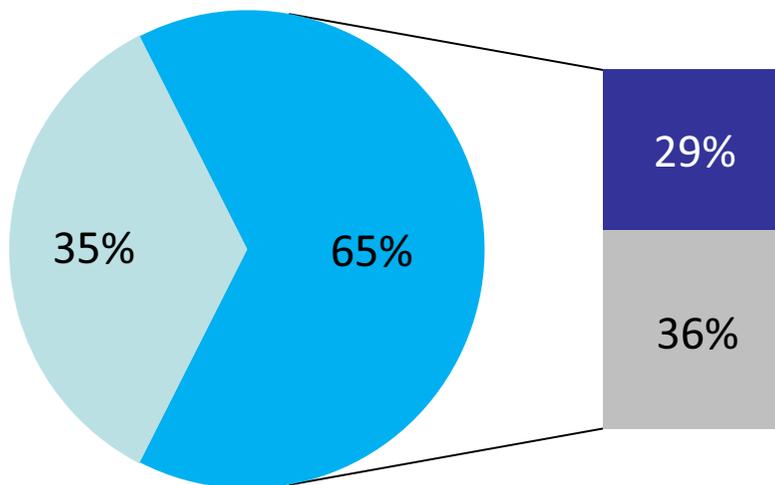
It is based on the NYK Group's consolidated revenues in FY 2016

b) Less reliance on the liner business

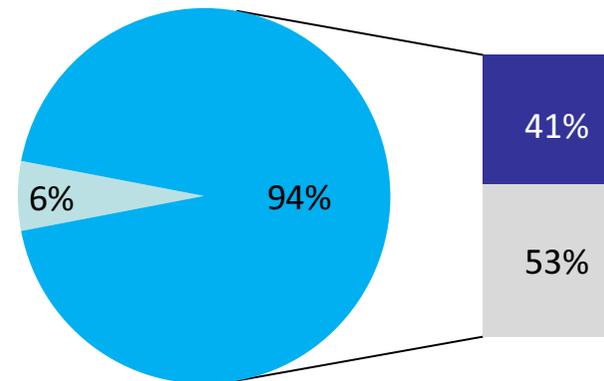
The liner business is said to be unstable, a business in which profitability fluctuates violently in accordance with supply and demand. Our reliance on the liner business is relatively small compared to our Japanese peers.

(Figures are Group turnover in JPY, billions)

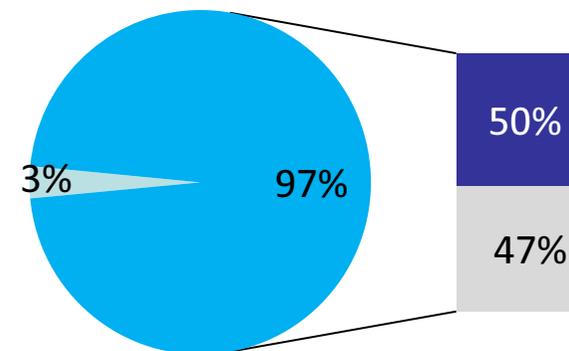
NYK (FY2016)



Company A

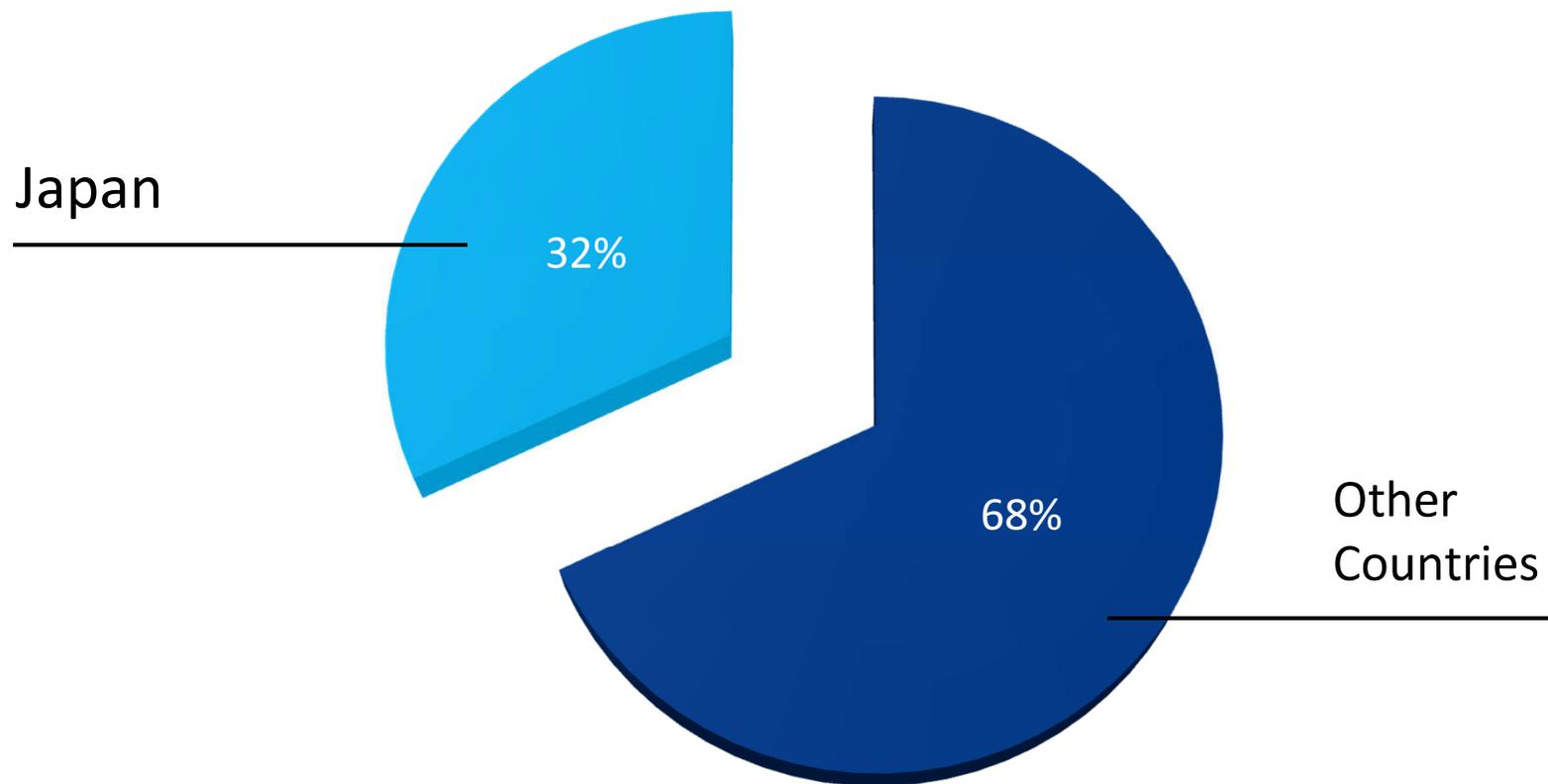


Company B



c) Globally Diversified

Although we are based in Japan, our reliance on the Japanese market is fairly limited (approximately 30 percent of the Group's turnover). This means our performance is not biased by a single country's economic situation (namely Japan's), but instead risk is evenly dispersed globally.



※For cross-regional transportation, revenue is divided evenly between the two regions.

2. Intensive Investment in Growing Areas



a) Reconfigure business portfolio

We will limit our investment in liner and dry-bulk carriers and instead focus on the LNG, offshore, and car carrier businesses (including auto logistics).

		FY2013	FY2016
		Result	Result
Containerships		101	97
Dry-bulk Carriers	Cape-size	129	99
	Post-panamax, Panamax bulkers	114	96
	Handysize bulkers (includes box shape)	172	177
	Wood chip carriers	49	43
Car carriers		125	111
Liquid	Tankers	77	63
	LNG carriers (includes co-owned)	67	70
Others		81	43
Total		915	799
Offshore ※Co-owned	Shuttle Tankers	27	28
	FPSO	1	4
	Drillship	1	1

**<Asset Strategy>
Reconfigure
business portfolio**

**Reinforce asset-light
strategy for
containerships and dry-
bulk carriers**

**Focus on LNG and
offshore business**

→ FY2018 90(Plan)



b) Why LNG?

① strong growth in global demand

•243 mtpa in 2012 → 350 mtpa in 2020 (+44%)

② Long and stable profit

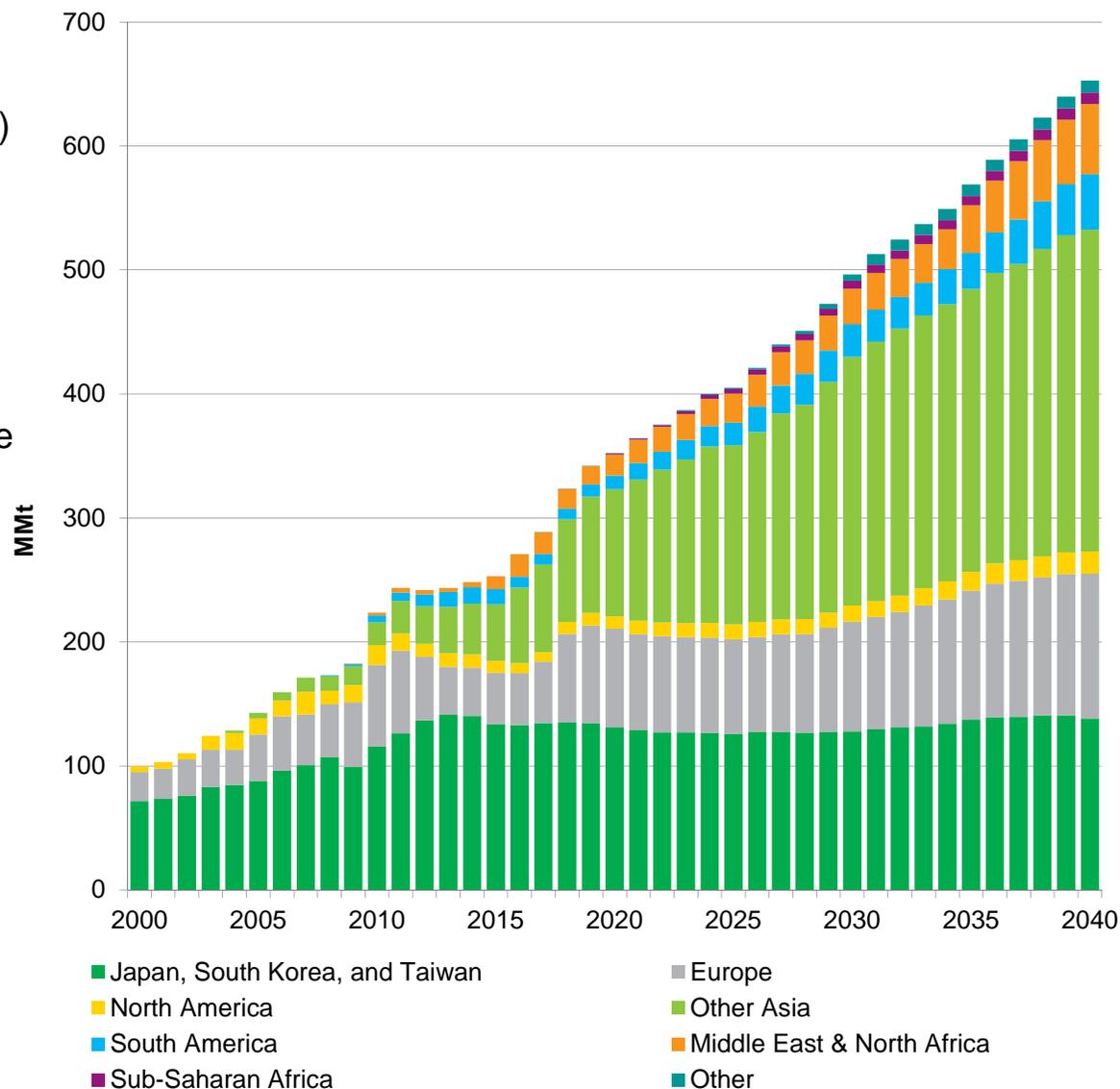
•15 to 20 year long-term contract with fixed charter rate

•Limited number of speculative orders (average vessel price is as high as \$200 m)

•Investment mainly done by project financing (charter contract with long, stable, and sufficient cash flow is required as security)

•Limited number of players (very high quality operations and excellent safety track record required)

-> Unlikely to fall into a rate war

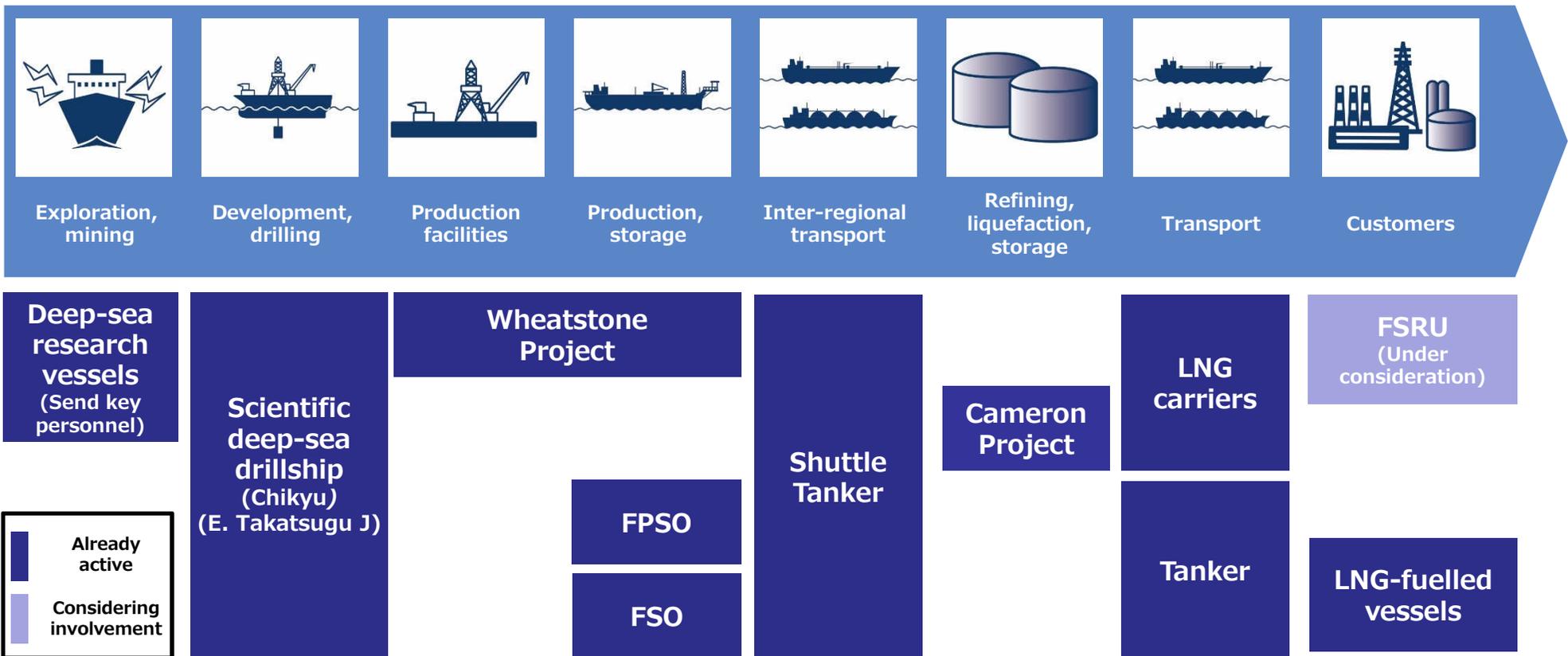


Notes: Based on IHS Markit estimated start date
Source: IHS Markit

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c) Why Offshore?

Around the world, there are many unexploited natural gas and oil fields. Demand for refining, storing, and transportation of these natural resources will continue to grow, and we see huge business opportunities. With our technology, expertise, and customer relations fostered from transportation of these goods over many years, we aim to expand our business into this new area of the entire value chain as part of our "More Than Shipping" strategy.

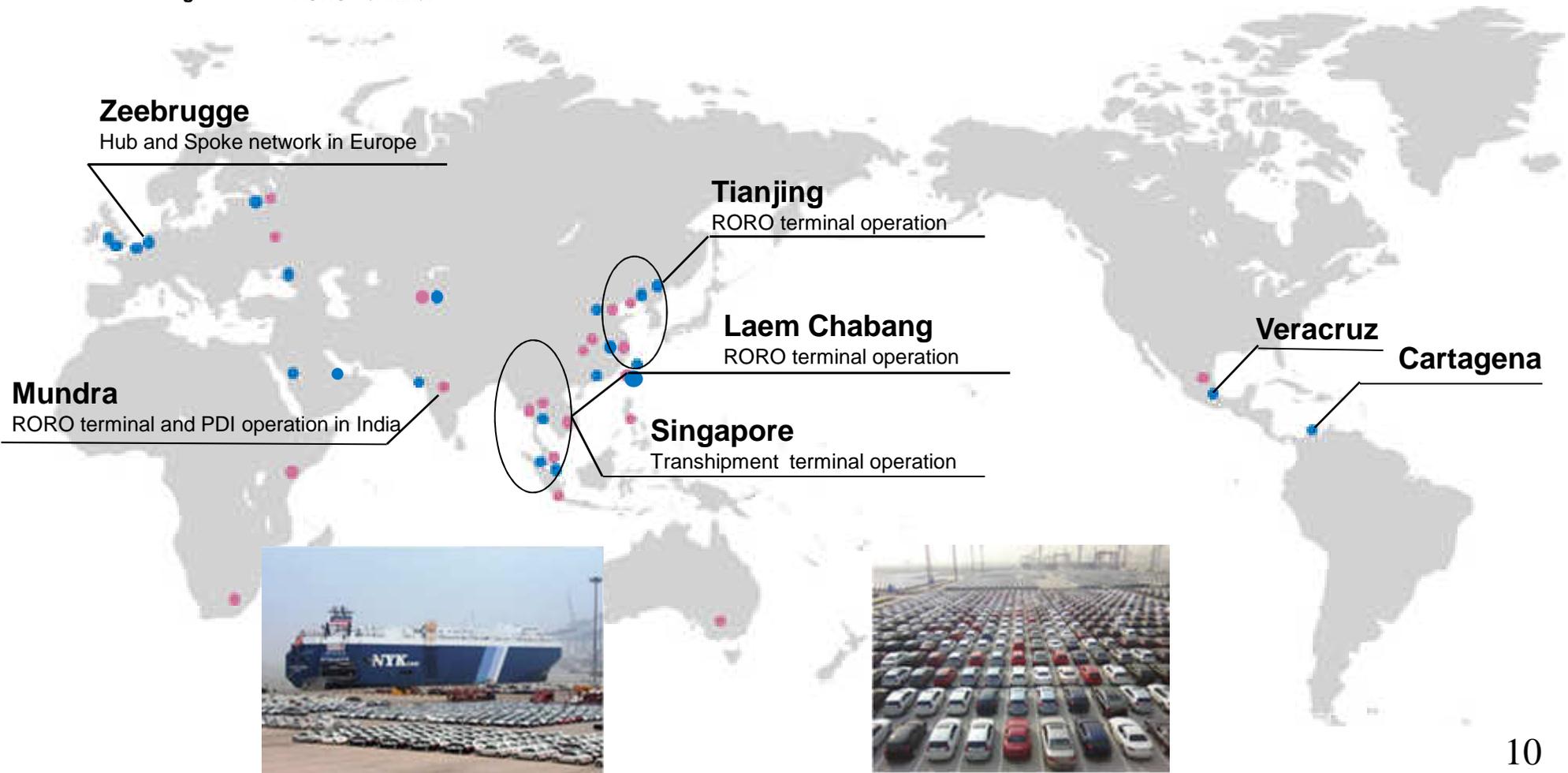




d) Why Auto Logistics?

Auto makers are shifting their production bases to and near consumption areas. We have been supporting this move by providing top-quality auto logistics services, such as export terminal operations, and setting up local and regional distribution networks. We are the front-runner in this auto logistics area with 41 operation bases worldwide.

● Inland Logistics ● RORO Terminal



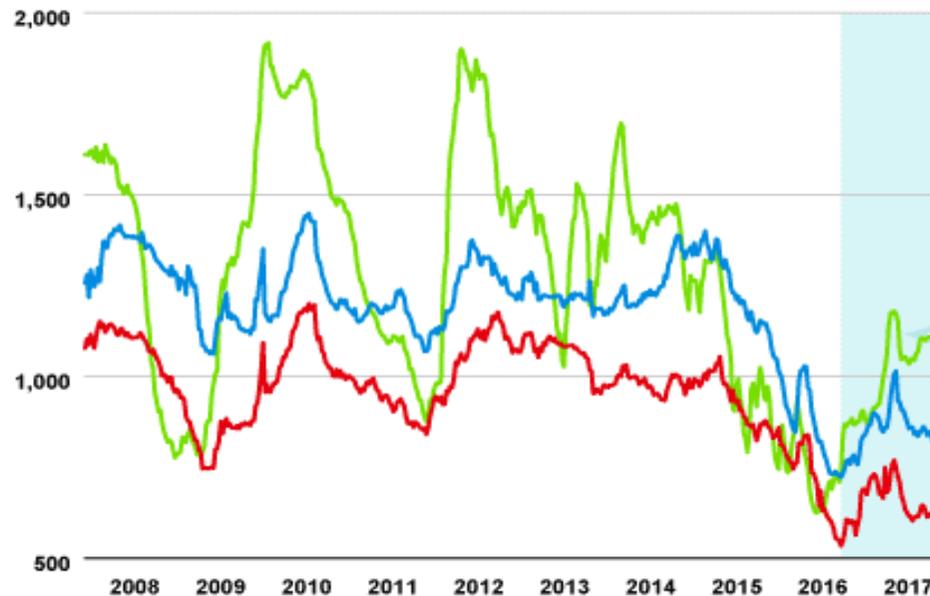
3. Measures Being Taken to Further Curb Fluctuation Risk

Business Environment

- Imbalance between supply and demand has resulted in unstable freight rates.
- The situation remains challenging because of the high number of ultra-large containerships to be delivered by the end of FY2018.
- A quickly changing business environment resulting from saving bunker cost, more environmental regulations, a need for larger vessels, etc. leads to the obsolescence of existing vessels.

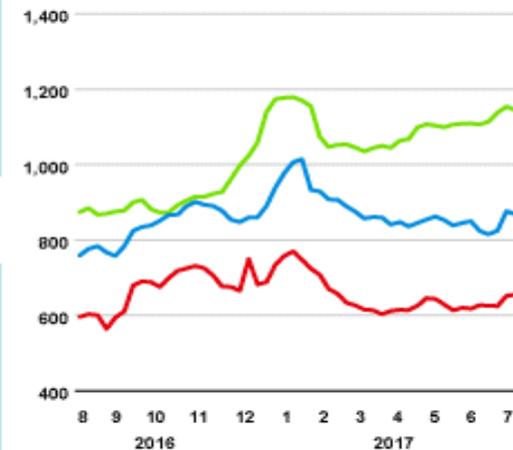
April 2008 - July 2017

January 1, 1998 = 1,000point



Trends of last twelve months

January 1, 1998 = 1,000point



— China → U.S. East Coast — China → U.S. West Coast — China → Europe

a-2) “Asset-light” strategy in the liner business

Actions

Simultaneously pursue business growth, cost competitiveness, and flexibility in fleet size (in line with demand changes) by optimizing fleet composition.

- Optimizing size of “core assets” (owned, long-term charters)
 - > minimal investment is necessary to remain cost competitiveness
- Expanding “flexible assets” (short-term charters, NVOCC business)





a-3) The announcement of integrating container shipping business

NYK Line, Kawasaki Kisen Kaisha, Ltd., and Mitsui O.S.K. Lines, Ltd. have jointly established new companies to integrate their respective container shipping businesses (including worldwide terminal operation business outside Japan), and set up a related management organization.



Tradename

OCEAN NETWORK EXPRESS

**Shareholders/
Contribution Ratio**

- Kawasaki Kisen Kaisha : 31%
- Mitsui O.S.K Lines : 31%
- NYK : 38%

**Amount of
Contribution**

Approx.300 Billion JPY
(Including fleets, share of terminals as investment in kind)

Fleet Size

Approx. 1.4 Million TEU*,6th in the market with
approx.7% of global share

Note1) Figures are as of June,2017

Note2) Figures exclude order book

**Date of
Establishment**

July 7th, 2017

**Service Start
(Planned)**

April 1st, 2018

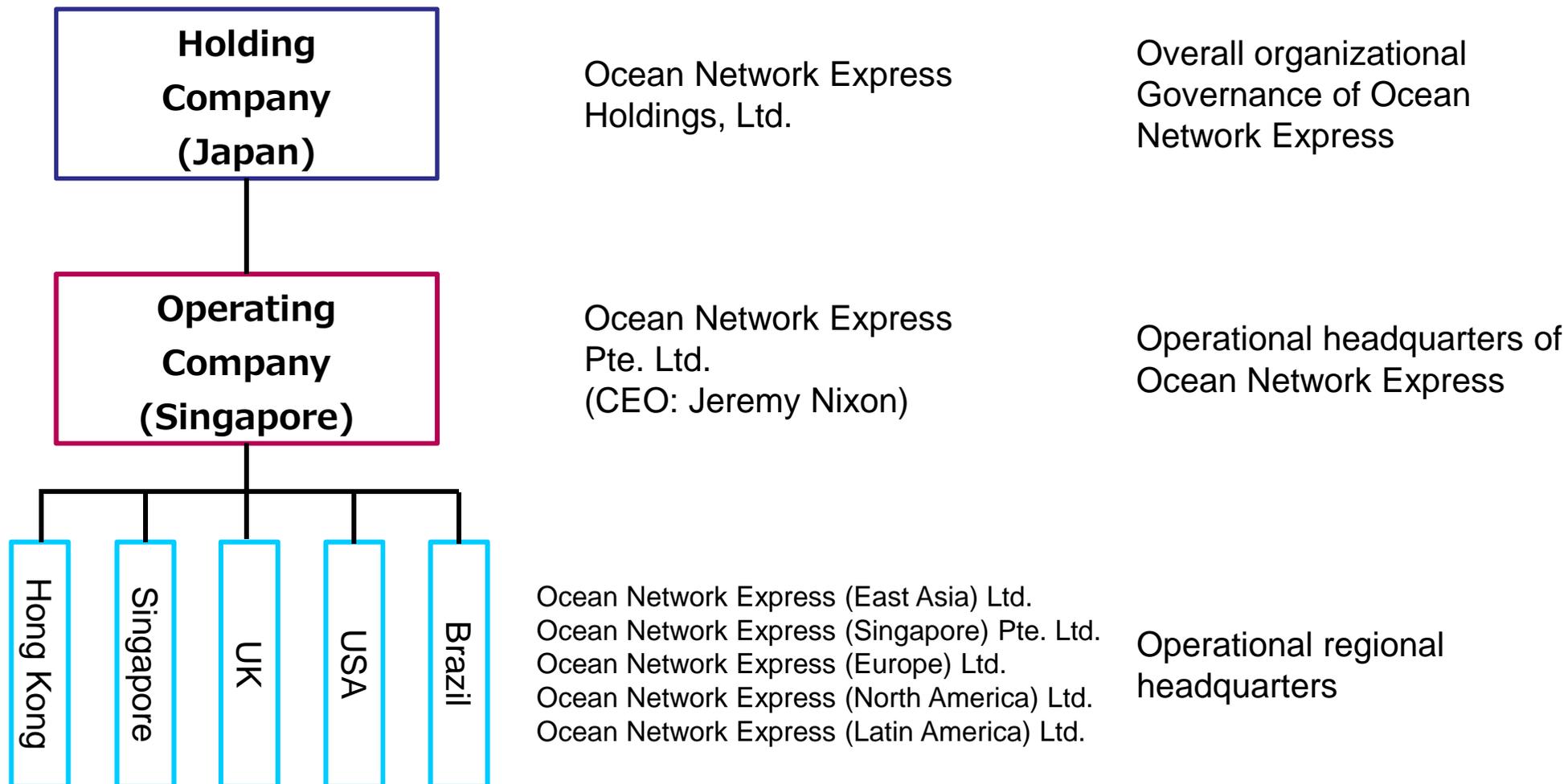


a-4) Organizational Structure

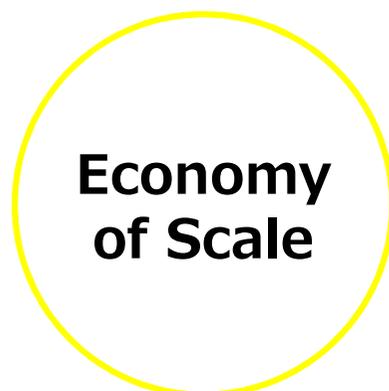
Organizational Structure

Company Name

Function



a-5) The aim of the Joint-Venture



Best Practice

Creation of more synergy and Enhancement of operational efficiency by integration of each company's best practice

Larger Business Size

Achievement of economy of scale by bringing three companies' business

Synergy of

Approx.110B JPY/year
Profit stabilization by accomplishment of synergy of approx.110 B JPY/year

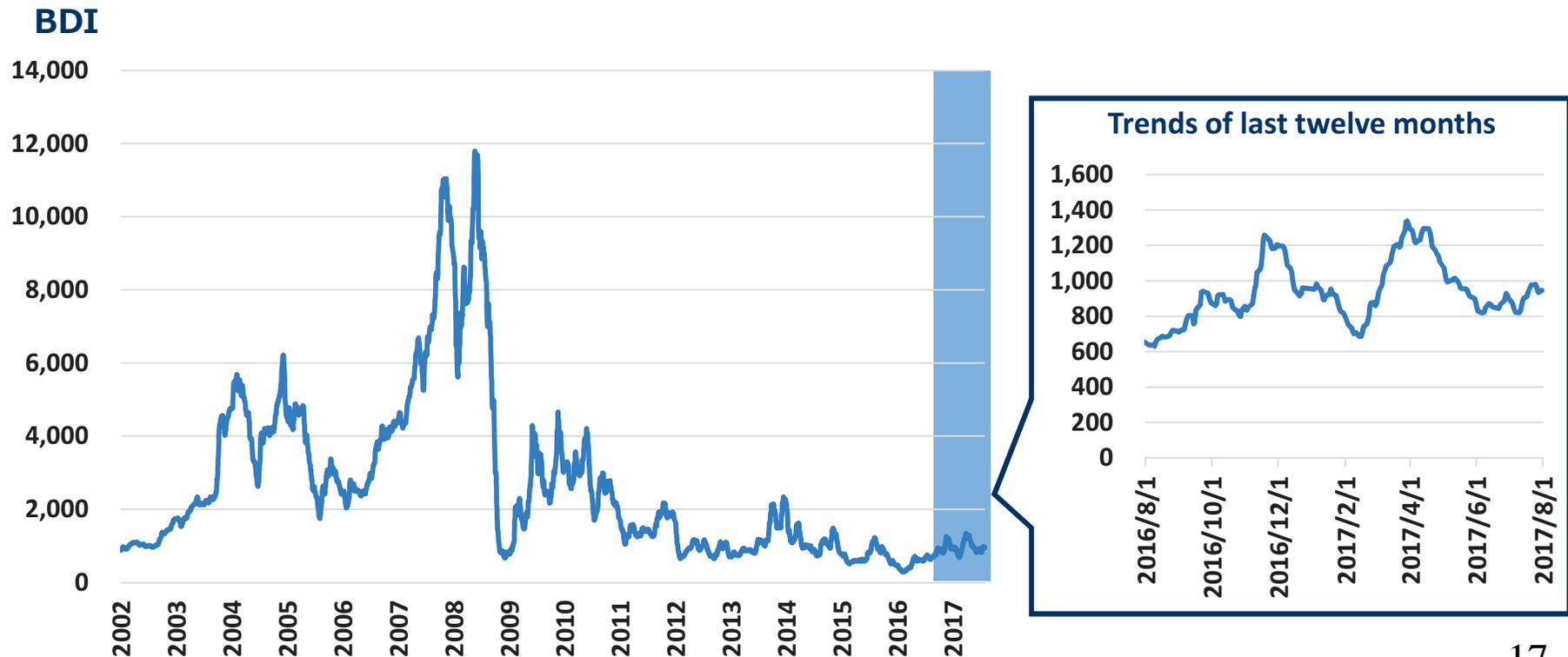
By strengthening the global organization and enhancing the liner network, we will be able to provide higher quality services and unlock new value in order to exceed our client's expectation.

Business Environment

- An imbalance in supply and demand has resulted in unstable rates.
- The dry bulk market was at historical lows in the beginning of 2016, and the shipping market is recovering gradually.
- Rates may drop again in the future due to potential over supply created by speculative orders.



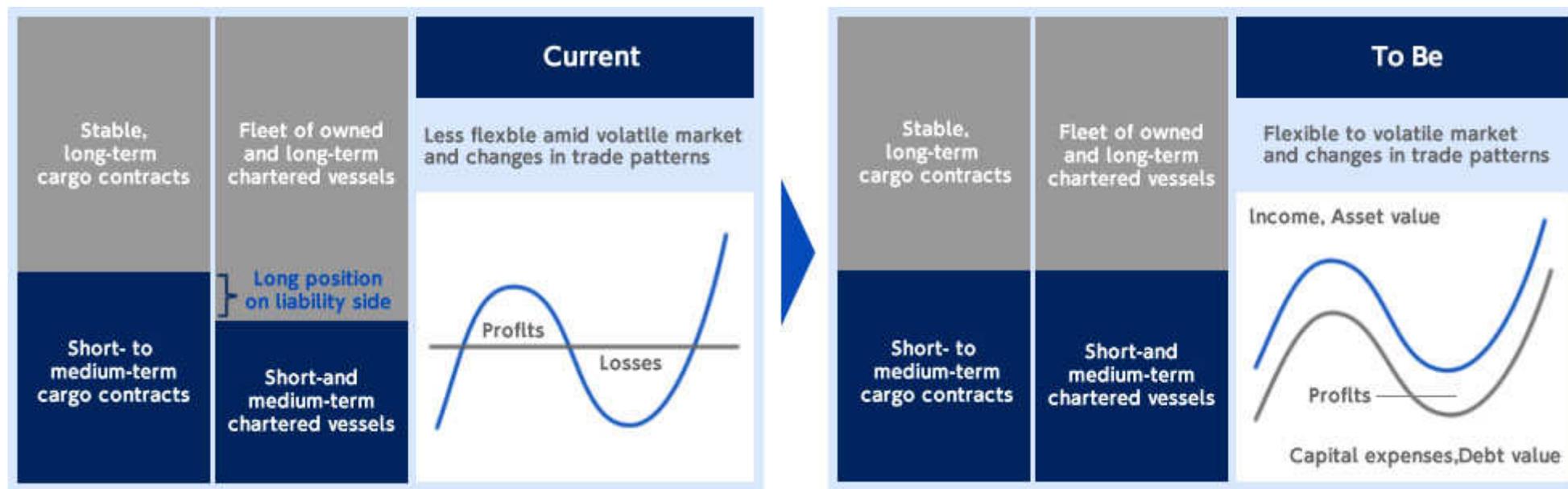
Dry bulk Market Trends



b-2) Mitigated fleet-cargo mismatches in dry-bulk shipping

Actions

- Rebalance cargo and charter contracts in cash-flow and duration
- Strengthen tolerance to fluctuating market conditions



4. Stable Financials



a) Seeking for healthier Balance Sheet / Credit rating

<Our investment policy>

- Proceed with strategic investments in LNG and Offshore for earnings stability.
- Control financial leverage and maintain financial discipline.
- Optimize the business portfolio without inflating total assets and debt

Moody's Credit Rating of Shipping Companies around the World

(As of July 2017)

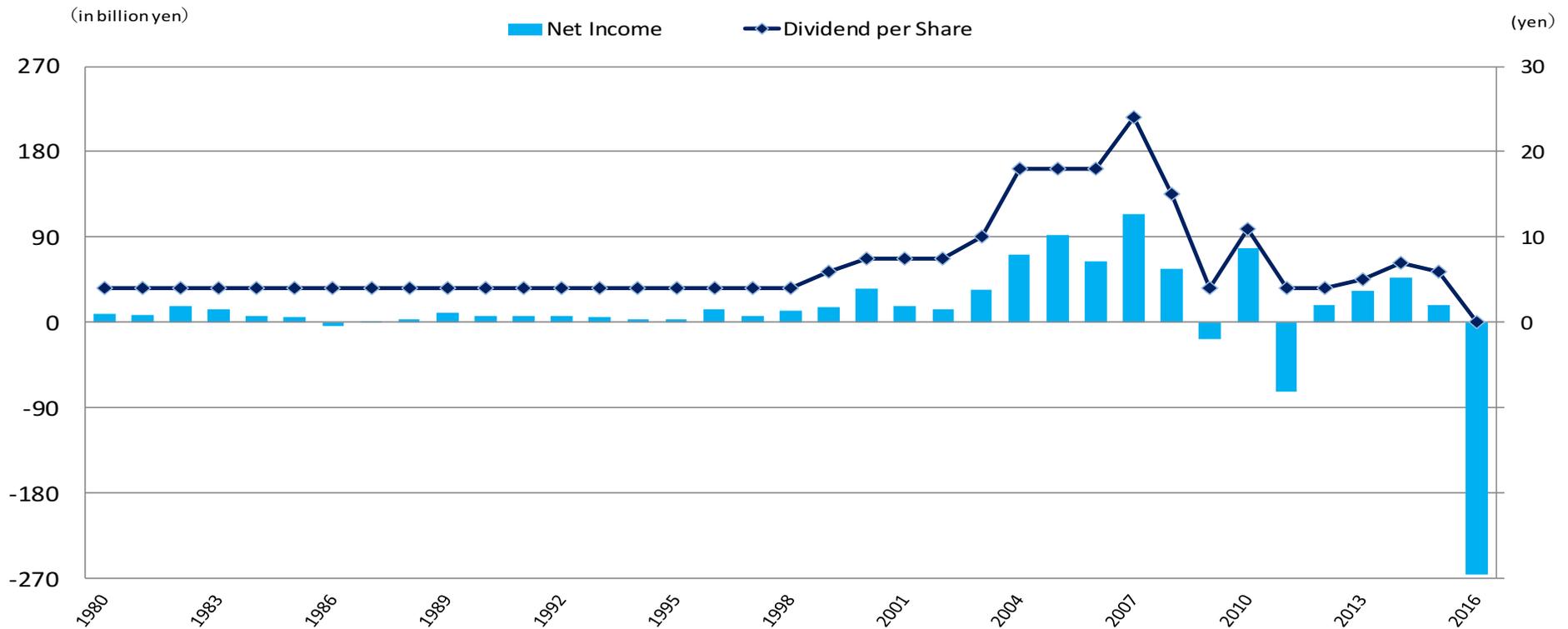
We are one of only a few shipping companies with a triple B rating (investment grade).

Investment grade	MISC Bhd	Malaysia	Baa2 (Stable)
	AP Moller Maersk A/S	Denmark	Baa2 (Negative)
	Nippon Yusen Kaisha	Japan	Baa3 (Negative)
Speculative grade	Mitsui O.S. K Lines, Ltd.	Japan	Ba1 (Negative)
	Wan Hai Lines	Taiwan	Ba2 (Stable)
	CMA CGM S.A	France	B1 (Stable)
	Hapag-Lloyd AG	Germany	B2 (Stable)
	Teekay Corporation	Canada	B3 (Stable)



b) Dividend Policy

- In the fiscal year 2016, we did not pay interim/year-end dividends as a result of recording an impairment loss of approx. 200 Bil JPY.
- This decision was made after giving full consideration to the stable return of profits to shareholders, which is one of the principles of the Company's dividend policy, as well as the need to maintain a sufficient amount of internal reserves for coping with changes in the market and the prolonged market slump.
- the Company is in an effort to quickly secure profitability, with the goal of resuming the payment of dividends as quickly as possible.



5. Sustainability



a) Over 130 years in operation



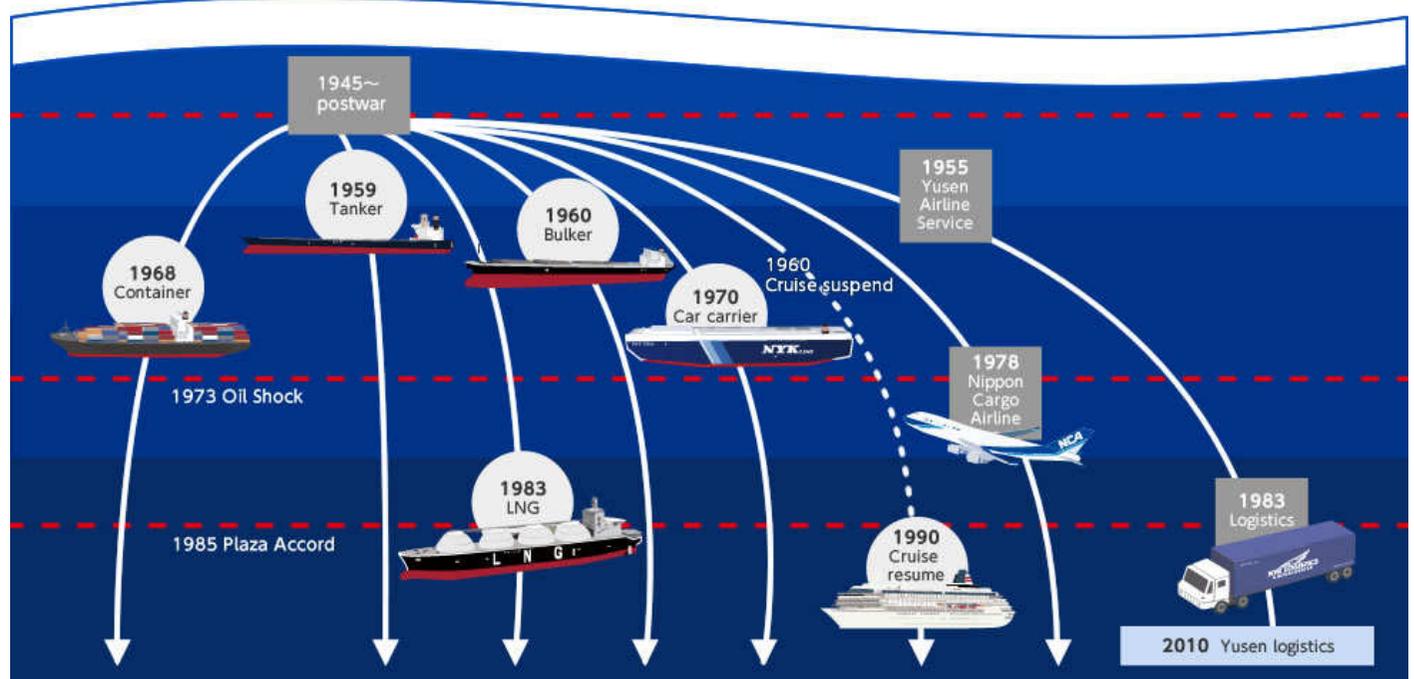
Established in 1885

1870	Tosa Clan established Tsukumo Shokai Shipping company.
1872	Yataro Iwasaki renamed Tsukumo Shokai as Mitsukawa Shokai.
1873	Mitsukawa Shokai renamed Mitsubishi Shokai.
1875	Mitsubishi Shokai started Japan's first overseas liner service between Yokohama and Shanghai.
1885	Yubin Kisen Mitsubishi Kaisha (renamed from Mitsubishi Kisen Shokai in 1875) and Kyodo Unyu Kaisha merged to form Nippon Yusen Kaisha (NYK)



Yataro Iwasaki (1835~1885)

- (1) Over 130 years in operation
- (2) Integral part of the original Mitsubishi Group
- (3) Unceasing adaption through diversification after World War II



b) Differentiation through Creative Solutions

Environmental regulations — concerning, for example, CO₂, SO_x, NO_x, and ballast water emissions — are likely to become even stricter. Delays in response to these regulatory changes will not only raise the risk of business suspension but also increase response cost caused by a last-minute surge for compliance. It is our policy to prepare in advance for these regulatory changes. We also view these changes as growth opportunities for new business using new technology.

■ LNG – fueled car carrier / tugboat delivered FY2016/FY15

■ Participation in LNG bunkering business from FY2016

■ Innovative air – lubrication system to reduce friction, thus resulting in less fuel consumption

■ Improved fuel efficiency of 10% in FY 2013, and 15% in FY 2018, over the level achieved in 2010





c) External evaluations

We are advancing sustainability through environmental conservation and compliance initiatives. Major indices such as the Dow Jones Sustainability Indices and the FTSE4Good have continually included us for many years.

<p>Included in the Dow Jones Sustainability Index</p>	<p>The Dow Jones Sustainability Index (DJSI)* recognizes companies that exceed certain standards for sustainability using detailed research to assess their economic, environmental, and social performance.</p> <p>* The DJSI is an investment index jointly operated by S&P Dow Jones Indices LLC, a U.S.-based investment research firm, and RobecoSAM AG, a Switzerland-based firm that conducts CSR research and ratings.</p>	<p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p> 
<p>Selected for FTSE4Good Index for the 14th Straight Year</p>	<p>The FTSE4Good Index* is one of the two leading indexes for investors who are concerned about corporate social responsibility. The other major index is the DJSI.</p> <p>* FTSE4Good Index: Launched by the UK-based FTSE Group, which is jointly owned by the Financial Times and the London Stock Exchange.</p>	
<p>Included in the MS-SRI</p>	<p>The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 3,600 listed companies in Japan, and NYK has been a part of this index every year since 2004.</p>	
<p>Included in the MSCI ESG Leaders Indexes</p>	<p>NYK has been included in the MSCI ESG Leaders Indexes, which are internationally leading stock indexes for socially responsible investing. Developed by U.S.-based MSCI Inc., the MSCI ESG Leaders Indexes recognize companies that are particularly outstanding according to environmental, social, and corporate governance criteria.</p>	<p>MSCI 2017 Constituent MSCI ESG Leaders Indexes</p> 
<p>ESI Award for Best Green Shipping Line from Port Authority in France</p>	<p>For the fourth consecutive year, NYK was recognized with an Environmental Ship Index (ESI)* award as a Best Green Shipping Line by Haropa, a French port authority jointly managed by the ports of Le Havre, Rouen, and Paris. NYK was the only Japanese shipping company to receive the award.</p> <p>* The ESI evaluates the environmental impact of shipping operations based on the amount of nitrogen oxide (NOx) and sulfur oxide (SOx) emitted by vessels. Every year since 2012, the Haropa port authority has rated vessels calling at the three ports it manages and awarded shipping companies that attain high scores on the ESI.</p>	

c) External evaluations

<p>NYK Included in Three New ESG Indexes for GPIF</p>	<p>NYK has been included in three new ESG indexes, the first being the FTSE Blossom Japan Index created by global index provider FTSE Russell, and the two others being the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index created by MSCI. The Government Pension Investment Fund for Japan, one of the world's largest pension funds, has selected these three indexes as benchmarks for its ESG investment strategy.</p>	 <p>FTSE Blossom Japan</p>  <p>2017 Constituent MSCI Japan ESG Select Leaders Index</p>  <p>2017 Constituent MSCI Japan Empowering Women Index (WIN)</p>
<p>Selected as a White 500 Company</p>	<p>"White 500" acknowledges excellent large companies that strategically carry out efforts in cooperation with an insurer to manage employee health. NYK is the only company in the maritime industry to be included for 2017 year.</p>	 <p>2017 健康経営優良法人 Health and productivity ホワイト500</p>
<p>Recognized as a Competitive IT Strategy Company</p>	<p>NYK has been included in the 2017 Competitive IT Strategy Company Stock Selection, which is jointly selected by the Tokyo Stock Exchange and Japan's Ministry of Economy, Trade and Industry. NYK's internal organization was highly evaluated for ensuring proper governance with respect to carrying out proactive IT initiatives and drafting and implementing IT policies.</p>	 <p>2017 攻めのIT経営銘柄 Competitive IT Strategy Company</p>