

# Medium-Term Management Plan

Sail Green,  
Drive Transformations 2026

A Passion for Planetary Wellbeing

2023.03.10



# Agenda



**01 Medium-term management plan framework**

**02 Ambidextrous management** Advance the core business and develop new ones

**03 Function strategy supporting ambidextrous management** CX · DX · EX

**04 Financial strategy under the medium-term management plan**

— Appendix

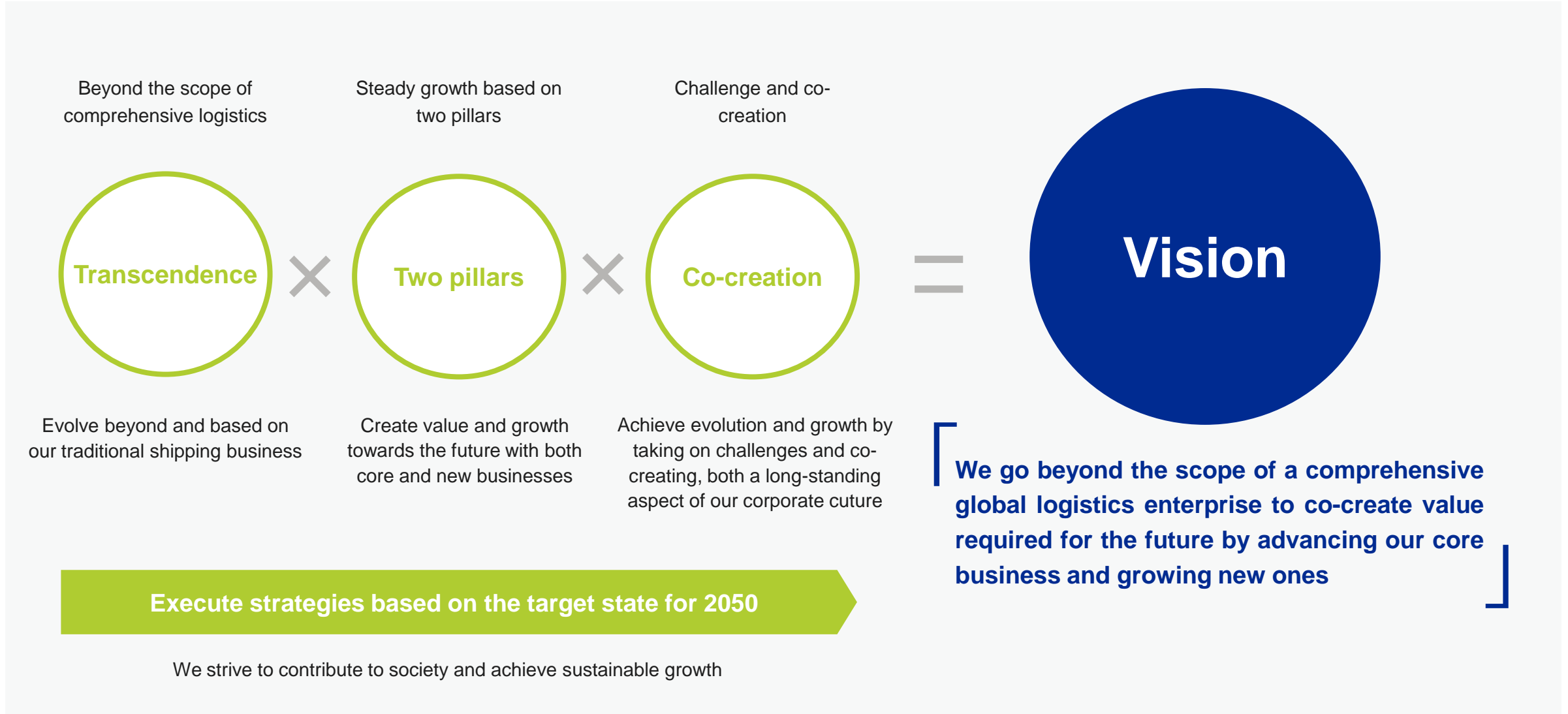
# 01



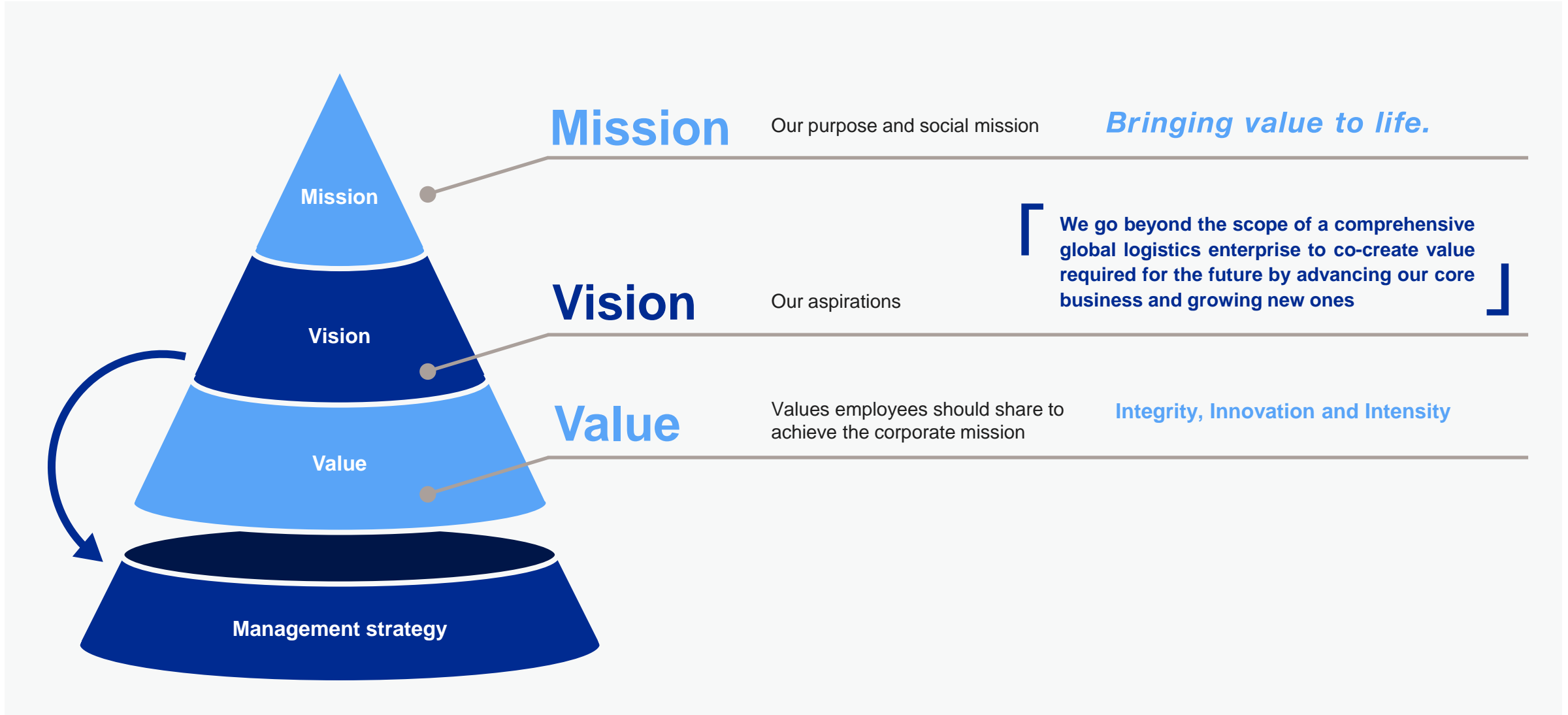
## Medium-term management plan framework



## ■ Develop a new vision towards 2030

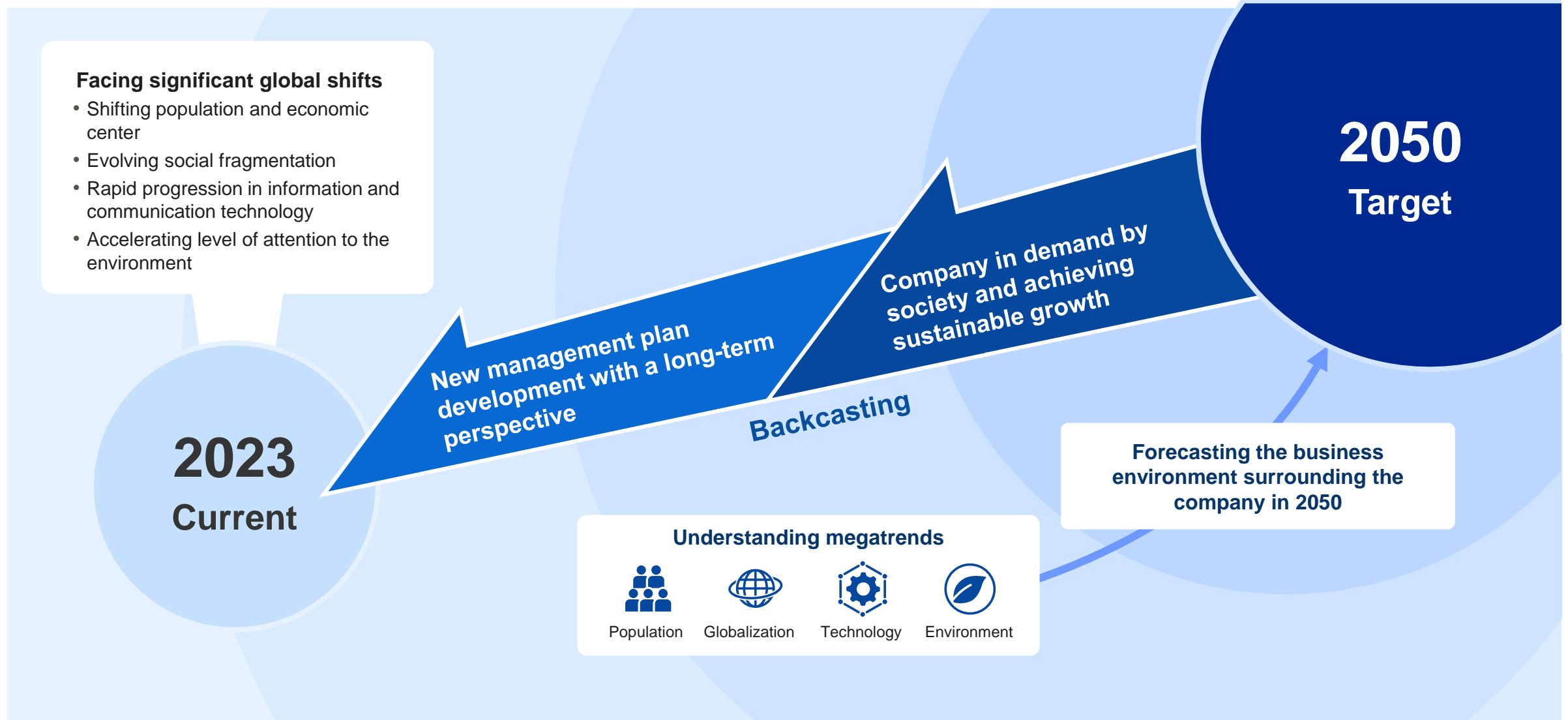


- Build a concrete management strategy towards achieving the Vision in the medium-term management plan



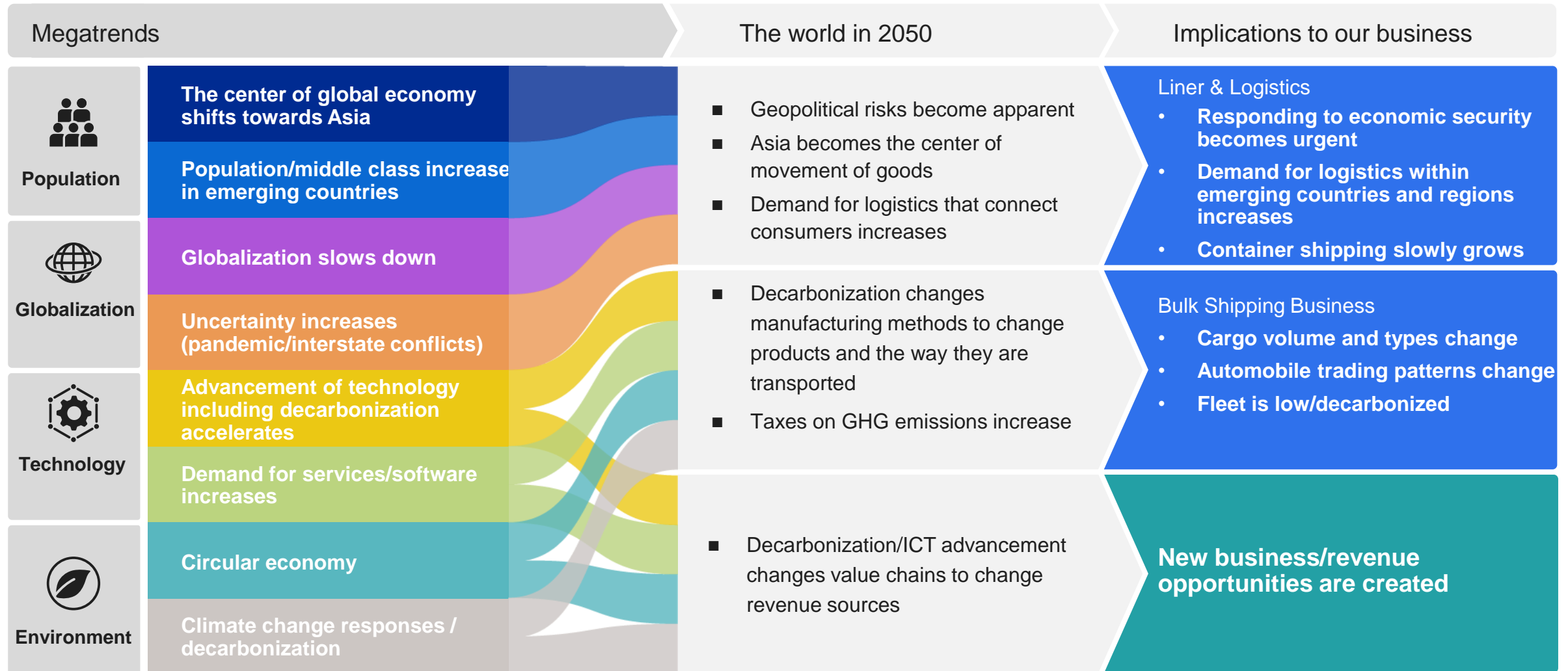
# Considering growth strategy with the future in sight

- In developing the new medium-term management plan, apply backcasting to envision the 2050 state



# Enhancing response to changes expected by 2050

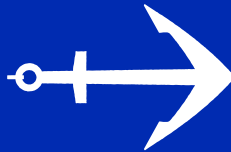
- Consider potential global events in 2050 based on population, globalization, technology, and environmental megatrend perspectives to estimate the impact on our business



- The medium-term management plan is positioned as an action plan for the next four years to achieve the 2030 Vision and promotes the growth strategy with ESG at its core

Medium-term management plan

**Sail Green,  
Drive Transformations 2026**  
- A Passion for Planetary Wellbeing -



Make **ESG** core to the medium-term management plan  
- Create ESG Strategy Headquarters

Execute an **active investment** strategy to expand the business in growth areas

Accelerate **decarbonization** efforts based on the plan to achieve net zero by 2050

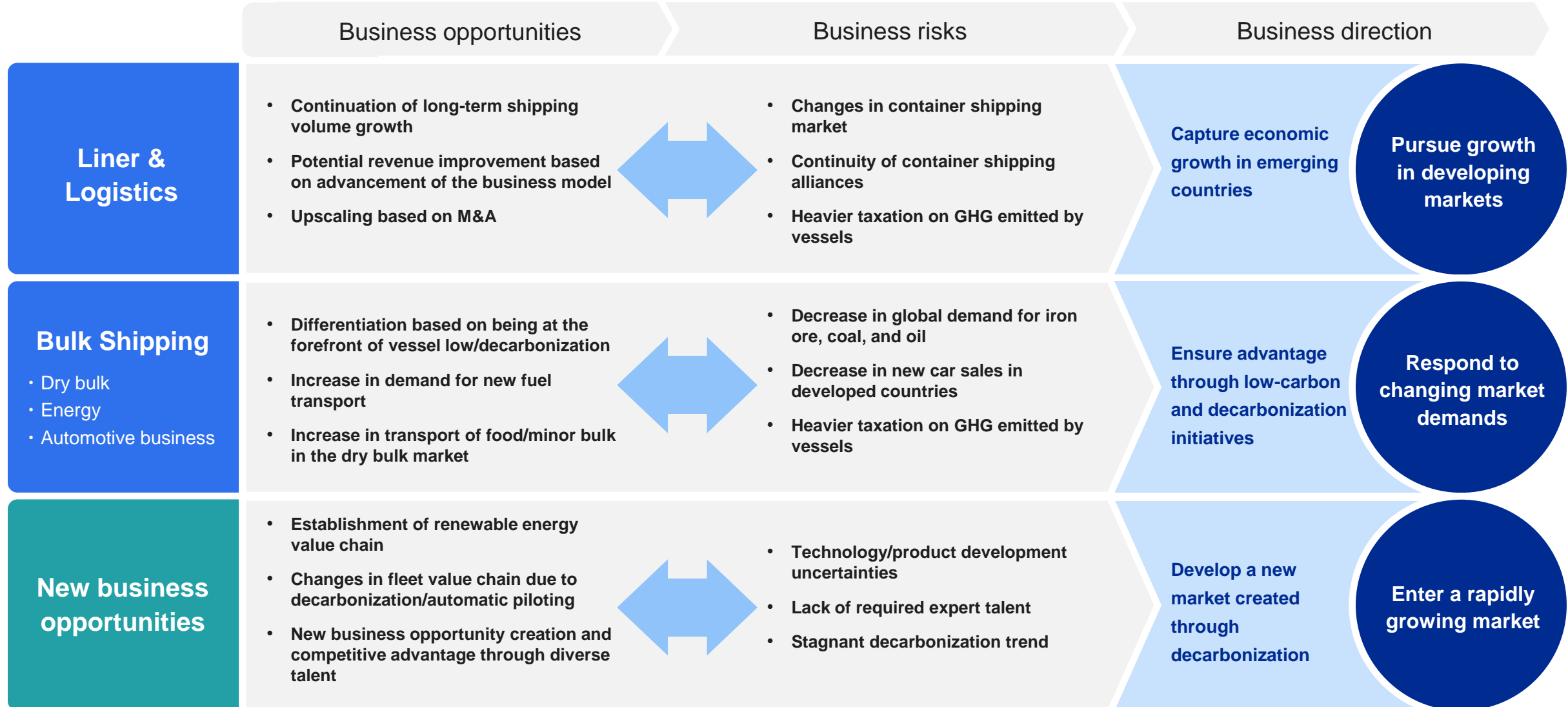
Further enrich **human capital** and **corporate infrastructure**



# Target direction for our business



- Consider opportunities and risks for our business to decide the direction of individual businesses



# Set a focus for each business to achieve the management strategy



- Position reinforcing Liner & Logistics business and developing new businesses as a focus in the management strategy
- Advance decarbonization of the bulk shipping business to fulfil our responsibility as a transport infrastructure company while ensuring competitive advantage

## Liner & Logistics

**Capture demand for transport where long-term growth is expected from increased demand for general consumer goods driven by economic growth in emerging countries**

**[Container shipping]** Aim to expand the business through the ONE framework while ensuring profitability

**[Logistics]** Develop a growth strategy that captures increasing demand for regional / domestic logistics around the world to reinforce it as core to our network

**Pursue growth with developing markets**

## Bulk Shipping

**Based on changes in decarbonization in society and international landscape, promote the strategy in line with the grand design for each business (business expansion positioning decarbonization as an opportunity and LNG/LPG business reinforcement)**

**To continue to protect people's livelihood around the world, fulfil responsibility as a transport infrastructure company that responds to low carbonization and societal demands to offer stable supply of existing energy**

**Respond to changing market demands**

## New business

**Capture changes in added value along with evolution of decarbonization**

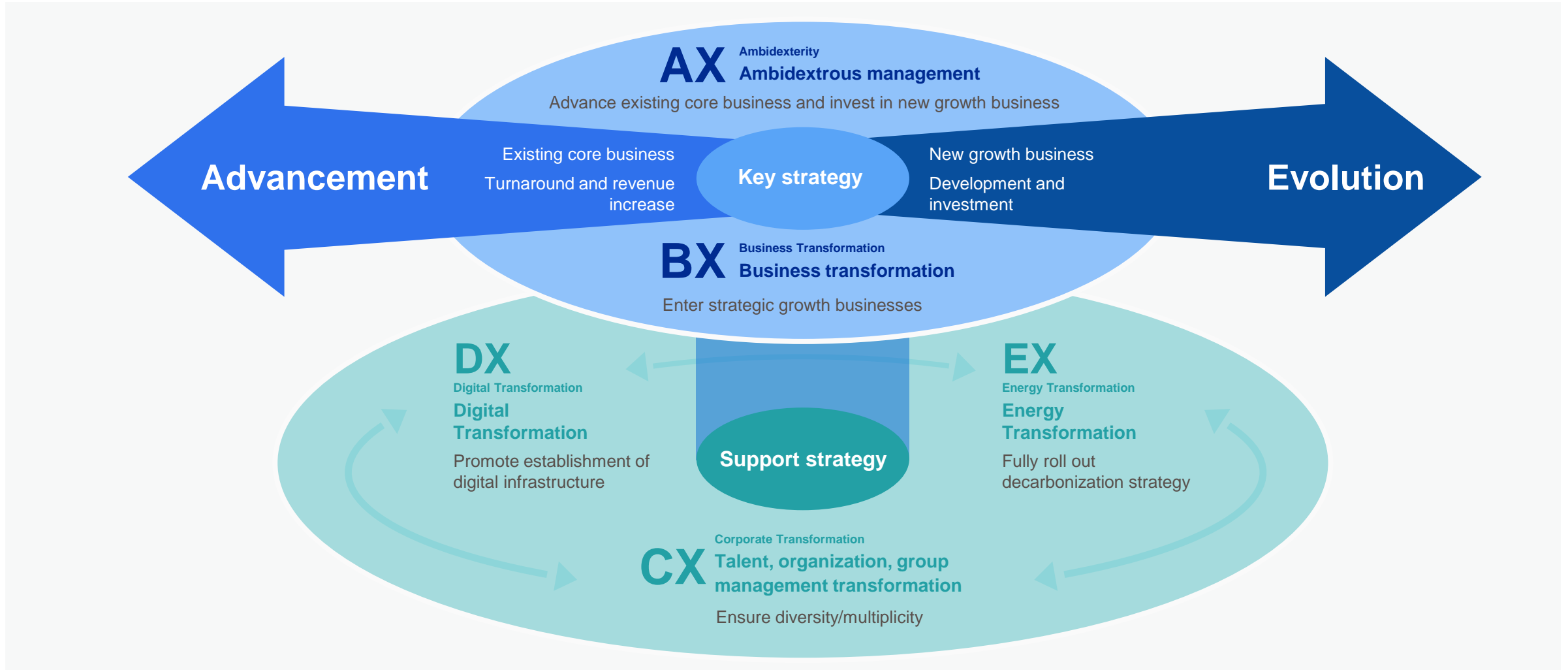
**While considering megatrends, select business areas that are expected to have high growth and competitive advantage for us**

**Beyond our decarbonization, create and sufficiently grow new businesses that respond to new demand from society, such as transport of new energy worthy of low-carbonization in society, to contribute to our revenue**

**Enter a rapidly growing market**

# Overview of management strategy (ABCDE-X)

- Key strategy with core business advancement and new business development as the two pillars
- Support strategy with CX (talent, organizational restructuring, group management transformation), DX, and EX

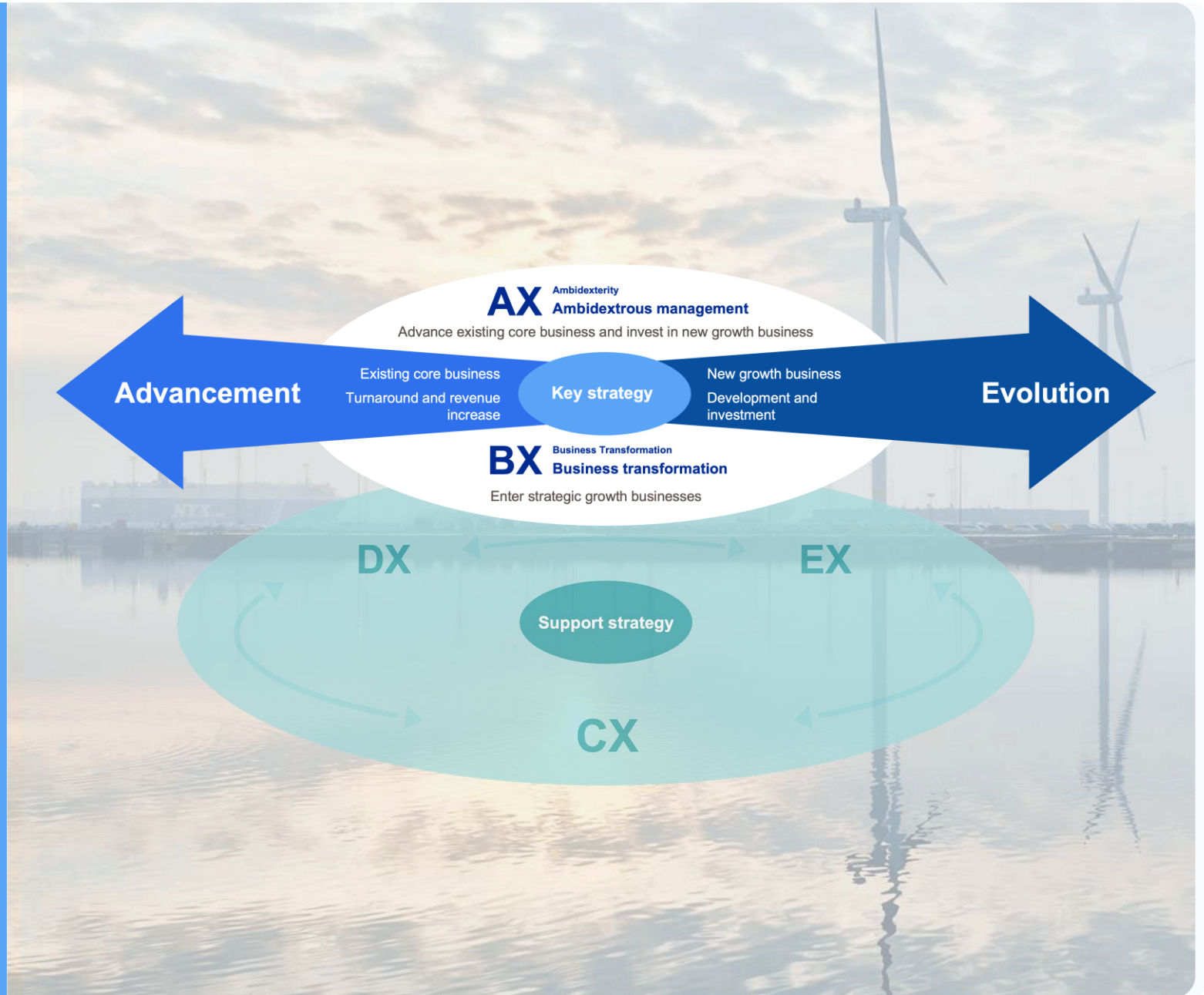


# 02



## Ambidextrous management

(Advance the core business and develop new ones)

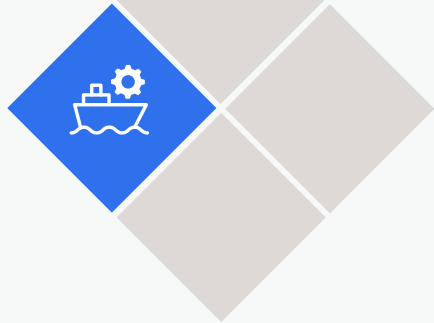


- Match business opportunities based on megatrends with our insights to take on the challenge of creating new business



- Support further growth of the container shipping business and commit the growth of logistics business

## Core business



### ◆ Liner & Logistics business

- Container shipping
- Logistics

#### To date

##### Supported business integration of container shipping (ONE\*1)

- Provided human resources and remained deeply committed to management as the largest shareholder
- The three Japanese shipping companies supported the business integration

##### Supported self-sustaining growth of logistics business

- Rolled out autonomous sales activities / growth strategy with a focus on existing customers
- Integration of overseas leader development; gradual evolution of NYK network

#### Moving forward

##### Support ONE's further growth

- Prioritize growth as ONE and continue to support its growth investments from a shareholder standpoint
- Aim to maintain our presence in the container shipping industry after expanding the scale
- Continue dispatching talent

##### Reinforce the business as a growth engine for the logistics business

- Promote a bold growth strategy while also actively pursuing M&As
- Reinforce global head office function and actively hire diverse talent who can contribute to new business development

(\*1) Ocean Network Express

- Bulk Shipping will capture decarbonization demand, and the Cruise Business will aim for sustainable growth by introducing a new passenger ship

## Core business



### Bulk Shipping business

- Automotive business
- Dry bulk business
- Energy business



### Cruise business

#### To date

##### Responded to steady transport demand

- 60 years have passed since the company entered the bulk shipping business in line with high economic growth
- Restructuring of the dry bulk business is almost complete with an infrastructure for steady profit creation built

#### Moving forward

##### Capture decarbonization demand

- Promote low/decarbonization of fleet to achieve low carbonization of customer value chain, and increase our advantage
- Continue investing while balancing fleet portfolio optimization and risk of stranded assets
- Continue to fulfil responsibility as a transport infrastructure company that responds to low carbonization and societal demands to offer stable supply of existing energy
- Branch out to new business areas such as customer supply chain-related business

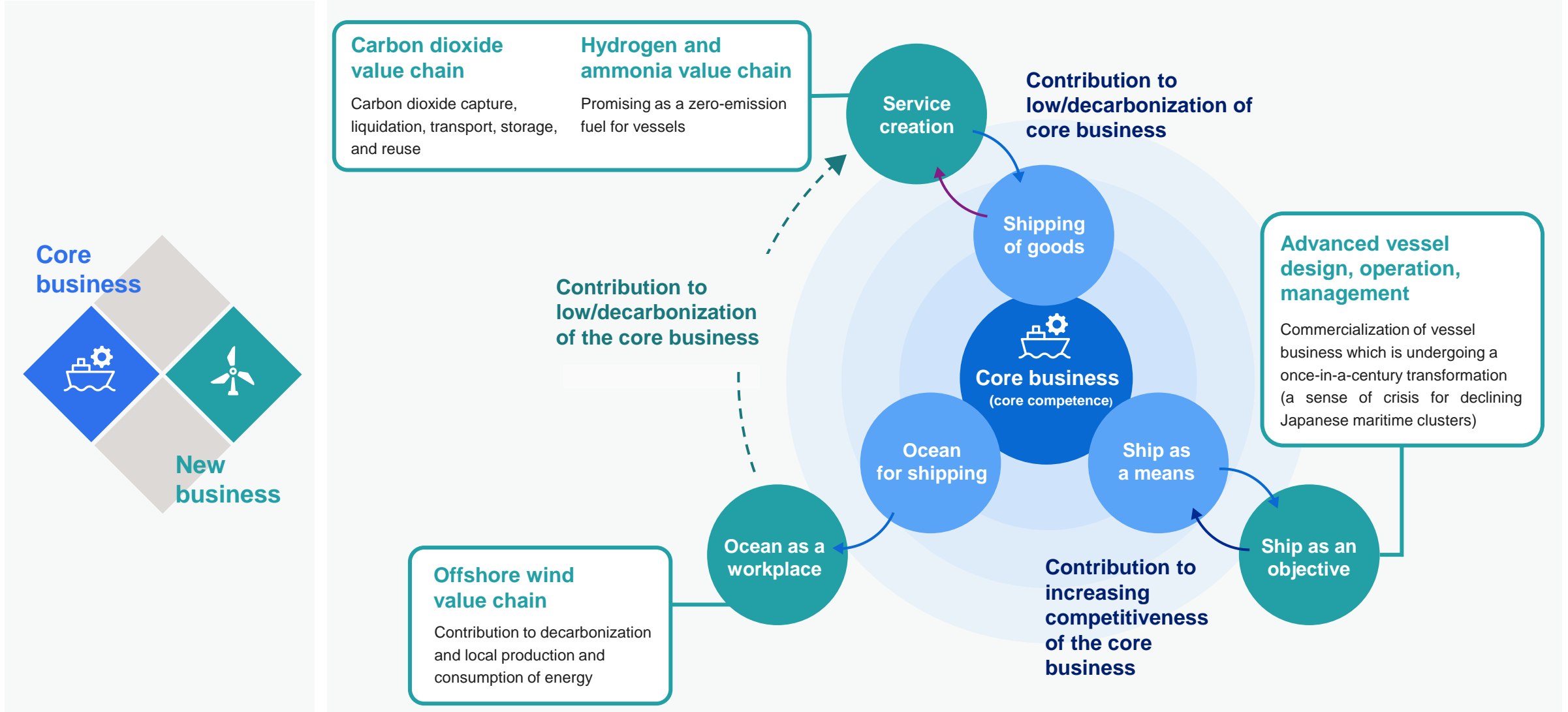
##### Created the future of cruise culture in Japan

- Expanded the luxury cruise segment and established the company's flagship ASUKA brand

##### Penetration of ASUKA LUXURY

- Add a newly built cruise ship equipped with LNG fuel-compatible engine (service to commence in 2025) and plan to expand to a two-vessel operation
- Offer services optimized based on customer's personality and offer an unparalleled experience to create a new cruise culture

- Build new organizational capabilities to evolve based on core competence to create new businesses



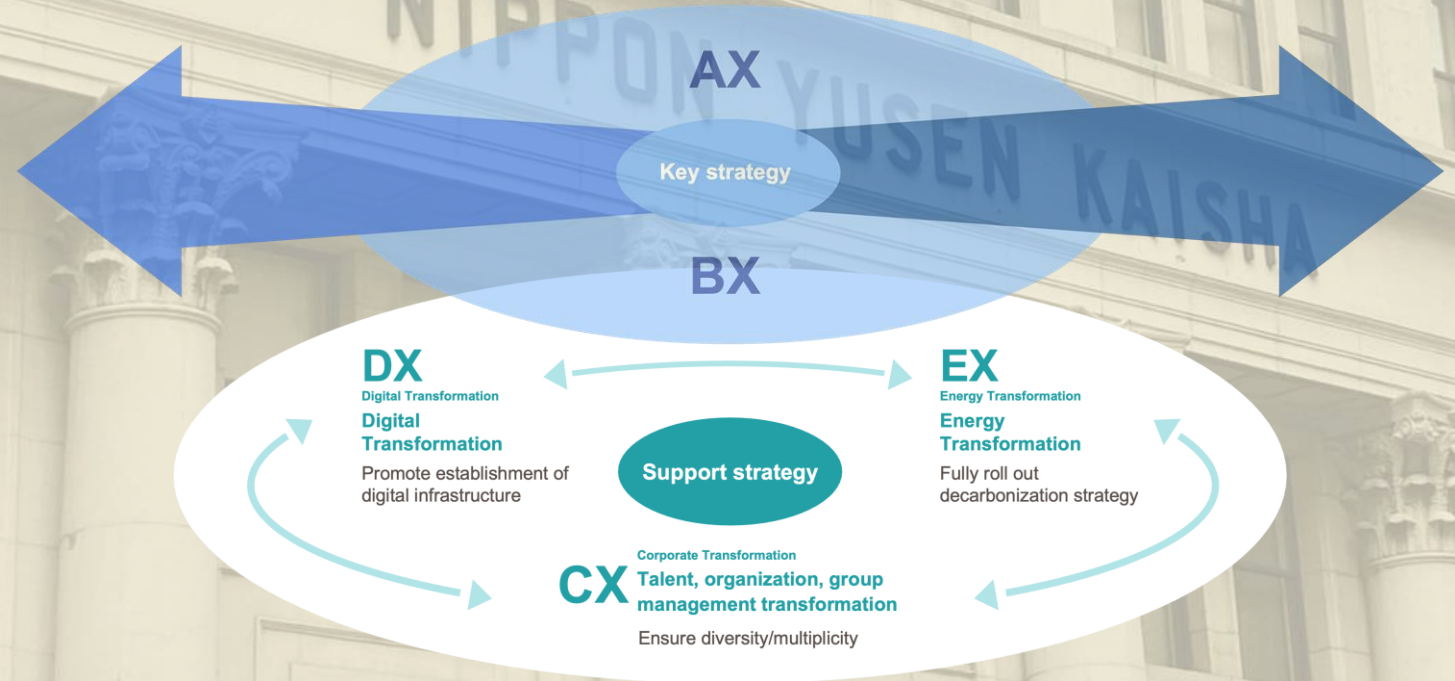


# 03



## Function strategy supporting ambidextrous management

CX · DX · EX




- Leverage capabilities of 35,000 employees to take on challenges as the NYK Group




## Achieve ambidextrous management

- Recruit, develop, and energize diverse talent to achieve “transcendence”, “two pillars”, and “co-creation”
- Combine individual qualities and training to assign right person to right place
- Reinforce corporate functions effective and efficient in taking on various challenges

**Aspirational Group employees:** talent who share the Value (Integrity, Innovation and Intensity)


### Talent strategy

-  Increase recruitment of professional talent
-  Assign right person to right place
-  Make talent management global

-  Hire talent across roles (onshore [administration/technology], offshore)
-  Maximize individual capabilities through autonomous career development
-  Introduce internal job posting (Global Challenge Program)

Support talent strategy

### Organizational strategy

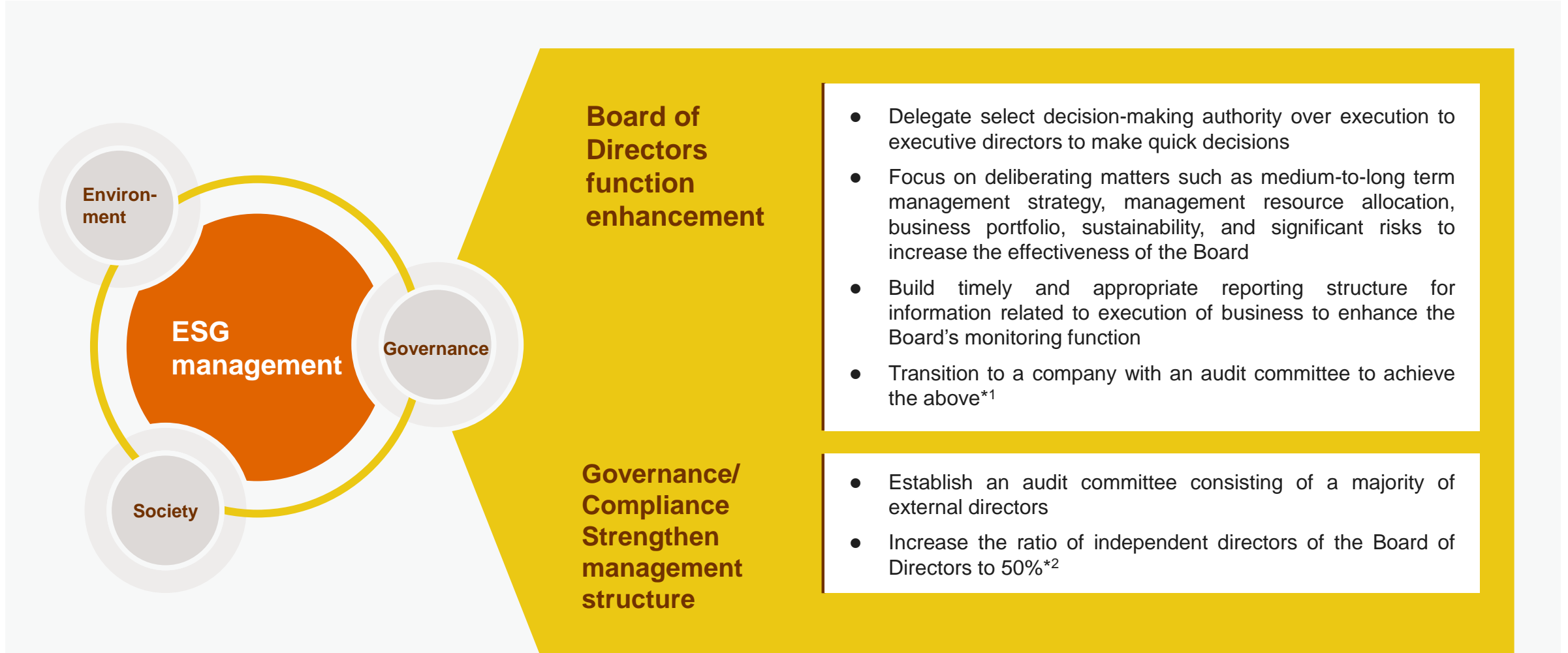
-  HR/Corporate function reinforcement (support talent development and management strategy of domestic and overseas group companies)

**Corporate culture:** inclusive corporate culture that makes decisions based on diverse perspectives

- Across the Group, take on challenges of advancing the existing business and developing new ones to improve co-creation and competitiveness
- Increase Vision sharing and engagement in the organization to fully commit to potentials of group companies



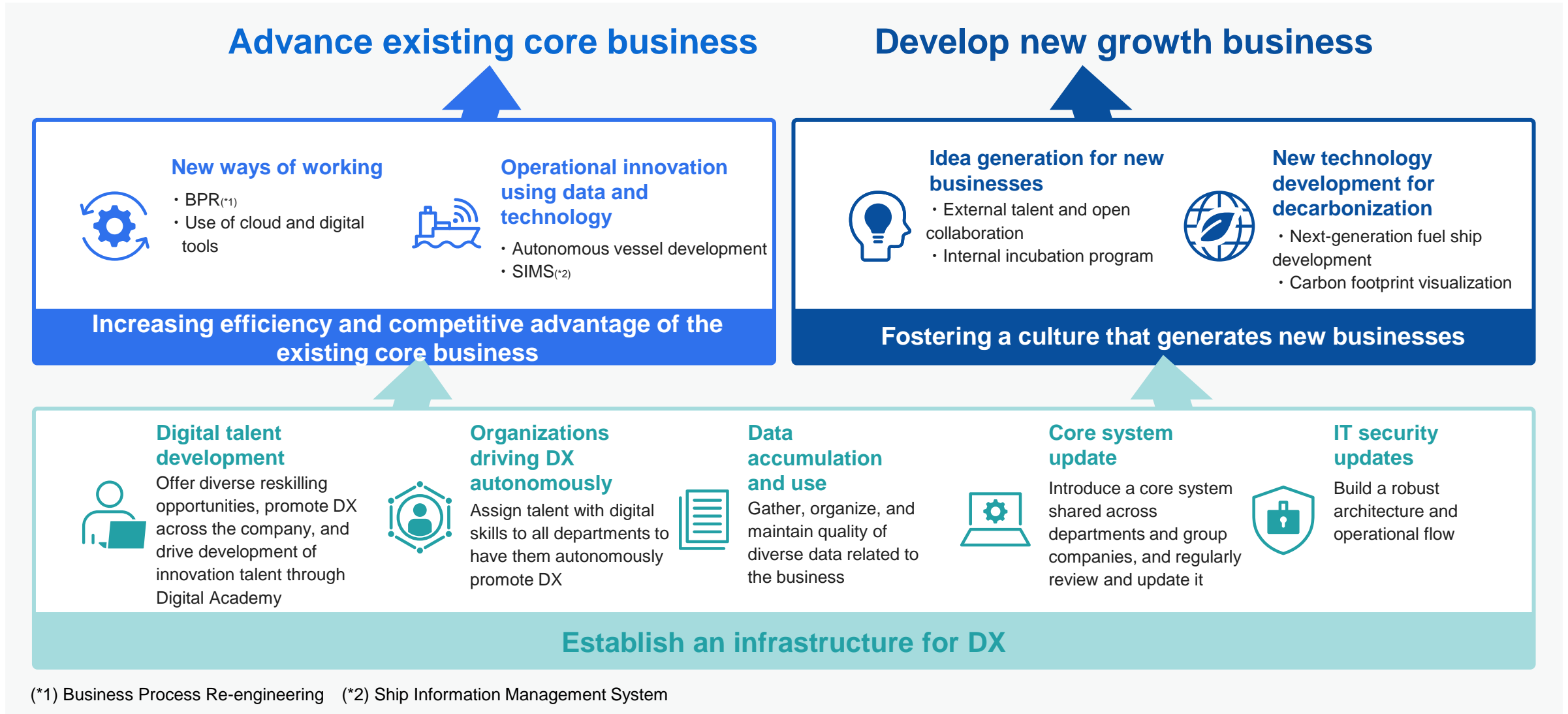
- Ensure support for enhancing management structure created to strengthen ESG management



\*1 The transition is scheduled upon approval on required changes to the articles of incorporation at the general shareholders meeting

\*2 The ratio of independent directors as of March 2023 is 42%

- Support the transformation by promoting the establishment of digital infrastructure, and promote DX that achieves the Vision



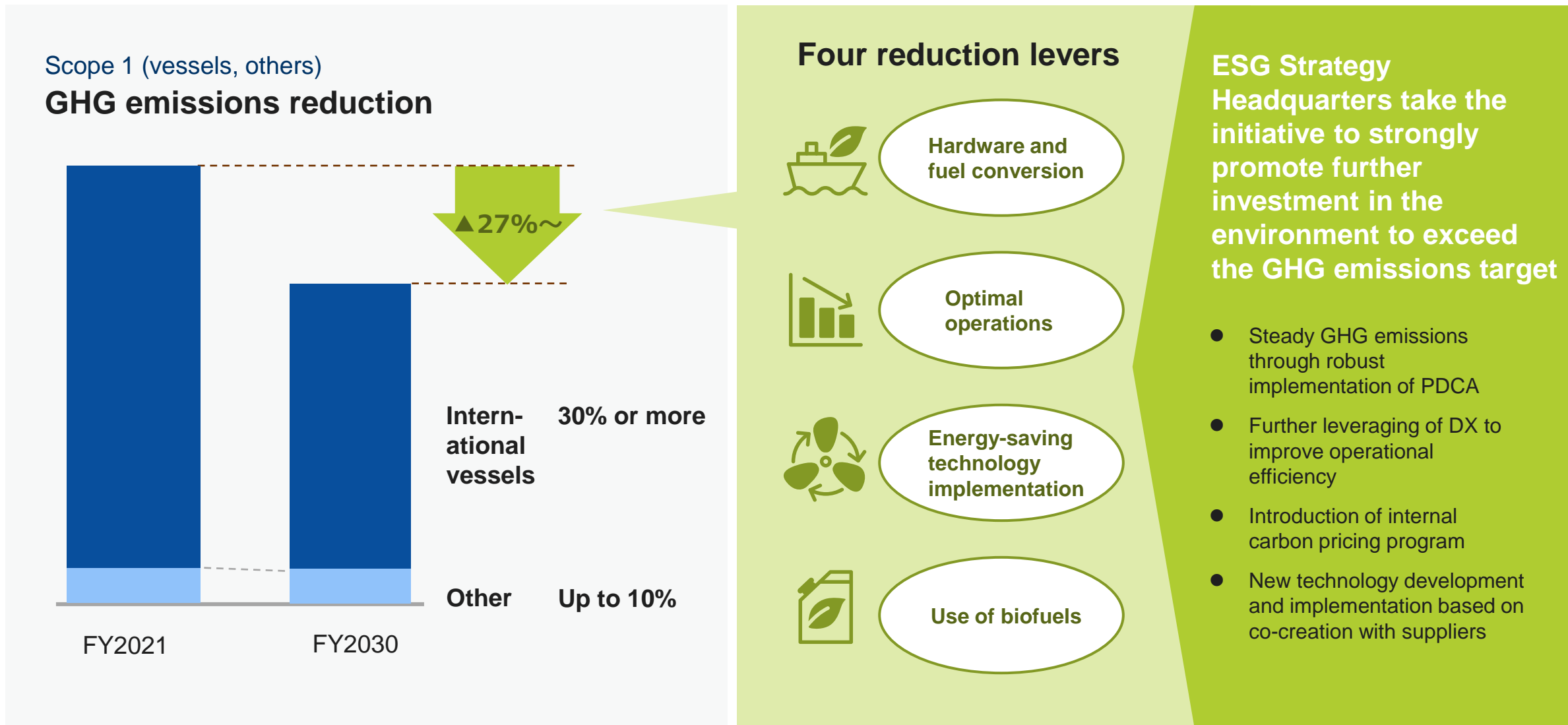
# EX – The value we create for climate-change responses and decarbonization



- Proactively set decarbonization target despite uncertainties and execute planned acceleration of efforts to achieve net-zero in 2050 starting with the current medium-term plan



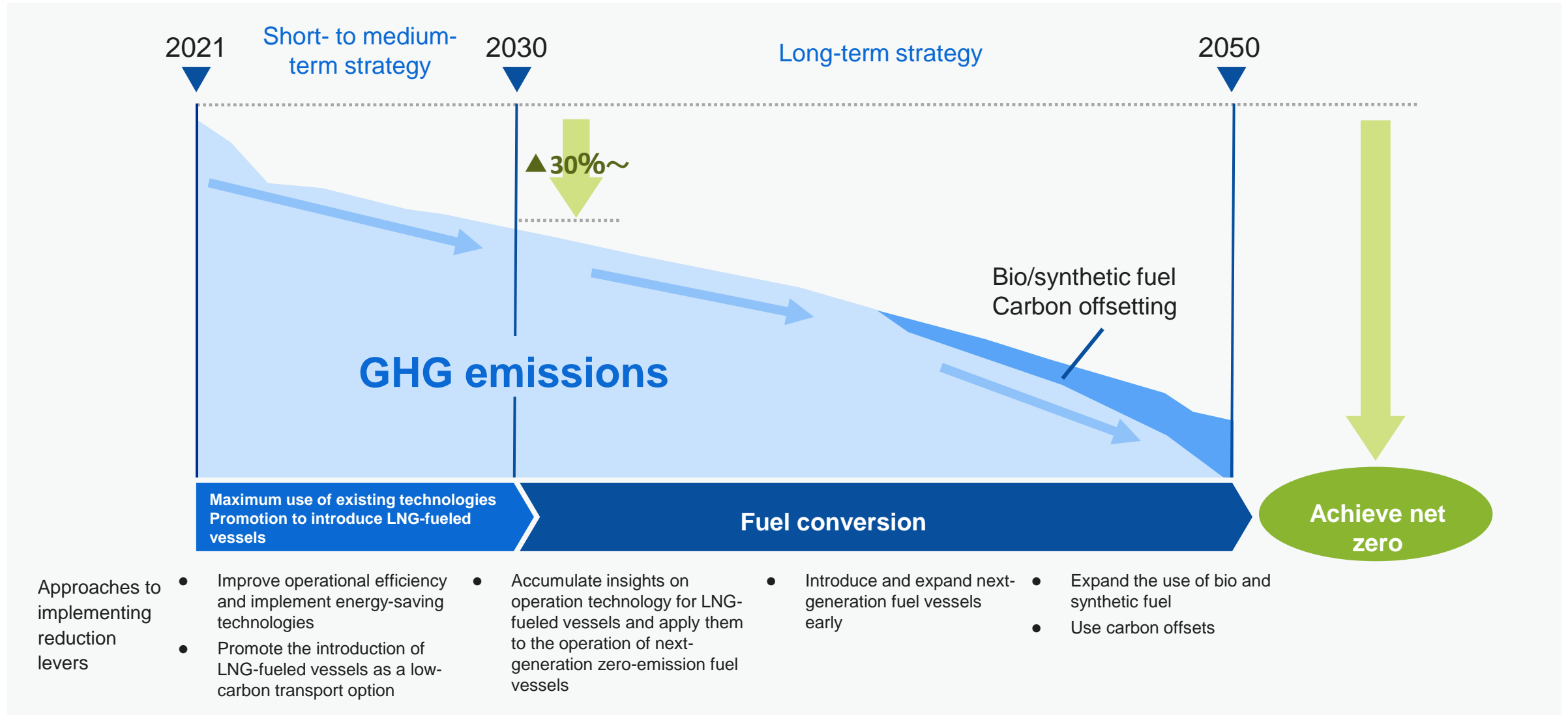
- Reinforce a structure to autonomously reduce GHG emissions with ESG Strategy Headquarters leading the way



# EX - Decarbonization levers for international vessels



- Fully roll out decarbonization efforts to achieve net zero in FY2050





- Actively invest upfront in responding to societal demands towards becoming a decarbonized society

## Approach to vessel decarbonization efforts

**Proactive  
upfront  
investments**

Build an environmental advantage and create a decarbonization ecosystem to get new business opportunities

**JPY450 billion**

including fuel-conversion premium of JPY80 billion

**Achievement of new  
fleet portfolio**

Offer environmental value to fulfil low/decarbonized transport service needs

**New technology  
development and  
implementation**

Lead with new technology for decarbonizing vessels

(\*1) JPY290 billion (FY2023-26) / JPY140 (FY2027-30)

## Specific levers



### Hardware/fuel conversion

**JPY430 billion**\*1

Includes fuel conversion premium of **JPY80 billion**

- Introduce and expand LNG-fueled vessels
- Introduce ammonia-fueled vessels

### Low/decarbonized vessels scheduled for construction in 2023-30 \*2

- LNG-fueled vessels: 31
- Ammonia-fueled vessels: 3
- LPG-fueled vessels: 8
- Methanol-fueled vessels: 3



**JPY10 billion**

### Optimal operations

- Optimize main engines and auxiliary equipment
- Polish propellers regularly



**JPY10 billion**

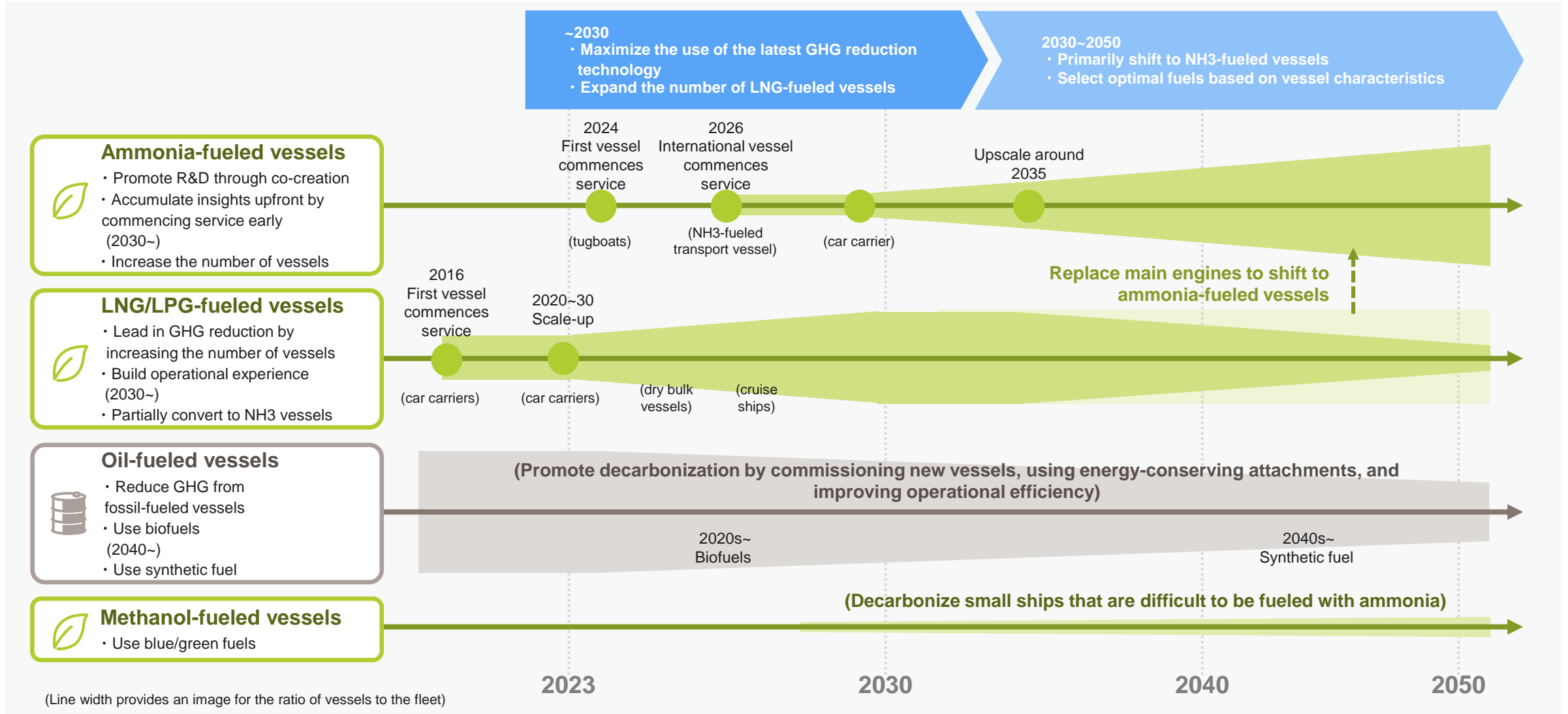
### Implement energy-saving technologies

- Replace propellers
- Install attachments to ship's stern

(\*2) Excludes four LNG-fueled vessels whose construction began by FY2022. Vessels scheduled for construction in FY2031-33 are not included in the investment amount. Ammonia-fueled vessels: 12 / LNG-fueled vessels: 7

# EX - Vessel fuel conversion scenario towards 2050

- Promote conversion to optimal fuels to maximize GHG emissions reduction (total volume) by 2050



# 04



## Financial policy



- Invest a total of approx. JPY1.2 trillion in investment targets by 2026 leading to future stable shareholder returns



# Shareholder return policy



- Offer shareholder returns during the current medium-term management plan period with capital efficiency improvement in mind
- Strive to increase Total Shareholder Returns (TSR) while balancing returns with growth investments

## Treasury stock acquisition

Acquire approx. 200 billion yen worth of treasury stocks to improve capital efficiency in 23-24 (\*1)

## Payout ratio

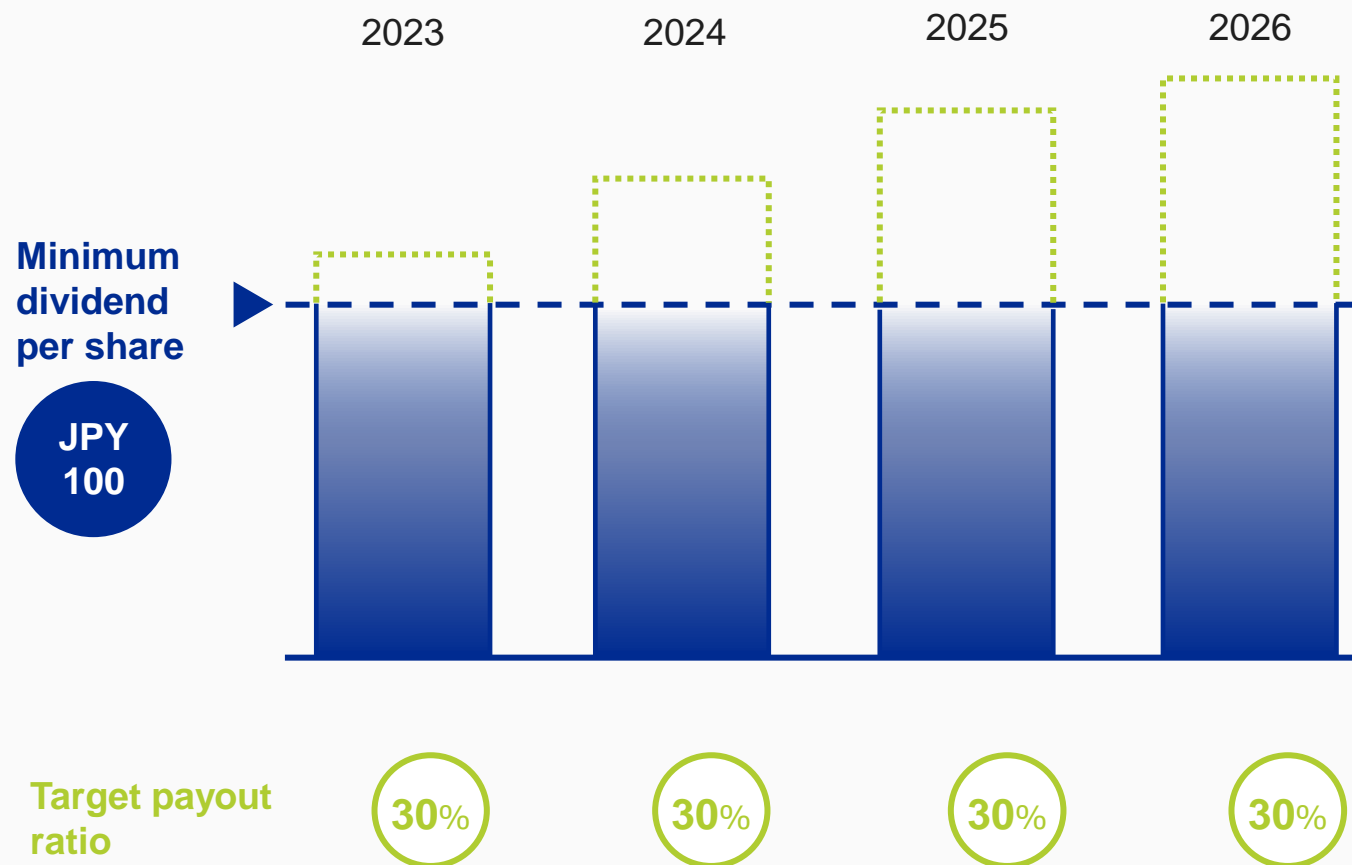
Increase target payout ratio from the current 25% to 30%

## Minimum dividends per share

Increase the minimum dividend to JPY100 in line with strengthening resistance of downward business volatility

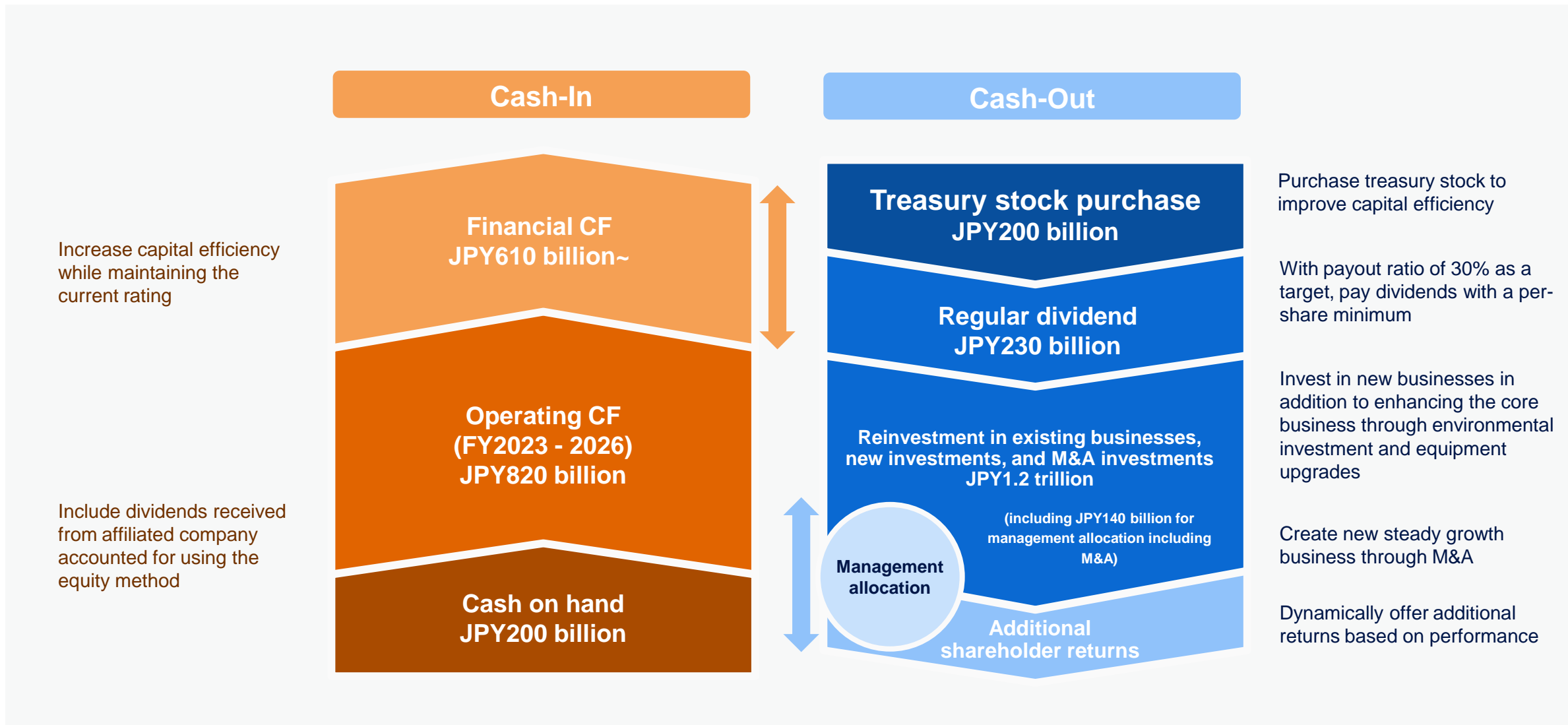
## Additional returns

Consider investment opportunities and business environment to dynamically offer additional returns (\*1)



(\*1) Details of shareholder returns will be disclosed at annual earnings announcement

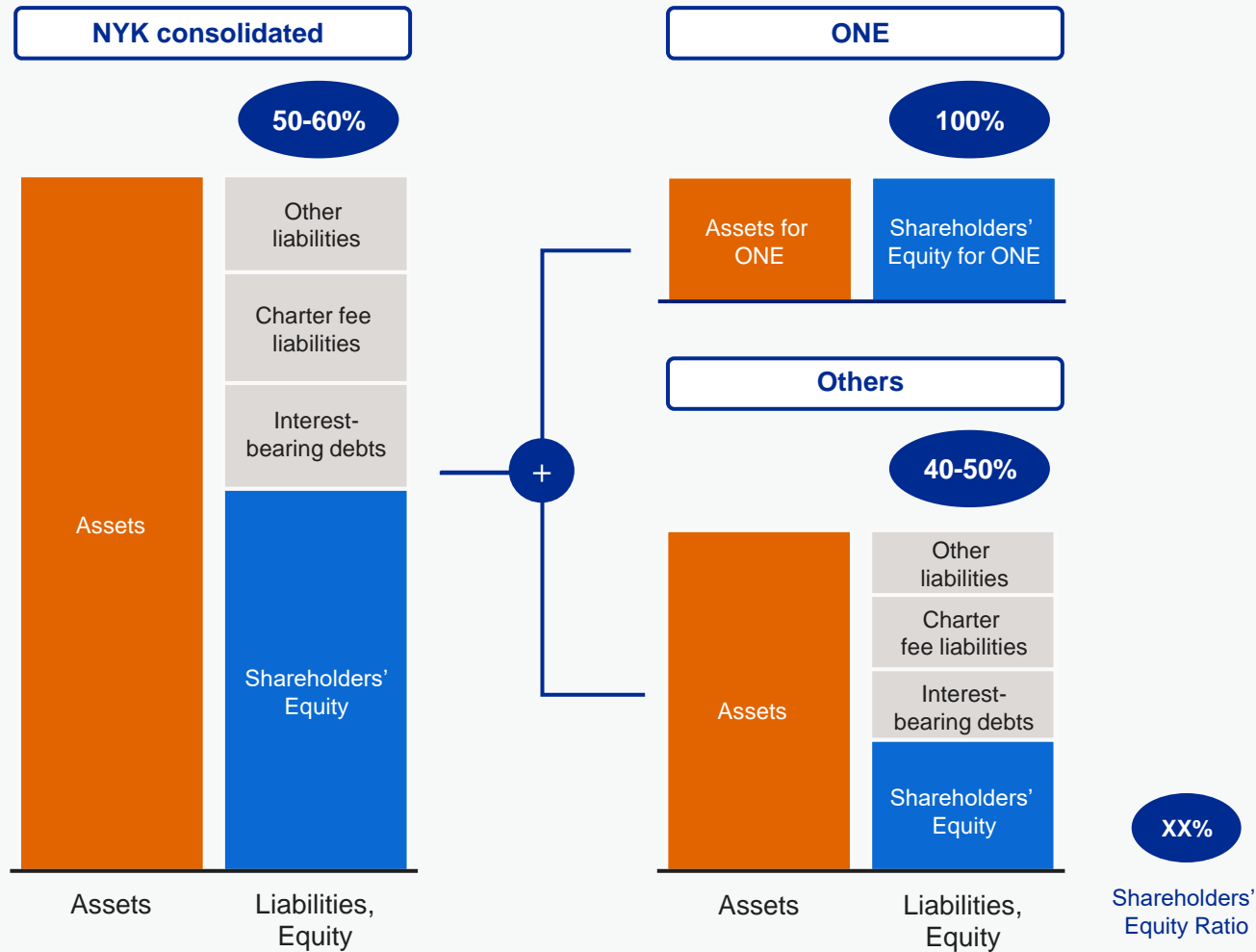
- Develop a strategic cash allocation plan to achieve both increased capital efficiency and sustainable growth



# Approach to ideal capital structure and shareholders' equity



- Based on capital efficiency and business risks, keep an appropriate level of shareholders' equity



## ONE

(Shareholders' Equity)

Position it as a highly-volatile growth business and ensure an ample risk buffer

## Others

Shareholders' Equity:

Set a target based on consideration of ratings, capital efficiency, and business specific risks

Charter fee liabilities:

Estimates the impact of changing charter fee liabilities (capital cost equivalent) from off- to on-balance sheet (\*1)

(\*1) Our estimate: JPY700-800 billion

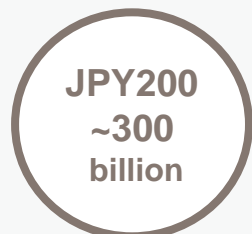
- Use ROIC as a KPI for financial target management

## Financial targets

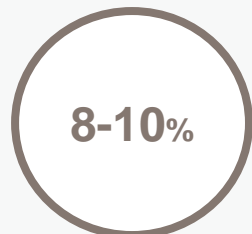


**ROIC** (Return on invested capital\*1)  
Strive to improve our enterprise value by fundamentally increasing business profitability

For this medium-term plan period (FY23~FY26), focus also on current profits and ROE as KPIs



**Current net profit**  
Target as of FY26



**ROE** (Return on Equity\*2)  
Target as of FY26  
Focus on efficiency relative to shareholders' equity

## Non-financial targets



**Number of major accidents: sea, land, and air**  
Number of major accidents based on our standard



**GHG reduction by vessels**  
FY30 target (vs. FY21)



**Share of women managers**  
CY30 target  
(onshore positions for NYK non-consolidated)

(\*1) (Operating income after tax + Extraordinary profit & loss after tax + Equity in earnings of affiliates + Dividend income) ÷ (Invested capital)

(\*2) (Current net profit) ÷ (Equity)



# Financial plan outlook



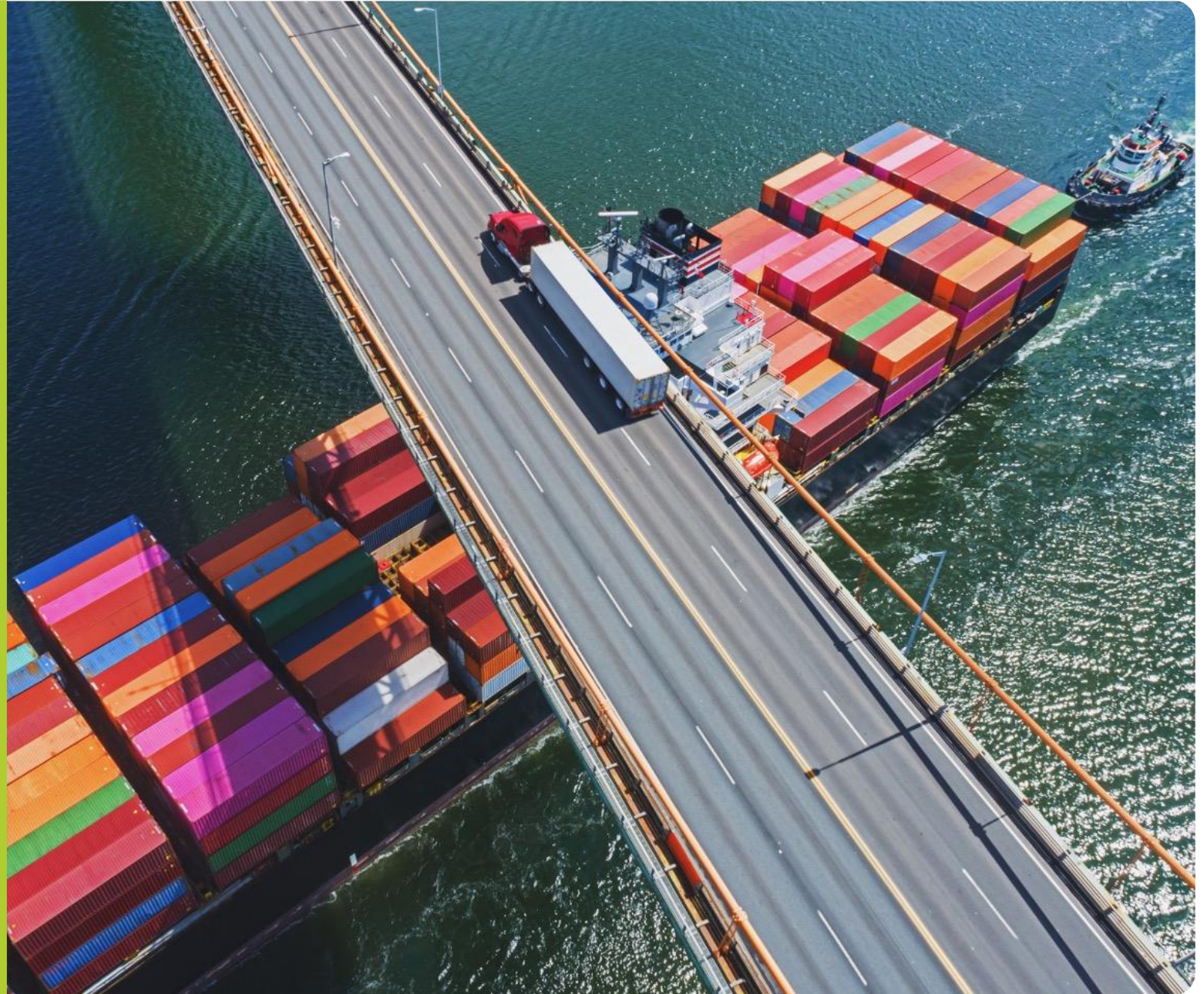
- Recurring profit is expected to be JPY270 billion in FY2026

	FY2022 (latest outlook)	FY2026	FY2030
<b>Recurring Profit</b>	JPY1,080 billion	JPY270 billion	JPY340 billion
Others	JPY330 billion	JPY150 billion	JPY160 billion
ONE (our estimate)	JPY750 billion	JPY120 billion	JPY180 billion
<b>Current Profit</b> <small>attributable to owners of parent</small>	JPY1,000 billion	JPY240 billion	JPY310 billion
<b>Shareholders' Equity Ratio</b>	65%	57%	Around 57%
After changing to on-balance sheet	55%	49%	Around 50%
<b>ROIC</b>	32%	6.5%	Over 6.5%
<b>ROE</b>	48%	10.2%	Over 10%

Note) Forecast in this financial plan is based on the assumption which is aligned with the announcement in terms of air cargo transportation business on March 7, 2023



# Appendix



# Recap: Previous Medium-Term Management Plan (Staying Ahead 2022)



- Achieved profits and financial targets by implementing the strategy of the previous medium-term management plan
- Further evolution of the ESG strategy and new value creation remain important issues

## Previous medium-term management plan framework

### Staying Ahead 2022 with Digitalization and Green

Shipping market has been increasingly volatile and technological and societal changes are dramatically altering the business environment

## Business outcomes

### Basic strategy

1. Optimize business portfolio	2. Secure stable-freight-rate business	3. Increase efficiency and create new value
<ul style="list-style-type: none"> <li>• Containership JV (ONE) achieved high revenue amidst dramatic environmental changes by increasing efficiency and capturing the impact of scaling</li> <li>• Dry bulk business restructuring is nearly complete with early returns of high-cost vessels to build resilience against decreasing revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Revenues from stable-freight-rate businesses increased for the logistics and bulk shipping businesses</li> </ul>	<ul style="list-style-type: none"> <li>• The green business for decarbonizing society has steadily planted its seeds</li> <li>• Efforts have been enhanced to apply the latest digital technology including commercialization of a financial platform for crews and trial operation of a fully autonomous ship</li> </ul>

### Integration of ESG principles to management strategies

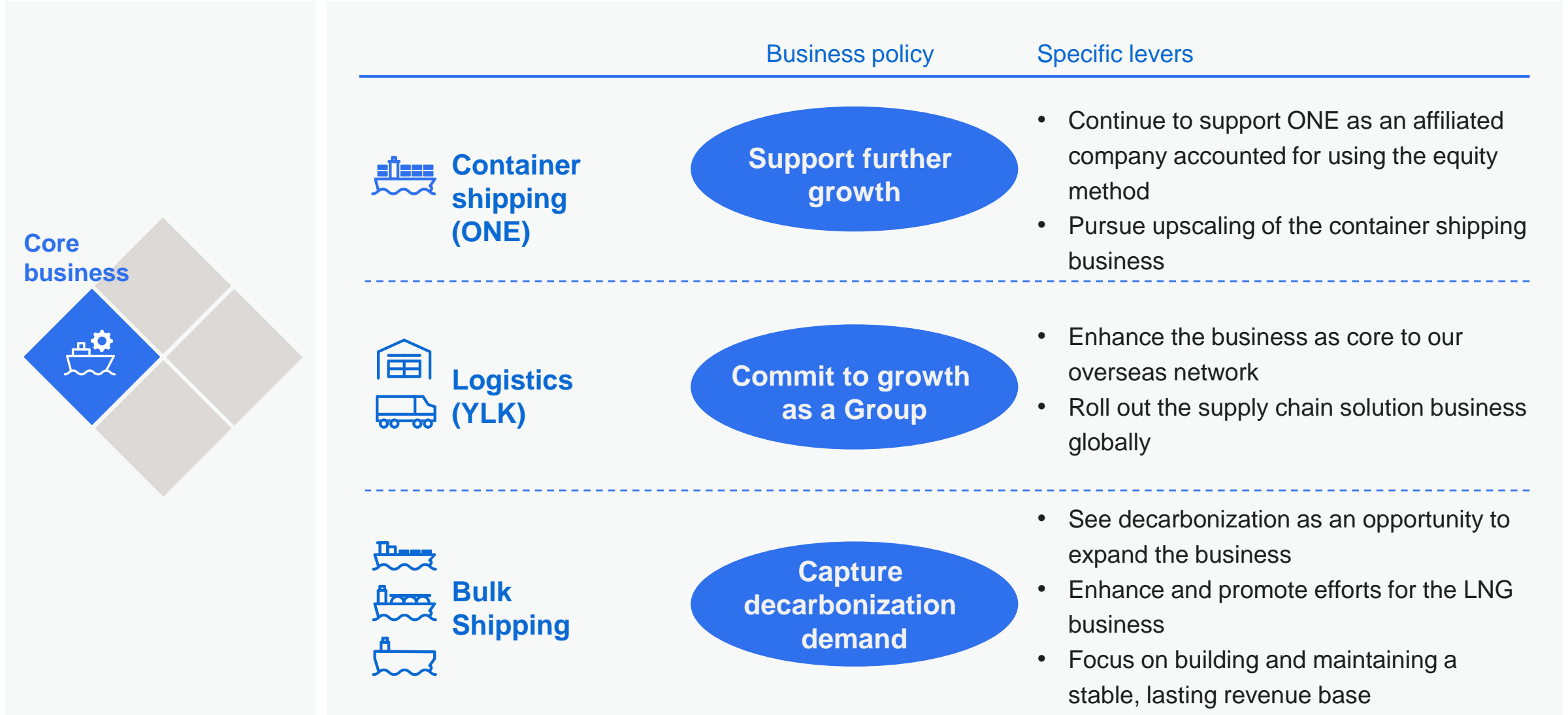
- Widely penetrated ESG management philosophy to autonomously work on solving social issues as our own business issues
- Transformation is underway to become a business that achieves sustainable growth through value cultivation with customers

## Earnings and financial targets

	Target (targeting FY2022)	FY2021	FY2022 (latest outlook)
Recurring profit	JPY70-100 billion	JPY 1,003 billion	JPY 1,008 billion
ROE	Min 8.0%	86%	48%
Shareholders' Equity Ratio	Min 30%	56%	65%
DER	1.5 or below	0.47×	0.28×





# Advancement of core business (core competence)

- Position three businesses, container shipping, logistics, and bulk shipping businesses, at the core









**Enter new markets and acquire customers with existing technologies and services**

	Business policy	Specific focus areas and levers
 <b>Renewable energy transport</b>	<b>Develop ocean transport demand</b>	<ul style="list-style-type: none"> <li>• Biofuels and MCH(*1) transport</li> <li>• Ammonia transport</li> </ul>
 <b>Biomass value chain</b>	<b>Capture biomass demand</b>	<ul style="list-style-type: none"> <li>• Biomass transport</li> <li>• Black pellet business</li> </ul>
 <b>Electric vehicle logistics solutions</b>	<b>Capture changing demand for automotive transport</b>	<p>With the advancement of electrification of the automobile, capture new logistics demand for completed vehicles and production parts</p> <ul style="list-style-type: none"> <li>• Completed vehicle logistics</li> <li>• Production parts logistics</li> </ul>
 <b>Domestic/regional transport logistics</b>	<b>Capture growing logistics demand</b>	<p>In reaction to the shift to consumption of locally produced products and growing domestic demand in emerging countries, roll out logistics business globally</p> <ul style="list-style-type: none"> <li>• Adjacent waters and domestic ocean transport</li> </ul>

(\*1) Methylcyclohexane

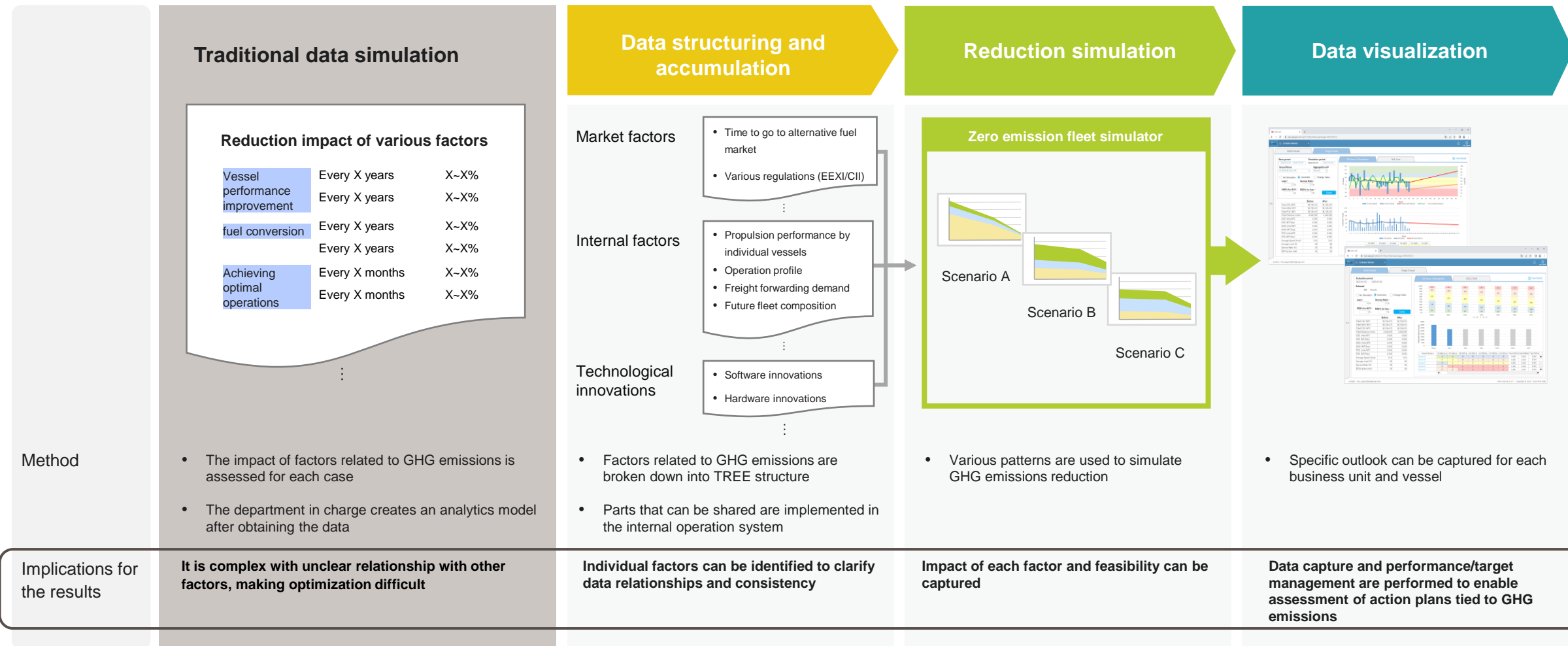


**Sell new technologies and services to existing markets and customers**

	Business policy	Specific focus areas and levers
 <b>Low / decarbonized transport</b>	<b>Offer services that respond to customer needs</b>	<ul style="list-style-type: none"> <li>• Introduce energy-conserving operation and LNG-fueled vessels</li> <li>• Improve carbon footprint visualization technology</li> </ul>
 <b>Vessel resource recovery</b>	<b>Enhance circular economy</b>	<ul style="list-style-type: none"> <li>• Establish safer recycling methods</li> <li>• Leverage high-quality iron resources to consume those produced locally</li> </ul>
 <b>LNG value chain</b>	<b>Support low carbon energy value chain</b>	<ul style="list-style-type: none"> <li>• Participate in upstream interests in LNG</li> <li>• Operationalized LNG fuel supply for vessels</li> </ul>
 <b>Supply chain optimization</b>	<b>Use advanced technology</b>	<ul style="list-style-type: none"> <li>• Optimize consumer goods supply chain</li> <li>• Optimize dry bulk supply chain</li> </ul>

## Upgrade simulations and operations for GHG emissions reduction

A new effort based on collection and analyses of data and simulation technology



- We will become a supporter of decarbonization for society through ocean transport

## 2030 Vision

We go beyond the scope of a comprehensive global logistics enterprise to **co-create value required for the future** by advancing our core business and growing new ones



NYK will **lead** in R&D and investments for decarbonization



**Carbon tax** will eventually be introduced, increasing demand for lower carbon shipping



**Cost effectiveness** is expected in 2030



Scaled-up decarbonized fleet will **significantly reduce** GHG emissions

2020

2025

2030



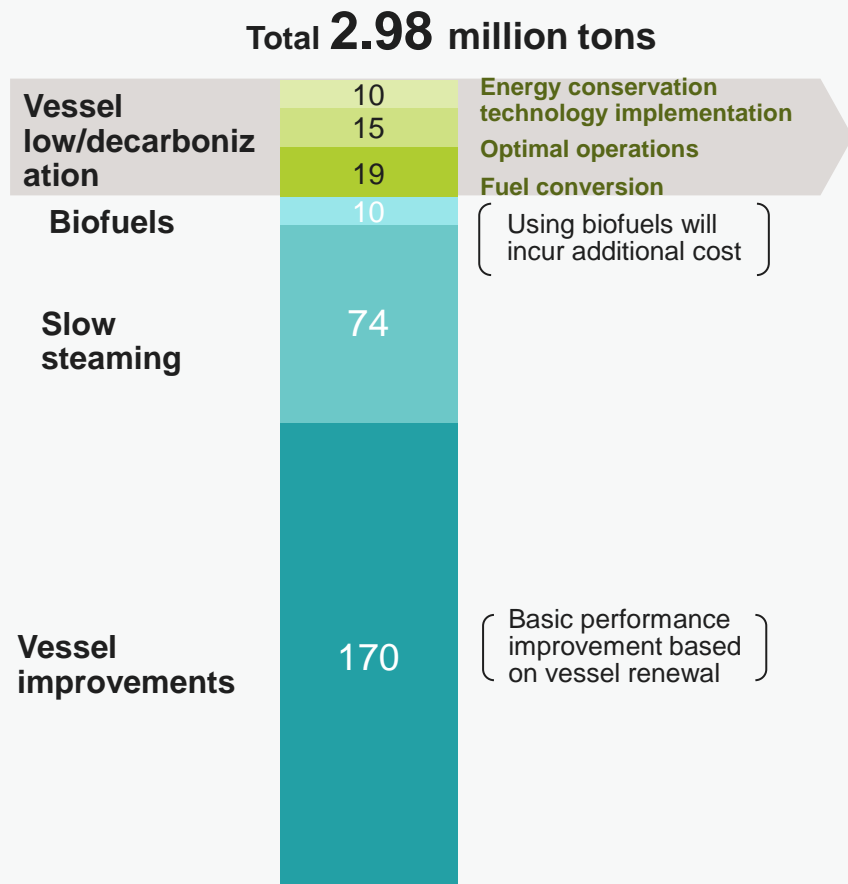
we will **co-create** a decarbonized society across the value chain with stakeholders



- Overall expected reduction is 2.98 million tons including 0.44 million tons from investing in vessel low/decarbonization

## Expected GHG emissions reduction

Illustration of international vessels in Scope 1 for FY2030



## Projected return on investment in vessel low/decarbonization

Additional annual cost (equivalent to Capex, FY2030)

Investment target		# of vessels <sup>*1</sup>	Annual cost	Annual GHG reduction impact 10,000 tons
Vessel fuel conversion	LNG-fueled vessels	28	JPY3.1 billion	12.2
	Ammonia-fueled vessels	3	JPY0.5 billion	6.5
	LPG-fueled vessels	1	JPY0.1 billion	0.1
Optimal operations			JPY1.2 billion	14.7
Energy conservation technology implementation			JPY1.3 billion	10.3
<b>Total</b>			<b>JPY6.2 billion<sup>①</sup></b>	<b>440k tons<sup>②</sup></b>

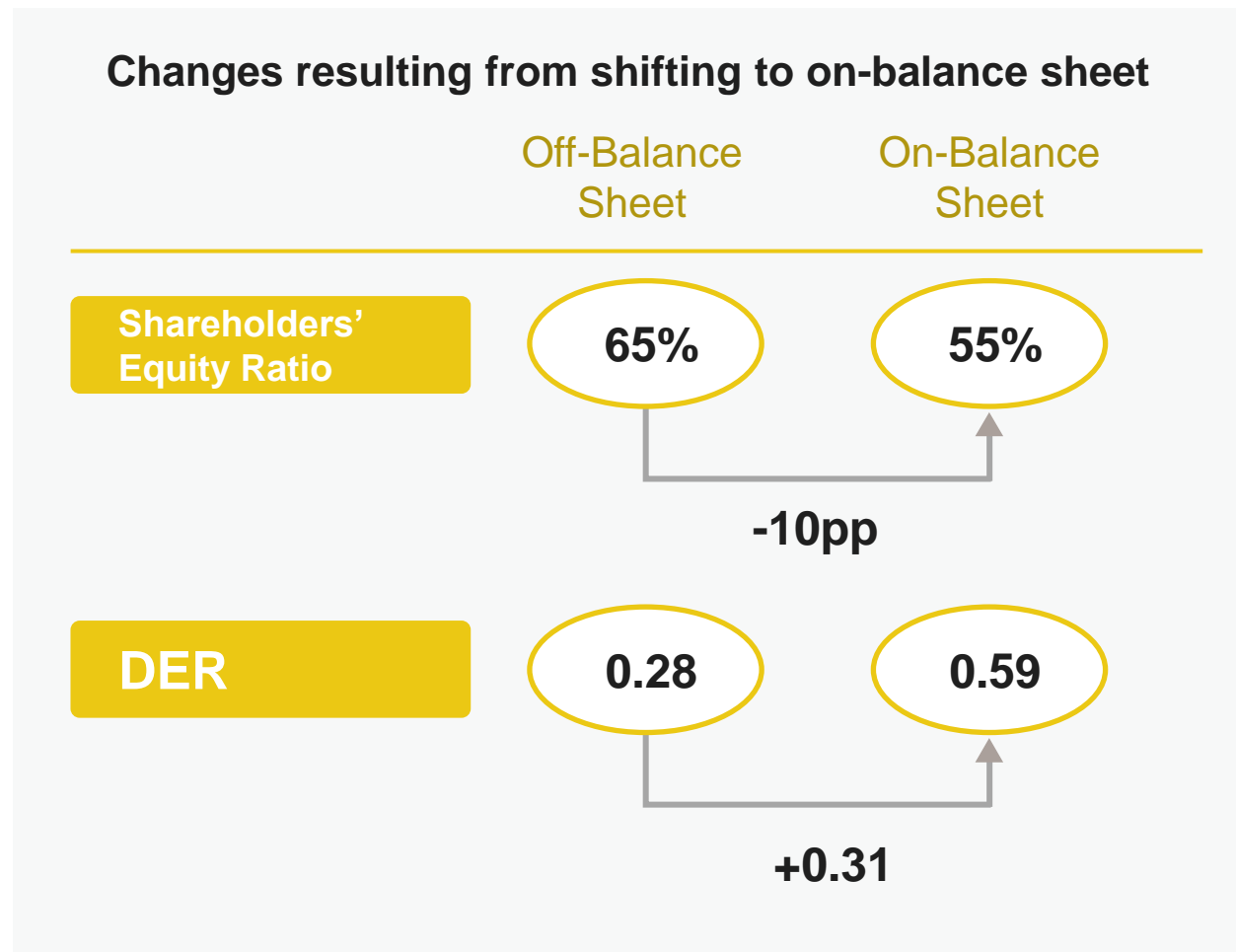
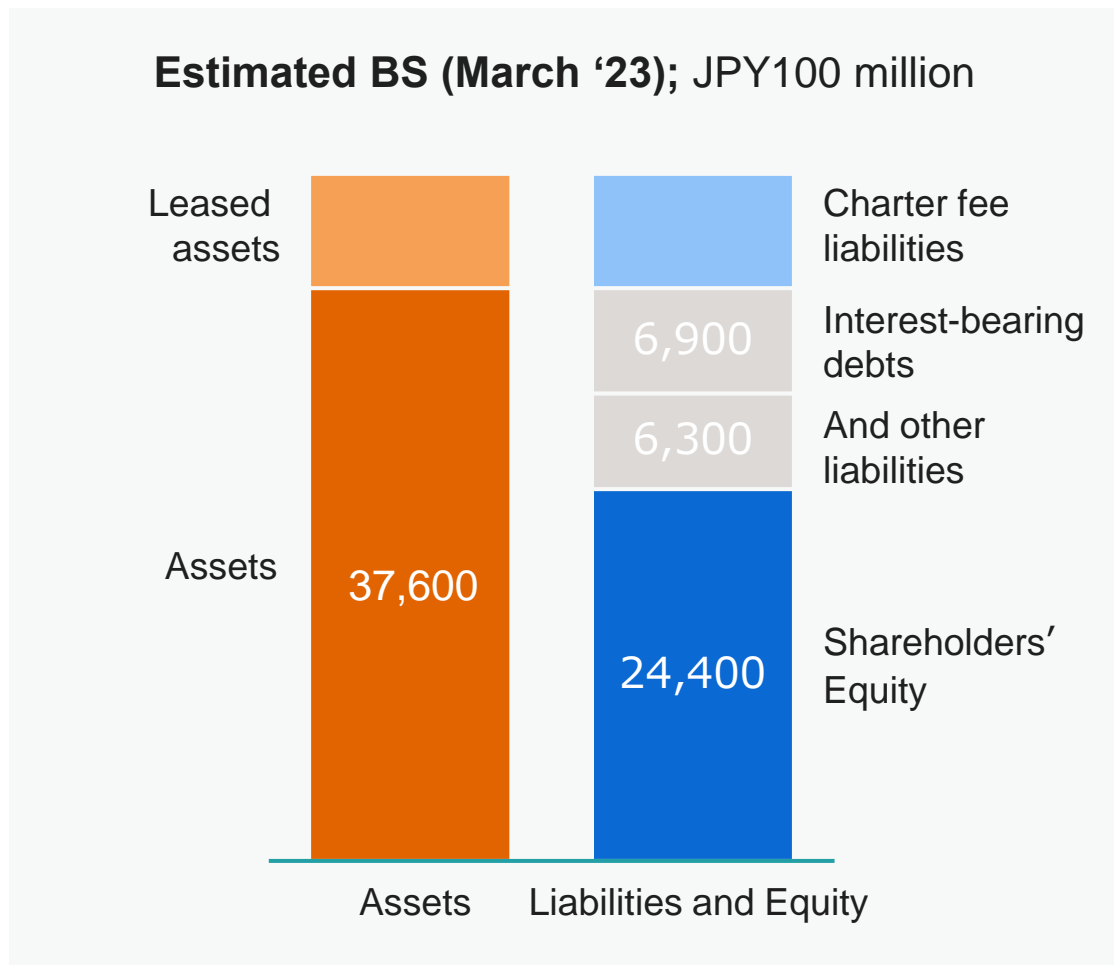
**Cost to additionally reduce 1 ton of GHG is approximately USD120<sup>\*2</sup>**

(\*1) Excludes TC OUT vessels

(\*2) ① ÷ exchange rate (1USD=JPY120) ÷ ②

# Financial impact of accounting for charter fee liabilities

- Estimated the impact of changing charter fee liabilities (future lease liabilities) from off- to on-balance sheet in accordance with IFRS standards
- Adequate shareholders' equity ratio can continue to be ensured even if the liabilities are shifted to on-balance sheet

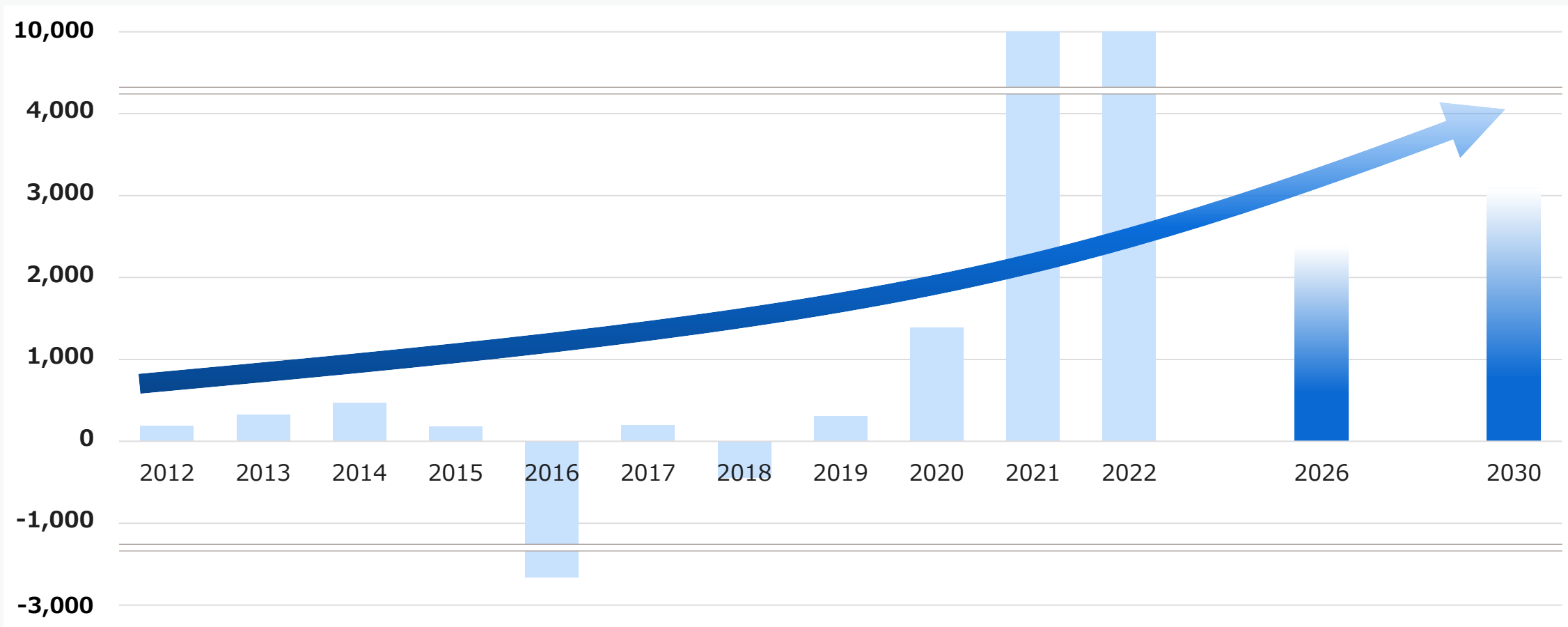


# Sustainable growth of current profit targeted in medium to long term



- We are targeting to grow current profit in medium to long term by increasing growth investments

Current Profit (JPY100 million)





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