

Toward Sustainable Growth

NYK Group at a Glance

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FTSE Blossom
Japan Index
2 years running

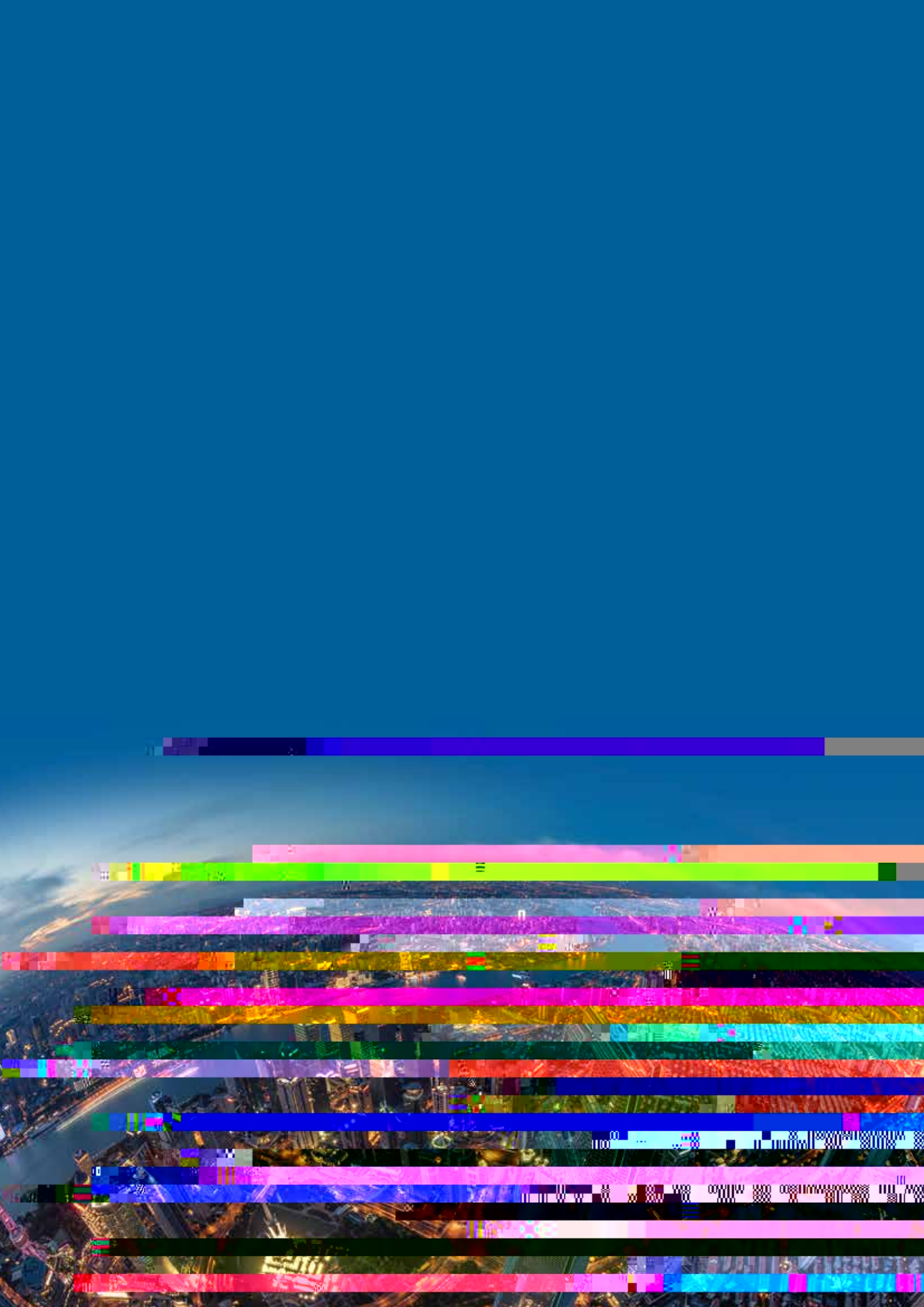


FTSE Blossom
Japan

MSCI Japan
ESG Select Leaders Index
2 years running

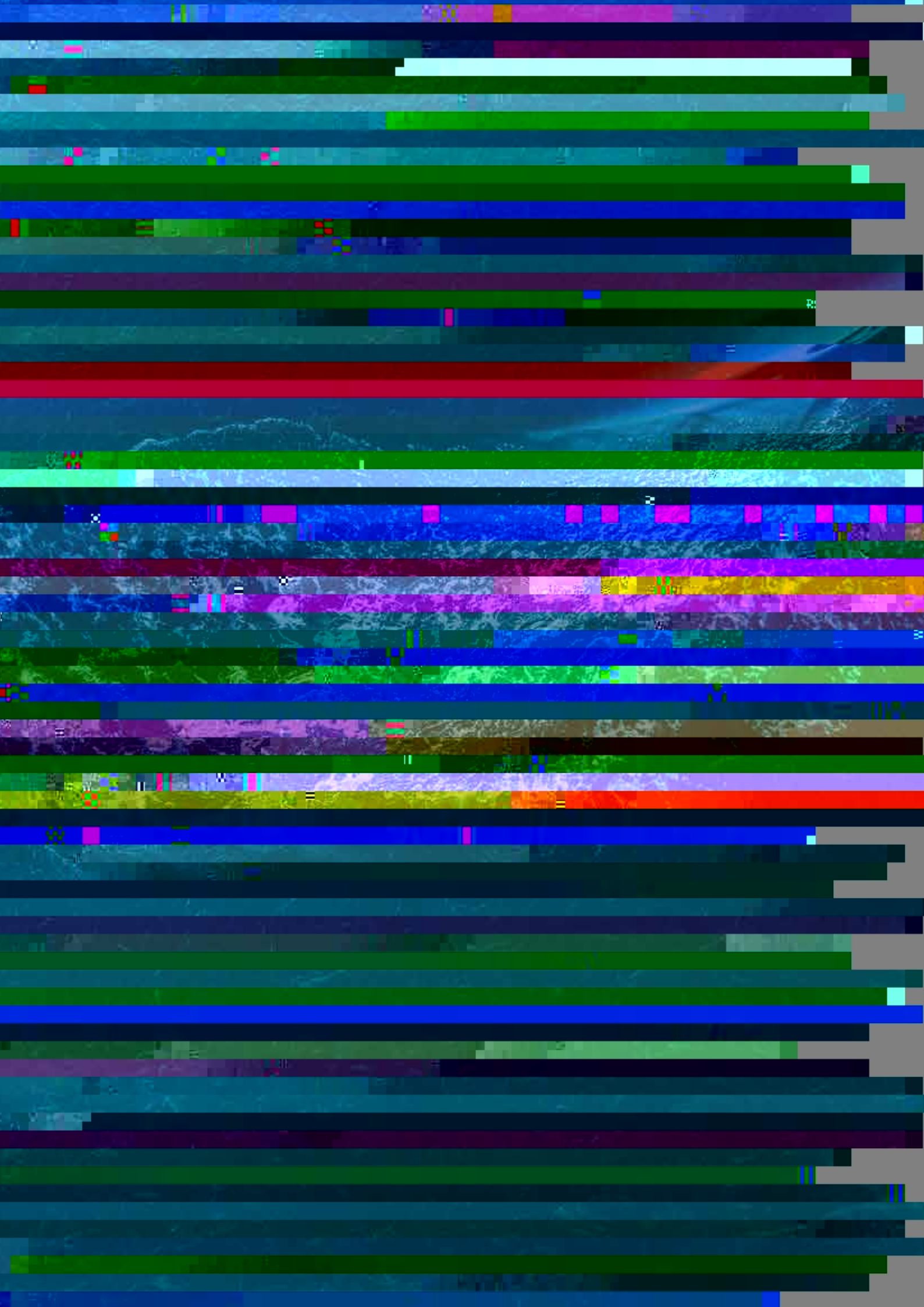
MSCI Japan Empowering Women Index
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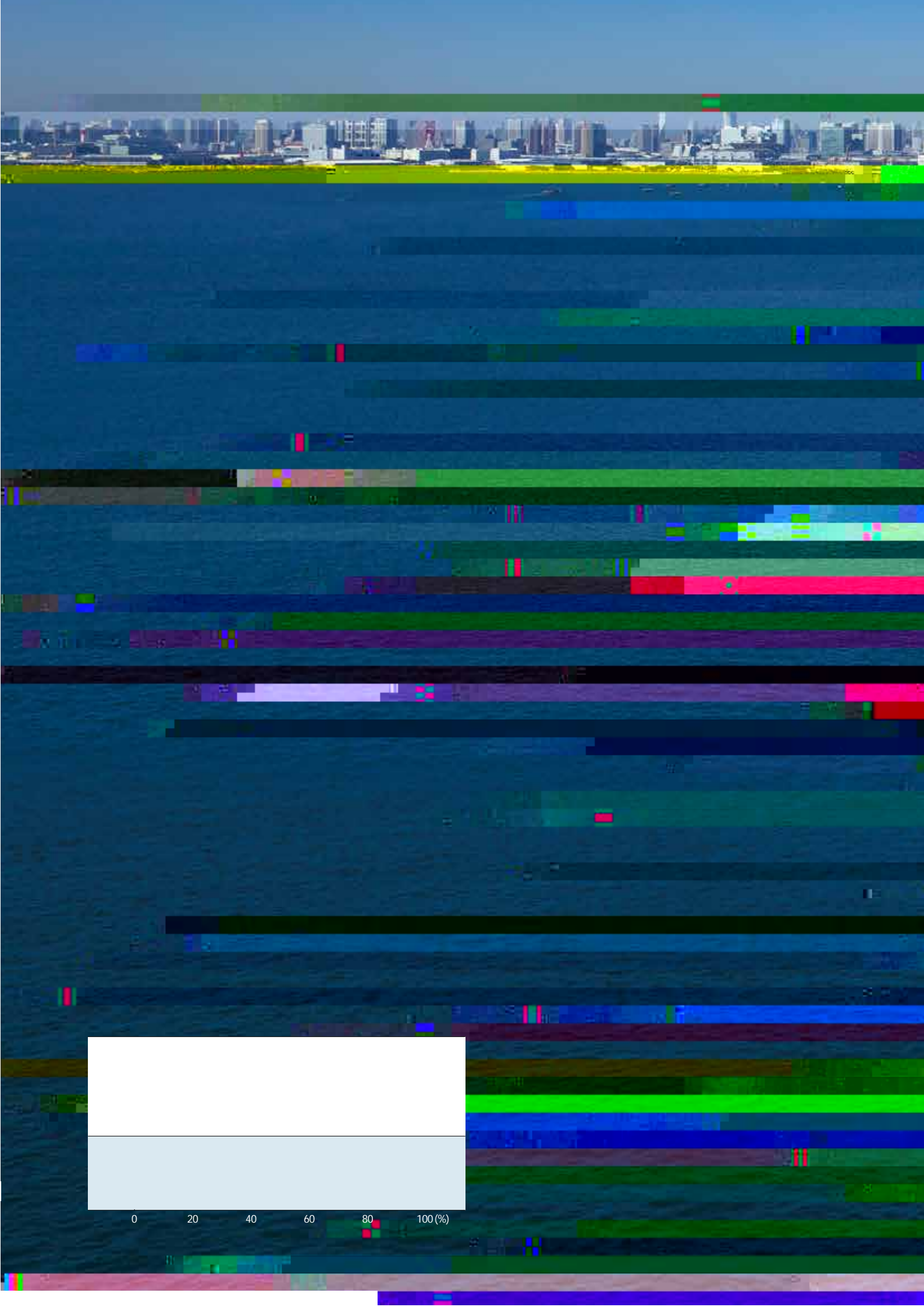




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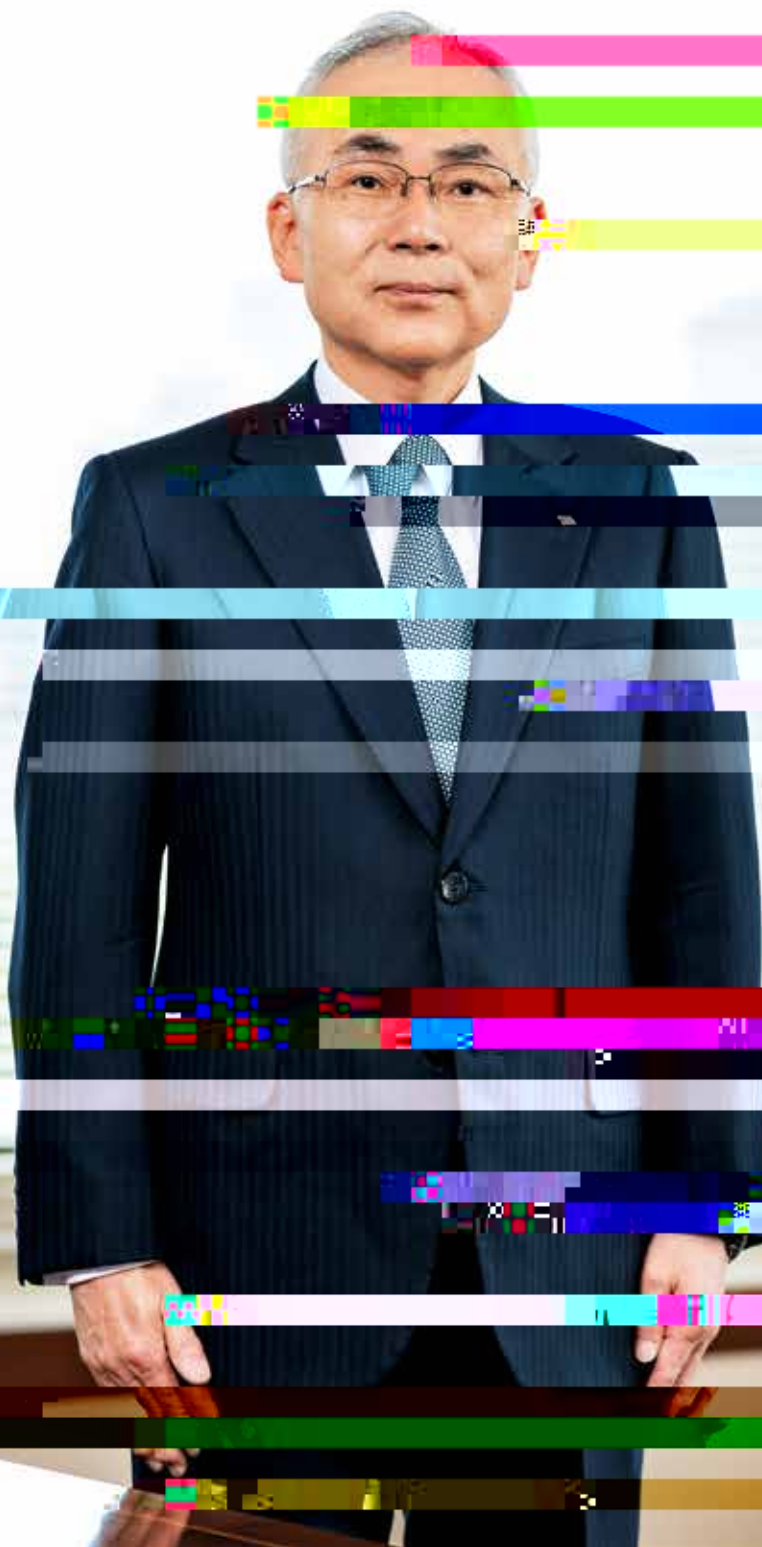




Moving Ahead with Our Management Plan

Message from the President

Taking on the challenge of creating new value and staying ahead of our competitors with a focus on digital technologies and environmental initiatives



President, Representative Director
President Corporate Officer

NYK Group at a Glance

Moving Ahead with Our Management Plan

Toward Sustainable Growth (Material Issues)

Toward Sustainable Growth (Strategy by Business)

Corporate Governance

The NYK Group's Business Environment 1

Container shipping market

- Shipping traffic is gradually picking up
- Construction of large vessels continues to drive up oversupply

Container Shipping Market Freight Rate Trends by Route

Source: In-house data compiled from the China (Export) Containerized Freight Index

Dry bulk shipping market

- Freight rates hit an all-time low in 2016
- Full-fledged market recovery is expected to take time

Dry bulk Shipping Market Freight Rate Trends

Source: In-house data compiled from the Baltic Freight Index

The NYK Group's Business Environment 2

Technological progress

- Advances in digital technologies, including IoT, big data, and AI
- Changing needs of customers due to technological innovations
- Growing calls for greater efficiency and cost reductions

Environmental responsiveness

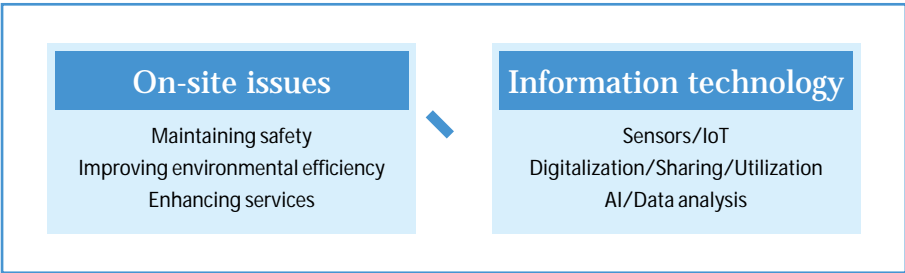
- Transition to a low-carbon society
- Increasingly strict environmental regulations
- Integration of ESG criteria in corporate value assessments



As financial targets under our medium-term management plan, we are aiming for recurring profit between the ¥70.0 to ¥100.0 billion range by fiscal 2022, along with return on equity of at least 8.0%, a minimum shareholders' equity ratio of 30.0%, and a debt-to-equity ratio of no more than 1.5. We will work to increase the return on equity by improving profitability, cutting costs, utilizing assets more efficiently, and maintaining the Company's bond credit ratings. Over the five years of the plan, operating cash flow

Tadaaki Naito

President, Representative Director
President Corporate Officer



Fostering a corporate culture that takes on challenges

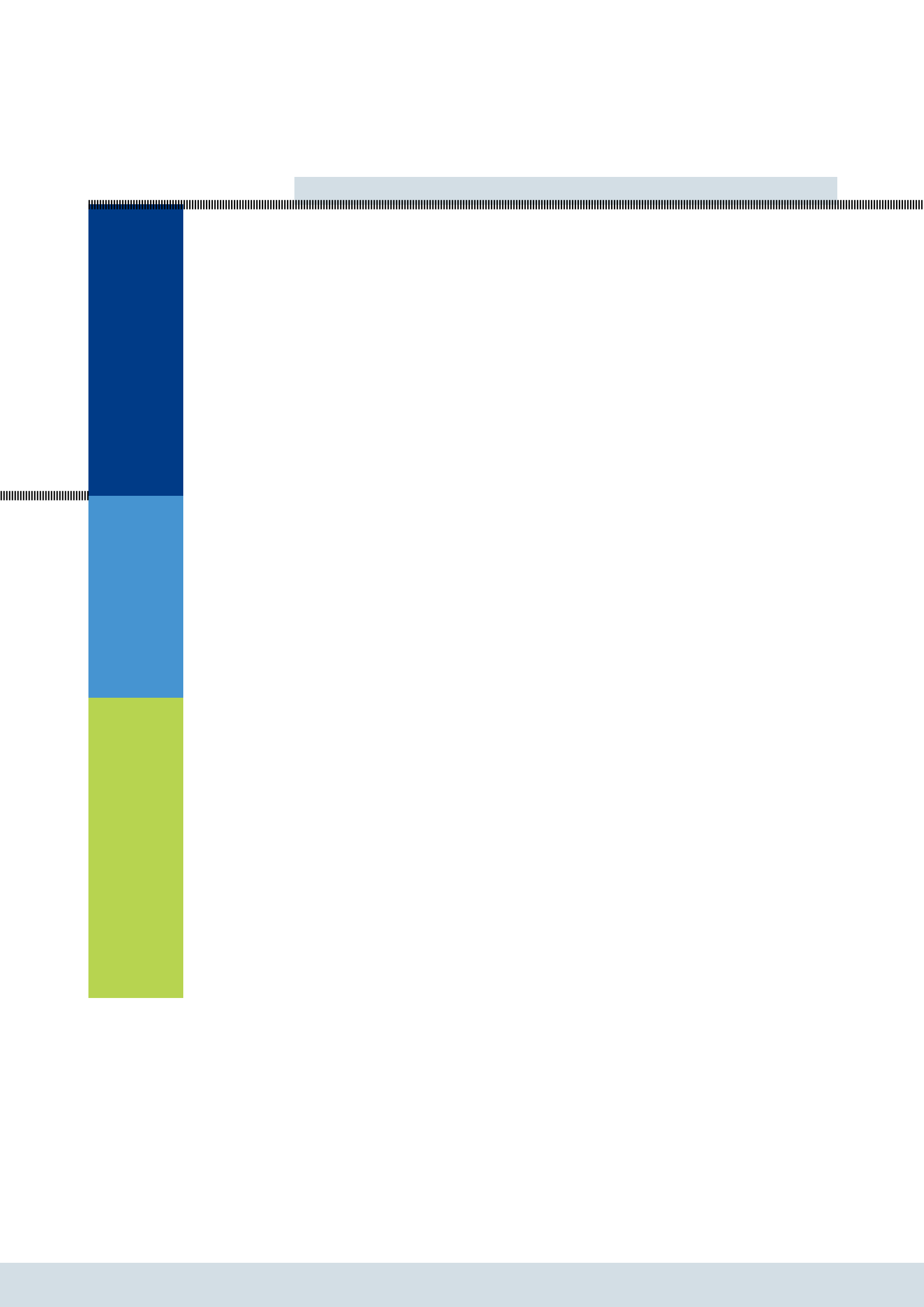


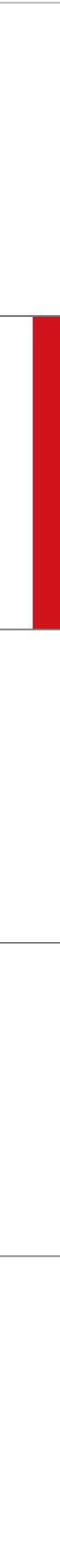


Creating New Rules for Condition-based Maintenance of Onboard Machinery

Collaborating with Manufacturers to Achieve Innovations in Vessel Maintenance Management









international rules and standards for the whole world.

Koyama: At the Group, we have worked to heighten sensitivity to maritime rules as we have focused on how to quickly and properly respond to the rules. For example, we set up a Safety Promotion Committee in 1992 after the

Sekimizu: The first major maritime accident (the *Seawise Gemini*) occurred in 1980. That is when the IMO adopted the International Safety Management (ISM) Code*.

We thought that NYK as a ship operating company should take greater responsibility for safety, so we established the committee as a specialized organization before putting the code into practice. Safety management was being performed by seafarers in those days, but we decided to position safety management at

the center of the Company's management by having the president chair the committee from its inception.

Sekimizu: Undoubtedly, the enforcement of the ISM Code in 1998 was an important event in the history of the modern shipping industry. Before then, it was common understanding that the captain of individual ships must take the responsibility for the safe operation of vessels, so the responsibility of the management of shipping companies was unclear. The ISM Code made it very clear that the management of companies should also be responsible for the safety of ships that are owned or operated by them. Moreover, the IMO recognized the great importance of human factors in shipping operations, so it incorporated them in international rules through the Code.

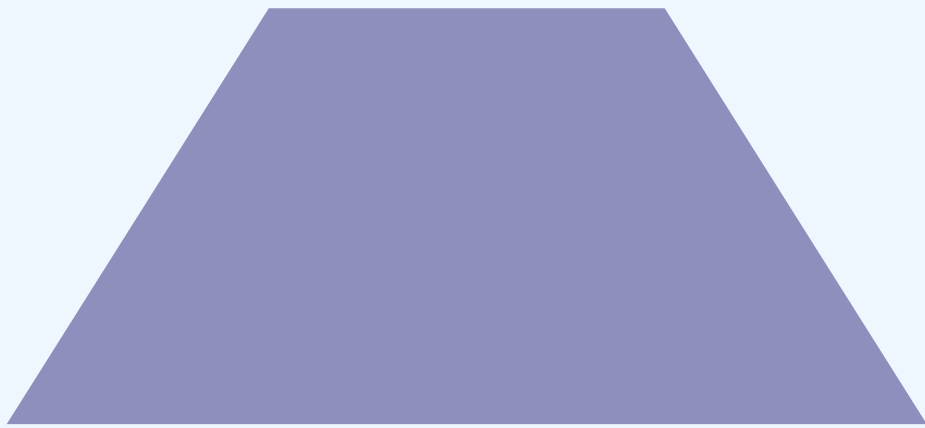
Unfortunately, however, although the ISM Code has been enforced for about a quarter of a century, serious accidents

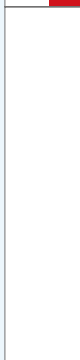
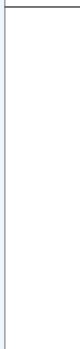


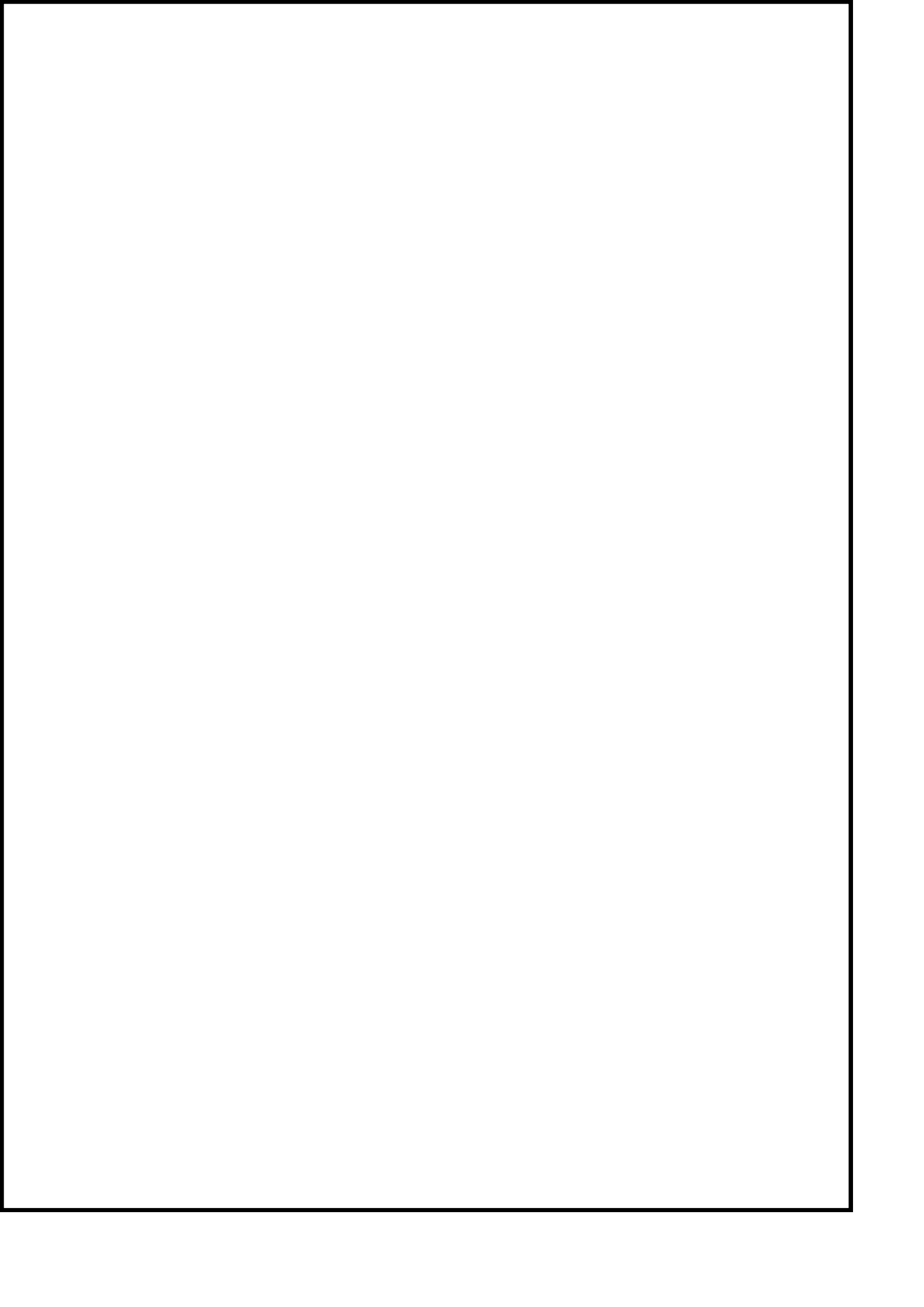
explained through manuals and other communication tools, we provide training for seafarers through a program called the NYK Maritime College (see page 43 for details) to make sure that the Company's policies and the importance given to safety are widely understood. Over 6,000 seafarers each year take classes in the program, which allows personnel of every nationality to receive the same education and training in various countries and regions. In an effort to educate and secure highly skilled seafarers, we took the lead in the industry with its establishment of the NYK-TDG Maritime Academy (see page 33 for details) in the Philippines in 2007. We have also been carrying out a variety of other initiatives, such as holding seafarer conventions and promoting our Near Miss 3000 program (see page 34 for details). By continuously implementing these activities, we have trained loyal and highly safety-conscious seafarers who, regardless of their nationality, identify strongly with NYK when working on board ships.

Sekimizu: The IMO has been adding it (in 2005) to the list of activities that the NYK Maritime Academy will be implementing.



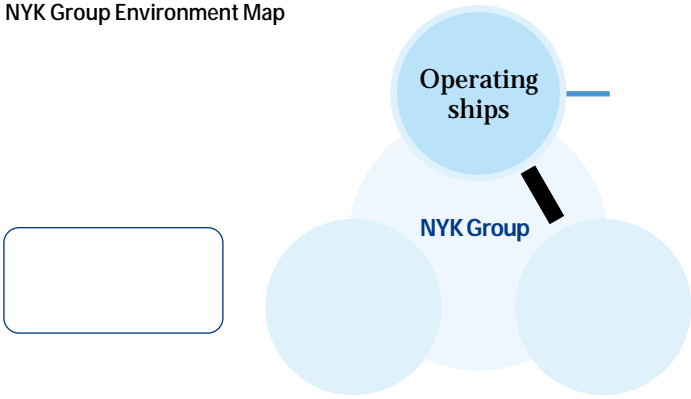




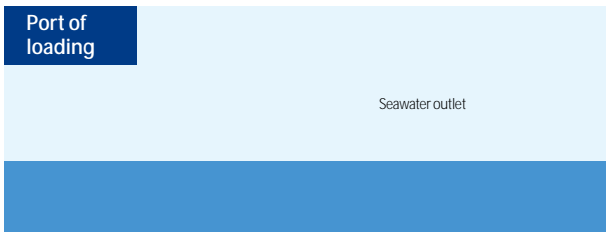
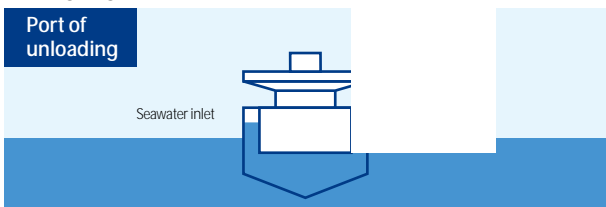




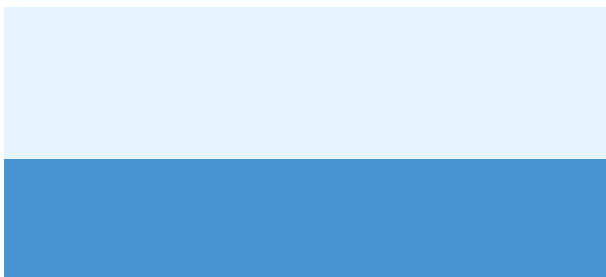
NYK Group Environment Map



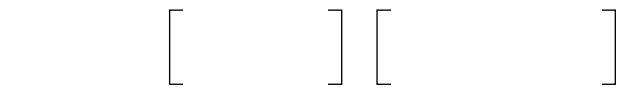
Moving Organisms with Ballast Water



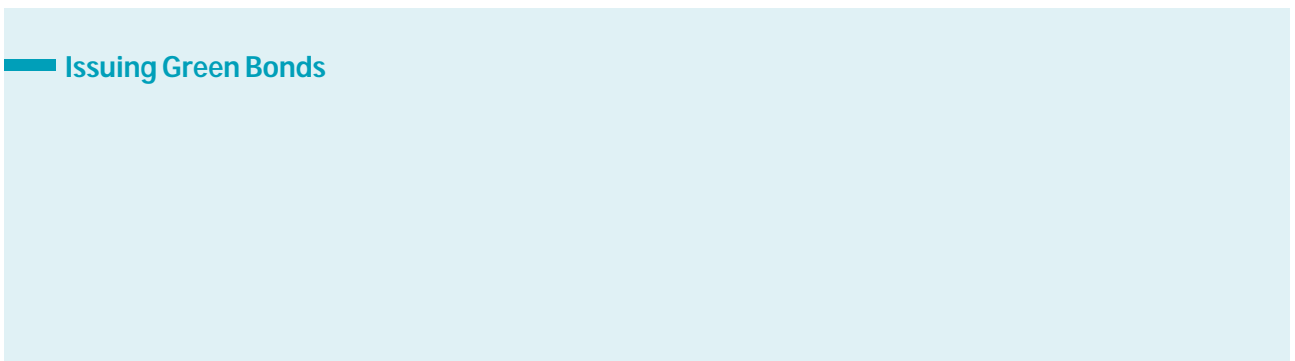
Ballast Water Treatment



Recycling Process



Issuing Green Bonds







Improvement Rate of CO₂ Emissions



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Global Logistics

Global Logistics



Logistics

Business Environment

- Demand for global logistics continuing to expand
- Need for one-stop services expanding

Basic Strategy Based on the New Medium-Term Management Plan





Bulk Shipping Business

Car Transportation Division

locations over the world, as well as the largest fleet in the world and a high level of transportation quality supported by organizations and human resources with a wide range of experience. Our Group company YLK is expanding auto parts logistics globally, and we believe that YLK can provide



this ability for larger vessels. Its mission is to thoroughly manage fleet market exposure and increase income in a fluctuating market via various efforts. The Group has become able to shorten the period of ballast voyages, etc., by quantitatively analyzing cargo information around the world via our global sales network and striving to perform allocation and matching for vessel procurement. Furthermore, with the advancement of market forecasts and optimization of vessel operations, there is an increasing possibility th1782Dil0(sel)JThas becaalew increof vese (and vest20(ionfactions, andiner)2egy(ionadapctuatvia) oper



We operate the eighth largest number of VLCCs in the world, and have a 30% share of transportation in Japan. Our income structure is stable thanks to our vessels being allocated based on long-term contracts with major petroleum companies both inside and outside Japan. In order to secure these long-term contracts into the future, we will maintain and



In its new medium-term management plan, the NYK Group identified the creation of new value in the environmental field to be an important management theme. We asked the leader of the new Green Business Team established in April 2018 about the status of current progress and future outlook.

— **What Was the Background Behind Establishing the Green Business Team?**

Above all, the team was established along with global upward trend of CO₂ reduction and decarbonization.

Revenues

Profit (Loss) Attributable to Owners of Parent/ROE

Dividends per Share/Net Income (Loss) per Share

Ratings

Rating Company	Type of Rating	Rating
Japan Credit Rating Agency Ltd. (JCR)	Long-term Issuer Rating (Outlook)	A (Negative)
	Bond Rating	A
Rating and Investment Information Inc. (R&I)	Issuer Rating (Outlook)	Long-ok

By Segment

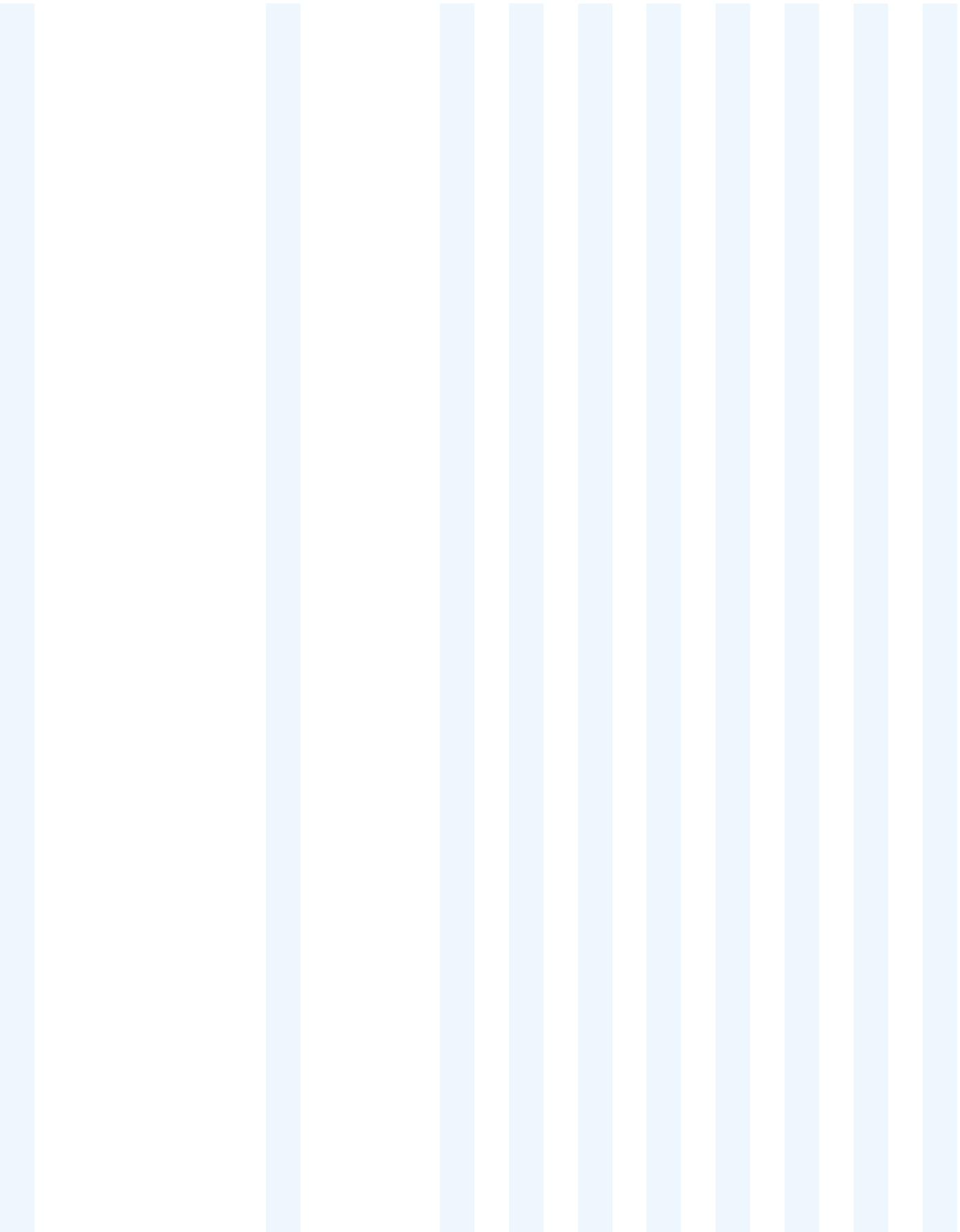
* Since FY2013, "Terminal and Harbor Transport" has been included in "Liner Trade". In addition, some consolidated subsidiaries have been moved from "Liner Trade" to "Bulk Shipping"
* Since FY2015, "Cruises" has been included in "Other Business Services"
* Figures before changes in business category have not been restated
* The forecast figures of FY2018 are as of 27th April, 2018



Directors, Audit and Supervisory Board Members, and Corporate Officers

(Current as of June 20, 2018, number of shares held* as of April 30, 2018)

* The company consolidated 10 shares into one share on October 1, 2017.





We have established an Internal Control Committee chaired

Compliance Initiatives

The Company has established the Compliance Committee, which convenes twice yearly to discuss and decide items regarding major policies and the maintenance of a system for promoting and enhancing compliance.

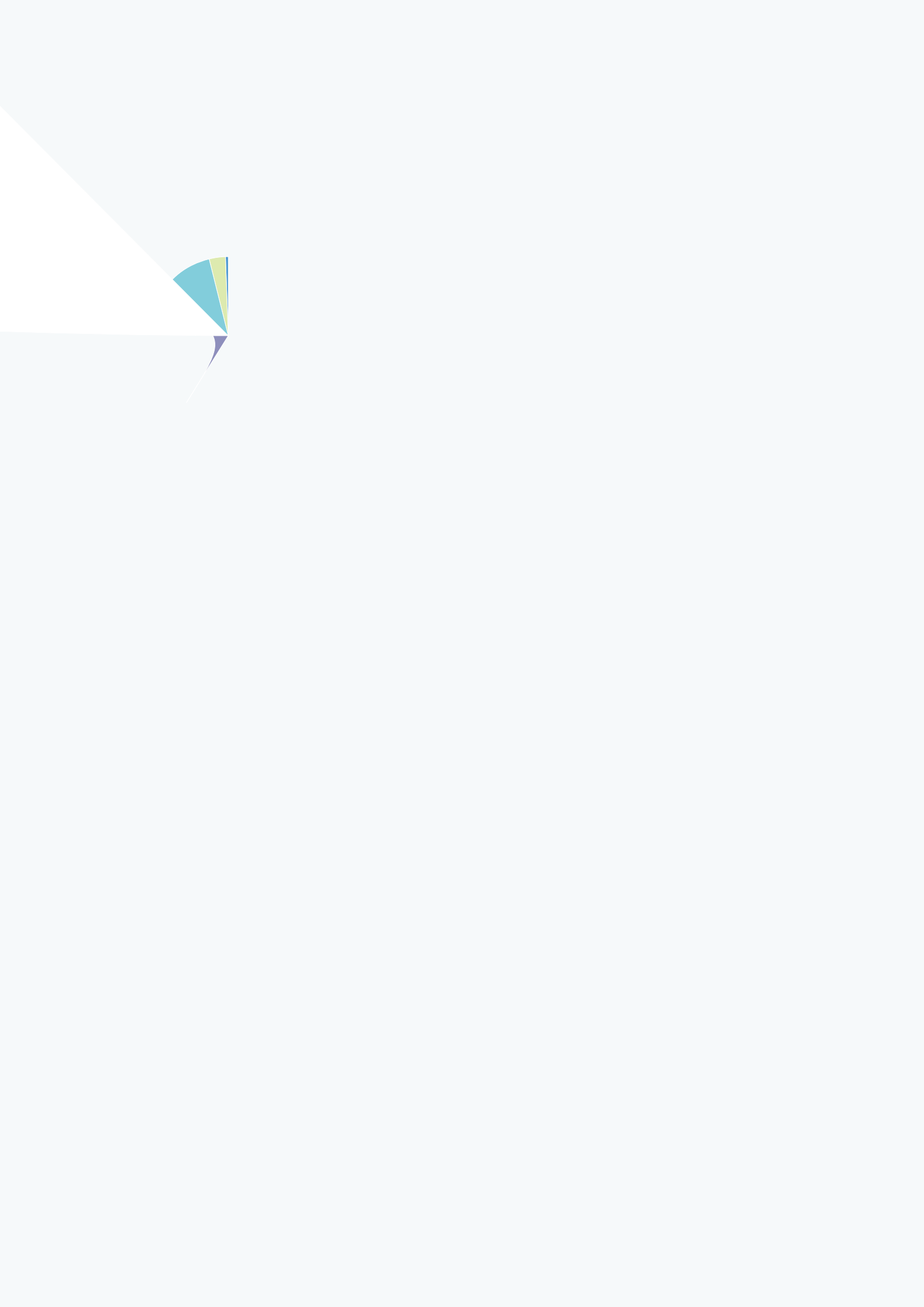
Also, we have set September as the NYK Group's compliance-strengthening month and conduct comprehensive compliance checkup activities during this period as an opportunity for staff members* to review their own behavior and work processes.

Furthermore, we make efficient use of the helplines established in Japan and overseas in accordance with local circumstances. The Yusen Chat Room system, one of the help lines in Japan, is composed of six personnel, including an outside lawyer, who receive whistleblower reports and provide consultation on a wide range of compliance-related matters. The system covers the Company and approximately 60 group companies.

Taxation Compliance

Based on the recognition that we have a social responsibility to fairly and appropriately pay taxes, we strive to improve taxation compliance. In recent years, tax evasion that takes advantage of the differences between the corporate business activities and national tax regulations and international taxation rules has come to be seen as a problem. International taxation frameworks such as the OECD's Base Erosion and Profit Shifting (BEPS) project are essential for securing the transparency of taxation, and we are promoting implementation.









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1) Continually improve EMS.1515 8176.67 -5.11 c





*1 Chartered vessels are ships leased from shipowner in a state capable of safe operation*1
*2*1 ISO 14001 environmental certification*1

Highlights of Fiscal 2017 Environmental Activities

