NYK GROUP

More Than Shipping

NIPPON YUSEN KABUSHIKI KAISHA
ANNUAL REPORT 2011

Contents

Cautionary Statement with Regard to Forward-looking Statements

Some statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. NYK undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

Although essentially a shipping company, we cannot differentiate ourselves through shipping alone. This is why we intend to grow further by combining traditional shipping with value-added strategies.

In March 2011, the NYK Group prepared a new medium-term management plan — "More Than Shipping 2013" — which focuses on our commitment to building a new growth model that reaches beyond shipping and on strategies for putting that model into practice.
How will we evolve going forward?
Focusing on the new medium-term management plan, this annual report explains our path to further growth.

NYK Group Mission Statement

Through safe and dependable *monohakobi* (transport), we contribute to the betterment of societies throughout the world as a comprehensive global-logistics enterprise offering ocean, land, and air transportation.

Together with Our Customers

Through the use of our extensive skill and expertise and by considering each business site to be of utmost importance, we always work to create new value so that our customers will consider us a trusted and reliable partner.

Together with Our Shareholders and Investors

We aim to enhance our corporate value by being financially responsible and by conducting business activities in an open, honest, and transparent fashion.

Together with Society

As a good corporate citizen, we positively take on the tough issues that challenge our society, such as concerns involving the preservation of our natural environment, as we work for the betterment of the world that we inhabit.

Together with All Staff Members in the NYK Group

As a global enterprise that has the utmost respect for diversity in the workplace and the spirit of challenge, we emphasize the development of employee talents so that all staff members can take pride in their work and eventually fulfill their dreams.

NYK Group Values: *integrity*, *innovation*, and *intensity*

Principles for Achieving NYK Group Mission Statement

integrity

Be respectful and considerate to your customers and colleagues.

Stay warm, cordial, courteous, and caring.

innovation

Continually think of new ideas for improvement, even when conditions appear satisfactory.

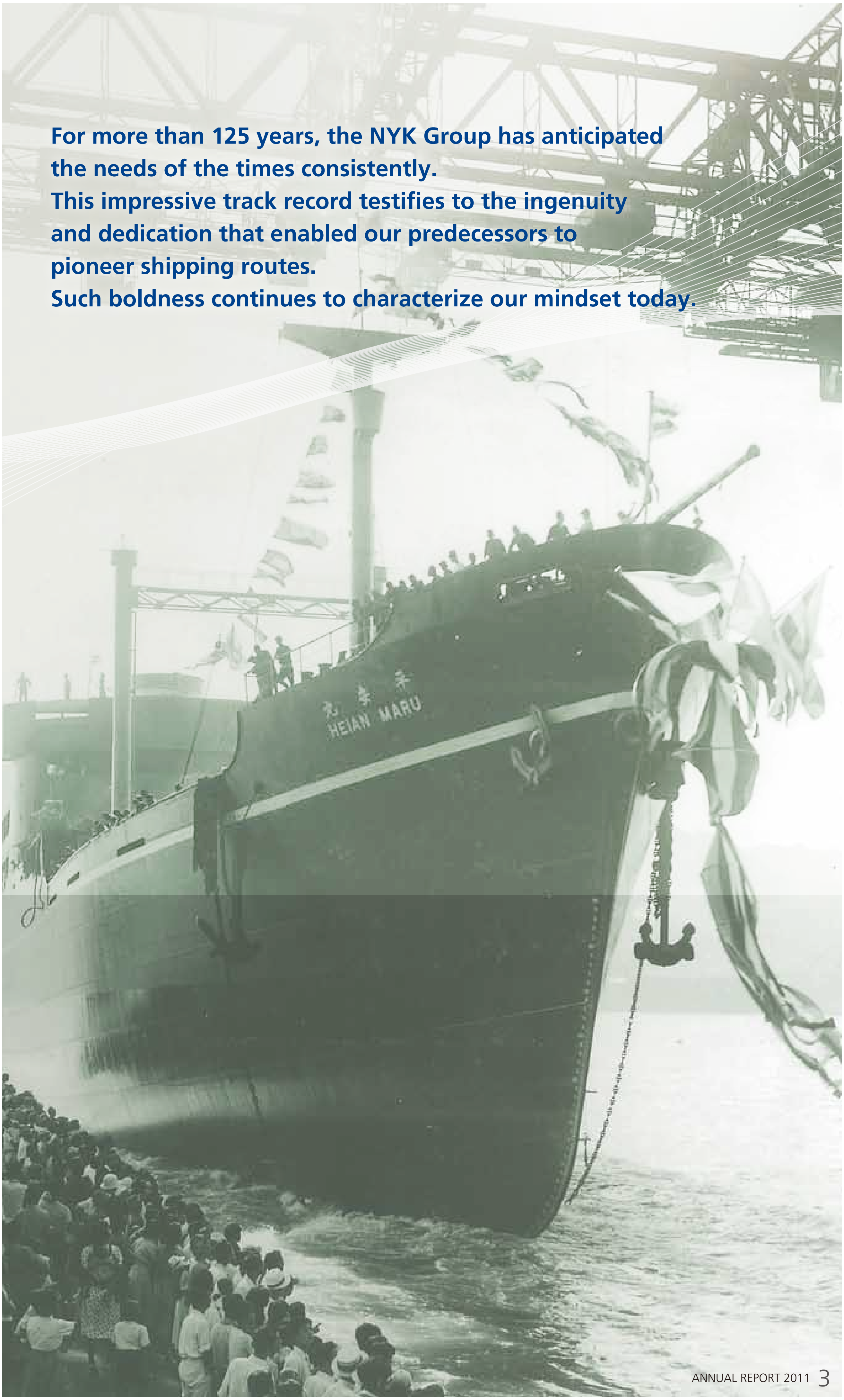
Remain open to betterment.

intensity

Carry through with and accomplish your tasks.

Never give up. Overcome challenges. Remain motivated.

For more than 125 years, the NYK Group has anticipated the needs of the times consistently.
This impressive track record testifies to the ingenuity and dedication that enabled our predecessors to pioneer shipping routes.
Such boldness continues to characterize our mindset today.



NYK Group — Trailblazing through the Ages

For more than a century, the NYK Group has repeatedly been first to identify emerging trends and respond to them boldly and creatively.
The steady expansion of the NYK Group's fleet of vessels reflects the success of these initiatives. Taking inspiration from this pioneering legacy, we will tirelessly tackle challenges to ensure growth not only in the next several decades but throughout the next century.

1873
Mitsukawa Shokai, formerly Tsukumo Shokai,* reorganizes and becomes Mitsubishi Shokai, under owner Yataro Iwasaki, who subsequently founds the Mitsubishi Group. Changes name to Mitsubishi Jokisen Kaisha in the following year.

* A company that the Tosa Clan establishes in 1870 with three steamships. Yataro Iwasaki oversees the business.

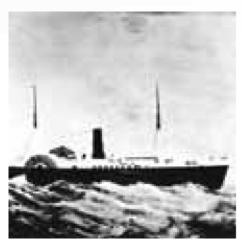
Begins to develop as overseas shipping company centered on international liner services by establishing liner services to Shanghai, Manila, Vladivostok, and other ports.

1885
Yubin Kisen Mitsubishi Kaisha and Kyodo Unyu Kaisha merge to establish Nippon Yusen Kaisha (NYK).

Photo provided by Mitsubishi Archives

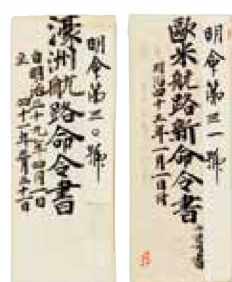
The senior management team of Yubin Kisen Mitsubishi Kaisha

1893
Launches Japan's first long-distance liner service on the Bombay (Mumbai) route.



Hiroshima Maru

1896
Establishes liner services to Europe, North America, and Australia; ranks alongside Western shipping companies.



Shipping mandates

1914
Tokushima Maru becomes first Japanese ship to pass through the Panama Canal.

Tokushima Maru

1929
Lifts curtain on age of luxury passenger liners by introducing to North American and European routes series of passenger liners, eventually including *Asama Maru*, *Chichibu Maru*, and *Hikawa Maru*.

Heian Maru

1959
Takes delivery of NYK Group's first oil tanker.

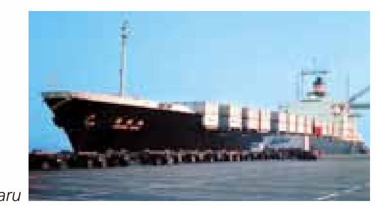
Tanba Maru

1950s: Due to rapid growth of Japan's economy, international ocean cargo movements shift significantly from general cargo toward crude oil and other energy and natural resources. The NYK Group quickly decides to introduce a series of dedicated vessels, including tankers, iron-ore carriers, and wood-chip carriers.

1960
Takes delivery of NYK Group's first specialized ore carrier.

Tobata Maru

1968
Takes delivery of Japan's first fully containerized ship.



Hakone Maru

1978
Establishes Nippon Cargo Airlines Co. Ltd. (NCA).

1985
Celebrates centennial.

Faces rapid yen appreciation due to Plaza Accord. In response, the NYK Group undertakes decisive restructuring and steps up hiring of non-Japanese crew members through manning companies.

1997
Large tanker *Diamond Grace* spills crude oil in Tokyo Bay.

2007
- Sets out *integrity*, *innovation*, and *intensity* as the NYK Group Values.
- Establishes NYK-TDG Maritime Academy in the Philippines.

2009
Enters offshore business by participating in drilling-ship project.

Drilling ship

2010
Celebrates 125th anniversary.

1,000
750
500
250
0

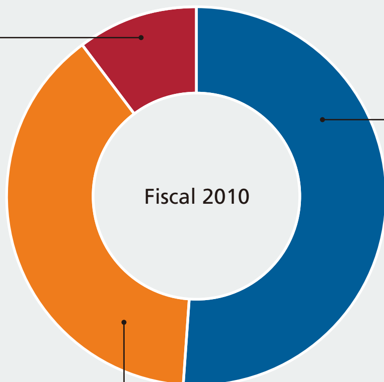
1870 • • • • 1875 • • • • 1880 • • • • 1885 • • • • 1890 • • • • 1895 • • • • 1900 • • • • 1905 • • • • 1910 • • • • 1915 • • • • 1920 • • • • 1925 • • • • 1930 • • • • 1935 • • • • 1940 • • • • 1945 • • • • 1950 • • • • 1955 • • • • 1960 • • • • 1965 • • • • 1970 • • • • 1975 • • • • 1980 • • • • 1985 • • • • 1990 • • • • 1995 • • • • 2000 • • • • 2005 • • • • 2010

Operating Fleet Size (vessels)

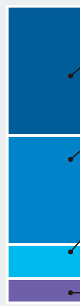
BUSINESS PORTFOLIO

Net Sales Breakdown*

* Before consolidation elimination



Global Logistics Business



Liner Trade Business	22.3%
Logistics Business	18.9%
Terminal and Harbor Transport Business	5.9%
Air Cargo Transportation Business	4.2%

Bulk Shipping Business

Bulk Shipping Business Car Transport Dry Bulk Transport Energy Transport	38.5%

Other Business

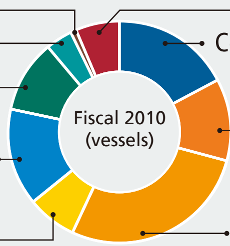
Cruise Business	1.7%
Real Estate Business	0.6%
Other Business Service	7.9%

KEY FIGURES

Fleet Size (Consolidated)

827 vessels

60.2 million Kt (DWT)



Logistics Centers

36 countries

412 centers

(As of September 2010)

Terminals

43

bases worldwide

Air Cargo Transportation

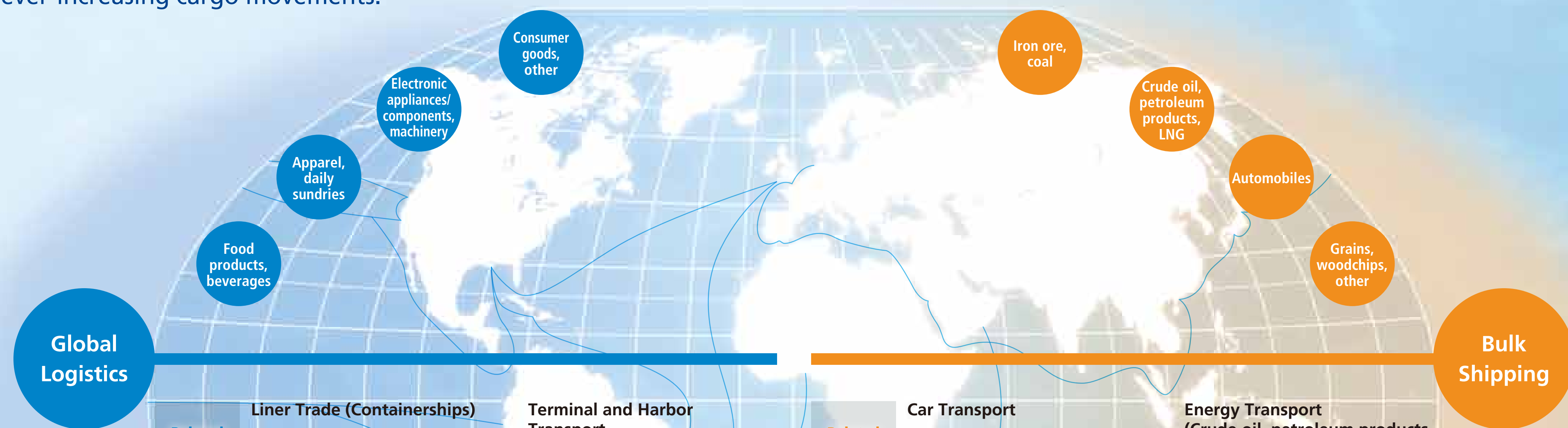
2,375 million ton km

(Fiscal 2010 shipping data)

Having a business portfolio that transcends the bounds of traditional shipping is key to the NYK Group's competitive superiority.
Drawing on an array of transportation modes, we will cater to the world's burgeoning logistics needs comprehensively.

A Unique Business Base Enabling the Growth of Cargo Movements Worldwide

The sheer diversity of infrastructure that the NYK Group commands sets it apart from rivals on the world stage. Our operations encompass a fleet that ranges from containerships through specialized vessels as well as logistics infrastructure, terminals, and aircraft. From fiscal 2010, ended March 31, 2011, the NYK Group consolidated its businesses into two segments: "Global Logistics" and "Bulk Shipping." Based on this realigned organization, we will cater to the world's ever-increasing cargo movements.



Global Logistics

Related Business	Liner Trade (Containerships) Air Cargo Transportation	Terminal and Harbor Transport Logistics
Advantages	Boasts transportation infrastructure covering regions across the world Provides solutions tailored to customers' needs by integrating different types of infrastructure	

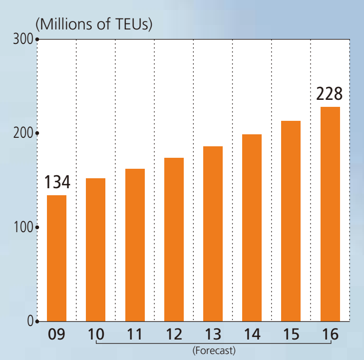
Economic globalization is dispersing companies' sales, manufacturing, and purchasing bases across the globe. As a result, logistics are becoming more advanced and complex. In response, more companies want to completely outsource and optimize their logistics operations. Our organization provides the optimal logistics services to meet this demand.

Bulk Shipping

Related Business	Car Transport Dry Bulk Transport (Iron ore, coal, grains, etc.)	Energy Transport (Crude oil, petroleum products, LPG, LNG, etc.)
Advantages	Controls one of the largest vessel fleets in the world Enjoys stable earnings thanks to long-term contracts Has leading-edge technological capabilities	

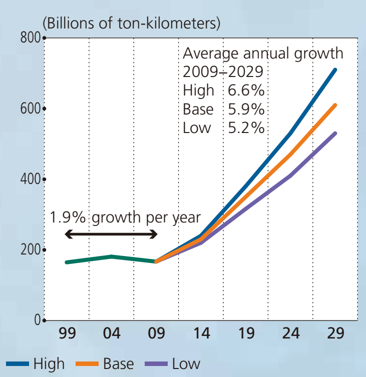
Transporting such cargoes as automobiles, crude oil, or LNG calls for a high level of expertise. Developed over many years, the NYK Group's world-class transportation technology and safety management systems have earned a high level of trust among customers in Japan and overseas. This confidence plays an important role in bringing us new business opportunities. A distinctive feature of this segment is its overall strategy of concluding long-term transportation contracts, which gives it a stable earnings structure that is less susceptible to market fluctuation.

① Container Transport Volume



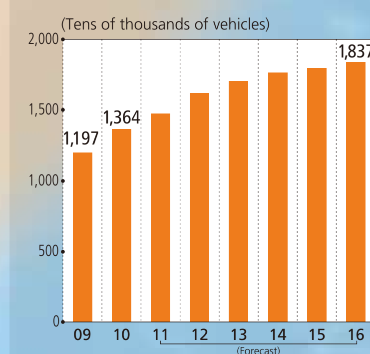
Source: Drewry and NYK Forecast

② Air Cargo Demand Forecast



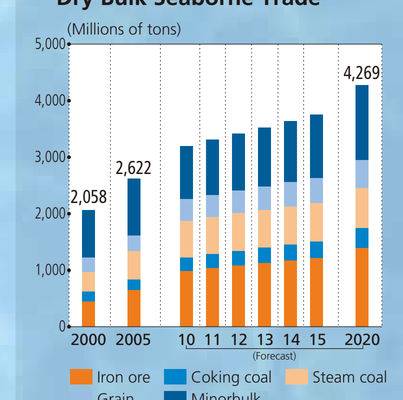
Source: Boeing World Air Cargo Forecast 2010-2011

③ Worldwide Car Transport Volume



Source: NYK Research Group

④ Volume and Forecast of Dry Bulk Seaborne Trade

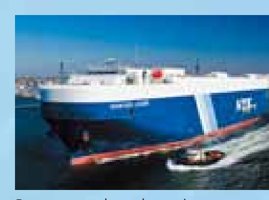


Source: Clarkson's *Shipping Review & Outlook* (Spring 2010, Autumn 2010), *Dry Bulk Trade*, NYK Research Group referring customs statistics and EIA

Containership

Container terminal

Large-scale, specialized ore carrier



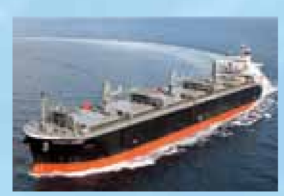
Pure car and truck carrier

Chemical tanker

Truck

Warehouse

Cargo freighter



Wood chip carrier

VLCC

LNG carrier

SOCIALLY RESPONSIBLE INVESTMENT

The NYK Group is actively involved in sustainability efforts in such areas as environmental preservation and compliance. Reflecting high evaluation of these initiatives, such major indexes as the Dow Jones Sustainability Indexes and the FTSE4Good Global Index include the NYK Group.

Dow Jones Sustainability Indexes

The Dow Jones Sustainability World Index,* a globally recognized socially responsible investment index, has included the NYK Group for eight consecutive years.

* A socially responsible investment index prepared by U.S.-based Dow Jones Indexes and Switzerland-based SAM Indexes GmbH., which evaluates sustainability

FTSE4Good

FTSE4Good Global Index has listed us for nine years in a row. This index selects companies based on unique international benchmarks for corporate and environmental social responsibility. It comprises 720 global companies from 25 countries, of which 190 are Japanese companies.

sam 2011 silver class

For the second straight year, Swiss socially responsible investment rating agency SAM Indexes GmbH. has awarded the NYK Group with a silver class corporate social responsibility rating. In the worldwide transportation industry, three companies claimed Gold while five won Silver. However, the NYK Group was the only Japanese company among these.

Global 100

For five years, we have been one of the "Global 100 Most Sustainable Corporations in the World." This initiative chooses 100 companies from among 3,000 candidates in 22 countries around the world. The list includes 19 Japanese corporations from a range of industries, such as insurance and electronic appliance manufacturing.

World's Most Ethical Companies

Since 2008, U.S. think tank Ethisphere Institute has chosen the NYK Group as one of the "World's Most Ethical Companies." For 2011, 110 companies achieved this ranking, including six Japanese companies. Worldwide, the NYK Group was the only shipping company.

MS-SRI

Morningstar Japan K.K. has included us in the Morningstar Socially Responsible Investment Index, or the MS-SRI, since 2004. Consisting of 150 Japanese companies, the MS-SRI was Japan's first socially responsible investment stock price index.

KEY FIGURES

CO_2 Emissions of *NYK Super Eco Ship 2030*

Down by 69%

Fuel cells	32%	Solar power	2%
Reduced hull friction	10%	Superconductivity	2%
Weight savings	9%	Reduced power for ship use	2%
Propulsion efficiency	5%	Hull form optimization	2%
Wind power	4%	Reduced wind resistance	1%

Downtime*

Down by 20.9 hours

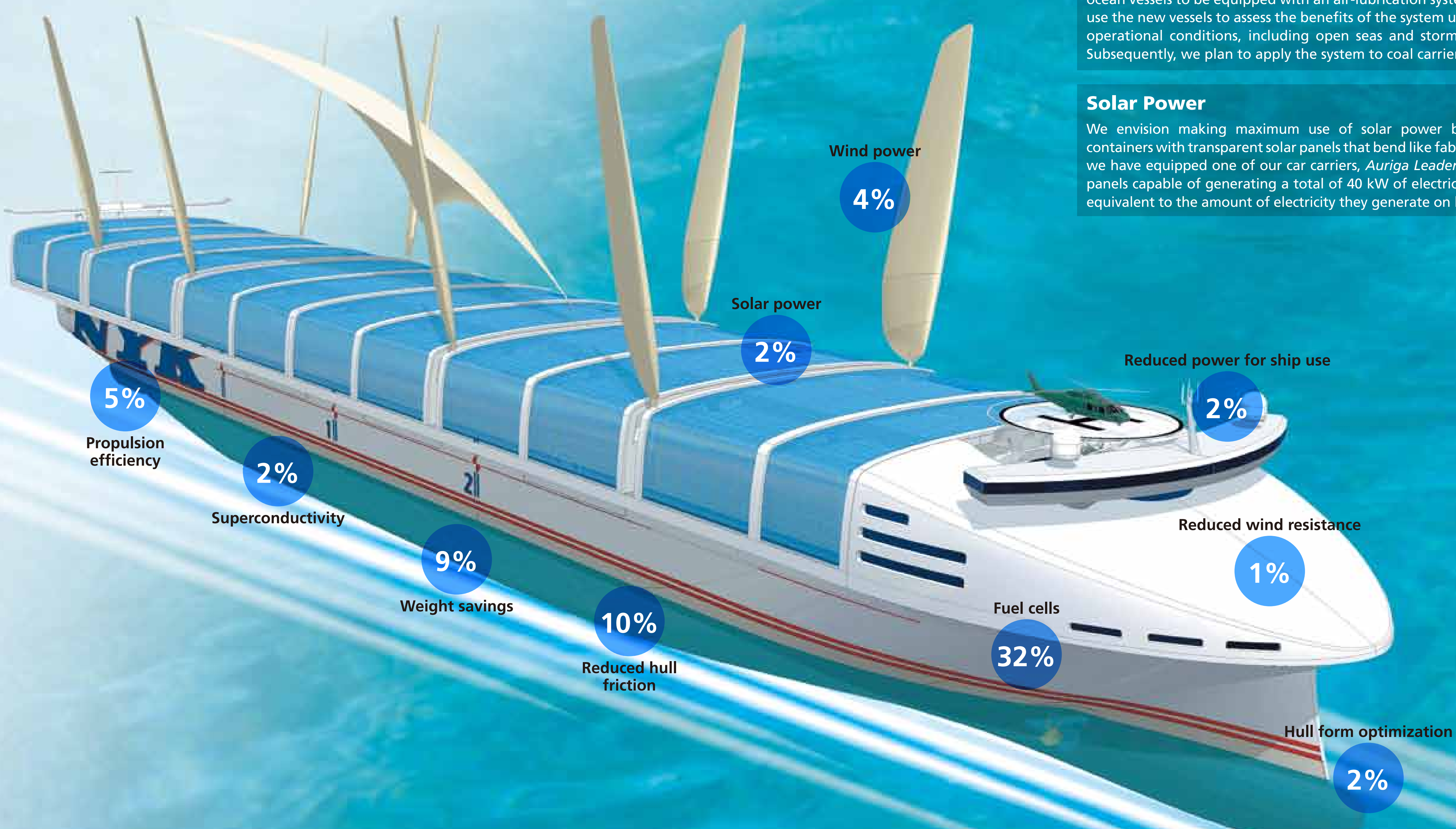
Fiscal 1993	33.0 hours
Fiscal 2010	12.1 hours

* The NYK Group uses downtime, the hours per year that ship operations stop due to accidents or problems, as a safety indicator. The NYK Group aims to eliminate downtime.

While contributing to the development of the world economy, we must focus on coexisting with the global environment. Technological innovation aimed at realizing a sustainable society is a never-ending task.

Setting Our Sights on Environment-Friendly *monohakobi* (transportation)

Marine transportation accounts for roughly 90% of the world's logistics and is an environment-friendly mode of transportation. Nevertheless, we cannot overlook the fact that international marine transportation emits approximately 870 million tons of CO_2 per year, based on 2007 figures. Further, ocean cargo transportation will triple by 2050 if the economic development of emerging countries drives it up 3% every year. The resulting increase in shipping capacity will heighten the impact on the global environment. In order to enable marine transportation to lower its environmental burden while contributing to global economic development, the NYK Group is innovating technology that reduces CO_2 emissions. As a milestone on the way toward developing a zero-emissions ship by 2050, we have set out the *NYK Super Eco Ship 2030* as a concept ship for 2030.

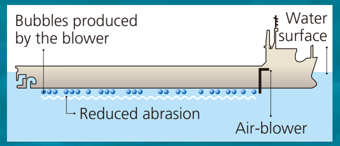


NYK Super Eco Ship 2030

This futuristic containership will reduce CO_2 emissions 69% by combining fuel cells and natural energy technologies, such as solar and wind power, with a lighter hull. We are continuing tests of technologies for the *NYK Super Eco Ship 2030* by incorporating them in new vessels.

Reducing Hull Friction

The NYK Group and Mitsubishi Heavy Industries Ltd. have jointly developed an air-lubrication system that reduces friction between the hull and seawater. By generating bubbles at the bottom of the vessel, this technology lowers CO_2 emissions by about one tenth. In 2010, we completed construction of two module carriers, the *Yamatai* and the *Yamato*, which incorporate this system. These are the world's first operational ocean vessels to be equipped with an air-lubrication system. We will use the new vessels to assess the benefits of the system under actual operational conditions, including open seas and stormy weather. Subsequently, we plan to apply the system to coal carriers.



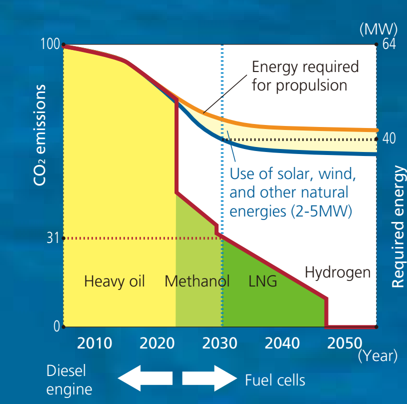
Solar Power

We envision making maximum use of solar power by covering containers with transparent solar panels that bend like fabric. Already, we have equipped one of our car carriers, *Auriga Leader*, with solar panels capable of generating a total of 40 kW of electricity, roughly equivalent to the amount of electricity they generate on land.

Looking Ahead to New Energy Sources

In order to develop into a sustainable society, we not only need to save energy, we also have to change our energy sources from fossil fuels to clean energies. As one such source of clean energy, fuel cells are attracting attention.

Energy-Conversion Roadmap



Two years of tough business conditions have left the NYK Group's business base leaner and stronger than ever. Taking advantage of this strength, we will grow steadily under the new medium-term management plan.

front row from left
Chairman, Chairman Corporate Officer
Koji Miyahara

President, President Corporate Officer
Yasumi Kudo

back row from left
Outside Director Yukio Okamoto
Representative Director, Senior Managing Corporate Officer Toshinori Yamashita
Representative Director, Senior Managing Corporate Officer Hidenori Hono
Representative Director, Senior Managing Corporate Officer Tadaaki Naito
Director, Managing Corporate Officer Hiroshi Hiramatsu
Outside Director Yuri Okina
Director, Managing Corporate Officer Kenji Mizushima
Representative Director, Senior Managing Corporate Officer Masamichi Morooka
Representative Director, Senior Managing Corporate Officer Masahiro Kato
Representative Director, Senior Managing Corporate Officer Naoya Tazawa
Director, Managing Corporate Officer Hitoshi Nagasawa

We would like to thank our shareholders, other investors, customers, business associates, local communities, and other stakeholders sincerely for their continuing support and understanding of the NYK Group's activities.

Also, we want to express our heartfelt condolences for the victims of the Great East Japan Earthquake on March 11, 2011. Although lost for words whenever we learn further details about the almost unimaginable scale of the damage, we are doing what little we can to help restore the disaster area. (Please see page 64 for details of our support activities.)

In recent years, under the guidance of the New Horizon 2010 medium-term management plan and the *Yosoro* (Steady Ahead!) Emergency Structural Reform Project, the NYK Group has made an all-out effort to expand businesses in growth areas. In conjunction with these efforts, the NYK Group has worked to change over to a business model less susceptible to fluctuation caused by outside conditions.

From April 2011, we launched a **new medium-term management plan, "More Than Shipping 2013."** Exploiting the business base built under the previous medium-term management plan, we intend to realize stable earnings — irrespective of whether favorable market conditions are providing a tailwind — and thereby grow steadily. We give a detailed explanation of the new medium-term management plan from page 18 onward.

In 2010, the NYK Group celebrated its 125th anniversary. The NYK Group has prepared **"More Than Shipping 2013"** with a view to sustained growth over the coming 125 years. We are confident that by establishing concepts and structures that break the mold of traditional shipping we will continue growing and advancing toward even greater achievements.

Consolidated Financial Highlights

Fiscal years ended March 31

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Results of Operation				
Revenues	¥1,929,169	¥1,697,342	¥2,429,972	$23,201,079
Costs and expenses	1,622,045	1,520,932	2,054,595	19,507,462
Selling, general and administrative expenses	184,777	194,504	230,463	2,222,219
Operating income (loss)	122,346	(18,094)	144,914	1,471,397
Recurring profit (loss)	114,165	(30,445)	140,814	1,373,012
Net income (loss)	78,535	(17,447)	56,151	944,504
Capital expenditures	278,570	237,969	417,555	3,350,214
Depreciation and amortization	100,198	98,019	100,124	1,205,031
Financial Position at Year-End				
Total assets	2,126,812	2,207,163	2,071,270	25,578,026
Interest-bearing debt	981,972	1,081,870	1,077,956	11,809,647
Shareholders' equity	684,627	661,232	544,121	8,233,648
Cash Flows				
Operating activities	174,585	62,105	150,474	2,099,639
Investing activities	(162,781)	(43,706)	(170,253)	(1,957,687)
Financing activities	(100,161)	137,396	29,571	(1,204,586)
	Yen			U.S. dollars (Note 1)
Per Share Data (Note 2)				
Basic net income (loss)	¥ 46.27	¥ (12.71)	¥ 45.73	$0.56
Equity	403.46	389.46	443.16	4.85
Cash dividends applicable to the year	11.0	4.0	15.0	0.13
Dividend payout ratio (%)	23.8%	—	32.8%	23.8%

	2011	2010	2009
Managing Indicators			
Return on Equity (ROE)	11.7%	(2.9)%	9.5%
Return on Assets (ROA)	3.6%	(0.8)%	2.6%
Return on Invested Capital (ROIC)	4.6%	(0.4)%	5.9%
Debt-equity ratio (times)	1.43	1.64	1.98
Shareholders' equity ratio	32.2%	30.0%	26.3%

	2011	2010	2009
Environment, Society, and Governance (ESG) Data			
Number of employees	28,361	31,660	29,834
NYK fleet CO_2 emissions (ton thousand)	14,525	13,991	16,739
NYK fleet fuel consumption (ton thousand)	4,662	4,491	5,373

Notes: 1. U.S. dollar amounts represent the arithmetical results of translating yen to dollars using the exchange rate prevailing at March 31, 2011, which was ¥83.15 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been or could be readily converted, realized, or settled in dollars at that or any other rate of exchange.

2. "Per share data" is calculated based on the weighted-average number of common shares outstanding during each fiscal year.

Fiscal 2010 Business Results Summary

Net income was ¥78.5 billion, a significant improvement, up ¥95.9 billion compared with the previous fiscal year's net loss. Most divisions posted higher earnings and revenues.

Centered on Asia, burgeoning demand among emerging markets supported rising cargo movement and a recovery in freight rates in the liner trade business and the air cargo transportation business, which contributed to better business results. Also, transportation of finished automobiles picked up steadily throughout the fiscal year.

Higher earnings further increased shareholders' equity.

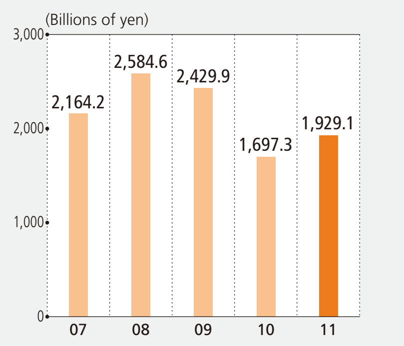
Retained earnings were up ¥64.2 billion, and shareholders' equity, the aggregate of shareholders' capital and valuation and translation adjustments, amounted to ¥684.6 billion. Reduction of interest-bearing debt improved the debt-equity ratio 0.21 percentage point, to 1.43.

The NYK Group paid a total annual dividend of ¥11.00 per share, up ¥7.00 from the previous fiscal year.

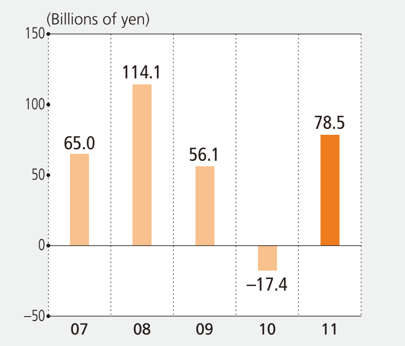
Based on a consolidated payout ratio target of 25%, we will determine appropriation of earnings in light of comprehensive consideration of the business results outlook. Because divergence between the business results outlook and business results was not significant, we decided to pay a total annual dividend of ¥11.00 per share.

Growth Indicators

Revenues

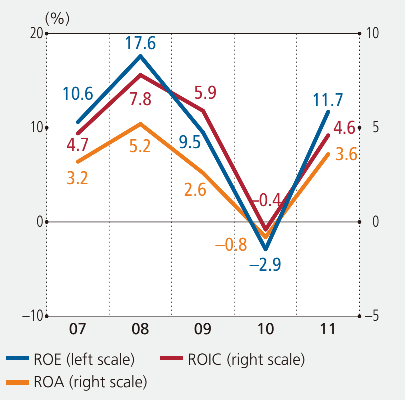


Net Income (Loss)



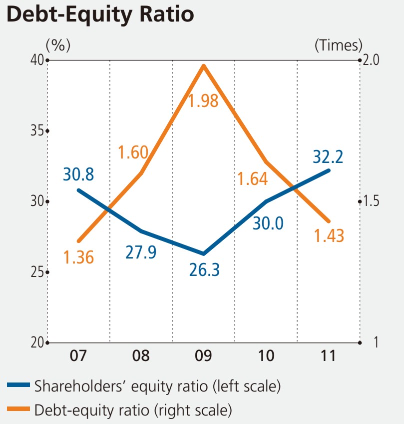
Profitability Indicators

ROE / ROA / ROIC



Stability Indicators

Shareholders' Equity Ratio and Debt-Equity Ratio



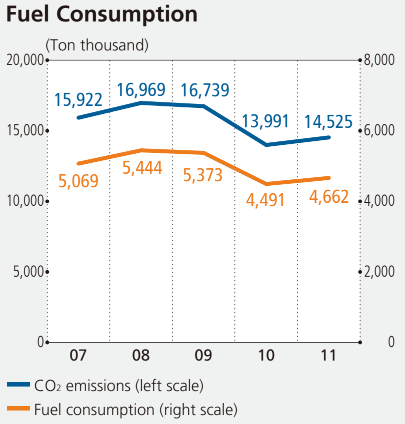
Ratings

(As of March 31, 2011)

	Type	Ratings
Japan Credit Rating Agency, Ltd. (JCR)	Long term	AA-
Rating and Investment Information, Inc. (R&I)	Issuer Short term	A+ a-1+
Moody's	Issuer	Baa1

ESG Indicators

NYK Fleet CO_2 Emissions and Fuel Consumption



Grow with Asia, Expand across the Globe

New Medium-Term Management Plan, "More Than Shipping 2013"

Key Points of New Medium-Term Management Plan

- **Achieve differentiation by providing value-added solutions that expand beyond traditional shipping**
- **Focus of ¥1.8 trillion strategic investments will be on car carriers and natural resources and energy transportation**
- **Target net sales of ¥2.3 trillion, recurring profit of ¥130.0 billion, and net income of ¥95.0 billion by fiscal 2013**
- **Claim share of Asia's growing cargo movement using logistics business and bulk shipping business as pivotal operations**

A Review of Recent Medium-Term Management Plans

NYK21 New Millennium Declaration
Fiscal 2000-2002

Results

- Expanded operations in China market
- Expanded management foundation through acquisition of companies in Europe and the United States
- Generated synergies through consolidations within the Group

NYK21 Forward 120
Fiscal 2003-2004

Results

- Participated in dedicated automobile terminal in China
- Expanded car-related business
- Cultivated new businesses
- Steadily pursued cost-reductions

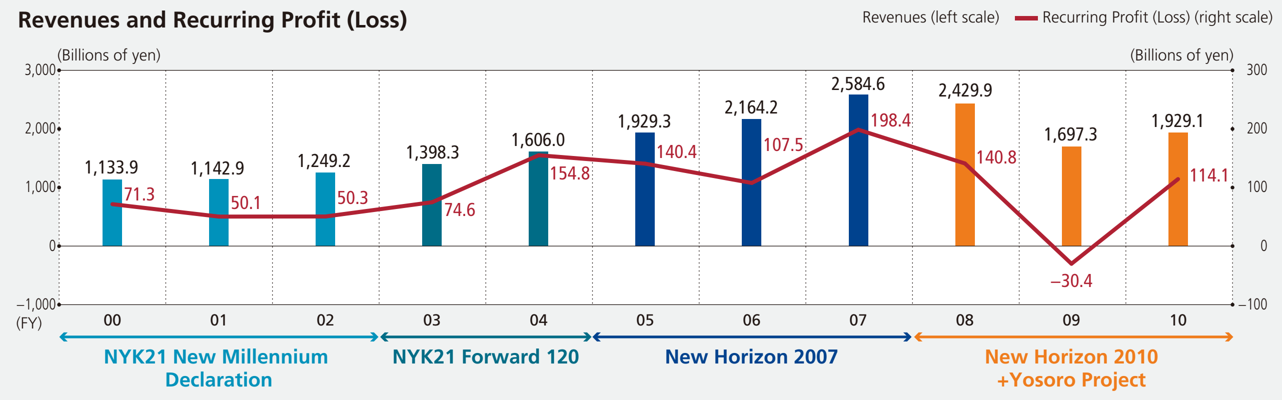
New Horizon 2007
Fiscal 2005-2007

Results

- Achieved record high profits in the final year of the plan
- Implemented shipping fleet expansion plan
- Advanced global development of the logistics business
- Accelerated environmental initiatives

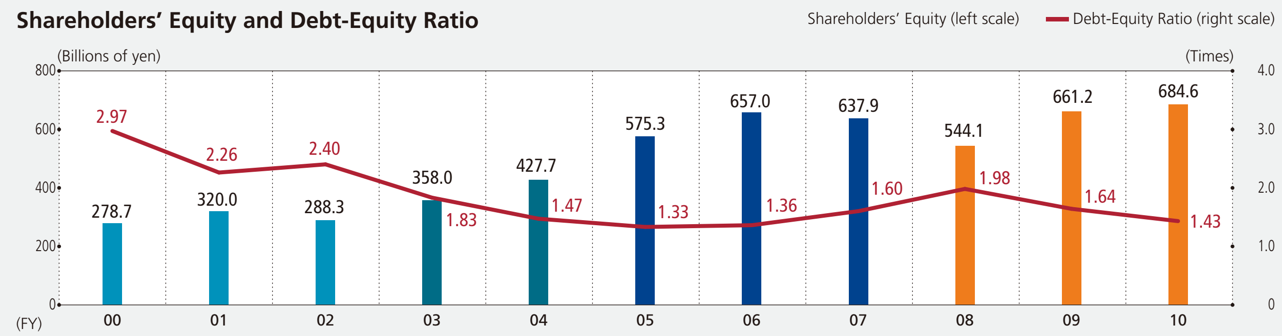
Earnings Base

Revenues and Recurring Profit (Loss)



Financial Base

Shareholders' Equity and Debt-Equity Ratio



Business Base

Fiscal 2000 → Fiscal 2010

Operating fleet size (vessels)

603 → **1.4 times** → **827**

Logistics center locations

85 centers → **4.8 times** → **412 centers**

Fleet size

32.0 million Kt (DWT) → **1.9 times** → **60.2 million Kt (DWT)**

Number of employees (consolidated)

14,082 → **2.0 times** → **28,361**

New Horizon 2010 (Revision) + Yosoro (Steady Ahead!) Emergency Structural Reform Project

Fiscal 2008-2010

Achieved Financial Targets, Invested in Growth, Effectively Executed Strategic Initiatives

Results

Recurring Profit (Loss) Targets (Billions of yen)

	Plan (As of October, 2009)	Results	Versus target
Fiscal 2009	–33.0	–30.4	+2.6
Fiscal 2010	40.0	114.1	+74.1

Initiatives

Offensive Strategy	
(1) Further advance the global logistics business	• Integrated NYK Group logistics businesses NYK Logistics and Yusen Air & Sea Service Co. Ltd. (YAS)
(2) Strengthen all automobile-transportation supply-chain businesses	• Made strategic investments in auto logistics in China and Thailand
(3) Expand natural resources and energy-transportation business and pursue new business opportunities	• Obtained long-term contracts in emerging markets including China • Expanded business in the Atlantic region through NYK Bulkship (Atlantic) N.V. • Invested in Knutsen Offshore Tankers ASA, the world's No. 2 shuttle tanker company
Defensive Strategy	
(1) Move toward light-asset business model for containership fleet	• Reduced owned and long-term chartered fleet • Centralized liner management in Singapore
(2) Fundamentally review air cargo business	• Lowered operational break-even point through drastic cost reductions • Expanded chartering and leasing business
(3) Implement drastic cost-reduction measures	• Achieved cost reductions exceeding ¥100 billion

Becoming Stronger and Leaner through Offensive and Defensive Strategies

In our medium-term management plan "New Horizon 2007," we set out "evolution towards a logistics integrator" as a key strategy and expanded our comprehensive global-logistics business. Continuing this approach, "New Horizon 2010" established "deepen the scope of strategies for global-logistics business" relating to ocean, land, and air transportation as one of the NYK Group's growth strategies. Other key strategies this plan identified included investing actively in areas promising high growth, such as natural resources and energy transportation and Asia.

However, in October 2009, one year after the Lehman Shock, we revised "New Horizon 2010." Under the revised plan, in conjunction with the Yosoro (Steady Ahead!) Emergency Structural Reform Project, we focused on minimizing the impact of market volatility by divesting surplus assets, reforming our business portfolio, and implementing drastic cost reductions across a range of businesses.

By eliminating waste through these defensive strategies, while investing steadily in the originally targeted growth areas, we were able to establish an even stronger management base.

Capture the Growth in Asia by Combining Traditional Shipping with Value-Added Strategies

STRATEGIC PILLARS (value-added strategies for traditional shipping)

General Cargo

1 Leverage Logistics Capabilities: Effectively capture Asia's growing transportation needs

Key focus:
Capitalize on contract logistics P36

Automobiles

2 Utilize Auto Logistics Capabilities: Actively respond to all automobile-transportation supply chain needs in Asia

Key focus: Hub & spoke and full-service transportation capabilities P38

Energy / Natural resources (1)

3 Employ Technological Capabilities: Secure highly advanced energy-transportation business

Key focus:
The NYK Group's technology, safety, and trust P40

Energy / Natural resources (2)

4 Leverage Global Network: Proactively expand overseas natural resources and energy-transportation business

Key focus:
Establish a presence close to our customers P42

INVESTMENT PLAN

Strategic investments totaling ¥1.8 trillion will be focused on car carriers, small/medium-sized bulkers, and LNG/off-shore business segments

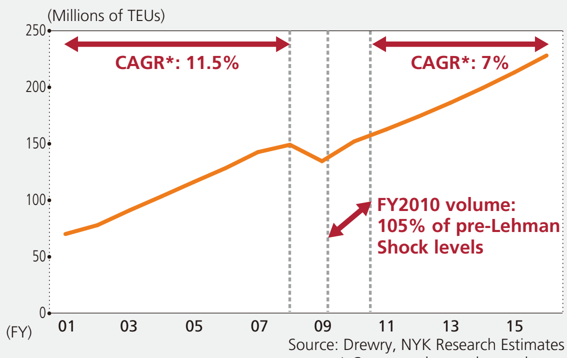
Point

Although we will not invest in containerships, this will not reduce the size of the containership operations. We plan to increase fleet size in step with worldwide container volumes. However, we intend to change our fleet portfolio in order to minimize risk related to downturns in market conditions. For further details, please see page 50.

(Billions of yen)

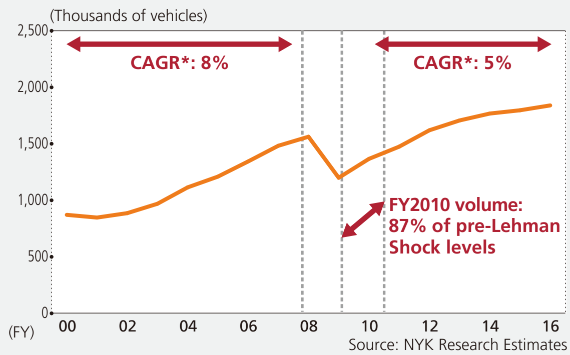
	Current investment plan	Additional investments	Total
Containerships	29	0	29
Car carriers	80	110	190
Large-size bulk carriers	320	0	320
Small / medium-sized bulkers	370	100	470
Tankers	50	20	70
LNG, Offshore business	60	200	260
Other shipping	160	0	160
Logistics	1	30	31
Other non-shipping investments	230	40	270
	1,300	500	1,800

Plan Assumptions 1: Global Container Volume



Source: Drewry, NYK Research Estimates
* Compound annual growth rate

Plan Assumptions 2: Global Passenger Car Shipments



Source: NYK Research Estimates
* Compound annual growth rate

FINANCIAL TARGETS

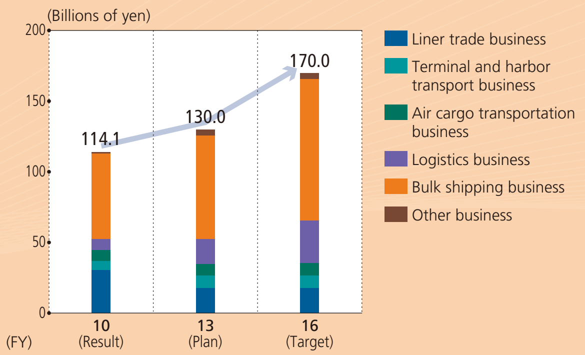
Revenues Target

Fiscal 2010 (Result)
¥1.9 trillion

Fiscal 2013 (Plan)
¥2.3 trillion

Fiscal 2016 (Target)
¥2.7 trillion

Recurring Profit Target



Point

The lead time from deciding on an investment through delivery of a ship is long. Therefore, we have set out a numerical target for fiscal 2013 while setting out a numerical goal for fiscal 2016 that represents the corporate profile we seek.

Point

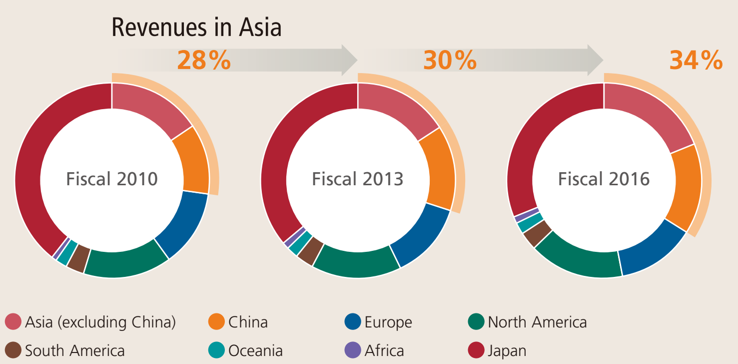
Businesses with stable freight rates refers to areas of the logistics business and the bulk shipping business* in which the NYK Group can take advantage of strengths. We aim to generate 10% of recurring profit from these businesses annually.

* Excluding short-term contracts of affreightment (COAs) and spot

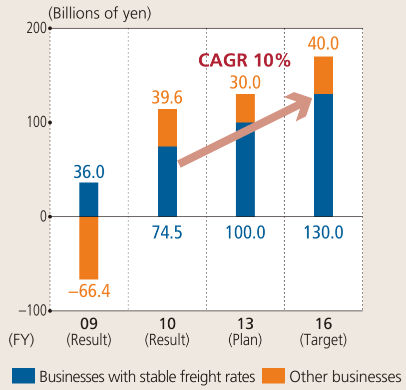
Toward Realization

Expand operations in Asia and businesses with stable freight rates

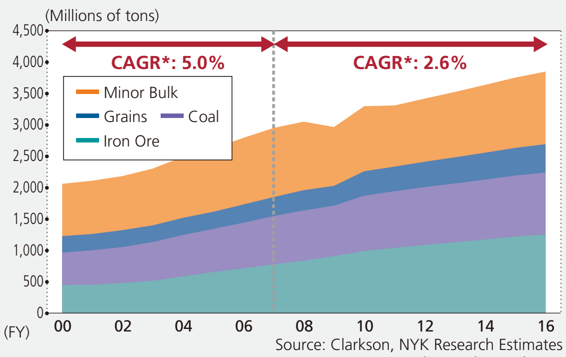
Revenues Breakdown by Region



Recurring Profit (Loss) Breakdown by Segment

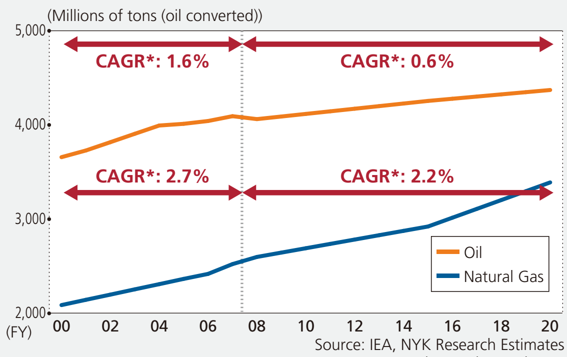


Plan Assumptions 3: Dry Bulk Volume



Source: Clarkson, NYK Research Estimates
* Compound annual growth rate

Plan Assumptions 4: Oil and Natural Gas Consumption



Source: IEA, NYK Research Estimates
* Compound annual growth rate

NYK Group president Yasumi Kudo shows the new medium-term management plan — "More Than Shipping 2013"

We will pursue value-added strategies exploiting our strengths in order to escape competitive conditions that are becoming commoditized.

Previous Medium-Term Management Plan

Q1 How would you sum up the previous medium-term management plan, "New Horizon 2010," and the NYK Group's performance in fiscal 2010, ended March 31, 2011?

New Medium-Term Management Plan, "More Than Shipping 2013"

Q2 You have announced a new medium-term management plan covering the three years through fiscal 2013. What management tasks did you have in mind as you prepared the plan?

Q3 Can you explain the thinking behind "More Than Shipping 2013"?

Q4 Why do you mention Asia in the plan's subtitle?

Q5 What are the keys to achieving the targets of "More Than Shipping 2013"?

Q6 How do you view fiscal 2011, ending March 31, 2012, the first year of the new medium-term management plan?

Q7 What kind of corporate social responsibility (CSR) initiatives does "More Than Shipping 2013" include?

Corporate Value Enhancement and Returns to Shareholders

Q8 Could you outline the NYK Group's basic approach to corporate value enhancement and returns to shareholders?

Q1 How would you sum up the previous medium-term management plan, "New Horizon 2010," and the NYK Group's performance in fiscal 2010, ended March 31, 2011?

Two Projects Completed

Under "New Horizon 2010," launched in April 2008, we sought to increase corporate value and earnings based on three main themes: growth, stability, and the environment. However, the Lehman Shock dominated the plan's first year by causing worldwide cargo movements to plummet and thereby bringing about an unprecedented crisis for us. In response, we immediately prepared the Yosoro (Steady Ahead!) Emergency Structural Reform Project and began making drastic cost reductions from January 2009.

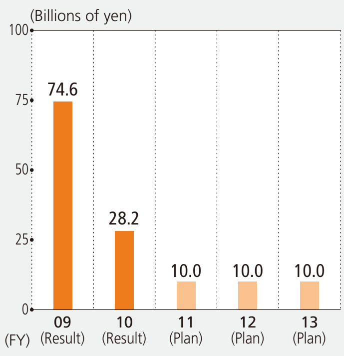
In this project, as well as reducing such costs as fuel expenses, we concentrated on disposing of vessels, warehouses, trucks, and a range of other operational assets. As a result, over two years we achieved total cost reductions of more than ¥100 billion. And, we are continuing to make uncompromising cost reductions.

Moreover, we revised "New Horizon 2010" in October 2009. This involved identifying businesses for which we needed to rethink strategies and businesses we should strengthen and then rebuilding our business portfolio accordingly. Specifically, we sought to minimize the impact of market volatility by investing actively in the logistics business and the natural resources and energy transportation business — which promise strong growth and stable earnings — while moving toward a light-asset business model for our containership fleet and strengthening forwarding, a non-asset business. Completed in a short period, this significant restructuring has built an organization that will allow us to focus on stepping up offensive strategies.

New Horizon 2010
A medium-term management plan covering the three years from April 2008. Under this plan, the NYK Group aimed to become a global *monohakobi* (transportation) enterprise by continuing the progress of the preceding medium-term management plan, which saw the NYK Group post record earnings through expansion of its ocean, land, and air transportation businesses. Further, reflecting the importance we give to addressing environmental problems as we grow, "New Horizon 2010" called on us to become an environmentally progressive corporate group. Accordingly, we began developing a range of environmental technologies more actively.

Forwarding
Rather than directly operating vessels or aircraft, this transportation service combines the procurement of other companies' transportation space with the handling of export and import arrangements on land in a way that best caters to the needs of each customer. Forwarding undertakes the transportation of cargo from its collection point to its destination point.

Cost Reductions



Significant Business Results Turnaround in Fiscal 2010 Due to Cost Reductions and the Return to Profitability of the Liner Trade Business

For fiscal 2010 — the final year of "New Horizon 2010" — we posted recurring profit of ¥114.1 billion. In addition to cost reductions resulting from emergency structural reform, a rapid move back into the black by the liner trade business contributed significantly to this improvement. For fiscal 2010, this business achieved recurring profit of ¥30.2 billion, compared with ordinary loss of ¥55.4 billion for fiscal 2009 — a considerable improvement of ¥85.6 billion in just one year.

This improvement was attributable to a faster-than-expected pickup in cargo movements, which tightened supply and demand quickly, thereby triggering a steep rise in freight rates. There was a sudden supply shortage because, prior to the recovery in cargo movements, many containership operators worldwide had increasingly decided to implement slow-steaming operations for operating vessels and lay up vessels in response to falling freight rates that resulted from lower cargo movements and in order to offset crude oil price hikes.

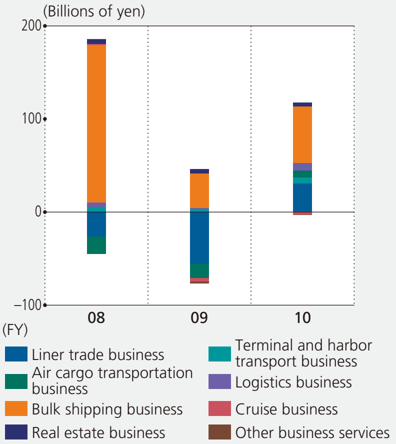
I think this clearly illustrates how, because containership operations are not based on long-term contracts, supply and demand conditions at any given time determine freight rate levels. For example, looking at the recurring profit of the liner trade business for fiscal 2010, we posted ¥26.1 billion for the first half and ¥4.0 billion for the second half. As cargo movements recovered, vessels that had been laid up around the world resumed operations simultaneously, easing the imbalance between supply and demand. Consequently, freight rates fell in the second half of the year.

However, we have learned the lesson of the Lehman Shock. Aiming to mitigate the impact of sudden deteriorations in supply and demand conditions, we will transit to a "light-asset" business model by reducing long-term charters and ensuring short-term charters account for a larger proportion of the containership fleet while strengthening forwarding.

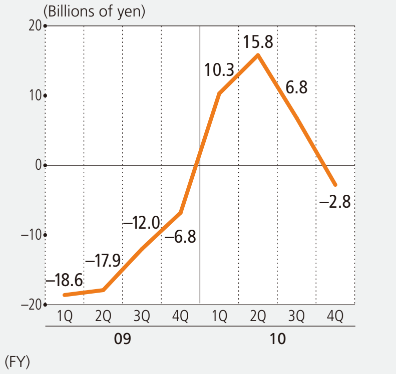
Slow-Steaming Operations
This refers to increasing fuel efficiency dramatically by reducing the speed of vessels, which operate at a maximum speed of 24 knots, by between 20% and 30%. Typically, an 8,000 TEU (twenty-foot equivalent unit) containership operating at 24 knots consumes 220 tons of bunker oil per day. Lowering the vessel's speed to 18 knots reduces fuel consumption to 100 tons per day, less than half of normal consumption. Assuming fuel expenses of US$650 per ton, operating at 18 knots saves roughly ¥5.2 million per day.

Lay Up Vessels
This means anchoring an operating vessel in a safe berth and shutting it down completely, which enables operators to minimize cost by disembarking all crew members. However, a disadvantage of this option is that because the vessels do not receive routine maintenance they cannot immediately resume operations when the market recovers.

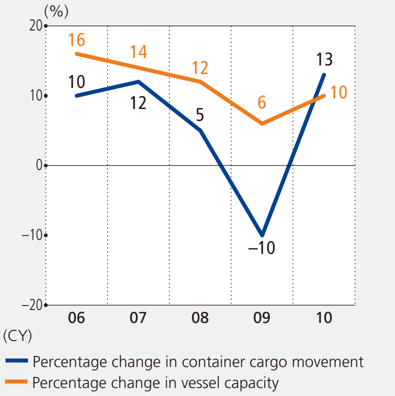
Recurring Profit (Loss) Breakdown by Segment



Liner Trade Business: Quarterly Recurring Profit (Loss)



Changes in World Cargo Movement and Vessel Capacity (year-on-year percentage changes)



Source: Drewry, Fairplay, and other sources

Q2 You have announced a new medium-term management plan covering the three years through fiscal 2013. What management tasks did you have in mind as you prepared the plan?

The Shipping Industry — Moving Away from Price Competition toward Value-Added Services Competition

Unfortunately, the containership industry is becoming increasingly commoditized. Until the mid-1980s, manufacturing capabilities that had shifted from North America and Europe centered on Japan. And most exports to the West came from Japan. As a result, major Western and Japanese shipping companies dominated the shipping routes among Asia, Europe, and North America. In a sense, the containership industry was a kind of niche industry.

However, in response to the rapid strengthening of the Japanese yen following the Plaza Accord in 1985, the Japanese manufacturing sector lost its cost competitiveness to Korea and Taiwan, which benefited from inexpensive labor, and subsequently to ASEAN countries and China. Consequently, Japan's share of cargo bound for the West fell dramatically to only 5%. Now, China accounts for approximately 70% of such cargo. A relative increase in exports from Asian countries compared with exports from Japan, together with a dramatic increase in the scale of trading, prompted a series of Asian and European shipping companies to enter the shipping market. This completely transformed the containership industry: it was no longer a niche industry. The sudden rise in fleet sizes created constant downward pressure on freight rates.

Generally, when commoditization advances in an industry, price competition becomes fiercer. The containership industry is not an exception to this rule. Rather than tackling price competition head on, I want to escape from this situation as quickly as possible by adding value and differentiating our operations. I believe this is the biggest management task facing the NYK Group and one that it must accomplish to sustain growth over the coming 50 or 100 years.

The Plaza Accord
This was an agreement for the stabilization of currency exchange rates, which the finance ministers and central bank governors of five developed countries — the G5 — announced on September 22, 1985. During the 24 hours following the announcement of the agreement, the U.S. dollar depreciated approximately ¥20 against the yen, to ¥215. One year later, the U.S. dollar had lost more than a third of its value against the yen and was trading around the ¥150 mark.

ASEAN
This is an acronym for the Association of Southeast Asian Nations. ASEAN is a regional organization that promotes economic, social, political, security-related, and cultural cooperation among 10 countries in Southeast Asia. The member countries of ASEAN are Indonesia, Singapore, Thailand, the Philippines, Malaysia, Brunei, Vietnam, Myanmar, Laos, and Cambodia.

Q3 Can you explain the thinking behind "More Than Shipping 2013"?

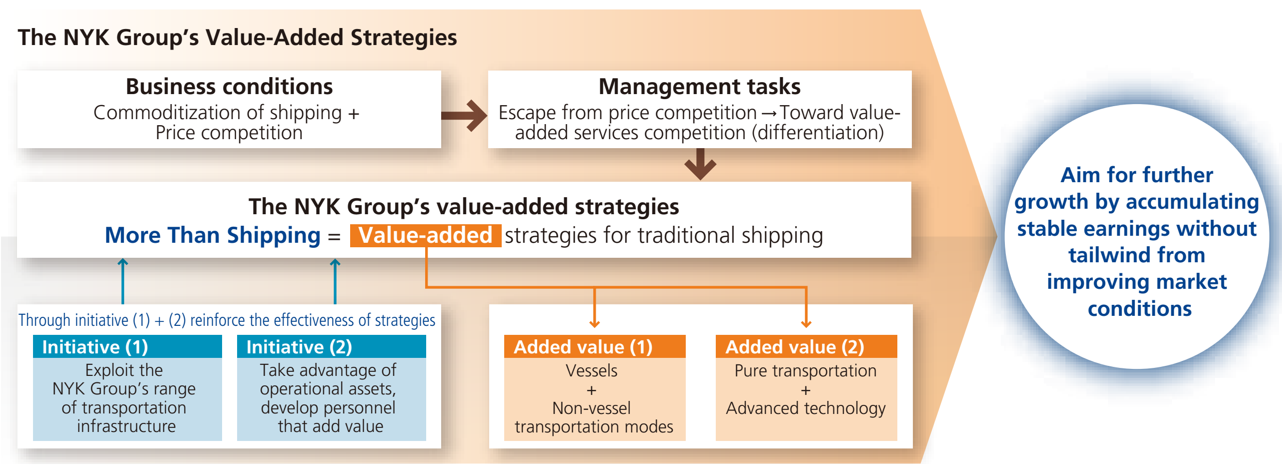
Achieving Differentiation through Value-Added Strategies for Traditional Shipping

Our recently coined slogan "More Than Shipping" is an abbreviation of "more than just a shipping company." It means that while we are a shipping company, we are not simply a shipping company. Through value-added strategies, we will differentiate ourselves and achieve growth as an even more unique shipping company.

We have two main value-added strategies. First, for such general cargo as containers and automobiles, we will take advantage of our unique logistics capabilities and terminal operations in order to achieve differentiation. In other words, we intend to integrate shipping with non-vessel transportation infrastructure.

Specifically, we aim to provide one-stop logistics services. Recent years have seen an increase in the presence of forwarders offering one-stop services. Without their own assets, these companies provide warehousing, customs clearance, and, if needed, air cargo services in addition to standard marine and land transportation services. From the standpoint of customers, completely outsourcing complex logistics not only saves their time and labor but also curbs cost. This trend is a major business opportunity for the NYK Group given that it already has the capabilities to provide one-stop services. Only providing traditional containership transportation services tends to involve us in price competition. Providing one-stop services will open up a wide range of business opportunities for us.

Second, in natural resources and energy transportation, including tankers and dry bulkers, we will take an advantage of technological capabilities accumulated over many years in such areas as ship management in order to conduct highly advanced energy transportation business and offshore business. In these initiatives, vessels featuring advanced technologies will differentiate and add value to our services. Also, we intend to leverage our global network of local subsidiaries engaged in bulk shipping in order to develop region-based sales activities that are founded on frequent, in-depth communication with customers. (For further details about these two strategies, please see page 36 onward.)



Q4 Why do you mention Asia in the plan's subtitle?

Global Economic Growth Will Center on Asia

Going forward, given that Japan is unlikely to see significant increases in cargo imports and exports, Asia is indispensable for the NYK Group's growth.

In Japan, the birthrate is dwindling, society is aging, and the population is decreasing. Meanwhile, in Asia the trends are completely different. The working-age population is now double the nonworking-age population. This stage in a population's development is known as the demographic dividend, which indicates that strong economic growth based on abundant labor is possible. Asia's demographic dividend is projected to continue until around 2030. If we take into account that logistics is proportional to demographics, without a doubt Asia has huge potential. Because Asian countries are changing from producers to consumers, cargo movements within the region are likely to continue double-digit growth.

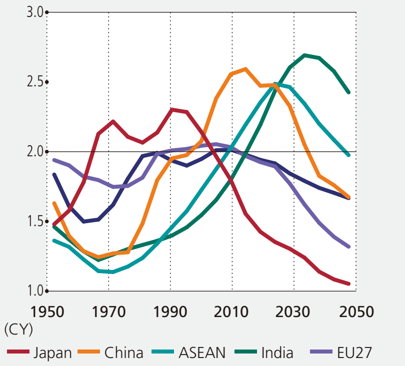
Demographic Dividend
This refers to a period of accelerated economic growth when the population between ages 15 and 64 divided by the population aged 14 or less and 65 or older gives a result of 2 or higher. In principle, countries only have one demographic dividend period. The era of high economic growth in Japan coincided with its demographic dividend period.

Ready to Take Dramatic Strides Forward in Asia

Although intra-Asia transportation is a growing market, because the distances involved are short, we cannot expect the scale of earnings that European and North American routes generate. Also, compared with European routes, freight rates are low. Moreover, other companies are targeting the region's growing cargo movements. As a result, competition in the intra-Asia market is the fiercest in the world.

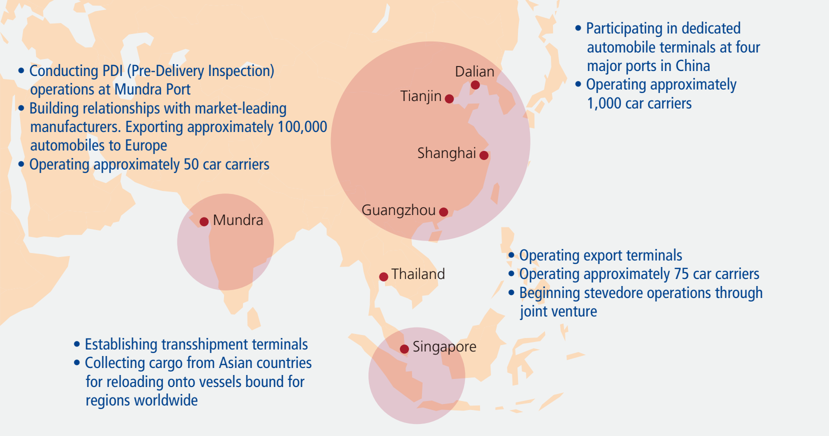
In this type of market, it is difficult to make a profit solely through marine transportation. However, the NYK Group turned its attention to Asia before it achieved rapid economic growth. Consequently, we have established a business base outside marine transportation. The NYK brand has already taken root in the region and enjoys very high brand name recognition. In a very diverse range of business areas, we can take advantage of the forwarding business — which includes land transportation, warehousing, and customs clearance services — that we have steadily developed. Therefore, we are already in a position to progress dramatically in Asia.

Demographic Dividend of Main Countries and Regions



Source: NYK Researched

Business Base in Asia (Transportation of Finished Automobiles)



Q5 What are the keys to achieving the targets of "More Than Shipping 2013"?

Exploiting Physical Infrastructure, Developing the Ability of Each Employee to Add Value

While operational assets provide an important foundation for our differentiation efforts, simply having operational assets is in itself meaningless. In our view, rather than physical infrastructure, or operational assets, it is personnel that create differentiation. The basis of our differentiation efforts lies in identifying customer needs, deploying our operational assets efficiently, and then offering low-cost, high-quality services. Only personnel can leverage operational assets in this way. This is why we give first priority to personnel development initiatives.

Our personnel development policy is founded on vessel operations.

When I joined the company, I was initially engaged in duties related to bulk shipping operations. The knowledge and expertise that I gained from doing this work proved very useful later on. Soon after I became president, we had to save on fuel expenses as part of the "Yosoro Project." Experience from my early career gave me a concrete image of how fuel expenses work. So I was better able to direct matters appropriately, rather than taking a theoretical approach to the problem. Bearing this in mind, I want our young personnel to experience vessel operations.

Further, acquiring knowledge and expertise in non-vessel businesses requires time and involves cost. However, vessels, warehousing, and truck transportation have things in common, such as cargo-handling and safety measures. At a glance, vessel operations seem to differ from warehouse management or truck transportation operations. But, if personnel have a grounding in vessel operations, they can acquire the skills needed for other operations more quickly than if they had no experience at all.

I want all new employees to be directly or indirectly engaged in or connected to vessel operations soon after they join the company. But I would also encourage them to experience a variety of different businesses or parts of the company. An employee base having knowledge in a variety of areas will benefit us through the generation of new ideas and solutions to problems. Having said that, the NYK Group's business is diverse, and each employee has particular aptitudes. Therefore, having employees experience all our businesses would be difficult. With this in mind, we are considering dividing our personnel system based on the global logistics services business and the bulk shipping business.

Q6 How do you view fiscal 2011, ending March 31, 2012, the first year of the new medium-term management plan?

A Year of Concentrating on Generating Stable Earnings

Under the revised "New Horizon 2010" medium-term management plan and the "Yosoro Project," we advanced initiatives focused on two types of stability. The first initiative was the reduction of volatility in our container business through the implementation of a "light-asset" model. The second effort sought stability in earnings by acquiring long-term contracts in natural resources and energy transportation. In fiscal 2010, our aim was to accumulate stable earnings and to achieve solid growth even without the support of the soaring dry bulk market that we had in 2007. We will adhere to this strategy under the new medium-term management plan, "More Than Shipping 2013."

Against this backdrop, in fiscal 2011 we want to concentrate particularly on businesses with stable freight rates. By "businesses with stable freight rates," we mean the logistics business in the global logistics business and ships under long-term contracts in the bulk shipping business. There is a tendency to view the logistics business as low-margin operations. In fact, however, this business provides wide-ranging points of contact with customers and generates stable earnings. The bulk shipping business is based on long-term contracts and therefore promises stable earnings. Among certain types of bulk carriers about 50% of vessels are under long-term contracts. But for most types of bulk carriers, 80% of vessels are under long-term contracts. Going forward, we intend to win as many long-term contracts as possible. Further, we hope long-term contracts will deepen relationships of trust with customers and encourage them to conclude contracts of affreightment (COAs) and contracts on a voyage-by-voyage basis, known as spot contracts, with us. In these ways, we look forward to widening the scope of our business opportunities.

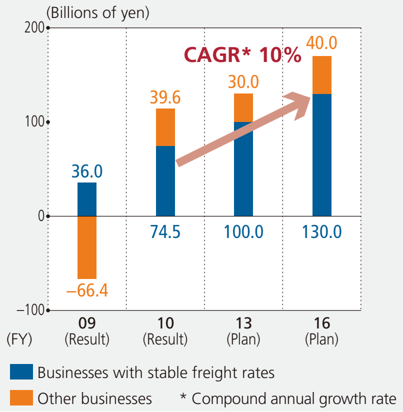
Through businesses with stable freight rates, we plan to earn the majority of the recurring profit targeted in "More Than Shipping 2013." Aiming to generate recurring profit of ¥100 billion from businesses with stable freight rates in fiscal 2013, we will take decisive measures in the current fiscal year as the first year of the medium-term management plan.

COA
This is an abbreviation for contract of affreightment. COAs are contracts for the transportation of a certain volume of a specific cargo from a specific port where cargo is loaded to a specific port where cargo is unloaded over a certain period and at a certain freight rate.

Obtain Long-Term Contracts for Bulk / Energy Resources Transportation

	The NYK Group's operating fleet size (vessels)	Percentage of long-term charter contracts
Capesize	105	80%
Panamax	84	55%
Wood chip carriers	50	80%
VLCC	35	85%
LNG carriers	63	100%

Earnings from Businesses with Stable Freight Rates



Q7 What kind of corporate social responsibility (CSR) initiatives does "More Than Shipping 2013" include?

Environmental Preservation and Safety Measures Underpin Management

CSR remains the base supporting the NYK Group's growth strategies in the new medium-term management plan.

Regarding environmental preservation, reducing fuel consumption will continue to be a critical task. Approximately 90% of the CO_2 that vessels emit comes from fuel consumption during operations. Furthermore, bunker oil prices are soaring. At present, fuel expenses are about US$650 per ton. Containerships with large shipping capacities use 220 tons of bunker oil per day. This means fuel expenses of roughly US$140,000. In other words, reducing fuel consumption not only lowers CO_2 emissions but also improves earnings significantly. By fiscal 2015, we aim to improve fuel consumption efficiency by 10% compared with that of fiscal 2010.

Also, our safety measures remained unchanged. Logistics are the blood vessels of the global economy. As such, we must avoid accidents at sea that inhibit economic development or adversely impact the environment. Providing stable transportation is the NYK Group's social mission as well as the way in which the NYK Group will enhance its corporate value overseas in the long term. I think that the NYK Group's business itself fulfills a CSR.

Worldwide, consensus is growing that we should be aware of and meet our social responsibilities with a view to developing a sustainable society. At the NYK Group, we are fully aware of the weighty responsibilities we must fulfill, and we will strengthen our CSR initiatives based on an even more global perspective.

Q8 Could you outline the NYK Group’s basic approach to corporate value enhancement and returns to shareholders?

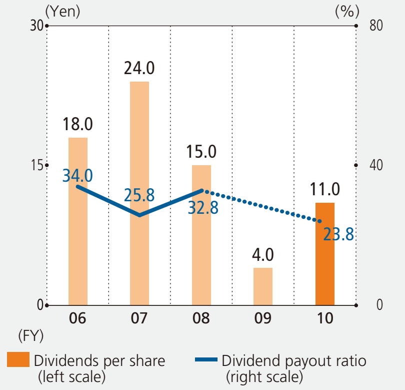
Actively Undertaking Necessary Investment

“More Than Shipping 2013” earmarks a total of ¥1.8 trillion for investment over six years. This includes investment in car carriers and small and medium-sized bulkers of approximately ¥700 billion as well as a roughly ¥300 billion investment in the offshore business near upstream natural resources development and LNG businesses, business areas where advanced technological capabilities set us apart from competitors. In particular, developing the offshore business represents entry into a business area that is slightly different from the marine transportation business we have been engaged in to date. We hope the offshore business will become a driver of new growth because, as well as being likely to see demand, this business is a challenging area for companies to enter due to the technological capabilities it calls for.

Having many investment projects is a fortunate situation to be in. Because logistics is a growing industry, and because it operates on the world stage, the number of investment projects is increasing naturally. In my view, when we have investment projects, we should find the best portfolio to maximize returns, and thereby increase corporate value. Of course, I fully understand that shareholders expect dividends. However, if there are good opportunities to contribute to share value, investment needs to be prioritized over dividends. I would like our shareholders to understand that for the time being we are targeting a consolidated payout ratio of approximately 25%. If in the future the number of investment projects declines, at that juncture we promise to consider revising our consolidated payout ratio target.

The Offshore Business
At present, most crude oil and natural gas is extracted from land or shallow seabeds. However, production volumes are declining year by year, and the areas suited to such extraction are limited. As a result, deep-sea oil fields are receiving attention. Natural resource development companies have begun investing actively in such oil fields, which harbor considerable reserves. The NYK Group entered the offshore business in earnest by establishing the Offshore Business Group in October 2008.

Dividends per Share and Dividend Payout Ratio



Investment Plan

(Billions of yen)

	Current investment plan	Additional investments	Total
Containerships	29	0	29
Car carriers	80	110	190
Large-size bulk carriers	320	0	320
Small / medium-sized bulkers	370	100	470
Tankers	50	20	70
LNG, Offshore business	60	200	260
Other shipping	160	0	160
Logistics	1	30	31
Other non-shipping investments	230	40	270
	1,300	500	1,800

It might be argued that the wide variety of transportation infrastructure that the NYK Group has can sometimes lower profitability and reduce rather than raise corporate value. However, this view only looks at the NYK Group in the context of price competition. If we take into consideration value-added services competition, our business base for delivering one-stop services is in fact our most outstanding advantage on the world stage.

Having celebrated its 125th anniversary, the NYK Group needs to implement the initiatives of "More Than Shipping 2013" in order to continue prospering over the coming 125 years. While continuing to explain our strategic direction to all the NYK Group's employees, I intend to advance the plan's initiatives aggressively. I would like to ask our shareholders and other investors to continue anticipating what kind of growth trajectory that the NYK Group will trace in the growing shipping and logistics industries.

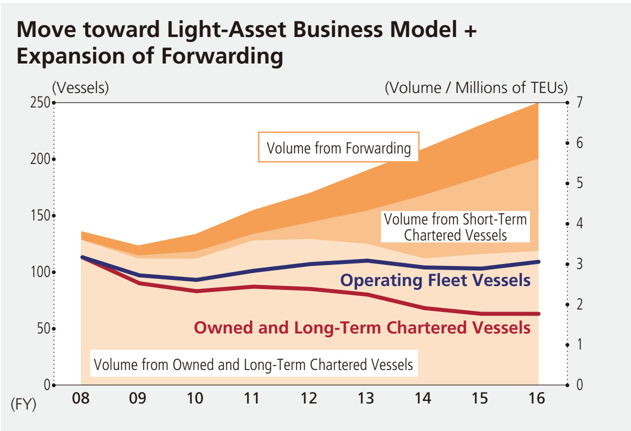
June 2011

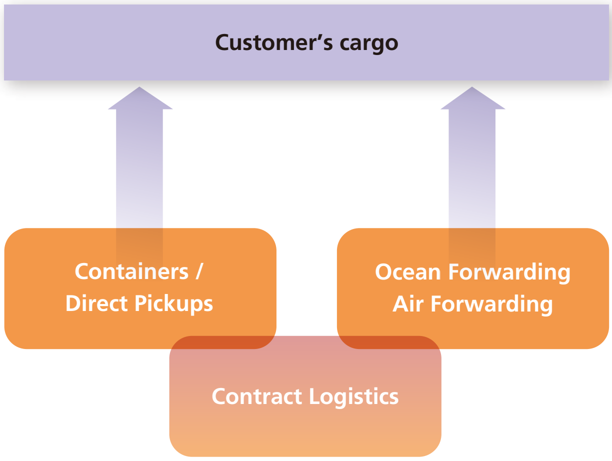
President
Yasumi Kudo

Global Logistics Business

Capitalize on Contract Logistics

Global Logistics Business Model





Forwarding Goal

Become one of world's leading competitors by fiscal 2013

	Fiscal 2010	Fiscal 2013	Versus
Ocean	42 millionTEUs	100 millionTEUs	2.4 times
Air	34 million tons	50 million tons	1.5 times

Contract Logistics Goal

Aim to be No.1 *Kaizen* (improvement) company

Differentiate through reliable quality, increase synergies with forwarding

Cater to Growing Container Cargo Volumes

In order to win a share of the rising demand for container cargo, the NYK Group intends to increase the shipping capacity of the liner trade business in conjunction with market expansion. However, we will change our method of procuring ships. Owned and long-term chartered vessels used to account for a high percentage of the fleet. We will lower this percentage by using short-term chartered vessels. This will enable us to respond more flexibly to increases and decreases in cargo movements.

In addition to capturing cargo movement directly as a shipping company, the NYK Group will increase overall container cargo handling volumes by increasing its cargo-movement capture capabilities through the strengthening and expansion of the ocean forwarding* divisions of logistics companies within the group. Aiming to become one of the world's leading competitors, we have tasked the ocean forwarding division to reach 1 million TEUs (twenty-foot equivalent units) by fiscal 2013. Through such diversification, we aim to simultaneously achieve growth and stability for our global logistics business.

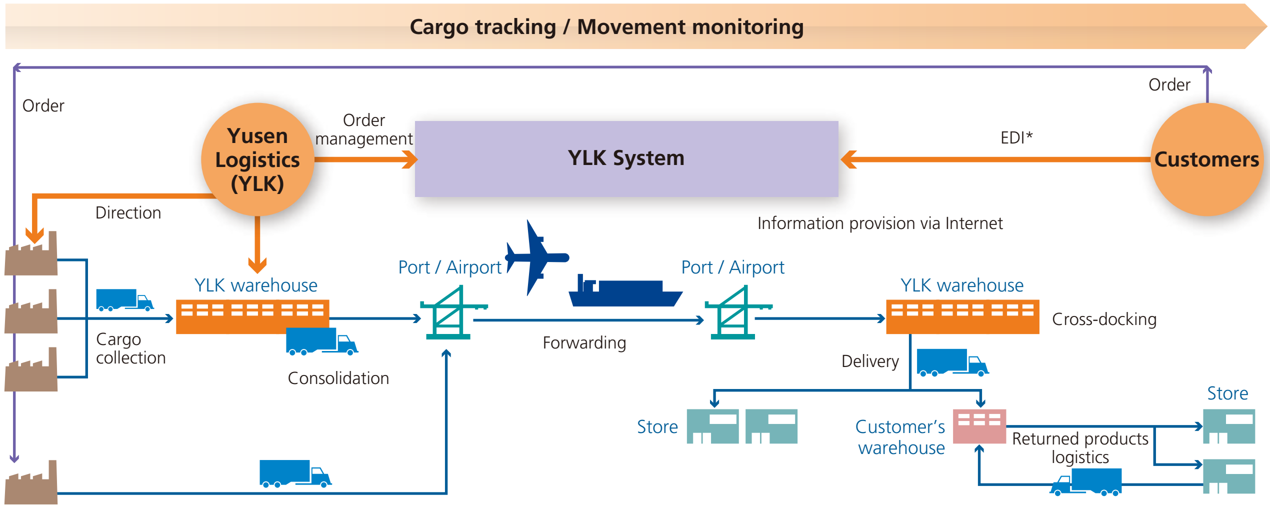
Also, having identified Asia as a priority region that promises growth in container cargo because it is a manufacturing region and a consumer market, we will concentrate efforts on claiming a share of Asia's cargo movements.

Strengthen Sales Capabilities

Customers no longer simply need separate traditional services that are high-quality and cost competitive. Increasingly, they are seeking companies that can organically link shipping, air, land transportation, and warehousing services.

In 2010, we integrated the former companies NYK Logistics and Yusen Air & Sea Service Co. Ltd. (YAS) to establish Yusen Logistics Co. Ltd. as a new group company dovetailing the strengths of the former companies and offering a varied menu of services. The new company will enable organic linking of the two former companies' services as well as differentiation that would be difficult based on discrete containership services and forwarding services.

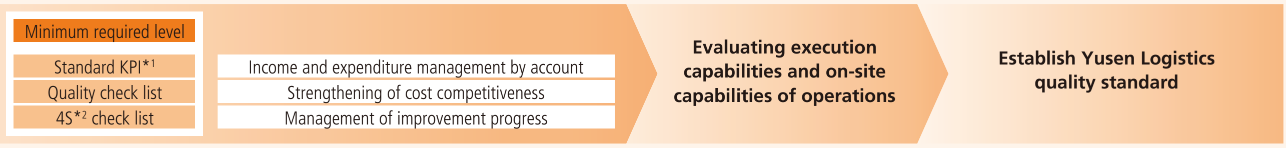
Contract Logistics: Supply Chain Model Case Study



* An abbreviation of electronic data interchange, this refers to the exchange of electronic business documents, including orders and invoices, through the Internet or other means. Alternatively, it can mean transactions between companies based on such order information.

Toward Improved Quality

*1 An acronym for key performance indicator, these benchmarks enable organizations to evaluate how well they are performing and whether they are meeting important goals.
*2 An acronym for four Japanese words that mean put in order, tidy up, cleanliness, and cleaning.



Service Quality Is the Key to Value-Added Services

Contract Logistics is one of our service model we are specialized in, in which we provide broad range of logistics operations from warehousing, to inventory control and distribution service, in the form of a long term packaged contract with customers.

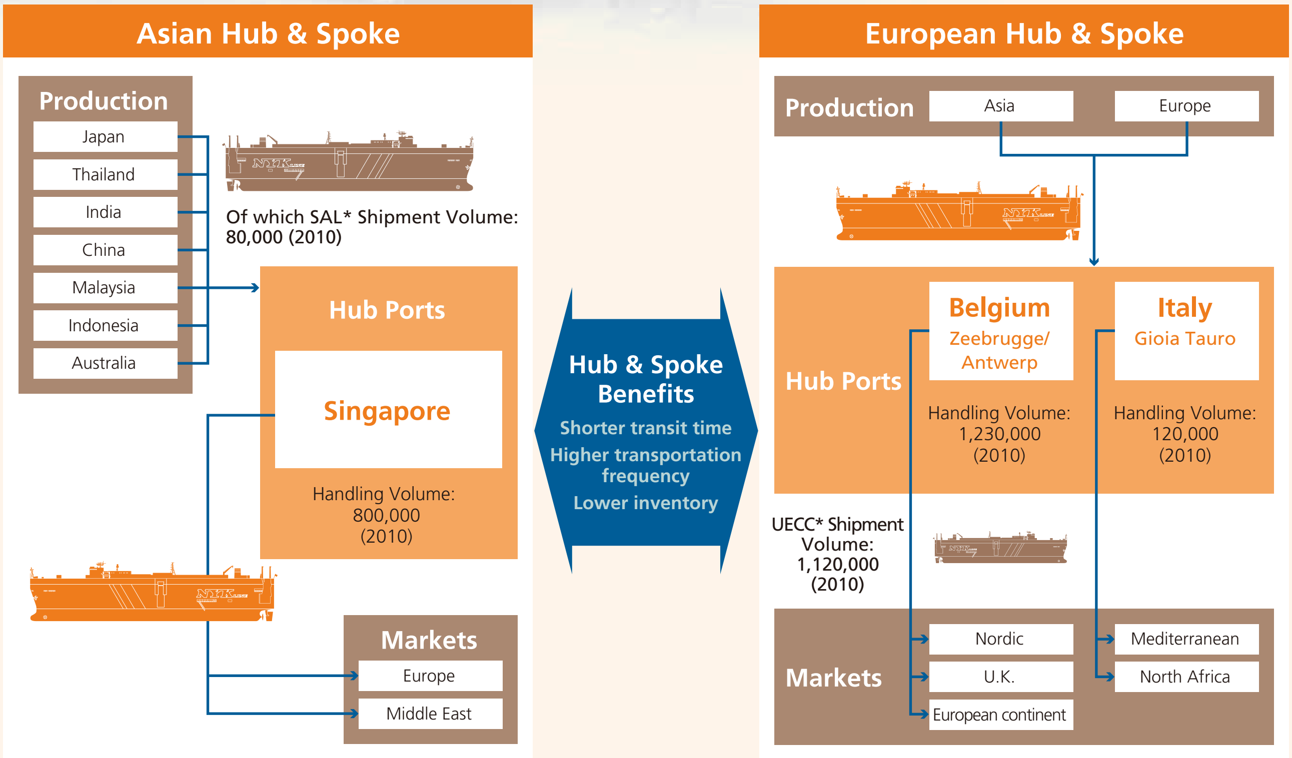
In this area, we have successfully developed our unique expertise and knowledge for many industries, including automobile manufacturing, aircraft manufacturing, medical equipment and pharmaceutical manufacturing, environmental and energy-related industry, and consumer goods retailers. Customer's requirement is common in needing quality service, but is highly various in actual way of business operations. To meet the uniqueness of operational requirements, we have a strong capability to tailor our logistics services to fit customers' needs. As a result, our service models in contract logistics will diverse widely depending on industries and customers we serve. And in the process of making a tailored service model, we believe managing service quality in every single model is critical to obtain the trust from customers. We have created our own standard to check and evaluate the service quality, and have developed a methodology that enables us to carry out continuous quality improvement and maintain the quality level to continuously satisfy our customers. This efforts are known as "*Kaizen*" in Japanese, which is translated into "improvement" in English. Our quality checklist, listing the 90 items which we see important and critical to keep the service quality in warehouses and distribution centers, gives us high visibility of front-line operations, and we regularly evaluate the level of services (with a five-grading system) of every single site of business operations in each region. With this we quickly grasp the quality problem and respond to solve them to keep the service quality.

In the area of Ocean and Air forwarding, increasing the handling volume is important. In the area of Contract Logistics, we believe service quality is the core element that creates customers' satisfaction as well as cost competitive service.

* Forwarding is a transportation service that, rather than directly operating vessels or aircraft, combines the procurement of other companies' transportation space with the handling of export and import arrangements on land in a way that best caters to the needs of each customer. Forwarding undertakes the transportation of cargo from its collection point to its destination point.

Automobiles

1. Hub & Spoke



*SAL: Intra-Asia focused shipping subsidiary of the NYK Group

*UECC: Intra-Europe focused shipping subsidiary of the NYK Group

Toward Even More Efficient Operations

Automobile manufacturers' globalization efforts have scattered bases for manufacturing automobiles around the world. Today, not only Japan but also Korea, Thailand, Indonesia, India, South Africa, and Turkey manufacture and export vehicles.

In order to collect finished automobiles exported from multiple countries and transport them to markets efficiently, changing from single-line operations to hub-and-spoke operations that use relay points is necessary. In particular, demand for the establishment of such efficient operations is strong in the ASEAN region, where Japanese automobile manufacturers have many manufacturing bases. Aiming to cater to this demand, the NYK Group established a dedicated automobile terminal operation company*[1] at Singapore's port in January 2009. Using this terminal, we pick up finished automobiles from Southeast Asia, India, and other Asia countries, tranship them, and transport them worldwide. Combining this terminal with the NYK Group's shipping route network — the largest in the world — enables efficient and competitive transportation.

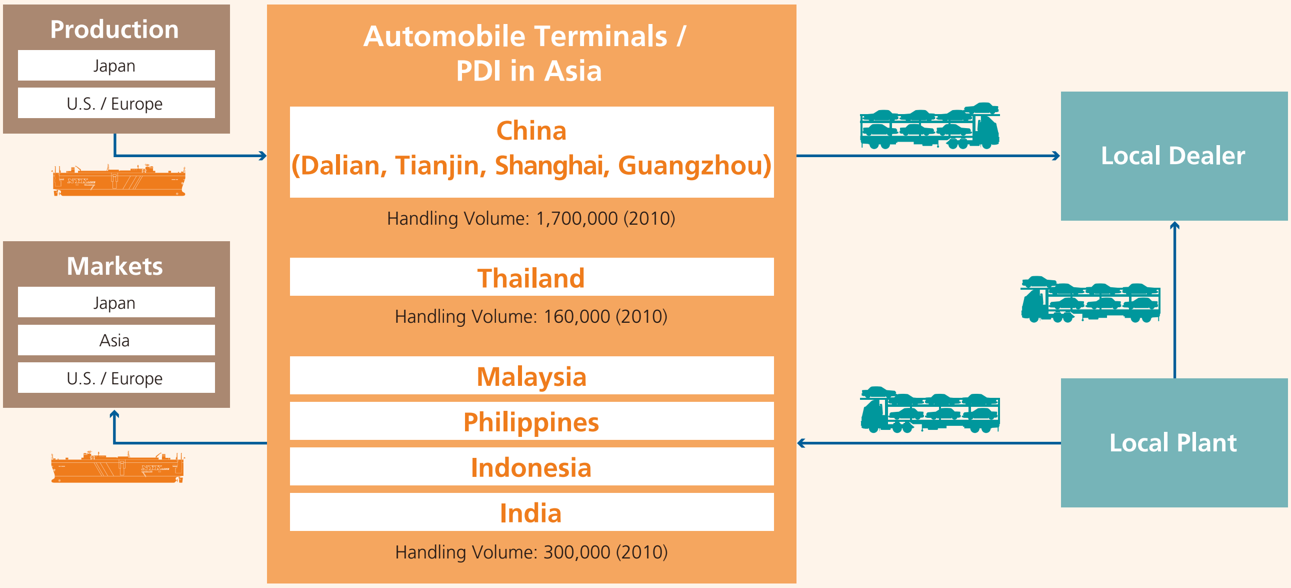
As the demand for finished automobile transportation recovers, handling volumes have grown rapidly. Although only two and a half years have passed since its establishment, the terminal has seen handling volumes reach approximately 800,000 units and continues to operate near full capacity.

Meanwhile, performing the opposite role to Singapore's port, European hub ports in Belgium and Italy efficiently transport automobiles manufactured in Asia or Europe to multiple markets in Europe and Africa. Therefore, we deploy to these ports small and medium-sized car carriers that transport finished automobiles to various countries. From these hub ports, the NYK Group realizes high-frequency operations that transport more than 1 million finished automobiles annually.

Centered on emerging markets, finished automobile shipments are likely to continue increasing. To ensure that we are able to cater to this upward trend, we will establish even more efficient operations, and thereby increase the overall profitability of the car transportation business.

*1. A joint venture between "K" Line, PSA Singapore Terminals, and NYK

2. Full-Service Transportation Capabilities



Scale of NYK Inland Transport Operations

	China	Thailand	Asia (others)
Number of car carrier trucks	700	75	190
Inland auto transport volumes	800,000	160,000	160,000

Cater to Demand for Transportation of Automobiles among Emerging Markets

While positioning shipping at the core of transportation of automobiles, the NYK Group has focused on providing comprehensive services that include land transportation of automobiles and PDI.* These comprehensive services trace their origins to our development of businesses in Thailand in the 1990s. Japanese automobile manufacturers established operations in Thailand comparatively early. To meet the needs of these companies as they established manufacturing systems, we gradually built up a system of diverse services for finished automobiles.

For example, there was a shortage of car carrier trucks to transport automobiles from plants to dealers. In response, we quickly established a company for the operation of car carriers and provided nationwide transportation from plants to dealers. Further, RORO terminals are indispensable for exporting automobiles. So, we built our own RORO terminal, which grew to account for 50% of automobile exports from Thailand.

Using our development of businesses in Thailand as a template, in China we have not only developed inland transportation services but have also swiftly developed infrastructure for logistics services that cover finished automobiles through to production components. As well as providing inland transportation services, the NYK Group operates RORO terminals at four of China's major ports and offers coastal transportation, PDI services, and logistics services for production components.

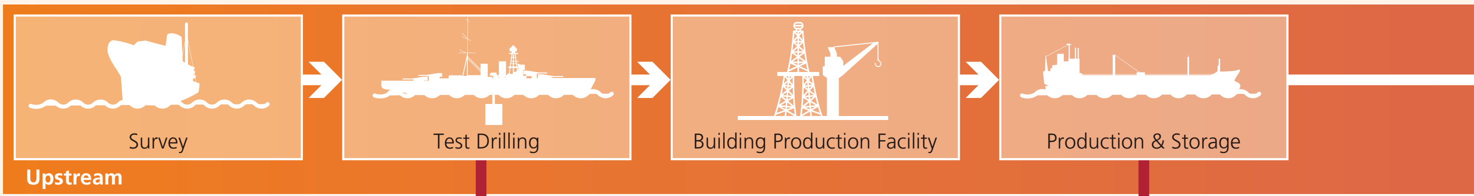
These initiatives in China marked the first time that we had catered to demand for logistics services related to finished automobiles in such a multifaceted way.

At present, in addition to China and Thailand, the NYK Group is advancing initiatives for automobile supply chains in nine regions and countries, including the Philippines, Malaysia, Singapore, India, central Asia, Australia, and Europe. Going forward, one of our tasks is to develop businesses that will cater to the expected growth in demand for transportation services in emerging markets. Accordingly, we intend to provide optimal solutions that match customers' strategies in other emerging markets by using the practical examples of our operations in Thailand and China, where we identified customers' needs and catered flexibly to them while increasing our business lines.

* An acronym for "pre-delivery inspection," this refers to conducting final inspections, repairs, and parts application of finished automobiles before delivery to automobile dealers.

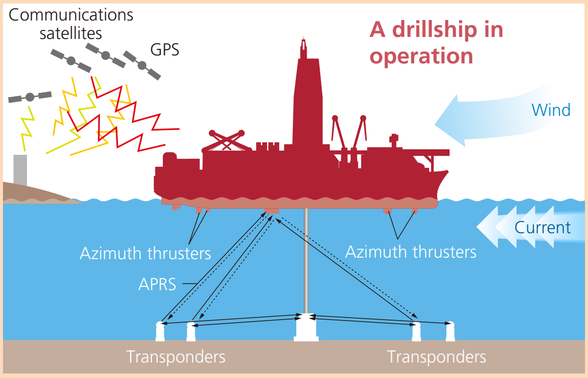
Energy / Natural resources 1

The NYK Group's Technology, Safety, and Trust



Dynamic Positioning System (DPS)

This system maintains the ship's position stationary with thrusters using various sensors to measure forces to the ship and position reference systems including GPS (Global Positioning System) and APRS (Acoustic Position Reference System).



Acoustic Position Reference System (APRS) and Transponders

This system measures position based on a transceiver on the ship's bottom that receives signals from transponders fixed on the seabed, which send and receive sound waves.

FPSO Operations: Crude oil production by a Floating, Production, Storage and Offloading (FPSO) Operations

Through a partner, in May 2010 the NYK Group concluded a letter of intent with Petrobras and its subsidiary for the construction and chartering of an FPSO vessel. FPSO is to remove solids, particulates from liquid extracted from reservoir, then to separate gas, oil and water. Produced oil is to be stored onboard until offloading to shuttle tankers or export tankers to transport to shore. This type of operation is expected to be a growing market and Brazil is dominant in its growth rate.

More Advanced Energy Transportation through Skills and Technologies

Many years of involvement in natural resources and energy transportation have given the NYK Group highly specialized safety capabilities for ship operations, handling dangerous cargo, and ship management. Further, we have acquired such specialized shipping technology as a dynamic positioning system (DPS) ahead of competitors. Such technology has become a major asset. We intend to bring these capabilities to bear in efforts to roll out energy transportation services that are more technologically sophisticated.

Challenge to Deepwater Oil & Gas Field

Mantle Quest Japan Company Ltd., which the NYK Group has a stake in, operates and manages the deepwater scientific drillship *Chikyu*. In some of the world's deepest water, this ship drills up to 7,500 meters below the seabed to explore the Earth's deep geological strata. Through the operation and management of this drillship, we have developed technology that keeps ships on station amid constantly changing tides and weather condition at sea. This "position keeping" technology plays a crucial role in our new foray into drillship and shuttle tanker operations.

In a project using a drillship for the exploration of offshore oil and gas fields, we have a 37.78% stake in Etesco Drilling Services LLC (EDS), which was established by Etesco Construções e Comércio Ltda. of Brazil. Petrobras of Brazil will enter into a long-term charter for a drillship that EDS has ordered, which is slated for delivery in December 2011. Petrobras will use this drillship for ultra-deepwater drilling in the pre-salt region of Brazil.

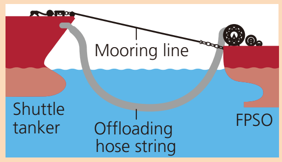
The NYK Group became the first Japanese shipping company to participate in shuttle tanker operations by taking a

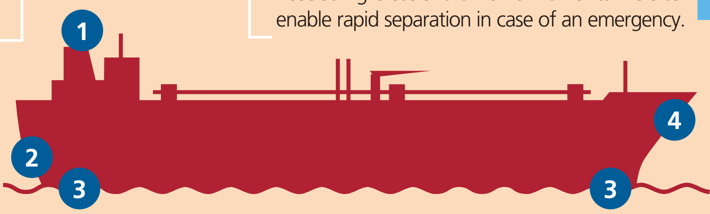
A Variety of Technologies Ideal for Offshore Oil Transportation

1 **DPS (Dynamic Positioning System)**

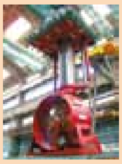
2 **Variable pitch propeller**
Propeller with angle-adjustable blades

4 **Bow-loading system**
A system in which ships are positioned in line bow-to-stern and loading is conducted at the bow of the ship. Disconnecting the offloading hose string is easier than is normal for tankers to enable rapid separation in case of an emergency.





3 **Azimuth thruster**



This is a propeller attached to a pod that can rotate 360 degrees horizontally. As well as forward and backward, it can move a ship laterally or in any other direction desired.

Other features
- Reinforced hull to help ship handling in the North Sea's severe sea conditions
- Incorporates a system for recycling VOCs* generated by cargo during transportation in order to comply with Norway's VOC emission rules

* Volatile organic compounds

50% stake in a major shuttle tanker operator: Knutsen Offshore Tankers ASA (KOT), of Norway. As a result, KOT changed its name to Knutsen NYK Offshore Tankers AS (KNOT). KNOT will mainly operate its 24 shuttle tankers in the North Sea — the forefront of offshore oil field development as well as the birthplace of shuttle tankers — and offshore Brazil, and area where the development of deepwater oil production has attracted attention in recent years.

Also, through tie-ups with partners in Japan and overseas, we entered FPSO operations last year. This initiative does not merely entail an investment. In order to build up expertise, the NYK Group plans to deploy its seafarers to the FPSO operations as well as deploy onshore personnel.

Continuing to invest actively in this sector, we intend to play a major role in operations as a shipping company with professional expertise.

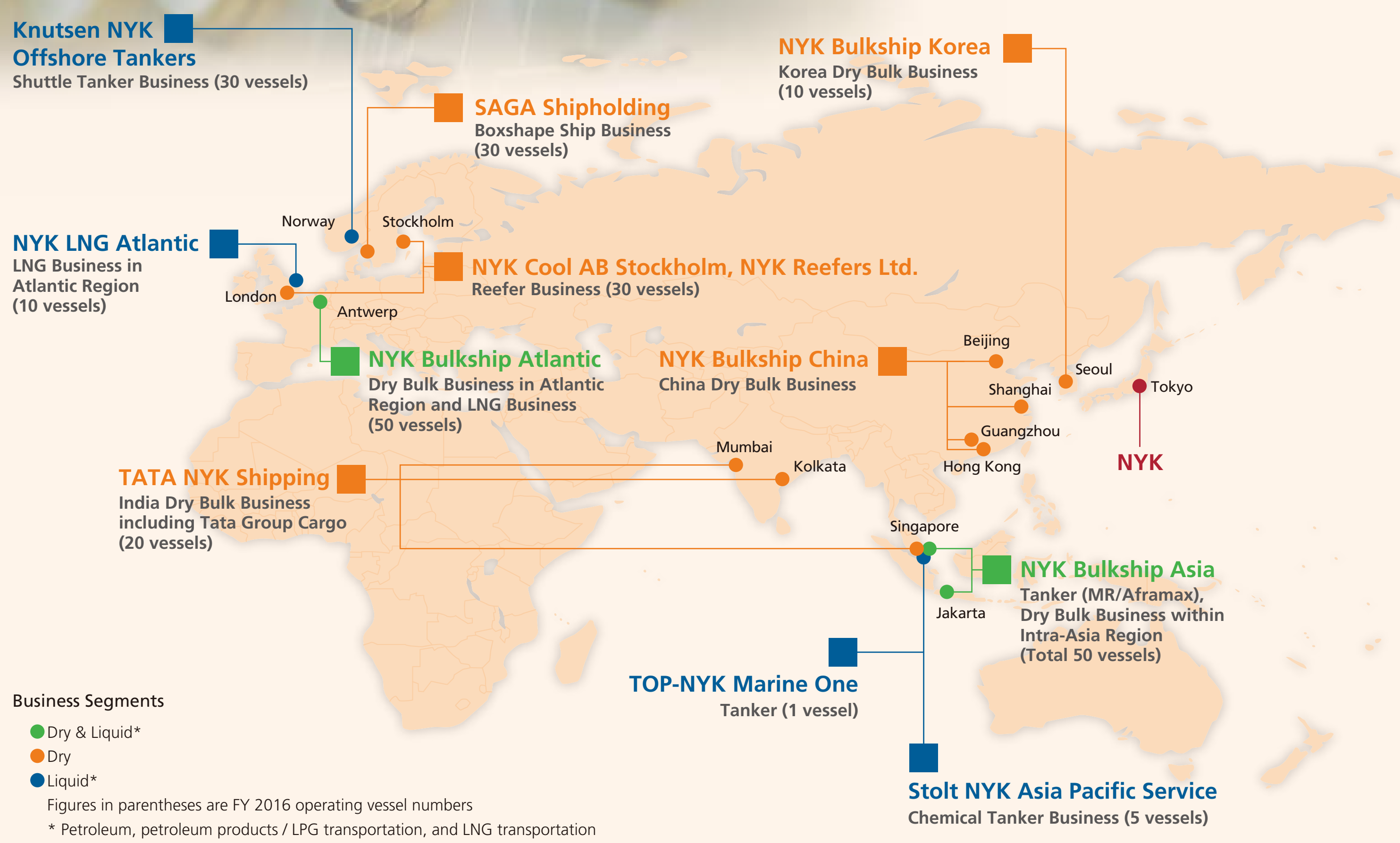
The Seafarers of High Quality

It is seafarers that provide the customers with the technology, safety, and reliability of operations. However, expected growth in demand for shipping is leading to a possible shortage of seafarers. Ahead of competitors, the NYK Group established an education center, the NYK-TDG Maritime Academy (NTMA), in the Philippines, where the group has focused on seafarers.

Human resources are key to the growth in energy transportation which requires professional skills. Accordingly, we intend to maintain and raise the quality of our seafarers.

Energy / Natural resources 2

Establish a Presence Close to Our Customers



Figures in parentheses are FY 2016 operating vessel numbers

* Petroleum, petroleum products / LPG transportation, and LNG transportation

Use Extensive Network to Tap Growing Cargo Transportation Demand

In step with the conspicuous development of emerging markets, shipping cargo movements for natural resources and energy transportation are rising not only on routes to developed countries but also on routes to a range of emerging markets, including China, India, and Southeast Asia.

To carve out a share of the surge in transportation from resource-rich countries to emerging markets, we are strengthening our organization to enable sales initiatives that are more deeply rooted in local regions.

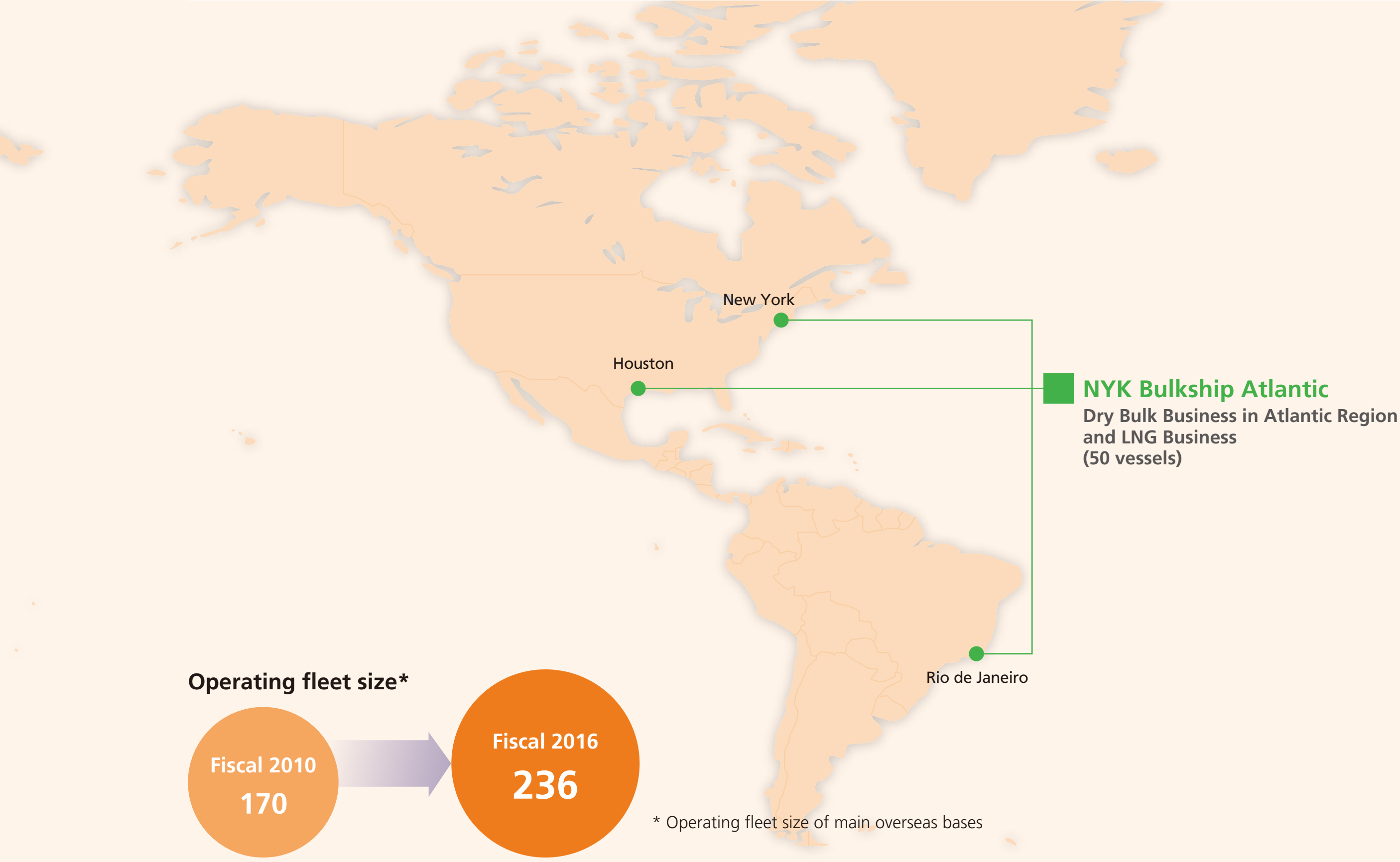
Further, we aim to establish better allocation of vessels for customers and enhance services. We believe that being near customers is paramount in order to provide carefully tailored solutions, earn customers' trust consistently, and respond to customers' requests immediately.

With this in mind, we are bolstering local bases as part of efforts to strengthen our organization. We want to encourage bases that are local subsidiaries to become more independent. To this end, we will accelerate initiatives that give local bases autonomy to conduct everything from sales to fleet development and fund raising. We need to carry out such strengthening in order to expedite decision making and make sure that we do not miss business opportunities.

Moreover, we want to intensify collaboration among local bases. Capitalizing on the resulting network of local bases, the NYK Group will further heighten the competitiveness of each local subsidiary and thereby actively target the growth in demand going forward.

Differentiating Features of Our Network in the Natural Resources and Energy Area

- One of the world's largest fleets
- A global network established ahead of competitors
- High degree of specialization realized through joint ventures



* Operating fleet size of main overseas bases

Targeting Emerging Markets from Singapore

NYK Bulkship (Asia) Pte. Ltd.

Recent years have seen major shippers in the natural resources and energy area and the foodstuffs area establish bases in Singapore, and their presence is gradually growing in the Pacific region's dry bulk market. These companies include three natural resource majors — Vale, Rio Tinto, and BHP Billiton — and a major grain trading company. Sourcing the latest information, Singapore's market is particularly prominent as the center of trading in soybeans bound for China. In addition, Singapore's preferential policies for shipping companies have lent impetus to a trend among major companies in the ocean transportation industry toward consolidating their bases in Singapore.

In common with its peers, the NYK Group views Singapore as a major base. NYK Bulkship (Asia) Pte. Ltd. has developed operations primarily as a shipowner or operator of tankers. The company operates 25 ships, mainly Aframax tankers and product tankers. The company's recent initiatives include increasing and developing the fleet and personnel and expanding the dry bulk business. Also, for the dry bulk business and the energy business we are aiming to expand overseas operations centered on Asia through Tata NYK Shipping Pte. Ltd., which is mainly involved in India-related business, and TOP-NYK Marine One Pte. Ltd., which is jointly owned by NYK and Thai Oil Public Co. Ltd.

An On-Site Report from Asia

The subtitle of our latest medium-term management plan is "Grow with Asia, Expand across the Globe." Keizo Nagai, the NYK Group's chief representative for China and a corporate officer, gives insight into trends in China as it continues to drive economic growth in Asia.

Corporate Officer, Chief Representative for China
Keizo Nagai

Global Logistics: Monitoring Changes in Transportation Flows as the Economy Evolves

China's import and export volumes are stable and likely to grow approximately 10% annually over the coming three years. In cargo volume, handling of such high-value-added products as electronic equipment, vehicles, and optical equipment is trending upward more steeply than for general cargo.

Another trend is that manufacturing bases and logistics bases — which used to be concentrated along the coast in Shanghai, Tianjin, and other cities — are steadily moving further inland to benefit from comparatively low labor costs. There is even concern that labor cost hikes could send manufacturing bases to other countries. Furthermore, advancing inflation in China will likely change the kinds of products being transported.

At the NYK Group, we want to watch these trends closely and ensure that we cater to transportation demand as it evolves.

Automobiles: Ability to Provide Services for the Transportation of Finished Automobiles is Well-Appointed

With our sights set on a further increase in demand for the transportation of automobiles in China, we spun off operations for the transportation of automobiles from NYK Logistics (China) Co. Ltd. and established NYK Automotive Logistics (China) Co. Ltd. (NALC), in April 2011.

NALC will provide door-to-door services for the transportation of finished automobiles. As well as shipping, the new company will operate terminals at four major ports in China, provide inland transportation services, and operate vehicle distribution centers (VDCs). In order to realize inland transportation services in China, we intend to use our fleet of 1,000 car carrier trucks, 700 of which we own. With such a solid lineup of services, NALC promises to play a major part in our operations.

Dry Bulk: China's Steelmakers Seeking Equity Interests in Overseas Resources

We have already concluded more than 20 long-term contracts with Chinese steelmakers. Recently, however, three natural resources majors have held most of the equity interests in steel raw materials. Also, suppliers are increasingly dominating decisions on transportation terms. In a bid to strengthen their influence and negotiating position, China's steelmakers are investing in overseas mining operations. If this trend advances, steelmakers will be able to decide terms for shipping. At present, our long-term contracts with China's steelmakers have plateaued. However, we are in discussions with a view to further contracts and expect to conclude agreements.

Developing Personnel and Information Gathering are Important Tasks Going Forward

In China's fiercely competitive market, being "able to do anything" is a strength that companies must have. In China, we have already established physical infrastructure to provide services integrating shipping through to inland transportation services. Our next task is to develop intangible resources, with fostering national staffs considered to be a particularly urgent task. Therefore, we are building a system designed to heighten the motivation of national staffs. Looking ahead, we hope to promote national staffs to the most senior positions of local subsidiaries.

A further task is information gathering. We have to keep our finger on the pulse of industry developments, seizing any business chances that we identify among the information collected. Even though it may take time, we will cultivate a network of contacts and secure other sources of information.

Review of Operations

Market Data

NYK Group Transportation Infrastructure
(As of March 2011)

Global logistic business

Containerships (including semi-containerships and others)
143 vessels 5,567,060Kt (DWT)

Logistics centers
36 countries
412 centers
2.13 million square meters
* as of the end of September 2010

Terminals

Container terminals	24 locations
Automobile terminals	13 locations
Other terminals	6 locations

Air cargo transportation
B747-400F 8 aircraft

Bulk shipping business

Bulk carriers (capesize)
109 vessels 20,219,972 Kt (DWT)

Bulk carriers (panamax & handysize)
235 vessels 13,604,092 Kt (DWT)

Wood chip carriers
57 vessels 2,857,506 Kt (DWT)

Car carriers
118 vessels 2,070,327 Kt (DWT)

Tankers
86 vessels 13,121,791 Kt (DWT)

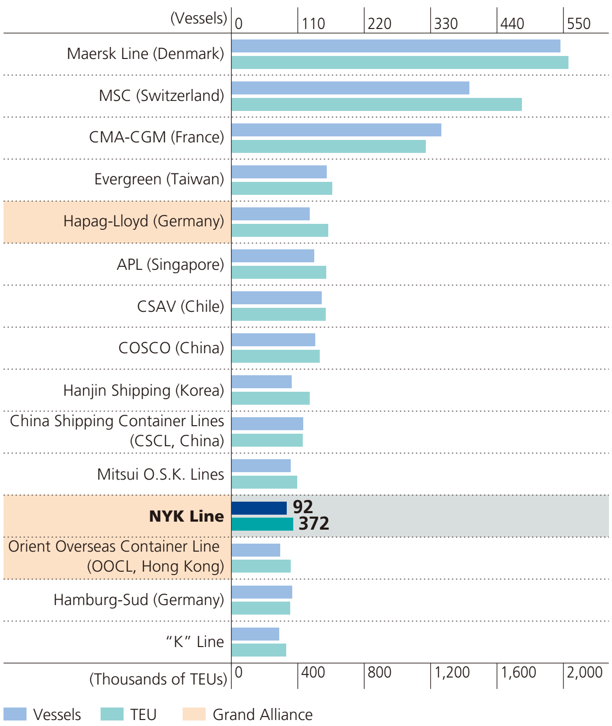
LNG carriers
29 vessels 2,132,999 Kt (DWT)

Others
47 vessels 595,131 Kt (DWT)

Other business

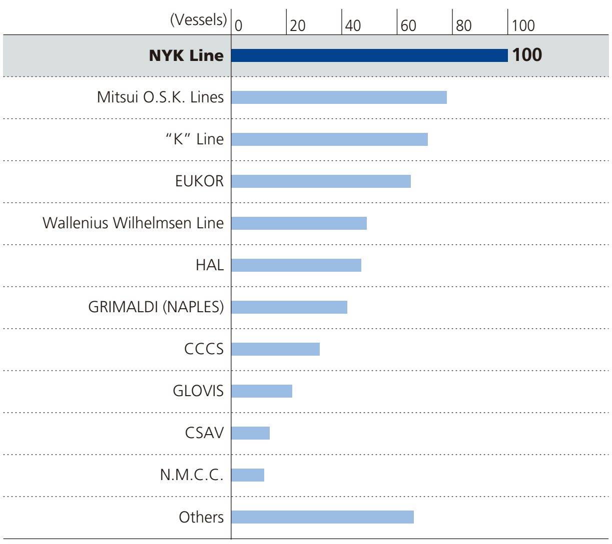
Cruise ships
3 vessels 21,577 Kt (DWT)

Fleet Size of Top 15 Full Container Transport Operators
(As of January 2011)



Source: Complied by the NYK Research Group, based on the January 2011 edition of MDS Transmodel

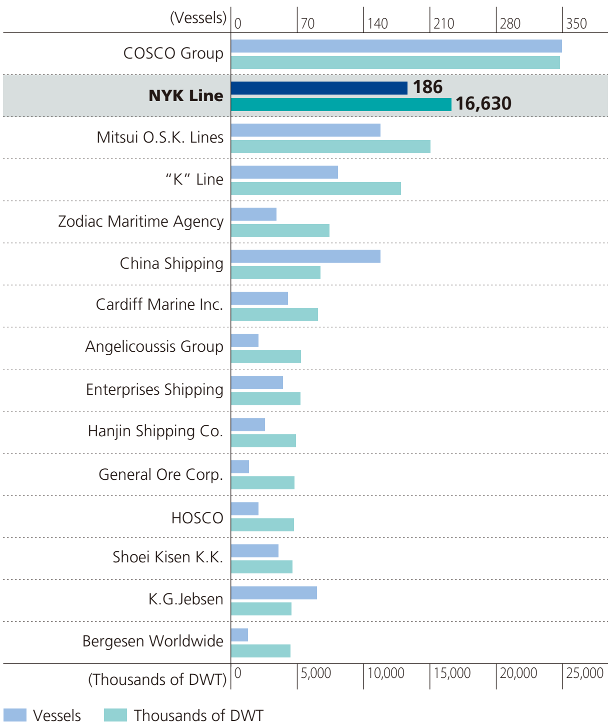
Fleet Size of Top Car Carrier Operators
(As of January 1, 2011)



Source: Hesnes Shipping As "The Car Carrier Market 2010"
Note: This table includes only vessels with a capacity of 2,000 cars or more.

Bulk Carrier Fleet Ranking

(As of January 1, 2011)

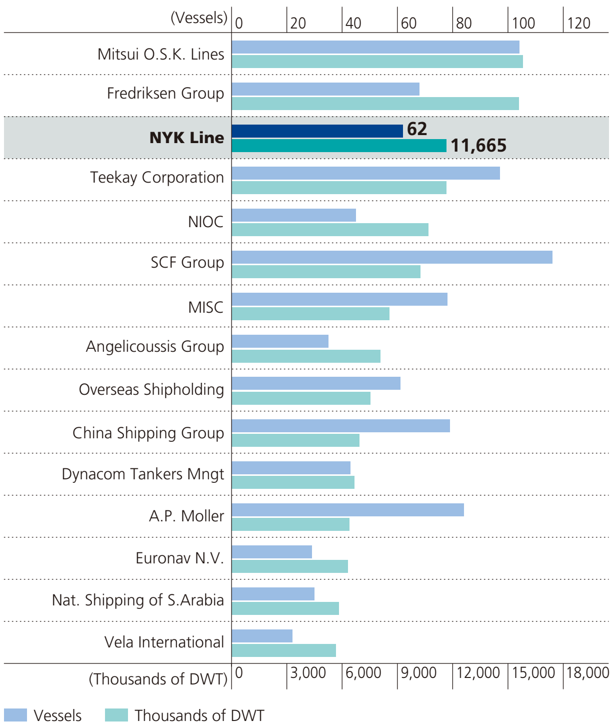


Source: Clarkson's Bulkcarrier Register 2011

Note: Due to differences in the definitions of ownership and management, the figures from this research institution may not match the numbers of operating vessels released by the operators.

Tanker Fleet Ranking

(As of January 1, 2011)

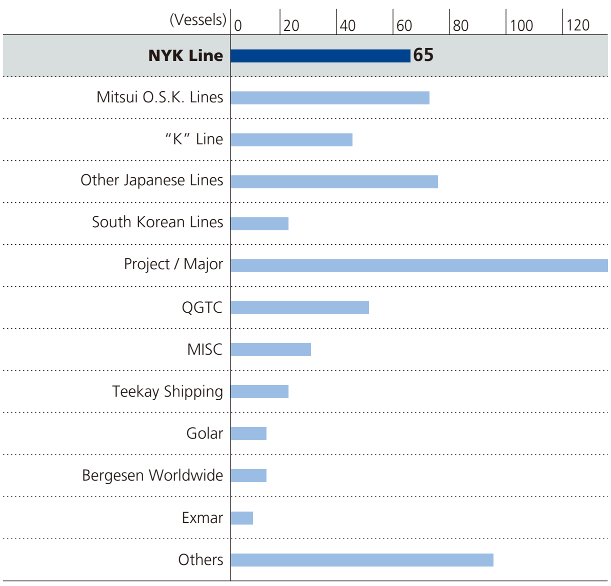


Source: Clarkson's Tanker Register 2011

Note: Due to differences in the definitions of ownership and management, the figures from this research institution may not match the numbers of operating vessels released by the operators.

Comparison of LNG Fleets

(Volume shipped by the end of December 2010)



Note: LNG tankers are frequently jointly owned by multiple companies. A jointly-owned tanker is counted as a single tanker no matter how small the share percentage.

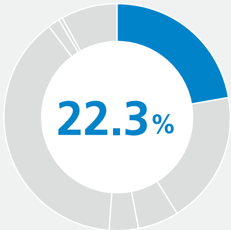
Highlights by Segment

GLOBAL LOGISTICS BUSINESS

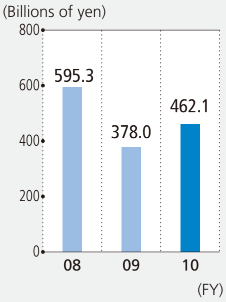
Liner Trade Business

➡P.50

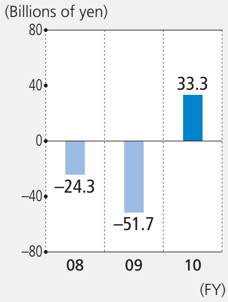
Revenues Ratio



Revenues



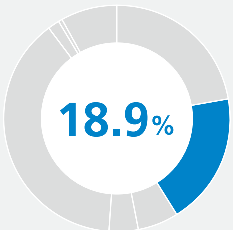
Operating Income (Loss)



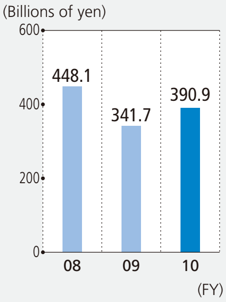
Logistics Business

➡P.50

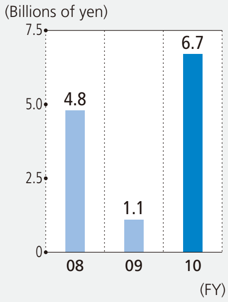
Revenues Ratio



Revenues



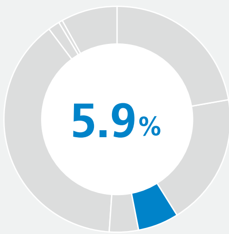
Operating Income



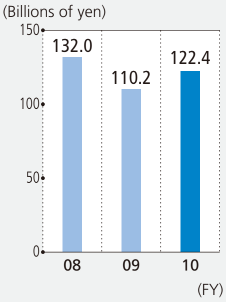
Terminal and Harbor Transport Business

➡P.50

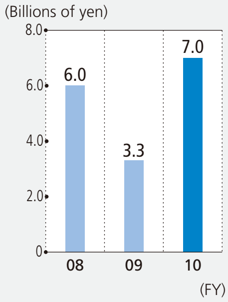
Revenues Ratio



Revenues



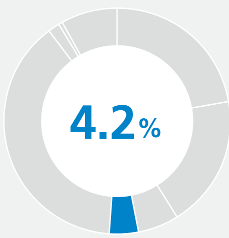
Operating Income



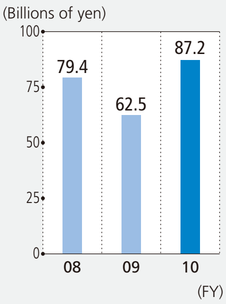
Air Cargo Transportation Business

➡P.54

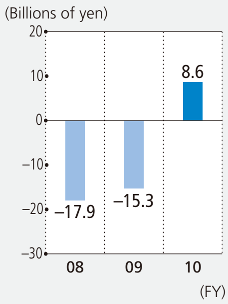
Revenues Ratio



Revenues



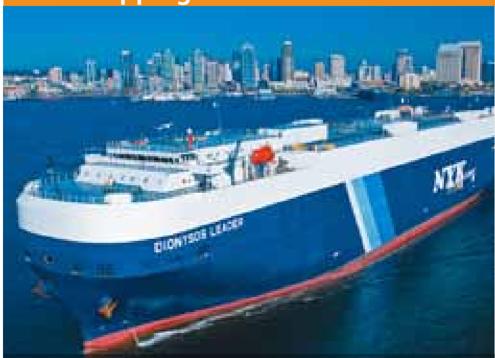
Operating Income (Loss)



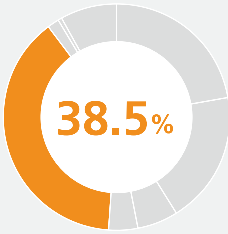
BULK SHIPPING BUSINESS

Bulk Shipping Business

• Car Transport • Dry Bulk Transport • Energy Transport

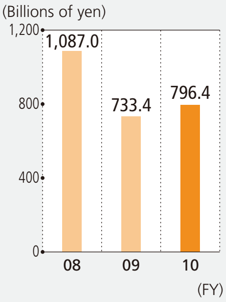

➡P.56

Revenues Ratio



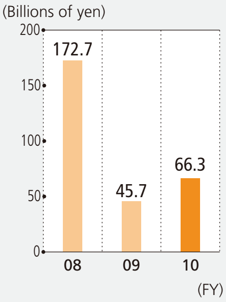
Revenues

(Billions of yen)



Operating Income

(Billions of yen)

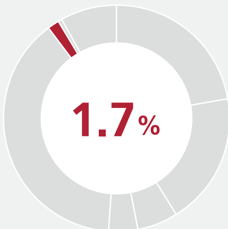


OTHER BUSINESS

Cruise Business

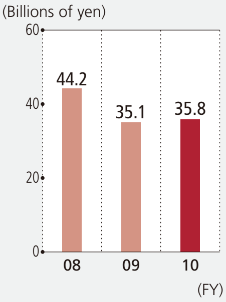

➡P.63

Revenues Ratio



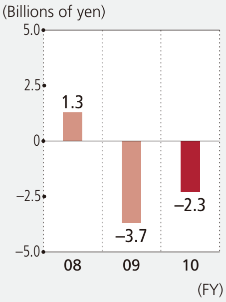
Revenues

(Billions of yen)



Operating Income (Loss)

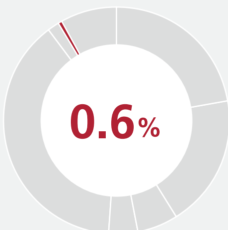
(Billions of yen)



Real Estate Business

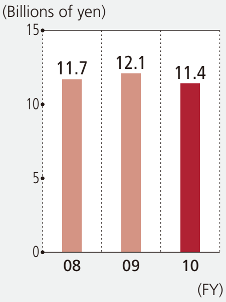

➡P.100

Revenues Ratio



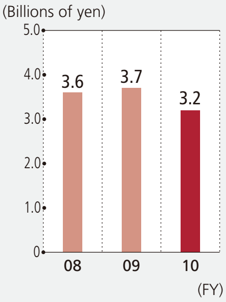
Revenues

(Billions of yen)



Operating Income

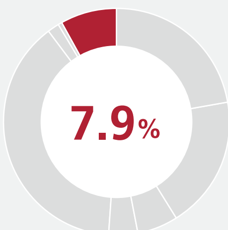
(Billions of yen)



Other Business Services

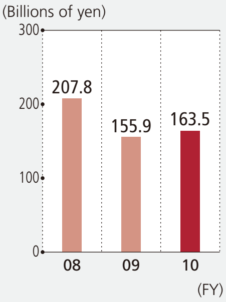

➡P.100

Revenues Ratio



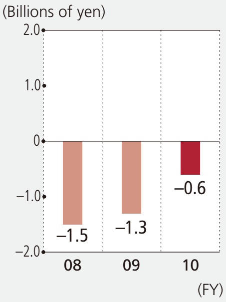
Revenues

(Billions of yen)



Operating Loss

(Billions of yen)



Global Logistics Business

(Liner trade business, logistics business, and terminal and harbor transport business)

Toshinori Yamashita

Representative Director, Senior Managing Corporate Officer
Chief Executive of Global Logistic Headquarters

Effects of the Great East Japan Earthquake on Business Results

The effects of the Great East Japan Earthquake on business results for the fiscal year under review were negligible because the earthquake disaster happened at the end of the fiscal year, in March, and the business structure of the global logistics segment has comparatively little dependency on domestic conditions. To some extent, however, we will have to recognize loss arising from loading stoppages and schedule disruptions. The outlook is difficult to predict given the uncertainty about recovery trends among client companies and the extent of damage due to harmful rumors in the wake of the nuclear power plant accident. In particular, we expect shipment delays among components manufacturers to affect the business results of automotive components transportation considerably in the first half of the current fiscal year. These delays are affecting the cargo handling volume of terminals. We anticipate that cargo handling volume will return to normal levels in the second half of the current fiscal year.

Certain overseas shipping companies temporarily suspended port calls in Japan. However, the NYK Group has continued operations and resumed cargo shipping unobtrusively while adhering to international rules and the Japanese government's guidelines.

Segment Strategy under "More Than Shipping 2013"

Build a System that Mitigates Risk Relating to Business Results Downturns as Far as Possible

As set out in the medium-term management plan, we expect container cargo to grow between approximately 7% and 8% annually. Further, growth will likely center on Asia, which promises growth at a rate just under 10%. Even though experiencing a modest decline in growth, Europe should grow between 6% and 8%. In response, shipping capacity supply is projected to increase at a rate of between 5% and 10%. Consequently, supply should match demand for the time being.

On the other hand, we can never completely rule out the possibility of the kind of unforeseen sudden market contraction that followed the Lehman Shock. The liner trade business is always exposed to market volatility risk. It is based on short-term contracts because a lot of the cargo it handles consists of consumer goods with short life cycles. With such a business structure, rather than gaining significant earnings, creating a system that curbs the effect of downturns and does not incur significant loss is important.

Awareness of this priority led us to move toward a light-asset business model for the containership fleet under the Yosoro (Steady Ahead!) Emergency Structural Reform Project. However, there seems to be a slight misunderstanding of what this means. Moving toward a light-asset business model does not mean reducing the scale of operations. Our strategy of increasing transportation volume in line with rising volumes of container cargo worldwide is unchanged. The main change is that we are diversifying our ship procurement methods while monitoring market conditions.

Going forward, we intend to steadily reduce shipping capacity that is based on owned vessels and long-term chartered vessels while increasing it for short-term chartered vessels. These efforts will build a system that makes the liner trade business more resistant to deteriorations in profitability when container volume slumps or freight rates fall. This is why we have eliminated investment in containerships in the investment plan of "More Than Shipping 2013." Reforming the containership fleet's business model is a pressing task for the NYK Group. Therefore, we intend to pursue this unprecedented strategy with a sense of urgency.

Expand the Forwarding Business Further

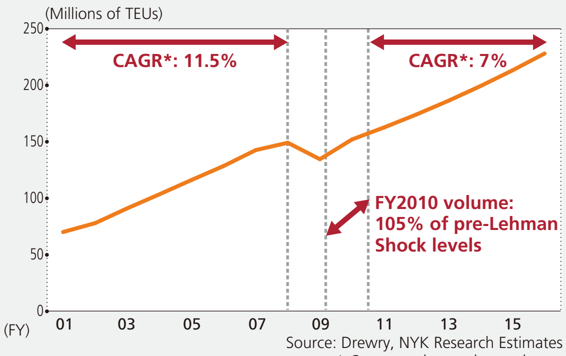
Another important initiative for us is expanding the forwarding business, a non-asset business. Our aim here is to establish a system that caters to varied customer needs that shipping cannot address and capture a share of cargo movements across a wider range of business areas.

With the ocean forwarding business as its first priority, group company Yusen Logistics aims to become one of the world's leading competitors in this business area by fiscal 2013. Currently, handling 420,000 TEUs (twenty-foot equivalent units) per year, the company is targeting 1 million TEUs by fiscal 2013. Of course, Yusen Logistics does not have to purchase transportation space from NYK. For this business, we believe being neutral about which carriers we use is important. The other side of the coin is that NYK is likely to see an increase in its forwarder customers from outside the NYK Group. On European shipping routes, forwarders' cargo already accounts for roughly half of our container transportation volume. Our view is that it is important to increase our overall container transportation volume in this way.

Cater to Asia's Cargo Imports and Exports

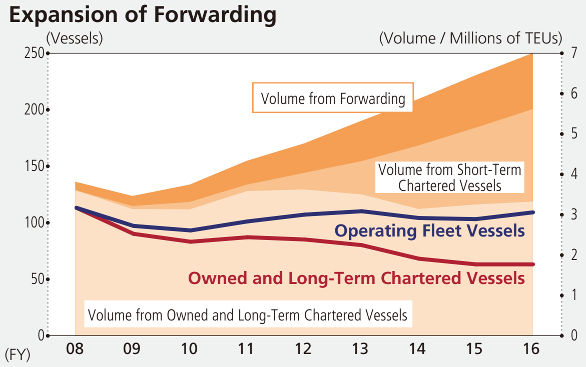
In the liner trade business, we aim to significantly increase our handling of Asia's cargo imports and exports. In addition to intra-Asia shipping routes, we plan to raise our handling of cargo to and from Asia on European and North American shipping routes. However, despite projections of heavy demand in Asia, fierce competition on intra-Asia shipping routes makes securing stable earnings in the region based on the liner trade business alone difficult. Therefore, we will analyze conditions carefully to determine whether we should advance initiatives as a shipping company or as forwarder, and then select the most appropriate option. Further, for contract logistics — the other core business of Yusen Logistics — we intend to shift the focus of business strategy from Europe and North America to Asia because it is becoming an earnings driver. (For further details about contract logistics, please see page 36.)

Global Container Volume



Source: Drewry, NYK Research Estimates
* Compound annual growth rate

Move toward Light-Asset Business Model + Expansion of Forwarding



GLOBAL LOGISTICS BUSINESS

Liner Trade Business

Business Results Summary

Earnings Rose Significantly on Recovering Container Volume and Freight Rates

In fiscal 2010, ended March 31, 2011, the balance between supply and demand improved markedly. This was attributable to containership operators' independent reduction of shipping capacity supply through slow-steaming operations and other measures in response to severe conditions following the Lehman Shock. In this environment, from the first quarter container volume trended toward recovery centered on Asia. Freight rates, which had slumped substantially on all shipping routes, picked up, and all shipping routes saw a year-on-year increase in freight rate levels. Also, thanks to the recovery in cargo movements, for many shipping routes, mainly North American and European routes, lifting volumes were up year on year as services were strengthened and additional vessels were allocated to non-scheduled voyages.

Compensating for rapid yen appreciation, these positive trends resulted in a 22.2%, or ¥84.0 billion, year-on-year rise in net sales, to ¥462.1 billion. Further, the business segment posted a recurring profit of ¥30.2 billion, compared with the previous fiscal year's recurring loss of ¥55.4 billion.

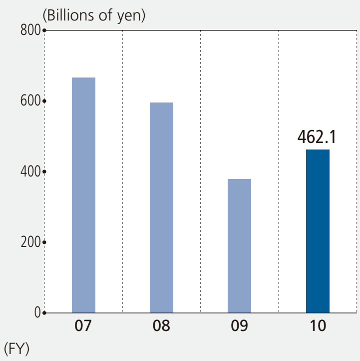
In fiscal 2011, ending March 31, 2012, we expect that profitability will worsen year on year as bunker oil price hikes and softening freight rates accompanying higher shipping capacity supply counteract steady container volume in Asia and the rest of the world.

Fiscal 2010 Initiatives

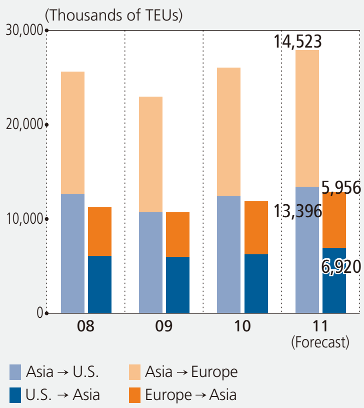
Moved Further toward Light-Asset Business Model

In order to create a fleet portfolio that is able to respond flexibly to market volatility, we are moving toward a light-asset business model. As part of this effort, we reduced our fleet of owned and long-term chartered vessels from 89 to 83 vessels in fiscal 2010. At the same time, we increased the proportion of short-term chartered vessels in the fleet and maintained fleet size in step with demand growth. Looking ahead, we plan to reduce owned and long-term chartered vessels to 63 vessels while increasing the overall fleet size from 380,000 TEUs at present to 520,000 TEUs.

Liner Trade Revenues



Container Cargo Transport Volume



Source: Trade HORIZON 2011/1Q
Drewry Shipping Consultants Ltd. 2011/1Q

GLOBAL LOGISTICS BUSINESS

Logistics Business

Business Results Summary

Earnings Increased Due to Synergistic Combination of Higher Cargo Movements and Enhanced Efficiency

In fiscal 2010, solid economic growth in Asia lead to a marked recovery in distribution volume. NYK Logistics* saw a recovery trend in cargo movements that extended as far as manufacturers and customers in the distribution industry. Efforts to reduce cost in regions worldwide and improve efficiency resulted in a recurring profit of ¥1.9 billion, compared with the previous fiscal year's recurring loss of ¥1.5 billion. Yusen Logistics, formerly Yusen Air & Sea Service Co. Ltd., achieved a ¥2.7 billion year-on-year increase in recurring profit, to ¥5.7 billion, by catering steadily to rising demand for air cargo transportation overseas centered on Asia, which offset lower profit margins that reflected higher air freight rates paid and bunker fuel price hikes. As a result, for fiscal 2010 the logistics business posted a 14.4%, or ¥49.1 billion, increase in net sales, to ¥390.9 billion. Recurring profit of ¥7.7 billion was approximately five times more than that of the previous fiscal year.

* A group of consolidated subsidiaries that principally roll out overland-logistics services worldwide under the NYK Logistics brand name

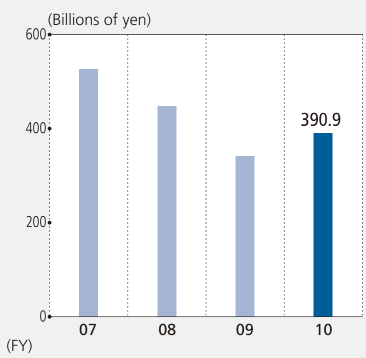
Fiscal 2010 Initiatives

Reorganization of NYK Group Logistics Sector

The NYK Group began its reorganization of the logistics sector in October 2010 by integrating the two brands of NYK Logistics and Yusen Air & Sea Service into Yusen Logistics. The integration between the two is scheduled to expand its geographic scope to worldwide in 2011. NYK Logistics has developed its competence in land transportation, warehousing, distribution, and ocean forwarding, and Yusen Air & Sea Service (now Yusen Logistics) specializes in handling air forwarding business. Merging these two operations will create NYK's new and strong logistics unit with world-class scale and service quality.

In fiscal 2011, we intend to expand forwarding business leveraged by the expertise in contract logistics, and continue to grow, particularly in China, India and Southeast Asia.

Logistics Revenues



Number of Logistics Centers (Warehouses)

	2006		2007		2008		2009		2010
Japan	21	19	21	22	22	20	23	18	31
Asia, China	63	37	66	43	70	44	78	44	115
Oceania	13	2	11	3	9	3	7	3	8
The Americas	24	25	25	25	32	25	30	24	48
Europe	69	22	67	21	68	21	59	22	79
World Total	190	105	190	114	201	113	197	111	281

: NYK Logistics   : Yusen Air & Sea Service

Notes: 1. In some Japanese domestic locations, offices are included within warehouses.
2. Yearly totals are as of September.

GLOBAL LOGISTICS BUSINESS

Terminal and Harbor Transport Business

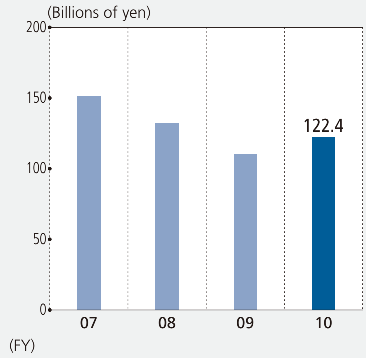
Business Results Summary

Higher Container Cargo Volume Contributed to Performance

In fiscal 2010, worldwide economic recovery supported solid container cargo volume, leading to a year-on-year increase in cargo handling volume at terminals. As a result, the terminal and harbor transport business posted net sales of ¥122.4 billion, up 11.0%, or ¥12.1 billion, from the previous fiscal year. Approximately doubling year on year, recurring profit was ¥6.6 billion.

In fiscal 2011, this business will increase the quality and handling capability of existing terminals. In conjunction with these initiatives, the business will extend its network of terminals — concentrating on emerging markets and regions — to cater flexibly to changing needs.

Terminal and Harbor Transport Revenues



GLOBAL LOGISTICS BUSINESS

Air Cargo Transportation Business

Business Results Summary

Moved into the Black One Year Early

For fiscal 2010, Nippon Cargo Airlines Co. Ltd. (NCA), which operates this business, achieved a 39.4%, or ¥24.6 billion, year-on-year increase in net sales, to ¥87.2 billion. Also, the company recorded recurring profit of ¥7.8 billion, compared with the previous fiscal year's recurring loss of ¥15.1 billion. Initially, the company's target was to implement organizational improvements and reach profitability in fiscal 2011. However, it moved into the black one year ahead of schedule due to the restoration of freight rate levels, a pickup in air cargo volume, and cost reduction efforts advanced since fiscal 2009. Moreover, NCA posted record earnings.

Fiscal 2010 Initiatives

Improved Daily Aircraft Utilization Rigorously

Compared with the previous fiscal year, we increased the number of daily aircraft utilization based on a strategy of implementing charter flights by utilizing standby time between scheduled flights. We established flexible operational and maintenance systems able to respond to requests for charter flights, which produced an increase in charter flight orders. Thanks to these efforts, utilization rate per aircraft per day reached 13.5 hours, a significant improvement on the previous fiscal year's 12.3 hours.

Business Strategy Going Forward

Strengthen Competitiveness Even Further

Anticipating strong demand for air transportation centered on Asia, we intend to bolster our competitive strength further still. A particular focus of this initiative will be on strengthening the competiveness of operations at Narita Airport, NCA's main base. We consolidated air cargo handling facilities* that used to be dispersed throughout the north cargo area of Narita Airport at the south cargo area instead in May 2011. This consolidation has three aims. First, we want to increase efficiency through consolidation. Second, transferring from the north cargo area, which has a mix of different facilities, will enable smoother cargo handling operations. Also, transferring gives us the option of expanding facilities in the future. Our third aim is to enrich services for customers by switching air cargo handling operations for imported cargo that were outsourced to in-house management. Through these initiatives, we will heighten service quality and further differentiate our services.

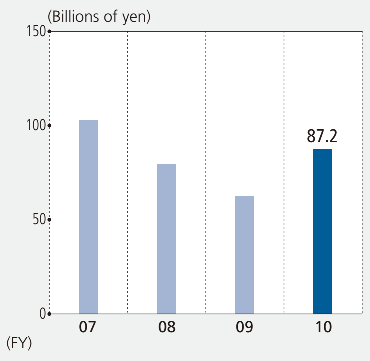
* Buildings used for sorting, loading, unloading, and storing cargo

Step Up the Pace of Business Development in Asia

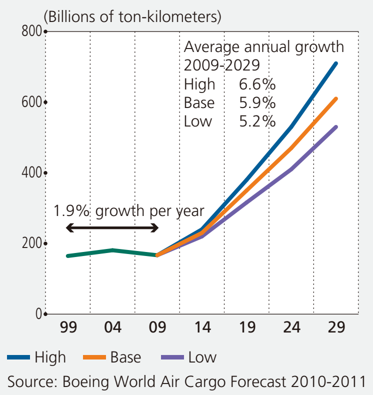
Unfortunately, there is little prospect of dramatic growth in Japan's cargo imports and exports market. Similar to the shipping and logistics businesses, for NCA the key to future growth lies in overseas markets, particularly Asia. However, because the air transportation industry worldwide regulates the participation of foreign companies strictly, breaking into new markets on its own is difficult for NCA. With this in mind, we intend to study potential business partnerships with Chinese, North American, or European companies.

Further, scope remains for further growth in the demand for additional flights and charter flights. Therefore, we will continue focusing on tapping into new demand, and plans call for doubling revenues from charter flights as a percentage of NCA's net sales. For fiscal 2010, these revenues accounted for 7.4% of net sales. By fiscal 2016, we aim to raise this to 14.9%.

Air Cargo Transportation Revenues



Air Cargo Demand Forecast



Source: Boeing World Air Cargo Forecast 2010-2011

Bulk Shipping Business

(Car transport, energy transport (petroleum transport, chemical and LPG transport, LNG transport, offshore business))

Masahiro Kato

Representative Director, Senior Managing Corporate Officer
Chairman of Tramp Shipping Strategy Committee, Chief Executive of Automotive Transportation Headquarters, Chief Executive of Energy Division, Chief Executive of Cruise Headquarters

Effects of the Great East Japan Earthquake on Business Results

Right after the earthquake disaster, automobile manufacturers stopped production due to shortages of components, which halted transportation of finished automobiles. One month after the earthquake, almost all automobile manufacturers had restarted production, but their utilization rates were only about 50%. Since then, however, utilization rates have steadily improved, with automobile manufacturers likely to return to full-capacity production around September.

We are not considering downsizing the fleet because demand for finished automobiles has not diminished. Instead, we will wait for manufacturing and shipments of finished automobiles to resume. Nonetheless, we intend to reduce to an absolute minimum the cost of standing by. For example, we can save on fuel expenses by cutting engines at sea and operating ships using only the power of the tides. Further, we plan to curtail cost by adopting the minimum operational posture necessary. This will include scrutinizing ships that are laid up with some seafarers on board until they resume operations.

Meanwhile, in oil and petroleum products transportation, certain customers have requested revisions of long-term contracts due to the halting of operations at refining plants. However, this development will probably have only a limited effect on the segment's business results. Basically, our intention is to wait for the resumption of manufacturing and shipments.

Further, Japan needs emergency imports of fossil fuels due to concern over the effect of the earthquake disaster on power supplies. The NYK Group will do its utmost to contribute to power supplies through LNG transportation, coal transportation, and crude oil transportation.

Segment Strategy under "More Than Shipping 2013"

CAR TRANSPORT

Apply Our China Business Model to Other Regions

The global automotive market is expected to continue growing at an annual rate of about 5% from 2011 onward. Looking at shipment trends by region, Asia — Thailand, China, and India — is likely to see shipments trend upward.

The ratio of automobile shipments from Japan versus non-Japan-related automobile transportation was 2:1 in fiscal 2006. At present, the ratio has almost reached 1:1. This reflects the combined effect of declining automobile shipments from Japan and rising automobile shipments from Thailand and Indonesia. We believe this trend will continue. Therefore, now more than ever the NYK Group needs transportation bases in regions worldwide.

Today, China has grown into the world's largest automotive market. In China, the NYK Group has established an organization able to offer an impressive array of services and solutions. These include inland transportation; coastal vessel transportation in China of finished automobiles; dedicated automobile terminals at four of China's major ports, Dalian, Tianjin, Shanghai, and Guangzhou; operation of distribution centers and PDI* bases; and logistics services for just-in-time delivery of production parts. Using the expertise in comprehensive services for logistics needs related to finished automobiles garnered in China, we will roll out services in other emerging markets.

In particular, we intend to concentrate on India. To a certain extent, we have established an operational infrastructure in the country, which includes dedicated trailers for inland transportation, operation of distribution centers and PDI bases, and transportation of finished automobiles by rail. However, given the growth potential of India, our infrastructure remains inadequate. Also, because India promises to become an exporter of finished automobiles, establishing ports that will become export bases is important. At Mundra Port in northwest India and other sites, we will consider or move forward with the construction of dedicated automobile terminals on India's west and east coasts.

* An acronym for "pre-delivery inspection," this refers to conducting final inspections, repairs, and parts application of finished automobiles before delivery to automobile dealers.

ENERGY TRANSPORT (PETROLEUM TRANSPORT, CHEMICAL AND LPG TRANSPORT, LNG TRANSPORT, OFFSHORE BUSINESS)

Seek Stable Long-Term Earnings and New Business Opportunities

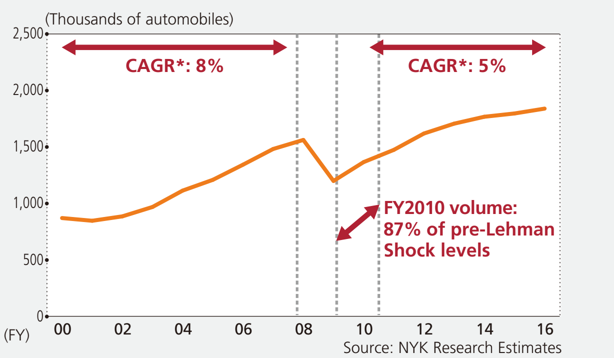
The forecast for crude oil seaborne trade is annualized growth of 0.6%. The NYK Group will focus initiatives on transportation bound for Asia, where demand is particularly firm. In addition, we aim to increase our business chances not only by winning contracts from upstream oil majors but by exploring the possibility of acquiring long-term contracts with midstream oil refiners.

In one such initiative, February 2011 saw us establish a joint venture company for crude oil transportation with the oil refiner Thai Oil Public Co. Ltd. of Thailand, which is under the umbrella of PTT Public Co. Ltd, a Thai state-owned company. The venture company bought the NYK Group's very large crude carrier (VLCC) tanker *Tenyo* and concluded a 10-year long-term contract with Thai Oil. We will use this unusual joint venture between a shipping company and an oil refiner as a paradigm that we can replicate in other countries.

In the LNG business, a series of new projects will begin around 2015 in Nigeria, India, Australia, and other countries. Likely calling for between 30 and 40 vessels, these projects promise to become major business opportunities. We will secure stable long-term earnings by developing our fleet in conjunction with the progress of the projects while steadily securing long-term contracts.

Further, the offshore business has strong growth potential given that natural resource majors are stepping up investment in deepwater oil production as the limits of oil and gas drilling on land and in shallow-water fields come into sight. Also, development of deepwater gas fields is expected to begin in earnest. By taking advantage of the sophisticated technological capabilities the NYK Group has developed, the offshore business is sure to become a source of stable long-term earnings. (For further details, please see page 40.)

Global Passenger Car Shipments



Source: NYK Research Estimates
* Compound annual growth rate

Service Map of Finished Automobile Transport in China

Bulk Shipping Business

(Dry bulk transport)

Hidenori Hono

Representative Director, Senior Managing Corporate Officer
Chief Executive of Dry Bulk Division

Effects of the Great East Japan Earthquake on Business Results

Direct damage included the grounding of three bulk carriers due to the tsunami after the earthquake. Two of these ships are reparable. However, the third may not be reparable.

Regarding indirect damage, coal transportation for electric power companies has slumped. Also, the halting of production at paper manufacturing plants has affected the transportation of wood chips for paper manufacturers. Further, iron ore transportation volumes for steel plants are sluggish. We expect it will take time before the situation returns to normal.

Segment Strategy under "More Than Shipping 2013"

Heighten Cost Competitiveness, Obtain New Contracts

Demand for respective types of dry bulk began to decline from the second half of fiscal 2010. In particular, China, which had supported iron ore demand worldwide, has begun shifting toward domestic production of iron ore. This change is affecting market conditions significantly. Also, in light of the numerous new ships due for delivery by 2012, we expect an oversupply of shipping capacity to continue.

In response, the NYK Group will concentrate on reducing the average cost of the fleet and acquiring long-term contracts. Strengthening cost competitiveness is a particularly pressing task. The NYK Group's fleet includes ships with high tonnage value or charterage fees. We want to dispose of these ships rapidly in order to lower fleet cost. However, disposal incurs commensurate cost, so we intend to proceed carefully. At the same time, given the current surplus of shipping capacity supply, we need to incorporate into the fleet more ships that are highly competitive.

Meanwhile, as an immediately effective cost-reduction measure we are implementing slow-steaming operations. Slow-steaming operations help improve profit margins at times, such as now, when market conditions are unfavorable. The NYK Group has been implementing slow-steaming operations for containerships for the past two years. Using this as a model, we are pursuing optimal measures. For chartered vessels, however, we need the cooperation of shipowners. Therefore, we are considering making shipowners amenable to slow-steaming operations by offering them some type of incentive.

The NYK Group's global network gives it a major competitive advantage over other companies. (Please see page 42.) With this in mind, we plan to further intensify collaboration among local subsidiaries. By fully exploiting this sales base and heightening cost competitiveness rapidly, we will win more long-term contracts.

BULK SHIPPING BUSINESS

Car Transport

Business Results Summary

New Automobile Sales and Exports Recovered Worldwide

In 2010, sales of new automobiles trended toward recovery as sales growth centered on Russia, China, and other emerging markets supported a rebound from the worldwide downturn in sales after the Lehman Shock. Worldwide finished automobile cargo movements between regions totaled 13.64 million units, up approximately 13% from the previous year's 11.97 million units. Exports of new automobiles from Japan increased from 3.62 million units in 2009 to approximately 4.84 million units, recovering to roughly 70% of the high-water mark of 6.73 million units in 2008. At the same time, exports from emerging markets rose steadily. Thailand performed especially robustly, with automobile exports of 0.90 million units in 2010 almost doubling the 0.50 million units in 2009. As a result, the NYK Group posted a 31%, or 0.73 million units, year-on-year increase in transportation of finished automobiles, to 3.10 million units.

For fiscal 2011, ending March 31, 2012, we expect a significant decrease in cargo movements in the first half due to the Great East Japan Earthquake. From the second half, increasing production by automobile manufacturers is likely to underpin a recovery in cargo movements.

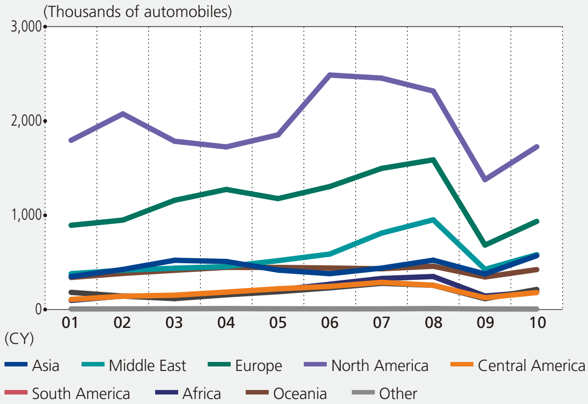
Fiscal 2010 Initiatives

Strengthened Automotive Logistics Business for Finished Automobiles

We developed the fleet to suit business conditions by introducing 12 new vessels that heightened competitive strength while scrapping four aged vessels. We intend to continue such initiatives.

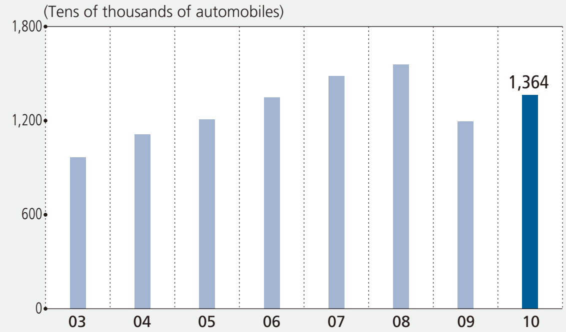
Also, we focused on expanding the automotive logistics business, which complements shipping. In particular, for China — now the world's largest automotive market — we developed our fleet of car carrier trucks for inland transportation and our terminal operations, thereby increasing automobile handling. And, aiming to cater to an expected increase in intra-Asia finished automobile exports, we operated dedicated automobile terminals not only in China but also in Singapore and Thailand.

Japanese Automaker Exports



Source: Japan Automobile Manufacturers Association, Inc.

Worldwide Car Transport Volume (Cargo movements between regions)



Source: NYK Research Group

Note: The total of cargo movements between the following regions: North America, Asia, Oceania, Western Europe, Eastern Europe, South America, and other regions.

BULK SHIPPING BUSINESS

Dry Bulk Transport

Business Results Summary

Demand Recovered Even among Mature Markets

Until now, steel and energy operations in Asia's emerging markets centered on China and India have driven the market. In fiscal 2010, developed countries also saw demand grow as the business climate improved. As a result, shipping volume trends were firm. From the second half, however, rising iron ore prices began a downward trend in China's previously vigorous iron ore imports. Furthermore, an unprecedented oversupply of shipping capacity due to a large number of new ships exacerbated the situation. Consequently, from the beginning of 2011 market conditions slumped, centered on Capesize bulk carriers. Nonetheless, business results for fiscal 2010 were up year on year thanks to the buoyant first-half market conditions.

In fiscal 2011, lackluster market conditions are likely to continue. For the full year, we anticipate that, centered on Capesize bulk carriers, market conditions will not be as favorable as those of fiscal 2010.

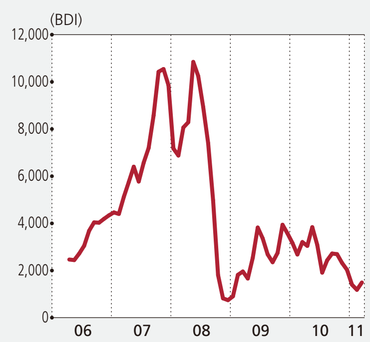
Fiscal 2010 Initiatives

Strengthened Sales Capabilities Further

In addition to servicing its traditional mainstay customers in Japan, the NYK Group has catered to overseas customers by establishing local subsidiaries that conduct sales activities rooted in major regions worldwide. Moreover, we are bolstering the information-sharing network among such local subsidiaries to increase our sales strength on a global basis. Also, we have been concentrating particular efforts on developing businesses in China and India. Fortifying sales bases in these countries has empowered us to cater to a wide range of customer needs. Thanks to these efforts, revenues from China and India are accounting for an increasing share of the NYK Group's net sales.

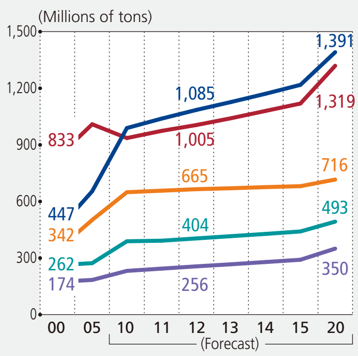
Further, major dry bulk suppliers and traders are establishing new business bases in Singapore. In response to this trend, the NYK Group is developing personnel and its fleet with a view to acquiring and expanding commercial rights.

Dry Bulk Market Trends



Baltic Dry Index (BDI) monthly average

Volume and Forecast of Dry Bulk Seaborne Trade



	2000	2005	2010	2011 (Forecast)	2012 (Forecast)	2013 (Forecast)	2014 (Forecast)	2015 (Forecast)	2020 (Forecast)
Iron ore	447	654	989	1,039	1,085	1,127	1,171	1,218	1,391
Coking coal	174	184	232	244	256	267	279	291	350
Steam coal	342	502	649	657	665	670	676	681	716
Grain	262	273	389	392	404	416	428	441	493
Minor-bulk	833	1,009	936	974	1,005	1,041	1,080	1,119	1,319

Source: Clarkson Shipping Review & Outlook (Spring 2010), Dry Bulk Trade, NYK Research Group

BULK SHIPPING BUSINESS

Energy Transport (Petroleum transport, chemical and LPG transport)

Business Results Summary

Demand for Oil Rose as Business Climate Turned Around

In fiscal 2010, worldwide economic recovery led to stronger demand for oil, and shipping volume of oil and petroleum products increased overall.

On the other hand, a mismatch between shipping capacity supply and demand, reflecting a large number of new ships, produced flat market conditions in the tanker market in the last three quarters of fiscal 2010.

As for fiscal 2011, although demand is expected to remain soft in first half, the second half will likely see improving market conditions on winter demand.

Fiscal 2010 Initiatives

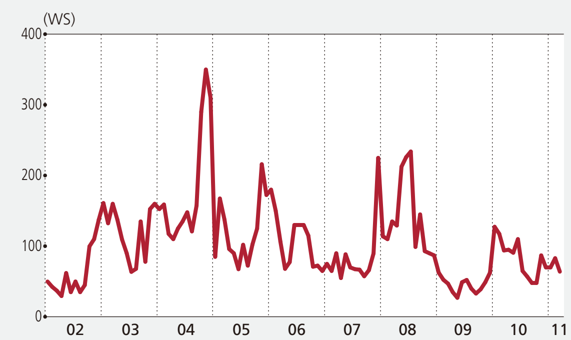
Realized Long-Term Charter of VLCC

Approximately 80% of VLCCs in Japan and other countries worldwide operate based on long-term contracts with major oil companies. As a result, these ships have comparatively stable profit structures. Hoping to benefit from this stability, we concluded a three-year long-term charter contract with China's Sinochem Oil Co. Ltd. in fiscal 2010. In a another initiative, we established a joint venture in Singapore through a joint investment with Thai Oil Public Co. Ltd. in February 2011. The joint venture purchased a VLCC from the NYK Group. We also established an arrangement for the transportation of crude oil to Thai Oil Public over the next 10 years by this VLCC. We will continue to seek more such business opportunities to achieve further growth.

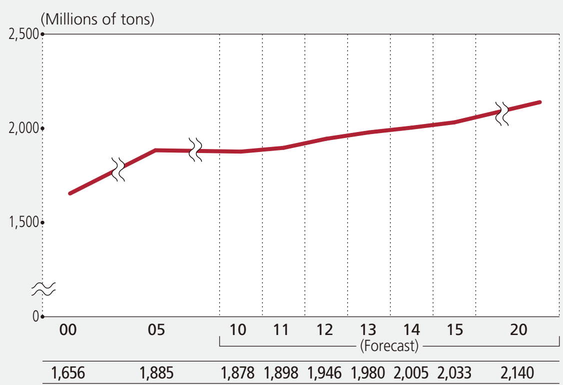
As with VLCCs, LPG carriers, petroleum product tankers, and chemical tankers primarily operate under long-term contracts. As a result, these ships performed comparatively well despite slumping market conditions in fiscal 2010. Further, for chemical carriers, we made good progress toward enlarging operating fleet size, receiving delivery of a new dedicated methanol carrier that will be chartered under a long-term contract.

As part of our unstinting efforts to ensure safe operations, this division conducts periodic inspections of compliance with safety standards and makes improvements as required. Also, the division takes measures to minimize the risk of environmental pollution. For example, the division has finished converting its entire fleet to double-hull ships. Customers highly evaluate our range of environmental and safety initiatives.

Oil Tanker Market (Middle East → Japan)



Volume and Forecast of Crude Oil Seaborne Trade



Source: NYK Research Group

BULK SHIPPING BUSINESS

Energy Transport (LNG transport, offshore business)

Business Results Summary

Market Conditions Picked Up in the Second Half

Fiscal 2010 saw weak demand for LNG carriers in the first half because demand for LNG slumped, reflecting the continuation from the previous fiscal year of increases in shale gas production in the United States. In the second half, however, LNG market conditions turned around and rapidly tracked toward recovery as a hot summer and economic recovery in Asia led to a spike in energy demand that closed the gap between demand and shipping capacity supply.

Fiscal 2010 Initiatives

Became First Japanese Shipping Company to Participate in Shuttle Tanker Business

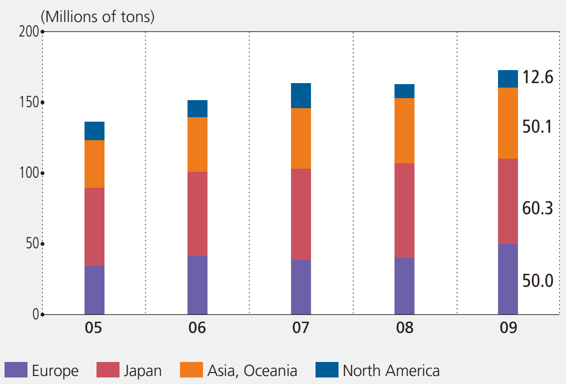
In December 2010, the NYK Group acquired a 50% stake in the world's second largest shuttle tanker* business, Knutsen Offshore Tankers ASA (KOT), of Norway. As a result, KOT changed its name to Knutsen NYK Offshore Tankers AS (KNOT).

Through this investment, the NYK Group will be able to expand its services in upstream areas of the supply chain, in addition to the group's existing crude-oil transportation service. The new business fits well with NYK's expertise in the handling of specialized cargo, such as crude oil, in addition to the company's experience with dynamic positioning systems (DPS), such as that developed by a NYK Group company in its operations with the deepwater drilling vessel *Chikyu*.

Together with NYK's financial strength and its pool of highly trained seafarers, one of the world's largest, and KOT's pioneering technologies, Knutsen NYK Offshore Tankers will be able to further expand its market presence, while continuing to offer services of the highest quality to its customers who demand these services.

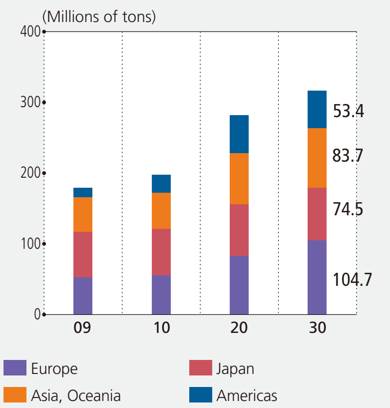
* Shuttle tankers: Also called floating pipelines, these tankers load oil at sea from FPSO (floating production, storage, and offloading) facilities that are positioned above offshore oil fields. During loading, the tankers remain in a fixed position and at a fixed distance from FPSO facilities. They then transport their cargo to oil storage bases onshore or oil refining bases and return to the FPSO facilities. Most shuttle tankers are equipped with dynamic positioning systems (DPS) and a bow-loading system so that they can load at sea even amid severe tidal and wind conditions.

LNG Transactions in Major Markets



Source: BP Statistical Review of World Energy 2010

LNG Demand Forecast



Source: The Institute of Energy Economics, Japan; Rim LNG Nenkan 2010

OTHER BUSINESS

Cruise Business

Business Results Summary

Shrank Loss Year on Year through Stronger Sales and Cost Reductions

In fiscal 2010, Crystal Cruises Inc. in the United States and Asuka Cruise in Japan faced tough business conditions due to fiscal uncertainty among European countries, persistently high unemployment rates in the United States, and weak economic recovery in Japan.

Moreover, many customers cancelled bookings on *Asuka II* following the Great East Japan Earthquake.

As a result of measures to counteract these conditions, including strengthening sales and cost reductions, net sales were up 2.1%, or ¥0.7 billion, year on year, to ¥35.8 billion, and recurring loss improved ¥1.4 billion year on year, to ¥2.6 billion.

Fiscal 2010 Initiatives

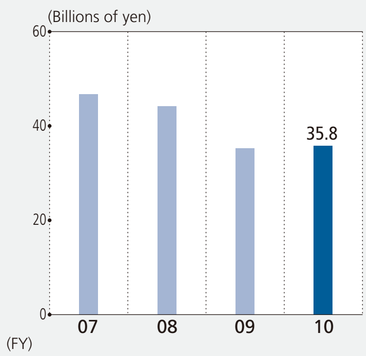
Provide New Cruise Services

Readers of the major U.S. travel magazine *Condé Nast Traveler* have voted Crystal Cruises the "Best Large Ship Cruise Line" for four consecutive years. Furthermore, the company has won this award 17 times since the magazine began collecting readers' votes. We will improve business results by preserving the value of a brand much loved among customers while offering them great deals through flexible pricing finely adjusted to reflect the appeal, period, and competitive conditions of each cruise.

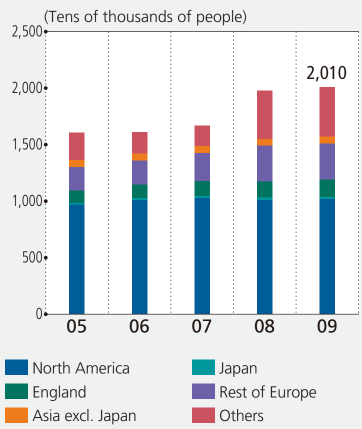
Also, *Asuka II* has earned strong customer endorsement. We intend to continue providing the level of service such loyal customers have come to expect. At the same time, we will concentrate on further extending our base of devoted customers. For example, targeting customers that have disposable income but little time, we want to emphasize the appeal of short-stay cruises.

In fiscal 2011, we will face difficult conditions, including current hikes in bunker oil prices. However, we intend to overcome such hurdles by redoubling efforts to reduce cost and strengthen sales through a range of imaginative campaign initiatives.

Cruise Revenues



Global Cruise Population



Source: Berlitz and others

Ranking: Berlitz "Complete Guide to Cruising & Cruise Ships 2011"

Asuka II	★★★★+
Crystal Symphony	★★★★★ (Five-Stars)
Crystal Serenity	★★★★★ (Five-Stars)

Efforts to Support the Area Devastated by the Japan Earthquake and Tsunami

Through its mainstay transportation business (*monohakobi*), NYK is providing aid and relief to victims of the Japan earthquake and tsunami and helping restore the devastated area.

Making Monetary Donations

The NYK Group has donated ¥50 million to provide aid and assistance to victims and help restore the devastated area. In addition, donations from group companies in Japan, overseas, and others amounted to ¥160 million.*

* As of May 31, 2011. This includes donations entrusted to the NYK Group by certain customers.

Module Carrier *Yamatai* Provides Free Transportation of Relief Supplies

In conjunction with the Japan Federation of Economic Organizations, the NYK Group established a "First Relief Supplies Hotline." Our appeal for the provision of supplies that municipal authorities in the disaster area had requested was met with offers of support from many companies and organizations. Once loaded with these relief supplies, the module carrier *Yamatai*, which NYK-Hinode Line Ltd. operates, departed from the port of Kobe. After arriving at the port of Hachinohe in Aomori Prefecture on March 27, the relief supplies were moved out of the containers and onto trucks, and delivered to the affected areas in Aomori, Iwate, and Miyagi prefectures. The companies and organizations, including those in the NYK Group, that cooperated and the relief supplies provided are shown below.

Cooperating companies and organizations	12 NYK Group companies, 34 other companies*, All Japan Seamen's Union, NPOs, etc.
Relief supplies	146 tons of drinking water, food products, baby products, sanitary products, daily commodities, etc.

* Please see the following URL for company names.
http://www.nyk.com/english/release/1414/NE_110331_2.html

Module carrier *Yamatai*

Container Trailers Provide Free Land Transportation of Relief Supplies

In the "Third Relief Supplies Hotline" effort to provide relief supplies, from April 11 – 25, 13 container trailers from Nippon Container Yuso Co. Ltd., a member of the NYK Group, transported clothes and daily commodities from Yokohama to the affected areas of Miyagi and Iwate prefectures.

Cooperating companies and organizations	35 companies,* Federation of Electric Power Companies of Japan, NPOs
Relief supplies	Daily commodities, baby products, sanitary products, batteries, condiments, consumer electronics, etc.

* Please see the following URL for company names.
http://www.nyk.com/english/release/1414/NE_110426.html

Container trailers transport relief supplies free of charge

Yusen Logistics Cooperates in Transportation of Emergency Relief Supplies from the United States

In April 2011, the NYK Group's Yusen Logistics arranged the export of emergency relief supplies from the United States to Japan through the IAEM (International Association of Emergency Managers), an extra-departmental organization of U.S. government body FEMA (Federal Emergency Management Agency). The organization sent a gel agent used for decontaminating buildings and fixtures contaminated with radioactive materials, and this gel was expected to be used at hospitals and other facilities.

Free Transport of Relief Supplies

NYK offers free transport of aid supplies from overseas to Japan.

We are gathering information to ensure that our support corresponds to needs on the ground. In collaboration with municipal authorities, we intend to continue support activities through our mainstay business.

Sustainability

United Nations (UN) Global Compact Initiatives

Aiming to be a truly global enterprise, the NYK Group has incorporated the 10 internationally recognized principles of the United Nations (UN) Global Compact (GC hereinafter) into its CSR guidelines. By implementing these guidelines, we hope to create workplaces in which our employees can be proud and contribute to the realization of a sustainable society through safe, dependable *monohakobi* (transportation).

CSR Report

For details of specific NYK Group CSR initiatives, please see the 2011 edition of our CSR report. The report's stakeholder dialogue is themed on developing seafarers and looks at how this relates to the NYK Group's business. Such dialogues allow us to benefit from expert opinions and confirm our direction going forward.

Web site URL (Planned release: End of August 2011)

http://www.nyk.com/english/csr/report/

Working for the Environment Now and Tomorrow

At the NYK Group, we actively endeavor to preserve and improve the global environment by mitigating the environmental load of logistics operations. We view tackling environmental issues such as global warming and biodiversity as top priority tasks. At the same time, we aim to become a corporate group at the forefront of environmental protection by investing in the development of environmental technology.

Environmental Initiatives at Sea

Reducing CO_2 Emissions

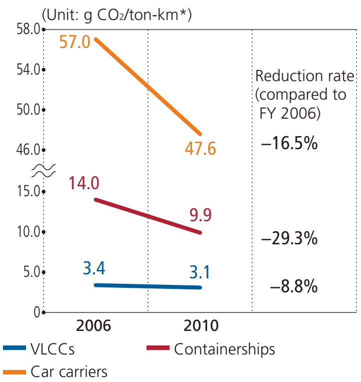
The NYK Group is reducing emissions of greenhouse gases by its operating fleet. We use environmental management indicators that comply with the guidelines of the International Maritime Organization.*1 In order to calculate our performance based on these indicators, we use a unique system to gather the data from our operating fleet.

Further, we are promoting fuel saving under the "Save Bunker Campaign." In this initiative, we have set out reducing greenhouse gas emissions at least 10% compared with fiscal 2006 by fiscal 2013. Tasked with reducing the fleet's fuel consumption as well as CO_2 emissions, the "Save Bunker Campaign" began from October 2005. In fiscal 2010, we undertook a range of initiatives, including introducing eco speeds*2 and implementing Save Bunker awards for car carriers.

*1 This is a specialized agency of the UN that promotes intergovernmental cooperation and formulates treaties and protocols covering technical and legal questions in marine transportation and shipbuilding.

*2 This refers to operating ships at lower speeds that reduce engine revolutions while remaining on schedule. This approach conserves fuel and reduces CO_2 emissions without impacting sailing times.

Environmental Management Indicator for Certain Types of Vessels



* The amount of CO_2 emitted when transporting one ton of cargo one kilometer

Preserving Biodiversity

As part of efforts to preserve biodiversity, our fleet is incorporating ballast-water management systems. Ballast water is seawater ships carry within them to maintain balance. Generally, a ship takes ballast water into its tanks or holds at an unloading port and discharges it at a loading port. Marine organisms and bacteria within this water may reproduce extraordinarily when removed from their natural habitats. The effect this has on marine ecosystems is becoming a global issue.

In September 2010, the car carrier *Emerald Leader* became the first ship in the NYK Group fleet to incorporate a ballast-water management system. We intend to steadily incorporate this system into other ships that we own or manage.

The seawater filter of a ballast-water management system

Environmental Initiatives — On Land and in the Air


Transporting finished automobile containers by rail

Combining Transportation Modes

The NYK Group's local subsidiary in India, NYK Auto Logistics (India) Ltd., transports finished automobiles by rail within the country. This company has established a hub-and-spoke system that combines rail transportation — which dramatically reduces CO_2 emissions — with truck transportation from rail terminuses. Our goal is to offer an environment-friendly service that caters to India's increasing finished automobile distribution needs.

An energy-saving eco-hangar for aircraft servicing

Eco-Hangar Wins Architecture Award

A maintenance eco-hangar* that Nippon Cargo Airlines Co. Ltd. (NCA) built at Narita Airport claimed a Chiba Prefecture architecture cultural award in the environment-friendly buildings category in February 2011. By using the latest energy-saving technologies, the maintenance eco-hangar reduces CO_2 emissions approximately one-third compared with conventional hangars.

* An energy-saving hangar for aircraft maintenance

Introducing CIS Solar Power Generation System to the NYK Tokyo Container Terminal

We installed CIS* solar cell equipment at the new No. 6 and No. 7 berths of Tokyo's Ohi Container Terminal, which we operate jointly with Uni-X Corporation and Nippon Container Terminals Co. Ltd., and began fully using the solar cell equipment from April 2010. This is the first introduction of CIS solar cell equipment to a container terminal in Japan. These solar cells are capable of generating 135 kW and will generate approximately 130,000 kWh per year, equivalent to roughly 1% of the container terminal's power consumption.

* CIS stands for the initial letters of copper, indium, and selenium. CIS solar cells are thin-film solar cells.

A Message from an Overseas Employee

Brett Kats
NYK Group Americas Inc.
Manager of Environmental Affairs

Aiming for sustainable transportation with Clean Cargo Working Group members

The Clean Cargo Working Group*1 of Business for Social Responsibility*2 is a business-to-business collaboration dedicated to integrating environmentally and socially responsible business principles into transportation management. Participants include more than 25 leading multinational manufacturers, retailers, and ocean carriers, which collectively move nearly 60 percent of global container cargo. As a member of the Clean Cargo Working Group, NYK has had the opportunity to network with many customers and industry partners to develop tools and metrics in an effort to improve the environmental impact of transportation and logistics.

*1. Comprising the world's major container shipping companies and shippers, this working group prepares the Environmental Performance Survey (EPS), which evaluates the environmental performance of marine transportation; prepares Environmental Performance Metrics (EPM), used to calculate the gas emission volumes of ships; and conducts evaluations.

*2. Established in the United States in 1992, this non-profit organization (NPO) is based on a network of companies that consider and promote socially responsible corporate behavior. The organization supports a variety of initiatives in the field of CSR relating to ethics, environmental problems, human rights, and local communities.

Supporting Everyday Life

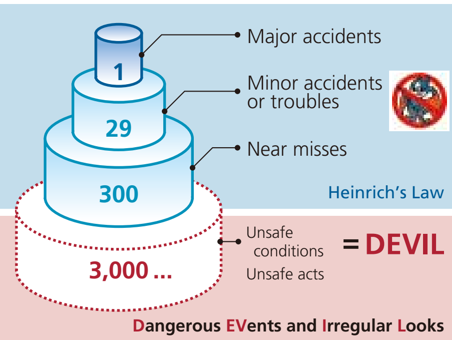
The NYK Group supports people's everyday lives by using advanced transportation technology to provide safe, dependable *monohakobi* (transportation) worldwide.

Safety Initiatives — At Sea

Conducting Safety Campaigns

We implement summer and winter safety campaigns. To deepen mutual understanding among seafarers and onshore staff and heighten everyone's safety awareness, we organize visits to ships by members of staff involved in sales, operations, and technology. Further, we organize safety promotion meetings and safety seminars for shipowners and ship-management companies, which are indispensable partners for the realization of safe operations. By sharing information in this way, we pursue safe operations throughout the NYK Group.

Promoting Near Miss 3000 Activities



Based on Heinrich's Law,*1 Near Miss 3000 activities aim to prevent accidents on board ships. NYK has extended the scope of these activities from the *hiyarihatto* (near-miss) level to create DEVIL*2 Hunting! activities. DEVIL Hunting! nips potential accidents in the bud by identifying and dealing with often overlooked accident precursors. We conduct these initiatives in collaboration with partner shipowners and ship-management companies.

*1 This is a law on work-related accidents stating that underlying every major accident are 29 minor accidents and 300 near misses.

*2 This is an acronym for Dangerous Events and Irregular Looks.

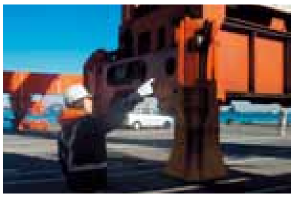
NAV9000 Activities

To ensure strict safe management of all operating vessels, we began NAV9000, a rigorous self-imposed safety management system, in 1998. We have established original comprehensive safety standards comprising approximately 600 requirements. We seek compliance with these standards not only from owned ships but from those of partner shipowners and ship-management companies. In fiscal 2010, employees with specialist knowledge inspected 306 ships, visited 38 ship-management companies responsible for them, and initiated 2,783 improvements.

Breakdown of NAV9000 Improvements (Requests)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Ship audits	306	308	319	306
Company audits	32	36	35	38
Improvements	2,546	2,898	2,946	2,783

Safety Initiatives — On Land and in the Air



Checking equipment before cargo operations

A safety training session

Moving Forward with Preventative Measures at Terminals

Focused on preventing accidents, safety meetings among the personnel of our three terminals in Japan — located in Tokyo, Yokohama, and Kobe — convene three times a year. Fiscal 2010 meetings analyzed and discussed accident causes and preventative measures as well as sharing and standardizing preventative measures.

Advancing Initiatives in Air Transportation

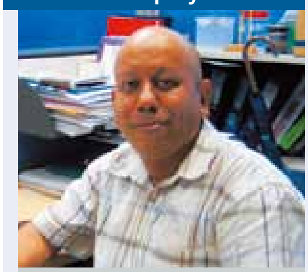
Under the NCA Safety Principles, Nippon Cargo Airlines Co. Ltd. (NCA) concentrates on always maintaining safe operations. In fiscal 2010, based on the results of a safety awareness survey of all executives, employees from across NCA's organization discussed the company's weaknesses and prepared a vision of the safety culture they should aspire to. In another effort to prevent accidents and incidents,* NCA introduced a *hiyarihatto* (near-miss) reporting system overseas.

* Events that do not lead to accidents but that could affect aircraft operations

Advancing Initiatives in Logistics

The NYK Group conducts on-site audits of its logistics providers with respect to safety management and management of operational quality. To complement these activities, we have introduced a monthly safety self-check to maintain and continuously improve safety awareness at work sites. This initiative encourages personnel to evaluate their performance in relation to safety and quality and take the lead in proposing and implementing safety measures at their work site.

A Message from an Overseas Employee



Girish Mandlik
NYK Shipmanagement Pte. Ltd.
Deputy General Manager (Captain)

Targeting Zero Incidents and Zero Spills

Ensuring the safety of our staff and vessels is NYK's top priority. Our efforts to ensure safe operation focus on five priority measures. We closely monitor the performance of vessels and staff. As well as regular vessel visits by vessel managers, our internal audits confirm compliance with applicable laws and regulations. Also, inter-departmental communication is good. On a daily basis, we hold information-sharing fleet meetings and any issues regarding the safety of vessels and operation are brought to the notice of senior management. We take actions to ensure that safe vessel operation is not compromised. We conduct a variety of training and education courses for seafarers, work to increase customer satisfaction levels through key performance indicators (KPIs), and maintain and heighten safety awareness through a variety of campaigns. We remain committed to achieving our goal of Zero Incidents and Zero Spills guided by our motto "Safety First."

Developing the Leaders of the Next Generation

To empower individual employees from a variety of countries to fully realize their potential, NYK is expanding and improving its global personnel development programs.

Personnel Development Initiatives at Sea

Securing and Training Seafarers

Through manning companies we have established in the Philippines, Indonesia, India, Croatia, Romania, the Ukraine, and Russia, we hire high-quality seafarers who are able to make an immediate contribution to operations. Furthermore, we have established special NYK classes at maritime colleges in these countries. As well as conducing training on board NYK's operating vessels, we hire approximately 200 cadets annually as prospective officer candidates.

Training Our Own Outstanding Seafarers

We opened a four-year merchant marine college, the NYK-TDG Maritime Academy (NTMA), in the Philippines in 2007. At NTMA, we aim to have students acquire the practical knowledge and skills needed for frontline operations. After completing three years of study, students receive 12 months of onboard training. The college's first batch of students graduated in September 2011 and promise to fulfill key roles in ensuring the safety of the NYK Group's operations.

In another initiative, we have begun building a system designed to raise the professional capabilities of seafarers worldwide. The NYK Group has established 11 educational centers in eight countries worldwide that use its unique educational system, known as the NYK Maritime College (NMC). Local instructors conduct training focused on developing seafarers that meet the NYK Unified Requirements, which stipulate the knowledge and skills required for each position and rank.

NYK-TDG Maritime Academy

Opened	June 3, 2007
Size	Number of students: Navigation class: 60, Engineering class: 60 Total for single academic year: 120 Instructors: Approximately 30 (including part-time instructors)
Location	Calamba City, in the suburbs of Manila
Site area	9 hectares
System	4-year course, 3 years of lectures and 1 year of practical training onboard ships
Philosophy	Conduct higher education aimed at developing world-class seafarers and focus on forming the character of each student and giving them practical maritime skills.

Personnel Development Initiatives on Land

Improving and Expanding Our Training System

At the NYK Group, we are extending and upgrading the NYK Business College, a training program that aims to strengthen the overall capabilities of onshore staff. In fiscal 2010, the NYK Group conducted more than 70 types of training, and more than 3,200 of its employees took part. The training spans a diverse range of subjects, including accounting and finance, language courses, and business skills. In fiscal 2011, with "responding to accelerating globalization" as our overriding goal, we plan to enrich our curriculum in order to strengthen our ability to adapt to globalization.

Benefiting from "Vessel Operations Meister Program"


Platinum qualification presentation ceremony

To raise operational capabilities throughout its organization, the NYK Group has introduced an in-house qualification, "Vessel Operations Meister Program", for ship operators, who are onshore staff that support vessel operations. The system offers four levels based on experience and capabilities: silver, gold, platinum, and meister. To date, personnel acquiring this qualification total 119, comprising 65 silver, 48 gold, and 6 platinum. This program is helping to raise our overall operational capabilities and realize even safer and more efficient operations.

A Message from an Overseas Employee

Wilson P. Travina
NYK-TDG Maritime Academy
Director

Providing all Students with High-Quality Education

We at the NYK-TDG Maritime Academy (NTMA) fully understand that work at sea requires the highest possible competency, discipline, and integrity not only for the safe and effective transportation of cargo but also to ensure the protection of the marine environment. It is therefore our primary duty as the educators of the future officers and engineers for NYK Line to provide quality maritime education to all of its cadets.

To realize this, NTMA implements a competency-based and maritime industry-driven curriculum and employs a variety of teaching methods delivered by faculty composed of seasoned, competent, and active merchant marine officers as well as language and science educators who all graduated with honors. To enable students to concentrate on training, the academy provides more than the minimum required learning facilities and equipment for laboratory and practical activities, including onboard training.

NTMA also strongly promotes that its cadets possess and demonstrate the right attitude, strong character, and passion for attaining the highest position on board in all vessel types. NTMA provides cadets various avenues and activities to practice, develop, and enhance their leadership and interpersonal skills as well as become familiar with the NYK culture, especially the group values of *integrity*, *innovation*, and *intensity*.

With all these in place, NTMA strongly believes that it will produce graduates who are technically competent, responsive, loyal, and socially committed merchant marine officers for NYK Line.

Social Contribution Activities

The NYK Group is proactively engaged in efforts to address social issues, and makes use of *monohakobi* resources and expertise wherever possible.

Principles and Action Guidelines of Social Contribution Activities

NYK is committed to proactively addressing the challenges that confront the world, and through a diverse array of activities, the company is making every effort to enhance corporate values and thus benefit society as a benevolent, sustainable, and socially responsible corporate citizen.

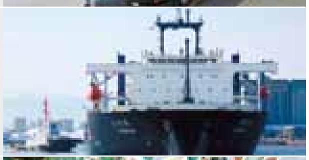
Social Contribution Activities Policy

1	Promotion of employee involvement in volunteer activities
2	"Investment" in our future global society
3	Promotion of mutual prosperity and harmony with local communities

Main Social Contribution Activities

1	**Free transport assistance in fiscal 2010**	We transported to Tanzania and other countries worldwide 2,670 reconditioned bicycles, which community health workers use on their rounds.
		We delivered 14,855 school backpacks to children in Afghanistan.
		We sent 23,264 picture books to Cambodia, Laos, and camps in Thailand for refugees from Myanmar.
2	**Disaster relief activities**	We capitalized on our mainstay business to provide transportation support and donations, and executives and employees of the NYK Group took part in fundraising activities.
3	**NYK Nature Fellowship**	We dispatched students and employees of the NYK Group as volunteer participants to marine environmental research sites.
4	**Opening facilities**	We opened the NYK Maritime Museum and *NYK Hikawamaru*, a moored museum ship, to the public and conducted study tours of container terminals for elementary and junior high school students.
5	**Internal initiatives**	We introduced a Table for Two meeting lunchbox, sold fair-trade products, and installed vending machines that enable donations.
6	**Support Swan Bakery to foster independence of the disabled**	We sold the bakery's products in-house and ordered meeting lunchboxes from the bakery.

Support for Disaster Area Restoration

1	**Pakistan Flood**	Transportation region: **Japan → Pakistan** We transported one forklift truck. Transportation region: **Australia → Pakistan** We transported medical and sanitary products.	
2	**Qinghai Earthquake (China)**	Transportation region: **Lanzhou (Gansu Province) → Xining (Qinghai Province)** We transported six SUVs overland.	
3	**Japan Earthquake and Tsunami**	Transportation region: **Kobe → Hachinohe / Yokohama → Sendai and Takizawa (Iwate Prefecture)** We transported food, baby products, and sanitary products. * For details of our support efforts, please see page 64.	
4	**Haiti Earthquake**	Transportation region: **Japan → Dominican Republic** We transported 10,000 pairs of sandals to protect children from tetanus and other diseases caused by foot injuries.	 ADRA Japan / JPF
5	**Chile Earthquake**	Transportation region: **Japan → Chile** We transported sanitary products, blankets, construction machinery, clothes, gauze, and masks. Transportation region: **United States → Chile** We transported three boom trucks.	

Corporate Governance

From the left
Outside Director, **Yuri Okina**
Outside Director, **Yukio Okamoto**

NYK endeavors to further the soundness and objectivity of its business management through the active involvement in business management of outside directors who are appointed from a wide range of fields. For this annual report, NYK's two outside directors provide frank external opinions about NYK's strengths overall and in relation to corporate governance.

An Interview with Outside Director Yukio Okamoto

Q. You have been one of NYK's outside directors for three years. Over this period, has your impression of NYK changed in any way?

Compared with my impression before accepting this position, it has changed dramatically.

Before I became an outside director in 2008, I viewed NYK as a prudent company that positioned itself carefully as an organization.

I do not mean this in a critical way. Given the weight of NYK's 125-year history, evolving this type of corporate culture seemed natural to me. In fact, I thought valuing tradition was a favorable attribute. On the other hand, I wondered if NYK did not perhaps sometimes go about things in an overly formalistic way.

However, when I actually became involved with NYK as an outside director, my impression changed completely. NYK combines an uninhibited atmosphere, very good practical capabilities, and speed. I was quite surprised by how flexible it is. I think these qualities stem from its corporate culture and common characteristics its employees share. I have a real sense that although NYK has a long tradition it is constantly fostering free-thinking personnel. There are few companies in Japan with so many personnel who are able to react flexibly and rapidly while maintaining a grasp of strategy.

Q. From an outsider's viewpoint, where are the strengths of NYK?

I think they lie in the outstanding quality of the company's personnel.

I think three factors underpin its strength. The first comes from the nature of the shipping industry. The sea is outward-looking. In other words, it is conducive to a mindset that is more aware of the world at large. I believe this has naturally given rise to a flexible, open atmosphere in NYK.

Second, NYK has little involvement with government or regulation, which is important amid international competition. For example, because aviation is subject to government regulation, its international competitiveness is not strong. Meanwhile, the shipping industry has been able to give full play to the private sector vitality.

Third, NYK competes with the world. I think this is the most important factor. Because it includes the rest of the world, NYK's competitive environment changes constantly and very rapidly. Companies that generate more than half of their revenues overseas must have flexible organizational structures. Such companies are unmistakably different from those without a strong dependence on overseas business.

More than 80% of NYK's revenues come from overseas. Further, ships have service lives of 20 years or more. Therefore, shipping company personnel need to have a long-term outlook as they compete with the rest of the world. The shipping industry calls for companies to constantly check their position and respond to change.

At the same time as personnel to think about strategy flexibly, such factors propel the company forward.

Q. What is your evaluation of NYK's executives and corporate governance?

As a member of the board of directors, I have been able to discuss matters to a considerable extent. All the directors have a strong sense of risk based on an awareness that "without reform survival is not possible." Consequently, they are eager to acquire knowledge and information. I am impressed.

As for corporate governance, there are no problems with compliance and other basic governance systems. Governance in a broader sense is more important. In today's world, even if a company has no problems legally, ethical questions can arise about social justice.

This trend is becoming particularly pronounced in the West. It partly stems from the investment funds of educational institutions, pension funds, and other funds requiring companies to realize governance that encompasses social and moral considerations. Legal compliance alone is not enough.

I think NYK has firm beliefs in CSR. The Great East Japan Earthquake is a good example of how agile and fast its reactions are. In my view, NYK operates a very good corporate governance system.

Q. Recently, NYK has announced a new medium-term management plan, "More Than Shipping 2013." What is your impression of it? And how were you involved in the plan's preparation?

The thrust of its strategy as a provider of global logistics services is correct in my opinion. By increasing its business opportunities, NYK can cater to the world's ever changing needs.

Businesses that were profitable previously can become unprofitable due to external factors. In readying itself for such eventualities, I think the approach of understanding customers' needs and growing and evolving business formats to secure earnings from businesses that promise profits is correct.

Regarding the preparation of the plan, I took part in internal discussions and was able to offer analysis and outlooks relating to the international situation, my special area of interest. I am grateful for such opportunities to participate.

Q. What are the requirements for NYK to grow globally?

I believe NYK has to develop its characteristic flexibility and immediate responsiveness even further.

The scale and pace of change in the international economic environment has been greater than expected, and leading players are gradually being replaced. The spread of information technology (IT) is significantly stepping up the pace of improvements in productivity. As a result, the center of the economy is shifting from developed countries to emerging markets. A representative example is mold manufacturing. Taking advantage of advanced craftsmanship, Japan used to manufacture products of unmatched quality. Now, however, by using computer-aided design (CAD) and moving overseas, companies are able to manufacture molds of the same quality anywhere.

In conditions where this kind of incorporation of IT is closing the gaps in productivity among countries, population increases become important. Population is beginning to determine the growth potential of countries.

Regions and countries with large populations, such as China, India, Brazil, and Africa, are growing steadily. And, logistics demand is increasing correspondingly. Meanwhile, among developed countries, those that can take advantage of diversity are winning out. It is important for companies to reexamine their key capabilities and build new platforms that include diverse values.

Amid globalization, competitive conditions are becoming tough. To prevail against competitors, companies must always carefully monitor and identify changes in business conditions and global structural changes. Rapid responses and flexibility are becoming more important than ever.

Q. Going forward, in what capacity do you want to be involved in NYK's business management?

Rather than abstract discussion, I favor rigorously emphasizing on-site conditions. Therefore, I hope to always focus my contributions on concrete discussions.

To provide a basis for such concrete discussions, I need to further my understanding of NYK's work sites. With this in mind, I aim to create more opportunities to meet personnel working on the frontlines of operations. In particular, I would like to meet young employees. In part, this is because I want to pass on to young employees the experience I have accumulated, but for me it is also a very important way of gaining new stimulus.

People should succeed based on their actual ability. Age, gender, and nationality are irrelevant. Rather than resting on our laurels, we must remind ourselves that we will not be able to keep up with competition if we do not continue self-growth.

I do not simply want to have conversations with young employees, I want to learn about their passion and mindset. I will be extremely happy if through a variety of different dialogues I can contribute to the development of NYK.

An Interview with Outside Director Yuri Okina

Q. You have been one of NYK's outside directors for three years. Over this period, has your impression of NYK changed in any way?

Following the collapse of Lehman Brothers, NYK tackled substantial cost reductions under the Yosoro (Steady Ahead!) Emergency Structural Reform Project. With the achievement of these cost reductions in sight, the company has turned its attention to aggressive strategies aimed at growing emerging markets. Having witnessed these developments, I get the impression that president Yasumi Kudo's convictions have taken root and spread throughout NYK. Although some aspects of the effect of the Great East Japan Earthquake remain unknown, I feel that global economic trends have become identifiable, and NYK's strategies have become clear.

Q. From an outsider's viewpoint, where are the strengths of NYK?

Being a global corporation with a logistics business that benefits from a worldwide network is its strength. Japan's market may shrink due to the aging of society. However, the rest of the world is the main focus of NYK's business. Therefore, the company has the potential for growth in a wide range of areas. Its major strengths are a network and a customer base built up over many years in regions worldwide.

Further, personnel are a unique strength of NYK. Even though it is a large company, communication among employees is lively, the atmosphere is cheerful, and loyalty is strong. Because personnel work in regions worldwide, I think they naturally acquire professional capabilities that they can use anywhere in the world. Also, for overseas marine transportation, seafarers are very important. This is why NYK established a maritime college in the Philippines at an early stage. While contributing to the region, NYK develops and secures highly proficient personnel.

Q. What is your evaluation of NYK's executives and corporate governance?

The executives' responses are rapid and clear. After the collapse of Lehman Brothers, they quickly prepared and implemented emergency structural reforms. Also, I think the timing of the announcement of the new medium-term management plan was excellent. I think it was an extremely important initiative that showed the executives' commitment to taking a long-term view and tirelessly examining in advance different facets of business management strategy. I think that directors do not offer many opinions at meetings of the board of directors because discussions appear to have been previously exhausted. However, I would like to see a little more free speech and lively debate.

In respect of governance systems, NYK introduced outside directors comparatively early. Among listed companies, only about half have outside directors. NYK has also appointed outside auditors. Because overseas investors have become increasingly exacting in their requirements, heightening business management transparency is very important for NYK as a company that operates businesses all over the world. NYK's public offering in fall 2009 increased the proportion of overseas shareholders, and the company's corporate governance system adequately satisfies their expectations.

Q. Recently, NYK has announced a new medium-term management plan, "More Than Shipping 2013." What is your impression of it? And how were you involved in the plan's preparation?

The new medium-term management plan's strategic focus on Asia as a priority region has significant value. Not only Japanese companies but companies from around the world are likely to continue shifting their manufacturing bases to growing Asia. In accordance with this trend, intra-Asia distribution will increase. NYK's strategy of playing an important role across the entire supply chain as well as in shipping is not mistaken.

In addition, the shipping industry is susceptible to the effect of market volatility. NYK has set out a strategy of escaping from this business structure and securing stable earnings. Some may view this as conservative, but I think it deserves recognition as a solid strategy for growth.

When NYK was preparing the plan, I had several opportunities to participate in discussions about the business condition forecasts that formed the basis of the plan, mainly relating to such factors as demographic, economic, and new technology trends in respective countries worldwide over the medium-to-long term. For example, when looking at countries' demographic forecasts, as well as population size, we discussed trends in the working-age population as a percentage of the overall population and how this affects economic growth. Also, in discussions of technological trends, we examined the automobile manufacturing industry, which is progressing with the development of environmental technologies. We discussed how changes in technology, such as the spread of electric cars incorporating modularized components, is likely to affect supply chains over the medium-to-long term.

Q. What are the requirements for NYK to grow globally?

NYK will have to place greater priority on generating earnings.

One aspect of the shipping industry is that if you grow revenues earnings will increase. Because NYK operates businesses around the world, if it can generate revenues in a new region, earnings will naturally follow. However, I think that profitability is more important than revenues. In my view, NYK has to give greater importance to profit management.

In the business results targets of the new medium-term management plan, revenues and earnings proceed on parallel paths. Instead, I think NYK should have a mindset that looks for earnings much more than revenues. From the viewpoint of shareholders, who emphasize cash flows over revenues, the desirability of such an approach is self-evident.

Quickly seizing opportunities in a variety of different regions will become increasingly important. In developing a highly profitable business, acquiring information ahead of others and then analyzing and using it as the basis of investment projects is paramount.

Q. Going forward, in what capacity do you want to be involved in NYK's business management?

In my career so far, I have analyzed economic trends, specializing in the financial sector. I will draw on the experience and expertise this has given me to make statements that I think will benefit NYK. Also, I will always closely observe whether NYK is being accountable from the viewpoint of shareholders and other stakeholders. I will offer an opinion if I find anything that seems acceptable when viewed from within the company but irregular when viewed from outside it. I believe this is my role and my responsibility as an outside director.

In addition, NYK is exposed to a wide variety of risks due to the diversity of its businesses. Companies must rapidly identify and respond to the risks inherent in their operations. Therefore, risk management is the most important task of companies. However, even though there is risk, companies must invest boldly in new business areas in order to grow. As far as possible, I aim to provide the executives with insight into the viewpoint of investors and other outside perspectives. At the same time, I want to capitalize on my experience and expertise to evaluate risk correctly and monitor whether NYK's systems are able to manage such risk adequately.

Corporate Governance

To earn the trust of stakeholders — not only shareholders but also customers, business partners, the regional communities in which NYK maintains a presence, Group employees, and others involved with the company — and to meet their expectations, NYK strives to build and further enhance a management structure optimized for management transparency and efficiency.

Corporate Governance Initiatives

(1) Operational Execution System

The company has elected to use the board of corporate auditors' governance model, based on its judgment that the most appropriate approach is to raise the effectiveness of auditing through the board of corporate auditors while implementing management centered on internal directors who have a thorough knowledge of the company's operations. The board of corporate auditors consists of four members, including two outside corporate auditors, who audit the execution of duties by directors of the company. NYK also has an Auditing Department, which comprises full-time corporate auditors.

The board of directors consisted of 13 members, of whom two were outside directors, on June 23, 2011. The board is responsible for making decisions on legal matters, formulating major management policies and strategies, and supervising the execution of operations. NYK maintains an executive officer system. The Committee of Corporate Officers comprises 32 members, including officers who concurrently serve on the board of directors. (Outside directors do not concurrently serve as executive officers.) Members of this committee execute operations based on resolutions and under the supervision of the board of directors.

Matters of particularly critical importance from the perspective of management strategy are discussed by the Executive Committee for Strategic Management, which consists of members at the level of senior managing director or above. This committee provides direction for the board of directors. Meanwhile, the NYK Group Conference of Presidents seeks to enhance groupwide management practices and to improve management transparency. Overall, our internal structure is designed to clarify lines of authority and responsibility for business operations, promote fast and accurate decisions, and enhance management transparency and efficiency.

Initiatives to Strengthen Corporate Governance

2002
- Introduced Committee of Corporate Officers to strengthen operational execution system
- Established Executive Committee for Strategic Management

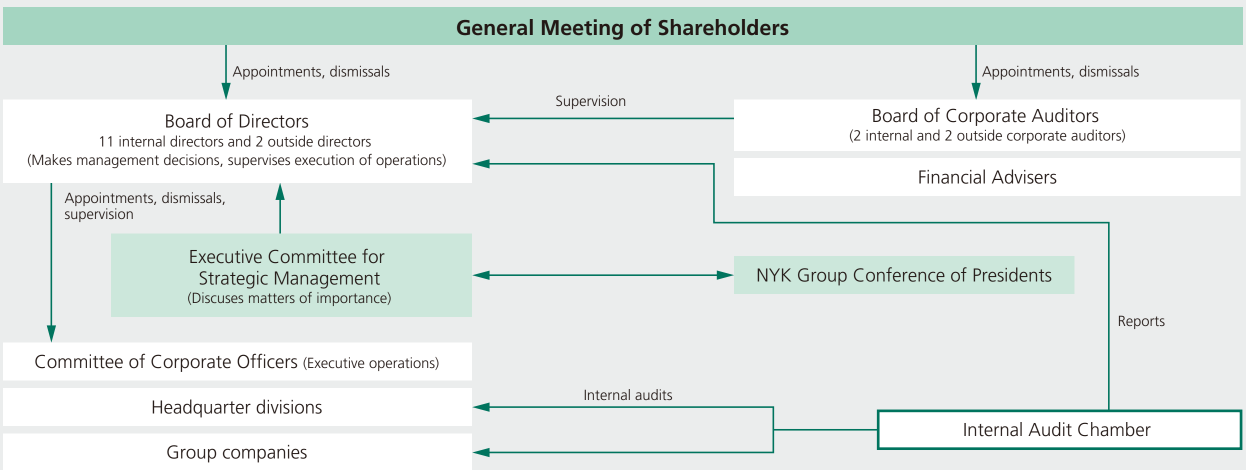
2005
- Reduced number of directors from 25 or fewer to 18 or fewer to increase business management efficiency

2006
- Established advisory board to heighten transparency of business management
- Reduced number of directors from 18 or fewer to 16 or fewer

2008
- Abolished advisory board, appointed outside directors
- Shortened term of service of directors from two years to one year to clarify management responsibility of directors and build system that expedites responses to changes in business conditions

2010
- Filed notification of independent directors / corporate auditors as stipulated by stock exchanges in Japan for all four outside directors / outside corporate auditors

NYK's Corporate Governance Organization



(2) Functions and Roles of Committees

We have established the Executive Committee for Strategic Management to bolster the strategy-formulation function and the operational-execution-auditing function of the board of directors, to strengthen corporate governance, and to discuss important strategic matters. To strengthen the operational-execution system, we introduced an executive officer system. Major committees and their roles are as follows.

■ Executive Committee for Strategic Management

The Executive Committee for Strategic Management, as a general rule, is composed of directors at the rank of senior managing corporate officer and above. The committee deliberates on important strategic matters, centered on group strategy, and provides direction to the board of directors.

■ NYK Group Conference of Presidents

The NYK Group Conference of Presidents is composed of the members of the Executive Committee for Strategic Management and the presidents of strategic group companies. The conference creates frameworks for strategic decision-making so that the group functions as a single unit, clarifies the authority of NYK and group companies, and works to increase transparency in group management.

■ Committee of Corporate Officers

The Committee of Corporate Officers was introduced as an entity that focuses on operational execution in accordance with the decisions and supervision of the board of directors. In place of the previous executive committee, the Committee of Corporate Officers has a regular meeting each week. The committee makes reports on the conduct of corporate business and also discusses problems.

Frequency of Committee Meetings

Executive Committee for Strategic Management	In general, once a week
NYK Group Conference of Presidents	In general, twice a year
Committee of Corporate Officers	In general, once a week

(3) Executive Compensation

Classification	Number of people	Compensation
Directors (Amount allocated to outside directors)	17 (2)	¥711 million (¥38 million)
Corporate Auditors (Amount allocated to outside corporate auditors)	4 (2)	¥90 million (¥24 million)
Total	21 (4)	¥801 million (¥62 million)

(4) Auditing System

NYK's Internal Audit Chamber conducts internal audits of the company and domestic group companies and also audits the system for controlling cash flow into and out of the company, all in accordance with internal auditing rules approved by the board of directors. Internal audits of overseas group companies are performed by internal auditors assigned to group regional headquarters in four regions — the Americas, Europe, East Asia, and South Asia — who act under the direction and guidance of the Internal Audit Chamber. Reports are delivered to the Internal Audit Chamber and the heads of regional headquarters.

All four corporate auditors, including the two outside corporate auditors, undertake auditing activities in accordance with audit plans determined by the board of corporate auditors. These activities include attending board of directors' meetings and other important sessions; ascertaining the status of duties executed by directors, the Internal Audit Chamber, and other personnel and corporate sections; and examining paperwork, such as important approval documents. The Corporate Auditor's Chamber is staffed by two full-time auditors and supports corporate auditors in the execution of their auditing duties. Corporate auditors ensure the impartiality of the independent auditor while keeping lines of communication open, complementing audit-related activities through information exchange, and working to raise audit quality and efficiency. Corporate auditors also hold monthly meetings where the results of audits and other information are shared. They also meet with the Internal Audit Chamber on a regular basis and convene meetings with the independent auditor, thereby strengthening communication between all three audit-related groups.

The certified public accountants who audit NYK's books are Takashi Nagata, Yuji Itagaki, Toshiharu Matsuura, and Toru Igarashi, all of whom are with the accounting firm Deloitte Touche Tohmatsu LLC and have been auditing the company's accounts for less than seven consecutive years.

These four accountants are assisted by 9 certified public accountants and 23 others. Audits are undertaken in accordance with standards generally accepted as fair and appropriate.

(5) Auditor Compensation

■ Compensation paid to the Company's certified public accountants

Classification	Fiscal 2009		Fiscal 2010	
	Compensation paid for audit certification activities (millions of yen)	Compensation paid for non-audit activities (millions of yen)	Compensation paid for audit certification activities (millions of yen)	Compensation paid for non-audit activities (millions of yen)
Filing company	150	32	150	22
Consolidated subsidiaries	141	–	152	–
Total	291	32	302	22

■ Other important compensation

Principal overseas consolidated subsidiaries subject to audits, for the previous fiscal year and the fiscal year under review, of financial statements and of internal control have concluded audit agreements with Deloitte Touche Tohmatsu, which is affiliated with the same professional network as the certified public accountants and others engaged in audits of the company.

■ Details of compensation for non-audit activities of certified public accountants and others engaged in audits of the company

• Previous fiscal year

Compensation for non-audit activities of certified public accountants and others engaged in audits of the company consisted of fees related to stock issuance and other activities.

• Fiscal year under review

Compensation for non-audit activities of certified public accountants and others engaged in audits of the company consisted of consulting fees related to International Financial Reporting Standards (IFRS) and other activities.

■ Policy for determining auditor compensation

The company strives to determine auditor compensation based on ample discussions with certified public accountants and others on matters necessary to ensure proper and efficient audits, such as the number of audit days and staff members involved in audits.

(6) Relationship with Outside Directors and Outside Corporate Auditors

■ Past years' transaction relationships, conflicts of interest

NYK had no conflicts of interest with the two outside directors and the two outside corporate auditors as of March 31, 2011.

■ Attributes and experience of outside directors and outside corporate auditors

Yukio Okamoto provided statements based on extensive knowledge and insight as an expert on international affairs. Yuri Okina provided statements from the viewpoint of an expert on economic and financial affairs. Hidehiko Haru used extensive knowledge and insight derived from an abundance of experience and achievements in relation to corporate management and financial policy in order to audit NYK. Takaji Kunimatsu principally used abundant experience in government service and the advanced insight developed from this experience in order to audit NYK.

Appointment criteria of outside directors / outside corporate auditors

NYK currently appoints outside directors and outside corporate auditors based on the following appointment criteria.

1

NYK appoints individuals that have extensive experience as corporate managers or that have advanced insight regarding international affairs and social and economic trends and seeks to ensure appropriate decision-making and transparency from diverse perspectives and strengthen oversight functions.

2

NYK gives consideration to impartiality and appoints individuals for whom there is no concern over potential conflicts of interest with general shareholders.

■ Attendance at meetings of the board of directors and other important meetings

Outside Directors

Name	Attendance at board of directors' meetings (Number of meetings attended / Total number of meetings)
Yukio Okamoto	13/14
Yuri Okina	13/14

Outside Corporate Auditors

Name	Attendance at board of directors' meetings (Number of meetings attended / Total number of meetings)	Attendance at board of corporate auditors' meetings (Number of meetings attended / Total number of meetings)
Hidehiko Haru	14/14	15/15
Takaji Kunimatsu	14/14	15/15

Internal Control System

(1) Internal Control Activities

The Internal Control Committee was established with cross-sectional functionality spanning related internal departments in order to strengthen compliance with internal control under the Japanese Company Law, the Financial Instruments and Exchange Law, and other laws. The Internal Control Committee leads efforts to periodically check the status of internal control and reflect findings in improvements. Further, the board of directors approved a resolution on basic policy for the provision of an internal control system in compliance with the Japanese Company Law. NYK is continuing to strengthen the system and develop internal regulations in order to prevent illegal acts and corruption and ensure that operation of the organization is effective and efficient.

(2) Internal Control over Financial Reporting

In regard to internal control over financial reporting, the NYK Group has designed and operated internal controls in conformance with the practice standards mandated in the Financial Instruments and Exchange Law. In the future, the NYK Group will work to ensure the reliability of financial reporting by continually upgrading and effectively operating the internal control system.

(3) Internal Auditing Activities

Internal auditing activities comprise confirmation of the soundness, effectiveness, and efficiency of management, and, for the purpose of improvement, the provision of advice and the tracking of progress. The Internal Audit Chamber implements audits of NYK headquarters and operating audits of about 160 domestic group companies. Internal audits of about 250 overseas bases are implemented by internal auditors at four regional management companies overseas (the Americas, Europe, East Asia, and South Asia), and reports are made to the Internal Audit Chamber and the heads of regional management companies. In addition, NYK sub-subsidiaries with management rights and NYK subsidiaries and affiliates in which NYK's ownership is less than 50% are also subject to audits. These companies, including international group companies, are audited about once every three years. At the same time, these audits are supplemented with annual investigations of domestic and international group companies implemented through written questions.

■ Major auditing activities in fiscal 2010

1. Group companies audited: regular audits of 29 domestic companies, 78 international bases
2. Audits of divisions and branches at NYK's head office
3. Auditing of payment control at domestic and international group companies to which payment operations have been assigned
4. Auditing of control of operations involving inflows and outflows of funds to and from NYK's head office
5. Regular annual liaison meetings between domestic group companies and the Internal Audit Chamber

Status of IR-related Activities

2010 IR Highlights

	No. of participating companies	No. of participating individuals
Meetings with investors in Japan	420 (27)*	457 (28)
Overseas IR tours	190 (20)	244 (32)
Tours of Facilities and Briefings		
In Japan (2 times)	49	55
Overseas (1 time)	4	4
IR Seminar for Individuals		
In Japan (13 times)	—	1,929

* Parentheses indicate participation by the NYK president

■ Holding periodic presentations for individual investors

About 10 times a year, we participate in such events as company presentations and seminars sponsored by securities companies.

■ Holding periodic presentations for analysts / institutional investors

The president and other directors host financial results meetings on a quarterly basis and small meetings twice a year.

■ Holding periodic presentations for overseas investors

We implement overseas IR activities about 12 times a year, of which two are hosted by the president.

■ Making IR materials available on NYK's website

Our website includes overviews of financial results in the form of messages from the president on a quarterly basis. The website also includes financial results, fact books, and other IR materials; monthly shipping data; and other information.

■ Establishment of IR department (person in charge)

The company has established a specialized IR Group (five employees).

■ Other

We provide the company's IR and PR materials to institutional investors and analysts, create and distribute a fact book, issue an information booklet for individual investors twice a year, create an annual report, and distribute materials to overseas investors. In addition, we have level 1 sponsored ADRs in the United States.

Risk Management

(1) Risk Management

Economic and political conditions, as well as such social factors as environmental protection and safety and security measures, in countries around the world have the potential to affect the NYK Group's operations and financial results. Based on its risk management policy and risk management regulations, the company comprehensively aggregates and controls business risk from a companywide perspective and has established a system for responding appropriately to risk.

■ Risk assessment and response

To achieve an understanding of companywide risk, we periodically investigate and evaluate risk, and executives themselves identify risk that affects business management. Further, executives themselves conduct checks and evaluations of whether appropriate measures are being taken in response to the identified risk.

For risk that does not affect business management, the managing division implements appropriate measures. The division's general manager undertakes checks and evaluation, and the risk management division has overall control of the results.

■ Information security measures

Security measures for electronic information are an important issue. NYK implements encryption of data in computers, spyware countermeasures, security education activities for users and IT staff, and reevaluation of network security measures.

(2) Crisis Management

■ Emergency response

NYK has prepared business continuity plans (BCPs) for all important operational functions, including group companies, so that in the event of damage, such as from a disaster or accident, the company will be able to maintain its important functions uninterrupted wherever possible, or if interrupted, to quickly restore them. When the Great East Japan Earthquake occurred in March 2011, we established a president-led earthquake disaster headquarters that collected and organized information and prepared countermeasures for our businesses and in support of the disaster area. Further, we prepared more practical BCPs that include preparations for working from home. We are currently verifying these plans.

Compliance

■ Fundamental approach

NYK has clearly defined compliance as the "strict observance of laws, regulations, corporate ethics, and key practical standards in the operational decision-making and execution of the company and group companies." We consider compliance to be one of our most important management issues. NYK is working to ensure rigorous compliance in accordance with the NYK Business Credo and the Code of Conduct. To that end, the Compliance Committee, which is led by the president, meets twice a year, and the company takes other steps such as compliance training.

■ Compliance training

NYK implements a range of compliance training activities to enhance awareness of compliance-related issues and to foster knowledge regarding compliance implementation. From 2002, group training sessions have been implemented for directors and employees of NYK and domestic and international group companies. We offer training sessions for such groups as newly hired employees, employees in similar ranks, people posted overseas, and directors. From 2005, we have also implemented e-learning activities. Since 2002, we have implemented 291 training sessions, which were attended by a total of 6,795 people.

Compliance Training Sessions in Fiscal 2010

	Number of sessions	Number of attendees
Group training sessions*	18	686
e-learning training sessions	1	1,823

* Since 2002, we have implemented 291 training sessions, which were attended by a total of 6,795 people.

■ Compliance with antitrust / competition law

In July 2008, NYK established its Antitrust Law Task Force (ALTF) in the headquarters to respond to the rapid expansion and more strict enforcement of antitrust / competition law around the world and to regrettable violations of such law among our group companies. The ALTF then set up antitrust law-related internal governance systems, procedures, and schemes covering about 250 companies in 47 countries (as of the end of March 2011). The ALTF also conducted training courses, carried out e-learning training, and served as a consultation service on antitrust issues. In fiscal 2010, a manual about antitrust and competition laws (Japanese and English versions) was created and distributed to group companies. Training for domestic and international organizations was also emphasized. In April 2011, the ALTF was replaced by a new organization, the Fair Trade Promotion Group, to encourage all NYK staff members to cultivate an appropriate understanding of antitrust laws and develop an unconscious law-abiding spirit.

Directors, Auditors & Corporate Officers

(As of June 23, 2011)

Koji Miyahara

Chairman,
Chairman Corporate Officer

1970 Joins Company
2000 Becomes director

Yasumi Kudo

President,
President Corporate Officer

1975 Joins Company
2004 Becomes director

Masahiro Kato

Representative Director,
Senior Managing Corporate Officer

Chairman of Tramp Shipping Strategy Committee, Chief Executive of Automotive Transportation Headquarters, Chief Executive of Energy Division, Chief Executive of Cruise Headquarters

1977 Joins Company
2007 Becomes director

Hidenori Hono

Representative Director,
Senior Managing Corporate Officer

Chief Executive of Dry Bulk Division

1978 Joins Company
2008 Becomes director

Tadaaki Naito

Representative Director,
Senior Managing Corporate Officer

Chief Executive of Management Planning Headquarters
(Chief Financial Officer: CFO)

1978 Joins Company
2008 Becomes director

Masamichi Morooka

Representative Director,
Senior Managing Corporate Officer

Chief Executive of Technical Headquarters
(Executive Chief of Environmental Management: ECEM, Chairman of Technology Strategy Committee)

1975 Joins Company
2005 Becomes director

Managing Corporate Officers

Hiroshi Hattori
Fukashi Sakamoto
Koichi Akamine
Takashi Abe

Corporate Officers

Yasuyuki Usui
Takuji Nakai
Hidetoshi Maruyama
Yoko Wasaki
Yasuo Tanaka
Masahiro Samitsu
Koichi Chikaraishi
Kunihiko Miyoshi
Yuji Isoda
Shunichi Kusunose
Kenichi Miki
Hitoshi Oshika
Kazuo Ogasawara
Chak Kwok Wai
Keizo Nagai
Tsutomu Shoji
Yoshiyuki Yoshida

Naoya Tazawa

Representative Director,
Senior Managing Corporate Officer

Chief Executive of General Affairs / CSR Headquarters
(Chief Compliance Officer: CCO)

1978 Joins Company
2009 Becomes director

Toshinori Yamashita

Representative Director,
Senior Managing Corporate Officer

Chief Executive of Global Logistic Headquarters

1975 Joins Company
2010 Becomes director

Hiroshi Hiramatsu

Director,
Managing Corporate Officer

1978 Joins Company
2009 Becomes director

Kenji Mizushima

Director,
Managing Corporate Officer

1979 Joins Company
2009 Becomes director

Hitoshi Nagasawa

Director,
Managing Corporate Officer

1980 Joins Company
2011 Becomes director

Corporate Auditors (Full-time)

Naoki Takahata **Mikitoshi Kai**

Independent Directors

(As of June 23, 2011)

Yukio Okamoto

Outside Director

Resume

1968	Joined Ministry of Foreign Affairs of Japan
1991	Retired from the ministry
1991	President of Okamoto Associates Inc. (current position)
1996	Special adviser to the prime minister
1998	Retired from the above position
2001	Special adviser to the cabinet secretariat
2003	Retired from the above position; Special adviser to the prime minister
2004	Retired from the above position
2008	Outside director of NYK (part-time, outside director, independent director)

Significant Concurrent Positions

President of Okamoto Associates Inc.

Outside director of Mitsubishi Materials Corporation

Outside corporate auditor of Mitsubishi Motors Corporation

Yuri Okina

Outside Director

Resume

1984	Joined Bank of Japan
1992	Joined the Japan Research Institute Ltd.
1994	Chief researcher of the above institute
2000	Senior researcher of the above institute
2001	Visiting professor of Graduate School of Keio University
2006	Counselor of the Japan Research Institute Ltd. (current position)
2008	Outside director of NYK (part-time, outside director, independent director)

Significant Concurrent Positions

Counselor of the Japan Research Institute Ltd.

Outside director of the Enterprise Turnaround Initiative Corporation of Japan (ETIC)

Takaji Kunimatsu

Outside Corporate Auditor

Resume

1961	Joined National Police Agency
1991	Chief of the Criminal Investigation Bureau of the above agency
1993	Deputy commissioner general of the above agency
1994	Commissioner general of the above agency
1997	Retired from the above agency
1999	Ambassador extraordinary and plenipotentiary of Japan to Switzerland and ambassador of Japan to the Principality of Liechtenstein
2002	Retired from the above position
2003	Chairman of the board of Emergency Medical Network of Helicopter and Hospital (current position)
2008	Outside corporate auditor of NYK (part-time, outside corporate auditor, independent auditor)

Significant Concurrent Positions

Chairman of the board of Emergency Medical Network of Helicopter and Hospital

Fumio Kawaguchi

Outside Corporate Auditor

Resume

1964	Joined the Chubu Electric Power Company Incorporated
1997	Director, and general manager of the Purchasing & Contracting Department of the above company
1999	Managing director, general manager of the Nagoya regional office of the above company
2001	President of and director of the above company
2006	Chairman of the board of directors of the above company
2010	Adviser of the above company
2011	Outside corporate auditor of NYK (part-time, outside corporate auditor, independent auditor)

Significant Concurrent Positions

Chairman of Chubu Economic Federation

Chairman of Chubu Industrial and Regional Advancement Center

Company Information

Investor Information

(As of March 31, 2011)

Established

September 29, 1885

Paid-in Capital

¥144,319,833,730

Employees

Consolidated: 28,361 (NYK and consolidated subsidiaries)
Non-consolidated: 1,604 (Land: 1,245 Sea: 359)

Head Office

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

Common Stock

Number of authorized shares:
2,983,550,000 shares
Number of issued and outstanding shares:
1,700,550,988 shares (including treasury stock: 3,660,980)

Stock Exchange Listings

NYK's shares are listed for trading on the following stock exchanges:
Tokyo, Osaka, Nagoya

Share Registrar and Special Management of Accounts

Mitsubishi UFJ Trust and Banking Corporation
Head office: 4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan

Contact Information:
Transfer Agency Department, 10-11, Higashisuna 7-chome,
Koto-ku, Tokyo 137-8081, Japan
Telephone: +81-3-5391-1900

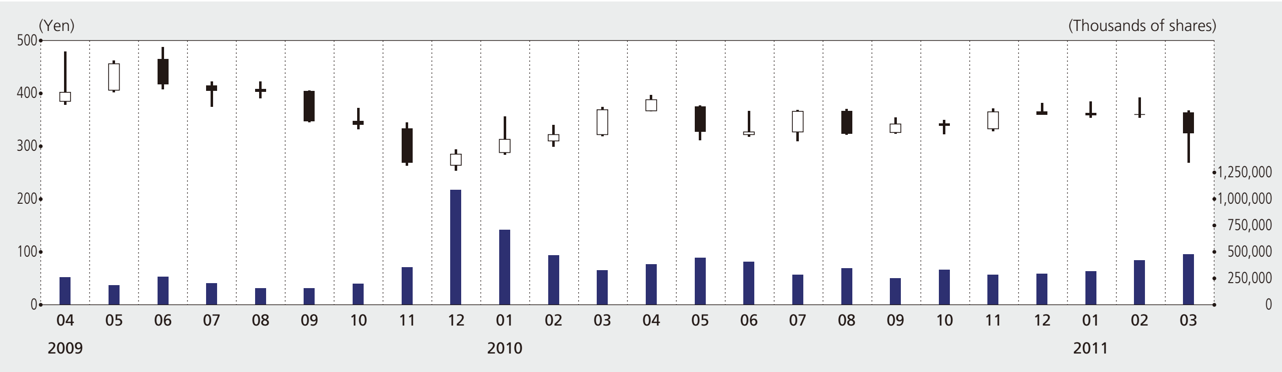
Method of Public Notice

The Company's public notices are available through electronic distribution.
http://www.nyk.com/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.
Financial data can be viewed at the NYK website:
http://www.nyk.com/jyoho/

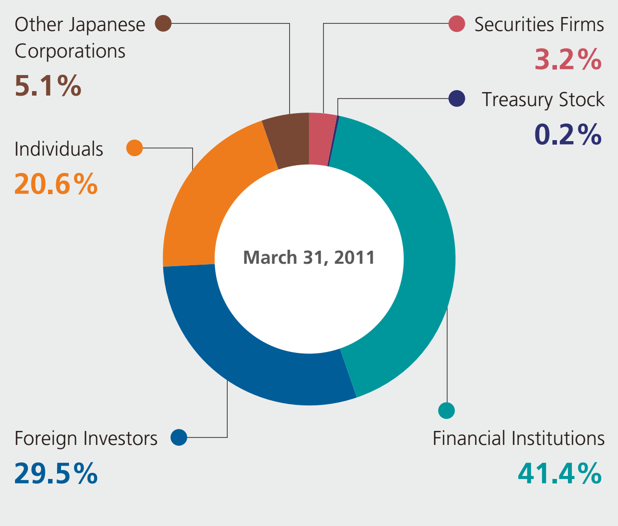
American Depositary Receipts

Symbol: NPNYY
CUSIP: 654633304
Exchange: OTC
Ratio (ADR: shares of common stock): 1:2
Depositary: The Bank of New York Mellon
101 Barclay Street, New York, NY 10286, U.S.A.
Toll-free:
Within the United States: +1-888-BNY-ADRS (+1-888-269-2377)
From overseas: +1-201-680-6825
Website: http://www.adrbnymellon.com/

Stock Price Range and Trading Volume



Shareholder Composition

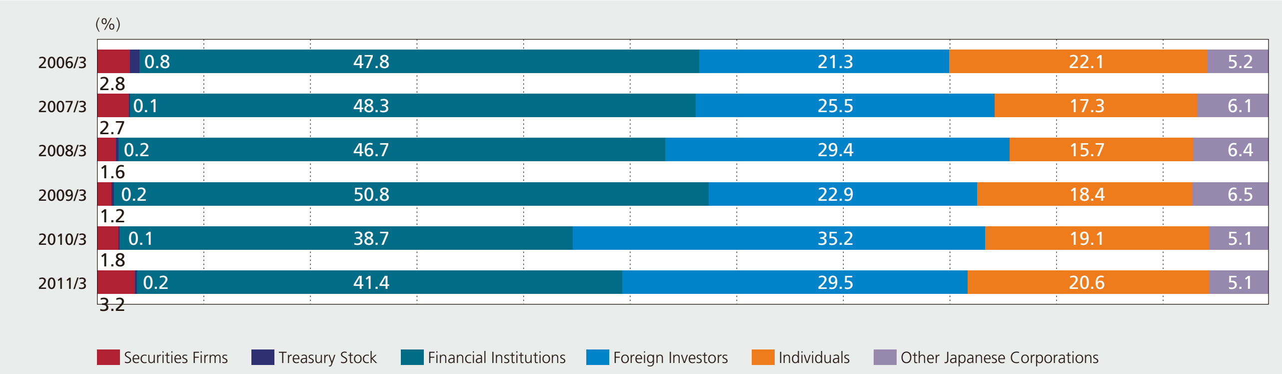


Principal Shareholders

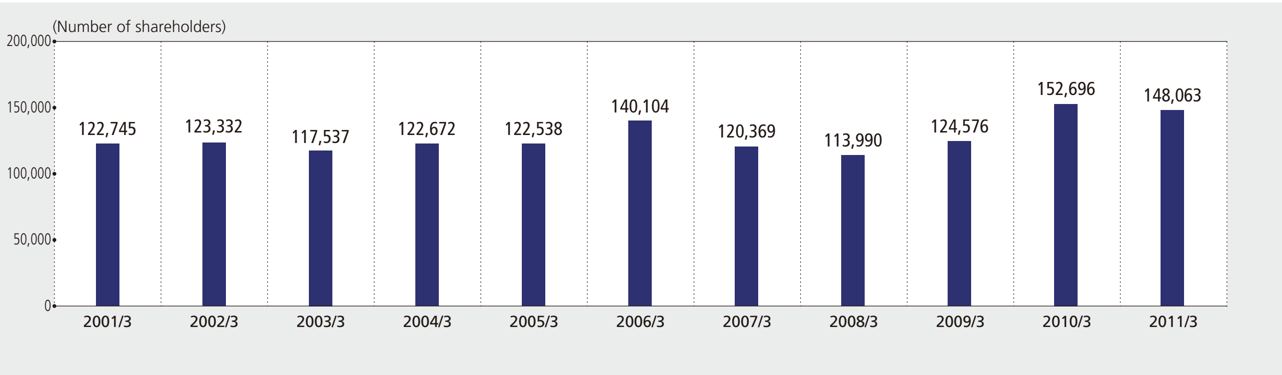
Name	Shareholdings: Number of shares held (thousands)	Shareholdings: Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	118,146	6.96
Japan Trustee Services Bank, Ltd. (Trust Accounts)	100,624	5.93
The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Limited Account, Retirement Benefit Trust Account)	54,717	3.22
Tokio Marine and Nichido Fire Insurance Co., Ltd.	51,283	3.02
Japan Trustee Services Bank, Ltd. (Trust Accounts 9)	46,444	2.74
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	36,787	2.17
Meiji Yasuda Life Insurance Company	34,973	2.06
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	30,409	1.79
Mizuho Corporate Bank, Ltd.	22,867	1.35
All Japan Agricultural Cooperative Association	21,459	1.26

Note: The shareholding ratio is calculated after deducting treasury stock (3,660,980 shares).

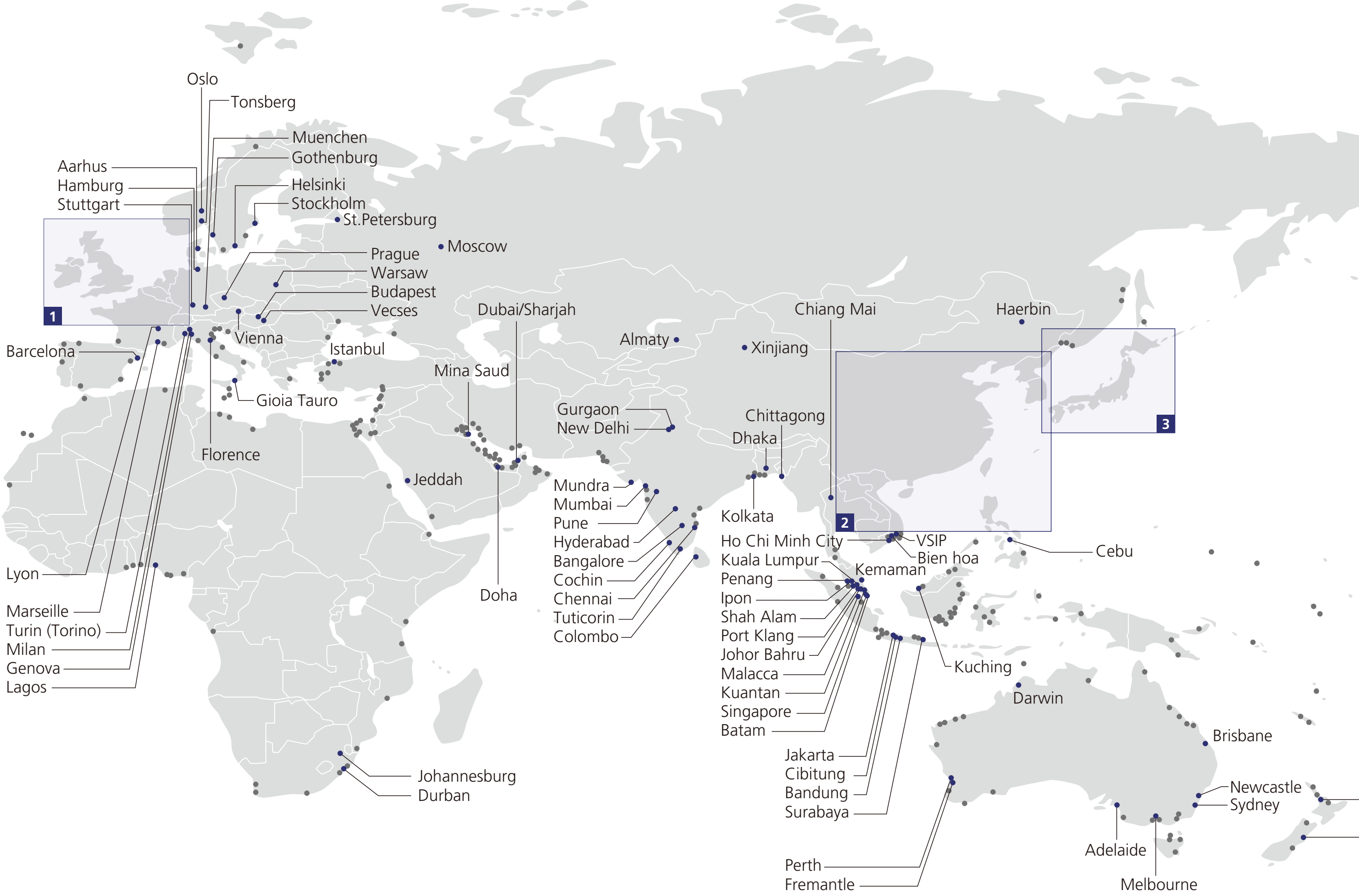
Shareholder Composition (2006-2011)



Number of Shareholders

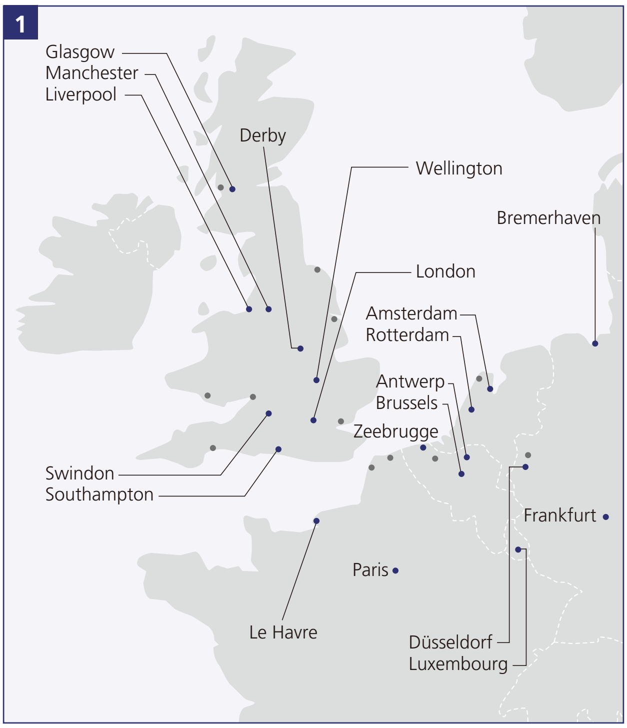


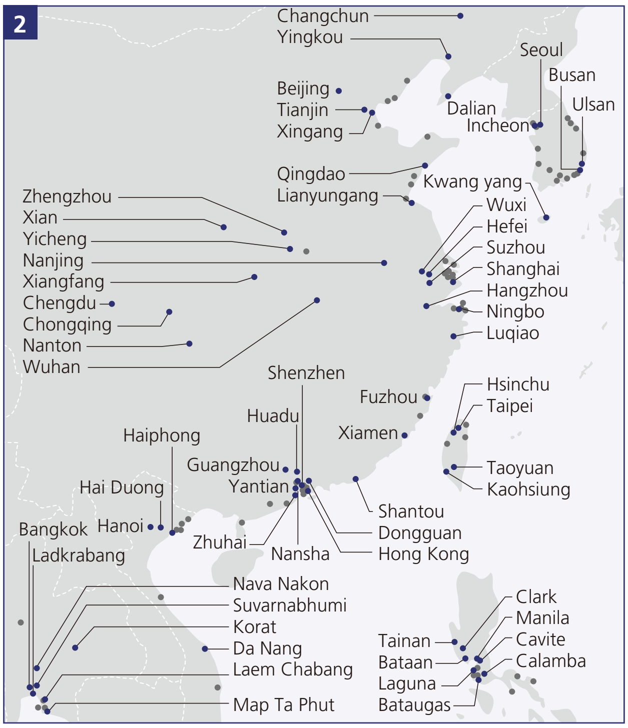
Worldwide Service Network

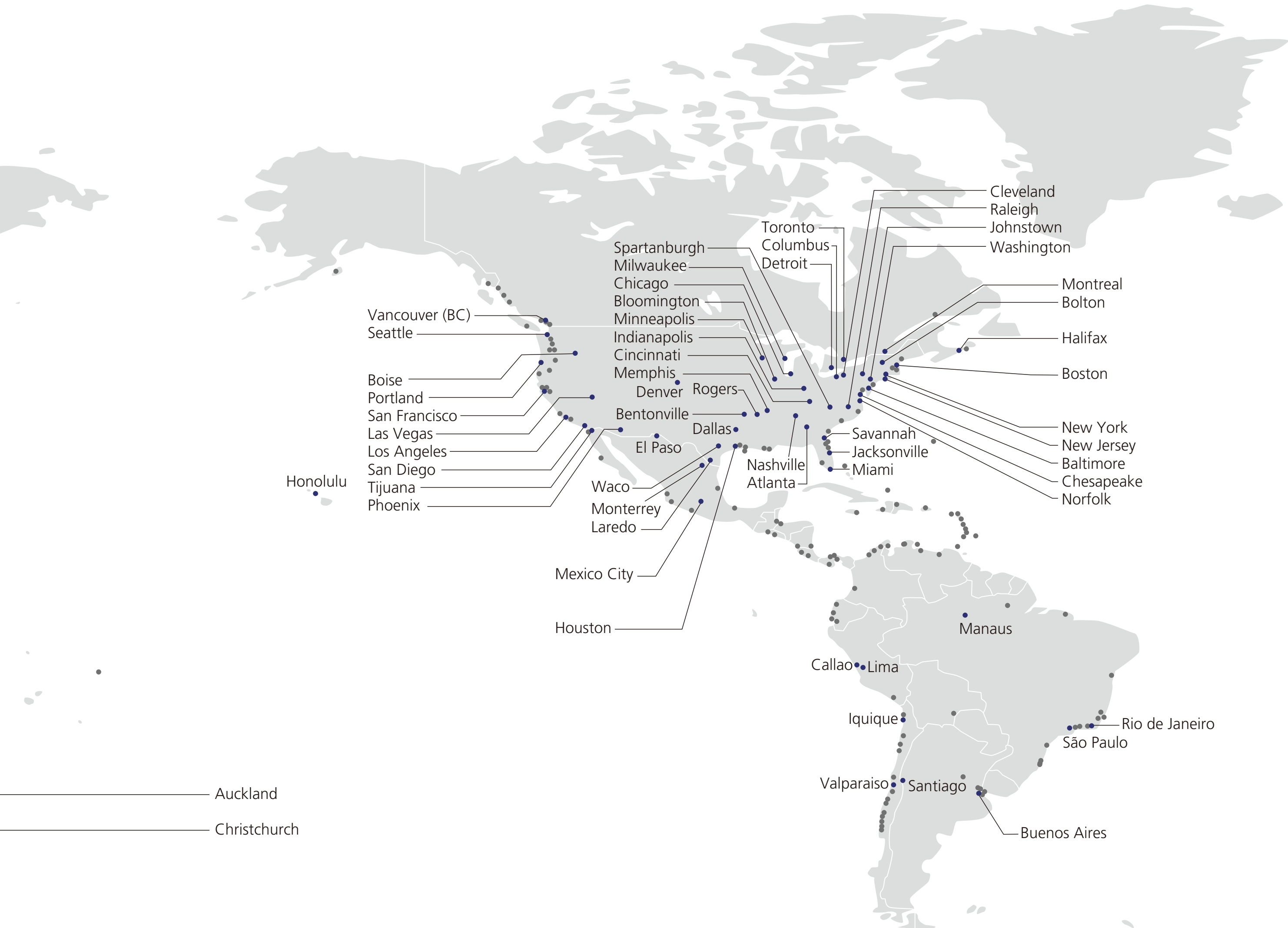


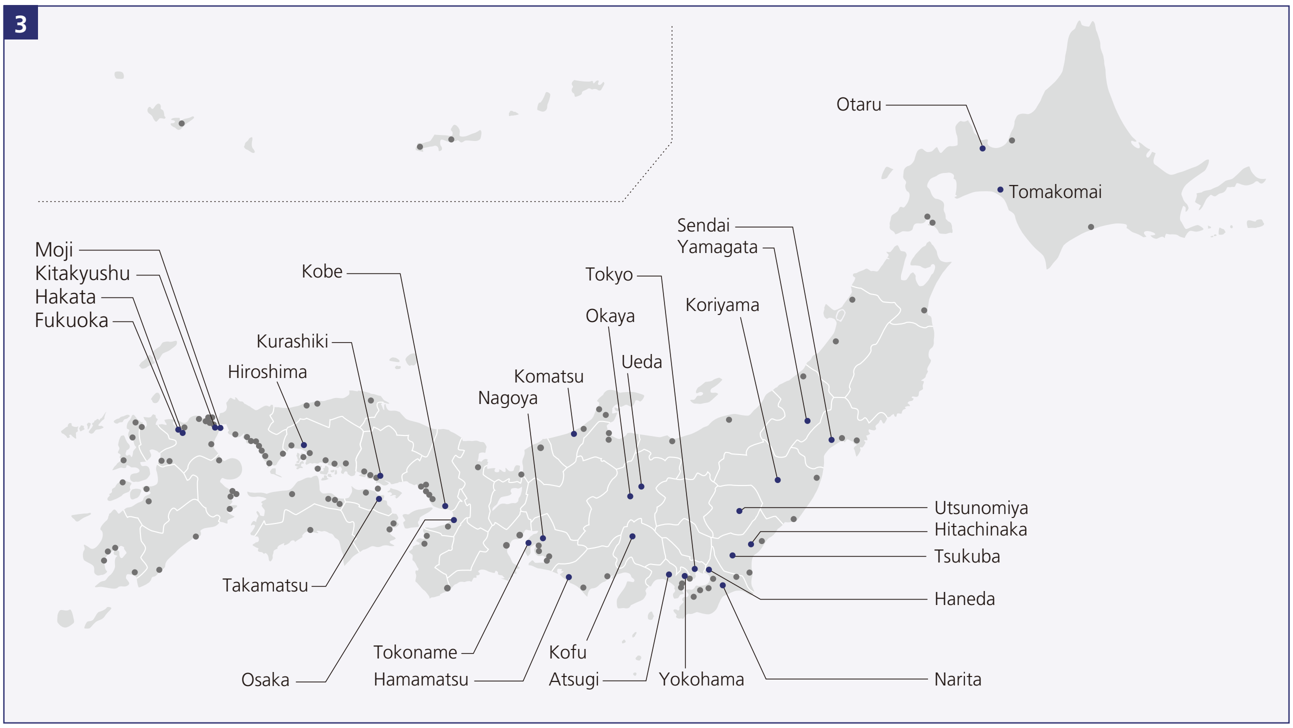
● Main NYK Group Offices

● Main Calling Ports






Cleveland
Raleigh
Johnstown
Washington
Toronto
Columbus
Detroit
Spartanburgh
Milwaukee
Chicago
Bloomington
Minneapolis
Indianapolis
Cincinnati
Memphis
Denver
Rogers
Bentonville
Dallas
El Paso
Montreal
Bolton
Halifax
Boston
Vancouver (BC)
Seattle
Boise
Portland
San Francisco
Las Vegas
Los Angeles
San Diego
Tijuana
Phoenix
Honolulu
Savannah
Jacksonville
Miami
Nashville
Atlanta
New York
New Jersey
Baltimore
Chesapeake
Norfolk
Waco
Monterrey
Laredo
Mexico City
Houston
Manaus
Callao
Lima
Iquique
Rio de Janeiro
São Paulo
Valparaiso
Santiago
Buenos Aires
Auckland
Christchurch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Otaru
Tomakomai
Sendai
Yamagata
Moji
Kitakyushu
Hakata
Fukuoka
Kobe
Tokyo
Okaya
Koriyama
Kurashiki
Hiroshima
Ueda
Komatsu
Nagoya
Utsunomiya
Hitachinaka
Tsukuba
Haneda
Takamatsu
Osaka
Tokoname
Hamamatsu
Kofu
Atsugi
Yokohama
Narita

Major Consolidated Subsidiaries

(As of March 31, 2011)

Domestic

(Millions of yen)

Company	NYK's ownership + (%)	Revenues	Total assets	Paid-in capital
Liner				
NYK-Hinode Line, Ltd.	100.00	¥27,885	¥34,347	¥2,100
NYK Container Line Ltd.*2	100.00	2,855	701	100
Bulk Shipping				
Hachiuma Steamship Co., Ltd.	74.72	¥15,593	¥6,197	¥500
NYK Global Bulk Corporation	100.00	88,103	99,594	4,150
Kinkai Yusen Logistics Co., Ltd.	100.00	16,851	12,298	465
Geneq Corporation*1	55.00	15,900	17,707	242
Logistics				
Yusen Logistics Co., Ltd.*3	59.79	¥71,149	¥50,223	¥4,301
Asahi Unyu Kaisha, Ltd.*1	95.00	10,476	8,992	100
Yusen Koun Co., Ltd.*1	80.01	10,351	2,527	100
Uni-X Corporation*1	80.21	21,115	14,454	934
Terminal and Harbor Transport				
Geneq Corporation*1	55.00	¥15,900	¥17,707	¥242
Yusen Koun Co., Ltd.*1	80.01	10,351	2,527	100
Naikai Tug Boat Service Co., Ltd.	100.00	5,730	7,801	97
Wing Maritime Service Corporation	100.00	4,980	11,598	490
Asahi Unyu Kaisha, Ltd.*1	95.00	10,476	8,992	100
Nippon Container Yuso Co., Ltd.	50.80	7,594	2,086	250
Nippon Container Terminals Co., Ltd.	51.00	10,795	8,577	250
Uni-X Corporation*1	80.21	21,115	14,454	934
Asia Pacific Marine Corporation*4	55.00	5,844	2,204	35
Cruise				
NYK Cruises Co., Ltd.	100.00	¥12,170	¥11,865	¥2,000
Air Cargo Transportation				
Nippon Cargo Airlines Co., Ltd.	100.00	¥87,375	¥59,714	¥50,574
Real Estate				
Yusen Real Estate Corporation	100.00	¥8,467	¥13,448	¥450
Others				
YCS Co., Ltd.	93.42	¥3,129	¥1,895	¥35
Sanyo Trading Co., Ltd.	45.05	8,454	5,780	100
NYK Trading Corporation	78.20	121,678	24,006	1,246
NYK Business Systems Co., Ltd.	99.98	10,196	1,826	99

Overseas

(Millions of indicated units)

Company	NYK's ownership + (%)	Revenues	Total assets	Paid-in capital
Liner				
Astarte Carriers, Ltd.	100.00	US$1	US$0.7	US$0.6
NYK Line (North America) Inc.	100.00	US$86	US$122	US$4
Bulk Shipping				
Adagio Maritima S.A.	100.00	¥1,384	¥1,058	¥0.1
Saga Shipholding (Norway) AS	100.00	US$124	US$514	US$6
NYK Bulkship (Atlantic) N.V.	100.00	US$187	US$281	US$26
NYK Bulkship (Asia) Pte. Ltd.	100.00	US$244	US$343	US$7
Logistics				
NYK Logistics (Americas) Inc.	100.00	US$787	US$208	US$2
Yusen Air & Sea Service (USA) Inc.	59.79	US$144	US$65	US$14
NYK Logistics (UK) Ltd.	100.00	£183	£77	£40
NYK Logistics (China) Co., Ltd.	100.00	CHY1,589	CHY399	CHY158
NYK Logistics (Hong Kong) Ltd.	100.00	HK$1,118	HK$537	HK$115
Terminal and Harbor Transport				
Yusen Terminals Inc.	100.00	US$221	US$179	US$2
NYK Terminals (North America) Inc.	100.00	US$321	US$256	US$0.001
Cruise				
Crystal Cruises, Inc.	100.00	US$280	US$70	US$0.04

*1 Companies whose operations span multiple divisions

*2 Former name: NYK Line (Japan) Ltd.
New name effective from November 1, 2010.

*3 Former name: Yusen Air & Sea Service Co., Ltd.
New name effective from October 1, 2010.

*4 Former name: Pacific Maritime Corporation
New name effective from April 1, 2010.

+ Includes holdings of subsidiaries

Currencies
CHY Chinese yuan
HK$ Hong Kong dollar
US$ U.S. dollar
£ Pound sterling

Financial Section

Maintaining Sustainable Debt Levels: The Keystone of Financial Strategy

Tadaaki Naito

Representative Director, Senior Managing Corporate Officer
Chief Executive of Management Planning Headquarters
(Chief Financial Officer: CFO)

A Summary of Fiscal 2010 Business Results

Throughout fiscal 2010, ended March 31, 2011, the NYK Group faced a headwind. Fuel prices soared and the yen appreciated due to fiscal crises in Europe, an economic downturn in the United States, and political instability in the Middle East. Despite these adverse conditions, the NYK Group achieved a v-shaped recovery, posting recurring profit of ¥114.1 billion compared with the previous fiscal year's recurring loss. Our performance reflected three factors.

First, we benefited from cost reduction under the Yosoro (Steady Ahead!) Emergency Structural Reform Project. In fiscal 2010, we saved ¥28.2 billion by reducing fuel expenses and curbing general and administrative expenses.

Second, the performance of the global logistics business recovered. In particular, the liner trade business achieved a dramatic ¥85.6 billion turnaround in earnings to achieve recurring profit. This improvement stemmed from the synergistic combination of a substantial lessening of the gap between shipping capacity supply and demand and higher freight rate levels. Also, a pickup in the performance of the air cargo transportation business contributed to the segment's business results. Although we initially projected the air cargo transportation business would break even on a recurring profit basis, it actually recorded recurring profit of ¥7.8 billion. This better-than-expected performance was thanks to the achievement of self-reliance resulting in stronger cost competitiveness, and the recovering cargo movement.

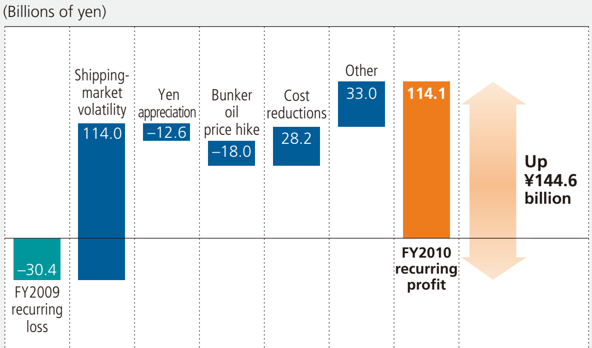
Last, the bulk shipping business grew earnings. The business segment's recurring profit increased from the previous fiscal year's ¥36.6 billion to ¥60.4 billion. In this improved performance, the car transportation business played a leading role, with transportation of finished automobiles rising from 2.37 million units for the previous fiscal year to 3.10 million units for fiscal 2010.

Recurring Profit (Loss) by Business Segment (Billions of yen)

(FY)		2009	2010	Change
Global logistics business	Liner trade	–55.4	30.2	85.6
	Terminal and harbor transport	2.9	6.6	3.7
	Air cargo transportation	–15.1	7.8	22.9
	Logistics	1.5	7.7	6.1
	Total	–66.1	52.5	118.6
Bulk shipping business		36.6	60.4	23.8
Other business	Cruise	–4.0	–2.6	1.4
	Real estate	4.9	4.3	–0.5
	Other	–1.7	–0.4	1.2
Consolidated		–30.4	114.1	144.6

Recurring Profit (Loss) — Positive and Negative Factors

(Billions of yen)



A Summary of Financial Position

Following the Lehman Shock, anticipating that business conditions would become more challenging, we decided to embark upon emergency financial measures for fiscal 2009. As well as issuing bonds to secure capital liquidity and establishing commitment lines, we implemented a public offering in fall 2009 to raise funds for growth investment.

In expenditures, we curbed overall investment by prioritizing investment projects. Further, we sold investment securities in order to streamline our balance sheet.

In fiscal 2010, however, as business results recovered we were able to steadily return to a normal financial position. In addition to lowering commitment lines, we shrunk interest-bearing debt by using higher-than-expected earnings to repay loans. As a result, fiscal 2010 saw an improvement in our financial position, with the shareholders' equity ratio rising from 30.0% to 32.2% and the debt–equity ratio (DER) decreasing from 1.64 to 1.43.

Financial Tasks and Targets

In fiscal 2010, our results were above expectations. However, we should not be complacent about the future. In the immediate future, we expect to see a continuation of instability in the U.S. economy, fiscal crises in Europe, and political instability in the Middle East. Also, the impact of the Great East Japan Earthquake is a cause for concern.

Based on this outlook, we have decided that we need to balance efforts to achieve growth with efforts to strengthen our financial position. Accordingly, we have set out maintaining sustainable levels of debt as the overriding goal of our financial strategy. To realize this strategy, curbing investment is key. Therefore, we need to scrutinize and be highly selective about investment projects. To this end, we have strengthened structures designed to promote a stringent selection process. For example, we require divisions to submit documents that give a comprehensive picture of investment projects. Rather than just accepting general explanations of investment projects, we seek detailed explanations of concrete earnings targets and business strategies. Also, we are considering strict business management measures under which, in some cases, we would ask divisions to dispose of their assets. If they were not able to do so, we would not approve the new investment.

The aim of such structures is to heighten awareness of financial discipline within NYK and thereby make it leaner.

For fiscal 2011, ending March 31, 2012, based on the effect of the Great East Japan Earthquake on respective businesses to date and the latest trends in the markets for dry bulk and other cargos, we anticipate net sales of ¥1,970 billion, operating income of ¥60 billion, recurring profit of ¥50 billion, and net income of ¥34 billion.

Financial Strategy Going Forward

With a view to maintaining debt at sustainable levels, we will take three measures.

First, we intend to strengthen balance sheet management through plan–do–check–act (PDCA) cycles. For example, we will dispose of unprofitable businesses or inefficient assets based on exit rules. We will identify "companies that are insolvent or that have recorded net loss for three consecutive years or more as companies requiring management." If after a further year such companies show no sign of improvement, we will sell or liquidate them. We want to complete PDCA cycles at least every two quarters, preferably every quarter.

Further, aiming to make asset efficiency visible, we have established return on assets (ROA) figures for each division. To increase return on equity (ROE), there are two options: lower our level of debt or heighten ROA. We believe that raising ROA is a task we must address. While reaching companywide targets for ROA is our ultimate objective, if divisions do not reach their targets, we intend to sell or liquidate businesses.

Our second measure focuses on overall optimization. Until now, we have pursued optimization on an individual project basis. For example, for construction of ships we have raised funds at the lowest possible interest rates. However, this has exposed us to risk arising from mismatches between assets and liabilities in relation to currencies and periods as well as fixed and variable interest rates. Our strategy will be to rectify this by realizing overall optimization through strengthened centralized financing. Consequently, for construction of ships, as before, we will provide sales division personnel with financing in the currencies and at the interest rates they require. At the same time, however, centralized financing will hedge the risk by externally raising funds based on different currencies, loan periods, interest, and other terms. This will enable us to build an optimal risk portfolio.

Third, we will increase our responsiveness to emerging markets' currencies. Until now the main currencies we have handled have been the yen, U.S. dollar, euro, and pound. Given the likely growth of emerging markets, we will establish a system that enables us to handle the currencies of emerging markets by deploying experts familiar with such currencies as the Chinese yuan and the Indian rupee. Also, although we have until now raised funds mainly from Japanese banks, we will extend the scope of our fundraising options to include foreign financial institutions.

Consolidated 11-Year Summary

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

	Millions of yen				
	2011	2010	2009	2008	2007[2]
Year ended March 31:					
Revenues	¥1,929,169	¥1,697,342	¥2,429,972	¥2,584,626	¥2,164,279
Costs and expenses	1,622,045	1,520,932	2,054,595	2,128,849	1,840,784
Selling, general and administrative expenses	184,777	194,504	230,463	253,698	218,553
Operating income (loss)	122,346	(18,094)	144,914	202,079	104,941
Income (loss) before income taxes and minority interests	113,187	(9,974)	77,660	200,491	115,136
Income taxes—current	15,861	12,818	30,996	78,789	44,171
Income taxes—deferred	15,286	(8,041)	(11,968)	3,122	4,430
Minority interests in net income	3,503	2,696	2,480	4,439	1,496
Net income (loss)	78,535	(17,447)	56,151	114,139	65,037
As of March 31:					
Total current assets	¥ 562,457	¥ 653,590	¥ 490,588	¥ 602,067	¥ 539,971
Total current liabilities	401,728	450,537	574,988	775,066	697,050
Net vessels, property, plant and equipment	1,150,901	1,111,122	1,167,656	1,131,945	946,328
Total assets	2,126,812	2,207,163	2,071,270	2,286,013	2,135,441
Long-term debt	883,603	945,273	811,715	699,241	584,566
Total equity	728,094	703,394	581,237	679,036	700,717
Retained earnings	472,277	408,017	426,217	401,044	312,605

	Yen				
Per share of common stock[1]:					
Basic net income (loss)	¥ 46.27	¥ (12.71)	¥ 45.73	¥ 92.93	¥ 52.99
Diluted net income	—	—	—	—	—
Equity	403.46	389.46	443.16	519.51	534.90
Cash dividends applicable to the year	11.00	4.00	15.00	24.00	18.00

Notes: (1) "Per share of common stock" is calculated based on the weighted-average number of common shares outstanding during each consolidated fiscal year.

(2) From the fiscal year ended March 31, 2007, the Company applies the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan ("ASBJ") Statement No. 5, December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005).

(3) From the fiscal year ended March 31, 2005, the Company applied early to its consolidated financial accounts the Accounting Standards Related to Impairment Loss on Fixed Assets (Opinion Paper on the Establishment of Accounting Standards for Loss on Impairment of Noncurrent Assets, released by the Financial Services Agency Business Accounting Council on August 9, 2002) and Guidelines for Applying Accounting Standards for Impairment Loss on Fixed Assets (Guideline No. 6 for Applying Corporate Accounting Standards, October 31, 2003), as well as the Partial Revision to Standards for Accounting for Retirement Benefits (Corporate Accounting Standards Guideline No. 3, March 16, 2005) and Guidelines for Applying Partial Revision to Standards for Accounting for Retirement Benefits (Guideline No. 7 for Applying Corporate Accounting Standards, March 16, 2005). The Company also revised its method of accounting for costs related to ship officers.

(4) For vessels other than container ships, vessel expenses, long-term charter vessel rental expense, and long-term charter vessel rental income were previously recognized in the fiscal year in which they were incurred. However, from the fiscal year ended March 31, 2003, the Company has used the completed voyage principle, under which they are recognized in the period in which the voyage is completed.

	Millions of yen						Thousands of U.S. dollars (Note 2)
	2006	2005[3]	2004	2003[4]	2002	2001	2011
	¥1,929,302	¥1,606,098	¥1,398,320	¥1,249,242	¥1,142,934	¥1,133,905	$23,201,079
	1,594,598	1,283,769	1,158,352	1,037,373	945,950	918,645	19,507,462
	194,222	160,953	148,034	142,746	131,425	127,619	2,222,219
	140,481	161,375	91,933	69,122	65,558	87,640	1,471,397
	145,560	127,213	61,535	32,647	31,708	57,803	1,361,243
	53,838	51,365	33,797	15,350	13,158	26,590	190,760
	(3,261)	579	(9,511)	(92)	(336)	(5,134)	183,847
	2,924	3,940	2,439	3,097	1,347	784	42,131
	92,058	71,326	34,810	14,292	17,538	35,562	944,504
	¥ 460,536	¥ 399,500	¥ 370,673	¥ 350,228	¥ 313,916	¥ 322,779	$ 6,764,373
	612,154	477,865	425,753	370,521	387,321	378,954	4,831,374
	856,065	701,157	652,405	651,159	685,711	750,324	13,841,265
	1,877,440	1,476,226	1,376,664	1,287,170	1,339,922	1,381,593	25,578,026
	506,230	464,196	491,233	548,926	547,656	659,358	10,626,620
	575,366	427,770	358,044	288,363	320,096	278,747	8,756,400
	266,567	203,774	146,755	122,271	116,349	113,684	5,679,822
	Yen						U.S. dollars (Note 2)
	¥ 75.04	¥ 58.12	¥ 28.27	¥ 11.48	¥ 14.23	¥ 28.88	$0.56
	—	—	—	—	14.23	28.21	—
	471.05	350.10	292.88	235.81	260.80	225.36	4.85
	18.00	18.00	10.00	7.50	7.50	7.50	0.13

Overview of Operating Performance

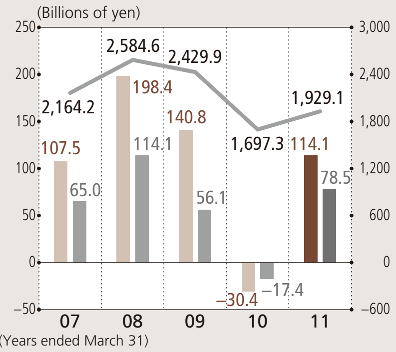
During the fiscal year ended March 31, 2011, the global economy continued to recover from the global financial crisis that began in September 2008, and the rate of economic growth improved relative to the previous fiscal year. The volume of trade also turned around to growth from the previous year's contraction. In developed markets, retail consumption showed a strong recovery in Japan and the United States, while solid economic growth continued in emerging markets supported by robust retail consumption, proactive public-sector spending, and capital inflows from outside the respective countries. Nevertheless, the Great East Japan Earthquake that struck in March 2011 is certain to have a major impact on economic growth in the near future and energy policies over the medium to long-term, creating uncertainty for the future outlook for the global economy.

Against this backdrop, robust demand in Asia and other emerging markets led to increased container volumes, and as a result the liner trade segment contributed to an improvement in first-half profits. Transport volumes for finished automobiles also showed a solid recovery throughout the fiscal year, but the dry bulk and tanker markets gradually softened, leading to weak results in the second half. In addition, backed by an increase in the transport volume, profits improved in the logistics segment, and the air cargo transportation segment showed a large improvement in profits with a turnaround to profitability. The Great East Japan Earthquake only had a limited impact on results for the fiscal year. Reflecting these developments, revenues for the fiscal year grew ¥231.8 billion (13.7%) from the previous fiscal year. Costs and expenses rose ¥101.1 billion (6.6%), and as a result of continued reductions in selling, general and administrative expenses, operating income grew ¥140.4 billion, and the ratio of operating income to revenues rose 7.4 percentage points, to 6.3% from the previous year's -1.1%. As a result, recurring profit rose ¥144.6 billion and net income grew ¥95.9 billion, for major improvements for both items from the previous year's losses.

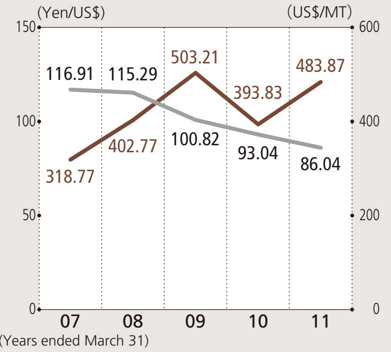
The fluctuations in foreign exchange rates and bunker oil prices from the previous fiscal year were as follows.

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Change
Average exchange rate	¥93.04/US$	¥86.04/US$	Yen up ¥7.00
Average bunker oil price	US$393.83/MT	US$483.87/MT	Price up US$90.04

Operating Results



Movements in Exchange Rates and Bunker Oil Prices



Industry Segments

Results by Segment

(Billions of yen)

	Revenues				Recurring Profit (Loss)		
(Years ended March 31)	2010	2011	Change	% change	2010	2011	Change
Liner trade business	378.0	**462.1**	84.0	22.2%	(55.4)	**30.2**	85.6
Bulk shipping business	733.4	**796.4**	62.9	8.6%	36.6	**60.4**	23.8
Logistics business	341.7	**390.9**	49.1	14.4%	1.5	**7.7**	6.1
Terminal and harbor transport business	110.2	**122.4**	12.1	11.0%	2.9	**6.6**	3.7
Cruise business	35.1	**35.8**	0.7	2.1%	(4.0)	**(2.6)**	1.4
Air cargo transportation business	62.5	**87.2**	24.6	39.4%	(15.1)	**7.8**	22.9
Real estate business	12.1	**11.4**	−0.6	−5.7%	4.9	**4.3**	−0.5
Other business services	155.9	**163.5**	7.5	4.8%	(1.7)	**(0.4)**	1.2

<Liner Trade>

With a recovery in container volume from the first quarter, we expanded services and deployed additional vessels on non-scheduled voyages, lifting volumes on many routes, primarily North American and European routes. Higher demand led to increases in freight rates, which rose on all routes year on year. The higher rates offset the effects of the yen's sharp appreciation, and overall, the liner trade segment posted significant revenue growth. Costs rose during the fiscal year as the price of bunker oil soared, but the segment contained cost increases through cost-cutting measures, including the increased utilization of slow-steaming operations for environmental reasons. As a result, the liner trade segment's results improved dramatically, rebounding to a profit following a loss in the previous fiscal year.

<Bulk Shipping>

Car Carrier Division – Global transport volume showed signs of a recovery from the 2008 global economic downturn, driven primarily by transport to Russia, China, and other emerging markets. In line with this trend, car transport volume increased from the previous fiscal year. The car carrier division responded by adding 12 new vessels and scrapping four aging vessels that had been laid up. The automotive logistics business, which complements the sea transport business, was engaged in the transport of auto parts and finished automobiles in China, and terminal operations in China, Europe, Singapore, and Thailand. The division also actively expanded automotive logistics operations in India and other emerging markets to address growth in demand.

Dry Bulk Carrier Division – Seaborne dry bulk cargo volumes rose year on year, not only on demand for steel and energy from China, India, and other emerging markets, but also reflecting a pickup in demand for iron ore and coal in developed markets as those economies recovered. In terms of supply, newbuild tonnage reached a record high, gradually increasing concerns of overcapacity. Rates for small and medium-sized bulkers of up to Panamax class were relatively solid throughout the fiscal year. However, rates for larger vessels, primarily Capesize vessels, which accounted for most of the newbuild tonnage, declined from the second half. This was mainly because of a slump in imports of iron ore into China following price increases, and the impact of floods in Australia.

Tanker Division – Petroleum demand rebounded in tandem with the global economic recovery, leading to an increase in seaborne cargo volume for both crude oil and petroleum products. On the supply side, international covenants banning or limiting the use of single-hull tankers forced shipping companies to scrap and retrofit existing vessels, but many newly built vessels also came into service. Freight rates for both crude oil tankers and petroleum product tankers remained soft as the supply–demand balance weakened. Freight rates for LNG tankers were weak in the first half of the fiscal year but recovered in the second half. NYK also entered the shuttle tanker business via a capital investment in Knutsen Offshore Tankers ASA in December 2010.

As a result of above, the bulk shipping business's overall revenues and profits rose from the previous fiscal year.

<Logistics>

NYK Logistics recorded revenue growth and a return to profitability as a result of a recovery in transport volume from major Asian customers, particularly in the manufacturing and distribution businesses, and continued efforts to reduce costs and improve operational efficiency at sites around the world. The performance of Yusen Logistics Co. Ltd. (formerly Yusen Air & Sea Service Co. Ltd.) improved as a result of efforts to address higher airfreight demand outside Japan, which offset lower margins stemming from higher air freight rates and soaring fuel costs. Overall, the logistics segment posted higher revenues and profits versus the previous fiscal year. In October 2010, Yusen Logistics Co. Ltd. and companies under NYK Logistics began to merge their operations as part of a restructuring of the NYK Group's logistics business, with the aim of generating group synergies to build a logistics operation that is world-class in both size and service quality.

<Terminal and Harbor Transport>

With container volumes growing as economies recover, domestic and overseas container terminals' handling volumes increased year on year, and the terminal and harbor transport segment's revenues and profits grew as a result.

<Cruise>

Fiscal uncertainty across Europe, higher unemployment in the United States, and a sluggish economic recovery in Japan created a challenging operating environment for Crystal Cruises in the U.S. market and Asuka Cruise in the Japanese market. Better marketing led to an increase in overall sales, and combined with continued cost reductions, resulted in a reduction in the segment's loss.

<Air Cargo Transportation>

Nippon Cargo Airlines Co. Ltd. (NCA) actively developed routes in response to a rise in airfreight demand that began in the second half of the previous fiscal year, and revised freight rates in stages, to ordinary levels. NCA also further reduced costs, improved its aircraft utilization, and expanded the use of charter flights. These efforts ensured the company's profitability and enhanced customer service. As a result, NCA's performance improved dramatically, rebounding from the previous year's loss to its highest profits on record.

<Real Estate and Other Business Services>

The real estate business' revenues and profits declined from the previous fiscal year on lower rents and occupancy rates. In other business services, the trading business' revenues increased on higher bunker oil prices. The manufacturing and processing business recorded higher orders for shipboard and onshore work as well as solid sales of fuel additives. As a result, other business services' overall revenues rose and the previous year's loss was reduced.

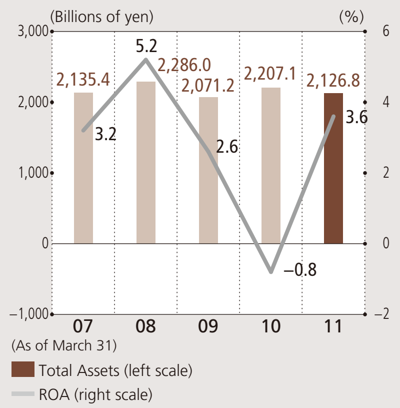
Analysis of Financial Position

Total assets as of March 31, 2011, amounted ¥2,126.8 billion, a decrease of ¥80.3 billion compared with the end of the previous fiscal year (March 31, 2010). This mainly reflects a ¥91.1 billion decrease in current assets, primarily from a decrease in cash and cash equivalents.

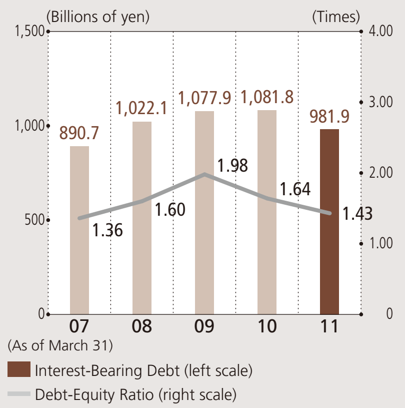
Total liabilities amounted ¥1,398.7 billion, a decrease of ¥105.0 billion, mostly from a decrease in short-term and long-term loans payable.

Under total net assets, retained earnings grew ¥64.2 billion from the previous fiscal year, while shareholders' equity — the sum of shareholders' capital and total accumulated other comprehensive income — totaled ¥684.6 billion, and adding minority interests of ¥43.4 billion, total net assets totaled ¥728.0 billion. As a result, the debt-equity ratio as of the fiscal year-end stood at 1.43.

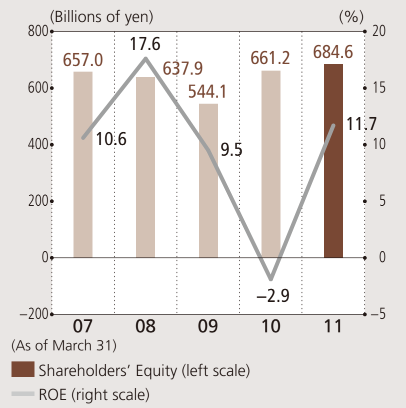
Total Assets and Return on Assets (ROA)



Interest-Bearing Debt and Debt-Equity Ratio



Shareholders' Equity and Return on Equity (ROE)



Analysis of Capital Sources and Liquidity

<Cash Flows>

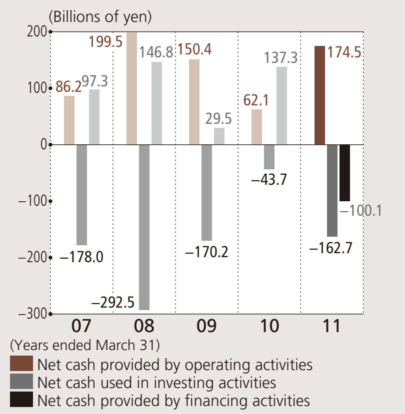
Cash and cash equivalents as of March 31, 2011, totaled ¥189.6 billion, a decrease of ¥91.9 billion compared with the beginning of the fiscal year (April 1, 2010).

Net cash provided by operating activities totaled ¥174.5 billion, reflecting income before income taxes and minority interests of ¥113.1 billion and depreciation and amortization of ¥100.1 billion, as well as outlays of ¥17.2 billion for interest expenses paid.

Net cash used in investing activities amounted to ¥162.7 billion, primarily reflecting increased expenditures for noncurrent assets, the majority of which were investments in vessels.

Net cash used in financing activities totaled ¥100.1 billion, which included ¥139.7 billion for repayments of long-term loans payable.

Cash Flows



<Funding Requirements and Capital Expenditures>

Most of the working capital that the NYK Group requires is for transportation operations related to the group's liner trade and bulk shipping. These funds are primarily used to cover cargo expenses, fuel expenses, port charges, and other operating expenses, as well as the cost of crews, vessel repairs, and charterage. In addition, the group incurs labor and other administrative expenses in its logistics, terminal and harbor transport, and air cargo transportation operations. Each business has labor, information processing, and general and administrative expenses.

The group also invests in vessels and in logistics and terminal facilities. Capital expenditures during the year totaled ¥278.5 billion.

<Financial Policies>

The NYK Group uses a variety of sources to stably procure the funds required for its business activities and growth. The objective is to procure funds in a manner that is not detrimental to the group's financial soundness and that does not expose the group to excessive risk in any category of market risk. To accomplish this, the group obtains funds through loans from financial institutions and the issuing of bonds and commercial paper. The group also uses leases for vessels and aircraft and medium to long-term charters for vessels.

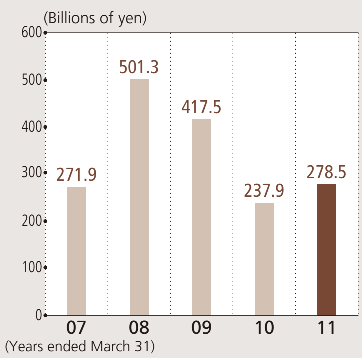
Expenditures for vessels, the group's main category of equipment, are made using long-term borrowings with currencies and tenors matching the future cargo freight revenue and vessel rental income generated by the operating activities of individual vessels, as well as funds procured through issues of shares and corporate bonds, and from retained earnings. In addition, investment in logistics and terminal facilities is also made with stable funds that match future cash flows.

Working capital is primarily procured via short-term loans with tenors of no more than one year and the issuing of commercial paper, but given the continued instability in the financial environment since the autumn of 2008, long-term loans are used as well. As of March 31, 2011, the outstanding amount of long-term borrowings stood at ¥627.0 billion, denominated in U.S. dollars, euros, and other currencies in addition to yen, and including both fixed and floating-rate loans. The outstanding amount of funds procured via capital markets from corporate bond issues totaled ¥251.0 billion as of March 31, 2011.

The group strives to maintain capital liquidity, and in addition to its ¥100.0 billion facility for the issuing of commercial paper as of March 31, 2011, and a syndicated commitment line (borrowing facility) from financial institutions denominated in yen and U.S. dollars, a cash management system is used to improve capital efficiency through financing within the group.

NYK has credit ratings from two agencies in Japan and one overseas. As of March 31, 2011, NYK bonds were rated AA- by Japan Credit Rating Agency Ltd. (JCR), A+ by Rating and Investment Information Inc. (R&I), and Baa1 by Moody's Investors Service.

Capital Expenditures



Ratings

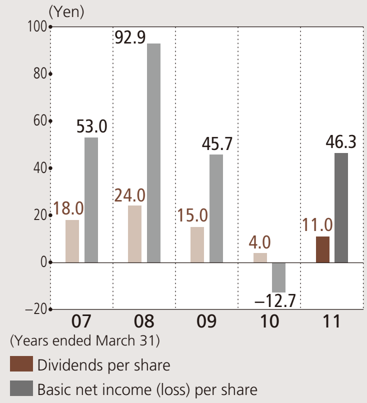
(As of March 31, 2011)

	Type	Ratings
Japan Credit Rating Agency, Ltd. (JCR)	Long term	AA-
Rating and Investment Information, Inc. (R&I)	Issuer Short term	A+ a-1+
Moody's	Issuer	Baa1

Dividend Policy and Dividends for the Fiscal Year Ended March 31, 2011, and the Fiscal Year Ending March 31, 2012

NYK considers returning profits to shareholders one of its highest priorities. The company targets a payout ratio of 25%, and takes its performance outlook and other factors into consideration when setting actual distributions. Financial results for the fiscal year did not significantly diverge from the consolidated profits outlook announced on January 31, 2011. NYK has therefore set a year-end dividend of ¥5 per share. Combined with the interim dividend of ¥6 per share, this resulted in an annual dividend of ¥11 per share. For the fiscal year ending March 31, 2012, NYK plans to maintain a 25% benchmark payout ratio, but for the time being we intend to closely monitor our operating performance, and to announce our dividend forecast along with our announcement of consolidated financial results for the first quarter of the next fiscal year (i.e., the three months ending June 30, 2011).

Dividends per Share and Basic Net Income (Loss) per Share



Forecasts

NYK expects consolidated revenues of ¥1,970.0 billion, operating income of ¥60.0 billion, recurring profit of ¥50.0 billion, and net income of ¥34.0 billion for the fiscal year ending March 31, 2012.

In the liner trade segment, we expect cargo volume to be generally strong, but profit may be squeezed by sharply higher bunker oil prices and an increase in the supply of shipping capacity, coupled with a decline in transport volumes in the wake of the Great East Japan Earthquake. In the bulk shipping segment, we anticipate a significant drop in car transport volume as a result of the earthquake, and expect the weakness seen in freight rates in the dry bulk and tanker markets since the second half of the previous fiscal year to continue. On the other hand, the logistics segment is aiming to boost operating revenue amid strong cargo volumes, particularly in Asia. The air cargo transportation segment will continue to streamline operations and actively pursue demand, as it works to minimize the profit impact of increased competition and the effect of the earthquake.

On March 31, 2011, NYK unveiled its new three-year medium-term management plan, "More Than Shipping 2013," which commenced from April 2011, and included performance targets for fiscal years 2011 through 2016. These targets, however, did not take into account the impact of the Great East Japan Earthquake, and the forecasts for the fiscal year ending March 31, 2012, have therefore been revised to account for the earthquake's impact on transport demand at each of NYK's businesses based on the information available as of April 28, 2011, and the most recent freight rate trends in the dry bulk and other markets.

Forecasts for the Fiscal Year Ending March 31, 2012 (As of April 2011)

(Years ended March 31)	2011	2012	Change
Revenues	1,929.1	**1,970.0**	40.8
Operating income	122.3	**60.0**	(62.3)
Recurring profit	114.1	**50.0**	(64.1)
Net income	78.5	**34.0**	(44.5)
Assumptions:			
Exchange rate	¥86.04 / US$	**¥85 / US$**	Yen up ¥1.04
Bunker oil price	US$483.87 / MT	**US$650 / MT**	Price up US$166.13

Operating Risks

A wide variety of economic, political, and social factors in countries throughout the world have the potential to impact negatively the NYK Group's mainstay shipping and integrated logistics operations, as well as its cruise and other businesses. Indicated below are some of the risks that could affect the group's operating performance, share price, and financial conditions. The items described in the text below represent the group's judgment of potential future events as of March 31, 2011.

(1) A MAJOR SHIPPING ACCIDENT

Based on the group mission statement that we contribute to the betterment of societies throughout the world as a comprehensive global-logistics enterprise offering ocean, land, and air transportation through safe and dependable *monohakobi* (transport), the NYK Group operates and controls vessels throughout the world. We recognize the safe operation of vessels and preservation of the environment as our top operational imperatives. To ensure operational safety, we have implemented our own safety management system, NAV9000, to pursue environmental management certification. We have established the Environmental Safety Measures Promotion Council, which is chaired by the president of NYK, to periodically review safety measures for shipping and other operations. This structure is designed to guarantee steady improvements in the group's safety levels and to ensure appropriate responses in the event of an emergency. Nevertheless, a major unforeseen accident, such as an oil spill or some other type of environmental contamination, injury to or death of a crew member or passenger, damage to or loss of a vessel, or a safety-related incident such as an act of piracy or terrorism could delay or halt cargo transport; nullify transport agreements or render them uncollectible; result in administrative fines, lawsuits, penalties, or trade restrictions; prompt higher insurance premiums; or cause damage to the group's reputation and relationships with customers. The materialization of such risks or the inability to cover them with insurance could impact the operating performance and financial condition of the NYK Group.

(2) CHANGES IN THE OVERALL SHIPPING AND FREIGHT MARKETS

The NYK Group endeavors to generate stable operating revenue that is not affected by overall changes in the shipping market. However, such factors as general economic fluctuations, a falloff in international freight demand, increasingly severe competition, or changes in the balance of shipping supply and demand could cause a substantial decline in shipping revenues or vessel rental income. Such a situation could impact the operating performance and financial condition of the NYK Group.

Furthermore, recent imbalances in shipping supply and demand are causing major fluctuations in freight rates. This disparity between capacity and demand is forecast to continue affecting the shipping industry in the future, which could significantly impact the NYK Group's revenues. The value of the NYK Group's vessels might also be affected.

Factors that affect shipping industry demand include the following.

- Global and regional economic conditions
- Trends in the demand for and consumption of the energy resources, raw materials, and products that the NYK Group transports
- The globalization of production
- Inventory levels
- Changes in marine and other transport methods, as well as the development of alternative methods
- International trade development, global and regional political trends and economic conditions
- Environmental development and other legislative trends

Moreover, excess shipping capacity could affect the financial condition and operating performance of the NYK Group.

Factors that affect shipping supply include the following.

- The number and capacities of new vessels
- Scrap prices for used vessels
- Congestion or closure of ports and canals
- The number of vessels out of service due to periodic maintenance or idling
- Vessel reductions owing to changes in or expanded provisions for environmental legislation or other regulations that could limit the useful life of vessels

Falling market rates for chartered freight and declines in the value of the NYK Group's vessels as a result of oversupply could impact the operating performance and financial condition of the NYK Group.

The NYK Group sources part of its fleet through the construction and ownership of new vessels. Long-term fixed costs to the NYK Group related to new vessel construction include depreciation and amortization, interest on loans, and ship operation and maintenance costs. Some of the vessels in the NYK Group's fleet are provided as long-term charter vessels, for which the group has agreed to pay charter fees over the charter period. However, shipping demand and freight rates can vary significantly in short periods of time. The NYK Group places orders for the construction of new vessels or enters into long-term charter contracts based on its forecasts of demand trends and the number of vessels needed to satisfy this demand. If vessel utilization rates do not exceed a certain level or if market freight rates fall dramatically after entering into short-term agreements, the NYK Group may be unable to generate revenue from transportation sufficient to cover its costs. This situation could affect the NYK Group's business, operating performance, and financial position.

(3) IMPACTS OF COMPETITION WITH OTHER COMPANIES

In addition to Japanese marine transport operators, the NYK Group competes with international shipping companies operating throughout the globe, and the competitive situation is growing more intense. If the NYK Group becomes unable to maintain its competitive position in any of the sectors in which it operates, the NYK Group's business, operating performance, and financial condition could be affected.

(4) FLUCTUATIONS IN CURRENCY EXCHANGE RATES

Many of the NYK Group's operations are denominated in foreign currencies, creating the possibility of losses resulting from exchange rate fluctuations. To match the currencies in which it generates revenue and pays expenses, the NYK Group conducts hedging transactions, including foreign exchange contracts and currency swaps, to minimize the effects of exchange rate fluctuations. When preparing consolidated financial statements, the NYK Group converts the financial statements of its overseas consolidated subsidiaries into yen. As a result, fluctuations in currency exchange rates could affect the operating performance and financial condition of the NYK Group.

(5) CHANGES IN FUEL PRICES

The NYK Group regularly purchases bunker oil for use as fuel for the vessels and aircraft it uses to transport cargo throughout the world. Bunker oil prices account for a substantial portion of the costs the NYK Group incurs in the liner trade, bulk shipping, and air cargo transportation businesses. Bunker oil prices and purchase availability are subject to global crude oil supply and demand, foreign exchange market fluctuations, changes involving OPEC and other crude oil producing countries, the state of environmental legislation, competition, and changes in myriad other factors, and forecasting the changes in all of these conditions is difficult. The NYK Group seeks to minimize the impact of such factors on its operating performance by purchasing bunker oil from diverse regions, using derivative transactions to hedge against fuel price fluctuations, and economizing on fuel consumption. Even so, these measures have limited effect, and there is no guarantee that they will be sufficient to protect the group against price fluctuations and supply shortages. Furthermore, low-sulfur fuel regulations that are slated for future expansion and enhancement call for vessels to use fuels that are more expensive. The NYK Group typically is unable to pass on all the costs of bunker fuel price increases to customers through rate hikes or fuel surcharges. Consequently, a rise in fuel costs could affect the NYK Group's business, operating performance, and financial position.

(6) CHANGES IN REGIONAL ECONOMIC CONDITIONS AFFECTING GLOBAL OPERATIONAL DEVELOPMENTS

As the NYK Group's sphere of operations includes Japan, North America, Europe, Asia, the Middle East, and other regions, economic conditions in each of these areas can influence the group's operations. We gather information ourselves and employ outside consultants to minimize and, where possible, avoid such risks. Nevertheless, these changes could affect the operating performance and financial condition of the NYK Group. Some potential risks are described below.

1. Disadvantageous political or economic factors
2. Government regulations, such as operational or investment permissions, taxes, foreign exchange controls, monopolies, or commercial limitations
3. Joint operations or tie-ups with other companies
4. Social upheaval, such as wars, riots, terrorist acts, piracy, infectious diseases, strikes, and computer viruses
5. Earthquakes, tsunamis, typhoons, and other natural disasters
6. Difficulty in situating or managing personnel involved in international operations
7. Standards of liability that differ from those in Japan and legal systems that are difficult to predict

These factors have the potential to negatively affect the NYK Group's operations in certain international markets, which in turn could have a negative impact on the business of the NYK Group.

Through its containership business, the NYK Group is a member of the Grand Alliance — a strategic alliance that also includes three overseas marine transport companies. The NYK Group considers the alliance necessary to ensure the efficiency of its containership operations and the ability to maintain a global network. At the same time, it is difficult to maintain the same safety and service standards and management directions and procedures across alliance activities, and the alliance could be dissolved or members could withdraw from the alliance, which presents the risk that the alliance may not deliver the anticipated results. If it is unable to respond appropriately to such factors, the NYK Group's business, operating performance, and financial condition could be affected.

The NYK Group's business depends on having sufficient marine crew members. High-quality crew members are particularly vital to the safe operation of vessels. The majority of the NYK Group's crew members are citizens of Asian countries other than Japan, particularly the Philippines. The NYK Group employs various methods to secure quality crew members, such as providing education and training and recruiting in other countries, but there is no guarantee that the group will always be able to employ enough crew members that have the necessary skills at an appropriate price. For instance, for several years before the financial crisis hit, shipping demand was high, and personnel costs for crew members skyrocketed. If the NYK Group becomes unable to employ a sufficient number of crew members for a reasonable price, its business, operating performance, and financial condition could be affected. In addition, roughly 70% of the NYK Group's current crew members are Philippine nationals, and war or other political factors could adversely affect the NYK Group's business. Furthermore, some NYK Group employees, including crew members, belong to labor unions. Any employee strikes, work stoppages, or acts of sabotage could impact the NYK Group's business, financial condition, and operating performance. Third-party strikes or work stoppages by employees outside the NYK Group could also impact the NYK Group's business, operating performance, and financial condition.

The NYK Group is affected by the risk of conflicts throughout the world, including the Middle East. Some of the vessels the NYK Group owns or charters operate in the Straits of Malacca and Singapore, an area of frequent pirate attacks, and the Gulf of Aden, the Arabian Sea, and Indian Ocean, where Somali pirates are active. The areas in which acts of terrorism and piracy occur are expanding, and the frequency of attacks is increasing. Terrorist or pirate attacks, or political instability or conflict, could impact the NYK Group's business, operating performance, and financial condition. The exclusion of regions in which NYK Group vessels operate from coverage by standard war risks insurance (certain areas are already so designated) could impact insurance premiums and claim payments.

(7) IMPACTS OF INCIDENTS ARISING DURING SYSTEM DEVELOPMENT OR OPERATION

The smooth operation of its fundamental IT systems is essential to the operations of the NYK Group. In the event that an earthquake, fire, or other calamity affects the stable operation of these systems or causes them to go down, the group will make every effort to get these systems back online promptly. However, if these systems remain down for more than a certain period of time, the provision of information to customers and our business operations could be affected. Such incidents could impact the NYK Group's operating performance and financial condition.

(8) STRONGER LEGISLATION ON ENVIRONMENTAL PRESERVATION, SAFETY, AND SECURITY

In each of the regions in which it operates, the NYK Group is obliged to observe international law regarding the safe operation of its vessels and the prevention of marine accidents. The group also must comply with regional legislation and other requirements concerning environmental protection, import-export, taxation, and foreign exchange.

The NYK Group recognizes the importance of environmental preservation activities and measures to ensure the stability and safety of its distribution supply chain, while developing and expanding its global operations. Increasingly stringent public regulations to preserve the environment include moves toward double-hull construction, which reduces the danger of oil spills in the event of an oil tanker collision; standards to reduce CO_2, SO_x, and NO_x emissions; and the use of electronically controlled engines.

The costs required to respond to increasingly stringent legislative measures or social expectations on environmental preservation — including the prevention of global warming, atmospheric pollution, and the preservation of biodiversity, as well as safety and security, could affect the operating performance and financial condition of the NYK Group. In the event that compliance with legislation or other regulations in certain regions becomes problematic, this situation could limit the NYK Group's operations in that region, which could impact the group's operating performance.

(9) AIR CARGO TRANSPORTATION BUSINESS

The 747–8F aircraft that the NYK Group has ordered from Boeing are presently scheduled for delivery in or after fiscal 2011. However, the delivery of these 14 aircraft could be delayed, which could result in losses for the NYK Group. Conversely, even if these aircraft do become available, the NYK Group may not be able to deploy all of them if the air cargo transportation market enters a downturn. In that situation, the group could face losses unless it takes aircraft out of service or leases or sells them.

As with its marine transport business, the NYK Group's air cargo transportation business faces various potential risks, outlined below. These factors could impact the NYK Group's operating performance and financial condition.

- Aircraft accidents
- The promotion of environmental legislation or other regulations
- A downturn in air freight rates owing to increasingly stringent competition or a drop-off in demand
- Fluctuations in aircraft fuel prices
- Currency exchange fluctuations
- Insufficient insurance coverage
- Takeoff / landing slots granted by legislation or competent authorities
- IT system malfunctions
- Fixed-cost inflexibility
- Acts of terrorism, political unrest, and natural disaster

(10) RELATIONS WITH BUSINESS PARTNERS

The NYK Group's Dry Bulk Carrier Division and Tanker Division place importance on long-term contracts with business partners, particularly for large vessels. These long-term agreements help stabilize the group's business in the face of market fluctuations by fixing freight rates, carrying volumes, and rate adjustment conditions. If business conditions for some of the business partners with which the NYK Group maintains long-term agreements were to deteriorate, these business partners may become unable to continue fulfilling all terms of the agreements that are in place. Furthermore, the NYK Group may find itself unable to procure third-party charter vessels that would enable it to fulfill the terms of the long-term agreements it has made. If charter companies become unable to fulfill the terms of their agreements with the NYK Group before their charter period has ended, the NYK Group could suffer losses due to an inability to procure alternative vessels. Such circumstances could impact the NYK Group's business, operating performance, and financial condition. Also, although long-term agreements provide some insulation against market fluctuations, in an upward-trending market the NYK Group may become unable to pass on rising market prices immediately by demanding higher freight rates.

Important business partners of the NYK Group include leading Japanese automakers, paper manufacturers, electronics manufacturers, steelmakers, and public utilities, as well as U.S.-based retailers. The scale of its transactions with important business partners could shrink, or the NYK Group could lose an important business partner. Such a situation could impact the NYK Group's financial condition.

(11) OPERATIONAL RESTRUCTURING

The NYK Group has restructured its operations when necessary. Future operational restructuring activities, if implemented, could affect the operating performance and financial condition of the NYK Group.

(12) MEDIUM-TERM MANAGEMENT PLAN

In March 2011 the NYK Group formulated "More Than Shipping 2013," a new three-year medium-term management plan. Nevertheless, progress under this medium-term management plan could be affected by a variety of factors, and the plan's achievement is not necessarily guaranteed.

(13) INVESTMENT PLANS

Although the NYK Group's plans include investment in the expansion of its fleet of vessels and aircraft, fluctuations including market conditions and government regulations could prevent these plans from progressing as initially intended. Such changes could affect the operating performance and financial condition of the NYK Group.

The NYK Group spends a substantial amount of money on capital investments in new vessels. Large-scale shipbuilding plans are subject to delays and may be affected by shipyard labor disputes, management difficulties, or other factors that affect the shipyard itself. Cargo transport demand could slacken just as new vessels are delivered, or demand could increase while vessel delivery is delayed beyond expected dates. Such situations could impact the business, operating performance, and financial condition of the NYK Group.

(14) FLUCTUATIONS IN INTEREST RATES

To meet funding requirements for capital investment, such as in vessels, aircraft, and transportation-related facilities, and for working capital, the NYK Group uses internal funds as well as funds procured from external sources. Currently, a portion of the external funds are procured at floating interest rates. The group seeks to minimize the effect of interest rate changes by moving toward fixed interest rates on the basis of its assumptions about the interest rate environment. However, certain changes in interest rates could impact the operating performance and financial condition of the NYK Group, and affect the future cost of procuring funds.

(15) DISPOSAL OF VESSELS

Changes in shipping supply and demand conditions, as well as technical developments and advances, cause physical limitations on the use of vessels as they become outdated or no longer comply with safety and other legal requirements. In such cases, the NYK Group may dispose of its vessels or aircraft, or cancel certain charter contracts for vessels to be chartered. Such activities could affect the operating performance and financial condition of the NYK Group.

The NYK Group typically sells fully depreciated vessels and aircraft. However, there is no guarantee that the NYK Group will be able to sell such vessels and aircraft under attractive conditions or, indeed, be able to sell them at all. The group also may face a growing need to sell superannuated vessels or aircraft during times of economic stagnation or when market prices on vessels and aircraft are falling. If the NYK Group were compelled to sell vessels or aircraft that were not fully depreciated for prices below their book values, it could be forced to record a loss on their sale and retirement. Furthermore, if markets fail to recover from their current malaise or deteriorate further, the group may suffer valuation losses on its vessels, aircraft, and other assets.

(16) VALUATION LOSSES ON INVESTMENT SECURITIES

The NYK Group uses the current value method to evaluate its holdings of investment securities that have explicit market values, taking as the market value the average market price during the one-month period preceding the end of the fiscal year. As a result, changes in stock market conditions could affect the operating performance and financial condition of the NYK Group.

(17) RETIREMENT BENEFITS PLAN

The NYK Group's defined benefit plans include a defined benefit pension plan law, a qualified retirement benefits plan, an employees' pension fund plan, and a temporary retirement fund plan. Legally, the NYK Group was required to change from a defined benefit pension plan law to a different type of plan by the end of March 2012. As of April 1, 2007, a defined benefit pension plan law is applied. Changes in the pension plan, the investment of pension assets, or the assumptions underlying the accounting for retirement benefits could affect the operating performance and financial condition of the NYK Group.

(18) EVALUATION OF PROSPECTS FOR RECOVERY OF DEFERRED TAX ASSETS

The NYK Group performs an evaluation based on estimated future taxable income to determine the likelihood of recovering deferred tax assets. If we decide that part of or all deferred tax assets cannot be recovered because of a decline in estimated future taxable income or a revision in a nation's tax system, including a change in the statutory tax rate, we will reduce deferred tax assets and post a corresponding expense for taxes in the fiscal period when this decision was made.

These expenses could affect the operating performance and financial condition of the NYK Group.

(19) LITIGATION

The NYK Group is engaged in the ocean cargo transport, global logistics, cruise, air cargo transportation and other businesses. There is a risk of litigation concerning all of these business activities. Depending on the outcome, litigation could affect the operating performance and financial condition of the NYK Group. Two examples of ongoing litigation are provided below.

1. Nippon Cargo Airlines Co. Ltd.

Major airline companies around the world are being investigated by South Korean authorities as part of a probe into price-cartel activity regarding air cargo transport services, and NYK Group consolidated subsidiary Nippon Cargo Airlines Co. Ltd. (NCA), is cooperating with these investigations.

NCA had been served with a written notification from the Korea Fair Trade Commission (KFTC) that a fine was to be imposed for violations of Korea's Monopoly Regulation and Fair Trade Act. After carefully reviewing the contents and considering its response to the KFTC's notification, NCA determined that it could not accept the finding of the KFTC, and in December 2010 filed a lawsuit against the KFTC with the Seoul High Court in Korea seeking to have the KFTC's decision reversed.

In the United States, NCA is a defendant in a class action lawsuit demanding an unspecified payment to compensate for damages caused by an alleged price-fixing cartel. As it is difficult to reasonably estimate the outcome of this lawsuit, no provision has been set aside.

2. Yusen Logistics Co. Ltd. (former name: Yusen Air & Sea Service Co. Ltd.)

In April 2008, the Japan Fair Trade Commission began investigating consolidated subsidiary Yusen Logistics Co. Ltd. (YLK) and other major users in Japan of international air cargo services for alleged violations of the Anti-Monopoly Act involving freight rates and fuel surcharges. In March 2009, the commission issued a cease-and-desist order and surcharge payment order. Following an examination and confirmation of these orders and the careful consideration of a response, YLK concluded that these orders cannot be accepted. Consequently, the board of directors of YLK approved a resolution at an extraordinary meeting held in April 2009 to file an application with the Fair Trade Commission to initiate a hearing regarding this matter. In July 2009, the company received notice concerning the initiation of hearing procedures. The hearing procedures concluded on the date of the sixth hearing (July 2, 2010), but as of March 31, 2011, a decision had yet to be rendered.

Despite taking this action, as of March 31, 2011, YLK had established an anti-monopoly law allowance equal to the surcharge that the Japan Fair Trade Commission has ordered this company to pay.

The specific items described above are some of the ongoing risks that the NYK Group faces in its everyday operations, and are not intended to encompass all potential risks.

Consolidated Balance Sheets

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2011 and 2010)

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2011	2010	2011
CURRENT ASSETS:			
Cash and cash equivalents (Notes 4 and 12)	¥ 189,685	¥ 281,660	$ 2,281,242
Short-term investment securities (Notes 4, 5 and 12)	619	983	7,451
Notes and operating accounts receivable–trade (Note 4)	182,276	188,292	2,192,145
Inventories (Note 7)	53,734	44,344	646,235
Deferred tax assets (Note 13)	15,061	14,755	181,132
Other (Notes 4 and 12)	123,752	126,778	1,488,301
Allowance for doubtful accounts (Note 4)	(2,672)	(3,226)	(32,135)
Total current assets	562,457	653,590	6,764,373
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 8, 9,10 and 12):			
Vessels	707,819	651,501	8,512,562
Buildings and structures	75,561	81,075	908,732
Aircraft	4,271	4,764	51,374
Machinery, equipment and vehicles	29,361	28,816	353,109
Equipment	5,647	6,226	67,918
Land	61,768	62,578	742,851
Construction in progress	262,227	271,659	3,153,666
Other	4,244	4,499	51,050
Net vessels, property, plant and equipment	1,150,901	1,111,122	13,841,265
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 5 and 12)	161,713	188,918	1,944,837
Investments in unconsolidated subsidiaries and affiliates	117,744	103,003	1,416,053
Long-term loans receivable (Note 4)	18,575	18,594	223,395
Deferred tax assets (Note 13)	10,029	16,639	120,615
Intangible assets (Note 12)	13,160	14,811	158,272
Goodwill	19,064	21,014	229,284
Other (Notes 4, 5 and 12)	76,852	83,041	924,267
Allowance for doubtful accounts (Note 4)	(3,686)	(3,570)	(44,338)
Total investments and other assets	413,454	442,451	4,972,388
TOTAL ASSETS	¥2,126,812	¥2,207,163	$25,578,026

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
LIABILITIES AND EQUITY	2011	2010	2011
CURRENT LIABILITIES:			
Short-term loans payable (Notes 4, 11 and 12)	¥ 15,780	¥ 66,458	$ 189,786
Current portion of long-term debt (Notes 4, 11 and 12)	82,587	70,138	993,240
Notes and operating accounts payable-trade (Notes 4 and 12)	157,835	164,875	1,898,198
Income taxes payable	10,680	8,037	128,446
Provision for bonuses	8,210	7,004	98,744
Provision for losses related to antitrust law	—	4,579	—
Deferred tax liabilities (Note 13)	873	655	10,503
Other (Notes 4 and 12)	125,760	128,787	1,512,455
Total current liabilities	401,728	450,537	4,831,374
NONCURRENT LIABILITIES:			
Long-term debt (Notes 4, 11 and 12)	883,603	945,273	10,626,620
Provision for retirement benefits (Note 17)	15,294	16,348	183,939
Provision for directors' retirement benefits	2,077	2,462	24,979
Provision for periodic dry docking of vessels	18,473	19,434	222,169
Provision for losses related to antitrust law	1,728	1,728	20,785
Deferred tax liabilities (Note 13)	10,070	7,955	121,114
Other (Notes 4 and 12)	65,741	60,030	790,643
Total noncurrent liabilities	996,989	1,053,232	11,990,251
Total liabilities	1,398,718	1,503,769	16,821,626
COMMITMENTS AND CONTINGENT LIABILITIES (Note 15)			
EQUITY (Notes 11, 14 and 22)			
Common stock			
Authorized: 2,983,550,000 shares; issued,			
1,700,550,988 shares in 2011	144,319	—	1,735,656
1,700,550,988 shares in 2010	—	144,319	—
Capital surplus	155,658	155,663	1,872,014
Retained earnings	472,277	408,017	5,679,822
Unrealized gain on available-for-sale securities	24,846	30,007	298,810
Deferred loss on hedges	(43,182)	(30,155)	(519,330)
Foreign currency translation adjustments	(67,385)	(45,044)	(810,404)
Treasury stock			
3,660,980 shares in 2011	(1,905)	—	(22,920)
2,726,440 shares in 2010	—	(1,576)	—
Total	684,627	661,232	8,233,648
Minority interests	43,466	42,162	522,751
Total equity	728,094	703,394	8,756,400
TOTAL LIABILITIES AND EQUITY	¥2,126,812	¥2,207,163	$25,578,026

	Yen		U.S. dollars (Note 2)
Equity per share	¥ 403.46	¥ 389.46	$ 4.85

See notes to consolidated financial statements.

Consolidated Statements of Operations and Consolidated Statement of Comprehensive Income

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2011 and 2010)

(Consolidated Statements of Operations)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
REVENUES	¥1,929,169	¥1,697,342	$23,201,079
COSTS AND EXPENSES	1,622,045	1,520,932	19,507,462
Gross profit	307,124	176,410	3,693,617
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	184,777	194,504	2,222,219
Operating income (loss)	122,346	(18,094)	1,471,397
OTHER INCOME (EXPENSES):			
Interest and dividend income	6,079	6,521	73,109
Equity in earnings of unconsolidated subsidiaries and affiliates	6,387	2,417	76,823
Interest expenses	(16,826)	(19,467)	(202,359)
Foreign exchange losses	(4,865)	(3,466)	(58,517)
Gain on sale and retirement of vessels, property, plant, equipment and intangible fixed assets, net	8,227	8,248	98,949
Gain on sale of short-term and long-term investment securities, net (Note 5)	5,155	14,589	61,998
Loss on impairment of vessels, property, plant and equipment	—	(4,098)	—
Reversal of provision for periodic dry docking of vessels	—	3,690	—
Loss on valuation of investment securities	(9,470)	—	(113,897)
Reversal of provision for losses related to antitrust law	3,883	—	46,709
Loss on cancellation of chartered vessels	(8,019)	—	(96,441)
Provision of allowance for doubtful accounts	—	(1,852)	—
Others, net	288	1,537	3,472
Other income (expenses), net	(9,159)	8,120	(110,153)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	113,187	(9,974)	1,361,243
INCOME TAXES (Note 13):			
Current	15,861	12,818	190,760
Deferred	15,286	(8,041)	183,847
Total income taxes	31,148	4,776	374,608
NET INCOME BEFORE MINORITY INTERESTS	82,038	—	986,635
MINORITY INTERESTS IN NET INCOME	3,503	2,696	42,131
NET INCOME (LOSS)	¥ 78,535	¥ (17,447)	$ 944,504

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Net income before minority interests	¥ 82,038	¥ —	$ 986,635
Other comprehensive income (loss)(Notes 3.O and P)			
Unrealized gain on available-for-sale securities	(5,019)	—	(60,366)
Deferred losses on hedges	(12,765)	—	(153,528)
Foreign currency translation adjustments	(19,980)	—	(240,298)
Share of other comprehensive income of associates accounted for using equity method	(2,277)	—	(27,390)
Total other comprehensive income (loss)	(40,043)	—	(481,583)
Comprehensive income	¥ 41,995	¥ —	$ 505,051
Comprehensive income			
Comprehensive income attributable to owners of the parent	¥ 39,827	¥ —	$ 478,980
Comprehensive income attributable to minority interests	2,167	—	26,070

	Yen		U.S. dollars (Note 2)
Per share of common stock (Note 3.L):			
Basic net income (loss)	¥ 46.27	¥ (12.71)	$ 0.56
Cash dividends applicable to the year	11.00	4.00	0.13

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2011 and 2010)

	Outstanding Number of Shares of Common Stock (Thousands)	Millions of Yen									
		Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2009	1,230,188	¥ 88,531	¥ 97,189	¥426,217	¥10,935	¥(37,889)	¥(39,369)	¥(1,493)	¥544,121	¥37,116	¥581,237
Net loss		—	—	(17,447)	—	—	—	—	(17,447)	—	(17,447)
Issuance of new shares	460,000	55,788	55,788	—	—	—	—	—	111,577	—	111,577
Divdends from surplus, ¥4 per share		—	—	(4,911)	—	—	—	—	(4,911)	—	(4,911)
Increase through share exchange	10,362	—	2,704	—	—	—	—	—	2,704	—	2,704
Purchase of treasury stock		—	—	—	—	—	—	(129)	(129)	—	(129)
Disposal of treasury stock		—	(19)	—	—	—	—	46	26	—	26
Change of scope of consolidation		—	—	3,488	—	—	—	—	3,488	—	3,488
Adjustments due to change in the fiscal period of consolidated subsidiaries		—	—	(91)	—	—	—	—	(91)	—	(91)
Change of scope of equity method		—	—	933	—	—	—	—	933	—	933
Other		—	—	(171)	—	—	—	—	(171)	—	(171)
Net change of items other than shareholders' capital		—	—	—	19,071	7,734	(5,675)	—	21,130	5,046	26,177
Total changes of items during the period	470,362	55,788	58,474	(18,199)	19,071	7,734	(5,675)	(83)	117,110	5,046	122,157
Balance, March 31, 2010	1,700,550	144,319	155,663	408,017	30,007	(30,155)	(45,044)	(1,576)	661,232	42,162	703,394
Net income		—	—	78,535	—	—	—	—	78,535	—	78,535
Divdends from surplus, ¥11 per share		—	—	(13,577)	—	—	—	—	(13,577)	—	(13,577)
Purchase of treasury stock		—	—	—	—	—	—	(347)	(347)	—	(347)
Disposal of treasury stock		—	(5)	—	—	—	—	16	10	—	10
Change of scope of consolidation		—	—	(76)	—	—	—	—	(76)	—	(76)
Adjustments due to change in the fiscal period of consolidated subsidiaries		—	—	404	—	—	—	—	404	—	404
Change of scope of equity method		—	—	(480)	—	—	—	—	(480)	—	(480)
Merger in affiliates accounted for by equity method		—	—	(832)	—	—	—	—	(832)	—	(832)
Other		—	—	286	—	—	—	1	287	—	287
Net change of items other than shareholders' capital		—	—	—	(5,161)	(13,027)	(22,340)	—	(40,529)	1,304	(39,224)
Total changes of items during the period		—	(5)	64,260	(5,161)	(13,027)	(22,340)	(329)	23,395	1,304	24,700
Balance, March 31, 2011	1,700,550	¥144,319	¥155,658	¥472,277	¥24,846	¥(43,182)	¥(67,385)	¥(1,905)	¥684,627	¥43,466	¥728,094

	Outstanding Number of Shares of Common Stock (Thousands)	Thousands of U.S. dollars (Note 2)									
		Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2010	1,700,550	$1,735,656	$1,872,082	$4,907,001	$360,888	$(362,659)	$(541,731)	$(18,959)	$7,952,278	$507,061	$8,459,339
Net income		—	—	944,504	—	—	—	—	944,504	—	944,504
Dividends from surplus, $0.13 per share		—	—	(163,293)	—	—	—	—	(163,293)	—	(163,293)
Purchase of treasury stock		—	—	—	—	—	—	(4,174)	(4,174)	—	(4,174)
Disposal of treasury stock		—	(67)	—	—	—	—	196	129	—	129
Change of scope of consolidation		—	—	(914)	—	—	—	—	(914)	—	(914)
Adjustments due to change in the fiscal period of consolidated subsidiaries		—	—	4,864	—	—	—	—	4,864	—	4,864
Change of scope of equity method		—	—	(5,775)	—	—	—	—	(5,775)	—	(5,775)
Merger in affiliates accounted for by equity method		—	—	(10,009)	—	—	—	—	(10,009)	—	(10,009)
Other		—	—	3,444	—	—	—	16	3,461	—	3,461
Net change of items other than shareholders' capital		—	—	—	(62,078)	(156,671)	(268,672)	—	(487,422)	15,689	(471,733)
Total changes of items during the period		—	(67)	772,821	(62,078)	(156,671)	(268,672)	(3,961)	281,369	15,689	297,058
Balance, March 31, 2011	1,700,550	$1,735,656	$1,872,014	$5,679,822	$298,810	$(519,330)	$(810,404)	$(22,920)	$8,233,648	$522,751	$8,756,400

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2011 and 2010)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
OPERATING ACTIVITIES			
Income (loss) before income taxes and minority interests	¥ 113,187	¥ (9,974)	$ 1,361,243
Adjustments for:			
Depreciation and amortization	100,198	98,019	1,205,031
Impairment loss	2,443	4,098	29,381
Gain on sales and retirement of vessels, property, plant and equipment and intangible assets	(8,227)	(8,248)	(98,949)
Gain on sales of short-term and long-term investment securities	(5,155)	(14,589)	(61,998)
Loss on valuation of short-term and long-term investment securities	10,045	737	120,816
Equity in earnings of unconsolidated subsidiaries and affiliates	(6,387)	(2,417)	(76,823)
Interest and dividends income	(6,079)	(6,521)	(73,109)
Interest expenses	16,826	19,467	202,359
Foreign exchange losses	505	50	6,074
Decrease (increase) in notes and accounts receivable-trade	2,890	(11,039)	34,768
Increase in inventories	(9,875)	(11,544)	(118,764)
Increase (decrease) in notes and accounts payable-trade	(4,596)	15,295	(55,277)
Other, net	(10,790)	(5,612)	(129,769)
Subtotal	194,985	67,721	2,344,981
Interest and dividends income received	10,013	10,338	120,422
Interest expenses paid	(17,221)	(21,095)	(207,108)
Income taxes (paid) refunded	(13,192)	5,142	(158,656)
Net cash provided by operating activities	174,585	62,105	2,099,639
INVESTING ACTIVITIES			
Purchase of short-term investment securities	(323)	(2,146)	(3,889)
Proceeds from sales of short-term investment securities	1,013	2,492	12,187
Purchase of vessels, property, plant and equipment and intangible assets	(278,570)	(237,969)	(3,350,214)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	121,920	183,732	1,466,275
Purchase of investment securities	(23,742)	(14,249)	(285,543)
Proceeds from sales of investment securities	15,842	28,184	190,525
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(3,358)	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(147)	(2,930)	(1,778)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	106	213	1,276
Payments of loans receivable	(6,304)	(8,667)	(75,822)
Collections of loans receivable	3,851	5,069	46,317
Other, net	3,573	5,923	42,979
Net cash used in investing activities	(162,781)	(43,706)	(1,957,687)
FINANCING ACTIVITIES			
Net decrease in short-term loans payable	(47,383)	(85,903)	(569,859)
Net decrease in commercial papers	—	(4,000)	—
Proceeds from long-term loans payable	102,683	169,632	1,234,919
Repayments of long-term loans payable	(139,789)	(84,570)	(1,681,176)
Proceeds from issuance of bonds	—	59,787	—
Redemption of bonds	—	(20,000)	—
Proceeds from issuance of common stock	—	110,776	—
Proceeds from stock issuance to minority shareholders	53	—	644
Purchase of treasury stock	(347)	(129)	(4,174)
Proceeds from sales of treasury stock	10	26	129
Cash dividends paid to shareholders	(13,577)	(4,911)	(163,293)
Cash dividends paid to minority shareholders	(861)	(719)	(10,355)
Other, net	(949)	(2,592)	(11,420)
Net cash provided by (used in) financing activities	(100,161)	137,396	(1,204,586)
Effect of exchange rate change on cash and cash equivalents	(6,041)	(5,520)	(72,663)
Net increase (decrease) in cash and cash equivalents	(94,400)	150,275	(1,135,298)
Cash and cash equivalents at beginning of period	281,660	126,768	3,387,376
Increase in cash and cash equivalents resulting from change of scope of consolidation	460	4,665	5,538
Increase in cash and cash equivalents resulting from merger of subsidiaries	226	14	2,724
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	1,737	(63)	20,900
Cash and cash equivalents at end of period	¥ 189,685	¥281,660	$ 2,281,242

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2011 and 2010)

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain account reclassifications are made and additional information is provided in order to present the consolidated financial statements in a format familiar to international readers. The results of these reclassifications do not affect the financial position or results of operations and cash flows of the consolidated companies as reported in the original consolidated financial statements.

In addition, certain reclassifications have been made in the 2010 consolidated financial statements to conform to the classifications used in 2011.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. U.S. dollar figures less than a thousand yen are rounded down to the nearest thousand dollars, except for per share data.

2. United States Dollar Amounts

The accompanying consolidated financial statements are stated in Japanese yen, and the dollar amounts represent the arithmetical results of translating yen to United States dollars using the exchange rate prevailing at March 31, 2011, which was ¥83.15 to US$1.00. The statements in such dollar amounts are solely for the convenience of readers outside Japan, and are not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at that rate, or any other rates, of exchange.

3. Summary of Significant Accounting Policies

A. Consolidation Policies

(1) The consolidated financial statements include the accounts of Nippon Yusen Kabushiki Kaisha (the "Company") and its 687 and 711 consolidated subsidiaries, at March 31, 2011 and 2010, respectively.

During the consolidated fiscal year ended March 31, 2011, the Company newly established 11 companies and judged 16 companies to have a material impact on the consolidated financial statements. Consequently, the Company brought these companies under the scope of consolidation in the consolidated fiscal year ended March 31, 2011.

The Company judged 2 companies to have a material impact on the consolidated financial statements. Consequently, the Company excluded these companies from the scope of companies accounted for by the equity method and brought them under the scope of consolidation.

41 companies were excluded from consolidation, due to liquidation.

3 companies were excluded from consolidation, due to merger.

9 companies were excluded from consolidation, due to the sale of the shares.

The Company holds the majority of voting rights in NYK Armateur S.A.S.. However, the Company does not maintain substantive control over the decision-making structure, largely due to the existence of an agreement for significant financial and operating policies, and NYK Armateur S.A.S. is therefore not regarded as a subsidiary but rather an affiliate accounted for by the equity method.

(2) Investments in unconsolidated subsidiaries and affiliates are accounted for either by the cost method or the equity method, depending on the extent of influence or fiscal significance each carries. The Company accounted for 11 unconsolidated subsidiaries and 101 affiliates by the equity method at March 31, 2011, and 13 unconsolidated subsidiaries and 61 affiliates at March 31, 2010.

In the consolidated fiscal year ended March 31, 2011, the Company newly established one company and judged 6 companies to have a material impact on the consolidated financial statements. Consequently, these companies are newly included in the scope of companies accounted for by the equity method.

33 companies are newly included in the scope of companies accounted for by the equity method as a result of the acquisition of the shares.

The Company judged 2 companies to have a material impact on the consolidated financial statements. Consequently, the Company excluded these companies from the scope of companies accounted for by the equity method and brought them under the scope of consolidation.

(3) Any material difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary upon inclusion in the consolidation, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as goodwill and negative goodwill, as the case may be, and amortized over a period of 5 to 20 years on a straight-line basis.
(4) All significant intercompany balances, transactions and all material unrealized profit within the consolidated group have been eliminated in consolidation.

B. Accounting Period

The Company's accounting period begins each year on April 1 and ends the following year on March 31.

During the fiscal year ended March 31, 2011, December 31 was used by 41 consolidated subsidiaries as the closing date for their financial statements and February 28 was used by one consolidated subsidiary. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company and March 31.

2 companies with a fiscal year–end of December 31 provide financial statements based on provisional settlement of accounts as of March 31 to facilitate preparation of the consolidated financial statements.

During the current fiscal year, 22 consolidated subsidiaries changed their year–end closing date from December 31 to March 31. The effect of this change on retained earnings is presented in the consolidated statements of changes in equity.

C. Foreign Currency Financial Statements

The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

D. Valuation of Assets

(1) Short-term and long-term investment securities are classified and accounted for, depending on management's intent, as follows:
   i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and
   ii) (a) available-for-sale securities with fair value, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity, and (b) available-for-sale securities whose fair value was not readily determinable are reported at cost using the moving average method.
(2) Derivatives are valued at market.
(3) Inventories are stated at the lower of cost, determined by the moving average cost method, or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

E. Depreciation and Amortization

(1) Vessels, property, plant and equipment except for lease assets are depreciated as follows: Vessels, property, plant and equipment are depreciated generally by the straight–line method based on useful lives stipulated in the Japanese Corporation Tax Law. Assets for which the purchase price is more than ¥100,000 but less than ¥200,000 are depreciated generally in equal allotments over 3 years based on the Japanese Corporation Tax Law.
(2) Intangible assets except for lease assets are amortized as follows:
   Computer software is amortized by the straight–line method based principally on the length of period it can be used internally (5 years). Other intangible assets are amortized by the straight-line method based on the Japanese Corporation Tax Law.
(3) Leased assets are depreciated as follows:
   Leased assets related to financial leases that transfer ownership rights are depreciated by the same depreciation method that is applied to fixed assets owned by the Company. Leased assets related to financial leases that do not transfer ownership rights are depreciated under the straight-line method based on the lease term as the useful life and assuming no residual value.

F. Capitalization of Interest Expenses

Interest expense is generally charged to income as incurred. However, interest expense incurred in the construction of certain assets, particularly projects for vessels, is capitalized and included in the costs of assets when a construction period is substantially long and the amount of interest incurred in such a period is significantly material.

G. Provisions

(1) Allowance for doubtful accounts:
   The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.

(2) Provision for bonuses:
Bonuses to employees are accrued at the year end to which such bonuses are attributable.

(3) Provision for directors' bonuses:
Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(4) Provision for retirement benefits:
To provide for employees' retirement benefits, this provision is recorded based on the estimated actuarial present value of the Company's and its consolidated subsidiaries' retirement benefit obligations and the estimated fair value of pension assets at the end of the fiscal year. The Company amortizes prior service cost using the straight–line method over the term that does not exceed the average remaining service period (eight years) of employees who are eligible for postretirement benefits.

Unrecognized net actuarial differences are mainly amortized beginning immediately the following year on a straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (eight years).

(5) Provision for directors' retirement benefits:
To provide for the payment of retirement benefits to directors and corporate auditors, in accordance with internal policies, consolidated subsidiaries record such provisions calculated as the estimated amount which would be payable if all directors and corporate auditors were to retire at the balance sheet date.

(6) Provision for periodic dry docking of vessels:
Provision for periodic dry docking of vessels is provided based on the estimated amount of expenditures for periodic dry docking in the future.

(7) Provision for losses related to antitrust law:
The Company's consolidated subsidiary, YUSEN LOGISTICS CO. LTD., has recorded a provision in preparation for the order to pay an administrative surcharge for alleged violations of Article 3 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, in the amount of the administrative surcharge based on this order.

H. Income Taxes

The Company and its domestic subsidiaries recognize future tax consequences of temporary differences between assets and liabilities in accounting and tax treatments. Deferred taxes are computed based on the pretax income or loss included in the consolidated statements of operations and measured by applying currently enacted laws to the temporary differences. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

I. Freight Revenue and Expense Recognition

Freight revenues and expenses are recognized by two different methods depending on types of cargo transportation.

(1) Transportation by container ships:
Revenues and expenses arising from ocean transportation of containers are principally recognized proportionately as shipments move.

(2) Transportation by vessels other than container ships:
Revenues and expenses from transportation by vessels other than container ships are principally recognized upon the voyage completion method.

J. Accounting for Leases

Finance leases which existed at March 31, 2008 and do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions.

K. Method of Accounting for Material Hedge Transactions

For derivative transactions used to offset the risks of assets and liabilities due to fluctuations in interest rates, foreign currency exchange rates and cash flow, the Company and its consolidated subsidiaries apply hedge accounting. In addition, hedge accounting is also applied to derivative transactions used to mitigate the risks of price fluctuations in fuel procurement and others. For hedge accounting, the Company and its consolidated subsidiaries adopt a deferred hedge method that requires the Company to mark the derivative transactions, effective as hedges, to market, and to defer the valuation loss/gain. For currency swap contracts and forward foreign exchange contracts that meet the required conditions under the accounting standard, the Company and its consolidated subsidiaries translate hedged foreign currency assets and liabilities at the rates of these contracts. In addition, for interest rate swap contracts and interest rate cap contracts that meet specified conditions under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities. In addition, the following hedging methods for various risks are utilized: interest rate swaps to hedge the risk of interest rate fluctuations related to borrowings, bonds and others; currency swap contracts, forward foreign exchange contracts, debts and credits in foreign currency to hedge the foreign exchange risk associated with monetary assets and liabilities, expected transactions and others; and fuel swap contracts to hedge the risk of price fluctuations in fuel oil and others. Semi-annually, the Company and its consolidated subsidiaries evaluate the effectiveness of hedging methods, except interest rate swaps and interest rate caps that meet specified conditions under the accounting standard, by analyzing the ratios of the cumulative amount of market fluctuation or cash flow among the hedging financial instruments and the hedged items.

Foreign Currency Transactions—Both short–term and long–term receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date.

However, short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

L. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because of the Company's net loss position for the fiscal year ended March 31, 2010.

Cash dividends per share consist of interim dividends paid during the year and dividends to be paid after the end of the year.

M. Cash and Cash Equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short–term investments with original maturities of three months or less that are exposed to minor value fluctuation risk.

N. Change in Accounting Policies

(1) Application of "Accounting Standard for Asset Retirement Obligations", etc.

Effective from this fiscal year, the Company has adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008). The impact of the application of this standard and guidance on profit and loss, and the changes in the amount of asset retirement obligations due to the commencement of the application of this standard and guidance are negligible.

(2) Application of "Accounting Standard for Business Combinations", etc.

Effective from this fiscal year, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendment to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, announced as revised on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on December 26, 2008).

O. Additional Information

Effective from this fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

P. Explanatory Notes to Consolidated Financial Statements

Fiscal Year Ended March 31, 2011

(1) Comprehensive income of previous fiscal year

Comprehensive income attributable to owners of the parent	¥4,518 million
Comprehensive income attributable to minority interests	¥3,465 million
Total	¥7,984 million

(2) Other comprehensive income of previous fiscal year

Unrealized gain on available-for-sale securities	¥18,978 million
Deferred gain on hedges	¥5,289 million
Foreign currency translation adjustments	¥(3,499) million
Share of other comprehensive income of associates accounted for using equity method	¥1,966 million
Total	¥22,735 million

4. Financial Instruments

(1) Disclosure on Financial Instruments

a. Policy on financial instruments

Internal funding provides the Company and its consolidated subsidiaries with some of the funds they require for capital expenditures for vessels, aircraft and transport equipment, as well as working capital. Other funds are procured from outside sources. Methods of raising funds include loans from banks and other financial institutions, as well as issuing corporate bonds. Funds are invested mainly in short-term deposits. The Company and its consolidated subsidiaries utilize derivatives to hedge risks mentioned below and do not engage in speculative financial transactions.

b. Contents and risks of financial instruments

Notes and operating accounts receivable-trade are subject to client credit risk. In addition, foreign currency denominated transactions are subject to foreign exchange rate risk.

Investment securities include held-to-maturity debt securities and corporate shares. The Company and its consolidated subsidiaries used the current value method to evaluate investment securities that have explicit market values, taking as the market value the average market price during the one-month period preceding the end of the fiscal year. Consequently, shifts in stock market conditions could affect the operating performance and financial condition of the Company and its consolidated subsidiaries.

Notes and operating accounts payable-trade are settled in the short term. Of these, transactions denominated in foreign currencies are subject to foreign exchange rate risk.

Loans payable are subject to interest rate risk, and the Company and its consolidated subsidiaries utilize derivative financial instruments to hedge against these risks.

As for derivative financial instruments, to avert interest rate risks associated with loans payable, the Company and its consolidated subsidiaries utilize interest rate swap contracts. To avert foreign exchange risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries utilize forward foreign exchange contracts and currency swap contracts. Similarly, to deal with the risk of price fluctuations in fuel and chartered freight, the Company and its consolidated subsidiaries utilize fuel swap contracts, freight (chartered-freight) forward transactions and other methods.

The details of hedge accounting for derivative financial instruments are described below. Methods for evaluating effectiveness of hedging are described above in “3. Summary of Significant Accounting Policies,” “K. Method of Accounting for Material Hedge Transactions.”

① Hedge accounting method

The Company and its consolidated subsidiaries primarily adopt deferral hedge accounting that requires them to mark the derivative financial instruments effective as hedges to market, and to defer the valuation loss/gain. For forward foreign exchange contracts and currency swap contracts that meet the required conditions as designation accounting under the accounting standard, the Company and its consolidated subsidiaries translate hedged foreign currency assets and liabilities at the rates of these contracts. In addition, for interest rate swap contracts that meet specified conditions as exceptional accounting under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities.

② Principal hedging methods and items hedged

Principal hedging methods	Principal items hedged
Currency swap contacts	Charterage paid
Interest rate swap contracts	Loans payable and receivable
Fuel swap contracts	Purchase price of fuel
Forward foreign exchange contracts	Forecasted foreign currency transactions

③ Risks inherent in derivative transactions

Derivative transactions are subject to inherent market risk, which is derived from future changes in market prices (currency rates, interest rates and share prices), and credit risk, which arises from the counterparty becoming unable to perform their contractual obligations. The derivative financial instruments utilized by the Company and its consolidated subsidiaries are only those that offset the fluctuation in fair value of the underlying financial assets and liabilities, thereby the Company and its consolidated subsidiaries are not exposed to material market risk. The counterparties in the derivative transactions are financial institutions with high credit ratings, implying that credit risk is immaterial.

c. Risk management for financial instruments

① Credit risk management

The Company utilizes credit management regulations to minimize its risk on notes and operating accounts receivable-trade and long-term loans receivable. In terms of held-to-maturity debt securities, in line with its asset management regulations, the Company and its consolidated subsidiaries hold only highly rated debt securities, so credit risk is negligible.

②Market risk management

To hedge exchange rate fluctuation risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries make use of forward foreign exchange contracts, currency swap contracts and other methods.

The Company and its consolidated subsidiaries utilize interest rate swaps and other methods to avert the fluctuation risks of interest paid on loans payable.

The Company and its consolidated subsidiaries periodically ascertain the price of short-term and long-term investment securities and the financial conditions of their issuers (corporate business partners). The Company and its consolidated subsidiaries review the status of their holdings in instruments other than held-to-maturity debt securities on an ongoing basis, taking into consideration their relationships with their corporate business partners.

The derivative transactions of the Company and its consolidated subsidiaries follow the internal approval process specified in the Company's Rules for Risk Management Employing Financial Instruments and other rules as well as regulations, and are subject to internal control operated principally by the divisions in charge of accounting. In addition, to prevent improper transactions, the back-office function for these transactions is performed by personnel of the Company and its consolidated subsidiaries who are not directly involved in the transactions. The contract amounts and other information related to derivative financial instruments are reported to a director in charge periodically, and, as necessary, to the Board of Directors.

③Management of liquidity risk associated with capital raising activities

Cash planning is made and updated by the financial division of the Company on a timely basis based on reports from business divisions of the Company and the Company also enters into commitment- line contracts with a number of financial institutions in order to meet unexpected cash demand.

d. Supplementary explanation of fair value of financial instruments and others

The fair value of financial instruments includes, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market price is available. However, as certain variables are used for these calculations, the result of such calculations may vary if different assumptions are used.

The contract amounts of interest rate swap transactions and currency swap transactions do not represent the amounts exchanged by the parties and do not measure the Company and its consolidated subsidiaries' exposure to credit or market risk.

(2) Disclosure of the Fair Value of Financial Instruments and Others

The table below shows the book value of financial instruments as indicated in the consolidated balance sheets as of March 31, 2011 and 2010, as well as their fair values and unrealized gains or losses. Note that financial instruments for which determination of fair value is extremely difficult are not included in this table. (Refer to (Note b))

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2011			2010			2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① Cash and cash equivalents	¥ 189,685	¥ 189,685	¥ —	¥ 281,660	¥ 281,660	¥ —	$ 2,281,242	$ 2,281,242	$ —
② Time deposits with a maturity of more than three months	7,883	7,883	—	5,585	5,585	—	94,808	94,808	—
③ Notes and operating accounts receivable-trade	182,276			188,292			2,192,145		
Allowance for doubtful accounts*1	(1,323)			(816)			(15,916)		
Balance	180,953	180,953	—	187,476	187,476	—	2,176,229	2,176,229	—
④ Short-term and long-term investment securities (Note5)									
Held-to-maturity debt securities	1,512	1,512	(0)	1,238	1,262	23	18,187	18,184	(3)
Available-for-sale securities	136,950	136,950	—	162,525	162,525	—	1,647,032	1,647,032	—
Investments in unconsolidated subsidiaries and affiliates	14,505	9,979	(4,525)	14,517	14,843	325	174,444	120,022	(54,421)
⑤ Long-term loans receivable	18,575			18,594			223,395		
Allowance for doubtful accounts*1	(958)			(760)			(11,532)		
Balance	17,616	18,413	797	17,833	18,692	858	211,863	221,452	9,589
Subtotal	549,106	545,378	(3,728)	670,837	672,046	1,208	6,603,807	6,558,972	(44,835)
① Notes and operating accounts payable-trade	157,835	157,835	—	164,875	164,875	—	1,898,198	1,898,198	—
② Short-term loans payable	97,641	97,641	—	135,771	135,771	—	1,174,287	1,174,287	—
③ Bonds payable	251,059	258,637	7,577	251,128	256,710	5,582	3,019,361	3,110,487	91,126
④ Long-term loans payable	627,054	643,513	16,458	687,718	701,971	14,252	7,541,245	7,739,184	197,938
Subtotal	1,133,591	1,157,627	24,035	1,239,494	1,259,329	19,834	13,633,092	13,922,157	289,064
Derivative financial instruments*2	¥ (50,228)	¥ (50,228)	¥ —	¥ (38,327)	¥ (38,327)	¥ —	$ (604,075)	$ (604,075)	$ —

* 1. An individual listing of allowance for doubtful accounts on notes and operating accounts receivable-trade and long-term loans receivable has been omitted.
2. Amount of derivative financial instruments are net of related assets and liabilities

a. Calculation method for the market value of financial instruments and matters concerning marketable securities and derivative transactions

Assets

① Cash and cash equivalents and ② Time deposits with a maturity of more than three months

These assets are stated at book value, as they are settled in the short term and their market values approximate book values.

③ Notes and operating accounts receivable-trade

These assets are stated at book value, as they are settled in the short term and their market values approximate book values.

Claims with default possibility are stated at adjusted book value. The expected amount of doubtful accounts on these assets are calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral or guarantees; hence their market values approximate their book values at the closing date less the current expected amount of doubtful accounts.

④ Short-term and long-term investment securities

Shares are stated at the stock exchange quoted price and bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions.

⑤ Long-term loans receivable

Long-term loans receivable with variable interest rates are stated at book value. The interest rate on these assets reflects the market rate in the short term, therefore their market values approximate book values. Those with fixed-interest rates are stated at market value, which is calculated by discounting the principal and interest using the assumed rate applied to a similar type of new loan. Meanwhile, loans with default possibility are stated at adjusted book value. The expected amount of doubtful accounts on these assets are calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral or guarantees; hence their market values approximate their balance sheet values at the closing date less the current expected amount of doubtful accounts.

Liabilities

① Notes and operating accounts payable-trade and ② Short-term loans payable

These assets are stated at book value, as they are settled in the short term and their market values approximate book values.

③ Bonds payable

The market value of the corporate bonds issued by the Company is calculated based on the market price.

④ Long-term loans payable

Long-term loans payable with variable interest rates are stated at book value, as the interest rate on these loans reflects the market rate in the short term and their market values approximate book values. Long-term loans payable with fixed-interest rates are stated at present value. The present value is calculated by discounting a periodically divided portion of the principal and interest of these loans*, using the assumed rate applied to a similar loan.

* As to the long-term loans payable involved in the interest rate swap agreement that meet the requirements for exceptional accounting (Refer to "6. Derivatives"), the total amount of its principal and interest income at the post-swap rate is applied.

Derivative financial instruments

Refer to "6. Derivatives"

b. Financial instruments for which fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Segment	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	¥ 94,082	¥ 79,023	$1,131,484
Shares in unlisted companies	23,565	24,809	283,410
Others	304	1,328	3,658
Total	¥117,952	¥105,161	$1,418,553

As these instruments do not have readily available market values, and their fair values are extremely difficult to determine, they are not included in "④ Short-term and long-term investment securities."

c. Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen							
	2011				2010			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and cash equivalents	¥189,685	¥ —	¥ —	¥ —	¥281,660	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months	7,883	—	—	—	5,585	—	—	—
Notes and operating accounts receivable-trade	180,114	2,162	—	—	187,110	1,182	—	—
Short-term and long-term investment securities								
Held-to-maturity debt securities (government bonds)	130	150	100	—	—	280	—	200
Held-to-maturity debt securities (corporate bonds)	220	200	425	—	—	320	—	425
Held-to-maturity debt securities (others)	250	25	10	—	—	—	—	10
Available-for-sale securities with maturity dates (government bonds)	—	42	—	—	20	42	—	—
Available-for-sale securities with maturity dates (others)	39	—	—	—	30	—	—	—
Long-term loans receivable	—	8,405	5,778	4,392	—	7,656	6,081	4,856
Total	¥378,322	¥10,984	¥6,313	¥4,392	¥474,407	¥9,480	¥6,081	¥5,491

	Thousands of U.S. dollars (Note 2)			
	2011			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and cash equivalents	$2,281,242	$ —	$ —	$ —
Time deposits with a maturity of more than three months	94,808	—	—	—
Notes and operating accounts receivable-trade	2,166,136	26,008	—	—
Short-term and long-term investment securities				
Held-to-maturity debt securities (government bonds)	1,563	1,803	1,202	—
Held-to-maturity debt securities (corporate bonds)	2,645	2,405	5,111	—
Held-to-maturity debt securities (others)	3,006	300	120	—
Available-for-sale securities with maturity dates (government bonds)	—	505	—	—
Available-for-sale securities with maturity dates (others)	473	—	—	—
Long-term loans receivable	—	101,083	69,490	52,821
Total	$4,549,876	$132,107	$75,924	$52,821

d. Maturity analysis for corporate bonds and long-term loans after the balance sheet date

	Millions of yen						
	2011						
	Within one year	More than one year, Within two years	More than two years, Within three years	More than three years, Within four years	More than four years, Within five years	More than five years, Within ten years	More than ten years
Bonds payable	¥ —	¥ 45,000	¥ —	¥ 50,000	¥ —	¥ 80,000	¥ 76,059
Long-term loans payable	—	76,229	94,104	84,794	60,025	268,487	43,413
Total	¥ —	¥121,229	¥94,104	¥134,794	¥60,025	¥348,487	¥119,473

	Thousands of U.S. dollars (Note 2)						
	2011						
	Within one year	More than one year, Within two years	More than two years, Within three years	More than three years, Within four years	More than four years, Within five years	More than five years, Within ten years	More than ten years
Bonds payable	$ —	$ 541,190	$ —	$ 601,322	$ —	$ 962,116	$ 914,731
Long-term loans payable	—	916,765	1,131,746	1,019,780	721,888	3,228,949	522,115
Total	$ —	$1,457,956	$1,131,746	$1,621,103	$721,888	$4,191,065	$1,436,846

	Millions of yen						
	2010						
	Within one year	More than one year, Within two years	More than two years, Within three years	More than three years, Within four years	More than four years, Within five years	More than five years, Within ten years	More than ten years
Bonds payable	¥ —	¥ —	¥ 45,000	¥ —	¥ 50,000	¥ 80,000	¥ 76,128
Long-term loans payable	—	81,540	79,143	121,148	80,079	283,377	42,428
Total	¥ —	¥81,540	¥124,143	¥121,148	¥130,079	¥363,377	¥118,557

5. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2011			2010			2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities for which fair value exceeds book value:									
Government bonds and others	¥ 380	¥ 385	¥ 5	¥ 382	¥ 386	¥ 4	$ 4,580	$ 4,641	$ 60
Corporate bonds	445	453	8	846	867	21	5,356	5,456	100
Others	—	—	—	—	—	—	—	—	—
Subtotal	826	839	13	1,228	1,254	25	9,936	10,098	161
Securities for which fair value is equal to or less than book value:									
Government bonds and others	—	—	—	—	—	—	—	—	—
Corporate bonds	401	390	(10)	—	—	—	4,823	4,695	(128)
Others	285	281	(3)	10	8	(1)	3,427	3,390	(37)
Subtotal	686	672	(13)	10	8	(1)	8,250	8,085	(165)
Total	¥1,512	¥1,512	¥ (0)	¥1,238	¥1,262	¥ 23	$18,187	$18,184	$ (3)

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2011 and 2010 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2011			2010			2011		
	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference
Securities for which book value exceeds acquisition costs:									
Corporate shares	¥107,302	¥62,992	¥44,310	¥135,358	¥ 75,386	¥59,971	$1,290,473	$757,572	$532,901
Government bonds and others	41	41	0	59	58	1	502	494	8
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	67	54	13	67	61	6	812	655	157
Subtotal	107,412	63,087	44,324	135,485	75,506	59,979	1,291,789	758,722	533,066
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	29,478	33,599	(4,121)	26,995	39,464	(12,468)	354,519	404,086	(49,566)
Government bonds and others	—	—	—	2	2	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	60	69	(9)	42	53	(11)	724	838	(113)
Subtotal	29,538	33,669	(4,130)	27,040	39,520	(12,480)	355,243	404,924	(49,680)
Total	¥136,950	¥96,757	¥40,193	¥162,525	¥115,026	¥47,498	$1,647,032	$1,163,646	$483,386

"Acquisition costs" are the book value after the recording of impairment losses. Impairment losses were recognized in the fiscal year ended March 31, 2011, and were recorded as a loss on valuation of investment securities in the amount of ¥9,470 million ($113,897 thousands).

(3) Proceeds, gains and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Proceeds from sales	¥15,226	¥27,001	$183,117
Gross realized gains	7,221	14,893	86,848
Gross realized losses	2,164	97	26,035

6. Derivatives

Derivative financial instruments with fair value as of March 31, 2011 and 2010 are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2011			2010			2011		
	Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value
a. Currency—related									
Forward foreign currency exchange contracts:									
Buy U.S. dollar, sell Japanese yen	¥ 2,514	¥ 682	¥ (13)	¥11,174	¥ 8,224	¥ (760)	$ 30,246	$ 8,211	$ (168)
Sell U.S. dollar, buy Japanese yen	2,619	682	7	2,767	—	(88)	31,502	8,213	88
Buy Euro, sell Japanese yen	82	—	3	321	—	(6)	991	—	39
Sell Euro, buy Japanese yen	783	405	(33)	675	—	(2)	9,417	4,880	(407)
Buy U.S. dollar, sell Euro	3,424	119	(98)	187	—	0	41,186	1,438	(1,190)
Buy Singapore dollar, sell U.S. dollar	—	—	—	2,331	—	(4)	—	—	—
Others	1,817	—	4	2,029	—	(34)	21,863	—	56
	¥11,242	¥ 1,891	¥ (131)	¥19,488	¥8,224	¥ (896)	$135,208	$ 22,744	$ (1,581)
b. Interest rate-related									
Interest rate swaps:									
Receive fixed, pay floating	¥31,237	¥25,350	¥846	¥38,963	¥36,476	¥ 1,000	$375,682	$304,877	$ 10,179
Receive floating, pay fixed	29,054	23,920	(1,130)	39,142	32,985	(1,645)	349,420	287,681	(13,592)
	¥60,292	¥49,271	¥ (283)	¥78,106	¥69,461	¥(644)	$725,102	$592,559	$ (3,412)
c. Commodity-related									
Freight (chartered-freight) forward transactions:									
Forward chartered-freight agreements on buyer's side	¥ 228	¥ —	¥ (24)	¥267	¥ —	¥ (9)	$ 2,748	$ —	$ (296)
Forward chartered-freight agreements on seller's side	149	—	39	171	—	19	1,800	—	476
	¥ 378	¥ —	¥ 14	¥ 439	¥ —	¥ 9	$ 4,548	$ —	$ 180

* Indicated values are based on the market rates reported by the financial institutions handling these transactions for the Company, as of March 31, 2011 and 2010.

(2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2011			2010			2011		
		Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value
a. Currency-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	¥ 30,491	¥ 8,002	¥ (4,461)	¥ 36,143	¥ 15,743	¥ (3,172)	$ 366,708	$ 96,247	$ (53,657)
Sell U.S. dollar, buy Japanese yen		132	—	(1)	45	—	(0)	1,597	—	(18)
Others		21	3	0	45	14	3	263	36	10
Currency swaps:	Principal items hedged:									
Receive U.S. dollar, pay Japanese yen	Charterage paid	1,887	226	(150)	4,431	2,329	(66)	22,704	2,723	(1,810)
Receive U.S. dollar, pay Malaysia ringgit		645	460	(95)	876	688	(63)	7,759	5,538	(1,151)
Receive Japanese yen, pay U.S. dollar		118	79	37	158	118	35	1,429	952	448
Currency options:	Principal items hedged:									
Buy U.S. dollar put option, sell U.S. dollar call option	Freight	5,699	—	(7)	—	—	—	68,540	—	(84)
Foreign exchange contracts and other derivative transactions qualifying for designation accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	¥299,336	¥194,481	¥(37,042)	¥309,451	¥191,950	¥(20,016)	$3,599,953	$2,338,918	$(445,492)
Sell U.S. dollar, buy Japanese yen		21,949	—	72	45,354	—	(929)	263,974	—	870
Others		3,226	—	(53)	923	—	4	38,809	—	(645)
		¥363,510	¥203,253	¥(41,702)	¥397,431	¥210,845	¥(24,205)	$4,371,741	$2,444,416	$(501,531)
b. Interest rate-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Interest rate swaps:	Principal items hedged:									
Receive floating, pay fixed	Long-term loans payable	¥146,378	¥118,316	¥(10,144)	¥172,273	¥150,709	¥(11,367)	$1,760,412	$1,422,929	$(122,003)
Interest rate swap derivative transactions qualifying for exceptional accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating	Long-term loans payable	¥ 406	¥ —	*2	¥ 814	¥ 408	*2	$ 4,884	$ —	*2
Receive floating, pay fixed		96,509	86,781		96,617	88,638		1,160,671	1,043,670	
		¥243,294	¥205,097	¥(10,144)	¥269,705	¥239,755	¥(11,367)	$2,925,968	$2,466,599	$(122,003)
c. Commodity-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Freight (chartered-freight) forward transactions:	Principal items hedged:									
Forward chartered-freight agreements on seller's side	Charterage received	¥ 1,085	¥ —	¥ 22	¥ —	¥ —	¥ —	$ 13,053	$ —	$ 269
Forward chartered-freight agreements on buyer's side		121	—	10	—	—	—	1,459	—	127
Fuel swap:	Principal items hedged:									
Receive floating, pay fixed	Fuel	8,190	—	1,868	21,509	3,829	(1,266)	98,498	—	22,472
Fuel oil collar transaction:	Principal items hedged:									
Buy call option, sell put option	Fuel	1,969	—	191	—	—	—	23,690	—	2,304
		¥ 11,366	¥ —	¥ 2,093	¥ 21,509	¥ 3,829	¥ (1,266)	$ 136,701	$ —	$ 25,175

*1. Indicated values are based on the market rates reported by the financial institutions handling these transactions for the Company, as of March 31, 2011 and 2010.
2. As exceptional accounting for interest rate swaps is handled together with the long-term loans payable hedged, their fair value is included in that of the long-term loans payable.
3. The currency options and fuel oil collar transactions are zero-cost option transactions, with no option premiums paid or received.

7. Inventories

Inventories as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Products and goods	¥ 2,807	¥ 3,096	$ 33,759
Real estate for sale	1	1	22
Fuel and supplies	50,315	40,761	605,123
Others	609	485	7,330
Total	¥53,734	¥44,344	$646,235

8. Vessels, Property, Plant and Equipment

As of March 31, 2011 and 2010, vessels, property, plant and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Vessels, property, plant and equipment, at cost			
Vessels	¥1,360,798	¥1,358,209	$16,365,591
Buildings and structures	160,914	163,258	1,935,230
Aircraft	5,309	27,938	63,851
Machinery, equipment and vehicles	76,981	76,331	925,817
Equipment	23,981	25,774	288,408
Land	61,768	62,578	742,851
Construction in progress	262,227	271,659	3,153,666
Other	11,385	12,451	136,925
Total	1,963,366	1,998,203	23,612,343
Less accumulated depreciation	(812,465)	(887,081)	(9,771,077)
Net vessels, property, plant and equipment	¥1,150,901	¥1,111,122	$13,841,265

9. Investment and Rental Property

The Company and certain of its consolidated subsidiaries own offices and other buildings (including land) for earning rentals and other purposes in Tokyo and in other regions. Profit from rentals related to these properties (with main rental income recorded as revenues and main rental expense recorded as costs and expenses) in the current fiscal year totaled ¥3,977 million ($47,833 thousand) (with main rental income recorded as revenues and main rental expenses recorded as costs and expenses), and profit from sales totals ¥2,414 million ($29,039 thousand) (mainly recorded as extraordinary profit).

The amounts recorded in the consolidated balance sheets, the increase (decrease) during the fiscal year, and the fair value of the relevant investment and rental property, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Amount recorded in consolidated balance sheet			
Balance at end of the previous year	¥ 39,308	¥ 40,390	$ 472,739
Increase (decrease) during the fiscal year	437	(1,082)	5,261
Balance at end of the current year	39,745	39,308	478,001
Fair value as of current fiscal year-end	102,553	105,375	1,233,353

* 1. The amount recorded in the consolidated balance sheet is the acquisition cost net of accumulated depreciation and impairment losses.
2. Of the increase (decrease) during the fiscal year, the primary increase was ¥2,901 million ($34,899 thousand) from changes in use, and the primary decrease was ¥1,040 million ($12,508 thousand) from sales.
3. The market value as of the fiscal year-end is the amount calculated primarily based on the Real Estate Appraisal Standard (including adjustments made using indexes.).

10. Deferred Capital Gains

Under certain conditions, such as exchanges of fixed assets of similar kinds, gains from insurance claims, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer gains arising from such transactions by reducing the cost of the assets acquired. As such, deferred capital gains from insurance claims were deducted from the cost of properties acquired in replacement, which amounted to ¥5,566 million ($66,941 thousand) and ¥5,629 million as of March 31, 2011 and 2010, respectively.

11. Short-Term and Long-Term Debt

(1) Short-term debt had weighted-average interest rates of 1.1 percent and 0.79 percent as of March 31, 2011 and 2010, respectively.

(2) Long-term debt as of March 31, 2011 and 2010, consisted of the following.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Loans from banks and other financial institutions, with a weighted-average interest rate of 1.17 percent and 1.27 percent at March 31, 2011 and 2010, due from 2012 to 2031	¥708,915	¥ 757,031	$ 8,525,746
Lease obligations with a weighted-average interest rate of 4.72 percent at March 31, 2011, due from 2012 to 2021	6,215	7,251	74,752
Unsecured 1.67 percent bonds, due on June 20, 2012	30,000	30,000	360,793
Unsecured 1.01 percent bonds, due on February 21, 2013	15,000	15,000	180,396
Unsecured 1.58 percent bonds, due on June 9, 2014	20,000	20,000	240,529
Unsecured 0.968 percent bonds, due on August 11, 2014	30,000	30,000	360,793
Unsecured 2.06 percent bonds, due on June 22, 2016	20,000	20,000	240,529
Unsecured 2.05 percent bonds, due on June 20, 2017	30,000	30,000	360,793
Unsecured 1.782 percent bonds, due on August 9, 2019	30,000	30,000	360,793
Unsecured 2.36 percent bonds, due on June 7, 2024	10,000	10,000	120,264
Unsecured 2.65 percent bonds, due on June 22, 2026	10,000	10,000	120,264
Convertible bonds with warrants, due on September 24, 2026	56,059	56,128	674,201
Subtotal	966,191	1,015,411	11,619,860
Less current portion due within one year	(82,587)	(70,138)	(993,240)
Long-term debt, less current portion	¥883,603	¥ 945,273	$ 10,626,620

The aggregate annual maturities of long-term loans from banks and other financial institutions, convertible bonds with warrants, bonds and lease obligations as of March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 2)
2013	¥121,807	$ 1,464,906
2014	94,644	1,138,241
2015	135,198	1,625,964
2016	60,352	725,828
2017 and thereafter	471,600	5,671,678
Total	¥883,603	$10,626,620

Bonds with warrants

	Euroyen-denominated convertible bonds with issuer option to settle for cash upon conversion
Class of shares to be issued	Ordinary shares of common stock
Issue price for warrants	—
Exercise price per share	¥777.96 ($9.36 (Note 2))
Total amount of debt securities issued	¥55,000 million ($661,455 thousand (Note 2))
Total amount of shares issued by exercising warrants	—
Percentage of shares with warrants (%)	100
Exercise period	October 4, 2006–September 10, 2026

* Bonds were issued at a price higher than the issue price. Accordingly, the outstanding balance at the end of the period is calculated using the amortized cost method.

12. Pledged Assets and Secured Liabilities

As of March 31, 2011, the following assets were pledged as collateral for short-term loans payable, current portion of long-term debt, long-term debt and others:

	Net book value	
Pledged assets	Millions of yen	Thousands of U.S. dollars (Note 2)
Vessels	¥58,555	$704,212
Buildings and structures	4,338	52,179
Aircraft	1,703	20,485
Land	7,343	88,321
Investment securities	9,291	111,746
Others	1,463	17,596
Total	¥82,696	$994,541

Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Short-term loans payable and current portion of long-term debt	¥11,755	$141,380
Long-term debt	31,220	375,469
Others	99	1,195
Total	¥43,075	$518,045

13. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Deferred tax assets:			
Provision for bonuses	¥ 3,146	¥ 2,688	$ 37,837
Provision for retirement benefits	3,479	5,184	41,849
Impairment loss on vessels, property, plant and equipment	9,211	10,843	110,785
Losses on revaluation of securities	1,275	3,044	15,342
Losses on revaluation of noncurrent assets	298	328	3,587
Tax loss carryforwards	51,848	70,408	623,549
Unrealized gains on sale of vessels, property, plant and equipment	3,352	4,028	40,312
Provision for periodic dry docking of vessels	6,566	6,634	78,970
Accrued expenses	3,078	2,629	37,017
Deferred loss on hedges	18,954	13,932	227,958
Others	13,635	11,565	163,987
Subtotal of deferred tax assets	114,846	131,286	1,381,197
Valuation allowance	(63,120)	(68,908)	(759,120)
Total deferred tax assets	51,725	62,378	622,077
Deferred tax liabilities:			
Gain on securities contribution to employee retirement benefit trust	(3,754)	(3,754)	(45,151)
Depreciation	(7,936)	(8,511)	(95,442)
Special tax purpose reserve	(4,542)	(4,678)	(54,629)
Unrealized losses on sale of vessels, property, plant and equipment	(42)	(84)	(513)
Valuation difference on available-for-sale securities	(14,939)	(16,932)	(179,665)
Deferred gain on hedges	(570)	(518)	(6,857)
Others	(5,794)	(5,113)	(69,687)
Total deferred tax liabilities	(37,579)	(39,593)	(451,947)
Net deferred tax assets	¥ 14,146	¥ 22,785	$ 170,129

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the year ended March 31, 2011 is as follows:

	2011
Normal statutory income tax rate	37.5%
Increase (decrease) in taxes resulting from:	
Amortization of goodwill	0.5
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.1)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	0.8
Permanently non-taxable income, such as dividend income	(0.6)
Changes in valuation allowance	(6.8)
Tax exemption of overseas subsidiaries	(2.3)
Other	0.5
Actual effective income tax rate	27.5%

* For the fiscal year ended March 31, 2010, the reconciliation of the statutory tax rate of the Company and its consolidated subsidiaries to the effective income tax rate is not stated as the Company and its consolidated subsidiaries recorded Loss before Income Taxes and Minority Interests.

14. Equity

The consolidated financial statements have been reported in accordance with the provisions set forth in the Japanese Companies Act ("the Companies Act").

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (a) having a board of directors, (b) having independent auditors, (c) having a board of corporate auditors, and (d) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. Semiannual interim dividends may also be paid once a year upon resolution of the company as stipulated. The Companies Act provided certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a component of equity. The Companies Act also provides that companies can purchase both treasury stock purchase rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(A) Matters Concerning Outstanding Shares

Changes in the number of outstanding shares in the consolidated fiscal years ended March 31, 2011, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2010	1,700,550	2,726
Increase in number of shares	—	972
Decrease in number of shares	—	(37)
At March 31, 2011	1,700,550	3,660

(B) Matters Concerning Dividends

(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2011, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the regular general meeting of shareholders on June 23, 2010	¥ 3,395	$ 40,838
Approved by the Board of Directors on October 29, 2010	10,182	122,454
Total	¥13,577	$163,293

(2) The effective date for dividends, including retained earnings as of March 31, 2011, shall be determined in the subsequent consolidated fiscal year, as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
At the regular general meeting of shareholders on June 23 ,2011	¥8,484	$102,039
Total	¥8,484	$102,039

15. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2011 totaled ¥407,187 million ($4,897,022 thousand) for the construction of vessels, ¥360,156 million ($4,331,408 thousand) for the purchase of aircraft and ¥81 million ($978 thousand) for the purchase of other equipment.

Contingent liabilities for notes receivable discounted and endorsed, loans guaranteed, and joint debt of indebtedness as of March 31, 2011, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes receivable discounted and endorsed	¥ 1	$ 13
Guarantees of loans	97,937	1,177,836
Joint debt of indebtedness	3,041	36,580
Total	¥100,979	$1,214,430

(2) Certain operating leases entered into by consolidated subsidiaries in relation to various vessels include guarantees of residual value. The potential maximum payment under these guarantees of residual value is ¥37,065 million ($445,762 thousand). There is a possibility that payments will be made under these guarantees if lease assets are returned without exercise of the lease purchase option. These operating lease contracts will expire by December 2018.

(3) Certain operating leases entered into by the Company and its consolidated subsidiary, Nippon Cargo Airlines Co., Ltd. (NCA), in relation to aircraft include guarantees of residual value. The potential maximum payment under these guarantees of residual value is ¥25,858 million ($310,980 thousand). There is a possibility that payments will be made under these guarantees if lease assets are returned upon the conclusion of the lease term. These operating lease contracts will expire by December 2013.

(4) The Company's consolidated subsidiary, NCA, has been filed a damage suit without a specified amount of damage (class action lawsuit) in the U.S. on suspicion of forming a price cartel in the air cargo transport service, etc. Regarding the ultimate outcome of the class action lawsuit, there is a possibility of a resulting impact on NCA's operating results, but it is difficult to reasonably predict these results at this time.

16. Accounting for Leases

As discussed in Note 3.J, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of such leases existing at the transaction date on an "as if capitalized" basis for the year ended March 31, 2011 and 2010, was as follows.

(1) Finance leases accounted for as operating leases, which started before the consolidated fiscal year ended March 31, 2009

As lessees

a. Acquisition cost, accumulated depreciation, accumulated impairment loss and net balance at end of the year of leased assets as of March 31, 2011 and 2010, which included the portion of interest thereon, would have been shown in the consolidated balance sheets as follows, if the leased assets had been capitalized.

	Millions of yen									
	2011					2010				
	Vessels	Aircraft	Equipment	Other	Total	Vessels	Aircraft	Equipment	Other	Total
Acquisition cost	¥20,002	¥29,427	¥57,692	¥1,431	¥108,553	¥21,187	¥29,427	¥64,171	¥1,345	¥116,132
Accumulated depreciation	15,122	13,895	40,820	986	70,825	14,540	11,443	40,284	859	67,127
Accumulated impairment loss	—	5,441	—	—	5,441	—	5,441	—	—	5,441
Net balance at end of the year	4,879	10,089	16,872	444	32,286	6,647	12,542	23,887	486	43,563

	Thousands of U.S. dollars (Note 2)				
	2011				
	Vessels	Aircraft	Equipment	Other	Total
Acquisition cost	$240,557	$353,904	$693,842	$17,215	$1,305,519
Accumulated depreciation	181,875	167,115	490,927	11,866	851,784
Accumulated impairment loss	—	65,443	—	—	65,443
Net balance at end of the year	58,682	121,345	202,914	5,348	388,292

b. Future lease payments as of March 31, 2011, which included the portion of interest thereon, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 8,639	$103,906
More than one year	24,691	296,946
Total	¥33,330	$400,852
Accumulated impairment loss on leased property	¥ 4,122	$ 49,583

c. Lease expenses, depreciation, interest expenses and impairment loss for the years ended March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Lease expenses for the year	¥10,722	¥11,910	$129,553
Reversal of impairment loss on leased property	659	659	7,930
Depreciation	11,305	12,036	135,970
Interest expenses	730	926	8,787

d. Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

e. Calculation of interest equivalent

The excess of total lease payments over acquisition cost equivalents is regarded as amounts representing interest payable equivalents and is allocated to each period using the interest method.

(2) Operating leases

As lessees

Future lease payments as of March 31, 2011, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 68,778	$ 827,166
More than one year	330,402	3,973,575
Total	¥399,181	$4,800,742

As lessors

Future lease income as of March 31, 2011, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 3,791	$ 45,602
More than one year	47,248	568,237
Total	¥51,040	$613,839

17. Accounting for Employees' Retirement Benefits

(1) Outline of employees' retirement benefit plans:

The Company and its domestic consolidated subsidiaries maintain the following defined benefit plans: the Tax-Qualified Pension Plan, the national government's Employees' Pension Fund and a retirement lump-sum allowance system. Some overseas consolidated subsidiaries also maintain defined contribution plans or defined benefit plans.

(2) Amounts related to projected benefit obligations (As of March 31, 2011 and 2010):

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Projected benefit obligations	¥ (88,317)	¥ (89,286)	$(1,062,148)
Plan assets	106,089	105,490	1,275,883
Unfunded obligations	17,772	16,204	213,735
Unrecognized actuarial loss	(4,140)	(9,469)	(49,792)
Unrecognized prior service cost	1,612	2,167	19,390
Net obligations in the consolidated balance sheets	15,244	8,901	183,333
Prepaid pension costs	30,538	25,250	367,272
Provision for retirement benefits	¥ (15,294)	¥ (16,348)	$ (183,939)

(3) Amounts related to retirement benefit costs (Years ended March 31, 2011 and 2010):

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Service costs	¥ 4,457	¥ 4,218	$ 53,609
Interest costs	1,770	1,802	21,292
Expected return on plan assets	(1,433)	(1,249)	(17,244)
Recognized actuarial loss	(3,292)	293	(39,597)
Amortization of prior service cost	584	549	7,026
Retirement benefit costs	¥ 2,085	¥ 5,614	$ 25,086

* In addition to the costs shown above, certain consolidated subsidiaries had ¥1,654 million ($19,899 thousand) and ¥1,914 million for the fiscal years ended March 31, 2011 and 2010, respectively, in defined contribution retirement benefit costs. Besides the retirement benefit costs shown above, certain domestic consolidated subsidiaries treated the amount of defined contributions paid to their Employees' Pension Fund as retirement benefit costs.

(4) Assumptions in calculation of the above information (As of March 31, 2011 and 2010):

	2011	2010
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%–3.0%	Mainly 2.0%–3.0%
Amortization period of prior service cost	Mainly 8 years	Mainly 8 years
Recognition period of actuarial gain/loss	Mainly 8 years	Mainly 8 years

18. Segment Information

A.Industry Segment Information

The Company and its consolidated subsidiaries operate in eight businesses: Liner Trade, Bulk Shipping, Logistics, Terminal and Harbor Transport, Cruise, Air Cargo Transport, Real Estate and Others. The table below presents certain segment information for the fiscal year ended March 31, 2010.

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (Loss)											
Revenues:											
(1) Revenues from customers	¥374,035	¥ 727,665	¥340,437	¥ 85,249	¥ 35,155	¥ 55,493	¥ 9,828	¥ 69,477	¥1,697,342	¥ —	¥1,697,342
(2) Inter-segment revenues	4,050	5,805	1,345	25,030	—	7,086	2,326	86,504	132,148	(132,148)	—
Total revenues	378,085	733,471	341,782	110,279	35,155	62,579	12,154	155,981	1,829,491	(132,148)	1,697,342
Operating costs and expenses	429,823	687,718	340,592	106,949	38,859	77,938	8,413	157,303	1,847,599	(132,162)	1,715,437
Operating income (loss)	¥ (51,737)	¥ 45,752	¥ 1,190	¥ 3,330	¥ (3,703)	¥(15,358)	¥ 3,740	¥ (1,321)	¥ (18,108)	¥13	¥ (18,094)
II Total Assets, Depreciation and Amortization, Impairment Loss, and Capital Expenditures											
Total assets	¥275,877	¥1,237,619	¥208,477	¥135,983	¥ 33,214	¥ 64,329	¥56,790	¥507,599	¥2,519,891	¥(312,727)	¥2,207,163
Depreciation and amortization	8,452	73,353	6,563	4,676	1,796	688	1,027	1,472	98,031	(11)	98,019
Impairment loss	—	932	878	1,995	—	292	—	—	4,098	—	4,098
Capital expenditures	41,900	169,890	7,120	6,366	2,823	9,393	307	167	237,969	—	237,969

Within the asset balance for the consolidated fiscal year ended March 31, 2010, company-wide assets included under Elimination or Corporate had a value of ¥141,186 million ($1,517,484 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposit).

B. Geographical Segment Information

Major countries and regions in each segment are as follows:

North America: United States and Canada
Europe: United Kingdom, Germany, the Netherlands, Italy, France and Belgium
Asia: Singapore, Thailand, Hong Kong and China
Others: Australia

The table below contains segment information for the fiscal year ended March 31, 2010.

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income (Loss)								
Revenues:								
(1)Revenues from customers	¥1,259,304	¥128,835	¥180,385	¥115,554	¥13,263	¥1,697,342	¥ —	¥1,697,342
(2)Inter-segment revenues	35,377	25,446	14,903	15,141	1,964	92,832	(92,832)	—
Subtotal	1,294,681	154,281	195,288	130,695	15,227	1,790,174	(92,832)	1,697,342
Operating costs and expenses	1,327,001	155,583	185,125	125,907	15,182	1,808,801	(93,364)	1,715,437
Operating income (loss)	¥ (32,320)	¥ (1,301)	¥ 10,162	¥ 4,788	¥ 44	¥ (18,626)	¥ 531	¥ (18,094)
II Total assets	¥1,867,130	¥ 83,535	¥267,766	¥280,224	¥12,145	¥2,510,802	¥(303,638)	¥2,207,163

Within the asset balance for the consolidated fiscal year ended March 31, 2010, company-wide assets included under Elimination or Corporate had a value of ¥141,186 million ($1,517,484 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposit).

C. International Business Information

Geographical areas belonging to each segment are as follows:

North America:	United States and Canada
Europe:	United Kingdom, Germany, France, Italy and other European countries
Asia:	Southeast Asia, East Asia, Southwest Asia, and the Middle and Near East
Others:	Oceania, Central and South America, Africa and other areas

The table below contains international business information for the fiscal year ended March 31, 2010.

	Millions of yen				
	North America	Europe	Asia	Others	Total
I International revenues	¥373,491	¥338,090	¥413,120	¥269,568	¥1,394,271
II Consolidated revenues	—	—	—	—	1,697,342
III Ratio of international revenues to consolidated revenues	22.0%	19.9%	24.3%	15.9%	82.1%

D. Segment Information

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

The Company and its consolidated subsidiaries operate in eight businesses: Liner Trade, Bulk Shipping, Logistics, Terminal and Harbor Transport, Cruise, Air Cargo Transport, Real Estate and Others. The table below presents certain segment information for the years ended March 31, 2011 and 2010.

Year ended March 31, 2011:

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues											
(1) Revenues from customers	¥458,742	¥ 791,644	¥389,647	¥ 92,603	¥35,865	¥77,745	¥ 9,421	¥ 73,498	¥1,929,169	¥ —	¥1,929,169
(2) Inter-segment revenues	3,421	4,786	1,281	29,815	12	9,488	2,037	90,036	140,878	(140,878)	—
Total	462,163	796,430	390,929	122,419	35,877	87,234	11,458	163,535	2,070,048	(140,878)	1,929,169
Segment profit (loss)	30,248	60,414	7,750	6,699	(2,688)	7,817	4,368	(459)	114,150	15	114,165
Segment assets	¥259,367	¥1,302,705	¥215,219	¥138,134	¥27,397	¥59,992	¥53,842	¥507,564	¥2,564,223	¥(437,410)	¥2,126,812
II Other items											
Depreciation and amortization	¥ 9,535	¥ 74,958	¥ 6,139	¥ 4,785	¥1,843	¥ 740	¥ 831	¥ 1,375	¥ 100,212	¥ (13)	¥ 100,198
Amortization of goodwill and negative goodwill	18	1,162	(124)	29	—	—	0	(29)	1,057	—	1,057
Interest income	256	986	257	92	3	101	5	7,356	9,060	(7,086)	1,973
Interest expenses	1,705	12,081	607	742	318	630	103	7,577	23,767	(6,941)	16,826
Equity in earnings of unconsolidated subsidaries and affiliates	80	6,098	84	79	—	—	45	—	6,387	—	6,387
Investments in equity method affiliates	54	72,136	3,015	11,629	—	—	925	—	87,761	—	87,761
Capital expenditures	45,976	217,898	6,472	4,836	1,945	330	254	855	278,570	—	278,570
III Information about impairment loss by reportable segments											
Impairment loss	¥ —	¥ 1,869	¥ 439	¥ —	¥ —	¥ 134	¥ —	¥ —	¥ 2,443	¥ —	¥ 2,443
IV Information about balance of goodwill by reportable segments											
Balance of goodwill (negative goodwill) at the end of current period	¥ 19	¥ 14,825	¥ 1,517	¥ 2,734	¥ —	¥ —	¥ 0	¥ (31)	¥ 19,064	¥ —	¥ 19,064

	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Adjustments*	Consolidated Total
	Thousands of U.S. dollars (Note 2)										
I Revenues											
(1) Revenues from customers	$5,517,049	$ 9,520,680	$4,686,081	$1,113,696	$431,333	$ 935,004	$113,301	$ 883,932	$23,201,079	$ —	$23,201,079
(2) Inter-segment revenues	41,142	57,562	15,414	358,577	145	114,114	24,499	1,082,819	1,694,275	(1,694,275)	—
Total	5,558,192	9,578,241	4,701,495	1,472,274	431,478	1,049,118	137,800	1,966,752	24,895,354	(1,694,275)	23,201,079
Segment profit (loss)	363,787	726,567	93,208	80,571	(32,335)	94,018	52,534	(5,528)	1,372,825	187	1,373,012
Segment assets	$3,119,273	$15,666,929	$2,588,323	$1,661,273	$329,493	$ 721,494	$647,533	$6,104,204	$30,838,525	$(5,260,498)	$25,578,026
II Other items											
Depreciation and amortization	$ 114,680	$ 901,488	$ 73,842	$ 57,555	$ 22,170	$ 8,910	$ 10,001	$ 16,547	$ 1,205,196	$ (164)	$ 1,205,031
Amortization of goodwill and negative goodwill	223	13,985	(1,500)	357	—	—	0	(352)	12,713	—	12,713
Interest income	3,088	11,867	3,100	1,110	42	1,226	62	88,467	108,966	(85,229)	23,737
Interest expenses	20,516	145,292	7,308	8,931	3,833	7,577	1,243	91,132	285,836	(83,476)	202,359
Equity in earnings of unconsolidated subsidaries and affiliates	973	73,338	1,014	952	—	—	544	—	76,823	—	76,823
Investments in equity method affiliates	652	867,550	36,263	139,859	—	—	11,129	—	1,055,456	—	1,055,456
Capital expenditures	552,934	2,620,546	77,835	58,167	23,399	3,972	3,064	10,293	3,350,214	—	3,350,214
III Information about impairment loss by reportable segments											
Impairment loss	$ —	$ 22,480	$ 5,284	$ —	$ —	$ 1,616	$ —	$ —	$ 29,381	$ —	$ 29,381
IV Information about balance of goodwill by reportable segments											
Balance of goodwill (negative goodwill) at the end of current period	$ 230	$ 178,294	$ 18,244	$ 32,889	$ —	$ —	$ 1	$ (375)	$ 229,284	$ —	$ 229,284

* Adjustments of segment profit or loss are intersegment transactions or transfers to other amounts among segments. Adjustments of segment assets are (¥481,766) million (($5,793,943) thousand) of receivables or assets relating to intersegment transactions among segments and ¥44,355 million ($533,444 thousand) of corporate assets. Major corporate assets consist of the excess of operating funds (cash and deposits). There were no material gains from negative goodwill arising at individual reporting segments.

Year ended March 31, 2010:

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues											
(1) Revenues from customers	¥374,035	¥ 727,665	¥340,437	¥ 85,249	¥35,155	¥55,493	¥ 9,828	¥69,477	¥1,697,342	¥ —	¥1,697,342
(2) Inter-segment revenues	4,050	5,805	1,345	25,030	—	7,086	2,326	86,504	132,148	(132,148)	—
Total	378,085	733,471	341,782	110,279	35,155	62,579	12,154	155,981	1,829,491	(132,148)	1,697,342
Segment profit (loss)	(55,445)	36,604	1,554	2,926	(4,093)	(15,182)	4,909	(1,732)	(30,458)	13	(30,445)
Segment assets	¥275,877	¥1,237,619	¥208,477	¥135,983	¥33,214	¥64,329	¥56,790	¥507,599	¥2,519,891	¥(312,727)	¥2,207,163
II Other items											
Depreciation and amortization	¥ 8,452	¥ 73,353	¥ 6,563	¥ 4,676	¥ 1,796	¥ 688	¥ 1,027	¥ 1,472	¥ 98,031	¥ (11)	¥ 98,019
Amortization of goodwill and negative goodwill	25	1,046	(124)	28	—	—	0	(31)	944	—	944
Interest income	266	1,198	304	53	20	285	8	7,852	9,989	(7,342)	2,646
Interest expenses	1,720	14,336	753	814	397	630	144	7,859	26,656	(7,189)	19,467
Equity in earnings (losses) of unconsolidated subsidaries and affiliates	41	2,409	(129)	50	—	—	45	—	2,417	—	2,417
Investments in equity method affiliates	35	52,716	727	11,476	—	—	902	—	65,859	—	65,859
Capital expenditures	41,900	169,890	7,120	6,366	2,823	9,393	307	167	237,969	—	237,969

* Adjustments of segment profit or loss are intersegment transactions or transfers to other amounts among segments. Adjustments of segment assets are (¥453,914) million (($4,878,701) thousand) of receivables or assets relating to intersegment transactions among segments and ¥141,186 million ($1,517,484 thousand) of corporate assets. Major corporate assets consists of the excess of operating funds (cash and deposits).

19. Related Information

Information by geographical segment is as follows. As there were no customers that accounted for more than 10% of consolidated revenues, information about revenues from major customers is omitted.

Year ended March 31, 2011:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,463,398	¥140,742	¥164,204	¥148,598	¥12,225	¥1,929,169
II Tangible fixed assets	934,821	25,845	140,219	49,449	565	1,150,901

	Thousands of U.S. dollars(Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	$17,599,503	$1,692,635	$1,974,800	$1,787,112	$147,026	$23,201,079
II Tangible fixed assets	11,242,595	310,831	1,686,339	594,700	6,797	13,841,265

20. Related Party Transactions

The Company was contingently liable as guarantors of indebtedness of related parties at March 31, 2011 and 2010 as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	2011
Guarantee amount	**¥31,303**	¥32,961	**$376,466**

21. Business Combinations

Transactions under common control

(Merger with Taiheiyo Kaiun Co., Ltd.)

For the year ended March 31, 2011

Based on a meeting of the Board of Directors held on July 29, 2010, the Company absorbed its wholly owned subsidiary, Taiheiyo Kaiun Co., Ltd., effective October 1, 2010.

1. Name and businesses of combined companies, date of business combination, legal framework of business combination, name of companies subsequent to the combination, and overview of the transaction, including its objectives.
   (1) Name and Business Description of the Companies under Business Combination
   Name of Companies under Business Combination: Taiheiyo Kaiun Co., Ltd. (consolidated subsidiary)
   Business Description: Ship operation, leasing, and management
   (2) Date of Business Combination
   October 1, 2010
   (3) Legal Framework of Business Combination
   Absorption-type merger, with the Company as the surviving entity and Taiheiyo Kaiun Co., Ltd. as the absorbed company.
   (4) Name of Company Subsequent to the Combination
   Nippon Yusen Kabushiki Kaisha
   (5) Overview of the Transaction, including its Objectives
   Taiheiyo Kaiun Co., Ltd. was made a wholly owned subsidiary of the Company via a capital increase via third-party allocation of shares carried out in June 2009 and a share exchange carried out on December 1, 2009, for the purpose of acquiring the proprietary vessel operations and sophisticated expertise developed by Taiheiyo Kaiun Co., Ltd. and expanding the Company's small and medium-sized tanker business. Building on this, the merger aims to further strengthen and effectively expand the business base for bulk and energy transport operations, and in particular for the transport of petroleum products and chemicals.
   Because the Company held all of the outstanding shares of Taiheiyo Kaiun Co., Ltd., no new shares were issued, capital was not increased, and no monies were paid as a result of the merger.

2. Overview of Accounting Treatment of Transaction
   The merger was accounted for as a transaction under common control as per "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

(Transfer of business from Tokyo Senpaku Kaisha, Ltd.)

Based on a contract for the transfer of business dated August 26, 2010, the container ship business of the Company's wholly owned subsidiary, Tokyo Senpaku Kaisha, Ltd., was transferred to the Company effective November 1, 2010.

1. Name and businesses of combined companies, date of business combination, legal framework of business combination, name of companies subsequent to the combination, and overview of the transaction, including its objectives.
   (1) Name and Business Description of the Companies under Business Combination
   Name of Companies under Business Combination: Tokyo Senpaku Kaisha, Ltd.
   Business Description: Container ship operations
   (2) Date of Business Combination
   November 1, 2010
   (3) Legal Framework of Business Combination
   Business transfer, with the Company as the receiving entity and Tokyo Senpaku Kaisha, as the transferring company.
   (4) Name of Company Subsequent to the Combination
   There were no changes in the names of the companies.
   (5) Overview of the Transaction, including its Objectives
   The transfer was carried out with the aim of enhancing the efficiency of the NYK Group's liner operations by integrating the management of all lines of the East-West and North-South container lines operated by the Company and the intra-Asia container lines operated by Tokyo Senpaku Kaisha, and to be able to offer a more competitive, diverse range of services.

2. Overview of Accounting Treatment of Transaction
The transfer was accounted for as a transaction under common control as per "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

22. Subsequent Event

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders' meeting held on June 23, 2011:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥5.00 ($0.06) per share	**¥8,484**	**$102,039**

Management's Report on Internal Control Over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Yasumi Kudo, President, President Corporate Officer, and Tadaaki Naito, Representative Director, Senior Managing Corporate Officer, are responsible for designing and operating effective internal control over financial reporting of the Company and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2011, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidated basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls conducted for the Company and consolidated subsidiaries, we reasonably determined the scope of assessment of process-level controls. Regarding the consolidated subsidiaries and the equity-method affiliated companies that do not have a material effect on financial reporting, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of process-level controls, we selected locations and business units to be tested in descending order of revenues, and the companies whose combined revenues reaches two thirds of revenues on a consolidated basis were selected as "significant locations and/or business units". We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to revenues, costs and expenses, accounts receivable-trade, and fixed assets as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing the business processes having greater materiality, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

Yasumi Kudo
President, President Corporate Officer
June 23, 2011

Tadaaki Naito
Representative Director, Senior Managing Corporate Officer

Independent Auditors' Report

To the Board of Directors of
Nippon Yusen Kabushiki Kaisha:

We have audited the accompanying consolidated balance sheets of Nippon Yusen Kabushiki Kaisha (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Yusen Kabushiki Kaisha and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also audited management's report on internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control. Our responsibility is to express an opinion on management's report on internal control based on our audit. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free of material misstatement. An internal control audit includes examining, on a test basis, representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2011

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